

ECONOMIC REVIEW | April 2018 Distributive Trade

Distributive Trade Surged to 3-Month High – Indicating Optimistic Domestic Outlook for 2H18

- *Distributive trade sales touched RM99.9b. Distributive trade rose by 7.7%yoy to RM99.9 billion in Apr-18 lifted by retail trade which expanded by 8%yoy to RM39.2 billion. Furthermore, wholesale trade grew by 7.7%yoy to RM48.6, while motor vehicle businesses rebounded to positive growth of 6.6%yoy to RM12.1 billion.*
- *Distributive sales to improve for second half of 2018. We opine retail sales performance to expand at steady pace for the second half of 2018 amid moderating inflation and supportive policy changes for consumers such as zero-rated GST and stabilized retail fuel prices.*
- *We estimate private consumption and services sector to grow at 6.5% and 6.2% respectively for 2018. Firm domestic spending together with strengthening labor market including more job creation and wage growth will support Malaysia's economy particularly via private consumption and services sector.*

Distributive trade sales touched RM99.9b. Distributive trade rose by 7.7%yoy to RM99.9b in Apr-18 lifted by retail trade which expanded by 8%yoy to RM39.2b. Furthermore, wholesale trade grew by 7.7%yoy to RM48.6b, while motor vehicle businesses rebounded to positive growth of 6.6%yoy to RM12.1b. On a monthly basis, all three sectors slumped from a positive growth recorded in the preceding month. Moving forward, we foresee distributive trade sales to remain on steady momentum underpin by stable job market, zero-rated GST, decelerating inflationary pressure, tourism activities and accommodative economic policies.

Table 1: Malaysia's Distributive Trade Summary (RM Billion)

	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18
Distributive Trade	97.7	98.0	97.8	101.2	101.1	97.2	103.8	99.9
YoY%	7.5	8.8	9.1	7.2	8.0	7.4	6.5	7.7
MoM%	(0.8)	1.3	0.6	(0.3)	0.8	(3.8)	6.7	(4.0)
Motor Vehicles	11.3	11.8	12.0	12.1	11.7	10.5	12.3	12.1
YoY%	(5.0)	1.4	3.1	(3.7)	2.6	2.2	(4.6)	6.6
MoM%	(6.5)	5.8	2.6	(2.4)	1.9	(9.5)	16.4	(1.0)
Wholesale Trade	49.2	48.4	47.7	49.4	49.7	47.5	50.7	48.6
YoY%	9.2	9.4	9.6	8.0	7.9	7.2	8.0	7.7
MoM%	1.3	0.1	(0.2)	(0.7)	0.9	(4.6)	6.8	(4.0)
Retail Trade	37.3	37.8	38.1	39.7	39.6	39.2	40.8	39.2
YoY%	9.5	10.7	10.5	10.0	9.9	9.2	8.6	8.0
MoM%	(3.0)	2.4	0.6	0.3	0.7	(1.1)	4.1	(4.0)

Source: CEIC; MIDFR

*MoM is seasonally adjusted figures

Domestic spending benefited from strong external trade activities. Exports expanded by 14%yoy to RM84.2b in Apr-18, following a single digit growth in the previous month. It was the highest April's reading ever recorded and translated into an increase in industrial production and manufacturing sales by 4.6%yoy and 8.2%yoy respectively in the same month. On top of that, other macroeconomic variables are favourable toward domestic spending with employment and wages in the manufacturing sector rose by 2.1%yoy and 10.2%yoy respectively.

Distributive sales to improve for second half of 2018. We opine retail sales performance to expand at steady pace for the second half of 2018 amid moderating inflation and supportive policy changes for consumers such as zero-rated GST and stabilized retail fuel prices. In 1Q18, distributive sales moderated to 7.3% compared to 8.4% recorded in the preceding quarter, in line with our expectations. The zero-rated GST effective on 1st June is expected to boost the private consumption as shoppers are in jubilant mood and have more confidence as their spending power has increased. Additionally, the tax holiday period coincides with Hari Raya which seasonally recorded surge in consumer spending. Despite the passenger movements in May-18 contracted to 7.6 million at a rate of -3.5%yoy, we opine the seasonal factor and zero-rated GST will drive the growth for retail sales.

Table 2: Distributive Trade's Detailed Components Performance (YoY%)

