

ECONOMIC REVIEW | June 2017 Distributive Trade

Retail Sales in June Hits 13.9% - Highest on Record

- *Distributive trade shown sustaining growth. Distributive trade expanded by 8.6%yoy, reflecting a solid growth backed by a surge in retail trade that saw year-on-year growth of up to 13.9%. Due to seasonal demand, retail sales recorded the highest ever growth performance in June.*
- *Festive season boon for distributive trade. As June came upon us, school holidays at the start and Eid al-Fitr in the closing of the month have been major factors in instigating demand, which has resulted in solid increase in sales of goods and services.*
- *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 June signals stronger domestic spending is in play and hence will drive Malaysia's economy into a better position in 2017.*

Distributive trade shown sustaining growth. Distributive trade expanded by 8.6%yoy, reflecting a solid growth backed by a surge in retail trade that saw year-on-year growth of up to 13.9%. Due to seasonal demand, retail sales recorded the highest ever growth performance in June. Wholesale trade grew by 8.4%yoy, sustaining its form above the 8.0% level from the beginning of the year. Meanwhile, motor vehicles fell by 4.8%yoy. Overall, this suggests an upward momentum in consumer spending which drive the domestic economy in recent months. In addition, volume index for distributive trade grew by 7.0%yoy, while wholesale trade and retail trade recorded growth at 5.7%yoy and 12.7%yoy respectively during the month.

Festive season boon for distributive trade. As June came upon us, school holidays at the start and Eid al-Fitr in the closing of the month have been major factors in instigating demand, which has resulted in solid increase in sales of goods and services. Additionally, strengthening labour market and stable wage growth have led consumer spending to increase steadily. We foresee in the second half, outlook shall remain bright given that upcoming festive seasons such as Deepavali and Christmas will occur during the half and plus long school holidays starting in November will drive up tourism activity.

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

	2016	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17
Distributive Trade	1,061,540	93,532	90,140	97,411	92,781	96,940	96,864
YoY%	5.4	8.0	8.3	8.9	9.6	10.7	8.6
MoM%		(1.5)	0.9	1.4	(0.9)	2.9	0.07
Motor Vehicles	138,979	11,360	10,322	12,875	11,350	12,670	11,822
YoY%	(2.6)	3.7	5.8	4.2	4.0	9.0	(4.8)
MoM%		(4.7)	1.5	1.2	(8.5)	15.0	(8.8)
Wholesale Trade	518,745	46,098	44,138	46,928	45,164	46,875	46,948
YoY%	5.2	8.3	8.5	8.0	8.6	9.0	8.4
MoM%		(1.7)	0.5	2.0	(0.7)	2.7	(0.1)
Retail Trade	403,816	36,074	35,680	37,609	36,267	37,395	38,094
YoY%	8.7	9.0	8.7	11.8	12.9	13.6	13.9
MoM%		(0.6)	0.5	2.9	0.2	0.4	3.2

Source: DOSM; MIDFR

*MoM is seasonally-adjusted figures

Quarterly figure shows buoyant distributive trade performance. On quarterly basis, there is an upward trend in distributive trade since the first quarter of 2016 till the second quarter of 2017. June's recent figures mark the end of the second quarter of 2017 which saw growth of up to 9.7%yoy. Meanwhile, similar uptick patterns recorded for the components of distributive trade, especially retail trade which rose by double digit in the second quarter. Henceforth, we view the strong momentum in distributive trade will translate into higher growth for private consumption and services sector for the second quarter of 2017.

Table 2: Distributive Trade & Domestic Consumption Summary (YoY%)

	2016	1Q-16	2Q-16	3Q-16	4Q-16	1Q-17	2Q-17
Distributive Trade	5.4	4.3	5.3	5.7	6.1	8.4	9.7
Motor Vehicles	-2.7	-5.6	-1.8	-2.0	-1.4	4.6	6.1
Wholesale Trade	5.2	4.4	4.9	5.5	5.9	8.3	8.5
Retail Trade	8.7	7.9	8.7	9.1	9.1	9.8	12.6
GDP: Private Consumption	6.1	5.3	6.3	6.4	6.2	6.6	
GDP: Services	5.6	5.1	5.7	6.1	5.5	5.8	
Motor Vehicles	-3.3	-5.1	-2.7	-3.1	-2.2	3.5	
Wholesale Trade	8.2	8.1	8.7	8.9	7.0	5.5	
Retail Trade	7	5.4	7.1	7.5	7.8	7.8	

