

## ASEAN-5 & India

19 August 2025

### ASEAN-5 & India: Bracing for impact

- Reciprocal tariff rates came into effect 7 August. Our calculations show the effective tariff rate on ASEAN-5 and India exports to the US rose sharply, despite certain exemptions on pharmaceuticals and semiconductors tariffs still in place.
- This sharp rise in the effective tariff rates will hurt export growth to the US. Seeing as the starting point of 1H25 GDP growth was strong due to frontloading activities, the impact on growth will likely be felt into 2H25 and 2026.
- Our pecking order from most impacted to least impacted in terms of GDP growth is Thailand, Vietnam, Malaysia, India, Philippines and Indonesia. In terms of policy responses, we expect central banks to continue to do the heavy lifting through policy rate cuts while the fiscal support remains more targeted.

Lavanya Venkateswaran  
Senior ASEAN economist

+65 6530 6875

[lavanyavenkateswaran@ocbc.com](mailto:lavanyavenkateswaran@ocbc.com)

Ahmad A Enver  
ASEAN economist

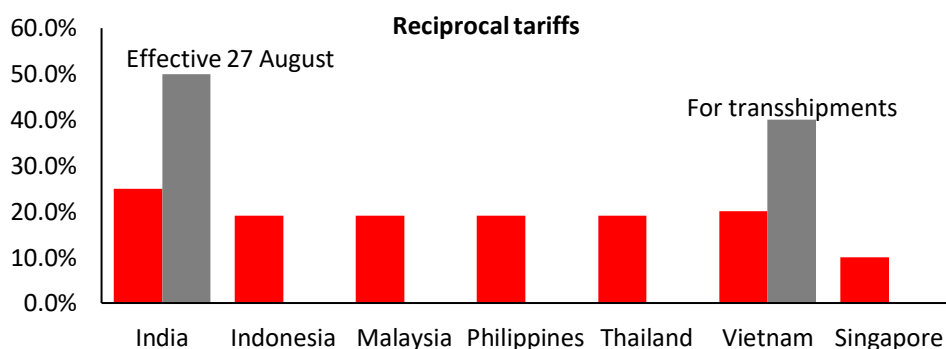
+65 6530 6818

[ahmad.enver@ocbc.com](mailto:ahmad.enver@ocbc.com)

Jonathan Ng  
ASEAN Economist

[JonathanNg4@ocbc.com](mailto:JonathanNg4@ocbc.com)

Reciprocal tariff rates came into effect on 7 August. The rates are lower than previously announced on 2 April or 9 July but remain punitive enough to impact trade and growth prospects. US imports from Indonesia, Malaysia, Cambodia, the Philippines and Thailand face 19% tariff rates while US imports from Vietnam are slightly higher at 20% tariff rates, with the rate rising to 40% if defined as a 'transshipment'. Brunei faces 25% tariff rates while Laos and Myanmar are slapped with 40% tariff rates. The tariff rate for US imports from Singapore remain at 10%.

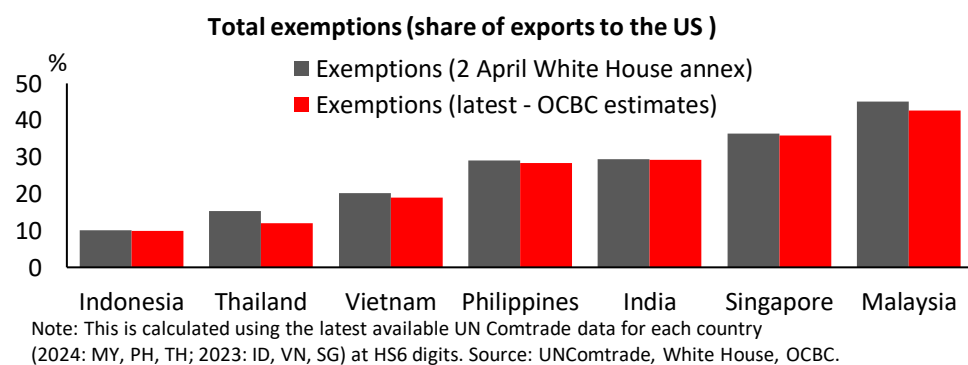


Source: White House; OCBC.

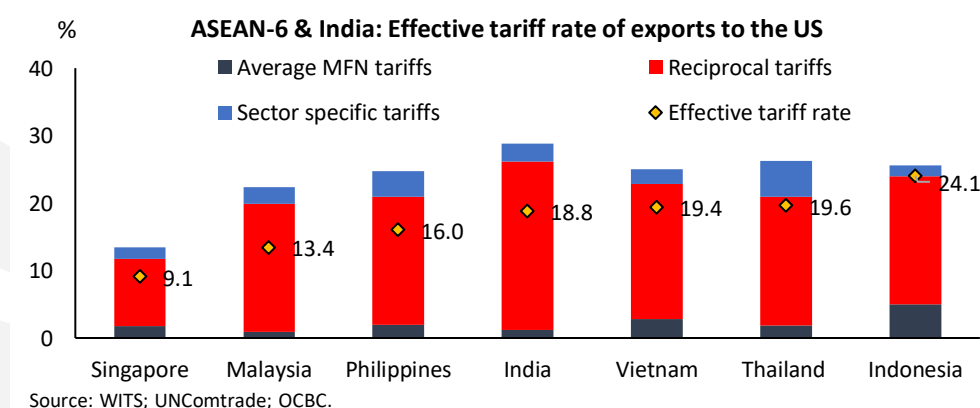
For India, the tide has turned for the worse. We have argued for some time now that trade negotiations with India are unlikely to yield quick outcomes as were some expectations at the start of 2025. Tariff rates are set to rise to 50% from 27 August (25% from reciprocal tariffs effective 7 August and 25% for reliance on Russian oil imports effective 27 August). We believe that these tariffs will not derail broader economic growth momentum but prove painful in pockets.

More importantly, there are still some crucial unknowns including the definition of transshipments, the timing and rate of impending tariffs on semiconductors and pharmaceuticals as well as potential ad-hoc tariff changes stemming from the US administration. Specifically, certain goods, as outlined in the 2 April Presidential Executive Order, remain exempt from reciprocal tariffs while still under Section 232 investigations namely semiconductor and pharmaceuticals.

However, since 2 April, sector specific tariffs on copper and automobiles & parts were finalised narrowing the scope of exemptions from the previously outlined list. Our calculations suggest that for ASEAN-6 (Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam) and India sector specific tariffs on copper, steel & aluminium, automobiles & parts are not significant. The share of exports to the US that remain exempt from tariffs is relatively unchanged from the 2 April annex to Executive Order 14257 provided by the White House.



Nevertheless, we estimate that the effective tariff of exports to the US from ASEAN-6 and India has increased sharply. Tariff calculations are complicated and are usually undertaken at the most granular trade codes available. For the purpose of our study, we have aggregated the trade codes at a HS 6-digit level<sup>1</sup>. The effective tariff rate has been raised significantly - reciprocal tariffs are stacked on top of already applied MFN tariff rates, while the sector specific tariffs are not stacked and assumed to be standalone.



