02 January 2025

Global Economics & Market Strategy

Singapore: Resilient Growth in 2025

- **We maintain Singapore's GDP growth forecast at 3.0% for 2025, at the top end of the official range of 1.0% - 3.0%.**
- **We anticipate that the Monetary Authority of Singapore (MAS) will likely keep its current policy parameters unchanged through the first half of 2025.**
- **Singapore's GDP expanded 4.3% YoY (+0.1% QoQ SA), slower than the 5.4% YoY growth in 3Q24 but exceeding market expectations of 3.8% YoY and in-house projection of 2.2% YoY.**

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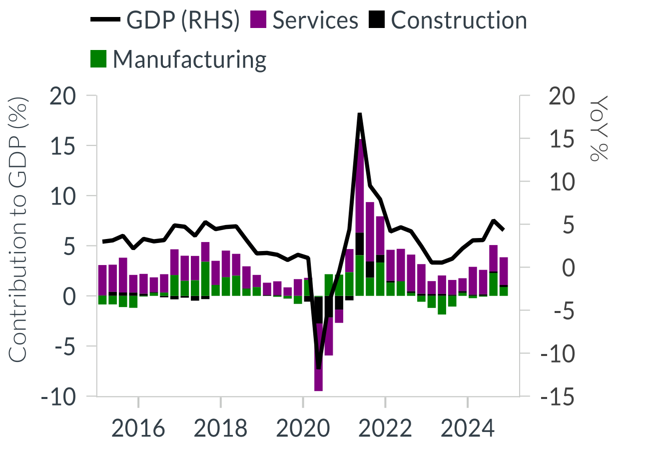
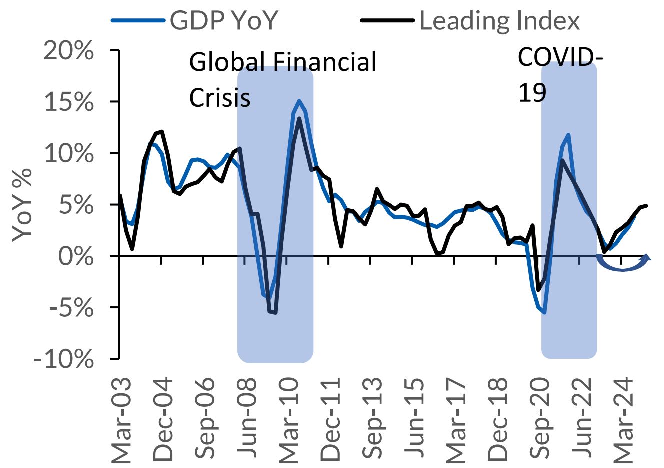
Figure 1: Singapore's GDP growth expanded in 4Q24, but slower than 3Q24 due to slowdown in manufacturing



Source: Macrobond, RHB Economics & Market Strategy

Figure 2: RHB SG GDP-LEI suggest growth momentum to remain resilient



Source: CEIC, RHB Economics & Market Strategy

Kicking Off the New Year with A Strong Start

We maintain Singapore's GDP growth forecast at 3.0% for 2025, at the top end of the official range of 1.0% - 3.0%. Today's advance estimate 4Q24 GDP print of 4.3% YoY exceeded our expectations (RHB estimates of +2.2% YoY) and surprised the market's forecasts of +3.8% YoY. Our view for Singapore's economy to remain robust in 2H24 has materialised nicely. We forecast the economy to grow by 3.8% YoY in 1Q25, expanding from 4.3% YoY growth in 4Q24. Reflecting our optimistic outlook for Singapore's economy, our 2025 GDP growth forecast of 3.0% is at the upper end of the official range of 1% to 3%. Singapore's economy has expanded by 4.0% YoY in 2024, accelerating from 1.1% YoY expansion last year.

Today's GDP print has surpassed the government's revised estimate of around 3.5% economic growth in 2024, building a strong foundation for the city-state to confront challenges in 2025. MTI's advance estimates release strengthens our positive economic outlook for Singapore to persist into next year. Singapore's economy remains closely linked to global trade demand, and our balanced expectations for the year ahead will support the country's export-driven sectors, such as manufacturing. Manufacturing, a significant contributor to Singapore's GDP, grew by 3.5% YoY in 2024, matching our in-house projection compared to the previous year, a rebound from the 4.3% YoY contraction in 2023. The recovery was partly driven by a rise in global electronics demand, stabilising inflation, and loosening monetary conditions, which boosted growth optimism.

