SINGAPORE

FX & Rates	4Q26F	1Q27F	2Q27F	3Q27F
USD/SGD	1.27	1.26	1.25	1.24
SGD 3M SORA (compounded)	1.35	1.41	1.44	1.48
Economic Indicator	**2024**	**2025**	**2026F**	**2027F**
GDP (%)	5.3	5.0	5.0	3.2
Core CPI (avg y/y %)	2.8	0.7	1.7	1.9
Unemployment Rate, eop (%)	1.9	2.0	2.2	2.0
Current Account (% of GDP)	17.2	16.7	18.0	17.5
Fiscal Balance, FY (% of GDP)	0.8	1.9	1.0	0.8

ECONOMY

Watching signs of moderating AI-related tailwinds

Following the 2Q26 GDP release on 11 Aug, we revised our 2026 GDP growth forecast higher to 5.0% (from 4.8% prev, 2027F: 3.2%), reflecting the 1H outperformance. Nevertheless, we assess that AI-related tailwinds could moderate in 2H26. The robust 2Q26 GDP outturn continues to be led by AI-related segments with strong seasonally-adjusted sequential expansions recorded in manufacturing (6.3% q/q sa, 1Q: -2.8%) due to electronics and precision engineering, and infocomm services (7.3% q/q sa, 1Q: -7.6%) while tourism-related segments (retail, F&B and accommodation) fared worse, reflecting weaker inbound tourism amidst rising airfares. The finance & insurance sector strengthened 1.1% q/q sa (1Q: 0.6%) supported by strong credit demand as evidenced by the nascent uptrend in the system-wide loan-to-deposit ratio (LDR). In addition, positive wealth effects from strong domestic and overseas equity market performance could bolster consumer sentiment and lift demand for credit.

We see early signs that AI-related tailwinds may be moderating although we require more data to confirm this assessment. In particular, we observe that both semiconductor manufacturing (Jul: -5.3% m/m sa, Jun: -19.7%) and domestic exports of integrated circuits (Jul: -9.9% m/m sa, Jun: -3.7%) recorded two successive months of sequential declines but this may be due to capacity constraints faced by domestic firms given the electronics PMI (Jul: 52.4, Jun: 52.2) continues to point to strengthening end-demand as evidenced by improvements in the new export orders, stock of input purchases and order backlog subindices while the stocks of finished goods subindex (Jul: 49.3, Jun: 49.6) deteriorated, suggesting that firms are drawing down existing inventories to meet demand. This could support electronics IP in the months ahead given the eventual need for inventory replenishment.

CENTRAL BANK

Hurdle for further MAS tightening has likely risen

Following the Jul CPI release on 24 Aug, we lowered our 2026 core and headline inflation forecasts to 1.7% (from 1.9%, 2027F: 1.9%) and 2.0% (from 2.2%, 2027F: 2.1%) respectively, reflecting weaker-than-projected inflation outturns in recent months. Core CPI firmed 0.3% m/m nsa in Jul (Jun: 0.1%) although the increase was almost entirely driven by a 10.9% m/m rise in the electricity component reflecting the announced 17% q/q increase in 3Q26 regulated electricity tariffs. The transmission from the energy price shock into the broader CPI basket continues to progress, albeit at a measured pace. We are closely monitoring risks of strengthening food inflation (Jul: 0.3% m/m nsa, Jun: 0.3%), as adverse weather conditions could weigh on agricultural yields which could in turn lift Singapore's imported food costs. Recent downside surprises in core inflation could also be partly attributed to an idiosyncratic factor: competitive pricing amongst telcos led to four consecutive months of m/m nsa declines in the information & communications CPI.

With the gentler-than-expected core inflation profile, we think the hurdle for further MAS tightening is much higher, with additional tightening likely requiring an explicit upgrade to MAS' core inflation forecast range to 2.0-3.0% (from 1.5-2.5% currently for 2026). However, we cannot rule out the possibility especially if food inflation momentum accelerates due to weather-related supply pressures. We continue to assess that MAS will maintain the current S$NEER slope settings at an est 1.25% p.a. through 2026 and 2027 as the most probable outcome. Similarly, the likelihood of MAS unwinding the incremental monetary tightening delivered in the Jul MPS is also low given sufficient room within the existing policy band for the S$NEER to operate at a less restrictive level if necessary, while the steeper S$NEER slope continues to serve as a buffer against imported inflation pressures.

CURRENCY

USD/SGD still biased lower

The SGD maintains its status as a consistent outperformer in the Asia FX complex this year. USD/SGD grinded lower by a further 0.7% in Aug to 1.2709, extending Jul's 0.9% decline. The SGD's year-to-date resilience is well-established, with the currency eking a 1% gain year-to-date against the USD amidst ongoing Fed rate hike repricing.

The SGD's structural support remains intact — a hawkish MAS stance combined with an AI-driven growth upgrade distinguishes Singapore from most regional peers contending with oil-driven inflation and softening activity. The country's reputation for stability is providing an additional tailwind for the SGD, evidenced by a steady increase in non-resident deposits.

Consistent with these dynamics and our expectations for SGD to stay resilient, our updated USD/SGD forecasts are at 1.27 in 4Q26, 1.26 in 1Q27, 1.25 in 2Q27, and 1.24 in 3Q27.