

Retail sales accelerates in March but speed bump ahead in May?

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Highlights:

It is encouraging that retail sales grew for a second month in March by 6.2% yoy (3.0% mom sa). Excluding autos, retail sales also rose by 4.4% yoy (2.2% mom sa) in March. The key segments that saw healthy sales in March were watches & jewellery (+60.2% yoy), wearing apparel & footwear (+35.6% yoy), and recreational goods (+28.3% yoy), whereas sales lagged for supermarkets & hypermarkets (-14.0% yoy, likely due to Singaporeans dining out more frequently) as well as cosmetics, toiletries & medical goods (-13.2% yoy as pandemic-related demand subsided compared to a year ago). The online sales remained high at 11.8% of total retail sales in March, and 14.4% if motor vehicles are excluded.

The positive retail sales data streak may be buoyed somewhat by the low base last year, but is also reflective of the general improvement in domestic demand conditions with the resumption of more economic activities and the stabilisation in the local unemployment rate.

Looking ahead, while the April retail sales data is likely to look fantastic on a year-on-year basis due to the low base last year, it is possible that the May data may hit a temporary speed bump due to the return to Phase 2 restriction measures from 8-30 May. One concern will be if the restrictions get extended or the COVID situation improves so we can revert to Phase 3 conditions in June.

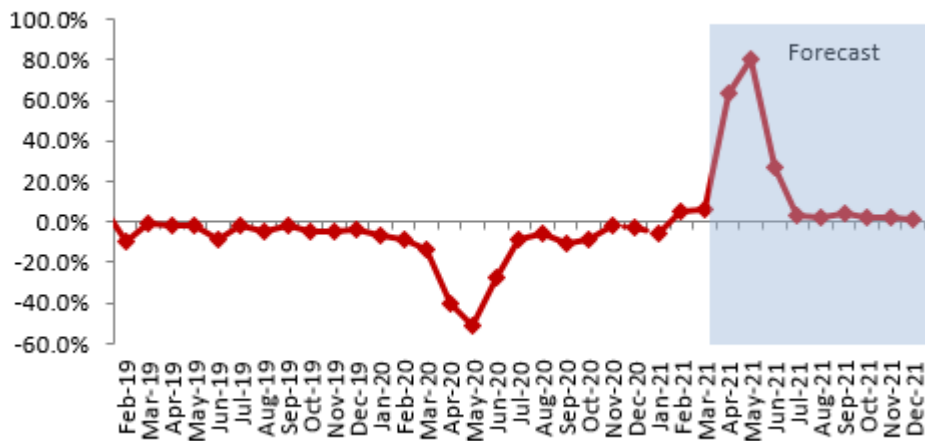
With the reversion to 50% WFH, demand for computer & telecom equipment should still be supported, while demand for F&B and wearing apparel, department stores may be adversely affected. The COE quota for May-July is also the lowest in more than 6 years so it could be an additional drag too. In addition, with the tightening of dining out numbers from 8 to 5 persons, the F&B services may slip somewhat, yet still be up compared to a year ago. Notably, the food catering segment remains the weakest link due to the absence of social gathering and MICE events.

For the full year 2021, we shade down our retail sales growth forecast slightly from 12% to 11% YoY, factoring in the expected dent in May due to the return to Phase 2 restrictions and a tightening of border controls. This would still be a recovery from the sharp 15.3% yoy contraction in retail sales seen last year during the COVID-induced recession.

Singapore

5 May 2021

Singapore Retail Sales YoY



Forecast by OCBC Bank

Source: CEIC, OCBC Bank

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