DBS Flash

Singapore: Firm growth despite geopolitical turbulence

14 July 2026

Chua Han Teng, CFA
Senior Economist
hantengchua@dbs.com

- *Advance real GDP growth in 2Q26 stayed well above trend at 5.7% yoy and 1.1% qoq sa.*
- *Strong AI-driven trade-related growth, which outweighed energy headwinds, should sustain in 2H26.*
- *Modern services will remain a key anchor, with notable resilience in financial services, alongside construction tailwinds.*
- *While we expect overall resilience, we continue to monitor downside global uncertainties arising from developments in the Middle East.*
- ***Forecast implications:** We maintain our 2026 real GDP growth forecast at 4.3%.*

Robust growth in 2Q26

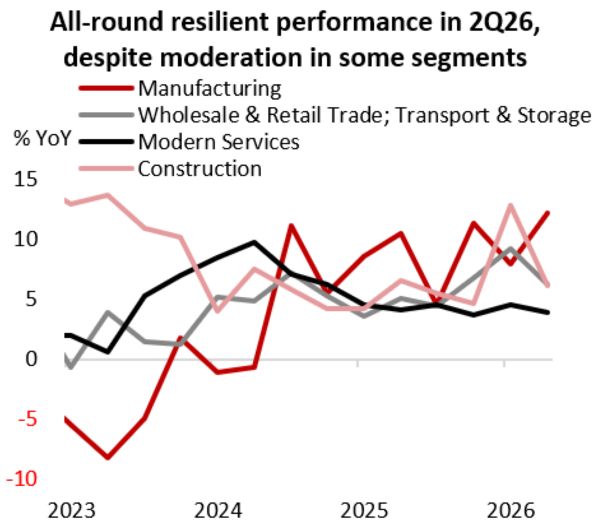
Singapore's economy remained resilient in 2Q26 despite the shock stemming from tensions in the Middle East. Advance estimates showed real GDP growing well above trend at 5.7% yoy and 1.1% qoq sa in 2Q26, compared with the upwardly revised 6.3% yoy and 1.3% qoq sa in 1Q26. This translated to strong expansion of 6.0% yoy in the first half of this year, and **we expect positive carryover effects in 2H26.**

We maintain our 2026 real GDP growth forecast at 4.3%. We expect the positive trends observed in 2Q26 - robust trade-related performance, resilient modern services expansion, and sustained tailwinds from domestic construction - to continue in the next few quarters, although the overall GDP cycle is likely to moderate from its blistering pace, partly due to high base effects. Singapore's economy should remain resilient, although we continue to monitor downside uncertainties posed by a fragile US-Iran truce and a shaky interim peace deal, considering renewed strikes in recent days. A renewed complete blockage of the Strait of Hormuz, coupled with prolonged elevated global energy prices, would pose a material threat to both global and Singapore's growth prospects.

Real GDP growth by sectors

	1Q25	2Q25	3Q25	4Q25	2025	1Q26	2Q26*
% YoY							
Overall GDP	4.5	5.4	4.5	5.7	5.0	6.3	5.7
Manufacturing	8.6	10.5	4.6	11.4	8.7	8.0	12.2
Construction	4.2	6.6	5.6	4.6	5.2	12.9	6.2
Services	3.5	4.5	4.3	4.8	4.3	6.2	4.6
% QoQ sa							
Overall GDP	0.6	1.8	1.9	1.3	5.0	1.3	1.1
Manufacturing	0.6	1.2	4.5	4.5	8.7	-2.2	5.3
Construction	-0.8	4.8	0.6	0.2	5.2	7.4	-2.1
Services	0.7	1.9	1.2	1.0	4.3	2.0	0.3

