Asia Alert

14 October 2026

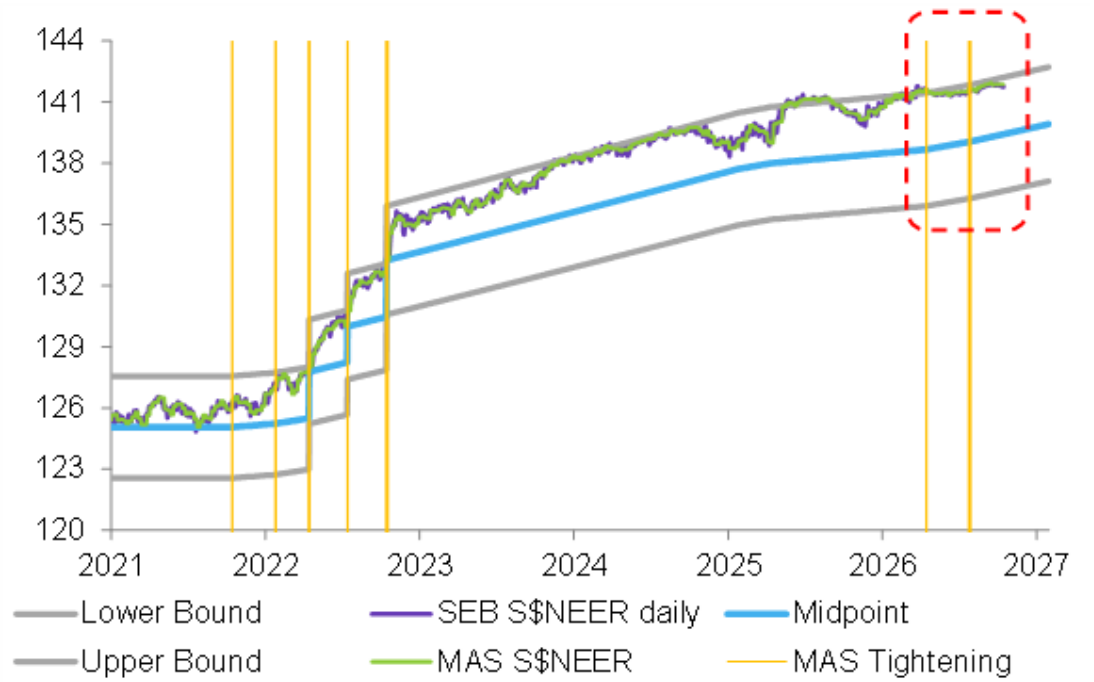
Singapore's MAS Hits Pause, Not Stop

Monetary Authority of Singapore (MAS) held policy steady, citing narrowing positive output gap through 2027. Yet, with inflation risks persisting, MAS left the door open to resume tightening next year. Already hugging the upper bound, the S$NEER has little room for near-term rally putting upside risks to our end-2026 USD/SGD forecast at 1.26. Still, with policy bias leaning hawkish, any pullback in the Singdollar will be brief.

The Monetary Authority of Singapore (MAS) maintained policy settings, as we had expected. We estimate the rate of appreciation of the currency basket to have been maintained at 1.25% pa. There was no change to the width of the policy band and the level at which the band is centered. As a small and open economy, monetary policy in Singapore targets the exchange rate rather than interest rates. Specifically, MAS manages the Nominal Effective Exchange Rate (S$NEER) and ensures that the currency basket trades within the range of the policy band. While MAS has adjusted the center of the band a number of times in the last few years, the rate of appreciation of the slope is the most commonly adjusted tool. The width of the band is the least frequently changed, which we currently estimate to be around +/-2% around the center.

