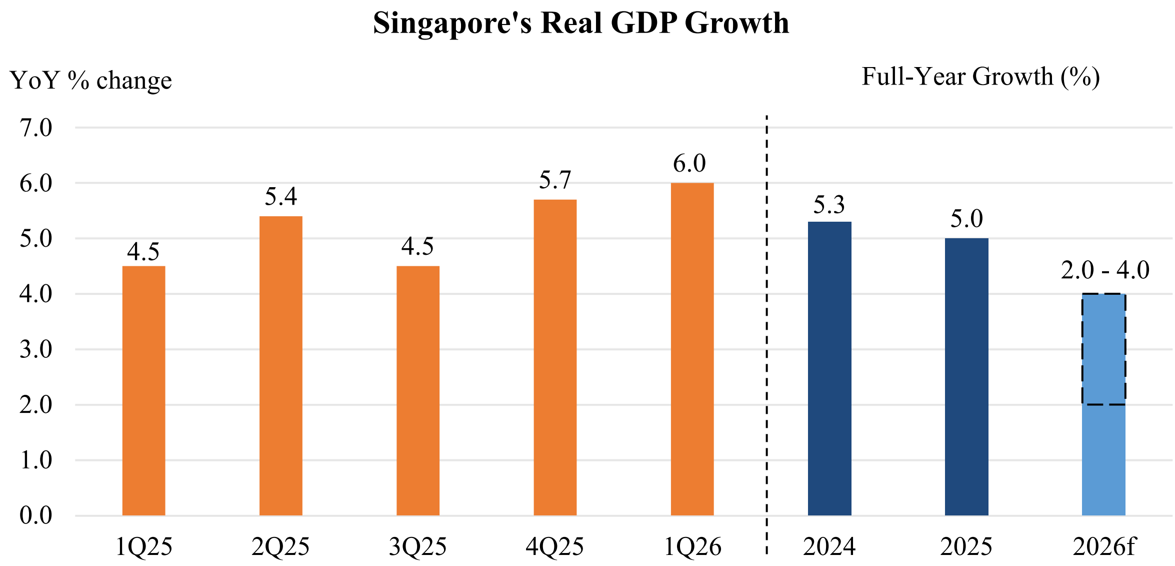
MTI Maintains 2026 GDP Growth Forecast at “2.0 to 4.0 Per Cent”

25 May 2026. The Ministry of Trade and Industry (MTI) announced today that Singapore’s GDP growth forecast for 2026 has been maintained at “2.0 to 4.0 per cent”, although downside risks have risen significantly as a result of the US-Israel-Iran conflict.

Economic Performance in First Quarter 2026



In the first quarter of 2026, the Singapore economy grew by 6.0 per cent on a year-on-year basis, extending the 5.7 per cent expansion in the previous quarter. On a quarter-on-quarter seasonally-adjusted basis, the economy expanded by 1.0 per cent, easing from the 1.3 per cent growth in the preceding quarter.

On a year-on-year basis, GDP growth in the first quarter was driven by strong performance of the wholesale trade, manufacturing and finance & insurance sectors. In particular, robust AI-related demand led to growth in the machinery, equipment & supplies segment of the wholesale trade sector, as well as the electronics and precision engineering clusters within the manufacturing sector. Meanwhile, growth in the finance & insurance sector was broad-based, with steady performance in the banking, fund management and security dealing segments. By contrast, the higher prices of, and shortages in, crude oil and its derivatives arising from the US-Israel-Iran conflict contributed to contractions in the fuels & chemicals segment of the wholesale trade sector and the chemicals cluster of the manufacturing sector.

[Refer to **Annex A** for the economic performance of the various sectors.]

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Economic Outlook for 2026

In February, MTI upgraded Singapore's GDP growth forecast for 2026 to "2.0 to 4.0 per cent", from "1.0 to 3.0 per cent". The upgrade was based on the expectation that the strong growth momentum in the fourth quarter of 2025 due in large part to the AI investment boom would be sustained into 2026. At the same time, expansionary fiscal policies in major economies and accommodative global financial conditions were expected to support global growth.

