

Singapore

PMIs and Business Expectations still Shining Bright

Selena Ling
Chief Economist & Head, OCBC Group
Research

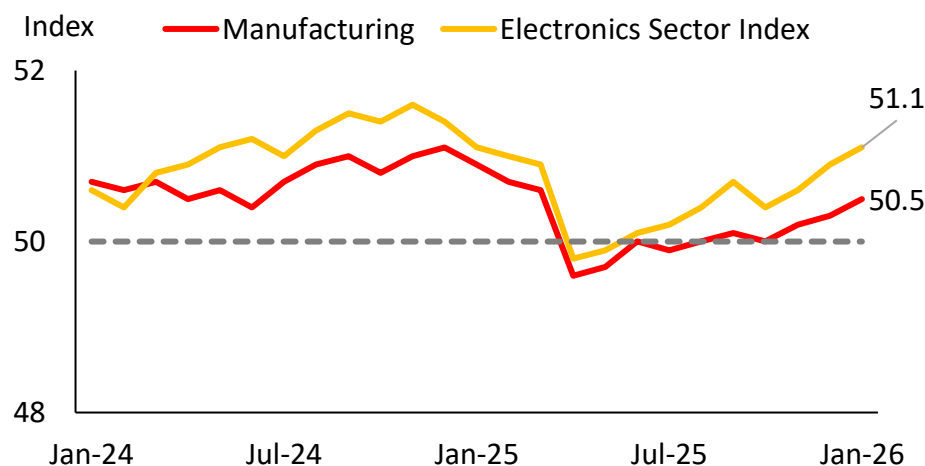
- Singapore's manufacturing and electronics printed at 50.5 and 51.1 respectively in January, with the former hitting its highest level since March 2025 while the latter matched its January 2025 level.
- The bullish manufacturing and electronics PMI readings are also validated by the business expectations survey for manufacturing, which saw a net weighted 11% upbeat for 1H26, led by the electronics cluster with a net weighted 33% citing a positive business outlook for the next six months on the back of sustained AI-related demand.
- Looking ahead, we expect SG 4Q and full-year 2025 GDP growth to be upgraded to 6.5% and 5.0% YoY respectively, from the earlier advance estimates of 5.7% and 4.8% YoY. This will set the stage for Budget 2026 announcement on February 12 where we estimate the FY25 fiscal surplus to hit as high as 1.6% of GDP - this would be the highest since FY2017 (2.3% of GDP) and also exceeds the 0.9% of GDP based on official projections.

- **Singapore's manufacturing and electronics printed at 50.5 and 51.1 respectively in January**, with the former hitting its highest level since March 2025 while the latter matched its January 2025 level. The January PMI readings marked a strong start to 2026 as well as an improvement from the December readings of 50.3 and 50.9. The acceleration in momentum was attributable to a stronger expansion in new orders, new exports, and factory output.
- **For the manufacturing sector, the employment and order backlog indices reverted to expansion, but input purchases moderated.** Imports and input prices expanded at a fast pace, and the future business index also continued to expand for the third consecutive month, suggesting that sustained optimism for the broader sector. However, the business sentiments vary according to the specific industries.
- **A lot of the business optimism may be underpinned by the AI-related global demand narrative, as illustrated by the electronics PMI hitting above the 51 handle.** The momentum in the electronics sector was supported by new orders (51.7, the highest since March 2025), new exports (51.2, the highest since February 2025), factory output (51.0, the highest February 2025), stocks of input purchases (51.4, suggesting some stockpiling activities given the anticipated supply delays amid the global memory chip shortage), employment (50.7, the highest since January 2025), imports (also reflecting the stocks of input purchases), input prices (also rising to reflect the strong activity pipeline), order backlog (50.9, the highest since April 2025) and more importantly the future business index also saw its 7th straight month of expansion. The main constraint appears to be supplier deliveries index which dipped to just 49.5 in its third consecutive month of contraction, which could be reflective of the capacity constraints and geopolitical and trade restrictions as the extended delivery times revolved around logistics issues like longer transit and turnaround times amid the avoidance of the Red Sea and Suez Canal routes for instance.
- **The bullish manufacturing and electronics PMI readings are also validated by the business expectations survey for manufacturing**, which saw a net weighted 11% upbeat for 1H26, led by the electronics cluster with a net weighted 33% citing a positive business outlook for the next six months on the back of sustained AI-related demand. In particular, the semiconductors segment was the most bullish at a net weighted 41%. Only the chemicals cluster is the most pessimistic, with a net weighted 17% of firms tipping a weaker business outlook, weighed down by petroleum segment due to macroeconomic uncertainties dampening refining product demand and margins. The biggest challenges cited by manufacturing firms were price competition from overseas competitors and political or economic conditions abroad including geopolitical tensions and tariff uncertainties.
- **The regional manufacturing PMIs showed a similar picture of optimism** - the key beneficiaries of the AI-related boom appear to be Taiwan (51.7 versus 50.9), South Korea (51.2 versus 50.1) and Malaysia (50.2 versus 50.1) in addition to Singapore. Even the manufacturing PMIs improved in January for Indonesia, Myanmar, Philippines whereas that for Vietnam eased a bit but remains high at 52.5 (previously 53.0). These suggest that the regional manufacturing momentum still have legs to run in 1Q26 if not 1H26.
- **Singapore's services outlook for the next six months out to June 2026 also remained in expansion territory for the third consecutive quarter with a net weighted 4% expecting a more favourable business outlook.** This latest reading is slightly lower than the net weighted 10% seen three months ago in October 2025 and also the 7% print for

