

## Box Article 6.1

# TRENDS IN THE RECOVERY OF RETAIL AND FOOD & BEVERAGE SPENDING IN SINGAPORE

## OVERVIEW

The onset of the COVID-19 pandemic in 2020 severely disrupted firms in the Retail and Food & Beverage (F&B) sectors in Singapore, as COVID-19 restrictions, such as safe distancing measures and the closure of physical workplace premises during the Circuit Breaker, caused customer footfall to plummet, while border restrictions led tourist arrivals to come to a standstill. At the same time, the COVID-19 pandemic also accelerated secular trends such as the shift towards hybrid work arrangements and online spending. Using data from internal government sources and a payment provider network, this study examines the trends in Retail and F&B spending during and subsequent to the COVID pandemic.



## FINDINGS



**Breakdown of spending by geographies:** Spending dipped more severely in downtown areas relative to heartland areas during periods of COVID-19 restrictions. Since then, the recovery in spending in heartland areas has been stronger than that in downtown areas for F&B spending, while the converse is true for retail spending.

**Shift of spending to online channels:** Proportion of online spending in both Retail and F&B surged during periods of COVID-19 restrictions. Subsequently, with the progressive easing of COVID-19 restrictions, these proportions of online spending fell to levels that were lower than the peaks seen at the height of the pandemic during the Circuit Breaker period, but still higher than the levels seen before the pandemic in January 2020.

## POLICY TAKEAWAY

Having emerged from the COVID-19 pandemic after more than two years, retail and F&B spending have rebounded strongly. At the same time, there are also signs of a structural shift towards online spending, and a redistribution of F&B spending share towards the heartlands. While global macroeconomic uncertainties may dampen consumer sentiments in the near term, the prospects for Singapore's retail and F&B sectors remain positive given the continued recovery in tourism demand, resilient labour market conditions and the Government's continued commitment to upgrading the capabilities of our firms and workers in these sectors.



## BOX 6.1: TRENDS IN THE RECOVERY OF RETAIL AND FOOD & BEVERAGE SPENDING IN SINGAPORE

The onset of the COVID-19 pandemic in 2020 severely disrupted firms in the Retail and Food & Beverage (F&B) sectors in Singapore, as COVID-19 restrictions, such as safe distancing measures and the closure of physical workplace premises during the Circuit Breaker, caused customer footfall to plummet, while border restrictions led tourist arrivals to come to a standstill. At the same time, the COVID-19 pandemic also accelerated secular trends such as the shift towards hybrid work arrangements and online spending. This box article examines how spending in the Retail and F&B sectors were affected by the pandemic, and their subsequent recovery paths.

The analysis in this article draws on two data sources. The first data source is the Retail Sales Index (RSI) and Food & Beverage Services Index (FBSI) compiled by the Department of Statistics (DOS). These indices are compiled on a monthly basis, through surveys of firms, to measure changes in retail and F&B sales respectively<sup>1</sup>.

The second data source is spending indices for both sectors<sup>2</sup> from a payment provider network with a substantial market share in Singapore. These spending indices confer two benefits over the RSI and FBSI. First, they allow us to assess distinct spending trends by geographies across Singapore. Second, they come at a daily frequency, and are hence able to track the impact of changes in COVID-19 restrictions more responsively.

