

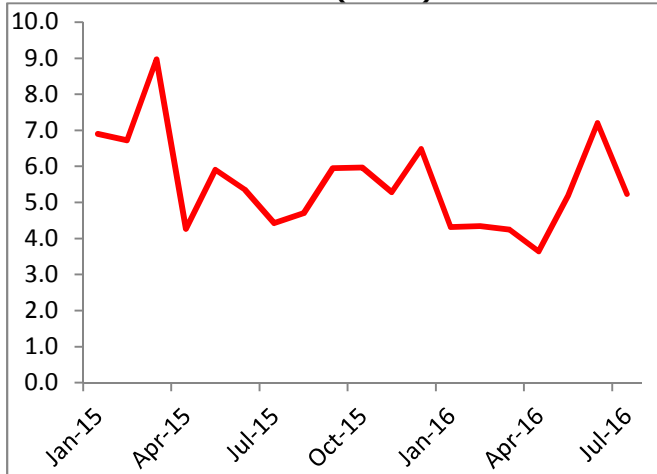
## Retail Sales Expansion Retreated from 15 Months High in July

- *Distributive trade expansion moderated to 5.2% in July. Data released by Department of Statistics shows growth of distributive trade activity moderated to 5.2% in July from 7.2% in the previous month.*
- *Retail sales retreated from 15 months high recorded last month at 10.2% to 9.4% in July while wholesale growth slowed to 4.5% from 6.3% during the same period. This leaves motor vehicle sales as the only category in the red with a contraction of 3.2% which confirms the surge in June's figure was due to festival rush i.e Eid Festival.*
- *Current good sales growth may not have the momentum to sustain in the short-term. We note that shrinking deposits could have suggested that consumers are taking out their saving to support current consumption. Plus, unemployment rate remains slightly higher compared to the level observed during the mid-2014 as companies has reduced their hiring. In addition, the government also started a self-imposed freeze on new recruits since March this year which further reduced job opportunities. As of June, unemployment stood at 3.4%.*
- *On this score, we believe growth in the distributive trade activity and private consumption could be under pressure in the coming quarters. Nevertheless, we maintained our GDP forecast for 3Q16 and 2016 at 4.1% and 4.0% respectively.*

**Distributive trade expansion moderated to 5.2% in July.** Data released by Department of Statistics shows growth of distributive trade activity moderated to 5.2% in July from 7.2% in the previous month. Retail sales retreated from 15 months high recorded last month at 10.2% to 9.4% in July while wholesale growth slowed to 4.5% from 6.3% during the same period. This leaves motor vehicle sales as the only category in the red with a contraction of 3.2% which confirms the surge in June's figure was due to festival rush i.e Eid Festival. On a seasonally adjusted basis, demand for motor vehicles fell sharply with sales declining by 7.2%mom.

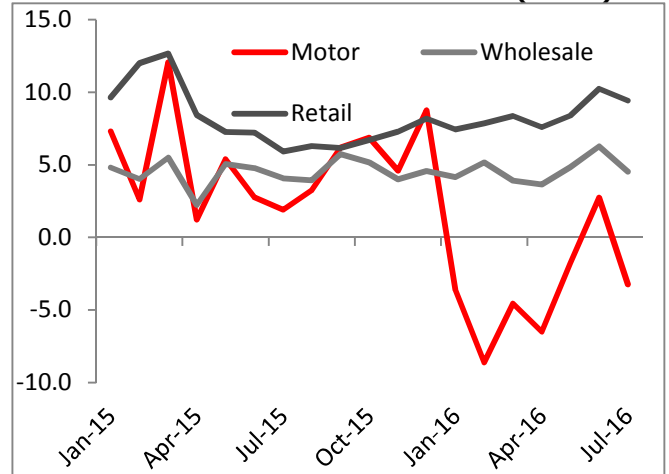
**Current good sales growth may not have the momentum to sustain in the short-term.** We note that shrinking deposits could have suggested that consumers are taking out their saving to support current consumption. Plus, unemployment rate remains slightly higher compared to the level during the mid-2014 as companies reduced their hiring while the government started a self-imposed freeze on new recruits since March this year. As of June, unemployment stood at 3.4%. On this score, we believe growth in the distributive trade activity could be under pressure in the coming quarters.

