Singapore

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Preview: Upside surprise for Singapore's 2Q25 GDP growth

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Highlights:

- **No technical recession?** The advance 2Q25 GDP growth estimate, due on 14 July 8am, is likely to show that the Singapore economy escaped a technical recession. Our tracking estimate for 2Q25 GDP growth, based on available activity data for April and May, is 4.1% YoY (1.2% QoQ sa). This would be higher than the Bloomberg consensus forecast of 3.5% YoY (0.8% QoQ sa), as of the time of writing. In fact, due to frontloading ahead of anticipated US tariffs, the advance 2Q GDP print would likely be an improvement to 1Q25's 3.9% YoY (-0.6% QoQ sa) reading. This would also potentially bring 1H25 GDP growth to a stellar 4.0%.

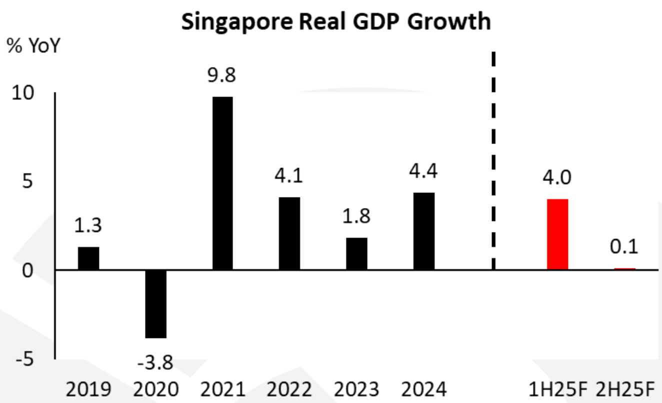
- **By sector, we expect all three key sectors to expand in 2Q25.** The manufacturing sector is projected to grow by 4.7% YoY (1Q25: 4.0%), likely attributable to some frontloading ahead of the 9 July US reciprocal tariff deadline post-90-day suspension period. The construction sector is likely to also accelerate from 5.5% YoY in 1Q to 6.7% YoY in 2Q, due robust payments pipeline. Meanwhile, the services sector is tipped to expand 4.2% YoY, up from 3.6% in 1Q25, aided by wholesale trade, transport & storage, as well as finance & insurance sectors.

- Based on April-May data, industrial production (IP) output has remained firm, expanding by 4.7% YoY, up from 4.4% in 1Q25. The expansion was generally broad-based across most clusters, except for chemicals and general manufacturing activities. Mirroring this, export performance was also strong, with NODX rising by 4.4% YoY, up from 3.3% in 1Q25, driven by robust growth in electronics and non-electronics products. The benefits of strong industrial production output and NODX performance are also expected to trickle down to the services sector. Indeed, we expect the services sector growth to be led by wholesale trade, transportation & storage, and finance & insurance sectors. Meanwhile, growth in the construction sector is expected to remain robust, extending the 5.5% YoY growth in 1Q25. Construction progress payments, our proxy for construction output accelerated to 9.7% YoY, up from 8.2% in 1Q25.

- A story of two halves? With a robust 1H25 performance under the belt, the 2H25 growth prospects still remain a tad cloudy. 2H25 GDP growth may see a sharp pullback, partly due to the payback time for the 1H25 frontloading and also the relatively high base in 2H24 (5.4% YoY), but will be very dependent on when the actual tariffs materialize. On 7-9 July, US President Donald Trump has delivered official letters to key trading partners to inform their respective tariff levels. The outcomes regarding US tariffs for Singapore's regional neighbours were mixed.

The reciprocal tariff rates for Indonesia and Thailand remain unchanged at 32% and 36%, respectively. The tariff rates for both Malaysia and the Philippines were raised slightly higher to 25% and 20%, respectively, up from 24% and 17% from 2 April 'Liberation Day' announcements. In contrast, Vietnam — the only country in the region to negotiate successfully — has a reduced tariff rate of 20% (previous: 46%). There was no announcement concerning Singapore. At this juncture, it appears likely that the tariff will remain at 10% tariffs, although sector-specific tariffs, such as those on semiconductors and pharmaceuticals, may still be on the cards. Nevertheless, bilateral trade negotiations with US counterparts are scheduled for later this month, with DPM Gan Kim Yong and his team also planning to engage business representatives and academics to better understand "the US concerns, priorities and interests, and to explore opportunities that we can work together to strengthen the bilateral relationship."

- That said in anticipation of the increasingly fragmented and polarized global trade environment with the imminent implementation of the reciprocal tariffs from 1st August, a new Business Adaptation Grant will be launched by October to help eligible enterprises to adjust to the evolving tariff landscape. While available for a period of two years, the grant will support enterprises that export to or operate in overseas markets and are affected by tariff measures. In scope will be services such as free trade agreement and trade compliance advisory, legal and contractual guidance, as well as supply chain optimization and market diversification. In addition, enterprises with manufacturing operations, both locally or abroad, may also get support for reconfiguration costs, including logistics and inventory holding expenses. This initiative was from the Singapore Economic Resilience Taskforce. There is fiscal room to step up more, depending on how the global tariff and global demand situation evolves, and should more growth downside risks materialize for the Singapore economy in the later part of this year.



Source: MTI, Singstat, CEIC, OCBC estimates.

Economies	Top 10 NODX Market 2024 (% Share)	US Reciprocal Tariff Rate (%)
Indonesia	4.6	32*
Malaysia	8.7	25*
Thailand	4.3	36*
Japan	4.2	25*
Hong Kong SAR	5.7	20**
South Korea	5.0	25*
Taiwan	6.5	32
China	17.0	20**
United States	15.8	-
EU	8.1	20

Note: *Updated rates for US imports. ** Following US-China bilateral trade discussions in London, most US tariffs on imports of Chinese goods have been paused, pending further negotiations, with the exception of the 20% 'fentanyl' tariffs.
Source: Various news agencies, Enterprise SG, CEIC, OCBC.

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