

## ECONOMIC REVIEW | November 2023 Distributive Trade

### Resilient Consumer Demand amid Strong Labour Market & Softening Inflation Pressure

- Malaysia's distributive trade posted growth of +6.2%yoy in Nov-23, the slowest expansion rate since Jul-23. On month-on-month basis, non-seasonally-adjusted distributive trade inched up by +0.2%. By component, sales of motor vehicles continued its strong momentum growing by +12.7%yoy, wholesale trade rose by +6.2%yoy and retail sales improved by +4.4%yoy.
- International airport passenger recovery rate steady around 80.0% of 2019-level. As of 11MCY23, Malaysia registered 74.0 million airport passenger movements via local airports under MAHB in Nov-23 (11MCY22: 45.9 million). On Nov-23 overall passenger movements recorded at 76.5% of Nov-19 levels. Domestic passenger movements was at 75.3% of the same period in 2019. As for international passenger movements, it was still recovering at 77.7% to pre-pandemic level.
- We forecast retail trade to expand by +7.5% in 2024. As of 11MCY23, Malaysia's distributive trade sales increased by +7.9%yoy. All components particularly sales of motor vehicles and retail trade improved by +13.0%yoy and +9.4%yoy while wholesale trade inched up by +5.3%yoy. Moving forward, the upbeat momentum of domestic demand is expected to continue in 2024 underpin by resilient labour market, stable inflationary pressure, pick-up in tourism activities and supportive & accommodative economic policies.

**Steady domestic trade.** Malaysia's distributive trade posted growth of +6.2%yoy in Nov-23, the slowest expansion rate since Jul-23. On month-on-month basis, non-seasonally-adjusted distributive trade inched up by +0.2%. By component, sales of motor vehicles continued its strong momentum growing by +12.7%yoy, wholesale trade rose by +6.2%yoy and retail sales improved by +4.4%yoy. In terms of seasonally-adjusted volume, distributive trade as well as retail trade and motor vehicle increased by +4.7%yoy, +1.0%yoy and +10.6%yoy respectively. The resilient of Malaysia's consumer demand is in tandem with the healthy job market development and softening inflationary pressure. Latest unemployment rate hit a new post-pandemic low of 3.30% in Nov-23 (Jan-20: 3.23%). Looking ahead, we foresee sanguine domestic outlook for 4QCY23 and 2024 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)**

	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23
<b>Distributive Trade</b>	<b>138.0</b>	<b>138.5</b>	<b>139.7</b>	<b>142.5</b>	<b>142.7</b>	<b>142.3</b>	<b>142.6</b>
YoY%	6.6	4.3	7.1	6.7	6.5	6.5	6.2
MoM%	1.5	0.3	0.9	2.0	0.1	(0.3)	0.2
<b>Motor Vehicles</b>	<b>17.0</b>	<b>16.7</b>	<b>16.9</b>	<b>18.1</b>	<b>17.5</b>	<b>18.4</b>	<b>18.1</b>
YoY%	22.0	3.4	19.9	9.7	7.0	19.1	12.7
MoM%	16.2	(1.9)	1.5	7.1	(3.6)	5.2	(1.6)
<b>Wholesale Trade</b>	<b>62.2</b>	<b>62.4</b>	<b>63.1</b>	<b>63.9</b>	<b>64.2</b>	<b>63.3</b>	<b>63.2</b>
YoY%	4.4	3.1	5.7	6.2	6.9	5.7	6.2

	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23
MoM%	2.1	0.3	1.1	1.2	0.5	(1.4)	(0.2)
<b>Retail Trade</b>	<b>58.8</b>	<b>59.4</b>	<b>59.7</b>	<b>60.5</b>	<b>61.1</b>	<b>60.6</b>	<b>61.3</b>
YoY%	5.0	5.8	5.5	6.3	5.9	3.9	4.4
MoM%	(2.7)	1.0	0.5	1.4	0.9	(0.8)	1.2

