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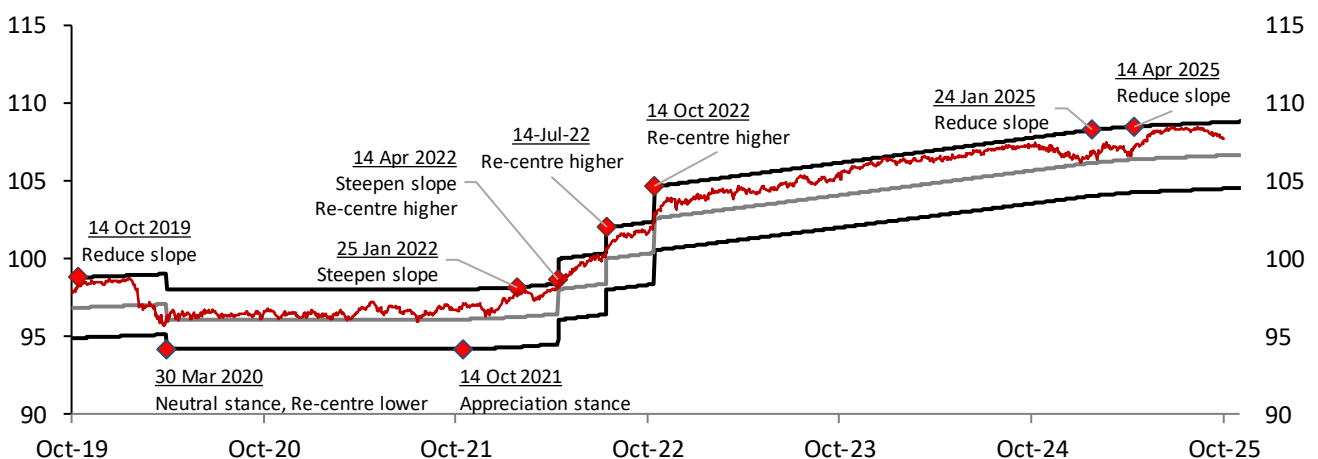


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- We expect the MAS to slightly reduce the policy band's slope in October.
- DBS SGD NEER has been declining from the top of its policy band, aligning with our counter-consensus call.
- As per our Nowcast model, GDP growth decelerated in 3Q25 due to softer trade momentum.
- US tariff headwinds and sectoral uncertainties cloud the outlook.
- Still, our 2% growth forecast for 2025 may have some upside.
- We trim our headline and core inflation forecasts for 2025 to 0.8% and 0.5%, respectively.
- A milder rise in headline and core inflation to 1.2% and 1.0% in 2026 is on the cards.
- Short-term SGD rates have frontloaded the Fed cut cycle.
- There is scope for SGD rates to underperform in the coming months.

DBS SGD NEER & Policy Band

Indexed: 4-8 Jul 2022 = 100

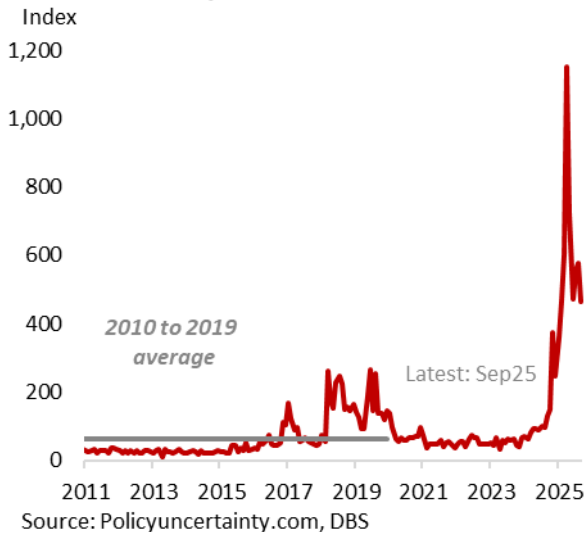


Source: DBS Research

Global economic developments

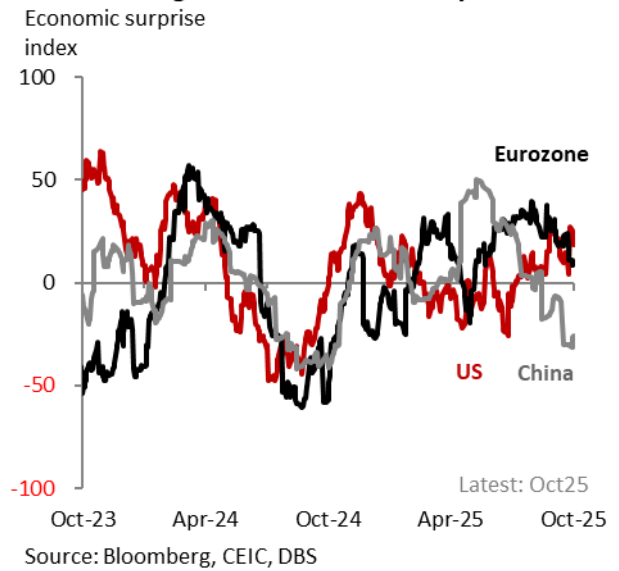
Global trade policy uncertainty has eased, due to clarity regarding US reciprocal tariffs and the de-escalation of tensions between the US and China. However, uncertainty will be elevated amid ongoing uncertainty of US sectoral tariffs.

