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 contacted 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

Co.Reg.no.:193200032W