

## ECONOMIC REVIEW | March 2018 Distributive Trade

### Distributive Trade Sales Hit Record High of RM103.8b Despite Contraction in Motor Vehicles

- *Distributive trade sales hit record high. Distributive trade rose by 6.5%yoy to a record high of RM103.8 billion in Mar-18 driven by strong retail and wholesale trade. Retail trade expanded by 8.6%yoy to RM40.8 billion, followed by wholesale trade which grew by 8%yoy to RM50.7 billion.*
- *Modest performance for 1Q18. Distributive sales growth in 1Q18 moderated to 7.3% compared to 8.4% recorded in 4Q17, in line with our expectations. Henceforth, we view the current momentum in distributive trade will translate into lower growth for private consumption and services sector in 1Q18.*
- *We estimate private consumption and services sector to grow at 6.5% and 6.2% respectively for 2018. Firm domestic spending together with strengthening labor market including more job creation and wage growth will support Malaysia's economy particularly via private consumption and services sector. We opine Malaysian economy will expand by 5.5% in 2018.*

**Distributive trade sales hit record high.** Distributive trade rose by 6.5%yoy to a record high of RM103.8 billion in Mar-18 driven by strong retail and wholesale trade. Retail trade expanded by 8.6%yoy to RM40.8 billion, followed by wholesale trade which grew by 8%yoy to RM50.7 billion. In contrast, motor vehicles businesses decreased by 4.6%yoy to RM12.3 billion. On monthly basis, all three sectors recovered from a negative growth recorded in the preceding month, in line with our expectations as we opine Feb's slowdown is only provisional. Moving forward, we anticipate distributive trade sales to remain on steady momentum shore up by stable job market, strengthening Ringgit, decelerating inflationary pressure, tourism activities and accommodative economic policies.

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

	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18
<b>Distributive Trade</b>	<b>97.5</b>	<b>97.7</b>	<b>98.0</b>	<b>97.8</b>	<b>101.2</b>	<b>101.1</b>	<b>97.2</b>	<b>103.8</b>
YoY%	9.5	7.5	8.8	9.1	7.2	8.0	7.4	6.5
MoM%	0.7	(0.8)	1.3	0.6	(0.3)	0.8	(3.8)	6.7
<b>Motor Vehicles</b>	<b>12.2</b>	<b>11.3</b>	<b>11.8</b>	<b>12.0</b>	<b>12.1</b>	<b>11.7</b>	<b>10.5</b>	<b>12.3</b>
YoY%	1.4	(5.0)	1.4	3.1	(3.7)	2.6	2.2	(4.6)
MoM%	(0.2)	(6.5)	5.8	2.6	(2.4)	1.9	(9.5)	16.4
<b>Wholesale Trade</b>	<b>47.4</b>	<b>49.2</b>	<b>48.4</b>	<b>47.7</b>	<b>49.4</b>	<b>49.7</b>	<b>47.5</b>	<b>50.7</b>
YoY%	9.1	9.2	9.4	9.6	8.0	7.9	7.2	8.0
MoM%	2.0	1.3	0.1	(0.2)	(0.7)	0.9	(4.6)	6.8
<b>Retail Trade</b>	<b>37.9</b>	<b>37.3</b>	<b>37.8</b>	<b>38.1</b>	<b>39.7</b>	<b>39.6</b>	<b>39.2</b>	<b>40.8</b>
YoY%	12.9	9.5	10.7	10.5	10.0	9.9	9.2	8.6
MoM%	(0.4)	(3.0)	2.4	0.6	0.3	0.7	(1.1)	4.1

Source: CEIC; MIDFR

\*MoM is seasonally adjusted figures

**Domestic spending benefited from strong external trade activities.** Exports expanded by 2.2%yoy to a new record high of RM84.5 billion in Mar-18, after a negative growth in the previous month. This translated into an increase in industrial production and manufacturing sales by 3.1%yoy and 3.9%yoy respectively in the same month. On top of that, other macroeconomic variables are favourable toward domestic spending with employment and wages in the manufacturing sector rose by 2.1%yoy and 11.9%yoy respectively. Inflation rate also slowed further to 1.3%yoy. Hence, we foresee upbeat momentum in Malaysia's domestic spending will continue expanding at steady pace in 2018 in tandem with external trade activities.