Global trade policy uncertainty index is off its peak but still elevated



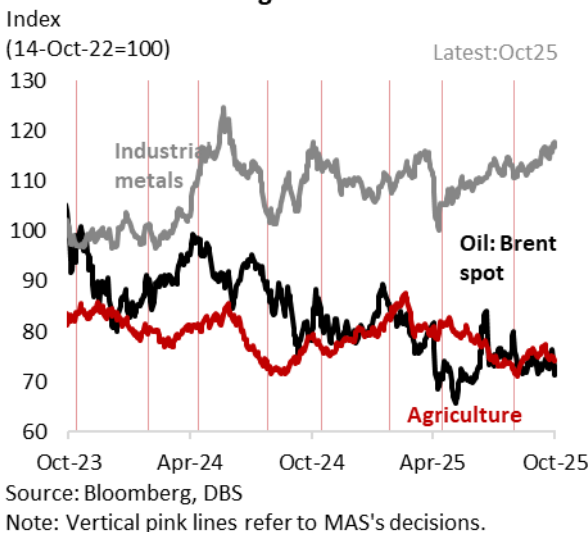
Global economic activity data have weakened over the past month, but are not yet in recession territory. China has posted negative surprises, while upside surprises in the US and Eurozone are mixed.

Mixed global economic activity data



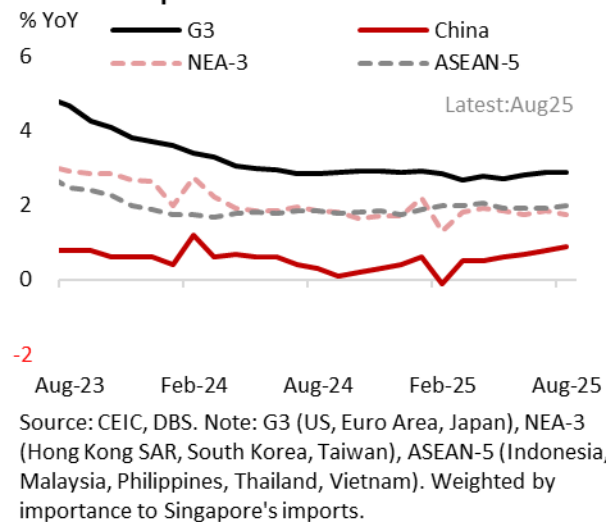
Global oil and agricultural prices remain well behaved over the past few months, and alongside local currency strength against the USD, this has contributed to manageable imported price pressures for Asia.

Global oil and agriculture prices remain at manageable levels



Core inflation rates are also contained across Asia, with potential downside risks stemming from weaker global demand. G3 core inflation numbers are higher and stickier, with upward pressure in Japan and tariff risk for the US.

Contained core inflation in Asia, compared to stickier rates in G3

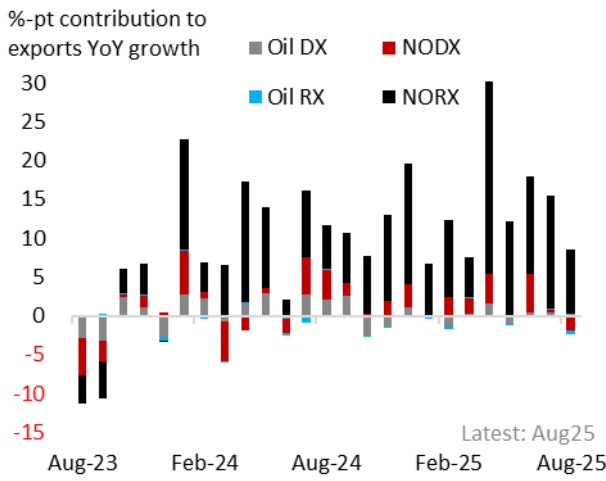


External demand and Manufacturing

Singapore's goods export growth has eased from its peak in April 2025. Exports remain in expansion, and have not contracted as they did in 2023. However, external demand faces downside pressure and risks from US tariffs.

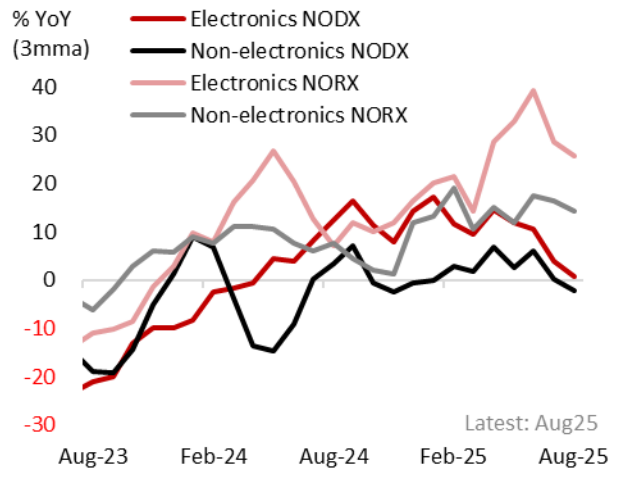
Tariffs are hurting non-oil domestic exports, notably those heading to the US. Non-oil re-exports have held up due to front-loading amidst the US tariff exemption on electronics and the artificial intelligence (AI) boom.

Goods exports have eased but remain in expansion



Source: CEIC, DBS
Noted: Chart is based on real data

Electronics re-exports are past their peak momentum, but holding up

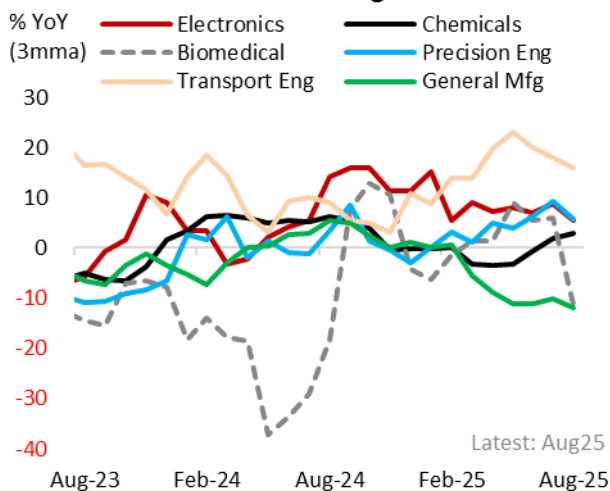


Source: CEIC, Singstat, DBS
Noted: Chart is based on nominal data

Singapore's manufacturing grew in the first eight months of 2025 but lost momentum in Aug. There are AI tailwinds, yet US reciprocal tariffs globally have risen versus the pause period, with downside risks from sectoral levies.

