

## Impact of COVID-19 on the Retail and Food & Beverage Services Sectors

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### Introduction

The COVID-19 pandemic which broke out at the end of 2019 has had an adverse impact on global economic activities, with many countries implementing lockdowns and movement restrictions to contain the spread of the outbreak.

In Singapore, travel restrictions and strict safe distancing measures were put in place to manage the community spread of COVID-19, with the Circuit Breaker (CB) measures imposed from 7 Apr to 1 Jun 2020. The CB measures included the closure of businesses that provide non-essential services, prohibition of social gatherings and allowing only delivery service and take-aways for food & beverage (F&B) establishments. While these measures were necessary to curtail COVID-19 transmissions, they dampened domestic economic activities and impacted consumer-facing sectors such as the retail and F&B services.

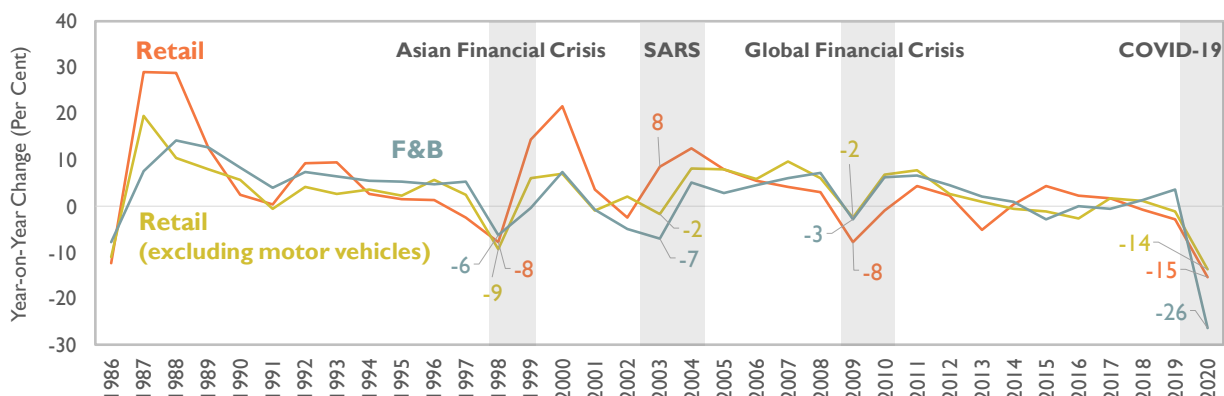
This article looks at the performance of Singapore's retail and F&B services sectors in 2020, by examining the impact of the CB measures (for the period of Apr to May 2020) as well as the performance of these sectors post CB (for the period of Jun to Dec 2020).

### Industry Performance of the Retail and F&B Services Sectors in 2020

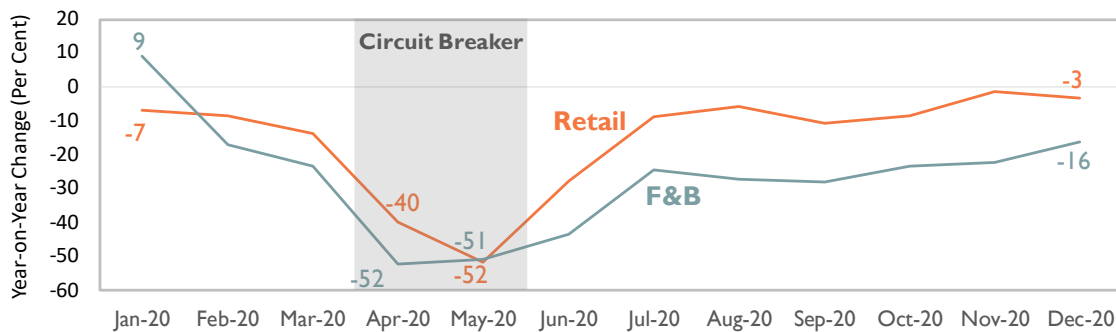
#### The Retail and F&B Services Sectors Saw Their Worst Performances in Sales in 2020

The COVID-19 pandemic and the CB measures had a significant impact on the retail and F&B services sectors in Singapore. Retail sales fell 15 per cent compared to the same period a year ago. Excluding Motor Vehicles, retail sales declined 14 per cent during this period. Similarly, F&B sales registered a year-on-year decline of 26 per cent in 2020 (Chart 1). This was the worst performing year since 1986, when growth rate data on both indices were first compiled.

