

## ECONOMIC REVIEW | September 2017 Distributive Trade

### Distributive Trade Figures Highest on Record at RM97.8 Billion in September amid Weak Motor Vehicles Sales

- *Distributive trade grew by 7.6%yoy, slowest in 2017. Moderating expansion in distributive trade is contributed by slowdown in retail sales growth and contraction by 5%yoy in sales of motor vehicles in September.*
- *Expecting a slight slowdown for private consumption and services sector in 3Q17. Referring to the average growth of distributive trade sales in the third quarter, we notice the sales growth is recorded lower than the second quarter, 9.4%yoy vs 9.7%yoy accordingly. Hence, we forecast private consumption and services sector to grow marginally lower in the third quarter as compared to the second quarter.*
- *We estimate private consumption and services sector to grow at 6.3% and 5.3% respectively for 2017. Continuous good performance of distributive trade in September 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 2017 compared to last year in particular via private consumption and services sector.*

**Distributive trade grew by 7.6%yoy, slowest in 2017.** Moderating expansion in distributive trade is contributed by slowdown in retail sales growth and contraction by 5%yoy in sales of motor vehicles in September. Wholesale trade sales increase by 9.3%yoy, slightly higher than the previous month. Among others, we opine the rise in inflation which hits 5-months high during the month at 4.3% put pressure on domestic spending. Looking ahead, we predict distributive trade sales will moderate in October given that inflation is expected to rise due to surge in fuel price globally and locally. Nevertheless, the latest distributive trade figures still indicate that Malaysia's domestic demand remains on upbeat trajectory and we expect the trend will stay on until end of the year.

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

	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17
<b>Distributive Trade</b>	<b>92.8</b>	<b>96.9</b>	<b>96.9</b>	<b>96.5</b>	<b>97.5</b>	<b>97.8</b>
YoY%	9.6	10.7	8.6	11.1	9.5	7.6
MoM%	(1.0)	3.1	0.1	0.1	0.9	(1.2)
<b>Motor Vehicles</b>	<b>11.4</b>	<b>12.7</b>	<b>11.8</b>	<b>12.4</b>	<b>12.2</b>	<b>11.3</b>
YoY%	4.0	9.0	(4.8)	9.8	1.4	(5.0)
MoM%	(8.4)	14.0	(8.8)	3.5	0.1	(6.9)
<b>Wholesale Trade</b>	<b>45.2</b>	<b>46.9</b>	<b>46.9</b>	<b>45.9</b>	<b>47.4</b>	<b>49.3</b>
YoY%	8.6	9.0	8.4	9.2	9.1	9.3
MoM%	(0.8)	2.7	(0.1)	(0.8)	3.8	1.9
<b>Retail Trade</b>	<b>36.3</b>	<b>37.4</b>	<b>38.1</b>	<b>38.3</b>	<b>37.9</b>	<b>37.3</b>
YoY%	12.9	13.6	13.9	14.1	12.9	9.6
MoM%	0.1	1.3	3.2	(0.3)	(1.5)	(2.9)

Source: DOSM; MIDFR

\*MoM is seasonally-adjusted figures

**Domestic spending benefited from upbeat momentum in external sector.** Even though growing at moderating pace, exports growth remains expanding at double digit rate, 14.8%yoy in September. Hence, this translates into industrial production and manufacturing sales increase by 4.7%yoy and 10.6%yoy respectively. Plus, employment in the manufacturing sector increased by 2.5%yoy while wage growth of manufacturing sector expanded solidly by double digit at 10%yoy in the same month. We believe the strong performance in external trade translates into better sales, employment and most importantly improvement in domestic spending. We expect the upbeat momentum in Malaysia's domestic spending will continue until the end of this year in accordance with external trade activities performances.

**Expecting a slight slowdown for private consumption and services sector in 3Q17.** Referring to the average growth of distributive trade sales in the third quarter, we notice the sales growth is recorded lower than the second quarter, 9.4%yoy vs 9.7%yoy accordingly. Hence, we forecast private consumption and services sector to grow marginally lower in the third quarter as compared to the second quarter. Among others, main pull reasons are drop in motor vehicles sales and consumers generally hold spending for the year-end sales in the final quarter of 2017. In spite of this, growth momentum in distributive trade sales still show that domestic spending in Malaysia is expanding at solid pace.

