S'pore retail sales slump eases in June, but road to recovery remains an uphill climb

Highlights

Singapore’s retail sales plunged 27.8% yoy in June, with our forecast of -28.0% yoy coming out tops in the Bloomberg poll. June’s retail sales decline eased from the deep contractions of -40.2% yoy and -52.0% yoy that were observed in the Circuit Breaker months of April and May, with the telecommunications and computers segment being the surprise standout performer at 20.9% yoy growth vs -21.3% yoy in May. Supermarkets (43.4% yoy) and minimarts (8.7% yoy) continued their strong showing, but the overall picture still remains bleak with departmental stores (-69.5% yoy), motor vehicles (-47.8% yoy) and F&B (-45.7% yoy) sales still very much in the red.

The improvement in June’s numbers vis-à-vis April and May were highly expected as Singapore moved into phase two of its economy reopening. The anticipated snap-back in private consumption and pent-up demand after two months of staying/working at home were likely to have provided a fillip in the initial stages of phase two, which would have been captured in June’s data. Whether the buying interest lasts after the initial euphoria, however, remains the key question. We expect to see more modest improvements going forward and do not expect large sequential jumps, as the domestic labour market is still softening while the resurgence of Covid-19 cases globally may deter big-ticket discretionary expenditure.

The reopening of the Singapore economy under Phase 2 also resulted in the first decline of online sales as a proportion of total sales in 5 months, dipping from 24.5% in May to 18.1% in June, as consumers flock out of their homes given brick-and-mortar alternatives. The trend of online purchases looks set to stay in the long-term, given the structural changes in consumption and lifestyle habits brought forth by the coronavirus.

For the rest of the year, we maintain our forecast of a 14.6% yoy contraction in Singapore retail sales (-11.5% yoy excluding motor vehicles), reflecting the domestic recession theme and also the fact that international travel has yet to resume. A return to positive growth in retail sales may only come in late Q4 2020, if not early 2021. This means an extension of the retail sector doldrums after years of contraction seen in 2018 and 2019.
SG Online retail sales as % of total sales value

Singapore Retail Sales Forecast YoY

Forecast by OCBC Bank
TREASURY RESEARCH
Singapore
5 August 2020

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