**Modest performance for 1Q18.** Distributive sales growth in 1Q18 moderated to 7.3% compared to 8.4% recorded in 4Q17, in line with our expectations. Henceforth, we view the current momentum in distributive trade will translate into lower growth for private consumption and services sector in 1Q18. On a side note, passenger movements in Apr-18 increased to 8.2 million however at a slowing rate of 0.6%yoy. Looking ahead, we opine that unfavourable base effect is likely to continue to affect moderating speed in distributive sales performance in 2Q18.

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

	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18
<b>Distributive Trade Sales</b>	5.4	5.7	6.1	8.5	9.7	9.3	8.4	7.3
<b>Wholesale Sales</b>	4.9	5.5	5.9	8.4	8.7	9.1	9.0	7.7
Wholesale Sales: Fee or Contract Basis	3.6	3.7	5.8	9.0	8.0	9.2	7.1	6.3
Wholesale Sales: Agri Raw Materials & Live Animals	(2.5)	3.5	7.0	11.5	10.2	8.2	10.3	8.4
Wholesale Sales: Food, Beverages & Tobacco	8.4	7.8	7.9	8.9	9.6	9.9	8.7	7.1
Wholesale Sales: Household Goods	6.0	4.4	4.7	3.9	6.5	5.6	5.4	6.8
Wholesale Sales: Machinery, Equipment & Supplies	7.0	10.5	8.2	9.0	8.8	6.1	7.2	6.3
Wholesale Sales: Others Specialised	4.1	4.4	5.0	10.0	9.4	11.9	11.6	8.9
Wholesale Sales: Non-Specialised	6.7	6.8	3.9	3.2	3.4	3.5	2.8	2.9
<b>Retail Sales</b>	8.7	9.0	9.1	10.1	13.5	12.2	10.4	9.2
Retail Sales: Non-Specialised Stores	8.8	9.9	9.0	9.9	15.3	13.1	11.2	10.0
Retail Sales: Food, Beverages & Tobacco	10.6	11.3	9.7	13.3	14.0	10.8	10.6	9.7
Retail Sales: Automotive Fuel	8.9	9.7	9.5	16.0	16.2	14.0	13.2	11.0
Retail Sales: Information & Communication Equip	9.5	7.4	8.1	7.3	9.8	9.2	5.5	4.7
Retail Sales: Household Equip	7.8	7.5	6.6	7.3	10.5	9.2	8.9	8.0
Retail Sales: Cultural & Recreation Goods	7.8	7.1	7.3	8.1	7.8	8.8	10.3	9.6
Retail Sales: Others in Specialised Store	8.7	9.3	11.7	11.5	15.1	14.9	11.9	10.4
Retail Sales: Stalls & Markets	11.7	12.7	11.4	11.7	10.4	9.6	9.7	7.4
Retail Sales: Not in Stores, Stalls & Markets	6.3	7.4	5.8	6.5	8.7	8.5	8.4	6.1
<b>Motor Vehicles Sales</b>	(1.8)	(2.0)	(1.4)	4.5	2.5	1.9	0.3	3.9
Motor Vehicles Sales: Motor Vehicle	(5.2)	(5.4)	(5.2)	4.6	(0.1)	(1.1)	(4.0)	(3.9)
Motor Vehicles Sales: Motor Vehicle Maint. & Repair	2.4	3.0	4.0	5.6	7.5	7.0	7.1	6.7
Motor Vehicles Sales: Motor Vehicle Parts & Accessories	4.4	4.0	5.2	4.2	6.5	5.9	6.2	4.2
Motor Vehicles Sales: Motorcycles Maint. & Repair, Parts & Acc.	1.5	0.7	2.0	3.1	2.8	4.6	4.7	2.1

Source: CEIC; MIDFR

**Retail sales grew for key economies, except Singapore.** Singapore's retail sales dropped by 1.5%yoy in Mar-18 from 36-month high of 8.6%yoy in the preceding month. The fall was partially due to lower motor vehicle sales which continue to be in negative territory. Meanwhile, Indonesia's retail sales continue to expand by 2.5%yoy, highest since Nov-17 as sales rose faster for motor vehicles & accessories among others while sales rebounded for automotive fuels and other household equipment. Similarly, China's retail sales increased by 10.1%yoy, the steepest increase since Nov-17. Overall global retail sales suggests growing consumer confidence in major economies which will result in a steady momentum of consumers spending at least for first half of 2018. In fact, consumer sentiments in the US stood at 98.8 in May-18, surpassed market expectations of 98.5.

