

**ECONOMIC REVIEW | May 2017 Distributive Trade****Domestic Spending Remain Robust in May – Fastest Pace in 2017**

- *Distributive trade hits new records again. Distributive trade and its component - retail trade, expanded by 10.7%yoy and 13.1%yoy respectively in May 2017, the highest since March 2014. As for other components of distributive trade, wholesale trade and motor vehicles increased by 9%yoy and 10.2%yoy respectively, the fastest pace so far in 2017.*
- *Sales promotion boost festive spending. The continuous surge in distributive trade performance was driven by festive season spending. Sales promotions and increase in demand led to increase sales of goods and services in particular for the preparation of Ramadhan and Eid*
- *Festive bonuses gave consumers spending power. We anticipate the performance of distributive trade as well as domestic spending to remain robust due to the payout of festive bonuses by the federal and state governments for civil servants.*

**Distributive trade hits new records again.** Distributive trade and its component - retail trade, expanded by 10.7%yoy and 13.1%yoy respectively in May 2017, the highest since March 2014. As for other components of distributive trade, wholesale trade and motor vehicles increased by 9%yoy and 10.2%yoy respectively, the fastest pace so far in 2017. On monthly seasonally adjusted basis, distributive trade and its components grew steadily and none shown contraction. The continuous solid performances of distributive trade indicate that our domestic economic activities remain upbeat indicating improve sign of domestic spending.

**Sales promotion boost festive spending.** The continuous surge in distributive trade performance was driven by festive season spending. Sales promotions and increase in demand led to increase sales of goods and services in particular for the preparation of Ramadhan and Eid. Apart from that, strengthening labour market and stable wage growth continue to support domestic spending.

**Festive bonuses gave consumers spending power.** We anticipate the performance of distributive trade as well as domestic spending to remain robust due to the payout of festive bonuses by the federal and state governments for civil servants. For example, the federal government allocates RM500 for each of its civil servants while Selangor government paid two months bonuses. Hence, in June we anticipate continue robust domestic spending in preparation for Eid and improved purchasing power.

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

	2016	Jan-17	Feb-17	Mar-17	Apr-17	May-17
<b>Distributive Trade</b>	<b>1,061,540</b>	<b>93,532</b>	<b>90,140</b>	<b>97,411</b>	<b>92,781</b>	<b>96,930</b>
YoY%	5.4	8.0	8.3	8.9	9.6	10.7
MoM%		(1.5)	0.9	1.4	(0.9)	2.9
<b>Motor Vehicles</b>	<b>138,979</b>	<b>11,360</b>	<b>10,322</b>	<b>12,875</b>	<b>11,350</b>	<b>12,808</b>
YoY%	(2.6)	3.7	5.8	4.2	4.0	10.2
MoM%		(4.7)	1.5	1.2	(8.5)	15.0
<b>Wholesale Trade</b>	<b>518,745</b>	<b>46,098</b>	<b>44,138</b>	<b>46,928</b>	<b>45,164</b>	<b>46,875</b>
YoY%	5.2	8.3	8.5	8.0	8.6	9.0
MoM%		(1.7)	0.5	2.0	(0.7)	2.7
<b>Retail Trade</b>	<b>403,816</b>	<b>36,074</b>	<b>35,680</b>	<b>37,609</b>	<b>36,267</b>	<b>37,247</b>
YoY%	8.7	9.0	8.7	11.8	12.9	13.1
MoM%		(0.6)	0.5	2.9	0.2	0.4

Source: DOSM; MIDFR

\*MoM is seasonally-adjusted figures

**Domestic sector to remain resilient in 2Q17.** Motor vehicles, wholesale trade and retail trade cover about 14.6% and 27% collectively of Malaysia's services sector and total GDP in the first quarter this year. Solid performance of distributive trade in May provides a good hint for better performances of private consumption and services sector in the second quarter 2017. On three months moving average, distributive trade has expanded by 9.7%yoy for the second quarter, beating the first quarter average of 8.4%yoy. Hence, we could expect private consumption and services sector to achieve higher growth during the second quarter 2017.

**Deceleration in the US retail sales growth.** Retail sales of the US growing at a slower rate since early of 2017. The latest figure released last week saw retail sales growth of June stood at 2.8%yoy, lowest in ten months. The slowdown is in line with the fall of the US consumer confidence in June to 95.1 points. As of July, we could expect the retail sales to continue growing at a slower pace given that the consumer confidence drop further to 93.1 points in July. Other major economies namely Japan, China and EU potreyed healthy pace in each retail sales. Regionally, Malaysia remain the highest in term of retail sales growth for fifth consecutive months.

