

ECONOMIC REVIEW | May 2018 Distributive Trade

Distributive Trade Sales Back to Above RM100b as Retail Sales Hit Record High of RM40.9b

- *Distributive trade sales hit above RM100b again. Distributive trade rose by 7.0%yoy to RM103.7b in May-18 lifted by retail trade which expanded by 9.3%yoy to RM40.9. Furthermore, wholesale trade grew by 7.8%yoy to RM50.5b, while motor vehicle businesses dropped by 3.1%yoy to RM12.3b.*
- *Distributive sales to improve for second half of 2018. We opine retail sales performance to expand at steady pace for the second half of 2018 amid moderating inflation and supportive policy changes for consumers such as zero-rated GST and stabilized retail fuel prices. For the first five months, distributive sales moderated to 7.3% compared to 9.2% recorded in same comparable period last year, in line with our expectations.*
- *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.*

Distributive trade sales hit above RM100b again. Distributive trade rose by 7.0%yoy to RM103.7b in May-18 lifted by retail trade which expanded by 9.3%yoy to RM40.9. Furthermore, wholesale trade grew by 7.8%yoy to RM50.5b, while motor vehicle businesses dropped by 3.1%yoy to RM12.3b. Decline in motor vehicle sales could be due to postpone in spending to June-18 as zero-rated GST takes place. On a monthly basis, all three sectors rebounded from a negative growth recorded in the preceding month. Moving forward, we foresee distributive trade sales to remain on steady momentum underpin by stable job market, zero-rated GST, decelerating inflationary pressure, tourism activities and accommodative economic policies.

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

	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18
Distributive Trade	98.0	97.8	101.2	101.1	97.2	103.8	99.9	103.7
YoY%	8.8	9.1	7.2	8.0	7.4	6.5	7.7	7.0
MoM%	1.3	0.6	(0.3)	0.8	(3.8)	6.7	(4.0)	3.9
Motor Vehicles	11.8	12.0	12.1	11.7	10.5	12.3	12.1	12.3
YoY%	1.4	3.1	(3.7)	2.6	2.2	(4.6)	6.6	(3.1)
MoM%	5.8	2.6	(2.4)	1.9	(9.5)	16.4	(1.0)	1.8
Wholesale Trade	48.4	47.7	49.4	49.7	47.5	50.7	48.6	50.5
YoY%	9.4	9.6	8.0	7.9	7.2	8.0	7.7	7.8
MoM%	0.1	(0.2)	(0.7)	0.9	(4.6)	6.8	(4.0)	4.0
Retail Trade	37.8	38.1	39.7	39.6	39.2	40.8	39.2	40.9
YoY%	10.7	10.5	10.0	9.9	9.2	8.6	8.0	9.3
MoM%	2.4	0.6	0.3	0.7	(1.1)	4.1	(4.0)	4.5

Source: CEIC; MIDFR

*MoM is seasonally adjusted figures

Domestic spending benefited from steady external trade activities. Exports expanded by 3.4%yoy in May-18, following a double digit growth in the previous month however still recorded reading above RM80b. It translated into a moderate increase in industrial production and manufacturing sales by 3%yoy and 5.5%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 1.7 %yoy and 10%yoy respectively.

Distributive sales to improve for second half of 2018. We opine retail sales performance to expand at steady pace for the second half of 2018 amid moderating inflation and supportive policy changes for consumers such as zero-rated GST and stabilized retail fuel prices. For the first five months, distributive sales moderated to 7.3% compared to 9.2% recorded in same comparable period last year, in line with our expectations. The zero-rated GST effective on 1st June is expected to boost the private consumption as shoppers are in jubilant mood and have more confidence as their spending power has increased. Additionally, the tax holiday period coincides with Hari Raya which seasonally recorded surge in consumer spending. Looking at the passenger movements in June-18 which grew to 8.4 million at a rate of 9.7%yoy, we opine it will aid the growth for retail sales in upcoming month.

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

	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18
Distributive Trade Sales	5.4	5.7	6.1	8.5	9.7	9.3	8.4	7.3
Wholesale Sales	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
Retail Sales	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
Motor Vehicles Sales	(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

Tame Consumption in Japan. Japan's retail sales growth fell below 1% in May-18, missed market expectations as consumers tighten purse strings. Sales declined for general merchandise, fabrics, apparel & accessories, and motor vehicles. We opine that retail sales in upcoming months to moderate further mainly due to bad weather affecting southwestern Japan which could be a major draggy factor on its domestic spending activity. On the other hand, Indonesia's retail sales growth doubled in May-18 at 8.3%yoy from previous month's reading as Ramadhan and Eid preparations steeply spurred demand. Sales surged for clothing and food, beverages & tobacco, among others. Meanwhile, US retail sales continue to expand at 5.9%yoy in the same month. Overall global retail sales suggests growing consumer confidence in major economies which will result in a steady momentum of consumer spending at least for first half of 2018. In fact, consumer sentiment in the US stood at 98.2 in June-18 which indicates that growing trade tensions and the imposition of tariffs are yet to have any significant impacts to the confidence.