Since then, the global economic outlook has deteriorated with the onset of the US-Israel-Iran conflict. Disruptions to the supply of energy and other key inputs such as fertiliser and aluminium due to the blockade of the Strait of Hormuz have led to a spike in global energy and other input costs. This has driven up inflationary pressures, which is expected to erode real incomes and dampen consumption, as well as cause a tightening in global financial conditions. These factors will weigh on global economic activity for the rest of the year.

On the other hand, AI-related demand has remained robust and should continue to support the growth of regional economies throughout the year. The outlook for US tariffs is also broadly unchanged from February as the US is expected to restore tariffs to the reciprocal tariff rates in the second half of 2026 using other trade policy tools at its disposal.[1]

Taking into account these developments, Singapore's external demand outlook for the year has weakened compared to the assessment in February.

In the US, GDP growth in 2026 is likely to come in weaker than projected in February as higher inflation is expected to pose a drag on consumption and compress corporate profit margins. Similarly, the Eurozone's 2026 GDP growth forecast has been downgraded as intensifying cost pressures and deteriorating consumer sentiments are projected to weigh on domestic demand, while the expected slowdown in global demand is likely to crimp exports.

In Asia, the outlook for China is broadly unchanged from February, with GDP growth in 2026 expected to moderate from 2025's level due to softer exports growth amidst weaker external demand. Meanwhile, the GDP growth of key Southeast Asian

[1] On 20 February 2026, the Supreme Court of the United States struck down the US' reciprocal tariffs that were imposed on the US' trading partners under the International Economic Emergency Powers Act. On the same day, the US announced a 10 per cent tariff under Section 122 of the Trade Act of 1974 on all US imports for 150 days (i.e., until 24 July 2026). In March, the US launched Section 301 investigations on 16 and 60 economies on structural excess capacity and forced labour, respectively.

economies in 2026 is projected to be supported by resilient demand for AI-related exports, even though non-AI-related exports will be weighed down by softer global demand.

Equally important, downside risks to the global economy have also risen significantly since February. First, if disruptions to the global supply of energy and other inputs arising from the conflict in the Middle East are prolonged and lead to a sustained rise in energy commodity and other key input prices, global growth could slow considerably. Second, a renewed escalation in US tariff actions could further weigh on the sentiments of businesses and households, thereby dampening investment and spending in many economies. Third, an escalation in risk-off sentiments or a sudden pullback in global AI-related capital spending could trigger sharp corrections in global financial markets, with potential spillovers to broader economic activity.

Against this backdrop, the outlook for the sectors in the Singapore economy that are directly dependent on natural gas and crude oil and its derivatives as feedstock, as well as outward-oriented sectors affected by energy commodity shortages and fuel cost increases, has weakened since February. Oil refineries and petrochemical crackers have already reduced their run rates, while several downstream petrochemical and specialty chemical firms have declared *force majeure*. Furthermore, the disruption to energy commodity supplies has reduced trading volumes in the fuels & chemicals segment of the wholesale trade sector. Meanwhile, higher fuel costs have dampened the demand outlook for the air and water transport segments of the transportation & storage sector.

On the other hand, sustained global AI-related capital spending should continue to be a key driver of growth for the electronics and precision engineering clusters within the manufacturing sector. In particular, demand for AI-related semiconductors such as networking and memory chips from the data centre end-market is expected to remain robust for the rest of 2026. An acceleration in AI-related capital expenditure is also projected to lead to strong demand for semiconductor equipment for the rest of the year. In turn, the strong performance of the electronics cluster will have positive spillover effects on the machinery, equipment & supplies segment of the wholesale trade sector.

Among the outward-oriented services sectors, the information & communications sector is expected to register steady growth due to continued enterprise demand for AI-enabled and other digital solutions. While growth in the finance & insurance sector could be weighed down by tighter global financial conditions as inflationary pressures intensify, capital inflows as global investors diversify their portfolios amidst persistent market volatility could provide some support.