Looking ahead into 2025, we maintain our optimistic medium-term outlook, supported by Singapore's strong manufacturing and services sectors. We expect the country to experience resilient GDP growth, fuelled by a favourable global trade and investment environment. As a key player in the global semiconductor supply chain, Singapore stands to benefit from a positive outlook for the global tech cycle and the gradual decrease in global interest rates. We maintain a positive outlook for the manufacturing sector in 2025, supported by (1) an improved global and domestic economic environment and (2) a global technology upcycle. We see promising growth in specific industries, including electronics, precision engineering, and transport engineering. These sectors are closely integrated into global trade and will continue to benefit from increased global demand for electronics and electrical equipment and rising trade activities. Overall, we project NODX and IP full-year growth at 2.0% and 3.0%, respectively, suggesting that these will support our view on the city-state's economy to expand at 3.0% in 2025.

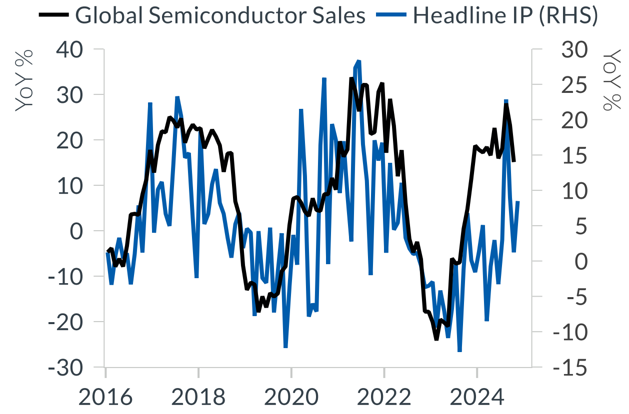
With global growth expected to remain resilient in the coming year, we maintain our asset allocation strategy for overweight (OW) equities, market weight (MW) fixed income, and underweight (UW) cash in 2025. We keep our GDP forecasts for the US and China at 2.0% and 4.8%, respectively, for 2025. We maintain our base case for three rate cuts by the FOMC this year. While we remain optimistic about Singapore's economy, we are still cognizant of key risks, including (1) global geopolitical uncertainties and (2) a potential rise in US protectionist policies, which may curtail global growth and trade activities this year. We are cautious about Singapore's trade outlook for 2025 due to the potential for protectionist policies under Trump's administration. As a small, trade-dependent economy, US-led protectionism could indirectly affect Singapore. Exports are expected to drive growth in the year's first half, bolstered by front-loading in anticipation of new US tariffs. Slower growth in the US and China is also expected to reduce export receipts. Given these dynamics, households may reduce their discretionary spending.

According to the New Year speech by PM Lawrence Wong, he highlighted that although global inflation has eased, prices have not yet decreased to pre-pandemic levels. He also mentioned that additional targeted support will be provided to older individuals and lower-income groups to help them manage rising living costs. Singapore's resilience could be challenged by external factors, including China's slowdown, trade tensions under the incoming Trump administration, and other geopolitical uncertainties. The government did not provide a growth outlook for 2025, but in November, it projected the economy to grow by 1% to 3% this year.

As such, we anticipate that the Monetary Authority of Singapore (MAS) will likely keep its current policy parameters unchanged through the first half of 2025. We don't expect any adjustments to the band's midpoint unless a major economic shock, such as a recession, occurs. We believe the current S$NEER policy settings suit Singapore's price pressures. In its latest review, the MAS noted that the disinflation trend is "well entrenched," though it cautioned about potential upside price risks. The central bank expects core inflation to finish the year around 2.0% and to average near the midpoint of its 1.5%-2.5% forecast range in 2025, suggesting little need for monetary policy changes in the near future. The MAS, which uses the exchange rate rather than interest rates to control inflation, will reassess its policy stance later this month.

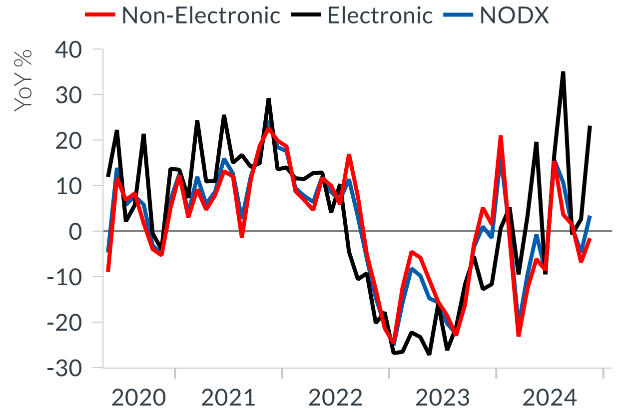
Singapore's GDP expanded 4.3% YoY (+0.1% QoQ SA), slower than the 5.4% YoY growth in 3Q24 but exceeding market expectations of 3.8% YoY and in-house projection of 2.2% YoY. For 2024, the economy expanded by 4.0%, surpassing the 1.1% growth in 2023. The manufacturing sector grew by 4.2% YoY in 4Q24, a marked slowdown from the 11.1% YoY expansion in the previous quarter. Meanwhile, the construction sector posted a solid 5.9% YoY growth in the last quarter, accelerating from the 4.7% YoY increase in the third quarter. Services-producing industries collectively grew by 4.3% YoY in 4Q24, driven primarily by growth in wholesale & retail trade, transportation & storage, information & communication, finance & insurance, and professional services. The wholesale & retail trade and transportation & storage sectors grew 5.6% year-on-year in the fourth quarter, building on the 5.2% YoY growth in the previous quarter. The economy grew by 0.1% on a seasonally-adjusted quarter-on-quarter basis, slowing down from the 3.2% growth in the third quarter.

