

## **S'pore's retail sales fell 8.6% YoY in February, but the worst is yet to come?**

**Selena Ling***Head of Research and Strategy**+65 6530 4887**[LingSSSelena@ocbc.com](mailto:LingSSSelena@ocbc.com)*

### **Highlights**

Singapore's retail sales plunged 8.6% YoY (-8.9% mom sa) in February, close to our forecast of -9.1% YoY, as the Covid-19 pandemic continued to exact a heavy toll on private consumption amid falling visitor arrivals. The YoY and MoM retail sales performances were the weakest since June 2019 and July 2007 respectively. This brought 1Q20 retail sales to -11.1% YoY.

Broad-based weakness was seen across most retail segments but most apparent in department stores, F&B and apparel, as the Covid-19 shifted consumer behaviour to avoid crowds and socialising. Excluding autos, retail sales also declined 10.2% YoY.

Given the increased social distancing measures and work-from-home arrangements being implemented, 2Q retail sales may deteriorate further and shrink by 14.4% YoY.

Looking ahead, online sales is likely to continue to increase as a proportion of total retail sales, with the February proportion already rising to 7.4% from 5.8% in the previous month. Notably, online shopping for computer and telecommunication equipment, furniture & household equipment, and F&B contributed 30.0%, 14.0%, and 12.5% respectively for online sales, reflecting the growing work-from-home arrangements and preference for food delivery due to social distancing measures.

For the full year of 2020, we tip retail sales to contract 7.1% YoY. If it materialises, this would mark the worst year for the retail sector since 2009's 7.8% contraction during the GFC, notwithstanding the assistance provided by the Resilience Budget.

## Treasury Research & Strategy

### Macro Research

**Selena Ling**
*Head of Research & Strategy*
[LingSSSelena@ocbc.com](mailto:LingSSSelena@ocbc.com)
**Tommy Xie Dongming**
*Head of Greater China Research*
[XieD@ocbc.com](mailto:XieD@ocbc.com)
**Wellian Wiranto**
*Malaysia & Indonesia*
[WellianWiranto@ocbc.com](mailto:WellianWiranto@ocbc.com)
**Terence Wu**
*FX Strategist*
[TerenceWu@ocbc.com](mailto:TerenceWu@ocbc.com)
**Howie Lee**
*Thailand, Korea & Commodities*
[HowieLee@ocbc.com](mailto:HowieLee@ocbc.com)
**Carie Li**
*Hong Kong & Macau*
[carierli@ocbcwh.com](mailto:carierli@ocbcwh.com)
**Dick Yu**
*Hong Kong & Macau*
[dicksnyu@ocbcwh.com](mailto:dicksnyu@ocbcwh.com)

### Credit Research

**Andrew Wong**
*Credit Research Analyst*
[WongVKAM@ocbc.com](mailto:WongVKAM@ocbc.com)
**Ezien Hoo**
*Credit Research Analyst*
[EzienHoo@ocbc.com](mailto:EzienHoo@ocbc.com)
**Wong Hong Wei**
*Credit Research Analyst*
[WongHongWei@ocbc.com](mailto:WongHongWei@ocbc.com)
**Seow Zhi Qi**
*Credit Research Analyst*
[ZhiQiSeow@ocbc.com](mailto:ZhiQiSeow@ocbc.com)

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