

## Singapore

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### MTI upgrades 2025 GDP growth forecast to 1.5-2.5% YoY but still warns of downside risks.

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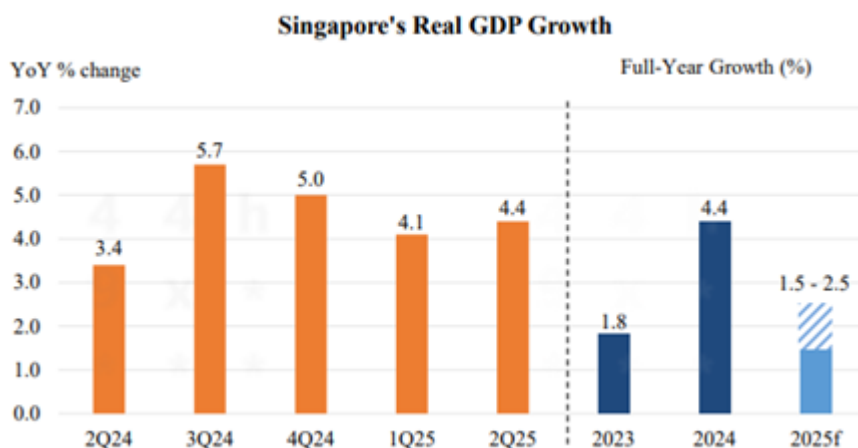
#### Highlights:

- **Singapore's 2Q25 GDP growth was revised to 4.4% YoY (1.4% QoQ sa)**, an improvement from the 4.1% YoY (-0.5% QoQ sa) in 1Q25. This was an upward revision from the flash 2Q25 estimate of 4.3% YoY (1.4% QoQ sa), bringing the 1H25 growth to 4.3% YoY (1H24: 3.3% YoY). The 2Q25 GDP growth performance was mainly attributed to wholesale trade (4.7% YoY), manufacturing (5.2% YoY), and transportation & storage sectors (5.1% YoY), boosted by frontloading ahead of tariffs, while finance & insurance (4.2% YoY) also benefited from the banking and auxiliary activities in tandem with cross-border payment transactions as well as the return in investor risk appetite and improved market sentiments post the 90-day implementation deferral of reciprocal tariff announcement on Liberation Day. The construction sector also accelerated from 4.9% YoY in 1Q25 to 6.0% YoY in 2Q25, the fastest since 2Q23 (7.1% YoY), on the back of both public and private sector. The services sector also picked up speed from 3.8% YoY in 1Q25 to 4.3% YoY in 2Q25 – notably, the retail trade sustained its second consecutive quarter of growth (supported by moto vehicle sales) after contracting 0.4% YoY for the whole of last year, while the accommodation sector also turned around from a 1.1% contraction in 1Q25 to grow by 2.4% YoY in 2Q25, ed by higher gross lettings in the luxury and mid-tier hotel segments. In contrast, the F&B services remained in the doldrums and contracted for the fifth straight quarter by 0.5% YoY as more Singaporeans travelled overseas to leverage on the SGD strength. Interestingly, the arts, entertainment & recreation industry staged an amazing turnaround from a 3.6% YoY contraction in 1Q25 to surge 22.5% YoY in 2Q25, likely aided by the \$100 in SG60 Culture Pass credits for every Singaporean citizen aged 18 and above for local performances, exhibitions and cultural experiences.
- **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. The three risks cited by MTI are a potential re-escalation of tariff

actions, a shock to financial markets arising from a sharper-than-expected tightening of financial conditions, and potential escalation of geopolitical tensions leading to supply disruptions and higher prices for energy commodities. As such, Singapore's 2H25 growth is expected to slow, particularly due to outward-oriented sectors, albeit there are some bright spots such as in the transport engineering cluster (amid the strong aircraft maintenance, repair & overhaul activity pipeline) and precision engineering cluster given the continued ramp-up in capital investments by semiconductor manufacturers focusing on AI-related semiconductors. The latter has been a silver lining for the Singapore economy even amidst all the noise about US-China tensions over high-end semiconductors.

