

Singapore Economic Outlook for H2 2025

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Executive Summary

Singapore's economy delivered a stronger-than-expected performance in the first half of 2025, expanding by **4.2% year-on-year on average in H1**. This upside surprise was driven by robust external demand and **front-loaded exports** ahead of impending U.S. tariffs. However, **growth is poised to moderate sharply in H2 2025**, as global conditions turn less favourable. The **U.S. trade war escalation** – including a 10% baseline tariff on all imports and impending higher tariffs (20–50%) on many countries from Aug 1 – is expected to **weigh heavily on Singapore's outward-oriented sectors**. Key trade partners like Malaysia and Indonesia face steeper U.S. tariffs of ~20–30%, which could dampen regional trade flows and spill over to Singapore.

Domestically, **sentiment is cautious**. The Ministry of Trade and Industry (MTI) has maintained its full-year **GDP growth forecast at 0% to 2%**, implying a significant slowdown in the second half after the 4.2% expansion in H1. External headwinds – from U.S. tariff hikes, a weakening global electronics cycle, and uncertainty in China's recovery – are cited as key drags. At the same time, **several tailwinds could help cushion the downturn**. These include resilient intra-regional demand (ASEAN and China), a continued rebound in international travel and tourism, and Singapore's **policy support measures** (e.g. targeted grants for affected businesses by October) to mitigate the tariff impact. With **inflation easing and monetary policy turning accommodative**, domestic consumption and investment may receive some support. On balance, Singapore is expected to **avoid a recession** – analysts forecast around 2–3% GDP growth for 2025 – but the outlook for H2 is one of **slower growth with significant downside risks**, tempered by pockets of resilience in the services sector and regional economic cooperation.

Global Context: Trade War Headwinds and Geo-Economic Uncertainty

The external backdrop for H2 2025 is dominated by **heightened geo-economic risks**, chiefly the **United States' sweeping tariff measures** under President Donald Trump. In April, the U.S. imposed a *universal 10% tariff* on virtually all imports, **including those from Singapore** despite a bilateral FTA. Further "reciprocal" tariffs targeting countries with large U.S. trade surpluses were announced but temporarily suspended for 90 days of negotiations. As of July, that pause is ending: Washington has **notified over 20 countries** – including key ASEAN economies like Malaysia, Indonesia, Thailand and the Philippines – of new **tariff rates ranging from 20% to 50% effective Aug 1**. These steep duties, justified by the U.S. as enforcing "reciprocity," threaten to ignite a broader cycle of retaliation and global trade contraction. Notably, *Singapore has so far avoided being singled out* in this round of tariff hikes – its exports remain

subject to the 10% baseline U.S. import tax, and it **“has not yet received a letter”** indicating higher country-specific tariffs. In contrast, neighbours like **Malaysia face a 24% tariff from August** unless a deal is reached, and Indonesia is reportedly bracing for a ~19% rate as part of ongoing talks.

The lack of clarity over U.S. trade policy has injected substantial uncertainty into the global outlook. MTI Singapore warns that **“significant uncertainty and downside risks”** remain for the second half of 2025 due to U.S. tariff policy ambiguity. Businesses worldwide have scrambled to adjust supply chains, with many front-loading shipments before tariffs hit – boosting trade volumes in H1 but likely **paying back with a slump in H2**. The Monetary Authority of Singapore (MAS) cautions that U.S. tariffs act as a **“production tax” on exporters, eroding their incomes and dampening demand**. Beyond direct effects, there are **second-order impacts**: tariffs on other countries can disrupt supply chains and reduce demand for intermediate goods that Singapore ships to those affected markets. In short, the global trade war is expected to create a **broader negative shock** to income and spending across trade-reliant economies.

Meanwhile, **global growth is slowing** under the weight of high interest rates and geopolitical tensions. The U.S. economy, while more resilient than earlier feared, is projected to **lose momentum in H2 2025** – the tariff-induced jump in import costs and uncertainty is set to weigh on U.S. consumer spending and investment. **The Eurozone’s growth remains subdued**, with deteriorating business sentiment, though easing inflation and more accommodative monetary policy provide some offset. Crucially, **China’s economic trajectory** will heavily influence Singapore’s external demand. After a sluggish 2024, China’s GDP growth in 2025 is now expected to **strengthen** beyond earlier forecasts, thanks to a substantial policy stimulus package and the temporary trade truce with the U.S.. This Chinese rebound – if sustained – is a **positive wildcard** for the region: stronger Chinese import demand (for commodities, electronics, tourism, etc.) could counterbalance some of the weakness from Western markets. Indeed, as U.S. orders faltered in May, Singapore’s exports to China and regional partners held up better, even as shipments to the U.S. plunged over 20% year-on-year.

At the same time, **ASEAN economies are closing ranks** to weather the storm. In May, ASEAN Economic Ministers held special consultations with major Dialogue Partners (China, Japan, Australia, New Zealand) to **forge stronger partnerships amidst the global headwinds**. Trade pacts like the **Regional Comprehensive Economic Partnership (RCEP)**, in effect since 2022, are being leveraged to facilitate **intra-Asian trade** and investment as alternatives to depressed Western demand. There are also efforts to enhance supply chain connectivity and resiliency within ASEAN and with China – for example, promoting local currency trade settlements and digital trade facilitation – which could provide modest support to regional trade flows in H2 2025. In short, the **global context presents more headwinds than tailwinds**: an escalating U.S.–led trade conflict, slowing advanced economies, but with some relief from China and regional cooperation. Singapore, as one of the world’s most open economies, finds itself on the front line of these forces, and this global backdrop sets a challenging stage for the domestic outlook in the coming half-year.

External Demand Outlook: Exports, Manufacturing and Trade-Related Sectors

Trade and Manufacturing Slowdown: Singapore’s outward-oriented sectors are expected to **decelerate significantly in H2 2025**. In the first half, manufacturing and merchandise export volumes were buoyed by **front-loading** – local firms and regional partners rushed to ship goods before higher

tariffs kicked in. This resulted in surprisingly strong manufacturing growth of ~5% year-on-year in Q2 and a double-digit surge in exports in April. However, this boost is temporary. As MTI notes, the **dissipation of front-loading effects and the softening of global trade** will weigh on the manufacturing sector and wholesale trade in the second half.

In particular, **electronics – Singapore’s largest export cluster – faces multiple headwinds**. The global electronics cycle is past its peak, and demand for semiconductors and tech hardware is slowing worldwide. Moreover, the U.S. has hinted at **new sector-specific tariffs** on high-tech goods: President Trump has threatened long-discussed levies on **semiconductors** (and related products) under national security justifications. If implemented, such measures could directly hit Singapore’s important semiconductor exporters. Even absent new tariffs, **U.S.-bound electronics orders are retrenching** – Singapore’s exports to the U.S. fell over 20% in May after five months of growth, a sign that demand is wavering as tariffs loom.