Source: DOSM; MIDFR

Note: MoM are non-seasonally adjusted figures

**International airport passenger recovery rate steady around 80.0% of 2019-level.** As of 11MCY23, Malaysia registered 74.0 million airport passenger movements via local airports under MAHB in Nov-23 (11MCY22: 45.9 million). On Nov-23 overall passenger movements recorded at 76.5% of Nov-19 levels. Domestic passenger movements was at 75.3% of the same period in 2019. As for international passenger movements, it was still recovering at 77.7% 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 11MCY23, domestic travelers, accounted for 53.4% (average 2022: 71.7%) vis-à-vis international destinations at 46.0% (average 2022: 28.3%), whereby 21.3% were non-ASEAN and 24.6% ASEAN. Moving forward, we expect airport passenger movements to improve further in Dec-23 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	3.4	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	77.7	
<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	1.8	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	81.6	
<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	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	73.8	

Source: MAHB, MIDFR

**Better purchasing power lead to steadier retail trade.** 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 11MCY23. Wholesale trade's share decreased to 44.7% 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 11MCY23 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	11MCY23	Oct-23	Nov-23	Oct-23	Nov-23
<b>Motor Vehicles Sales (MVS)</b>	<b>11.4</b>	<b>12.2</b>	<b>5.2</b>	<b>(1.6)</b>	<b>19.1</b>	<b>12.7</b>
MVS: Motor Vehicle	6.1	6.5	8.6	(2.8)	24.6	13.5
MVS: Motor Vehicle Maint. & Repair	1.5	1.7	0.5	0.3	17.7	16.3
MVS: Motor Vehicle Parts & Accessories	2.8	3.2	0.4	0.2	16.1	14.5
MVS: Motorcycles Maint. & Repair, Parts & Acc.	0.9	0.8	7.0	(3.2)	(8.0)	(8.1)
<b>Wholesale Sales (WS)</b>	<b>48.1</b>	<b>44.7</b>	<b>(1.4)</b>	<b>(0.2)</b>	<b>5.7</b>	<b>6.2</b>
WS: Fee or Contract Basis	0.9	0.8	1.2	3.5	4.2	4.1
WS: Agri Raw Meterials & Live Animals	3.8	4.0	(3.5)	(1.1)	8.9	9.5
WS: Food, Beverages & Tobacco	8.8	8.8	(2.5)	2.9	3.3	2.3
WS: Household Goods	9.3	9.3	3.2	(1.5)	4.7	5.2
WS: Machinery, Equipment & Supplies	4.1	3.5	(1.2)	0.2	3.4	2.6
WS: Others Specialised	19.9	17.0	(2.8)	(1.1)	7.5	9.3
WS: Non-Specialised	1.3	1.3	(1.3)	1.4	5.7	3.3
<b>Retail Sales (RS)</b>	<b>40.5</b>	<b>43.0</b>	<b>(0.8)</b>	<b>1.2</b>	<b>3.9</b>	<b>4.4</b>
RS: Non-Specialised Stores	13.9	16.4	(1.2)	2.0	6.1	6.5
RS: Food, Beverages & Tobacco	2.3	2.7	(1.3)	1.4	10.8	10.3
RS: Automotive Fuel	3.4	4.0	0.5	(0.5)	4.8	2.9
RS: Information & Communication Equip	4.1	3.6	(1.4)	(1.5)	(2.2)	(2.7)
RS: Household Equip	5.4	5.0	0.4	1.0	2.0	3.7
RS: Cultural & Recreation Goods	2.2	1.9	0.6	(0.5)	1.5	1.6
RS: Others in Specialised Store	8.7	8.8	(1.1)	1.9	2.2	3.7
RS: Stalls & Markets	0.1	0.1	0.2	1.1	5.2	5.8
RS: Not in Stores, Stalls & Markets	0.3	0.4	(0.7)	0.9	0.2	0.7

Source: DOSM; MIDFR

**China's consumer demand firming.** China's retail trade expanded steadily by +10.1%yoy, the fastest pace since May-23 but lower than market estimates +12.5%yoy. This was in tandem with encouraging job market performance as unemployment rate maintained at 5.0% in Nov-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 -1.1%yoy, marking 14-consecutive months of contraction. Across to the US, American retail trade growth rate surged to 9-month high at +4.1%yoy. On sequential month basis, the local trade increased by +0.3%mom (market estimates: -0.1%mom). The tight labour market and moderating inflationary pressure are key supporting factors lifting the domestic spending in the US.

