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Ministerial Statement by DPM Gan Kim Yong on the Impact of the Middle East Situation

## 2. Speeches

# Ministerial Statement by DPM Gan Kim Yong on the Impact of the Middle East Situation

7 April 2026

Mr Speaker,

1. Coordinating Minister for National Security K Shanmugam, Senior Minister of State for Finance Jeffrey Siow and I will deliver a Ministerial Statement each on the 'Impact of the Middle East Situation on Singapore'.
2. Our Ministerial Statements will address the Parliamentary Questions #1 to #62 in today's Order Paper, as well as written PQs #1 to #12, and related PQs filed for subsequent sittings.
3. May I have your permission to take clarifications at the end of the three statements? As this is a whole of Government effort, may I also seek your permission to allow relevant Political Office Holders to respond to clarifications pertaining to their areas of responsibility?
4. Thank you, Mr Speaker.

5. Sir, the conflict between the US, Israel and Iran has entered its sixth week, and spread across the wider Middle East.
  - a. Within days of the conflict, Iran effectively closed the Strait of Hormuz. It has also attacked close to 20 vessels.
    - i. Last month, only about six vessels on average passed through the Strait of Hormuz each day, compared to around 135 in normal times.
  - b. President Trump has said recently that the US has almost accomplished its goals in Iran, but it is still not clear when the conflict will end and when the Strait will be re-opened.

### **Impact of the Closure of the Strait of Hormuz**

6. In the near term, the closure of the Strait has caused a global shortage of energy supplies, including crude oil and gas.
  - a. Before the conflict, one quarter of the world's supply of seaborne oil and one-fifth of its gas transited through the Strait.
  - b. More than 80% of these flows were bound for Asia.
  - c. Such a severe choking off of supply is unprecedented – it is the worst disruption since the 1973 oil embargo.
7. The fuel shortages have caused a surge in global energy prices.
  - a. Since the onset of the conflict, Brent crude oil prices have doubled, from US\$71 per barrel (/bbl) just before the conflict to a peak of US\$141/bbl.
  - b. Similarly, spot liquefied natural gas (LNG) prices have also doubled, from US\$11 per million British Thermal Units (/MMBtu) to as high as US\$22/MMBtu.
8. The disruption extends to other key products too, particularly those that use oil and natural gas as feedstock or starting material.
  - a. One example is fertilisers.

- i. Most fertilisers are made using natural gas, and the Middle East is a key global producer of fertilisers, second only to Russia.
    - ii. Nearly a third of the world's fertiliser trade is shipped through the Strait.
    - iii. The supply disruption has led to soaring fertiliser costs. If farmers reduce or stop fertiliser use, crop yields will fall, raising global food prices.
  - b. Other industries are also affected.
    - i. This includes aluminium, which is used to manufacture cars, airplanes and many other products; as well as helium, which is needed for producing semiconductor chips and cooling magnetic resonance imaging (MRI) machines.
9. These disruptions are cascading through the global economy.
  - a. Higher fuel and raw material costs will raise business costs, some of which will pass through to consumers through higher prices.
  - b. Higher energy prices have also increased transport and shipping costs. Airfreight rates between Asia and Europe have almost doubled since the conflict began.
  - c. This will eventually push up costs of other items including food and grocery supplies.
  - d. Rising business costs and consumer prices will in turn dampen demand, and slow down the global economy.
  - e. Many Asian currencies have weakened against a stronger US dollar, compounding inflation and growth risks in these countries.
  - f. All of these pressures could intensify further in the coming week.