The **pharmaceutical and biomedical manufacturing** segment, another pillar of Singapore’s industrial output, also faces an uncertain outlook. Pharmaceuticals had been exempt from the initial rounds of U.S. tariffs (and comprised roughly 40% of Singapore’s exports to the U.S. in 2024). But that may change: Washington has raised the prospect of **punitive tariffs on pharmaceutical imports up to 200%**, ostensibly for trade fairness. Singapore, a major producer of medicines and medical devices, would be exposed if such tariffs materialize. Trade Minister Gan Kim Yong has been **negotiating for concessions on pharma exports** – seeking to exclude or reduce tariffs on Singapore-made pharmaceuticals. The outcome of those talks (due late July) will be pivotal: a favourable deal could spare Singapore’s biomedical sector from a severe hit, whereas failure could mean a sharp drop in pharma production in H2 as U.S. orders dry up or margins collapse under a tariff. Aside from these risks, **biomedical output is notoriously volatile**, as production cycles and factory maintenance can cause swings. After a robust H1, it would not be surprising if biomedical manufacturing sees a neutral or lower output in H2 simply due to timing of production, even without tariff effects.

Encouragingly, not all manufacturing segments are bleak. The **transport engineering cluster** – especially aerospace maintenance, repair & overhaul (MRO) – remains a **bright spot**. Global air travel continues to recover post-pandemic, and airlines are catching up on aircraft servicing. Singapore, as a regional aviation hub, has seen its aerospace firms operate near capacity, providing high value-added growth that **“remains a bright spot”** amid broader manufacturing slowdown. This trend should persist through H2, supported by the rebound in international flights and Singapore’s strong position in aircraft engine servicing. Similarly, parts of the **precision engineering** segment tied to renewable energy and medical tech demand could see stable orders. Overall, however, Singapore’s **manufacturing PMI** may well dip below neutral in H2 as export orders shrink. Companies are likely to run down inventories built during the front-loading rush, and new capital investment in manufacturing will be limited until there is clarity on trade rules.

Trade-Related Services Impact: The expected manufacturing/export downturn will **reverberate through Singapore’s trade-related services sectors**. The **wholesale trade** sector – which contributed strongly to GDP growth in Q1 and Q2 – will likely slow markedly. MTI projects that wholesale trade volumes will **“weaken as the boost from front-loading dissipates and global trade softens, especially in the second half”** of 2025. Wholesalers of electronics, machinery, and commodities benefitted from facilitating the H1 export surge; in H2 they face a payback as orders from regional customers adjust to lower end-demand from the U.S. and Europe. Likewise, the **transportation and storage** sectors are bracing for a downturn in activity. As a top transshipment hub, Singapore’s ports handled extra

throughput earlier this year – partly due to rerouted trade flows and stockpiling – but **shipping volumes are expected to fall** if global trade contracts. Analysts warn that external headwinds will soon “**exert significant pressure**”, noting that **transshipment trade (re-exports) makes up two-thirds of Singapore’s total trade**. Any U.S. clampdown on transshipment (to prevent tariff circumvention) would directly hit Singapore’s port volumes. Even absent that, weaker Chinese and ASEAN export growth (due to U.S. tariffs) implies fewer goods moving through Singapore. Indeed, **marine bunker fuel sales in H1 2025 have already dipped slightly** as global shipping demand shows signs of cooling. We can expect slower container throughput in H2, pressure on shipping rates, and consequently a drag on Singapore’s logistics, freight forwarding, and warehousing businesses. The **air cargo** segment is similar – it enjoyed a rebound when electronics exports were hot, but airfreight has since begun declining as tech demand ebbs. The hit to goods trade may be partially offset by continued strength in **people flows** (air passenger volumes), but that benefits mainly the aviation passenger services, not cargo. Overall, the **transport/storage sector is forecast to contract mildly in H2**, in line with a projected decline in global trade volumes.

It is worth noting that Singapore’s **financial and business services** are also intertwined with external demand. Trade finance, forex trading, and supply chain management services could see reduced activity if trade slows. MAS has flagged that finance & insurance sector growth could be **weighed down by weaker trading activity and a moderation in payment flows**, mirroring the slowdown in trade and consumer spending. For instance, bank lending to manufacturers and traders might decelerate, and fee income from trade financing could fall. Additionally, **business services** (including professional services, logistics management, and IT services) will feel the pinch as exporting firms cut discretionary spending. Firms are likely to **trim IT upgrades, consulting projects, and marketing** in a more uncertain climate, directly dampening the info-communications and professional services segments.

On the positive side, **Singapore may gain some relative advantage in export markets** due to the uneven tariff landscape. The U.S. “reciprocal” tariff scheme appears to penalize certain countries more than others: e.g., Malaysia faces ~24%, Vietnam 20%, while Singapore stays at 10% baseline. This could make **Singapore-origin goods comparatively more competitive** in the U.S. market in certain niches. For example, if Malaysian electronics or Thai machinery become pricier in the U.S. with a 20%+ tariff, U.S. buyers might increase orders from Singapore (if Singapore’s goods are only at 10% tariff) – assuming Singapore produces similar items. However, the scope for such substitution is limited: Singapore’s manufacturing is more high-tech and less volume-driven than its neighbours. Moreover, in many cases, Singapore ships intermediate goods to neighbours who then export finished products – so tariffs on neighbours can indirectly hurt Singapore’s intermediate exports rather than help. Another substitution effect could be in commodities: if Indonesia’s or Malaysia’s products (like certain chemicals or palm oil derivatives) incur tariffs, Singapore’s refiners and chemical producers might fill some gaps. But again, **global demand elasticity is low** in many of these areas, and “buy American” sourcing shifts may replace, rather than re-route, import demand. Thus, while **trade diversion could offer a marginal boost** to some Singaporean exporters (and the government will be on the lookout for such opportunities), it won’t fully offset the broader external slowdown.

Domestic Drivers: Services, Consumer Demand and Real Estate

Consumer Spending and Services: On the domestic front, Singapore's consumer-facing sectors have been recovering post-pandemic, but the momentum is expected to remain **subdued in H2**. In early 2025, **private consumption was underwhelming** – for instance, the accommodation and food services sector contracted in Q1. While some moderation in domestic retail and F&B spending has been observed, this appears less a result of rising borrowing costs or border reopening fatigue – as those narratives are outdated – and more likely linked to **structural shifts in consumption patterns**. **SGD interest rates have eased** through H1 2025, alleviating mortgage servicing burdens for households. Moreover, **Singapore's borders have been open for over three years**, and the outbound travel trend is now more stable and predictable, driven primarily by **currency strength** rather than pent-up demand.

