Economics & Strategy

DBS Focus

Singapore 2026 Outlook: Measured Resilience

Economics/FX/Rates

DBS Group Research

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	2024	2025F	2026F	2027F
Growth, yoy%	4.4	4.0	1.8	2.3
Inflation, yoy%, ave	2.4	0.9	1.2	1.5
Core inflation, yoy%, ave	2.8	0.6	1.0	1.3
10-year yield, %, eop	2.86	1.90	2.05	2.20
SGD per USD, eop	1.37	1.29	1.25	1.27

Source: DBS

Economic Themes

- *Economic growth resilience to be tested:*

1. *Trade-related sectors to moderate as they navigate tariffs and the tech cycle.*
2. *Modern services sectors to provide cushion.*
3. *Booming local construction sector.*

- *Inflation to rebound but remain contained.*
- *No changes are expected to the SGD NEER policy parameters in 2026.*
- *Policy focus will be to refresh the economic blueprint to sustain long-term economic vibrancy.*

Currency

- *USD/SGD to trade in a 1.25-1.30 range in 2026, aligning with our DXY outlook of 95-100.*

SGD Rates

- *It will be difficult for SGD rates to outperform again in 2026.*

Singapore is at a critical juncture, having successfully navigated the six decades since independence. The globalised economy is exposed to global shifts towards geoeconomic fragmentation, rapid technological advancement, and climate change, trends that we expect to persist in 2026 and beyond.

Economic growth in 2026 will navigate the "2Ts" (tariffs and the tech cycle), with external tariff headwinds biting but with measured resilience. We forecast GDP expansion close to its potential rate, cushioned by the city-state's solid capabilities and fundamentals as a trusted and reputable financial centre and business hub, digitalisation, alongside a domestic construction boom.

Inflation, while rising in 2026, will remain contained. Price pressures will be influenced by global cues of waning price declines, manageable domestic business cost pass-through to consumer prices, and some administrative price hikes aligned with long-term green transition efforts.

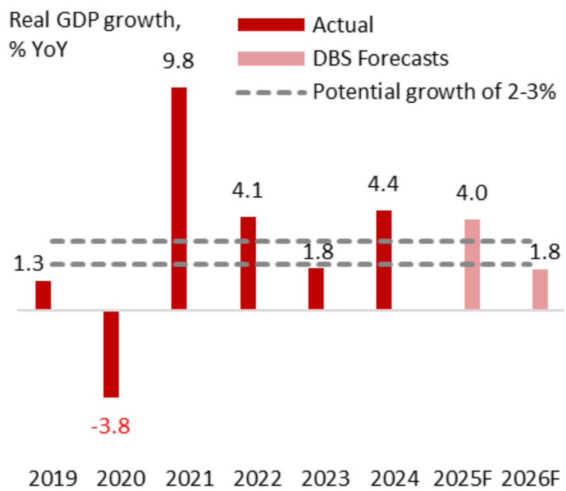
Policymakers have buffers for countercyclical responses to any unexpected negative shocks in 2026. We expect the Monetary Authority of Singapore (MAS) to keep the powder dry in 2026, safeguarding flexibility in a highly uncertain and volatile global environment, after easing twice in 1H25. Investors will remain reassured of Singapore's ongoing political stability and policy continuity in 2026 and beyond under the refreshed leadership led by the fourth generation (4G) team. The focus will be on sustaining economic competitiveness in a tough landscape *(see 'Singapore: Implications of a strong PAP election victory')*.

Our **financial markets** outlook for 2026 will be characterised by a lower **USD/SGD**, while **SGD rates** outperformance, from a receive perspective, will be difficult to replicate in 2026.

1) Economic growth resilience to be tested

Singapore's economic growth resilience will be tested in 2026 as it navigates the "2Ts" - tariffs and the tech cycle. We forecast real GDP expansion at 1.8% next year, close to potential growth, but cooling from our estimated robust performance of 4.0% in 2025. This considers trade-related moderation posed by tariff challenges and uncertainties, but cushioned by the modern services and construction sectors.

