Singapore's central bank likely to retain all settings next week as inflation remains sticky

The Monetary Authority of Singapore meets next week to discuss policy, but we're not expecting any changes

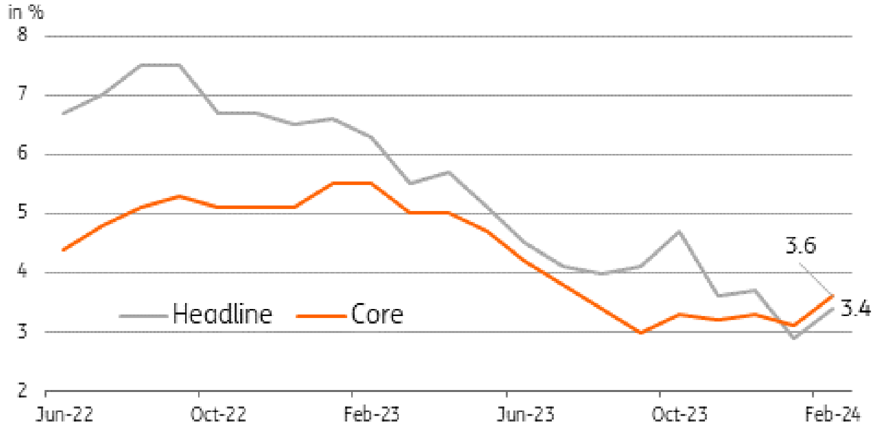
The Monetary Authority of Singapore building

MAS widely expected to retain settings next week

The Monetary Authority of Singapore (MAS) meets next week to discuss policy. This is the MAS's second meeting for 2024 now that it meets four times a year. We expect the central bank to retain all policy settings next week, keeping the slope, width and level for the S$NEER policy band. The main factor pointing to a hold is the recent flare up in inflation, with February headline inflation rising to 3.4% year-on-year and core inflation jumping to 3.6% YoY.

While the surprise February reading was traced partly to the timing of the Lunar New Year, we do expect price pressures to remain elevated due to robust domestic demand. The March inflation report will likely accelerate further on the back of surging demand in the services sector tied to the recent string of concerts by Taylor Swift. This effect, on top of the January implementation of the latest round of the Goods and Services tax and carbon tax should keep core inflation above the MAS's target of about 2% YoY for the first half of the year.

Singapore inflation flares up in February



Source: Singapore Department of Statistics

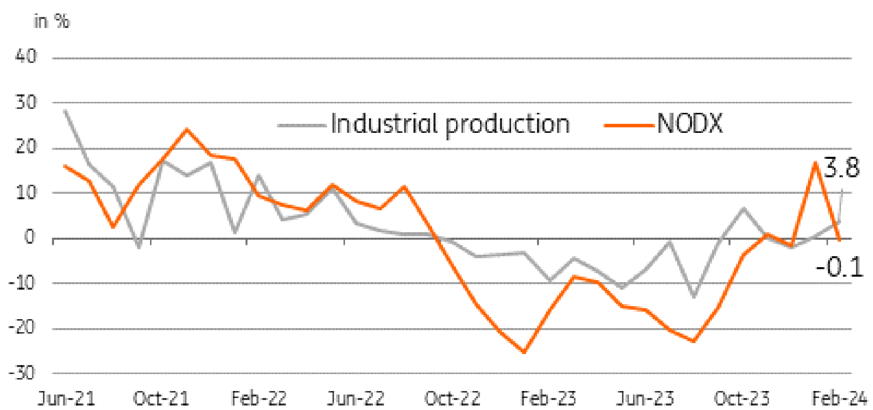
Sticky inflation and decent economic showing to keep MAS on hold for some time

The most recent inflation forecast by the MAS points to both headline and core inflation settling between 2.5-3.5% YoY for 2024. We expect these forecasts to be retained but we could see inflation edge closer to the top-end of the forecast range. On top of sticky inflation, the MAS has little incentive to tinker with their current monetary stance given the relatively robust economic output displayed in the first three months of the year.

Industrial production and non-oil domestic exports have managed to eke out a decent performance, while PMI has remained in expansion territory for six months and counting. Meanwhile, the boost delivered by the deluge of foreign arrivals driven by the recent concert series likely powered first quarter GDP to a solid showing.

With inflation likely elevated in the near term and economic activity supported, we expect the MAS to stay sidelined for possibly the next two policy meetings while waiting for inflation to cool in the latter half of the year.

Industrial production and NODX performance have been decent



Source: Singapore Department of Statistics

Author

Nicholas Mapa
Senior Economist, Philippines
nicholas.antonio.mapa@asia.ing.com