

ECONOMIC REVIEW | October 2023 Distributive Trade

Slight Moderation in Retail Sales yet Consumer Demand Fundamentals Remain Intact

- Retail trade growth rate almost at 2-year low. Malaysia's retail trade posted growth of +3.9%yoy in Oct-23, the slowest expansion rate since Jan-22. On month-on-month basis, non-seasonally-adjusted retail trade fell by -0.8%. Overall distributive trade sales increased by +6.5%yoy but declined by -0.3%mom.
- International airport passenger recovery rate flirting 80.0% of 2019-level. As of 10MCY23, Malaysia registered 67.4 million airport passenger movements via local airports under MAHB in Oct-23 (10MCY22: 40.7 million). On Oct-23 overall passenger movements recorded at 79.6% of Oct-19 levels. Domestic passenger movements was at 80.3% of the same period in 2019. As for international passenger movements, it was still recovering at 78.8% to pre-pandemic level.
- We forecast retail trade to expand by +11.1% in 2023. 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 +11.1% for 2023 (2022: +23.9%) and +7.5% for 2024.

Retail trade growth rate almost at 2-year low. Malaysia's retail trade posted growth of +3.9%yoy in Oct-23, the slowest expansion rate since Jan-22. On month-on-month basis, non-seasonally-adjusted retail trade fell by -0.8%. Overall distributive trade sales increased by +6.5%yoy but declined by -0.3%mom. By component, sales of motor vehicles increased strongly by +19.1%yoy and wholesale trade rose by +5.7%yoy. In terms of seasonally-adjusted volume, distributive trade as well as retail trade and wholesale trade fell by -2.2%mom, -1.8%mom and -1.8%mom respectively. Even though on a moderating trend, Malaysia's consumer demand remained resilient, 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.

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

| | Apr-23 | May-23 | Jun-23 | Jul-23 | Aug-23 | Sep-23 | Oct-23 |
|---------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Distributive Trade | 136.0 | 138.0 | 138.5 | 139.7 | 142.5 | 142.7 | 142.3 |
| YoY% | 6.3 | 6.6 | 4.3 | 7.1 | 6.7 | 6.5 | 6.5 |
| MoM% | (1.8) | 1.5 | 0.3 | 0.9 | 2.0 | 0.1 | (0.3) |
| Motor Vehicles | 14.6 | 17.0 | 16.7 | 16.9 | 18.1 | 17.5 | 18.4 |
| YoY% | (5.1) | 22.0 | 3.4 | 19.9 | 9.7 | 7.0 | 19.1 |
| MoM% | (19.8) | 16.2 | (1.9) | 1.5 | 7.1 | (3.6) | 5.2 |
| Wholesale Trade | 60.9 | 62.2 | 62.4 | 63.1 | 63.9 | 64.2 | 63.3 |
| YoY% | 3.2 | 4.4 | 3.1 | 5.7 | 6.2 | 6.9 | 5.7 |
| MoM% | (1.1) | 2.1 | 0.3 | 1.1 | 1.2 | 0.5 | (1.4) |
| Retail Trade | 60.5 | 58.8 | 59.4 | 59.7 | 60.5 | 61.1 | 60.6 |
| YoY% | 12.9 | 5.0 | 5.8 | 5.5 | 6.3 | 5.9 | 3.9 |
| MoM% | 3.1 | (2.7) | 1.0 | 0.5 | 1.4 | 0.9 | (0.8) |

Source: DOSM; MIDFR

Note: MoM is non-seasonally adjusted figures

International airport passenger recovery rate flirting 80.0% of 2019-level. As of 10MCY23, Malaysia registered 67.4 million airport passenger movements via local airports under MAHB in Oct-23 (10MCY22: 40.7 million). On Oct-23 overall passenger movements recorded at 79.6% of Oct-19 levels. Domestic passenger movements was at 80.3% of the same period in 2019. As for international passenger movements, it was still recovering at 78.8% 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 10MCY23, domestic travelers, accounted for 53.9% (average 2022: 71.7%) vis-à-vis international destinations at 45.4% (average 2022: 28.3%), whereby 21.0% were non-ASEAN and 24.4% 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 |
| 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 | 3.3 | 3.4 | | |
| 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 | 78.8 | | |
| 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 | 1.7 | 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 | 81.3 | 81.5 | | |
| 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 | 1.6 | 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 | 76.2 | | |

