

ECONOMIC REVIEW | December 2018 Distributive Trade

Domestic Spending Remains Buoyant as Retail Sales Posted Double Digit Growth for 7th Consecutive Months

- Domestic spending remains on strong tide. Distributive trade grew further by 8%yoy in Dec-18 as retail sales sustained its double digit growth for the 7-consecutive months. Wholesale trade increased by 6.7%yoy while motor vehicles fell by -1.4%yoy in the final month of 2018. On yearly basis, distributive trade expanded by 8.2%, motor vehicles by 3.3% (Highest in 3-year), wholesale by 7.3% and retail by 11% in 2018.
- Low inflation, stable labor market and solid industrial activity. Among others, solid and sound domestic demand in Malaysia is supported by key fundamental factors such as low inflationary pressure, full-employment condition and upbeat momentum in industrial activities.
- We estimate private consumption and services sector to grow at 7.5% and 6.2% respectively for 2019. Encouraging trend of distributive sales in 2018 is expected to continue for 2019 supported by economic conditions such as strengthening labor market including more job creation and wage growth on top of upbeat tourism activities.

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

	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
Distributive Trade	103.7	106.1	106.5	107.9	104.7	106.0	106.2	109.3
YoY%	7.0	9.6	10.3	10.7	7.2	8.2	8.6	8.0
MoM%	1.4	2.9	1.3	1.4	(3.9)	2.1	0.7	(0.4)
Motor Vehicles	12.3	13.0	13.9	13.5	11.2	12.1	12.3	11.9
YoY%	(2.9)	10.1	12.1	10.6	(0.9)	2.9	2.1	(1.4)
MoM%	(1.2)	5.5	4.9	(1.8)	(14.7)	9.0	1.2	(4.7)
Wholesale Trade	50.5	50.4	49.2	50.9	52.4	51.9	51.0	52.7
YoY%	7.8	7.4	7.2	7.4	6.5	7.2	6.9	6.7
MoM%	1.3	0.3	0.2	2.1	0.0	0.8	(0.8)	(0.2)
Retail Trade	40.9	42.7	43.4	43.5	41.2	42.0	42.9	44.7
YoY%	9.3	12.1	13.3	14.8	10.5	11.2	12.6	12.4
MoM%	3.1	5.3	1.0	1.4	(6.1)	3.0	1.7	0.2

Source: CEIC; MIDFR

*MoM is seasonally adjusted figures

Low inflation, stable labor market and solid industrial activity. Among others, solid and sound domestic demand in Malaysia is supported by key fundamental factors such as low inflationary pressure, full-employment condition and upbeat momentum in industrial activities. Following subsidized retail fuel prices in 2018, headline CPI averaged at 1%. Jobless rate at 3.3%, thanks to continuous expansion in IPI and exports by 3.1% and 6.9% respectively last year. Moving forward, we expect domestic spending to stay on upward trajectory underpin by the stable job market and continuous expansion in industrial activities in 2019.

Distributive sales to improve in 4Q18. For full-year 2018, distributive sales moderated to 8.3%yoy compared to 9%yoy recorded in 2017. For 4Q18, we foresee a continuous positive performance in distributive sales buoyed by low inflation, stable job market and supportive policy changes such as stabilized retail fuel prices. According to the latest Business Tendency Survey, overall business performance is expected to remain positive at a better pace given that overall business confidence registered at 7.1% in 4Q18, higher than the previous quarter. Looking at the passenger movements in Jan-19 which grew to 8.4 million at a rate of 3.2%yoy, we opine it will boost the growth for retail sales in upcoming month.

