

ECONOMIC REVIEW | February 2019 Distributive Trade

Retail Sales Remains Sanguine as Low Inflationary Pressure Supports Domestic Spending

- *Domestic spending remains on strong tide. Distributive trade increased 6.5%yoy in Feb-19, moderating from 7.8%yoy in the previous month as all the components grew at a softer pace. Retail sales growth eased to a single digit of 8.5%yoy in Feb-19 after eight continuous months growing at double digit. Similarly, wholesale and motor vehicles sales growth eased to 5.8%yoy and 2.4%yoy respectively.*
- *Weak foreign activities relax spending marginally. As exports in Feb-19 contracted by 5.3%yoy, the growth in manufacturing sales were likewise impacted. In tandem with February's exports performance, manufacturing sales rose by only 5.5%yoy, the lowest since May-18. Moreover, employment growth in the sector was maintained at 2%yoy in Feb-19 while wage growth eased to 7.2%yoy. Domestic consumption remained solid in Feb-19 as consumers appeared to benefit from the price deflation.*
- *Private consumption & services sector to grow at 7.5% & 6.2% respectively in 2019. Encouraging trend of distributive sales in 2018 is expected to continue in 2019 supported by economic conditions such as strengthening labor market including more job creations 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.*

Domestic spending remains on strong tide. Distributive trade increased 6.5%yoy in Feb-19, moderating from 7.8%yoy in the previous month as all the components grew at a softer pace. Retail sales growth eased to a single digit of 8.5%yoy in Feb-19 after eight continuous months growing at double digit. Similarly, wholesale and motor vehicles sales growth eased to 5.8%yoy and 2.4%yoy respectively. Looking ahead, we view continuous solid domestic demand in 2019 to be underpinned by stable job market, wage growth, low inflationary pressure and steady economic growth.

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

	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19
Distributive Trade	106.5	107.9	104.7	106.0	106.2	109.3	108.9	103.5
YoY%	10.3	10.7	7.2	8.2	8.6	8.0	7.8	6.5
MoM%	0.3	1.3	(2.9)	1.2	0.2	2.9	(0.3)	(5.0)
Motor Vehicles	13.9	13.5	11.2	12.1	12.3	11.9	12.2	10.8
YoY%	12.1	10.6	(0.9)	2.9	2.1	(1.4)	4.8	2.4
MoM%	6.5	(2.8)	(17.1)	8.7	1.3	(3.2)	2.6	(11.6)
Wholesale Trade	49.2	50.9	52.4	51.9	51.0	52.7	52.9	50.2
YoY%	7.2	7.4	6.5	7.2	6.9	6.7	6.2	5.8
MoM%	(2.5)	3.6	2.9	(0.9)	(1.6)	3.3	0.2	(5.1)
Retail Trade	43.4	43.5	41.2	42.0	42.9	44.7	43.9	42.5
YoY%	13.3	14.8	10.5	11.2	12.6	12.4	10.6	8.5
MoM%	1.7	0.1	(5.3)	2.0	2.1	4.2	(1.8)	(3.0)

Source: CEIC; MIDFR

*MoM is seasonally adjusted figures

Weak foreign activities relax spending marginally. As exports in Feb-19 contracted by 5.3%yoy, the growth in manufacturing sales were likewise impacted. In tandem with February's exports performance, manufacturing sales rose by only 5.5%yoy, the lowest since May-18. Moreover, employment growth in the sector was maintained at 2%yoy in Feb-19 while wage growth eased to 7.2%yoy. Domestic consumption remained solid in Feb-19 as consumers appeared to benefit from the price deflation. Moving forward, we expect domestic spending to stay on upward trajectory buoyed by low inflationary pressure, full-employment condition and continuous expansion in industrial activities in 2019.

