

Box Article 2.1

RECENT TRENDS IN SINGAPORE’S WATER TRANSPORT AND AIR TRANSPORT SEGMENTS

Singapore is one of the world’s biggest maritime hubs¹ and Southeast Asia’s largest air cargo hub². The water transport and air transport segments within Singapore’s transportation & storage sector therefore play important roles in facilitating global trade and maintaining Singapore’s connectivity. This article examines recent trends in the performance of the water transport and air transport segments in Singapore, as well as their near-term outlook.

The water transport segment is the largest segment in Singapore’s transportation & storage sector

The water transport segment accounts for the bulk of the nominal value-added (VA) of Singapore’s transportation & storage sector (Exhibit 1). The segment includes shipping lines and Singapore’s port operators. Meanwhile, the air transport segment accounts for close to 10 per cent of the nominal VA of the sector. The segment includes Singapore-based airlines that provide air passenger and air freight services, as well as firms that support the operations of airlines at the airport.

Exhibit 1: Water Transport and Air Transport Segments in the Transportation & Storage Sector³

Segment	Share of the transportation & storage sector’s nominal VA in 2024	Description
Water Transport	68.4 per cent	Includes passenger water transport (e.g., cruise and ferry services), freight water transport (e.g., transport of freight on ships) and supporting services to water transport (e.g., port operators, ship management services)
Air Transport	8.6 per cent	Includes air passenger and air freight services provided by airlines, as well as supporting services to air transport (e.g., airport terminal services, airport operation services)

Source: Department of Statistics

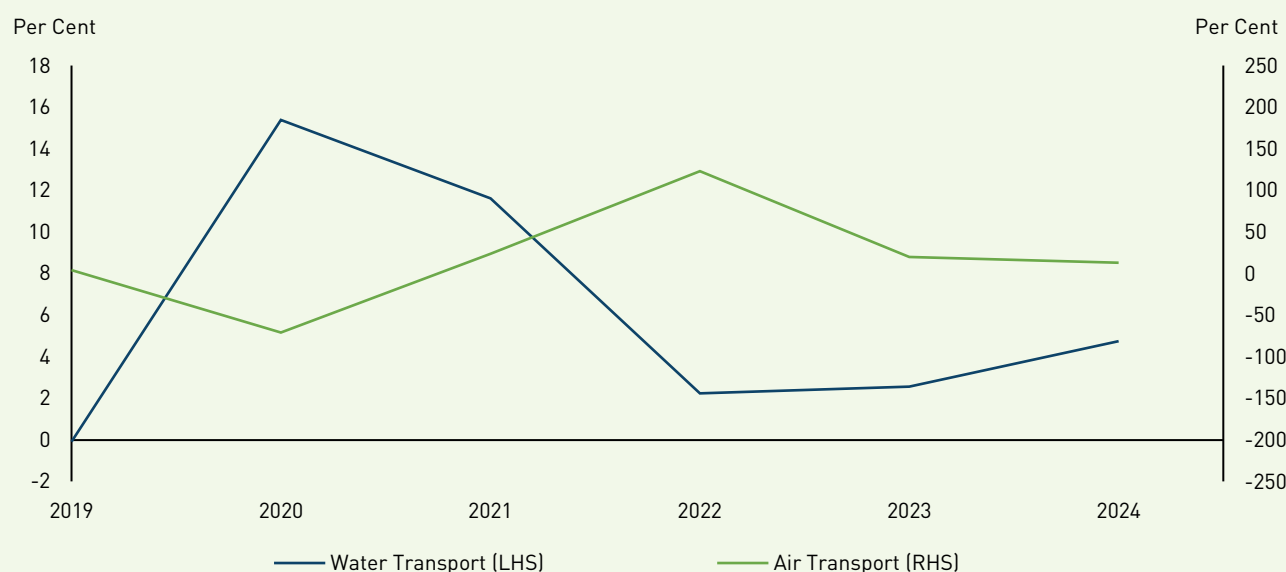
The water transport segment saw robust growth during the COVID-19 pandemic, but growth subsequently softened in 2022 and 2023 on the back of cooling demand for physical goods

During the COVID-19 pandemic, the water transport segment saw robust growth of 15.4 per cent and 11.6 per cent in 2020 and 2021 respectively (Exhibit 2). Several factors supported strong shipping demand during the pandemic: (i) surge in demand for goods through e-commerce platforms, which were mostly shipped from overseas, as physical stores were closed amidst lockdowns and workers had to adapt to work-from-home demands (e.g., demand for electronic devices and furniture); (ii) increase in restocking activities by firms as they shifted their production and inventory management from just-in-time to just-in-case, due to the disruptions in global supply chains brought about by the pandemic and the Russia-Ukraine war; and (iii) reduction in air freight bellyhold capacity as passenger flight movements were severely curtailed due to border closures, which led shippers to shift from air freight to sea freight.