**CHART 1** YEAR-ON-YEAR CHANGE OF RETAIL SALES AND F&B SERVICES INDICES (AT CURRENT PRICES), 1986 - 2020



**CHART 2 YEAR-ON-YEAR CHANGE OF RETAIL SALES AND F&B SERVICES INDICES (AT CURRENT PRICES), JAN - DEC 2020**



## Retail and F&B Sales Declined Significantly During the Circuit Breaker Period

During the CB period, most physical retail stores were closed except for those deemed essential such as supermarkets. Dining-in was not allowed at F&B establishments. As a result, retail and F&B sales contracted year-on-year by up to 52 per cent during this period (Chart 2).

In nominal terms, retail and F&B sales declined about S\$4 billion in total during the CB period, which was around 40 per cent of the 2020 full-year decline in the total retail and F&B sales of S\$10 billion.

## Within the Retail Sector, Discretionary Industries Were Significantly Impacted, While Some Industries Benefitted from Work-From-Home Arrangements

Discretionary retail industries such as Department Stores, Wearing Apparel & Footwear and Watches & Jewellery were severely affected due to low tourist arrivals as a result of travel restrictions, and dampened consumer sentiment on account of weak labour market conditions, with year-on-year declines in sales of between 32 per cent and 42 per cent in 2020. These industries were the worst hit during the CB period when physical stores had to be closed, and thus saw declines in sales of between 87 per cent and 92 per cent (Chart 3).

On the other hand, as a result of such restrictions and concomitant changes in consumer behaviour,

the Supermarkets & Hypermarkets, Mini-Marts & Convenience Stores, Computer & Telecommunications Equipment industries saw growths in sales of between 4 per cent to 31 per cent in 2020. The increase in sales were attributed to higher demand for groceries as well as computers and peripheral equipment with people spending more time at home due to work-from-home arrangements.

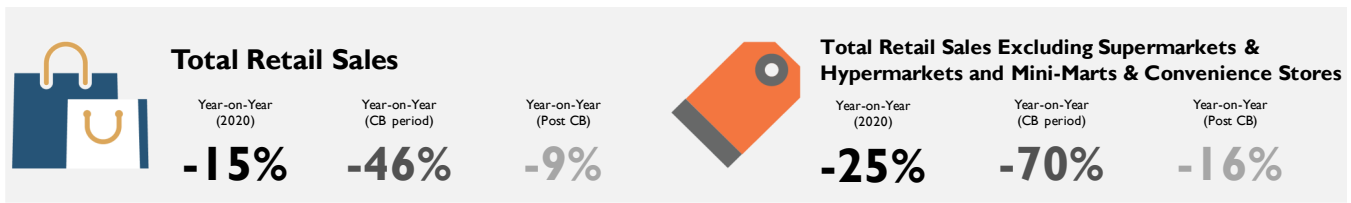
Excluding Supermarkets & Hypermarkets and Mini-Marts & Convenience Stores, which remained open throughout the year and saw higher sales with more people staying at home, retail sales declined 25 per cent in 2020 over 2019, compared to the 15 per cent decline at the overall retail level.

