

## Singapore: MAS to keep things steady for the time being

3Q17 GDP figures are certainly a big step in the right direction for an earlier move to an upwards sloping NEER path



Source: istock

The Monetary Authority of Singapore (MAS) produced the tiniest of surprises with its monetary policy statement today.

Practically no-one was looking for any change to the SGD NEER path, and this was maintained at zero percent with no change to the bands.

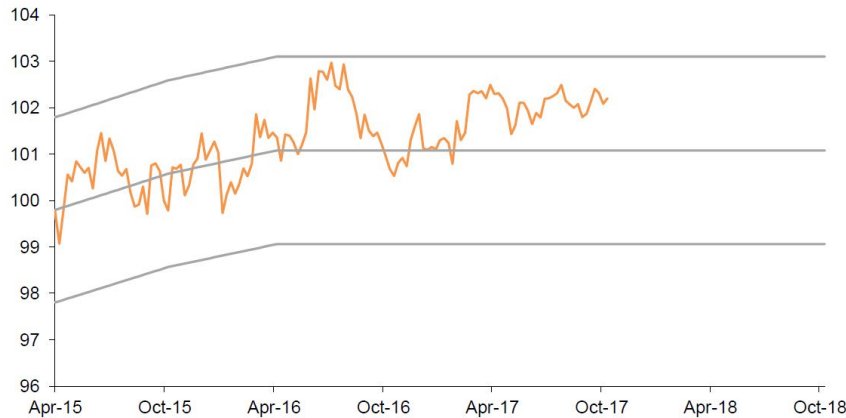
The MAS has, however, shuffled around their reference to the phrase “a neutral policy stance is appropriate for an extended period...”, which they now refer to as their October 2016 guidance, without then saying that this is still in place. A sort of half-removal then, which leaves the door open to some change in April 2018, without making any firm commitments. Clever, given the prevailing uncertainties.

But the direction of travel is becoming clearer. With the policy citing some improvements domestically (very strong 3Q17 GDP figures today) but some caution about the global outlook, the growth forecast range has been narrowed from 1-3% for 2017, to the upper-half of 2-3%, with a

higher, if fuzzier midpoint, and 2018 expected to improve further in line with potential growth, though it could be moderate than this year.

The inflation outlook is more nuanced, with the core inflation forecast range for 2017 tightened to the midpoint of 1.5% on the previous 1-2% range, and average 1-2% in 2018. But all items inflation is expected to come in at the low point of the previous 0.5-1.5% range for 2017 and is projected to stay in a 0-1% range in 2018, which is pretty low.

## ING's estimate of MAS's SGD-NEER trading band



Source: Source: ING, Bloomberg

Our base case was that the April 2018 meeting was used to signal a later increase in the path for the SGD NEER, with the NEER path actually only moving up in October 2018. But today's statement does raise the probability of an earlier move, and we will be watching both the domestic recovery and signs of any faltering of the IT product replacement cycle in export figures closely to see if we will need to bring this forecast forward.

Today's 3Q17 GDP figures of 6.3% QoQ annualized (4.6%YoY) are certainly a big step in the right direction for an earlier move to an upwards sloping NEER path.

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