Macro Note

Singapore: Apr 2025 MPS Preview – Possible policy paths ahead

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- The Monetary Authority of Singapore (MAS) will release its Apr 2025 Monetary Policy Statement (MPS) on **14 Apr 2025, 8am SGT** alongside MTI's release of the 1Q25 GDP advance estimates (UOB: 4.1% y/y, -0.6% q/q sa; Bloomberg: 4.7% y/y, -0.3% q/q sa, as of 8 Apr 2025). In our preliminary assessment of the impact of Trump's tariffs on the Singapore economy, we argued that while Singapore is subjected to a materially lower tariff rate (10%) compared to the regional Asian economies (e.g. Vietnam: 46%, Thailand: 36%), Singapore is likely the most susceptible to a **tariff-induced external slowdown** within ASEAN-6, given our significant share of domestic value added (DVA) embodied in foreign final demand, exceeding 60% of nominal GDP (Fig 1).

- Since the announcements on Liberation Day (2 Apr), trade tensions have escalated significantly with China announcing retaliatory measures while EU is planning to do so (Fig 2), with risks of further tit-for-tat responses, heightening the prospects of a tariff-induced global economic slowdown. **We lower our Singapore's full-year growth forecast to 1.5% for 2025 (from 2.5% previously, 2026F: 1.6%), with risks skewed to the downside and we will refine our forecast following the release of the 1Q25 GDP advance estimate on 14 Apr.**

- Prime Minister and Minister for Finance Lawrence Wong in his ministerial statement on US tariffs today (8 Apr) noted that **MTI is likely to revise its 2025 growth forecast downwards (current: 1.0-3.0%)** and that **Singapore stands ready to do more, if and when necessary.** In our view, fiscal stimulus measures in the form of cash/voucher handouts and/or job support schemes could be strengthened should a sharp deterioration in global and domestic growth materialize, similar to the previous recessionary episodes during the GFC (**Jobs Credit Scheme**) and COVID-19 (**Jobs Support Scheme**). The recent developments reinforce Singapore's philosophy of fiscal prudence which provides buffers during challenging times. To illustrate, an accumulated overall fiscal surplus of around S$14bn was recorded in the current term of government (FY21-FY25). (See Budget 2025 note)

- On inflation, we maintain our 2025 core inflation forecast of 1.0% (2026F: 1.6%) and note that various core inflation metrics such as the momentum (3M/3M SAAR) and pervasiveness (share of items in CPI basket exceeding 2% y/y threshold) has normalized. We pay close attention to potential deflationary risks stemming from a weaker global demand and supply glut as escalating tariffs could diminish the appeal of the US as a reliable end market.

- **Under our assumptions, growth is likely to run below potential in 2025, implying a moderately negative output gap (Fig 5) and in our view, a more accommodative S$REER could help to cushion downside risks to growth, guided by the explicit anchor of a lower S$NEER slope. Our quarterly average estimates show that the S$REER (Fig 6) has eased in 4Q24 (likely in 1Q25 as well), driven both by a softening S$NEER and deceleration in domestic inflation relative to external inflation conditions.**

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- **We ascribe probabilities to the possible MAS policy paths ahead: Base case (60%):** Slight S$NEER slope reduction (est 50bps) to 0.5% p.a. in Apr 2025 MPS, followed by another adjustment to a zero percent appreciation stance in Jul/Oct 2025 MPS; **Dovish case (30%):** Complete slope flattening i.e. adjustment to a zero percent appreciation stance in upcoming Apr 2025 MPS: **Least likely case (10%):** Maintain current slope settings (est 1.0% p.a.) and allow markets to steer the S$NEER lower within the existing band parameters, tantamount to a de-facto easing of monetary conditions, with an explicit 50bps slope reduction only in the Jul 2025 MPS.