Ahead of the meeting, the market had largely priced in continued tightening, though expectations softened slightly in the final stretch. In a Bloomberg survey, 17 out of 20 analysts expected an overall tighter stance, with the same ratio expecting another increase in the appreciation rate. No analyst expected a change in the center of the band, nor the width of the policy band. Typically, the S$NEER would already be hugging the top of the band ahead of actual tightening if the market felt strongly about the policy adjustment. The S$NEER was flirting with the upper bound of the policy band through most of September. Yet, we note the S$NEER marginally pulled back from the boundary in the last couple of weeks, suggesting some fading of market expectations (Chart 1). Indeed, **we estimate the S$NEER to be trading around 1.71% above the center after the policy announcement.**

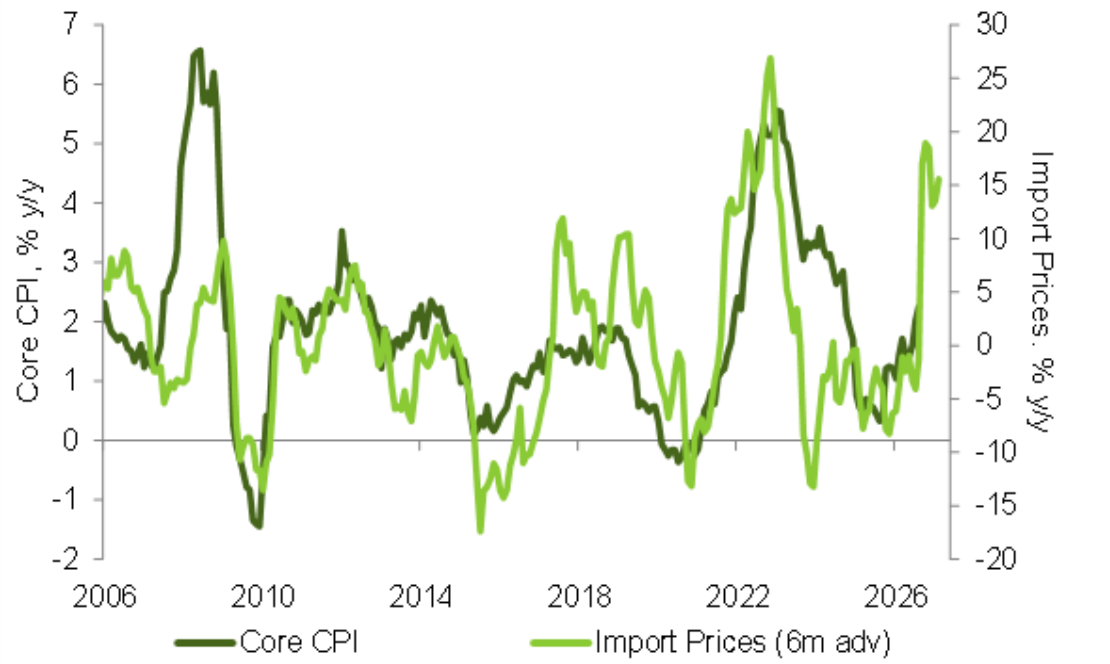
Chart 1: Market expectations of further tightening keeps S$NEER hugging the upper band



Source: Bloomberg, SEB

MAS expects the positive output gap to narrow through 2027. Advance estimates show Q3 GDP growth moderating to 5.4% y/y from an upwardly revised 6.2% in Q2. Although expansion remains well-above trend, policymakers anticipate AI-driven momentum will cool in the latter half of 2027.Even so, rising high-frequency indicators point to a re-acceleration through H1 2027. Aside from some weakness in the consumer-facing sector, growth across the rest of the segments remains robust. **Overall, the growth outlook justifies today's pause in policy tightening**.