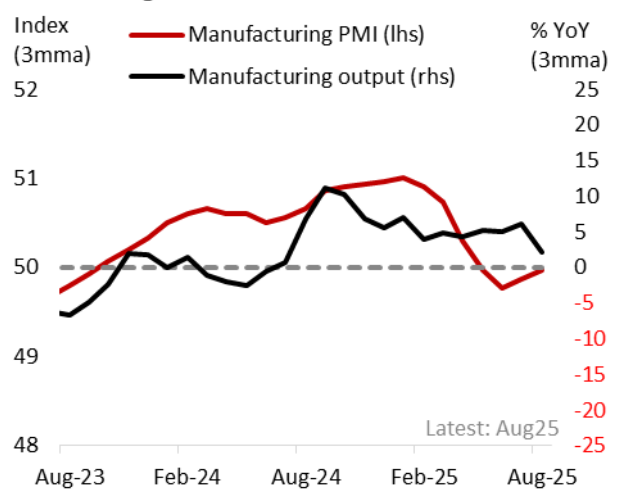
Manufacturing sentiment, while stabilised, remains below the peak in early 2025. Factories are still cautious amidst an uncertain global landscape. Tariffs will test the resilience of manufacturing output in the coming months.

Overall expansionary manufacturing trend, but various clusters losing momentum



Source: CEIC, DBS

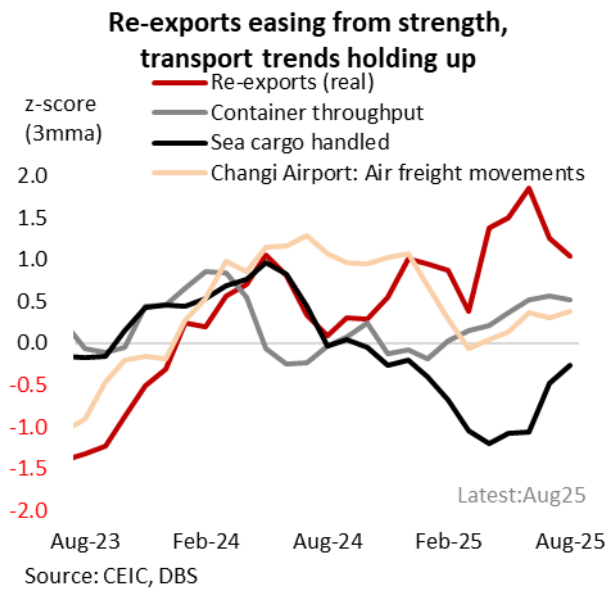
Manufacturing output momentum easing towards weakened sentiment



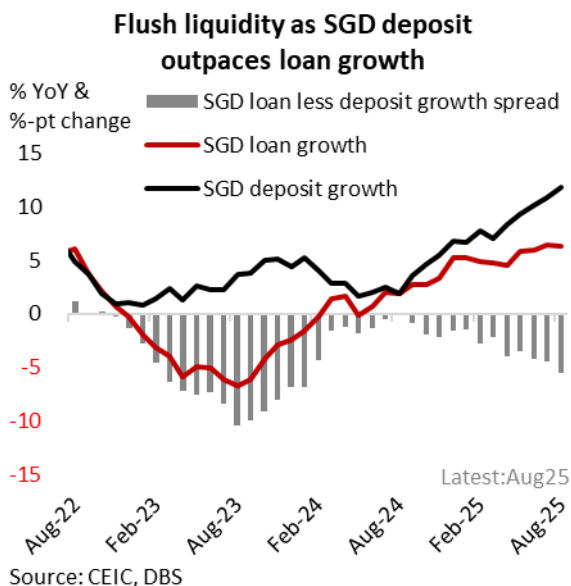
Source: CEIC, DBS

Services

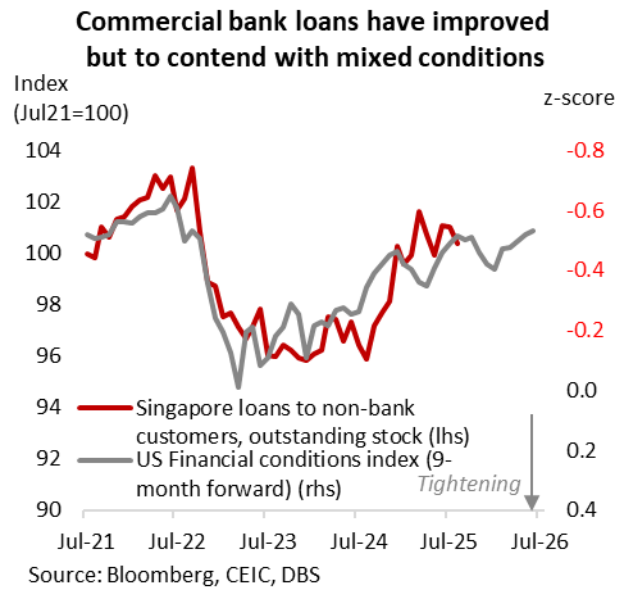
Singapore’s wholesale trade (reflected by re-exports) cooled in 3Q25 from a strong position, as the boost from export front-loading in 2Q faded. Transport trends appeared resilient in 3Q25, but will still face tariff headwinds.