<sup>1</sup> This is not the most granular level and provides an approximate rather than a precise value.

## Estimating the effective tariff rate

Our methodology to calculate the effective tariff rate is stated below:

1. We downloaded the latest available data from UN Comtrade of ASEAN-6 and India's exports to the US at 6-digit HS code level. The latest data available for India, Malaysia, Philippines, Thailand is 2024 while for Vietnam, Singapore and Indonesia it is 2023.
2. We downloaded the 2022 simple average MFN rate tariff at the 6-digit HS code breakdown from WITS. This data was downloaded on a bilateral basis with US as the reporter and ASEAN-6 & India as the partner economies.
3. We tabulated the MFN simple average tariff rate, reciprocal tariff rate and sector specific tariff rate that the US applies for each product on a bilateral basis.
4. We then add the MFN simple average tariff to the reciprocal tariff for applicable products. If there is a sector specific tariff for the product, it overrides the MFN and reciprocal tariff.
5. The effective tariff rate is the weighted average of the tariff rates at the HS-6 digit multiplied by the export value of that product. This is then divided by total annual exports to the US to determine the effective tariff rate.
6. Our data sources are WITS, UN Comtrade, and CEIC.

## **A better starting point – 1H25 GDP growth beat estimates**

The starting point for higher tariffs is stronger than expected. GDP growth across the region beat estimates in 1H25 due to a combination of factors including frontloading of exports to the US, the postponement of tariff imposition deadlines, optimism around trade negotiations with the US and resilient domestic demand conditions.

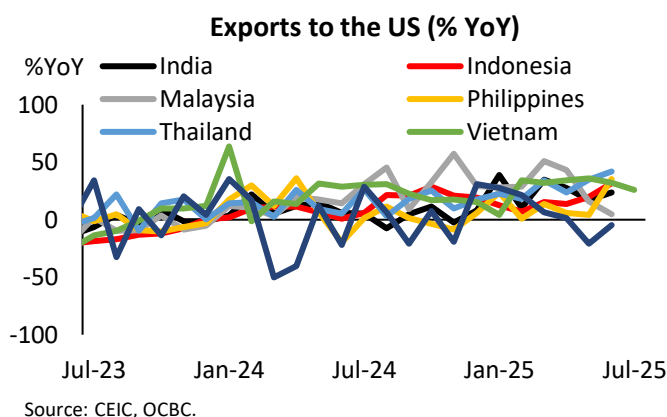
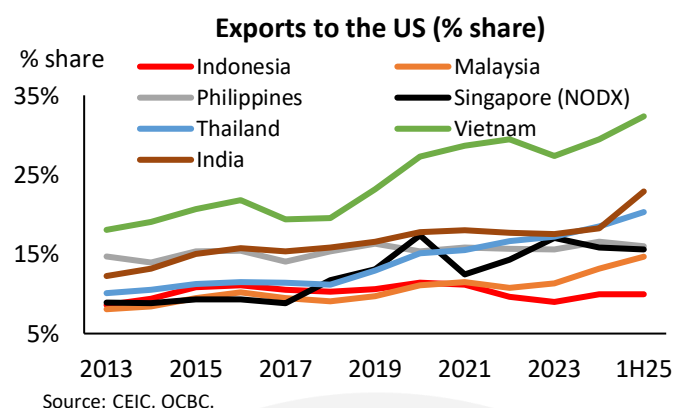
Countries	1Q25	2Q25		
	Actual	Actual	Bloomberg Consensus	OCBC Forecast
Indonesia	4.9	5.1	4.9	4.8
Malaysia	4.4	4.4	4.5	4.5
Philippines	5.4	5.5	5.4	5.5
Singapore	3.9	4.4	4.4	4.5
Thailand	3.1	2.8	2.7	2.3
Vietnam	7.1	8.0	6.7	7.0
India*	7.4	-	-	6.2

Note: \*Fiscal year estimate. India 2Q25 GDP will be released on 29 August 2024. Source: Bloomberg, CEIC, OCBC.

Indonesia's 2Q25 GDP growth outturn of 5.1% YoY compared to 4.9% in 1Q25, defied expectations of a slowdown to 4.8%. The details show that gross fixed capital formation growth improved to 7.0% YoY in 2Q25 from 2.1% in 1Q25. The solid 2Q25 GDP prints from Vietnam and Singapore paint a similar picture of resilient GDP growth driven by domestic and external demand factors. Thailand's 2Q25 GDP was slightly better than expected at 2.8% YoY from 3.2% in 1Q25. Likewise for the Philippines, 2Q25 GDP growth was modestly better than expected at 5.5% YoY compared to 5.4% in 1Q25. By contrast, Malaysia's final 2Q25 GDP print was a tad weaker than expected at 4.4% YoY compared to an advance estimate of 4.5%, but similar to the pace of growth in 1Q25 GDP growth.

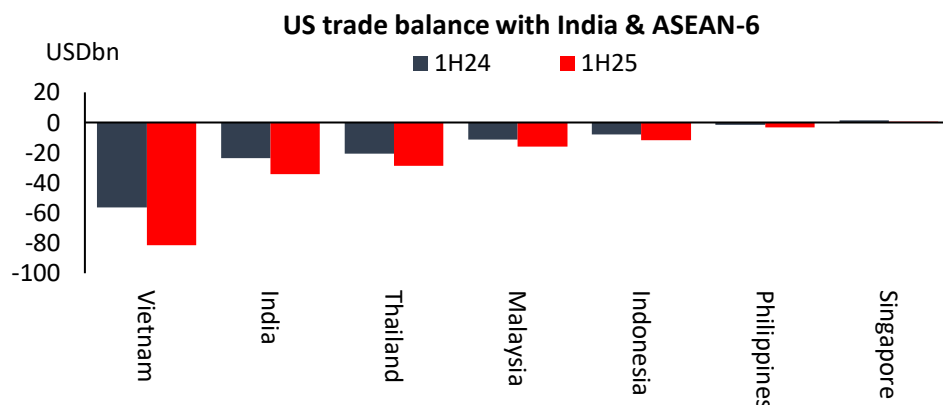
## Frontloading fortunes likely to reverse

The outlook for 2H25 and 1H26, however, may not be as rosy. The fortunes from frontloading are likely to come to an end and weigh on export growth. We have written at length with regards to these exposures (see *ASEAN-5 & India: Potential implications of reciprocal tariffs & more*, *ASEAN-6 & India: Some of the hardest hit by reciprocal tariffs*, *ASEAN-4: Trial by tariffs*), but it is worth taking stock again at this juncture considering the trade math has been meaningfully impacted by the frontloading of exports to the US.