1 Source: Maritime Port Authority of Singapore.
2 Source: Airports Council International.
3 Other segments within the sector are (i) Storage & Support Services; (ii) Land Transport; and (iii) Postal & Courier.

However, by 2022, consumers worldwide had started to shift their demand from physical goods back to services (e.g., travel and dining) with the gradual re-opening of economies and the resumption of travel. This led to inventory overhangs among retailers, wholesalers and manufacturers, which had stocked up previously in anticipation of continued strength in demand and as a hedge against delays arising from supply chain disruptions. Consequently, as the demand for goods fell, global merchandise trade volume slowed before contracting by 1.0 per cent in 2023⁴, while shipping demand eased significantly. The slowdown was reflected in the moderation of the performance of Singapore's water transport segment in 2022 and 2023, with its growth slowing to 2.2 per cent and 2.6 per cent respectively.

Exhibit 2: Changes in Real VA of the Transportation & Storage Sector, 2019 - 2024



Source: Department of Statistics

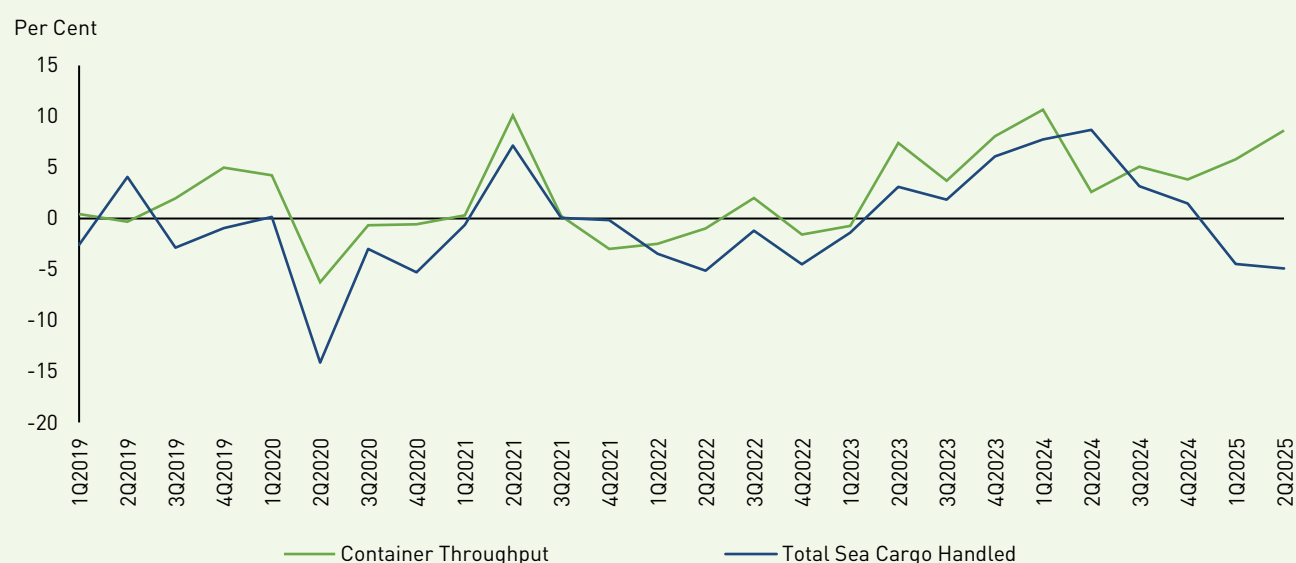
Growth of the water transport segment picked up in 2024 with the recovery in global merchandise trade volume. More recently, in the first half of 2025, growth further strengthened on the back of container repositioning and front-loading activities

