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Macro Note

Singapore: Retail Sales Posted A Record Month-On-Month Growth In June 2020

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Highlights

- Singapore retail sales fell 27.8% y/y in June 2020, easing from the record pace of contraction of 52.1% y/y in May. Excluding motor sales, retail sales fell 24.2% y/y. Encouragingly, retail sales rose by a strong 51.1% m/m sa, a record high since data was made available in 1985, suggesting that some retail demand has returned post circuit breaker (7 April – 1 June).

- Despite the improving environment, most retail industries recorded declines. This is seen especially by sales in Departmental Stores which plummeted 69.5% y/y in June 2020.

- On the flip side, the continued demand for groceries and IT solutions from work-from-home arrangements have lifted the sales in Supermarkets & Hypermarkets, Computer & Telecommunications Equipment, and Mini-marts & Convenience Stores.

- Online sales as a share of total retail sales continued to stay elevated at 18.1%, marking the third consecutive month of double-digit print. This translated to a strong 151.2% y/y increase in online retail sales, marking a new record level of gain.

- Encouragingly, the surge in online retail sales to a record high of approximately S$462.5 million in June 2020 continue to highlight robust consumer demand. This, coupled with the strong month-on-month seasonally adjusted gain in most retail industries suggests that retail demand is likely on the rise henceforth.

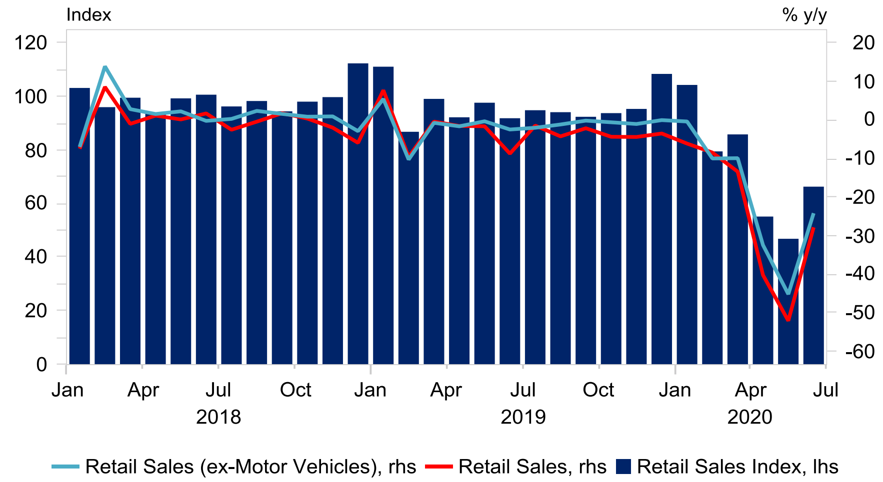
- In a nutshell, we continue to expect the recovery of Singapore's retail sector, albeit slowly given the absence of international tourism demand. The return of consumer demand should also cushion the rate of contraction on a year-on-year perspective, although full-year retail sales will likely fall by 5.0% in 2020.

Singapore retail sales fell for its 17th straight month at -27.8% y/y in June 2020. The rate of contraction however eased from the record pace of contraction of 52.1% y/y in May. Excluding motor sales, retail sales fell 24.2% y/y. As we highlighted in our May's retail sales report where we had expected a strong pickup in m/m growth rates, retail sales did rise by a strong 51.1% m/m sa, a record high since available data as of 1985. The contraction in retail sales also surprised market estimates for a -52.1% y/y (-21.5% m/m sa). Accounting for the latest data, retail sales declined 24.3% in the first six months of 2020.

Despite the improving environment, most retail industries recorded declines given the absence of tourism-demand. The contraction is led by the sales in Departmental Stores which plummeted 69.5% y/y in June 2020. This is followed by the sales of wearing apparels & footwear (-63.4%), watches & jewellery (-53.5%), motor vehicles (-47.8%), and food & alcohol (-45.7%). However, these above-mentioned industries did see a strong pick-up in their month-on-month seasonally adjusted growth rates, suggesting some retail demand has returned post circuit breaker (7 April – 1 June).