Singapore's growth to be closer to potential rate in 2026



Source: CEIC, DBS

- **Restrained trade-related activities**

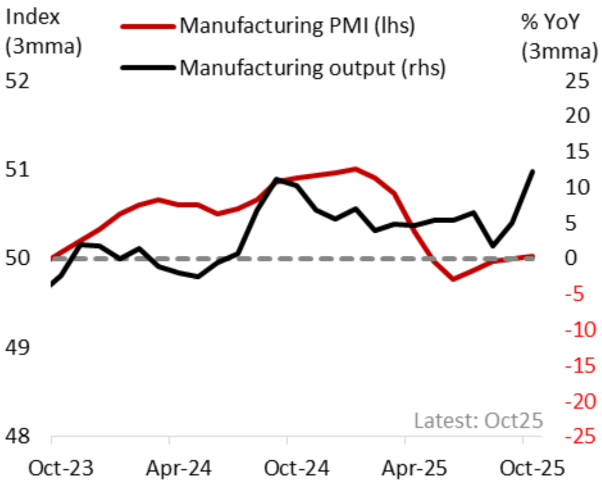
We expect trade-related activities in export-intensive Singapore to be restrained in 2026, in tandem with a weaker global trade cycle, due to several factors. Firstly, the trade drag will stem from three negative aspects of US tariffs: 1) the lagged impact from higher tariffs globally, 2) the downside risks of additional semiconductor levies, and 3) the unwinding of front-loading, after withstanding the shock well this year, as highlighted in *Separate Paths:*

Economic Outlook and Market Strategy for 2026. Secondly, the tech upcycle, which has strongly supported electronics shipments, would probably moderate. The World Trade Organization (WTO) projects a lower world merchandise trade volume growth of 0.5% in 2026 compared to the resilient expansion of 2+% in both 2025 and 2024.

Singapore's trade-related services is poised to moderate

Source: CEIC, MTI, DBS

Manufacturing sentiment remains cautious despite resilient output growth



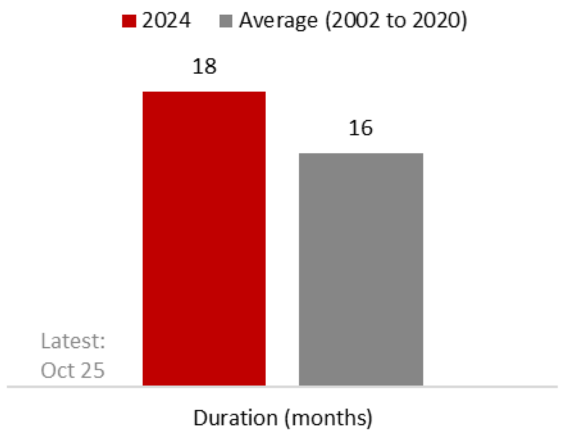
Source: CEIC, DBS

Business sentiments of export-oriented manufacturers are cautious amidst still-elevated global trade policy uncertainty, although recovering from the peak caused by the US reciprocal tariff shock on Liberation Day. US tariffs globally remain higher than before US President Trump's second term, despite the de-escalation in tariff tensions between the US and its trading partners, including China.

Singapore's trade and manufacturing expansion in 2025 has been supported by ongoing robust tech momentum, driven by US tariff exemptions on electronic imports, and solid demand for artificial intelligence (AI)-related semiconductors, servers, and server-related products. However, the electronics upcycle has been ongoing since mid-2024, and at 18 months as of October 2025, looks mature, in our view.

Global semiconductor sales growth is poised to cool to 9.9% in 2026 from 15.4%, according to forecasts by The World Semiconductor Trade Statistics (WSTS) organization. Singapore's electronics upcycle would normalise if the support from the AI boom somewhat wanes, while threatened US semiconductor tariffs are enforced, with the downside impact ultimately dependent on eventual conditions.

Singapore's ongoing electronics upcycle looks mature compared to the historical average



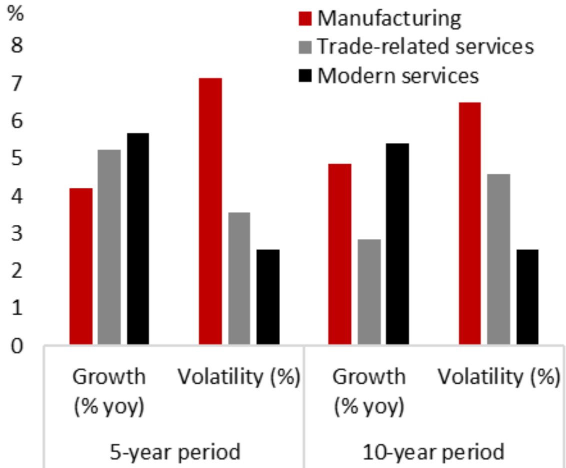
Source: CEIC, DBS. Note: Upcycle is determined when both electronics output and electronics domestic exports registered positive % YoY (3mma) figures.