Fig 1: Singapore's small and open economy is highly vulnerable to external shocks – with >60% of demand for its DVA originating abroad

Source: OECD, Macrobond, UOB Global Economics & Markets Research

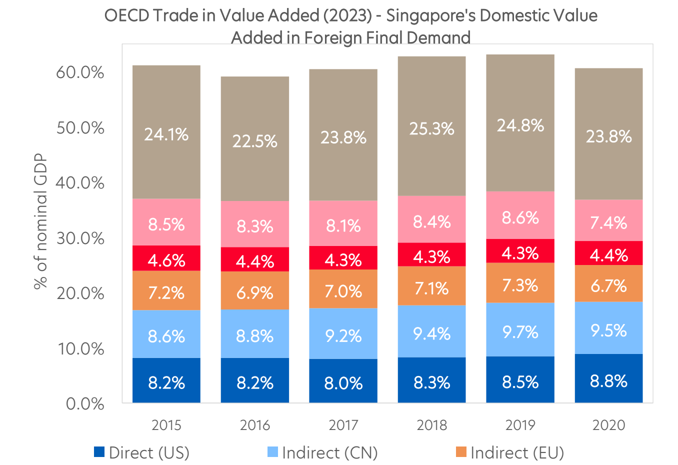

Fig 2: Key Tariff Developments Since Liberation Day

Source: Various news sources, UOB Global Economics & Markets Research

Date	Key Announcements
2 Apr 2025	Liberation Day: Trump announced a global minimum tariff of 10% (wef 5 Apr) on most US imports and higher reciprocal tariffs (wef 9 Apr) on various economies (for example VN: 46%, TH: 36%, CN: 34%)
4 Apr 2025	China responded and said that it will impose reciprocal 34% tariffs on all imports from the US
7 Apr 2025	Trump threatened to add an additional 50% tariff on US imports from China wef 9 Apr in a social media post
7 Apr 2025	EU responded and said that they are considering to impose a 25% tariff on select imports from the US
8 Apr 2025	China said that it will 'fight to the end' after Trump threatened with additional tariffs

Fig 3: Core inflation momentum remains weak in Feb

Source: Macrobond, UOB Global Economics & Markets Research

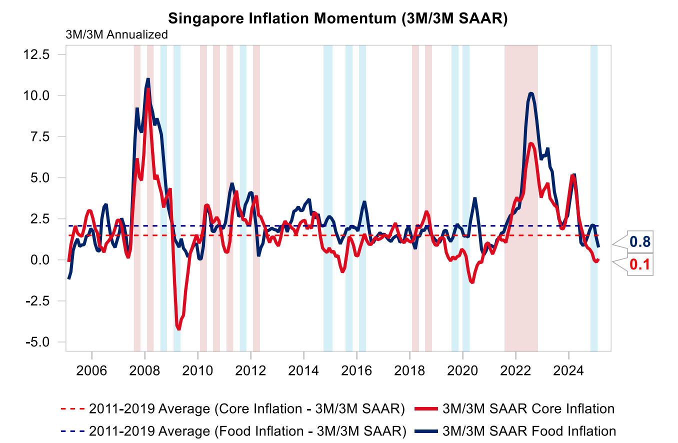

Fig 4: Continual easing of broad-based price pressures

Source: Macrobond, UOB Global Economics & Markets Research

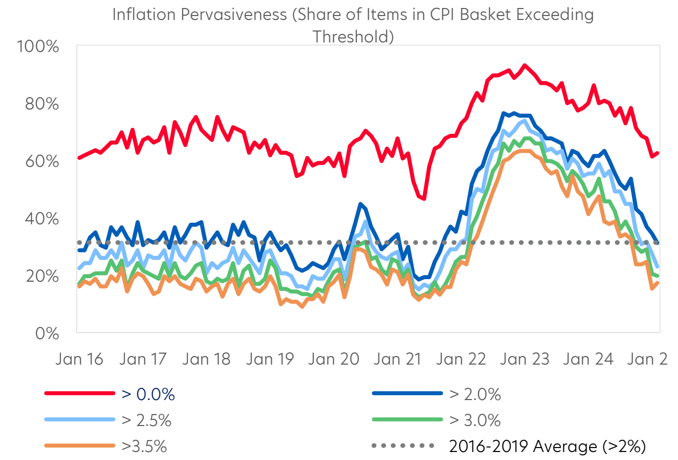

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Fig 5: Growth likely to run below potential in 2025, implying a moderately negative output gap