Source: MAHB, MIDFR

Steady retail trade sector. 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 12.2% in 10MCY23. Wholesale trade’s share decreased to 44.8% while retail trade gained a higher share at 43.0%. 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 10MCY23 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 | 10MCY23 | Sep-23 | Oct-23 | Sep-23 | Oct-23 |
| Motor Vehicles Sales (MVS) | 11.4 | 12.2 | (3.6) | 5.2 | 7.0 | 19.1 |
| MVS: Motor Vehicle | 6.1 | 6.4 | (4.9) | 8.6 | 3.8 | 24.6 |
| MVS: Motor Vehicle Maint. & Repair | 1.5 | 1.7 | (1.0) | 0.5 | 18.6 | 17.7 |
| MVS: Motor Vehicle Parts & Accessories | 2.8 | 3.2 | (1.2) | 0.4 | 17.2 | 16.1 |
| MVS: Motorcycles Maint. & Repair, Parts & Acc. | 0.9 | 0.8 | (8.6) | 7.0 | (22.5) | (8.0) |
| Wholesale Sales (WS) | 48.1 | 44.8 | 0.5 | (1.4) | 6.9 | 5.7 |
| WS: Fee or Contract Basis | 0.9 | 0.8 | (1.3) | 1.2 | 7.3 | 4.2 |
| WS: Agri Raw Materials & Live Animals | 3.8 | 4.0 | 3.4 | (3.5) | 9.9 | 8.9 |
| WS: Food, Beverages & Tobacco | 8.8 | 8.8 | 0.3 | (2.5) | 7.7 | 3.3 |
| WS: Household Goods | 9.3 | 9.3 | (0.9) | 3.2 | 4.0 | 4.7 |
| WS: Machinery, Equipment & Supplies | 4.1 | 3.5 | 1.7 | (1.2) | 1.4 | 3.4 |
| WS: Others Specialised | 19.9 | 17.0 | 0.5 | (2.8) | 8.6 | 7.5 |
| WS: Non-Specialised | 1.3 | 1.3 | 0.8 | (1.3) | 6.6 | 5.7 |
| Retail Sales (RS) | 40.5 | 43.0 | 0.9 | (0.8) | 5.9 | 3.9 |
| RS: Non-Specialised Stores | 13.9 | 16.4 | 1.0 | (1.2) | 8.9 | 6.1 |
| RS: Food, Beverages & Tobacco | 2.3 | 2.7 | 0.8 | (1.3) | 13.4 | 10.8 |
| RS: Automotive Fuel | 3.4 | 4.0 | (1.8) | 0.5 | 5.5 | 4.8 |
| RS: Information & Communication Equip | 4.1 | 3.6 | 1.5 | (1.4) | (1.5) | (2.2) |
| RS: Household Equip | 5.4 | 5.0 | 0.9 | 0.4 | 2.4 | 2.0 |
| RS: Cultural & Recreation Goods | 2.2 | 1.9 | 0.5 | 0.6 | 0.5 | 1.5 |
| RS: Others in Specialised Store | 8.7 | 8.8 | 1.7 | (1.1) | 5.5 | 2.2 |
| RS: Stalls & Markets | 0.1 | 0.1 | (1.1) | 0.2 | 5.4 | 5.2 |
| RS: Not in Stores, Stalls & Markets | 0.3 | 0.4 | 0.8 | (0.7) | 1.2 | 0.2 |

Source: DOSM; MIDFR

China's retail sales growth rate surged to 5-month high. China's retail trade expanded steadily by +7.6%yoy, the fastest pace since May-23 and higher than market estimates +7.0%yoy. This was in tandem with encouraging job market performance as unemployment rate maintained at 5.0% in Oct-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 -1.2%yoy, marking 13-consecutive months of contraction. Across to the US, American retail trade growth rate moderated to 4-month low at +2.5%yoy. On sequential month basis, the local trade declined by -0.1%mom which ended 6-straight months of expansion.

