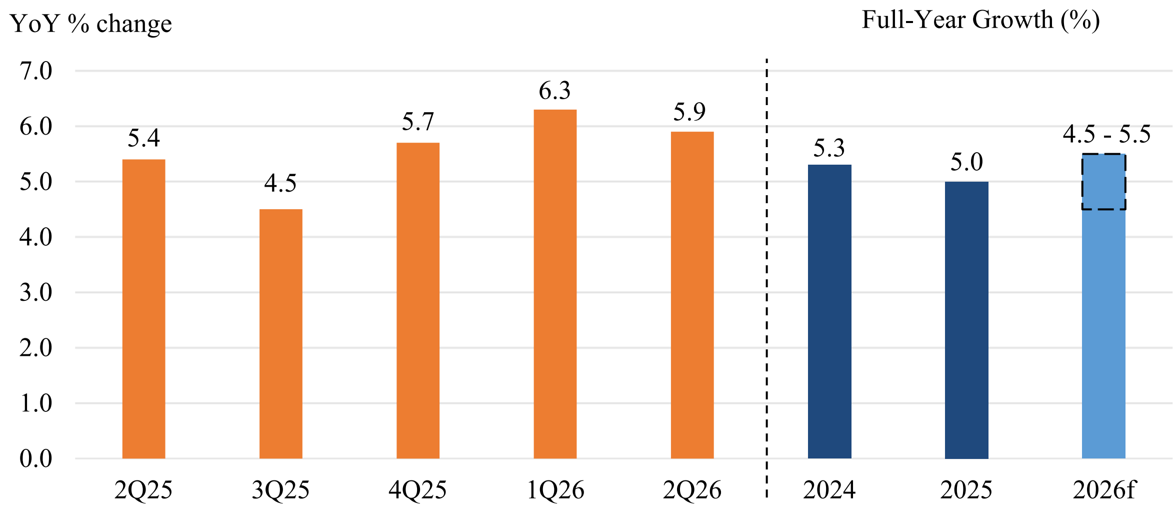
MTI Upgrades 2026 GDP Growth Forecast to "4.5 to 5.5 Per Cent"

11 August 2026. The Ministry of Trade and Industry (MTI) announced today that Singapore's GDP growth forecast for 2026 has been upgraded to "4.5 to 5.5 per cent", from "2.0 to 4.0 per cent". This reflects the better-than-expected performance of the Singapore economy in the first half of the year, as well as an improved outlook for the rest of the year due to the acceleration in global AI-related capital expenditure.

Economic Performance in Second Quarter 2026



In the second quarter of 2026, the Singapore economy grew by 5.9 per cent on a year-on-year basis, easing from the 6.3 per cent expansion in the previous quarter. On a quarter-on-quarter seasonally-adjusted basis, the economy expanded by 1.4 per cent, extending the 1.2 per cent growth in the first quarter. For the first half of 2026, Singapore's GDP growth came in at 6.1 per cent year-on-year.

On a year-on-year basis, GDP growth in the second quarter was driven by the strong performance of the manufacturing, wholesale trade and finance & insurance sectors. In particular, robust global AI-related demand boosted growth in the electronics and precision engineering clusters of the manufacturing sector, as well as the machinery, equipment & supplies segment of the wholesale trade sector. Meanwhile, growth in the finance & insurance sector was driven by the banking segment on the back of strong credit growth and fee-generating activities. By contrast, the food & beverage services sector contracted, partly due to a sustained increase in outbound travel by locals and a decline in visitor arrivals during the quarter.

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

Economic Outlook for 2026

In May, MTI maintained Singapore's GDP growth forecast for 2026 at "2.0 to 4.0 per cent", based on the expectation that global AI-related demand would cushion the impact of the US-Israel-Iran conflict on the global economy.

Since then, the global AI investment boom has been stronger than expected. This has provided significant tailwinds to AI-related production and exports globally. For the rest of the year, a further acceleration in AI-related capital expenditure is expected to lift the growth prospects of economies plugged into the global technology value chain.

