

ECONOMIC REVIEW | July 2017 Distributive Trade

Retail Sales in July Hits 14.1% - Highest on Record

- *Distributive trade hits three-year high. Distributive trade rose strongly by 11.1%yoy in July 2017, fastest growth since March 2014. The solid growth in distributive trade was contributed by robust expansion in sales of motor vehicles, wholesale trade and retail trade.*
- *We opine the robust expansion was partly due to softening inflation, sanguine business environment and improved labour market. Positive spill over effects from the upward trend in external trade activities. As exports rose above 30%yoy in July, the follow-through effects are among others in a form of manufacturing sales.*
- *We forecast private consumption and services sector to grow at 6.3% and 5.3% respectively for 2017. Thanks to strengthening domestic demand and robust external sector performance, we opine Malaysian economy will be able to expand 5.1% in 2017.*

Distributive trade hits three-year high. Distributive trade rose strongly by 11.1%yoy in July 2017, fastest growth since March 2014. The solid growth in distributive trade was contributed by robust expansion in sales of motor vehicles, wholesale trade and retail trade. For instance, sales of motor vehicles soar up by 9.8%yoy during the month, fastest expansion in two years. As for retail trade, the sub-component of distributive trade registered a new record with growth momentum stood at 14.1%yoy. We opine the robust expansion was partly due to softening inflation, sanguine business environment and improved labour market.

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

	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17
Distributive Trade	93.5	90.5	97.4	92.8	96.9	96.9	96.5
<i>YoY%</i>	<i>8.0</i>	<i>8.7</i>	<i>8.9</i>	<i>9.6</i>	<i>10.7</i>	<i>8.6</i>	<i>11.1</i>
<i>MoM%</i>	<i>(1.5)</i>	<i>1.7</i>	<i>1.4</i>	<i>(1.0)</i>	<i>3.1</i>	<i>0.1</i>	<i>0.1</i>
Motor Vehicles	11.4	10.3	12.9	11.4	12.7	11.8	12.4
<i>YoY%</i>	<i>3.7</i>	<i>5.8</i>	<i>4.2</i>	<i>4.0</i>	<i>9.0</i>	<i>(4.8)</i>	<i>9.8</i>
<i>MoM%</i>	<i>(4.6)</i>	<i>1.5</i>	<i>1.2</i>	<i>(8.4)</i>	<i>14.0</i>	<i>(8.8)</i>	<i>3.5</i>
Wholesale Trade	46.1	44.3	46.9	45.2	46.9	46.9	45.9
<i>YoY%</i>	<i>8.3</i>	<i>8.8</i>	<i>8.0</i>	<i>8.6</i>	<i>9.0</i>	<i>8.4</i>	<i>9.2</i>
<i>MoM%</i>	<i>(1.7)</i>	<i>1.5</i>	<i>2.1</i>	<i>(0.8)</i>	<i>2.7</i>	<i>(0.1)</i>	<i>(0.9)</i>
Retail Trade	36.1	35.9	37.6	36.3	37.4	38.1	38.3
<i>YoY%</i>	<i>9.0</i>	<i>9.4</i>	<i>11.8</i>	<i>12.9</i>	<i>13.6</i>	<i>13.9</i>	<i>14.1</i>
<i>MoM%</i>	<i>(0.6)</i>	<i>1.3</i>	<i>2.9</i>	<i>0.1</i>	<i>1.3</i>	<i>3.2</i>	<i>(0.3)</i>

Source: DOSM; MIDFR

*MoM is seasonally-adjusted figures

Positive spill over effects from the upward trend in external trade activities. As exports rose above 30%yoy in July, the follow-through effects are among others in a form of manufacturing sales. Exports of manufactured goods covers about 82.2% of our total exports products. In July this year, in tandem with exports growth, manufacturing sales soar to its highest at 22.2%yoy. Thus, employment in the sector increased by 2.9%yoy, fastest ever recorded while wage growth of manufacturing sector expanded solidly by double digit at 11.3%yoy. We believe the strong performance in external trade translates into better sales, employment and most importantly improvement in domestic spending. Besides, with the slowdown in inflation rate, the economic condition gives extra rooms for domestic consumption to rise steadily in July. We expect the upbeat momentum in Malaysia's domestic spending will continues until the end of this year.

