14 October 2025

Global Markets Research

Research Alert

MAS stood pat on monetary policy as expected

MAS maintained the prevailing rate of appreciation of the S$NEER policy band

S$NEER band at an appropriate position; balanced outlook suggests status quo in 2026

Positive for SGD; USD/SGD expected to trade towards 1.28 by end-2025 and 1.23 by end-3Q26

MAS maintained the prevailing rate of appreciation of the S$NEER policy band; no change to its width and the level at which it is centred

MAS maintained the prevailing rate of appreciation of the S$NEER policy band, and there was no change to its width and the level at which it is centred in the policy meeting. In the statement, MAS reiterated that Singapore's economic growth has been stronger than expected and said that the output gap will remain positive in 2025 and come in around 0% next year. MAS Core Inflation should trough in the near term before rising gradually over the course of 2026.

3Q real GDP growth decelerated less than expected

In a separate release this morning, advanced 3Q GDP growth surprised street estimates on the upside, decelerating to 1.3% q/q and 2.9% y/y (2Q: 1.5% q/q and 4.5% y/y). On a yearly basis, growth eased across the board led by manufacturing (0.0% vs 5.0% y/y) due to biomedical. Construction and services also eased to 3.1% y/y and 3.5% y/y respectively (2Q: 6.2% y/y vs 4.5% y/y), the latter due to wholesale & retail trade and transport & storage (2.5% vs 4.9% y/y).

Interestingly, growth on the quarterly basis was divergent with construction sector turning contractionary at -1.2% q/q (prior: 6.5% q/q), services easing but remained expansionary at 0.2% q/q (1Q: 1.7% q/q) supported by domestic consumer facing sector, while manufacturing grew a sturdy 6.1% q/q after two quarters of contraction (1Q: -5.1% q/q, 2Q: -0.7% q/q), likely a sign of recovery from the tariff-related slump in the last two quarters.

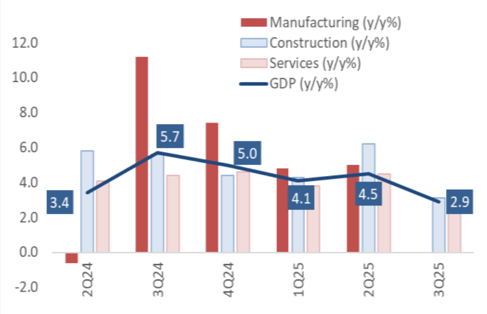
Moving forward, growth is expected to moderate from this above-trend pace in the upcoming quarters as activity normalises in the trade-related sectors, amid paybacks from front-loading and increased tariff rates on product-specific duties like pharmaceutical products potentially dampening demand. Continuing global investments in AI and on the domestic front, infrastructure investment and accommodative financial condition will nonetheless support the economy.

Core inflation to average 0.5% for 2025; and between 0.5–1.5% in 2026

In terms of inflation, CPI has moderated since 2Q reflecting fresh government subsidies as well as subdued imported and moderating domestic cost pressures. While core inflation is expected to ease further in the short-term, some of the factors that has kept a lid on inflation are expected to diminish in the quarters ahead. Namely: 1) More gradual decline in global crude oil prices are expectedly and amid modest pickup in regional inflation. 2) Services unit labour costs growth expected to rise in 2026 as productivity growth normalises. 3) Private consumption likely to remain steady amid healthy household balance sheet and a broadly resilient labour market

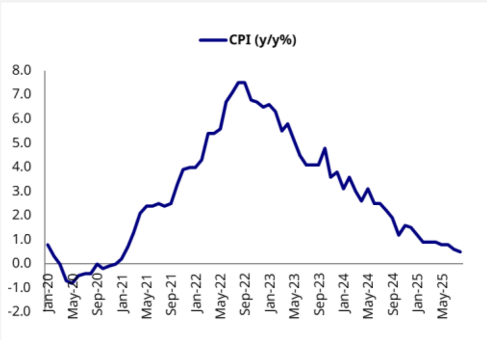
With this, inflation is expected at the lower end of its 2025 forecast at 0.5% for core and 0.5-1.0% for headline, and coming between 0.5-1.5% for 2026. For 2026, a pickup in core inflation is expected to offset non-core components. Accommodation and private transport inflation is expected to ease, the latter due to further increase in COE supply. Risks to inflation is balanced, on upside due to geopolitical tensions and downside due to softer growth or global oil prices.

Figure 1: Growth has been stronger than what MAS and market had anticipated



Source: Bloomberg

Figure 2: Inflation is at the lower band of MAS' forecast range of 0.5-1.0% for 2025



Source: Bloomberg

Figure 3: USD/SGD is expected to trade towards 1.2800 by end-2025, 1.2300 over the coming 12 months

Source: Bloomberg

Positive for the SGD

In our opinion, MAS continued to give a balanced outlook and having pre-emptively eased twice this year, it will likely stay on hold in 2026. That said, we will be watching out for the official GDP forecasts for 2025 and 2026 due to be announced next month. The decision today and a continuous balanced outlook from MAS is expected to be positive for the SGD in the continued environment of USD depreciation over the medium term. With this, we expected ***USD/SGD expected to trade towards 1.2800 by the end of 4Q25, moving lower towards 1.2300 over the coming 12 months.***

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