- **Cushion from modern services**

We anticipate the modern services cluster – encompassing finance & insurance (FI), information & communications (ICT), and professional services – to provide a cushion to Singapore's overall economy in the coming quarters. Over the past five and ten years, modern services achieved higher real growth with lower volatility compared to the manufacturing and trade-related services sectors, a trend we expect to persist in 2026.

While modern services firms also face lingering external challenges, various tailwinds, including accommodative financial conditions, strong AI digitalisation efforts, and continued interest in Singapore's trusted business hub, will support their growth prospects in 2026.

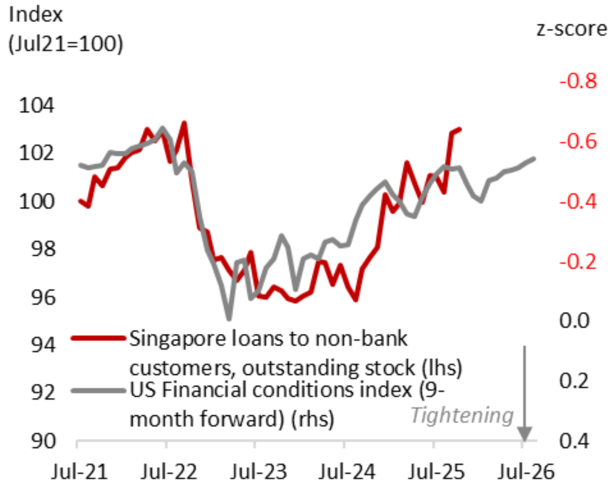
Modern services achieved better growth at lower volatility



Source: CEIC, DBS

Finance & insurance (FI): The outlook for Singapore's FI sector in 2026 with regards to credit intermediation by banks will be balanced between the dampening impact from ongoing economic uncertainty, and positive demand due to accommodative financial conditions stemming from favourable global and domestic interest rates.

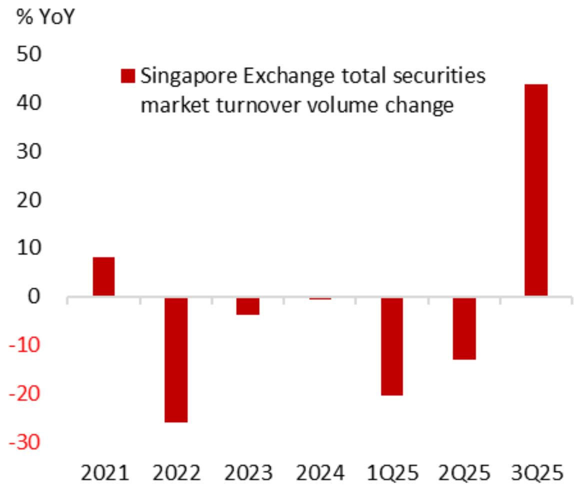
Commercial bank loans are supported by accommodative financial conditions



Source: Bloomberg, CEIC, DBS

The FI sector would also be supported by increased financial market trading activity during bouts of volatility in 2026 amidst still-rapidly evolving external developments. This would occur at a time when Singapore's equities market is showing nascent signs of revival. The total securities market turnover by volume on the Singapore Exchange surged by 44% yoy in 3Q25 following the doldrums in 1H25 and in the past few years. The MAS will look to sustain the local market's positive momentum and attractiveness through the execution of the Review Group's comprehensive measures.

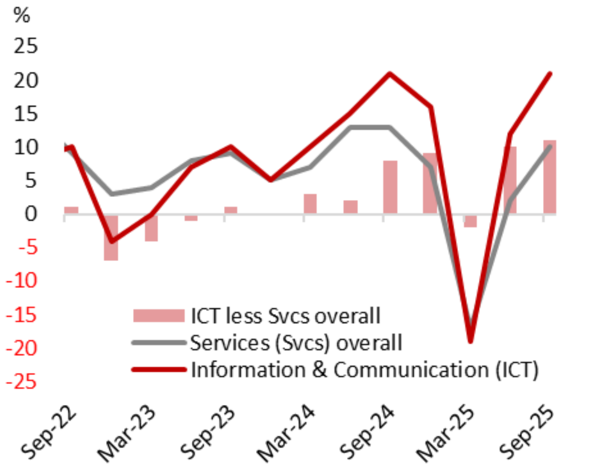
Signs of revival in Singapore's equities market



Source: SGX, MTI, DBS

Information & Communications (ICT): We believe that the ICT sector holds a promising outlook in 2026 and beyond. It will look to extend the positive momentum driven by the adoption of emerging advanced technologies following the accelerated digitalisation during the COVID-19 pandemic. Our optimism in tech services expansion next year is supported by the sector's very positive six-month forward business expectations. ICT firms have been more sanguine about their business outlook compared to the overall services sector, according to the Economic Development Board (EDB)'s surveys conducted over several quarters.