	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18
Distributive Trade Sales	5.4	5.7	6.1	8.5	9.7	9.3	8.4	7.3
Wholesale Sales	4.9	5.5	5.9	8.4	8.7	9.1	9.0	7.7
Wholesale Sales: Fee or Contract Basis	3.6	3.7	5.8	9.0	8.0	9.2	7.1	6.3
Wholesale Sales: Agri Raw Materials & Live Animals	(2.5)	3.5	7.0	11.5	10.2	8.2	10.3	8.4
Wholesale Sales: Food, Beverages & Tobacco	8.4	7.8	7.9	8.9	9.6	9.9	8.7	7.1
Wholesale Sales: Household Goods	6.0	4.4	4.7	3.9	6.5	5.6	5.4	6.8
Wholesale Sales: Machinery, Equipment & Supplies	7.0	10.5	8.2	9.0	8.8	6.1	7.2	6.3
Wholesale Sales: Others Specialised	4.1	4.4	5.0	10.0	9.4	11.9	11.6	8.9
Wholesale Sales: Non-Specialised	6.7	6.8	3.9	3.2	3.4	3.5	2.8	2.9
Retail Sales	8.7	9.0	9.1	10.1	13.5	12.2	10.4	9.2
Retail Sales: Non-Specialised Stores	8.8	9.9	9.0	9.9	15.3	13.1	11.2	10.0
Retail Sales: Food, Beverages & Tobacco	10.6	11.3	9.7	13.3	14.0	10.8	10.6	9.7
Retail Sales: Automotive Fuel	8.9	9.7	9.5	16.0	16.2	14.0	13.2	11.0
Retail Sales: Information & Communication Equip	9.5	7.4	8.1	7.3	9.8	9.2	5.5	4.7
Retail Sales: Household Equip	7.8	7.5	6.6	7.3	10.5	9.2	8.9	8.0
Retail Sales: Cultural & Recreation Goods	7.8	7.1	7.3	8.1	7.8	8.8	10.3	9.6
Retail Sales: Others in Specialised Store	8.7	9.3	11.7	11.5	15.1	14.9	11.9	10.4
Retail Sales: Stalls & Markets	11.7	12.7	11.4	11.7	10.4	9.6	9.7	7.4
Retail Sales: Not in Stores, Stalls & Markets	6.3	7.4	5.8	6.5	8.7	8.5	8.4	6.1
Motor Vehicles Sales	(1.8)	(2.0)	(1.4)	4.5	2.5	1.9	0.3	3.9
Motor Vehicles Sales: Motor Vehicle	(5.2)	(5.4)	(5.2)	4.6	(0.1)	(1.1)	(4.0)	(3.9)
Motor Vehicles Sales: Motor Vehicle Maint. & Repair	2.4	3.0	4.0	5.6	7.5	7.0	7.1	6.7
Motor Vehicles Sales: Motor Vehicle Parts & Accessories	4.4	4.0	5.2	4.2	6.5	5.9	6.2	4.2
Motor Vehicles Sales: Motorcycles Maint. & Repair, Parts & Acc.	1.5	0.7	2.0	3.1	2.8	4.6	4.7	2.1

Source: CEIC; MIDFR

Retail sales eased for key economies, particularly China. China's retail sales rose by 9.4%yoy in Apr-18 which is the weakest rise since Dec-17 as domestic spending continued to soften given the headwinds from slowing credit creation. Similarly, U.S retail sales grew moderately by 4.6%yoy and is expected to accelerate in the months to come thanks to the rising in employment and wages. Meanwhile, Indonesia's retail sales advanced nu 4.1%yoy, the highest gain since Jun-17 as sales rose faster for most of retail components except for information & communication equipment and motor vehicles & accessories. Overall global retail sales suggests growing consumer confidence in major economies which will result in a steady momentum of consumer spending at least for first half of 2018. Although consumer sentiment in the US was revised down to 98 in May, the businesses remain optimist and manufacturing activity grows stronger than expected.

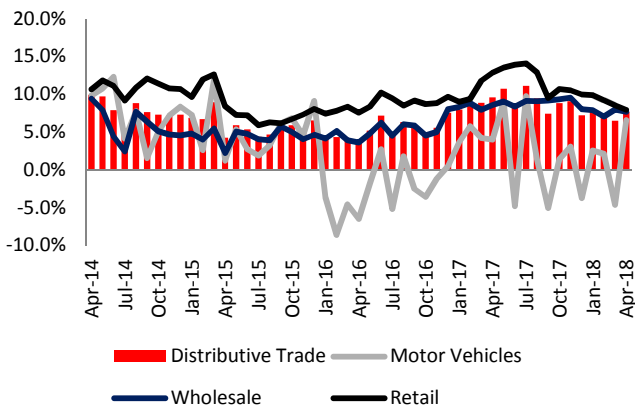
Table 3: Global Retail Sales (YoY%)

	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18
Malaysia	9.5	10.7	10.5	10.0	9.9	9.2	8.6	7.7
Indonesia	1.8	2.2	2.5	0.7	(1.8)	1.5	2.5	4.1
Singapore	(0.6)	(0.2)	5.0	6.3	(7.8)	8.6	(1.5)	
Philippines	3.2	2.7	2.4	2.5	3.5	3.8	4.2	4.0
Thailand	9.4	5.7	7.1	4.1	9.7	7.7	5.2	
Japan	2.3	(0.2)	2.1	3.6	1.5	1.7	1.0	1.6
China	10.3	10.0	10.2	9.4	9.7	9.7	10.1	9.4
Euro Area	3.9	0.3	3.7	2.0	1.5	1.8	1.5	1.7
US	5.0	5.0	5.9	5.1	3.9	4.1	5.1	4.6