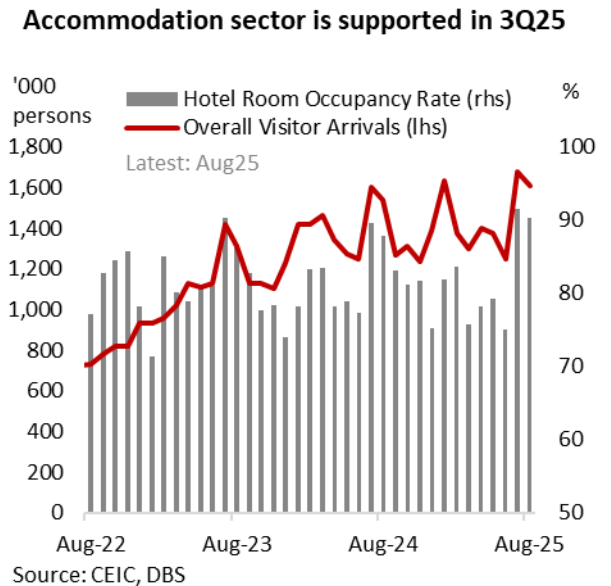
SGD loan growth edged up in the first eight months of 2025, but outpaced by faster SGD deposit growth. The spread between the two has widened, reflecting ongoing flush liquidity conditions.



Singapore’s credit intermediation was supported in the first eight months of 2025. Loans will have to contend with a still-uncertain economic landscape, but lower interest rates and easy financial conditions provide a cushion.

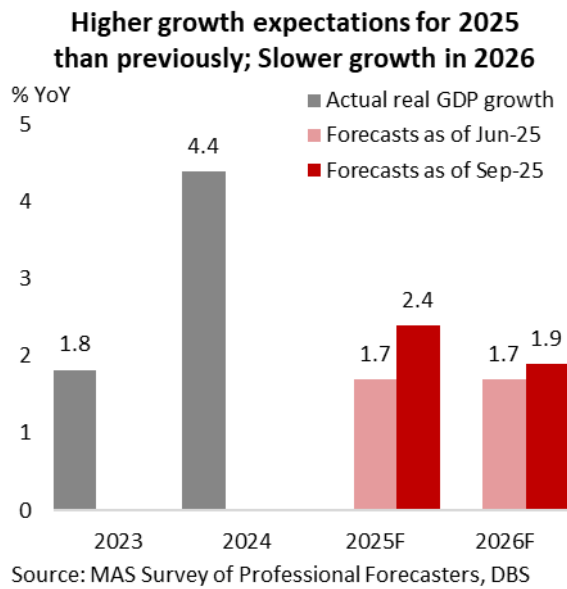


The accommodation sector experienced an uptick in seasonal demand in 3Q25. Hotel room occupancy and overall visitor arrivals in Jul-Aug 2025 were higher than the same period last year.

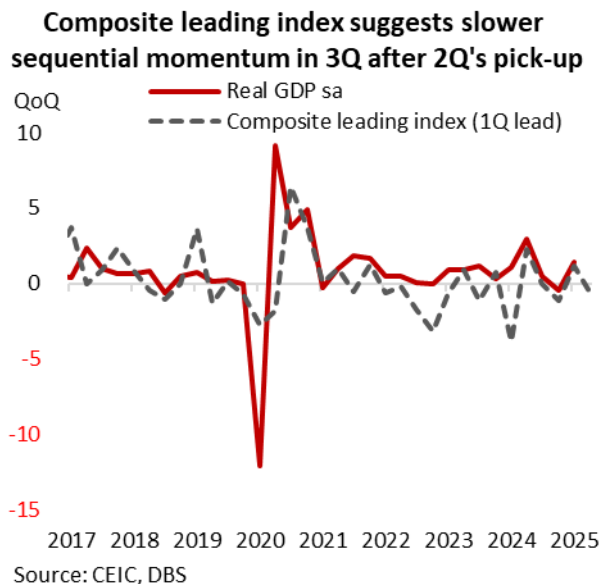


Expectations and Risk assessment

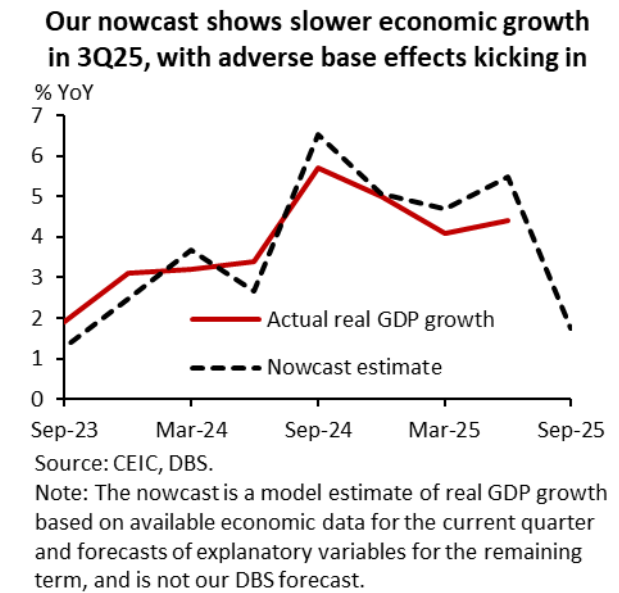
Singapore’s economic growth expectations for 2025 have been lifted to near the upper end of the government’s 1.5-2.5% range, amidst better-than-expected 1H growth but slower 2H performance. Growth is seen to ease in 2026.