The economic impact of the conflict in the Middle East has also been less severe than initially feared. While the blockade of the Strait of Hormuz has disrupted global supplies of energy and other key intermediate inputs, the drawdown of oil inventories and substitution to alternative energy sources have capped the rise in global energy prices. Nonetheless, continuing tensions in the region, alongside lower levels of global oil inventories, are expected to keep the prices of energy and other key inputs elevated in the second half of the year. Elevated energy and input prices will in turn exert upward pressure on global inflation and weigh on global economic activity. Meanwhile, the US tariffs are expected to continue to weigh on the exports of affected economies.[1]

On balance, taking into account these developments and the GDP performance of the various economies in the second quarter, Singapore's external demand outlook for the year has improved compared to the assessment in May.

In the US, GDP growth in 2026 is expected to remain resilient, supported in part by rising AI-related investment. However, growth could moderate in the second half of the year compared to the first half due to softening consumption growth amidst sustained inflationary pressures. Meanwhile, the Eurozone's GDP growth outlook for the rest of the year has weakened as elevated energy prices could prompt further interest rate hikes and pose a drag on domestic demand.

In Asia, the 2026 economic outlook for China is broadly unchanged from May. GDP growth in China is projected to expand at a slower pace in the second half of the year due to easing exports growth and subdued domestic consumption. Meanwhile, the 2026 GDP growth forecasts for Taiwan and South Korea have been upgraded as the stronger-than-expected AI investment boom is projected to continue boosting their exports.

[1] While the US' Section 122 tariffs, which were imposed after its "reciprocal" tariffs were struck down by the Supreme Court of the US, expired on 24 July 2026, the US has implemented Section 301 tariffs ranging from 10 per cent to 12.5 per cent on 60 economies following the conclusion of its investigations on forced labour. The US' Section 301 investigations on 16 economies for excess capacity are still ongoing.

Similarly, the 2026 GDP growth forecasts for most of the key Southeast Asian economies have been upgraded given expected strong growth in their AI-related exports. However, growth in these economies could moderate in the second half of the year compared to the first half due to weaker consumer demand amidst elevated inflationary pressures.

Downside risks in the global economy remain. First, a further escalation and broadening of the conflict in the Middle East could trigger fresh spikes in the prices of energy commodities and other key intermediate inputs. The resulting rise in inflationary pressures and tighter global financial conditions could dampen global growth. Second, additional US tariff actions and the uncertainty surrounding these actions could weigh on business and household sentiments, thereby dampening investment and spending in the affected economies. Third, sudden risk-off sentiments in financial markets regarding global AI-related capital spending could trigger sharp corrections in these markets, with potential spillovers to broader economic activity.

Against this backdrop, the 2026 outlook for sectors of the Singapore economy that are linked to the AI-driven technology cycle has improved, although that for sectors directly affected by supply disruptions arising from the Middle East conflict remains weak.

Among the latter, the chemicals cluster of the manufacturing sector is expected to remain the most adversely affected, as firms in the petroleum and petrochemicals segments continue to cut back on production due to disruptions to crude oil and feedstock supplies. The disruptions will also lead to reduced trading volumes in the fuels & chemicals segment of the wholesale trade sector.

Meanwhile, elevated fuel costs will dampen demand in the water and air transport segments of the transportation & storage sector. Similarly, growth in the accommodation sector is expected to remain subdued, partly due to elevated travel costs, although resilient demand within the luxury segment and a strong event calendar in the second half of the year are likely to provide some support.

On the other hand, the acceleration in global AI-related capital expenditure should boost growth in the electronics and precision engineering clusters of the manufacturing sector. Notably, demand for AI-related semiconductors (e.g., networking and memory chips) from the data centre end-market is expected to remain strong amidst the rapid rollout of agentic AI across industries, while capacity expansions by semiconductor firms will raise demand for semiconductor equipment. Strong activity in these clusters will generate positive spillovers to the machinery, equipment & supplies segment of the wholesale trade sector.

