

## ECONOMIC REVIEW | February 2017 Distributive Trade

### Distributive trade hits highest growth in 22 months – signals upbeat outlook for 2017

- *Distributive trade hits highest growth in 22 months. Distributive trade expanded by 8.3%yoy in February, the highest since March 2015. Distributive trade performance is contributed by three components, sales value of motor vehicles, wholesale and retail trades. The biggest contributors are wholesale and retail trades which make up almost 85% of the total distributive trade value.*
- *China, US show steady growth pattern – Singapore hits speedbump. The US recorded 5.7% retails sales growth in February, the second highest reading in 5 years. Meanwhile, China retails sales starts 2017 with the slowest growth in 11 years following a cumulative increase of 9.5% in the first two months. Among the ASEAN countries, Malaysia is the best performer in retail sales since mid-2016 – having recorded growth consistently above 8%.*
- *We are maintaining our GDP, private consumption and services sector forecast at 4.9%, 6.3% and 5.3% respectively for this year. Despite the upward trend observed in external sector, domestic spending remains as the backbone in driving Malaysia's economy into better position this year.*

**Distributive trade hits highest growth in 22 months.** Distributive trade expanded by 8.3%yoy in February, the highest since March 2015. Distributive trade performance is contributed by three components, sales value of motor vehicles, wholesale and retail trades. The biggest contributors are wholesale and retail trades which make up almost 85% of the total distributive trade value. Motor vehicles registered growth rates in January and February of 3.7% and 5.8% respectively, reflecting robust rebound from poor performance in 2016. Both wholesale and retail trades grew steadily at 8.5% and 8.7% respectively.

**Table 1: Malaysia's Distributive Trade Summary**

	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17
<b>Distributive Trade</b>	<b>90,942</b>	<b>90,002</b>	<b>89,670</b>	<b>94,405</b>	<b>93,549</b>	<b>90,140</b>
% YoY	5.9	5.0	5.6	7.6	8.0	8.3
%MoM	0.9	0.1	0.0	1.4	-1.5	0.9
<b>Motor Vehicles</b>	<b>11,866</b>	<b>11,624</b>	<b>11,668</b>	<b>12,534</b>	<b>11,360</b>	<b>10,322</b>
% YoY	-2.5	-3.6	-1.1	0.5	3.7	5.8
%MoM	-1.6	-0.4	1.6	3.7	-4.7	1.5
<b>Wholesale Trade</b>	<b>45,064</b>	<b>44,283</b>	<b>43,570</b>	<b>45,756</b>	<b>46,115</b>	<b>44,138</b>
% YoY	5.9	4.6	5.0	8.1	8.4	8.5
%MoM	1.2	-1.0	-1.6	1.1	-1.7	0.5
<b>Retail Trade</b>	<b>34,012</b>	<b>34,096</b>	<b>34,431</b>	<b>36,116</b>	<b>36,074</b>	<b>35,680</b>
% YoY	9.2	8.7	8.9	9.7	9.0	8.7
%MoM	1.6	0.9	1.2	0.9	-0.6	0.5

*Note: Month-on-month data refers to seasonally adjusted figures  
Source: Department of Statistics, Malaysia; MIDF Research*

**Solid growth in distributive trade supports outlook of stronger private consumption for this year.**

The first two months of distributive trade data suggest private consumption and services sector are on track record higher growth in 1Q17. In fact, this bodes well with the recent uptrend in domestic consumer goods production – usually a leading indicator to distributive trade. Besides, this could also mean higher imports in the months to come but we maintain outlook of higher trade balance for the year due to better terms of trade and weak Ringgit in favour of exports.

