MTI MINISTRY OF TRADE AND INDUSTRY SINGAPORE

ECONOMIC SURVEY OF SINGAPORE

FIRST QUARTER 2026

May 2026

Ministry of Trade and Industry
Republic of Singapore

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MAIN INDICATORS OF THE SINGAPORE ECONOMY

OVERALL ECONOMY

	4Q25	1Q26
Real Gross Domestic Product (YoY Growth)	+5.7%	+6.0%
Gross Domestic Product at Current Market Prices	$209.6 billion	$202.8 billion

PRICES

	4Q25	1Q26
Consumer Price Index — All Items (YoY Growth)	+1.2%	+1.5%
Domestic Supply Price Index (YoY Growth)	+1.2%	+7.3%

LABOUR MARKET

	4Q25	1Q26
Change in Employment (QoQ Change)	+20.8 thousand	+8.6 thousand
Overall Unemployment Rate	Dec25 2.0%	Mar26 2.1%
Value-Added per Actual Hour Worked (YoY Growth)	+3.9%	+3.2%

COSTS

	4Q25	1Q26
Unit Labour Cost of Overall Economy (YoY Growth)	-0.7%	-1.0%
Unit Business Cost of Manufacturing (YoY Growth)	-2.1%	+0.5%
Unit Labour Cost of Manufacturing (YoY Growth)	-7.1%	-4.4%

MERCHANDISE TRADE

	4Q25	1Q26
Merchandise Exports	$200,684 million +15.0% YoY Growth	$219,647 million +27.9% YoY Growth
Merchandise Imports	$181,789 million +14.1% YoY Growth	$189,818 million +23.1% YoY Growth

SERVICES TRADE

	4Q25	1Q26
Services Exports	$140,648 million +2.3% YoY Growth	$143,017 million +3.9% YoY Growth
Services Imports	$129,536 million +2.1% YoY Growth	$132,068 million +5.1% YoY Growth

CHAPTER

1

THE SINGAPORE ECONOMY

Chapter 1

THE SINGAPORE ECONOMY

ECONOMIC PERFORMANCE

Real GDP grew by

6.0% in 1Q26

Main Drivers of Growth in 1Q26

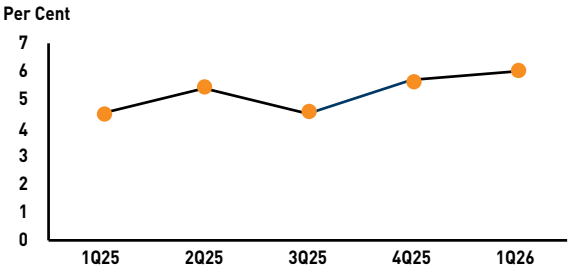
Wholesale Trade

2.1%-point
contribution

Manufacturing

1.3%-point
contribution

Quarterly Growth (YoY)



LABOUR MARKET

Resident Unemployment Rate

2.9%
in March 26

Employment (QoQ Change)

+8,600
employed in 1Q26

Sectors with the Highest Employment Growth in 1Q26

+4,700 employed

Transportation & Storage

+4,100 employed

Administrative & Support Services

+3,900 employed

Other Services Industries

PRODUCTIVITY

(YoY Growth)

Value-Added per Actual Hour Worked increased by

3.2% in 1Q26

Sectors with the Highest Growth in Value-Added per Actual Hour Worked in 1Q26

12.3%

Wholesale Trade

9.0%

Real Estate

8.8%

Information & Communications

COSTS
(YoY Growth)

Overall Unit Labour Cost decreased by

1.0% in 1Q26

Within the Manufacturing Sector

0.5%	-4.4%
Unit Business Cost	Unit Labour Cost

PRICES
(YoY Growth)

The Consumer Price Index (CPI) rose by

1.5% in 1Q26

Categories with Largest Price Increases

4.2%	3.7%	1.4%
Health	Transport	Food

INTERNATIONAL TRADE
(YoY Growth)

Total Merchandise Exports increased by

27.9% in 1Q26

45.6%	9.6%	-8.3%
Re-Exports	Non-Oil Domestic Exports	Oil Domestic Exports

Total Services Exports increased by

3.9% in 1Q26

Services Exports increase was led by...

2.1%-pt	0.9%-pt	0.5%-pt
Other Business Services	Financial Services	Travel

OVERVIEW

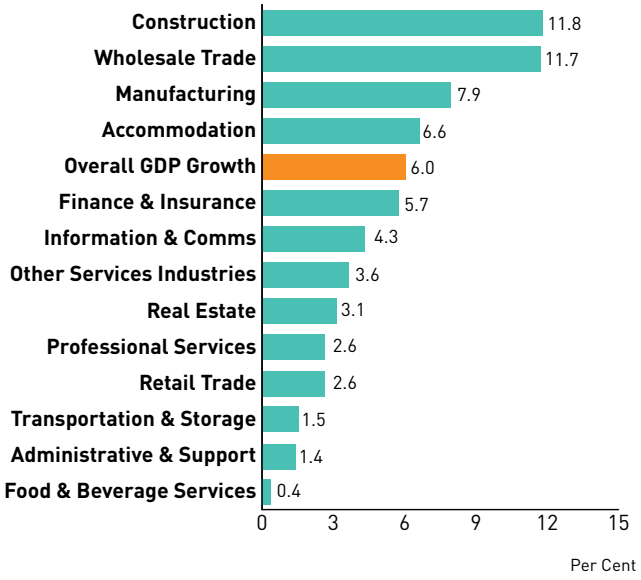
In the first quarter of 2026,

- The Singapore economy grew by 6.0 per cent on a year-on-year basis. The sectors that contributed the most to GDP growth during the quarter were the wholesale trade, manufacturing and finance & insurance sectors.
- The seasonally-adjusted unemployment rates were unchanged for residents but edged up slightly at the overall level and for citizens. Meanwhile, the number of retrenchments held steady over the same period.
- Total employment rose by 8,600 on a quarter-on-quarter basis, lower than the gains in the preceding quarter. Excluding Migrant Domestic Workers (MDWs), total employment increased by 5,000, supported by employment gains for both residents and non-residents.
- The Consumer Price Index-All Items (CPI-All Items) rose by 1.5 per cent year-on-year, picking up from the 1.2 per cent increase in the preceding quarter.

OVERALL PERFORMANCE

The Singapore economy grew by 6.0 per cent on a year-on-year basis in the first quarter of 2026, extending the 5.7 per cent growth in the previous quarter (Exhibit 1.1). On a quarter-on-quarter seasonally-adjusted basis, the economy expanded by 1.0 per cent, moderating from the 1.3 per cent expansion in the preceding quarter.

Exhibit 1.1: GDP and Sectoral Growth Rates in 1Q 2026



The manufacturing sector expanded by 7.9 per cent year-on-year, easing from the 11.4 per cent growth in the previous quarter. Growth in the sector was mainly driven by output expansions in electronics (26.1 per cent), precision engineering (8.9 per cent) and transport engineering (7.6 per cent) clusters.

The services producing industries grew by 5.7 per cent year-on-year, faster than the 4.8 per cent growth in the previous quarter. Growth was supported by expansions in all the services sectors. Among the services sectors, the wholesale trade (11.7 per cent), accommodation (6.6 per cent) and finance & insurance (5.7 per cent) sectors posted the fastest growth.

The construction sector grew by 11.8 per cent year-on-year, accelerating from the 4.6 per cent growth in the previous quarter. Both public and private sector construction output increased during the quarter.

The top three positive contributors to GDP growth in the first quarter were the wholesale trade, manufacturing and finance & insurance sectors (Exhibit 1.2).

Exhibit 1.2: Percentage-Point Contribution to Growth in Real GDP in 1Q 2026 (By Sectors)

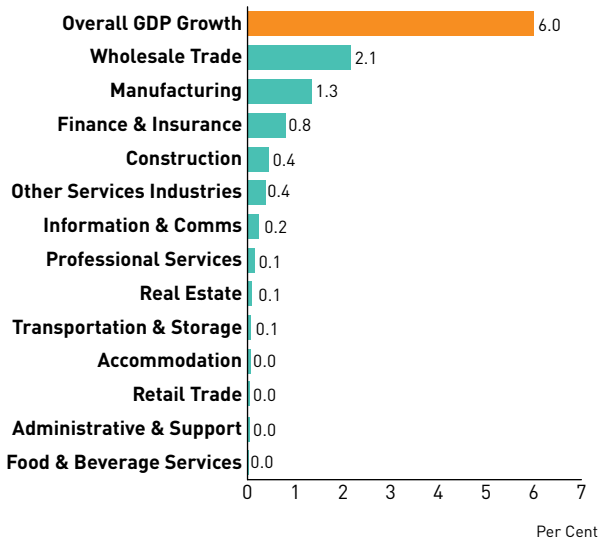


Exhibit 1.3: Changes in Total Demand*

Per Cent

	2025				2026
	I	II	III	IV	I
Total Demand	6.8	9.4	9.3	9.9	**11.9**
External Demand	7.2	12.3	11.5	12.0	**14.5**
Total Domestic Demand	5.7	1.3	3.2	4.2	**4.5**
Consumption Expenditure	0.9	4.2	3.9	4.6	**2.5**
Public	-7.0	6.1	5.4	5.1	**-0.5**
Private	3.9	3.7	3.4	4.5	**3.5**
Gross Fixed Capital Formation	8.8	4.5	4.1	7.4	**9.5**
Changes in Inventories	1.5	-1.8	-0.4	-0.8	**-0.2**

** For inventories, this refers to the contribution to GDP growth.*

SOURCES OF GROWTH

Total demand grew by 11.9 per cent year-on-year in the first quarter of 2026, faster than the 9.9 per cent increase in the preceding quarter (Exhibit 1.3). The growth in total demand was supported by increases in both external and domestic demand during the quarter.

External demand rose by 14.5 per cent year-on-year, picking up from the 12.0 per cent increase in the previous quarter. Meanwhile, total domestic demand rose by 4.5 per cent year-on-year, extending the 4.2 per cent expansion in the preceding quarter.

Within domestic demand, consumption expenditure rose by 2.5 per cent year-on-year, slower than the 4.6 per cent increase in the preceding quarter. The increase in consumption expenditure can be attributed to an increase in private consumption expenditure (3.5 per cent), even as public consumption expenditure declined (-0.5 per cent).

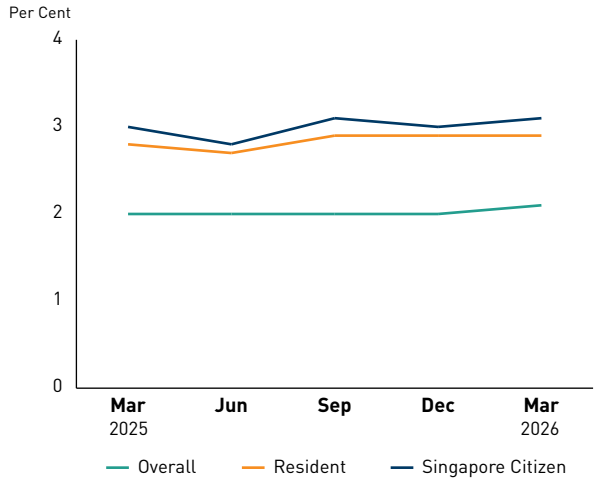
Meanwhile, gross fixed capital formation (GFCF) rose at a quicker pace of 9.5 per cent year-on-year, compared to the 7.4 per cent increase in the previous quarter. The increase in GFCF during the quarter was due to increases in both public sector (13.3 per cent) and private sector GFCF (8.4 per cent). Public sector GFCF rose due to higher investments in public construction & works and intellectual property products, which more than offset lower investments in public transport equipment and machinery & equipment. Meanwhile, private sector GFCF increased on the back of higher investments in private machinery & equipment, transport equipment, construction & works and intellectual property products.

LABOUR MARKET

Unemployment and Retrenchment[1]

Compared to December 2025, the seasonally-adjusted unemployment rates in March 2026 rose slightly at the overall level (to 2.1 per cent from 2.0 per cent) and for citizens (to 3.1 per cent from 3.0 per cent), and remained unchanged for residents (at 2.9 per cent) (Exhibit 1.4).

Exhibit 1.4: Unemployment Rate (Seasonally-Adjusted)

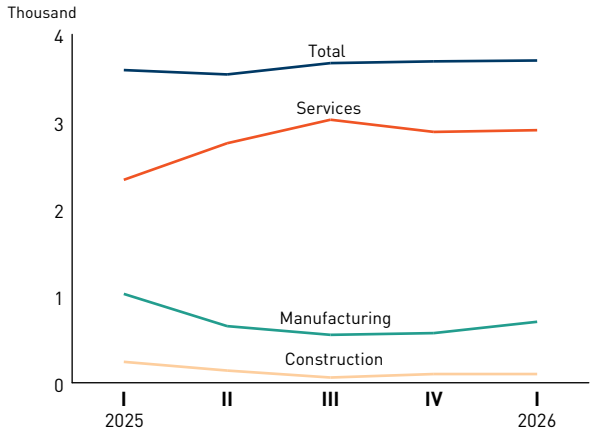


1 *Unemployment and retrenchment figures are based on preliminary data. Retrenchment figures pertain to private sector establishments with at least 25 employees and the public sector.*

In March 2026, an estimated 71,400 residents, including 63,100 Singapore citizens, were unemployed. These were higher than the number of unemployed residents (70,100) and citizens (61,100) in December 2025.[2]

A total of 3,700 workers were laid off in the first quarter of 2026, similar to the 3,690 retrenched in the preceding quarter (Exhibit 1.5). The number of retrenchments increased in the manufacturing (from 570 to 700) and services (from 2,880 to 2,900) sectors but remained unchanged in the construction (at 100) sector.