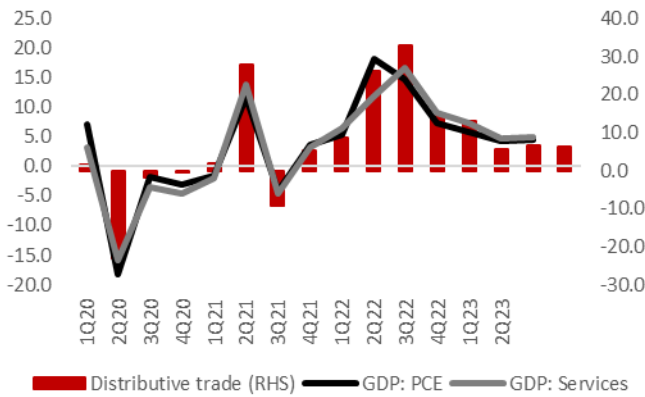
**Table 4: Global Retail Sales (YoY%)**

	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23
Malaysia	5.0	5.8	5.5	6.3	5.9	3.9	4.4
Indonesia	(4.5)	7.9	1.5	1.1	1.5	2.4	2.1
Singapore	1.7	1.0	1.4	4.3	0.8	(0.1)	2.5
Thailand	3.1	(0.6)	0.5	(2.7)	2.8	17.1	
Vietnam	11.5	6.5	7.1	7.6	7.5	7.0	10.1
Taiwan	17.1	13.9	5.3	4.3	6.9	5.1	7.3
China	12.7	3.1	2.5	4.6	5.5	7.6	10.1
Japan	5.8	5.6	7.0	7.0	6.2	4.1	5.3
Euro area	(2.1)	(0.8)	(0.8)	(1.8)	(2.9)	(0.8)	(1.1)
USA	2.1	1.5	2.8	2.8	4.0	2.2	4.1

Source: Macrobond; MIDFR

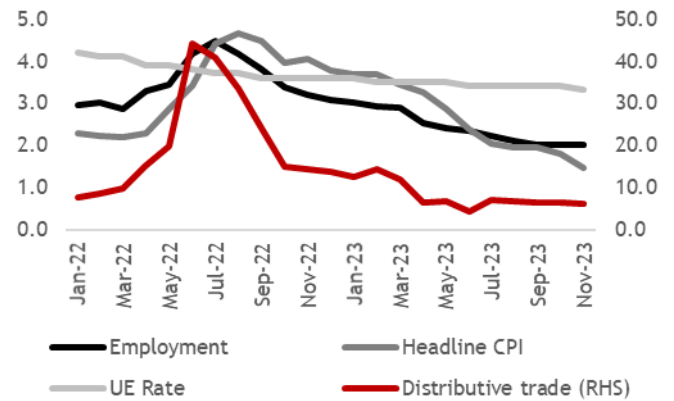
**We forecast retail trade to expand by +7.5% in 2024.** As of 11MCY23, Malaysia's distributive trade sales increased by +7.9%yoy. All components particularly sales of motor vehicles and retail trade improved by +13.0%yoy and +9.4%yoy while wholesale trade inched up by +5.3%yoy. Consumer demand remained firm and resilient as reflected in the distributive trade sales performance. Moving forward, the upbeat momentum of domestic demand is expected to continue in 2024 underpin by resilient labour market, stable inflationary pressure, pick-up in tourism activities and supportive & accommodative economic policies. 