Following the 1.0 per cent contraction in 2023, global merchandise trade volume rebounded by 2.9 per cent in 2024. This supported a pickup in Singapore's container throughput, which increased at a faster pace of 5.4 per cent in 2024 compared to 4.6 per cent in 2023 (Exhibit 3). Notably, Singapore's container throughput began picking up in the fourth quarter of 2023 with the onset of the Red Sea crisis in October 2023. Specifically, as the Houthis launched attacks in the Red Sea, shipping lines diverted their vessels from Red Sea routes to around the Cape of Good Hope. This likely provided some support to Singapore's container throughput due to Singapore's status as a "catch-up" port for shippers to make up for delays in their schedule.⁵ Meanwhile, total sea cargo handled⁶ at Singapore's ports similarly accelerated in 2024, registering growth of 5.2 per cent compared to the 2.4 per cent increase in 2023. These factors led to Singapore's water transport segment growing by 4.7 per cent in 2024.

⁴ Source: World Trade Organisation.

⁵ Specifically, owing to the efficiency and connectivity of Singapore's ports, vessels experiencing delays could attempt to "catch up" on their schedules by calling at Singapore's ports. Furthermore, some vessels may choose to skip port calls at relatively less connected ports and instead look for other ships in Singapore that could bring the containers to the ports that were skipped.

⁶ Total sea cargo handled refers to the volume of cargo handled at both the PSA and Jurong terminals, which includes general cargo (i.e., containerised and conventional cargo) and bulk cargo (i.e., oil and non-oil bulk cargo).

Exhibit 3: Singapore's Container Throughput and Total Sea Cargo Handled, 2019 - 2025

Source: Maritime Port Authority of Singapore

In the first half of 2025, notwithstanding the weakness in total sea cargo handled at Singapore's ports⁷, growth in the water transport segment accelerated to above 6.0 per cent on the back of a step-up in activities among shipping lines in Singapore and an increase in container throughput at Singapore's ports (7.2 per cent year-on-year) over the same period. In particular, the increase in global container volumes⁸ against the broader backdrop of global trade tensions in the first half of 2025, likely supported demand for shipping services provided by shipping lines that are based in or have regional headquarters in Singapore. At the same time, the growth in global container volumes, coupled with container repositioning activities amidst the restructuring of shipping alliances⁹, provided support to Singapore's container throughput and led to an uptick in Singapore's port activity.

Turning to the air transport segment, the performance of the segment slumped in 2020 before recovering in 2021 and 2022 primarily on the back of the pickup in air passenger traffic

The air transport segment contracted in 2020 on the back of a slump in air travel due to border measures implemented by many countries to curb the spread of the COVID-19 virus (Exhibit 4). While air passenger traffic continued to decline in 2021, this was offset by steady growth in the air cargo industry as total air cargo handled at Changi grew robustly by 26.1 per cent over the same period. The latter was in turn supported in part by the return of passenger flights¹⁰ as borders re-opened gradually. On the back of the strong growth in the air cargo industry, the air transport segment rebounded to grow by 23.7 per cent in 2021.

By 2022, the air passenger industry had staged a firmer recovery, with air passenger traffic at Changi surging by 955 per cent to reach 47.2 per cent of pre-COVID 2019 levels. On the other hand, the air cargo industry softened significantly compared to 2021 due to multiple headwinds, including high inflation that curtailed the spending capacity of households, disruption to Russian and Ukrainian airspace amidst the Russia-Ukraine war, as well as the overall slowdown in global merchandise trade. Nonetheless, the increase in flight frequencies and passenger capacity among the Singapore-based airlines¹¹ provided strong support to the air transport segment, with its growth accelerating to 123 per cent in 2022.