Exhibit 1.5: Retrenchments



Employment[3]

Total employment expanded by 8,600 on a quarter-on-quarter basis in the first quarter of 2026, smaller than the gains (+20,800) in the preceding quarter (Exhibit 1.6). Excluding MDWs, total employment rose by 5,000 and was supported by an increase in both resident and non-resident employment.

Total employment growth was driven by gains in the construction (+2,200) and services (+7,400; +3,900 excluding MDWs) sectors, while employment declined in the manufacturing (-700) sector. The employment growth in the services sector was supported by gains in the transportation & storage (+4,700), administrative & support services (+4,100) and other services (+3,900; +300 excluding MDWs) sectors. The finance & insurance sector saw losses (-3,200) which were largely concentrated among self-employed persons in the insurance and related services segment, even as employment by financial institutions grew (Exhibit 1.7).

Exhibit 1.6: Change in Total Employment, Quarter-on-Quarter

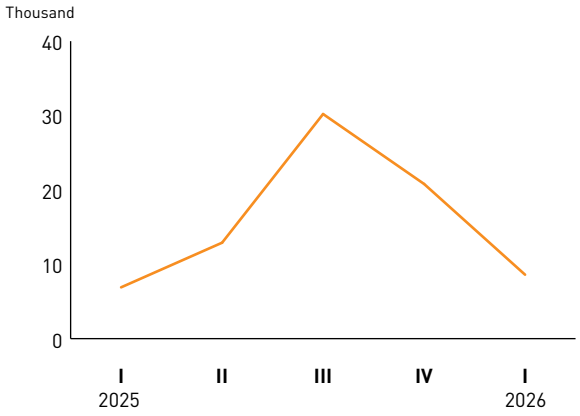
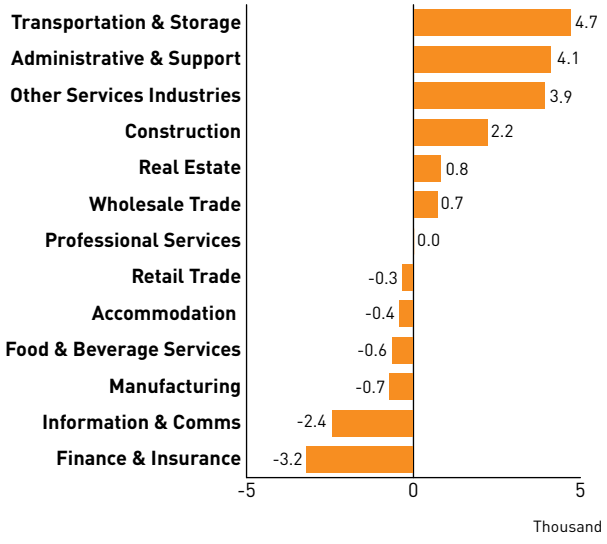


Exhibit 1.7: Changes in Employment by Sector in 1Q 2026



2 *Counts of unemployed persons are based on seasonally-adjusted data on the number of unemployed persons.*
3 *Employment figures are based on preliminary data.*

Hiring Expectations

According to EDB's latest Business Expectations Survey for the Manufacturing Sector conducted from March to April 2026, hiring expectations in the sector were positive. Specifically, a net weighted balance of 12 per cent of manufacturers expected to hire more workers in the second quarter of 2026 as compared to the first quarter. Firms in the computer peripherals & data storage segment of the electronics cluster were the most optimistic, with a net weighted balance of 51 per cent of firms expecting to increase hiring in the second quarter. By contrast, firms in the petroleum segment of the chemicals cluster were the most pessimistic, with a net weighted balance of 44 per cent of firms expecting to reduce hiring in the second quarter.

On the other hand, hiring expectations for services firms were neutral. According to DOS' latest Business Expectations Survey for the Services Sector that was conducted over the same period, a net weighted balance of 0 per cent of services firms expected to increase hiring in the second quarter of 2026 as compared to the first quarter. Among the services sectors, firms in the recreation, community & personal services sector had the strongest hiring sentiments, with a net weighted balance of 14 per cent of firms expecting to increase hiring in the second quarter. By contrast, firms in the food & beverage services sector were the most pessimistic, with a net weighted balance of 23 per cent of firms expecting to hire fewer workers in the second quarter.

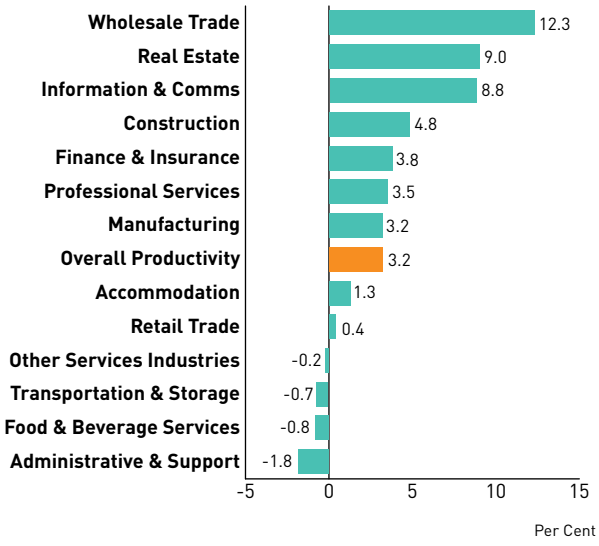
COMPETITIVENESS

Productivity

Overall labour productivity, as measured by real value-added per actual hour worked, rose by 3.2 per cent year-on-year in the first quarter of 2026, slower than the 3.9 per cent increase in the previous quarter (Exhibit 1.8).[4]

Among the sectors, the wholesale trade (12.3 per cent), real estate (9.0 per cent) and information & communications (8.8 per cent) sectors recorded the largest productivity gains in the first quarter. The construction (4.8 per cent), finance & insurance (3.8 per cent), professional services (3.5 per cent), manufacturing (3.2 per cent), accommodation (1.3 per cent) and retail trade (0.4 per cent) sectors also saw productivity improvements. By contrast, productivity fell in the administrative & support services (-1.8 per cent), food & beverage services (-0.8 per cent), transportation & storage (-0.7 per cent) and other services (-0.2 per cent) sectors.

Exhibit 1.8: Changes in Value-Added per Actual Hour Worked for the Overall Economy and Sectors in 1Q 2026



In the first quarter, the productivity of the outward-oriented sectors as a whole rose by 5.5 per cent year-on-year, moderating from the 7.5 per cent increase in the previous quarter.[5] Meanwhile, productivity for the domestically-oriented sectors as a whole rose by 0.8 per cent year-on-year, reversing the 0.2 per cent decline in the preceding quarter.

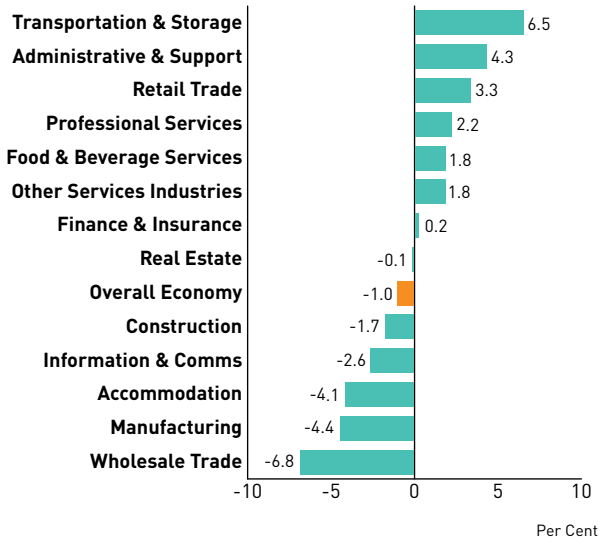
4 *Overall labour productivity, as measured by real value-added per worker, grew by 4.1 per cent in the first quarter of 2026, edging up from the 3.9 per cent increase in the preceding quarter. Real value-added per actual hour worked grew slower than real value-added per worker in the first quarter of 2026 because the average number of hours worked per worker grew by 0.9 per cent on a year-on-year basis.*

5 *Outward-oriented sectors refer to the manufacturing, wholesale trade, transportation & storage, accommodation, information & communications, finance & insurance and professional services sectors. Domestically-oriented sectors refer to the construction, retail trade, food & beverage services, real estate, administrative & support services and other services sectors.*

Unit Labour Cost and Unit Business Cost

Overall unit labour cost (ULC) for the economy fell by 1.0 per cent on a year-on-year basis in the first quarter of 2026 (Exhibit 1.9), extending the 0.7 per cent decrease in the previous quarter. The fall in overall ULC during the quarter was due to growth in labour productivity, as measured by real value added per worker, which outstripped the increase in total labour cost per worker.

Exhibit 1.9: Changes in Unit Labour Cost in 1Q 2026



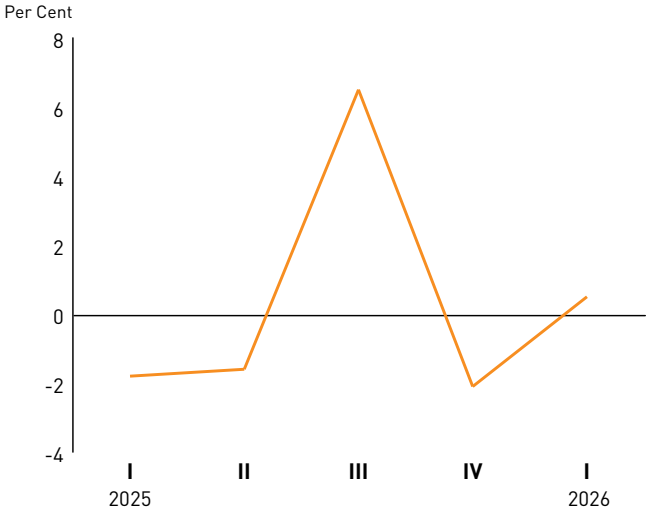
By sectors, the ULC for the construction sector was 1.7 per cent lower year-on-year in the first quarter due to a rise in labour productivity that outpaced the rise in total labour cost per worker.

The ULC for the services sector as a whole fell by 0.8 per cent year-on-year. Among the services sectors, the largest decline in ULC was in the wholesale trade sector (-6.8 per cent), as its productivity grew faster than the increase in total labour cost per worker. By contrast, the largest increase in ULC was in the transportation & storage sector (+6.5 per cent), where an increase in total labour cost per worker occurred alongside a fall in labour productivity.

Over the same period, the ULC for the manufacturing sector fell by 4.4 per cent year-on-year. The decline in the sector's ULC was due to an improvement in labour productivity that exceeded the increase in total labour cost per worker.

Manufacturing unit business cost (UBC) rose by 0.5 per cent year-on-year in the first quarter, reversing the decline of 2.1 per cent in the previous quarter (Exhibit 1.10). The increase in manufacturing UBC came on the back of increases in unit services costs (+2.2 per cent) and unit non-labour production taxes (+6.4 per cent), which outstripped the decline in unit labour costs (-4.4 per cent).

Exhibit 1.10: Changes in the Manufacturing Unit Business Cost



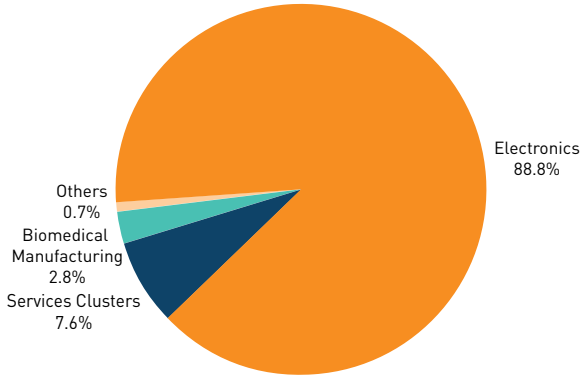
Investment Commitments

Investment commitments garnered by the Economic Development Board (EDB) in terms of Fixed Asset Investments (FAI) and Total Business Expenditure (TBE) amounted to $2.4 billion and $2.5 billion respectively in the first quarter of 2026 (Exhibit 1.11 and Exhibit 1.12).

For FAI, the largest contribution came from the manufacturing sector, which attracted $2,239 million worth of commitments. Of this, the electronics cluster accounted for $2,153 million worth of commitments in the first quarter. Meanwhile, the services sector garnered $185 million worth of commitments. Investors from the others region[6] contributed the most to total FAI, at $2,168 million (or 89.4 per cent).

