

Singapore: Cautious outlook amid tariff chaos

Economics/GDP

DBS Group Research

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- *Singapore's external-oriented economy faces heightened uncertainties and downside risks from the tariff chaos.*
- *Real GDP growth was -0.6% QoQ sa and 3.9% YoY in 1Q25, little changed from advance estimates of -0.8% QoQ and 3.8% YoY.*
- *Trade-related sectors are likely to be temporarily supported during the 90-day US tariff reprieve.*
- *However, we foresee softer GDP growth in 2H25, due to high trade frictions and weaker business sentiment.*
- *Singapore is engaging the US to secure concessions on sectoral tariffs, especially pharmaceuticals.*
- **Forecast implications:** *We maintain our 2025 growth forecast at 2.0%.*

We maintain our Singapore GDP growth forecast for 2025 at 2.0%, following confirmation of softer growth momentum in 1Q25. Real GDP in 1Q25 contracted for the first time since 1Q23 by 0.6% quarter-on-quarter seasonally adjusted (QoQ sa), reversing the 0.5% QoQ sa growth in 4Q24. While the economy grew at an above-potential rate of 3.9% year-on-year (YoY), it cooled from the 5.0% YoY expansion in 4Q24. The data was little changed from advance estimates of 0.8% QoQ sa contraction and 3.8% YoY growth.

Real GDP growth by sectors

	2023	1Q24	2Q24	3Q24	4Q24	2024	1Q25
% YoY							
Overall GDP	1.8	3.2	3.4	5.7	5.0	4.4	3.9
Manufacturing	-4.2	-1.1	-0.6	11.2	7.4	4.3	4.0
Construction	5.8	2.1	5.8	5.6	4.4	4.5	5.5
Services	3.3	4.5	4.1	4.4	4.6	4.4	3.6
% QoQ sa							
Overall GDP	1.8	0.3	1.1	3.0	0.5	4.4	-0.6
Manufacturing	-4.2	-3.2	-0.9	11.7	0.0	4.3	-5.8
Construction	5.8	-2.8	5.1	1.9	0.3	4.5	-1.4
Services	3.3	1.5	1.0	1.2	0.9	4.4	0.5

Source: MTI, CEIC, DBS

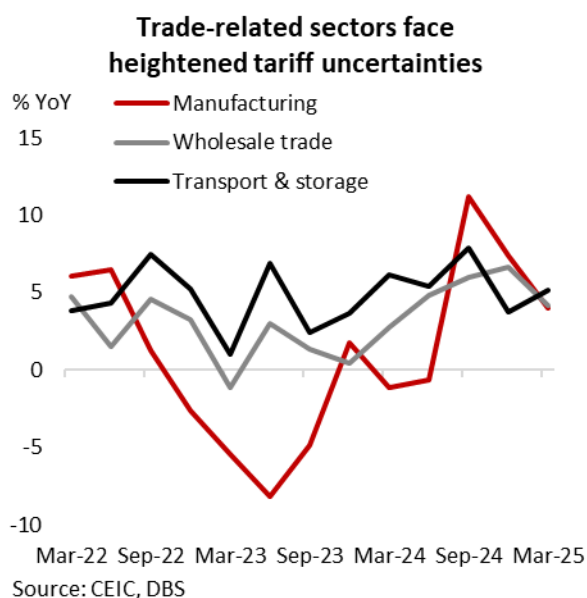
The global economy and financial markets, including Singapore's, remain beholden to the US tariff roller coaster that will likely persist over the coming months. While the de-escalation in global trade tensions through the 90-day pause in US reciprocal tariffs (including that with China from mid-May) is a positive development, global trade frictions remain higher than pre-Trump 2.0. Significant uncertainties persist regarding ongoing US tariff negotiations and impending sectoral tariffs. **We remain cautious, anticipating much weaker Singapore economic growth in 2H25, although the economy might hold up in 1H25.** Deteriorating external demand will hurt

outward-oriented sectors, especially trade-related firms. Continued trade policy-related economic uncertainty would weigh on business investment and hiring decisions, as well as consumer confidence.

The Ministry of Trade and Industry (MTI) maintained its GDP growth forecast for 2025 at 0.0-2.0%, after lowering it from 1.0-3.0% in April 2025. The ministry said that the global economic outlook remains clouded by significant uncertainty, with downside risks, despite acknowledging slight improvement in Singapore's external demand outlook for the rest of 2025 compared to April 2025.

