

## ECONOMIC REVIEW | September 2023 Distributive Trade

### Distributive Trade Grew Faster by +6.8%yoy, Supporting Better GDP Performance in 3QCY23

- Malaysia's retail trade posted growth of +5.9%yoy in Sep-23, slightly lower than the 4-month high pace recorded in the previous month. On month-on-month basis, non-seasonally-adjusted retail trade still grew, at a pace of +1.4%mom. Overall distributive trade sales increased by +6.5%yoy and +0.1%mom. As for 3QCY23, distributive trade sales expanded by +6.8%yoy (2QCY23: +5.7%yoy) which signal for a slight betterment in Malaysia's GDP performance.
- Airport passenger recovery rate at 83% of 2019-level in Sep-23. As of 9MCY23, Malaysia registered 60.6 million airport passenger movements via local airports under MAHB in Aug-23 (9MCY22: 35.3 million). On Sep-23 passenger movements recorded at 83% of Sep-19 levels. Domestic passenger movements was at 86.7% of the same period in 2019. As for international passenger movements in Sep-23, it was still recovering at 79.3% to pre-pandemic level.
- Moving forward, the upbeat momentum of domestic demand is expected to continue on 4QCY23 onwards 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.

**Steady and sound consumer spending.** Malaysia's retail trade posted growth of +5.9%yoy in Sep-23, slightly lower than the 4-month high pace recorded in the previous month. On month-on-month basis, non-seasonally-adjusted retail trade still grew, at a pace of +1.4%mom. Overall distributive trade sales increased by +6.5%yoy and +0.1%mom. By component, sales of motor vehicles remained solid as it grew by +7%yoy and wholesale trade growth at 6-month high +6.9%yoy. In terms of seasonally-adjusted volume, distributive trade as well as motor vehicles and wholesale trade fell by -0.5%mom, -12.8%mom and -2.3%mom respectively. Retail trade seasonally-adjusted volume which reflects steady consumer spending grew by +1.7%mom. 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 4QCY23 onwards amid better pick-up in tourism activities and supportive & accommodative economic policies from both fiscal and monetary sides. As for 3QCY23, distributive trade sales expanded by +6.8%yoy (2QCY23: +5.7%yoy) which signal for a slight betterment in Malaysia's GDP performance.

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

	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23
<b>Distributive Trade</b>	<b>138.5</b>	<b>136.0</b>	<b>138.0</b>	<b>138.5</b>	<b>139.7</b>	<b>142.5</b>	<b>142.7</b>
YoY%	11.9	6.3	6.6	4.3	7.1	6.7	6.5
MoM%	3.5	(1.8)	1.5	0.3	0.9	2.0	0.1
<b>Motor Vehicles</b>	<b>18.2</b>	<b>14.6</b>	<b>17.0</b>	<b>16.7</b>	<b>16.9</b>	<b>18.1</b>	<b>17.5</b>
YoY%	9.3	(5.1)	22.0	3.4	19.9	9.7	7.0
MoM%	10.6	(19.8)	16.2	(1.9)	1.5	7.1	(3.6)

	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23
<b>Wholesale Trade</b>	<b>61.6</b>	<b>60.9</b>	<b>62.2</b>	<b>62.4</b>	<b>63.1</b>	<b>63.9</b>	<b>64.2</b>
YoY%	7.6	3.2	4.4	3.1	5.7	6.2	6.9
MoM%	4.1	(1.1)	2.1	0.3	1.1	1.2	0.5
<b>Retail Trade</b>	<b>58.7</b>	<b>60.5</b>	<b>58.8</b>	<b>59.4</b>	<b>59.7</b>	<b>60.5</b>	<b>61.1</b>
YoY%	17.7	12.9	5.0	5.8	5.5	6.3	5.9
MoM%	0.9	3.1	(2.7)	1.0	0.5	1.4	0.9