**China, US show steady growth pattern – Singapore hits speedbump.** The US recorded 5.7% retail sales growth in February, the second highest reading in 5 years. Meanwhile, China retail sales starts 2017 with the slowest growth in 11 years following a cumulative increase of 9.5% in the first two months. Notwithstanding, online sales growth – totalling 859 billion yuan - surged to 31.9% within the same period - bucking the trend seen in brick and mortar retailers. Singapore retail sales dipped in to the red unexpectedly contracted 2.5% during the month – the first since August 2016. Despite the political uncertainty, growth in retail sales in Euro Area posts positive gain in February albeit modest by 0.3% to 1.8%. Among the ASEAN countries, Malaysia is the best performer in retail sales since mid-2016 – having recorded growth consistently above 8%.

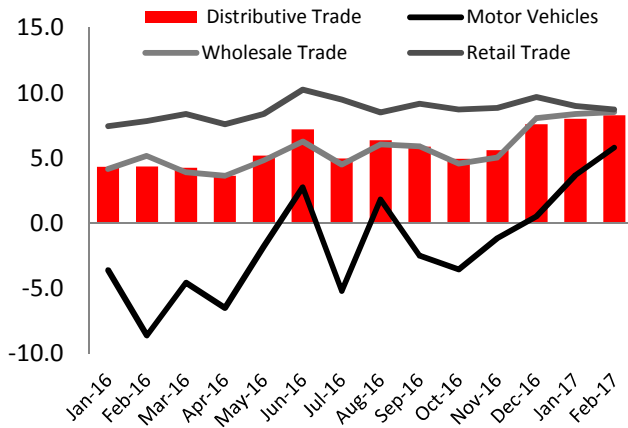
**Table 3: Global Retail Sales (%YoY)**

	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17
Malaysia	8.5	8.2	9.2	8.7	8.9	9.7	9.0	8.7
Indonesia	6.3	11.4	10.6	8.1	9.9	10.5	6.3	3.7
Thailand	2.1	5.5	2.0	-1.2	1.9	1.3	7.5	
Philippines	2.2	2.3	3.0	3.4	3.6	4.3	4.4	5.1
Singapore	2.7	-0.5	2.2	2.0	0.7	0.7	2.0	-2.5
EU	1.9	1.2	1.0	2.9	2.5	1.3	1.5	1.8
China	10.2	10.6	10.7	10.0	10.8	10.9	9.5	9.5
Japan	-0.2	-2.2	-1.7	-0.2	1.7	0.7	1.0	0.1
United States	2.4	2.2	3.3	4.2	3.9	4.4	6.0	5.7

Source: CEIC; MIDF Research

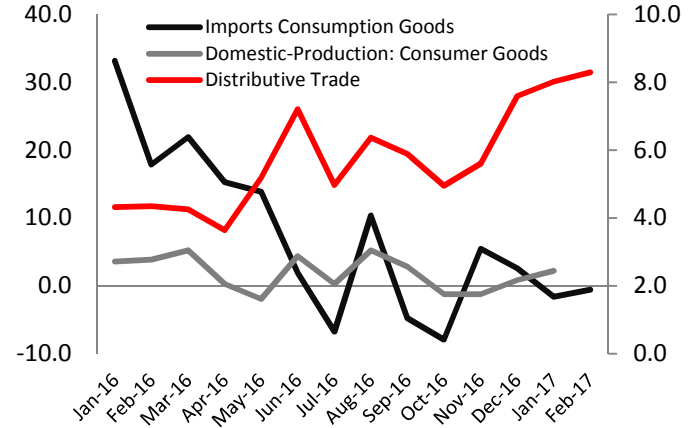
**We are maintaining our GDP, private consumption and services sector forecast at 4.9%, 6.3% and 5.3% respectively for this year.** Despite the upward trend observed in external sector, domestic spending remains as the backbone in driving Malaysia’s economy into better position this year. With firm domestic spending so far coupled with continued recovery in jobs creation and modest wage growth, we opine private consumption could see a slight uptick this year, proving key support for higher broad-based economic growth in 2017. 

