

# Heartland sees retail boost as spending shifts away from city

Researchers expect trend to continue so long as people continue working from home

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## CHANGE IN SPENDING PATTERNS

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**DR XIE TAOJUN**, senior research fellow at the Asia Competitiveness Institute, on how consumer patterns have shifted during the pandemic. He added that this redistribution of spending will become a lasting norm if office space in the central region remains less utilised.

Businesses in the heartland are likely to see continued increases in revenue, as consumer spending has shifted from the city to the suburbs.

So long as work-from-home arrangements and safe distancing measures persist, this trend will likely continue, said researchers at the Asia Competitiveness Institute (ACI), a local think-tank in the Lee Kuan Yew School of Public Policy.

“What we are seeing is a redistribution of the business landscape. In comparison to pre-pandemic figures, we saw an 8 per cent increase in spending in the suburbs by phase two,” said Dr Xie Taojun, senior research fellow at the ACI, adding that this rise was significant.

Dr Xie was speaking at an online panel discussion, organised by the institute yesterday, on how consumer patterns have shifted during the pandemic. His research on consumer trends during the pandemic was conducted based on anonymised data provided to the ACI by Mastercard.

The researchers tracked spending patterns from April 7 to June 30 – which covered the circuit breaker period and two weeks of phase two of Singapore’s reopening.

They found that overall spending in the Central Business District and the city took a hit, while heartland districts, particularly in western Singapore, recorded a boost in retail. Areas in eastern Singapore, focused around industrial areas like Changi Business Park, also saw a drop in consumer spending.

“These findings were as expected, as spending during the circuit breaker shifted to more densely populated residential areas. Customers began to patronise stores around them more often too, when they began to work from home,” Dr Xie said.

He added that this redistribution of spending will become a lasting norm if office space in the central region remains less utilised. In addition, it will take tourists returning to retail spaces – perhaps as a result of air travel bubbles – to bring up spending levels in the city.

The study also indicated that consumers have become very accustomed to online spending.

Dr Xie told The Straits Times that there was a shift towards online spending during the circuit breaker, but no significant drop in



Shoppers at Jurong Point earlier this year. Researchers found that heartland districts, particularly in western Singapore, recorded a boost in retail, while overall spending in the Central Business District and the city took a hit. ST FILE PHOTO

the level of spending even as stores opened. This showed that even when given the opportunity to shop in person at bricks-and-mortar retailers, people still chose to go online.

“Whether this is the new normal is yet to be seen, but it is clear that people have become used to online payments, and this will persist for some time,” Dr Xie said.

“Businesses could recalibrate parts of their business models to accommodate online or cashless payments, and pay attention to consumer behaviour and spending trends,” he added.

Panellists at the ACI’s webinar yesterday also noted that economies that were handling the pandemic well were seeing a marked rebound in retail spending.

Mr Ling Hai, co-president for Asia-Pacific at Mastercard, citing numbers from CEIC Data, a global database of market data, said: “Based on the September retail sales growth numbers, what’s clear for Asia is that (economies) that have done a good job controlling the pandemic have seen a strong domestic recovery.”

He cited the examples of Taiwan, which saw 5.8 per cent retail sales

growth, and South Korea, which attained 3.2 per cent growth in retail sales in September – numbers comparable to pre-pandemic levels.

Meanwhile, Singapore – which last year clocked an average of negative 8.4 per cent in domestic retail sales growth – saw these numbers worsen to negative 12.9 per cent in September this year.

“The challenges that remain hinge mainly on cross-border travel, as economies remain vulnerable and exposed to international trade and tourism,” Mr Ling said.

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