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Singapore's 3Q25 GDP growth surprised on upside at 2.9% YoY whilst MAS keeps S$NEER policy unchanged as expected

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- Singapore's 3Q25 GDP growth exceeded market expectations to expand by 2.9% YoY (1.3% QoQ sa). Looking ahead, full-year 2025 GDP growth is likely to come in around the 3% YoY handle.
- As expected, MAS kept its monetary policy settings unchanged for the second consecutive meeting. The 2025 core inflation is now tipped at 0.5% while the headline inflation forecast range was narrowed to 0.5-1.0% YoY. Both headline and core inflation forecasts stand at 0.5-1.5% YoY in 2026.
- Our 2025 headline and core inflation forecasts are 0.7% and 0.5% YoY, followed by 1.0-1.5% for 2026.

Singapore's 3Q25 GDP growth exceeded market expectations to expand by 2.9% YoY (1.3% QoQ sa), beating the Bloomberg consensus forecast of 2.0% YoY (0.6% QoQ sa) and our forecast of 2.1% YoY (0.7% QoQ sa). As expected, both the domestic construction and services sectors stayed resilient in 3Q25 at 3.1% (-1.2% QoQ sa) and 3.5% YoY (0.2% QoQ sa) respectively, but the manufacturing sector escaped an outright contraction (our forecast: -0.2% YoY) to flatline at 0% YoY (6.1% QoQ sa), albeit this is the weakest manufacturing performance since 2Q24. While this marked the slowest GDP growth print since 3Q23, nevertheless, it brought the average GDP growth for the first three quarters of 2025 to 3.9% YoY, which is not too far from the 4.2% seen for the same period in 2024. This is quite remarkable given the global economic landscape of the threat and subsequent implementation of US reciprocal tariffs in August as well as persistent geopolitical uncertainties, but of course frontloading activities ahead of the tariff implementation did help significantly as well.

By sector, the manufacturing sector's 3Q25 growth momentum was weighed down by the volatile biomedical manufacturing and general manufacturing clusters even though other clusters continued to grow. The construction sector was supported by both public and private sector construction activity. For the services sector, 3Q25 growth was led by the infocomms, finance & insurance and professional services (4.4% YoY due to IT & information services, head offices & business representatives offices, as well as baking an auxiliary financial services), followed by the accommodation & food services, real estate, administrative & support services and other services (4.1% YoY aided by increased international visitor arrivals which boosted the accommodation sector), and the wholesale & retail trade and transportation & storage (2.5% amid demand for machinery, equipment & supplies, as well as growth in the water and air transport segments).

Looking ahead, full-year 2025 GDP growth is likely to come in around the 3% YoY handle even if 4Q25 growth moderates to below 1% YoY. While full-year 2025 growth would still mark a moderation from the 4.4% growth seen in 2024, this is not a bad outcome given the significant external and domestic challenges. The output gap has been positive this year but should narrow to around 0% in 2026. The external economic uncertainties have subsided somewhat since the Liberation Day US reciprocal tariff announcements in early April, notably with the conclusion of various bilateral trade deals and the relative resilience of the international supply chains and regional production networks, coupled with the AI investment boom, which have provided some comfort to both the corporate and household sectors. While the official 2026 GDP growth forecast is only likely to come in November, nevertheless, the domestic growth outlook is likely to see a slowdown in line with external developments to a near-trend pace. While further product-specific tariffs such as on semiconductors and pharmaceuticals may still be pending, **a 1-3% YoY growth forecast for 2026 may be plausible,** even though risks are still assessed to be tilted to the downside.

As expected, MAS kept its monetary policy settings unchanged for the second consecutive meeting, maintaining the appreciation rate with no change to the width of the band or the level at which it is centred, after earlier easing in January and April this year. MAS also noted that the S$NEER has eased recently as appreciation pressures ebbed. Core inflation is now tipped at 0.5% for this year and to only gradually edge higher to 0.5-1.5% in 2026. The 2025 headline inflation forecast range was narrowed to 0.5-1.0% YoY. Both headline and core inflation forecasts stand at 0.5-1.5% YoY in 2026. Core inflation has benefited from fresh government subsidies for long-term care services as well as tepid imported costs (e.g. crude oil, capital, intermediate and some retail goods) and easing domestic cost pressures (as the domestic labour market conditions cool). MAS opined that while core inflation could edge down further in the near term, and bottom around September, before modestly edging up into 4Q25 and 2026, as there may be limited downside to commodity prices (namely energy) from here and domestic services unit labour cost could rise as productivity growth normalises. In particular, the net drags on inflation from administrative price changes and base effects should unwind more discernibly from 4Q25, according to MAS. Our 2025 headline and core inflation forecasts are 0.7% and 0.5% YoY, followed by 1.0-1.5% for 2026.

