

S'pore's retail sales tanked 3.4% yoy (-1.0% mom sa) in December 2019, bringing full year 2019 retail sales to contract for the second straight year by 2.8% yoy.

Selena Ling

Head of Research and Strategy

+65 6530 4887

LingSSSelena@ocbc.com

Highlights

S'pore's retail sales fell 3.4% yoy (-1.0% mom sa) in December 2019, registering a soft end to 2019 when retail sales contracted for the second year by 2.8% yoy. This is worse than our forecast of -2.9% yoy (-0.2% mom sa) and also below Bloomberg market consensus forecast of -2.5% yoy (-0.2% mom sa). Excluding motor vehicles, retail sales rose 0.1% yoy (-1.4% mom sa) after two months of contraction, but this may not last. In addition, this data print marked the first back-to-back annual contraction in retail sales since the post-GFC period in 2009-2010. The domestic retail picture also mirrors that in Japan (-2.6% yoy in December), Hong Kong (-19.4% yoy in December) and South Korea (department stores: -0.8% yoy and discount stores: -7.4% yoy).

The main drag was motor vehicle sales which slumped 24.1% yoy in December, bringing the full-year auto sales to -11% yoy (the worst since 2015). Other underperforming retail segments included furniture & household equipment (-8.2% yoy), telecommunication & computers (-6.3% yoy) and department stores (-5.6% yoy). In contrast, the medical goods & toiletries segment may remain supported given the rush to purchase surgical masks, hand sanitizers and thermometers/thermal scanners. As of December 2019, online sales accounted for about 6.8% of total retail sales and the shift from physical window-shopping to online e-commerce sales may grow under the current environment where people shun crowded places.

We may not have seen the bottom yet for retail sales. Given the ongoing coronavirus outbreak, retail sentiments are likely to remain very sluggish into January and February may bear the full brunt of the slump given the DORSCON alert level was raised to orange on 7 February and consumers cut back on discretionary spending, especially for watches & jewellery, recreational goods and even F&B, particularly for restaurants and food catering given the avoidance of crowded places and postponement/cancellation of many big-scale meetings and events. STB has recently warned that Singapore is losing up to 20,000 visitors per day due to the coronavirus outbreak and may see a 25-30% fall in visitor arrivals this year, which will be worse than the 19% decline in 2003 during SARS. Our 2020 retail sales growth forecast remains tepid at -1.0% yoy.

There is a risk of 1Q20 GDP growth contracting due to the spillover economic effects from the coronavirus outbreak as outlined in our report on the Curtain Raiser for Budget 2020 (<https://www.ocbc.com/assets/pdf/Regional%20Focus/Singapore/Curtain%20Raiser%20for%20Budget%202020.pdf>). While we do not expect the 4Q19 GDP growth to deviate significantly from its flash estimate of 0.8% yoy (0.1% qoq saar), the key to watch is if the official 2020 GDP growth forecast is shaded lower from the current 0.5-2.5% yoy range. Our 2020 GDP growth forecast is 0-2% yoy with a bias to the downside.

Treasury Research & Strategy

Macro Research

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

Credit Research

Andrew Wong
Credit Research Analyst
WongVKAM@ocbc.com
Ezien Hoo
Credit Research Analyst
EzienHoo@ocbc.com
Wong Hong Wei
Credit Research Analyst
WongHongWei@ocbc.com
Seow Zhi Qi
Credit Research Analyst
ZhiQiSeow@ocbc.com

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).