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



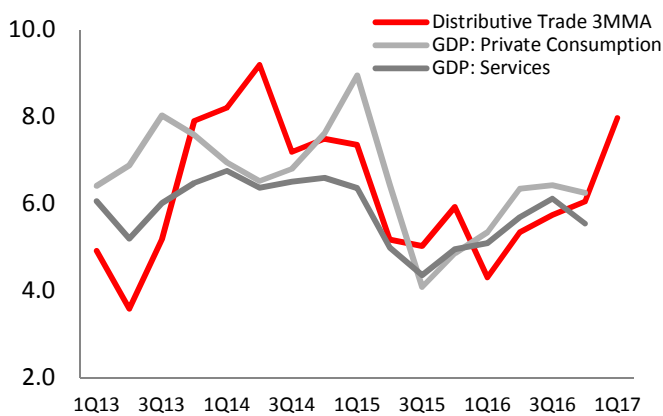
Source: Department of Statistics, Malaysia; MIDF Research

**Chart 2: DT (RHS) vs Consumer Goods (%yoy)**



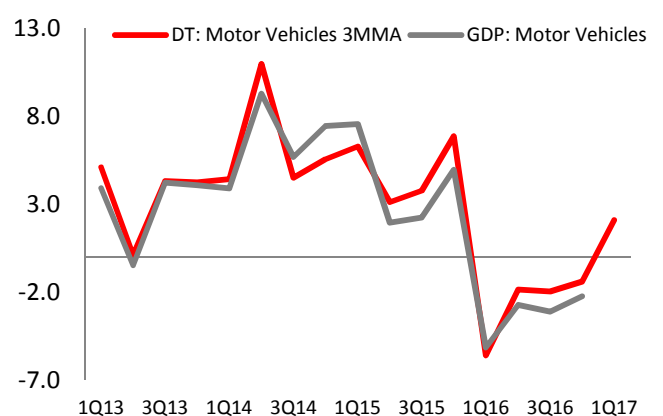
Source: Department of Statistics, Malaysia; MIDF Research

**Chart 3: DT-Private Consumption-Services (%yoy)**



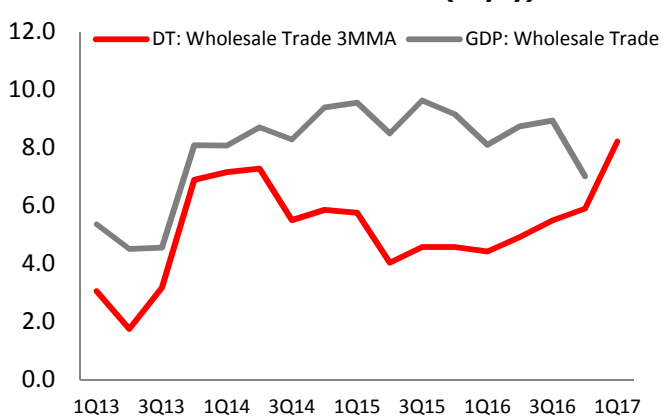
Source: Department of Statistics, Malaysia; MIDF Research

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



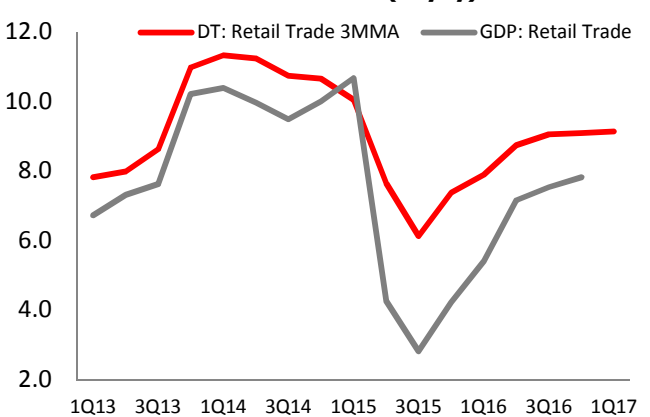
Source: Department of Statistics, Malaysia; MIDF Research

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



Source: Department of Statistics, Malaysia; MIDF Research

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



Source: Department of Statistics, Malaysia; MIDF Research

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