

ECONOMIC REVIEW | April 2017 Distributive Trade

Distributive Trade Surged to Almost 3-Years High

- *Distributive trade hits new records. Distributive trade and retail trade expanded by 9.6%yoy and 12.9%yoy respectively in April 2017, the highest since May 2014. As for other components of distributive trade, wholesale trade and motor vehicles increased by 8.6%yoy and 4%yoy respectively, significantly better than previous year average.*
- *Pre-festive season effect. In the run-up to Ramadhan and Eid, we believe consumers decided to shop for the preparation of the upcoming festive events. Besides, better performance in our economic activities and stable job market could be the reasons supporting the surge in the distributive trade.*
- *We forecast private consumption and services sector to grow at 6.3% and 5.3% respectively for 2017. Continuous solid performance of distributive trade in April signals stronger domestic spending is in play and hence will drive Malaysia's economy into better position in 2017 compared to last year.*

Distributive trade hits new records. Distributive trade and retail trade expanded by 9.6%yoy and 12.9%yoy respectively in April 2017, the highest since May 2014. As for other components of distributive trade, wholesale trade and motor vehicles increased by 8.6%yoy and 4%yoy respectively, significantly better than previous year average. On monthly seasonally adjusted, distributive trade and its components shrank except for retail trade which grew by 0.2%.

Pre-festive season effect. In the run-up to Ramadhan and Eid, we believe consumers decided to shop for the preparation of the upcoming festive events. Besides, better performance in our economic activities and stable job market could be the reasons supporting the surge in the distributive trade. Continuous solid performance of distributive trade reflects robust domestic spending in our economy. We expect Malaysia's private consumption and services sector to grow by 6.3% and 5.4% respectively in 2017.

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

	2016	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17
Distributive Trade	1,061,540	94,405	93,532	90,140	97,411	92,781
% YoY	5.4	7.6	8.0	8.3	8.9	9.6
%MoM sa		1.4	(1.5)	0.9	1.4	(0.9)
Motor Vehicles	138,979	12,534	11,360	10,322	12,875	11,350
% YoY	(2.6)	0.5	3.7	5.8	4.2	4.0
%MoM sa		3.7	(4.7)	1.5	1.2	(8.5)
Wholesale Trade	518,745	45,756	46,098	44,138	46,928	45,164
% YoY	5.2	8.1	8.3	8.5	8.0	8.6
%MoM sa		1.1	(1.7)	0.5	2.0	(0.7)
Retail Trade	403,816	36,116	36,074	35,680	37,609	36,267
% YoY	8.7	9.7	9.0	8.7	11.8	12.9
%MoM sa		0.9	(0.6)	0.5	2.9	0.2

Source: DOSM; MIDFR

Positive signal for 2Q17. Motor vehicles, wholesale trade and retail trade cover about 14.6% and 27% collectively of Malaysia's services sector and total GDP in the first quarter this year. Solid performance of distributive trade in April provides a good signal for better performances of private consumption and services sector in the second quarter 2017. In addition, we expect distributive trade will continue to record solid growth in May and June as consumers will most likely to increase their spending on food, clothing and apparel for Ramadhan and Eid celebration.

Table 2: Distributive Trade vs Selected Components of GDP (%YoY)

	2016	2Q-16	3Q-16	4Q-16	1Q-17	2Q-17*
Distributive Trade	5.4	5.3	5.7	6.1	8.4	8.9
Motor Vehicles	(2.7)	(1.8)	(2.0)	(1.4)	4.6	4.7
Wholesale Trade	5.2	4.9	5.5	5.9	8.3	8.4
Retail Trade	8.7	8.7	9.1	9.1	9.8	11.1
GDP: Private Consumption	6.1	6.3	6.4	6.2	6.6	
GDP: Services	5.6	5.7	6.1	5.5	5.8	
Motor Vehicles	(3.2)	(2.7)	(3.1)	(2.2)	3.5	
Wholesale Trade	8.2	8.7	9.0	7.1	5.5	
Retail Trade	7.0	7.1	7.6	7.9	7.8	