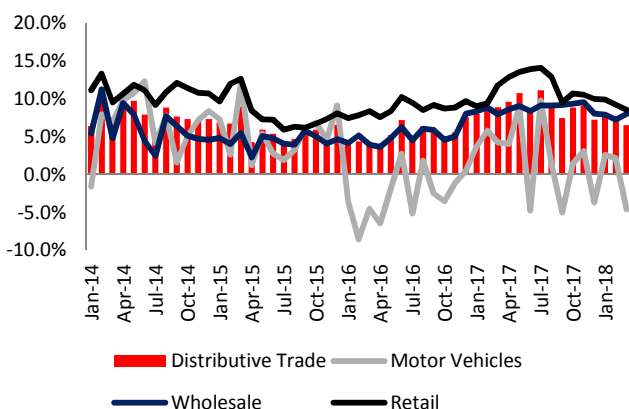
**Table 3: Global Retail Sales (YoY%)**

	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18
Malaysia	12.9	9.5	10.7	10.5	10.0	9.9	9.2	8.6
Indonesia	2.2	1.8	2.2	2.5	0.7	-1.8	1.5	2.5
Singapore	3.7	-0.6	-0.2	5.0	6.3	-7.8	8.6	(1.5)
Philippines	3.3	3.2	2.7	2.4	2.5	3.5	3.8	4.2
Thailand	9.5	9.4	5.7	7.0	3.9	9.6	9.1	
Japan	1.8	2.3	-0.2	2.1	3.6	1.5	1.7	1.0
China	10.1	10.3	10.0	10.2	9.4	9.7	9.7	10.1
Euro Area	1.8	3.9	0.3	3.7	2.0	1.5	1.8	0.8
US	3.5	5.0	5.0	5.9	5.1	3.9	4.1	4.5

Source: CEIC; MIDFR

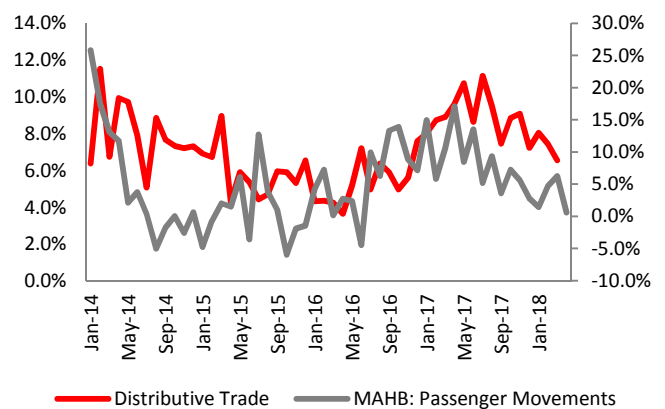
**We estimate private consumption and services sector to grow at 6.5% and 6.2% respectively for 2018.** Firm domestic spending together with strengthening labor market including more job creation and wage growth will support Malaysia's economy particularly via private consumption and services sector. We opine Malaysian economy will expand by 5.5% in 2018. 📈

