

## ECONOMIC REVIEW | April 2023 Distributive Trade

### Consumer Spending Remained Resilient Despite Inflation and Interest Rate Concerns

- Robust retail trade spending. Malaysia's retail trade growth remained resilient despite of inflation concerns and tightening monetary policy factor. The retail sales grew by +12.9%yoy, marking 15-straight months of double-digit expansion rate. On monthly basis, non-seasonally-adjusted retail trade increased by +3.1%mom while seasonally-adjusted figure rose handsomely by +11.8%mom. The steady expansion pace among others were attributed to Ramadhan and Aidilfitri spending as well as positive impacts of improving labour market conditions.*
- Higher weight on retail trade spending. In 2019, 40.5% of distributive trade sales contributed by retail trade while wholesale at 48.1% and motor vehicles at 11.4%. Post-pandemic saw retail trade's share increased to average 43.6% in 4MCY23. We observe retail trade sales is gaining a bigger share in post-pandemic particularly driven by non-specialised stores at 16.7% (Ave. 2019: 13.4%), specialised stores at 8.9% (Ave. 2019: 8.7%), automotive fuel at 4.1% (Ave. 2019: 3.4%) and F&B and tobacco at 2.7% (Ave. 2019: 2.3%).*
- We maintain retail trade growth forecast at +8.9% for 2023. Considering macroeconomic outlook and improving domestic fundamentals, we are optimistic that retail trade growth able to touch +8.9% for 2023. We believe the pent-up demand will continue into this year underpinned by improving labour market, stable inflationary pressure, accommodative economic policies and uptick in tourism industry.*

**Robust retail trade spending.** Malaysia's retail trade growth remained resilient despite of inflation concerns and tightening monetary policy factor. The retail sales grew by +12.9%yoy, marking 15-straight months of double-digit expansion rate. On monthly basis, non-seasonally-adjusted retail trade increased by +3.1%mom while seasonally-adjusted figure rose handsomely by +11.8%mom. The steady expansion pace among others were attributed to Ramadhan and Aidilfitri spending as well as positive impacts of improving labour market conditions. However, we should note that overall distributive trade sales grew at the slowest pace in 16-month in Apr-23, by +6.3%yoy. Wholesale trade grew marginally by +3.2%yoy while sales of motor vehicles plunged by -5.1%yoy. On monthly basis, both wholesale and motor vehicles dropped by -1.1%mom and -19.8%mom respectively. As for 4MCY23, distributive trade sales increased by +11.1%yoy (4MCY22: +10.2%yoy) while retail sales improved by +17.7%yoy (4MCY22: +12.3%yoy). We opine the upbeat momentum of domestic demand underpin by steady labour market, softening inflationary pressure, pick-up in tourism activities and supportive economic policies will continue boosting 2QCY23 GDP growth as well as overall 2023 expansion rate.

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

	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23
<b>Distributive Trade</b>	<b>133.6</b>	<b>134.3</b>	<b>137.3</b>	<b>135.1</b>	<b>133.8</b>	<b>138.5</b>	<b>136.0</b>
YoY%	14.9	14.2	13.8	12.4	14.3	11.9	6.3
MoM%	(0.3)	0.5	2.3	(1.6)	(1.0)	3.5	(1.8)
<b>Motor Vehicles</b>	<b>15.4</b>	<b>16.0</b>	<b>17.5</b>	<b>15.2</b>	<b>16.5</b>	<b>18.2</b>	<b>14.6</b>
YoY%	8.9	19.8	20.3	20.1	32.3	9.3	(5.1)