Source: MTI, CEIC, DBS. *:advance estimate

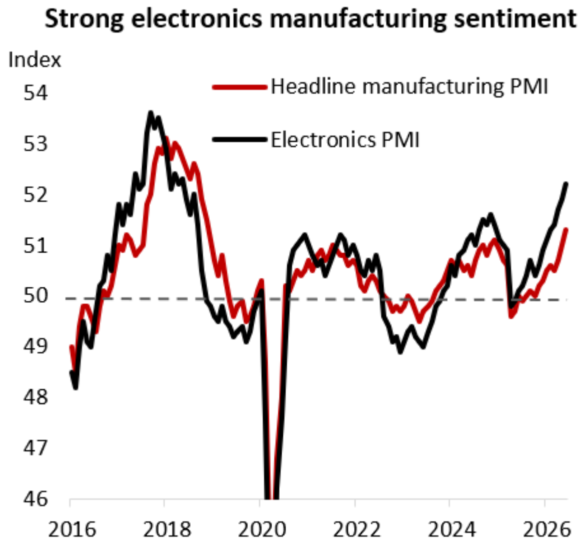


Source: CEIC, DBS
Note: Latest data is Jun-26 based on advance estimate

Stellar trade-related performance

Singapore's solid overall economic growth in 2Q26 was driven primarily by strong trade-related activity, supported by ongoing global artificial intelligence (AI) tailwinds, a trend that we expect to sustain in 2H26. Manufacturing growth accelerated to 12.2% yoy in 2Q26, marking the fastest expansion since 4Q21. The electronics and precision engineering clusters were the primary drivers of factory growth, outweighing contractions in chemicals and biomedical manufacturing, with the former bearing the brunt of feedstock shortages resulting from disruptions in the Strait of Hormuz. 'Wholesale & retail trade and transportation & storage' expanded by 6.3% yoy in 2Q26, easing from 9.3% yoy in 1Q26, but still exceeding the quarterly average growth in 2024 and 2025, supported by continued momentum in regional electronics trade.

The forward-looking manufacturing purchasing managers' index (PMI) for June 2026 points to a positive outlook for the manufacturing sector in the coming months, although performance is likely to remain uneven across clusters. Factory growth will continue to be led primarily by the strong performance of the electronics cluster amid robust global demand for AI-related products, such as memory chips and server-related products, as hyperscalers ramp up their AI infrastructure. Supportive momentum continued to be evident across several electronics sub-indices, including new export orders, orders backlogs, input purchases, and imports. Strength in regional electronics trade should also continue to generate positive spillover effects for Singapore's wholesale trade sector. Meanwhile, any recovery and rebound in energy-related segments will be gradual. given the ebb and flow of evolving US-Iran developments. Shipping confidence and the flow of critical input supplies transiting through the Strait of Hormuz, including oil & gas, will only gradually normalise to pre-war levels, even if recent escalation eases.

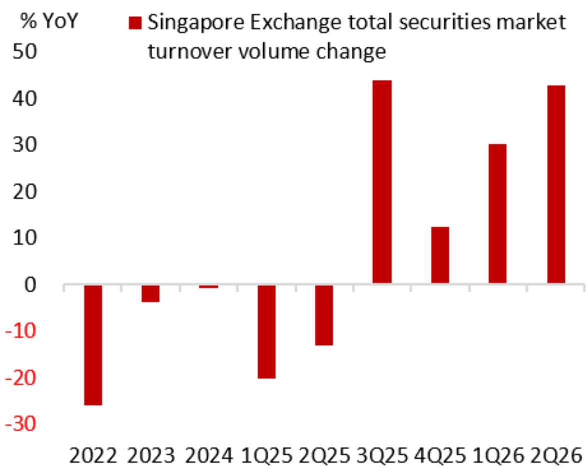


Source: CEIC, DBS

Resilient modern services and construction

The modern services cluster (comprising finance & insurance, information & communications, and professional services) grew by 3.9% yoy in 2Q26, extending the expansion of 4.5% yoy in 1Q26, providing a resilient anchor for Singapore's economy. Gains were broad-based across the group, and we continue to expect resilience in the financial services segment. Notably, financial services have benefitted from the backdrop of accommodative financial conditions over the past few quarters. Growth should remain supported by increasingly vibrant capital market activity backed by rising momentum in securities trading volumes, and a recovery in initial public equity offerings amid ongoing reforms, while financial market volatility creates opportunities for investors.

Equities market sees rising momentum



Source: SGX, MTI, DBS

The domestic construction sector grew by 6.2% yoy in 2Q26, moderating from an exceptional 12.9% yoy in 1Q26, but remained above the 5.3% yoy quarterly average between 2024 and 2025. Building activity was supported by both public and private sectors. We expect the ongoing multi-year boom, underpinned by sustained construction demand amid a steady pipeline of investments across transport, hospitality, and housing, to support growth in the coming quarters, notwithstanding ongoing challenges from higher construction input costs.

