

ECONOMIC REVIEW | August 2023 Distributive Trade

Consumer Spending Remained Firm and Solid amid Healthy Job Market Conditions

- Retail trade sales growth improved to 4-month high. Malaysia's retail trade growth posted at +6.7%yoy in Aug-23, the strongest pace since May-23. On month-on-month basis, non-seasonally-adjusted retail trade increased by +1.4%mom. Overall distributive trade sales increased by +6.7%yoy and +2%mom. By component, sales of motor vehicles remained solid grew by +9.7%yoy and wholesale trade growth at 5-month high +6.2%yoy.
- The structure of labour market is among contributing factors towards the higher purchase of motor vehicles. Employee to total employment averaged at 75.5% as of 8MCY23 against below 75% in pre-pandemic levels. Also the ratio of unpaid family workers to employment fell from peak 4.4% in 2016 to 3% so far this year. In addition to that, wage recipient to employment ratio stood at a new peak point 64.6% in 2022 which we opine provide solidify consumer demand especially for long-term commitment items.
- We forecast on retail trade growth at +11.8% for 2023 (2022: +23.9%) and +8.1% for 2024). Malaysia's distributive trade sales increased by double-digit rate +8.5%yoy in 8MCY23. All components particularly sales of motor vehicles and retail trade improved by +13%yoy and +11.3%yoy while wholesale trade inched up by +4.9%yoy. Domestic demand is expected to continue for the remainder of 2HCY23 underpin by resilient labour market, easing inflationary pressure, pick-up in tourism activities and supportive & accommodative economic policies.

Retail trade sales growth improved to 4-month high. Malaysia's retail trade growth posted at +6.7%yoy in Aug-23, the strongest pace since May-23. On month-on-month basis, non-seasonally-adjusted retail trade increased by +1.4%mom. Overall distributive trade sales increased by +6.7%yoy and +2%mom. By component, sales of motor vehicles remained solid grew by +9.7%yoy and wholesale trade growth at 5-month high +6.2%yoy. In terms of seasonally-adjusted volume, distributive trade stayed unchanged while motor vehicles and retail trade up by +3.3%mom and +0.2%mom respectively. The resilient of consumer demand in Malaysia is in tandem with the healthy job market development and softening inflationary pressure. Looking ahead, we foresee sanguine domestic outlook for remainder of 2HCY23 amid further 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)

	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23
Distributive Trade	133.8	138.5	136.0	138.0	138.5	139.7	142.5
YoY%	14.3	11.9	6.3	6.6	4.3	7.1	6.7
MoM%	(1.0)	3.5	(1.8)	1.5	0.3	0.9	2.0
Motor Vehicles	16.5	18.2	14.6	17.0	16.7	16.9	18.1
YoY%	32.3	9.3	(5.1)	22.0	3.4	19.9	9.7
MoM%	8.6	10.6	(19.8)	16.2	(1.9)	1.5	7.1
Wholesale Trade	59.1	61.6	60.9	62.2	62.4	63.1	63.9

	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23
YoY%	5.9	7.6	3.2	4.4	3.1	5.7	6.2
MoM%	(2.0)	4.1	(1.1)	2.1	0.3	1.1	1.2
Retail Trade	58.2	58.7	60.5	58.8	59.4	59.7	60.5
YoY%	19.2	17.7	12.9	5.0	5.8	5.5	6.3
MoM%	(2.4)	0.9	3.1	(2.7)	1.0	0.5	1.4

Source: DOSM; MIDFR

Note: MoM is non-seasonally adjusted figures

Airport passenger recovery rate 80% of 2019-level. As of 8MCY23, Malaysia registered 53.6 million airport passenger movements via local airports under MAHB in Aug-23 (8MCY22: 29.9 million). This was 79.5% of Aug-19 passenger data. Domestic passenger movements was at 82.7% of the same period in 2019. As for international passenger movements in Aug-23, it was still recovering at 76.2% 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 8MCY23, domestic travelers, accounted for 54.5% (average 2022: 71.7%) vis-à-vis international destinations at 44.6% (average 2022: 28.3%), whereby 20.4% were non-ASEAN and 24.2% ASEAN. Moving forward, we expect airport passenger movements to improve further in 2HCY23 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	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	76.2				
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	1.8				
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	80.8				
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	1.7				
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	71.7				