As for the domestically-oriented sectors, activity in the construction sector will continue to be supported by public construction works. Meanwhile, new private residential property launches alongside resilient demand from owner-occupiers will support the growth of the real estate sector. Finally, while weaker consumer sentiments could pose a drag on spending in the retail trade and food & beverage services sectors, the earlier disbursement of the CDC Vouchers in June 2026 and enhancement to the Budget 2026 Cost-of-Living Special Payment should help to cushion the impact.

On balance, taking into account the latest global and domestic economic developments, MTI's assessment is that the outlook for the Singapore economy in 2026 has weakened since February. However, in view of the better-than-expected performance of the Singapore economy in the first quarter, **Singapore's GDP growth forecast for 2026 is maintained at "2.0 to 4.0 per cent"**. Nonetheless, downside risks to Singapore's economic outlook have risen significantly and MTI will continue to monitor developments closely and adjust the GDP growth forecast over the course of the year if necessary.

MINISTRY OF TRADE AND INDUSTRY
25 May 2026

ANNEX A

Economic Performance by Sectors in First Quarter 2026

The manufacturing sector expanded by 7.9 per cent year-on-year in the first quarter, extending the 11.4 per cent growth in the previous quarter. Growth of the sector was driven by expansions in the electronics, precision engineering, transport engineering and general manufacturing clusters, even as the biomedical manufacturing and chemicals clusters contracted. On a quarter-on-quarter seasonally-adjusted basis, the sector shrank by 2.3 per cent, a pullback from the 4.5 per cent growth in the preceding quarter.

Growth in the construction sector came in at 11.8 per cent year-on-year, accelerating from the 4.6 per cent expansion in the fourth quarter of 2025. Growth during the quarter was supported by an increase in both public and private sector construction output. On a quarter-on-quarter seasonally-adjusted basis, the sector expanded by 6.3 per cent, faster than the 0.2 per cent growth in the previous quarter.

The wholesale trade sector grew by 11.7 per cent year-on-year, extending the 9.9 per cent growth in the preceding quarter. Growth was led by a surge in output in the machinery, equipment & supplies segment on the back of robust increases in the wholesale volumes of telecommunications & computers and electronic components. On the other hand, both the fuels & chemicals and "others"[2] segments contracted, with the former weighed down by the petroleum & petroleum products sub-segment. On a quarter-on-quarter seasonally-adjusted basis, the sector expanded by 2.3 per cent, moderating from the 3.5 per cent growth in the fourth quarter.

The retail trade sector recorded growth of 2.6 per cent year-on-year, following the 2.3 per cent expansion in the previous quarter. Growth during the quarter was supported by an increase in both non-motor vehicular and motor vehicular sales volumes. On a quarter-on-quarter seasonally-adjusted basis, the sector expanded by 1.3 per cent, a reversal from the 0.3 per cent contraction in the preceding quarter.

Growth in the transportation & storage sector slowed to 1.5 per cent year-on-year, from 2.1 per cent in the fourth quarter. Within the sector, the air transport segment continued to expand, with the total number of air passengers handled at Changi Airport during the quarter growing on a year-on-year basis. The water transport segment also grew, albeit at a slower pace compared to the previous quarter, supported by an increase in container

[2] The "others" segment comprises a diverse range of products including metals, timber & construction materials, household equipment & furniture as well as food, beverages & tobacco, among others.

throughput and sea cargo handled at Singapore's ports. On a quarter-on-quarter seasonally-adjusted basis, the sector expanded by 1.4 per cent, a turnaround from the 0.6 per cent contraction in the previous quarter.

The accommodation sector posted growth of 6.6 per cent year-on-year, the same pace as that in the preceding quarter. The expansion came on the back of an increase in total gross lettings in hotels over the same period, which was in turn supported by higher lettings in the luxury and mid-tier hotel segments. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 2.3 per cent, extending the 1.1 per cent growth in the fourth quarter.

The food & beverage services sector expanded modestly by 0.4 per cent year-on-year, following the 0.2 per cent growth in the previous quarter. Growth during the quarter was supported by a pickup in sales volumes at food caterers, cafes and fast food outlets, which outweighed a decline in sales volumes at food courts & other eating places and restaurants. On a quarter-on-quarter seasonally-adjusted basis, the sector recorded growth of 1.0 per cent, easing from the 1.3 per cent expansion in the preceding quarter.

