

Singapore: Retail sales unexpectedly contract in January

A downside surprise in January retail sales highlights a challenging year ahead for Singapore



Retail sales in Singapore fell much more than expected in January

-0.8% January YoY growth

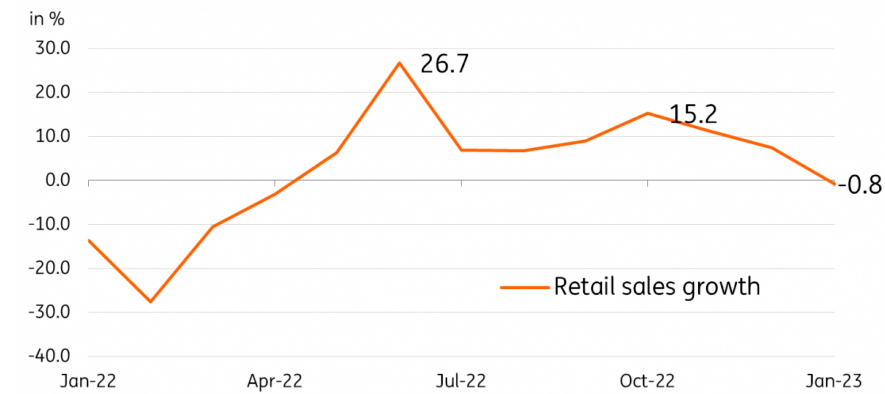
Lower than expected

Retail sales down by -0.8% year-on-year

Retail sales posted a surprise contraction in January, a significant downside surprise as the market consensus pointed to a 4.9% year-on-year gain. The implementation of the latest round of the goods and services tax (GST) and elevated inflation may have slowed sales substantially with sales down 0.8%YoY and down 9.4% from the previous month. Department store sales (4.6%YoY), food and alcohol (36.3%YoY), apparel (23.7%YoY) and recreational goods (9.7%) were bright spots, but sales at supermarkets and minimarts continued to slide.

The sustained influx of overseas visitors is likely giving retail sales a boost but this appears to have not been enough to offset the negative impact of surging prices.

Big miss for retail sales in January



Downside surprise highlights challenges to growth outlook

The big miss on January retail sales highlights some of the challenges to Singapore's growth outlook this year. Retail sales had been a bright spot of late but it now joins non-oil domestic exports in contraction territory. Slowing retail sales and downbeat exports are two factors that inform our 2.4%YoY growth forecast for this year.

The reopening of China however could be a potential positive for Singapore should this translate to increased trade activity and also bolster tourist arrivals further.