Table 4: Global Retail Sales (YoY%)

| | Apr-23 | May-23 | Jun-23 | Jul-23 | Aug-23 | Sep-23 | Oct-23 |
|-----------|--------|--------|--------|--------|--------|--------|--------|
| Malaysia | 12.9 | 5.0 | 5.8 | 5.5 | 6.3 | 5.9 | 3.9 |
| Indonesia | 1.5 | (4.5) | 7.9 | 1.5 | 1.1 | 1.5 | |
| Singapore | 3.6 | 1.7 | 1.1 | 1.5 | 4.4 | 0.8 | (0.1) |
| Thailand | 0.8 | 3.1 | (0.7) | 1.2 | (1.9) | 3.2 | |
| Vietnam | 11.5 | 11.5 | 6.5 | 7.1 | 7.6 | 7.5 | 7.0 |
| Taiwan | 7.5 | 17.1 | 13.9 | 5.3 | 4.3 | 6.9 | 5.1 |
| China | 18.4 | 12.7 | 3.1 | 2.5 | 4.6 | 5.5 | 7.6 |
| Japan | 5.1 | 5.8 | 5.6 | 7.0 | 7.0 | 6.2 | 4.2 |
| Euro area | (2.8) | (2.1) | (0.8) | (0.8) | (1.8) | (2.9) | (1.2) |
| USA | 1.3 | 2.1 | 1.5 | 2.8 | 2.8 | 4.1 | 2.5 |

Source: Macrobond; MIDFR


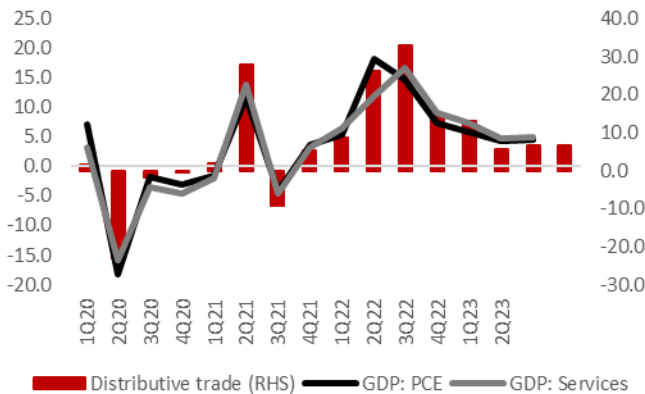
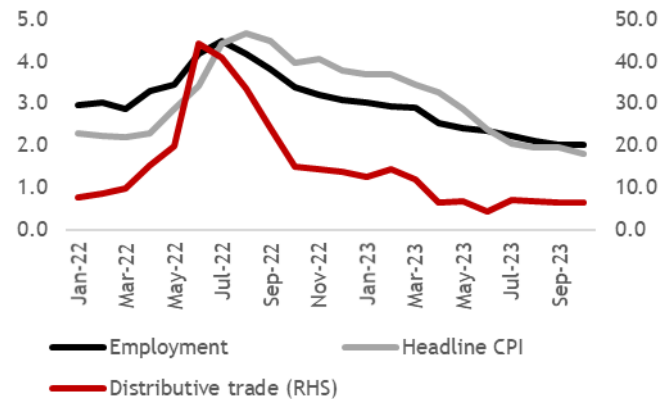
We forecast retail trade to expand by +11.1% in 2023. As of 10MCY23, Malaysia's distributive trade sales increased by +8.1%yoy. All components particularly sales of motor vehicles and retail trade improved by +13.0%yoy and +10.0%yoy while wholesale trade inched up by +5.2%yoy. Consumer demand remained 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 +11.1% for 2023 (2022: +23.9%) and +7.5% for 2024. 

