

ECONOMIC REVIEW | December 2017 Distributive Trade

Distributive Trade - Highest Ever Recorded at RM101 Billion, Hints Strong Private Consumption in 4Q17

- Retail trade sales at third consecutive month of double digit growth. Sales in retail trade rose by 10%yoy to RM 39.7 billion in December of 2017. Month-on-month, retail trade soared by 4.4% from 0.8% recorded in November mainly due to robust year-end sales and buoyant tourism activities.
- Expecting a slight slowdown for private consumption and services sector in 4Q17. Despite of year-end sales and tourism activity dynamics, unfavorable base effect affected moderating speed in distributive sales performances in the last quarter of 2017.
- We estimate private consumption and services sector to grow at 7% and 6.4% respectively for 2017. Continuous good performance of distributive trade in December 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 particular via private consumption and services sector

Retail trade sales at third consecutive month of double digit growth. Sales in retail trade rose by 10%yoy to RM 39.7 billion in December of 2017. Month-on-month, retail trade soared by 4.4% from 0.8% recorded in November mainly due to robust year-end sales and buoyant tourism activities. Besides that, wholesale trade went up by 8.2%yoy while motor vehicles sales plunged down by 3.3%yoy. Overall, distributive trade expanded by 7.3%yoy to RM 101 billion in December. The constant positive trends were mainly driven by improved consumer confidence, stable wage growth and continuous rising in passenger movements besides strengthening of Ringgit and stronger oil price. Moving ahead, we foresee distributive trade sales will remain robust in January mostly due to strengthening ringgit which increase purchasing power.

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

	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
Distributive Trade	96.9	96.5	97.5	97.7	98.0	97.8	101.3
YoY%	8.6	11.1	9.5	7.5	8.8	9.1	7.3
MoM%	(0.1)	(0.3)	1.0	0.3	0.3	(0.1)	3.6
Motor Vehicles	11.8	12.4	12.2	11.3	11.8	12.0	12.1
YoY%	(4.8)	9.8	1.4	(5.0)	1.4	3.1	(3.3)
MoM%	(6.7)	4.6	(1.6)	(7.4)	4.6	2.1	0.7
Wholesale Trade	46.9	45.9	47.4	49.2	48.4	47.7	49.5
YoY%	8.4	9.2	9.1	9.2	9.4	9.6	8.2
MoM%	0.2	(2.3)	3.4	3.7	(1.6)	(1.4)	3.7
Retail Trade	38.1	38.3	37.9	37.3	37.8	38.1	39.7
YoY%	13.9	14.1	12.9	9.5	10.7	10.5	10.0
MoM%	1.9	0.6	(1.2)	(1.6)	1.3	0.8	4.4

Source: CEIC; MIDFR

*MoM is seasonal-adjusted figures

Moderate domestic spending from slowdown in external trade activities. Export growth eased to 4.7%yoy in December. Hence, this translated into moderating industrial production and manufacturing sales by 2.9%yoy and 9.4%yoy respectively. Additionally, macroeconomic conditions are favourable toward domestic spending with employment in the manufacturing sector increased by 2.4%yoy, wage growth maintained at 9.2%yoy and a slowdown in inflation rate. We foresee upbeat momentum in Malaysia's domestic spending will continue expanding at steady pace in 2018 in step with external trade activities and tourism performances.

Expecting a slight slowdown for private consumption and services sector in 4Q17. Despite of year-end sales and tourism activity dynamics, unfavorable base effect affected moderating speed in distributive sales performances in the last quarter of 2017. Sales growth is recorded lower than the third quarter, 8.4%yoy vs 9.3%yoy accordingly and average growth of passenger movements in November and December registered at 5.2%yoy, lowest since 3Q16. Therefore, we forecast private consumption and services sector to grow marginally lower in 4Q17 as compared to 3Q17.