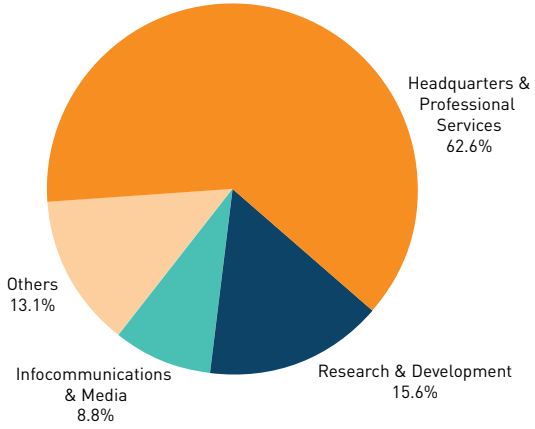
6 *Others refers to countries except for Singapore, Europe, Japan and the United States.*

Exhibit 1.11: Fixed Asset Investments by Industry Cluster in 1Q 2026



For TBE, the services sector attracted the highest amount of commitments, at $2.3 billion. Within the sector, the headquarters & professional services cluster garnered the most TBE commitments, at $1.5 billion. Among the manufacturing clusters, the electronics, and biomedical manufacturing clusters attracted the largest amounts of TBE commitments, at $119 million and $40.0 million respectively. Investors from the others region were the largest source of TBE commitments, with commitments of $1.9 billion (or 76.4 per cent).

Exhibit 1.12: Total Business Expenditure by Industry Cluster in 1Q 2026



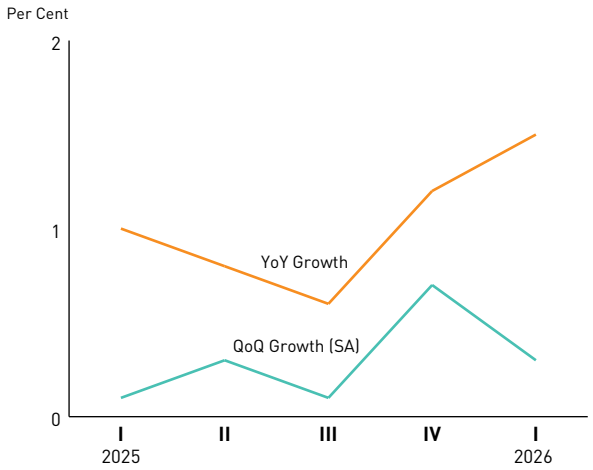
When these projects are fully implemented, they are expected to generate $4.7 billion of value-added and create more than 3,200 jobs in the coming years.

PRICES

Consumer Price Index

The Consumer Price Index-All Items (CPI-All Items) rose by 1.5 per cent on a year-on-year basis in the first quarter of 2026, up from the 1.2 per cent increase in the preceding quarter (Exhibit 1.13). On a quarter-on-quarter seasonally-adjusted basis, CPI-All Items inflation eased to 0.3 per cent, from 0.7 per cent in the preceding quarter.

Exhibit 1.13: Changes in CPI



Some CPI categories saw price increases on a year-on-year basis in the first quarter of 2026, thus contributing positively to CPI-All Items inflation during the quarter (Exhibit 1.14). Food prices rose by 1.4 per cent on account of an increase in the costs of food & beverage serving services such as hawker food and restaurant meals, as well as non-cooked food items such as fish & other seafood. Housing & utilities costs increased by 0.7 per cent because of higher accommodation costs and water prices. Prices of household durables & services picked up by 0.3 per cent due to more expensive household services and supplies. Health costs climbed by 4.2 per cent on the back of an increase in the costs of health insurance and inpatient care services. Transport prices rose by 3.7 per cent as a result of higher car prices, bus & train fares and petrol prices, as well as an increase in the costs of point-to-point transport services. Recreation, sport & culture prices increased by 1.4 per cent because of more expensive recreational services and holiday travel. Prices of miscellaneous goods & services rose by 0.8 per cent due to a pickup in tobacco prices.

By contrast there were price declines on a year-on-year basis in the following categories. Clothing & footwear prices dipped by 0.1 per cent, mainly due to cheaper ready-made garments. Information & communication costs declined by 1.0 per cent on account of cheaper information & communication services and equipment. Education costs fell by 0.7 per cent as a result of enhanced MOE financial assistance schemes, as well as lower fee caps at preschools from January 2026 onwards.

Exhibit 1.14: Percentage Changes in CPI over Corresponding Quarter of Previous Year

Per Cent

	2025				2026
	I	II	III	IV	I
All items	1.0	0.8	0.6	1.2	**1.5**
Food	1.3	1.2	1.1	1.2	**1.4**
Clothing & Footwear	-1.0	-1.6	-0.8	-0.1	**-0.1**
Housing & Utilities	1.3	1.0	0.3	0.2	**0.7**
Housing Durables & Services	-0.4	-0.4	-0.5	-0.2	**0.3**
Health	1.7	2.7	2.0	4.2	**4.2**
Transport	2.3	1.9	2.6	3.4	**3.7**
Information & Communication	-0.9	-2.1	-2.4	-2.1	**-1.0**
Recreation & Culture	-0.9	-1.9	-2.1	0.6	**1.4**
Education	0.3	0.5	0.8	1.1	**-0.7**
Miscellaneous Goods & Services	-0.2	-0.3	-0.4	0.2	**0.8**

INTERNATIONAL TRADE

Merchandise Trade

Singapore's total merchandise trade increased by 25.6 per cent on a year-on-year basis in the first quarter of 2026, following the 14.5 per cent growth in the preceding quarter (Exhibit 1.15). The increase in total merchandise trade was due to the growth in non-oil trade (+32.3 per cent) while oil trade declined (-6.9 per cent).

Exhibit 1.15: Growth Rates of Total Merchandise Trade, Merchandise Exports and Merchandise Imports (In Nominal Terms)

Per Cent

	2025					2026
	I	II	III	IV	ANN	I
Merchandise Trade	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**
Oil	-8.0	-20.3	-4.7	-19.7	-13.3	**-7.1**
Non-Oil	9.6	7.4	11.6	21.4	12.7	**29.8**

Total merchandise exports expanded by 27.9 per cent in the first quarter, accelerating from the 15.0 per cent increase in the preceding quarter. This was due to the increase in both domestic exports (+2.7 per cent) and re-exports (+45.6 per cent).

The increase in domestic exports was due to the increase in non-oil domestic exports (NODX) which outweighed the 8.3 per cent decline in oil domestic exports. In volume terms, oil domestic exports declined by 7.5 per cent.

Meanwhile, NODX grew by 9.6 per cent in the first quarter, faster than the 12.7 per cent expansion in the previous quarter. The growth in NODX was due to the increase in electronics domestic exports, while non-electronics domestic exports fell.

Total merchandise imports expanded by 23.1 per cent in the first quarter, picking up from the 14.1 per cent increase in the previous quarter. The growth in imports was driven by the increase in non-oil imports which outweighed the decline in oil imports. Specifically, oil imports declined by 7.1 per cent, while non-oil imports grew by 29.8 per cent due to higher electronics and non-electronics imports.

Services Trade

Total services trade expanded by 4.4 per cent on a year-on-year basis in the first quarter, extending the 2.2 per cent growth in the previous quarter (Exhibit 1.16). Both the exports and imports of services saw positive year-on-year growth during the quarter.

Services exports rose by 3.9 per cent in the first quarter, up from the 2.3 per cent growth in the preceding quarter. The growth in services exports was largely attributable to the increase in exports of other business services, financial services and travel services. Meanwhile, services imports rose 5.1 per cent, higher than the 2.1 per cent growth in the previous quarter. The growth in services imports was largely due to higher imports of other business services, transport services and travel services.

Exhibit 1.16: Growth Rates of Total Services Trade, Services Exports and Services Imports (In Nominal Terms)

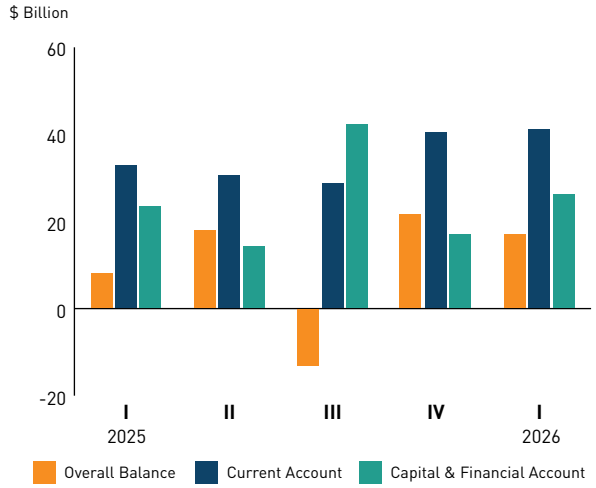
Per Cent

	2025					2026
	I	II	III	IV	ANN	I
Total Services Trade	6.1	3.1	2.0	2.2	3.3	**4.4**
Services Exports	5.8	3.5	2.4	2.3	3.5	**3.9**
Services Imports	6.3	2.8	1.7	2.1	3.2	**5.1**

BALANCE OF PAYMENTS

Singapore recorded an overall balance of payments surplus of $16.9 billion in the first quarter of 2026, narrowing from the $21.4 billion surplus recorded in the preceding quarter (Exhibit 1.17).

Exhibit 1.17: Balance of Payments



Current Account

The current account surplus widened to $41.1 billion in the first quarter of 2026, from $40.2 billion in the previous quarter. The increase was primarily driven by a narrowing of the primary income account deficit, which more than offset the reduction of the goods and services accounts surplus and the widening of the secondary income account deficit.

In terms of the components of the current account, the goods trade surplus narrowed to $58.2 billion in the first quarter, from $64.6 billion in the preceding quarter, as goods imports rose by more than the increase in goods exports.

At the same time, the services trade surplus narrowed slightly to $10.9 billion in the first quarter, from $11.1 billion in the previous quarter. This was largely due to the reversal from net receipts to net payments for other business services, which outweighed the fall in net payments for travel services and telecommunications, computer & information services and the rise in net receipts for financial services.

The secondary income account deficit widened by $1.4 billion to $4.1 billion in the first quarter, primarily due to a reduction in secondary income receipts.

By contrast, the primary income account deficit narrowed by $8.8 billion to $24.0 billion in the first quarter, as the increase in primary income receipts exceeded the rise in primary income payments.

Capital and Financial Account[7]

The capital and financial account recorded a larger net outflow of $26.0 billion in the first quarter of 2026, compared to the $16.9 billion net outflow in the previous quarter. This was mainly driven by a sharp increase in net outflows of portfolio investment, which outweighed the reversal of "other investment" from a net outflow position to a net inflow position.

Net inflows of direct investment increased slightly to $15.9 billion in the first quarter, from $15.0 billion in the preceding quarter, as foreign direct investment into Singapore fell by less than the decline in residents' direct investment abroad.

Net outflows of portfolio investment rose to $48.4 billion in the first quarter, up from $9.4 billion last quarter. This was primarily driven by deposit-taking corporations, which switched from a net inflow position to a net outflow position.

At the same time, financial derivatives recorded a net outflow of $2.3 billion in the first quarter, comparable to the net outflow of $2.2 billion in the previous quarter.

Meanwhile, "other investments" recorded a net inflow of $8.8 billion in the first quarter, a reversal from the net outflow of $20.3 billion in the previous quarter. This shift was driven by resident deposit-taking corporations and the non-bank private sector, which both swung from net outflows to net inflows.

