

ECONOMIC REVIEW | November 2017 Distributive Trade

Upbeat Distributive Trade Figures Indicates Strong Private Consumption Trend in Play

- Retail trade sales growth maintained at double digit. Distributive trade expanded by 9%yoy in November similar to previous month. Among others, sales in retail trade rose by 10.5%yoy while wholesale trade and motor vehicles sales up by 9.6%yoy and 2.5%yoy respectively.
- Expecting a slight slowdown for private consumption and services sector in 4Q17. Despite of year-end sales and tourism activity dynamics, unfavorable base effect is likely to affect moderating speed in distributive sales performances in the last quarter of 2017.
- We estimate private consumption and services sector to grow at 7% and 6.4% respectively for 2017. Continuous good performance of distributive trade in November signals stronger domestic spending is in play, added with strengthening labor market and upbeat momentum in external trade activities will drive Malaysia's economy into a better position in particular via private consumption and services sector.

Retail trade sales growth maintained at double digit. Distributive trade expanded by 9%yoy in November similar to previous month. Among others, sales in retail trade rose by 10.5%yoy while wholesale trade and motor vehicles sales up by 9.6%yoy and 2.5%yoy respectively. The constant positive trends were mainly buoyed by improved consumer confidence, stable wage growth and continuous rising in passenger movements. Strengthening of ringgit had also contributed to the growth as it reduced sellers cost of operations and improved consumers cost of living resulting in higher purchasing power. Looking ahead, we foresee distributive trade sales will remain robust in December mostly due to year-end sales and buoyant tourism activity besides other positive sentiments including stronger oil price. The latest distributive trade figures indicate that Malaysia's domestic demand remains on upbeat trajectory and we expect the trend will remain for the month of December.

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

	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17
Distributive Trade	96.9	96.9	96.5	97.5	97.8	98.1	97.7
YoY%	10.7	8.6	11.1	9.5	7.6	9.0	9.0
MoM%	3.1	0.1	0.1	0.9	(1.2)	1.7	0.3
Motor Vehicles	12.7	11.8	12.4	12.2	11.3	11.8	12.0
YoY%	9.0	(4.8)	9.8	1.4	(5.0)	1.3	2.5
MoM%	14.0	(8.8)	3.5	0.1	(6.9)	5.7	2.3
Wholesale Trade	46.9	46.9	45.9	47.4	49.3	48.5	47.7
YoY%	9.0	8.4	9.2	9.1	9.3	9.5	9.6
MoM%	2.7	(0.1)	(0.8)	3.8	1.9	(0.4)	(0.9)
Retail Trade	37.4	38.1	38.3	37.9	37.3	37.8	38.1
YoY%	13.6	13.9	14.1	12.9	9.6	10.9	10.5
MoM%	1.3	3.2	(0.3)	(1.5)	(2.9)	2.4	1.1

Source: DOSM; MIDFR

*MoM is seasonal-adjusted figures

Domestic spending benefited from upbeat momentum in external sector. Exports growth continued to expand by double digit rate however at a moderating pace, 14.4%yoy in November. Hence, this translates into industrial production and manufacturing sales increase by 5%yoy and 10.9%yoy respectively. Additionally, employment in the manufacturing sector increased by 2.3%yoy while wage growth of manufacturing sector expanded solidly at 9.2%yoy in the same month. We believe the sturdy performance in external trade interprets into better sales, employment and predominantly improvement in domestic spending. Moving forward, we expect the optimistic momentum in Malaysia's domestic spending will continue in line with external trade activities and tourism performances.

Expecting a slight slowdown for private consumption and services sector in 4Q17. Despite of year-end sales and tourism activity dynamics, unfavorable base effect is likely to affect moderating speed in distributive sales performances in the last quarter of 2017. For instance, sales growth is recorded lower than the second quarter, 9.4%yoy vs 9.7%yoy accordingly and average growth of passenger movements in November and December registered at 5.2%yoy, lowest since 3Q16. Therefore, we forecast private consumption and services sector to grow marginally lower in 4Q17 as compared to 3Q17.