- **The crystal ball remains murky for now.** Singapore still faces a 10% reciprocal tariff for exports to the US, but the bigger question is whether there will be exemption or concessions given for the potential higher tariffs on semiconductors and pharmaceuticals. Based on 2023 SG exports to the US, 50.2% are electronics and machinery (HS code 84 and 85), of which 29% is electronics-related (HS code 85), hence the impact of 100% of semiconductor tariffs is not negligible per se but there may be company-level exemptions granted for firms that move production 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. That said, there are likely to have ripple effects on the supporting precision engineering industry, especially SMEs, and supporting transport and logistics activities. Meanwhile, US-China's trade truce has again been extended for another 90 days. In addition, there has been constant and unpredictable layering of tariffs starting from fentanyl, to reciprocal tariffs, to sector-specific tariffs, to extra tariffs for purchasing Russian oil etc. If the tariff canis kicked further down the road and/or new tariff risks continue to emerge, the risk is that the policy uncertainty drags over to 2026 where the global economy continues to suffer "death by a thousand cuts".
- **2Q25 NODX growth momentum more than doubled to 7.1%, versus 3.3% in 1Q25.** This implied 1H25 NODX growth of 5.2% YoY, compared to the 4.9% YoY contraction in 1H24. Notably, electronics exports expanded for the fifth straight quarter by 10.5% YoY in 2Q25, aided by PCs (78.0% YoY), ICs (13.9% YoY), and disk media products (5.5% YoY), while non-electronics exports also grew for the second straight quarter by 6.0% YoY, mainly non-monetary gold (82.5% YoY), specialised machinery (9.1% YoY) and structures of ships & boats. For the top 10 NODX markets, NODX to Taiwan (31.1% YoY), Indonesia (32.5% YoY) and South Korea (24.5% YoY). **EnterpriseSingapore retained its full-year 2025 NODX forecast at 1-3% but noted a weaker 2H25 profile** as frontloading activities taper and reciprocal tariffs resume from 7 August, which could weigh on global economic activity and trade. The key risks revolve around continued economic uncertainty pertaining to the tariff situation and the risk of sectoral tariffs. Total merchandise imports also continued to moderate to 2.2% YoY in 1Q25, down from 6.2% YoY in 1Q24, suggesting some easing in domestic demand conditions.

- We tip full-year 2025 NODX growth should stage a recovery towards the 2% YoY handle this year given the healthy 1H25 performance, up from the tepid 0.2% YoY last year.** WTO's 2025 global merchandise trade volume growth forecast of 0.1% YoY, while modest, is already an improvement from its April forecast of -0.2%. Market perceived recession risks for the US economy as also receded. However, recent developments include the touted 100% semiconductor tariffs with selected company-specific exemptions for those firms reshoring manufacturing in the US and/or contributing 15% of their chip exports to the US (eg. for the likes of Nvidia, AMD) which could be a wet blanket on the AI-fuelled optimism that has contributed to the recent US equity market bounce. According to Bloomberg estimates, China accounted for 13% (or US\$17bn) of Nvidia's total sales and 24% (US\$6.2bn) of AMD's total sales for the 12 months ended 26 January 2025 and 28 December 2024 respectively. That said, Article 1, Section 9, Clause 5 of the US Constitution prohibits Congress from laying taxes and duties on articles exported from any state, so a legal challenge may still be mounted. So it is by no means the end of the US tariff story yet!