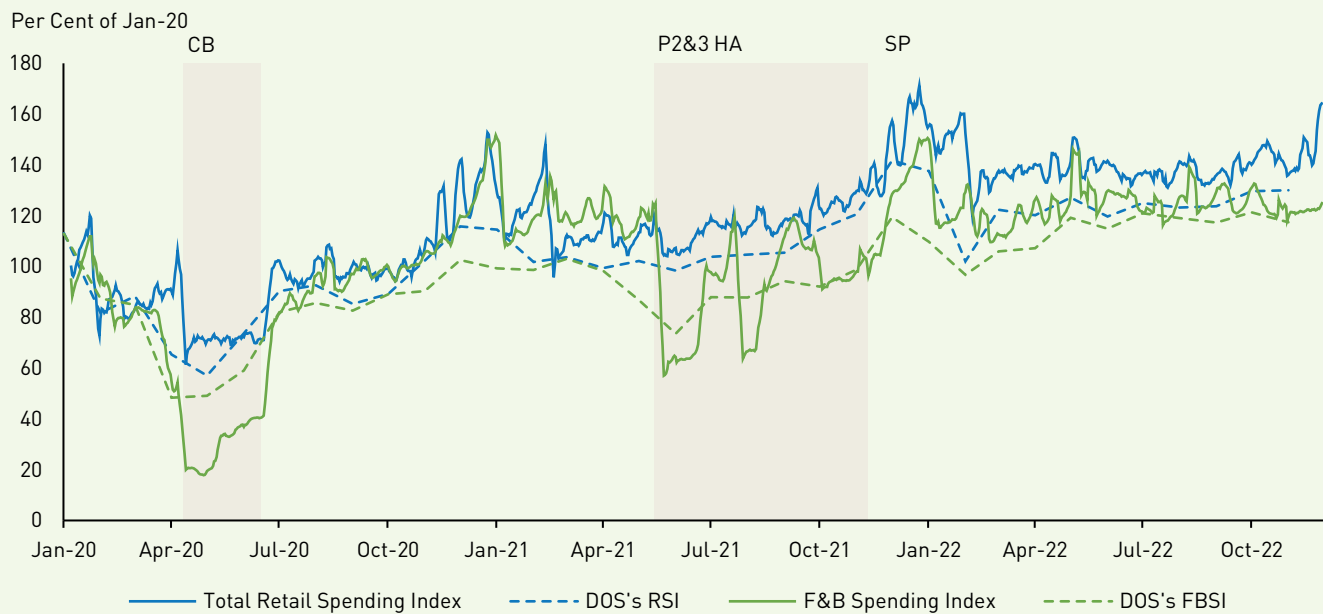
### Topline Spending Trends in the Retail and Food & Beverage Sectors

Singapore confirmed its first local case of COVID-19 on 23 January 2020, and subsequently declared a state of DORSCON Orange on 7 February 2020. This led to a fall in retail and F&B spending, as could be seen from both the spending indices from the payment provider, as well as DOS's RSI and FBSI (Exhibit 1). In particular, data from the payment provider indicated that retail and F&B spending fell to 83.2 per cent<sup>3</sup> and 82.4 per cent of January 2020 levels<sup>4</sup> respectively by end-February 2020.

Subsequently, during the Circuit Breaker<sup>5</sup>, which stretched from 7 April to 2 June 2020, retail and F&B spending plummeted to a low of 70.3 per cent and 17.9 per cent of January 2020 levels respectively. The relative resilience of retail spending compared to F&B spending could be partly because consumers were substituting from dining-in at F&B establishments to food purchases at supermarkets and hypermarkets. Purchases of electronic and home furnishing also picked up during this period because of work-from-home and home-based learning requirements.

Since the end of the Circuit Breaker, both retail and F&B spending have generally been on an upward trend, with spikes during the 2020 and 2021 year-end holiday seasons, and dips when COVID-19 restrictions were tightened, such as when Singapore entered into Phase 2 Heightened Alert<sup>6</sup> on 16 May 2021 and again on 22 July 2021. A notable divergence in the trends between the two could be seen from May to June 2021, and from July to August 2021, when F&B spending dropped significantly from around 130 per cent (in May and July 2021) to around 60 per cent (in June and August 2021) of January 2020 levels, whereas retail spending remained relatively unaffected. The relative resilience of retail spending could again be due to spending in supermarkets and hypermarkets during periods of tightened restrictions. As of 30 November 2022, retail and F&B spending had recovered to 164 per cent and 125 per cent of January 2020 levels respectively.

