

MAS Preview

8 Oct 2025

Doors to Ease Stay Open but Likely Status Quo

The next scheduled Monetary Policy Statement (MPS) will be released on 14 Oct 2025, alongside the release of the Advanced GDP estimate for 3Q. It is likely to be a close call between flattening the slope and keeping policy stance on hold. Our base case is for MAS to maintain policy status quo. Softer core CPI print for Singapore may have added to expectations that MAS may ease policy at its upcoming MPC but subdued price pressure is also well within expectations of MAS. Path of inflation outlook matters, and our house view has inflation forecast skewed higher towards 1% for 2026 while growth still holds up overall. The door for MAS to ease remains open should growth-inflation dynamics worsen more than expected. But for now, we expect MAS to preserve policy ammunition and maintain current policy stance – which is still a slight appreciating bias.

In terms of S\$NEER implication, a MAS hold should see little to modest strengthening in the S\$NEER while USDSGD may trade a touch softer, post-decision (assuming broader USD trend is more nuanced). In an outside chance of a flattening of the slope to neutral, then S\$NEER may weaken more asymmetrically. Potentially, USDSGD may see knee-jerk reaction to trade higher. But it is important to highlight that the implication of MAS policy on USDSGD is only one aspect as USD trend, broader market thematics, such as Fed policy, moves in RMB, growth-inflation dynamics, risk sentiments, etc. also matter.

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Taking Stock

At the last MAS meeting (30 Jul), MAS kept policy on hold, after delivering two consecutive policy easings in 1H 2025. Some highlights of the monetary policy statement (MPS) include (1) Singapore's GDP growth is projected to moderate in the 2H2025 from its strong pace in 1H. There was reference made to growth uncertainty especially in 2026 as changes in tariff rates worldwide could impact performance of Singapore's externally oriented sectors. (2) there was no revision to MAS inflation forecast of 0.5 – 1.5%, as the MPS continue to flag both upside and downside risks to inflation outlook in the quarters ahead. (3) The MPS indicated that the policy is in an appropriate position to respond to risks to medium-term price stability.

Recent Developments

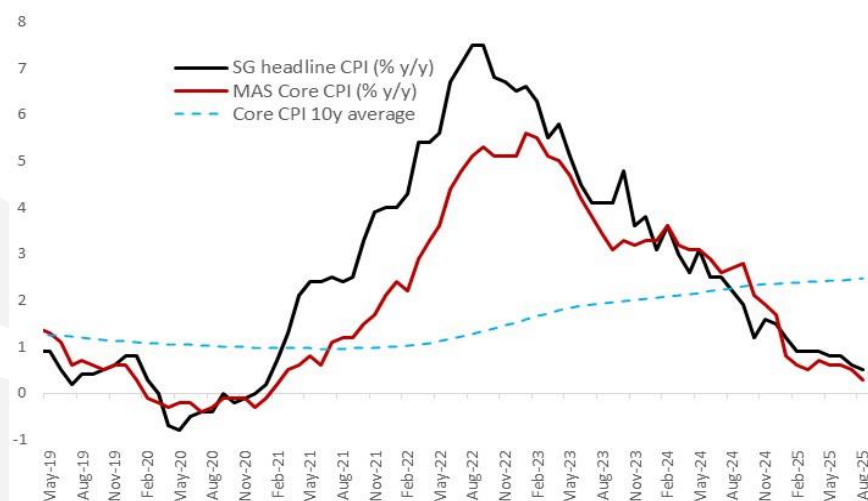
Since then, the global economy has continued to trudge along. Tariff developments have progressed from reciprocal tariffs to sectoral. The most recent was the 100% tariff rate on pharmaceuticals, pharmaceutical products (wef 1 Oct), though there are exceptions. US also announced 50% tariff rate on kitchen cabinets and bathroom vanities, 30% tariff rate on upholstered furniture, and 25% tariff rate on heavy trucks, in turn adding another layer of complexity to the inflation–growth dynamics.