Rhetoric reflects comfort for monetary policy settings to stay on hold for now. The Singapore economy is currently in a good place - while the 2026 growth forecast is for a deceleration in momentum with tariffs exerting a bigger drag, the inflation outlook is more nuanced and subject to risks. Supply shocks, whether arising from geopolitical developments (for instance, the latest re-escalation of US-China trade tensions where the US threatened to impose 100% tariffs on Chinese exports in retaliation to China's tightening curbs on rare earth exports etc), could impact imported and shipping costs. On the flip side, if global growth is more hesitant and weaker than projected, then core inflation could also stay lower for longer. This suggests that policymakers are essentially data-dependent without a preset policy path. In that sense, each MPS review is live and a further policy easing is not completely out the window in 2026 just yet. MAS reiterated that they are in an appropriate position to respond effectively to any risk to medium-term price stability and will continue to closely monitor economic developments and uncertainties int eh external environment. The next monetary policy review is in January 2026, which will be followed by the Budget 2026 that could see fiscal policy taking up the policy baton should economic conditions moderate more than expected from here.

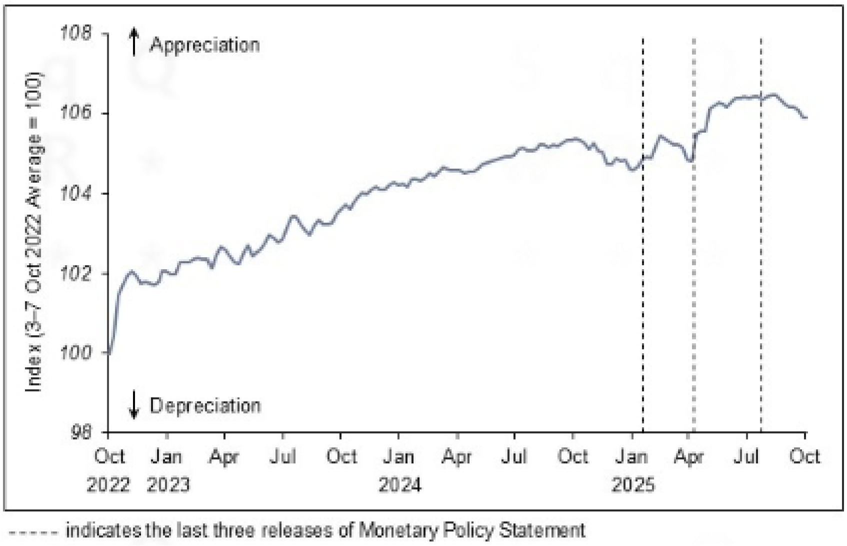
Gross Domestic Product in Chained (2015) Dollars

	3Q24	4Q24	2024	1Q25	2Q25	**3Q25***
Percentage change over corresponding period of previous year						
Overall GDP	5.7	5.0	4.4	4.1	4.5	**2.9**
Goods Producing Industries	9.8	6.5	4.2	4.5	4.8	**0.6**
Manufacturing	11.2	7.4	4.3	4.8	5.0	**0.0**
Construction	5.6	4.4	4.5	4.3	6.2	**3.1**
Services Producing Industries	4.4	4.6	4.4	3.8	4.5	**3.5**
Wholesale & Retail Trade and Transportation & Storage	6.0	5.6	5.0	4.6	4.9	**2.5**
Information & Communications, Finance & Insurance and Professional Services	4.2	4.4	5.2	3.9	4.3	**4.4**
Accommodation & Food Services, Real Estate, Administrative & Support Services and Other Services	1.8	2.5	2.1	2.3	4.0	**4.1**

	3Q24	4Q24	2024	1Q25	2Q25	**3Q25***
Quarter-on-quarter growth rate, seasonally adjusted						
Overall GDP	3.0	0.5	4.4	-0.5	1.5	**1.3**
Goods Producing Industries	9.0	0.0	4.2	-4.3	0.6	**4.3**
Manufacturing	11.7	0.0	4.3	-5.1	-0.7	**6.1**
Construction	1.9	0.3	4.5	-2.5	6.5	**-1.2**
Services Producing Industries	1.2	0.9	4.4	0.6	1.7	**0.2**
Wholesale & Retail Trade and Transportation & Storage	1.1	-0.1	5.0	0.9	2.8	**-1.2**
Information & Communications, Finance & Insurance and Professional Services	1.2	5.9	5.2	-4.3	1.6	**1.3**
Accommodation & Food Services, Real Estate, Administrative & Support Services and Other Services	1.2	0.3	2.1	1.2	1.3	**1.3**

*Advance estimates

S$ Nominal Effective Exchange Rate (S$NEER)



Source: MTI, MAS.

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