

ECONOMIC REVIEW | May 2023 Distributive Trade

2HCY23 Consumer Outlook Remain Optimistic as Domestic Economic Fundamentals Still Intact

- Retail trade growth at more than 1-year low. Malaysia's retail trade growth moderated to +5%yoy, the slowest rate since Jan-22. On monthly basis, non-seasonally-adjusted retail trade decreased by -2.7%mom while seasonally-adjusted figure plunged by -8.8%mom. We opine the dip of retail trade growth among others due to post-festive season effects particularly Ramadhan and Aidilfitri. However, we should note that overall distributive trade sales growth improved from 16-month low recorded in Apr-23 to +6.6%yoy in the following month.*
- Sanguine tourism prospects. After 1-year Malaysia's borders reopened, Malaysia registered 6.8 million airport passenger movements in May-23. This was 86.2% of May-19 passenger data. Domestic passenger movements at was at 98.9% of the same period in 2019. As for international passenger movements in May-23, it was still recovering at 73.9% 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.*
- We forecast retail trade to expand by +15.3% in 2023. Malaysia's distributive trade sales increased by double-digit rate +10.2%yoy in 5MCY23. All components particularly sales of motor vehicles and retail trade improved by +14.6%yoy and +15%yoy while wholesale trade inched up by +4.8%yoy. Looking ahead, the upbeat momentum of domestic demand to continue in 2023 underpin by resilient labour market, easing inflationary pressure, pick-up in tourism activities and supportive economic policies. We keep our forecast on retail trade growth at +15.3% for 2023 (2022: +23.9%).*

Retail trade growth at more than 1-year low. Malaysia's retail trade growth moderated to +5%yoy, the slowest rate since Jan-22. On monthly basis, non-seasonally-adjusted retail trade decreased by -2.7%mom while seasonally-adjusted figure plunged by -8.8%mom. We opine the dip of retail trade growth among others due to post-festive season effects particularly Ramadhan and Aidilfitri. However, we should note that overall distributive trade sales growth improved from 16-month low recorded in Apr-23 to +6.6%yoy in the following month. Wholesale trade grew by +4.4%yoy while sales of motor vehicles surged by +22%yoy. On monthly basis, both wholesale and motor vehicles increased by +2.1%mom and +16.2%mom respectively. As for 5MCY23, distributive trade sales increased by +10.2%yoy (5MCY22: +12.1%yoy) while retail sales improved by +15%yoy (5MCY22: +15.6%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)

	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23
Distributive Trade	134.3	137.3	135.1	133.8	138.5	136.0	138.0
YoY%	14.2	13.8	12.4	14.3	11.9	6.3	6.6
MoM%	0.5	2.3	(1.6)	(1.0)	3.5	(1.8)	1.5

	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23
Motor Vehicles	16.0	17.5	15.2	16.5	18.2	14.6	17.0
YoY%	19.8	20.3	20.1	32.3	9.3	(5.1)	22.0
MoM%	4.0	9.3	(13.4)	8.6	10.6	(19.8)	16.2
Wholesale Trade	59.5	60.3	60.4	59.1	61.6	60.9	62.2
YoY%	5.6	4.7	3.1	5.9	7.6	3.2	4.4
MoM%	(0.6)	1.4	0.1	(2.0)	4.1	(1.1)	2.1
Retail Trade	58.7	59.5	59.6	58.2	58.7	60.5	58.8
YoY%	22.8	22.7	21.7	19.2	17.7	12.9	5.0
MoM%	0.7	1.2	0.2	(2.4)	0.9	3.1	(2.7)

Source: DOSM; MIDFR

Note: MoM is non-seasonally adjusted figures

Sanguine tourism prospects. After 1-year Malaysia's borders reopened, Malaysia registered 6.8 million airport passenger movements in May-23. This was 86.2% of May-19 passenger data. Domestic passenger movements at was at 98.9% of the same period in 2019. As for international passenger movements in May-23, it was still recovering at 73.9% 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 May-23, domestic travelers, on average, accounted for 56.3% (average 2022: 71.7%) vis-à-vis international destinations at 43.7% (average 2022: 28.1%), whereby 19.3% were non-ASEAN and 24.4% 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
International												
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	3.0							
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	73.9							
Asean												
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	1.7							
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	82.1							
Non-Asean												
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	1.3							

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	65.6							

Source: MAHB, MIDFR

Heavier retail trade weight. 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 43.4% in 5MCY23. Wholesale trade's share descended to 44.6% while motor vehicles stabilised at 12%. Share of motor vehicles did not changed much. We observe retail trade sales is gaining a bigger share in post-pandemic particularly driven by non-specialised stores at 16.6% (average 2019: 13.4%), specialised stores at 8.9% (average 2019: 8.7%), automotive fuel at 4.1% (average 2019: 3.4%) and F&B and tobacco at 2.7% (average 2019: 2.3%).