In Singapore's case, there have been concerns about tariffs on pharmaceutical exports. According to MTI, *pharmaceutical exports to the US amount to about S\$4bn, and this is about 13% of domestic exports to the US, and about 19% of overall pharmaceutical domestic exports.*

In the same speech made by Deputy Prime Minister and Minister for Trade and Industry, Gan Kim Yong indicated that engagements with the pharmaceutical companies suggest that many of these pharmaceutical companies already *have plans to invest in the US to build new capacity, so the tariffs may not have immediate impact on their exports.*

On Singapore inflation, core CPI continued to come in softer at 0.3% y/y for Aug. This was mainly driven by a moderation in services inflation. MAS-MTI joint statement on CPI developments continued to point to moderate imported inflation in the near term and that core inflation and CPI-All Items inflation are projected to average 0.5–1.5% in 2025. It is flagged that *inflation outlook in the quarters ahead is subject to both upside and downside risks. Geopolitical shocks could lift imported energy and shipping costs abruptly. Conversely, should global and domestic growth be more hesitant and weaker than anticipated, core inflation could stay low for longer.*

Disinflation trend continues



Source: Bloomberg, OCBC Research

Our Chief Economist, Selena Ling noted that headline and core inflation should stay within the official inflation forecast range of 0.5-1.5% YoY this year, albeit likely closer to the lower end of the range. For 2026, the house view is for both headline and core CPI to rebound above 1% YoY handle as well, so the medium-term inflation outlook is not for a further disinflation trajectory.

Barring a sharp downturn in the months ahead, our Chief Economist projects for full year GDP growth to exceed the 2% handle, on better than expected 1H growth performance on frontloading effects as well as resilient domestic momentum.

MAS Policy Options

The next scheduled **MAS MPS will be released on 14 Oct 2025 (8am SGT), alongside the release of Advance GDP estimates for 3Q 2025.**

On MAS policy, there are various options that MAS can go about setting its monetary policy at this meeting and that includes: (1) adjusting the policy band lower to allow for an immediate weakening of the SGD on a trade-weighted basis; (2) adjusting the policy slope lower to further reduce the pace at which SGD appreciates on a trade-weighted basis; (3) widening the policy band from the current estimated $\pm 2\%$ in light of volatility in the financial markets; or (4) do nothing – to keep policy stance status quo (which is currently on an appreciating path). In certain circumstances, MAS can also deploy a combination of options.

Our House View: To Maintain Status Quo Though Easing Door Stays Open

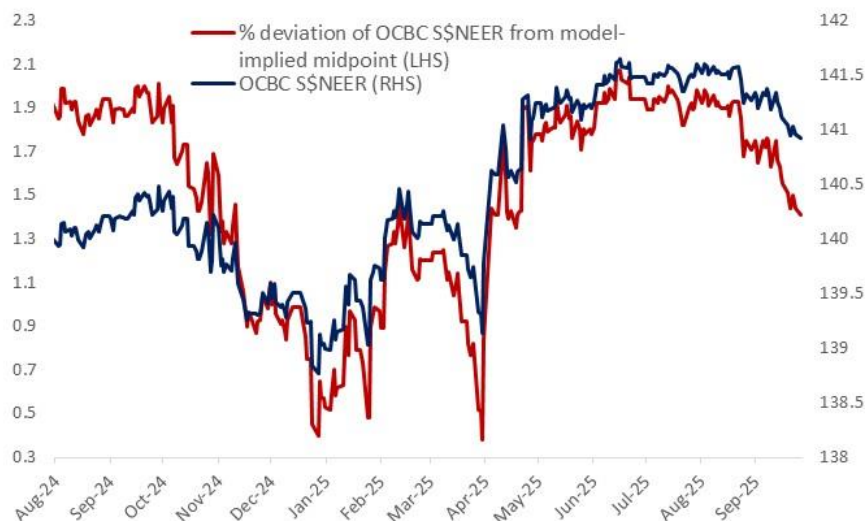
It is likely a close call for upcoming MAS policy decision: between flattening the slope and keeping policy stance on hold.

Year-to-Aug average core CPI is about 0.6%, with the recent softer-than-expected Aug print further adding to expectations that MAS may ease policy at its upcoming MPC in Oct. Earlier, the MAS survey of professional forecasters also noted that 42% of respondents anticipated MAS to ease policy in Oct. This is an increase from about 17% respondents seen in the Jun survey results.

We also observed that the relative strength in SGD (vs. basket) has moderated, with S\$NEER easing away from its upper bound to about 1.4% above our model-implied mid. The past 2 episodes of MAS easing in 1H 2025 saw similar move in our model and judging from price pattern, markets may have also somewhat priced in a mild expectations of MAS easing. But that

is no pre-cursor to easing. In Oct-2024, S\$NEER had also eased but MAS maintained policy status quo.

Some Expectation of Easing Priced but Not a Pre-cursor



Source: OCBC Estimates

Though the doors for easing remain open if growth-inflation dynamics worsen, **our base case is that the MAS** can preserve policy ammunition and maintain current policy parameters – which is still a slight appreciating bias.

