

Singapore retail sales contracts for 12th consecutive month, little respite seen in the horizon ahead.

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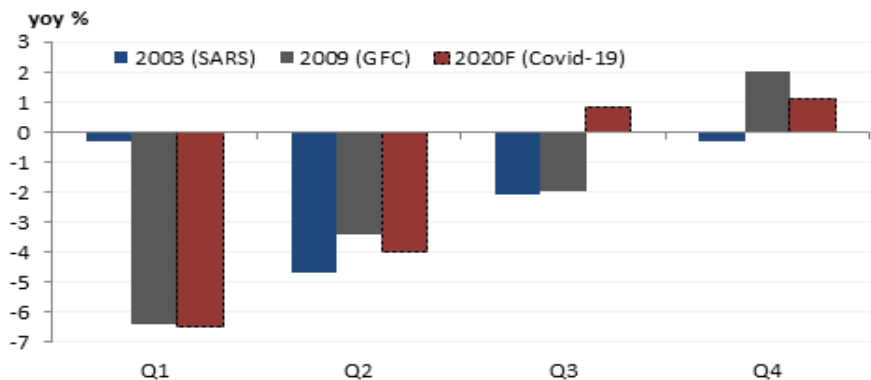
Highlights

January retail sales shrank a worse than expected 5.3% YoY (lowest since June 2019), but actually expanded marginally by 0.1% mom. Excluding motor vehicle sales, retail sales rose 0.6% YoY. As expected, the biggest drag was motor vehicle sales at -33.6% YoY, close to our forecast of -32.4% YoY. In addition, other big contributors to the retail sales declines were department store sales (-6.9% YoY), furniture & household equipment (-16.0% YoY) and optical goods & books (-9.4% YoY). Given the Covid-19 outbreak started around mid to late January, it probably dampened domestic consumption and deterred visitor arrivals, especially from China.

Since Singapore’s ban on all new visitor arrivals from China started on 31 January, and the Singapore government raised the Dorscon level from yellow to orange on 7 February, the February retail sales print may be even worse. A better gauge of the Covid-19 impact on Singapore’s retail sales would be to average across January-February or take the 1Q20 average. Anecdotal evidence also suggests that footfall at Changi Airport Jewel, Orchard shopping area, restaurants and recreation/entertainment took a big hit in February.

In the following months, we expect retail sales to continue deteriorating, with possible double digit declines towards the end of Q1. With January’s contraction of 5.3% yoy, retail sales in Singapore have posted consecutive contractions of 12 months. We estimate that retail sales may remain in the red until at least August 2020, which could possibly result in a total consecutive contraction streak of 18 months – beating the 16 months losing run set in 2009. For as long as the Covid-19 poses a material headwind to the global economy, we expect Singapore’s retail sales figures to come under continuous pressure.

Singapore Retail Sales ex-Auto, YoY %



Source: CEIC, OCBC Bank

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