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



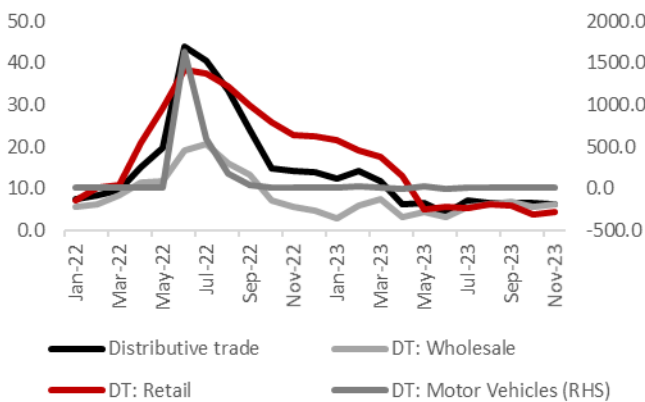
Source: DOSM; MIDFR

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



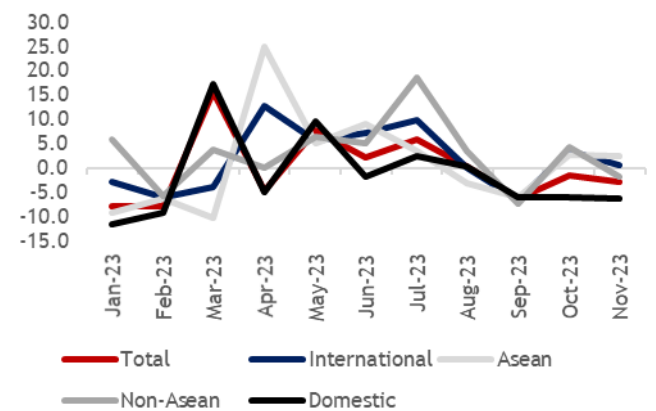
Source: DOSM; MIDFR

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



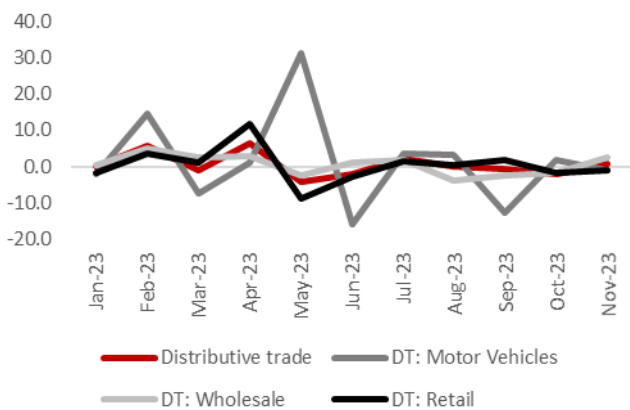
Source: DOSM; MIDFR

**Chart 4: Airport Passenger Movements (MoM%)**



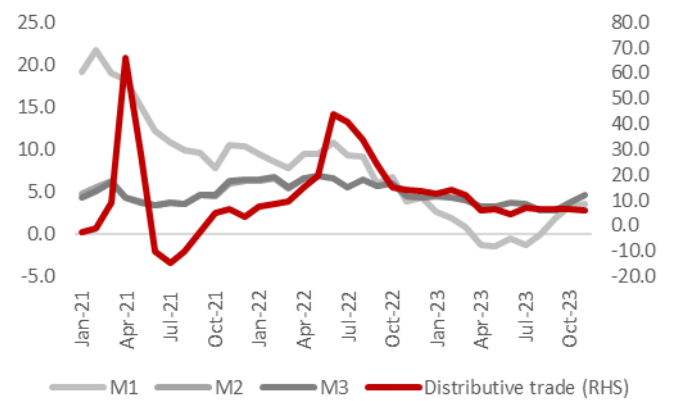
Source: MAHB; MIDFR

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



Source: DOSM; MIDFR

**Chart 6: Distributive Trade vs. Money Supply (YoY%)**



Source: DOSM; MIDFR

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