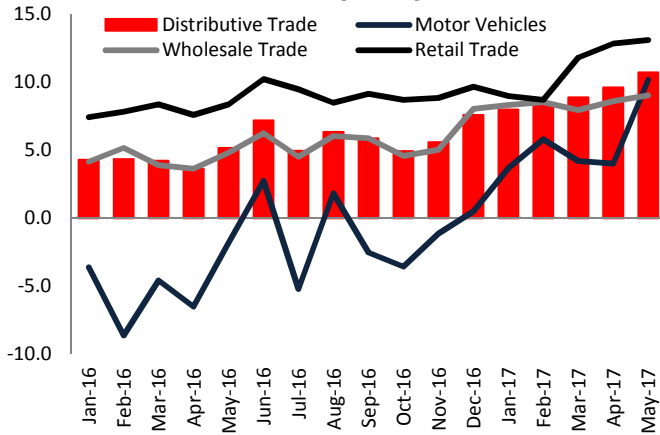
**Table 2: Global Retail Sales (%YoY)**

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

Source: CEIC; MIDFR

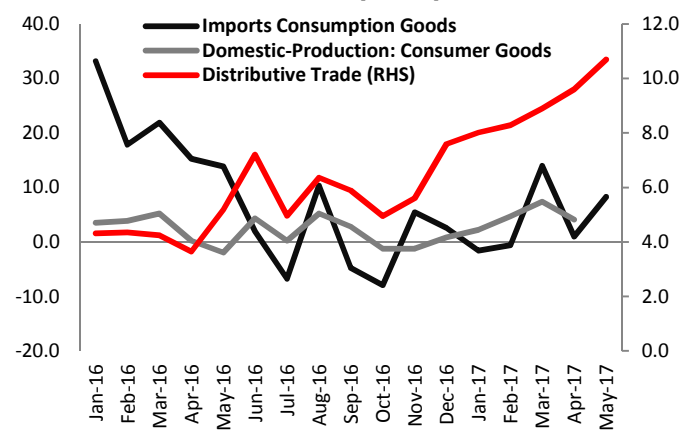
**We estimate private consumption and services sector to grow at 6.3% and 5.3% respectively for 2017.** Continuous solid performance of distributive trade in May signals stronger domestic spending is in play and hence will drive Malaysia's economy into better position in 2017 compared to last year. Inline with strengthening domestic sector and robust external sector performance, we opine Malaysian economy will be able to expand 5.1% in 2017. 

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



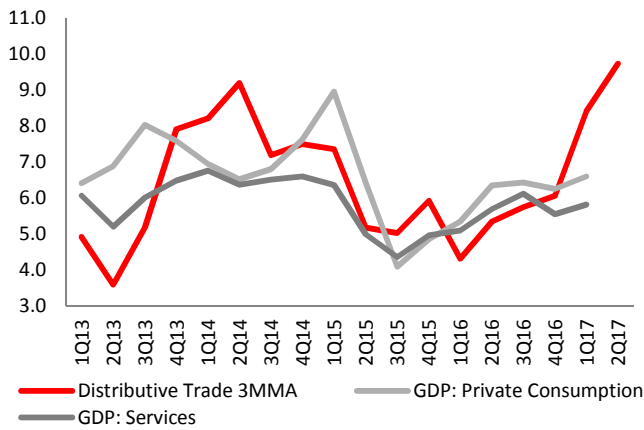
Source: DOSM;MIDFR

**Chart 2: DT vs Consumer Goods (YoY%)**



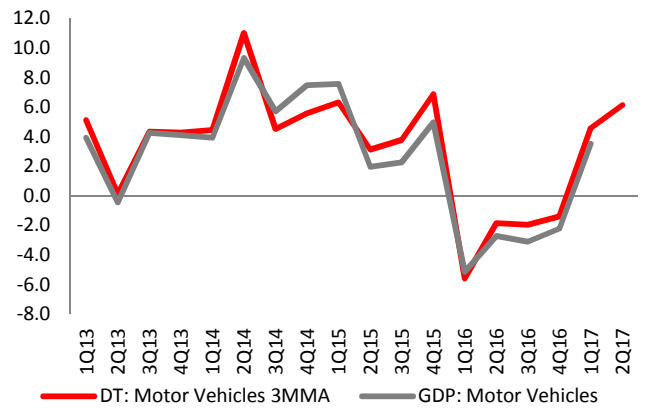
Source: DOSM;MIDFR

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



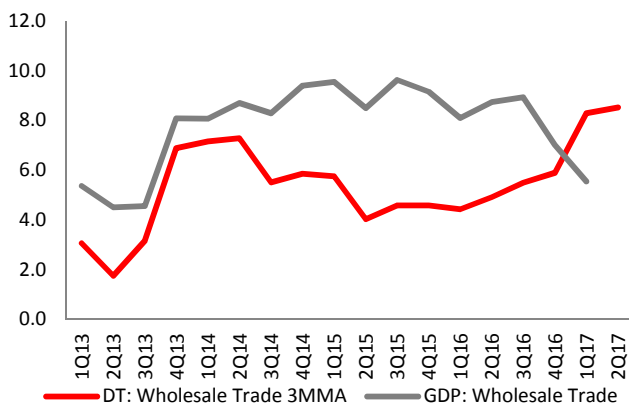
Source: DOSM;MIDFR

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



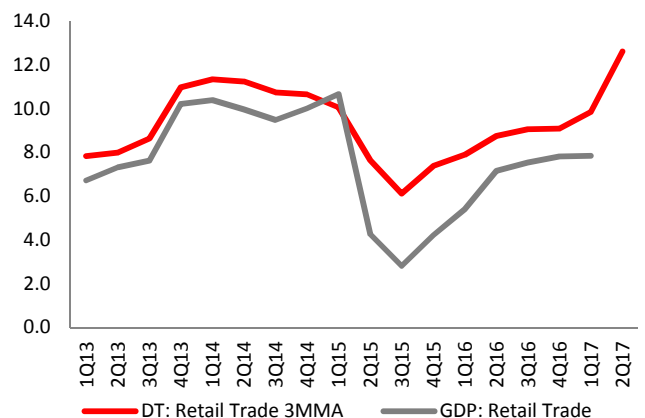
Source: DOSM;MIDFR

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



Source: DOSM;MIDFR

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



Source: DOSM;MIDFR

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