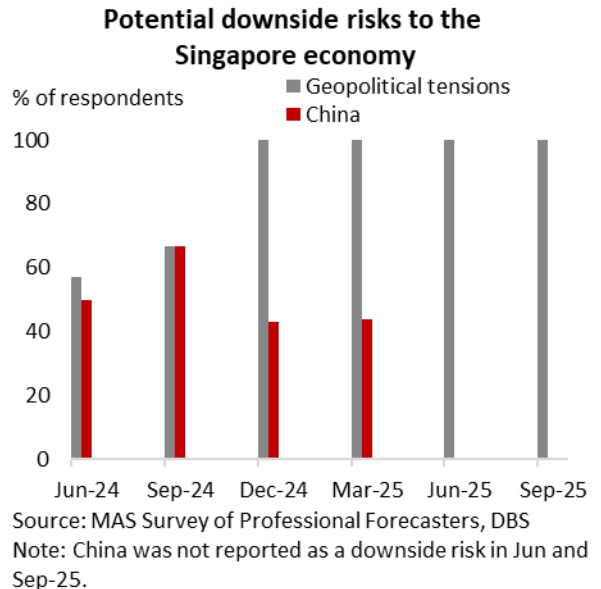
The retreat of the QoQ rate of the composite leading index suggests a pullback in sequential GDP momentum in 3Q25 from the acceleration in 2Q. This appears consistent with our Nowcast estimate.



Our Nowcast model foresees slower real GDP growth of 1+% yoy in 3Q25, due to easing trade-related growth and adverse base effects. This implies a less severe pullback than previously, with upside risks to our 2025 growth forecast.

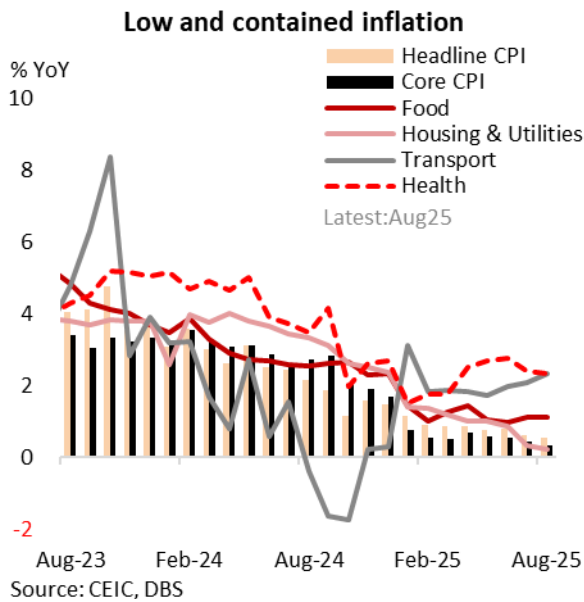


Geopolitical tensions are the key downside risk for the fourth consecutive survey. Details of US tariffs on pharmaceuticals and semiconductors remain uncertain. A severe downside scenario would be avoided if firms attain US exemptions.

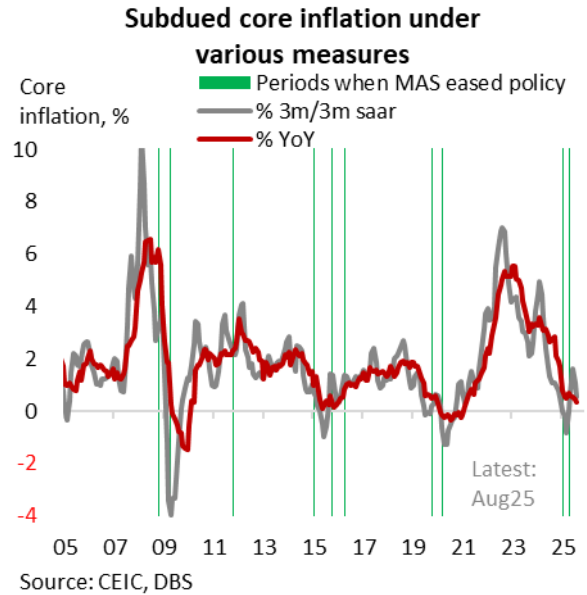


Inflation

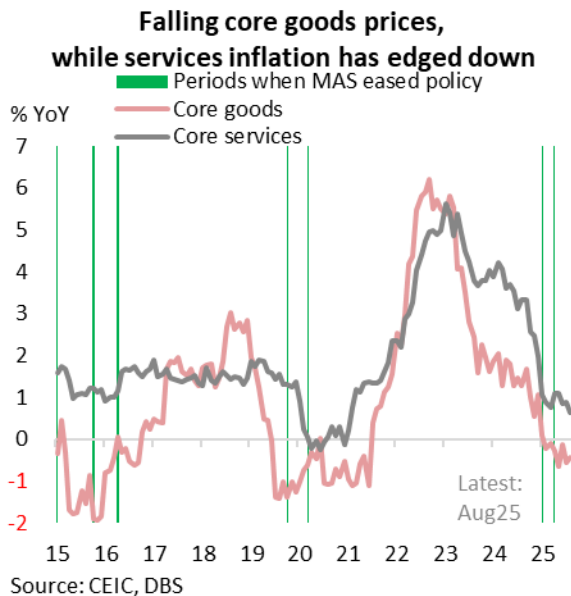
Singapore’s inflation eased to its lowest since early 2021 as of Aug 2025. Price increases in housing & utilities and food were modest, but supported in health and transport. Prices were muted beyond the top four categories.



