Singapore: MAS on a measured pause for now

- **Despite stronger growth, easing inflation concerns gave the MAS confidence to keep its monetary policy stance unchanged in October.**
- **We revise higher our 2026 GDP growth forecast for Singapore to 5.5% (from 4.4%) amidst more support from the AI-related sector while lowering inflation to 2.0% for 2026.**
- **The MAS is likely to pause into H127 as they allow previous tightening to take hold. We raise our SORA forecast slightly.**



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MAS surprises with a hold

The Singapore MAS stayed with the status quo and kept its monetary policy settings unchanged at its monetary policy meeting today. The pause today comes following consecutive tightening by the central bank at its meetings in July and April earlier this year. The decision is a slight surprise to markets which anticipated the potential for more tightening given the further firming up of economic growth momentum since July. We also saw potential for a tightening "very slightly" after this new tightening in smaller increment debuted in July. Following the decision today, the slope of the SGD NEER band remains at 1.25% appreciation p.a.

Changes to policy settings at recent MAS meetings

Date	Slope	Width	Level
Oct 2026	-	-	-
Jul 2026	Increase very slightly	-	-
Apr 2026	Increase slightly	-	-
Jul 2025 to Jan 2026 (3 meetings)	-	-	-
Apr 2025	Reduce slightly	-	-
Jan 2025	Reduce slightly	-	-
Apr 2023 to Oct 2024 (6 meetings)	-	-	-
Oct 2022	-	-	Re-centre upwards
July 2022	-	-	Re-centre upwards
April 2022	Increase slightly	-	Re-centre upwards
Jan 2022	Increase slightly	-	-
Oct 2021	Increase slightly	-	-
Oct 2020 to Apr 2021 (2 meetings)	-	-	-
Mar 2020	Set at 0%	-	Re-centre downwards

Source: MAS, Crédit Agricole CIB

Stronger growth but easing inflation concerns gives confidence to hold

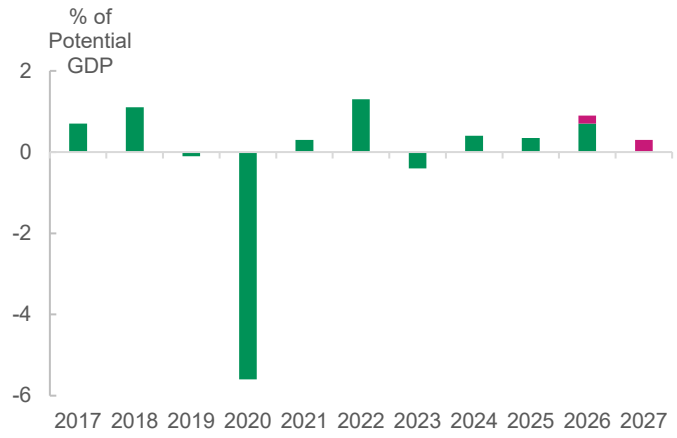
Singapore's economic growth remains robust heading into the meeting. The advance estimate of Q3 GDP beat market expectations rising 5.4% YoY (vs 6.2% YoY in Q2) and 1.1% QoQ. Growth momentum remains very strong, driven by the technology-related sector. The technology sector has a share of about 22% of GDP but accounted for about 75% of growth in Q3. In the other key clusters of the economy, most sectors continue to grow at around trend pace with the exception of the oil-related sector (under pressure from the US-Iran conflict) and also parts of the consumer-facing sector as the economy continues to undergo dual speed growth. Overall though, the MAS's estimate of the positive output gap further widened to 0.9% of potential GDP for 2026 from 0.7% in its assessment in July.

Looking ahead, the Singapore economy is expected to remain resilient into end-2026 and early 2027 amidst support from AI-related demand give order books committed into 2027. Singapore's positioning at the upper end of the IT ecosystem will also help it to insulate in the event of any pullback. The positive sentiment from technology-related sectors should also support broad based growth. The risk is