The apparent softening in discretionary spending—particularly in categories like apparel and footwear—may reflect **ongoing digital substitution**, as consumers increasingly **purchase goods online** from global platforms offering greater variety and pricing. While high-frequency data shows a shift in retail footfall and offline spend, **overall household purchasing power remains stable**, supported by a strong labour market and income growth in services sectors. Barring a sharp rise in unemployment, **domestic demand is likely to stay resilient**, though with continued channel rebalancing across online/offline and domestic/overseas spend.

Overall, **retail trade is forecast to grow only modestly** if at all – essential goods will hold up, but big-ticket purchases could be deferred in an uncertain climate. The government's distribution of some cost-of-living relief (e.g. CDC vouchers, utility rebates from the FY2025 Budget) provides a small boost to lower-income household spending, but not enough to spur a big consumption jump.

The **bright spot in consumption is tourism and related services**. Singapore's status as a travel and leisure hub means inbound tourism has a significant impact on domestic services. After China's reopening, **tourist arrivals have been rising**, and this is poised to accelerate in H2 2025. The Singapore Tourism Board expects a strong second-half calendar of events: for example, the **Formula 1 Grand Prix in September 2025** will draw tens of thousands of international visitors. Additionally, **China's outbound tourism** is recovering – Chinese tourists (who pre-pandemic made up ~20% of Singapore's visitors) are returning, supported by China's easier travel policies and pent-up demand. The NESDC in Thailand noted a slight downgrade in their tourist forecast (from 38m to 37m arrivals for 2025) due to global headwinds, but Singapore's more diversified visitor mix (Southeast Asia, South Asia, Australia, etc.) could fill any gaps if Chinese high-end travel is slower. **Tourist spending on hotels, attractions, dining and shopping** will thus be a tailwind for H2. We already see improving hotel occupancy and room rates. Notably, the **higher-end hotel segment was weak in Q1**, but as more long-haul tourists (from Europe, U.S., China) return in H2, the mix of visitors could shift to higher spenders, aiding premium hospitality. The **government's efforts to promote Singapore as a MICE (Meetings, Incentives, Conferences, Exhibitions) destination** are yielding results – several major conferences and exhibitions (in fintech, aviation, sustainability) are scheduled in late 2025, which will bring in business travellers and support the service economy. Therefore, **we expect the accommodation & food services sector to swing back to growth** in H2, after earlier contractions, mitigating some weakness elsewhere.

Crucially, the **labour market** will influence domestic demand. Singapore's employment has recovered to pre-pandemic levels, and unemployment is low (~2%). However, as external-oriented firms face

stress, hiring may slow and some pockets (manufacturing, trade, possibly finance) could see layoffs or wage freezes. The government’s forecast assumes **“weakening of domestic labour market conditions”** later this year, which would curb wage growth and consumer confidence. So far, wage gains and the **buffer of accumulated savings** have kept consumption ticking. In H2, we anticipate a slight uptick in unemployment and more subdued income growth. Still, given Singaporeans’ generally prudent finances and low unemployment currently, any drag on consumption should be moderate – a far cry from recessionary demand collapse. **Inflation trends** are also key: fortunately, **inflation has been easing**. Core inflation fell to ~1.5% in Q2 and could dip below 1% by year-end (barring supply shocks), given stabilizing energy prices and softer demand. With **MAS projecting core CPI of only 0.5–1.5% for 2025**, real purchasing power may actually improve, supporting spending on necessities and domestic services even if nominal wage growth slows. Additionally, the **MAS and government have signalled readiness to support the economy** if needed: the MAS has already eased monetary policy twice (in October 2024 and April 2025), which has slowed SGD appreciation and helped exporters. Fiscal policy remains on standby; having front-loaded some support in the 2025 budget (like higher GST offsets), the government could introduce off-budget measures (such as targeted sectoral assistance or training subsidies) should layoffs mount in H2. Such policies would indirectly bolster domestic demand by shoring up consumer and business confidence.

Real Estate and Construction: Singapore’s real estate sector enters H2 2025 with renewed resilience. Easing SGD interest rates in H1 have lowered borrowing costs, reviving demand in the private residential market. CapitaLand’s Lynden Woods, for example, achieved a 94% sell-through at S\$2,450 psf, highlighting healthy appetite for well-located new launches. URA flash data shows private home prices rose 0.5% q-o-q in Q2, with strength concentrated in the Core Central Region and landed segments. While resale volumes remain modest, underlying demand is supported by stable household finances, a tight supply pipeline, and the return of expatriates—keeping both purchase and rental markets firm.

In the commercial space, trends are mixed. Some global firms have trimmed office footprints, yet Grade A CBD occupancy remains high, with Singapore’s stability attracting firms relocating from higher-risk markets. New office completions may moderate rental growth, but longer-term prospects are underpinned by demand from finance, legal, and tech tenants. Industrial properties face headwinds in export-linked segments, though high-spec spaces and data centers remain buoyant. Government-backed hubs—Jurong Innovation District, Changi Aviation Park, and Punggol Digital District—continue to anchor activity and investor interest in adjacent locales.

Construction GDP rose nearly 7% y-o-y in Q1 2025, and momentum is expected to continue in H2, supported by both public infrastructure rollouts and a backlog of private sector projects. While rising labour and material costs may weigh on margins, the overall sector outlook remains stable. Real estate services may see transaction-linked softness, though en-bloc interest and foreign institutional activity offer offsetting support. Overall, real assets remain a defensive asset class, benefiting from Singapore’s continued position as a regional safe haven.

Financial Services and Investment: Singapore’s financial sector – banking, insurance, wealth management – is a heavyweight in the economy (over 15% of GDP). Its outlook for H2 is **cautiously optimistic**. **Banking** has benefitted from higher interest rates boosting net interest margins, but credit growth could slow in H2 reflecting weaker business loan demand (especially trade finance) and cautious consumer borrowing. There is a silver lining: with the U.S. Fed likely at or near the peak of its hiking cycle, global rates might stabilize or even ease by late 2025. That reduces the risk of further

tightening of financial conditions. In fact, some expect **rate cuts in 2025 in countries like Malaysia** to spur growth. If inflation stays low, MAS could also allow a bit more monetary easing. Stable or lower rates would relieve debt servicing burdens and support sectors like property and SMEs. In **capital markets**, the first half saw volatility due to tariff news, but **H2 could see a recovery in investor sentiment** if there's progress on trade negotiations. Notably, global investors still regard Singapore as a **safe harbour**, which means in times of turbulence, funds often flow into Singaporean assets (strengthening the currency and financial account). The wealth management business could gain from such inflows – indeed, family offices and high-net-worth individuals in the region have been increasing allocations to Singapore accounts as a hedge against geopolitical uncertainty. This **influx of wealth capital** is a quiet tailwind supporting finance sector growth, alongside rising demand for sustainable finance and green bonds (areas where Singapore is positioning strongly).

