

## ECONOMIC REVIEW | August 2017 Distributive Trade

### Distributive Trade Sales Hit RM97.7 Billion in August - Highest on Record

- Distributive trade sustains robust momentum. Distributive trade rose strongly by 9.8%yoy in August 2017. The solid growth in distributive trade was contributed by continuous robust expansion in sales of wholesale trade and retail trade, grew by 8.9%yoy and 13.4%yoy respectively.*
- Booster for domestic demand if minimum wage up in 2018. Referring to the distributive trade trend, the sales growth started to pick up in the third quarter of 2016 in which in accordance with the upward revision of minimum wage from RM900 to RM1,000 for Peninsular Malaysia and RM800 to RM920 for Sabah, Sarawak and Labuan. Therefore, We opine further hike in minimum wage will give significant impacts on Malaysia's economy in particular via domestic demand.*
- We estimate private consumption and services sector to grow at 6.3% and 5.3% respectively for 2017. Continuous solid performance of distributive trade in August signals stronger domestic spending is in play, added with strengthening labor market and upbeat momentum in external trade activities will drive Malaysia's economy into a better position in 2017 compared to last year in particular via private consumption and services sector.*

**Distributive trade sustains robust momentum.** Distributive trade rose strongly by 9.8%yoy in August 2017. The solid growth in distributive trade was contributed by continuous robust expansion in sales of wholesale trade and retail trade, grew by 8.9%yoy and 13.4%yoy respectively. However, sales of motor vehicles decelerate from 9.8%yoy in July to 2.8%yoy in August and indirectly drag down the overall sales growth of distributive trade. Apart from that, we notice uptick in inflation rate at 3.7%yoy possibly put trivial pressure on domestic spending during the month. Nevertheless, the latest distributive trade figures indicate that Malaysia's domestic demand remains on upbeat trajectory and we expect the trend will stay on until end of the year.

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

	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17
<b>Distributive Trade</b>	<b>93.5</b>	<b>90.5</b>	<b>97.4</b>	<b>92.8</b>	<b>96.9</b>	<b>96.9</b>	<b>96.5</b>	<b>97.7</b>
YoY%	8.0	8.7	8.9	9.6	10.7	8.6	11.1	9.8
MoM%	(1.5)	1.7	1.4	(1.0)	3.1	0.1	0.1	1.3
<b>Motor Vehicles</b>	<b>11.4</b>	<b>10.3</b>	<b>12.9</b>	<b>11.4</b>	<b>12.7</b>	<b>11.8</b>	<b>12.4</b>	<b>12.3</b>
YoY%	3.7	5.8	4.2	4.0	9.0	(4.8)	9.8	2.8
MoM%	(4.6)	1.5	1.2	(8.4)	14.0	(8.8)	3.5	1.8
<b>Wholesale Trade</b>	<b>46.1</b>	<b>44.3</b>	<b>46.9</b>	<b>45.2</b>	<b>46.9</b>	<b>46.9</b>	<b>45.9</b>	<b>47.4</b>
YoY%	8.3	8.8	8.0	8.6	9.0	8.4	9.2	8.9
MoM%	(1.7)	1.5	2.1	(0.8)	2.7	(0.1)	(0.9)	3.8
<b>Retail Trade</b>	<b>36.1</b>	<b>35.9</b>	<b>37.6</b>	<b>36.3</b>	<b>37.4</b>	<b>38.1</b>	<b>38.3</b>	<b>38.0</b>
YoY%	9.0	9.4	11.8	12.9	13.6	13.9	14.1	13.4
MoM%	(0.6)	1.3	2.9	0.1	1.3	3.2	(0.3)	(1.1)

Source: DOSM; MIDFR

\*MoM is seasonally-adjusted figures

**Positive spill over effects from the upward trend in external trade activities.** As exports surprised the market by growing at 21.5%yoy in August, the follow-through effects are among others in a form of manufacturing sales. In tandem with exports performance, manufacturing sales up by 16.5%yoy, nine consecutive months of double digit pace. Plus, employment in the sector increased by 2.6%yoy while wage growth of manufacturing sector expanded solidly by double digit at 10.6%yoy in the same month. We believe the strong performance in external trade translates into better sales, employment and most importantly improvement in domestic spending. We expect the upbeat momentum in Malaysia's domestic spending will continues until the end of this year in accordance with external trade activities performances.