*Refer to 3MMA

Source: DOSM; MIDFR

Trivial slowdown in major economies. Retail sales of the US and China expanded by 4.5%yoy and 10.7%yoy in April, slightly lower than the previous month. However, the retail sales performances for both economies are higher than 2016's average and remain on upward trajectory. Looking ahead, we foresee retail sales for both economies will expand higher in May as the US's consumer confidence in May recorded the highest reading in four months whereas China's services PMI rose to 52.8 point, highest since January 2017. As for other economies, overall retail sales is seen stable, growing at moderate pace, in line with global economic recovery. Among ASEAN, Malaysia's retail trade remain the highest since January 2017.

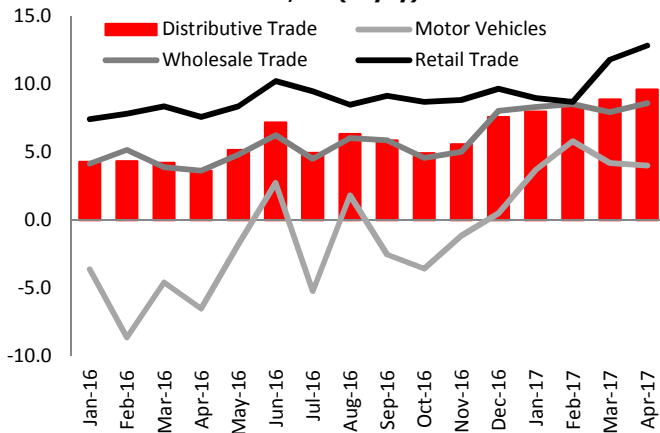
Table 3: Global Retail Sales (%YoY)

	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17
Malaysia	8.5	9.2	8.7	8.9	9.7	9.0	8.7	11.8	12.9
Indonesia	11.4	10.6	8.1	9.9	10.5	6.3	3.7	4.2	
Singapore	(0.5)	2.2	2.0	0.7	0.7	2.3	(2.5)	2.0	2.6
Philippines	2.3	3.0	3.4	3.6	4.3	4.4	5.1	4.4	3.9
Thailand	5.5	2.0	(1.2)	1.9	1.3	5.5	1.3	8.4	
Japan	(2.2)	(1.7)	(0.2)	1.7	0.7	1.0	0.1	2.1	3.2
China	10.6	10.7	10.0	10.8	10.9	9.5	9.5	10.9	10.7
EU	1.1	1.1	3.2	3.0	1.7	1.6	1.9	2.5	2.5
US	2.2	3.3	4.2	3.9	4.4	6.0	5.1	5.2	4.5

Source: CEIC; MIDFR

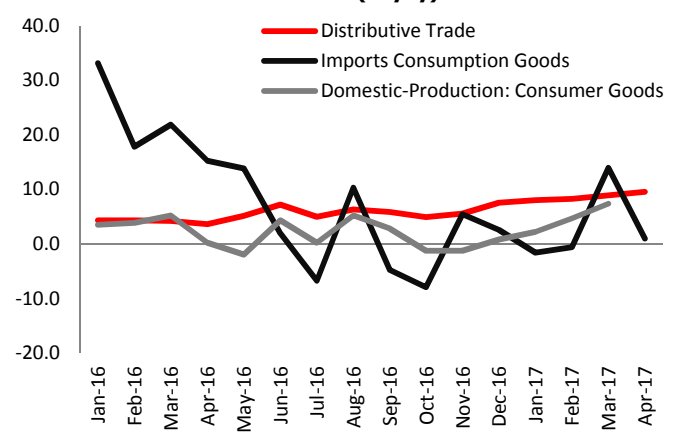
We forecast private consumption and services sector to grow at 6.3% and 5.3% respectively for 2017. Continuous solid performance of distributive trade in April signals stronger domestic spending is in play and hence will drive Malaysia's economy into better position in 2017 compared to last year. Strengthening domestic spending coupled with steady wage growth and stellar external sector performance, we opine Malaysian economy will be able to expand 4.9% in 2017. 