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

	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18
Distributive Trade Sales	9.7	9.3	8.4	7.3	8.0	9.4	8.3
Wholesale Sales	8.7	9.1	9.0	7.7	7.6	7.0	6.9
Wholesale Sales: Fee or Contract Basis	8.0	9.2	7.1	6.3	8.1	6.6	7.2
Wholesale Sales: Agri Raw Materials & Live Animals	10.2	8.2	10.3	8.4	1.6	(2.2)	(4.5)
Wholesale Sales: Food, Beverages & Tobacco	9.6	9.9	8.7	7.1	9.4	9.8	7.6
Wholesale Sales: Household Goods	6.5	5.6	5.2	6.8	8.2	8.6	8.4
Wholesale Sales: Machinery, Equipment & Supplies	8.8	6.1	7.2	6.3	5.5	2.1	2.3
Wholesale Sales: Others Specialised	9.4	11.9	11.6	8.9	8.4	8.2	9.4
Wholesale Sales: Non-Specialised	3.4	3.5	2.8	2.9	4.5	5.9	8.1
Retail Sales	13.5	12.2	10.4	9.2	9.8	12.9	12.1
Retail Sales: Non-Specialised Stores	15.3	13.1	11.2	10.0	11.1	15.1	14.9
Retail Sales: Food, Beverages & Tobacco	14.0	10.8	10.6	9.7	11.3	10.7	10.1
Retail Sales: Automotive Fuel	16.2	14.0	13.2	11.0	11.9	12.9	8.6
Retail Sales: Information & Communication Equip	9.8	9.2	5.5	4.7	4.2	6.7	6.8
Retail Sales: Household Equip	10.5	9.2	8.9	8.0	9.0	11.7	10.1
Retail Sales: Cultural & Recreation Goods	7.8	8.8	10.3	9.6	10.2	11.8	10.9
Retail Sales: Others in Specialised Store	15.1	14.9	11.9	10.4	10.0	14.5	14.2
Retail Sales: Stalls & Markets	10.4	9.6	9.7	7.4	5.0	5.9	7.7
Retail Sales: Not in Stores, Stalls & Markets	8.7	8.5	8.4	6.1	5.4	9.5	10.5
Motor Vehicles Sales	2.5	1.9	0.2	(0.2)	4.3	7.5	1.2
Motor Vehicles Sales: Motor Vehicle	(0.1)	(1.1)	(4.3)	(3.9)	3.5	7.7	(1.2)
Motor Vehicles Sales: Motor Vehicle Maint. & Repair	7.5	7.0	7.1	6.7	7.8	8.0	2.6
Motor Vehicles Sales: Motor Vehicle Parts & Accessories	6.5	5.9	6.2	4.2	4.4	7.5	4.6
Motor Vehicles Sales: Motorcycles Maint. & Repair, Parts & Acc.	2.8	4.6	4.7	2.1	4.9	5.2	4.8

Source: CEIC; MIDFR

China's retail sales improved marginally. China's retail sales grew by 8.2%yoy in Dec-18, rebound marginally from 15-year low recorded Nov-18. Nevertheless, domestic demand in the world's second largest economy is expected to stay on upbeat momentum as its consumer confidence index hits 10-month high at 123 points in Dec-18. The last time it hovers above 120 points was back in 1993. China is counting on households and companies to boost the economy as the US-China trade spat continues to weigh on exports. For Asean, retail sales of Indonesia expanded 7.7%yoy in Dec-18, fastest since May-18.

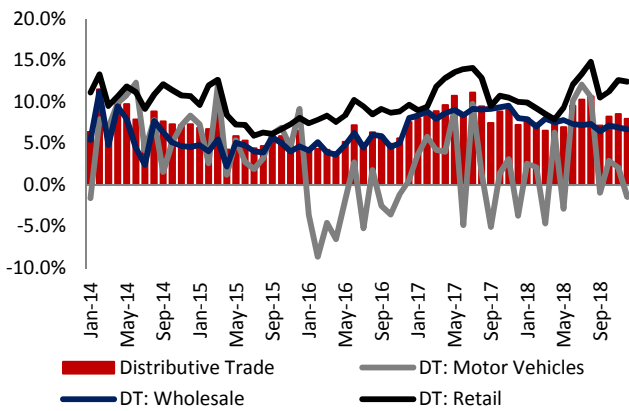
Table 3: Global Retail Sales (YoY%)

	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
Malaysia	13.3	14.8	10.5	11.2	12.6	12.4
Indonesia	2.9	6.1	4.8	2.9	3.4	7.7
Singapore	(2.8)	(0.5)	1.8	0.1	(3.0)	(6.0)
Thailand	15.7	16.5	9.8	19.8	14.0	
Vietnam	12.0	11.8	11.2	12.5	18.6	9.4
Japan	1.5	2.7	2.2	3.6	1.4	1.3
China	8.8	9.0	9.2	8.6	8.1	8.2
EU	3.9	4.4	3.1	4.4	3.5	2.1
US	6.6	6.4	4.0	4.8	4.2	