**Booster for domestic demand if minimum wage up in 2018.** According to relevant sources, Malaysia's Human Resource Ministry and National Wages Consultive Council are planning to raise current minimum wage for both Peninsular Malaysia as well as Sabah, Sarawak and Labuan in 2018. Referring to the distributive trade trend, the sales growth started to pick up in the third quarter of 2016 in which in accordance with the upward revision of minimum wage from RM900 to RM1,000 for Peninsular Malaysia and RM800 to RM920 for Sabah, Sarawak and Labuan. Therefore, We opine further hike in minimum wage will give significant impacts on Malaysia's economy in particular via domestic demand.

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

	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
<b>Wholesale Sales</b>	4.4	4.9	5.5	5.9	8.4	8.7
Fee or Contract Basis	1.0	3.6	3.7	5.8	9.0	8.0
Agri Raw Materials & Live Animals	0.8	(2.5)	3.5	7.0	11.5	10.2
Food, Beverages & Tobacco	7.9	8.4	7.8	7.9	8.9	9.6
Household Goods	7.2	6.0	4.4	4.7	3.9	6.5
Machinery, Equipment & Supplies	3.4	7.0	10.5	8.2	9.0	8.8
Others Specialised	2.7	4.1	4.4	5.0	10.0	9.4
Non-Specialised	4.6	6.7	6.8	3.9	3.2	3.4
<b>Retail Sales</b>	7.9	8.7	9.0	9.1	10.1	13.5
Non-Specialised Stores	7.7	8.8	9.9	9.0	9.9	15.3
Food, Beverages & Tobacco	8.9	10.6	11.3	9.7	13.3	14.0
Automotive Fuel	8.7	8.9	9.7	9.5	16.0	16.2
Information & Communication Equip	6.6	9.5	7.4	8.1	7.3	9.8
Household Equip	7.4	7.8	7.5	6.6	7.3	10.5
Cultural & Recreation Goods	9.8	7.8	7.1	7.3	8.1	7.8
Others in Specialised Store	8.2	8.7	9.3	11.7	11.5	15.1
Stalls & Markets	10.8	11.7	12.7	11.4	11.7	10.4
Not in Stores, Stalls & Markets	4.2	6.3	7.4	5.8	6.5	8.7
<b>Motor Vehicles Sales</b>	(5.5)	(1.8)	(2.0)	(1.4)	4.5	2.5
Motor Vehicle	(9.0)	(5.2)	(5.4)	(5.2)	4.6	(0.1)
Motor Vehicle Maint. & Repair	0.5	2.4	3.0	4.0	5.6	7.5
Motor Vehicle Parts & Accessories	0.1	4.4	4.0	5.2	4.2	6.5
Motorcycles Maint. & Repair, Parts & Acc.	(3.9)	1.5	0.7	2.0	3.1	2.8

Source: DOSM; MIDFR

Note: Only available on quarterly basis

**Slowdown in the US retail sales amid of hurricanes impacts.** The US retail sales grew by 3.2%yoy in August, slower than the previous month. Due to hurricanes Harvey and Irma, purchases of motor vehicles decelerated and thus dampening overall domestic spending during the month. Among others, the indirect effects of the hurricanes are increase in global oil prices. Hence, oil-importer countries such as Singapore recorded retail sales growth of 3.5%yoy underpinned by steep increase in sales of petrol service station by 9.5%yoy in August. We foresee similar uptrend will persist in September as global oil prices remain hovering above USD55 per barrel. On the other hand, we notice overall retail sales performances indicate upbeat momentum which indicate sturdy global demand will continue until the end of this year. In particular, world's second largest economy, China continues registering double digit rate for its retail sales for six consecutive months.