Good start for third quarter of 2017. July's recent figures provide positive cue for continuous decent performance in private consumption and services sector seen in the last 2 quarters. The return of positive growth in motor vehicles sales in July coupled with solid retail trade and wholesale performance were evidences of sustainability in Malaysia's domestic spending. Henceforth, we view the strong momentum in distributive trade will translate into higher growth for private consumption and services sector for the third quarter of 2017.

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

	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
Wholesale Sales	4.4	4.9	5.5	5.9	8.4	8.7
Fee or Contract Basis	1.0	3.6	3.7	5.8	9.0	8.0
Agri Raw Meterials & Live Animals	0.8	(2.5)	3.5	7.0	11.5	10.2
Food, Beverages & Tabacco	7.9	8.4	7.8	7.9	8.9	9.6
Household Goods	7.2	6.0	4.4	4.7	3.9	6.5
Machinery, Equipment & Supplies	3.4	7.0	10.5	8.2	9.0	8.8
Others Specialised	2.7	4.1	4.4	5.0	10.0	9.4
Non-Specialised	4.6	6.7	6.8	3.9	3.2	3.4
Retail Sales	7.9	8.7	9.0	9.1	10.1	13.5
Non-Specialised Stores	7.7	8.8	9.9	9.0	9.9	15.3
Food, Beverages & Tobacco	8.9	10.6	11.3	9.7	13.3	14.0
Automotive Fuel	8.7	8.9	9.7	9.5	16.0	16.2
Information & Communication Equip	6.6	9.5	7.4	8.1	7.3	9.8
Household Equip	7.4	7.8	7.5	6.6	7.3	10.5
Cultural & Recreation Goods	9.8	7.8	7.1	7.3	8.1	7.8
Others in Specialised Store	8.2	8.7	9.3	11.7	11.5	15.1
Stalls & Markets	10.8	11.7	12.7	11.4	11.7	10.4
Not in Stores, Stalls & Markets	4.2	6.3	7.4	5.8	6.5	8.7
Motor Vehicles Sales	(5.5)	(1.8)	(2.0)	(1.4)	4.5	2.5
Motor Vehicle	(9.0)	(5.2)	(5.4)	(5.2)	4.6	(0.1)
Motor Vehicle Maint. & Repair	0.5	2.4	3.0	4.0	5.6	7.5
Motor Vehicle Parts & Accessories	0.1	4.4	4.0	5.2	4.2	6.5
Motorcycles Maint. & Repair, Parts & Acc.	(3.9)	1.5	0.7	2.0	3.1	2.8

Source: DOSM; MIDFR

Note: Only available on quarterly basis

Contraction in Indonesia's retail sales as Ramadhan and Eid al-Fitr ended. Indonesia's retail sales shrank by 3.3%yoy in July after five months of solid expansions. Sales of food, electrical appliances and furniture showed poor performance during the month and directly dragging down the overall retail sales performance. Looking at other ASEAN economies, the Philippines and Singapore remain on steady path. As for major economies, China's retail sales maintains its double digit speed for five consecutive months while the US recorded 4.2%yoy, higher than previous year's average of 3%. We foresee overall trends in retail sales regionally and globally indicate promising demand-side performance and we expect the upward trends will stay on until the rest of 2017.

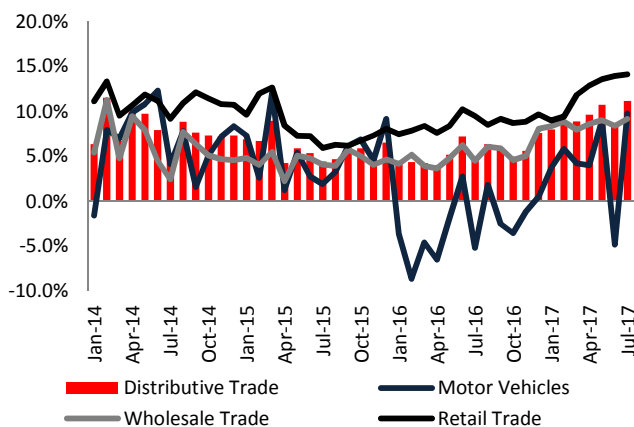
Table 3: Global Retail Sales (YoY%)