## Within the F&B Services Sector, Food Caterers Were the Most Impacted

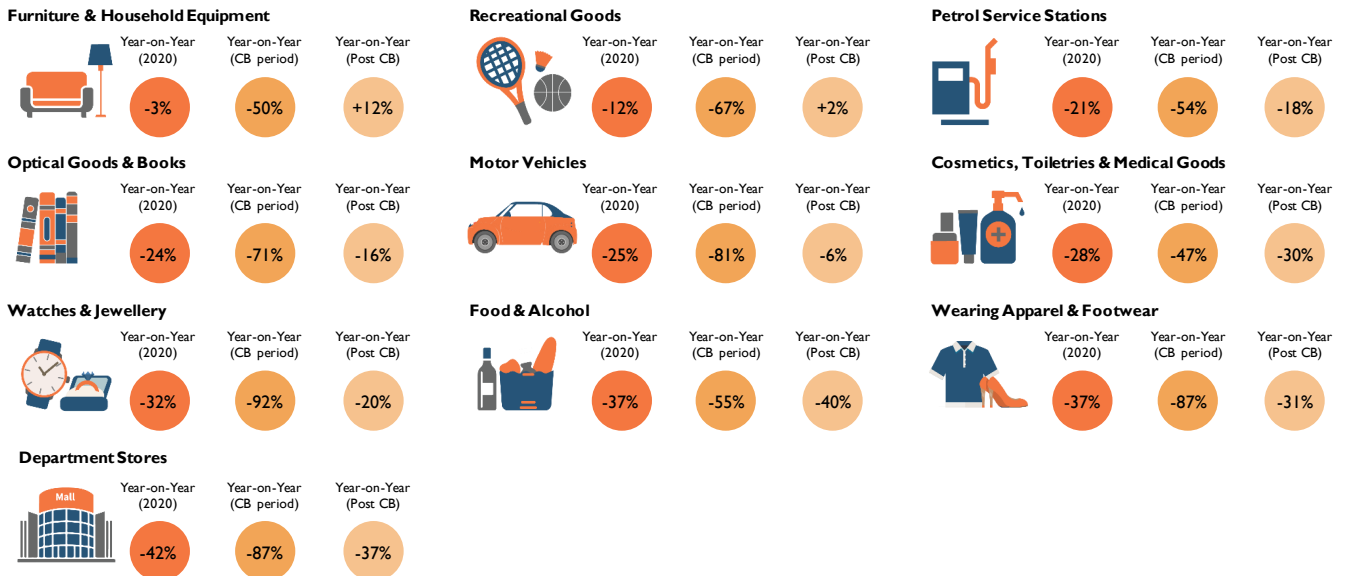
With restrictions on large-scale events and gatherings, Food Caterers saw low demand for event catering and were the most impacted within the F&B services sector by the COVID-19 pandemic. Sales of Food Caterers contracted by 54 per cent in 2020 (Chart 4), with a smaller year-on-year decline of 49 per cent during the CB period due to a surge in demand for catered meals from foreign worker dormitories. Similarly, sales of Restaurants and Cafes, Food Courts & Other Eating Places declined 33 per cent and 17 per cent respectively in 2020 as compared to 2019, with year-on-year declines of 69 per cent and 43 per cent respectively during the CB period when dining-in was not allowed.

In contrast, Fast Food Outlets were the least affected, registering a decline in sales of 7 per cent in 2020, due to their convenience and ease of access.

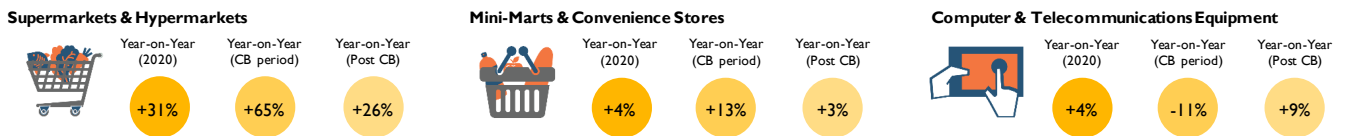
**CHART 3 PERFORMANCE OF THE RETAIL SECTOR IN 2020**



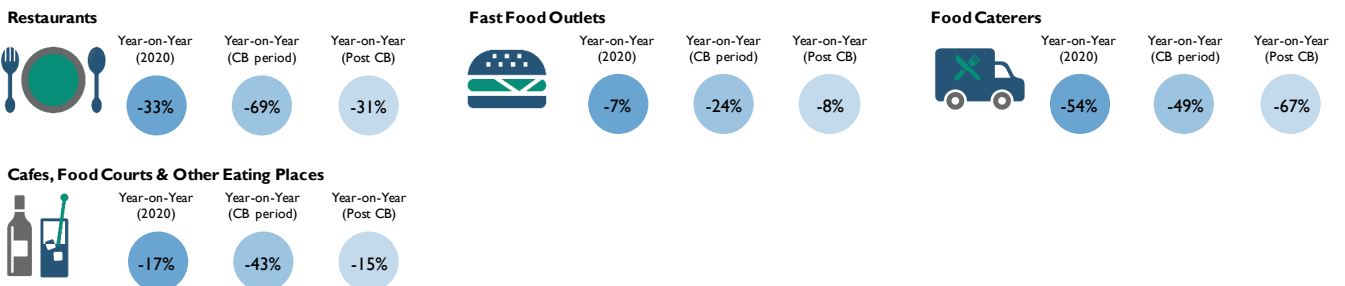
**INDUSTRIES WITH YEAR-ON-YEAR DECLINES**



**INDUSTRIES WITH YEAR-ON-YEAR GROWTHS**



**CHART 4 PERFORMANCE OF THE F&B SERVICES SECTOR IN 2020**



Note: 'Year-on-Year (CB period)' refers to the 2020 over 2019 year-on-year growth for the April – May period. Similarly, 'Year-on-Year (Post CB)' refers to the 2020 over 2019 year-on-year growth for the June to December period.