The information & communications sector grew by 4.3 per cent year-on-year, moderating from the 5.2 per cent growth in the fourth quarter. Growth during the quarter was driven by expansions in the IT & information services and "others"[3] segments, with the former supported by internet search engine activities and the latter by games publishing activities. On a quarter-on-quarter seasonally-adjusted basis, the sector shrank by 8.5 per cent, a pullback from the 0.7 per cent growth in the previous quarter.

The finance & insurance sector expanded by 5.7 per cent year-on-year, faster than the 3.7 per cent growth in the preceding quarter. Growth during the quarter was broad-based, with steady performance in the banking, fund management and security dealings segments. These segments recorded robust growth in net fees and commissions as investors actively hedged and reallocated their portfolios in response to the Middle East conflict. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 1.0 per cent, moderating from the 5.4 per cent growth in the fourth quarter.

Growth in the real estate sector came in at 3.1 per cent year-on-year, extending the 3.6 per cent expansion in the previous quarter. The sector's growth was bolstered by a broad-based pickup in activity across the private residential, commercial and industrial property segments. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 1.0 per cent, faster than the 0.6 per cent expansion in the preceding quarter.

[3] The "others" segment consists of (i) publishing activities (including computer games and software publishing), (ii) motion picture, video and other programme production, sound recording, and music publishing activities, and (iii) radio and television broadcasting activities.

The professional services sector expanded by 2.6 per cent year-on-year, improving from the 1.9 per cent growth in the fourth quarter. Growth was mainly supported by expansions in the other professional, scientific & technical services and head offices & business representative offices segments. On a quarter-on-quarter seasonally-adjusted basis, the sector recorded growth of 1.8 per cent, a reversal from the 0.8 per cent contraction in the previous quarter.

The administrative & support services sector grew by 1.4 per cent year-on-year, picking up from the 0.9 per cent expansion in the preceding quarter. Within the sector, both the rental & leasing and other administrative & support services segments expanded during the quarter. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 0.5 per cent, reversing the 0.5 per cent contraction in the previous quarter.

The "other services industries" posted growth of 3.6 per cent year-on-year, extending the 3.3 per cent growth in the fourth quarter. Growth during the quarter was broad-based, led by expansions in the arts, entertainment & recreation and health & social services sectors. On a quarter-on-quarter seasonally-adjusted basis, the "other services industries" grew by 0.7 per cent, a step-up from the 0.1 per cent expansion in the preceding quarter.

