SINGAPORE RETAILERS ASSOCIATION

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Media Release

Ahead of Budget 2026

SRA joins TACs from Lifestyle Industries to call for strategic intervention to maintain Singapore's position as a premier lifestyle and tourism hub

Singapore, 15 January 2026 – Singapore's retail industry continues to face challenging headwinds including manpower shortages, rental and operational costs, intense competition from e-commerce, and evolving consumer demands for sustainable, digital and experiential shopping, compelling retailers to innovate and mitigate economic uncertainties and shifts to regional markets like Malaysia.

While the industry has adapted and embraced significant structural shifts driven by digital transformation that have resulted in streamlining frontline operations and boosting labour productivity, the Singapore Retailers Association (SRA) is recommending several mid- to long-term support to alleviate immediate sector pressures and strengthen the competitiveness of Singapore's retailers. The recommendations were outlined in a joint call for support by Trade Associations and Chambers (TACs) representing the lifestyle industries, namely SRA, Franchising and Licensing Association (FLA) (Singapore), Restaurant Association of Singapore (RAS), Singapore Fashion Council (SFC) and Singapore Furniture Industries Council (SFIC) for the lifestyle industries.

Mr Ernie Koh, President of SRA reiterated the importance of strategic interventions to tackle structural challenges while maintaining Singapore's position as a premier lifestyle and tourism hub. He said, "Without such sustained support, many local businesses risk being outpaced by well-funded foreign competitors, hindering the sector's vitality and resilience in an increasingly competitive and uncertain global market." The mounting difficulties are reflected in the retail sales data for 2025 where segments such as apparel and footwear continued to decline, while others like supermarkets have remained more resilient. The retail landscape is also marked by rising rental costs in prime areas, and a dual-speed market where well-capitalised global brands dominate high-footfall locations, exerting pressure on smaller local operators to differentiate for survival. While tourism initiatives, including major events like the Formula 1 Grand Prix and international concerts, continue to aid the hospitality sector, their impact on domestic retail remains muted due to the strong currency's dampening effect on spending.

Recommendations for Budget 2026

The recommendations to tackle the mid and long-term challenges and shape the future of retail in Singapore include:

1. Local SME Competitiveness and Growth

The recommendations for Budget 2026 include initiatives for the building blocks to improve the competitiveness and growth local SMEs and to help these companies scale-up and build capacity.

In a city, consistently ranked among the world's most expensive cities, SMEs in Singapore struggle with high rental, manpower and utility costs, squeezing already slim margins. Economic uncertainties and inflationary pressures continue to dampen sales outlooks, complicating business viability. Additionally, Singapore's small domestic market forces SMEs to look toward regional expansion for growth and resilience. Without adequate strategic support and ecosystem connections, such ambitions remain difficult to realise. These multifaceted challenges mean that SMEs must go beyond quick capability upgrades and cost-cutting measures to build sustainable, innovative, and competitive business models.

a. Capacity-building Scale-Up programme

To help SMEs scale competitively in the face of rapid market changes and foreign brand competition, a key recommendation would be a capacity-building Scale-Up programme inspired by Temasek Foundation's Amplifier Programme. Under this model, SMEs, with $1m to $10m revenue, receive not only capital to accelerate their growth and scale their impact, but also access to an ecosystem of partners (including business leaders, corporates, investors, professional service providers and industry experts) that could offer critical strategic guidance and mentorship, access to global networks and real commercial opportunities for pilot projects or reference clients, enabling SMEs to pivot from a cost-based survival mindset to a growth driven by innovation and competitiveness mindset.

b. Franchise and Licensing Accreditation

Singapore's position as a free and open economy has made it an attractive destination for international brands seeking entry into the region. While this openness drives vibrancy and consumer choice, the rapid influx of foreign franchises and licensing arrangements has also contributed to disruptions in manpower allocation and upward pressure on rental rates, affecting local SMEs and market stability. To address these challenges, the introduction of a Franchise and Licensing Accreditation will provide a registration and tracking mechanism to capture clearer insights into foreign brand entry, enabling industry stakeholders to better anticipate market shifts, safeguard local enterprises, and strengthen Singapore's reputation as a well-regulated hub for global franchise & license activity.

c. Refine Usage of Community Development Council (CDC) Vouchers by Product-Type

To improve the impact of CDC vouchers, the scheme could evolve from broad location-based eligibility to a more precise targeting of voucher usage for essential items, like groceries, education and healthcare products, furniture essentials, etc. The lifestyle TACs would work with the government to define and identify "essentials" that should be covered under the CDC scheme. This would help channel government support directly to essentials, balancing cost-of-living relief with the original objectives of supporting businesses and households. Such refinement would strengthen the scheme's role in managing living costs while maintaining economic support to local retailers.

2. Manpower

Singapore's retail industry continues to face severe manpower challenges, including shortages and difficulty in attracting skilled foreign workers, despite increased reliance on technology.

a. Extend the Progressive Wage Credit Scheme (PWCS)

The Retail Progressive Wage Model (PWM) offers a balanced and sustainable framework to uplift lower wage workers through annual wage increments. It encourages upskilling while supporting business competitiveness. The PWCS helps employers adjust to these wage increases by co-funding up to 75% of the wage increments in 2022 and 2023, before tapering down to 50% in 2024, 40% in 2025 and 20% in 2026.