Export growth to the US was at strong double-digit figures on a year-on-year basis for much of 1H25 for Vietnam, India, Malaysia, Thailand, Indonesia, the Philippines. This resulted in a higher share of exports to the US across India and ASEAN-6. The share of exports to the US remains the highest for Vietnam, increasing to 32% in 1H25 from 29% in 2024. For India, the share of total exports jumped to 23% from 18% in 2024 while for Malaysia, the share rose to 15% from 13% in 2024. The share of exports for Thailand was higher at 20.3% from 18.5% in 2024. For the remaining economies of the Philippines (16% from 17%), Singapore (~16%), and Indonesia (~10%), the shares were broadly unchanged in 1H25 compared to 2024.

Mirroring this, the US trade balance with India & ASEAN-6 for 1H25 changed noticeably compared to the same period in 2024. The trade deficits of the US with most economies have widened significantly on account of export frontloading from these economies to the US. Meanwhile, for Singapore, the trade surplus narrowed from USD1.4bn in 1H24 to USD0.3bn in 1H25.



Source: CEIC; OCBC.

## Weaker growth profile in 2H25 and 1H26

The extent of the pain across ASEAN-5 and India will differ heading into 2H25 and 1H26 on account of structural factors such as the openness of the economy, the importance of the US as an export market, the knock-on impact of slower external demand onto domestic demand conditions as well as cyclical factors such as the extent of payback from the frontloading of exports to the US.

	GDP Growth (% YoY)				Headline CPI (% YoY)			
	1H25F	2H25F	2025F	2026F	1H25 Actual	2H25F	2025F	2026F
Singapore	4.4	0.1	2.1	2.5	0.6	1.2	0.9	1.5
Indonesia	5.0	4.5	4.7	4.8	1.2	2.8	2.0	2.7
Malaysia	4.4	3.5	3.9	3.8	1.4	1.5	1.5	1.5
Philippines	5.4	5.6	5.5	5.5	1.8	3.1	2.5	2.5
Thailand	3.0	0.5	1.8	1.8	0.4	1.4	0.9	2.0
Vietnam	7.5	5.0	6.3	5.5	3.3	4.2	3.7	4.0
India (FY basis)*	6.3	5.7	6.0	6.3	2.2	2.5	2.3	4.0

Note: \*OCBC forecast and 1H25 refers to April 2025 until September 2025. Source: Various central banks, Bloomberg, CEIC, OCBC.

We see Thailand as most exposed to a sharper slowdown in 2H25 and 2026 on account of a triple whammy from perceived domestic political risks, structural constraints and exposure to the US. Vietnam and Malaysia will also experience slower growth in 2H25 mainly on account of weaker external demand conditions

and a payback from frontloading of exports to the US, even as domestic demand conditions remain resilient.

For the more domestic oriented economies, Indonesia's 2H25 GDP growth will likely slow sharply as the drag from tariffs is high and investment spending is weighed down by external uncertainties. For India, the drag will be more modest and largely on account of significantly higher tariff barriers to the US, its largest trading partner. By contrast, for the Philippines, we expect a modest improvement in growth in 2H25 as household spending continues to improve and the impact of the mid-term elections on investment spending fades. Crucial unknowns in terms of semiconductor and pharmaceutical sector tariff will also exert downward pressure on growth once confirmed.

## Authorities to remain nimble

With growth risks skewed to the downside, we expect the authorities to remain nimble in their response. They are likely to rely more on monetary than fiscal policies in the near-term while over the medium-term, build economic resilience through reforms, albeit to differing degrees, and diversify trading partners.

Our forecasts are for regional central banks to continue with rate cuts. We have pencilled in a cumulative 50bp in rate cuts from Bank Indonesia (BI) and Bangko Sentral ng Pilipinas (BSP) for the remainder of 2025. Bank of Thailand (BoT) delivered a 25bp cut at its 13 August meeting and we expect one more 25bp cut in 2025. We expect the State Bank of Vietnam (SBV) to cut its policy rate by a cumulative 50bp in 2026, with the Reserve Bank of India (RBI) cutting by a cumulative 50bp by March 2026.

The fiscal stance, underscored by recent 2026 budget announcements, for Indonesia, Thailand and Philippines suggest limited outright growth support. Fiscal policy support will likely be more targeted towards specific industries impacted by US tariffs. That said, the announcement of GST rationalisation by India's PM Modi was a surprise. Meanwhile, for Malaysia, we have seen limited evidence for now that the authorities will sidestep fiscal consolidation targets amidst tariff risks.

	Policy rate (% end of period)			Fiscal balance, % GDP	
	Current	End 2025F	End 2026F	2025 (latest official forecast)	2026 Budget or OCBC estimate
Indonesia	5.25	4.75	4.75	-2.8	-2.5
Malaysia	2.75	2.50	2.50	-3.8	-3.6
Philippines	5.25	4.75	4.75	-5.3	-4.7
Thailand	1.50	1.25	1.25	-4.5	-4.3
Vietnam	4.50	4.50	4.00	-3.8	-3.8
India*	5.50	5.25	5.00	-4.4	-4.2

The fiscal balance for 2025 is for FY26, i.e. year ending March 2026. Source: CEIC; Bloomberg; OCBC.

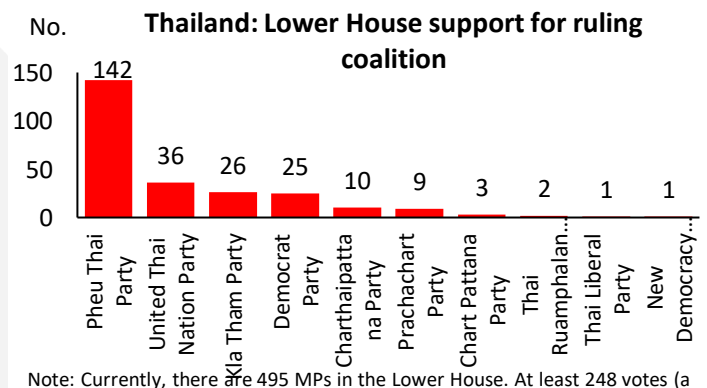
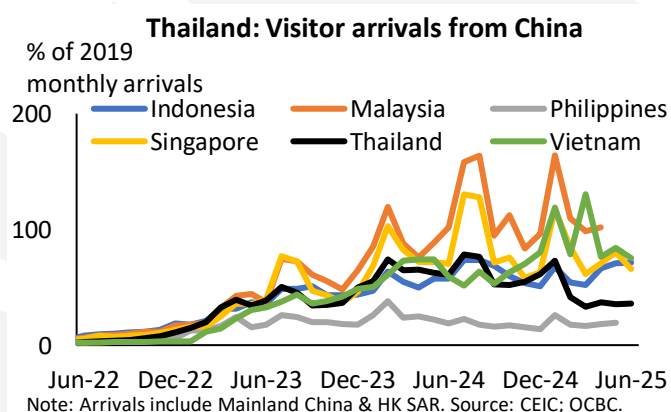
Below we discuss some country specific details – ordered in terms of impact from tariffs:

## 1. Thailand: Tariffs exacerbate other weaknesses

The Thai economy is reeling from cyclical and structural challenges, which will be exacerbated by the imposition of reciprocal tariffs by the US on Thai imports. Cyclical factors include reduced Chinese tourist arrivals from Thailand and political events in August and September which have the potential to alter the structure of parliament. Specifically, tourist arrivals from Mainland China dropped for a sixth consecutive month by 38.9% YoY in July versus -41.9% in June (year-to-date, the drop ~35% YoY) on account of certain events<sup>2</sup>. Meanwhile, structural factors include elevated household debt levels, competitive issues with exports and a rapidly ageing population (see *Thailand: Reducing our 2025 GDP growth forecast*, 17 February 2025).

