

24 July 2025

Global Economics & Market Strategy

Meetings with Singapore Policy Makers: Key Findings

- ◆ We recently held discussions with policymakers in Singapore.
- ◆ We inferred three key economic trends: (1) relative uncertainty on Singapore’s economy especially in 2H25, (2) inflationary pressures remain benign and (3) MAS will maintain a data-dependent approach to policy decisions.
- ◆ Based on our conversations with the policymakers, we draw three key implications to our forecast: (1) We maintain Singapore’s full-year GDP forecast at 2.0%, (2) We revised 2025 headline and core CPI, and (3) MAS to widen the S\$NEER policy band in its July MPC meeting.

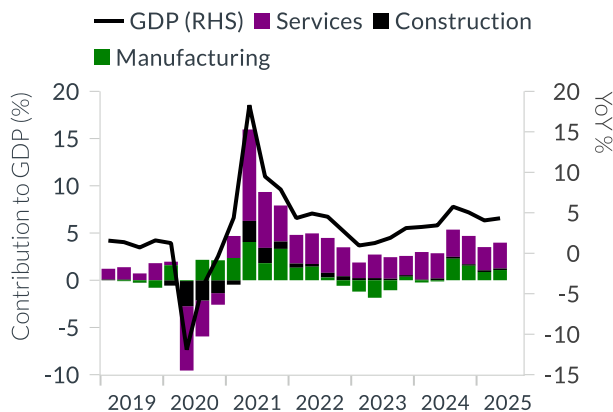
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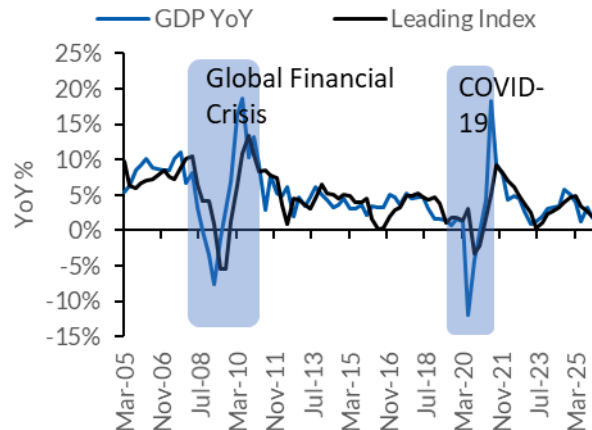
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Figure 1: 2Q25 GDP growth is boosted by stronger expansion in the manufacturing and services sectors



Source: Macrobond, RHB Economics & Market Strategy

Figure 2: RHB SG GDP-LEI suggest growth momentum to slow into 3Q25



Source: CEIC, RHB Economics & Market Strategy

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Three takeaways – Growth, Inflation and Policy

We recently held discussions with policymakers in Singapore as part of our economic forecasting process in Asia, excluding Japan. Our engagements included meetings with Monetary Authority of Singapore (MAS) and Ministry of Trade and Industry (MTI). Throughout the meetings, we explored various topics related to Singapore's economic growth prognosis, inflation dynamics, trade outlook, and monetary policies. We also examined potential upside and downside risks that could deviate from official estimates. In the following section, we share our findings, impressions, implications and key observations from these insightful discussions.

The economic outlook from the policymakers can be summarised as follows: MTI maintained Singapore's full-year GDP growth forecast at 0.0% - 2.0% in 2025. In April, MTI downgraded Singapore's 2025 GDP growth forecast to 0.0%-2.0%, from a 1.0%-3.0% range.¹ For inflation, MTI and MAS maintained their full-year headline and core inflation to average between 0.5% - 1.5% in 2025.

We inferred three key economic trends: (1) relative uncertainty on Singapore's economy, especially in 2H25, (2) inflationary pressures remain benign and (3) MAS will maintain a data-dependent approach to policy decisions.

First, Singapore's economic outlook remains uncertain amid ongoing global risks, although recent data have exceeded expectations in the near term. For the first half of 2025 as a whole, GDP growth [averaged](#) 4.2% YoY. Looking ahead, the global economic outlook for 2H25 remains highly uncertain, with significant downside risks due to ongoing ambiguity surrounding US tariff policies. Officials voiced concern over global trade developments, particularly the US-China dynamic following the expiration of the tariff pause on 12 August. With the baseline 10% tariff potentially in place, downside risks linger and may continue to influence investment decisions among businesses. Officials also noted that while front-loading has temporarily boosted the economy, its effects are likely to fade as demand slows—echoing our in-house view. Consumption may remain subdued, with tariff-related uncertainties continuing to dampen business sentiment in Singapore.