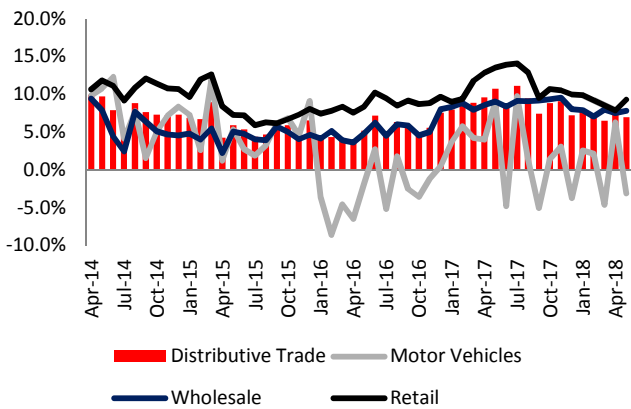
Table 3: Global Retail Sales (YoY%)

	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18
Malaysia	10.7	10.5	10.0	9.9	9.2	8.6	8.0	
Indonesia	2.2	2.5	0.7	-1.8	1.5	2.5	4.1	8.3
Singapore	-0.2	5.0	6.3	-7.8	8.6	(1.5)	0.4	
Philippines	2.7	2.4	2.5	3.5	3.8	4.2	4.0	3.4
Thailand	5.7	7.1	4.1	9.7	7.7	5.2	9.3	
Japan	-0.2	2.1	3.6	1.5	1.7	1.0	1.5	0.6
China	10.0	10.2	9.4	9.7	9.7	10.1	9.4	8.5
Euro Area	0.3	3.7	2.0	1.5	1.8	1.5	1.6	1.4
US	5.0	5.9	5.1	3.9	4.1	5.1	4.8	5.9

Source: CEIC; MIDFR

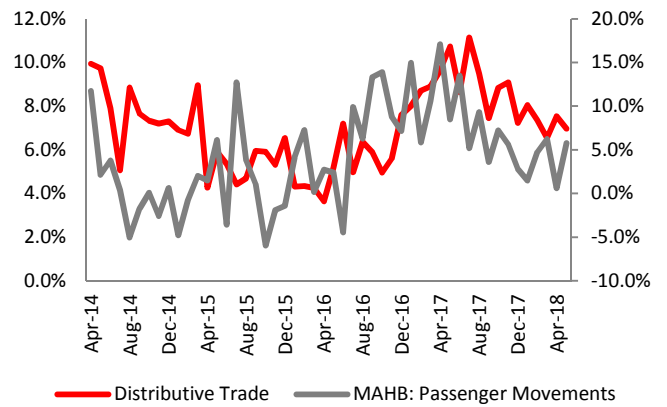
We estimate private consumption and services sector to grow at 6.5% and 6.2% respectively for 2018. Firm domestic spending together with strengthening labor market including more job creation and wage growth will support Malaysia's economy particularly via private consumption and services sector. Plus, encouraging trend of distributive sales in 2017 is expected to continue for 2018 supported by new economic policies will boost up private consumption in Malaysia. This will drive back the incremental sales for retail sectors as they would be moved to reduce the price for goods, hence would generate domestic spending. The scrapping of GST and stable retail fuel prices will provide additional supports for retail sales growth to hit 5.5% in 2018. Nevertheless, headwinds from global trade tension could pose possible threat to the estimate. 

Chart 1: Distributive Trade, DT (YoY%)



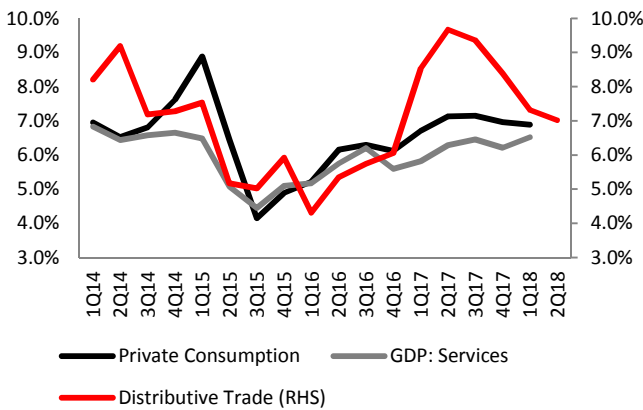
Source: CEIC; MIDFR

Chart 2: DT vs Passenger Movements (YoY%)



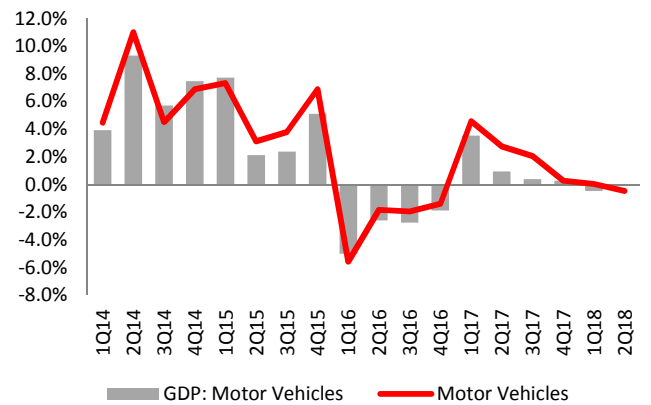
Source: CEIC; MAHB; MIDFR

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



Source: CEIC; MIDFR

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



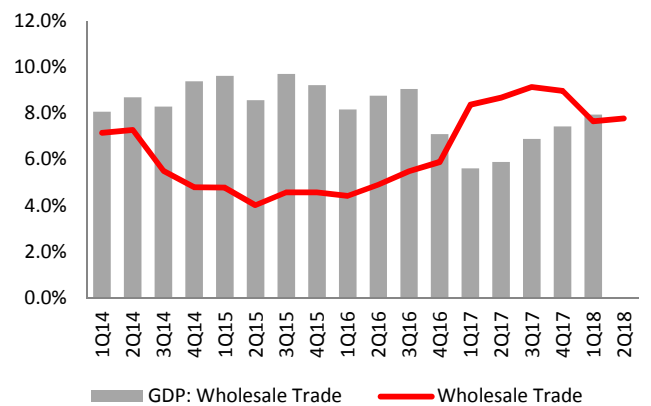
Source: CEIC; MIDFR

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



Source: CEIC; MIDFR

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



Source: CEIC; MIDFR

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