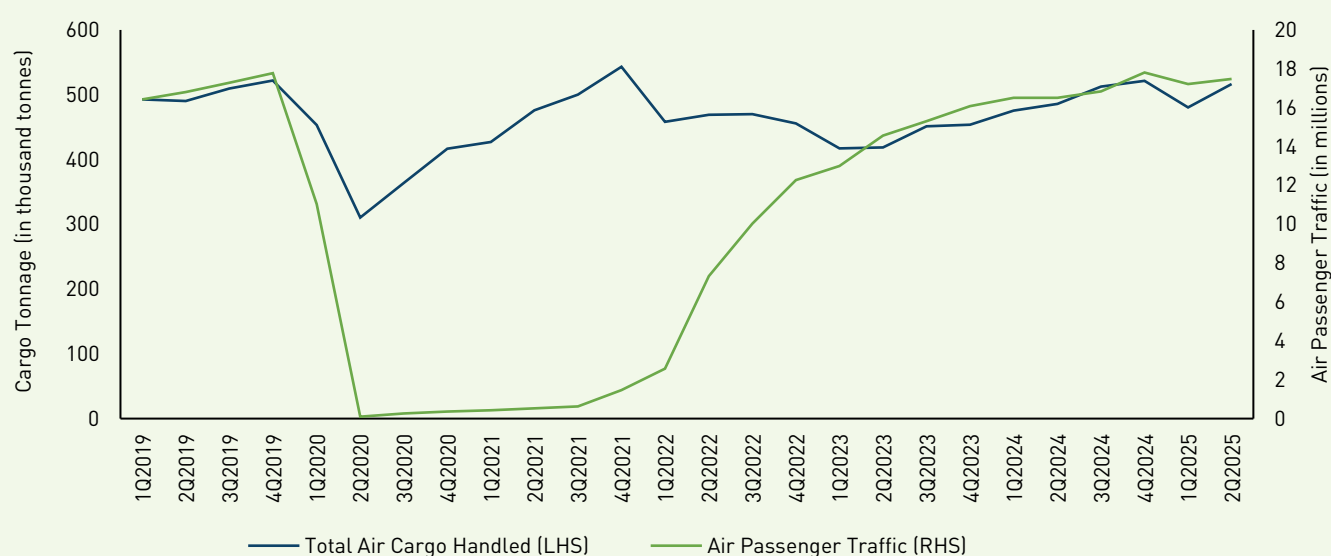
⁷ Total sea cargo handled fell by 4.7 per cent year-on-year in the first half of 2025, led by a fall in oil-in-bulk cargo on the back of the weakness in Singapore's oil imports and exports.

⁸ The pickup in global container volumes is likely supported by front-loading activities among shippers. According to a DHL report, there was a surge in orders placed by importers based in the US for goods from China following the announcement of the 90-day tariff truce between the US and China. This pickup in demand for US-bound cargo due to front-loading ahead of the expiry of the tariff truce was similarly reflected in an increase in freight rates on East-West (mainly Transpacific) lanes, as well as the strong growth in container traffic at US ports in June.

⁹ Maersk and MSC dissolved their 2M alliance in January 2025, with Maersk forging the Gemini Cooperation with Hapag-Lloyd to cover shipping between Asia and the US, while MSC will be operating independently. At the same time, Yang Ming, HMM and ONE formed the new Premier Alliance in February 2025, which will focus on operating the key East to West routes.

¹⁰ While passenger flights were not filled to capacity during the start of the recovery, the resumption of passenger flights led to an increase in bellyhold capacity (i.e., capacity in the lower deck of passenger aircraft used to transport cargo alongside passenger luggage). This increase in bellyhold capacity contributed to an expansion in global air cargo capacity, which supported the industry's ability to meet strong e-commerce demand in 2021.

¹¹ In particular, there was a strong pickup in the Singapore-based airlines' revenue passenger kilometres (RPK). RPK refers to the total kilometres travelled by its paying passengers, and is computed by multiplying the number of paying passengers by the total distance flown by these passengers.

Exhibit 4: Air Cargo Handled and Air Passenger Traffic at Changi, 2019 - 2025

Source: Civil Aviation Authority of Singapore

However, the growth of the air transport segment slowed in 2023 and 2024, as the expansion in air passenger traffic moderated and demand for air cargo services saw cyclical changes

Growth of the air transport segment slowed to 19.9 per cent and 12.9 per cent in 2023 and 2024 respectively. This was largely due to the moderation in air passenger traffic growth following the strong recovery in 2022, as well as the weakness in demand for air cargo services in 2023 and towards the end of 2024.