Distributive sales to remain steady in 1Q19. For 4Q18, distributive sales expanded 8.3%yoy compared to 9.4%yoy recorded in 3Q18. For 1Q19, we foresee a continuous positive performance in distributive sales albeit at moderating pace buoyed by low inflation, stable job market and supportive policy changes such as stabilized retail fuel prices. For the first two months, distributive trade averaged at 7.2%yoy. Looking at the passenger movements growth of 3.1% in Mar-18, we opine it will be translated into a steady 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

US retail trade growth eased. The US retail sales continued to grow in Feb-19 however at a moderating pace of 2.2%yoy (Jan-19: 2.8%yoy). It is the latest indication that the economy is losing its momentum as the stimulus impacts from tax cuts and increased government spending are fading. Besides, it also reflects the slowing global growth, US-China trade war and Brexit. Meanwhile, other key economies maintain a stable performance during the month. The Jan-Feb 2019's combined retail sales growth in China was recorded at 8.2%yoy, the same as in the previous period. Among ASEAN countries, Vietnam maintained a double digit retail trade growth in Feb-19 and Indonesia logged higher growth of 9.1%yoy. Most of the countries are counting on households and companies to boost their economy in 2019 as the global trade spat continues to weigh on exports. In essence, low inflationary pressure and stable labour market will provide the key growth catalyst for domestic demand.

Table 3: Global Retail Sales (YoY%)

	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19
Malaysia	14.8	10.5	11.2	12.6	12.4	10.6	8.5
Indonesia	6.1	4.8	2.9	3.4	7.7	7.2	9.1
Singapore	(0.5)	1.7	0.5	(1.9)	(5.9)	7.7	
Thailand	16.6	10.1	20.0	13.1	10.4	11.8	
Vietnam	11.8	11.2	12.5	18.6	9.4	14.0	11.5
Japan	2.7	2.2	3.6	1.4	1.3	0.6	0.4
China	4.0	3.7	3.8	3.4	3.3		
EU	4.4	3.1	4.6	3.5	2.2	3.1	4.0
US	6.4	4.0	4.6	4.0	1.6	2.8	2.2

Source: CEIC; MIDFR


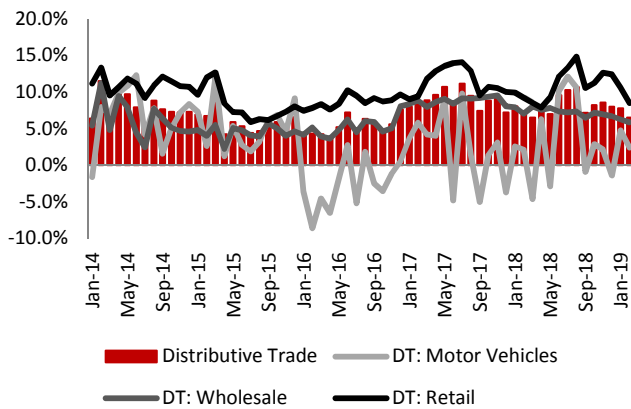
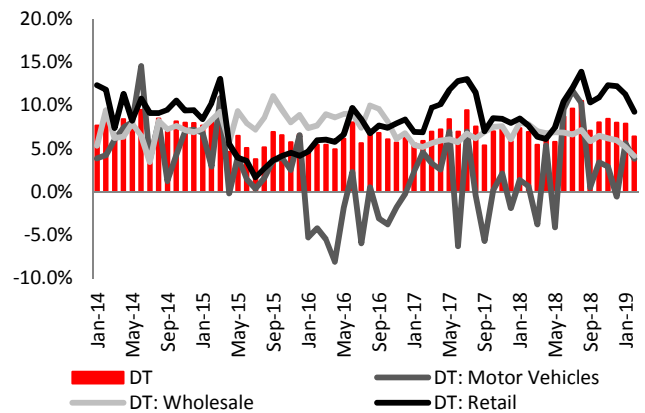
Private consumption & services sector to grow at 7.5% & 6.2% respectively in 2019. Encouraging trend of distributive sales in 2018 is expected to continue in 2019 supported by economic conditions such as strengthening labor market including more job creations and wage growth on top of upbeat tourism 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 capped at RM2.08 per litre will pave the path for domestic consumption to rise steadily throughout the year. 

