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Retail sales plunged more than expected in June

Highlights

- **Retail sales plunged more than expected by 8.9% yoy (-2.2% mom sa) in June**, mainly due to the drag from auto sales again. Auto sales slumped 32.4% yoy (-16.1% mom sa) in June. Meanwhile, the May retail sales print was also revised slightly to -2.0% yoy from -2.1% yoy.
- **Excluding autos, retail sales fell 2.7% yoy but rose 0.4% mom**, versus the revised 0.8% yoy contraction seen in May. Other segments of retail sales that underperformed included furniture & household equipment (-15.1% yoy), computer & telecommunications equipment (-7.7% yoy) and watches & jewellery (-4.8% yoy), despite the Great Singapore Sale. The only retail segments that saw positive on-year growth were medical goods & toiletries (+1.4% yoy), wearing apparel & footwear (+1.4% yoy), department stores (+0.7% yoy) and food retailers (+0.1% yoy).
- **We expect the second half retail sales outlook to remain soft** since retail sales already fell 2.6% yoy in the first six months of 2019 (-1.8% excluding motor sales). Macro headwinds, especially the re-escalation of US-China trade tensions, coupled with the ongoing global and domestic growth slowdown, will continue to impact both business and consumer sentiments. That said, base effects from 2H18 may turn slightly more favourable as retail sales already shrank for four out of six months in 2H last year, and this may imply some easing in the declines ahead. We tip 2H retail sales growth to remain in negative territory and full-year 2019 to come in around -1.3% yoy (-1.1% yoy excluding motor sales). If this materialises, this would likely mark the second year of contraction for retail sales.

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