7 *Net inflows in net balances are indicated by a minus (-) sign. For more details regarding the change in sign convention to the financial account, please refer to DOS's information paper on "Singapore's International Accounts: Methodological Updates and Recent Developments".*

CHAPTER

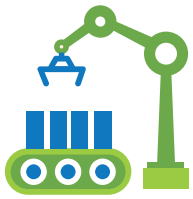
2

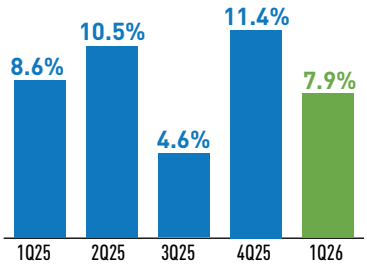
SECTORAL PERFORMANCE

Chapter 2

SECTORAL PERFORMANCE

MANUFACTURING
(YoY Growth)





CLUSTERS IN MANUFACTURING SECTOR
(YoY Growth)

26.1%
Electronics

8.9%
Precision Engineering

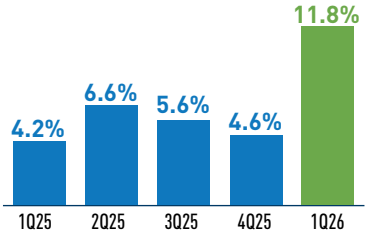
7.6%
Transport Engineering

0.5%
General Manufacturing Industries

-6.1%
Chemicals

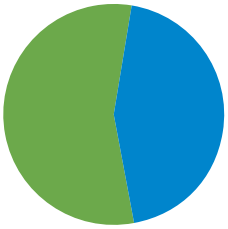
-24.1%
Biomedical Manufacturing

CONSTRUCTION
(YoY Growth)



CERTIFIED PAYMENTS
(% Share)

55.3%
Public



44.7%
Private

CONTRACTS AWARDED
(YoY Growth)

1,007.7%
Commercial

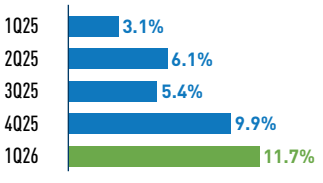
100.4%
Civil Engineering

-52.8%
Institutional & Others

-69.3%
Residential

-82.0%
Industrial

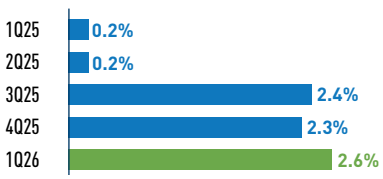
WHOLESALE TRADE
(YoY Growth)



Foreign Wholesale Trade Index Growth
3.8%

Domestic Wholesale Trade Index Growth
-12.5%

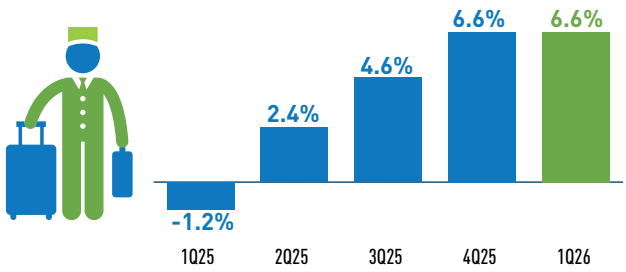
RETAIL TRADE
(YoY Growth)



Retail Sales Index Growth (Motor Vehicles, Parts & Accessories)
3.0%

Retail Sales Index Growth (Non-Motor Vehicles, parts & Accessories)
2.9%

ACCOMMODATION
(YoY Growth)



OCCUPANCY RATES OF HOTELS
(YoY Change)

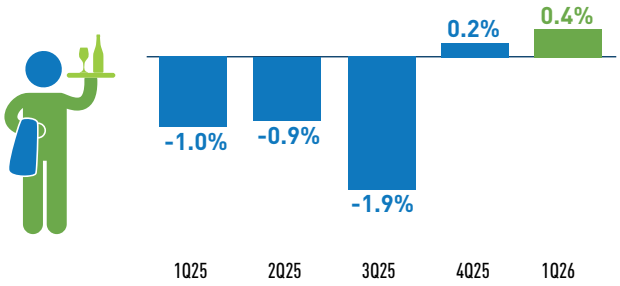
Luxury
-0.2%-pt

Upscale
3.4%-pt

Mid-Tier
3.1%-pt

Economy
2.7%-pt

FOOD & BEVERAGE SERVICES
(YoY Growth)



FOOD & BEVERAGE SALES INDEX GROWTH
(YoY Growth)

Food Caterers
9.0%

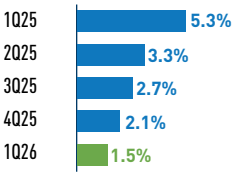
Cafes
2.2%

Fast Food Outlets
0.4%

Restaurants
-0.4%

Others
-3.2%

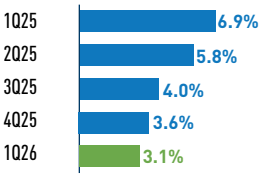
TRANSPORTATION & STORAGE
(YoY Growth)



Total Sea Cargo Handled Growth
5.7%

Air Passengers Handled Growth
2.2%

REAL ESTATE
(YoY Growth)

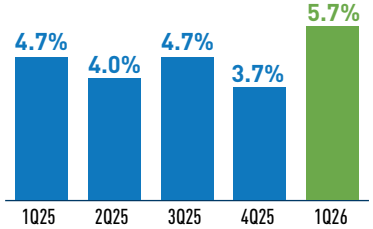


PRIVATE RESIDENTIAL REAL ESTATE

Units Transacted
(YoY Growth)
-25.5%

Certified Payments
(YoY Growth)
4.2%

FINANCE & INSURANCE
(YoY Growth)



OVERVIEW

In the first quarter of 2026,

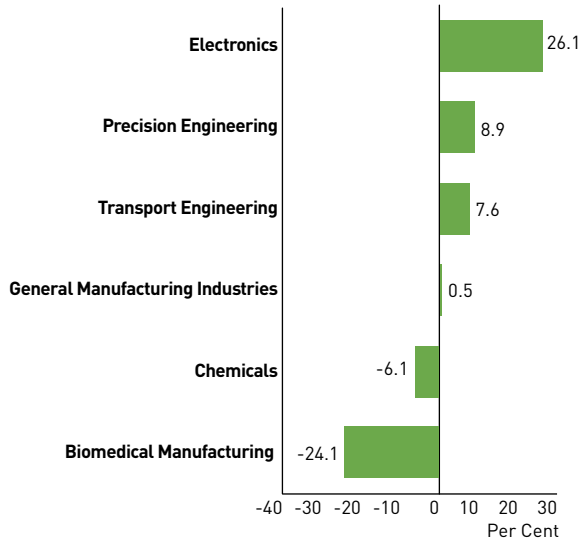
- The manufacturing sector expanded by 7.9 per cent year-on-year, moderating from the 11.4 per cent growth in the preceding quarter. All clusters except the chemicals and biomedical manufacturing clusters recorded output growth.
- The construction sector expanded by 11.8 per cent year-on-year, faster than the 4.6 per cent expansion in the previous quarter.
- The wholesale trade sector expanded by 11.7 per cent year-on-year, continuing the 9.9 per cent growth recorded in the previous quarter.
- The retail trade sector expanded by 2.6 per cent year-on-year, extending the 2.3 per cent growth recorded in the previous quarter.
- The transportation & storage sector posted growth of 1.5 per cent year-on-year, following the 2.1 per cent growth in the previous quarter.
- The accommodation sector expanded by 6.6 per cent year-on-year, unchanged from the 6.6 per cent growth in the previous 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.
- The finance & insurance sector expanded by 5.7 per cent year-on-year, extending the 3.7 per cent growth in the preceding quarter.
- The real estate sector expanded by 3.1 per cent year-on-year, following the 3.6 per cent growth in the previous quarter.
- The professional services sector grew by 2.6 per cent year-on-year, extending the 1.9 per cent expansion in the previous quarter.

MANUFACTURING

The manufacturing sector expanded by 7.9 per cent on a year-on-year basis in the first quarter of 2026, moderating from the 11.4 per cent growth in the previous quarter (Exhibit 2.1). All clusters except the chemicals and biomedical manufacturing clusters recorded output growth (Exhibit 2.2).

Exhibit 2.1: Manufacturing Sector's Growth Rate

Exhibit 2.2: Manufacturing Clusters' Growth Rates in 1Q 2026



The electronics cluster grew by 26.1 per cent year-on-year in the first quarter, supported by output expansions across all segments within the cluster except for the computer peripherals & data storage segment. The infocomms & consumer electronics and semiconductors segments expanded by 35.3 per cent and 28.4 per cent respectively on the back of strong AI-related demand. The other electronic modules & components segment expanded by 18.0 per cent while the computer peripherals & data storage segment contracted by 11.3 per cent.

The precision engineering cluster grew by 8.9 per cent year-on-year in the first quarter, driven by output expansions in both the precision modules & components (PMC) and machinery & systems (M&S) segments. The PMC segment grew by 9.3 per cent, supported by higher production of optical instruments, electronic connectors, metal precision components and dies, moulds, tools, jigs & fixtures. The M&S segment expanded by 8.8 per cent, led by higher production of semiconductor equipment.

The transport engineering cluster grew by 7.6 per cent year-on-year in the first quarter, led by the aerospace segment which expanded by 14.9 per cent on account of a higher production of aircraft parts and sustained maintenance, repair and overhaul (MRO) from commercial airlines. The land segment also expanded by 0.6 per cent. By contrast, the marine & offshore engineering segment contracted by 2.9 per cent on account of a lower production of oilfield and gasfield equipment.

Output of the general manufacturing cluster rose by 0.5 per cent year-on-year in the first quarter. The miscellaneous industries and printing segments expanded by 10.6 per cent and 2.2 per cent respectively, with the former recording higher output of structural metal products and ready-mix concrete. Conversely, the food, beverages and tobacco segment contracted by 3.4 per cent, led by lower production of beverage, dairy and cocoa products.

The chemicals cluster contracted by 6.1 per cent year-on-year in the first quarter, weighed down by output declines in the petrochemicals (-16.2 per cent), specialties (-8.9 per cent) and petroleum (-5.6 per cent) segments. The output decline in the petrochemicals and petroleum segments was largely due to disruptions in feedstock supply, while the specialties segment recorded a lower production of industrial gases. Conversely, the other chemicals segment grew by 6.5 per cent on account of a higher production of fragrances.

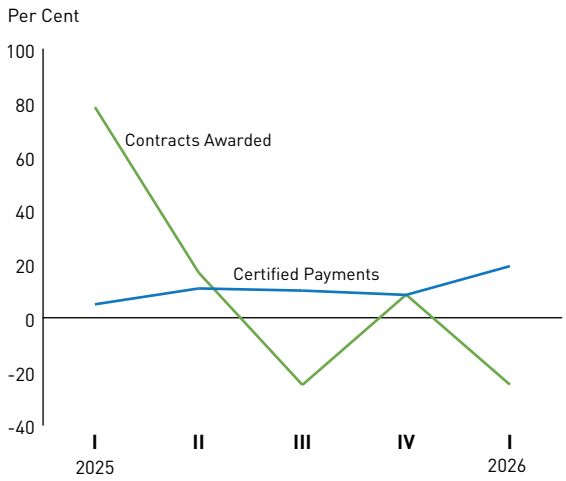
The biomedical manufacturing cluster contracted by 24.1 per cent year-on-year in the first quarter, driven by output contractions in both the pharmaceuticals and medical technology segments. Output in the pharmaceutical segment declined by 26.0 per cent on account of a different mix of active pharmaceutical ingredients being produced. Output in the medical technology segment declined by 23.3 per cent on account of softer demand for medical devices.

CONSTRUCTION

The construction sector expanded by 11.8 per cent year-on-year in the first quarter of 2026, faster than the 4.6 per cent growth in the previous quarter.

In the first quarter, nominal certified progress payments, a proxy for construction output, rose by 19.2 per cent year-on-year, picking up from the 8.5 per cent expansion recorded in the previous quarter (Exhibit 2.3). The increase in certified progress payments was supported by expansions in both the public (21.8 per cent) as well as the private (16.1 per cent) sector construction works. The increase in public certified progress payments was due to expansions in public institutional & others (36.5 per cent) and residential (23.6 per cent) building works. Meanwhile, the increase in private certified progress payments was due to growth in private industrial (29.1 per cent) and institutional & others (42.1 per cent) building works.

Exhibit 2.3: Changes in Contracts Awarded and Certified Payments



Construction demand in terms of contracts awarded declined by 24.9 per cent year-on-year in the first quarter, reversing the 8.6 per cent increase in the previous quarter (Exhibit 2.3). The decrease in contracts awarded during the quarter was due to lower public (-17.6 per cent) and private (-29.7 per cent) sector construction demand. The fall in public sector contracts awarded was driven by public residential (-79.2 per cent) and industrial (-24.0 per cent) building works, while the fall in private sector contracts awarded was due to private institutional & others (-95.6 per cent) and industrial (-84.9 per cent) building works.

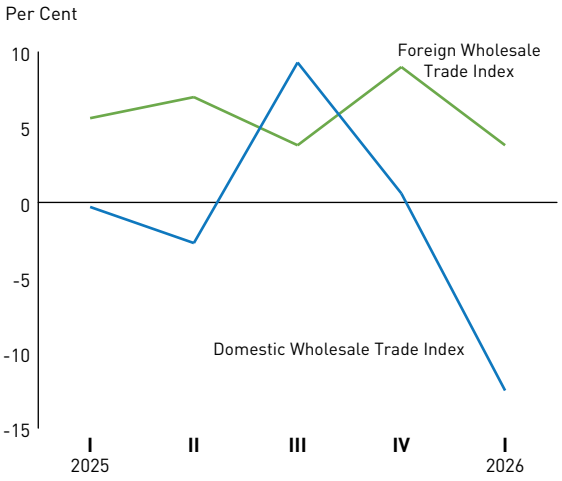
WHOLESALE TRADE

The wholesale trade sector expanded by 11.7 per cent year-on-year in the first quarter of 2026, continuing the 9.9 per cent growth in the previous quarter.

The expansion in the sector was supported by a 3.8 per cent year-on-year growth in foreign wholesale trade sales volume (Exhibit 2.4), slowing from the 9.0 per cent increase recorded in the previous quarter. Growth was led by expansions in the sales volumes of electronic components (50.4 per cent) and telecommunications & computers (56.6 per cent), which more than offset declines in the wholesale sales volumes of petroleum & petroleum products (-12.7 per cent) and metals, timber & construction materials (-10.7 per cent).

