

S'pore's retail sales unexpectedly fell 1.0% mom sa (+0.9% yoy) in May even though car sales were healthy

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Highlights:

- **Retail sales unexpectedly fell 1.0% mom sa (+0.9% yoy) in May**, down from a revised 1.7% mom sa gain (+2.7% yoy) in April. This is the slowest retail sales growth since February 2017, and also the weakest May performance in three years.
- **Drags were seen across many retail segments in May**, ranging from wearing apparel & footwear (-10.5% mom sa and -4.5% yoy), recreational goods (-9.0% mom sa and -3.3% yoy) and watches & jewellery (-7.4% mom sa and +0.3% yoy). Given that the labour market remained relatively steady and domestic confidence has risen after the 1Q17 GDP surprise, it is unlikely that softer private consumption is behind the recent retail weakness. Longer-term, the migration to online shopping is probably a structural shift.
- **Motor vehicle sales was the outperformer and grew by 8.0% mom (+2.0% yoy)**. This meant that retail sales excluding autos also declined 3.0% mom sa in May, and even the 0.6% yoy gain was a sharp moderation from the 5.0% yoy expansion in April.
- **With the ongoing Great Singapore Sale season, it remains to be seen if retail sales would improve.** Moreover, COE premiums also continued to soften for categories A, B and E in the two June tenders so car demand may not prove as resilient as in early May. For the first five months of this year, retail sales expanded by a tepid 1% compared to the 3.4% seen in the same period last year.

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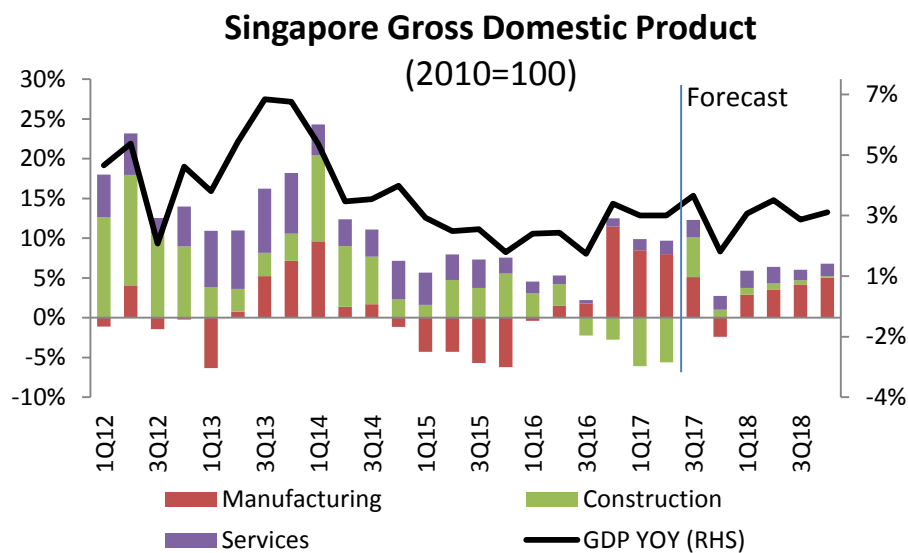
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Gross Domestic Product at 2010 Prices

	2Q16	3Q16	4Q16	2016	1Q17	2Q17*
Percentage change over corresponding period of previous year						
Overall GDP	1.9	1.2	2.9	2.0	2.5	2.5
Goods Producing Industries						
Manufacturing	1.5	1.8	11.5	3.6	8.5	8.0
Construction	2.7	-2.2	-2.8	0.2	-6.1	-5.6
Services Producing Industries	1.1	0.4	1.0	1.0	1.4	1.7
Quarter-on-quarter annualised growth rate, seasonally-adjusted						
Overall GDP	0.8	-0.4	12.3	2.0	-1.9	0.4
Goods Producing Industries						
Manufacturing	3.6	-5.0	39.8	3.6	0.4	2.4
Construction	3.1	-12.6	0.8	0.2	-14.4	4.3
Services Producing Industries	-0.7	1.1	8.4	1.0	-2.7	0.4

*Advance estimates

Source: Singapore Ministry of Trade and Industry (MTI)



Source: Bloomberg, OCBC Bank

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