## Post Circuit Breaker Performance of the Retail and F&B Services Sectors

### Retail Sales Have Recovered to About 91 per cent of Pre-COVID Levels<sup>1</sup>

Following the CB period, a three-phased re-opening starting from 1 Jun 2020 was taken to resume activities safely. From 19 Jun 2020 (Phase 2), physical retail stores were allowed to re-open and dining at F&B outlets were permitted for groups of up to 5 diners. This was extended to groups of 8 persons from 28 Dec 2020 (Phase 3).

During the post CB period from Jun to Dec 2020, retail sales recovered to about 91 per cent of pre-COVID levels, mainly supported by higher demand for groceries. Excluding Supermarkets & Hypermarkets and Mini-Marts & Convenience Stores, retail sales were about 84 per cent of pre-COVID levels (Chart 3).

Although domestic spending gradually increased towards the end of the year, retail sales of discretionary industries remained weak with low tourist arrivals. Post CB sales of the Department Stores, Cosmetics, Toiletries & Medical Goods, Wearing Apparel & Footwear and Watches & Jewellery industries were about 60-80 per cent of pre-COVID levels as domestic consumption was unable to make up for the lack of tourist spending.

It is notable that even though overall retail sales remained weak, some retail industries have recovered well and even surpassed pre-COVID levels. In particular, while the Furniture & Household Equipment and Recreational Goods industries recorded declines in sales in 2020, these industries recorded higher sales post CB on a year-on-year basis.

As working from home was the default option for most workplaces during the post CB period, there was higher demand for groceries and products such as computers, household appliances and sporting goods, which boosted the sales of the Supermarkets & Hypermarkets, Furniture & Household Equipment, Computer & Telecommunications Equipment, Mini-Marts & Convenience Stores and Recreational Goods industries.

### F&B Sales Have Recovered to About 74 per cent of Pre-COVID Levels

Similarly, F&B sales remained weak post CB, with safe distancing measures and restrictions on large group dining remaining in place. In the post CB period, F&B sales have recovered to about 74 per cent of pre-COVID levels (Chart 4). Sales of Fast Food Outlets and Cafes, Food Courts and Other Eating Places saw a stronger recovery to more than 85 per cent of pre-COVID levels while sales of Restaurants stabilised to about 69 per cent of pre-COVID levels. Sales of Food Caterers remained badly affected by the low demand for event catering at about 33 per cent of pre-COVID levels.

## Change in Consumer Behaviour with Greater Prevalence of Online Purchases

### Accelerated Growth in Online Sales and Shift from In-Store Sales to Online Sales

There was an accelerated shift from in-store to online sales in 2020 for the retail and F&B services sectors as businesses and consumer behaviour adapted to the COVID-19 situation. Online sales outpaced in-store sales and there was a strong divergence in in-store and online sales trends, starting from the CB period, when non-essential retail establishments closed and dining at F&B establishments was prohibited (Chart 5). During the post CB period, there was a sustained demand in online shopping.

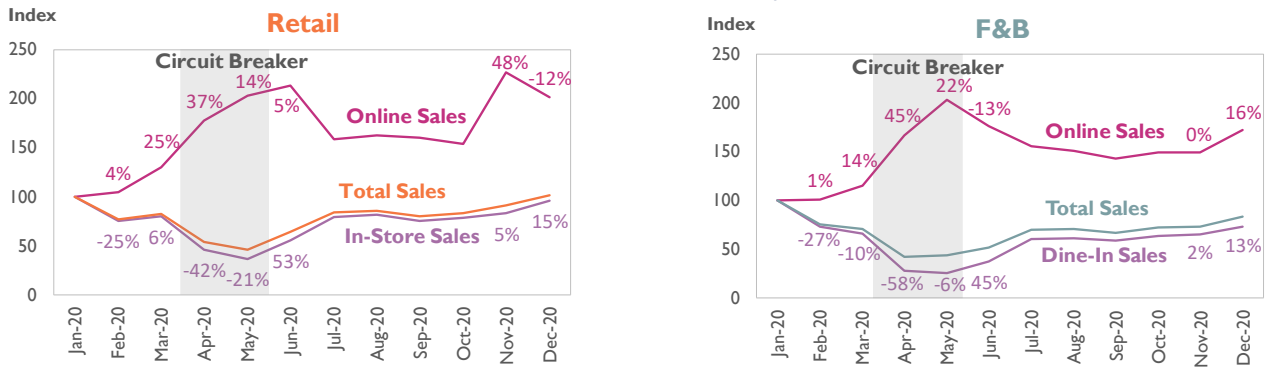
### Online Retail and F&B Sales Proportions Doubled in 2020

With growths in online sales, the online retail proportion doubled in 2020, making up about 12 per cent of total retail sales, compared to 6 per cent in 2019. The increase in online retail sales proportion was mainly driven by industries with higher online sales, namely Computer & Telecommunications Equipment, Furniture & Household Equipment and Supermarkets & Hypermarkets (Chart 6).