On the other hand, the domestic wholesale trade sales volume contracted by 12.5 per cent year-on-year, a turnaround from the 0.6 per cent expansion in the previous quarter. The contraction was led by the decrease in sales volume of petroleum & petroleum products (-22.5 per cent), other wholesale trade[1] (-9.7 per cent), metals, timber & construction materials (-15.0 per cent) and chemicals & chemical products (-14.4 per cent).

Exhibit 2.4: Changes in Wholesale Trade Index in Chained Volume Terms



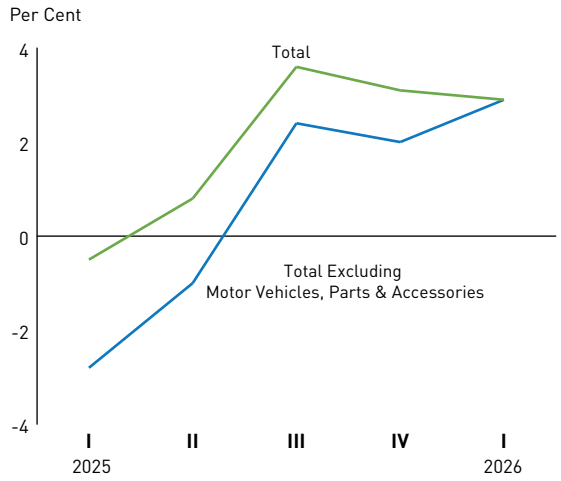
1 *The "other wholesale trade" segment consists of a diverse range of products that includes agricultural raw materials and live animals, tropical produce, personal effects and medicinal and pharmaceutical products, among others.*

RETAIL TRADE

The retail trade sector expanded by 2.6 per cent year-on-year in the first quarter of 2026, extending the 2.3 per cent growth in the previous quarter.

In the first quarter, overall retail sales volume grew by 2.9 per cent year-on-year, following the 3.1 per cent growth in the preceding quarter (Exhibit 2.5). The expansion in overall retail sales volume in the first quarter of 2026 was supported by growth in both non-motor vehicle sales (2.9 per cent) and motor vehicle sales (3.0 per cent). Non-motor vehicle sales volume was driven by growth in the recreational goods (17.2 per cent), watches & jewellery (9.3 per cent) and computer & telecommunications equipment (8.9 per cent). By contrast, sales volumes of petrol service stations (-8.5 per cent), mini-marts & convenience stores (-3.5 per cent) and department stores (-2.4 per cent) segments shrank.

Exhibit 2.5: Changes in Retail Sales Index in Chained Volume Terms

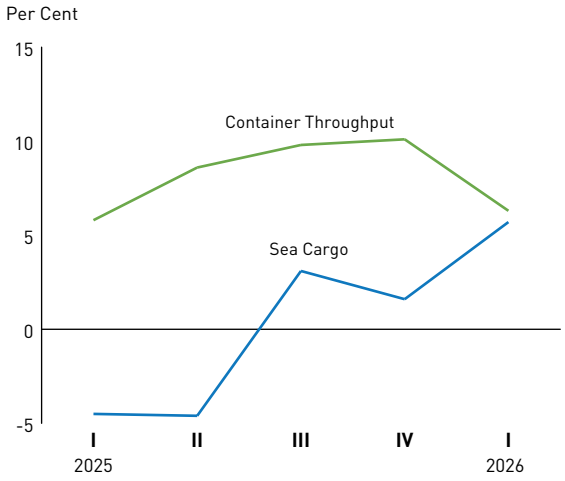


TRANSPORTATION & STORAGE

The transportation & storage sector expanded by 1.5 per cent year-on-year in the first quarter of 2026, extending the 2.1 per cent growth in the previous quarter. The water transport and air transport segments expanded during the quarter, while the land transport segment remained stable.

In the water transport segment, the volume of sea cargo handled grew by 5.7 per cent year-on-year in the first quarter, accelerating from the 1.6 per cent expansion in the previous quarter (Exhibit 2.6). The expansion in sea cargo volume handled was due to increases in both general cargo (6.5 per cent) and bulk cargo (4.2 per cent), led by growth in non-oil bulk cargo (33.5 per cent) and general conventional cargo (25.0 per cent). At the same time, container throughput grew by 6.3 per cent during the quarter.

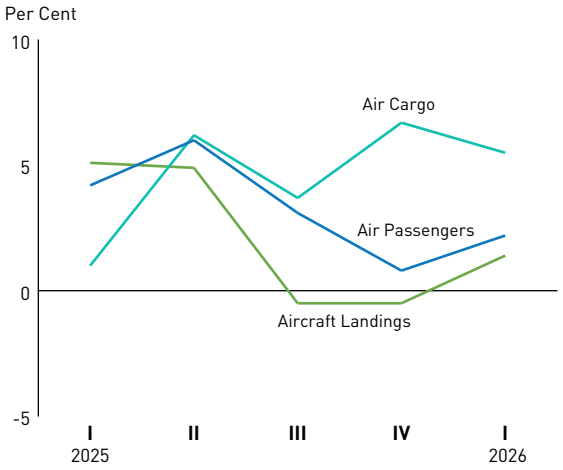
Exhibit 2.6: Changes in Container Throughput and Sea Cargo Handled



In the air transport segment, the volume of air passenger traffic (less transit) handled at Changi Airport rose by 2.2 per cent year-on-year in the first quarter, accelerating from the 0.8 per cent growth posted in the previous quarter (Exhibit 2.7).

The number of aircraft landings grew by 1.4 per cent year-on-year to reach 47,641 in the first quarter of 2026, reversing the 0.5 per cent contraction in the preceding quarter. Meanwhile, total air cargo shipments handled at Changi Airport rose by 5.5 per cent in the first quarter, following from the 6.7 per cent expansion in the previous quarter.

Exhibit 2.7: Changes in Air Transport

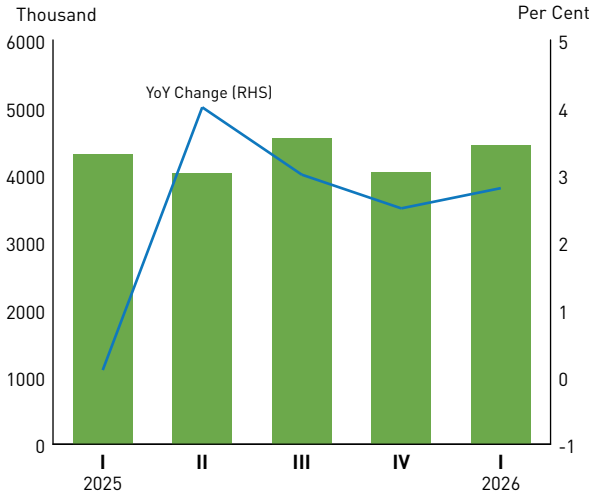


ACCOMMODATION

The accommodation sector expanded by 6.6 per cent year-on-year in the first quarter of 2026, unchanged from the 6.6 per cent growth in the preceding quarter.

In the first quarter, total visitor arrivals grew by 2.8 per cent year-on-year, following the 2.5 per cent growth in the previous quarter (Exhibit 2.8). The number of visitor arrivals in the first quarter of 2026 was around 4.4 million, reaching 94.5 per cent of the 4.7 million visitor arrivals recorded in the first quarter of 2019 (i.e., pre-COVID level).

Exhibit 2.8: Visitor Arrivals



Reflecting the recovery in visitor arrivals, gross lettings at gazetted hotels grew by 5.5 per cent year-on-year in the first quarter, extending the 5.8 per cent growth in the previous quarter (Exhibit 2.9). At the same time, the average occupancy rate of gazetted hotels rose by 2.5 percentage-points year-on-year to 83.1 per cent in the first quarter of 2026. This was an improvement over the 82.1 per cent recorded in the previous quarter.

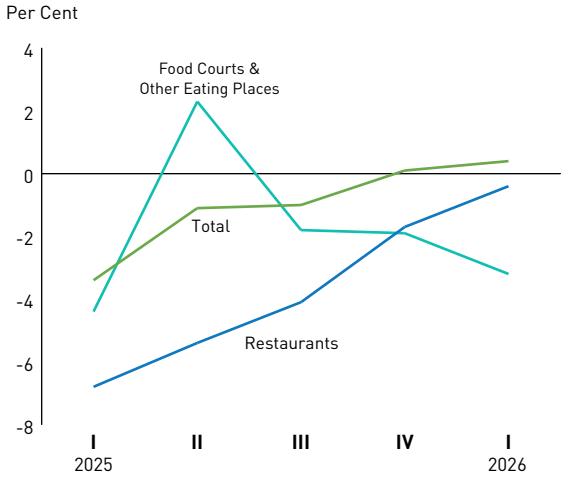
Exhibit 2.9: Gross Lettings at Gazetted Hotels

FOOD & BEVERAGE SERVICES

The food & beverage services expanded modestly by 0.4 per cent year-on-year in the first quarter of 2026, following the 0.2 per cent growth in the previous quarter.

Overall food & beverage sales volume grew by 0.4 per cent year-on-year in the first quarter, following the 0.1 per cent expansion in the previous quarter (Exhibit 2.10). The expansion in overall food & beverage sales volume was due to higher sales volumes in the food caterers (9.0 per cent), cafes (2.2 per cent) and fast food outlets (0.4 per cent) segments, which more than offset a decline in the sales volumes of food courts & other eating places (-3.2 per cent) and restaurants (-0.4 per cent) segments.

Exhibit 2.10: Changes in Food & Beverage Services Index in Chained Volume Terms



FINANCE & INSURANCE

The finance & insurance sector expanded by 5.7 per cent year-on-year in the first quarter of 2026, extending the 3.7 per cent gain in the preceding quarter.

Growth during the first 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. Meanwhile, credit intermediation activity saw some pickup, with growth in overall loans increasing to 6.2 per cent year-on-year compared to 5.0 per cent in the preceding quarter. Growth in loans to residents was broad-based across sectors, but was particularly strong in the transport & communications sector (Exhibit 2.11). Lending to non-residents was also firm, except to East Asia which continued to post year-on-year contractions (Exhibit 2.12).

Exhibit 2.11: Growth of Bank Loans & Advances to Non-Bank Residents by Industry in 1Q 2026

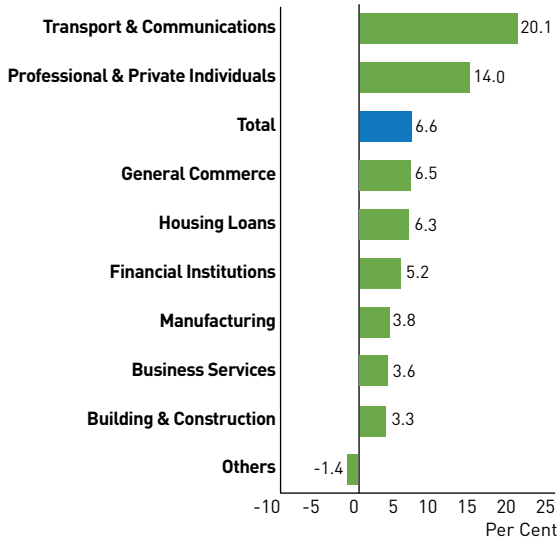
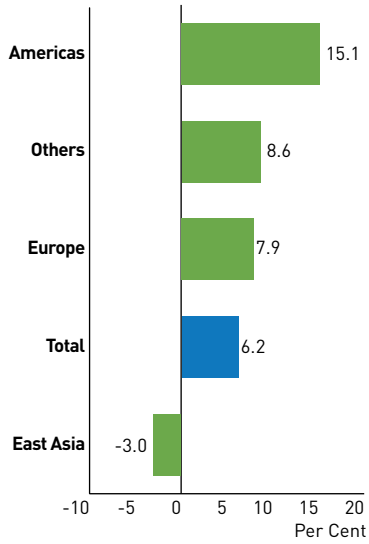


Exhibit 2.12: Growth of Bank Loans & Advances to Non-Bank Non-Residents by Region in 1Q 2026



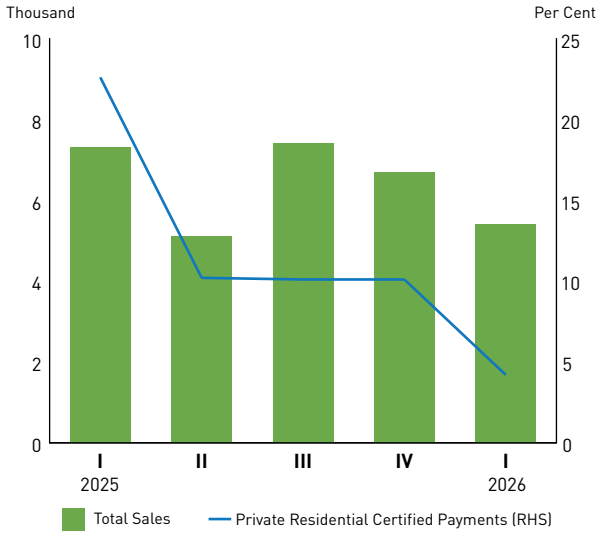
Meanwhile, the insurance segment recorded firm growth, driven by sustained growth in net premiums of life insurers and lower claims among general insurers.