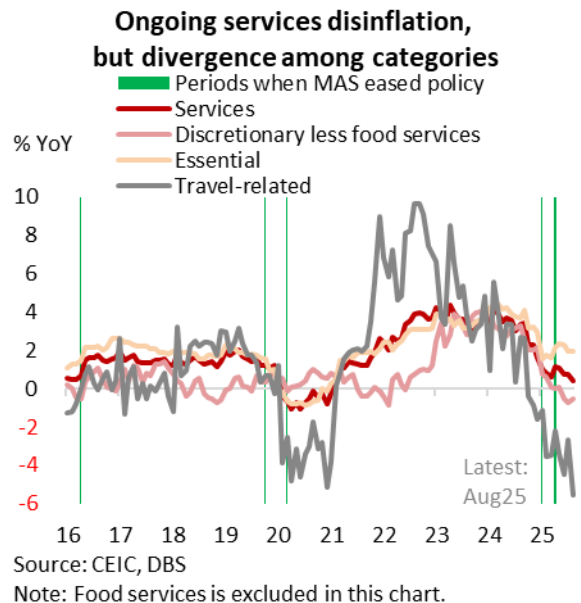
Core inflation slowed to 0.4% yoy in Jul-Aug 2025, its lowest since 1Q21. Sequential momentum remains low and positive amidst an expanding economy, after rebounding from the temporary negative territory in 1Q25.



Core inflation in goods items remains weaker than in services. However, the decline in goods prices was not as deep as it was during 2019 to 2021 or in 2015. Core services price increases have been cooling gradually on aggregate.



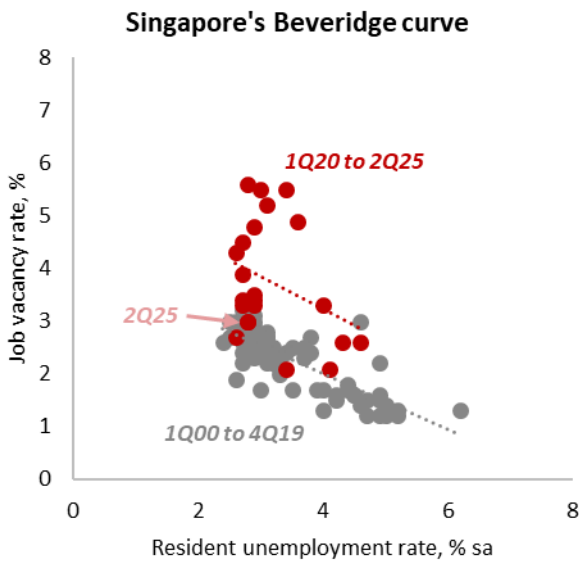
The sharp fall in travel-related services prices was the biggest contributor of services disinflation in Aug 2025. Discretionary, non-food services inflation was weak, and essential services inflation was at the pre-covid average.



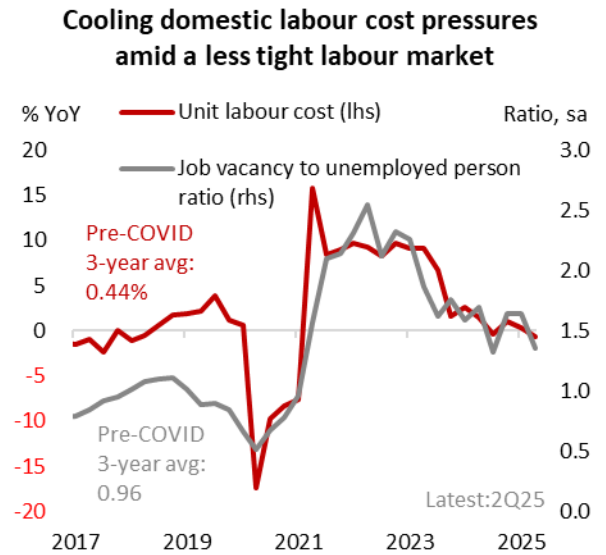
Inflation and Labour market

Singapore’s resident unemployment rate remains stable at below 3%, despite a lower job vacancy rate. This occurred amidst the loosening of a still-tight labour market, but labour demand faces downside external risks.

Domestic labour cost pressures have eased amid a less tight labour market, containing the business cost pass-through to consumer prices. A soft economy limits pricing power of businesses and consumer price increases.



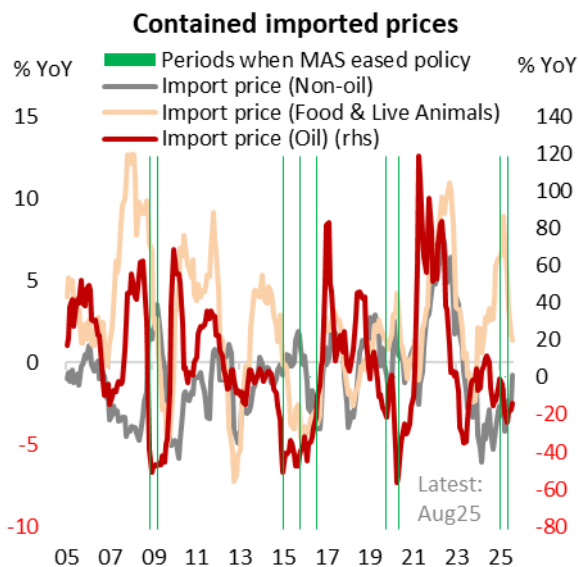
Source: CEIC, DBS



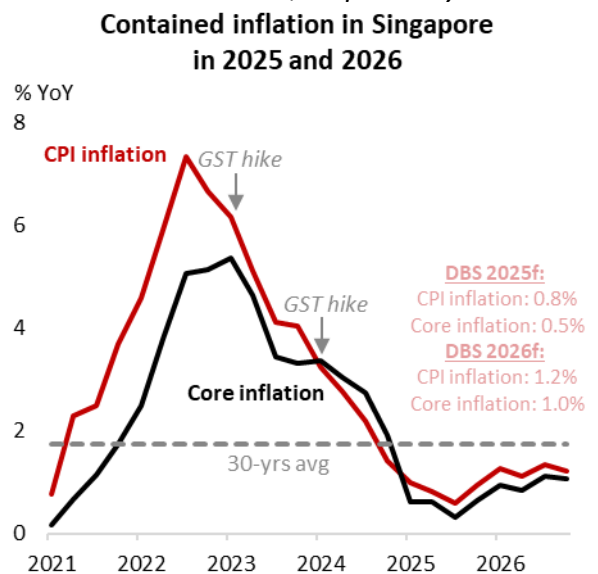
Source: CEIC, DBS

Singapore’s imported inflation remained contained and manageable in the first eight months of 2025, amid soft global commodity prices and SGD strength.