In Dec 2020, about 36 per cent of the sales transactions for the Computer & Telecommunications Equipment industry were conducted online.

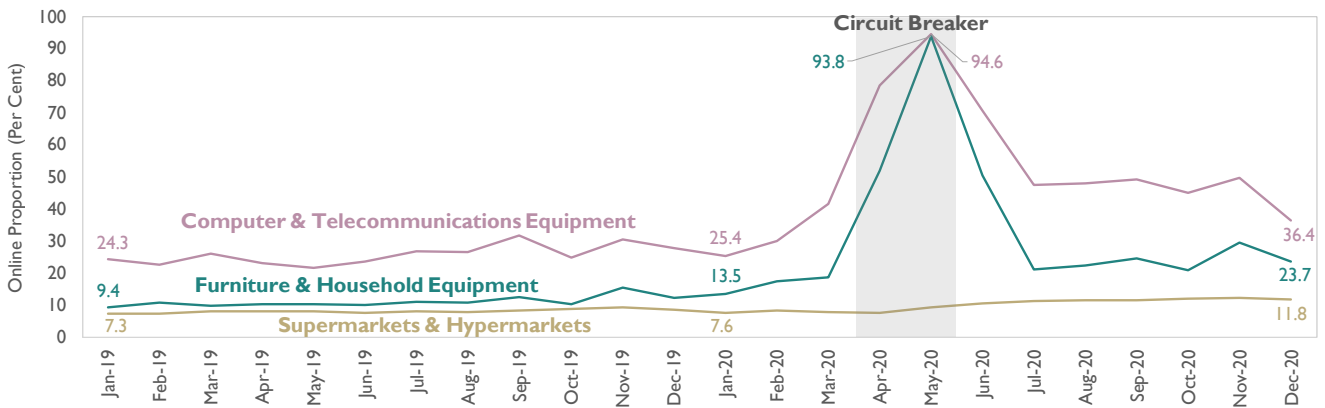
<sup>1</sup> Pre-COVID levels refers to the average sales levels for the Jun – Dec 2019 period, which was used as a year-on-year comparison for the post CB period.

**CHART 5 ONLINE AND IN-STORE (INCLUDING DINE-IN) SALES INDICES (JAN 2020=100) FOR THE RETAIL AND F&B SECTORS, JAN - DEC 2020**



Note: Labels in the charts refer to month-on-month growth rates. The larger month-on-month growth in online sales in Nov 2020 was due to the online shopping events in November such as Singles' Day (11.11) and Black Friday.

**CHART 6 ONLINE RETAIL SALES PROPORTION OF INDUSTRIES WITH HIGHER ONLINE PRESENCE, JAN 2019 - DEC 2020<sup>2</sup>**



Supermarkets & Hypermarkets, whose stores remain open throughout the year, saw a gradual increase in online sales proportion with more online sales transactions recorded during the post CB period, as retailers scaled up their logistical capabilities and consumers embraced the convenience of online grocery shopping.

Similarly, online F&B sales proportion increased more than twofold from 9 per cent in 2019 to 22 per cent in 2020, due to the increased utilisation of online food delivery platforms since the CB period.

### Concluding Remarks

The retail and F&B services sectors have been significantly impacted by COVID-19, with the

two-month long CB measures and tighter border restrictions weighing heavily on the performance of these sectors in 2020.

Within the sectors, performance and recovery were uneven, with some industries benefitting from the work-from-home arrangements while others continue to see their sales performing below pre-COVID levels.

While performance was weak in 2020, online sales saw strong growth as firms embraced digitalisation and e-commerce in order to reach a wider consumer base and consumers adopted new behaviours such as online purchasing. The change in consumer behaviour from in-store sales to online sales will likely be sustained as Singapore moves towards a 'new normal'.

<sup>2</sup> The high online retail sales proportion during the CB period (from 7 Apr – 1 Jun 2020) was due to the closure of most physical stores, which resulted in majority of the sales being made online. Total retail sales were low during this period.

Data presented in this article are based on the monthly Retail Sales Index and Food & Beverage Services Index. More information can be found on the SingStat Website: [www.singstat.gov.sg/find-data/search-by-theme/industry/services/latest-data](http://www.singstat.gov.sg/find-data/search-by-theme/industry/services/latest-data)