Singapore

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September surprise in retail sales

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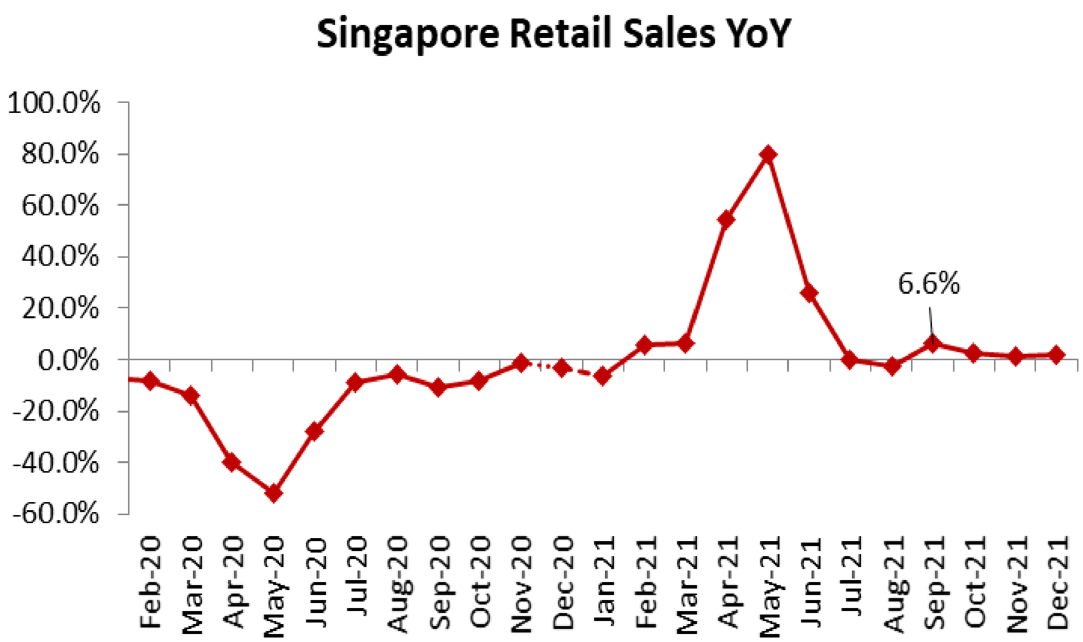
Highlights:

Retail sales rose more than expected by 6.6% yoy (6.0% mom sa) in September, reversing the August decline of 2.8% yoy (-0.6% mom sa). This data print exceeded our forecast of 2.0% yoy (1.9% mom sa) as well as the Bloomberg consensus forecast of 2.0% yoy (0.9% mom sa). Retail sales excluding motor vehicles also rose a better than expected 8.3%. The most buoyant retail sales segment were in computer & telecom equipment (66.1% yoy and 23.8% mom sa, aided by new phone launches including the Apple iPhone 13), followed by petrol service stations (22.3% yoy but -1.8% mom sa amid to rising crude oil prices) and watches & jewellery (13.3% yoy and 5.5% mom sa). In contrast, the underperforming retail sales segments included the optical goods & books (-10.4% yoy), recreational goods (-5.0% yoy) and motor vehicles (-2.0% yoy as COE premiums head further north). Some 15.2% and 18.0% respectively of total retail sales and retail sales excluding motor vehicles were online sales. The most active online sales segments were unsurprisingly again for the supermarkets & hypermarkets (15.0%), computer & telecom equipment (53.7%) and furniture & household equipment (32.0%).

Light at the end of the tunnel for the retail sector? The Stabilisation Period only started on 27 September and was originally scheduled to last until 24 October, so the full impact of the tightened restrictions for dining-in and default work-from-home arrangements etc may not have been fully captured in the September retail sales data. These Covid restrictions were subsequently extended further to 21 November in order to restrain the strain on the healthcare system. However, the potential dent on domestic private consumption this time round may be relatively mild, partly because the local labour market conditions have improved again, pushing the overall unemployment rate back down to 2.7%, after a short-lived wobble in July. This suggests some confidence in the high domestic vaccination rates amid the ongoing shift to an endemic Covid environment. Moreover, there have been recent signs that the Delta resurgence is subsiding in many regional economies and more neighbouring countries are opening up for overseas travel, which may bode well for S'pore as an air transport hub.

In Singapore's case, the gradual re-opening of the borders to overseas visitors for specific Vaccinated Travel Lanes (VTLs) may also mean that the modest return of overseas visitors may give a much welcome lift to the retail sector in the coming months, although this may be slightly offset by some leakage from Singaporeans travelling overseas via the VTLs and partially shifting their discretionary spending power overseas. Note the recent business expectations survey for the services sector pointed to an improved net 19% of firms anticipating a more upbeat 6 months outlook ahead, including those in the retail trade industry (+22%), especially ahead of the year-end festive season. In particular, the department stores, supermarkets and retailers of wearing apparel & footwear were among those within the retail trade industry who tip better business conditions for this period. Our forecast for 2021 retail sales growth is 9.5% yoy, before moderating to 3.5% in 2022.



Forecast by OCBC Bank

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