Singapore

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Singapore's 1Q25 GDP growth revised up to 3.9% YoY (-0.6% QoQ sa), but official 2025 growth forecast of 0-2% comes with some caveats?

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Highlights:

- **Singapore's 1Q25 GDP growth was revised up from advance estimates of 3.8% YoY (-0.8% QoQ sa) to 3.9% YoY (-0.6% QoQ sa).** This exceeded our forecast of 3.6% YoY (-1.0% QoQ sa), which was predicated on the manufacturing growth to be revised down to 4.0% YoY due to the softer March industrial production data. However, the compensating factors were upward adjustments to the services (from 3.4% YoY to 3.6% YoY) and construction (from 4.6% YoY to 5.5% YoY) sectors. While the 1Q25 GDP growth is still a moderation from 4Q24 growth of 5.0% YoY (0.5% QoQ sa), it nevertheless marks a healthy start to the year, aided by wholesale trade, manufacturing and finance and insurance sectors.

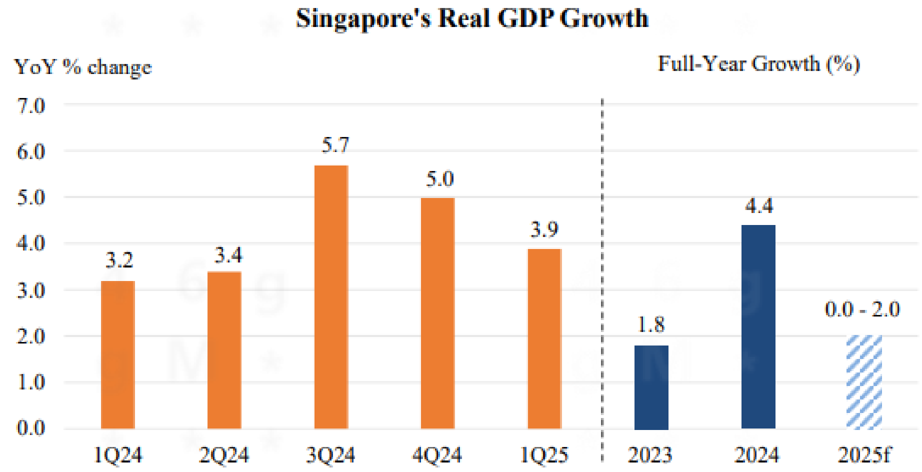
- **By sectors, the manufacturing growth momentum eased from 7.4% YoY in 4Q24 to 4.0% YoY in 1Q25**, despite higher output in electronics, precision engineering and transport engineering clusters. The construction sector maintained its healthy growth momentum at 5.5% YoY in 1Q25 amid sustained public and private sector activities. For the services sector, growth was buoyed by transportation & storage (5.2% YoY, mainly due to an increase in air passenger volumes and container throughput), finance & insurance (4.5% YoY due to robust net fees and commissions in the banking and fund management segmnts), information & communications (4.4% YoY), while real estate surprisingly accelerated to 7.1% YoY supported by a hike in private residential property and private commercial and industrial property activities. Even the retail trade segment stabilised at 0.1% YoY in 1Q25 after three consecutive quarters of contraction, albeit this was largely attributable to a pickup in motor vehicle sales. Meanwhile the weakest services links were accommodation that reverted to contraction territory (-0.9% YoY versus 4.2% in 4Q24, due to a drop in total gross lettings, attributable to the upscale, luxury and economy hotel segments) and food & beverages services which extended its losing streak for the fourth straight quarter at -0.2% YoY amidst lower sales volumes at café, food courts & other eating places, restaurants and fast-food segments.

- **There was no change to the official 2025 growth forecast of 0-2%, but the rhetoric sounds dovish.** MTI noted that outward-oriented sectors is tipped to slow over the year and a technical recession is possible. In addition, MTI said its growth forecast could be adjusted as necessary in the coming quarters. In particular, US tariffs will adversely impact the manufacturing sector through its export exposure to the US market as well as a slowdown in global end-markets including Eurozone and China. In turn, trade-related services will see some negative spillover effects – wholesale trade volumes may weaken after frontloading activities dissipates, especially in 2H25, which again will negatively affect the transportation & storage sector due to softer demand for shipping and aircargo services, Moreover, finance & insurance sectors could also be weighed down by weaker trading activity and also payments activity as business and consumer spending moderates. With the cut back in discretionary spending e.g., IT and marketing, this will also dampen growth in the infocomms and professional services sectors. On the domestic front, the softening in labour market conditions is likely to mean lacklustre retail trade and food & beverage services, since Singaporeans continue to spend abroad to take advantage of the SGD strength. MTI cited downside risks in the elevated economic uncertainty contributing to a pullback in economic activity, a re-escalation in tariff actions, and disruptions to the global disinflation process and recession risks that could destabilise capital flows and cause banking and financial market indigestions.