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

	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
Distributive Trade Sales	4.3	5.4	5.7	6.1	8.5	9.7	9.3	8.4
Wholesale Sales	4.4	4.9	5.5	5.9	8.4	8.7	9.1	9.0
Wholesale Sales: Fee or Contract Basis	1.0	3.6	3.7	5.8	9.0	8.0	9.2	7.1
Wholesale Sales: Agri Raw Materials & Live Animals	0.8	(2.5)	3.5	7.0	11.5	10.2	8.2	10.3
Wholesale Sales: Food, Beverages & Tobacco	7.9	8.4	7.8	7.9	8.9	9.6	9.9	8.7
Wholesale Sales: Household Goods	7.2	6.0	4.4	4.7	3.9	6.5	5.6	5.4
Wholesale Sales: Machinery, Equipment & Supplies	3.4	7.0	10.5	8.2	9.0	8.8	6.1	7.2
Wholesale Sales: Others Specialised	2.7	4.1	4.4	5.0	10.0	9.4	11.9	11.6
Wholesale Sales: Non-Specialised	4.6	6.7	6.8	3.9	3.2	3.4	3.5	2.8
Retail Sales	7.9	8.7	9.0	9.1	10.1	13.5	12.2	10.4
Retail Sales: Non-Specialised Stores	7.7	8.8	9.9	9.0	9.9	15.3	13.1	11.2
Retail Sales: Food, Beverages & Tobacco	8.9	10.6	11.3	9.7	13.3	14.0	10.8	10.6
Retail Sales: Automotive Fuel	8.7	8.9	9.7	9.5	16.0	16.2	14.0	13.2
Retail Sales: Information & Communication Equip	6.6	9.5	7.4	8.1	7.3	9.8	9.2	5.5
Retail Sales: Household Equip	7.4	7.8	7.5	6.6	7.3	10.5	9.2	8.9
Retail Sales: Cultural & Recreation Goods	9.8	7.8	7.1	7.3	8.1	7.8	8.8	10.3
Retail Sales: Others in Specialised Store	8.2	8.7	9.3	11.7	11.5	15.1	14.9	11.9
Retail Sales: Stalls & Markets	10.8	11.7	12.7	11.4	11.7	10.4	9.6	9.7
Retail Sales: Not in Stores, Stalls & Markets	4.2	6.3	7.4	5.8	6.5	8.7	8.5	8.4
Motor Vehicles Sales	(5.5)	(1.8)	(2.0)	(1.4)	4.5	2.5	1.9	0.3
Motor Vehicles Sales: Motor Vehicle	(9.0)	(5.2)	(5.4)	(5.2)	4.6	(0.1)	(1.1)	(4.0)
Motor Vehicles Sales: Motor Vehicle Maint. & Repair	0.5	2.4	3.0	4.0	5.6	7.5	7.0	7.1
Motor Vehicles Sales: Motor Vehicle Parts & Accessories	0.1	4.4	4.0	5.2	4.2	6.5	5.9	6.2
Motor Vehicles Sales: Motorcycles Maint. & Repair, Parts & Acc.	(3.9)	1.5	0.7	2.0	3.1	2.8	4.6	4.7

Source: CEIC; MIDFR

Bali volcano troubled Indonesia's retail sales. Retail sales in Indonesia rose by 0.7%yoy in December however far lower than 2.5%yoy recorded in the preceding month as eruption of Mt Agung affected tourism industry in Bali, Indonesia's top tourism spot. In overall, Indonesia is experiencing a change in consumers behaviour in which Indonesians are hesitant to spend on various items including clothes, cars and home as reflected by the growth data of its household consumption which remained stuck below 5%. Instead, they choose to save and spend more on travelling. Meanwhile, Euro Area retails sales growth also eased in December after a shopping spree in the previous month. Despite the duo's moderating sales, overall global retail sales show steady demand and decent economic conditions. Retail sales of China, US and Japan expanded 9.4%yoy, 5.4%yoy and 3.6%yoy respectively. Moving forward, we opine tax cuts and incentives in major economies and overall consumer confidence will result in continuous momentum of consumers spending in the new year. Henceforth, we foresee regional and global domestic spending will continue to expand at sustainable pace amid of sanguine global economic outlook in 2018.