the same period a year ago. At the services industry level, the most bullish are the retail trade (+16%, likely reflecting the upcoming festive period especially Chinese New Year), wholesale trade (+15% due to ongoing Windows 11 refresh and continued corporate hardware renewals to support computers, computer peripheral equipment and software demand, as well as demand for AI-related products and system upgrades), recreation, community & personal services (+12% due to sustained demand for childcare providers and health services) and information & communications (+11%). In contrast, there were three laggards, namely transportation & storage (+35% due to water transport firms anticipating persistent vessel oversupply and weakening cargo demand resulting in lower freight rates amid the geopolitical and economic uncertainties), the F&B services (-15% possibly post-festive period) and real estate (-11%).

- **The Singapore government will announce 2025 growth performance on February 10.** To recap, we expect SG 4Q and full-year 2025 GDP growth to be upgraded to 6.5% and 5.0% YoY respectively, from the earlier advance estimates of 5.7% and 4.8% YoY. This will set the stage for Budget 2026 announcement on February 12 where we estimate the FY25 fiscal surplus to hit as high as 1.6% of GDP - this would be the highest since FY2017 (2.3% of GDP) and also exceeds the 0.9% of GDP based on official projections. This puts the current government in a very healthy fiscal position in its first year of its term of government and could mean substantial fiscal headroom for FY2026 budget, especially given the need to mitigate current challenges in a fragmented geopolitical and economic landscape as well as strongly respond to the medium-term challenges of re-inventing Singapore's economic strategy including becoming an AI hub and creating good jobs in addition to GDP growth etc as encapsulated in the ESR proposals.

Singapore PMIs



Source: SIPMM, Bloomberg, OCBC Group Research.

ANNEX

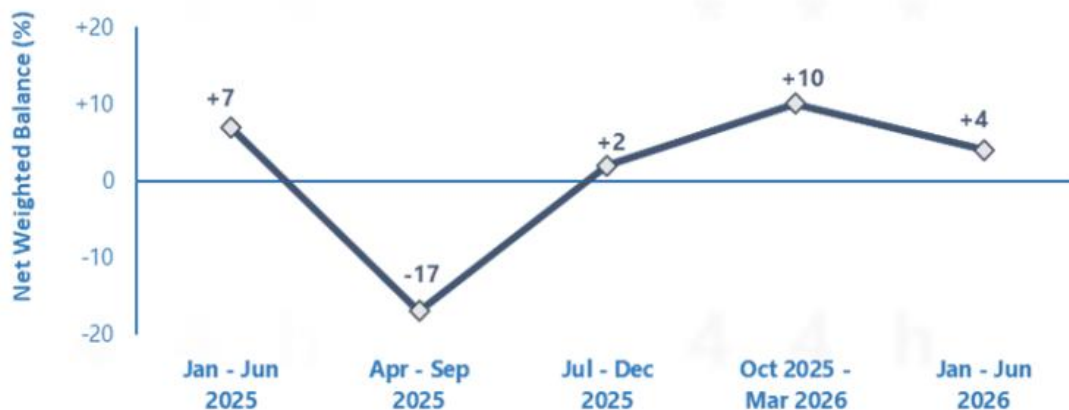
Table 1: Business Expectations for the Next Three and Six Months by Industry