	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17
Malaysia	9.0	9.4	11.8	12.9	13.6	13.9	14.1
Indonesia	6.3	3.7	4.2	4.2	4.3	6.3	(3.3)
Singapore	2.1	(2.5)	2.0	2.7	0.8	2.0	1.8
Philippines	4.4	5.1	4.4	3.9	3.4	3.3	3.3
Thailand	5.7	1.4	6.3	3.1	6.6	5.9	
Japan	1.0	0.2	2.1	3.2	2.1	2.2	1.9
China	9.5	9.5	10.9	10.7	10.7	11.0	10.4
Euro Area	1.4	2.1	2.9	2.7	2.6	3.3	2.6
US	5.6	4.7	4.8	4.5	4.2	3.4	4.2

Source: CEIC; MIDFR

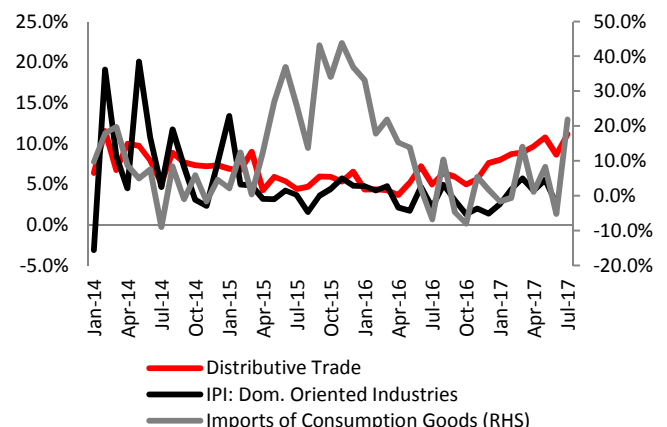
We forecast private consumption and services sector to grow at 6.3% and 5.3% respectively for 2017. Continuous solid performance of distributive trade in July signals stronger domestic spending is in play, added with strengthening labor market and upbeat momentum in external trade activities will drive Malaysia's economy into a better position in 2017 compared to last year in particular via private consumption and services sector. Thanks to strengthening domestic demand and robust external sector performance, we opine Malaysian economy will be able to expand 5.1% in 2017. 

Chart 1: Distributive Trade, DT (YoY%)



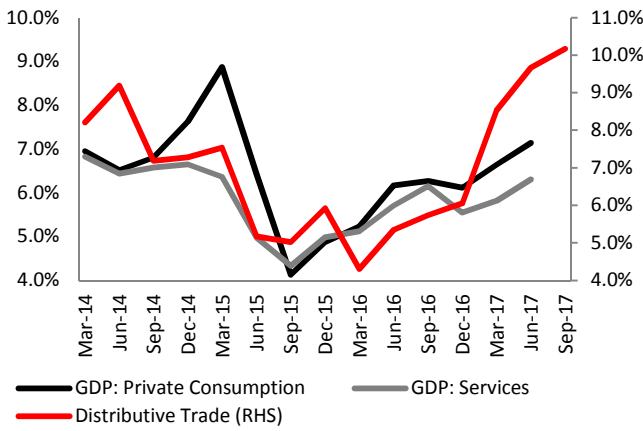
Source: DOSM;MIDFR

Chart 2: DT vs Consumer Goods (YoY%)



