

Retail sales softened in April on a month-on-month basis

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Highlights:

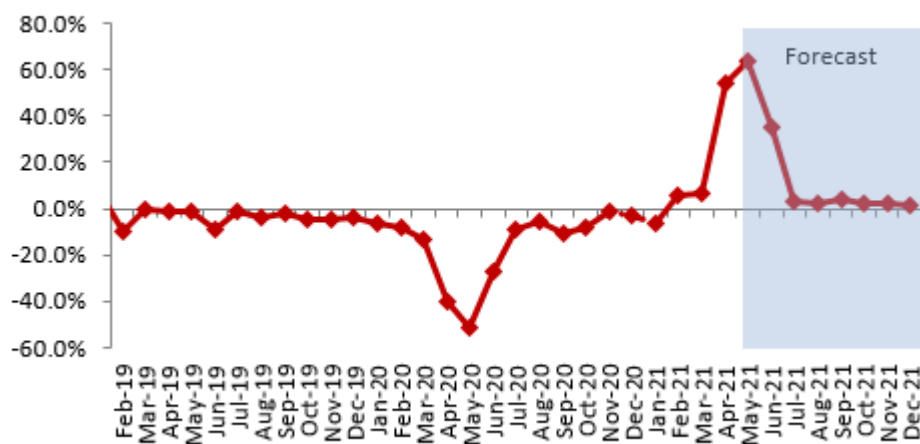
S'pore's retail sales in April may have posted a mind-boggling 54.0% yoy growth in retail sales, but the double-digit growth was almost entirely due to the very low base from the Circuit Breaker last year. At 54.0% yoy, this is markedly lower than the median consensus estimate of 58.6% yoy and our forecast of 60.4% yoy. On a m/m seasonally adjusted basis, last month's retail sales contracted 1.3%. Recovery for the retail sector has continued to be in fits and starts – retail sales has contracted three times out of four since the start of 2021 on a m/m seasonally adjusted basis.

Some sectors displayed triple-digit growth rates in April due to the low base last year, such as watches & jewellery (647% yoy), wearing apparel & footwear (443% yoy) and departmental stores (280% yoy). Indeed, coming from the very low base last year, the probability of a yoy contraction in April was very low. That said, we note that recovery in the county's retail sector has hit a brick wall in the past quarter, with different sectors continuing to exhibit K-shape recoveries. Departmental stores (actual 280% yoy; OCBC est 265% yoy) and recreational goods (actual 175% yoy; OCBC est 140% yoy), for example, have beaten our estimates by a reasonably big margin; the food and beverage sector (actual 33%; OCBC est 57%), however, have continued its lacklustre pace of recovery.

The low base in May'20 and Jun'20 due to last year's Circuit Breaker mean retail sales growth for the rest of Q2 2021 are expected to continue posting double-digit yoy growth rates. However, the return of Singapore into Phase 2 (HA) mean we expect retail sales to post m/m contractions on a seasonal adjusted basis. The hardest hit sectors are probably found in the Food & Beverage sector due to the closure of dining-in services, as well as the recreational sector. Even if Singapore manages to return to Phase 3 as scheduled, the continued restrictions on movement as well as lack of tourist arrivals mean retail sales for the rest of 2021 will likely be sluggish.

Retail sales has expanded 10.3% yoy in the first four months of 2021 but we see downside risks for the sector's recovery. The on-off virus outbreaks globally and regionally will continue to rear its head and caps any strong recovery momentum from a sector that is typically dependent on high human density and turnover. We expect Q2 retail sales to expand close to 49.3% yoy, but that has been shaded down from 54% yoy due to the Phase 2 (HA) restrictions. We also downgrade our full year retail sales growth forecast from 12.5% yoy to 10.5% yoy.

Singapore Retail Sales YoY



Forecast by OCBC Bank

Source: CEIC, OCBC Bank

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