	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23
MoM%	(5.5)	4.0	9.3	(13.4)	8.6	10.6	(19.8)
<b>Wholesale Trade</b>	<b>59.9</b>	<b>59.5</b>	<b>60.3</b>	<b>60.4</b>	<b>59.1</b>	<b>61.6</b>	<b>60.9</b>
YoY%	7.3	5.6	4.7	3.1	5.9	7.6	3.2
MoM%	(0.3)	(0.6)	1.4	0.1	(2.0)	4.1	(1.1)
<b>Retail Trade</b>	<b>58.3</b>	<b>58.7</b>	<b>59.5</b>	<b>59.6</b>	<b>58.2</b>	<b>58.7</b>	<b>60.5</b>
YoY%	26.0	22.8	22.7	21.7	19.2	17.7	12.9
MoM%	1.1	0.7	1.2	0.2	(2.4)	0.9	3.1

Source: DOSM; MIDFR

Note: MoM is non-seasonally adjusted figures

**After 1-year borders reopened.** After 1-year Malaysia's borders reopened, Malaysia registered 6.3 million airport passenger movements in Apr-23. This was 72.1% of Apr-19 passenger data and more than double of previous year's (Apr-22: 2.8 million). Domestic passenger movements at more than 80% of the same period in 2019. As for international passenger movements in Apr-23, it was still recovering at 63.7% to pre-pandemic level. During the pre-pandemic, 50.7% of Malaysia's airports passenger traffic was contributed by international travels, 25.0% by ASEAN and 25.7% by non-ASEAN destinations. As of Apr-23, travelers for domestic destinations, on average, accounted for 55.4% (Ave. 2022: 71.7%) vis-à-vis international destinations at 44.6% (Ave. 2022: 28.1%), whereby 19.6% were non-ASEAN and 25% ASEAN. Moving forward, we expect airport passenger movements to improve in 2023 underpinned by borders reopening by China & Japan. The recovery towards 2019 level is still a long journey despite the reopening of Malaysia's international borders since last year. Our house view is that the earliest for passenger traffic to reach 2019 level will only be by 2024.

**Table 2: Malaysia Airports: Passenger Traffic (Million)**

Monthly International Passenger Movements, Million												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>International</b>												
2019	4.4	4.2	4.5	4.4	4.0	4.4	4.7	4.6	4.1	4.3	4.4	5.1
2022	0.3	0.3	0.4	0.6	1.0	1.3	1.6	1.8	1.9	2.1	2.2	2.9
2023	2.8	2.6	2.5	2.8								
CY22 % of CY19	6.1	6.4	9.1	13.2	25.6	29.4	35.0	37.9	46.5	48.9	50.9	55.6
CY23 % of CY19	62.5	62.4	56.1	63.7								
<b>Asean</b>												
2019	2.1	2.0	2.3	2.2	2.0	2.3	2.3	2.3	2.1	2.2	2.2	2.5
2022	0.1	0.1	0.2	0.3	0.6	0.8	1.0	1.1	1.2	1.3	1.3	1.7
2023	1.5	1.4	1.3	1.6								
CY22 % of CY19	5.2	5.3	6.9	12.4	30.0	35.1	43.7	47.7	55.0	60.6	58.7	66.4
CY23 % of CY19	70.6	69.6	56.4	71.4								
<b>Non-Asean</b>												
2019	2.3	2.2	2.2	2.2	2.0	2.1	2.4	2.4	2.0	2.2	2.2	2.6
2022	0.2	0.2	0.3	0.3	0.4	0.5	0.6	0.7	0.8	0.8	0.9	1.2
2023	1.3	1.2	1.2	1.2								
CY22 % of CY19	6.9	7.5	11.3	13.9	21.0	23.3	26.4	28.5	37.7	37.2	43.1	45.3

CY23 % of CY19

55.0

55.5

55.8

56.0

Source: MAHB, MIDFR

**Higher weight on retail trade spending.** In 2019, 40.5% of distributive trade sales contributed by retail trade while wholesale at 48.1% and motor vehicles at 11.4%. Post-pandemic saw retail trade's share increased to average 43.6% in 4MCY23. Wholesale trade's share descended to 44.5% while motor vehicles stabilised at 11.9%. Share of motor vehicles does not changed much. We observe retail trade sales is gaining a bigger share in post-pandemic particularly driven by non-specialised stores at 16.7% (Ave. 2019: 13.4%), specialised stores at 8.9% (Ave. 2019: 8.7%), automotive fuel at 4.1% (Ave. 2019: 3.4%) and F&B and tobacco at 2.7% (Ave. 2019: 2.3%).