On the external front, officials expressed uncertainty over Singapore's economic growth outlook for the rest of the year, largely due to ongoing developments surrounding US tariffs. Their main concern lies in the lack of clarity around the timing and scale of tariff implementation, which has been repeatedly delayed. This uncertainty, particularly regarding Trump's trade policy direction, has made it difficult for officials to provide a clear forecast for Singapore's economic prospects, particularly in 2H25.

The officials were surprised by the stronger-than-expected 2Q25 GDP growth, which came in at 4.3% YoY, up from 4.1% YoY in 1Q25. Officials acknowledged that they had underestimated the extent of front-loading, particularly within trade-related service sectors. They attributed this surge in activity to the temporary pause in reciprocal tariffs, which likely encouraged manufacturers to accelerate shipments. In the near term, export performance and the manufacturing sector have remained relatively resilient, with front-loaded demand providing a notable boost to Singapore's trade-related services. However, officials emphasised that they are closely monitoring external trade trends for any signs of weakening.

MTI further noted that they are more concerned about the potential sectoral tariffs on pharmaceuticals and semiconductors, which will be announced at the end of July. The officials highlighted concerns that a 25% tariff could be placed on both the pharmaceuticals and semiconductor sectors, and could increase to 50% or 100% in a worst-case scenario. The US is Singapore's second-largest market, accounting for 11% of Singapore's domestic exports in 2024. Based on the recent US tariff imposition, reciprocal tariffs account for the bulk of the direct tariff impact on Singapore. In contrast, products such as semiconductors, consumer electronics and pharmaceutical goods account for about 40% of Singapore's domestic exports to the US in 2024. Pharmaceuticals account for approximately 12.3% of the city-state's domestic exports to the US.² The hefty sectoral tariffs on semiconductors and pharmaceuticals will likely impact Singapore significantly, given its reliance on these sectors for exports and its role as a global supply chain hub. The officials are expecting some positive outcomes from the negotiation talks with the US on pharmaceutical tariffs, thereby looking forward to shielding one of the most vital industries of the economy from the widening US trade conflict.

¹ The Ministry of Trade and Industry, [MTI Downgrades Singapore's GDP Growth Forecast For 2025 to "0.0 to 2.0 Per Cent"](#), 14 April 2025

² Monetary Authority of Singapore, [Macroeconomic Review](#), April 2025

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Despite these external headwinds, MTI maintained its current 2025 GDP growth forecast in the range of 0.0% - 2.0% YoY, stating that they might revise their projections in August. Officials also indicated that Singapore's full-year economic growth could approach the upper bound rate of 2.0% if the tariffs hold at 10% and the status quo prevails for the rest of the economies. However, they did not disclose any specific assumptions behind each scenario's projections.

Second, inflationary pressures in Singapore remain benign with no imminent signs of significant price shocks observed at this juncture. We concur with the official's observation on Singapore's moderation of imported inflation and easing of domestic cost pressure. Officials noted that the volatility in oil prices due to Middle East tensions is unlikely to significantly affect the full-year average inflation, as the second half of the year has already begun. However, elevated oil prices could still raise the upstream input costs.

While ongoing trade tensions may be inflationary for certain economies, their impact on Singapore's import prices is expected to be mitigated by disinflationary pressures from weaker global demand. Regarding the inflation outlook, MAS appears comfortable with the current forecast range. The central bank's primary objective is to ensure price stability, which they view as consistent with a core inflation rate of just under 2.0%. The officials acknowledged growing uncertainties surrounding both the inflation and growth outlook. Hence, the policymakers maintained their projection for both core and headline inflation to average 0.5% - 1.5% in 2025. The uncertainties about inflation remain high amid the increased risks in the external environment.

