NEW ZEALAND
FOREIGN AFFAIRS & TRADE
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Singapore budget 2025

MARKET INTELLIGENCE REPORT

Summary

- Singapore's economy rebounded in 2024, delivering annual real GDP growth of 4.4% following strong performances by its electronics manufacturing and financial services sectors. Singapore remains in a strong fiscal position and is on track to deliver surpluses in both FY24 and FY25.

- Unemployment remains low at 2% and the labour force as a whole achieved productivity gains between 2.7-3.6% in 2024, reversing a marginal decline in 2023.

- CPI inflation halved in 2024, dropping to 2.4%. Monetary policy was slightly loosened in January in anticipation of diminished economic growth, projected to moderate between 1-3% in 2025.

- Prime Minister Wong announced a $143 billion budget on 18 February which seeks to advance Singapore's economic competitiveness, address cost of living and job insecurity pressures, and support families and vulnerable groups.

- Singapore will invest $1 billion toward refreshed bioscience and medtech research infrastructure and a national semiconductor fabrication facility. A further $5 billion will be added to its Future Energy Fund to advance energy security and decarbonisation imperatives, with the announcement linked to Singapore's intention to explore the deployment of small modular nuclear reactors for electricity supply.

- The Defence Ministry remains the highest funded agency with projected expenditure of $23.4 billion for 2025, up 12.4% from 2024 and equal to approximately 3.2% of GDP.

Report

Singapore had a standout economic performance in 2024...

Singapore delivered a strong economic performance in 2024, achieving real **annual GDP growth of 4.4%** year on year (yoy). This result exceeded initial projections and surpassed the 1.8% growth achieved in 2023. Total GDP for 2024 reached $731.4 billion (at current market prices). According to the Ministry of Trade and Industry (MTI), main contributors to growth in 2024 comprised wholesale trade, and manufacturing which benefited from tailwinds in the global electronics cycle, as well as finance & insurance, which saw increased transaction activity, reflecting volatility in global markets. The Monetary Authority of Singapore (MAS) has also reasoned that heightened production and shipment volumes in 2024 potentially reflected attempts to front-run future projected trade frictions.

Underpinned by huge trade volumes...

Total trade reached almost **$2.3 trillion for the year**, reflecting a 6.6% increase in goods trade and 8.6% increase in services trade. Singapore achieved an **overall trade surplus** of $122.5 billion, equal to 16.75% of its total GDP. **High performing export sectors** for 2024 included electronics, re-exports, transport services, financial services, and other business services. Singapore's top three trading partners (total trade) for 2024 were China ($170 billion), Malaysia ($138 billion), and the United States ($132 billion).

And healthy Government books...

Singapore is projected to deliver a **$6.4 billion surplus for the 2024 financial year** and is expected to sustain a similarly strong fiscal position throughout FY2025. Government books have benefited in 2024 from an unexpected increase in corporate income tax revenue which is expected to total 4.1% of GDP in FY2024 (an increase from 3.2% of GPD historically). This was attributed in the 2025 Budget Statement to "industry-specific cyclical factors" and "changes in the investment decisions of multinational enterprises" based in Singapore. Offtake from corporate tax now exceeds revenue accrued from Net Investment Returns Contributions (i.e. the revenue stream generated from the return on investment of Singapore's considerable reserves). In his 2025 Budget Statement, Prime Minister Wong signalled enactment of the Domestic Top-up Tax for multinational enterprises (under the OECD tax framework) from FY2027 while also highlighting "greater uncertainty about the global tax environment."