One more area worth mentioning is the **technology and innovation sector**. While not a single industry, Singapore's push into high-tech fields (fintech, biotech, digital services) contributes to services growth and investment. The **technology sector's outlook is mixed**: on one hand, global tech giants have slowed hiring or cut staff in the past year, impacting Singapore's tech workforce and spending on local services. On the other, new opportunities (e.g. in **AI, cloud computing, cybersecurity**) are emerging, and Singapore continues to attract data center investments and regional HQ operations for tech firms due to its stable environment. Government initiatives like the **Tech:X Programme with Indonesia** and the **Singapore–Vietnam Innovation Talent Exchange (ITX)** aim to keep Singapore at the heart of ASEAN's digital economy. These efforts will not yield immediate macro growth in H2, but they enhance medium-term competitiveness. In H2, we might see **some recovery in tech services** if U.S. tech stocks rebound and firms resume regional expansion. Moreover, Singapore's **information & communications sector**, which includes telecoms and media, could get a lift from events (e.g. major sports broadcasts, conferences) and the continued rollout of 5G and digitalization grants for businesses.

In summary, domestic-oriented sectors in H2 2025 present a **two-speed story**: **Travel, tourism, and to some extent construction** are poised to do well, supported by a sustained rebound in international arrivals, major event-driven tourism, and strong public infrastructure spending, respectively. **Consumer retail and some real estate activities** will likely stay lukewarm, constrained by cautious sentiment and competition from overseas spending. **Finance and professional services** face a challenging external environment but are underpinned by Singapore's safe-haven status and policy flexibility. The net effect is that domestic demand should be **just strong enough to prevent a contraction** even as exports falter. Indeed, analysts note that **services tied to local spending and regional travel will help offset export sector weakness**, keeping full-year growth in positive territory.

Comparative Outlook: Singapore and ASEAN Peers in H2 2025

Despite facing common global headwinds, ASEAN economies have shown **divergent performances** in early 2025, and their H2 prospects vary based on economic structure and policy space. *Figure 1* offers a snapshot of the contrasting GDP performances among ASEAN countries in the Q1 2025.

Singapore's **4.3%** GDP growth in Q2 2025 outpaced most official forecasts and puts its H1 expansion around 4.2%–4.3% year-on-year. This is on par with **Malaysia** (which grew **4.4% in Q1** and likely around the same in Q2) and a bit slower than **Indonesia** (which managed **4.87% in Q1**, albeit its

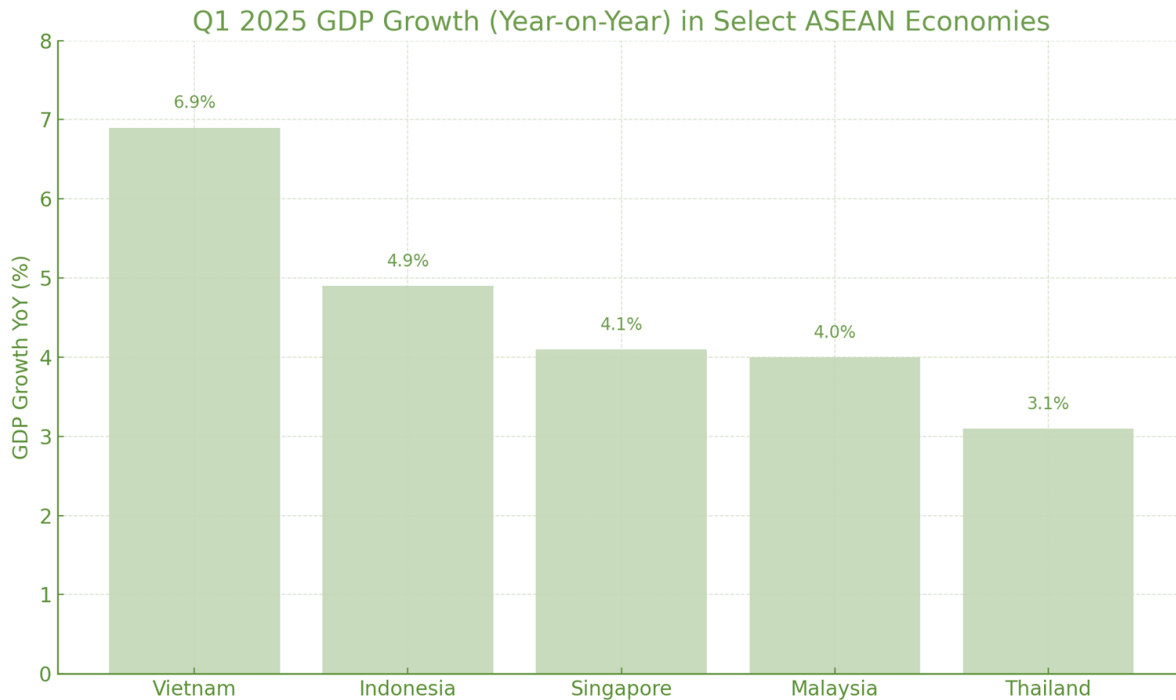


Figure 1: Q1 2025 GDP Growth (year-on-year) in select ASEAN economies. Vietnam led with nearly 7% growth, while Thailand trailed at 3.1%. Singapore and Malaysia grew ~4%, Indonesia ~4.9%. Sources: MTI Singapore, DOS Malaysia, BPS Indonesia, NESDC Thailand, GSO Vietnam.

slowest in three years). **Vietnam** stands out with an estimated **7.5% jump in H1** (Q1 at 6.93%, Q2 reportedly 8%), whereas **Thailand** has lagged, growing **3.1% in Q1**. The high H1 growth for many is partly a base effect and partly the front-loading phenomenon. The real test will be H2, where consensus expects **broad-based deceleration across ASEAN** – though the severity will differ:

- Malaysia:** Benefiting from a diversified economy (strong private consumption and a commodity sector buffer), Malaysia entered 2025 with solid growth. However, Bank Negara has warned that **“risks to the growth outlook are tilted to the downside,”** citing trade restrictions as a key factor. Malaysia’s exports (especially electronics, petroleum products, palm oil) are vulnerable to U.S. and EU slowdowns. The **U.S. tariffs** are a direct blow – the Malaysian PM noted that with the suspension of U.S. tariffs ending in July, the impact, while “manageable” so far, could prevent Malaysia from meeting its original 2025 growth target. At 24%, the prospective U.S. tariff on Malaysian goods is significant. We expect Malaysia’s **export growth to slow to the low single digits or flat** in H2, compared to ~2% in H1. Nonetheless, **domestic demand in Malaysia remains resilient** – Q1 was driven by **“sustained household spending and steady expansion in investment”**. The government’s expansive 2025 budget and measures (like cash handouts and wage subsidies) will support consumers. With **inflation subdued (~1.5% core in Q1)** and policy rates on hold or possibly cutting later, Malaysia has room to stimulate if needed. Overall, Malaysia might see its growth ease to ~3.5–4% in H2 (from ~4.4% H1), keeping **2025 full-year around 4%** – slightly under original forecasts, but still one of the faster in ASEAN.
- Indonesia:** Indonesia’s large domestic market (consumer spending is >50% of GDP) gives it insulation from trade turbulence. It posted **4.9% growth in Q1** and is targeting around 5% for

the year. Even as exports face headwinds – particularly commodities like coal (lower prices have already hit mining output, –1% in Q1) and manufactured goods like textiles (U.S. tariffs on apparel could hurt) – **Indonesia’s growth is expected to hold up better** than Singapore/Malaysia, thanks to internal drivers. Consumer spending in Indonesia has been stable (4.9% growth in Q1), though signs of middle-class caution are emerging (e.g. weaker spending on non-essentials like footwear). The Jokowi administration (transitioning to the new President Prabowo’s term) is likely to **increase fiscal spending in H2** – indeed, officials said government expenditure will provide momentum going forward, and they already cut the reserve requirement to boost liquidity. **U.S. tariffs on Indonesia** could still sting (reports suggest a deal is under discussion; an example scenario is a 19% tariff as per a **recent Reuters piece “Trump sets 19% tariff on Indonesia goods”**). If implemented broadly, a ~20% tariff could affect Indonesia’s exports of furniture, clothing, etc., but Indonesia’s exposure to U.S. is lower (only ~10% of exports go to U.S.). Furthermore, Jakarta is proactively negotiating with Washington to **avert the “hefty tariffs”**. The outcome remains uncertain, but even in a downside case, Indonesia’s **growth in H2 may only slip slightly to ~4.7–4.8%** (from 4.9% in H1) as domestic consumption and investment (e.g. continued capital spending on its new capital city project) carry weight. Thus, Indonesia could still achieve around **4.8% growth for full-year 2025** – near the top of ASEAN’s range.

- **Thailand:** Thailand is the most tourism-reliant of the four and also heavily export-exposed (especially autos, electronics, agri-food). It grew **3.1% in Q1**, slightly beating forecasts, thanks to a pickup in private consumption and government spending. But the Thai planning agency (NESDC) has slashed its outlook for the rest of 2025, **cutting the full-year GDP forecast to just 1.3%–2.3% (from 2.3%–3.3%)**. The primary reason is the anticipated **hit from U.S. tariffs on Thailand’s export “engine”**. Thai electronics, appliances, and auto parts sent to the U.S. could face 20–30% tariffs, which would drastically curb demand. Already, in May, Thailand saw exports to the U.S. fall, contributing to Singapore’s re-export drop to Thailand as noted. Additionally, Thailand’s political situation (a new government took office in mid-2025) adds uncertainty – though the new administration aims to boost spending and has talked of a big fiscal stimulus (e.g. cash handouts). For H2, we expect **Thailand’s exports to contract** year-on-year, and tourism, while strong, might not fully compensate if Chinese visitor numbers don’t reach pre-Covid highs. NESDC also trimmed the tourist forecast slightly (37 million instead of 38 million), reflecting global economy risks. **Thus, Thailand’s H2 growth might hover around 1–2%, down from ~3% in H1**, with full-year possibly ~2% or less if external conditions deteriorate further. Thailand’s case underscores how a trade war can undercut even a recovering service sector economy.
- **Vietnam:** Vietnam entered 2025 as ASEAN’s star performer but with the biggest target on its back in the trade war. After being a major beneficiary of the U.S.–China trade diversion (Vietnam’s trade surplus with the U.S. jumped 22% y/y in Q1 to \$27.3B), Vietnam found itself threatened with a massive **46% U.S. tariff** in April. This prompted frantic negotiations, culminating in a *deal*: the U.S. agreed to **cap tariffs at 20% for Vietnamese exports (and 40% on any re-routed Chinese transshipment)**, in exchange for Vietnam opening its market fully to U.S. goods (0% tariffs on U.S. imports). This was celebrated as avoiding disaster – **“dodging the severe levy of 46%” in favour of 20%** – but it still means a significant cost for Vietnam’s exporters. Many Vietnamese industries that previously enjoyed low U.S. tariffs (garments, footwear, furniture often under 0–10%) now face a steep 20% duty. As a result, we anticipate

Vietnam's export growth to the U.S. will slow sharply or even temporarily decline in H2.

Vietnamese manufacturers may have to *absorb much of the 20% tariff* to stay competitive, compressing their margins and potentially leading to lower wages or job cuts in export sectors. Indeed, MAS analysts noted that such tariffs act as a tax on exporters, likely borne partly by foreign producers. Vietnamese officials estimated that a 10% drop in U.S.-bound shipments would shave ~0.8 points off GDP; now with a 20% tariff, a larger hit to export volume is plausible (though not double, given some pricing power and diversification to other markets). Even so, **Vietnam's H1 2025 growth was around 7.5% – a 15-year high** – fuelled by momentum in manufacturing and investment. H2 will likely see a slowdown from that breakneck pace. Exports of garments, electronics, and phones (key Vietnamese exports) will feel the pain of the U.S. tariff plus possibly softer EU demand. However, **Vietnam's FDI inflows remain robust**, as the country is still an attractive “China+1” destination for manufacturing. The tariff deal, while painful, at least provides certainty and may encourage multinational firms to continue investing (knowing a worst-case 46% tariff was averted). Also, if some Chinese and other foreign suppliers set up more production in Vietnam to circumvent their own tariffs (within the 40% transshipment rules), it could paradoxically sustain Vietnam's industrial output (though this is contingent on how strictly the 40% tariff on Chinese-content goods is enforced). Taking these factors together, Vietnam's H2 growth might ease to perhaps 5–6% y/y, and full-year 2025 could still come in near the government's 7–8% target (albeit likely at the lower end). That would make Vietnam, even after tariffs, one of the fastest-growing in the world, demonstrating significant resilience.