Third, MAS will maintain a data-dependent approach to policy with any adjustments driven by fundamental changes rather than short-term shocks. The officials stated that any widening of the policy band would need to be justified by fundamental shifts in the economic landscape, as unexpected shocks could complicate exchange rate management. They further indicated that there is no firm stance on the equilibrium exchange rate. As for the policy approach, MAS will remain guided by its baseline economic outlook and established policy path – whether that means adopting a wait-and-see stance or potentially acting pre-emptively. Regarding the S\$NEER, the central bank is not constrained by a stronger S\$NEER in easing policy. In response, the officials emphasised that the average exchange rate level is more important in policy decisions. They noted that the SGD's level over the 3-6 months has been consistent with MAS's policy intent. Real interest rates remain low, while the real exchange rate has slightly depreciated, indicating no signs of appreciation. Overall, the policy band remains aligned with the central bank's accommodative stance. The central bank implemented its first monetary easing since 2020 in January 2025, followed by a second move in April.

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Implications Towards Our Forecast

Based on our conversations with the policymakers, we draw three key implications for our forecast: (1) We maintain Singapore's full-year GDP forecast at 2.0%, (2) We revised 2025 headline and core CPI, and (3) MAS to widen the S\$NEER policy band in its July MPC meeting. We discuss these implications in detail below:

First, we continue to maintain our 2025 GDP growth forecast for Singapore at 2.0%, although we maintain a more cautious outlook for 2H25. Singapore's economic outlook remains clouded by persistent global uncertainties, though near-term data have surprised to the upside. We keep our forecast unchanged for the time being, with downside risks ranging between 0.5% and 1.0% if tariff tensions escalate further. However, if the implementation of US tariffs is delayed beyond 1 August, the potential exists for GDP growth to edge closer to 3.0%. Singapore's economic outlook is becoming increasingly fluid, influenced by developments in global tariffs and trade relations. We expect increased challenges for the trade and manufacturing sectors, particularly from the second half of 2025 onwards, as trade tensions intensify.

We maintain Singapore's full-year IP and NODX forecast at 2.0% in 2025. We expect the city-state's export demand to remain weak, with the manufacturing sector likely to face continued headwinds into 2H25. Export-oriented industries may face increasing pressure as the threat of direct US tariffs and the broader knock-on effects of rising protectionism continue to weigh on sentiment and activity. While Singapore recorded strong GDP growth in 1H25 at 4.2% YoY, we believe much of the upside is likely driven by the front-loading of external orders. We believe this momentum may be short-lived, with growth likely to ease in the second half of the year, as the front-loading effect dissipates. Although the economy has avoided a technical recession for now, we think the risk could resurface if global tariff tensions escalate in the coming quarters.

Based on our earlier tariff estimates, the current round of US tariffs could reduce Singapore's GDP by approximately 0.25 percentage points. Under the current US-China tariff arrangement, where reciprocal tariffs are temporarily lowered to 30% until 12 August and incorporating the secondary spill-over impacts, Singapore's total exports could contract by up to 2.6%. As the 90-day pause on US reciprocal tariffs approaches expiration, we remain cautious about the economic outlook, given the lingering uncertainties surrounding tariff imposition. Additional tariffs on sectors such as pharmaceuticals and semiconductors, expected to be announced as soon as 1 August, could further elevate risks, compounding the impact of the existing 10% baseline tariffs. On the other hand, we think there may be some upside to the economy if the tariff deadline is further delayed after 1 August, and economic growth might edge closer to 3.0%. This is based on the delay in implementing reciprocal tariffs from April to August, as well as ongoing trade negotiations, which suggest that the tariff rates may be lower than initially expected. Beyond the tariff impact, Singapore could also see declining private consumption (through labour market softening and wage reduction) and a slowdown in investment due to the escalating tariff uncertainties.

Second, we expect inflation to continue remaining tame throughout the second half of the year. We [revised](#) Singapore's full-year headline and core inflation to 1.2% (1.6%) and 0.9% (1.1%), respectively, in 2025, amid the easing inflationary pressure seen so far. We see few factors to drive Singapore's inflation trajectory for the remaining months; (1) potential economic slowdown amid the ongoing global trade uncertainties, (2) a strong S\$NEER which could limit import prices resulting to a moderate imported inflation, and (3) fluctuations in the global commodity prices influenced by external volatility and geopolitical tensions.