While the labour market remains strong…

Unemployment in Singapore remains low, sitting at 2% in 2024. With the exception of the COVID-19 period, unemployment has been consistently low in Singapore typically ranging between 1.9-2.2% in recent history. More than 60,000 jobs were added in 2024, particularly in the services and construction sector. Singapore reversed a marginal productivity decline from 2023, achieving a 3.6% increase in real value-added per hour worked and 2.7% growth in real value added per worker. The median wage grew by 3.4% after inflation to $5,500 per month. Unit labour costs continue to rise, but at a lower rate – 1.2% increase in 2024 compared to 6.5% the year prior.

and inflation continues to track downwards…

Following a violent upswing during COVID-19, inflation has continued to ease with CPI-All Items inflation dropping to 2.4% in 2024, compared to 4.8% in 2023. Similarly core inflation (which excludes accommodation and private transport) averaged 2.7% for the year, in contrast to 4.2% in 2023. The Urban Redevelopment Authority reported that private property prices increased by 3.9% in 2024, down from the 6.8% rise in 2023. Meanwhile the price of office space rose by 1.8, while office rental costs were flat in 2024.

Monetary policy remained unchanged throughout 2024, but in January 2025 MAS slightly loosened exchange rate settings in anticipation of reduced economic growth in 2025 against a backdrop of heightened global uncertainty.

But 2025 is set to be more challenging

Real GDP growth in Singapore is expected to moderate to between 1-3% in 2025. This trend was already evident in late 2024, with seasonally adjusted quarter-on-quarter growth slipping to 0.5% from 3% in the previous quarter. A range of factors contribute to this outlook, including global trade and geopolitical pressures negatively impacting production and investor confidence, weaker growth prospects for both China and the US, and residual high inflation rates (not necessarily in Singapore, but externally). Notwithstanding this outlook, Singapore’s trade ministry projects that the electronics and trade-related services sectors will prosper in 2025.

Budget 2025 – “a budget for all Singaporeans”

Setting aside the gloomier global economic outlook, Singapore’s strong economic performance in 2024 left it well positioned leading in to its 2025 Budget announcement. Prime Minister (and Finance Minister) Lawrence Wong delivered the 2025 budget on 18 February. This was an election year budget and PM Wong’s first since taking over the leadership in April 2024.

The Budget Statement identified **two key contextual backdrops** for 2025: 1) global fragmentation and the advent of greater economic and trade blockages; and 2) US-China competition and rivalry weighing on growth in a global economy, to which Singapore is highly exposed.

The Budget responded to both short- and long-term imperatives. It was positioned to “address today’s challenges” and to “secure Singapore’s future” building on the ‘Forward SG’ initiative to refresh Singapore’s social compact and set a road map for the future. The total value of Budget 2025 is $143.1 billion, up from $138 billion in FY2024. Headline announcements for FY25 included:

Cost of living measures:

- Budget 2025 saw a continuation from previous years of voucher and rebate packages targeted particularly at families, lower income households, students, and pensioners. This included $800 of CDC vouchers (which are used for daily expenses, groceries, etc) for each Singaporean household, totalling $1.1 billion, as well as a doubling of rebates for utility expenses for eligible HDB households (i.e. those living in Government-built apartments). To ease cost pressures on businesses, a 50% corporate income tax rebate was announced, capped at $40,000 and with a minimum benefit of $2,000. Housing supply measures included an announcement of 50,000 new ‘built to order’ flats over the next three years to help tackle rising property costs.

Investments for economic growth

- Measures here focused on defending Singapore’s competitiveness as an **international hub** in the global economy through strengthening technology, innovation, and enterprise capabilities, and investing in new infrastructure. Key announcements included a $3 billion top up to the National Productivity Fund (used for workforce development, new technology adoption, and to attract investment), and $1 billion to fund both refreshed bioscience and medtech research infrastructure and the development of a national semiconductor fabrication facility (a further addition to Singapore’s burgeoning semiconductor eco-system). Singapore will also stand up a $1 billion Private Credit Growth Fund and set aside an additional $150 million for an ”Enterprise Compute Initiative” to support access to AI tools and computing power.
- Prime Minister Wong also announced a forthcoming tax incentive package for companies and fund managers that choose to list in Singapore, to help strengthen the attractiveness of the **Singapore Stock Exchange**. The MAS subsequently detailed a range of demand and supply side measures to bolster equity markets, including a $5 billion Equity Market Development Programme through which the MAS will invest in listed Singapore stocks alongside selected fund managers.

