

January retail sales dipped but likely due to seasonal effects

Selena Ling

Head of Research and Strategy

+65 6530 4887

LingSSSelena@ocbc.com

Highlights:

S'pore's retail sales fell a worse-than-expected 6.1% yoy and 1.8% mom sa in January. This is worse than the revised December print of -3.3% yoy (-1.0% mom sa) and also below our expectations for a 2.0% yoy fall (+0.3% mom sa) estimate. Excluding auto, retail sales fell a more severe 8.4% yoy (-2.4% mom sa), which is double the revised -4.2% yoy seen in the previous month. One contributing factor was the seasonal effects due to the Chinese New Year (CNY) festive season falling in January 2020, whereas it fell in February this year.

The main drags were seen in sales of food & alcohol (-43.6% yoy), department stores (-36.1% yoy), cosmetics, toiletries & medical goods (-31.8% yoy) and wearing apparel & footwear (-28.5% yoy) in January, amid the low visitor arrivals and the different timing of the CNY festive season. While the Singapore economy saw the transition into Phase 3 on 28 December 2020, which allowed the relaxation of dining numbers to larger groups of up to 8 persons as well as the relaxation of capacity limits in public places like malls and attractions, nevertheless most international borders remained effectively closed.

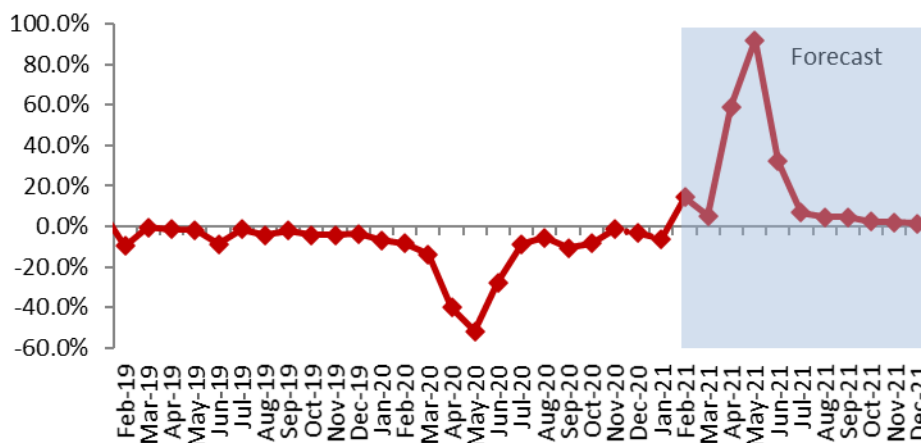
In contrast, the retail segments that saw an on-year improvement were furniture & household equipment (+25.9% yoy), computer & telecom equipment (+24.8% yoy, attributable to the launch of new mobile phones), autos (+10.3% yoy), and recreational goods (+7.3% yoy). Notably, supermarkets & hypermarkets saw a moderation in sales from 25.4% yoy in December 2020 to 7.8% yoy (-3.2% mom sa) in January 2021 in January, as the shift into Phase 3 could have allowed more Singaporeans to dine out in larger groups of up to 8 persons compared to just 5 persons previously.

The proportion of online retail sales was 10.3% in January 2021, or 12.1% excluding autos, of which the segments with the highest online sales component remained that of computer & telecomm equipment (40.8%) furniture & household equipment (23.2%) and supermarkets & hypermarkets (11.6%).

Note the sales of F&B services also fell 24.7% yoy (-6.5% mom sa) in January, worse than December 2020's print of -16.3% yoy. Again, the seasonal effects from the timing of CNY was likely the contributing factor. Restaurants bore the brunt of the drop with a 30.2% yoy (10.1% mom sa) decline. While there may be some pickup into the CNY festive season in February 2021, nevertheless the capacity and social distancing constraints under Phase 3 remain intact, hence it is unlikely to mark a full recovery per se to pre-Covid levels. Hence, it would be better to look at the average of the January-February data to overcome the seasonal effects.

For the whole of 2021, retail sales is expected to rebound by 13% yoy, after a precipitous drop of 15.3% yoy in 2020 due to the Covid pandemic and the Circuit Breaker period. Since Phase 3 will last a longer period of time, the hope is that the accelerated vaccination program roll-out both domestically and globally, this would contribute to some re-opening of international borders later this year and in turn bring some much needed relief to hard-hit local retailers.

Singapore Retail Sales YoY



Forecast by OCBC Bank

Source: OCBC Bank estimates

Treasury Research & Strategy

Macro Research

Selena Ling
Head of Research & Strategy
LingSSSelena@ocbc.com
Tommy Xie Dongming
Head of Greater China Research
XieD@ocbc.com
Wellian Wiranto
Malaysia & Indonesia
WellianWiranto@ocbc.com
Howie Lee
Thailand & Commodities
HowieLee@ocbc.com
Carie Li
Hong Kong & Macau
carierli@ocbcwh.com
Herbert Wong
Hong Kong & Macau
herberhtwong@ocbcwh.com

FX/Rates Strategy

Frances Cheung
Rates Strategist
FrancesCheung@ocbc.com
Terence Wu
FX Strategist
TerenceWu@ocbc.com

Credit Research

Andrew Wong
Credit Research Analyst
WongVKAM@ocbc.com
Ezien Hoo
Credit Research Analyst
EzienHoo@ocbc.com
Wong Hong Wei
Credit Research Analyst
WongHongWei@ocbc.com
Seow Zhi Qi
Credit Research Analyst
ZhiQiSeow@ocbc.com

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