On the political front, the verdict dates for the Shinawatra family in their legal battles will garner attention. Former PM Thaksin Shinawatra's verdict is due on 22 August. His daughter, Paetongtarn Shinawatra's, fate will be determined by the Constitutional Court at 3pm local time on 29 August and finally, the Supreme Court will issue its ruling on 9 September on an inquiry examining the legality of Thaksin Shinawatra's stay at the Police General Hospital instead of prison. If Paetongtarn Shinawatra is found guilty, it will add pressure on the Pheu Thai party, which is already in a delicate coalition with its key political partners following the exit of the Bhumjaithai Party on 18 June 2025.

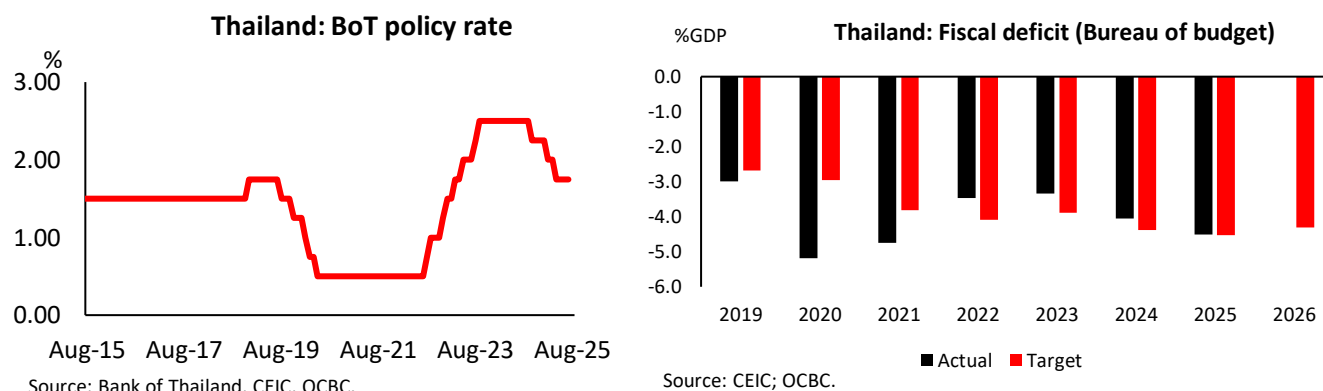
We have detailed Thailand's exposure to US tariffs in our previous publications (see *ASEAN-4: Trial by tariffs*, 8 Jul 2025), however, with the exemption list narrowing by our estimates, the frontloading of exports to the US may start to wane sooner rather than later. Moreover, we estimate that Thailand's effective tariff rate to the US is one of the highest in our region of coverage at 19.6%.



<sup>2</sup> Fears of scam centre kidnappings keep Chinese tourists on edge in Thailand, The Straits Times, 29 January 2025.



Recognising the growth risks, the Bank of Thailand (BoT) lowered its policy rate by 25bp at its 13 August meeting. We forecast an additional 25bp cut for the remainder of the year, taking the policy rate to 1.25%. The risk is for additional rate cuts should the downside risks to growth worsen below our 2025 GDP growth forecast of 1.8%.



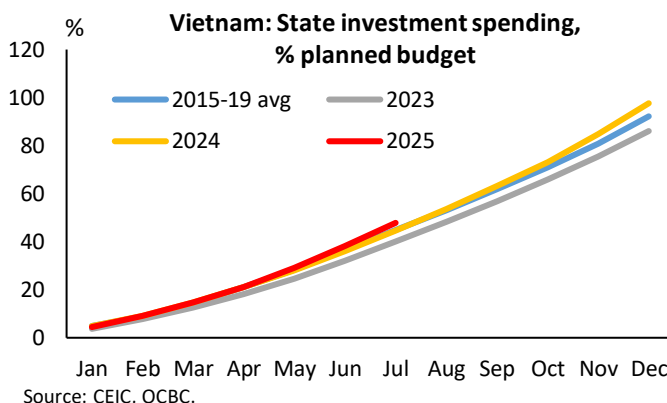
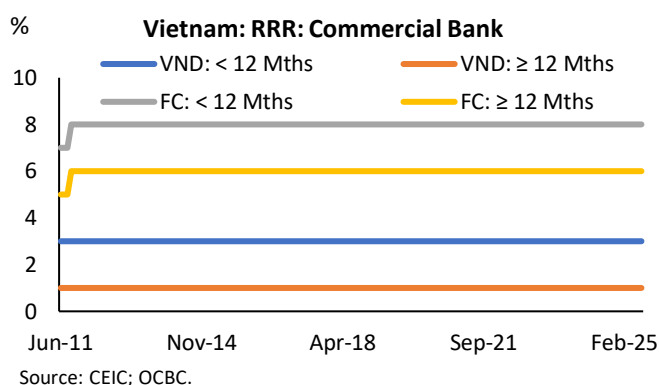
Fiscal policy will likely play a less supportive countercyclical role. The Lower House approved the FY26 Budget bill in its third reading on 16 August 2025; the Senate will review the bill on 25-26 August. The government pegged the fiscal deficit at 4.3% of GDP in FY26 (i.e. October 2025 until September 2026) from 4.5% in FY25, suggesting that the fiscal impulse is not expansionary. That said, the cabinet is reallocating funds from the digital wallet program towards boosting infrastructure spending and enhancing tourism to the tune of THB115.4bn (~0.6% of GDP), as approved in June 2025. The efficacies of these policies in bolstering growth will depend on expediency of timely project approvals and disbursements.

## 2. Vietnam: External weakness but domestic policies headed in the right direction

Vietnam's exposure to the US is the highest in the region based on the share of exports (~32% in 1H25). Our estimates suggest that the payback from frontloading of exports to the US could be severe, weighing on growth in 2H25. The authorities are acutely aware of this and have continued to build resilience through structural reforms to mitigate some of the hit to growth.

The National assembly approved some crucial reforms in 2025 including reducing the number of provinces and cities from 63 to 34, with a streamlined two-tier local government system. It approved legislation to bolster private sector participation towards economic development through better access to land, financial and credit support as well as innovation & digital transformation. It approved key infrastructure projects including the approval of a high-speed rail connecting Hanoi to Ho Chi Minh, as well as approving the Lao Cai – Hanoi – Hai Phong Railway. In fact, monthly data shows that state investment spending has been strong at 25.5% year-to-July compared to 3.7% for same period in 2024.





