

ECONOMIC REVIEW | January 2017 Distributive Trade

Another Remarkable Performance Above RM100b in January Signals Resilient Domestic Demand in 1Q18

- *Distributive trade registered above RM100 billion for second consecutive month. Distributive trade rose by 8.1%yoy to RM101.1 billion in Jan-18 from 7.2%yoy gain registered in Dec-17*
- *Expecting a slight slowdown for private consumption and services sector in 1Q18. Despite the solid performance observed in external sector and tourism activity dynamics, unfavorable base effect is likely to affect moderating speed in distributive sales performances in 1Q18*
- *We estimate private consumption and services sector to grow at 6.5% and 6.2% respectively for 2018. Continuous good performance of distributive trade in Jan-18 hints towards stronger domestic spending, added with strengthening labor market and buoyant momentum in external trade activities, will drive Malaysia's economy into a better position in particular via private consumption and services sector*

Distributive trade registered above RM100 billion for second consecutive month. Distributive trade rose by 8.1%yoy to RM101.1 billion in Jan-18 from 7.2%yoy gain registered in Dec-17. Breaking down this figure, wholesale trade accounted for RM49.7 billion, followed by retail trade at RM39.6 billion and the balance RM11.7 billion for motor vehicle sales. On monthly basis, sales of motor vehicles fell by 3%yoy from 0.3%yoy gain in the preceding month as year end sales promotions and offers by automotive companies were over. In overall, distributive trade remain robust on the back of improved consumer confidence, stable wage growth and continuous rising in passenger movements on top of strengthening Ringgit and stronger oil price. Moving forward, we foresee distributive trade will experience a trivial slowdown in Feb-18 following short working days due to the Chinese New Year festive holidays.

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

	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18
Distributive Trade	96.9	96.5	97.5	97.7	98.0	97.8	101.2	101.1
YoY%	8.6	11.1	9.5	7.5	8.8	9.1	7.2	8.1
MoM%	(0.1)	(0.3)	1.0	0.3	0.3	(0.1)	3.5	(0.1)
Motor Vehicles	11.8	12.4	12.2	11.3	11.8	12.0	12.1	11.7
YoY%	(4.8)	9.8	1.4	(5.0)	1.4	3.1	(3.7)	3.0
MoM%	(6.7)	4.6	(1.6)	(7.4)	4.6	2.1	0.3	(3.0)
Wholesale Trade	46.9	45.9	47.4	49.2	48.4	47.7	49.4	49.7
YoY%	8.4	9.2	9.1	9.2	9.4	9.6	8.0	7.9
MoM%	0.2	(2.3)	3.4	3.7	(1.6)	(1.4)	3.6	0.6
Retail Trade	38.1	38.3	37.9	37.3	37.8	38.1	39.7	39.6
YoY%	13.9	14.1	12.9	9.5	10.7	10.5	10.0	9.9
MoM%	1.9	0.6	(1.2)	(1.6)	1.3	0.8	4.4	(0.2)

Source: CEIC; MIDFR

*MoM is seasonally-adjusted figures

Domestic spending benefited from strong external trade activities. Exports expanded by 17.9%yoy to RM82.9 billion in January, after fell to a single digit growth in the preceding month. This translated into manufacturing sales increase by 10.8%yoy in the same month. On top of that, other macroeconomic variables are favourable toward domestic spending with employment in the manufacturing sector increased by 2.5%yoy, wage growth rose by 13.3%yoy and inflation rate slowed to 2.7%. We foresee upbeat momentum in Malaysia's domestic spending will continue expanding at steady pace in 2018 in tandem with external trade activities and tourism performances.

Expecting a slight slowdown for private consumption and services sector in 1Q18. Despite the solid performance observed in external sector and tourism activity dynamics, unfavorable base effect is likely to affect moderating speed in distributive sales performances in 1Q18. In addition, passenger movements in Jan-18 and Feb-18 registered at 3%yoy, lowest since 3Q16. Therefore, we forecast private consumption and services sector to grow marginally lower in 1Q18 as compared to 4Q17.