While price pressure remains subdued, it is within expectation of MAS. Path of inflation outlook matters, and our house view has inflation forecast skewed higher towards 1% for 2026 while growth still holds up overall. Recent data does not suggest urgency for immediate action and another pause at this juncture gives policymakers room to assess the impact of earlier easing while allowing for tariff uncertainties to find some clarity.

There were 2 episodes in the last 10 years when MAS flatten the slope (i.e. rate of appreciation) to zero: (1) was during covid period in Mar-2020 and (2) in Apr-2016, the episode of global growth slowdown. Going back further to 2001, there were 2 other episodes when MAS reduced the slope to zero: (1) in Jul 2001 dot-com bust and (2) in 2008 GFC. In both episodes, Singapore growth was projected to slow.

Dates	Policy Action			Economic Considerations (Respective MAS policy statements)
	Slope	Band	Midpoint	
12/07/2001 (dot-com bust)*	Reduce to zero	-	-	Real GDP growth is expected to slow sharply to 0.5-1.5% for 2001. Inflationary pressures are subsiding, coming in within the 1-1.5% range for 2001. Foreign inflationary pressures are expected to be benign this year, especially with the softening in oil prices. Domestic sources of inflation will also be more muted with a softer labour market going forward, significantly slower growth in nominal earnings, and more cautious consumer sentiments.
10/10/2008 (GFC)	Reduce to zero	-	-	Global economy has deteriorated amidst heightened risk aversion and deleveraging in the financial sector. SG's GDP growth forecast for 2008 has been revised to ~3%, down from 4-5%. Economic growth will likely remain below its potential rate over the next few quarters. CPI inflation is expected to trend down in 2009 as the global and domestic economies slow and for the year as a whole. MAS underlying inflation coming down to ~2%
MAS Policy Easing in the Last 10 Years				
28 Jan 15*	↓	-	-	MAS Core Inflation and CPI-All Items inflation is expected to be 0.5-1.5% and -0.5-0.5% respectively due to lower oil prices and moderate economic growth environment.
14 Oct 15	↓	-	-	MAS Core Inflation and CPI-All Items inflation is expected to come in at 0.5-1.5% and -0.5-0.5% respectively due to benign core inflation outlook and weak global demand.
14/04/2016 (Subdued global growth with risks of stagnation)	Reduce to zero	-	-	Singapore economy registered 0% growth on a quarter-on-quarter seasonally adjusted annualised basis in Q1 2016, following the 6.2% expansion in Q4 2015. Outlook for the global economy has dimmed since Oct-2015. Singapore economy is likely to grow at a modest pace of 1-3% in 2016, and the level of activity will be slightly below potential. Crease in core inflation will be milder than earlier expected, on account of a downward revision in the outlook for global oil prices, a reduction in labour market tightness, and weaker consumer sentiment. MCPI-All Items inflation will remain negative throughout 2016. Over the medium term, core inflation is expected to average slightly below 2%.
14 Oct 19	↓	-	-	MAS Core Inflation and CPI-All Items inflation is expected to come in at 1-2% and 0.5% respectively due to low projected core inflation. Oil prices slumped and NODX contracted.
30/03/2020 (Covid period)*	Reduce to zero	-	↓	COVID-19 pandemic has led to a severe contraction in economic activity both in Singapore and globally, due to the combination of supply chain disruptions, travel restrictions imposed in many countries and a sudden decline in demand. The Singapore economy will enter a recession in 2020, with GDP growth projected at -4 to -1%. MAS lowered the forecast range for both Core Inflation and CPI-All Items inflation to -1-0% due to external and domestic pressures.
24 Jan 25	↓	-	-	MAS Core Inflation and CPI-All Items inflation is forecast to average 1.0-2.0% and 1.5-2.5% respectively due to core inflation moderating more quickly than expected.
14 Apr 25	↓	-	-	MAS Core Inflation is now forecast to average 0.5-1.5% in 2025, CPI-All Items inflation in 2025 is similarly expected to average 0.5-1.5% due to weakening external outlook.