- 1 For more details on the RSI and FBSI methodology, see DOS's information paper "Re-basing of the Retail Sales and Food & Beverage Services Indices (2017 = 100)". The two indices are presented by DOS in both current and constant prices, with the latter removing price effects to measure the changes in real economic activity.
- 2 For the data provided by the payment provider network, spending in the Retail sector comprises eight categories: Wearing Apparel & Footwear, Petrol Service Stations, Department Stores, Medical Goods & Toiletries, Computer & Telecommunications Equipment, Supermarkets & Hypermarkets, Furniture & Household Equipment, and Watches & Jewellery. There is only one category of spending in the F&B sector.
- 3 Index points for the data provided by the payment provider network are percentage-points of average day-of-week spending in January 2020, i.e., 100 index points = average day-of-week spending in January 2020.
- 4 Data from the payment provider network goes back only to 1 January 2020. As such, we use January 2020 levels as our pre-COVID comparison; such comparisons may include seasonal effects.
- 5 During the Circuit Breaker, most physical workplace premises were closed, except for those providing essential services and in selected economic sectors of critical importance, while schools moved to full home-based learning, so as to significantly reduce movements and interactions in public and private places.
- 6 During Phase 2 (Heightened Alert), dining-in at F&B establishments was prohibited, the group size for social gatherings was tightened, and work-from-home was reinstated as the default working arrangement.

**Exhibit 1: Spending in Retail and Food & Beverage Sectors (Per Cent of January 2020 levels)**

Notes: Solid lines plot the 7-day moving averages of the indices of nominal spending at Singapore-based merchants, obtained from a payment provider network. Dashed lines plot the monthly non-seasonally-adjusted RSI or FBSI series (current prices) obtained from DOS. Blue lines represent retail spending and red lines represent F&B spending. The baseline of 100 represents average day-of-week spending in January 2020. CB stands for Circuit Breaker, P2&3 HA stands for Phase 2 and 3 Heightened Alert, and SP stands for Stabilisation Phase.

Underlying these topline trends are variations by geographical regions and online versus in-person spending. The next two sections describe these in greater detail.

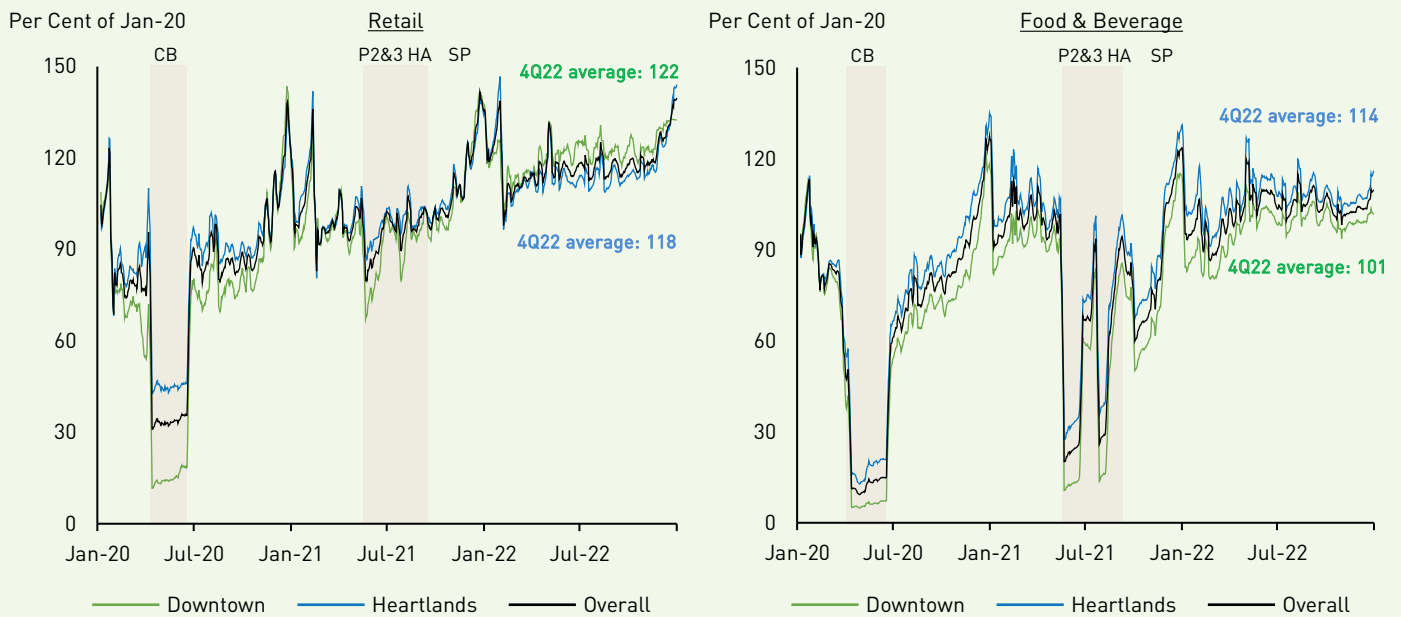
### Breakdown of Spending Trends by Geographical Regions<sup>7</sup>