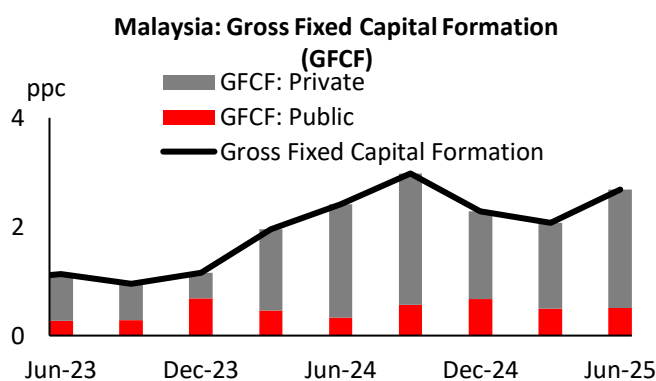
In terms of monetary policy, our base case is for a cumulative 50bps in rate cuts from the State Bank of Vietnam in 2026, but there are signs that liquidity conditions could become looser. Effective 1 October, SBV will cut compulsory reserve ratios by half for lenders allocated to take over or manage weak banks. This will release VND8.25trn for lending by some estimates<sup>3</sup>. This will also, to some extent, support credit growth and the more medium-term reform objectives for the banking sector.

### 3. Malaysia: Building domestic resilience amidst external headwinds

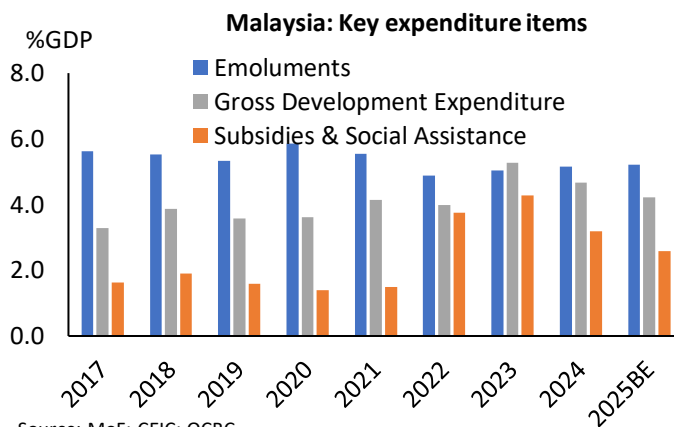
We have long argued that the Malaysian economy entered this bout of external turmoil on strong footing. All engines of growth fired with oomph in 2024 and 1H25, with investment spending and exports leading the charge. Policy has also moved in a proactive matter to mitigate risks to growth and bolster medium-term prospects through structural reforms underscored by plans such as the National Industrial Master Plan 2030, National Energy Transition Roadmap, National Semiconductor Strategy.

The latest addition is the 13 Malaysia Plan, announced on 31 July 2025. The plan is a development roadmap for 2026-2030 outlining the priorities of the government over the next five years. The government aims to achieve 4.5-5.5% GDP growth annually, focusing on a broad range of initiatives including education, wage growth, tourism, infrastructure, water management and developing high value industries such as electronics. Specifically on the fiscal side, the government plans to narrow the fiscal deficit to below 3% of GDP by 2030 from a budgeted 3.8% of GDP in 2025. Development expenditures at MYR430bn or MYR86bn per annum are broadly in line with past trends. The debt to GDP ratio is expected to be below 60% of GDP, compared to 64.6% in 2024.

<sup>3</sup> New central bank rules pump billions into Vietnam's stock market, Vietnamnet Global, 14 August 2025.

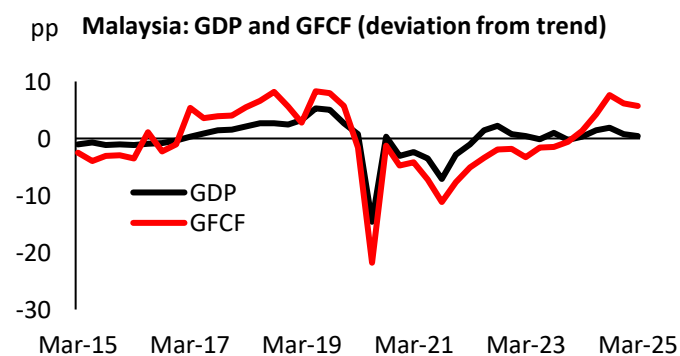


Source: CEIC; OCBC.

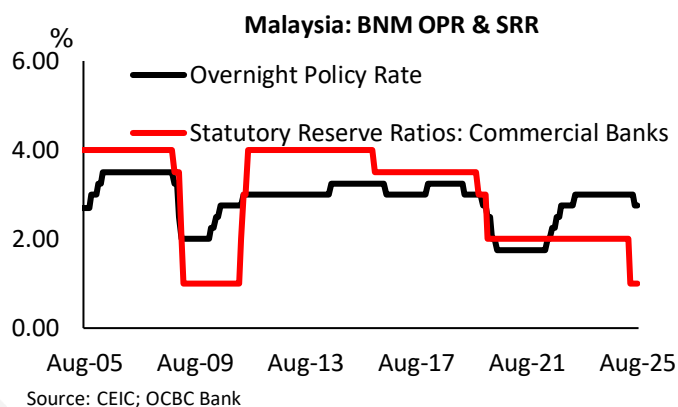


Source: MoF; CEIC; OCBC.

While this strong reform agenda will help navigate some of the challenges associated with higher trade barriers to the US, near-term growth momentum will not be immune. Despite semiconductor exports remaining exempt from tariffs, frontloading of exports to the US started to wane in May and June 2025. We estimate that Malaysia's effective tariff rate at 13.4% is still lower than regional peers but the knock-on impact from weaker external demand will intensify in 2H25. Moreover, investment spending (GFCF) tends to be procyclical, hence a drag from exports will have a knock-on impact on domestic demand. Importantly, the uncertainty around semiconductors tariff will likely deter new investments in 2H25 and 1H26, while pre-committed spending could continue.



Source: CEIC; OCBC.



Source: CEIC; OCBC Bank

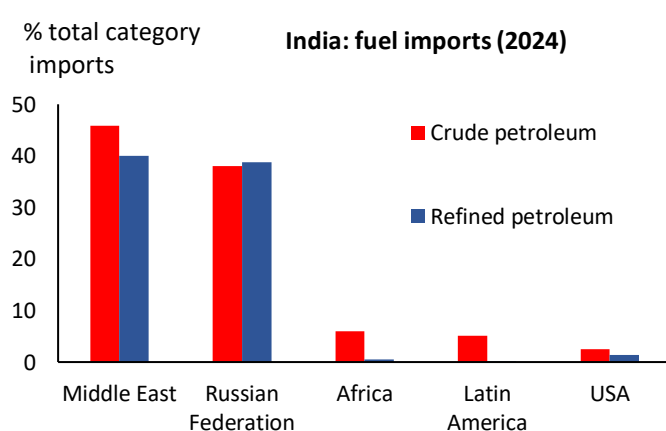
We continue to forecast a sharper slowdown in GDP growth to 3.5% in 2H25 from 4.4% in 1H25, resulting in full year 2025 GDP growth of 3.9%. We expect the government to step up on counter-cyclical policies. The budget announcement on 10 October will be watched closely for any relief measures for affected exporters and enterprises. We have pencilled in another 25bps rate cut from Bank Negara Malaysia (BNM) in 2H25. The risk is that the cut gets pushed out to 1H26.