Intra-ASEAN dynamics in H2 2025 will be interesting. **Regional supply chain realignments** are already happening: some orders and investments are shifting from China toward ASEAN countries (including Malaysia, Vietnam, Indonesia) as firms seek to navigate U.S. tariffs. Singapore, being a high-end logistics and financial hub, can capture ancillary benefits from these shifts (financing, headquarters services, etc.). Additionally, ASEAN countries might trade more with each other – for instance, if U.S. demand falls, Malaysian and Thai firms might seek more business in Indonesia or Vietnam, and vice versa. The implementation of **ASEAN-wide initiatives** like the ASEAN Single Window (for customs facilitation) and local currency settlement frameworks could marginally boost intra-regional trade efficiency in H2. **China's engagement with ASEAN** is also crucial: China has hinted at displeasure with countries striking deals “at the expense of China's interests” (a pointed reference to the U.S.–Vietnam deal) and vowed to counter such moves. This raises a geopolitical risk – e.g. China could slow imports from Vietnam or be more stringent on cross-border trade with partner countries cooperating with U.S. tariffs. A close watch on **China–ASEAN relations** is warranted. On the positive side, China has also stepped in diplomatically, seeking closer ties as the U.S. pulls back from multilateralism. If China further opens its market or increases tourism to ASEAN as a goodwill gesture, ASEAN economies (including Singapore, which is a top choice for Chinese business and leisure travel) would benefit.

In summary, **Singapore and its ASEAN peers are all facing a slower second half**, but Singapore's situation is unique in a few ways. Singapore has less policy buffer in terms of fiscal pump-priming (given its already expansive budget support during COVID and an eye on medium-term sustainability), whereas larger neighbours can increase deficit spending if needed. However, Singapore also has strengths: it is not directly targeted by high U.S. tariffs as of now (10% vs 20+% for others), and it possesses a very diversified, services-heavy economy that can adapt (finance, tourism, etc., can compensate some for manufacturing losses). **Regionally, Singapore is expected to have one of the lower growth rates in ASEAN in 2025** – MTI's 0–2% forecast is below Indonesia's ~5% and Malaysia's

~4%, and likely below Vietnam's robust pace. This partly reflects Singapore's status as a **bellwether** – it feels global tremors more immediately. But it's also a testament to Singapore's economic maturity (a high base). **Importantly, on a per-capita or secular basis, Singapore remains a top performer.** Policymakers in Singapore will be looking to regional cooperation – through forums like ASEAN and APEC – to keep trade flowing and to find new growth areas (such as the green economy and digital trade) in partnership with neighbours, even as the external environment remains fraught.

Risks and Tailwinds: Balancing the Outlook for H2 2025

The outlook for Singapore in the second half of 2025 must weigh **significant downside risks** against a few notable tailwinds and upside opportunities:

Key Downside Risks:

- **Escalation of the Trade War:** The most immediate risk is a further spiral in U.S.–led trade tensions. If ongoing negotiations *fail* and the U.S. proceeds to implement **even harsher tariffs or expands their scope**, Singapore could be caught in the crossfire. For example, the U.S. has threatened tariffs up to 50% on strategic materials like copper and even **200% on certain pharmaceuticals**. An imposition of such extreme tariffs globally would **severely disrupt supply chains** and possibly tip the world economy toward recession. Singapore's trade volumes would contract sharply in such a scenario, and MTI has warned that a ****“full-blown global trade war”** remains a tail risk that could cause a sharper slowdown than currently forecast. Similarly, if China were to retaliate aggressively (e.g. by restricting exports of critical components or minerals, or by imposing its own tariffs on U.S. allies), that could hurt Singapore's role in regional trade. A related risk is U.S. scrutiny on **transshipment via Singapore** – any punitive measures or sanctions alleging Singapore as a conduit (for sanctioned goods or tariff circumvention) would be highly detrimental, though Singapore is actively ensuring compliance to avoid this.
- **Global Growth Slowdown / Recession:** Outside of trade policy, **macroeconomic risks in major economies** loom. The U.S. Federal Reserve's past rate hikes could bite harder in H2, potentially **cooling U.S. consumer spending more than expected** (high-frequency data on retail and credit indicate some softening). Europe faces energy price uncertainties and still-elevated inflation; a sharper slowdown or mild recession in the EU or U.S. cannot be ruled out. China, despite stimulus, has structural challenges (property sector debt, local government finances) that could cap its recovery. If **China's rebound loses steam** – for instance, if its consumers remain cautious and industrial output slows – regional export demand will weaken further. In a downside scenario where global growth falls significantly (say, below 2%), Singapore's external demand would shrink correspondingly, making even the lower bound of the 0–2% GDP forecast hard to achieve. MAS has highlighted elevated global recession risks as a factor that could **“trigger latent vulnerabilities”** in financial systems and disrupt capital flows, which in turn could harm Singapore's financial services.
- **Financial Market and Currency Volatility:** Rapid shifts in global financial conditions represent another risk. Thus far, global markets have been relatively orderly, but the combination of high debt levels and rising rates is a latent concern. Any credit event (for example, a default by a major international borrower or an emerging-market crisis triggered by capital outflows)

could **affect Singapore via confidence and financial linkages**. The Singapore Dollar (SGD) could face volatility – either appreciation pressure if it’s seen as a safe haven (which would hurt exports further), or depreciation if global risk aversion triggers flight from Asian currencies (which could raise import costs). Singapore’s strong reserves and MAS’s exchange rate framework mitigate extreme currency moves, but in times of stress (like March 2020), financial services can be disrupted. Additionally, property markets could react negatively to any liquidity squeeze, feeding back to the economy.