- **Our 2025 GDP growth forecast remains at 1.6% given the softer global growth prognosis and the tariff-related uncertainties**. Recent developments include the 90-day stay on reciprocal tariffs, an initial US-UK trade deal as well as a 90-day US-China tariff truce (marking an important de-escalation to the earlier tit-for-tat retaliatory phase), nevertheless, some damage to business and consumer confidence has already been done. Financial markets have been very volatile in April post-Liberation Day April 2nd announcements, and post-Moody's downgrade of the US sovereign credit rating and President Trump's tax-cut plans continue to cause market palpitations. The disappointing demand at the latest US$16bn US Treasury bond auction added to the market angst as 30-year bond yield crossed the 5% handle. In addition, sectoral tariffs such as on semiconductors and pharmaceuticals may still be on the cards. It is also unclear if there will be a permanent stable deal with China after the 90-day truce given the co-mingling of many issues including non-tariff measures and currency amongst others. **A technical recession remains on the cards with our forecast of a further deceleration in 2Q25 growth to 2.5% YoY (-0.3% QoQ sa).**

- **MAS noted that the monetary policy stance remains appropriate for now.** USDSGD had dropped below the 1.29 handle amidst the broad USD weakness, similar to other Asian FX. The S$NEER is trading closer to the stronger end of its parity band, notwithstanding that subsiding core inflation had led the MAS to flatten the S$NEER slope twice in January and April this year. Tomorrow's April core inflation print will be key after the dovish March reading of 0.5% YoY, and we forecast 0.6% YoY. While the official 2025 headline and core CPI forecasts are currently at 0.5-1.5% YoY, there are still potential downside risks to the inflation picture. The softer-than-expected 1Q25 core CPI outturn suggests that domestic demand conditions are easing in line with the cooling domestic labour market. Commodity prices remain stable, reflecting the global growth demand conditions – for instance our 2025 Brent forecast if US$67 per barrel, which is US$13 (16.1%) lower than the 2024 average. Assuming some reciprocal tariffs resume in 2H25, even if they are lower than the initial levels announced on Liberation Day, the drag on global and regional growth will likely linger. At this juncture, the window for additional monetary policy easing is open, but the policy accommodation is likely to be supplemented by the fiscal side with potential assistance forthcoming from the Economic Resilience Taskforce. The previous instances of a neutral S$NEER slope was back in 2020 during Covid pandemic and from April 2016 – April 2018 during global growth slowdown. The overall unemployment rate has also risen from 1.9% in 4Q24 to 2.1% in 1Q25, albeit this is still relatively low by historical comparison.

- **The better-than-expected 1Q NODX growth of 3.3% is likely attributable to front loading activities, driven by electronics exports (9.5% YoY).** This was also reflected in the 19.2% YoY surge in NODX to the U.S., attributable to U.S. tariff concerns. In fact, **Enterprise Singapore emphasized the weakening in external outlook and heightened trade policy uncertainties that focuses on the lower bound of their 1-3% full-year NODX growth forecast.** My 2025 NODX growth forecast of -1 to 1% essentially build some buffer for softer global growth prospects and a potentially bumpy road ahead for tariff agreements, notwithstanding the initial market optimism about the U.S.-UK deal and the U.S.-China truce. It could well be a story of two halves with front loading in 1H25, followed by a deceleration in 2H25. In fact, NODX growth could contract YoY as early as 3Q25.



