

Singapore's central bank eases policy; potential for further easing in 2025

Weaker growth and inflation have prompted the Monetary Authority of Singapore to ease pre-emptively



View of the Monetary Authority of Singapore (MAS) building in Singapore

The Monetary Authority of Singapore (MAS) eased monetary policy for the first time in almost five years by reducing the slope of the S\$NEER policy band “slightly”, primarily driven by a faster-than-expected fall in core inflation below 2% on a sustainable basis. There was no change to the width of the policy band or the level at which it is centred. With mention of a “slight” reduction in slope and “modest and gradual appreciation” in the monetary policy statement, we gauge that the slope is reduced to 1.0%/annum vs 1.5%/annum earlier, with a bandwidth of +/- 2% from the mid-point.

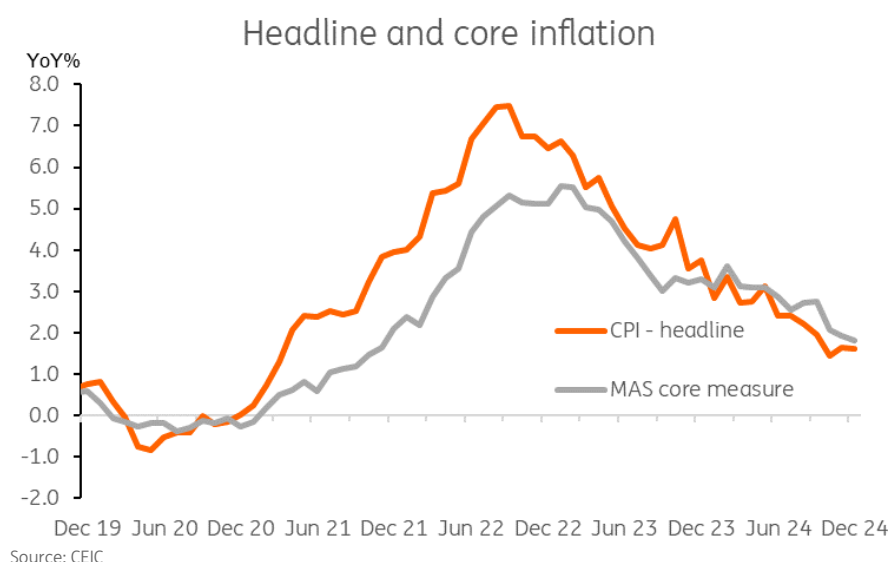
While the market was split over the timing of the easing between January and April, we think the signs of a definite turn in the economic cycle prompted the MAS to pre-emptively loosen policy in line with our expectations. As a reminder, MAS implements monetary policy by managing the Singapore dollar nominal effective exchange rate within a policy band instead of tweaking interest rates.

The strong growth and inflation picture that the economy witnessed in 2024 has turned sharply

and we expect GDP growth to slow down in the second half of this year, driven by slower global and export growth. Core CPI inflation moderated to a three-year low of 1.9% year-on-year in November from 2.1% in October. MAS core inflation is now forecast to average 1.0–2.0% in 2025, lower than the 1.5–2.5% projected in the October 2024 statement, driven by lower import prices partly because of lower oil and food prices and partly because of a relatively stronger local currency. Easing labour market conditions and likely higher government subsidies on healthcare, education and transport should exert downward pressure on CPI.

Looking ahead, we think MAS inflation numbers incorporate some of the key downside risks to inflation, including a disinflationary impact of US tariffs. In line with our view of China overcapacity creating disinflationary forces for the region, we think risks to MAS' CPI and GDP growth forecasts are tilted to the downside and we therefore do not rule out another round of easing in the second half of 2025. We also expect the trading range of SGD NEER to drift lower in 2025 driven by slower growth and inflation.

Inflation has eased significantly



Author

Deepali Bhargava
 Regional Head of Research, Asia-Pacific
Deepali.Bhargava@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user’s investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.