

ECONOMIC REVIEW | July 2023 Distributive Trade

Resilient Domestic Trade amid Softening Inflation Pressure and Stable Job Market

- Distributive trade sales growth surged to 4-month high. Malaysia's distributive trade growth posted at +7.2%yoy in Jul-23, the strongest pace since Apr-23. On monthly basis, non-seasonally-adjusted distributive trade increased by +0.9%mom while seasonally-adjusted figure improved by +2.3%mom (Jun-23: -2.2%mom). By component, sales of motor vehicles jumped by +20.5%yoy, wholesale trade growth at 4-month high +5.7%yoy and retail trade expanded steadily by +5.5%yoy.*
- Sanguine tourism and aviation sectors. As of 7MCY23, Malaysia registered 46.2 million airport passenger movements via local airports under MAHB in Jul-23 (7MCY22: 25.1 million). This was 80.2% of Jul-19 passenger data. Domestic passenger movements was at 85.3% of the same period in 2019. As for international passenger movements in Jul-23, it was still recovering at 75.3% 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 maintain our retail trade forecast at +15.3% in 2023. Malaysia's distributive trade sales increased by double-digit rate +8.8%yoy in 7MCY23. All components particularly sales of motor vehicles and retail trade improved by +13.7%yoy and +12.1%yoy while wholesale trade inched up by +4.7%yoy. Consumer demand remained firm and resilient as reflected in the distributive trade sales performance. We keep our forecast on retail trade growth at +15.3% for 2023 (2022: +23.9%).*

Distributive trade sales growth surged to 4-month high. Malaysia's distributive trade growth posted at +7.2%yoy in Jul-23, the strongest pace since Apr-23. On monthly basis, non-seasonally-adjusted distributive trade increased by +0.9%mom while seasonally-adjusted figure improved by +2.3%mom (Jun-23: -2.2%mom). By component, sales of motor vehicles jumped by +20.5%yoy, wholesale trade growth at 4-month high +5.7%yoy and retail trade expanded steadily by +5.5%yoy. As for 7MCY23, distributive trade sales increased by +8.8%yoy (7MCY22: +19.7%yoy) while retail sales improved by +12.1%yoy (7MCY22: +21.6%yoy). Looking ahead, we foresee sanguine domestic outlook for 2HCY23 amid steady labour market, softening inflationary pressure, pick-up in tourism activities and supportive & accommodative economic policies from both fiscal and monetary sides.

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

	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23
Distributive Trade	135.1	133.8	138.5	136.0	138.0	138.5	139.8
YoY%	12.4	14.3	11.9	6.3	6.6	4.3	7.2
MoM%	(1.6)	(1.0)	3.5	(1.8)	1.5	0.3	0.9
Motor Vehicles	15.2	16.5	18.2	14.6	17.0	16.7	17.0
YoY%	20.1	32.3	9.3	(5.1)	22.0	3.4	20.5
MoM%	(13.4)	8.6	10.6	(19.8)	16.2	(1.9)	2.0
Wholesale Trade	60.4	59.1	61.6	60.9	62.2	62.4	63.1

	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23
YoY%	3.1	5.9	7.6	3.2	4.4	3.1	5.7
MoM%	0.1	(2.0)	4.1	(1.1)	2.1	0.3	1.1
Retail Trade	59.6	58.2	58.7	60.5	58.8	59.4	59.7
YoY%	21.7	19.2	17.7	12.9	5.0	5.8	5.5
MoM%	0.2	(2.4)	0.9	3.1	(2.7)	1.0	0.5

Source: DOSM; MIDFR

Note: MoM is non-seasonally adjusted figures

Sanguine tourism and aviation sectors. As of 7MCY23, Malaysia registered 46.2 million airport passenger movements via local airports under MAHB in Jul-23 (7MCY22: 25.1 million). This was 80.2% of Jul-19 passenger data. Domestic passenger movements was at 85.3% of the same period in 2019. As for international passenger movements in Jul-23, it was still recovering at 75.3% 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 7MCY23, domestic travelers, accounted for 52.4% (average 2022: 71.7%) vis-à-vis international destinations at 47.6% (average 2022: 28.3%), whereby 22.2% were non-ASEAN and 25.4% 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	3.2	3.5					
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	72.9	75.3					
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	1.8	1.9					
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	79.8	81.3					
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	1.4	1.6					
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	65.4	69.5					

