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Economy
Singapore’s financial sector grew 4.3% in 2025, created 4,200 jobs over five years

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SINGAPORE – Growth in the financial services sector here slowed to 4.3 per cent in 2025, down from 7.3 per cent in 2024.

This was broadly in line with the 2021 to 2025 average of 4.6 per cent, despite an uncertain global environment marked by rising tariffs and the conflict in the Middle East.

Financial services accounted for 14 per cent of Singapore’s gross domestic product, MAS managing director Chia Der Jiun said in the central bank’s annual report released on July 28.

Despite the slower pace, the sector’s growth met the financial services Industry Transformation Map’s target of 4 to 5 per cent annual growth over the five years to 2025.

The sector also created an average of 4,200 net jobs a year between 2021 and 2025, with all employment gains going to locals.

Growth in 2025 was broad-based across segments, including banking, insurance, asset management, foreign exchange, fixed income and sustainable finance

Banking sector assets grew 3.1 per cent in 2025, while insurance assets rose 7.6 per cent to $493.5 billion.

Assets under management increased 10.1 per cent to $6.7 trillion, with the wealth management industry continuing to grow strongly alongside the broader asset management sector.

Growth was driven by both traditional asset classes and alternative investments, including private equity, venture capital, hedge funds, real estate and real estate investment trusts.

Singapore’s net inflows rose 29 per cent from 2024, driven by an increase in new investment mandates acquired and managed from Singapore. The number of fund management companies reached 1,320 by end-2025.

As Asia’s leading foreign exchange hub, Singapore saw average daily traded volumes reach $1.6 trillion. Corporate debt issuance rose 10 per cent to nearly $340 billion.

Singapore also accounted for more than half of ASEAN’s green, social, sustainability and sustainability-linked bond and loan activity, with new sustainable loans exceeding $27 billion.

“The financial centre’s growth is supported by an effective and risk-proportionate Anti-Money Laundering/Countering the Financing of Terrorism framework that protects the integrity of Singapore’s financial system and economy, while remaining welcoming to legitimate business owners and investors,” said Chia.

He highlighted that MAS has introduced new measures to sharpen the competitiveness of the Republic’s financial sector.

These include deepening Singapore’s growth capital ecosystem to better channel capital flows to support Asia’s long-term growth.

Another is a proposed Protected Cell Company framework, to support new ways for businesses and investors to transfer and manage risk by allowing a single legal entity to segregate its assets and liabilities.

MAS also plans to strengthen Singapore’s role in gold trading, clearing and storage.

The central bank said in June that it will remove the current 5 per cent cap on physical investment precious metals under tax incentive schemes for funds.

This will allow eligible funds and family offices to diversify their portfolios more flexibly and support greater capital deployment into physical gold in Singapore.

Chia said this change will take effect from Aug 1, giving eligible funds and family offices greater flexibility to invest in physical gold in Singapore. MAS will announce more details soon.

Chia highlighted two areas of focus for MAS: sustaining innovation in the financial sector and strengthening the financial system’s resilience against AI-enabled threats.

In June, MAS announced a new Future of Finance Institute that will bring together industry players to turn innovation into practical use, lower adoption barriers, and strengthen governance and risk management.

Chia said developing Singapore’s fintech ecosystem, which comprises about 1,900 fintech firms employing close to 10,000 people, remains a priority for MAS.

“Through support for capability development, growth funding and manpower access, we aim to strengthen the growth prospects of the dynamic fintech sector,” he said.

“We are reviewing these strategies and consulting with the Singapore Fintech Association and the sector and will share more later this year.”

At the same time, MAS has proposed guidelines on AI risk management and enhancing cyber resilience as threats become more sophisticated.

Chia announced the formation of the Association of Banks in Singapore AI-Driven Cyber and Tech Risk Taskforce (ABS-ACT), comprising MAS and senior technology and cybersecurity leaders from major financial institutions, to develop strategies against AI-driven threats.

The task force will focus on three areas: enhancing financial institutions’ expertise in using AI for cybersecurity; conducting trials of advanced AI-enabled tools; and developing industry guidance on measures, controls and solutions to better detect, prevent and respond to sophisticated AI-enabled threats.

Chia also noted that quantum computing poses significant risks to the security of data and communications used by financial institutions in the medium term and this “requires early preparation”.

MAS will issue a set of supervisory expectations later in 2026, setting out clear expectations, milestones and timelines for financial institutions’ migration towards quantum resilience, he said.

Looking ahead, Chia said that while the conflict in the Middle East sill poses risks to the outlook, global AI-related demand is likely to continue to provide a meaningful boost to Singapore’s economy.

Most non-AI related sectors are likely to maintain a pace of growth that is close to trend. But the the global economy could take two different paths depending on whether the AI investment boom persists or reverses.

“If we are in a long AI investment boom with significant and broad productivity gains, stronger and broader spillovers to income, demand and inflation could ensue,” Chia said.

“The impact on inflation will be complex and depends on the interplay of higher demand for energy and inputs against the pace and extent of productivity gains.

“These will have consequences for central banks’ assessment of potential output and neutral interest rates.”

If on the other hand, there is a major retrenchment in AI investment, it could sharply weaken global growth through a fall in business investment and semiconductor demand and negative wealth effects.

“Financial stability risks could also materialise through equity, credit and loan markets’ exposures to unsustainable business models with deteriorating cashflows and weak credit terms in complex financing structures – a sharp tightening of global financial conditions could result,” said Chia.

Meanwhile, inflation has risen this year from a low base and is expected to climb further before easing in the second half of 2027.

Domestic headline and core inflation averaged below 1 per cent in 2025.

Core inflation picked up to 1.4 per cent in the first quarter of 2026, before rising to 1.5 per cent in the second quarter.

“We expect this to step up further from July and stay elevated for the next few quarters, driven by higher fuel and imported goods prices offsetting moderating domestic cost pressures and dampening effects of some government subsidies,” said Chia.

MAS expects both core inflation and headline inflation to average between 1.5 per cent and 2.5 per cent in 2026, remain elevated in the first half of 2027, and ease discernibly in the second half of the year.

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