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



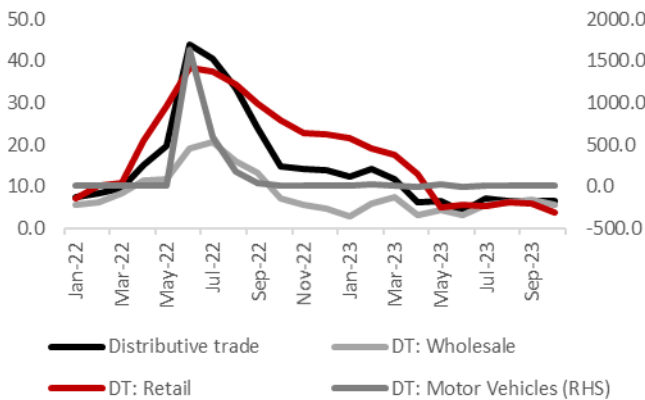
Source: DOSM; MIDFR

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



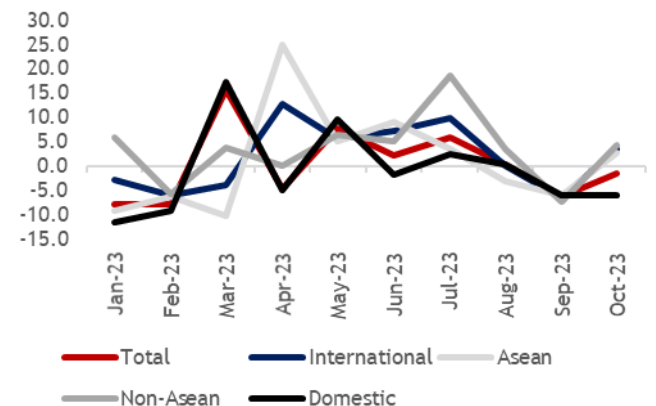
Source: DOSM; MIDFR

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



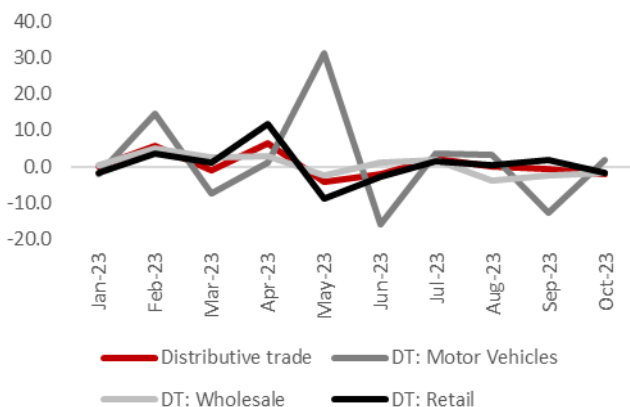
Source: DOSM; MIDFR

Chart 4: Airport Passenger Movements (MoM%)



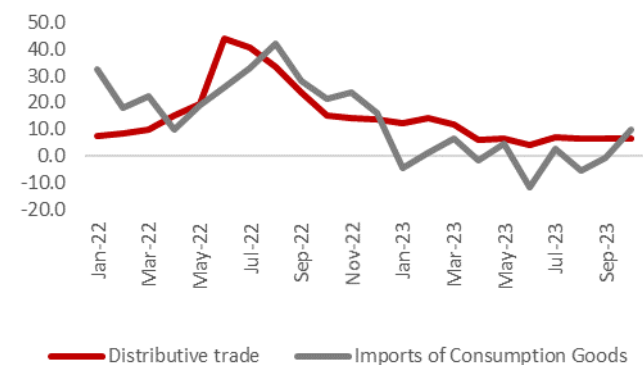
Source: MAHB; MIDFR

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



Source: DOSM; MIDFR

Chart 6: Distributive Trade vs. Imports of Consumption Goods (YoY%)



Source: DOSM; MIDFR

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