Source: DOSM; MIDFR

Weak retail sales in the US indicates moderating domestic economy. Retail sales in June for the US stood at 2.8%yoy, a downward trend since the start of 2017. Slowdown in retail sales suggests that consumers are cautious in spending most likely due to tepid wage growth at 2.95% despite reaching a 16-year low in unemployment at 4.3%. Meanwhile, China has seen retail sales increased by 11.0%yoy, highest in 18 months. Regionally, we observed stable trend of domestic consumption in ASEAN as reflected in the retail sales performance. Hence, we opine the continuous improvement in retail sales in China and ASEAN region would have positive spillover effects on Malaysia's economy via export demand.

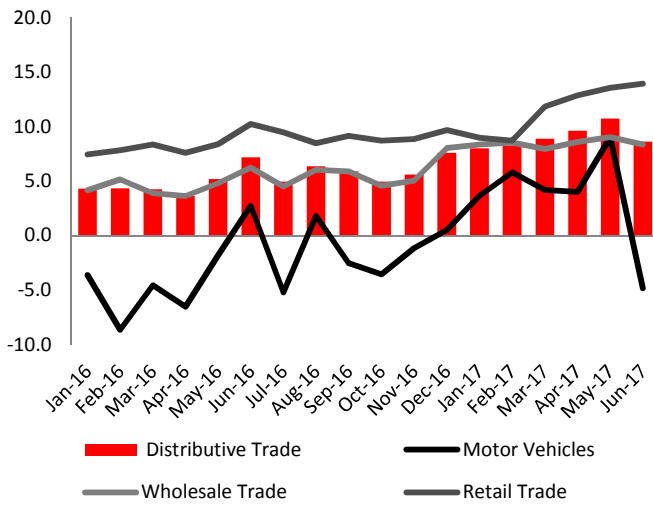
Table 3: Global Retail Sales (YoY%)

	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17
Malaysia	9.0	8.7	8.9	9.6	10.7	8.6
Indonesia	6.3	3.7	4.2	4.2	4.3	6.7
Singapore	2.3	(2.5)	2.0	2.7	0.9	1.9
Philippines	4.4	5.1	4.4	3.9	3.4	3.3
Thailand	5.5	2.5	6.2	4.2	7.8	
Japan	1.0	0.1	2.1	3.2	2.0	2.1
China	9.5	9.5	10.9	10.7	10.7	11.0
EU	1.6	1.7	2.8	2.6	2.6	3.1
US	6.0	5.1	4.8	4.6	3.8	2.8

Source: CEIC; MIDFR

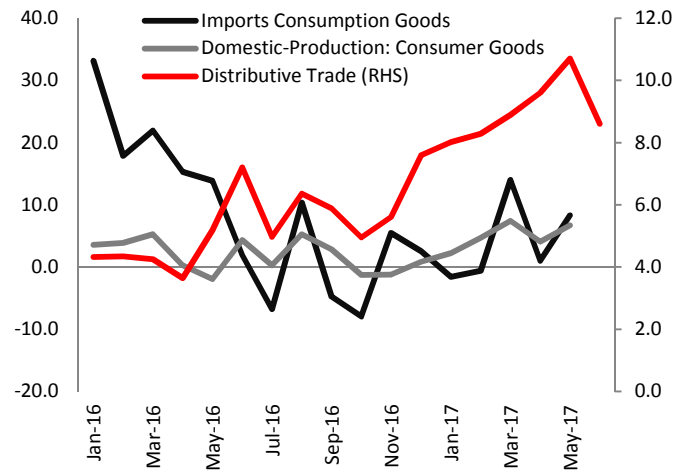
We forecast private consumption and services sector to grow at 6.3% and 5.3% respectively for 2017. Continuous solid performance of distributive trade in June signals stronger domestic spending is in play and hence will drive Malaysia's economy into a better position in 2017 compared to last year in 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% this year. 