Source: MAHB, MIDFR

Bigger shares gained by motor vehicles and retail trade. 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 43.2% in 7M CY23. Wholesale trade's share decreased to 44.8% while motor vehicles gained a higher share at 12%. We observed retail trade sales is gaining a bigger share in post-pandemic particularly driven by non-specialised stores at 16.5% (average 2019: 13.4%), specialised stores at 8.8% (average 2019: 8.7%), automotive fuel at 4.0% (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%	
	2019	7M CY23	Jun-23	Jul-23	Jun-23	Jul-23
Motor Vehicles Sales (MVS)	11.4	12.0	(1.9)	2.0	3.4	20.5
MVS: Motor Vehicle	6.1	6.2	(4.7)	3.1	(3.8)	25.9
MVS: Motor Vehicle Maint. & Repair	1.5	1.7	2.3	0.2	20.0	18.3
MVS: Motor Vehicle Parts & Accessories	2.8	3.2	2.0	0.4	18.3	17.3
MVS: Motorcycles Maint. & Repair, Parts & Acc.	0.9	0.8	(3.8)	3.6	(16.6)	2.6
Wholesale Sales (WS)	48.1	44.8	0.3	1.1	3.1	5.7
WS: Fee or Contract Basis	0.9	0.8	1.5	(4.0)	9.2	10.5
WS: Agri Raw Materials & Live Animals	3.8	4.0	(6.6)	5.2	4.7	5.4
WS: Food, Beverages & Tobacco	8.8	8.9	(0.7)	0.4	7.8	8.8
WS: Household Goods	9.3	9.3	0.6	(1.4)	4.8	2.8
WS: Machinery, Equipment & Supplies	4.1	3.6	(0.9)	(2.2)	1.1	3.4
WS: Others Specialised	19.9	16.9	2.7	3.1	(0.8)	5.8
WS: Non-Specialised	1.3	1.3	0.6	(1.4)	11.4	10.3
Retail Sales (RS)	40.5	43.2	1.0	0.5	5.8	5.5
RS: Non-Specialised Stores	13.9	16.5	1.2	(0.3)	10.9	9.0
RS: Food, Beverages & Tobacco	2.3	2.7	1.7	0.3	12.6	12.5
RS: Automotive Fuel	3.4	4.0	1.9	(1.1)	8.5	5.4
RS: Information & Communication Equip	4.1	3.6	(0.8)	1.3	(0.8)	(0.6)
RS: Household Equip	5.4	5.0	(0.5)	1.7	(2.1)	0.2
RS: Cultural & Recreation Goods	2.2	1.9	1.6	0.8	(0.2)	(0.1)
RS: Others in Specialised Store	8.7	8.8	1.4	1.6	2.7	4.6
RS: Stalls & Markets	0.1	0.1	1.3	0.3	5.8	5.7
RS: Not in Stores, Stalls & Markets	0.3	0.4	0.3	(0.4)	2.0	0.6

Source: DOSM; MIDFR

Further slowdown in China's retail trade. China's retail trade grew marginally by +2.5%yoy, the weakest pace since Jan-23. We expect the recovery trajectory to stay in low-positive territory following low inflation pressure environment and effects of stimulus measures. However, job market still weak as unemployment rate rose to 4-month high at 5.3% in Jul-23. The jobless rate remained elevated as compared to pre-pandemic average of 4%. Moving to Euro Area, domestic retail trade stayed in contractionary form for 10-straight months.

Across to the US, American retail spending surpassed market expectations by increasing at +3.2%yoy. On monthly basis, the local trade rebounded by +0.7%mom, outpace market estimates +0.4%mom.

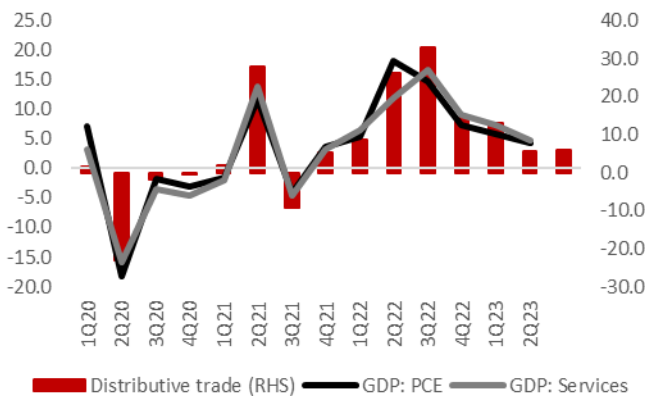
Table 4: Global Retail Sales (YoY%)

	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23
Malaysia	21.7	19.2	17.7	12.9	5.0	5.8	5.5
Indonesia	(0.6)	0.6	4.9	1.5	(4.5)	7.9	n.a.
Singapore	(1.1)	12.5	4.4	3.7	1.7	1.0	1.1
Thailand	6.6	2.1	0.7	0.6	2.9	(1.0)	n.a.
Vietnam	20.0	13.2	13.4	11.5	11.5	6.5	7.1
Taiwan	4.2	4.6	7.6	7.5	17.1	13.9	5.3
China	3.5	3.5	10.6	18.4	12.7	3.1	2.5
Japan	5.0	7.3	6.9	5.1	5.8	5.6	6.8
Euro area	(1.7)	(2.3)	(3.3)	(2.8)	(2.3)	(1.0)	(1.0)
USA	7.4	5.3	2.2	1.3	2.1	1.6	3.2