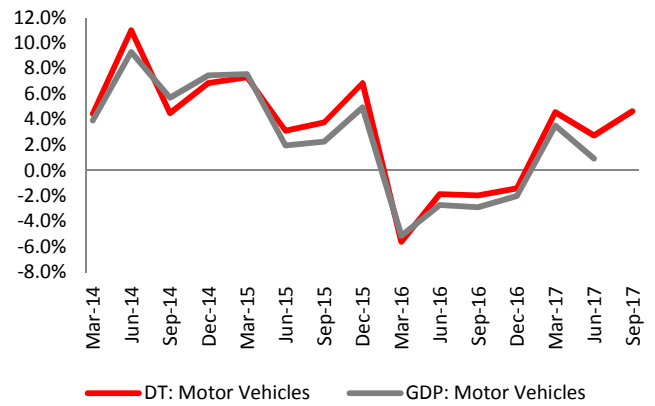
Source: DOSM;MIDFR

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



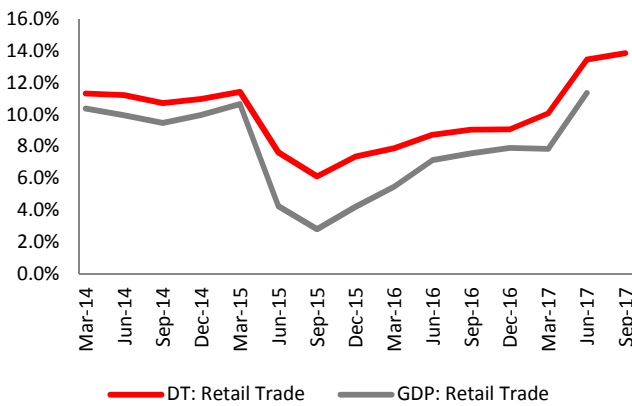
Source: DOSM;MIDFR

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



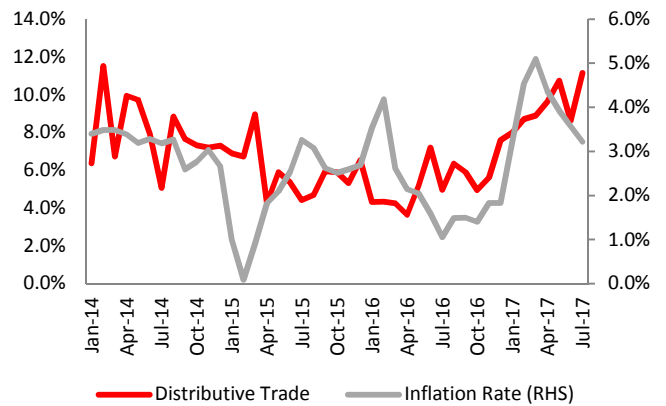
Source: DOSM;MIDFR

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



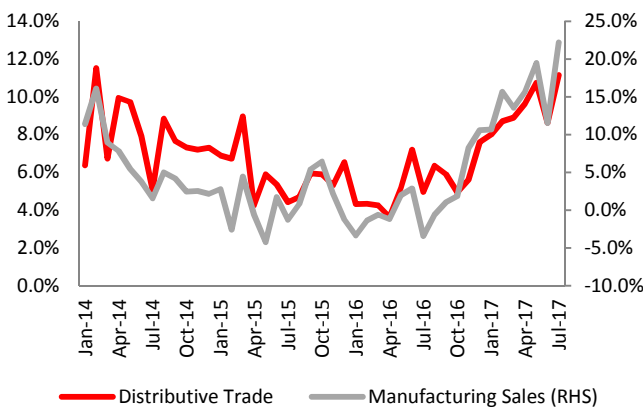
Source: DOSM;MIDFR

Chart 6: Distributive Trade vs Inflation Rate (YoY%)



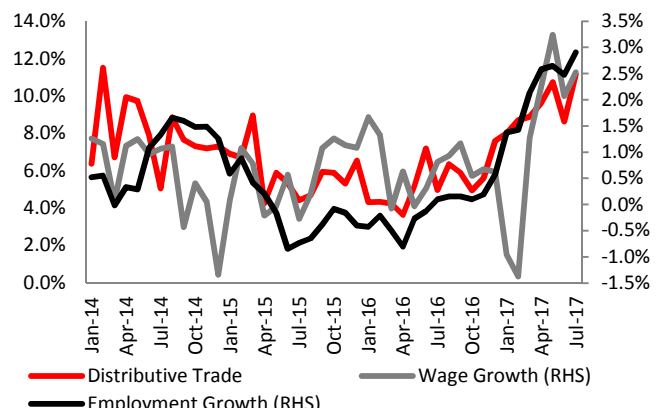
Source: DOSM;MIDFR

Chart 7: Distributive Trade vs Manufacturing Sales (YoY%)



Source: DOSM;MIDFR

Chart 8: Distributive Trade vs Manufacturing's Employment & Wage (YoY%)



Source: DOSM;MIDFR

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