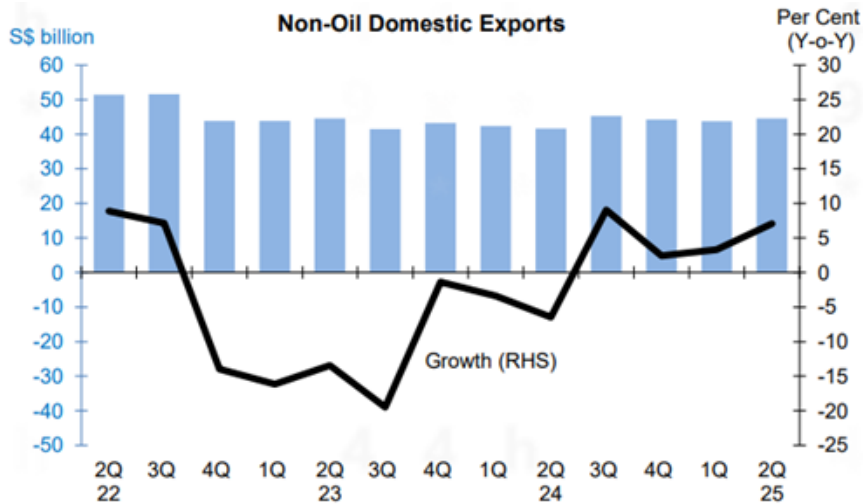


	2Q24	3Q24	4Q24	2024	1Q25	2Q25
	Year-on-Year % Change					
Total	3.4	5.7	5.0	4.4	4.1	4.4
Goods Producing Industries	0.7	9.8	6.5	4.2	4.5	5.0
Manufacturing	-0.6	11.2	7.4	4.3	4.7	5.2
Construction	5.8	5.6	4.4	4.5	4.9	6.0
Services Producing Industries	4.1	4.4	4.6	4.4	3.8	4.3
Wholesale Trade	4.9	6.0	6.7	5.1	4.0	4.7
Retail Trade	-2.2	-0.7	-1.0	-0.4	0.3	0.7
Transportation & Storage	5.4	7.9	3.7	5.8	6.2	5.1
Accommodation	4.4	5.6	4.2	7.1	-1.1	2.4
Food & Beverage Services	-2.2	-1.3	-0.3	-0.9	-0.7	-0.5
Information & Communications	6.0	4.0	4.2	5.0	4.8	4.2
Finance & Insurance	7.4	5.6	6.1	6.8	4.1	4.2
Real Estate	-2.6	1.0	3.5	0.2	7.5	5.2
Professional Services	1.8	1.2	0.6	1.2	1.9	3.3
Administrative & Support Services	1.5	1.1	-0.6	0.5	2.1	2.6
Other Services Industries	2.8	2.0	3.1	3.0	1.6	4.4
Public Administration & Defence	0.1	0.7	1.1	0.6	0.0	0.1
Education	2.0	2.6	1.5	1.9	1.3	1.5
Health & Social Services	4.5	5.7	6.2	5.0	5.4	6.0
Arts, Entertainment & Recreation	4.6	-8.3	4.3	5.9	-3.6	22.5
Other Services - Others	4.8	3.9	3.0	4.3	2.5	2.6
	Seasonally Adjusted Quarter-on-Quarter Growth %					
Total	1.1	3.0	0.5	4.4	-0.5	1.4
Goods Producing Industries	0.2	9.0	0.0	4.2	-4.2	0.7
Manufacturing	-0.9	11.7	0.0	4.3	-5.2	-0.4
Construction	5.1	1.9	0.3	4.5	-2.0	5.7
Services Producing Industries	1.0	1.2	0.9	4.4	0.6	1.5
Wholesale Trade	2.3	1.3	0.9	5.1	-0.5	2.8
Retail Trade	-1.9	1.3	-1.2	-0.4	2.0	-1.4
Transportation & Storage	2.1	1.5	-1.2	5.8	3.9	0.7
Accommodation	-3.0	2.4	-0.2	7.1	-1.0	1.1
Food & Beverage Services	-0.9	0.8	0.1	-0.9	-0.6	-0.7
Information & Communications	3.8	1.8	2.4	5.0	-3.0	3.1
Finance & Insurance	-0.1	0.5	5.3	6.8	-1.4	-0.1
Real Estate	0.5	1.2	1.1	0.2	4.6	-1.8
Professional Services	-1.1	1.5	0.3	1.2	1.1	0.6
Administrative & Support Services	0.5	-0.2	-1.1	0.5	2.9	1.0
Other Services Industries	-0.4	0.6	1.4	3.0	0.0	2.4
Public Administration & Defence	0.0	0.5	0.3	0.6	-0.8	0.1
Education	0.3	1.3	-0.5	1.9	0.2	0.6
Health & Social Services	2.5	1.5	1.2	5.0	0.1	3.0
Arts, Entertainment & Recreation	-22.4	0.5	16.1	5.9	6.5	-1.4
Other Services - Others	0.1	-1.0	2.7	4.3	0.8	0.1