Table 3: Global Retail Sales (YoY%)

	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
Malaysia	13.9	14.1	12.9	9.5	10.7	10.5	10.0
Indonesia	6.3	-3.3	2.2	1.8	2.2	2.5	0.7
Singapore	2.0	1.7	3.7	-0.6	-0.2	5.3	
Philippines	3.3	3.3	3.3	3.2	2.7	2.4	2.5
Thailand	5.0	6.5	9.2	9.0	5.3	7.8	
Japan	2.2	1.8	1.8	2.3	-0.2	2.1	3.6
China	11.0	10.4	10.1	10.3	10.0	10.2	9.4
Euro Area	3.4	2.3	2.4	4.3	0.5	3.9	1.9
US	3.0	3.7	3.5	5.0	5.0	6.0	5.4

Source: CEIC; MIDFR


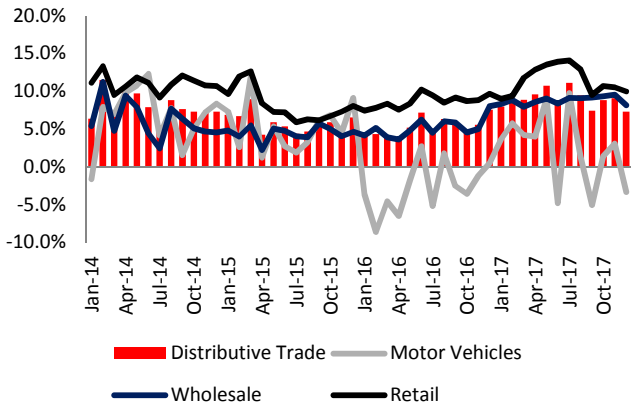
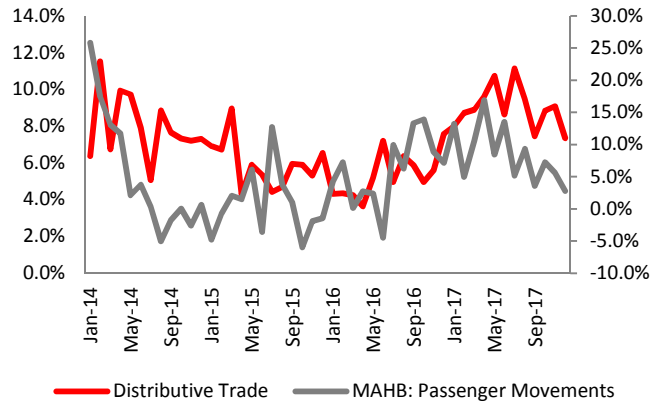
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Chart 1: Distributive Trade, DT (YoY%)



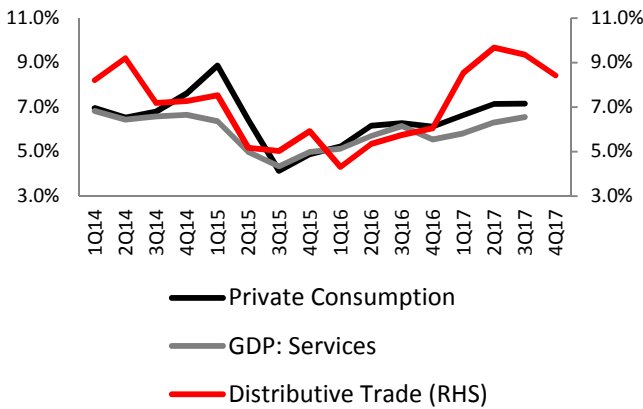
Source: CEIC; MIDFR

Chart 2: DT vs Passenger Movements (YoY%)