## Impact on Singapore

10. As a small and highly open economy, Singapore will not be able to insulate ourselves completely from this crisis.

11. We must respond with a coordinated, multi-agency effort to cushion the impact on our people and our economy.
  - a. This is why we have convened the Homefront Crisis Ministerial Committee, chaired by Coordinating Minister for National Security K Shanmugam and comprising several Ministers.
  - b. We will focus on the following areas:
    - i. First, securing our supplies, such as LNG and diesel for power, as well as other essential fuel products like jet fuel and motor gasoline;
    - ii. Strengthening our economic resilience, by helping businesses to preserve their productive capacity and capability, and facilitating their transformation where necessary;
    - iii. Providing targeted help for those most affected by the crisis, including businesses in the energy and chemicals cluster, platform workers and low-income families; and
    - iv. Helping workers with training and employment support, as well as providing households with broad-based help to address cost-of-living concerns.
12. Minister Shanmugam will share more later on how we are organising ourselves to coordinate our national response.

### *Impact on Economy and GDP Growth*

13. Sir, what do these developments mean for our economy?
  - a. In February this year, MTI upgraded Singapore's GDP growth forecast for 2026 to 2.0% to 4.0%, on the back of the strong growth momentum seen in the fourth quarter of 2025, supported by robust AI-related demand.
  - b. Early data indicates that economic activity continued to be resilient in the first quarter of 2026. However, growth in the coming quarters is likely to be affected by the ongoing conflict.

14. While the conflict impacts many sectors, some sectors will feel it more than others.
- a. In manufacturing, the most direct impact will be on industries that rely on natural gas, crude oil and crude oil derivatives as feedstock.
    - i. Our refineries have adjusted by reducing their run rates and brought in shipments from sources outside of the Middle East.
    - ii. Downstream chemical firms will also be affected. Some firms such as PCS have already declared force majeure due to upstream supply disruptions.
  - b. Beyond the energy and chemicals cluster, higher fuel and electricity prices will also affect a wider range of industries, including electronics, precision engineering and other energy-intensive clusters.
  - c. In services, outward-oriented sectors like air and sea transport, as well as tourism, will be affected by higher costs and weaker demand.
  - d. On the other hand, domestically-oriented sectors such as retail, food services and private land transport will face higher operating costs, including utilities and fuel.
  - e. Taken together, these sectoral impacts will weigh on economic activity in the coming quarters, although the extent remains uncertain as the conflict is still unfolding.
  - f. MTI will continue to monitor developments closely and will update our GDP forecast in May.

### *Impact on Costs and Inflation*

15. Let me now move to the impact on Singaporeans. As we import nearly all our energy, the spike in global oil and natural gas prices will inevitably raise fuel and electricity costs for Singapore.
- a. About 95% of Singapore's electricity is generated from natural gas, whose price is mostly pegged to market prices.

- b. The regulated electricity tariff, which most Singapore households pay, increased by 2.1% to about 27 cents/kWh for the second quarter of 2026.
  - i. The increase is modest relative to the spike in fuel prices. But that is because the tariff is based on fuel prices from the first 10 weeks of the preceding quarter (i.e. from January to the middle of March).
  - ii. That means only a small portion of the recent surge in fuel prices has been captured in this tariff adjustment.
  - iii. Fuel makes up about half of the tariff, so higher fuel prices will flow through to electricity prices.
  - iv. We should therefore expect a much sharper increase in the next tariff adjustment, which will fully reflect the higher cost of fuel.
16. These cost increases will feed through to broader inflation in Singapore.
  - a. We had earlier forecast CPI-All Items and MAS Core Inflation to come in at 1.0% to 2.0% in 2026, after inflation broadly eased in 2025.
  - b. However, the Middle East situation has driven up global energy and commodity prices, which will drive up global inflation.
  - c. Consequently, we now expect Singapore's overall inflation for 2026 to be higher than earlier projected.
17. If the conflict is protracted, higher inflation in our source markets could also lead to further increases in import prices over time.
18. These pressures will be felt by households in more expensive electricity, transport and daily necessities.
  - a. Lower-income households will be more affected, as a larger share of their spending goes towards essentials.
19. MAS will take these developments into account in its upcoming assessment of the inflation outlook, which it will release on 14 April.