Among the outward-oriented services sectors, both the information & communications and finance & insurance sectors are expected to register firm growth. Growth in the information & communications sector is projected to be boosted by strong AI-linked enterprise demand. Meanwhile, growth in the finance & insurance sector will be supported by firm credit growth in tandem with the expansion in domestic and regional economic activities. Ongoing efforts to deepen Singapore's capital markets and broaden investor access to international listings should also sustain demand for wealth management services.

As for the domestically-oriented sectors, activity in the construction sector will continue to be supported by a robust pipeline of public and private construction projects. At the same time, healthy developer activities amidst resilient demand for private residential properties, as well as sustained rental demand for commercial properties, will support the growth of the real estate sector. Finally, while dampened consumer sentiments amidst inflationary pressures could weigh on the performance of the retail trade and food & beverage services sectors, government support measures such as the CDC Vouchers should cushion the impact.

Taking into account the better-than-expected performance of the Singapore economy in the first half of the year, as well as the latest global and domestic economic outlook, **MTI has upgraded Singapore's GDP growth forecast for 2026 to "4.5 to 5.5 per cent", from "2.0 to 4.0 per cent".**

MINISTRY OF TRADE AND INDUSTRY
11 August 2026

ANNEX A

Economic Performance by Sectors in Second Quarter 2026

The manufacturing sector expanded by 12.5 per cent year-on-year in the second quarter, extending the 7.3 per cent growth in the previous quarter. Growth during the quarter was largely driven by expansions in the electronics and precision engineering clusters on the back of robust AI-related demand. While the general manufacturing and transport engineering clusters also posted output growth, output in the chemicals and biomedical manufacturing clusters contracted. On a quarter-on-quarter seasonally-adjusted basis, the manufacturing sector grew by 6.3 per cent, reversing the 2.8 per cent decline in the first quarter.

Growth in the construction sector came in at 5.8 per cent year-on-year, slower than the 12.9 per cent growth in the preceding quarter. Growth during the quarter was supported by expansions in both public and private sector construction output. On a quarter-on-quarter seasonally-adjusted basis, the sector contracted by 2.5 per cent, a reversal from the 7.4 per cent growth in the previous quarter.

The wholesale trade sector grew by 8.3 per cent year-on-year, extending the 13.6 per cent growth in the first quarter. Growth was led by stronger output in the machinery, equipment & supplies segment on the back of robust increases in the wholesale volumes of telecommunications & computers and electronic components. By contrast, both the fuels & chemicals and "others" [2] segments contracted. On a quarter-on-quarter seasonally-adjusted basis, the sector shrank by 1.4 per cent, weakening from the 4.0 per cent expansion in the preceding quarter.

The retail trade sector recorded growth of 1.0 per cent year-on-year, easing from the 2.5 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 contracted by 2.2 per cent, a pullback from the 1.2 per cent expansion in the preceding quarter.

The transportation & storage sector expanded by 3.0 per cent year-on-year, faster than the 1.6 per cent growth in the first quarter. Within the sector, the air transport segment continued to expand, supported by an increase in air cargo traffic at Changi Airport. Similarly, the water transport segment grew on account of an increase in container throughput, which more than offset a decline in sea cargo handled at Singapore's ports.

[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.

On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 1.9 per cent, extending the 1.6 per cent growth in the previous quarter.

Growth in the accommodation sector slowed to 2.2 per cent year-on-year, from 6.9 per cent in the preceding quarter. The sector's expansion during the quarter came on the back of an increase in total gross lettings in hotels, which was in turn attributable to higher gross lettings in the luxury, upscale and mid-tier hotel segments. On a quarter-on-quarter seasonally-adjusted basis, the sector contracted by 4.6 per cent, reversing the 2.6 per cent growth in the first quarter.

The food & beverage services sector shrank by 1.5 per cent year-on-year, a reversal from the 0.2 per cent growth in the previous quarter. The weak performance of the sector was due to a fall in sales volumes in the food courts & other eating places, cafes and restaurants segments, which outweighed higher sales volumes in the food caterers and fast-food outlets segments. On a quarter-on-quarter seasonally-adjusted basis, the sector contracted by 2.8 per cent, a pullback from the 0.9 per cent expansion in the preceding quarter.

