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## Global Economics & Market Strategy

# Singapore: Staying Positive on Retail Sales Growth in 2H24

- **We maintain our positive outlook on Singapore's retails sales growth throughout the year, despite weaker than expected print in April 2024.**
- **April's retail sales were softer than expected, dragged by the decline in tourism arrivals in Singapore over the same period.**
- **Retail sales shrank by 1.2% YoY in Apr 2024, reversing from an upwardly revised 2.8% rise in the previous month. April's print was below Bloomberg's estimates of +1.9% YoY.**

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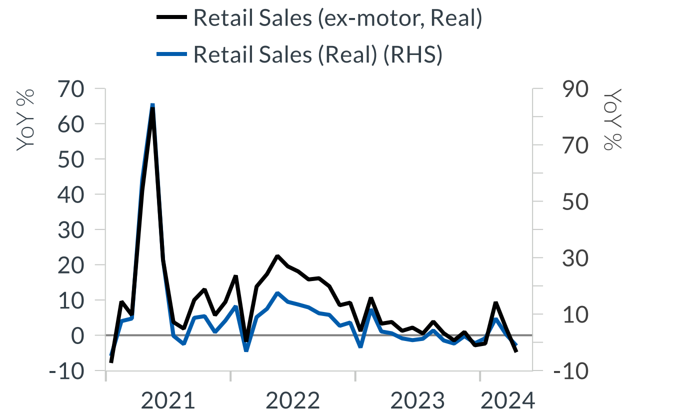
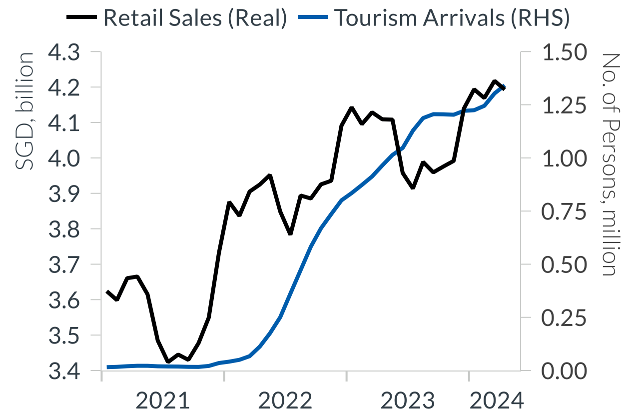
**Figure 1: Retail sales in Apr 2024 shrank, snapping three months of gains in 2024**




*Source: Macrobond, RHB Economics & Market Strategy*

**Figure 2: Continued recovery in tourism arrivals expected to support the growth of retail sales**




*Source: Macrobond, RHB Economics & Market Strategy*

# We are not worried about April's disappointing retail sales

**We maintain our positive outlook on Singapore's retail sales growth throughout the year despite weaker-than-expected print in April 2024.** The dip in April's print could be attributed to specific temporary factors, such as a sharp fall in demand due to the concert boom seen in 1Q24. Historically, retail sales have been expanding, and this was the first contraction in 2024. We think a single month's disappointing performance does not necessarily indicate a long-term trend.

**April's retail sales were softer than expected, dragged by the decline in tourism arrivals in Singapore over the same period.** Lower tourism arrivals were likely due to (1) potential front-loading arrivals in March due to concert-related drivers, as well as (2) the relatively expensive SGD, which meant tourism costs were higher from a foreign currency perspective. We note that SGD has been the outperformer in ASEAN, suggesting that Singapore's goods and services have generally been more expensive than the rest of ASEAN countries. Tourists might perceive Singapore as more expensive, thus dissuading expenditure and overall arrivals. The relatively costly SGD (meaning cheaper foreign FX) may also have encouraged cross-border retail sales into Singapore, with domestic consumption likely preferring more affordable alternatives from a currency perspective.

**We believe that tourism demand remains supported despite the slowdown in inbound arrivals into ASEAN.** As depicted by Figure 7, we noticed that tourism arrivals remain strong in Japan, against a weakening trend in ASEAN. Similarly, where an expensive SGD could dissuade Singapore-centric tourism demand, a cheaper JPY would be an appropriate counter-argument to why tourism demand remains strong in Japan. JPY has weakened 2.9% since 1 April 2024, compared to the stronger SGD (+0.26%). The weaker Japanese Yen makes Japan an attractive destination for a wide range of tourists by offering increased affordability and purchasing power whereby tourists could afford more goods and services, making shopping, dining and touring more accessible compared to Singapore as a more premium, high-cost destination, potentially limiting its appeal to budget-conscious travellers.