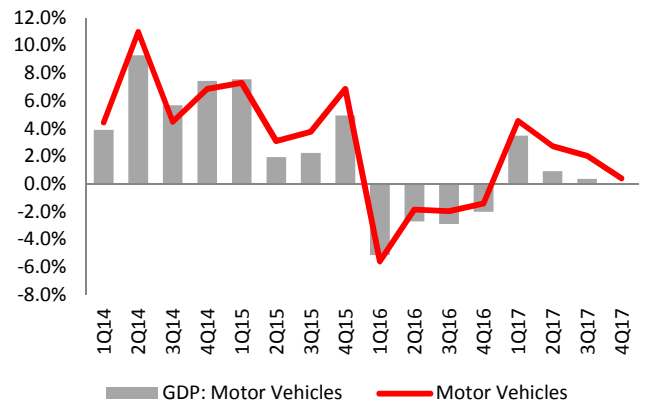
Source: CEIC; MAHB; MIDFR

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



Source: CEIC; MIDFR

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



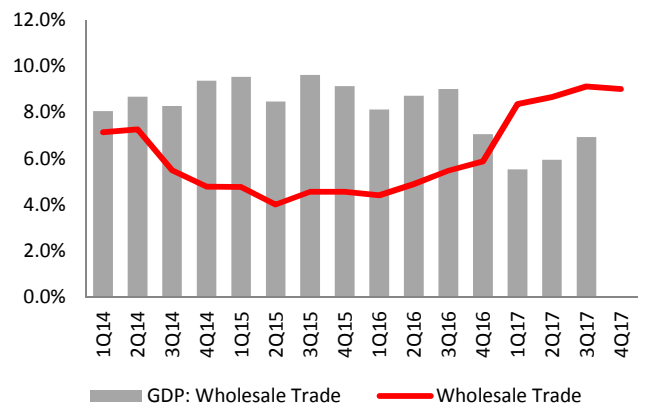
Source: CEIC; MIDFR

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



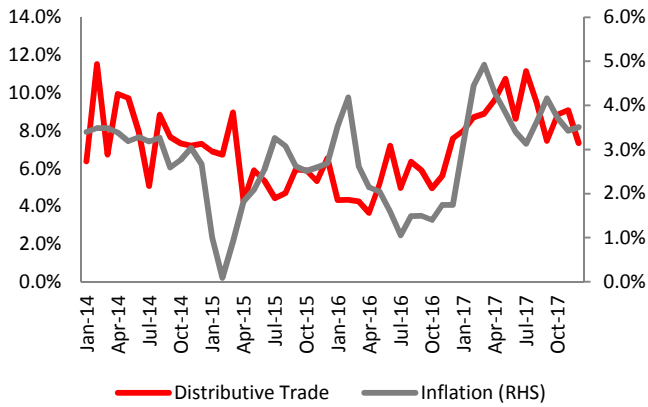
Source: CEIC; MIDFR

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



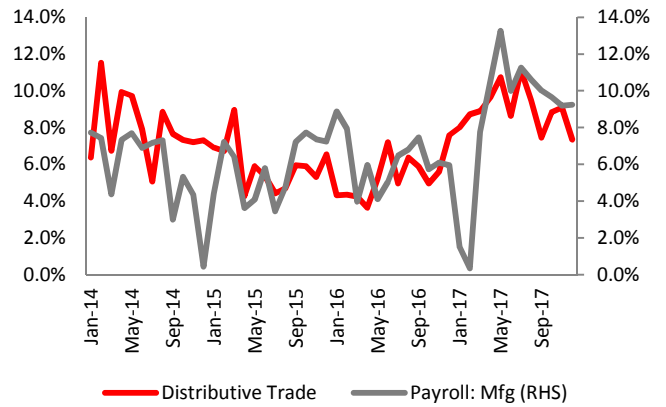
Source: CEIC; MIDFR

Chart 7: Distributive Trade vs Inflation Rate (YoY%)



Source: DOSM; MIDFR

Chart 8: : Distributive Trade vs Manufacturing Payroll (YoY%)



Source: DOSM; MIDFR

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