Chart 1: Distributive Trade, DT (YoY%)



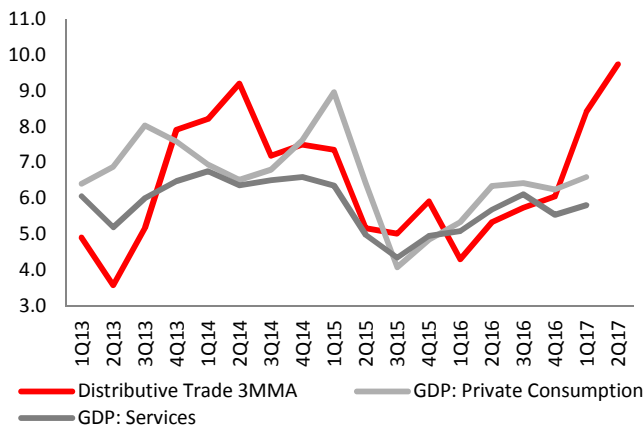
Source: DOSM;MIDFR

Chart 2: DT vs Consumer Goods (YoY%)



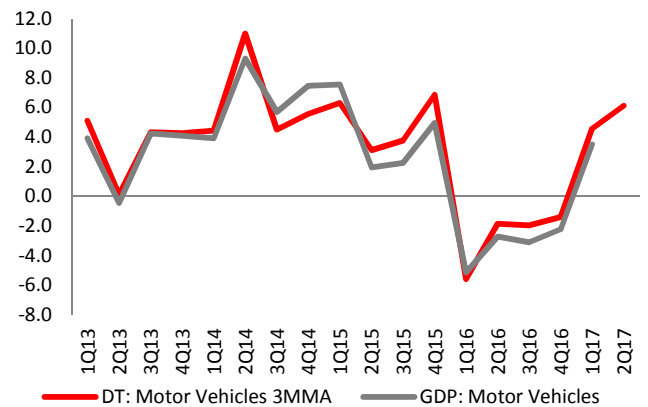
Source: DOSM;MIDFR

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



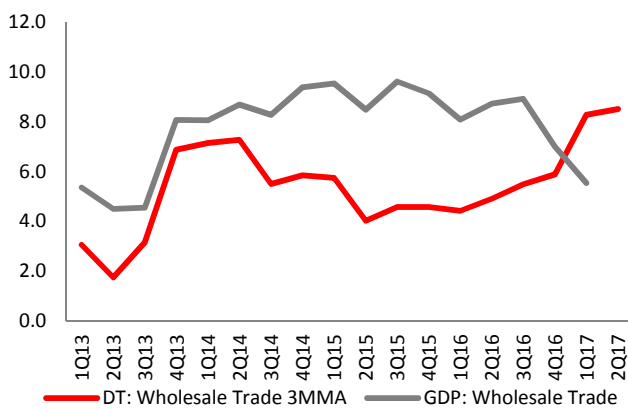
Source: DOSM;MIDFR

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



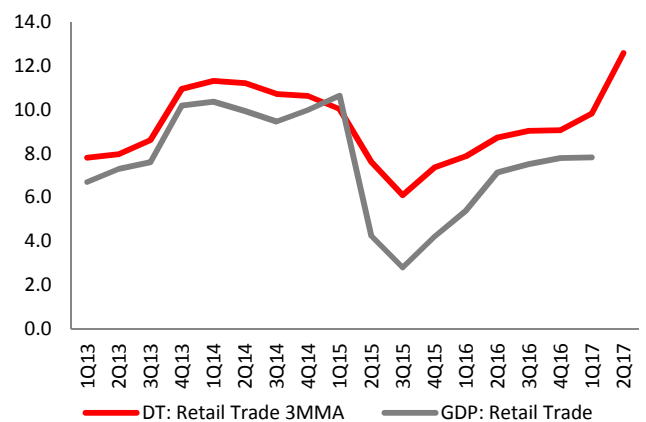
Source: DOSM;MIDFR

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



Source: DOSM;MIDFR

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



Source: DOSM;MIDFR

**MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (23878 - X).
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)**

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed or published in any form or for any purpose.