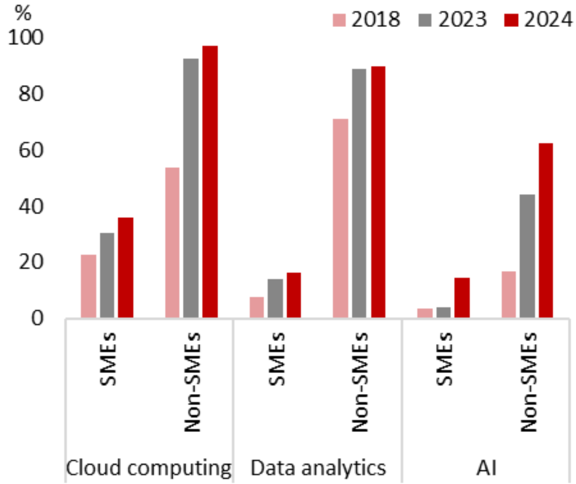
Information & Communication firms hold optimistic 6M forward business expectations



Source: CEIC, DBS

Enterprises in Singapore will likely continue with their digitalisation efforts in advanced technologies to raise productivity. Research by SAP showed that surveyed Singapore firms plan to raise their AI spending by an average of 38% over the next two years. AI has helped to address key challenges, such as improving decision-making and customer engagement. The latest Singapore Digital Economy Report 2025 showed that firms notably increased their adoption of AI in 2024, with room for small and medium-sized enterprises (SMEs) to catch up to larger companies. The AI adoption rate by SMEs more than tripled to 14.5% in 2024 from 4.2% in 2023, but was still considerably below that of non-SMEs, which rose to 62.5% in 2024. Embracing and expanding AI usage across the economy is also a national priority, reflected in its focus during the National Day Rally 2025 *(see 'Singapore: National Day Rally 2025 – Focus on tariffs, tech, and jobs')*.

Room for AI adoption to grow; Gaps between SMEs and Non-SMEs persist



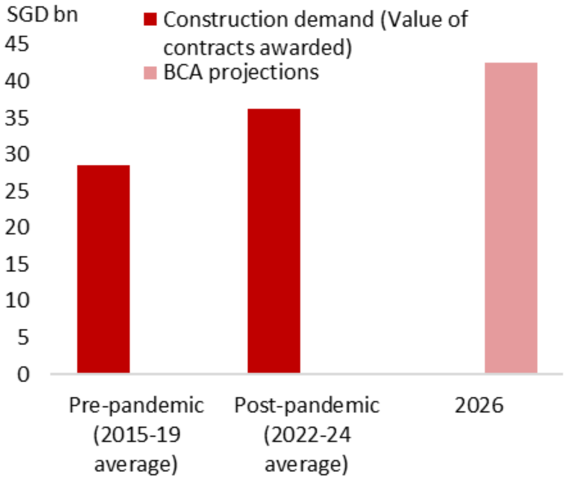
Source: Singapore Digital Economy Reports, DBS

Professional services: Ongoing sustained inward foreign direct investment (FDI) inflows into Singapore that support the expansions of regional headquarters seeking opportunities in Asia, particularly ASEAN, will likely bode well for the domestic professional services sector in the coming year. The city-state continues to be perceived by foreign companies as a beacon of economic and political stability, as well as a highly trusted and vibrant business hub, in a global economic landscape marked by heightened volatility. In an increasingly fragmented world, Singapore remains highly committed to promoting global free trade and enhancing regional collaboration. These efforts are reflected in The Future of Investment and Trade Partnership and the Johor-Singapore Special Economic Zone.

- **Construction boom**

Singapore's construction sector, the largest domestic segment, will be a bright standout in 2026 and over the coming years. We expect building activity to be lifted by major multi-year transport infrastructure investments (such as Changi Airport Terminal 5, Tuas Port, North-South Corridor), hospitality project expansions (Marina Bay Sands Tower 4 and Resorts World Sentosa), and housing rollout.

