

13 February 2026

Global Markets Research

Research Alert

Singapore: First budget under the new term of government

Taking first steps in refreshing Singapore's strategies for a more uncertain & fractured world

Still a prudent budget; balancing the need of Singaporeans and maintaining competitiveness

Positive for the SGD & equity markets; consumers, AI-related, green & healthcare to benefit

Summary

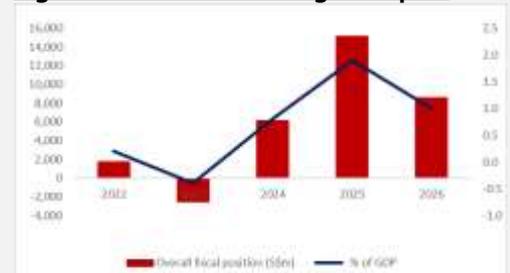
In the first fiscal plan of the new government, Prime Minister Lawrence Wong tabled a budget that marks the first step in refreshing Singapore's strategies for a more uncertain and fractured world. We are positive on the budget with the pillar largely centred on:

1. Advancing Singapore's **refreshed economic strategy**
2. **Harnessing artificial intelligence** as a strategic advantage
3. Building a resilient and skilled workforce
4. Providing families more support and greater assurance
5. **Protecting security and sustainability**
6. Renewing and strengthening the Singapore spirit.

Budget Highlights

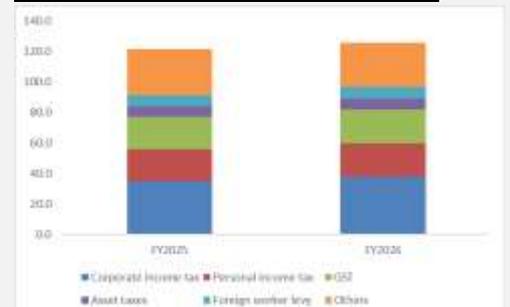
- Fiscal wise, Singapore's Ministry of Finance (MOF) is expecting Singapore to end FY2025 with a overall fiscal surplus of \$15.1bn or 1.9% of GDP, narrowing to \$8.5bn or 1.0% of GDP in FY2026.
- Estimated FY2026 total revenue is \$163.2bn (19.4% of GDP and up 3.1% y/y, driven by higher collections expected from corporate income and personal taxes, GST, vehicle quota premiums and motor vehicle taxes.
- Estimated FY2026 overall expenditure is \$154.7bn, 18.4% of GDP and up 8.0% y/y. Operating expenditure is estimated to be \$103.3bn, up 6.0% y/y mainly due to higher operating expenditure for MOH, MINDEF, MOE, MHA, and MSF. Development expenditure is estimated to be \$34.1bn, up 26.2% y/y mainly due to higher development expenditure for MTI, MHA, MOH, MOE, and MND, partially offset by lower development expenditure for MSE.
- Special transfers to households are estimated to be \$2.6bn, comprising \$1.2bn for CPF Top-up, \$0.7bn for CDC Vouchers, \$0.7bn for Cost-of-Living Special Payment and \$0.1bn for other transfers.
- Special transfers to businesses are estimated to be \$0.2bn in FY2026, with the majority being the CIT Rebate Cash Grant. Top-ups to Statutory and Trust funds are estimated to be \$18.9bn. For the latter, the Government will top up: 1) the Changi Airport Development Fund by \$6.0bn to invest in air hub. 2) RM6.0bn for the National Productivity Fund to boost its economic competitiveness. 3) \$5.0bn for the Research, Innovation and Enterprise (RIE) 2030 plan. 4) \$1.5bn to the Financial Sector Development Fund to support the Equity Market Development Programme. 5) \$0.4bn to the Long-Term Care Support Fund to fund enhanced CareShield Life premium subsidies.
- More importantly beyond that, the government: 1) Will proceed with the implementation of the Top-up Tax under Pillar Two of BEPS. This will raise the effective tax rate for large multinational enterprises operating in Singapore to

Figure 1: A narrower budget surplus



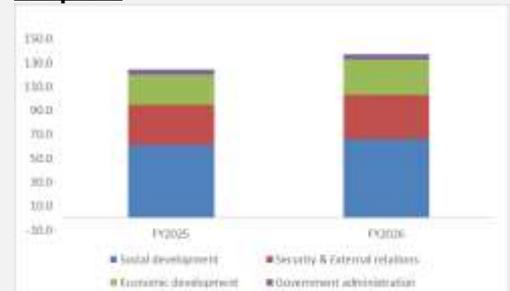
Source: Singapore's MOF, HLBB Global Markets Research

Figure 2: Corporate tax collection should rise further FY2027 onwards



Source: Singapore's MOF, HLBB Global Markets Research

Figure 3: Spending across multiple fronts; social development the biggest recipient



Source: Singapore's MOF, HLBB Global Markets Research

15% and higher corporate tax collections from FY2027 onwards. 2) Spending needs will grow across multiple fronts, focusing on external relations & security, strengthening its investment promotion toolkit, increased spending for healthcare and funds for major future needs, including critical infrastructure investment for energy transition and coastal protection.