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



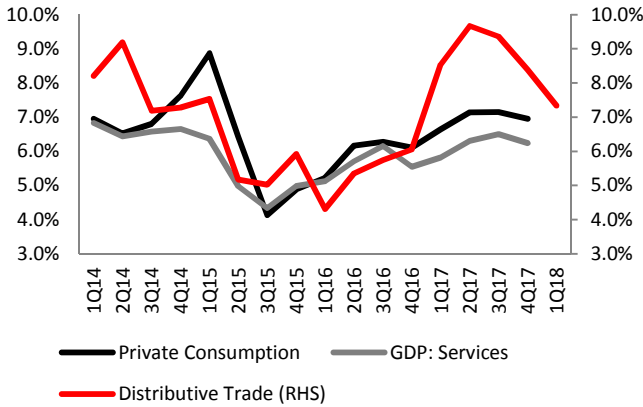
Source: CEIC; MIDFR

**Chart 2: DT vs Passenger Movements (YoY%)**



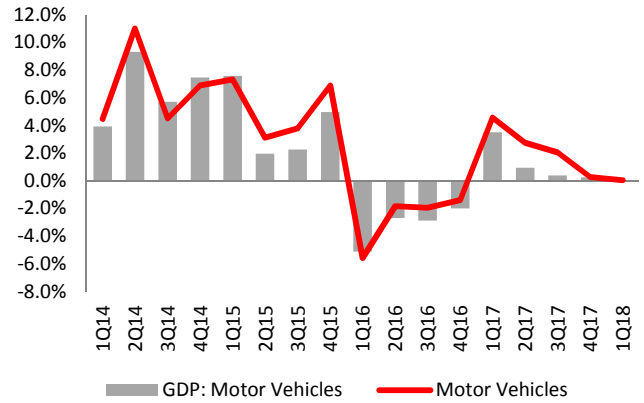
Source: CEIC; MAHB; MIDFR

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



Source: CEIC; MIDFR

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



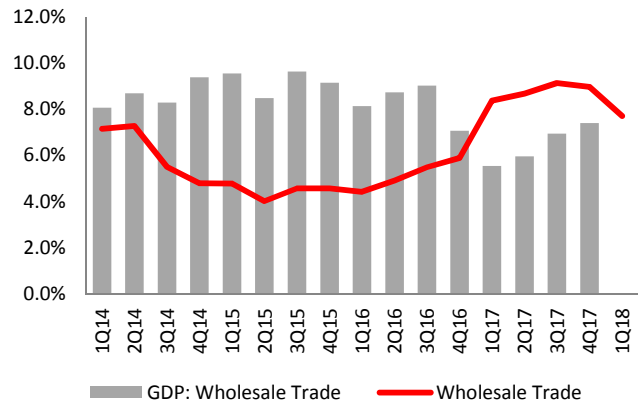
Source: CEIC; MIDFR

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



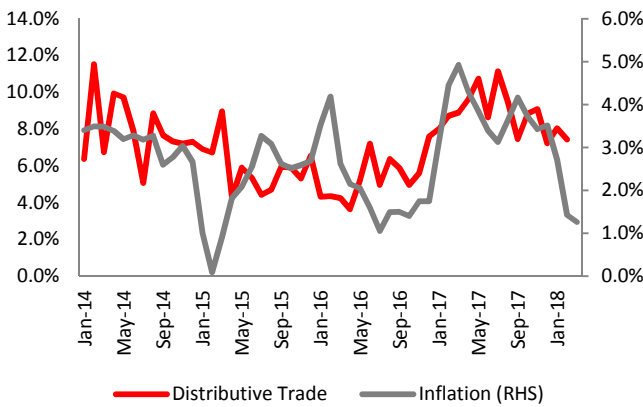
Source: CEIC; MIDFR

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



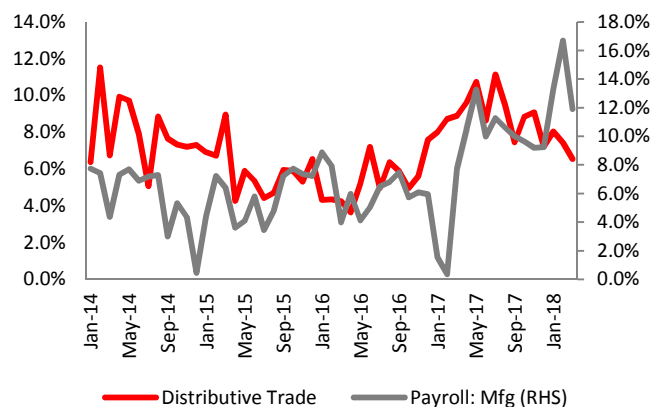
Source: CEIC; MIDFR

**Chart 7: Distributive Trade vs Inflation Rate (YoY%)**



Source: CEIC; MIDFR

**Chart 8: Distributive Trade vs Manufacturing Payroll (YoY%)**



Source: CEIC; MIDFR

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