Source: DOSM; MIDFR

Note: MoM is non-seasonally adjusted figures

**Airport passenger recovery rate at 83% of 2019-level in Sep-23.** As of 9MCY23, Malaysia registered 60.6 million airport passenger movements via local airports under MAHB in Aug-23 (9MCY22: 35.3 million). On Sep-23 passenger movements recorded at 83% of Sep-19 levels. Domestic passenger movements was at 86.7% of the same period in 2019. As for international passenger movements in Sep-23, it was still recovering at 79.3% 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 9MCY23, domestic travelers, accounted for 54.3% (average 2022: 71.7%) vis-à-vis international destinations at 44.9% (average 2022: 28.3%), whereby 20.7% were non-ASEAN and 24.2% ASEAN. Moving forward, we expect airport passenger movements to improve further in 4QCY23 especially with year-end holidays. 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	3.0	3.2	3.5	3.5	3.3			
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	79.3			
<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	1.7	1.8	1.9	1.8	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	79.8	81.3	80.8	81.3			
<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	1.3	1.4	1.6	1.7	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	71.7	77.3			

Source: MAHB, MIDFR

**Busier retail trade activities.** In 2019, 40.5% of distributive trade sales was 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 9MCY23. 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 was among the contributing factors towards the higher purchase of motor vehicles. Employee to total employment averaged at 75.5% as of 9MCY23 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	9MCY23	Aug-23	Sep-23	Aug-23	Sep-23
<b>Motor Vehicles Sales (MVS)</b>	<b>11.4</b>	<b>12.1</b>	<b>7.1</b>	<b>(3.6)</b>	<b>9.7</b>	<b>7.0</b>
MVS: Motor Vehicle	6.1	6.4	13.2	(4.9)	6.2	3.8
MVS: Motor Vehicle Maint. & Repair	1.5	1.7	1.8	(1.0)	21.6	18.6
MVS: Motor Vehicle Parts & Accessories	2.8	3.2	1.6	(1.2)	20.7	17.2
MVS: Motorcycles Maint. & Repair, Parts & Acc.	0.9	0.8	(6.7)	(8.6)	(17.6)	(22.5)
<b>Wholesale Sales (WS)</b>	<b>48.1</b>	<b>44.8</b>	<b>1.2</b>	<b>0.5</b>	<b>6.2</b>	<b>6.9</b>
WS: Fee or Contract Basis	0.9	0.8	1.0	(1.3)	10.3	7.3
WS: Agri Raw Meterials & Live Animals	3.8	4.0	(0.4)	3.4	7.9	9.9
WS: Food, Beverages & Tobacco	8.8	8.9	0.2	0.3	8.1	7.7
WS: Household Goods	9.3	9.3	2.2	(0.9)	5.4	4.0
WS: Machinery, Equipment & Supplies	4.1	3.5	1.1	1.7	1.0	1.4
WS: Others Specialised	19.9	17.0	1.8	0.5	6.2	8.6
WS: Non-Specialised	1.3	1.3	(1.3)	0.8	6.3	6.6
<b>Retail Sales (RS)</b>	<b>40.5</b>	<b>43.1</b>	<b>1.4</b>	<b>0.9</b>	<b>6.3</b>	<b>5.9</b>
RS: Non-Specialised Stores	13.9	16.5	1.3	1.0	9.2	8.9
RS: Food, Beverages & Tobacco	2.3	2.7	1.0	0.8	13.3	13.4
RS: Automotive Fuel	3.4	4.0	2.3	(1.8)	8.9	5.5
RS: Information & Communication Equip	4.1	3.6	(0.5)	1.5	(2.3)	(1.5)
RS: Household Equip	5.4	5.0	1.4	0.9	1.9	2.4
RS: Cultural & Recreation Goods	2.2	1.9	1.0	0.5	0.5	0.5
RS: Others in Specialised Store	8.7	8.8	2.4	1.7	5.7	5.5
RS: Stalls & Markets	0.1	0.1	1.5	(1.1)	7.1	5.4
RS: Not in Stores, Stalls & Markets	0.3	0.4	1.4	0.8	1.3	1.2

