Singapore: MAS tightens further, 4th time this year

The Monetary Authority of Singapore (MAS) tightened policy further as inflation continues to heat up

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MAS continues to tighten policy to combat searing inflation

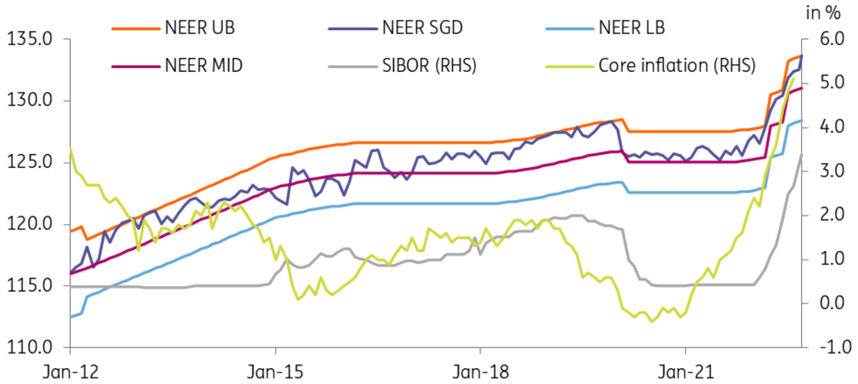
The Monetary Authority of Singapore (MAS) tightened policy further today, the 4th time this year and the fifth since they began to tighten last October. Soaring inflation has called the MAS into play since late 2021 and they have been quite busy ever since. A combination of elevated commodity prices and resurgent domestic demand has pushed core inflation past 5%YoY prompting the MAS into action in January, April and July. The MAS inflation forecasts point to core inflation at 4% for the year and 3.5-4.5%YoY for next year, factoring in the implementation of the goods and services tax (GST) increase in 2023.

MAS adjusts mid-point and...?

The MAS opted to re-centre the currency band to prevailing levels but kept the slope and the width of the band unchanged. We had expected a more aggressive move, but Singapore's central bank believes that today's move will build on past tightening carried out since October 2021 to reduce imported inflation and curb domestic cost pressures. However, given the outlook for inflation, the

MAS will at least need to retain its hawkish tone until price pressures finally show signs of moderating.

MAS to re-centre policy band to prevailing levels

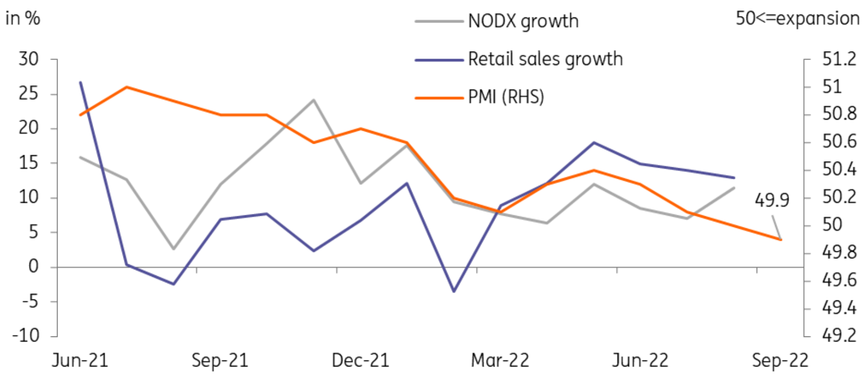


Source: CEIC and ING estimates

3Q GDP surprises on the upside

Singapore also released 3Q22 GDP advance figures today. 3Q GDP growth surprised on the upside, settling at 4.4%YoY compared to expectations for a 3.5% gain. Retail sales, possibly bolstered by foreign tourist arrivals, and non-oil domestic exports have held up relatively well in the face of accelerating inflation and slowing global demand. Despite today's strong GDP report, we expect growth to slow down in 4Q22 with signs pointing to even faster inflation coupled with global trade softening on recession fears.

Retail sales and NODX held up well but momentum shows signs of slowing



Source: CEIC

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