Supportive construction demand in 2026 and over the medium term



Source: BCA, CEIC, DBS

The Building and Construction Authority (BCA) projects total construction demand averaging SGD39-46bn per year from 2026 to 2029, reflecting a structurally stronger outlook. Construction demand with a mid-point of SGD42.5bn in 2026 would be considerably higher than during the construction catch-up in the post-pandemic period (2022-24) and prior to the pandemic crisis (2015-19).

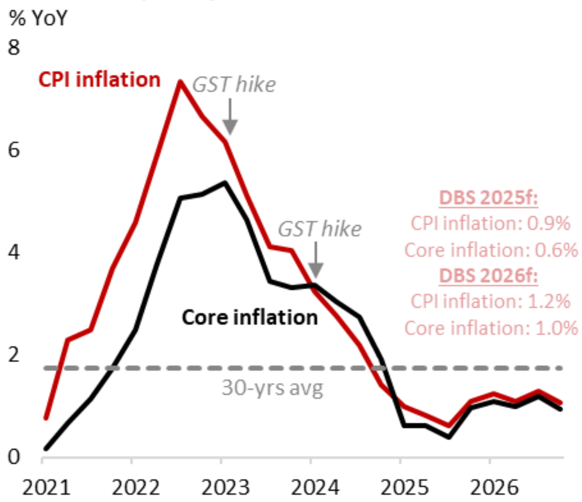
- **Risks**

The downside risks facing Singapore's growth are externally driven, in our view. Firstly, a key downside risk in 2026 comes from any re-escalation in tariff tensions, given the contentious US-China trade relations, and threatened sky-high sectoral tariffs on products like semiconductors. The world has endured a US tariff roller coaster in 2025, even as there has been some relief that US trade restrictions are not turning out to be as blanket and burdensome as initially feared. Secondly, a disorderly and abrupt reversal in stretched financial market valuations is another significant downside risk that could severely dent investor and business sentiments, as well as investment commitments.

2) Inflation to rebound but remain contained

Singapore's inflation in 2026 is set to rebound from the cyclical low of the post-pandemic period in 2025, but will remain contained. Inflation troughed in 3Q25, following a decline in most of 2025 due to subdued and easing imported and domestic cost dynamics, after returning to a low rate in early-2025. Core inflation averaging below 1% yoy in the first 10 months of 2025 indicated a state of domestic price stability, having decelerated from the highs of 5+% yoy in 3Q22 to 1Q23. We forecast average core and headline inflation of 1.0% and 1.2%, respectively, in 2026. These align with the MAS's 0.5-1.5% forecasts with two-sided risks.

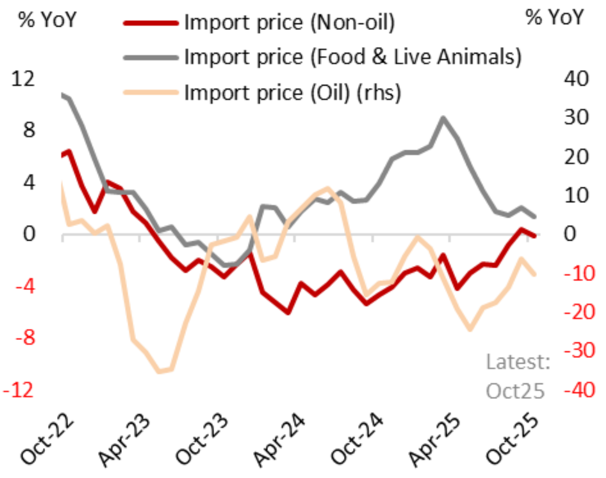
Rebound in Singapore's inflation in 2026, with price pressures still contained



Source: CEIC, DBS

External factors: We expect Singapore, as a global price taker, to follow the waning disinflationary dynamics of international prices in 2026, even amidst an appreciation of the Singapore dollar. Falling overall imported prices have dampened and contained Singapore's price pressures in 2025, but there are nascent signs of fading disinflationary spillovers from global oil and regional non-oil factors.