Third, ahead of the MAS MPC meeting on 30 July, we maintain our expectation for the central bank to widen the S\$NEER policy band to $\pm 3.0\%$ from the current $\pm 2.0\%$, while keeping other policy parameters unchanged. That said, a flattening of the slope from 0.5% to 0.0% remains a possibility if economic conditions worsen in 2H25. While recent data points to some resilience, underlying vulnerabilities persist. Renewed US-China trade tensions, a potential global slowdown, and rising geopolitical risks could significantly impact Singapore's export-driven economy. Although both headline and core inflation remain contained, mounting external uncertainties have shifted the balance of risks toward the need to prioritise growth support. MAS may have room for an accommodative stance in July to support growth amid subdued inflation pressures. However, rising global uncertainties could lead the cautious central bank to pause its easing cycle and adopt a more wait-and-see approach. For the US, we maintain our view that the Fed Funds Rate (FFR) will be cut by 25 basis points in both September and December 2025.

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Through our discussions, we also had several observations beyond Singapore's growth, inflation and policy prognosis. We note these observations topically below:

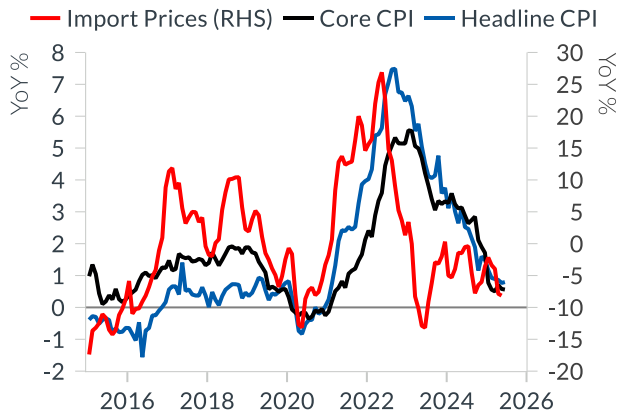
1. **Singapore Overnight Rate Average (SORA):** In response to the recent decline in SORA rates, officials emphasised that interest rates in Singapore are market-determined and may occasionally diverge from economic fundamentals or outlooks. Our view is for the declining yields trend for SORA to prolong into the year-end due to: (1) the anticipated 50bps FFR cuts by end-2025, (2) slower economic growth, and (3) sustained safe-haven flows into Singapore.
2. **Singapore's financial market:** Officials view the financial market as broadly healthy, noting that global economic conditions have not tightened excessively and the risk of a sharp downturn remains limited. They highlighted that current global shocks differ in nature from those seen during past recessions, particularly the global financial crisis, where systemic stress in the financial sector played a central role.

In contrast, today's challenges, such as geopolitical tensions, trade uncertainties, and inflation dynamics, are primarily external and macroeconomic, rather than stemming from financial imbalances. As a result, there are currently no major disruptions or vulnerabilities within the financial sector itself, which supports overall financial stability.

3. **Labour market assessment:** According to the policymakers, Singapore's labour market remains broadly balanced, with no significant disruptions at the overall level. However, they voiced concerns about the challenges new graduates may encounter amid ongoing economic uncertainties. While some instances of retrenchment have been observed, they are not widespread. We expect demand for labour to ease this year, in line with the economic slowdown. As economic uncertainty persists, firms are likely to scale back hiring and expansion plans, leading to slower employment growth across most sectors compared to last year. We think trade-related industries—particularly manufacturing and wholesale trade are likely to face more pronounced employment pressures amid a weakening global trade environment.

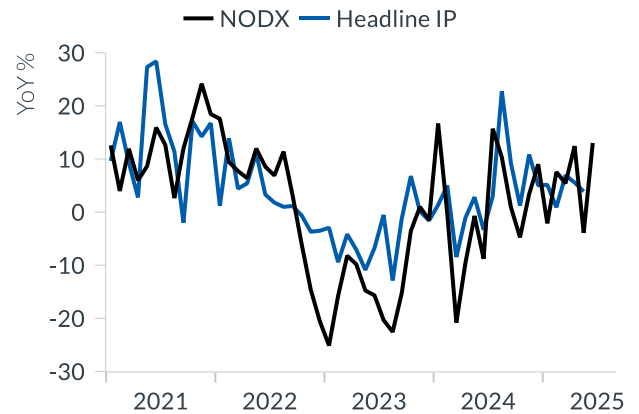
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Figure 3: Inflation likely to stay benign this year, as there is no significant upside risk...