(per cent)

| Industry | General Business Outlook for January – June 2026 compared with October – December 2025 | | | | Forecast for January – March 2026 | |
|---|--|----|------|------|-----------------------------------|------------------|
| | Net Weighted Balance | Up | Same | Down | Output | Numbers Employed |
| Electronics | +33 | 45 | 43 | 12 | +17 | +36 |
| Semiconductors | +41 | 54 | 33 | 13 | +27 | +43 |
| Computer Peripherals & Data Storage | -8 | 0 | 92 | 8 | -73 | +53 |
| Infocomms & Consumer Electronics | 0 | 0 | 100 | 0 | -3 | 0 |
| Other Electronic Modules & Components | -9 | 11 | 69 | 20 | -9 | +7 |
| Chemicals | -17 | 12 | 59 | 29 | -13 | 0 |
| Petroleum | -56 | 0 | 44 | 56 | 0 | 0 |
| Petrochemicals | 0 | 0 | 100 | 0 | -58 | -4 |
| Specialties | +36 | 49 | 38 | 13 | -13 | +2 |
| Other Chemicals | +5 | 5 | 95 | 0 | 0 | 0 |
| Biomedical Manufacturing | +8 | 13 | 82 | 5 | +1 | -18 |
| Pharmaceuticals | +14 | 22 | 70 | 8 | +4 | -2 |
| Medical Technology | 0 | 0 | 100 | 0 | -3 | -27 |
| Precision Engineering | +4 | 11 | 82 | 7 | +4 | +2 |
| Machinery & Systems | +5 | 8 | 89 | 3 | +7 | +6 |
| Precision Modules & Components | +3 | 23 | 57 | 20 | -6 | -4 |
| Transport Engineering | +10 | 16 | 78 | 6 | +12 | +7 |
| Marine & Offshore Engineering | -4 | 1 | 94 | 5 | -9 | +1 |
| Aerospace | +22 | 25 | 72 | 3 | +30 | +24 |
| Land | -15 | 16 | 53 | 31 | -15 | -20 |
| General Manufacturing Industries | -6 | 5 | 84 | 11 | -3 | -2 |
| Food, Beverages & Tobacco | -5 | 1 | 93 | 6 | -7 | +8 |
| Printing | -9 | 0 | 91 | 9 | -13 | -4 |
| Miscellaneous Industries | -6 | 11 | 72 | 17 | +3 | -10 |
| Total All Industries | +11 | 24 | 63 | 13 | +6 | +6 |