**Table 3: Distributive Trade's Detailed Components Performance**

	Share % Total DT		MoM%		YoY%	
	Apr-22	Apr-23	Mar-23	Apr-23	Mar-23	Apr-23
<b>Motor Vehicles Sales (MVS)</b>	<b>12.0</b>	<b>10.8</b>	<b>10.6</b>	<b>(19.8)</b>	<b>9.3</b>	<b>(5.1)</b>
MVS: Motor Vehicle	6.5	5.0	16.3	(33.5)	3.8	(17.3)
MVS: Motor Vehicle Maint. & Repair	1.5	1.7	2.0	2.5	20.9	20.5
MVS: Motor Vehicle Parts & Accessories	3.0	3.3	1.9	2.2	20.2	17.4
MVS: Motorcycles Maint. & Repair, Parts & Acc.	1.1	0.7	16.0	(24.8)	3.2	(29.8)
<b>Wholesale Sales (WS)</b>	<b>46.1</b>	<b>44.8</b>	<b>4.1</b>	<b>(1.1)</b>	<b>7.6</b>	<b>3.2</b>
WS: Fee or Contract Basis	0.8	0.8	(1.3)	2.6	5.5	8.0
WS: Agri Raw Meterials & Live Animals	4.0	4.0	6.2	(1.4)	7.2	5.1
WS: Food, Beverages & Tabacco	8.8	8.9	3.0	(2.1)	12.9	7.7
WS: Household Goods	9.5	9.4	3.5	(1.7)	16.4	5.4
WS: Machinery, Equipment & Supplies	3.7	3.6	6.2	(1.7)	7.7	2.7
WS: Others Specialised	18.1	16.9	4.3	(0.3)	0.8	(1.1)
WS: Non-Specialised	1.3	1.3	6.5	(0.7)	10.7	8.5
<b>Retail Sales (RS)</b>	<b>41.8</b>	<b>44.5</b>	<b>0.9</b>	<b>3.1</b>	<b>17.7</b>	<b>12.9</b>
RS: Non-Specialised Stores	15.5	17.2	1.0	4.9	19.8	18.0
RS: Food, Beverages & Tobacco	2.5	2.8	1.1	2.8	17.9	15.1
RS: Automotive Fuel	3.7	4.1	1.2	2.1	38.1	19.6
RS: Information & Communication Equip	3.9	3.6	0.7	(1.5)	6.3	(1.1)
RS: Household Equip	5.4	5.1	0.9	1.4	7.8	1.5
RS: Cultural & Recreation Goods	2.0	1.9	1.1	(0.8)	(0.9)	(2.1)
RS: Others in Specialised Store	8.3	9.1	0.5	3.9	21.9	17.4
RS: Stalls & Markets	0.1	0.1	1.2	1.7	18.8	13.1
RS: Not in Stores, Stalls & Markets	0.4	0.5	0.2	1.2	18.9	8.9

Source: DOSM; MIDFR


**Revival of China's retail spending.** China's retail trade expanded by +18.4%yoy, the strongest rate since Mar-21. Reopening of domestic activities since Oct-22 and international borders ban lifted in Jan-23 continue to boost the domestic recovery in China. Clothing, furniture, cosmetics and tobacco & alcohol were among the upside

contributors. We expect the recovery trajectory to stay robust following low inflation pressure environment and improving job market as unemployment rate descended to 16-month low at 5.2% in Apr-23. Moving to Euro Area, domestic retail trade stayed in contractionary form for 7-straight months. Across to the US, American retail spending grew at a lesser pace of +1.6%yoy. On monthly basis, the local trade rebounded by +0.4%mom after registering contraction for 2-consecutive months since Feb-23. The latest monthly gain however disappointed market expectations of +0.8%mom. We opine the moderating retail trade in the US indirectly reflect the negative effects of tightening monetary policy. However, we believe the retail spending to stay in low positive growth rate amid tight job market and receding inflationary pressure.