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

A cold start to the year for key economies. Japan's retail sales rose 1.6%yoy in Jan-18, slower than 3.6% climb in the preceding month. Meanwhile, on a monthly basis, sales decreased to its sharpest fall since Nov-15 at 1.8% from 0.9% gain during the same comparable period. While consumer spending increased in Jan-18, real wages dropped for the second consecutive month. Cold waves and heavy snow in Japan heightened expenditure particularly on heating and medical products. On the other hand, retail sales in Indonesia declined by 1.8%yoy in Jan-18, the first drop since Jul-17 as the year-end holiday season (Christmas and New Year) ended. The decline mainly occurred in the sales of durable goods such as information and communication equipment and other household appliances. Similarly, Singapore's retail sales in Jan-18 fell 8.4%yoy due to a drop in motor vehicles sales as Singapore would not allow any growth in its car population from Feb-18. Overall global retail sales is seen to experience a trivial slowdown, in line with expected global growth moderation in 2018.

Table 3: Global Retail Sales (YoY%)

	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18
Malaysia	13.9	14.1	12.9	9.5	10.7	10.5	10.0	9.9
Indonesia	6.3	(3.3)	2.2	1.8	2.2	2.5	0.7	(1.8)
Singapore	2.0	1.7	3.7	(0.6)	(0.2)	5.0	6.3	(8.4)
Philippines	3.3	3.3	3.3	3.2	2.7	2.4	2.5	3.5
Thailand	5.1	6.7	9.3	9.3	5.5	6.7	6.6	
Japan	2.2	1.8	1.8	2.3	(0.2)	2.1	3.6	1.6
China	11.0	10.4	10.1	10.3	10.0	10.2	9.4	
Euro Area	3.4	2.3	1.8	3.9	0.3	3.7	2.1	2.3
US	3.0	3.7	3.5	5.0	5.0	5.9	5.2	

Source: CEIC; MIDFR


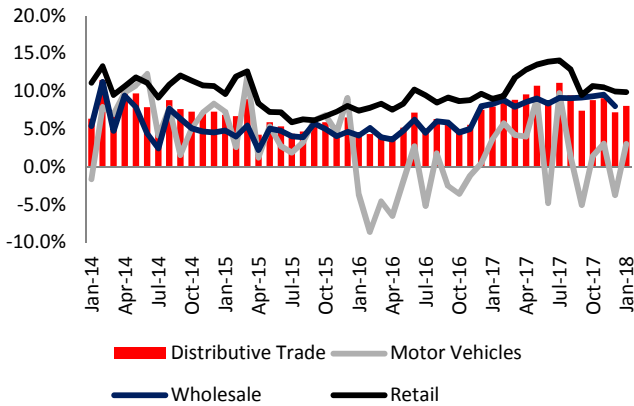
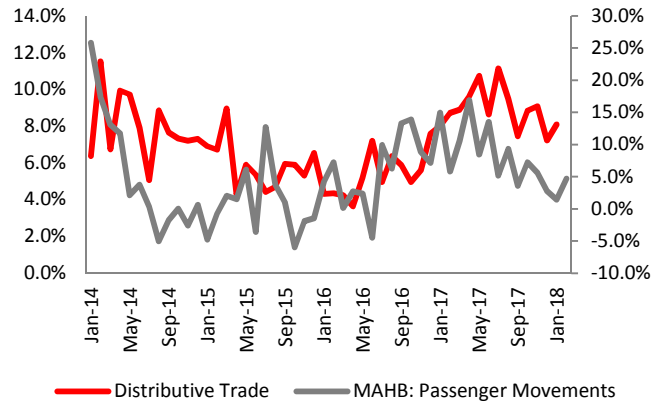
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Chart 1: Distributive Trade, DT (YoY%)



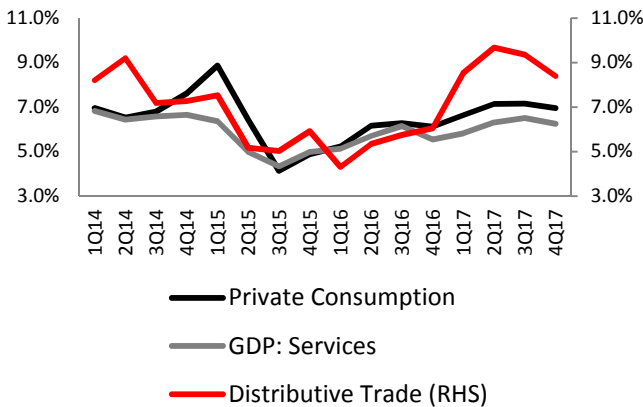
Source: CEIC; MIDFR

Chart 2: DT vs Passenger Movements (YoY%)