**There is evidence that Singapore's domestic consumption has remained resilient despite April's retail sales decline.** Specifically, online sales momentum (Figure 5) continued to advance. As such, this supports our view that the decline in retail sales is primarily driven by external factors such as weaker tourism rather than a downturn in domestic consumption. As discussed above, online goods are cheaper than SGD-denominated goods. The growing online sales in Singapore demonstrate a robust and adaptable consumer market that leverages digital platforms for purchasing needs. The resilience of domestic demand, evidenced by thriving e-commerce activity, is expected to sustain overall consumption levels and contribute to economic stability throughout the year.

**Singapore's retail sales will continue to be a strong growth pillar in 2H24.** Our positive view is underpinned by three key reasons: (1) an optimistic global backdrop which will support tourism arrivals into ASEAN, (2) key international events scheduled in the upcoming months and (3) the distribution of Singapore's Budget Assurance Package.

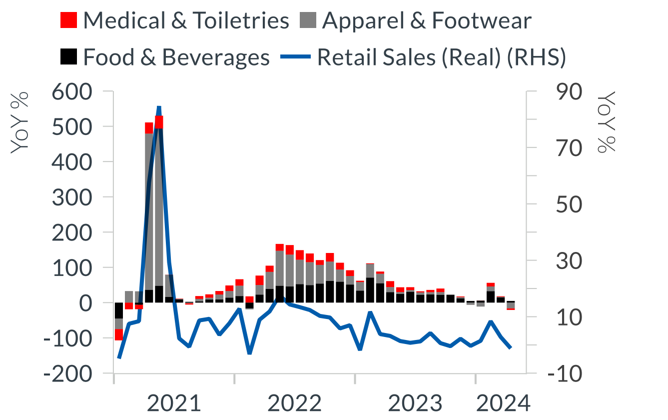
First, the global external economic environment has remained resilient year-to-date, in line with our above-consensus US (2.5%) and China (5.0%) GDP growth forecasts for 2024. We keep our positive view on China's economy, quoted in the previous thematic paper, which suggests primarily that ASEAN-6 inbound tourism demand from China will pick up in 2024.

Second, we see a healthy pipeline for noteworthy events in 2Q – 3Q24 that could continue to support Singapore's vibrant services backdrop, including Dua Lipa (June), A-mei (July), AR Rahman (August), EXO (September) and Richard Marx (September). This tourism recovery offers a hopeful outlook for the retail sector, as increased tourist arrivals are expected to boost consumer spending and drive retail sales.

Third and last, Community Development Council (CDC) voucher distribution is expected to stimulate local spending. Every Singaporean household will receive an additional $600 CDC voucher. The first $300 CDC vouchers will be disbursed by the end of June 2024. This targeted spending eventually supports local retailers and encourages consumers to shop locally, bolstering retail sales in community stores.

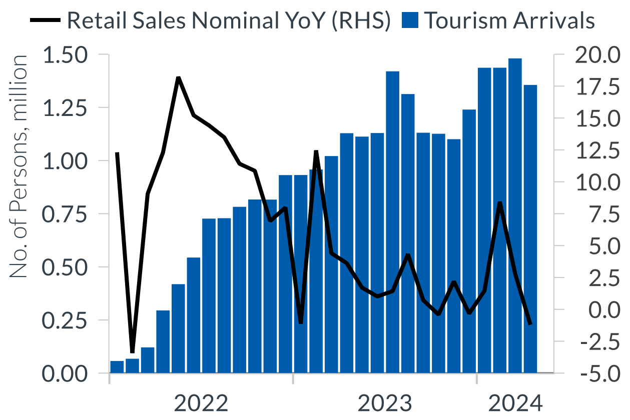
**Retail sales shrank by 1.2% YoY in Apr 2024, reversing from an upwardly revised 2.8% rise in the previous month. April's print was below Bloomberg's estimates of +1.9% YoY.** It marked the first contraction in retail sales in four months and the most significant drop since February 2022. On a seasonally adjusted monthly basis, retail trade dropped 2.7%, the steepest decline since January 2023, following a downwardly revised 0.8% drop in March. Notably, most of the retail sales categories recorded year-on-year declines in April. Meanwhile, categories that recorded YoY growth were motor vehicles (25.0%), food & alcohol (4.7%) and petrol service stations (3.0%).