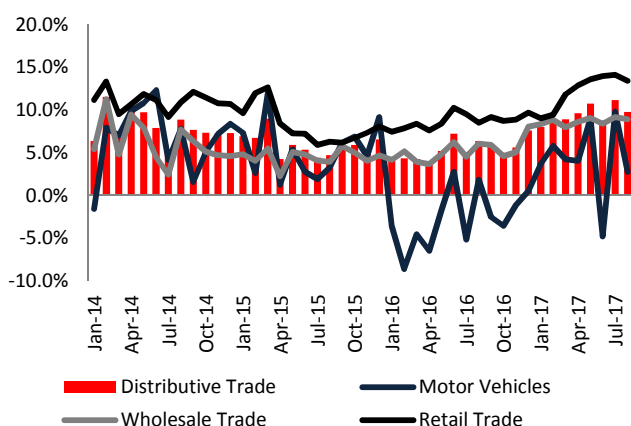
**Table 3: Global Retail Sales (YoY%)**

	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17
Malaysia	9.0	9.4	11.8	12.9	13.6	13.9	14.1	13.4
Indonesia	6.3	3.7	4.2	4.2	4.3	6.3	(3.3)	2.2
Singapore	2.1	(2.5)	2.0	2.7	0.8	2.0	1.8	3.5
Philippines	4.4	5.1	4.4	3.9	3.4	3.3	3.3	3.3
Thailand	5.7	1.4	6.3	3.1	6.6	4.9	8.1	
Japan	1.0	0.2	2.1	3.2	2.1	2.2	1.9	1.7
China	9.5	9.5	10.9	10.7	10.7	11.0	10.4	10.1
Euro Area	1.4	2.1	2.9	2.7	2.6	3.3	2.3	1.2
US	5.6	4.7	4.8	4.5	4.2	3.0	3.5	3.2

Source: CEIC; MIDFR

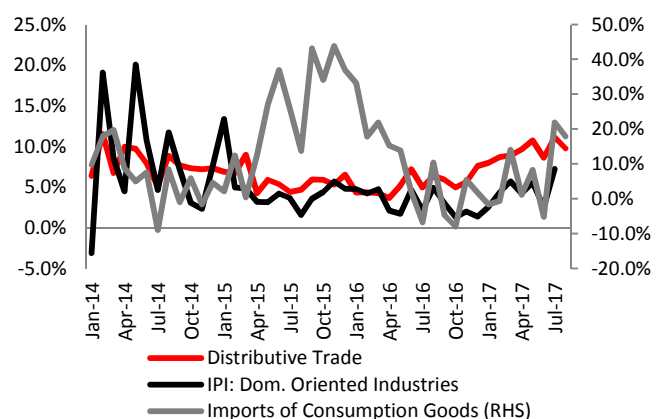
**We estimate private consumption and services sector to grow at 6.3% and 5.3% respectively for 2017.** Continuous solid performance of distributive trade in August signals stronger domestic spending is in play, added with strengthening labor market and upbeat momentum in external trade activities will drive Malaysia's economy into a better position in 2017 compared to last year in particular via private consumption and services sector. 

