

Singapore's retail sales plunged 52.1% yoy which is close to our forecast of -53.2% yoy in May, but should see a snapback in June with Phase 2, but the question remains if momentum will extend into 2H20?

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Highlights

Retail sales plunged 52.1% yoy which is close to our forecast of -53.2% yoy in May, and a deterioration from the April retail sales data as the Singapore economy entered the second month of the Circuit Breaker amid tightened measures, a softening labour market and dampened consumer appetite. As expected, supermarket/hypermarket sales as well as minimarts outperformed as more people stayed and worked from home, whereas the worst hit segments were the discretionary spending items including watches & jewellery (-96.9% yoy), department stores (-93.7% yoy), apparel & footwear (-89.1% yoy), motor vehicle sales (-85.7% yoy) and recreational goods (-74.2% yoy) as retail shops and car showrooms were all closed. Even excluding car sales, retail sales still contracted 45.2% yoy in May. **The silver lining continued to be online sales which accounted for 24.5% of total retail sales**, driven still mainly by supermarkets, computer & telecommunications equipment, and furniture & household equipment.

However, with the re-opening of stores during the Phase 2, we can expect some improvement from June onwards with a potential initial snapback in pent-up demand, but the test of the pudding is whether the momentum can sustain into 2H20, especially since the domestic labour market conditions are likely to remain soft and there has been an emergence of second wave of Covid-19 infections globally, as well as the hesitation to resume international travel may mean that demand conditions remain muted in the coming months. At this juncture, given the significant uncertainties, even an initial June retail bounce may not be sufficient to compensate for the shortfall seen in the two months of cold storage during Circuit Breaker.

On the F&B front, F&B sales also shrank 50.1% yoy in May, of which online sales took up 44.6% of the total. An improvement in F&B sales may be expected as early as June with dining-in allowed in Phase 2. However, there has been some reconsideration of dining-in options with the second wave cases in other parts of the world may still lend a bit of caution for the F&B sector going forward. Moreover, a significant portion of the Singapore workforce is also still working from home at the moment.

Our forecast for June retail sales is a much milder contraction of 10.5% yoy and the trend should continue to improve with a possibility that retail sales may edge back into positive growth territory by 4Q20. That said, retail sales are still likely to contract by 9.5% yoy for the whole of 2020, signifying a Covid-19 induced recession for Singapore.

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