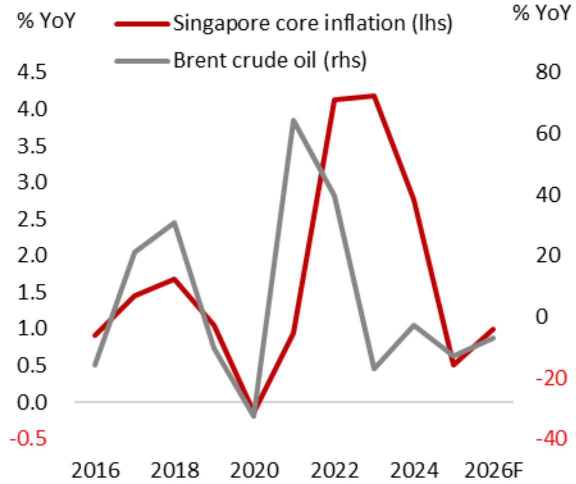
Contained overall import prices, but disinflationary impact appears to be fading



Source: CEIC, DBS

The pace of decline in global crude oil prices in 2026 will likely be more gradual compared to that in 2025, even as prices fall further in the coming year amidst excess supply conditions. We derive this from our commodities team's moderate average Brent crude oil price forecasts of USD62-67/bbl for 2026 and USD67-72/bbl for 2025. The [World Bank's Commodity Markets Outlook] projects stable international food prices in 2026, as supply growth keeps pace with demand. Modest upticks in still-contained price pressures of Singapore's major regional import partners will also curb the external disinflationary impulse. For instance, China's ongoing anti-involution campaign to curb redundant hyper-competition in various industries would ease deflationary pressures that are exported to the region.

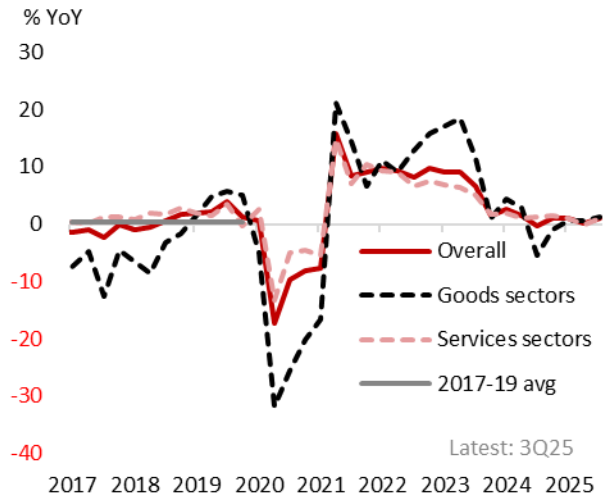
Waning disinflationary impact from global oil prices



Source: Bloomberg, CEIC, DBS

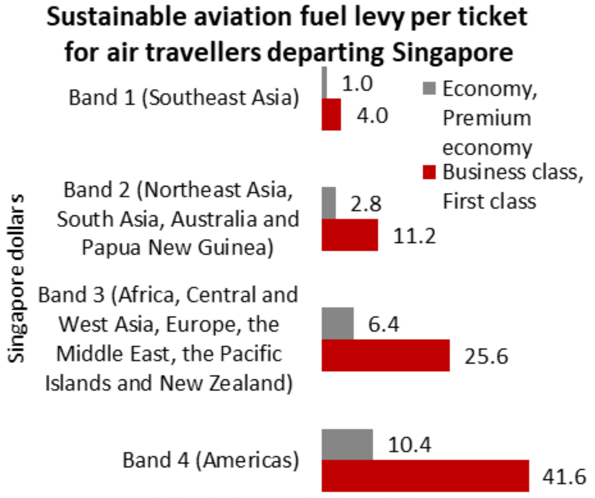
Domestic unit labour cost (ULC): Domestic cost pressures will likely experience some uptick that is still manageable in 2026. Slowing ULC growth, which had dampened consumer price increases, is starting to stabilise. ULC growth and domestic business cost pass-through to consumer prices would face modest upward pressures if normalised and softer labour productivity gains lag prudent wage increments in a challenging economic landscape.