Chart 1: Distributive Trade, DT (%yoy)



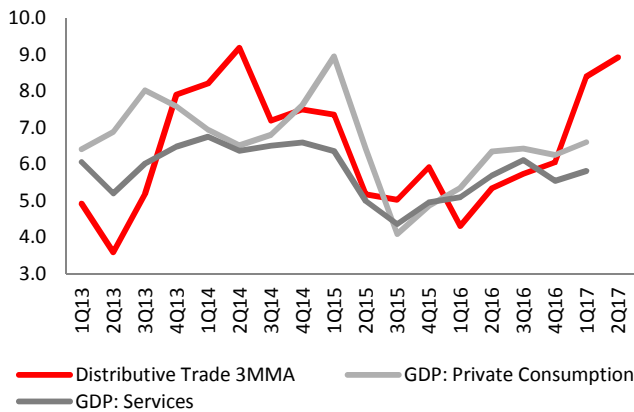
Source: DOSM;MIDFR

Chart 2: DT vs Consumer Goods (%yoy)



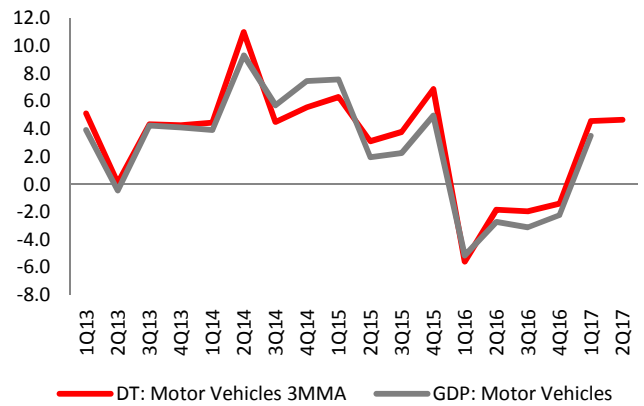
Source: DOSM;MIDFR

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



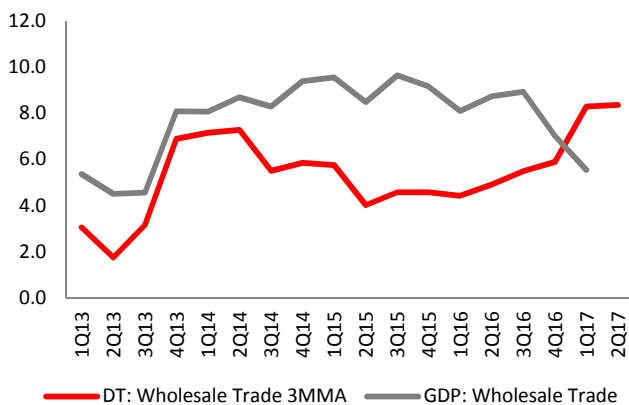
Source: DOSM;MIDFR

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



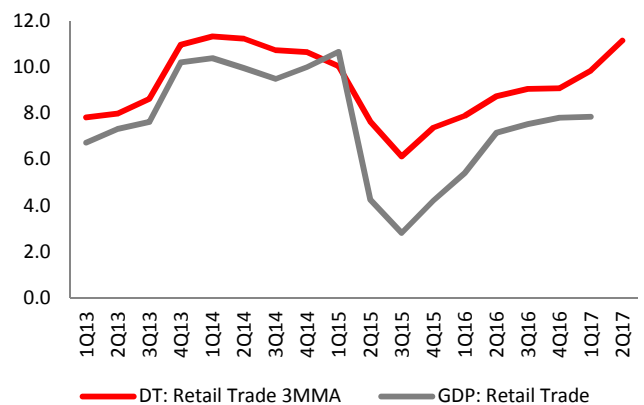
Source: DOSM;MIDFR

Chart 5: Wholesale Trade: GDP vs DT (%yoy)



Source: DOSM;MIDFR

Chart 6: Retail Trade: GDP vs DT (%yoy)



Source: DOSM;MIDFR

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