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SINGAPORE

Monetary Authority of Singapore policy pause: less dovish, more data-dependent

The Monetary Authority of Singapore (MAS) held its policy steady, but the tone was notably less dovish. While MAS made no changes to its GDP growth or inflation forecasts for 2025, the qualitative assessment indicated a more optimistic outlook than before. Although easing at the October policy meeting cannot be entirely ruled out, we think it s unlikely

Chinatown street market in Singapore

The Monetary Authority of Singapore (MAS) opted to keep its monetary policy unchanged, maintaining the prevailing rate of appreciation of the S$NEER policy band at our estimated level of 0.5%, along with its width and central level. We think while there was scope for MAS to ease today – particularly as GDP growth is expected to moderate in the second half of the year – MAS assessed that the risk of a sharp near-term slowdown in global growth has receded. This view is supported by a general de-escalation in trade tensions and more benign financial conditions since April.

MAS also flagged a balanced set of inflation risks. Downside pressures are more visible amid slowing global growth, but upside risks stemming from geopolitical tensions and supply chain disruptions remain on the radar. This suggests that MAS will adopt a cautious and data-dependent approach going forward, with limited forward guidance and a willingness to adjust policy in either direction as conditions evolve.

We think policy flexibility will remain a key theme ahead

MAS is likely to stay reactive rather than pre-emptive, responding to data as it comes rather than signalling moves in advance. While there's still room to ease – especially with CPI inflation tracking within the 0.5-1.5% target range for 2025 – any further policy adjustment will likely require clearer signs of economic weakness. Specifically, we think MAS would need to see growth slow enough to push the output gap back into negative territory – versus its current projection of a zero – before considering another cut. Hence, while an easing in the October policy meeting can't be ruled out, we put only a small probability on it at this stage.

SGD strength persists, SORA finds a floor

The SGD NEER continues to hover at the top of its policy band, pushing the currency's overvaluation to new highs. With MAS striking a less dovish tone and strong FDI inflows supporting the external balance, the SGD is likely to stay firm – unless we see a meaningful rebound in the USD (DXY). On the rates side, SORA has corrected notably over the past two months, largely due to ample domestic liquidity. However, MAS's more neutral stance suggests that the downside in SORA may now be limited, potentially establishing a floor for short-term rates.

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