**Chart 1: Distributive Trade (%YoY)**



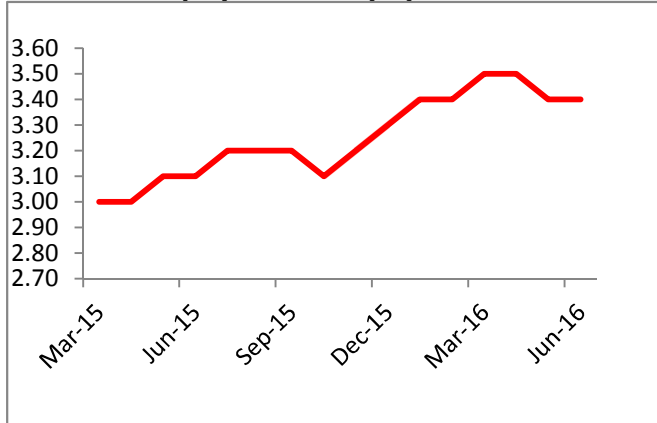
Source: Department of Statistics, MIDF Research

**Chart 2: Breakdown of Distributive Trade (%YoY)**



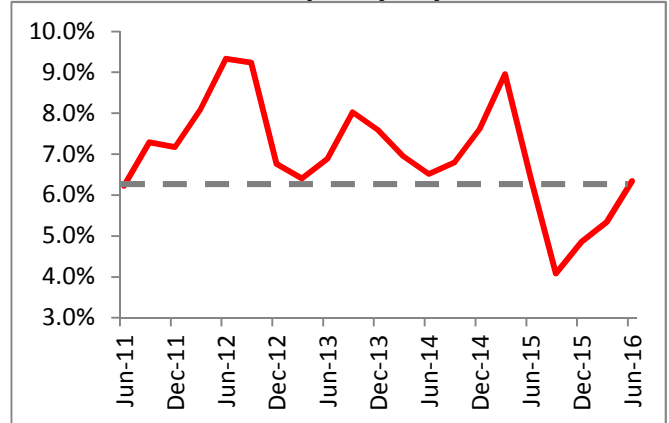
Source: Department of Statistics; MIDF Research

**Chart 3: Unemployment Rate (%)**



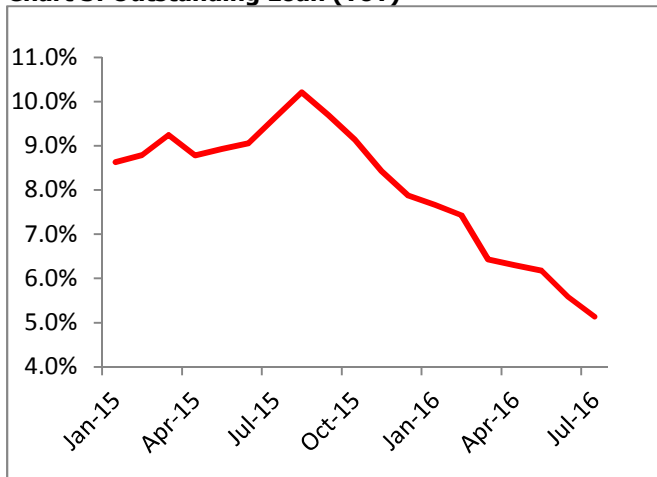
Source: Department of Statistics, MIDF Research

**Chart 4: Private Consumption (YoY)**



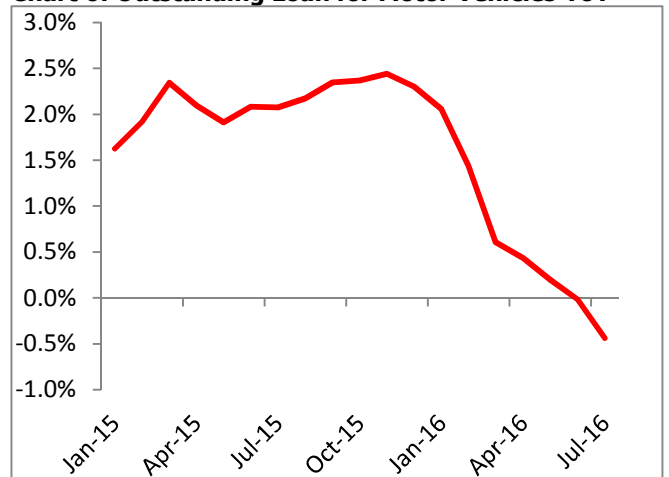
Source: Department of Statistics, Malaysia; MIDF Research

**Chart 5: Outstanding Loan (YoY)**



Source: Bank Negara Malaysia; MIDF Research

**Chart 6: Outstanding Loan for Motor Vehicles YoY**



Source: Bank Negara Malaysia; MIDF Research

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