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



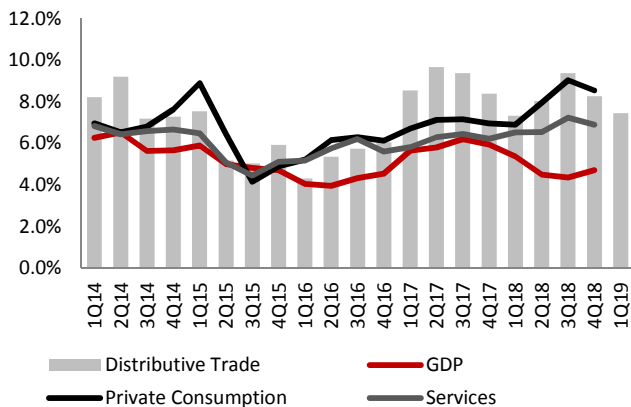
Source: CEIC; MIDFR

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



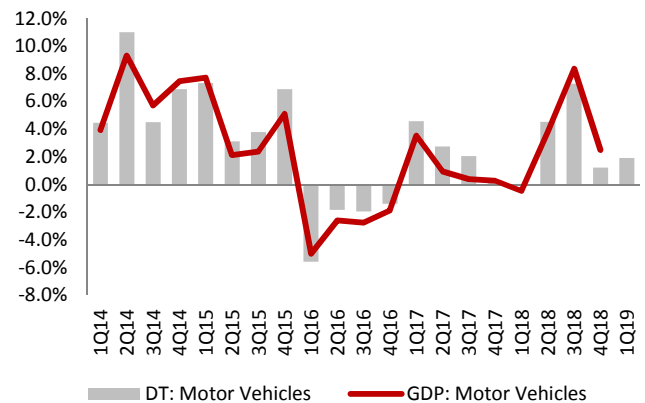
Source: CEIC; MAHB; MIDFR

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



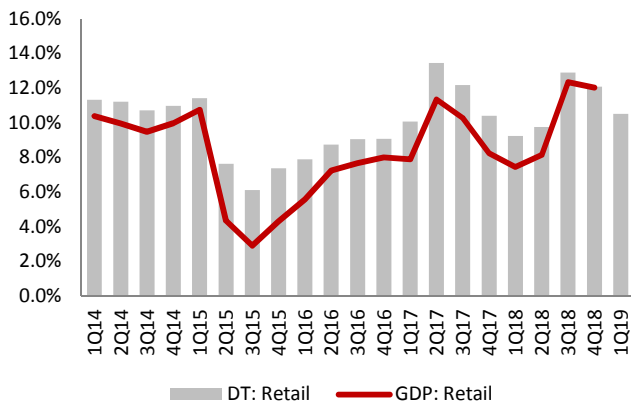
Source: CEIC; MIDFR

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



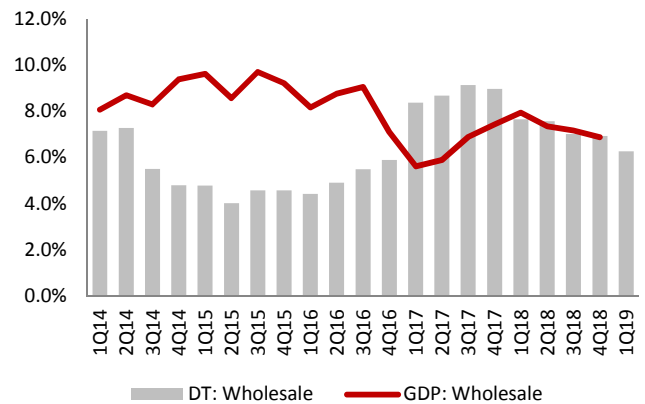
Source: CEIC; MIDFR

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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