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

	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17
Distributive Trade Sales	4.3	5.4	5.7	6.1	8.5	9.7	9.4
Wholesale Sales	4.4	4.9	5.5	5.9	8.4	8.7	9.2
Wholesale Sales: Fee or Contract Basis	1.0	3.6	3.7	5.8	9.0	8.0	9.2
Wholesale Sales: Agri Raw Materials & Live Animals	0.8	(2.5)	3.5	7.0	11.5	10.2	8.2
Wholesale Sales: Food, Beverages & Tobacco	7.9	8.4	7.8	7.9	8.9	9.6	9.9
Wholesale Sales: Household Goods	7.2	6.0	4.4	4.7	3.9	6.5	6.0
Wholesale Sales: Machinery, Equipment & Supplies	3.4	7.0	10.5	8.2	9.0	8.8	5.7
Wholesale Sales: Others Specialised	2.7	4.1	4.4	5.0	10.0	9.4	11.9
Wholesale Sales: Non-Specialised	4.6	6.7	6.8	3.9	3.2	3.4	3.5
Retail Sales	7.9	8.7	9.0	9.1	10.1	13.5	12.2
Retail Sales: Non-Specialised Stores	7.7	8.8	9.9	9.0	9.9	15.3	13.3
Retail Sales: Food, Beverages & Tobacco	8.9	10.6	11.3	9.7	13.3	14.0	10.8
Retail Sales: Automotive Fuel	8.7	8.9	9.7	9.5	16.0	16.2	14.0
Retail Sales: Information & Communication Equip	6.6	9.5	7.4	8.1	7.3	9.8	9.2
Retail Sales: Household Equip	7.4	7.8	7.5	6.6	7.3	10.5	9.2
Retail Sales: Cultural & Recreation Goods	9.8	7.8	7.1	7.3	8.1	7.8	8.8
Retail Sales: Others in Specialised Store	8.2	8.7	9.3	11.7	11.5	15.1	14.9
Retail Sales: Stalls & Markets	10.8	11.7	12.7	11.4	11.7	10.4	9.6
Retail Sales: Not in Stores, Stalls & Markets	4.2	6.3	7.4	5.8	6.5	8.7	8.5
Motor Vehicles Sales	(5.5)	(1.8)	(2.0)	(1.4)	4.5	2.5	1.9
Motor Vehicles Sales: Motor Vehicle	(9.0)	(5.2)	(5.4)	(5.2)	4.6	(0.1)	(1.1)
Motor Vehicles Sales: Motor Vehicle Maint. & Repair	0.5	2.4	3.0	4.0	5.6	7.5	7.0
Motor Vehicles Sales: Motor Vehicle Parts & Accessories	0.1	4.4	4.0	5.2	4.2	6.5	5.9
Motor Vehicles Sales: Motorcycles Maint. & Repair, Parts & Acc.	(3.9)	1.5	0.7	2.0	3.1	2.8	4.6

Source: DOSM; MIDFR

Japanese consumers shopped with greater gusto after bad weather. Retail sales in Japan rebounded by 2.2%yoy in November, after falling short in October. Retailers are seeing more favorable conditions after Typhoons kept Japanese shoppers at home through much of the third quarter. Sales grew at a faster pace for fabrics apparel & accessories, fuel and food & beverage. Similarly, in Euro Area, retail sales registered a higher growth of 2.8%yoy, well above market expectation. It was mainly due to increasing spending for Christmas and new year preparations. Moving forward, we opine year-end sales particularly from mega shopping events such as Boxing Day and Black Friday will give extra boost for higher retail sales growth globally in 4Q17. Henceforth, we foresee domestic spending in developed and developing economies will continue expanding at sustainable pace amid of optimistic global economic outlook towards the end of 2017.

Table 3: Global Retail Sales (YoY%)

	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17
Malaysia	13.6	13.9	14.1	12.9	9.6	10.9	
Indonesia	4.3	6.3	(3.3)	2.2	1.8	2.2	2.5
Singapore	0.8	2.0	1.7	3.7	(0.6)	(0.1)	
Philippines	3.4	3.3	3.3	3.3	3.2	2.7	2.4
Thailand	6.8	4.9	8.1	10.6	10.1	6.0	
Japan	2.1	2.2	1.8	1.8	2.3	(0.2)	2.2
China	10.7	11.0	10.4	10.1	10.3	10.0	10.2
Euro Area	2.7	3.5	2.3	2.3	4.0	0.4	2.8
US	4.2	3.0	3.7	3.5	4.8	4.6	5.8

Source: CEIC; MIDFR


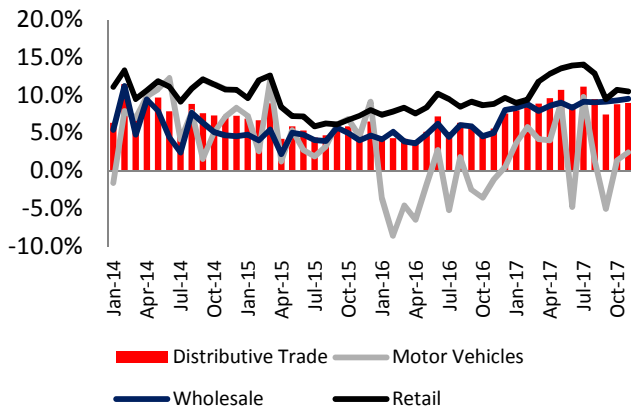
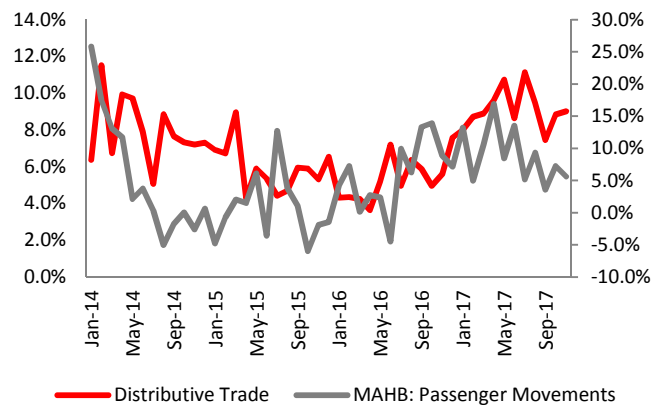
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Chart 1: Distributive Trade, DT (YoY%)