Source: Macrobond, RHB Economics & Market Strategy

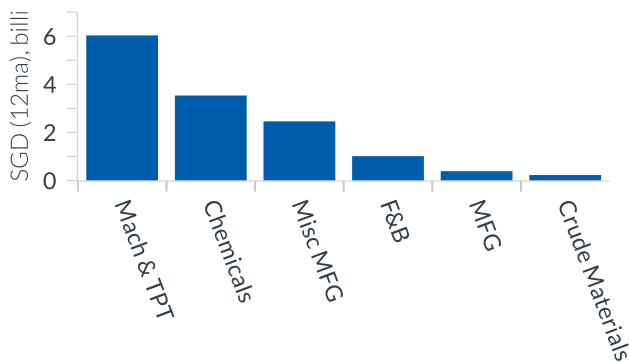
Figure 4: Singapore's NODX and IP have performed well in 1H25 due to front-loading behaviour



Source: Macrobond, RHB Economics & Market Strategy

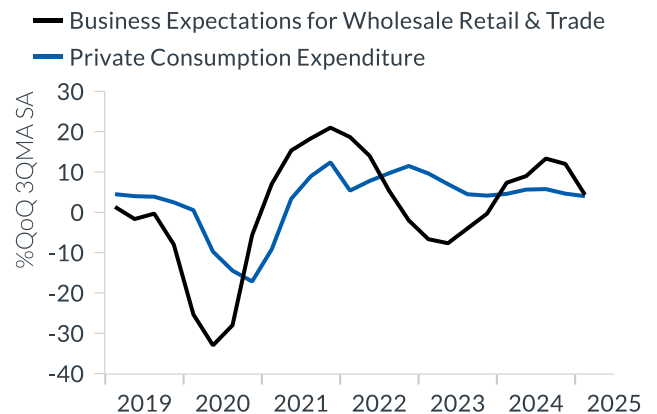
Figure 5: US's potential sectoral tariffs will pose downside risks on SG's semicon & pharma industries

Top Singapore's Non-Oil Domestic Exports



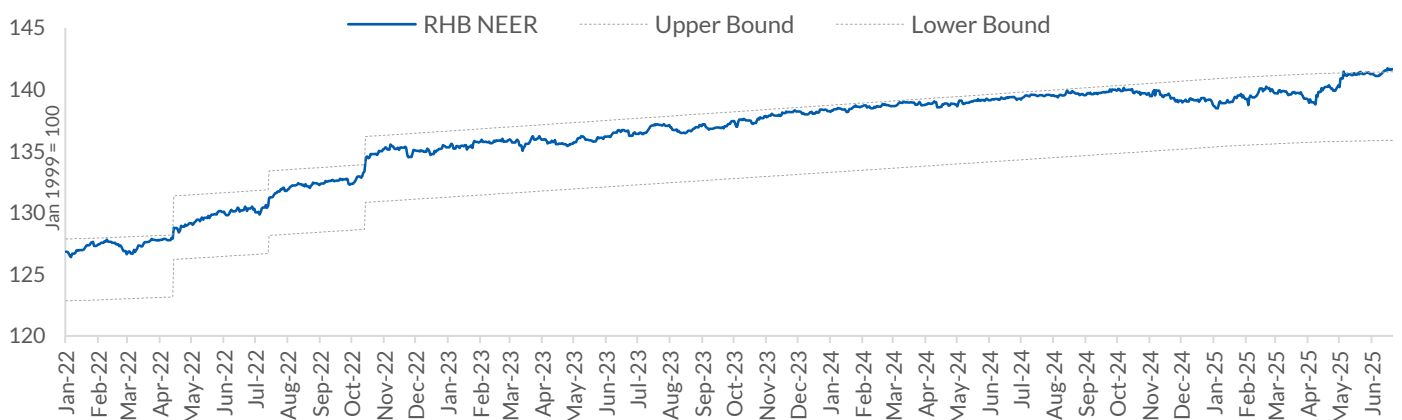
Source: Macrobond, RHB Economics & Market Strategy

Figure 6: Business sentiment is bearish, crimping the domestic consumption



Source: Macrobond, RHB Economics & Market Strategy

Figure 7: S\$NEER is at 2.0% above midpoint, suggesting limited upside bias for the NEER



Source: RHB Economics & Market Strategy

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