REAL ESTATE

The real estate sector expanded by 3.1 per cent year-on-year in the first quarter of 2026, following the 3.6 per cent growth in the previous quarter. Growth in the sector was due to expansions in all segments of the property market.

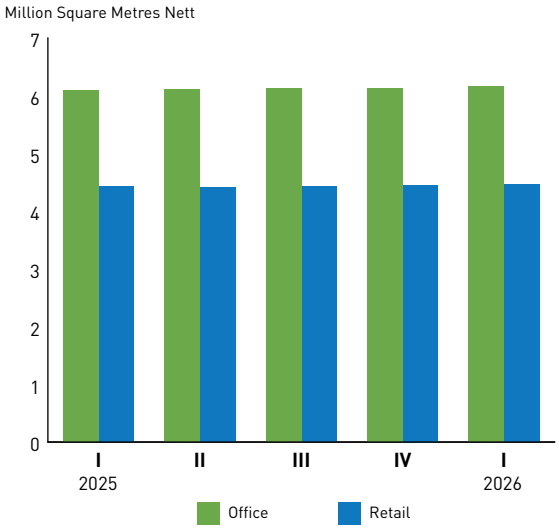
Private residential certified payments[2] grew by 4.2 per cent year-on-year in the first quarter, moderating from the 10.1 per cent expansion in the previous quarter. At the same time, total private residential property sales fell to 5,413 units in the first quarter of 2026, from 7,261 units in the same quarter of 2025 (Exhibit 2.13).

Exhibit 2.13: Total Sales for Private Residential Units and Private Residential Certified Payments



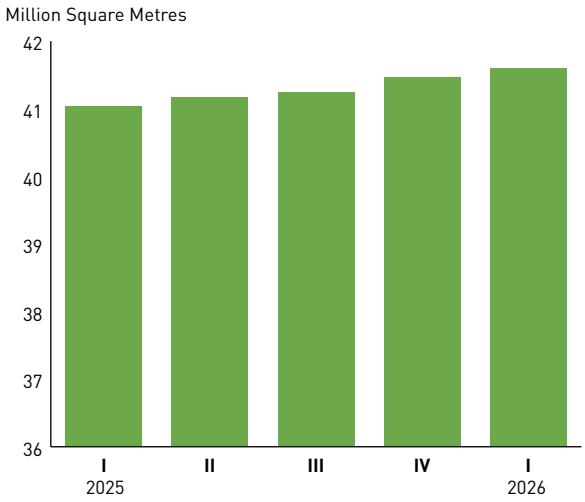
Demand for private commercial office space, as measured by total occupied space, rose by 1.2 per cent year-on-year in the first quarter, following the 0.2 per cent growth in the preceding quarter. Meanwhile, in the private commercial retail space market, demand rose by 0.7 per cent the first quarter, following the 0.2 per cent expansion in the previous quarter (Exhibit 2.14).

Exhibit 2.14: Total Occupied Space for Private Sector Commercial Office and Retail Spaces



Within the private industrial space market, demand expanded by 1.4 per cent year-on-year in the first quarter, extending the 1.3 per cent increase in the preceding quarter (Exhibit 2.15).

Exhibit 2.15: Total Occupied Space for Private Sector Industrial Space



2 *Private residential certified payments is a proxy for the growth of the private residential property segment.*

PROFESSIONAL SERVICES

In the first quarter of 2026, the professional services sector grew by 2.6 per cent year-on-year, extending the 1.9 per cent expansion in the previous quarter. Growth was mainly supported by expansions in the other professional, scientific & technical services, and head offices & business representative offices segments.[3]

3 *The professional services sector is made up of the following segments: (i) legal, (ii) accounting, (iii) head offices & business representative offices, (iv) business & management consultancy, (v) architectural & engineering, technical testing & analysis, and (vi) other professional, scientific & technical services.*

Box Article 2.1

SINGAPORE'S ELECTRONICS CLUSTER AND THE IMPACT OF THE AI BOOM

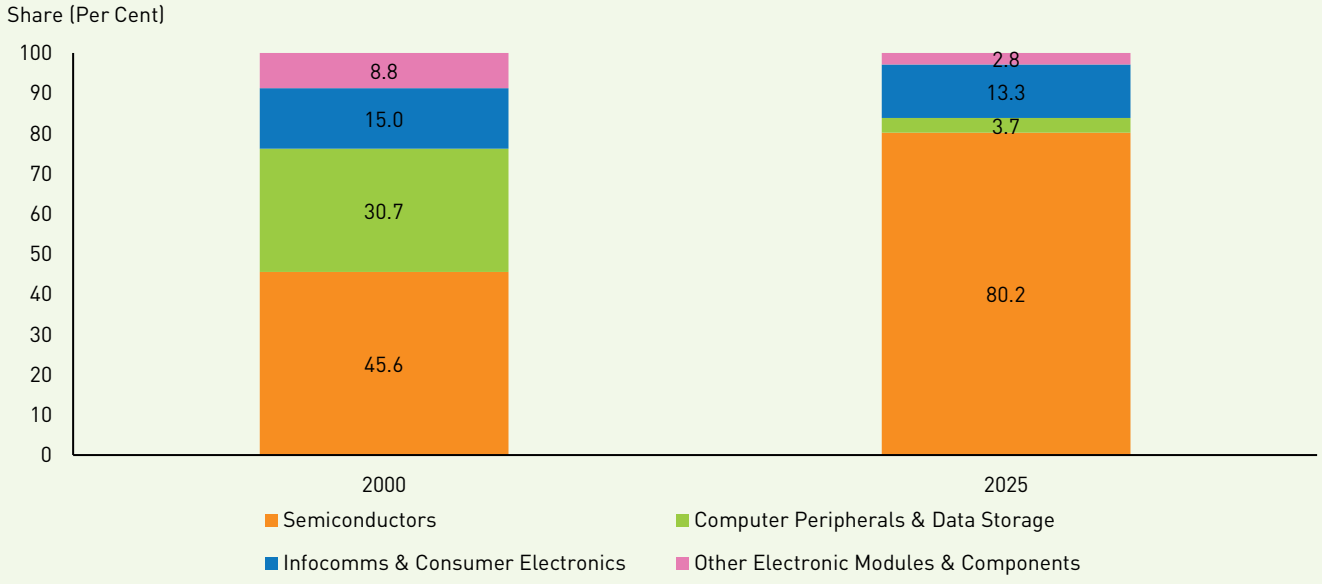
The electronics cluster is the largest cluster within the manufacturing sector in Singapore, accounting for 43.2 per cent of the sector's nominal value-added (VA) and 8.0 per cent of Singapore's overall nominal VA in 2025. This article examines the recent trends in Singapore's electronics cluster and the drivers of these trends.

Within Singapore's electronics cluster, semiconductors is the largest segment

Singapore's electronics cluster is made up of four segments, namely the semiconductors, computer peripherals & data storage, infocomms & consumer electronics, and other electronic modules & components segments.

Over the years, the growth of the semiconductors segment has outstripped that of the entire cluster, leading the segment to account for an increasing share of the cluster's nominal VA. In particular, from 2000 to 2025, the semiconductors segment grew by 7.3 per cent per annum (p.a.) in nominal terms, compared to 4.9 per cent p.a. for the entire cluster. Reflecting this strong growth, the semiconductors segment's nominal VA share within the cluster climbed from 45.6 per cent in 2000 to 80.2 per cent in 2025 [Exhibit 1].

Exhibit 1: Nominal VA Shares of Segments in Singapore's Electronics Cluster, 2000 and 2025



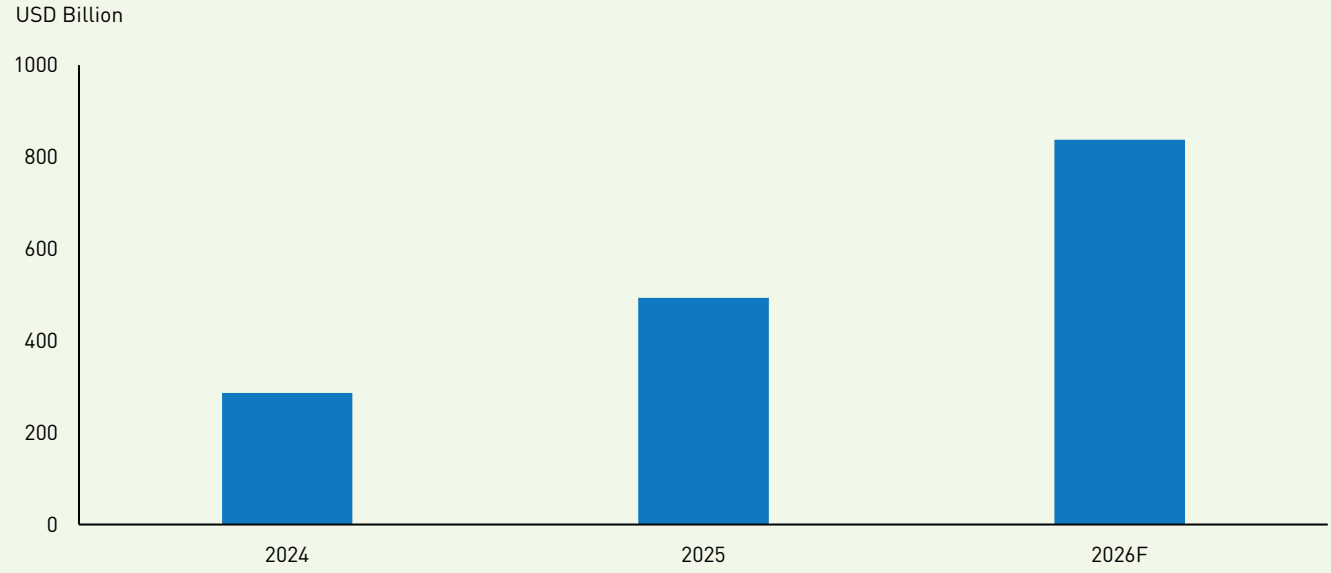
Source: Economic Development Board

In recent years, the artificial intelligence (AI) boom has transformed the global electronics industry, driving strong demand for AI infrastructure...

Prior to the current upturn propelled by the AI boom, the global electronics industry went through a significant downturn in 2023 as a post-pandemic softening of consumer electronics demand led to inventory drawdowns and production cutbacks across the value chain (Chan, 2024).

With the start of the AI boom, the global electronics industry saw a rebound in 2024. According to the World Semiconductor Trade Statistics, global semiconductor revenue surged by 19.7 per cent in 2024, reversing the 8.2 per cent decline in the previous year.[1] Since then, hyperscalers and technology companies around the world have significantly increased their capital expenditure (capex) as they compete to develop computational capacity for AI applications. Such applications include large language models, generative image creation, autonomous vehicle processing and real-time language translation services. Based on estimates by Bloomberg Intelligence, hyperscaler capex is expected to exceed USD 800 billion in 2026, up from around USD 290 billion in 2024 [Exhibit 2]. In turn, the robust growth in AI-related capex has led to an increase in demand for new data centres and supporting infrastructure, including high-speed networking equipment and specialised server hardware.

Exhibit 2: Hyperscaler Capital Expenditure



Source: Bloomberg Intelligence Estimates
Note: The chart above presents Bloomberg Intelligence estimates of firms' total cloud and data centre infrastructure investment, including compute hardware and physical data centre assets. Firms include Amazon Web Services, Google, Meta, Microsoft and Oracle.