Figure 4: House View and Forecasts

FX	1Q-26	2Q-26	3Q-26	4Q-26
USD/SGD	1.26	1.23	1.23	1.24
SGD/MYR	3.17	3.21	3.23	3.22
SORA (%)	1.14	1.03	0.92	0.81

Source: HLBB Global Markets Research

Quick thoughts

- The budget is prudent in our opinion, balancing the need to remain competitive and relevant globally, addressing long-term issues such as climate change and the ageing population, and short-term measures to address cost concerns and support for households and businesses.
- In terms of FX, we saw SGD strengthened to 1.2604 post Budget announcement before retreating to 1.2626 at close. As we opine that the Budget is positive for the SGD (for the reasons above), and is in line with our view of status quo for MAS as well as an environment of continued USD depreciation over the medium term, we maintain our house view for SGD to strengthen to 1.24 against USD by the end of 2026. SORA rates are expected to inch lower tracking the decline in Fed funds and UST yields, inching down to 0.81% for the same period.
- As already seen, the budget measure is also supportive of the equity space and will benefit the consumer sector given its sizeable cash transfers, AI and advanced & manufacturing sectors, clean energy, finance and healthcare, given its large allocation and focus.

APPENDIX

1. Selected measures to advance Singapore's refreshed economic strategy

- Tax rebates, enhanced grants to help Singapore businesses cope with rising cost and competition
Companies will enjoy a 40% corporate income tax rebate in the 2026 year of assessment
Each active company that employed at least one local employee in 2025 will receive a minimum benefit of \$1,500, with the total benefit for each company capped at \$30,000
- More support to help companies expand overseas
Support levels for grant schemes that help companies internationalise will be enhanced – up to 70% for SMEs and up to 50% for non-SMEs.
Under the double tax deduction for internationalisation scheme, companies will immediately enjoy a 200% tax deduction for selected qualifying activities that are capped at \$150,000
The Government will allow more qualifying activities to be eligible for such automatic tax deduction claims and raise the cap to \$400,000
Government will enhance the enterprise financing scheme by increasing the maximum loan quantum for trade and fixed asset loans
- \$37 billion under Research, Innovation and Enterprise plan
- \$1 billion to enhance Startup SG Equity scheme
- Second \$1.5 billion tranche of the Anchor Fund to be launched
- \$1.5b top-up to Financial Sector Development Fund

2. Harnessing artificial intelligence as a strategic advantage

- Establish National AI Council
- The Enterprise Innovation Scheme will be expanded to include AI expenditures as a qualifying activity for the 2027 and 2028 years of assessment, capped at \$50,000 per year of assessment.
- Productivity Solutions Grant to support wider range of solutions

3. Building a resilient and skilled workforce

- The Local Qualifying Salary (LQS) will be raised from \$1,600 to \$1,800 in 2026. To help businesses defray some of the cost, the Progressive Wage Credit Scheme co-funding support will be raised from 20% to 30%. It will also be extended for two more years
- Extending the Senior Employment Credit (SEC) to end-2027
- Amendments to foreign worker policies and work permit levies

4. Providing families more support and greater assurance

- Additional \$500 in Child LifeSG credits to help defray day-to-day household expenses

- From the start of 2027, the Government will extend means-tested pre-school subsidies to more families by raising the monthly household income threshold to \$15,000. This will benefit more than 60,000 families
- The monthly household income threshold for Student Care Fee Assistance will be raised to \$6,500
- New investment scheme for CPF members to earn higher returns than existing interest rates

5. Protecting security and sustainability

- Government spends about 3% of GDP on defence. Government ready to increase security-related expenditure in view of the sharp rise in cyberattacks
- Extend Energy Efficiency Grant and support for green loans under the Enterprise Financing Scheme
- Carbon tax rate may have to be lowered if global climate momentum continues to weaken (towards the lower end of the \$50 to \$80 per tonne range by 2030 vs \$45 per tonne for 2026 and 2027).
- Greenig efforts in transport, aviation and maritime - Committed to achieving 100% cleaner energy vehicles by 2040

6. Renewing and strengthening the Singapore spirit

- Strengthening cultural and heritage institutions
- The Sports Facilities Master Plan will be continued to be rolled out - includes the new Punggol Regional Sport Centre, the Toa Payoh Integrated Development, sport facilities in Farrer Park and Tengah, including revamped sport centres in Hougang and Queenstown
- The 250% tax deductions for Corporate Volunteer Scheme to be extended until end-2029
- The New SG Partnerships Fund (\$50 million) to be launched aimed at catalysing ground-up initiatives and help them build sustained capabilities and impact.

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damanlela

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: HLMarkets@hlbb.hongleong.com.my**DISCLAIMER**

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.