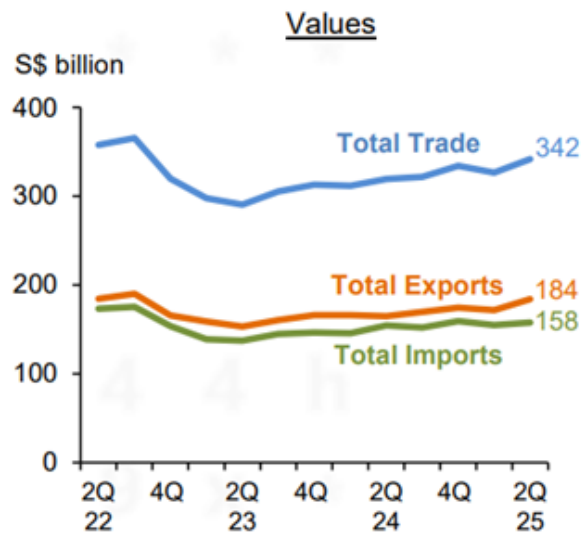
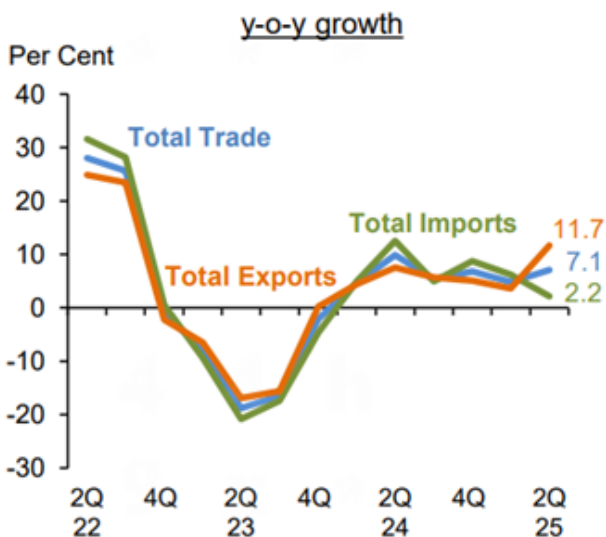
	2Q24	3Q24	4Q24	2024	1Q25	2Q25
Retail Sales Index* (yoy, %)	-1.5	-0.3	-0.8	0.0	0.5	1.5
Changes in Employment ('000)	14.9	24.9	11.9	59.8	6.9	10.8
Unemployment Rate, SA (%)	1.9	1.9	1.9	2.0	2.0	2.1
Value Added Per Actual Hour Worked^ (yoy, %)	4.0	4.5	3.3	3.6	4.0	1.7
Value Added Per Worker^ (yoy, %)	1.9	4.2	3.5	2.7	2.6	3.0
Overall Unit Labour Cost (yoy, %)	1.5	-0.4	1.0	1.2	0.3	-0.7
Unit Business Cost of Manufacturing (yoy, %)	5.2	-5.9	-2.4	0.2	-0.3	-1.2
Fixed Asset Investments (\$ bil)	3.7	1.0	7.0	13.5	1.7	4.0
Consumer Price Index (yoy, %)	2.8	2.2	1.4	2.4	1.0	0.8
Total Merchandise Trade (yoy, %)	9.9	5.3	6.8	6.6	4.8	7.1
Merchandise Exports	7.5	5.7	5.1	5.7	3.6	11.7
Domestic Exports	2.9	5.4	-6.0	0.5	-1.9	-4.3
Oil	19.0	-0.2	-17.9	1.0	-9.2	-19.6
Non-Oil	-6.5	9.0	2.4	0.2	3.3	7.1
Re-exports	11.5	5.9	13.9	9.8	7.8	24.2
Merchandise Imports	12.5	5.0	8.7	7.8	6.2	2.2
Total Services Trade (yoy, %)	7.9	10.8	7.4	8.6	3.8	1.7
Exports of Services	9.2	12.0	8.4	9.9	4.4	2.7
Imports of Services	6.5	9.5	6.4	7.1	3.2	0.6

\* In chained volume terms.

^ Based on GDP at market prices in chained (2015) dollars.



## Merchandise Trade



Source: MTI, EnterpriseSingapore



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