Table 3: Distributive Trade's Detailed Components Performance

	Share % Total DT		MoM%		YoY%	
	May-22	May-23	Apr-23	May-23	Apr-23	May-23
Motor Vehicles Sales (MVS)	10.8	12.3	(19.8)	16.2	(5.1)	22.0
MVS: Motor Vehicle	5.3	6.5	(33.5)	30.8	(17.3)	29.8
MVS: Motor Vehicle Maint. & Repair	1.5	1.7	2.5	0.7	20.5	20.4
MVS: Motor Vehicle Parts & Accessories	3.0	3.3	2.2	0.8	17.4	17.7
MVS: Motorcycles Maint. & Repair, Parts & Acc.	1.0	0.9	(24.8)	22.5	(29.8)	(5.0)
Wholesale Sales (WS)	46.0	45.1	(1.1)	2.1	3.2	4.4
WS: Fee or Contract Basis	0.8	0.8	2.6	0.4	8.0	7.3
WS: Agri Raw Materials & Live Animals	4.1	4.2	(1.4)	7.5	5.1	8.6
WS: Food, Beverages & Tobacco	8.6	8.9	(2.1)	1.6	7.7	9.6
WS: Household Goods	9.2	9.3	(1.7)	0.9	5.4	7.9
WS: Machinery, Equipment & Supplies	3.7	3.7	(1.7)	5.0	2.7	5.8
WS: Others Specialised	18.2	16.8	(0.3)	1.1	(1.1)	(1.8)
WS: Non-Specialised	1.2	1.3	(0.7)	3.1	8.5	11.6
Retail Sales (RS)	43.3	42.6	3.1	(2.7)	12.9	5.0
RS: Non-Specialised Stores	16.0	16.3	4.9	(4.1)	18.0	8.4
RS: Food, Beverages & Tobacco	2.6	2.7	2.8	(1.8)	15.1	10.0
RS: Automotive Fuel	4.0	4.0	2.1	(2.4)	19.6	6.0
RS: Information & Communication Equip	3.9	3.6	(1.5)	1.6	(1.1)	(2.4)
RS: Household Equip	5.5	5.0	1.4	(0.3)	1.5	(1.9)
RS: Cultural & Recreation Goods	2.0	1.9	(0.8)	2.6	(2.1)	(0.8)
RS: Others in Specialised Store	8.6	8.6	3.9	(4.7)	17.4	6.0
RS: Stalls & Markets	0.1	0.1	1.7	(1.5)	13.1	6.0
RS: Not in Stores, Stalls & Markets	0.5	0.4	1.2	(0.8)	8.9	2.5

Source: DOSM; MIDFR

China's retail trade growth still on double-digit. China's retail trade expanded by +12.7%yoy, marking 3-straight months of double-digit pace. We expect the recovery trajectory to stay robust following low inflation pressure environment and improving job market as unemployment rate maintained at 16-month low at 5.2% in

May-23. Moving to Euro Area, domestic retail trade stayed in contractionary form for 8-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 +0.3%mom. The latest monthly gain however disappointed market expectations of +0.4%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%)

	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23
Malaysia	22.8	22.7	21.7	19.2	17.7	12.9	5.0
Indonesia	1.3	0.7	(0.6)	0.6	4.9	1.5	
Singapore	6.9	8.0	(1.1)	12.5	4.4	3.7	1.8
Thailand	4.9	(0.1)	6.5	2.1	0.7	0.3	
Vietnam	17.5	17.1	20.0	13.2	13.4	11.5	11.5
Taiwan	1.8	9.4	4.2	4.6	7.6	7.5	16.6
China	(5.9)	(1.8)	3.5	3.5	10.6	18.4	12.7
Japan	2.5	3.8	5.0	7.3	6.9	5.1	5.7
Euro area	(2.4)	(2.7)	(1.8)	(2.4)	(3.3)	(2.9)	(2.9)
USA	6.1	6.0	7.4	5.3	2.2	1.2	1.6

Source: Macrobond; MIDFR


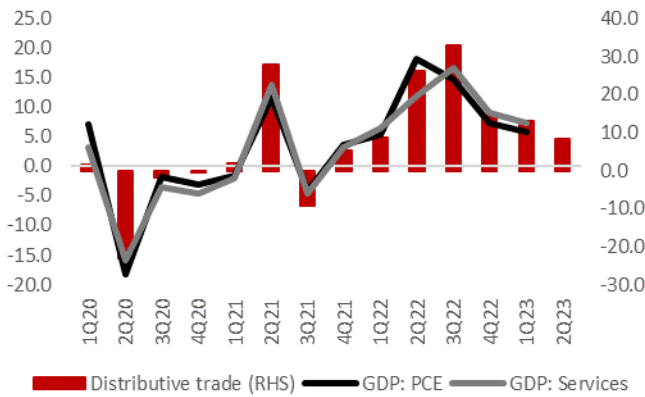
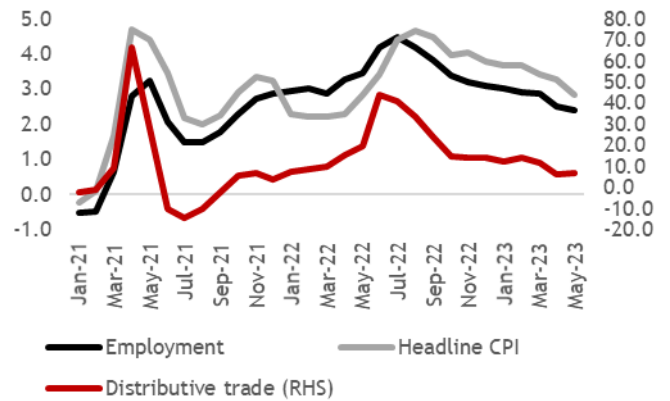
We forecast retail trade to expand by +15.3% in 2023. Malaysia's distributive trade sales increased by double-digit rate +10.2%yoy in 5MCY23. All components particularly sales of motor vehicles and retail trade improved by +14.6%yoy and +15%yoy while wholesale trade inched up by +4.8%yoy. Despite inflation concerns, consumer demand remained robust as reflected in the distributive trade sales performance. Looking ahead, the upbeat momentum of domestic demand to continue in 2023 underpin by resilient labour market, easing inflationary pressure, pick-up in tourism activities and supportive economic policies. We keep our forecast on retail trade growth at +15.3% for 2023 (2022: +23.9%). 