↓ denotes reduction in slope/re-centering of midpoint downwards

↑ denotes increase in slope/re-centering of midpoint upwards

Blue shaded rows represent easing while red shaded represent tightening move

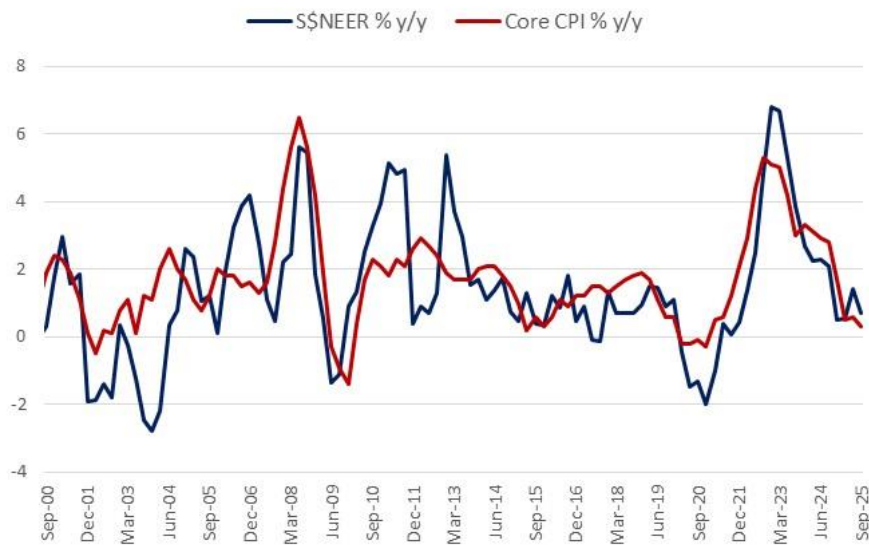
* denotes offcycle moves

That said, we do not rule out an outside chance of MAS flattening the policy slope (i.e. zero rate of appreciation) at Oct MPC if growth-inflation dynamics is assessed to worsen going forward.

Implications of MAS Policy Stance on S\$NEER and USDSGD

In terms of S\$NEER implication, a MAS hold should see little to modest strengthening in the S\$NEER while USDSGD may trade a touch softer, post-decision (assuming broader USD trend is more nuanced). But this does not necessarily imply that the S\$NEER must return to its upper bound. Keep in mind that the MAS's current policy stance aims for only a mild appreciation. Therefore, there is still potential for the S\$NEER to remain near its current level or even decline moderately. To some extent, the S\$NEER arguably should not have been that strong, considering the 2 rounds of easing in the first half of the year, if not for safe haven inflows.

S\$NEER % y/y vs core CPI % y/y

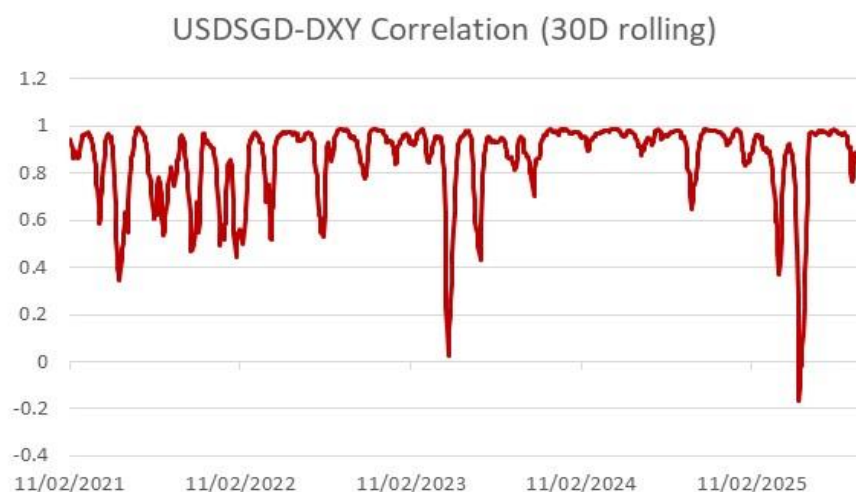


Source: Bloomberg, OCBC Research

A flattening of the slope to neutral would see S\$NEER weakening more asymmetrically. Potentially, USDUSD may see knee-jerk reaction to trade higher (even with the assumption that broader USD trend is more nuanced).

But it is important to highlight that the implication of MAS policy on USDUSD is only one aspect as USD trend, broader market thematic, such as Fed policy, moves in RMB, growth-inflation dynamics, risk sentiments, etc. also matter. If the broader USD trend is a bullish one, then even in the event of MAS keeping policy on hold at the upcoming meeting, USDUSD can still take cues from the bullish USD trend to drift higher. In the event if broader USD trend is bullish and the MAS ease policy slope, then USDUSD risks going much higher, in response.

Significant Positive Correlation between USDUSD and DXY



Source: Bloomberg, OCBC Research

To some extent, the length of US government shutdown may potentially have near term implications on the USD, USDSGD. Past shutdowns have often coincided with demand for safe haven proxy including gold while the USD broadly traded softer **though outcomes can vary with duration of shutdown**. The last shutdown in 2018 crossing over to 2019 (during Trump presidency 1.0) was one of the longest (over 30days) in modern history. And during that period, USDSGD was down 1.5% while the DXY was down ~1%.