Stabilising unit labour cost growth



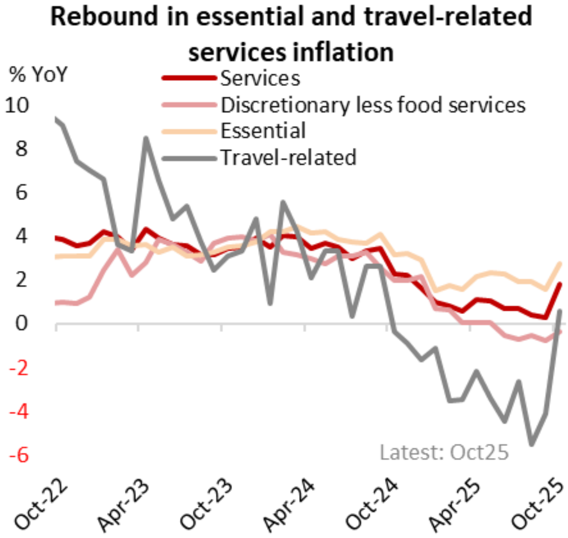
Source: CEIC, DBS

Domestic green transition prices: Domestic administrative price adjustments for green transition and tackling climate change, such as a 1.8-fold rise in the carbon tax, and a new sustainable fuel levy on airfares, would exert some upside pressure on utilities and travel-related prices in 2026. We estimate that the carbon tax hike of SGD20/tCO2e to SGD45/tCO2e in 2026 could translate to an ~4% rise in electricity tariffs. This compares with the respective 0.3% rise and 2.3% drop in 4Q and 3Q25. Travel-related services price changes that turned positive in October 2025, partly due to low base effects (having been negative in the past 12 months since October 2024), could be supported by the sustainable aviation fuel levy.



Source: CNA, Civil Aviation Authority of Singapore
Note: Levy will note apply to those transiting through Singapore.

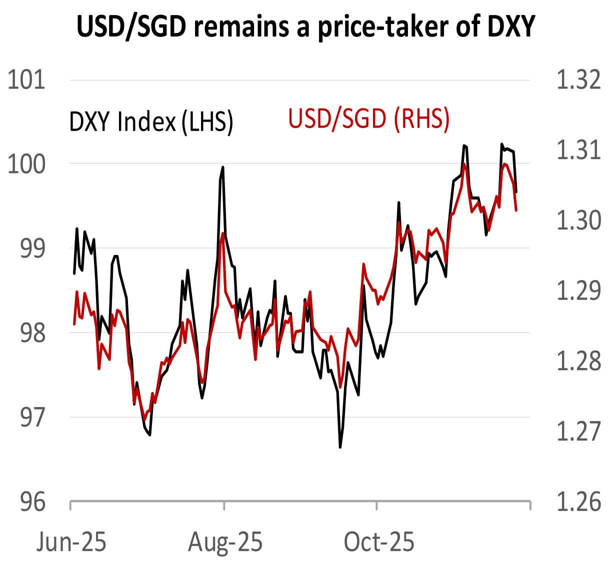
Domestic essential services: While the easing of essential services inflation from the March 2024 peak has run its course in 2025 (with a health inflation lift in October), we expect upside essential services price pressures to be capped in 2026. Factors include various enhanced public healthcare subsidies, like for long-term care, as well as better education aid for various school levels and lower government preschool fees, even as public transport prices will be higher due to the 5% fare hike.



Source: CEIC, DBS
Note: Food services is excluded in this chart.

3) Monetary policy is in a good place

We expect the MAS to keep the SGD NEER policy band parameters unchanged throughout 2026. Based on official forecasts of slower growth and higher inflation, the MAS has projected that the positive output gap in 2025 will narrow to around 0% in 2026, supporting a steady, rather than an easier, policy stance. The MAS has forecast CPI-All Item inflation to average 0.5-1.5% in 2026, modestly higher than the 0.5-1.0% range projected for 2025. The Ministry of Trade and Industry has forecast GDP growth to slow from around 4% in 2025 to 1-3% in 2026. The government has launched an Economic Strategy Review (ESR) to push GDP growth to the higher end of the medium-term potential growth rate of 2-3% over the next decade, to create good jobs for Singaporeans. Historically, the USD was globally softer during the previous Economic Strategies Committee (2009-2010) and the Economic Review Committee (2001-2003). We expect USD/SGD to trade in a 1.25-1.30 trading range in 2026, in line with our view for a 95-100 range in the DXY Index.



Sources: DBS Research, Bloomberg data

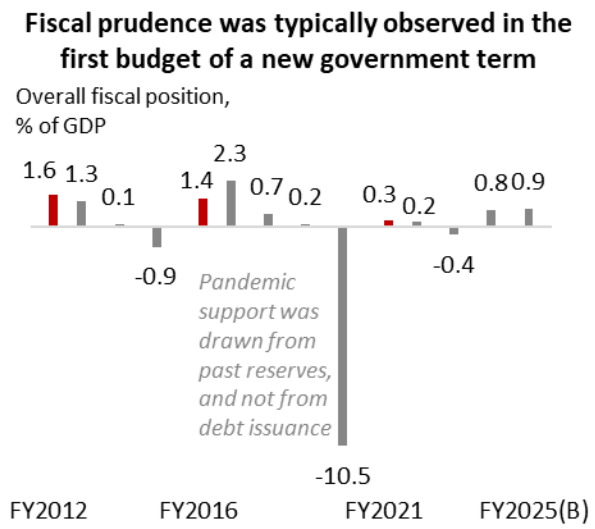
4) Government policy focus to refresh the economic blueprint