**Chart 1: Distributive Trade, DT (YoY%)**



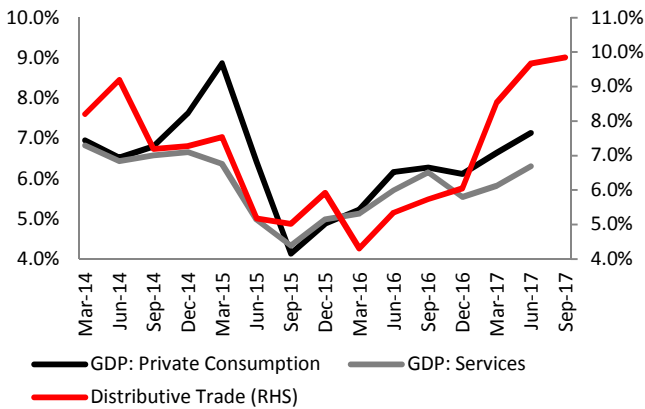
Source: DOSM;MIDFR

**Chart 2: DT vs Consumer Goods (YoY%)**



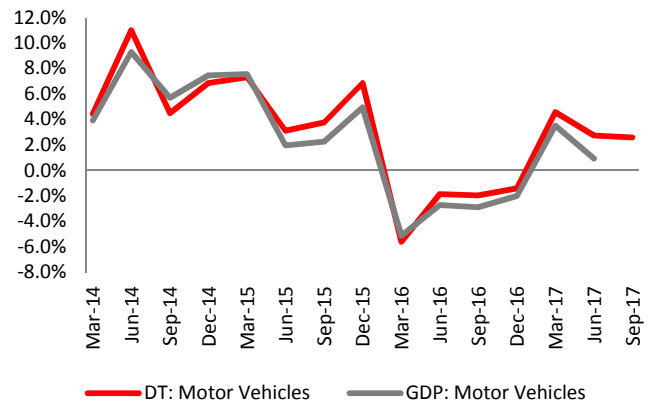
Source: DOSM;MIDFR

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



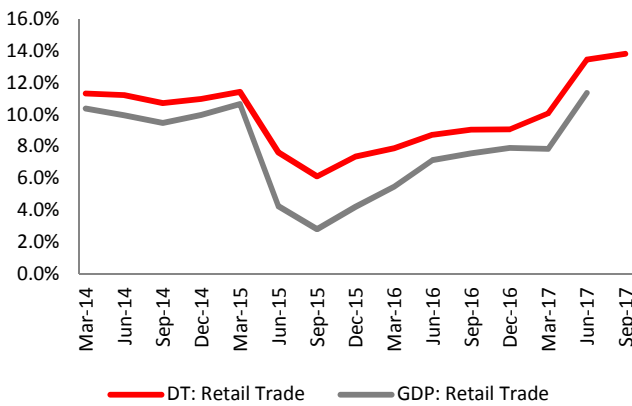
Source: DOSM;MIDFR

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



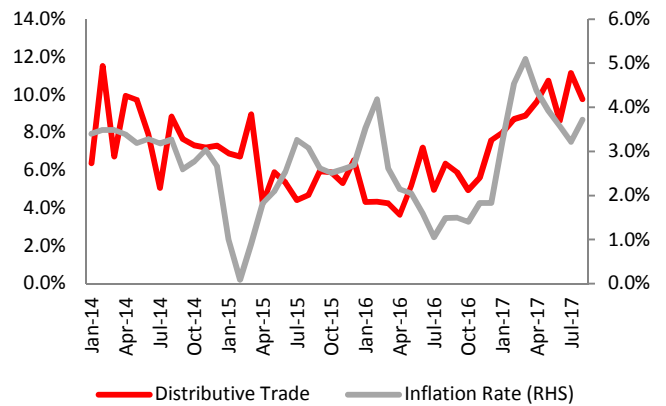
Source: DOSM;MIDFR

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



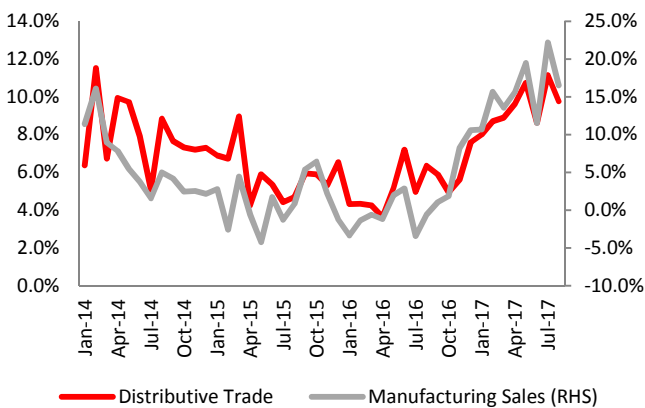
Source: DOSM;MIDFR

**Chart 6: Distributive Trade vs Inflation Rate (YoY%)**



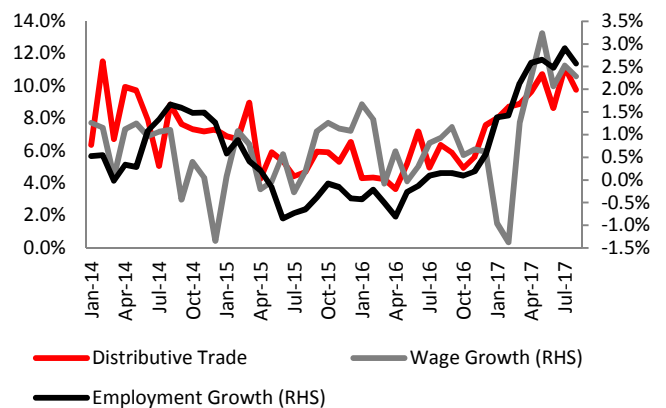
Source: DOSM;MIDFR

**Chart 7: Distributive Trade vs Manufacturing Sales (YoY%)**



Source: DOSM;MIDFR

**Chart 8: Distributive Trade vs Manufacturing's Employment & Wage (YoY%)**



Source: DOSM;MIDFR

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