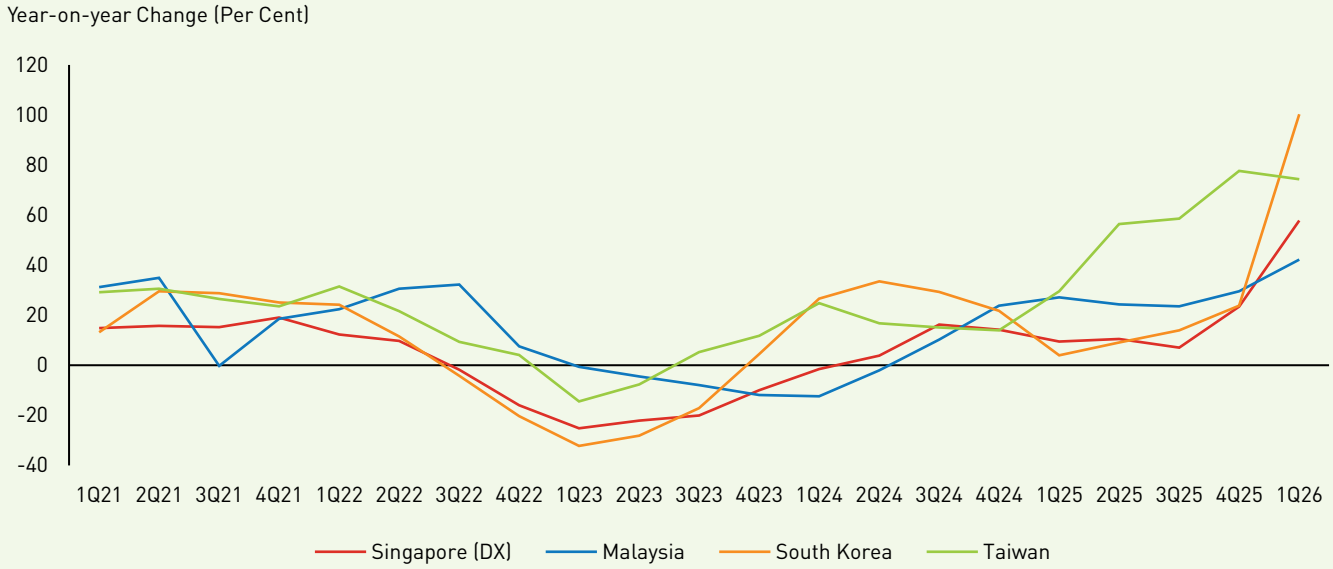
...which has benefitted regional economies across Asia's interconnected semiconductors value chain

The global AI infrastructure buildout has benefitted economies in the region, including Singapore. This reflects the interconnected nature of the semiconductors value chain, where economies specialise in different stages of production and assembly. For example, Taiwan is a key producer of cutting-edge graphics processing units (GPUs) that power data centres, while South Korea and Singapore produce memory chips that are essential for AI computations. On the other hand, Malaysia plays a key role in semiconductor assembly and testing services, as well as the production of electronic components and printed circuit boards required for AI infrastructure.

1 *World Semiconductor Trade Statistics' Historical Billings Report (https://www.wsts.org).*

The surge in global AI-related demand is reflected in the strong electronics exports performance of these regional economies.[2] In particular, after experiencing contractions in 2023 due to the global electronics downturn, the electronics exports of all four economies recovered in 2024. South Korea led the rebound, with its electronics exports growth coming in at 27.5 per cent, followed by Taiwan at 17.3 per cent. The momentum accelerated further in 2025, with Taiwan's electronics exports rising by 56.7 per cent as global demand for advanced GPUs intensified, while Malaysia recorded strong growth of 26.2 per cent due to increased assembly and testing activities. Meanwhile, Singapore's electronics domestic exports (DX) expanded by 12.7 per cent in 2025, reflecting the scaling of AI-related demand for memory chips produced by the semiconductors segment of Singapore's electronics cluster. The positive impact of the AI boom has continued into 2026, with exceptionally strong year-on-year growth in electronics exports seen in South Korea (100.3 per cent), Taiwan (74.3 per cent), Singapore (57.9 per cent) and Malaysia (42.2 per cent) in the first quarter of the year [Exhibit 3].[3]

Exhibit 3: Growth in Electronics Exports of Singapore and Regional Economies



Source: Enterprise Singapore, CEIC

Note: For Singapore, the electronics exports data refer to electronics domestic exports (DX). For the other economies, they refer to total electronics exports.

In tandem with our strong electronics DX growth, Singapore's electronics cluster similarly recorded robust real output growth in recent years, driven by the AI boom

Following a broad-based contraction across all segments in 2023, Singapore's electronics cluster staged a recovery in 2024 as the onset of the AI boom spurred demand for AI-related electronics products, with overall electronics real output (i.e., stripping out the price effects) growing by 7.2 per cent.

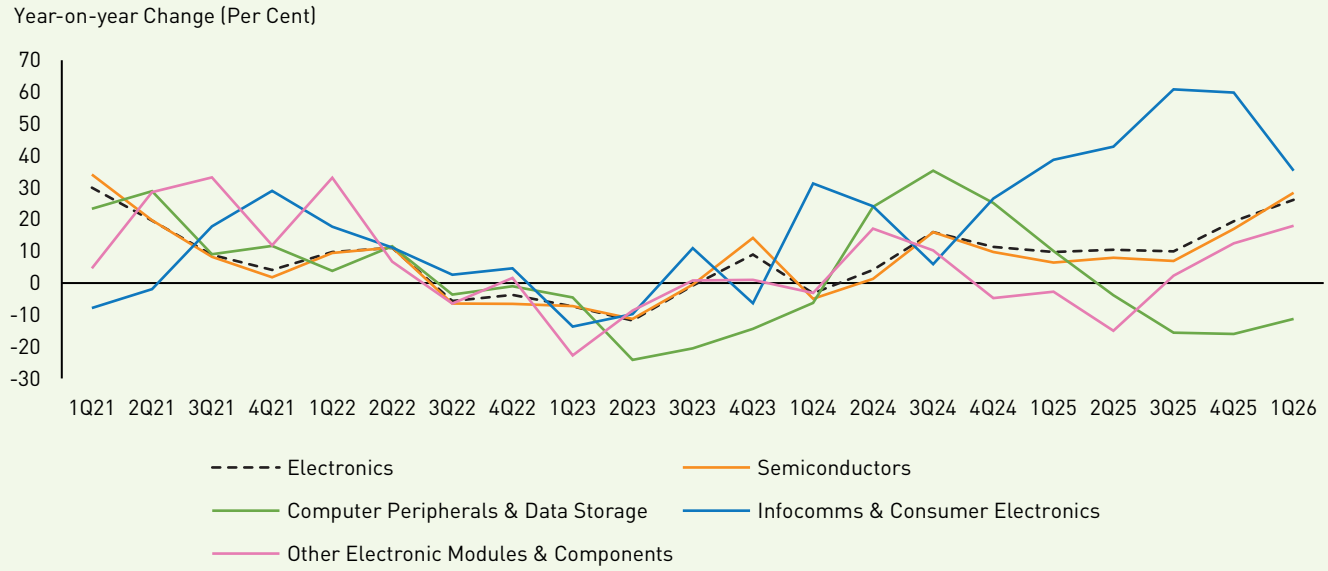
Real output growth of the cluster accelerated to 12.7 per cent in 2025, led by the semiconductors and infocomms & consumer electronics segments. Notably, real output of the semiconductors segment increased by 9.8 per cent in 2025 due to strong demand for AI-related semiconductors. Meanwhile, the infocomms & consumer electronics segment surged by 51.4 per cent over the same period, buoyed by robust demand for servers and server-related products amidst the rapid expansion of AI data centres globally.

Growth momentum in the electronics cluster remained strong in the first quarter of 2026, coming in at 26.1 per cent year-on-year in real terms, again largely driven by output expansions in the infocomms & consumer electronics (35.3 per cent) and semiconductors (28.4 per cent) segments [Exhibit 4].

2 *For this article, the exports growth of regional economies is computed based on nominal export values in USD, while Singapore's exports growth is computed based on nominal export values in SGD for consistency with trade figures reported by Enterprise Singapore. The trends and conclusions presented in the article are not affected if Singapore's exports growth is computed based on export values in USD.*

3 *As exports are measured in nominal terms, a part of this surge is due to price effects. For instance, based on Gartner's 1Q26 Semiconductor & Electronics Forecast Update, average selling prices (ASP) of DRAM and NAND chips are projected to increase by 124.8 per cent and 234.1 per cent respectively in 2026.*

Exhibit 4: Real Output Growth across Segments in Singapore's Electronics Cluster



Source: Economic Development Board

There are downside risks to the growth of Singapore's electronics cluster, including those arising from higher electricity prices and potential supply chain disruptions due to the US-Israel-Iran conflict

The start of the US-Israel-Iran conflict and ensuing blockade of the Strait of Hormuz have disrupted the global flow of crude oil and natural gas, leading to higher global oil and gas prices, which will cause the price of electricity in Singapore to rise. As a result, energy-intensive electronics producers and data centres in Singapore are likely to face higher operating costs, which could weigh on their margins.

As the Middle East is a key supplier of critical semiconductor inputs such as helium, bromine and sulphur, the conflict also poses supply chain risks to the electronics cluster. Specifically, there is a risk of a slowdown in semiconductor production in Singapore if the conflict is protracted and manufacturers start to face supply constraints in these critical inputs.

More broadly, uncertainty remains as to whether higher electricity prices will affect the growth trajectory of global AI-related capex. Although hyperscalers and technology companies have yet to signal a cutback in their AI-related capex, a protracted conflict could delay the development of new data centres due to their high energy requirements, potentially weakening future demand for AI-related electronics exports from Singapore.

Similarly, should there be a sudden pullback in global AI-related capex due to other factors such as financial markets' concerns over the returns to such investments, there would be a knock-on impact on the growth of Singapore's electronics cluster.

Barring the materialisation of these downside risks, Singapore's electronics cluster is expected to continue to perform well in 2026

In sum, the global AI infrastructure buildout has bolstered growth in Singapore's electronics cluster since 2024, with the semiconductors and infocomms & consumer electronics segments benefitting from robust AI-related demand for memory chips and servers & server-related products respectively.

Looking ahead, barring the materialisation of downside risks due to the conflict in the Middle East, the electronics cluster is poised for continued strong growth in 2026, supported by rising AI adoption across industries and sustained capex by hyperscalers and technology companies globally. Over the longer term, the growth prospects for Singapore's electronics cluster remain bright, with continued expansions in capacity putting it in a strong position to ride the global AI investment boom.

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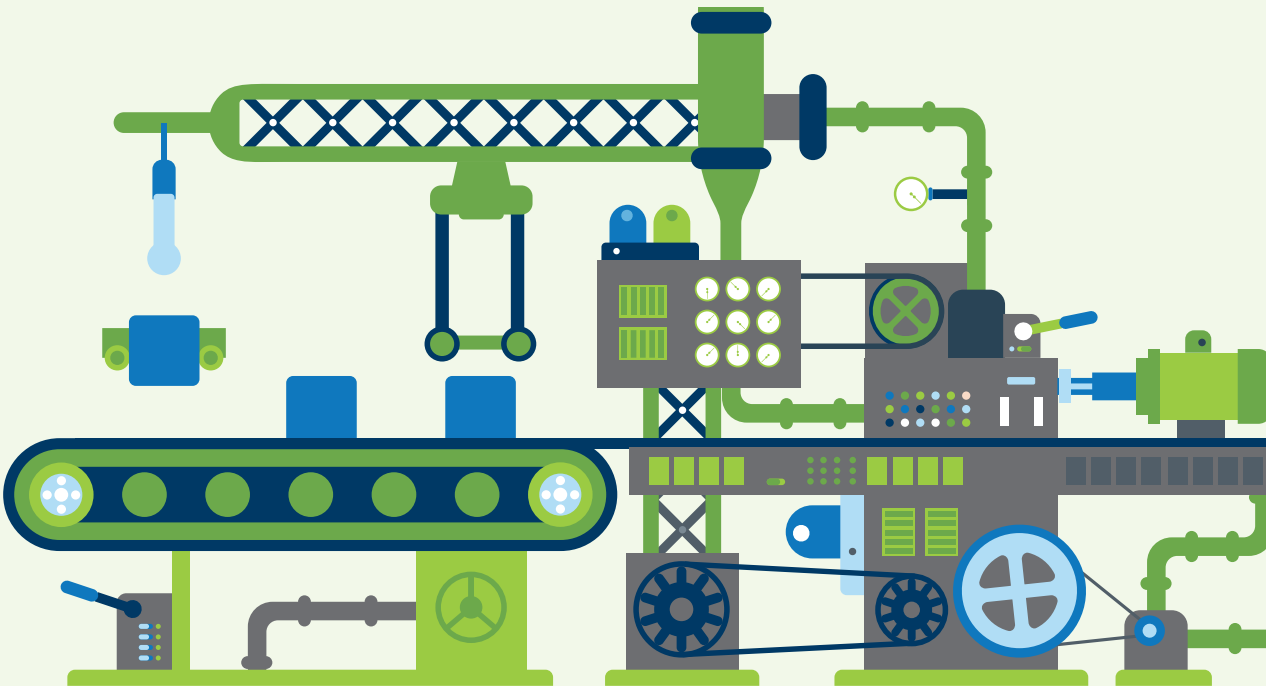


CHAPTER

3

ECONOMIC OUTLOOK

Chapter 3

ECONOMIC OUTLOOK

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 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.

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.*

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.