ANNEX B

REAL SECTORAL GROWTH RATES

	1Q25	2Q25	3Q25	4Q25	2025	1Q26
	Year-on-Year % Change					
Total	4.5	5.4	4.5	5.7	5.0	6.0
Goods Producing Industries	7.3	9.0	4.5	9.6	7.6	8.2
Manufacturing	8.6	10.5	4.6	11.4	8.7	7.9
Construction	4.2	6.6	5.6	4.6	5.2	11.8
Services Producing Industries	3.5	4.5	4.3	4.8	4.3	5.7
Wholesale Trade	3.1	6.1	5.4	9.9	6.1	11.7
Retail Trade	0.2	0.2	2.4	2.3	1.3	2.6
Transportation & Storage	5.3	3.3	2.7	2.1	3.3	1.5
Accommodation	-1.2	2.4	4.6	6.6	3.1	6.6
Food & Beverage Services	-1.0	-0.9	-1.9	0.2	-0.9	0.4
Information & Communications	6.9	6.1	6.2	5.2	6.1	4.3
Finance & Insurance	4.7	4.0	4.7	3.7	4.3	5.7
Real Estate	6.9	5.8	4.0	3.6	5.0	3.1
Professional Services	1.7	2.1	2.5	1.9	2.0	2.6
Administrative & Support Services	1.7	1.8	1.2	0.9	1.4	1.4
Other Services Industries	1.1	4.3	4.7	3.3	3.3	3.6
Public Administration & Defence	0.0	-0.6	-0.2	-1.1	-0.4	0.1
Education	0.6	2.1	1.5	2.4	1.6	1.5
Health & Social Services	4.7	5.5	5.5	4.2	5.0	3.8
Arts, Entertainment & Recreation	-4.9	21.8	27.4	13.2	13.1	16.6
Other Services - Others	2.4	2.5	2.9	3.3	2.8	3.6
	Seasonally Adjusted Quarter-on-Quarter Growth %					
Total	0.6	1.8	1.9	1.3	5.0	1.0
Goods Producing Industries	0.4	1.7	3.6	3.3	7.6	-0.6
Manufacturing	0.6	1.2	4.5	4.5	8.7	-2.3
Construction	-0.8	4.8	0.6	0.2	5.2	6.3
Services Producing Industries	0.7	1.9	1.2	1.0	4.3	1.6
Wholesale Trade	0.3	3.6	2.0	3.5	6.1	2.3
Retail Trade	1.4	-1.0	2.4	-0.3	1.3	1.3
Transportation & Storage	2.7	0.2	0.2	-0.6	3.3	1.4
Accommodation	3.2	-0.4	3.2	1.1	3.1	2.3
Food & Beverage Services	1.2	-1.5	-0.7	1.3	-0.9	1.0
Information & Communications	-7.7	7.5	5.3	0.7	6.1	-8.5
Finance & Insurance	-0.8	0.1	-0.9	5.4	4.3	1.0
Real Estate	1.6	0.9	0.5	0.6	5.0	1.0
Professional Services	1.2	1.0	0.6	-0.8	2.0	1.8
Administrative & Support Services	0.2	2.1	-0.7	-0.5	1.4	0.5
Other Services Industries	0.3	2.0	0.8	0.1	3.3	0.7
Public Administration & Defence	-0.4	-0.4	0.2	-0.4	-0.4	0.8
Education	-0.3	1.3	0.7	0.7	1.6	-1.1
Health & Social Services	1.0	2.1	0.9	0.1	5.0	0.6
Arts, Entertainment & Recreation	8.8	1.0	1.5	1.4	13.1	12.1
Other Services - Others	2.4	-0.8	-0.8	2.5	2.8	2.7

OTHER ECONOMIC INDICATORS

	1Q25	2Q25	3Q25	4Q25	2025	1Q26
Retail Sales Index* (yoy, %)	-0.5	0.8	3.6	3.1	1.8	2.9
Changes in Employment ('000)	6.9	12.9	30.2	20.8	70.8	8.6
Unemployment Rate, SA (%)	2.0	2.0	2.0	2.0	2.0	2.1
Value Added Per Actual Hour Worked^ (yoy, %)	4.4	2.9	2.4	3.9	3.4	3.2
Value Added Per Worker^ (yoy, %)	3.0	3.9	3.0	3.9	3.5	4.1
Overall Unit Labour Cost (yoy, %)	0.5	-0.4	0.8	-0.7	0.0	-1.0
Unit Business Cost of Manufacturing (yoy, %)	-1.8	-1.6	6.5	-2.1	0.0	0.5
Fixed Asset Investments ($ bil)	1.7	4.0	0.3	8.2	14.2	2.4
Consumer Price Index (yoy, %)	1.0	0.8	0.6	1.2	0.9	1.5
Total Merchandise Trade (yoy, %)	4.7	6.8	8.4	14.5	8.7	25.6
Merchandise Exports	3.6	11.6	8.2	15.0	9.6	27.9
Domestic Exports	-1.9	-4.3	-4.5	8.5	-0.7	2.7
Oil	-9.3	-19.6	-6.4	1.0	-9.2	-8.3
Non-Oil	3.3	7.0	-3.4	12.7	4.8	9.6
Re-exports	7.8	24.1	17.6	19.2	17.2	45.6
Merchandise Imports	5.9	1.8	8.6	14.1	7.7	23.1
Total Services Trade (yoy, %)	6.1	3.1	2.0	2.2	3.3	4.4
Exports of Services	5.8	3.5	2.4	2.3	3.5	3.9
Imports of Services	6.3	2.8	1.7	2.1	3.2	5.1

* In chained volume terms.
^ Based on GDP at market prices in chained (2015) dollars.