

Macro Note

Singapore: Low-Base Year Effect & Improving Macro Numbers Should Lift Retail Sales In 2021

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Highlights

- Singapore retail sales fell 3.6% y/y (-0.9% m/m sa) in Dec 2020, clocking its 23rd straight month of contraction. This compares to November's decline of 1.9% y/y (+7.3% m/m sa). Accounting for the latest data, retail sales plummeted 15.3% y/y for the whole of 2020, compared to -2.8% y/y in 2019. See Exhibit 1.
- Most retail industries continued to stay subdued due to low visitor arrivals and lacklustre domestic demand – sales of Food & Beverages (-35.0% y/y), Departmental Stores (-28.7% y/y), Wearing Apparel & Footwear (-22.8% y/y) and Watches & Jewellery (-10.2% y/y) fell. Excluding motor vehicle sales, retail sales decreased by 4.5% in December 2020.
- On the flip side, other industries had benefitted from the continued work-from-home arrangements, which lifted sales of Telecommunications & Computers (+25.3% y/y) and Furniture & Household Equipment (+20.8% y/y). Demand for groceries and sporting goods also supported the sales of Supermarkets (+24.8% y/y) and Recreation Goods (+10.3% y/y). See Exhibit 2.
- From a month-on-month seasonally adjusted basis (m/m sa), retail sales in December had softened compared to the previous month, reinforcing our view that transient factors such as Singles' Day, Year-End Departmental sales etc seen in November had largely dissipated in December. Specifically, 9 out of 14 major retail industries contracted on a m/m sa. See Exhibit 3.
- Online sales as a share of total retail sales remained significant at 11.0% in December 2020 (vs Nov: 14.1%), suggesting that e-commerce demand stayed resilient. Note that online sales in real terms have grown 58.3% y/y in December 2020, marking 13 straight months of positive growth.
- The full-year contraction in retail sales is unsurprising given the negative effects of COVID-19. As such, retail sales may continue to stay subdued at least into 1H21, given the absence of tourism-led demand, although it could eventually stage a rebound in 2H21. The resurgence of COVID-19 cases globally, coupled with the new contagious strains seen to-date, may mean that international travel could stay weak for a prolonged period. Interim support such as the Singapore Rediscovered Vouchers may provide some short-term relief, but is unlikely to fully cushion the absence of tourism-led demand from overseas.
- Barring an unexpected exacerbation of COVID-19 infections in Singapore, we are cautiously optimistic for retail sales to recover to +1.0% in 2021. Coupled with the low-base year in 2020, Singapore's macroeconomic numbers have been improving since the trough seen in 2Q20. In particular, the labour market has recovered to an unemployment rate of 3.2% in December 2020 (from 3.8% in 2Q20). These should subsequently inject material tailwind into Singapore's retail sales sectors in 2021.

Exhibit 1: Retail Sales Contracted For Its 23rd Straight Month

Source: Macrobond, UOB Global Economics & Markets Research

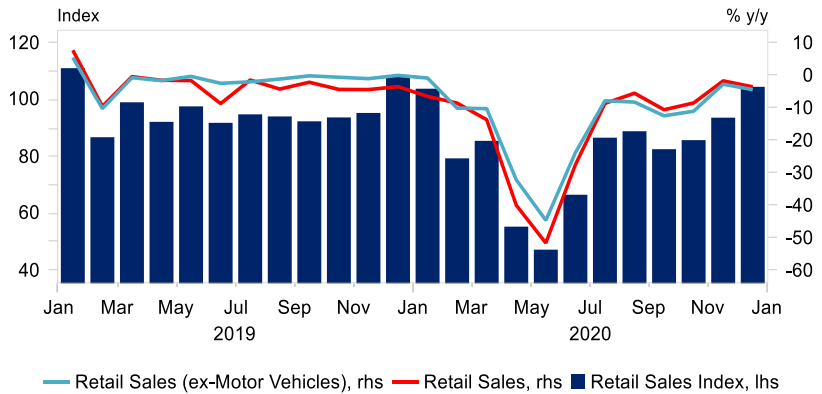


Exhibit 2: Retail Sales Across Sectors (December 2020)

Source: Macrobond, UOB Global Economics & Markets Research

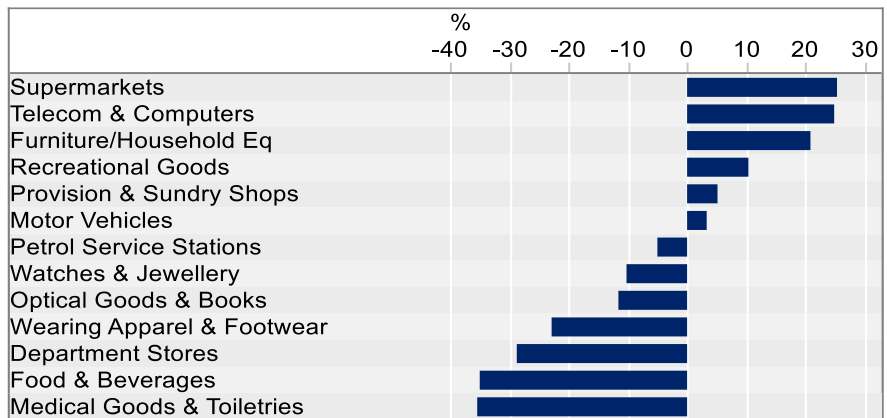
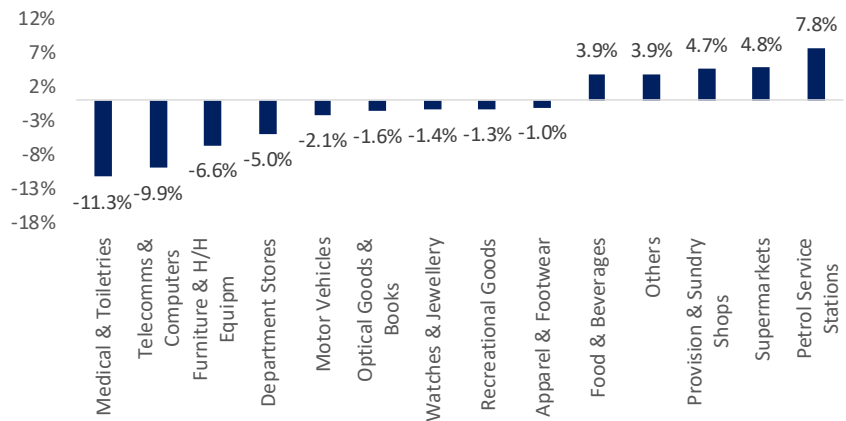


Exhibit 3: Retail Sales On A M/M SA Basis Were Markedly Softer In Dec 2020

Source: Macrobond, UOB Global Economics & Markets Research



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