Near-term support from US tariff reprieve

Growth in Singapore's trade-related sectors slowed in 1Q25, but we expect activities to be temporarily supported in the near term during the 90-day US tariff reprieve. Exporters are likely to capitalise on temporarily lowered US tariffs by front-loading export orders, benefitting Singapore's immediate trade-related performance. **This could be sufficient for Singapore's economy to avoid a technical recession (two consecutive quarters of QoQ sa GDP contraction) in 2Q25.**



Regional exporters have front-loaded their orders over recent months, with improved momentum in April 2025. Singapore's leading transshipment hub has also benefitted from the front-loading of shipments to the US, observed in the near 50% YoY jump in total exports to the US in April 2025, driven by re-exports.



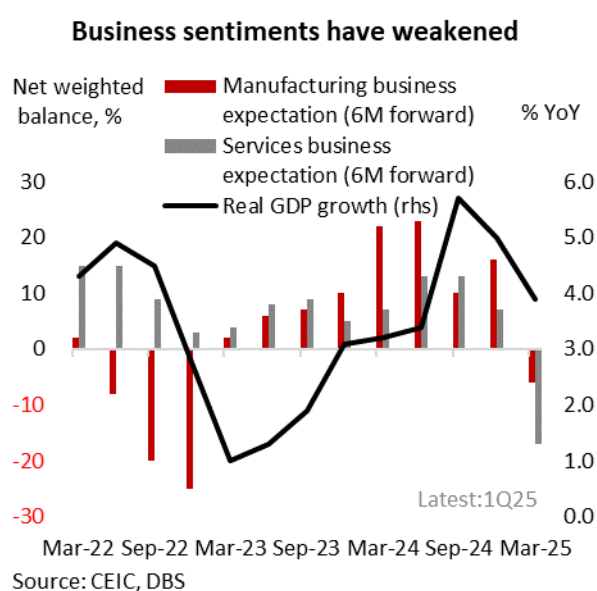
Slower growth in 2H25

Beyond the near-term, we continue to foresee softer Singapore economic growth in 2H25, with the outlook remaining highly uncertain and fraught with downside risks. Exports front-loading in 1H25 will eventually be followed by a payback through decelerating trade and production that would materialise in 2H25. Moreover, global tariffs that are still higher than pre-Trump 2.0, despite potential for more long-lasting rollback, will negatively impact global trade prospects.

Continued elevated global trade policy uncertainties are likely to dampen business confidence, which have already turned down. Manufacturing and services business expectations for the next six months (April to September 2025) were negative, according to official surveys released on April 30, 2025.

While the 90-day US-China tariff truce has boosted near-term risk appetite in global and Singapore financial markets, we think business confidence likely see limited improvement, as firms adopt a wait-and-see approach due to the lingering uncertainties surrounding the eventual outcome of likely challenging negotiations. Businesses would hold back spending, which also curtail credit demand. Growth in the finance & insurance sector eased to 4.5% YoY in 1Q25, the slowest since 2Q23.

for smoother flow of goods and secured supply chains, although the US has also expressed interest in semiconductors. A successful agreement could resemble the US-UK trade deal reached on May 8, 2025. A concessionary US tariff rate would mitigate downside risks for Singapore's pharmaceutical exports to the US, which accounted for 12.3% of the city-state's domestic exports to the US in 2024, according to the Monetary Authority of Singapore's analysis.



Persistent uncertainties surrounding potential US sectoral tariffs on pharmaceuticals, semiconductors, and electronics are also weighing on business confidence. However, Singapore is currently engaged in trade negotiations with the US, aiming to secure concessions on sectoral tariffs, as the US is unlikely to compromise on its 10% baseline tariff rate, according to Singapore Deputy Prime Minister Gan Kim Yong's interview on May 16, 2025. **In our view, Singapore's strong and longstanding economic relationship with the US increases the likelihood of successful negotiations.** Discussions have centred on preferential or even zero tariffs on Singapore's pharmaceutical exports to the US in exchange

Despite rising external uncertainties, we expect Singapore's construction sector to sustain its positive momentum in 2025. Construction output growth improved to 5.5% YoY in 1Q25, extending the 4.4% YoY increase in 4Q24, supported by both public and private sector projects. The long-term development of Changi Airport Terminal 5 (T5), which broke ground on May 14, 2025, is among the projects that will contribute to strong construction demand over the coming quarters. Construction on T5 is expected to intensify and peak around 2029, according to Changi Airport Group. Scheduled to open in the mid-2030s, T5 will double the size of Singapore's airport, with the ability to handle an additional ~50mn passengers per annum from the current capacity of 90mn. T5 will enhance Singapore's air hub competitiveness over the medium-term by increasing connectivity to over 200 city links. This will also strengthen Singapore's position as a leading business hub in a more turbulent world.

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