Source: Macrobond; MIDFR

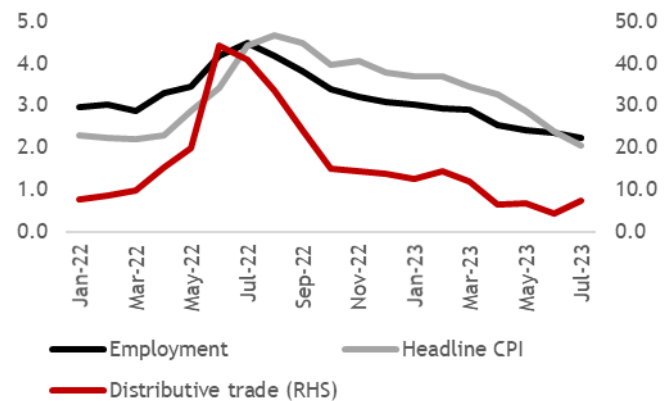
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Chart 1: Distributive Trade Sales, DT vs. GDP (YoY%)



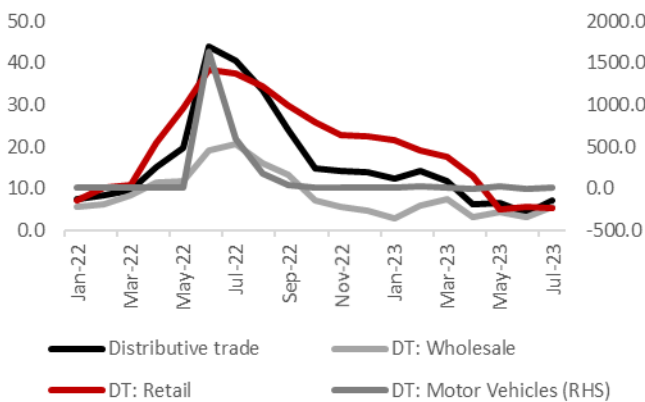
Source: DOSM; MIDFR

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



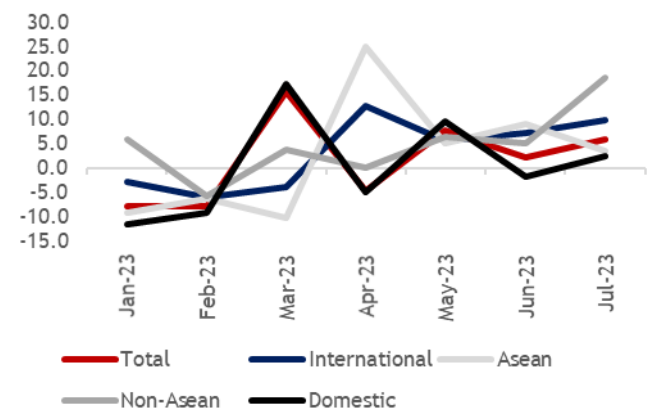
Source: DOSM; MIDFR

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



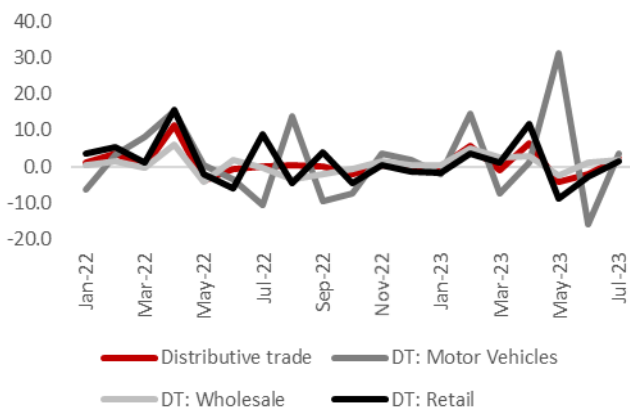
Source: DOSM; MIDFR

Chart 4: Airports Passenger Movements (MoM%)



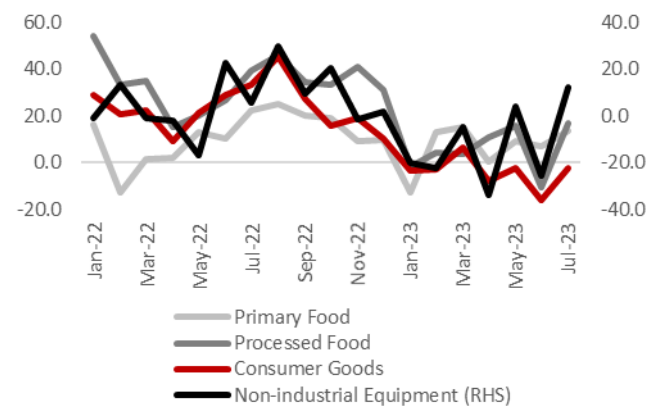
Source: MAHB; MIDFR

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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