Source: CEIC; MIDFR

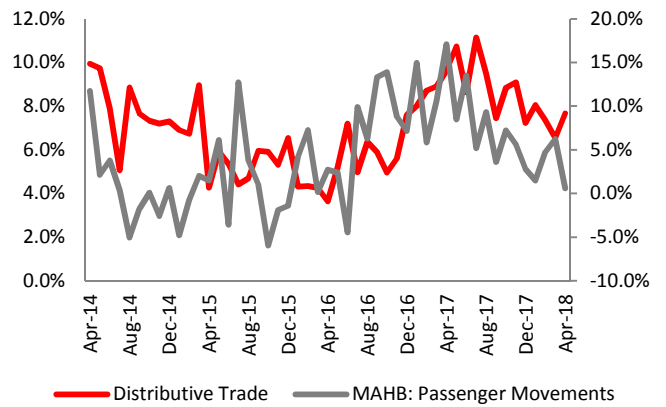
We estimate private consumption and services sector to grow at 6.5% and 6.2% respectively for 2018. Firm domestic spending together with strengthening labor market including more job creation and wage growth will support Malaysia's economy particularly via private consumption and services sector. Plus, encouraging trend of distributive sales in 2017 is expected to continue for 2018 supported by new economic policies will boost up private consumption in Malaysia. This will drive back the incremental sales for retail sectors as they would be moved to reduce the price for goods, hence would generate domestic spending. The scrapping of GST and stable retail fuel prices will provide additional supports for retails sales growth to hit 5.5% in 2018. Nevertheless, headwinds from global trade tension could pose possible threat to the estimate. 

Chart 1: Distributive Trade, DT (YoY%)



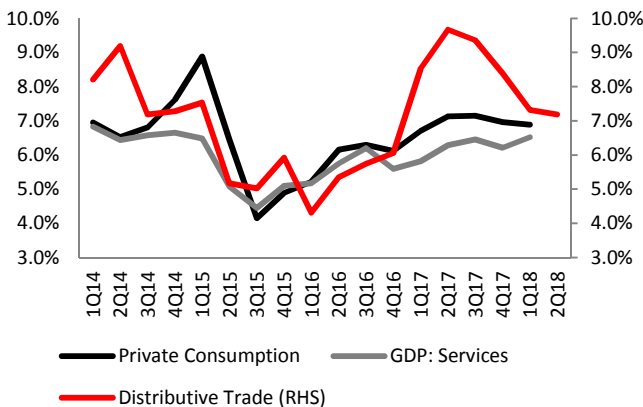
Source: CEIC; MIDFR

Chart 2: DT vs Passenger Movements (YoY%)



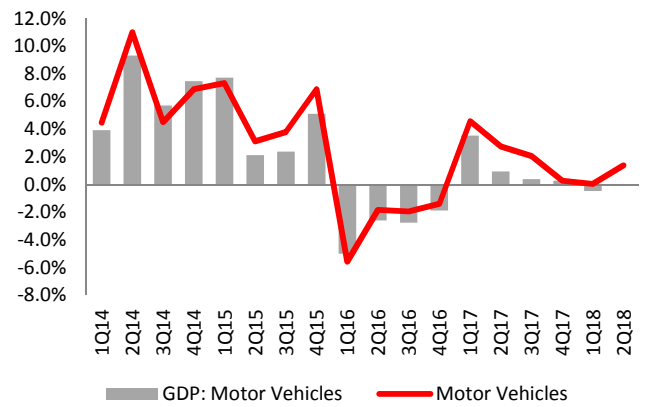
Source: CEIC; MAHB; MIDFR

Chart 3: DT vs Private Consumption vs Services (YoY%)



Source: CEIC; MIDFR

Chart 4: Motor Vehicles: GDP vs DT (YoY%)



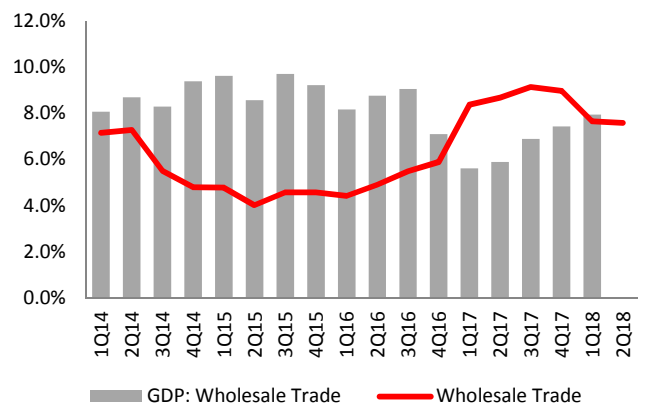
Source: CEIC; MIDFR

Chart 5: Retail Trade: GDP vs DT (YoY%)



Source: CEIC; MIDFR

Chart 6: Wholesale Trade: GDP vs DT (YoY%)



Source: CEIC; MIDFR

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