Business Expectations for Services Sector

General Business Outlook for the Next 6 Months

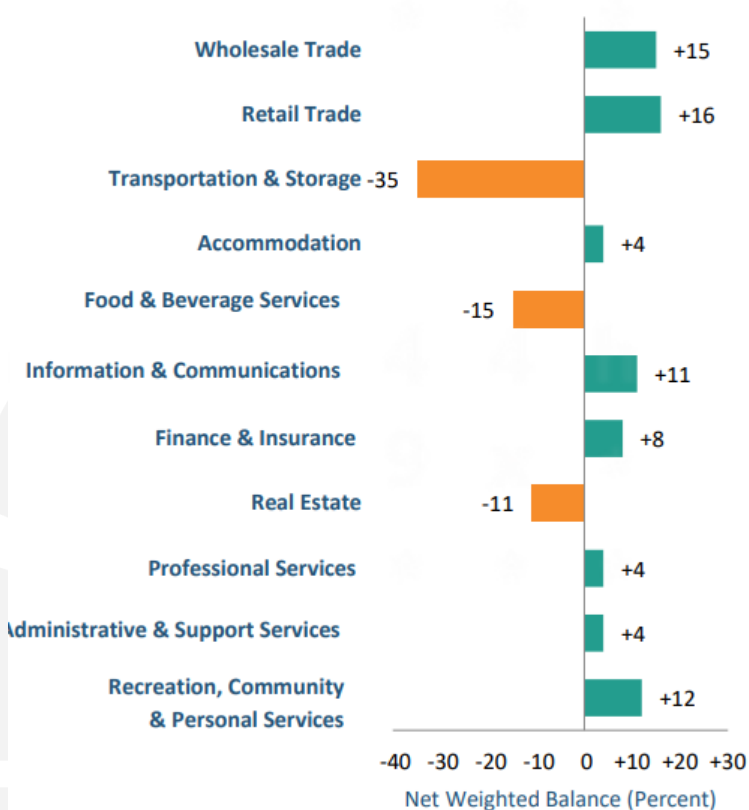


+4%
Net Weighted
Balance

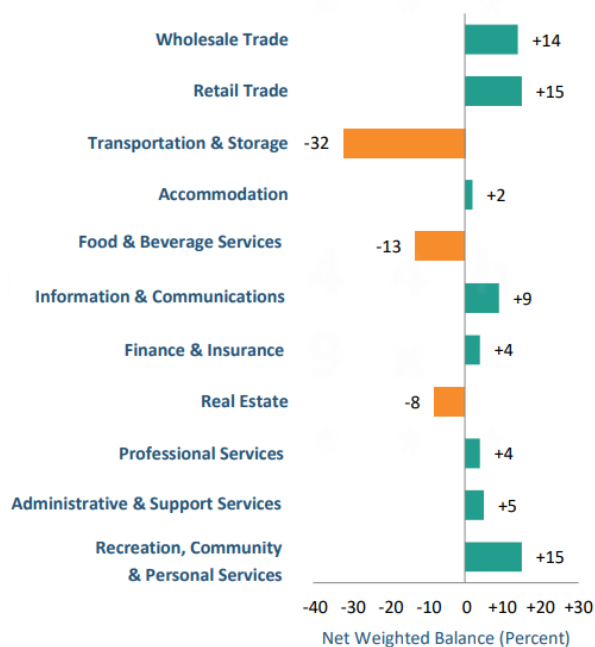
Up Same Down



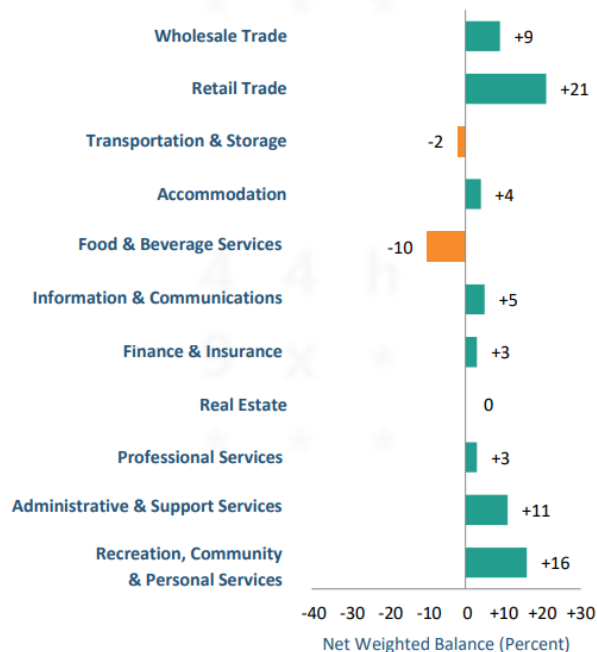
General Business Outlook for Jan - Jun 2026



Operating Revenue Forecast for 1Q 2026



Employment Forecast for 1Q 2026



Source: EDB, Singstat.

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