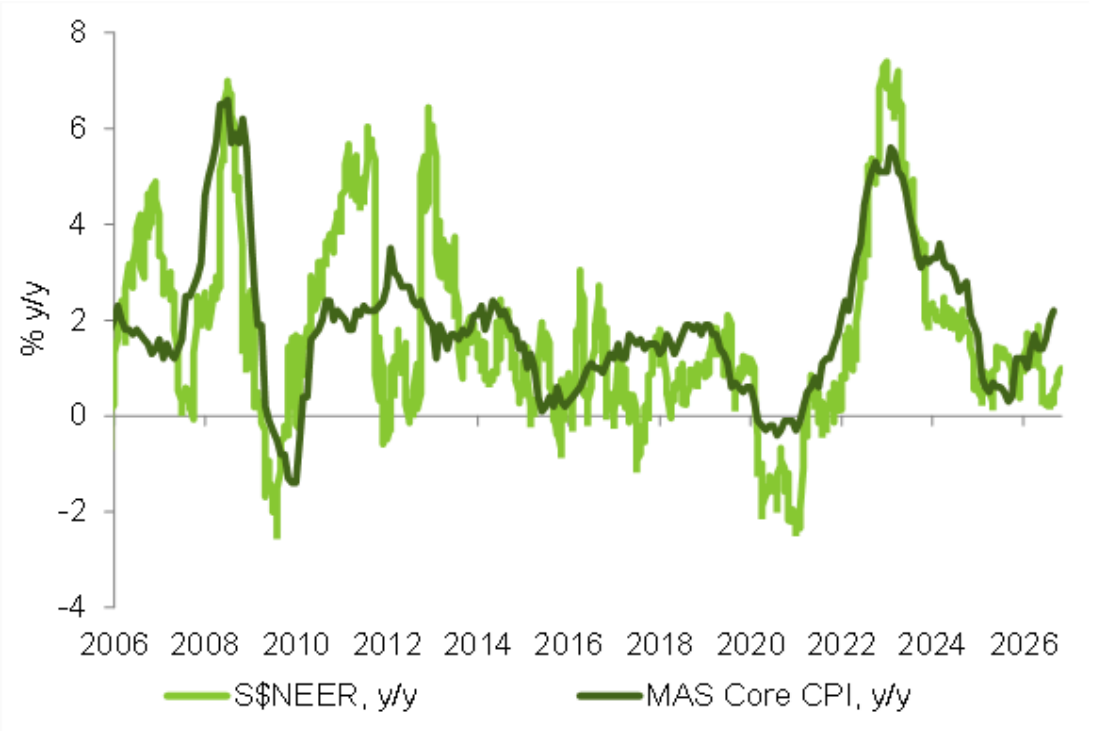
Chart 2: Elevated imported inflation keeps upward pressure on MAS Core inflation over next 6 months



Source: CEIC, SEB

Despite holding policy steady, S$NEER will remain close to the upper bound as MAS has left the door open for further tightening. While MAS expects its Core CPI inflation to ease from mid-2027, it acknowledges that risks remain tilted to the upside. As it is, imported inflation remains elevated, keeping upward pressure to incoming inflation prints in the next six months (Chart 2). Even if energy production and shipments from the Middle East were to recover more quickly than MAS projected, policymakers remain wary of upward risks to food prices from El Niño which is expected to be strongest on record. Moreover, the annual gains in the S$NEER have failed to keep up with the MAS Core inflation despite the S$NEER hugging the upper policy band (Chart 3). This suggests the central bank's work may not be done.

Chart 3: Gains in S$NEER has not been enough to offset gains in MAS Core inflation



Source: Bloomberg, CEIC, SEB

MAS will likely resume tightening in 2027 should upside risks to inflation materialize. Already, the central bank expects Core inflation to average at 1.5-2.5% in 2027 as compared to its latest 2026 forecast range of 1.5-2.0%. Imported price pressures remain above historical trends. Yet, the broader spread of inflation seems to be slowing. Our diffusion index of items with rising prices has retreated, which should cap MAS Core inflation over the coming months (Chart 4). This gives policymakers room for today's pause.

Chart 4: The diffusion of price pressures is starting to ease



Source: CEIC, SEB

With policy held steady today, the S$NEER has little room for a near-term rally, tilting upside risks to our end-2026 USD/SGD target of 1.26. While the policy band continues to rise at 1.25% pa, the S$NEER is already hugging the upper bound. This caps the room for USD/SGD to slide in the coming months, barring a sharp sell-off in the greenback. Yet, with balance of risks leaning toward further tightening rather than easing, any pullback in the Singdollar will be brief. The Singdollar should continue to outpace its regional peers. Year-to-date, it lags only the Korean won and the Chinese yuan.

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