Retail Sales Growth Improved On A Month-On-Month Basis Post Circuit Breaker

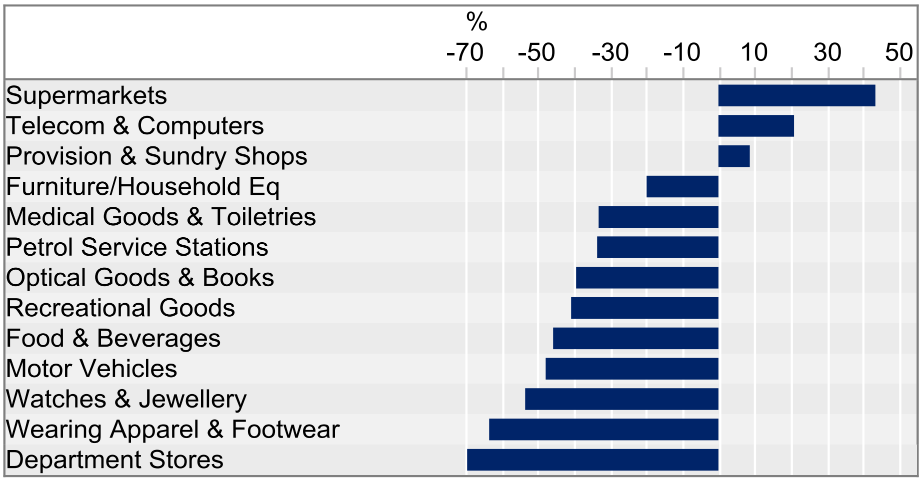
Source: Macrobond, UOB Global Economics & Markets Research



Some industries benefited from the sustained demand for groceries and IT solutions from work-from-home arrangements. These sectors include Supermarkets & Hypermarkets (+43.4%, marking the fifth consecutive month of double-digit growth), Computer & Telecommunications Equipment (+20.9%, highest since December 2014), and Mini-marts & Convenience Stores (+8.7%, four months of growth).

Retail Sales Across Sectors (June 2020)

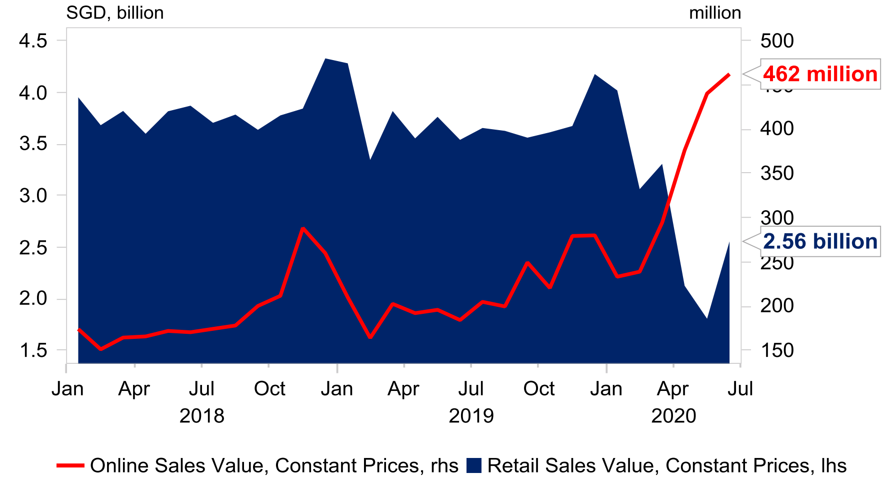
Source: Macrobond, UOB Global Economics & Markets Research



Online sales as a share of total retail sales continued to stay elevated at 18.1%, marking the third consecutive month of double-digit print. This translated to a strong 151.2% y/y increase in online retail sales, marking a new record level of gain. Sectors that had benefited from online sales included those in the computer & telecommunication equipment cluster, where online sales accounted for 69.9% of total sales in the respective industry. This is followed by furniture & household equipment (45.6%), food & beverages (32.7%) and supermarkets & hypermarkets (10.7%).

Online Sales Surged Even As Overall Retail Sales Fell

Source: Macrobond, UOB Global Economics & Markets Research



In a nutshell, we continue to expect the recovery of Singapore's retail sector, albeit slowly given the absence of international tourism demand. Barring a re-introduction of social-distancing measures, the return of domestic consumer demand should also cushion the rate of contraction on a year-on-year perspective for the rest of 2020. Overall retail sales may still be unable to surpass 2019 levels. This is given the lack of tourism spending to-date, while domestic demand may still stay relatively cautious given the global economic uncertainties. Some reprieve may be seen given the rise in online sales and the increased demand for consumer necessities in the coming months, although growth in these sectors is likely inadequate to offset the decline in other retail sales clusters. **We keep to our full-year forecast for retail sales to contract by 5.0%.**

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