Episodes of US Government Shutdown	Days	USDSGD (%)	DXY (%)	Asiadollar Index (%)
Wall border funding dispute (Dec 2018 - Jan 2019) Trump (Republican)	35	-1.49%	-1.20%	1.33%
Immigration policy and Budget dispute (Jan 2018) Trump (Republican)	3	-0.14%	-0.19%	-0.02%
Affordable Care Act dispute (Sep 2013 - Oct 2013) Obama (Democrat)	16	-1.04%	0.23%	0.60%
Budget dispute on spending levels (Dec 1995 - Jan 1996) Clinton (Democrat)	21	0.54%	0.20%	No Data [^]
Budget dispute over Medicare, education and environment (Nov 1995) Clinton (Democrat)	5	0.05%	-0.08%	No Data [^]
Average		-0.42%	-0.21%	0.64%

[^] Bloomberg Asia dollar index only has data available after Jul 2006
Source: Bloomberg, OCBC Research

USDSGD view

Taking stock, SGD had performed well in 1H 2025, up about 7.4% despite MAS easing policy twice earlier this year. The resilience was largely due to SGD's appeal as a safe haven (especially in the environment of Trump's tariff uncertainty), solid fundamentals and a softer USD trend. In the 2H-to-date (as of 7 Oct), SGD saw a mild pullback and was down 1.6% vs. USD.

For the remainder of the year, we continue to project a mild degree of USDSGD downside over the forecast trajectory, premised on (1) moderately softer, albeit bumpy USD trend to continue amid Fed cuts underway; (2) still-resilient RMB; (3) tariff impact on regional, Singapore growth to be largely manageable (i.e. no sharp recession).

We continue to pay close attention to a few key risks that may impact SGD: (1) sectoral tariff developments – if Singapore growth, exports will ultimately be impacted by higher tariffs on pharmaceuticals while monitoring tariff developments on semiconductor goods; (2) broad USD trend given that USDSGD and DXY is highly correlated – if USD unexpectedly bounce, then USDSGD may even be exposed to upside risks; (3) trends in RMB is also another development to watch – in particular China's economic recovery and RMB fixing trend. While economic fundamentals, including real estate sector in China still appear soft for now, financial markets have diverged. Domestic equities and RMB fixing have been strong. These factors can have spillover effects onto SGD.

OCBC S\$NEER Index

The chart displays the OCBC S\$NEER Index from June 2017 to October 2025. The index value starts around 124 and ends around 140. The chart is divided into several periods by vertical dashed lines, each with a specific slope band and interest rate change:

- Jun 17 - Apr 18:** Neutral Slope, 0.0%pa +/-2.0% band
- Apr 18 - Oct 18:** Steepen Slope, 0.5%pa +/-2.0% band
- Oct 18 - Apr 19:** Steepen Slope, 1.0%pa +/-2.0% band
- Apr 19 - Oct 19:** Flatten Slope, 0.5%pa +/-2.0% band
- Oct 19 - Apr 20:** Neutral Slope, 0.0%pa +/-2.0% band
- Apr 20 - Oct 20:** Neutral Slope, 0.0%pa +/-2.0% band
- Oct 20 - Apr 21:** Steepen Slope, 0.5%pa +/-2.0% band
- Apr 21 - Oct 21:** Steepen Slope, 1.0%pa +/-2.0% band
- Oct 21 - Apr 22:** Steepen Slope, 1.5%pa +/-2.0% band
- Apr 22 - Oct 22:** Steepen Slope, 2.0%pa +/-2.0% band
- Oct 22 - Apr 23:** Steepen Slope, 2.0%pa +/-2.0% band
- Apr 23 - Oct 23:** Steepen Slope, 2.0%pa +/-2.0% band
- Oct 23 - Apr 24:** Steepen Slope, 2.0%pa +/-2.0% band
- Apr 24 - Oct 24:** Steepen Slope, 2.0%pa +/-2.0% band
- Oct 24 - Apr 25:** Steepen Slope, 2.0%pa +/-2.0% band
- Apr 25 - Oct 25:** Steepen Slope, 2.0%pa +/-2.0% band

Key annotations on the chart include:

- Re-centering higher:** Two instances, one around Oct 21 and another around Apr 22.
- Slope reduction:** Two instances, one around Oct 24 and another around Apr 25.

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