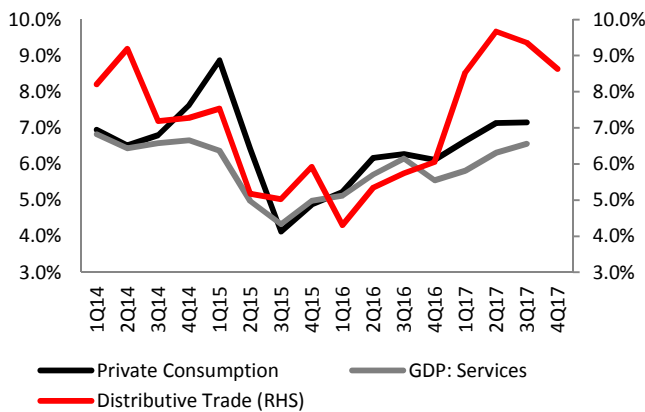
Source: DOSM; MIDFR

Chart 2: DT vs Passenger Movements (YoY%)



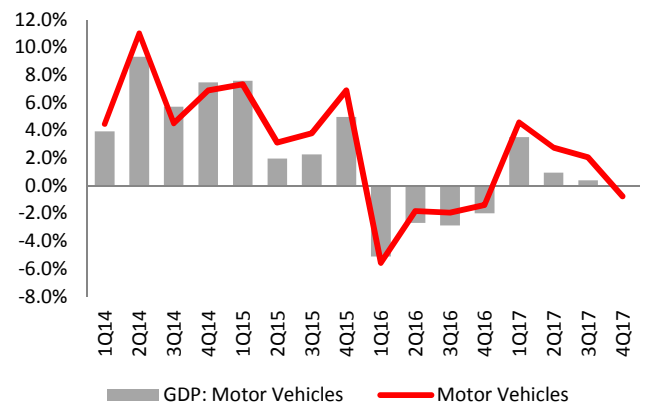
Source: DOSM; MAHB; MIDFR

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



Source: DOSM; MIDFR

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



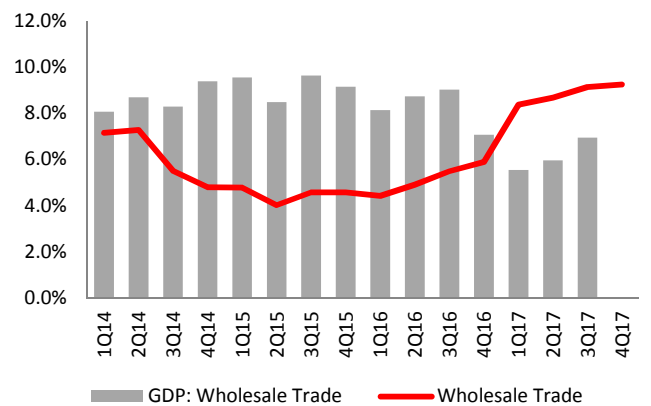
Source: DOSM; MIDFR

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



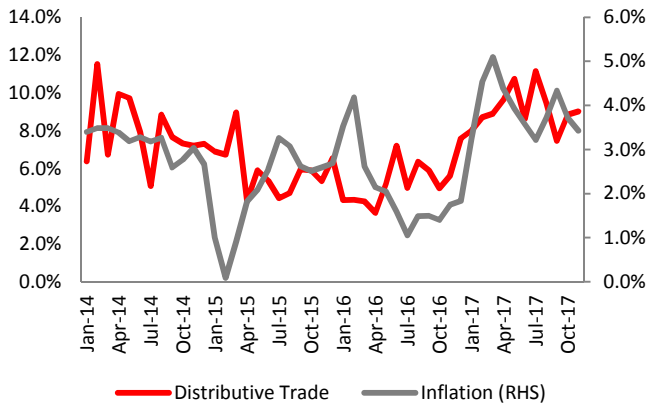
Source: DOSM; MIDFR

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



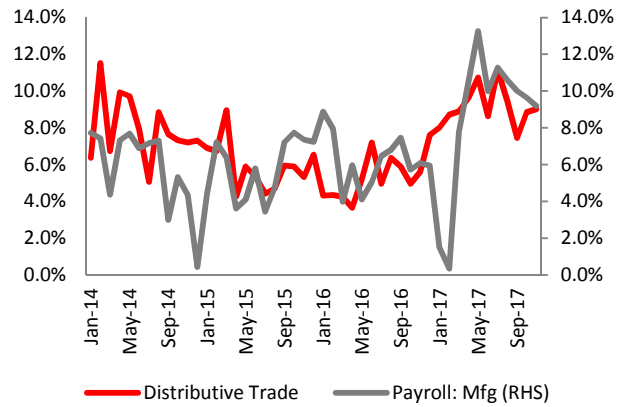
Source: DOSM; MIDFR

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



Source: DOSM; MIDFR

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



Source: DOSM; MIDFR

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