The information & communications sector grew by 5.0 per cent year-on-year, extending the 5.3 per cent growth in the first quarter. Growth during the quarter was driven by expansions in the IT & information services and "others"[3] segments, with the former supported by data centre operations and internet search engine activities and the latter by games publishing activities. On a quarter-on-quarter seasonally-adjusted basis, the sector posted growth of 7.3 per cent, a turnaround from the 7.6 per cent contraction in the previous quarter.

The finance & insurance sector expanded by 6.2 per cent year-on-year, stronger than the 5.3 per cent growth in the preceding quarter. Growth during the quarter was largely driven by the banking segment amidst strong credit growth and fee-generating activities. The sentiment-sensitive segments also performed well, underpinned by the fund management industry which recorded double-digit year-on-year growth in net fees and commissions. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 1.1 per cent, accelerating from the 0.6 per cent expansion in the first quarter.

Growth in the real estate sector came in at 4.6 per cent year-on-year, faster than the 3.6 per cent expansion in the previous quarter. The sector's growth during the quarter was attributable to an increase in sales volumes in the private residential segment, as well as a pickup in rental demand in the commercial and industrial property segments. On a

[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.

quarter-on-quarter seasonally-adjusted basis, the sector grew by 1.8 per cent, extending the 1.6 per cent expansion in the preceding quarter.

The professional services sector expanded by 2.4 per cent year-on-year, following the 2.7 per cent growth in the first quarter. Growth during the quarter was mainly supported by expansions in the architectural & engineering, technical testing & analysis and other professional, scientific & technical services segments. On a quarter-on-quarter seasonally-adjusted basis, the sector recorded growth of 0.7 per cent, moderating from the 1.8 per cent expansion in the previous quarter.

The administrative & support services sector grew at a faster pace of 2.3 per cent year-on-year, compared to the 1.8 per cent growth in the preceding quarter. Within the sector, both the rental & leasing and other administrative & support services segments expanded. On a quarter-on-quarter seasonally-adjusted basis, growth of the sector picked up to 2.4 per cent, from 1.0 per cent in the previous quarter.

The "other services industries" posted growth of 2.1 per cent year-on-year, slower than the 3.3 per cent expansion in the first quarter. Growth during the quarter was primarily driven by expansions in the public administration & defence and health & social services sectors, even as the arts, entertainment & recreation sector contracted. On a quarter-on-quarter seasonally-adjusted basis, the "other services industries" grew by 0.8 per cent, higher than the 0.3 per cent growth recorded in the preceding quarter.