Source: MAHB, MIDFR

More purchases of motor vehicles. 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 motor vehicle's share increased to average 12.1% in 8MCY23. Wholesale trade's share decreased to 44.8% while retail trade gained a higher share at 43.1%. We opine the structure of labour market is among contributing factors towards the higher purchase of motor vehicles. Employee to total employment averaged at 75.5% as of 8MCY23 against below 75% in pre-pandemic levels. Also the ratio of unpaid family workers to employment fell from peak 4.4% in 2016 to 3% so far this year. In addition to that, wage recipient to employment ratio stood at a new peak point 64.6% in 2022 which we opine provide solidify consumer demand especially for long-term commitment items.

Table 3: Distributive Trade's Detailed Components Performance

	Share % Total DT		MoM%		YoY%	
	2019	8MCY23	Jul-23	Aug-23	Jul-23	Aug-23
Motor Vehicles Sales (MVS)	11.4	12.1	1.5	7.1	19.9	9.7
MVS: Motor Vehicle	6.1	6.3	3.1	13.2	25.9	6.2
MVS: Motor Vehicle Maint. & Repair	1.5	1.7	0.2	1.8	18.3	21.6
MVS: Motor Vehicle Parts & Accessories	2.8	3.2	0.4	1.6	17.3	20.7
MVS: Motorcycles Maint. & Repair, Parts & Acc.	0.9	0.8	(3.9)	(6.7)	(4.9)	(17.6)
Wholesale Sales (WS)	48.1	44.8	1.1	1.2	5.7	6.2
WS: Fee or Contract Basis	0.9	0.8	(4.0)	1.0	10.5	10.3
WS: Agri Raw Materials & Live Animals	3.8	4.0	5.2	(0.4)	5.4	7.9
WS: Food, Beverages & Tobacco	8.8	8.9	0.4	0.2	8.8	8.1
WS: Household Goods	9.3	9.3	(1.4)	2.2	2.8	5.4
WS: Machinery, Equipment & Supplies	4.1	3.5	(2.2)	1.1	3.4	1.0
WS: Others Specialised	19.9	17.0	3.1	1.8	5.8	6.2
WS: Non-Specialised	1.3	1.3	(1.4)	(1.3)	10.3	6.3
Retail Sales (RS)	40.5	43.1	0.5	1.4	5.5	6.3
RS: Non-Specialised Stores	13.9	16.5	(0.3)	1.3	9.0	9.2
RS: Food, Beverages & Tobacco	2.3	2.7	0.3	1.0	12.5	13.3
RS: Automotive Fuel	3.4	4.0	(1.1)	2.3	5.4	8.9
RS: Information & Communication Equip	4.1	3.6	1.3	(0.5)	(0.6)	(2.3)
RS: Household Equip	5.4	5.0	1.7	1.4	0.2	1.9
RS: Cultural & Recreation Goods	2.2	1.9	0.8	1.0	(0.1)	0.5
RS: Others in Specialised Store	8.7	8.8	1.6	2.4	4.6	5.7
RS: Stalls & Markets	0.1	0.1	0.3	1.5	5.7	7.1
RS: Not in Stores, Stalls & Markets	0.3	0.4	(0.4)	1.4	0.6	1.3

Source: DOSM; MIDFR

Weak and fragile consumer spending in Europe. Retail trade growth in Euro Area fell sharper than expected at -2.1%yoy in Aug-23, marking 11-consecutive months of contraction. On a month-on-month basis, retail trade was -1.2%mom lower (Jul-23: -0.1%mom), also worse than market consensus of -0.3%mom. Across to the US, American retail spending grew at modest pace of +2.5%yoy. On sequential month basis, the local trade

rebounded by +0.6%mom, outpace market estimates +0.2%mom. China's retail trade improved firmly by +4.6%yoy, the fastest pace since May-23 and higher than market estimates +3%yoy. We expect China's consumer demand to return to upbeat momentum amid stimulus measures positive effects and also supported with low-inflation environment in the country.