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



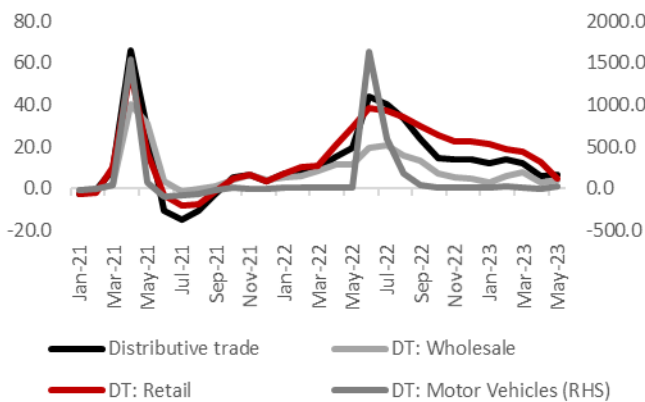
Source: DOSM; MIDFR

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



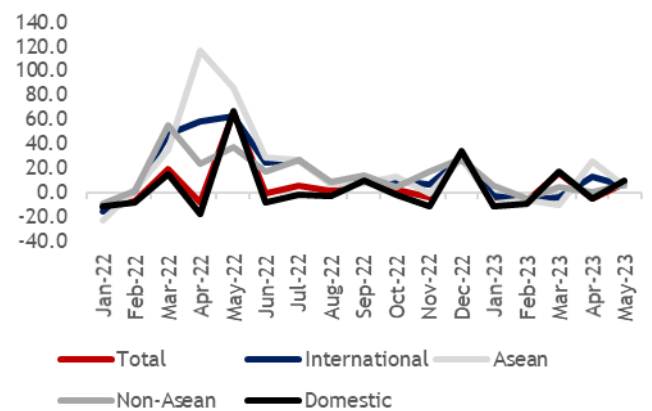
Source: DOSM; MIDFR

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



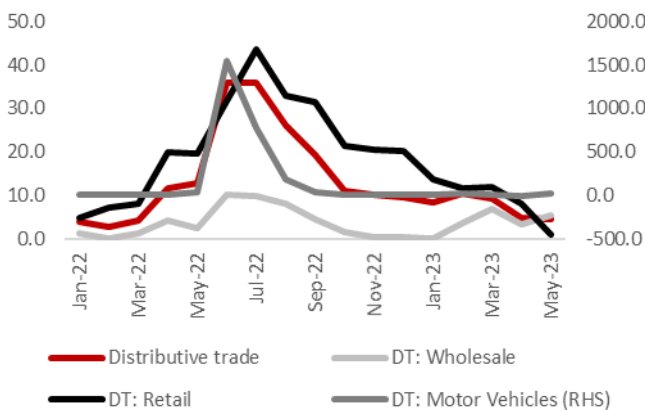
Source: DOSM; MIDFR

Chart 4: Airports Passenger Movements (MoM%)



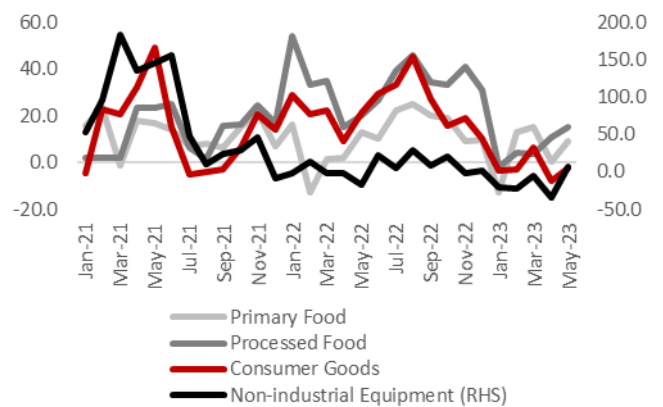
Source: MAHB; MIDFR

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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