

# Singapore's central bank tightens policy as inflation risks rise

The Monetary Authority of Singapore delivered a measured tightening of its policy stance, raising the slope of the S\$NEER band, while keeping its width and midpoint unchanged. We think there is still space for further tightening, especially as our forecasts for both CPI inflation and GDP growth sit slightly above the midpoints of MAS's target ranges



## Monetary policy stance tightened

The Monetary Authority of Singapore (MAS) tightened its monetary policy slightly today. It increased the Nominal Effective Exchange Rate (S\$NEER) policy band's appreciation rate to our estimated pace of 1% from 0.5% previously, while keeping the band's width and central level unchanged. This move was in line with our expectations, given Singapore's solid economic backdrop.

GDP growth came in at an above trend 5% in 2025, with the economy outperforming last year on the back of strong manufacturing and export activity. The latest first-quarter GDP data released

today reinforces this positive momentum, showing growth holding at a robust 4.6% year-on-year. Moreover, the MAS raised its core and headline inflation forecasts for 2026 to 1.5-2.5% from 1-2% earlier.

## **Inflation outlook revised up, growth forecasts remain unchanged**

The MAS flagged rising risks from persistently higher oil import prices, as well as potential second round effects from more expensive imported intermediate and final consumer goods. It also warned that shortages of key intermediate inputs could abruptly disrupt industrial production. While MAS acknowledged concerns around growth—particularly in energy intensive sectors such as petrochemicals and transport—it kept its GDP growth forecast unchanged at 2-4%. The output gap is now expected to hover around zero, shifting down from previously positive levels.

Although risks from oil-related supply disruptions persist, we expect some of these pressures to be offset by still-robust AI- and tech-driven demand. Recent fiscal measures—including the corporate income tax rebate and targeted support for the transport sector—should also help cushion the impact. Labour demand remained firm in the final quarter of 2025, with vacancies continuing to outnumber unemployed persons as of December 2025.

Taken together, these factors underpin our GDP growth forecast of 3.3% YoY, which lies on the stronger side of the MAS's projected range and closer to the upper end of its midpoint.

## **Tightening still on the table—yet MAS set to move gradually**

Looking ahead, we expect MAS to maintain a cautious, data dependent stance. Rather than taking an aggressively hawkish stance, the central bank is likely to prioritise flexibility and adjust its stance as geopolitical conditions evolve.

We think there is still room to tighten, especially given that our forecasts for both CPI inflation and GDP growth sit slightly above the midpoints of MAS's target ranges. This suggests underlying price and activity pressures could be firmer than MAS currently projects. However, any additional policy move will likely require more convincing evidence of second round inflation effects. This includes more persistent pass through from higher oil costs or a broader pickup in core consumer prices. Given this backdrop, we expect MAS to leave its policy settings unchanged at the next meeting in July while it evaluates the extent of second round effects amid elevated oil prices.

## **SGD likely to remain firm**

The SGD NEER is currently trading near the top of its policy band—around 1.7% above the midpoint—and we expect it to remain on the strong side. MAS continues to signal its commitment to containing excessive volatility in the SGD NEER, while keeping the option open for further tightening. This policy stance should underpin continued strength in the SGD in the near term.

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