The pandemic has led to a redistribution of spending share across geographical regions in Singapore, likely driven by work-from-home arrangements that dominated work practices at the height of the pandemic, and remain prevalent even after the transition to the Stabilisation Phase on 21 November 2021.

As can be seen from Exhibits 2a and 2b, for the most part of the pandemic, and especially during the Circuit Breaker and Heightened Alert periods, retail and F&B spending fell by more (relative to their respective January 2020 levels) in downtown areas than in heartland areas. This could be attributed in large part to COVID-19 restrictions such as work-from-home requirements. Although retail and F&B spending in both downtown and heartland areas have generally been on a path of recovery since the transition to Stabilisation Phase, the recovery in spending in heartland areas has been stronger than that in downtown areas for F&B spending, while the converse is true for retail spending. These trends suggest that there has been a redistribution of F&B spending share towards the heartlands, likely due to the prevalence of hybrid work arrangements even after the easing of work-from-home measures. This is, however, not seen for retail spending, possibly because of the quality and diversity of retail experience in the downtown areas compared to the heartland areas.

These observations are similar to findings from studies by Barrero et al. (2021) and De Fraja et al. (2021) in the United States and United Kingdom respectively, both of which concluded that work-from-home policies arising from the pandemic drew F&B spending out of major city centres towards residential neighbourhoods.

<sup>7</sup> The focus of this section is on in-person spending trends, as online spending cannot be disaggregated by geographical regions.

**Exhibit 2a and 2b: Spending in Retail and Food & Beverage Sectors by Regions (Per Cent of January 2020 levels)**

Notes: Graphs plot the 7-day moving averages of indices of nominal spending at Singapore-based merchants, obtained from a payment provider network. The baseline of 100 represents the average day-of-week spending in January 2020. CB stands for Circuit Breaker, P2&3 HA stands for Phase 2 and 3 Heightened Alert, and SP stands for Stabilisation Phase.

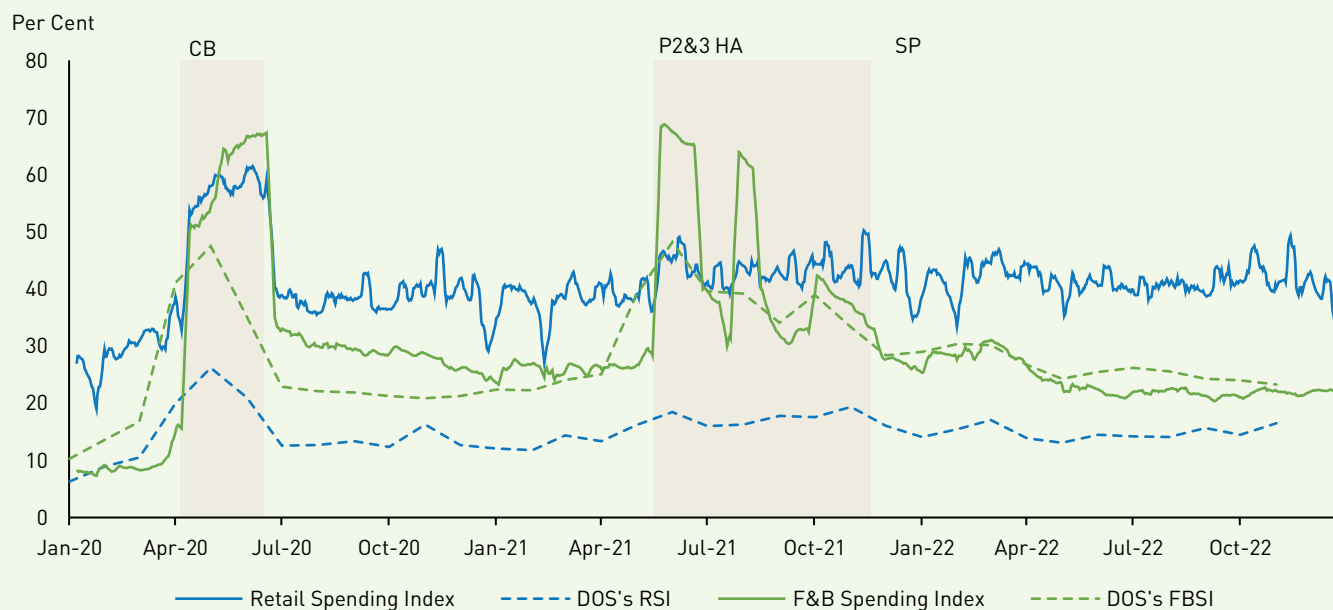
### Shift of Spending to Online Channels