- The headline infrastructure and resource investment announcements comprised $5 billion each toward development of Changi Airport Terminal 5 and to the Future Energy Fund. In announcing the latter, PM Wong set out Singapore's intention to dedicate significant effort toward studying "the potential deployment of **nuclear energy** in Singapore" – specifically small modular reactors.

Workforce support and development

- Singapore is responding to the impacts of disruptive technology on jobs and supporting workforce transformation through a range of credit and grant schemes. The SkillsFuture Level-Up Programme to financially support career training for Singaporeans aged 40 and over previously introduced in 2024 has now been extended in Budget 2025 to those in part time training. An existing Workfare Skills scheme to support training of lower wage workers was also expanded. Separately, under a refreshed future skills enterprise scheme, qualifying companies will each receive $10,000 of credits to help employers fund enterprise and workforce transformation over the next three years. Following its announcement in 2024, a Jobseeker Support Scheme will commence from April delivering a $6,000 package over six months to workers between jobs. Other measures were announced or extended to incentivise employment of senior aged Singaporeans (60 years and over) and of ex-offenders. PM Wong also announced that the Government would support a new campus for the Singapore University of Social Sciences.

Sustainability and climate change measures

- On 10 February, Singapore lodged its **new climate target NDC** of reducing emissions to between 45-50 million tons by 2035. Budget 2025 saw further measures to assist decarbonisation of Singapore's transport sector including announcement of a heavy vehicle zero emission scheme and a grant for heavy vehicle chargers (further details to be disclosed during forthcoming Committee of Supply discussions). PM Wong also announced an additional $5 billion allocation for Singapore's **Coastal and Flood Protection Fund** to support a pipeline of future investments relating to land reclamation, sea walls, and tidal gates. A voucher scheme to support households in the uptake of more sustainable products has been further expanded in terms of both eligibility and funding quantum (increasing from $300 to $400 per household).

Supporting a caring and inclusive society

- The Forward Singapore initiative is a policy priority for Prime Minister Wong. Budget 2025 included a number of measures to finance this agenda. The Fresh Start Housing Scheme, which helps "second-timer" families in public rental flats buy shorter-lease homes, received a grant increase from $50,000 to $75,000. "First-timer" families with children will also now be eligible for grants under this scheme. Fee caps for monthly full-day childcare will be further reduced and a scheme will be introduced to support families of three or more children with healthcare expenses for both children and mothers and to defray preschool costs and household expenses. A menu of initiatives to support seniors have been expanded or introduced covering safety and mobility, medical care funding support, residential and long-term care services, and at-home caregiving. Persons with disabilities will be further supported through new or expanded schemes relating to employment, caregiving, retirement savings, and grant contributions to trust accounts set up by caregivers.

Singapore at 60

- Budget 2025 also included a special package of measures relating to Singapore's 60th anniversary to "recognise the contributions of all Singaporeans." These include 'SG60 vouchers' for adult Singaporeans of either $600 or $800 depending on age bracket (which are estimated to cost total $2.02 billion), a personal tax rebate of 60% capped at $200, a gift package for babies born in 2025, credit schemes to incentivise the uptake of culture, heritage, and sporting activities, expanded and new grant schemes to support charity fundraising, and additional funding support for self-help groups. In a special nod to Singapore's hawker culture, Budget 2025 also provides one-off rental support of $600 to each hawker stall in Government-operated hawker markets, and $1 billion is set aside to renovate ageing hawker centres over the next 2-3 decades.

Defence spending

- Projected defence expenditure is $23.4 billion for FY2025, up 12.4% from the $20.8 billion revised expenditure for FY2024. This equates to just short of 3.2% of Singapore's 2024 nominal GDP figure. The $2.6 billion increase this year is publicly attributed to "acceleration of critical projects and faster progress for construction projects." The defence budget remains the largest expenditure allocation on the Government books (although budget increases for some other departments were higher in percentage terms).

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