ICAEW: Singapore's exports growth to slow in H2 2025, most vulnerable to US tariffs amongst ASEAN economies

Despite the lowest US tariff rates in ASEAN, increasing uncertainties weigh on Singapore's GDP due to its extensive reliance on exports to drive growth.

Institute of Chartered Accountants in England and Wales (ICAEW) Logo

SINGAPORE, SINGAPORE, June 13, 2025 /EINPresswire.com/ -- Singapore's goods export momentum is expected to slow in the second half of 2025 from a 25% year-on-year high in April 2025 as the 'sugar rush' from front-loading of exports to the US tapers off. The ICAEW Southeast Asia Economic Insight: Q2 Report, produced in collaboration with Asia Decoded, notes that while Singapore has the lowest US tariffs (10%) amongst ASEAN economies, it is the most vulnerable to slowing US demand - over 6% of Singapore's gross domestic product (GDP) is heavily dependent on direct or indirect exports to the US. A silver lining for Singapore lies in the resilient global tech cycle which will continue to support the country's domestic electronics exports.

With exports accounting for 124% of Singapore's GDP, the expected weakening of the global exports outlook will also weigh on the local economy. Early signs of this spillover effect are already evident in Singapore's Q1 labour data, with employment growth declining in export-oriented sectors such as professional services, manufacturing, and information and communications.

Singapore's fiscal and monetary abilities to support growth in 2025
On a positive note, Singapore will be able to draw on its fiscal and monetary capabilities to support growth. Measures such as CDC vouchers and LifeSG credits announced in Budget 2025 are expected to cushion domestic consumption costs and aid businesses.

Favourable inflation trends are also likely to give real incomes a lift with both headline and core inflation expected to average below 1% in 2025. This uplift will provide some room for the Monetary Authority of Singapore (MAS) to continue easing the S$NEER slope and potentially lower it to zero in July. S$NEER is the exchange rate of the Singapore dollar managed against a trade-weighted basket of currencies, and is a key part of the Monetary Authority of Singapore's (MAS) monetary policy operating framework.

Recession risks unlikely

The report also highlights the lower probability of a recession given the April jump in Singapore's goods exports, coupled with front-loading and rerouting of shipments to the US, both of which should continue to support exports and overall GDP growth through the remainder of Q2 2025. The possibility of a technical recession loomed earlier in Q2 following a second consecutive quarter of negative growth for Singapore with GDP contracting 0.6% quarter-on-quarter on a seasonally adjusted basis in Q1.

Overall, Singapore's GDP growth is forecast to slow to 1.8% in 2025 from 4.4% in 2024.

Other findings from the Economic Update Q2 2025 include:

Malaysia: Monetary policy support to help cushion sub-par domestic demand, Malaysia to join rate cut cycle

- Malaysia began on a strong note in Q2 2025 with goods exports surging 26% year-on-year in April following a weak growth of 1.6% year-on-year in Q1.
- Amid a broader global slowdown, resilient demand for electrical and electronics exports (up 20% year-to-date) alongside tourism-led services exports should buffer Malaysia's growth risks from external and domestic sources.
- Further policy easing should help cushion domestic demand, with Bank Negara Malaysia likely to introduce a 50 bp rate cut in 2025 to support growth more proactively.
- Malaysia's GDP is expected to slow to 4.3% in 2025 from 5.1% in 2024.

China: Tariff uncertainty weighs on outlook, policies unlikely to deliver swift rebound in private consumption

- China's GDP growth is expected to hold around 5% in Q2, supported by strategies that leverage the temporary trade truce with the US.
- Heightened external uncertainty around future tariffs and a weak global economic outlook is likely to spillover into slower investment, muted consumption and continued property weakness.
- Further policy measures are unlikely geared towards delivering a swift recovery in private consumption and deflationary pressures are expected to persist.
- China's GDP is expected to slow to 4.4% in 2025 from 5% in 2024.

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