Similar to shipping demand, the weakness in global merchandise trade weighed on global air cargo demand in the first seven months of 2023, with global cargo tonne kilometres (CTKs) contracting by 7.1 per cent between January and July 2023 compared to the same period in 2022.¹² In August 2023, global CTKs posted their first year-on-year growth (1.5 per cent) in 19 months since February 2022. The global air cargo industry continued to expand steadily thereafter, with global CTKs increasing at a double-digit year-on-year growth rate for nine consecutive months from December 2023 to August 2024, supported in part by sustained e-commerce activity as well as disruptions to maritime transport through the Red Sea which led to greater demand for air cargo.¹³ While the global air cargo industry began cooling towards the end of 2024,¹⁴ full-year growth in global CTKs came in at 11.3 per cent in 2024. Mirroring the trends in global CTKs, total air cargo handled at Changi declined by 6.1 per cent in 2023 before rebounding strongly to grow by 14.6 per cent in 2024.

More recently, growth of the air transport segment was supported by front-loading activities in the air cargo industry in the first half of 2025

More recently, front-loading activities amidst the 90-day pause in the US' reciprocal tariffs supported a modest uptick in demand for air cargo services, with global CTKs growing by 2.8 per cent in the first half of 2025, led by a pickup in global CTKs in March (4.4 per cent year-on-year) and April (5.8 per cent).¹⁵ In particular, the pickup in growth in March came on the back of shippers front-loading their shipments in anticipation of tariffs to be announced on "Liberation Day", while that in April was led by front-loading activities ahead of the US' removal of *de minimis* exemptions for goods from China and Hong Kong beginning 2 May 2025. Total air cargo handled at Changi reflected a similar trend, with growth picking up to 6.2 per cent in the second quarter of 2025, from 1.0 per cent in the previous quarter. Overall, the air cargo volumes handled at Changi grew by 3.7 per cent in the first half of 2025.

¹² Source: International Air Transport Association.

¹³ Vessel diversions from the Red Sea via the Cape of Good Hope would add 10 to 15 days of transit and consequently shipping costs. Shipping rates began increasing in mid-December 2023 because of the Red Sea disruptions.

¹⁴ Global CTKs began cooling in September 2024, with growth slowing to 9.4 per cent, compared to the 11.4 per cent growth in August 2024. Growth rates continued to slow in the remaining months of the year, reaching 6.1 per cent in December 2024.

¹⁵ Global CTKs declined by 0.1 per cent year-on-year in February 2025, a reversal from the 3.2 per cent expansion in January 2025.

At the same time, air passenger traffic continued to perform strongly in the first half of 2025. For instance, in the second quarter of 2025, Changi Airport handled about 17.5 million passenger movements, a 5.9 per cent increase relative to the same period in 2024. Of this, Singapore-based carriers handled 10.5 million passenger movements, a 7.8 per cent increase compared to the second quarter of 2024.

Taking these factors into account, the air transport segment registered steady growth of around 4.0 per cent in the first half of 2025.

Looking ahead, growth in Singapore's water and air transport segments is expected to weaken in the second half of 2025

With the anticipated slowdown in global trade in the second half of 2025 as the boost from front-loading activities dissipates and the US' reciprocal tariffs take effect, the growth of the water transport segment and the air cargo industry within the air transport segment are expected to weaken. Apart from US' tariffs, the performance of the water transport segment could also be weighed down by the US' planned port fees on Chinese-built and Chinese-operated ships, which could lead to an increase in the operational costs for some shipping lines. Meanwhile, the US' elimination of the *de minimis* tax exemptions for all countries from 29 August 2025¹⁶ is expected to weigh on the e-commerce market and consequently the air cargo industry. Nonetheless, the air passenger industry within the air transport segment is expected to remain supported by the continued increase in air travel demand.¹⁷

Over the longer term, as Singapore continues to invest in its seaport and airport infrastructure, and in building up its sea and air connectivity, the growth prospects of the water and air transport segments remain bright.

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¹⁶ As announced by President Trump on 30 July 2025, the US will end its *de minimis* tax exemptions for all international shipments valued at US\$800 or less. Under this policy change, flat-rate tariffs (i.e., on a per item basis), depending on the effective tariff rate that the US is imposing under the International Emergency Powers Act (IEEPA) on the country of origin, will be levied on these shipments for the first six months. After the first six months, ad valorem tariffs based on the country of origin's effective IEEPA tariff rate will apply.

¹⁷ As reported in the Global Outlook for Air Transport released in June 2025, IATA expects air passenger traffic, in revenue passenger kilometres, to grow by 5.8 per cent in 2025, although this is a moderation from the 10.6 per cent growth posted in 2024.

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