## 4. India: Troubled but far from derailed

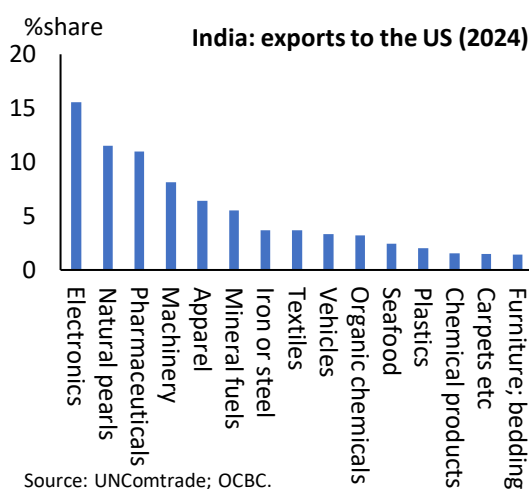
The vulnerabilities for India's economy have increased substantially since 2 April following pressure from the US. Our FY26 GDP growth forecast, i.e. April 2025 until March 2026, of 6% is below the Reserve Bank of India's (RBI) 6.5% forecast and takes into account some of the impact from higher tariffs on exports to the US. The trade talks between the US and India scheduled for 25-29 August have reportedly been cancelled, obfuscating prospects for any tariff relief in the near-term.

By contrast, the US has doubled down on its pressure on India with White House trade adviser Peter Navarro further playing offensive regarding India's purchases of oil from Russia. India's reliance on Russia for crude and refined petroleum imports is heavy, with secondary tariffs of 25% in addition to 25% reciprocal tariffs, to become effective from 27 August.

The sectors most exposed for India to tariff include certain electronics, gems & jewellery, textiles, organic chemicals and seafood exports. These sectors will likely be impacted with knock-on effects onto the real economy via lower production and potential employment consequences.



Source: UNComtrade; OCBC.

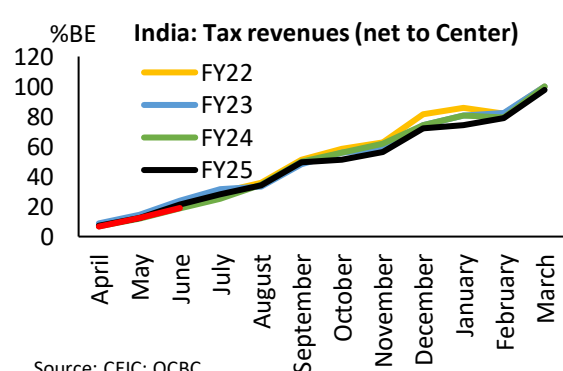


Source: UNComtrade; OCBC.

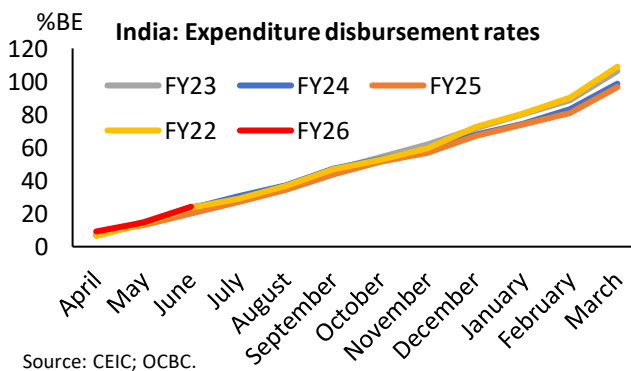
We expect the authorities to step up counter-cyclical measures. The government is planning to unveil a package worth INR20,000 crore to support exports by providing credit facilities and reducing non-tariff barriers<sup>4</sup>. PM Modi also announced during his Independence Day speech on 15 August that the government will rationalise the GST rates. The timing was a surprise to us and the rationalisation, depending on the details, should ease the burden of GST taxation rationalising the rates to two slabs (5% and 18%) from the current five (5%, 12%, 18%, 28%, and 40%) slabs.

<sup>4</sup>India plans Rs 20,000-crore Export Promotion Mission to offset US tariff impact, boost global trade, *The Economic Times*, 5 August 2025.

The impact on fiscal revenues will boil down to an interplay of 'compensation cess' to states expiring in March 2026 and some revenues foregone (if at all). Notwithstanding, the revenue math will need to be watched closely once the formal transition to two slabs is underway. Most immediately, it is less clear that the government can meet its fiscal deficit target of 4.4% of GDP in FY26 (i.e. April 2025 until March 2026) from 4.8% in FY25 without reducing expenditures. Indeed, for the first three months of the FY26 (i.e., April to June 2025), tax revenue collections net to centre were 19% of the annual target, slightly below previous years' collections while expenditures exceeded previous years disbursements at 24.1% of the FY26 budgeted expenditures. This suggests that for the rest of the fiscal year, the fiscal math could come under some pressure.

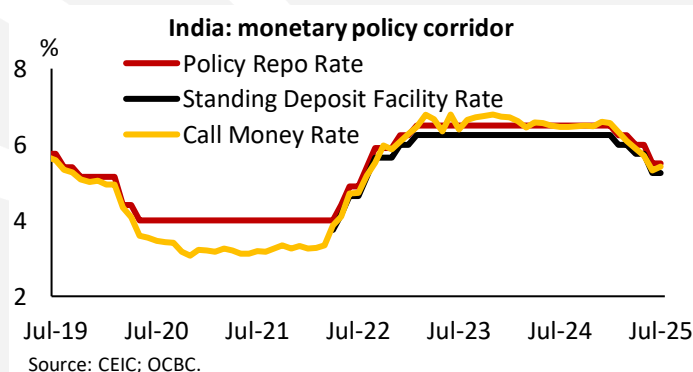


Source: CEIC; OCBC.

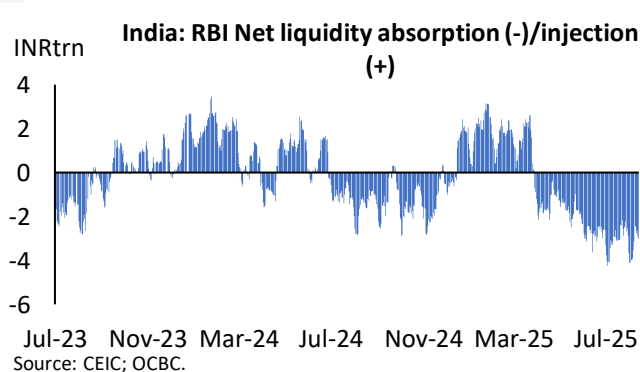


Source: CEIC; OCBC.