Source: DOSM; MIDFR


**China's retail sales growth rate at 4-month high.** China's retail trade improved steadily by +5.5%yoy, the fastest pace since May-23 and higher than market estimates +4.9%yoy. This was in tandem with encouraging job market performance as unemployment rate declined to 5% in Sep-23, the lowest since Nov-21. We foresee

China's consumer demand to return to upbeat momentum amid stimulus measures positive effects and also supported with low-inflation environment in the country. Retail trade growth in Euro Area fell further by -2.9%yoy, marking 12-consecutive months of contraction. Across to the US, American retail trade growth rate hit 7-month high at +3.8%yoy. On sequential month basis, the local trade rebounded by +0.7%mom, outpace market estimates +0.3%mom.

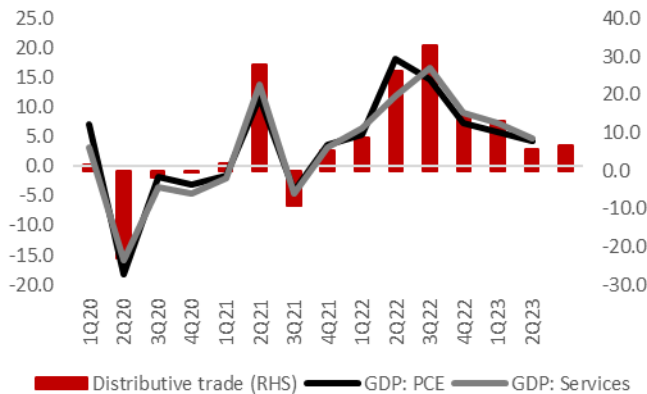
**Table 4: Global Retail Sales (YoY%)**

	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23
Malaysia	17.7	12.9	5.0	5.8	5.5	6.3	5.9
Indonesia	4.9	1.5	(4.5)	7.9	1.6	1.1	
Singapore	4.4	3.6	1.8	1.0	1.3	4.2	0.6
Thailand	1.0	0.8	(0.7)	1.1	(2.2)		
Vietnam	13.4	11.5	11.5	6.5	7.1	7.6	7.5
Taiwan	7.6	7.5	17.1	13.9	5.3	4.3	6.0
China	10.6	18.4	12.7	3.1	2.5	4.6	5.5
Japan	6.9	5.1	5.8	5.6	7.0	7.0	5.8
Euro area	(3.3)	(2.8)	(2.1)	(0.8)	(0.8)	(1.8)	(2.9)
USA	2.2	1.3	2.1	1.5	2.8	2.9	3.8

Source: Macrobond; MIDFR

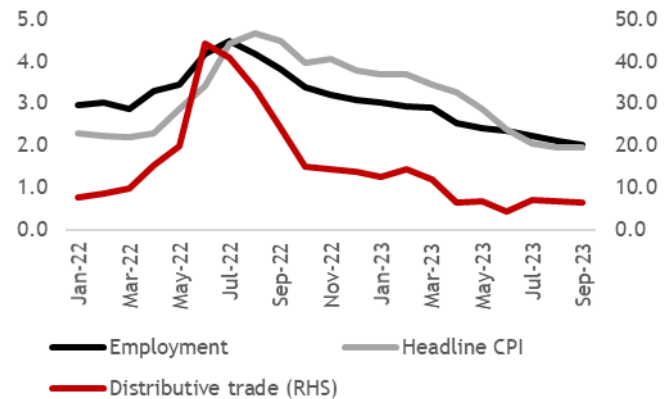
**We predict retail trade to expand by +11.8% in 2023.** As of 9MCY23, Malaysia's distributive trade sales increased by +8.3%yoy. All components particularly sales of motor vehicles and retail trade improved by +12.3%yoy and +10.7%yoy while wholesale trade inched up by +5.1%yoy. Consumer demand remained firm and resilient as reflected in the distributive trade sales performance. Moving forward, the upbeat momentum of domestic demand is expected to continue on 4QCY23 onwards 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%)**