	1Q24	2Q24	3Q24	4Q24	2024	1Q25
	Year-on-Year % Change					
Total	3.2	3.4	5.7	5.0	4.4	3.9
Goods Producing Industries	-0.4	0.7	9.8	6.5	4.2	4.1
Manufacturing	-1.1	-0.6	11.2	7.4	4.3	4.0
Construction	2.1	5.8	5.6	4.4	4.5	5.5
Services Producing Industries	4.5	4.1	4.4	4.6	4.4	3.6
Wholesale Trade	2.8	4.9	6.0	6.7	5.1	4.2
Retail Trade	2.5	-2.2	-0.7	-1.0	-0.4	0.1
Transportation & Storage	6.2	5.4	7.9	3.7	5.8	5.2
Accommodation	14.7	4.4	5.6	4.2	7.1	-0.9
Food & Beverage Services	0.3	-2.2	-1.3	-0.3	-0.9	-0.2
Information & Communications	5.7	6.0	4.0	4.2	5.0	4.4
Finance & Insurance	8.3	7.4	5.6	6.1	6.8	4.5
Real Estate	-0.9	-2.6	1.0	3.5	0.2	7.1
Professional Services	1.3	1.8	1.2	0.6	1.2	1.4
Administrative & Support Services	-0.1	1.5	1.1	-0.6	0.5	2.8
Other Services Industries, of which	4.2	2.8	2.0	3.1	3.0	1.1
Public Administration & Defence	0.4	0.1	0.7	1.1	0.6	0.1
Education	1.5	2.0	2.6	1.5	1.9	1.2
Health & Social Services	3.5	4.5	5.7	6.2	5.0	4.0
Arts, Entertainment & Recreation	23.9	4.6	-8.3	4.3	5.9	-3.9
Other Services - Others	5.4	4.8	3.9	3.0	4.3	2.1
	Seasonally Adjusted Quarter-on-Quarter Growth %					
Total	0.3	1.1	3.0	0.5	4.4	-0.6
Goods Producing Industries	-2.8	0.2	9.0	0.0	4.2	-4.6
Manufacturing	-3.2	-0.9	11.7	0.0	4.3	-5.8
Construction	-2.8	5.1	1.9	0.3	4.5	-1.4
Services Producing Industries	1.5	1.0	1.2	0.9	4.4	0.5
Wholesale Trade	2.0	2.3	1.3	0.9	5.1	-0.4
Retail Trade	1.0	-1.9	1.3	-1.2	-0.4	1.8
Transportation & Storage	1.6	2.1	1.5	-1.2	5.8	2.8
Accommodation	6.7	-3.0	2.4	-0.2	7.1	-0.7
Food & Beverage Services	-0.3	-0.9	0.8	0.1	-0.9	-0.1
Information & Communications	-3.7	3.8	1.8	2.4	5.0	-3.4
Finance & Insurance	0.5	-0.1	0.5	5.3	6.8	-1.1
Real Estate	0.7	0.5	1.2	1.1	0.2	4.2
Professional Services	-0.3	-1.1	1.5	0.3	1.2	0.6
Administrative & Support Services	0.3	0.5	-0.2	-1.1	0.5	3.5
Other Services Industries, of which	1.5	-0.4	0.6	1.4	3.0	-0.5
Public Administration & Defence	0.3	0.0	0.5	0.3	0.6	-0.7
Education	0.5	0.3	1.3	-0.5	1.9	0.0
Health & Social Services	0.9	2.5	1.5	1.2	5.0	-1.2
Arts, Entertainment & Recreation	15.3	-22.4	0.5	16.1	5.9	6.2
Other Services - Others	1.2	0.1	-1.0	2.7	4.3	0.4

	1Q24	2Q24	3Q24	4Q24	2024	1Q25
Retail Sales Index* (yoy, %)	2.5	-1.5	-0.3	-0.9	0.0	0.3
Changes in Employment ('000)	8.1	14.9	24.9	11.9	59.8	6.9
Unemployment Rate, SA (%)	2.1	1.9	1.9	1.9	2.0	2.1
Value Added Per Actual Hour Worked^ (yoy, %)	2.8	4.0	4.5	3.3	3.6	3.7
Value Added Per Worker^ (yoy, %)	1.2	1.9	4.2	3.5	2.7	2.5
Overall Unit Labour Cost (yoy, %)	2.6	1.5	-0.4	1.0	1.2	0.8
Unit Business Cost of Manufacturing (yoy, %)	4.2	5.2	-5.9	-2.4	0.2	0.7
Fixed Asset Investments ($ bil)	1.7	3.7	1.0	7.0	13.5	1.7
Consumer Price Index (yoy, %)	3.2	2.8	2.2	1.4	2.4	1.0
Total Merchandise Trade (yoy, %)	4.6	9.9	5.3	6.8	6.6	4.9
Merchandise Exports	4.4	7.5	5.7	5.1	5.7	3.6
Domestic Exports	0.3	2.9	5.4	-6.0	0.5	-1.9
Oil	6.0	19.0	-0.2	-17.9	1.0	-9.2
Non-Oil	-3.4	-6.5	9.0	2.4	0.2	3.3
Re-exports	7.8	11.5	5.9	13.9	9.8	7.8
Merchandise Imports	5.0	12.5	5.0	8.7	7.8	6.4
Total Services Trade (yoy, %)	8.1	7.9	10.8	7.4	8.6	3.8
Exports of Services	10.1	9.2	12.0	8.4	9.9	4.0
Imports of Services	5.9	6.5	9.5	6.4	7.1	3.7

* In chained volume terms.
^ Based on GDP at market prices in chained (2015) dollars.

Source: Ministry of Trade and Industry Singapore.

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