

## Retail sales rebound back to positive on-year growth in February

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### Highlights:

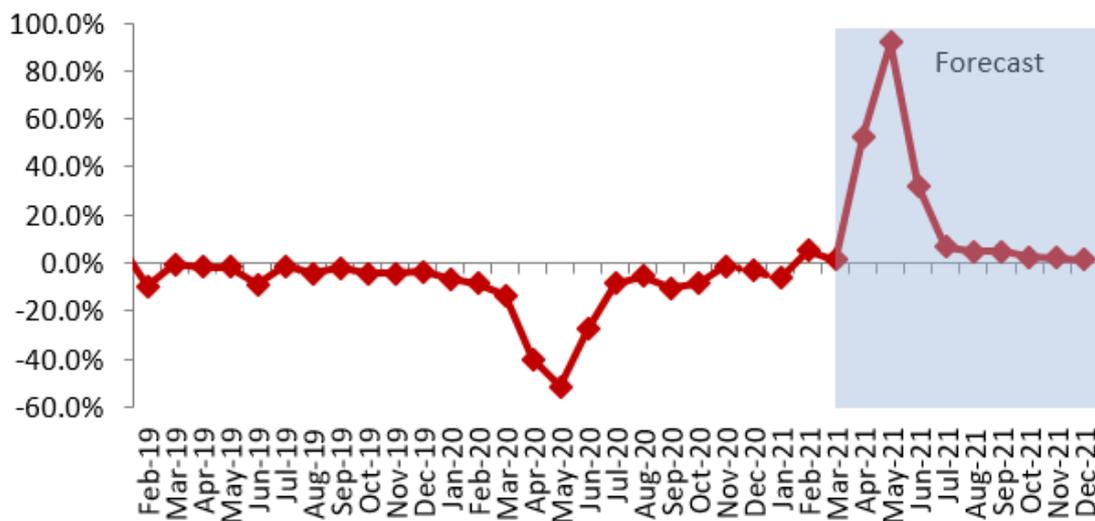
**Retail sales rebounded 5.2% yoy (-1.6% mom sa) in February, disappointing our expectations for 9.7% yoy (+4.6% mom sa), but still marked the return to positive yoy growth territory for the first time after 24 months of consecutive contractions.** The rebound was partly attributable to a low base last year as the Chinese New Year festive season fell in February this year versus January last year, but also signifies partial normalization as the Singapore economy reopens further for business as usual as the vaccination roll-out is ramped up. This brought the first two months of retail sales growth to -1.2% yoy, which is an improvement from the -7.5% slump seen in the same period last year.

**Excluding motor vehicles, retail sales jumped 7.7% yoy (-1.2% mom sa),** after slumping 8.4% yoy in January 2021. The key retail segments registering higher sales were watches & jewellery (+34.1% yoy) and wearing apparel and footwear (+31.6% yoy), likely capturing some seasonal effects from the Chinese New Year festive shopping, whereas cosmetics, toiletries & medical goods (-18.7% yoy) sales underperformed. The stabilization of the overall and resident unemployment rates in the three months to January also bodes well for the private consumption strength.

**Online sales also accounted for 10.1% of total sales in February,** similar to the 10.2% seen in January. That said, the online sales component continued to high for specific retail segments like computer & telecoms equipment (+44.3%), furniture & household equipment (26.0%) and supermarket & hypermarkets (10.7%). Looking ahead, with the relaxation of the Work From Home arrangements from 5 April to allow more workers to return to office (up to 75% versus 50% previously), it is uncertain if the computer & telecom equipment, furniture & household equipment online sales could continue to sustain around current levels or may peter off in the months ahead.

**For the full year of 2021, retail sales is still likely to rebound around 12%-13% yoy,** after contracting for three straight years with 2020 recording a record 15.3% yoy contraction due to the Covid-induced recession for data going back to 1985. Given the very low base during the Circuit Breaker period in 2Q20, retail sales could see very buoyant on-year prints, potentially in excess of 50% yoy, before normalizing to single-digit on-year growth levels from July onwards. The pace of the recovery in the local retail sector would really depend on the accelerated vaccine roll-out, potential re-opening of some travel bubbles and borders, and the return of some leisure and MICE visitors (eg. WEF later this year), even though retail sales started on a relatively soft tone in the first two months of 2021.

Singapore Retail Sales YoY



Forecast by OCBC Bank

Source: CEIC

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