DBS Group Research

Economics & Strategy

Taimur BAIG, Ph.D.
Chief Economist
Global
taimurbaig@dbs.com

Mo JI, Ph.D.
Chief Economist
China/HK SAR
mojim@dbs.com

Nathan CHOW
Senior Economist
China/HK SAR
nathanchow@dbs.com

Radhika RAO
Senior Economist
Asean/EU/South Asia
radhikarao@dbs.com

Tieying MA, CFA
Senior Economist
North Asia
matieying@dbs.com

Han Teng CHUA, CFA
Senior Economist
Asean
hantengchua@dbs.com

Byron LAM
Economist
China/HK SAR
byronlamfc@dbs.com

Eugene LEOW
Senior Rates Strategist
G3 & Asia
eugeneleow@dbs.com

Philip WEE
Senior FX Strategist
Global
philipwee@dbs.com

Wei Liang CHANG
FX & Credit Strategist
Global
weiliangchang@dbs.com

Samuel TSE
Rates Strategist
Asia
samueltse@dbs.com

Sherilyn Chew
Multi-asset Strategist
Global
sherilynchew@dbs.com

Mervyn Teo
Senior Credit Analyst
USD, SGD, AUD
mervynteo@dbs.com

Dexter CHUN
Credit Analyst
USD
dexterchun@dbs.com

Tracy Li Jun LIM
Credit Analyst
USD, SGD
tracylimt@dbs.com

Ian Haan Chui
Credit Analyst
USD
ianchui@dbs.com

Amanda SEAH
Credit Analyst
USD, SGD, AUD
amandaseah@dbs.com

Teng Chong LIM
Credit Analyst
USD, SGD, AUD
tengchonglim@dbs.com

Joel SIEW, CFA
Credit Analyst
USD, SGD, AUD
joelsiew@dbs.com

Iris GAO
Credit Analyst
USD
irisgao@dbs.com

Lilian LV
Credit Analyst
USD
lilianlv@dbs.com

Daisy SHARMA
Analyst
Data Analytics
daisy@dbs.com

Violet LEE
Associate
Publications
violetleeyh@dbs.com

GENERAL DISCLOSURE/ DISCLAIMER (For Macroeconomics, Currencies, Interest Rates, Digital Assets or Commodities)[1]

The information herein is published by DBS Bank Ltd and/or DBS Bank (Hong Kong) Limited (each and/or collectively, the "Company"). It is based on information obtained from sources believed to be reliable, but the Company does not make any representation or warranty, express or implied, as to its accuracy, completeness, timeliness or correctness for any particular purpose. Opinions expressed are subject to change without notice. This research is prepared for general circulation. Any recommendation contained herein does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. The information herein is published for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees, who should obtain separate legal or financial advice. The Company, or any of its related companies or any individuals connected with the group accepts no liability for any direct, special, indirect, consequential, incidental damages or any other loss or damages of any kind arising from any use of the information herein (including any error, omission or misstatement herein, negligent or otherwise) or further communication thereof, even if the Company or any other person has been advised of the possibility thereof. The information herein is not to be construed as an offer or a solicitation of an offer to buy or sell any securities, futures, options or other financial instruments or to provide any investment advice or services. The Company and its associates, their directors, officers and/or employees may have positions or other interests in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking and other banking or financial services for these companies. The information herein is not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident of or located in any locality, state, country, or other jurisdiction (including but not limited to citizens or residents of the United States of America) where such distribution, publication, availability or use would be contrary to law or regulation. The information is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction (including but not limited to the United States of America) where such an offer or solicitation would be contrary to law or regulation.

[#for Distribution in Singapore] This report is distributed in Singapore by DBS Bank Ltd (Company Regn. No. 196800306E) which is Exempt Financial Advisers as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. DBS Bank Ltd may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, DBS Bank Ltd accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact DBS Bank Ltd at 65-6878-8888 for matters arising from, or in connection with the report.

DBS Bank Ltd., 12 Marina Boulevard, Marina Bay Financial Centre Tower 3, Singapore 018982. Tel: 65-6878-8888. Company Registration No. 196800306E.

DBS Bank Ltd., Hong Kong Branch, a company incorporated in Singapore with limited liability. 18th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong SAR.

DBS Bank (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability. 11th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong SAR.

[1] This disclaimer may not apply if the applicable assets fall within the definition of 'financial instruments' that are set out in Article 2(1) EU MAR (e.g. financial instruments that are traded on a regulated market, MTF or OTF, etc.). Section C of Annex I of MiFID2 specifies these 'financial instruments'.