- **Sector-Specific Weakness or Shocks:** Certain sectors have unique risks. In electronics, a faster-than-expected **downturn in the semiconductor cycle** – e.g., if global chip inventories glut and prices plunge – would hit Singapore’s tech manufacturing hard. In finance, if **equity and bond markets slump** in H2 (due to investor risk-off sentiment), financial intermediation income and wealth management could suffer. The biomedical sector, as mentioned, faces the binary risk around pharma tariffs; an unfavourable outcome there would materially drag down industrial output in H2. The **oil & gas sector** (refining, petrochemicals) is another to watch: while energy prices have stabilized, any renewed spike (due perhaps to geopolitical tensions in the Middle East or a cut in supply by oil producers) could squeeze margins for downstream petrochemical producers in Singapore and raise business costs broadly, dampening corporate earnings and spending. Another risk is in **employment**: if companies overreact to uncertainty and cut jobs too aggressively, that could undermine consumer confidence and create a self-fulfilling downward spiral in domestic demand.
- **Geopolitical and Non-Economic Risks:** Beyond economics, Singapore must always factor in broader geopolitical stability. The **South China Sea tensions**, Taiwan Strait issues, or any flare-up in regional security (e.g., a conflict or sanctions in ASEAN’s vicinity) could disrupt trade routes or investor sentiment. Singapore’s role as a neutral hub could cushion it, but major geopolitical strife would inevitably have economic costs (for instance, insurance costs for shipping may rise, or supply chains might reroute inefficiently). On the **pandemic front**, COVID-19 is currently a diminished threat, but any emergence of new virulent strains or other health emergencies could briefly affect travel/tourism again (a low-probability risk, but one learned from recent history). And as a highly digitalized economy, **cybersecurity threats** are also a concern – a significant cyber attack on financial systems or critical infrastructure could have economic repercussions. These non-core risks are hard to predict but are part of the risk matrix for H2.

Key Tailwinds and Upside Opportunities:

- **Regional Trade Diversification and ASEAN Momentum:** One optimistic angle is that **ASEAN economic cooperation yields concrete gains in H2**. For example, if China follows through on promises to increase imports from ASEAN as part of strengthening ties (perhaps buying more ASEAN commodities or agricultural goods to replace U.S. products under tariff), countries like Malaysia and Indonesia could see a compensatory boost, sustaining their demand for Singapore’s intermediate goods and services. The signing of new trade facilitation agreements – such as **the Digital Economy Agreements Singapore has been championing with various partners** – can lower non-tariff barriers and open niches for growth (e.g., e-commerce, fintech flows across borders). Singapore itself has a **Partnership for Growth and Innovation with the U.S.**; if despite tariffs, selective collaboration in sectors like digital, clean energy, or biotech progresses, Singapore could attract investments in those areas even as traditional trade slows.

Infrastructure connectivity projects within ASEAN (like improved rail, ports, and the ASEAN Power Grid) might start paying dividends, enhancing efficiency. In short, **ASEAN's collective GDP is still expected to grow ~4–5% in 2025**, and Singapore can ride on regional demand for its services (finance, logistics, education) – especially if ASEAN economies enact stimulus to counteract the trade war. This intra-Asia dynamism is an important tailwind distinguishing the current environment from the 2008–09 crisis (when Asia was also dragged down).

- **Strong Balance Sheets and Policy Room:** Singapore enters this period with enviable fundamentals – ample fiscal reserves, current account surplus, and credible monetary policy. This means **policy flexibility**. Should the external situation deteriorate more than expected, the government can deploy **counter-cyclical fiscal measures**. Possibilities include bringing forward public development projects, enhancing job support schemes (wage subsidies or training grants) for affected industries, and targeted relief for lower-income households to spur consumption. Unlike many advanced economies, Singapore has **minimal public debt** and thus could run a deficit comfortably to stabilize growth. On the monetary side, **MAS has already eased** by reducing the SGD NEER slope in April, and analysts note MAS could **flatten the NEER slope to zero** if growth disappoints and core inflation stays benign. A zero-appreciation stance would effectively ease monetary conditions (making exports a bit more competitive and helping domestic liquidity). Additionally, interest rates in Singapore (which follow global rates) might begin to decline in 2025 if global inflation abates – lowering the cost of borrowing for businesses and consumers. Low inflation itself is a tailwind: it boosts **real incomes** and allows consumers to spend a bit more freely than when prices were surging. So, the macro policy backdrop is supportive, acting as a cushion under the economy in H2.
- **Resilient Sectors and New Growth Engines:** As elaborated earlier, not all parts of Singapore's economy are slowing – some are picking up steam. The **travel and tourism rebound** is a concrete positive for H2. With nearly **12 million visitors in H1** (estimate based on Jan–Apr run-rate plus preliminary May–Jun Changi passenger data; official H1 numbers pending STB release in late July) and expectations of reaching **~25+ million by year-end**, the influx of tourism dollars (on hotels, food, retail) will boost GDP directly and indirectly. Singapore's ability to capture pent-up travel demand (especially from around Asia) is a key differentiator. Also, the **meetings and conventions sector** coming back will uplift hospitality and professional services. Another area is the **green economy**: Singapore is pushing into green finance and sustainability solutions (carbon trading, green bonds, solar energy projects). The recent **Singapore-EU Green Economy Agreement** and various sustainability initiatives could see H2 progress, possibly resulting in new investments or projects announced that bolster confidence. Furthermore, **digital industries** remain an engine – for instance, Singapore's semiconductor firms, while facing near-term headwinds, are receiving investment to build capacity in emerging areas like automotive chips and semiconductor materials (as companies look to diversify supply chains away from China). If any **trade diversion** does play out, Singapore might attract high-tech manufacturing in niches where it has strengths, such as advanced electronics testing or pharma research. There are anecdotal reports of firms considering moving some production from tariff-hit countries to Singapore for its reliability, albeit at a higher cost. Any materialization of that in H2 (even small scale) is an upside surprise.
- **External Negotiations Yielding Positive Outcomes:** It's also plausible that the **worst-case trade scenarios are averted**. The U.S. is under pressure to conclude deals – so far by mid-July

it had deals with the UK, China (partial truce) and Vietnam. If by August the U.S. also reaches a **new trade agreement with the EU** (talks are ongoing, with hints of a deal by Aug 1), that could improve global sentiment. Likewise, if countries like **Malaysia and Indonesia negotiate successfully** with Washington to lower their tariff rates (perhaps following Vietnam's lead in offering concessions), the overall impact on ASEAN trade could be milder than feared. In Singapore's case, **Gan Kim Yong's late-July trip to Washington** is a potential catalyst. Singapore may leverage its FTA and strategic relations to secure some **exemptions (e.g. for critical exports like pharmaceuticals or semiconductors) or at least assurances**. For instance, a success would be if the U.S. agrees to treat Singapore's pharmaceutical exports favourably (since many are by American pharma companies manufacturing in Singapore) – this would shield a multi-billion-dollar export segment from disruption. Additionally, Singapore could seek an arrangement on transshipments – to convince the U.S. that its ports will police illegal rerouting, thereby reducing the risk of any U.S. penalties on Singapore's re-export trade. Should any of these diplomatic efforts bear fruit, the **cloud of uncertainty could lift somewhat toward year-end**, potentially spurring a mini rebound in exports or at least stopping the slide. Financial markets would also respond positively to de-escalation, which feeds through to business confidence.