Source: CEIC; MIDFR

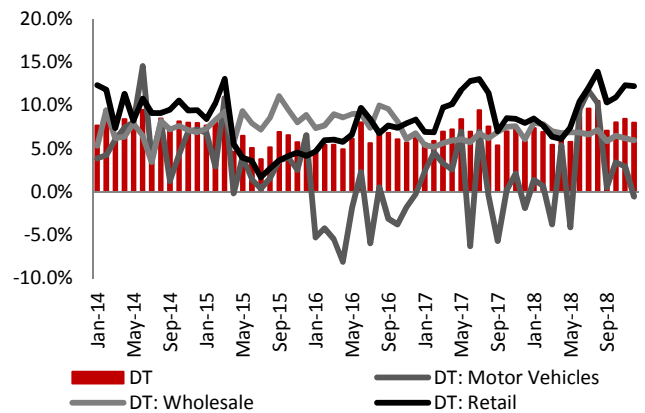
We estimate private consumption and services sector to grow at 7.5% and 6.2% respectively for 2019. Encouraging trend of distributive sales in 2018 is expected to continue for 2019 supported by economic conditions such as strengthening labor market including more job creation and wage growth on top of upbeat tourism activities. The strong momentum in distributive trade will translate into solid growth for private consumption and services sector thus will drive Malaysia's economy into a good position in 2019. Moreover, clearer direction of the economy and supportive policies such as targeted petrol subsidy with RON95 to be capped at RM2.2 per litre will pave the path for domestic consumption to rise steadily throughout the year. 

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



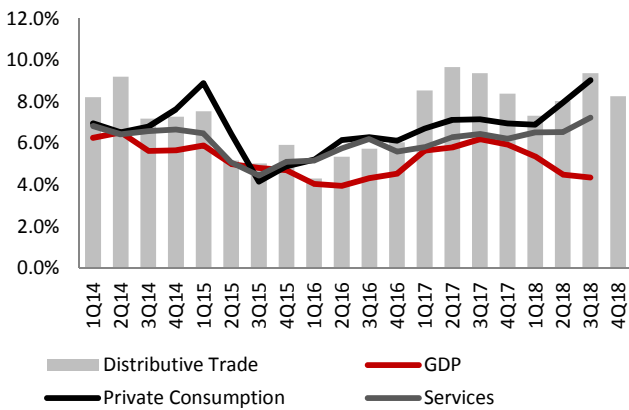
Source: CEIC; MIDFR

Chart 2: Distributive Trade Volume, DT (YoY%)



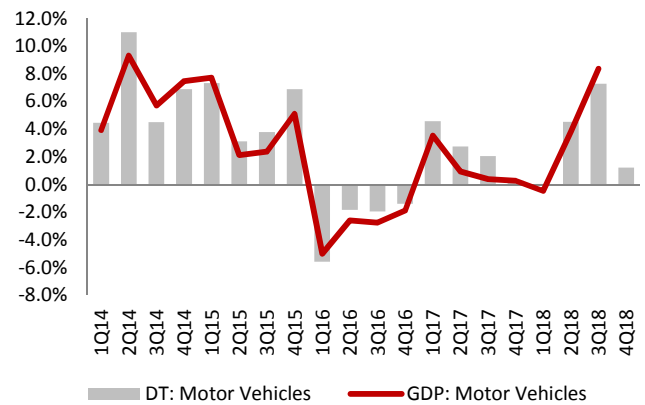
Source: CEIC; MAHB; MIDFR

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



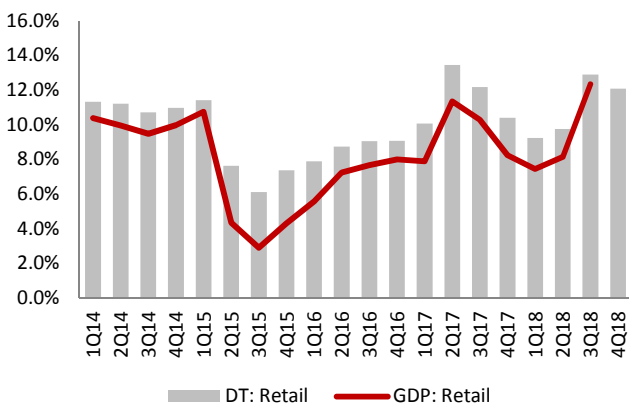
Source: CEIC; MIDFR

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



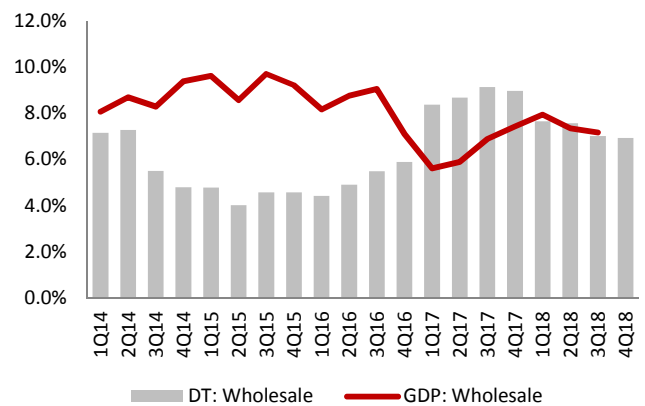
Source: CEIC; MIDFR

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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