

Singapore: MAS holds fast while GDP surprises on upside

The Monetary Authority of Singapore (MAS) retained policy settings today mindful of a potential inflation flare-up amidst fragile domestic growth prospects



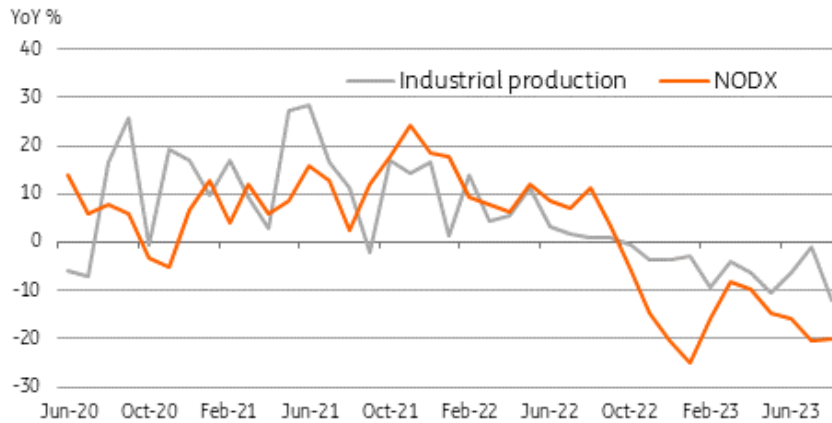
The Monetary Authority of Singapore building

3Q23 GDP surprises but outlook remains uncertain

Singapore's economy grew 0.7% YoY in 3Q23, rising 1.0% QoQ to beat market expectations. The market consensus had expected only a 0.4% YoY gain and a 0.6% increase from the previous quarter. As expected, manufacturing activity was in the red, sliding 5% YoY as industrial production recorded an 11th straight month of contraction. We did see a positive contribution from construction (6% YoY) and service-producing industries which rose 1.9% YoY.

Despite the upside surprise, we expect domestic growth to remain challenged in the near term. Non-oil domestic exports remain deep in contraction due to fading global demand. The ongoing conflict in the Middle East and the sustained struggles of the Chinese recovery both suggest that global trade will stay subdued in the coming quarters. Thus we are retaining our full-year 2023 growth projection for 0.9% YoY growth, which is within the MAS's 0.5-1.5% YoY forecast range.

Singapore's growth outlook remains uncertain with global trade a big question mark



Source: Singapore Department of Statistics

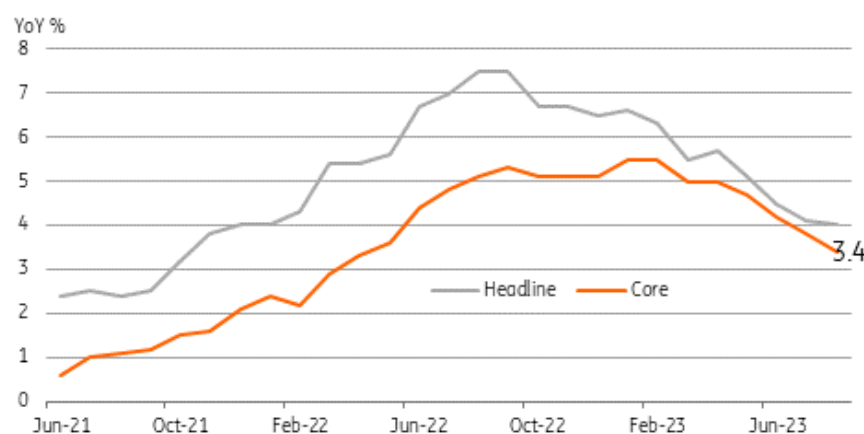
MAS keeps settings untouched amidst growth concerns and potential inflation flare-up

Meanwhile, the Monetary Authority of Singapore (MAS) kept all monetary settings untouched today, retaining the slope, mid-point and width of the currency band. The MAS believes that the current S\$NEER band is "sufficiently tight" given the current outlook for growth and inflation. Core inflation has declined to 3.4% YoY from a high of 5.5% YoY at the start of the year.

Despite the moderation, the MAS remains mindful of a potential flare-up of inflation given the recent surge in global energy prices. Uncertainty on the inflation front also remains clouded by the outlook for the Fed given rhetoric from officials suggesting that rates will likely stay higher for longer.

Thus, against the backdrop of uncertainty over domestic growth and concerns about the inflation path, the MAS has opted to retain current settings to balance out the risks to growth while mindful of a potential resurgence in price pressures due to global developments.

Inflation slows for now but risks remain



Source: Singapore Department of Statistics

MAS likely on hold for some time, will meet more often in 2024

We expect the MAS to remain on hold for some time given all the uncertainty on both the growth and inflation front. Meanwhile, the MAS also announced that it would be conducting policy meetings on a quarterly basis beginning in 2024. The MAS will meet in January, April, July and October. The increase in frequency for MAS decisions will help enhance monetary policy communication and allow them to be more nimble in conducting monetary policy given the speed at which developments evolve.