Inflation in 2025 will likely be near the lower end of the official 0.5-1.5% range, despite a modest uptick in 4Q partly due to lower base effects. We trim our headline and core inflation forecasts for 2025 to 0.8% and 0.5%, respectively.



Source: CEIC, DBS

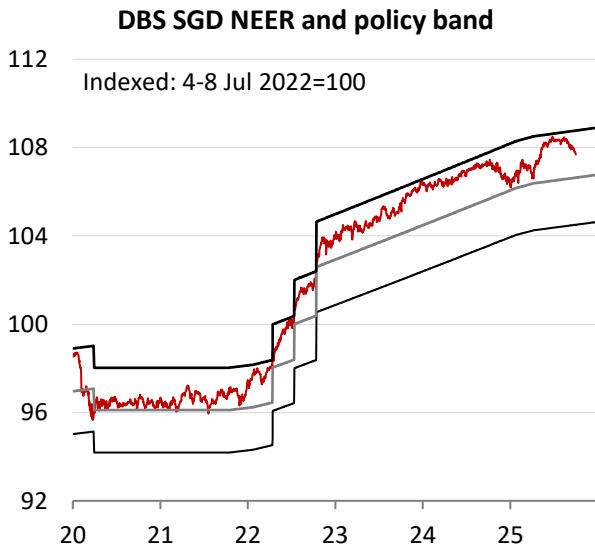


Source: CEIC, DBS

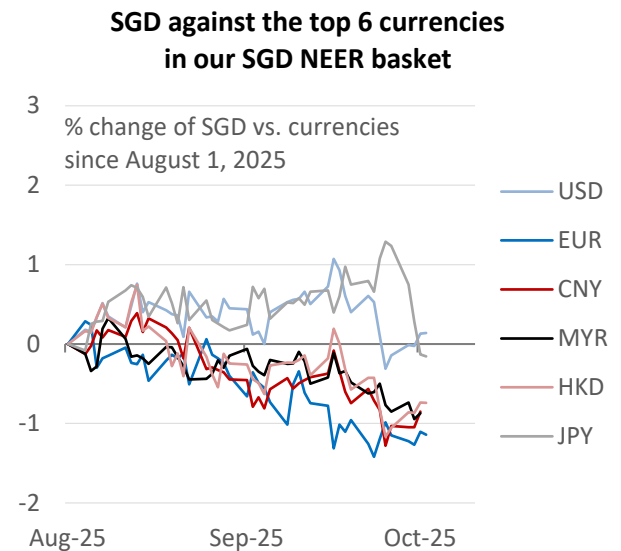
FX and Interest rates

The SGD NEER is declining from the top of the policy band, aligning with our counter-consensus forecast for the MAS to reduce the slope of the policy band in October.

Since August, the SGD NEER's decline was first driven by the SGD's depreciation against EUR, CNY, HKD, and MYR, and recently, against the USD and JPY.



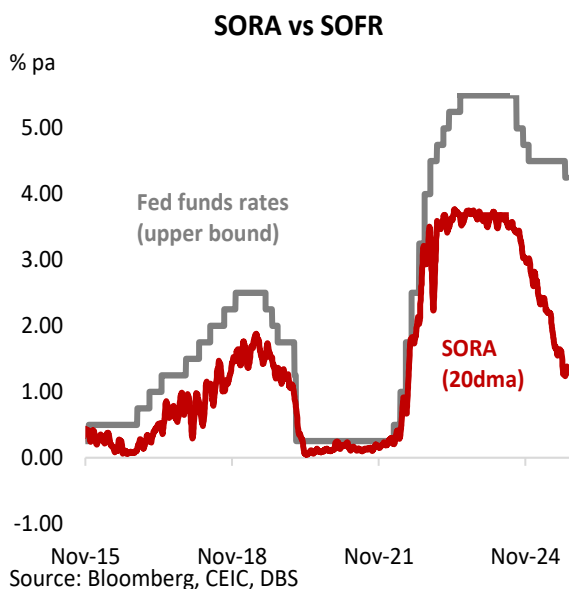
Source: DBS



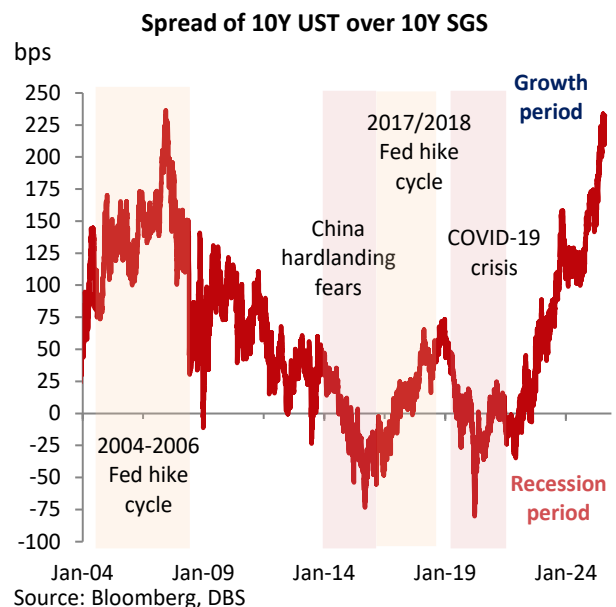
Sources: DBS Research, Bloomberg data

Despite the Fed cut, the passthrough to SORA has been muted. We expect the passthrough from further Fed easing to be limited given already low absolute SORA levels.