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

	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17
<b>Distributive Trade Sales</b>	<b>4.3</b>	<b>5.4</b>	<b>5.7</b>	<b>6.1</b>	<b>8.5</b>	<b>9.7</b>	<b>9.4</b>
<b>Wholesale Sales</b>	<b>4.4</b>	<b>4.9</b>	<b>5.5</b>	<b>5.9</b>	<b>8.4</b>	<b>8.7</b>	<b>9.2</b>
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
<b>Retail Sales</b>	<b>7.9</b>	<b>8.7</b>	<b>9.0</b>	<b>9.1</b>	<b>10.1</b>	<b>13.5</b>	<b>12.2</b>
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
<b>Motor Vehicles Sales</b>	<b>(5.5)</b>	<b>(1.8)</b>	<b>(2.0)</b>	<b>(1.4)</b>	<b>4.5</b>	<b>2.5</b>	<b>1.9</b>
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

**Retail sales growth hits 5-months high in the US.** The US retail sales grew by 4.4%yoy in September, mainly contributed by surge in fuel prices and improved consumer spending after hurricane impacts. For instance, sales of gasoline and motor vehicles up by 11.4%yoy and 4.2%yoy respectively during the month. We foresee October's overall domestic spending in the US will maintain on upside given that the University of Michigan's consumer sentiment registered at 100.7 points, highest since 2004. In Asian region, domestic spending in China and Japan remain on healthy pace as each retail sales rose by 10.3%yoy and 2.2%yoy respectively. On a flip side, we notice domestic spending in developed and developing economies will continue expanding at sustainable pace amid of optimistic global economic outlook towards the end of 2017.

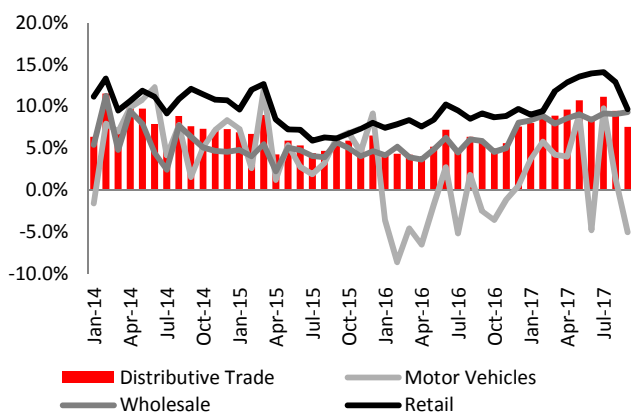
**Table 3: Global Retail Sales (YoY%)**

	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17
Malaysia	9.0	9.4	11.8	12.9	13.6	13.9	14.1	12.9	9.6
Indonesia	6.3	3.7	4.2	4.2	4.3	6.3	(3.3)	2.2	
Singapore	2.1	(2.5)	2.0	2.7	0.8	2.0	1.7	3.5	
Philippines	4.4	5.1	4.4	3.9	3.4	3.3	3.3	3.3	3.2
Thailand	5.8	1.5	6.3	3.2	6.8	4.9	8.1	10.6	
Japan	1.0	0.2	2.1	3.2	2.1	2.2	1.8	1.8	2.2
China	9.5	9.5	10.9	10.7	10.7	11.0	10.4	10.1	10.3
Euro Area	1.6	1.9	3.0	2.8	2.7	3.5	2.3	1.2	
US	5.6	4.7	4.8	4.5	4.2	3.0	3.5	3.2	4.4

Source: CEIC; MIDFR

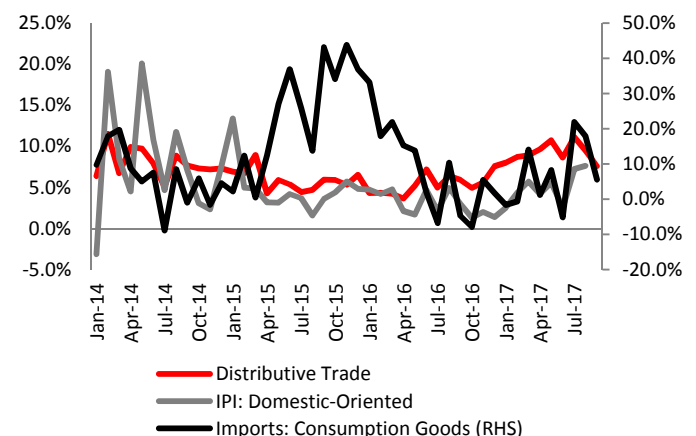
**We estimate private consumption and services sector to grow at 6.3% and 5.3% respectively for 2017.** Continuous good performance of distributive trade in September signals stronger domestic spending is in play, added with strengthening labor market and upbeat momentum in external trade activities will drive Malaysia's economy into a better position in 2017 compared to last year in particular via private consumption and services sector. 

