Singapore: MAS leaves settings untouched at first meeting of 2024

The Monetary Authority of Singapore (MAS) held its first meeting for the year, keeping settings untouched as expected

The Monetary Authority of Singapore building

MAS holds steady

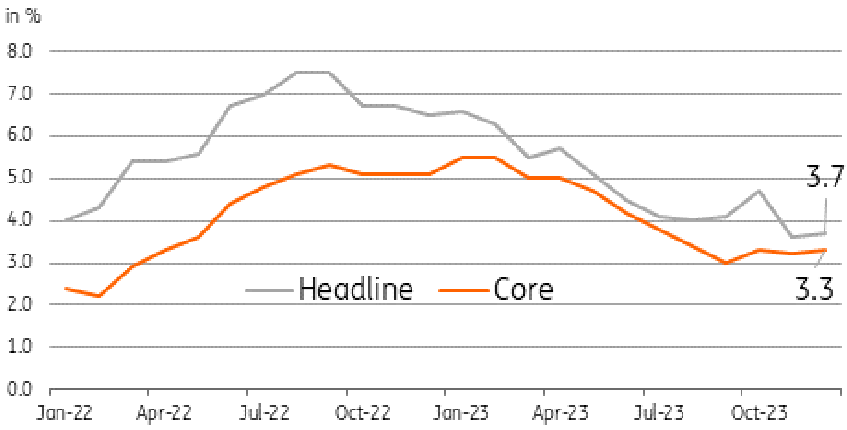
The Monetary Authority of Singapore (MAS) decided to keep all settings unchanged today, a move widely expected by market participants. This was the 5th meeting where the MAS left policy settings untouched.

The decision to hold all settings untouched was linked to concerns about lingering price pressures with inflation possibly staying elevated in 1Q due to the implementation of the last round of the goods and services tax (GST) and adjustments to utilities.

What did come as a bit of a surprise however was the relatively upbeat outlook with growth forecasts upgraded and headline inflation forecasts adjusted slightly lower.

Growth is now expected to settle between 1-3%YoY delivered partly by the nascent recovery in manufacturing. Meanwhile, despite the projected pickup in the first quarter, the MAS expects inflation to moderate in the second half of the year to settle between 2.5-3.5%YoY (3-4%YoY previously).

MAS holds given stubborn inflation threat



Source: Singapore Department of Statistics

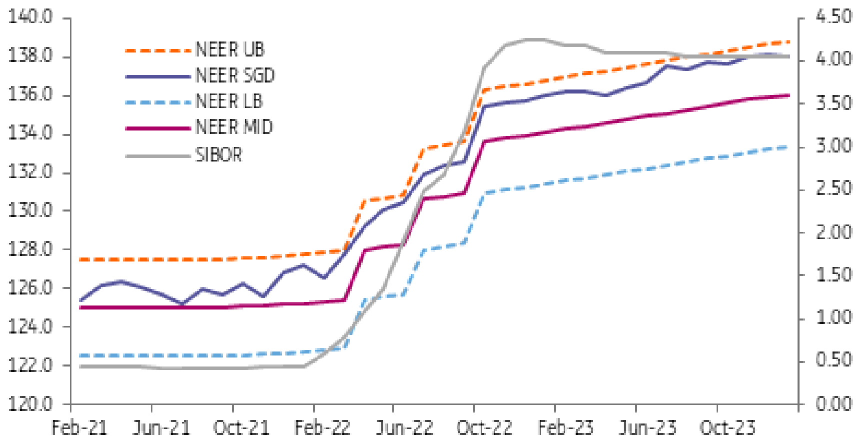
MAS likely to be on hold for some time

The MAS recently shifted to holding 4 meetings per year as opposed to the previous 2, giving them more flexibility to adjust monetary policy settings as needed. This new development suggests that we could see a potential adjustment in policy before the 4Q of the year.

Given the inflation outlook is still elevated but moderating, and with MAS opting to pause today due to concerns about the inflation path, we expect the MAS to be on hold for at least another meeting.

However, should inflation moderate towards the second half of the year as forecast, the MAS could consider adjusting policy settings at their 3rd or 4th meeting of the year.

SGD NEER towards the top of the target range



Source: CEIC, ING