The yield premium of UST over SGS is already comparable to the all-time wide registered in 2007. Scope for further SGS outperformance may be limited going forward.



Source: Bloomberg, CEIC, DBS



Source: Bloomberg, DBS

Growth, Inflation, Policy Rates & FX Forecasts

	GDP growth, % YoY						CPI inflation, % YoY, ave					
	2021	2022	2023	2024	2025f	2026f	2021	2022	2023	2024	2025f	2026f
China	8.1	3.0	5.2	5.0	5.0	4.5	0.9	2.2	0.2	0.2	0.2	0.5
Hong Kong SAR	6.3	-3.5	3.3	2.5	3.0	2.8	1.6	1.9	2.0	1.5	1.8	1.6
India	10.3	7.2	8.7	6.5	7.1	6.2	5.1	6.7	5.7	5.0	2.6	4.7
India (FY basis)*	9.7	7.6	9.2	6.5	6.7	6.3	5.5	6.7	5.4	4.6	2.5	4.3
Indonesia	3.7	5.3	5.1	5.0	4.8	4.8	1.6	4.2	3.7	2.3	2.2	2.5
Malaysia	3.3	8.9	3.6	5.1	4.0	3.8	2.5	3.4	2.5	1.8	1.8	2.3
Philippines	5.7	7.6	5.6	5.6	5.6	5.5	3.9	5.8	6.0	3.2	1.7	2.5
Singapore	9.8	4.1	1.8	4.4	2.0	1.8	2.3	6.1	4.8	2.4	0.8	1.2
South Korea	4.6	2.7	1.4	2.0	1.0	1.9	2.5	5.1	3.6	2.3	2.0	2.0
Taiwan	6.7	2.7	1.1	4.8	4.0	2.0	2.0	2.9	2.5	2.2	1.7	1.5
Thailand	1.6	2.6	2.0	2.5	2.1	1.6	1.2	6.1	1.2	0.4	0.4	0.7
Vietnam	2.6	8.0	5.0	7.1	6.5	6.0	1.8	3.2	3.3	3.6	3.2	3.3
Eurozone	5.3	3.5	0.5	0.7	1.2	1.0	2.6	8.4	5.5	2.3	2.2	2.0
Japan	2.7	0.9	1.5	0.1	0.7	0.4	-0.3	2.5	3.3	2.7	2.7	1.8
United States	6.1	2.5	2.9	2.8	1.5	1.5	4.7	8.0	4.1	3.0	3.0	2.8

*2020 represents Fiscal 21; ending Mar 21

	Policy interest rates, eop							
	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	4Q26
China*	3.10	3.00	3.00	2.90	2.80	2.65	2.65	2.65
India	6.25	5.50	5.50	5.25	5.25	5.25	5.25	5.25
Indonesia	5.75	5.50	5.00	4.50	4.25	4.25	4.25	4.25
Malaysia	3.00	3.00	2.75	2.75	2.50	2.50	2.50	2.50
Philippines	5.75	5.25	5.00	4.75	4.75	4.75	4.75	4.75
Singapore**	2.36	1.64	1.40	1.33	1.30	1.30	1.30	1.30
South Korea	2.75	2.50	2.50	2.25	2.25	2.25	2.25	2.25
Taiwan	2.00	2.00	2.00	1.88	1.75	1.75	1.75	1.75
Thailand	2.00	1.75	1.50	1.25	1.00	1.00	1.00	1.00
Vietnam***	4.50	4.50	4.50	4.50	4.00	4.00	4.00	4.00
Eurozone^	2.50	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Japan	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00
United States	4.50	4.50	4.25	3.75	3.50	3.50	3.50	3.50

* 1-yr Loan Prime Rate; ** 3M SORA OIS; *** refinancing rate; ^ deposit facility rate

Ccy pair	Exchange rates, eop							
	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	4Q26
USD/CNY	7.26	7.16	7.16	7.12	7.10	7.06	7.04	7.00
USD/HKD	7.78	7.85	7.81	7.80	7.80	7.79	7.78	7.77
USD/INR	85.5	85.8	87.4	87.0	86.6	86.3	85.9	85.5
USD/IDR	16580	16238	16320	16230	16150	16060	15980	15890
USD/MYR	4.43	4.21	4.21	4.17	4.13	4.08	4.04	4.00
USD/PHP	57.3	56.3	56.7	56.3	55.8	55.3	54.8	54.4
USD/SGD	1.34	1.27	1.28	1.27	1.26	1.25	1.24	1.23
USD/KRW	1474	1354	1375	1360	1345	1330	1315	1300
USD/THB	34.0	32.5	32.3	32.0	31.8	31.5	31.3	31.0
USD/VND	25577	26118	26300	26170	26040	25910	25780	25650
AUD/USD	0.62	0.66	0.65	0.66	0.67	0.67	0.68	0.69
EUR/USD	1.08	1.18	1.18	1.18	1.19	1.20	1.21	1.22
USD/JPY	150	144	146	142	139	136	133	130
GBP/USD	1.29	1.37	1.36	1.37	1.37	1.38	1.39	1.40

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Sources: Data for all charts and tables are from CEIC, Bloomberg and DBS Group Research (forecasts and transformations)

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