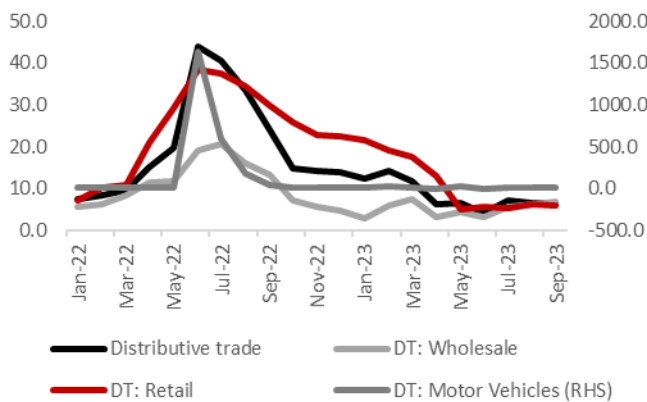
Source: DOSM; MIDFR

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



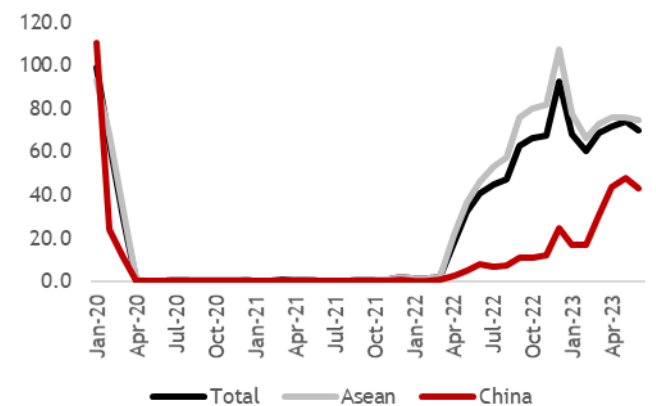
Source: DOSM; MIDFR

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



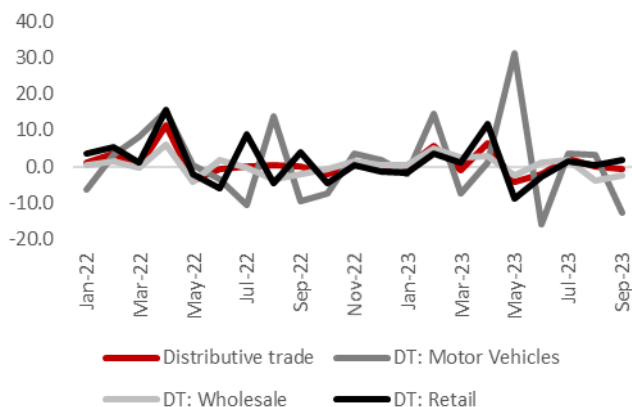
Source: DOSM; MIDFR

**Chart 4: Tourist Arrivals vs. 2019 levels (%)**



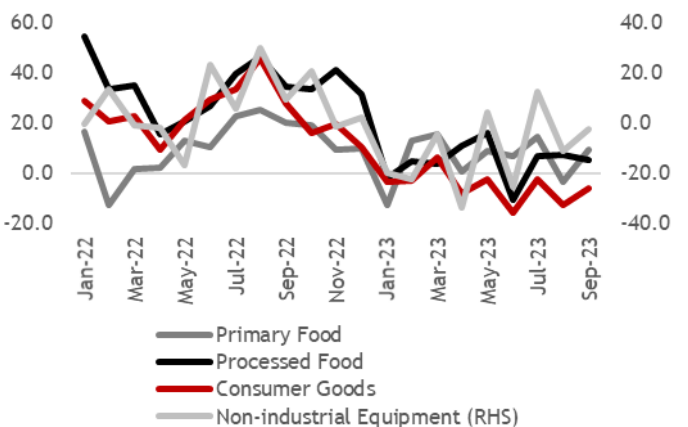
Source: TOURISM MALAYSIA; MIDFR

**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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