FEATURE ARTICLE

IMPACT EVALUATION OF ENTERPRISE SINGAPORE'S ENTERPRISE DEVELOPMENT GRANT (EDG) AND ENTERPRISE DEVELOPMENT GRANT-INDUSTRY (EDG-I)

HSBC

Feature Article

IMPACT EVALUATION OF ENTERPRISE SINGAPORE'S ENTERPRISE DEVELOPMENT GRANT (EDG) AND ENTERPRISE DEVELOPMENT GRANT-INDUSTRY (EDG-I)

OVERVIEW

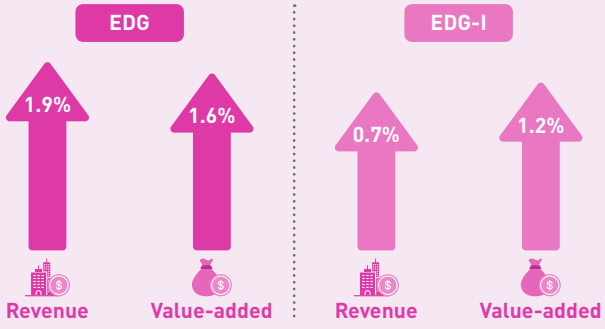
The Enterprise Development Grant (EDG) and the Enterprise Development Grant-Industry (EDG-I) are enterprise capability development schemes managed by Enterprise Singapore. In 2018, the Capability Development Grant (CDG) and Global Company Partnership (GCP) grant were harmonised into the EDG, to support firms embarking on projects that strengthen their business capabilities to support their subsequent growth. On the other hand, EDG-I supports industry projects that are undertaken by a lead company working with small- and medium-sized enterprises (SMEs) to catalyse industry or enterprise transformation.

FINDINGS

This article examines the impact of the EDG and EDG-I on firm-level outcomes such as revenue and value-added, using firm-level administrative data from the Department of Statistics and data on EDG and EDG-I from Enterprise Singapore.

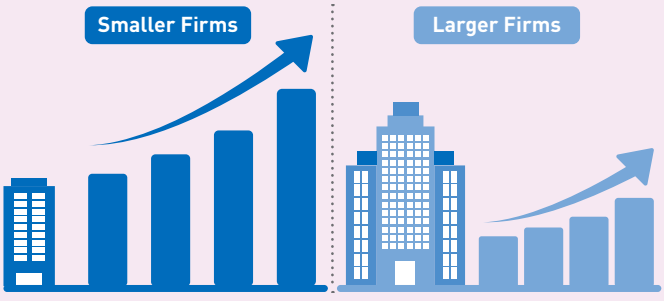
Finding 1:

EDG and EDG-I grant recipients saw statistically significant increases in revenue and value-added relative to non-grant recipients, in line with policy intent.



Finding 2:

Effects on revenue and value-added are larger for smaller firms, consistent with the policy objective of helping smaller firms to invest in longer-term capability development and transformation.



POLICY TAKEAWAY

Companies can tap on Government's schemes, such as the EDG and EDG-I, to embark on projects that drive capability-building and improve productivity to remain competitive. The Government will continue to review its suite of enterprise schemes to ensure that they remain relevant and effective in helping firms to adapt, transform and seize opportunities.

EXECUTIVE SUMMARY

- The Enterprise Development Grant (EDG) and Enterprise Development Grant-Industry (EDG-I) are enterprise capability development schemes managed by Enterprise Singapore. The EDG helps firms to embark on development projects that strengthen their business capabilities to support their subsequent growth. On the other hand, the EDG-I supports industry projects that are undertaken by a lead company working with small- and medium-sized enterprises (SMEs) to catalyse industry or enterprise transformation. Using firm-level administrative data, this study evaluates the impact of the EDG and EDG-I on firms' revenue and value-added (VA).

- Our findings show that firms that received EDG and EDG-I saw an increase in their revenue and VA, relative to similar non-recipient firms. The impact was generally larger for SMEs, consistent with the policy objective of helping smaller firms to invest in longer-term capability development and transformation.

The views expressed in this paper are solely those of the authors and do not necessarily reflect those of the Ministry of Trade and Industry or the Government of Singapore.[1]

INTRODUCTION

The Enterprise Development Grant (EDG) and the Enterprise Development Grant-Industry (EDG-I) are enterprise capability development schemes managed by Enterprise Singapore. The EDG was formed in 2018 following the merger of the Capability Development Grant (CDG) and Global Company Partnership (GCP) grant.[2] It aims to provide holistic support that enables local enterprises to strengthen their business capabilities to support their subsequent growth. This includes helping them to adopt digital solutions, innovate and raise productivity.

The Enterprise Development Grant–Industry (EDG-I)[3] was introduced in 2019. Unlike the EDG that provides support for firm-level projects, the EDG-I supports group-based industry projects, where a lead company works with a group of small- and medium-sized enterprises (SMEs)[4] (henceforth participating companies) to catalyse industry or enterprise transformation. The lead companies are typically knowledge leaders and experts in their respective industries, and therefore well-equipped to act as multipliers to amplify enterprise transformation across more companies.

Both the EDG and EDG-I support up to 50 per cent of eligible project costs,[5] with funding levels temporarily enhanced during the COVID-19 pandemic to encourage enterprise and industry transformation, as well as help viable businesses weather and emerge stronger from the crisis.

An earlier study by Toh et al. (2021) found that the CDG and GCP were associated with better firm-level outcomes such as revenue over the period of 2009 to 2018, potentially due to improvements in firms' capabilities as a result of the grants. Given the streamlining of the CDG and GDP into the EDG, as well as the introduction of newer grant models such as the EDG-I, it is important to update the earlier analysis to assess whether the schemes continue to be effective in strengthening firms' capabilities. This study thus extends the earlier study to evaluate the impact of the EDG and EDG-I on firms' revenue and value-added (VA) using updated data.

1 *We would like to thank Ms Yong Yik Wei, Dr Andy Feng and Ms Jamie Poh for their useful suggestions and comments. We are also grateful to colleagues from Enterprise Singapore for their inputs to this study, as well as the Department of Statistics for the statistical support provided. All remaining errors belong to the authors.*

2 *The CDG aimed to help firms build capabilities across areas ranging from productivity improvements and human capital, while the GCP aimed to encourage Singapore companies to internationalise and become globally competitive.*

3 *EDG-I applies to qualifying firms participating in strategic initiatives identified by Enterprise Singapore.*

4 *SMEs are defined as having a group revenue of up to S$100 million or group employment size of up to 200 employees.*

5 *Support levels are accurate at the point of our study (2025).*

DATA

Our study taps on an anonymised longitudinal firm-level administrative dataset from the Department of Statistics that includes firm-level variables such as revenue and VA, augmented with data on EDG and EDG-I from Enterprise Singapore.[6]

Our study evaluates the impact of EDG on grant recipients over the period of 2019 to 2022, and the impact of EDG-I on participating companies over the period of 2020 to 2022 as the latter scheme was launched later.

EMPIRICAL METHODOLOGY

Similar to Toh et al. (2021), a fixed-effects regression methodology is used to estimate the causal impact of the EDG and EDG-I on firm-level outcomes. This approach controls for the effect of firm-specific characteristics that are observable (such as their ownership status) and those that are unobservable but time-invariant (such as managerial quality and organisational culture), as well as macroeconomic shocks which would have affected all firms (such as the COVID-19 pandemic). To isolate the effects of the EDG and EDG-I, the regression model also controls for the effects of other government grants[7] taken up by the same firm.

The regression specification is as follows:

$$log(Y_{it}) = \beta\, log(\,grant_{it}) + \eta\, log(other\ grants_{it}) + X_{it} + \alpha_i + \theta_t + \epsilon_{it}$$

where:

- Y_{it} refers to the outcome of interest for firm i in year t, i.e., revenue and VA.
- $grant_{it}$[8] measures the cumulative amount of the EDG or EDG-I grant disbursed[9] to firm i up to, and including, year t.
- $other\ grants_{it}$ measures the cumulative amount of other grants combined (i.e., excluding the EDG or EDG-I grant under study) disbursed to firm i up to, and including, year t.
- X_{it} is a set of firm-level controls, including ownership status (i.e., local or foreign firm) of firm i in year t.
- α_i and θ_t represent the firm-level and year fixed effects, respectively.
- ε_{it} represents the error term.

The coefficient of interest is β, which measures the impact of the EDG or EDG-I on firm-level outcomes. It can be interpreted as the estimated average per annum impact of an increase in the cumulative grant amount on firm-level outcomes.

RESULTS AND DISCUSSION

EDG

The average EDG grant recipient saw statistically significant increases in both revenue and VA. Specifically, a typical grant is associated with a 1.9 per cent and 1.6 per cent per annum increase in the recipient firm's revenue and VA respectively over the study period of 2019 to 2022, compared to similar firms that did not take up the grant (Exhibit 1).

By firm size[10], the results show that the EDG had a more significant positive impact, in percentage terms, on the firm-level outcomes of SME recipients as compared to recipients that were larger. This finding aligns with the policy objectives of the scheme, as the EDG is designed to incentivise smaller firms, which may face greater financial constraints, to invest in longer-term capability development and transformation.

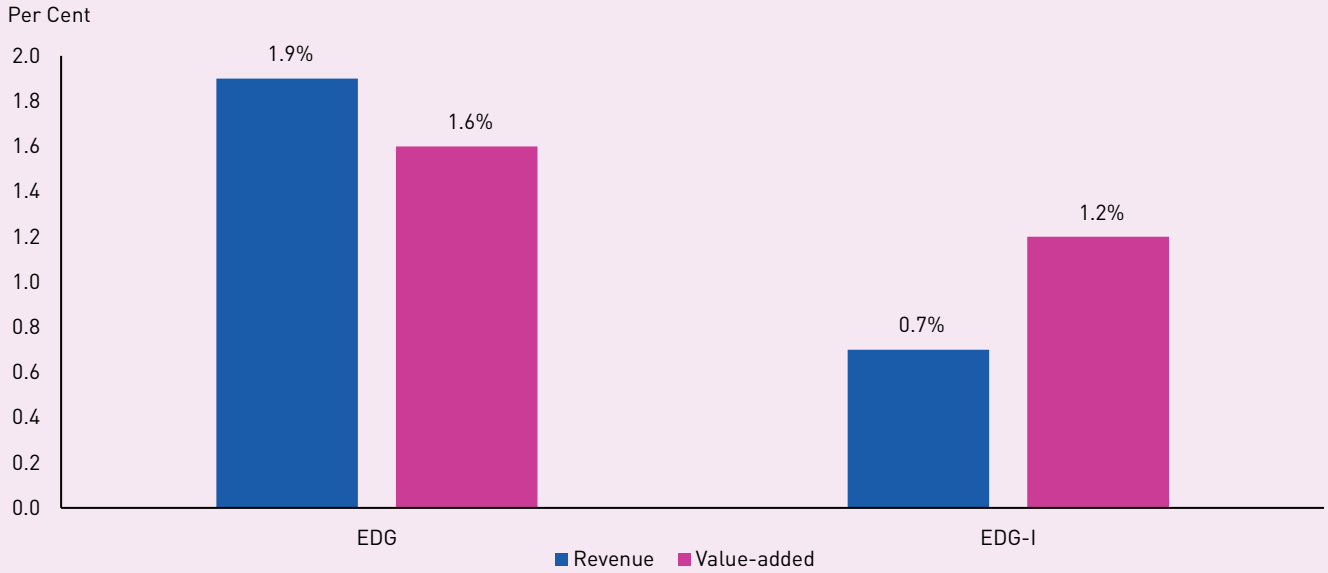
6 *EDG-I grant amounts are disbursed directly to the lead company. To proxy for the disbursement amount that each participating company indirectly received through the EDG-I project, we divide the total grant amount for each project by the number of participating companies.*
7 *These would include other capability development grants such as the Productivity Solutions Grant (PSG) and the pandemic-era Jobs Support Scheme that are not the focus of our study.*
8 *The cumulative grant amount is computed from year 2019 for EDG and 2020 for EDG-I.*
9 *The grant is disbursed after the project is completed. Our treatment variable is based on the year of project completion rather than the year of grant application, as the effects of the project are likely to start to materialise only after the completion of the project.*
10 *Separate regressions were run for each firm size category, proxied by the firm's annual revenue: Micro: <$1 million, Small: $1 million to $10 million, Medium: $10 million to $100 million, Large: ≥$100 million.*

EDG-I

Similarly, the EDG-I led to an improvement in firm-level outcomes for participating companies, with statistically significant increases in revenue and VA observed for the average participating company. In particular, a typical grant resulted in an increase in the participating company's revenue and VA of 0.7 per cent and 1.2 per cent per annum respectively over the period of 2020 to 2022 (Exhibit 1).

Micro firms benefitted the most from participating in EDG-I projects as they saw the largest positive impact on their outcomes, in percentage terms. One possible explanation is that smaller firms are likely to face more constraints and hence might not have undertaken business transformation efforts without the support provided by EDG-I.

Exhibit 1: Percentage Change Per Annum in Firm-Level Outcomes for EDG and EDG-I Recipients Compared to Similar Non-Recipients



Source: Authors' estimates
Note: All results are statistically significant at the 10 per cent level.

CONCLUSION

This study found that the EDG and EDG-I have been effective in helping firms to improve their capabilities, which is reflected in an increase in their revenue and VA after receiving the grant. The impact was generally larger for SMEs, consistent with the policy objective of supporting smaller firms that are likely to face greater constraints in investing in longer-term capability development and transformation.

Given the increasingly complex economic environment and rapid technological advancements, it is important for firms to continue to transform and improve their productivity so that they can remain competitive. In this regard, the Government will continue to review its suite of enterprise schemes to ensure that they remain relevant and effective in helping firms to adapt, transform and seize opportunities.

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