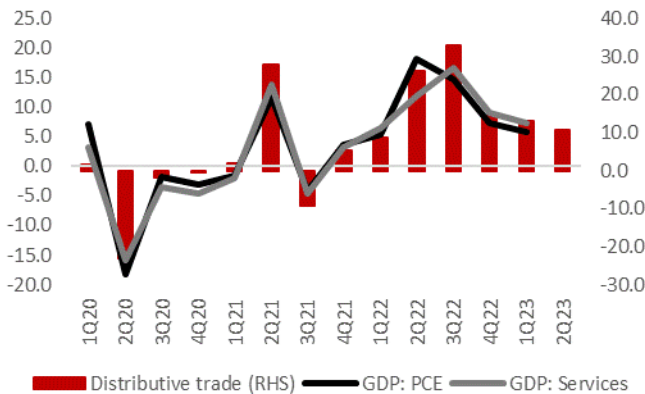
**Table 4: Global Retail Sales (YoY%)**

	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23
Malaysia	26.0	22.8	22.7	21.7	19.2	17.7	12.9
Indonesia	3.7	1.3	0.7	(0.6)	0.6	4.9	
Singapore	10.7	6.8	7.7	(0.8)	12.6	4.5	3.6
Thailand	(0.4)	4.9	(0.1)	6.5	2.1	0.5	
Vietnam	17.1	17.5	17.1	20.0	13.2	13.4	11.5
Taiwan	2.1	1.8	9.4	4.2	4.6	7.1	7.5
South Korea	(0.7)	(2.1)	(3.1)	(0.9)	(0.8)		
China	(0.5)	(5.9)	(1.8)	3.5	3.5	10.6	18.4
Japan	4.4	2.5	3.8	5.0	7.3	6.9	5.0
Euro area	(2.5)	(2.4)	(2.8)	(1.8)	(2.4)	(3.3)	(2.6)
USA	8.8	6.1	6.0	7.4	5.2	2.4	1.6

Source: Macrobond; MIDFR

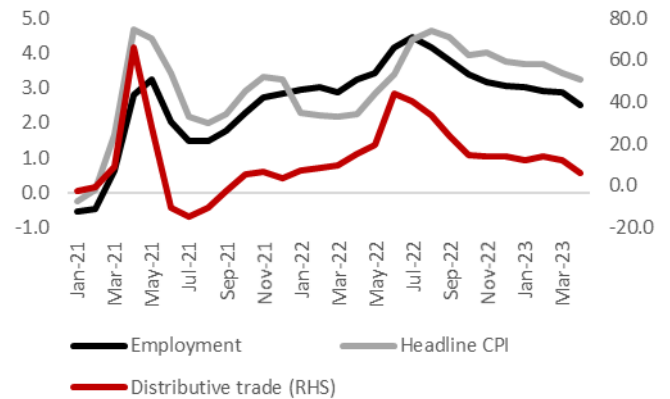
**We maintain retail trade growth forecast at +8.9% for 2023.** Considering macroeconomic outlook and improving domestic fundamentals, we are optimistic that retail trade growth able to touch +8.9% for 2023. We believe the pent-up demand will continue into this year underpinned by improving labour market, stable inflationary pressure, accommodative economic policies and uptick in tourism industry. Even though OPR back to its normalised rate of 3.00%, we believe it would have minimal effect on domestic spending outlook. In addition, we are confident that BNM will keep the OPR status quo at least until of this year. 