### Figure 3: Most of the retail sectors have recorded a YoY decline in April



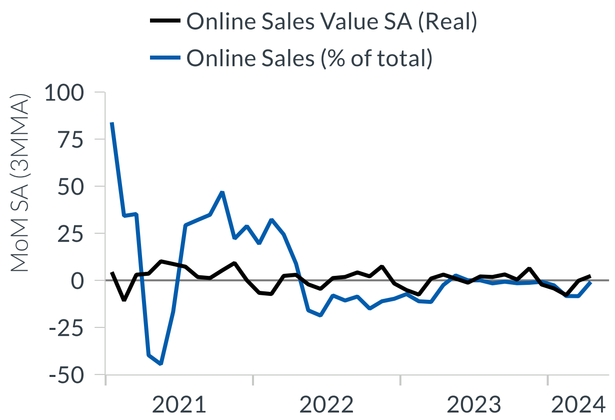

*Source: Macrobond, RHB Economics & Market Strategy*

### Figure 4: Higher tourism arrivals expected back on the improving global economy



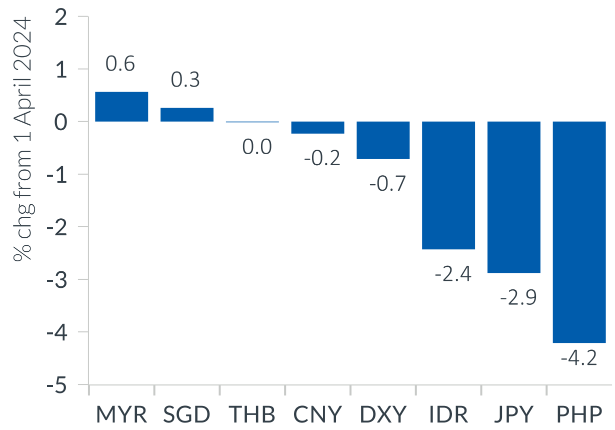

*Source: Macrobond, RHB Economics & Market Strategy*

### Figure 5: Online sales growth momentum is up, suggesting domestic consumption is resilient



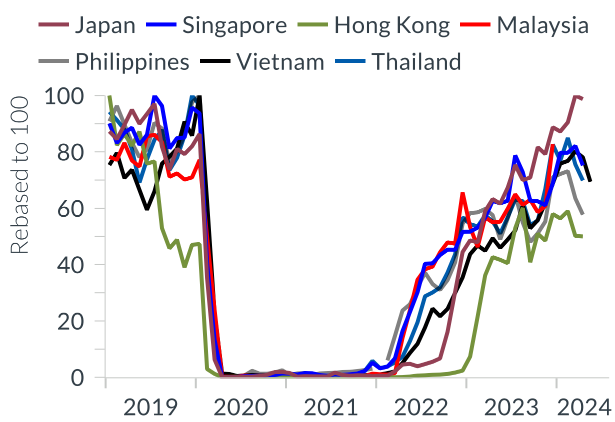

*Source: Macrobond, RHB Economics & Market Strategy*

### Figure 6: MYR and SGD have strengthened significantly compared to a weaker JPY…



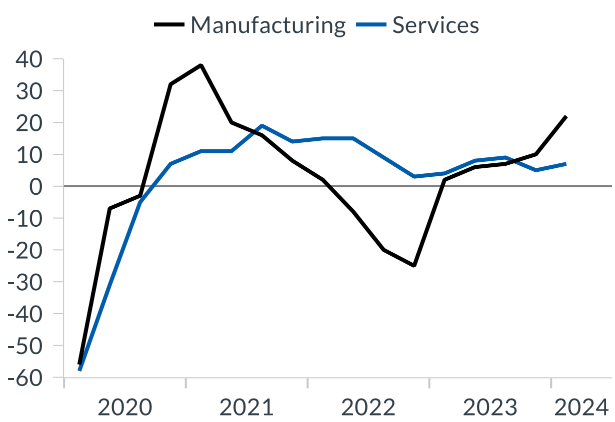

*Source: Macrobond, RHB Economics & Market Strategy*

### Figure 7: … with inbound arrivals into Japan supported as tourism enjoys a cheaper JPY




*Source: Macrobond, RHB Economics & Market Strategy*

### Figure 8: Business outlook for both manufacturing and services are up. Higher tourism should support services




*Source: Macrobond, RHB Economics & Market Strategy*

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