The sovereign credit ratings upgrade from S&P on 14 August to BBB, from BBB-, with a stable outlook underscores a concerted effort by the government to convince rating agencies that the sovereign needs to be rated higher. This puts S&P's ratings one notch above Fitch and Moody's and is also a follow through in terms of S&P having raised India's outlook to positive from stable in May 2024. Meanwhile, monetary policy has further room to manoeuvre. RBI was aggressive in its rate cutting cycle in calendar year 2025, delivering a cumulative 100bps in rate cuts. With headline inflation at 1.6% YoY in July 2025 and averaging 2.4% April-July, well within the RBI's 2-6% target range, there is room for further rates. We expect a cumulative 50bps in rate cuts from now through the end of FY26 (i.e., March 2026). RBI's liquidity management has switched to absorbing excess liquidity. Net durable liquidity was in a surplus of ~INR5.6trn, as of 25 July 2025.



Source: CEIC; OCBC.

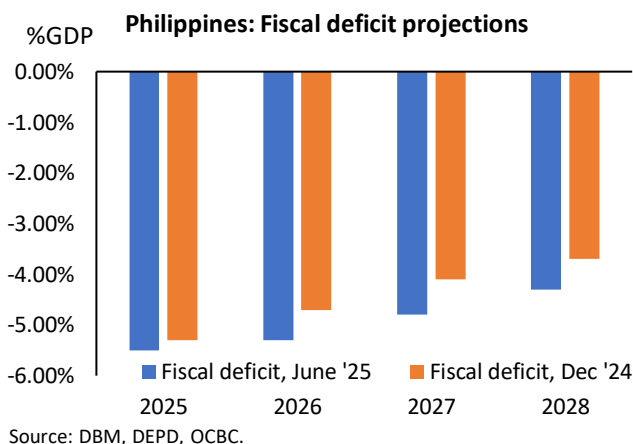
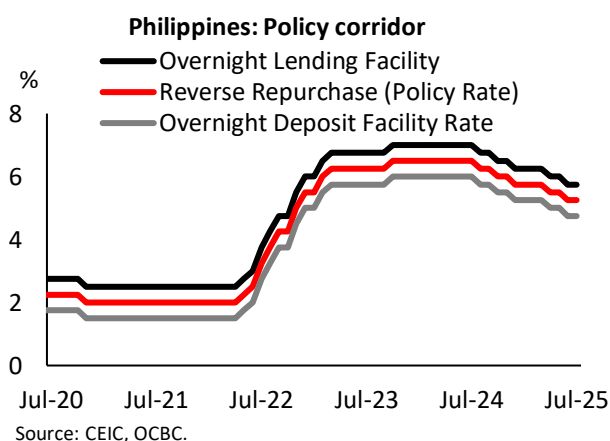


Source: CEIC; OCBC.

## 5. Philippines: Stabilising but not out of the woods

Unlike other regional peers, where we have pencilled in a slowdown for 2H25, we expect growth momentum to modestly improve in the Philippines to 5.6% YoY in 2H25 from 5.4% in 1H25. The drag from tariffs will be mitigated as semiconductor are still subject to 0% tariffs until US investigations on the matter are completed, and lower effective tariff rate of 16%.

Importantly, the prospects for key growth drivers such as household and investment spending are looking better than in 1H25. Household spending has improved in the past three quarters bolstered by Bangko Sentral ng Pilipinas's (BSP) accommodative stance. We forecast another cumulative 50bps in rate cuts from BSP for the remainder of the year, allowing for these conditions to continue. Meanwhile, public investment spending is likely to normalise following the mid-term elections.



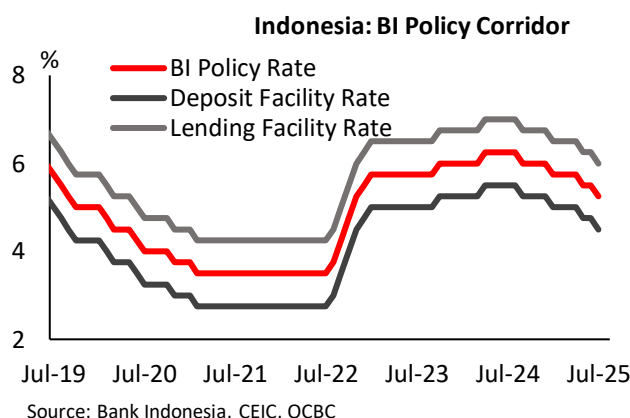
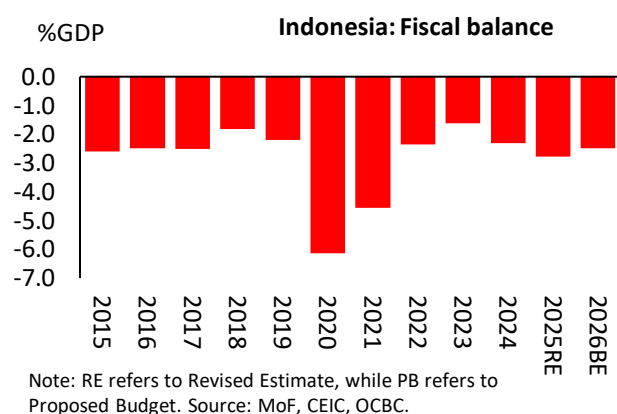
The government has allowed for wider fiscal deficits over the medium-term to accommodate for less restrictive fiscal policy. The wider fiscal deficits are mainly due to downward revisions in revenue projections while expenditure projections are also reduced for 2027 and 2028. More fundamentally, we estimate that the output gap remains negative implying that accommodative policies will remain in place through 2H25 and 2026.

## 6. Indonesia: Slowing growth momentum ahead

Our forecast remains for 2025 GDP growth to average 4.7% YoY before stabilising at 4.8% in 2026. Despite the upside surprise for 2Q25 GDP growth, we expect there will be a slowdown in 2H25 driven by exports, investment spending and household consumption. The slowdown in export growth will mainly be on account of the tariff imposed by the US, which we estimate will shave off 0.2pp from headline GDP. We estimate that Indonesia's effective tariff rate is the highest in the region at 24.1%, with limited exemptions.

We expect there will be a drag on investment spending, already underscored by lower investment inflows (as recorded by BKPM) in 1H25. Meanwhile, household spending will likely slow as the impact of the 13<sup>th</sup> month salary (disbursed in June) fades and certain labour-intensive sectors of the economy come to grips with the potential impact of tariffs.

Policy support will likely come mainly from monetary policy as the fiscal policy stance for the remainder of 2025 and 2026 is set to remain conservative. Bank Indonesia (BI) lowered its policy rate by a cumulative 75bps from January to July 2025, and we expect another cumulative 50bps in rate cuts for the rest of the year. BI will remain opportunistic in terms of its timing of delivering these rate cuts.



