

Box A: Macroeconomic Assessment of Budget 2026

This Box provides a macroeconomic assessment of the key economic initiatives in Budget 2026 as announced in February 2026.

Macroeconomic Backdrop

Budget 2026 was delivered against a backdrop of stronger-than-expected economic activity over H2 2025 and the start of this year. Despite intensifying global trade tensions, the Singapore economy surpassed expectations to grow by 5.0% in 2025. Aggregate GDP was assessed to be above its potential level at the end of 2025, while the labour market was broadly in balance. Inflation stayed modest even as it rose slightly to above 1% in late 2025.

Notwithstanding these benign near-term conditions, firms and households remained concerned about elevated cost pressures. The economic environment was also highly uncertain, reflecting heightened geopolitical tensions as well as rapidly advancing technologies such as AI which posed both challenges and opportunities.

Measures to Ease Cost Pressures and Support Inclusive Growth

Budget 2026 continued to provide support to help households manage cost-of-living pressures. These comprised broad-based additional Community Development Council (CDC) Vouchers for all Singaporean households, and targeted support, such as U-Save rebates for eligible HDB households, to help defray utilities expenses.

The Budget also extended support to firms operating in a higher cost environment. Key measures included a 40% Corporate Income Tax Rebate for the Year of Assessment 2026, capped at \$30,000, with every active company that employed at least one local employee last year receiving a minimum benefit of \$1,500. The Progressive Wage Credit Scheme (PWCS) was enhanced, with higher co-funding levels for wage increases and a two-year extension.

Budget 2026 addressed potential distributional tensions associated with economic growth. To ensure that the benefits of growth were shared more widely, the Budget strengthened targeted support to low-income households through schemes such as ComLink+, higher means-tested preschool subsidies for young families, and CPF top-ups to Singaporeans aged 50 and above with retirement savings below the Basic Retirement Sum.

Complementary efforts were also stepped up to raise the productivity and wages of lower-income workers and help older workers continue in the labour force. Measures announced in this year's Budget include enhanced training support for lower-income workers and extending the Senior Employment Credit.

Measures to Enhance Economic Competitiveness

Budget 2026 also focused on boosting the economy's medium- to longer-term growth potential. Key initiatives include strengthening investment promotion efforts, and supporting enterprise transformation to deepen capabilities and establish leadership in key industry clusters. These were supported by the top-up to the National Productivity Fund of \$6 billion.

Another key thrust was harnessing new technologies and spurring greater innovation as demonstrated by a top-up (\$5 billion) to the National Research Fund to support the Research,

Innovation, and Enterprise (RIE) 2030 plan, which is expected to strengthen R&D spending in frontier technologies.

Recognising AI's potential to help ease Singapore's binding manpower constraints, Budget 2026 supported wider AI adoption alongside deeper transformation of skills and business processes. The measures were deliberately crafted to ensure that the adoption of AI would be tailored to the needs of workers, firms and industries. Thus, the emphasis was on broader AI adoption to enhance the scope for labour productivity gains and not the replacement of workers. In fact, tangible steps were introduced to better equip workers with AI-related skills and help them access paid AI tools.

Another plank of the economic strategy articulated in Budget 2026 was to bolster growth by supporting firms' internationalisation. Existing schemes to help firms access financing and tap overseas markets, such as the Enterprise Financing Scheme and Market Readiness Assistance Grant, were expanded. Additional funding was also set aside for the Startup SG Equity scheme and Equity Market Development Programme, which aim to make financing more accessible to firms by catalysing private capital and fostering a deeper and more liquid domestic equity market, respectively.

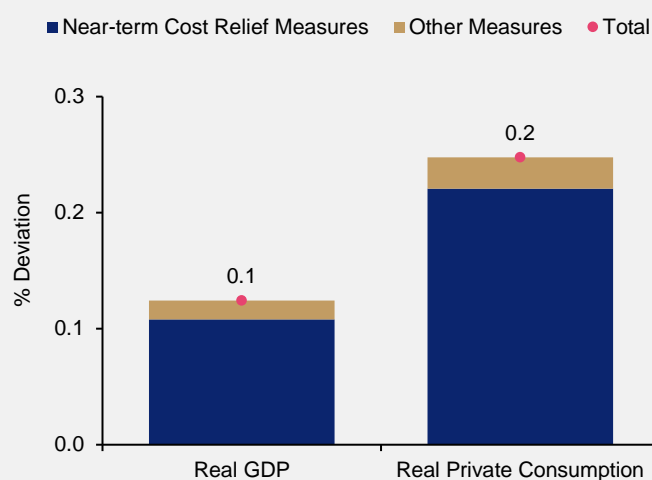
Quantitative Assessment of Budget 2026

Evaluating Budget 2026 announced on 12 February, the fiscal impulse (FI), which gauges the net fiscal support to the economy from the *change* in the cyclically adjusted budget balance, is estimated to be +0.1% of nominal GDP in calendar year 2026.¹

To quantify the impact of Budget 2026 in a general equilibrium context and account for its dynamic effects, key fiscal measures were simulated using MAS' flagship macroeconomic model—the Monetary Model of Singapore (MMS).

Model simulations suggest that the near-term macroeconomic impact of Budget 2026 will be modestly positive. Real disposable incomes are estimated to rise by about 0.4% in 2026 through near-term measures like the cost-of-living special payment. This would have boosted the level of real GDP by about 0.1% (**Chart A1**), mainly through higher private consumption.

¹ The CY2026 estimate differs from the fiscal impulse estimate published in MOF's Analysis of Revenue and Expenditure, which is computed for FY2026. On a FY basis, the fiscal impulse is projected to be +0.6% of GDP in FY2026. The difference reflects lumpiness in the quarterly profile of projected revenues and spending. Adjusting for this difference in timing, the FI estimate over a four-quarter period would be similar.

Chart A1 Simulated Impact of Budget 2026 on Real GDP and Private Consumption in CY2026

Source: EPG, MAS estimates

The February Budget measures are estimated to add modestly to inflation in 2026, mainly due to the immediate increase in excise duties for tobacco products. While the small lift to aggregate demand from the increase in private consumption will support inflation next year, the introduction of enhanced subsidies for preschool education and student care in January 2027 is expected to provide some offset.

Overall, MAS assesses that Budget 2026 was carefully calibrated to provide a slight expansionary impulse, while investing to build longer-term resilience and competitiveness.

Support Measures in Response to the Middle East Situation

On 7 April, in light of the intensifying impact of the Middle East conflict, the government introduced a support package that brought forward the disbursement of transfers already announced in Budget 2026 and added a further S\$1 billion in net spending. The package included additional support measures for the most severely affected segments of the economy, such as the transportation sector and platform workers, and expanded the energy efficiency grant to all sectors of the economy to encourage greater energy conservation. It also raised the cost-of-living special payout for eligible households and enhanced the corporate income tax rebate. Overall, these were designed to provide temporary, near-term relief to more vulnerable businesses, households and workers to help them tide over a period when higher global energy costs will pass through to increased domestic prices. The government also indicated that it was developing further budgetary contingency plans that could be implemented if the need arises.