**Chart 1: Distributive Trade Sales, DT vs. GDP (YoY%)**



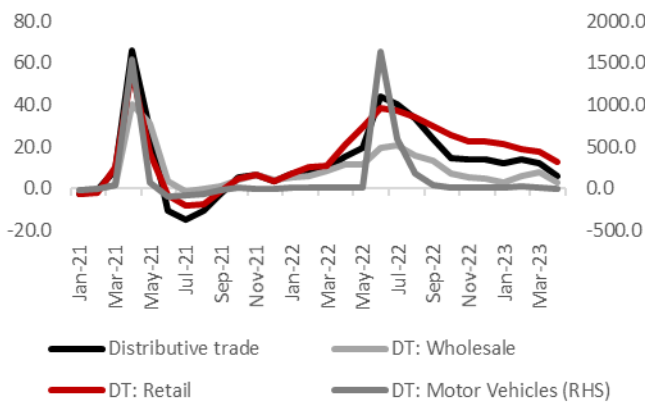
Source: DOSM; MIDFR

**Chart 2: DT vs. CPI vs. Employment (YoY%)**



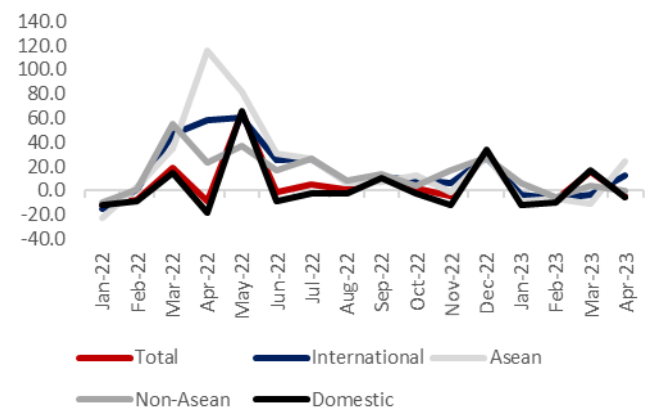
Source: DOSM; MIDFR

**Chart 3: Distributive Trade Sales by Component (YoY%)**



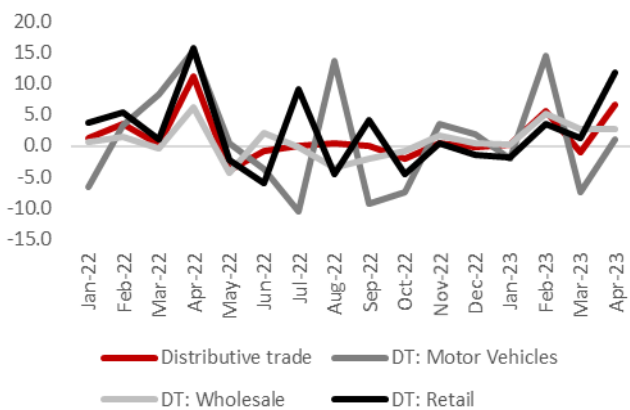
Source: DOSM; MIDFR

**Chart 4: Airports Passenger Movements (MoM%)**



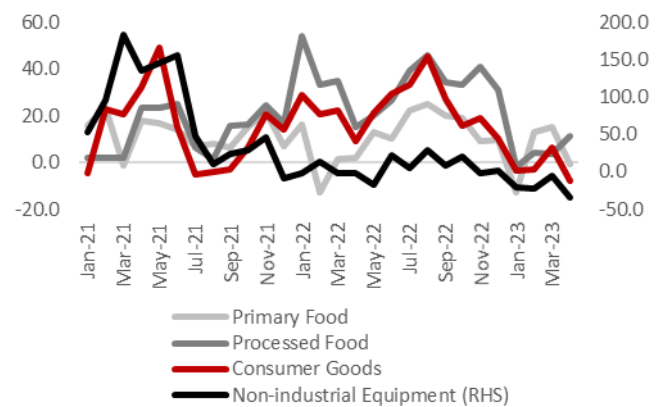
Source: MAHB; MIDFR

**Chart 5: Distributive Trade Volume by Component (MoM%)**



Source: DOSM; MIDFR

**Chart 6: Components of imported consumption goods (YoY%)**



Source: DOSM; MIDFR

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