Table 4: Global Retail Sales (YoY%)

	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23
Malaysia	19.2	17.7	12.9	5.0	5.8	5.5	6.3
Indonesia	0.6	4.9	1.5	(4.5)	7.9	1.6	1.1
Singapore	12.5	4.4	3.6	1.7	1.1	1.3	4.0
Thailand	2.1	0.7	0.6	3.1	(0.7)	1.0	
Vietnam	13.2	13.4	11.5	11.5	6.5	7.1	7.6
Taiwan	4.6	7.6	7.5	17.1	13.9	5.3	4.3
China	3.5	10.6	18.4	12.7	3.1	2.5	4.6
Japan	7.3	6.9	5.1	5.8	5.6	7.0	7.0
Euro area	(2.3)	(3.3)	(2.8)	(2.3)	(1.0)	(1.0)	(2.1)
USA	5.3	2.2	1.3	2.1	1.5	2.6	2.5

Source: Macrobond; MIDFR


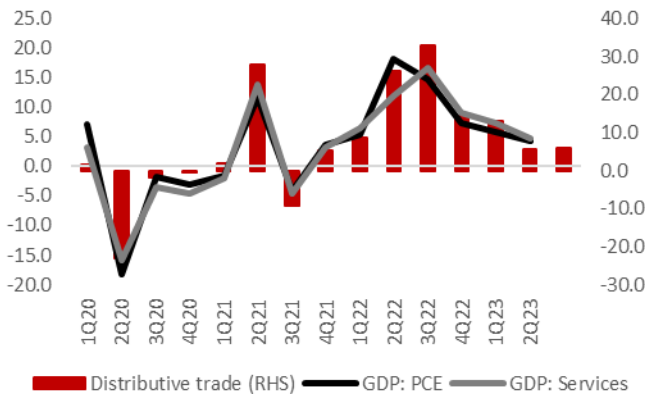
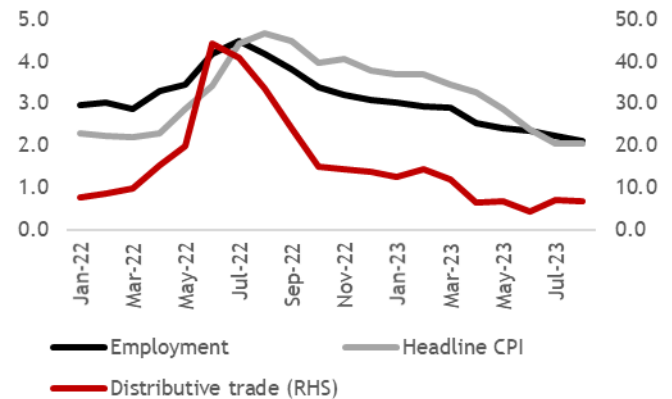
We forecast retail trade to expand by +11.8% in 2023. Malaysia's distributive trade sales increased by double-digit rate +8.5%yoy in 8M CY23. All components particularly sales of motor vehicles and retail trade improved by +13%yoy and +11.3%yoy while wholesale trade inched up by +4.9%yoy. Consumer demand remained firm and resilient as reflected in the distributive trade sales performance. Moving forward, the upbeat momentum of domestic demand is expected to continue for the remainder of 2H CY23 underpin by resilient labour market, easing inflationary pressure, pick-up in tourism activities and supportive & accommodative economic policies. We forecast on retail trade growth at +11.8% for 2023 (2022: +23.9%) and +8.1% for 2024. 