Amidst increased geoeconomic fragmentation and a fraying of the global rules-based order, **the Singapore government's policy focus in 2026 will be on refreshing the economic blueprint over the next five to ten years to sustain a competitive, vibrant, and thriving economy in the next phase of development.**

This policy priority was kickstarted in August 2025 through the launch of five ESR committees under the Singapore Economic Resilience Taskforce. The five key focus areas are strengthening global competitiveness, leveraging technology and innovation, nurturing entrepreneurship, enhancing human capital, and managing impact of restructuring.

Singapore has a history of conducting economic reviews, but we note that none were done in a volatile and challenging environment that threatens the world trading system, in which the small and highly open city-state survives and thrives. Perhaps a similar economic review conducted in recent years during a highly complicated and uncertain landscape was by the Emerging Stronger Taskforce during the COVID-19 pandemic in 2020 to 2021.

The ESR committees have signalled their aim to release a mid-term update during the Budget 2026 and Committee of Supply Debate 2026 period to secure some funding for initial ideas. A final recommendation report will be released by mid-2026. Some initial discussion areas include enhancing Singapore's investment attractiveness for multi-national corporations and high-growth firms, supporting local companies' internationalisation efforts, as well as exploring the role as a hub for emerging flows of low-carbon energy, data, and AI. We have explored AI's potential in uplifting Singapore's average annual growth towards the upper end of the government's 2-3% target over the next decade through productivity gains, and as a margin improvement catalyst, as detailed in our report - *Singapore 2040: The next 15 years of quality and inclusive growth*.



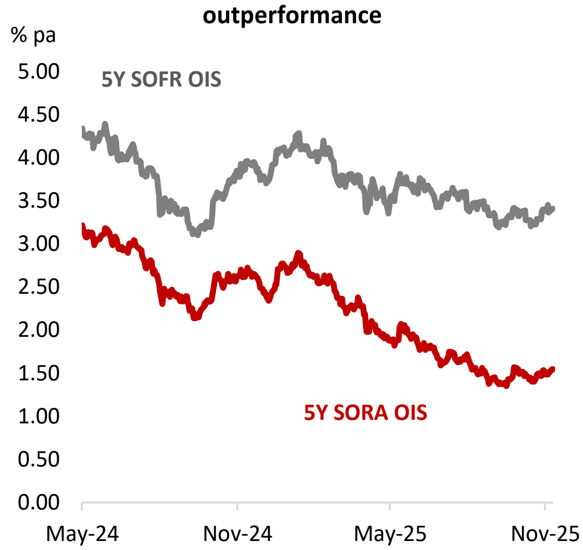
Source: CEIC, MOF, DBS. Note: FY2024 is calculated by DBS based on MOF, AGD release.

We note that Budget 2026 will be the first fiscal plan of the new term of government, which can last up to five years. Fiscal rules require a balanced budget over the term of government. With government expectations for softer economic growth in 2026 reflected by their 1-3% forecast range, we therefore expect calibrated and targeted policy support with fiscal responsibility and prudence in mind. This approach would be consistent with previous first budgets of a new government term.

5) SGD Rates: Hard to repeat outperformance

SGD rates outperformance (from a receive perspective) will be difficult to replicate in 2026. Conditions for SGD outperformance were strong in early 2025. SGD rates were relatively elevated while the MAS was keeping to an appreciatory stance for the SGD NEER. There was an additional kicker from Liberation Day as investors sought safety / diversification in SGD assets. However, things have changed. SGD rates have dropped to very low absolute levels (close to 1% in the front end, and barely 2% in the ultras). In relative terms, the discount to equivalent USD rates also remains sizable (>200bps yield discount across all tenors). Moreover, the MAS has shifted to a milder appreciatory stance for the SGD NEER, reducing another point of support for SGD rates. Keeping in mind the possibility that inflows may slow, we think **SGD rates may well underperform peers in 2026.**

Wide 5Y SORA-SOFR gap limits room for further SGD outperformance



Source: Bloomberg, DBS

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