City-state raises its growth forecast on AI boom

Singapore THE republic has upgraded its economic growth forecast for this year thanks to a boom in demand for AI-related products and as global trade "remained resilient" in the fact of US President Donald Trump's tariff campaign.

The trade ministry said gross domestic product is expected to expand 2% to 4% in 2026, compared with its previous forecast of 1% to 3%. The announcement comes after growth came in at 5% last year as a strong October-December helped it top the estimated 4.8%.

"The global economy has outperformed expectations, with most major economies turning in stronger-than-expected growth in the fourth quarter of 2025," it said, adding that the strong performance in the fourth quarter was likely to carry into this year.

"Notably, global trade activity remained resilient despite the US tariffs, likely reflecting effective US tariff rates that were lower than the announced headline rates."

Trade diversion as countries adjusted to the tariffs and "robust AI-related exports amidst the AI investment boom" helped drive the world economy, officials said, adding that investment in artificial intelligence is expected to continue this year.

As a major hub for high-end electronics, Singapore is seeing a significant boost in the production of semiconductors, memory chips and server components essential for the data centres that power AI.

Its position as a regional financial and digital hub also allows it to capture investments in AI software and infrastructure.

"Apart from the AI investment boom, which is expected to be sustained in 2026, expansionary fiscal policies in several economies such as the US, Germany and Japan, as well as accommodative global financial conditions, should also support global growth in the quarters ahead," the ministry said.

It warned that the pace of growth in most major economies this year "is still expected to ease from 2025 levels, in part due to the drag from the full-year impact of the US tariffs and rising trade barriers that would weigh on non-AI-related global trade".

The wealthy South-East Asian nation is heavily reliant on international trade and vulnerable to any global slowdown. — AFP