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



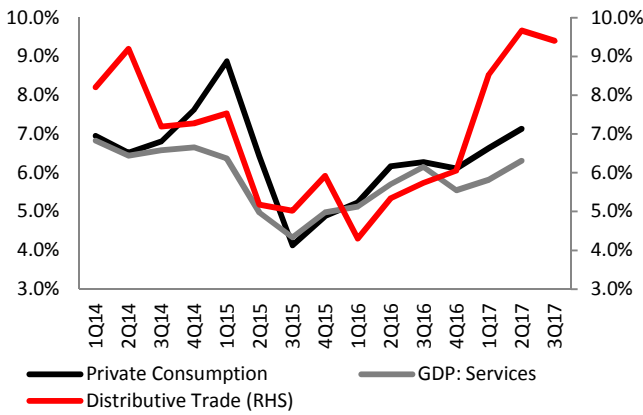
Source: DOSM;MIDFR

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



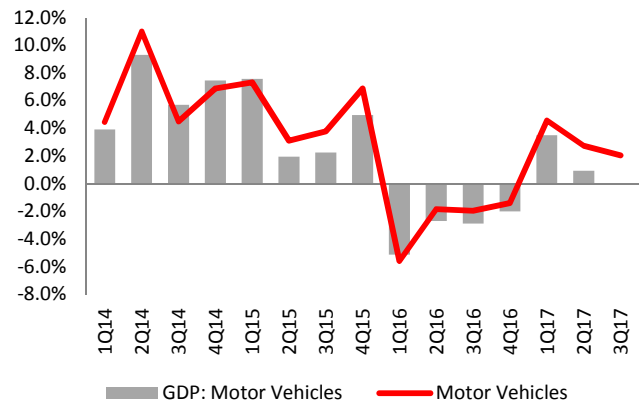
Source: DOSM;MIDFR

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



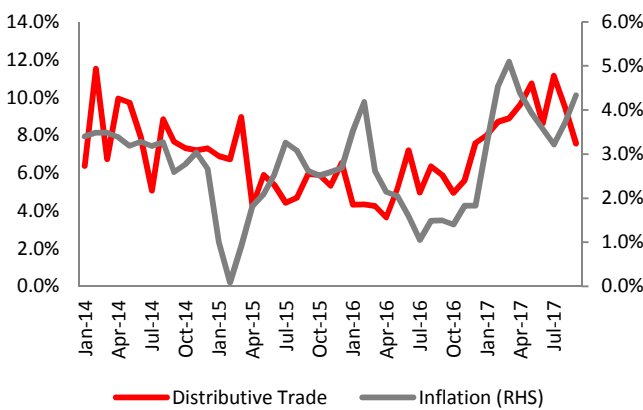
Source: DOSM;MIDFR

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



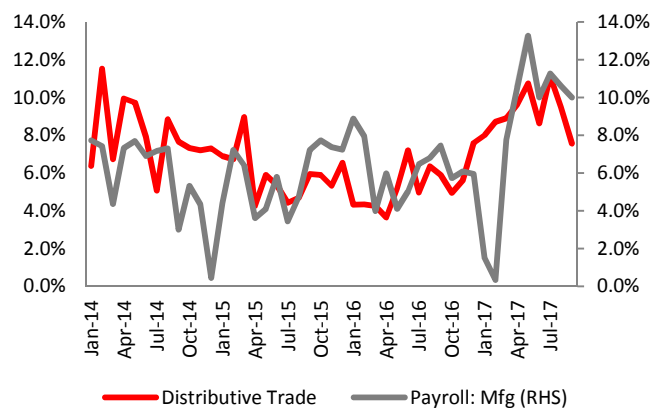
Source: DOSM;MIDFR

**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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