ANNEX B

REAL SECTORAL GROWTH RATES

	2Q25	3Q25	4Q25	2025	1Q26	2Q26
	Year-on-Year % Change					
Total	5.4	4.5	5.7	5.0	6.3	5.9
Goods Producing Industries	9.0	4.5	9.6	7.6	7.9	10.5
Manufacturing	10.5	4.6	11.4	8.7	7.3	12.5
Construction	6.6	5.6	4.6	5.2	12.9	5.8
Services Producing Industries	4.5	4.3	4.8	4.3	6.3	4.9
Wholesale Trade	6.1	5.4	9.9	6.1	13.6	8.3
Retail Trade	0.2	2.4	2.3	1.3	2.5	1.0
Transportation & Storage	3.3	2.7	2.1	3.3	1.6	3.0
Accommodation	2.4	4.6	6.6	3.1	6.9	2.2
Food & Beverage Services	-0.9	-1.9	0.2	-0.9	0.2	-1.5
Information & Communications	6.1	6.2	5.2	6.1	5.3	5.0
Finance & Insurance	4.0	4.7	3.7	4.3	5.3	6.2
Real Estate	5.8	4.0	3.6	5.0	3.6	4.6
Professional Services	2.1	2.5	1.9	2.0	2.7	2.4
Administrative & Support Services	1.8	1.2	0.9	1.4	1.8	2.3
Other Services Industries	4.3	4.7	3.3	3.3	3.3	2.1
Public Administration & Defence	-0.6	-0.2	-1.1	-0.4	0.4	3.2
Education	2.1	1.5	2.4	1.6	2.0	1.8
Health & Social Services	5.5	5.5	4.2	5.0	3.6	2.5
Arts, Entertainment & Recreation	21.8	27.4	13.2	13.1	11.2	-3.3
Other Services - Others	2.5	2.9	3.3	2.8	4.2	4.3
	Seasonally Adjusted Quarter-on-Quarter Growth %					
Total	1.8	1.9	1.3	5.0	1.2	1.4
Goods Producing Industries	1.7	3.6	3.3	7.6	-0.8	4.3
Manufacturing	1.2	4.5	4.5	8.7	-2.8	6.3
Construction	4.8	0.6	0.2	5.2	7.4	-2.5
Services Producing Industries	1.9	1.2	1.0	4.3	2.1	0.5
Wholesale Trade	3.6	2.0	3.5	6.1	4.0	-1.4
Retail Trade	-1.0	2.4	-0.3	1.3	1.2	-2.2
Transportation & Storage	0.2	0.2	-0.6	3.3	1.6	1.9
Accommodation	-0.4	3.2	1.1	3.1	2.6	-4.6
Food & Beverage Services	-1.5	-0.7	1.3	-0.9	0.9	-2.8
Information & Communications	7.5	5.3	0.7	6.1	-7.6	7.3
Finance & Insurance	0.1	-0.9	5.4	4.3	0.6	1.1
Real Estate	0.9	0.5	0.6	5.0	1.6	1.8
Professional Services	1.0	0.6	-0.8	2.0	1.8	0.7
Administrative & Support Services	2.1	-0.7	-0.5	1.4	1.0	2.4
Other Services Industries	2.0	0.8	0.1	3.3	0.3	0.8
Public Administration & Defence	-0.4	0.2	-0.4	-0.4	1.1	2.4
Education	1.3	0.7	0.7	1.6	-0.7	1.0
Health & Social Services	2.1	0.9	0.1	5.0	0.4	1.0
Arts, Entertainment & Recreation	1.0	1.5	1.4	13.1	6.9	-12.1
Other Services - Others	-0.8	-0.8	2.5	2.8	3.3	-0.7

OTHER ECONOMIC INDICATORS

	2Q25	3Q25	4Q25	2025	1Q26	2Q26
Retail Sales Index* (yoy, %)	0.8	3.6	3.1	1.8	3.0	1.2
Changes in Employment ('000)	12.9	30.2	20.8	70.8	13.0	14.0
Unemployment Rate, SA (%)	2.0	2.0	2.0	2.0	2.0	2.0
Value Added Per Actual Hour Worked^ (yoy, %)	2.9	2.4	3.9	3.4	3.7	3.9
Value Added Per Worker^ (yoy, %)	3.9	3.0	3.9	3.5	4.3	3.9
Overall Unit Labour Cost (yoy, %)	-0.4	0.8	-0.7	0.0	-1.2	-0.4
Unit Business Cost of Manufacturing (yoy, %)	-1.6	6.5	-2.1	0.0	1.1	-2.4
Fixed Asset Investments ($ bil)	4.0	0.3	8.2	14.2	2.4	5.4
Consumer Price Index (yoy, %)	0.8	0.6	1.2	0.9	1.5	1.8
Total Merchandise Trade (yoy, %)	6.8	8.4	14.5	8.7	25.5	40.2
Merchandise Exports	11.6	8.2	15.0	9.6	27.9	38.5
Domestic Exports	-4.3	-4.5	8.5	-0.7	2.7	26.6
Oil	-19.6	-6.4	1.0	-9.2	-8.3	25.2
Non-Oil	7.0	-3.4	12.7	4.8	9.6	27.4
Re-exports	24.1	17.6	19.2	17.2	45.6	45.7
Merchandise Imports	1.8	8.6	14.1	7.7	22.9	42.2
Total Services Trade (yoy, %)	3.1	2.0	2.2	3.3	5.3	9.9
Exports of Services	3.5	2.4	2.3	3.5	4.7	10.2
Imports of Services	2.8	1.7	2.1	3.2	5.9	9.6

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