The pandemic has also led to a substantial shift in spending from physical to online channels, when compared to pre-pandemic trends (January 2020).

Notably, the proportion of online spending surged from pre-pandemic levels (January 2020) of 30 per cent for online retail spending and 10 per cent for online F&B spending<sup>8</sup>, to a high of 60-70 per cent during the Circuit Breaker period (Exhibit 3). A similar surge occurred for online F&B spending in particular during the Heightened Alert periods. With the progressive easing of COVID-19 restrictions, the share of online spending had fallen to 40 per cent for retail spending and 20 per cent for F&B spending by May 2022. While these levels were lower than the peaks seen at the height of the pandemic during the Circuit Breaker period, they were still higher than the proportions of online spending seen in the respective sectors before the pandemic in January 2020.

This observation is not unique to Singapore, as other countries such as New Zealand, United Kingdom and Australia also recorded marked increases in their online spending proportions<sup>9</sup> both during and after the pandemic. In Singapore, the higher online spending proportion is also likely to have been supported by the Government's effort to encourage more Retail and F&B businesses to go online through programmes such as the Digital Resilience Bonus.

<sup>8</sup> Online F&B spending refers to the purchase of F&B through a food delivery platform (e.g., Grab, Foodpanda, Deliveroo) or the F&B businesses' websites or apps.  
<sup>9</sup> Survey of global consumer spending by Alcedo et al. 2022

**Exhibit 3: Online Proportions of Spending in Retail and Food & Beverage Sectors (Per Cent)**

Notes: Solid lines plot the 7-day moving averages of the daily proportions of online spending at Singapore-based merchants, obtained from a payment provider network. Dashed lines plot the monthly online proportion of spending, obtained from DOS. Blue lines represent retail spending and red lines represent F&B spending. CB stands for Circuit Breaker, P2&3 HA stands for Phase 2 and 3 Heightened Alert, and SP stands for Stabilisation Phase.

## Conclusion

Having emerged from the COVID-19 pandemic after more than two years, retail and F&B spending have rebounded strongly, as can be seen from DOS's RSI and FBSI, as well as newer spending indices derived from data from a payment provider network. At the same time, there are also signs of a structural shift towards online spending, and a redistribution of F&B spending share towards the heartlands.

The continued recovery of retail and F&B spending in the months ahead will be further supported by various initiatives by the Government to improve the capabilities of Retail and F&B firms and expand their customer base. For example, Enterprise Singapore is working with local merchants, through the Food Services and Retail Business Revitalisation Package and Our Heartlands 2025 initiative, to attract more consumers into the heartlands. It is also deepening its efforts to build digitalisation capabilities and enhance productivity among firms in the sectors.

While global macroeconomic uncertainties may dampen consumer sentiments in the near term, the prospects for Singapore's retail and F&B sectors remain positive given the continued recovery in tourism demand, resilient labour market conditions and the Government's continued commitment to upgrading the capabilities of our firms and workers in these sectors.

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