Source: Macrobond, UOB Global Economics & Markets Research

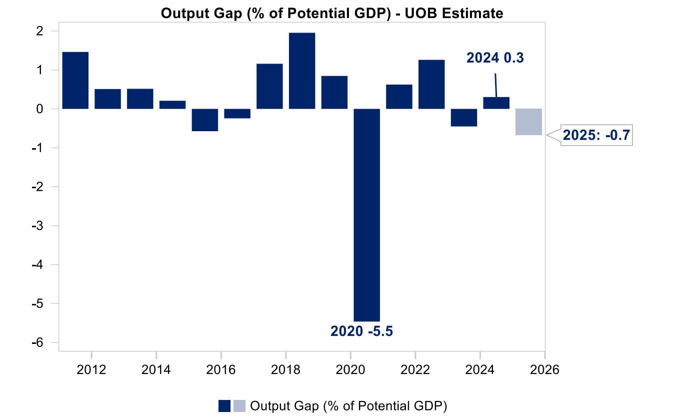

Fig 6: A more accommodative S$REER guided by the explicit anchor of a lower S$NEER slope could help to cushion downside risks to growth

Source: Macrobond, UOB Global Economics & Markets Research

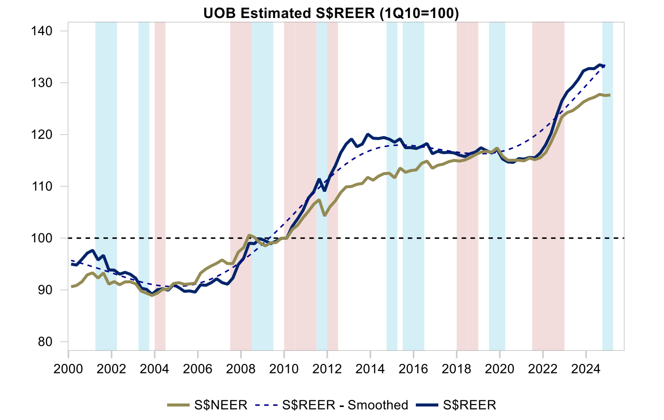

Fig 7: Past Policy Heuristics – Each MAS monetary policy easing episode is accompanied by a downshift in core inflation forecast vs the previous MPS

Source: MAS Monetary Policy Statements, UOB Global Economics & Markets Research

*We compute the changes in the core forecast vs the previous MPS by computing the difference in the midpoint of the forecast range. In the Apr 2016 case where MAS noted that the 2016 core inflation is likely to come in at the lower half of the 0.5-1.5% range, we infer the range to be 0.5-1.0%, hence implying a 0.75% midpoint. We perform a similar calculation for the Oct 2019 case.

Date	Changes to Slope	Changes to mid-point of S$NEER band	Current Year Core Forecast	Next Year Core Forecast	Change in Core Forecast vs Prev MPS
Oct 2011	Reduce		2.1%	1.5-2% (Mid: 1.75%)	Apr 2011 MPS: 2-3% (Mid: 2.5%) Diff: -0.4%
Jan 2015	Reduce		0.5-1.5% (Mid: 1.0%)		Oct 2014 MPS: 2-3% (Mid 2.5%) Diff: -1.5%
Oct 2015	Reduce slightly		0.5%	0.5-1.5% (Mid: 1.0%)	Apr 2015 MPS: 0.5-1.5% (Mid: 1.0%) Diff: -0.5%
Apr 2016	Set at 0%		lower half of 0.5-1.5% (Mid: 0.75%)		Oct 2015 MPS: 0.5-1.5% (Mid: 1.0%) Diff: -0.25%
Oct 2019	Reduce slightly		lower end of 1-2% (Mid: 1.25%)	0.5-1.5% (Mid: 1.0%)	Apr 2019 MPS: 1-2% (Mid: 1.5%) Diff: -0.25%
Mar 2020	Set at 0%	Re-centre downwards at prevailing level of S$NEER	-1.0% to 0.0% (Mid: -0.5%)		Oct 2019 MPS: 0.5-1.5% (Mid: 1.0%) Diff: -1.5%
Jan 2025	Reduce slightly		1.0% to 2.0% (Mid: 1.5%)		Oct 2024 MPS: 1.5-2.5% (Mid: 2.0%) Diff: -0.5%
Apr 2025 (Projections)	Reduce slightly		0.5-1.5% (Mid: 1.0%)		Jan 2025 MPS: 1.0-2.0% (Mid: 1.5%) Diff: -0.5%

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