

## S'pore's retail sales rebounded 2.6% mom (-1.8% yoy) in July

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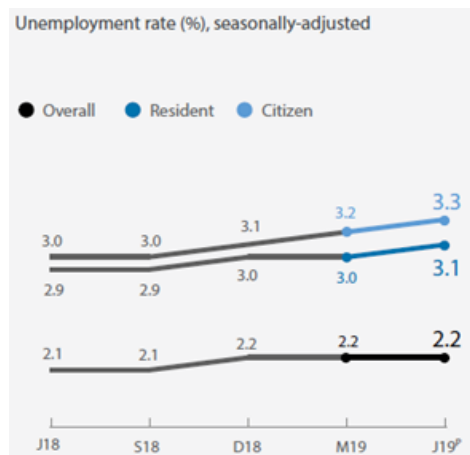
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### Highlights

- **Retail sales rebounded 2.6% mom in July, after contracting for the previous two months.** That said, on a year-on-year basis, retail sales still shrank 1.8% yoy which is a less severe contraction compared to the -8.9% yoy seen in June, albeit July 2018 was also a low base at -2.7% yoy. Our forecast was for -0.5% yoy (+3.1% mom sa) in July. Online sales also comprised 5.6% of total retail sales in July.
- **Motor vehicle sales surged 23.7% mom (+1.5% yoy),** while other segments that also saw positive on-month growth were furniture & household equipment (+3.0% mom) and computer & telecommunications equipment (+2.9% mom). However, retail sales excluding autos declined again for the sixth straight month by 2.4% yoy (-0.7% mom).
- **Compared to a year ago, most retail segments continue to underperform,** with the exception of medical goods & toiletries (+1.9% yoy) and supermarket & hypermarkets (+0.9% yoy). Leading the decline in yoy retail sales were discretionary items like furniture & household equipment (-8.3% yoy), computer & telecommunication equipment (-7.7% yoy), watches & jewellery (-6.2% yoy) and recreational goods (-4.9% yoy).
- **Looking ahead, we continue to anticipate a gradual erosion in consumer confidence and tightening of belts by households.** The combination of external macro headwinds due to the US-China trade tensions, China slowdown and risk of a no-deal Brexit, coupled with the softening in the domestic labour market as reflected in the more cautious hiring sentiments and the upward creep in the resident and citizen unemployment rates, this would not be an unreasonable assumption. In particular, MOM also highlighted that hiring intentions remain weak in the retail trade sector.
- **The domestic labour market continued to soften, albeit at a gradual pace in 2Q19.** While total employment excluding foreign domestic workers continued to grow by 6,200 in 2Q19, the number of retrenchments remained low at 2,320 (1Q19: 3,230) and the overall unemployment rate remained static at 2.2%. Note that the number of job vacancies fell for the second quarter to 47,700 in June 2019, and the seasonally-adjusted ratio of job vacancies to

unemployed persons slipped below the 1x handle to 0.94 in June 2019 to match that in December 2017 (0.94x). In addition, the number of employees placed on shorter work-weeks or temporary lay-offs also edged higher for the third consecutive quarter to 970 (still very low on an absolute basis). Meanwhile the six-month re-entry rate among retrenched residents also declined from 66% in 1Q19 to 60% in 2Q19, which is the lowest seen at least 1Q18 (61%).

- **With overall GDP growth expected near the midpoint of the 0-1% yoy range for 2019, and market speculation of potential policy easing, whether on the monetary front at the October MAS meeting or fiscal stimulus at the 2020 Budget, being potentially anticipated, any fallout in the domestic labour market should be somewhat limited in the near-term.** In fact, MOM expects that job opportunities in the community, social and personal services, professional services, financial and insurance services, and information and communications sectors will continue to provide support to the labour market.



Source: MOM

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