

25 May 2026

Global Markets Research

Research Alert - Singapore

MTI maintained 2026 GDP growth forecast at 2.0-4.0%

1Q GDP growth revised up to 6.0%; driven by wholesale trade, finance, manufacturing sectors
AI demand to support growth; downside risks rose significantly since Middle East conflict
Oil price shock may spur further policy tightening in July; steady SGD expected till end of 2026

Summary

The final 1Q GDP showed that the Singapore’s economy grew more than initially estimated and higher than consensus forecast at 6.0% y/y and 1.0% q/q (initial estimate: 4.6% y/y vs -0.3% q/q; consensus: 5.2% y/y and 0.2% q/q), a slight pick-up from the robust 5.7% y/y logged in the fourth quarter of last year.

Despite the better-than-expected 1Q performance, global economic outlook has deteriorated and downside risks for the Singapore economy have risen significantly since the onset of the US/Israel-Iran conflict. As a result, officials have maintained their 2026 growth forecast at 2.0-4.0%, while we are maintaining our GDP growth projection at around 3.5% this year.

Manufacturing and services clusters tied to AI continued to support growth

A closer look revealed that 1Q GDP growth was driven by strong performance of the wholesale trade (11.7% y/y vs 4Q: 9.9% y/y), finance & insurance (5.7% y/y vs 3.7% y/y) and manufacturing (7.9% y/y vs 11.4% y/y) sectors. The manufacturing sector grew at a still robust 7.9% y/y although this represented some moderation from 4Q’s 11.4% y/y increase. Construction grew 11.8% y/y (prior: 4.6% y/y) supported by increases in both public and private sector output, while services sector accelerated slightly to 5.7% y/y from 4.8% y/y.

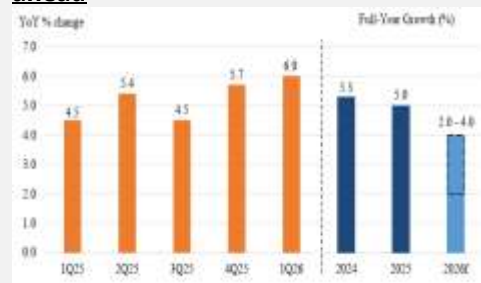
In particular, robust AI-related demand drove growth in the machinery, equipment & supplies segment of the wholesale trade sector, while electronics and precision engineering clusters underpinned growth for manufacturing. Meanwhile, gain in the finance & insurance sector was broad-based amid steady performance in the banking, fund management and security dealing segments. These segments recorded robust growth as investors actively hedged and reallocated their portfolios in response to the conflict. In contrast, higher prices and shortages in crude oil and its derivatives due to the US-Israel-Iran conflict saw the fuels & chemicals segment of the wholesale trade sector, and the chemicals cluster within the manufacturing sector turning contractionary.

Outlook

As mentioned, we maintain our 2026 growth forecast at 3.5%, which is a slowdown from the strong 5.0% growth in 2025.

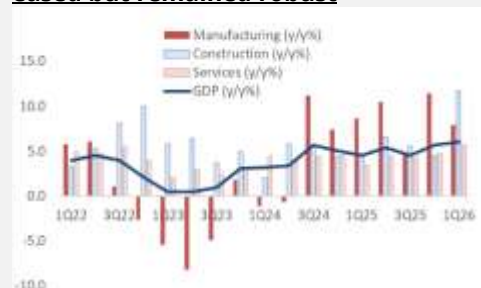
Growth is expected to slow after 1Q as higher energy prices and global interest rates from the Middle East conflict could likely weigh on investment decisions, while elevated cost-of-living pressure due to higher fuel prices will

Figure 1: Better than expected 1Q GDP growth to be offset by slower growth ahead



Source: Bloomberg

Figure 2: Construction & services sector saw stronger growth; manufacturing eased but remained robust



Source: Bloomberg

Figure 3: USD/SGD is expected to be well supported at current level till the end of the year



Source: Bloomberg

also impact household spending, although the government's decision to bring forward cash voucher disbursements from January 2027 to June 2026 should offer partial near-term support. A steady pipeline of public construction projects and AI will nonetheless continue to support the economy.

Downside risks continue to cloud the growth outlook, especially if a prolonged Iran conflict extends beyond May, which would intensify disruptions to global shipping and energy supplies, a significant dampener to Singapore's open economy in addition to the pre-existing disruption to domestic oil refineries and petrochemical crackers output, as well as several downstream petrochemical and specialty chemical firms.

While there are no signs that the US-led AI boom is fading yet, a prolonged conflict will inevitably dampen sentiment and further disrupt supplies of critical inputs essential for the AI industry. Continued disruptions to global shipping, meanwhile, would cause a build-up of idle vessels at Singapore's ports, weighing on the broader logistics and services sectors.

MAS likely to increase the rate of appreciation of the S\$NEER policy band again in July

In terms of monetary policy, MAS increased slightly the rate of appreciation of the S\$NEER policy band, with no change to its width and the level at which it is centred in the April meeting. Amid still resilient sturdy GDP growth driven by AI demand, and expectations that prices of imported goods and services will accelerate in the quarters ahead due to the recent spike in energy costs, the door for another tightening remains open in the July meeting and in tandem with this, ***USD/SGD should be well supported at around the current level of 1.27 to end 2026.***

Figure 4: House View and Forecasts

FX	2Q-26	3Q-26	4Q-26	1Q-27
USD/SGD	1.29	1.28	1.27	1.25
SGD/MYR	3.09	3.10	3.11	3.12
SORA (%)	1.06	1.03	0.90	0.90

Source: Bloomberg; HLBB Global Markets Research

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.