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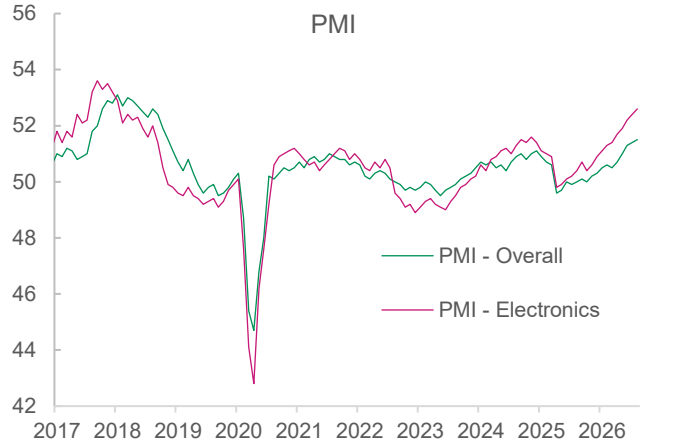
more for later in 2027 as the "exceptional" pace of IT growth inevitably moderates and as rising yields and concerns about AI investments build. The rise in global yields should also have a restraining effect on growth which should be more evident in 2027. Trade-related clusters could potentially see more challenges in 2027. The positive output gap should narrow to 0.3% in 2027. We believe that Singapore's 2026 forecast should be able to reach the higher end of the official forecast of 4.5-5.5%. We revise higher the Singapore economic growth forecast for 2026 and 2027 to 5.5% and 3.0% from 4.3% and 2.7% respectively.

Output gap forecasts have improved



Source: MAS, Crédit Agricole CIB

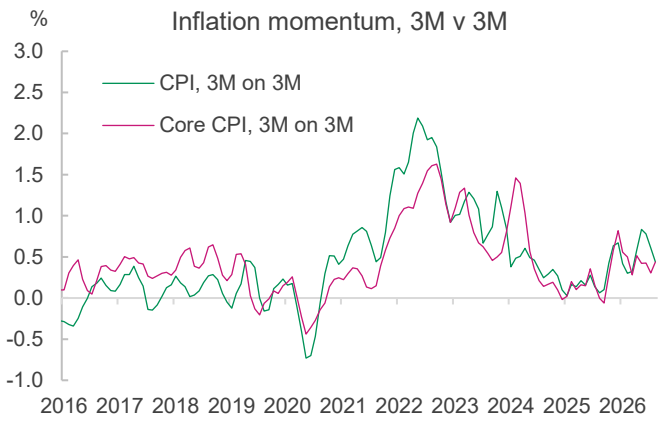
Tech is in the driving seat when it comes to growth



Source: CEIC, Crédit Agricole CIB

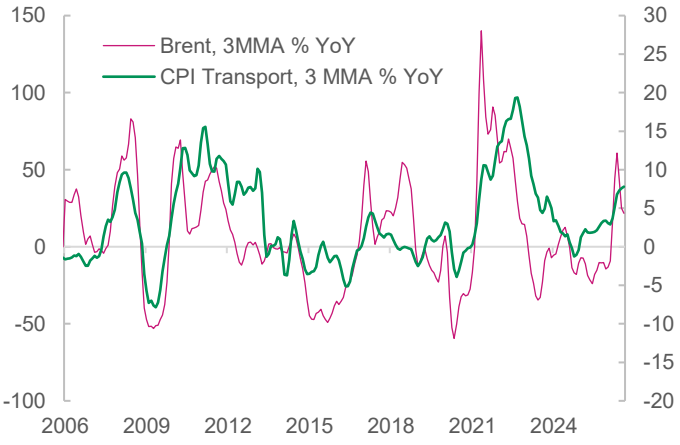
Meanwhile, the MAS appears less concerned about inflation relative to its July meeting. Imported cost pressures should remain a factor but meanwhile domestic price pressures remain relatively subdued. With the output gap narrowing, wages growth remains broadly in line with historical norms and the faster growth is currently not leading to overheating concerns. MAS Core Inflation is forecast to remain slightly elevated in the immediate quarters ahead before easing more discernibly from mid-2027, averaging 1.5-2.0% for 2026 and 1.5-2.5% for 2027. The range of 1.5-2.0% for 2026 is also narrowed from 1.5-2.5% forecasted previously in another sign of inflation pressures being less than anticipated. Headline CPI is kept at around 2.0% for 2026. Seemingly, the key for the MAS here is that inflation pressures should not be too pressing, barring a major supply side shock. Even in the face of El Niño, the MAS is expecting more tempered price increases given healthy food inventories. In our view, the main risk here remains oil prices staying elevated, and that risk could rise more tangibly following the US midterms in November. Given the inflation outturns so far, we lower our Singapore inflation forecast to 2.0% (vs 2.2% previously) for 2026 while maintaining our forecast of 2.0% for 2027.