While raising wages is essential to make Retail and F&B a viable, long-term career and to drive productivity, service quality and employee development, the lifestyle industries face multiple challenges including a strong Singapore dollar dampening domestic spending, subdued tourist spending due to more competitive prices overseas, and the opening of the Johor Bahru–Singapore Rapid Transit System (RTS) Link in 2026, which facilitates cross-border shopping and consumption of services. Rising operational costs driven by high rentals and manpower costs and supply chain disruptions further intensify the pressure on retailers and F&B owners.

Given these multifaceted pressures where revenues are decreasing amidst escalating costs, increasing and extending PWCS co-funding beyond 2026 will be crucial. The Tripartite Cluster for Retail (TCR) had recommended a 3-year wage schedule from 1 September 2025 to 31 August 2028, with the PWM wage from 1 September 2027 subjected to review in 2026. The lifestyle industry proposes to extend the PWCS for the Retail and Food Services industries till 2028, and increase the co-funding for Retail industry from 20% to 75% in 2026, before being reduced to 50% in 2027 and 2028. Although the 2nd 3-year wage schedule for the Food Services PWM has yet to be finalised, the recommendation is for government co-funding to be raised to 75% of the wage increments for the next 3 years. This support will help the retail and F&B businesses, especially smaller ones with tighter margins, manage the financial impact of mandated wage increases, sustain operations and invest in strategic transformation.

b. Lower Cost of Hiring Foreign Manpower for Frontline Retail Roles

The Dependency Ratio Ceiling (DRC) for the services, which is currently capped at 35%, controls the maximum proportion of foreign workers a company may hire. This cap is significantly lower compared to industries who compete for the same local manpower pool. Akin to the manufacturing industry, retail is not a preferred career choice for many Singaporean, and persistent local recruitment challenges remain, despite efforts to redesign roles and increase wages. The lifestyle industry's call to narrow the gap is made to improve its ability to attract local talent.

Meanwhile, the Foreign Worker Levy (FWL) rates are designed to encourage employers to hire more skilled workers. The reductions in the foreign worker quotas and increases in foreign worker levies were designed to protect Singaporean workers by making it more attractive for employers to hire locals. The industry's request for a 20%-30% reduction in FWL for those who have obtained industry-recognised service-related awards, or a levy rebate to companies who invested in their frontline local and foreign workforce, would significantly help improve the manpower shortage situation.

The PWM achieves the objective of protecting Singaporean workers by guaranteeing structured wage progression tied to skills upgrading and productivity improvements. With

PWM firmly established as a mechanism to uplift and safeguard Singaporean workers, the industry sees the need to relax the DRC and foreign worker levy for frontline retail roles.

c. Incentivize the Hiring of Mature PMET Workers Aged 50 Years and Above

The resident unemployment rate across most age groups have remained low and range bound. However, data from 2023 to Q2 2025 have shown that long-term unemployment remains elevated for residents aged 50 and above relative to other groups, including those aged 40 to 49 and even those 60 and above, highlighting persistent barriers face by older PMETs. Given these compounding obstacles, including skills gaps, evolving employer expectations and workplace biases, there is a need to incentivise companies to hire older PMETs. One recommended option is to increase foreign worker quotas for firms that actively employ and support mature PMET workers, helping to address both business manpower needs and foster age-inclusive hiring practices.

Other measures recommended include the refinement of career conversion programme to include structured classroom training and, implementing trade testing for new foreign workers to elevate the quality and productivity of Singapore's retail workforce.

3. **Sustainability – Extend Climate Vouchers to Include Companies with Green Certifications**

The Singapore Green Plan 2030 has laid out ambitious sustainability targets, including greening 80% of buildings by 2030 through the Building & Construction Authority's (BCA) Green Mark scheme. This impacts retail spaces by requiring energy efficiency, water conservation measures, and improved indoor environmental quality, which help create more sustainable and cost-effective retail environments. To further accelerate sustainable retail, the industry recommends expanding the Climate Vouchers scheme to include companies with trusted green certifications like B-Corp, Singapore Furniture Industries Council's Sustainability Furniture Mark or Green Mark.

Singapore's retail future

The future is dependent on seamless omnichannel integration, leveraging AI and personalisation, enhancing experiential retail, prioritising sustainability, and upskilling the workforce to navigate the challenges faced by the industry. These include high costs and manpower shortages, with growth supported by tourism and tech adoption, despite near-term economic uncertainties.

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About Singapore Retailers Association (SRA)

Singapore Retailers Association (SRA) was founded in 1977, originally as the Singapore Retail Merchants Association by 10 leading retailers. It is a non-profit, independent/non-governmental retail trade body in Singapore, funded entirely by the private sector. Led by 18 Council Members from leading companies and SMEs, SRA's vision is to be the respected and collective voice of the retail industry and advance the interests of the retail industry via insights, education and strategic collaborations. SRA organise a wide range of year-round programmes ranging from industry events and conferences, market insights sharing sessions, training and masterclasses, local learning journeys and overseas study missions as well as professional guidance and mentorship for retailers brand growth and business development.

Our membership of almost 600 members reflects the diversity and vibrance of Singapore's retail industry – Fashion Apparel/& Accessories, Furniture and Furnishings, Electrical & Electronics, Watch & Accessories, Beauty & Wellness, Telecommunications, Specialty and Food Retail, Department Stores and Supermarket/Convenience Stores. Collectively, they employ more than 80,000 workers, own or resell more than 4,500 brands, own more than 14,000 local stores, and account for more than $30 billion in operating receipts annually.

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