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



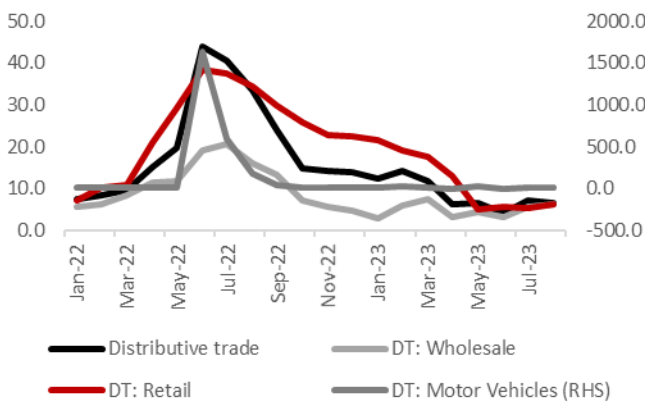
Source: DOSM; MIDFR

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



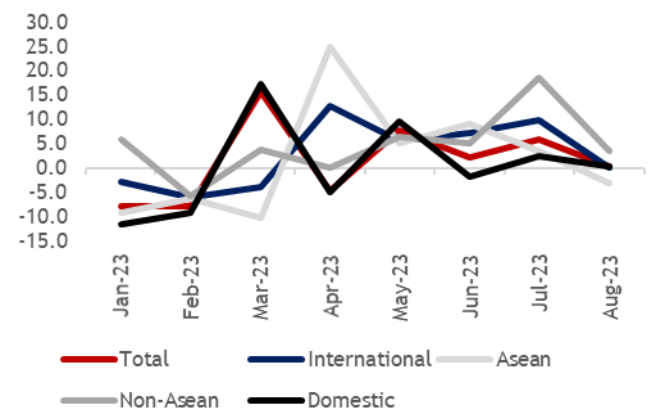
Source: DOSM; MIDFR

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



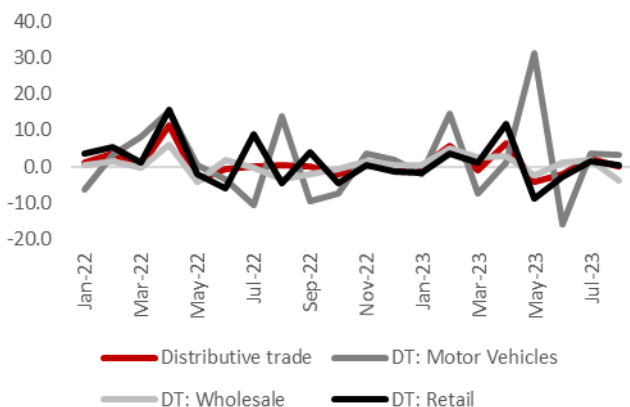
Source: DOSM; MIDFR

Chart 4: Airports Passenger Movements (MoM%)



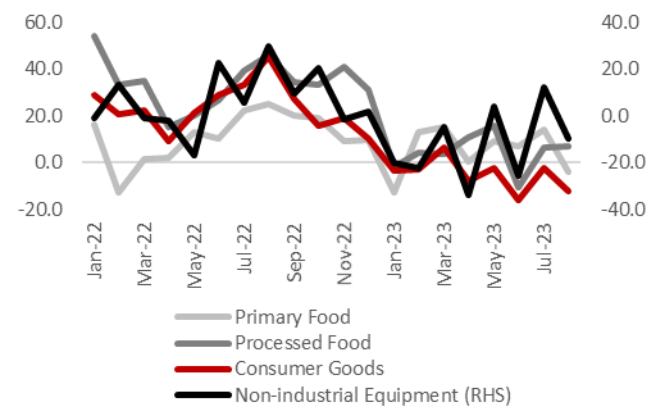
Source: MAHB; MIDFR

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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