## Preparing for the Longer-Term Impact

20. Mr Speaker, the crisis is unlikely to be over anytime soon, and we must be prepared for its effects to persist for some time.
21. Even more worrying is the risk of escalation – including further damage to energy infrastructure, or a prolonged blockade of the Strait of Hormuz. This could trigger a global energy crunch – slowing global growth and pushing up inflation worldwide.
22. This crisis has reminded us again of how interconnected – and how fragile – the global system is. We need to be prepared for more frequent inflation shocks and supply chain disruptions in a world of heightened geopolitical contestation.
23. We will strengthen our resilience by building up inventories and diversifying our sources of supply, but Singapore will always remain dependent on imports for our supplies.
  - a. It is therefore critical that we continue to strengthen our partnerships with like-minded countries, and uphold an open and rules-based trading system.
  - b. As a trading nation, keeping faith with our partners and maintaining our credibility is crucial. We must foster the free flow of energy and goods as far as possible.
    - i. Prime Minister Lawrence Wong has spoken to Australian Prime Minister Anthony Albanese. They jointly reaffirmed our commitment to support the flow of essential goods, including petroleum oils, such as diesel, and LNG between our two countries.
    - ii. PM Wong has also spoken to New Zealand PM Christopher Luxon to reaffirm our commitment to strengthen supply resilience and mitigate disruptions. Singapore and New Zealand concluded an Agreement on Trade in Essential Supplies last October, which is a timely framework to ensure the continued flow of critical goods between our countries.
    - iii. The ASEAN Foreign Ministers and Economic Ministers have discussed and underscored the importance of maintaining stable, open and reliable global energy supply chains, as well as the importance of minimising disruptions to the flow of essential supplies, including food.

- iv. Singapore and 10 fellow members of the Future of Investment and Trade Partnership (FIT-P) also issued a Joint Statement last week, reaffirming the importance of not imposing restrictive trade measures, including export restrictions, tariffs, and non-tariff barriers on essential goods.

24. Mr Speaker, may I now say a few words in Mandarin please.

议长先生，这场危机短期内不会结束，所以新加坡必须及早做好准备，不可以掉以轻心。作为小型开放经济体，我们不可能完全不受影响。外部成本上升，最终会影响到企业、家庭和物价。我们将致力确保能源与粮食供应稳定，加强经济韧性以应付危机，为受影响最严重的企业，平台员工以及低收入家庭提供必要的帮助。我们也将为工友提供培训和就业援助，并协助家庭应付生活费的压力。现在最重要 – 无论是商家或个人 – 都必须沉着应变。政府会加强跨机构协调，保障供应、稳定经济、减轻冲击。我们过去经历过无数次的危机，这次我们也要一如既往，坚韧团结，共度危机。

## Emerging Stronger

25. Sir, the Government recognises that the impact of this crisis will be felt by households and businesses. We will do what is necessary to support them through this period.
  - a. Senior Minister of State for Finance Jeffrey Siow will share more on our support measures.
26. At the same time, all of us — Government, businesses and households — will need to do our part.
  - a. Households can do our best to conserve electricity, use climate vouchers to purchase more energy-efficient appliances, and adopt simple measures such as using fans instead of air-conditioning, and taking public transport instead of driving.
  - b. Businesses can also conserve energy by tapping on schemes such as the Energy Efficiency Grant, and investing in more efficient equipment.
27. Periods of disruption such as this will test the resilience of countries and economies, but they also create impetus for firms to transform, diversify, and deepen their capabilities.

28. We must press on with the recommendations of the Economic Strategy Review — including building global leadership in key growth sectors such as advanced manufacturing and modern services, supporting firms to diversify and internationalise, and accelerating enterprise transformation through technology and innovation — so that our economy remains resilient and competitive in a more challenging global environment.
29. This also means making our energy and supply chains more resilient, deepening partnerships with like-minded countries, and staying open and connected to the global economy.
30. If we stay disciplined, deepen our trust in each other, preserve our capabilities, and use this period to sharpen our competitive edge, Singapore will be well placed not only to weather this crisis, but to emerge from it stronger.

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