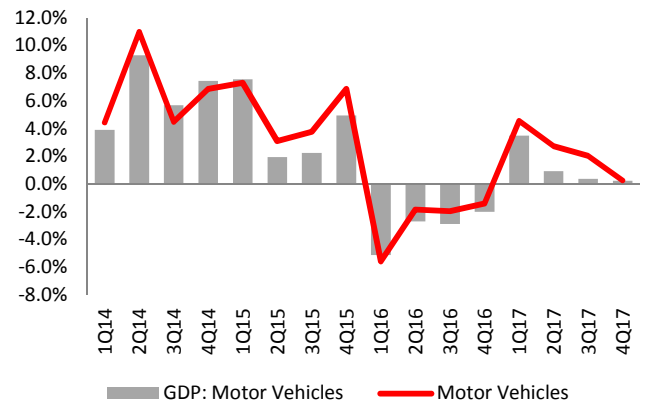
Source: CEIC; MAHB; MIDFR

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



Source: CEIC; MIDFR

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



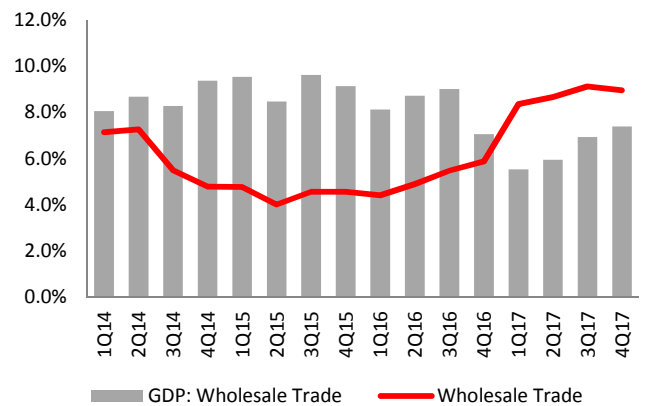
Source: CEIC; MIDFR

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



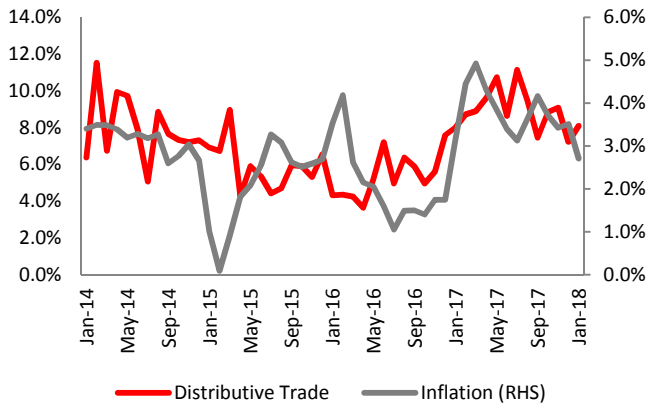
Source: CEIC; MIDFR

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



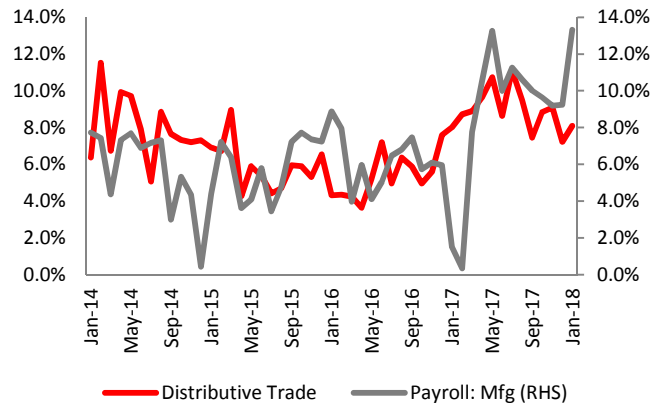
Source: CEIC; MIDFR

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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