Figure 3: Improving global growth should continue to support manufacturing activities in the quarters ahead…



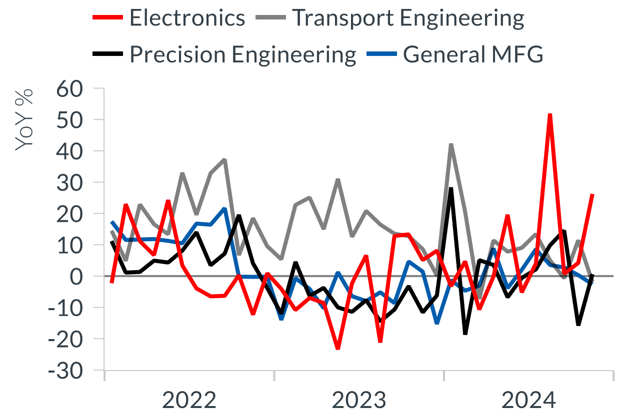
Source: Macrobond, RHB Economics & Market Strategy

Figure 4: … and exports remain supported on the global growth trends



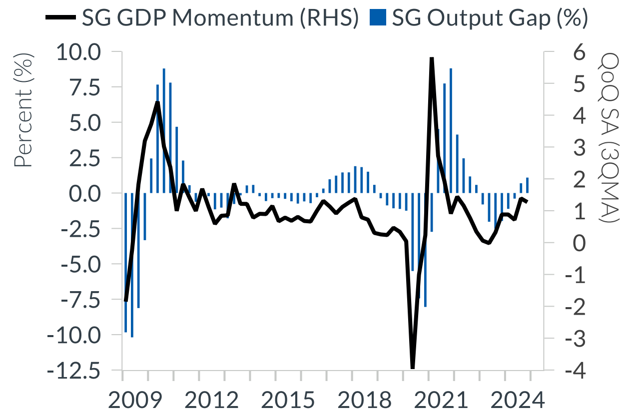
Source: Macrobond, RHB Economics & Market Strategy

Figure 5: We remain positive on the key manufacturing clusters



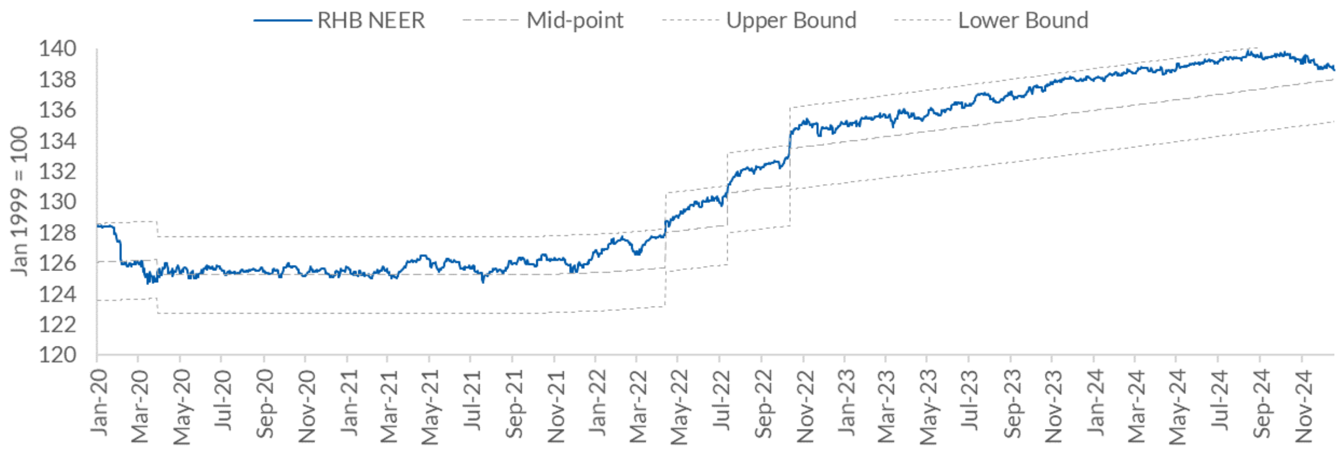
Source: Macrobond, RHB Economics & Market Strategy

Figure 6: SG GDP positive output gap has widen further, should the current trend continue into 1Q25



Source: Macrobond, RHB Economics & Market Strategy

Figure 7: S$NEER is at 0.39% above the mid-point.



Source: RHB Economics & Market Strategy

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