- **Singapore's Safe-Haven Status:** In turbulent times, Singapore often sees **inflows of capital and talent**, which can be an underappreciated boon. There are signs this is continuing: global investors uneasy about geopolitical risk are parking funds in Singaporean assets (from government bonds to real estate). Multinational companies are **relocating regional offices to Singapore** for stability – a recent example being some firms moving from Hong Kong. And wealthy individuals from around Asia (China, Southeast Asia) are establishing family offices in Singapore at a growing pace, bringing capital and spending. These trends don't immediately spike GDP, but they contribute to **robust financial services growth, high-end real estate demand, and overall economic resilience**. If global uncertainty increases, this "safe port in a storm" effect could intensify, paradoxically buffering Singapore against the very storms swirling outside.

Bringing it together, Singapore's H2 2025 outlook is **finely balanced**. The most likely scenario is a **significant growth slowdown** from the first half, as external demand weakens appreciably. We might see quarterly GDP growth (y-o-y) dip closer to zero by Q4 given the high base and tariff impacts. Yet, a combination of **domestic resilience and proactive policy** should keep the economy ticking. Analysts from Maybank and other institutions have accordingly **raised their full-year forecasts to the 2–3% range** after the strong H1, while acknowledging H2 will be much weaker. This suggests a belief that even with some contraction in trade-related sectors in late 2025, Singapore can eke out growth from services and domestic demand.

Conclusion

Singapore's economic trajectory in the second half of 2025 will be a test of its agility and the strength of its economic fundamentals. The first half's 4%+ growth provided a buffer and demonstrated Singapore's capacity to benefit from transient opportunities (like export front-loading). The second half now presents a **more challenging environment**: global trade is slowing under protectionist winds, and Singapore's trade-reliant sectors cannot entirely escape the downdraft. Policymakers have rightly

adopted a **cautious stance**, with MTI maintaining a low growth forecast and MAS easing policy to support the economy. Businesses and workers should brace for a bumpier H2 – export orders may thin, hiring may ease, and certain industries will feel pressure.

However, Singapore enters this period with considerable strengths. The economy is **more diversified** than during past external shocks, with larger contributions from finance, info-communication, and modern services that are less trade-sensitive. The country's fiscal and monetary flexibility, coupled with forward-looking initiatives (digitalization, upskilling programs, sector-specific transformation plans), means it can react nimbly to evolving conditions. We expect the government to **continue rolling out calibrated support** – for example, the announced **grants for companies affected by U.S. tariffs (available by October) will help firms upgrade or pivot strategies**. Such measures can soften the adjustment and preserve productive capacity for the eventual upturn.

Crucially, Singapore's medium-term fundamentals remain intact. Foreign investors still view Singapore as **Asia's go-to hub for stability, rule of law, and connectivity**. This reputation may in fact shine brighter amid global uncertainty, attracting new investments that set the stage for post-2025 growth (whether in high-tech manufacturing, green finance, or regional headquarters functions). In addition, the pursuit of deeper partnerships – be it the **ASEAN framework, the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) which Singapore is part of, or bilateral deals** – will open new **avenues** for trade and investment beyond the current troubles. For instance, Singapore is actively strengthening ties with the EU (e.g. on sustainable trade) and other regions to reduce over-reliance on any single market.

In summary, our outlook for H2 2025 is **one of guarded optimism within prudence**. Singapore is likely to experience a **pronounced growth slowdown**, with GDP growth possibly near zero in one of the coming quarters, but a deep recession appears unlikely at this juncture. The most probable outcome is that full-year 2025 growth comes in around the **upper end of the official 0–2% range**, assuming no severe escalation of trade tensions. That would reflect a commendable resilience given the global challenges. Still, risks are tilted to the downside, and Singapore will need to stay vigilant. The balance of 2025 will call for **astute policy management and adaptability** from businesses – finding efficiencies, diversifying markets (where possible tapping growth in ASEAN and Middle East), and innovating products and processes to stay competitive. For investors and observers, Singapore's H2 performance will be a bellwether of how a small, open economy can navigate the cross-currents of protectionism and pandemic recovery. With prudent stewardship, Singapore should emerge from 2025 with its **growth engine intact**, ready to accelerate once global winds turn for the better, even as it leverages the lessons learned during this period of test and transition.

Appendices

Appendix A – Investment Recommendations *(Based on macroeconomic and sectoral insights presented above)*

Theme	Rationale	Stock Ideas	Suggested Horizon	Key Risks / Triggers to Monitor
Safe-Haven Financial Hub	Record AUM (S\$6 trn +12.2 %) and continuing family-office inflows underpin wealth-management fees and sticky CASA balances—even if loan growth eases.	Banks / Wealth Platforms: DBS, OCBC, UOB; iFAST (wealth tech).	6-12 mths	Sharper-than-expected drop in NIMs if Fed rate-cut cycle accelerates; new AML or tax-policy headwinds.
Tourism & MICE Rev-Up	Visitor arrivals on track for 17–18.5 m; large event calendar (F1, fintech week). Q1 receipts flat but spending mix shifting to F&B/experiences.	Hospitality & Retail REITs: CDLHT, Suntec REIT, CICT. Gaming / Attractions: Genting Singapore, Seatrium (cruise-retrofit).	3-12 mths	Fresh global health scare; high-end Chinese tourist recovery stalls.
Aerospace & Logistics “Bright-Spot”	Airlines catching up on MRO; flight volumes rising; Singapore remains SE-Asia cargo/air-hub despite softer goods trade.	ST Engineering (STE), SIA Engineering; SATS for gateway/catering.	12 mths+	Any new air-travel restrictions; slower cargo recovery than expected.
Data-Centres & High-Spec Industrials	AI build-out and sovereign compute demand decouple from broader electronics slump; Singapore cap-rates still attractive vs global peers.	Keppel DC REIT, Digital Core REIT; Mapletree Ind. Trust (data-centre heavy); CapitaLand Ascendas REIT (high-spec industrial).	12-24 mths	Power-allocation caps; higher interest costs if MAS tightens again.
Selective Residential & Office Property	Easing SGD mortgage rates + tight supply support prices; Grade-A CBD occupancy >95 %.	CapitaLand Development (for luxe launches), City Dev; Office REITs with long WALE & strong pre-lets (Keppel REIT).	6-12 mths	US hard-landing → MNC downsizing; policy tightening on resale cooling.
Underweight / Avoid	Global electronics exporters (Venture, AEM, Nanofilm) until inventory digestion clears; Container shipping / trans-shipment pure-plays; commodity petrochemicals exposed to tariff whiplash.	—	—	Potential trade-deal surprise reversing tariff drag.

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