On the fiscal policy front, the 2025 budget deficit forecast was revised to 2.78% of GDP from the original budget of 2.53% of GDP. For 2026, the fiscal deficit is pegged at 2.48% of GDP. The revenue assumptions for Budget 2026, however, suggest strong growth of 13.5% for tax revenues even as non-tax revenues are expected to drop by 4.5%. Expenditures are projected to rise by 7.3% YoY, with allocations mainly for priority government programmes including the free meal scheme. The details of the Budget 2026 numbers are still not fully clear and hence, it is too early to say if the government will be able to credibly achieve its target.

## 7. Singapore: A tale of two halves

MTI upgraded the full-year 2025 GDP growth forecast from 0-2% YoY to 1.5-2.5% YoY (versus our house forecast of 2.1% YoY). This already assumes that 2H25 growth momentum will moderate after the robust performance in 1H25. The rhetoric is still understandably cautious, indicating that while 2025 GDP growth for key economies, including the US, Eurozone and China, is not tipped to be as weak as earlier anticipated, nevertheless, 2H25 growth prospects of Singapore's major trading partners should ease as the frontloading boost dissipates, and US' reciprocal tariffs take effect. More importantly, the unpredictability of US' trade policies, including risks of sectoral tariffs on semiconductors and pharmaceuticals, persist and exert a downward tilt to the balance of risks for the global economy.

Moreover, the latest July NODX growth shrank 4.6% YoY (-6.0% MoM sa), marking the worst YoY contraction since October 2024 (-4.7% YoY). While the NODX underperformance was partly due to the high base in July last year, particularly for pharmaceuticals, nevertheless, the tariff headwinds are mounting for August 2025 onwards with the implementation of the US reciprocal tariffs from 7 August. NODX to 6 of our top 10 NODX markets already contracted YoY in July. NODX contracted in July for the US (-42.7% YoY), China (-12.2% which is a reversal from the 8.5% growth seen in June). Notably, NODX to the US was weighed down by pharmaceuticals (-93.5% Yo), specialised machinery (-45.8%) and food preparations (-48.8%), while NODX to China was dragged lower by specialised machinery (-18.4%), petrochemicals (-21.4%) and ICs (-32.9%).

The crystal ball remains murky for now. While the US baseline reciprocal tariff of 10% for Singapore looks unlikely to change, the looming storm is over possible tariffs for semiconductors and pharmaceuticals. US president Trump has proposed to initially impose a small tariff on pharmaceutical imports but go to 150% and 250% in about 1-1.5 years, while he also hinted at 100%-300% tariffs on semiconductor imports but would allow for exemptions for companies that are moving manufacturing back to the US. Therefore, the question is then how much of such production may then reshore back to the US? At this juncture, it is still very uncertain - as what we have seen with the reciprocal tariffs, the eventual semiconductor tariff level may well change, and the firm exemption list may also evolve.

The window for further easing is still open for the next scheduled October monetary policy review. With inflationary pressures staying contained in the near term, there is no urgency in terms of timing to ease just yet. MAS noted that there is two-way risk for the inflation trajectory. This is because any US tariffs on China is likely to translate to cheaper Chinese exports for the rest of the world, but ongoing geopolitical tensions and/or global supply chain recalibrations may still exert some upward pressure on energy and shipping costs.

The National Day Rally speech emphasized a Jobs-first approach with the announcement of a new traineeship program targeting fresh graduates. Meanwhile, the Singapore Economic Resilience Taskforce (SERT), coupled with the formation of five sub-committees, is also working to navigate trade uncertainties and bolster economic strategies in the areas of global competitiveness, technology and innovation, entrepreneurship, human capital and managing the impact of restructuring.



## Macro Research

**Selena Ling**  
Head of Research & Strategy  
[lingssselena@ocbc.com](mailto:lingssselena@ocbc.com)

**Tommy Xie Dongming**  
Head of Asia Macro Research  
[xied@ocbc.com](mailto:xied@ocbc.com)

**Keung Ching (Cindy)**  
Hong Kong & Macau Economist  
[cindyckeung@ocbc.com](mailto:cindyckeung@ocbc.com)

**Herbert Wong**  
Hong Kong & Taiwan Economist  
[herberhtwong@ocbc.com](mailto:herberhtwong@ocbc.com)

**Lavanya Venkateswaran**  
Senior ASEAN Economist  
[lavyanyavenkateswaran@ocbc.com](mailto:lavyanyavenkateswaran@ocbc.com)

**Ahmad A Enver**  
ASEAN Economist  
[ahmad.enver@ocbc.com](mailto:ahmad.enver@ocbc.com)

**Jonathan Ng**  
ASEAN Economist  
[jonathannq4@ocbc.com](mailto:jonathannq4@ocbc.com)

**Ong Shu Yi**  
ESG Analyst  
[shuyionq1@ocbc.com](mailto:shuyionq1@ocbc.com)

## FX/Rates Strategy

**Frances Cheung, CFA**  
Head of FX & Rates Strategy  
[francescheung@ocbc.com](mailto:francescheung@ocbc.com)

**Christopher Wong**  
FX Strategist  
[christopherwong@ocbc.com](mailto:christopherwong@ocbc.com)

## Credit Research

**Andrew Wong**  
Head of Credit Research  
[wongvkam@ocbc.com](mailto:wongvkam@ocbc.com)

**Ezien Hoo, CFA**  
Credit Research Analyst  
[ezienhoo@ocbc.com](mailto:ezienhoo@ocbc.com)

**Wong Hong Wei, CFA**  
Credit Research Analyst  
[wonghongwei@ocbc.com](mailto:wonghongwei@ocbc.com)

**Chin Meng Tee, CFA**  
Credit Research Analyst  
[mengteechin@ocbc.com](mailto:mengteechin@ocbc.com)

This report is solely for information purposes and general circulation only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This report should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein or to participate in any particular trading or investment strategy. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this report is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this report may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This report may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, it should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. In the event that you choose not to seek advice from a financial adviser, you should consider whether the investment product mentioned herein is suitable for you. Oversea-Chinese Banking Corporation Limited ("OCBC Bank"), Bank of Singapore Limited ("BOS"), OCBC Investment Research Private Limited ("OIR"), OCBC Securities Private Limited ("OSPL") and their respective related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future, interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial or securities related services to such issuers as well as other parties generally. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products. There may be conflicts of interest between OCBC Bank, BOS, OIR, OSPL or other members of the OCBC Group and any of the persons or entities mentioned in this report of which OCBC Bank and its analyst(s) are not aware due to OCBC Bank's Chinese Wall arrangement. This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).

The information provided herein may contain projections or other forward looking statements regarding future events or future performance of countries, assets, markets or companies. Actual events or results may differ materially. Past performance figures are not necessarily indicative of future or likely performance.

Privileged / confidential information may be contained in this report. If you are not the addressee indicated in the message enclosing the report (or responsible for delivery of the message to such person), you may not copy or deliver the message and/or report to anyone. Opinions, conclusions and other information in this document that do not relate to the official business of OCBC Bank, BOS, OIR, OSPL and their respective connected and associated corporations shall be understood as neither given nor endorsed.

Co.Reg.no.: 193200032W