Output gap now expected to widen in 2026



Source: CEIC, Crédit Agricole CIB

Inflation pressures remain persistent



Source: CEIC, Crédit Agricole CIB

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MAS on a measured pause

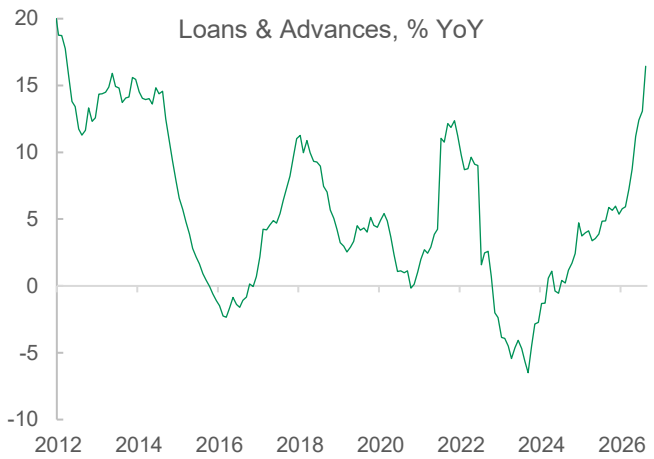
In terms of the path ahead, we detect a more measured tone by the MAS today relative to the last meeting. In our view, the MAS appears confident that the earlier tightening they have made puts them in a good position to manage existing price pressures. Therefore, while the near-term growth dynamics remains strong, they do not feel the need to tighten again at this stage especially as inflation concerns are not as pressing as before. Also given the moderation in growth expected in 2027, this argues for a more cautious approach. Therefore, the MAS remains data-dependent, but this will require the data showing much stronger growth and inflation compared to their existing base forecast. We expect the MAS to remain on hold for now and into H127.

The SGD outperforming while SORA to edge higher

The SGD has been a relative outperformer in Asia and is among the three regional currencies to have appreciated against the USD YTD, underpinned by Singapore's strong macro backdrop, foreign portfolio inflows, and MAS tightening. Looking ahead, we remain biased towards SGD resilience. While the MAS did not tighten further, its tightening stance should continue to keep the currency supported. The SGD NEER edged slightly lower today following the MAS decision from 1.4% above the mid-point to about 1.3% but we do not think there is that much room for consolidation as underlying factors remain supportive. The greater risk for USD/SGD lies on the USD side, with the DXY rising to its highest level since Q225. We think the DXY could remain buoyed into end-2026 on the Fed rate hike dynamic before easing more substantially in 2027, leaving USD/SGD more rangebound around current levels. For now, 1.27 remains a strong floor, though we think this level could be tested as the USD weakens anew into 2027.

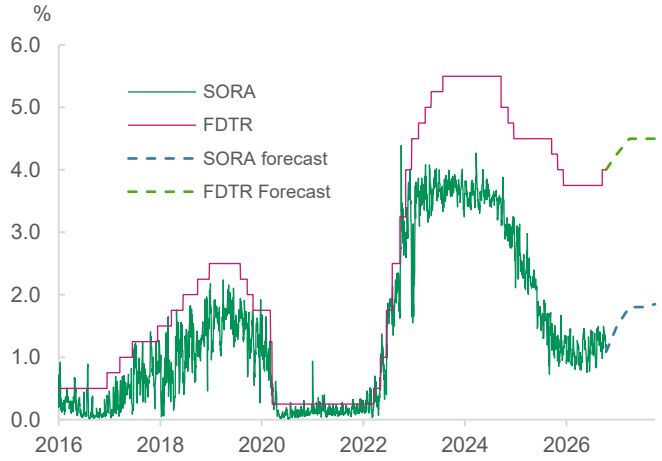
SORA rates have broadly remained stable with a slight upward trend in a sign that financial conditions are tightening (albeit very modestly). The rise in global yields will also tighten domestic financial conditions. We expect the Fed to hike rates twice more, once in December and then in Q127. We also continue to expect the gap between SORA and global peers to gradually narrow, especially as credit growth continues to ramp up to multi-year highs, though the pause in MAS tightening helps to cap some upside. We raise our SORA forecast to 1.50% at end-2026 and 1.65% at end-2027 from 1.30% and 1.50% respectively.

Loan growth at a multi-year high



Source: CEIC, Crédit Agricole CIB

Singapore financial conditions to tighten modestly



Source: Bloomberg, Crédit Agricole CIB

CACIB forecast profiles

	Current	Q426	Q127	Q227	Q327	Q427
USD/SGD	1.28	**1.27**	**1.27**	**1.26**	**1.26**	**1.25**
O/N SORA	1.08	**1.50** *(1.30)*	**1.80** *(1.40)*	**1.80** *(1.40)*	**1.85** *(1.40)*	**1.65** *(1.50)*

Note: Our previous forecasts are in brackets, Source: Crédit Agricole CIB

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Source: RMA by Crédit Agricole CIB

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