

ECONOMIC REVIEW | December 2023 Distributive Trade

Retail Trade Growth Forecasted at +7.5% for 2024 amid Stable Job Market & Better Tourism Activities

- *Distributive trade sales increased by +7.7% in 2023. After recorded double-digit expansion rate in 2022, Malaysia's distributive trade posted growth of +7.7% in the following year. Sales of motor vehicles still on double-digit rate of +12.3% (2022: +47.6%) while wholesale and retail trade rose by +5.2% (2022: +10.7%) and +9.0% (2022: +23.9%) respectively.*
- *International passenger contributed 47.0% of total passenger movements in 2023. In 2019, 50.7% of Malaysia's airports passenger traffic was contributed by international travels, 25.0% by ASEAN and 25.7% by non-ASEAN destinations. For 2023, domestic travellers accounted for 53.0% (2019: 49.4%) vis-à-vis international destinations at 47.0% whereby 21.7% were non-ASEAN and 25.3% ASEAN.*
- *We foresee retail trade to expand by +7.5% in 2024. the upbeat momentum of domestic demand is expected to continue in 2024 underpinned by resilient labour market, stable income growth, pick-up in tourism activities and supportive & accommodative economic policies. However, upward inflation pressure may affect consumer demand depending on the potential effects of targeted-subsidy approaches and fluctuations in the global commodity prices.*

Distributive trade sales increased by +7.7% in 2023. After recorded double-digit expansion rate in 2022, Malaysia's distributive trade posted growth of +7.7% in the following year. Sales of motor vehicles still on double-digit rate of +12.3% (2022: +47.6%) while wholesale and retail trade rose by +5.2% (2022: +10.7%) and +9.0% (2022: +23.9%) respectively. In the final month of 2023, overall domestic trade rose steadily by +4.8%yoy which was supported by growth in all three components. However, distributive trade as well as retail trade and motor vehicle declined by -1.4%mom, -0.5%mom and -4.6%mom, respectively, in terms of seasonally-adjusted volume. The resilience of Malaysia's consumer demand is in tandem with the healthy job market 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 2024 amid better stable income growth, 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)

	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	2023
Distributive Trade	138.5	139.7	142.5	142.7	142.3	142.6	143.9	1,673.6
YoY%	4.3	7.1	6.7	6.5	6.5	6.2	4.8	7.7
MoM%	0.3	0.9	2.0	0.1	(0.3)	0.2	1.0	-
Motor Vehicles	16.7	16.9	18.1	17.5	18.4	18.1	18.6	205.7
YoY%	3.4	19.9	9.7	7.0	19.1	12.7	5.9	12.3
MoM%	(1.9)	1.5	7.1	(3.6)	5.2	(1.6)	2.7	-
Wholesale Trade	62.4	63.1	63.9	64.2	63.3	63.2	62.9	747.1
YoY%	3.1	5.7	6.2	6.9	5.7	6.2	4.4	5.2

MoM%	0.3	1.1	1.2	0.5	(1.4)	(0.2)	(0.4)	-
Retail Trade	59.4	59.7	60.5	61.1	60.6	61.3	62.4	720.8
YoY%	5.8	5.5	6.3	5.9	3.9	4.4	5.0	9.0
MoM%	1.0	0.5	1.4	0.9	(0.8)	1.2	1.8	-

Source: DOSM; MIDFR

Note: MoM are non-seasonally adjusted figures

International passenger contributed 47.0% of total passenger movements in 2023. In 2019, 50.7% of Malaysia's airports passenger traffic was contributed by international travels, 25.0% by ASEAN and 25.7% by non-ASEAN destinations. For 2023, domestic travellers accounted for 53.0% (2019: 49.4%) vis-à-vis international destinations at 47.0% whereby 21.7% were non-ASEAN and 25.3% ASEAN. Malaysia registered 81.8 million airport passenger movements via local airports under MAHB last year (2022: 52.7 million). In Dec-23, overall passenger movements recorded at 77.7% of Dec-19 levels. Domestic passenger movements was at 76.9% of the same period in 2019. As for international passenger movements, it was still recovering at 78.3% of pre-pandemic level. Moving forward, we expect airport passenger movements to improve further and reaching 2019 level by 2HCY24.

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	3.0	2.8	3.0	3.2	3.5	3.5	3.3	3.4	3.4	4.0
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	66.2	63.7	73.9	72.9	75.3	76.2	79.3	78.8	77.7	78.3
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	1.6	1.6	1.7	1.8	1.9	1.8	1.7	1.8	1.8	2.1
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	72.7	71.4	82.1	79.8	81.3	80.8	81.3	81.5	81.6	83.6
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	1.3	1.2	1.3	1.4	1.6	1.7	1.6	1.6	1.6	1.9
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	59.5	56.0	65.6	65.4	69.5	71.7	77.3	76.2	73.8	73.4

Source: MAHB, MIDFR

Motor vehicles and retail trade shares at highest ever recorded. 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 surged to a new high of 12.3% in 2023. Wholesale trade's share decreased to 44.6% while

retail trade gained a new peak 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 11MCY23 against below 75% in pre-pandemic levels. Moreover, the ratio of unpaid family workers to employment fell from peak of 4.4% in 2016 to 3% so far in 2023. In addition to that, wage recipient to employment ratio stood at a new peak point 64.6% in 2022 which we opine provides solid consumer demand, especially for long-term commitment items.

Table 3: Distributive Trade's Detailed Components Performance

	Share % Total DT		MoM%		YoY%	
	2019	2023	Nov-23	Dec-23	Nov-23	Dec-23
Motor Vehicles Sales (MVS)	11.4	12.3	(1.6)	2.7	12.7	5.9
MVS: Motor Vehicle	6.1	6.6	(2.8)	4.7	13.5	4.4
MVS: Motor Vehicle Maint. & Repair	1.5	1.7	0.3	0.9	16.3	12.3
MVS: Motor Vehicle Parts & Accessories	2.8	3.2	0.2	0.7	14.5	10.9
MVS: Motorcycles Maint. & Repair, Parts & Acc.	0.9	0.8	(3.2)	(3.5)	(8.1)	(13.7)
Wholesale Sales (WS)	48.1	44.6	(0.2)	(0.4)	6.2	4.4
WS: Fee or Contract Basis	0.9	0.8	3.5	(0.3)	4.1	0.4
WS: Agri Raw Materials & Live Animals	3.8	4.0	(1.1)	3.2	9.5	5.4
WS: Food, Beverages & Tobacco	8.8	8.8	2.9	0.3	2.3	1.4
WS: Household Goods	9.3	9.3	(1.5)	(1.7)	5.2	5.3
WS: Machinery, Equipment & Supplies	4.1	3.5	0.2	1.2	2.6	1.1
WS: Others Specialised	19.9	17.0	(1.1)	(1.2)	9.3	6.2
WS: Non-Specialised	1.3	1.3	1.4	(1.3)	3.3	2.1
Retail Sales (RS)	40.5	43.1	1.2	1.8	4.4	5.0
RS: Non-Specialised Stores	13.9	16.4	2.0	1.8	6.5	6.3
RS: Food, Beverages & Tobacco	2.3	2.7	1.4	1.9	10.3	9.9
RS: Automotive Fuel	3.4	4.0	(0.5)	1.1	2.9	2.4
RS: Information & Communication Equip	4.1	3.6	(1.5)	0.7	(2.7)	(2.3)
RS: Household Equip	5.4	5.1	1.0	1.3	3.7	5.9
RS: Cultural & Recreation Goods	2.2	1.9	(0.5)	1.0	1.6	2.5
RS: Others in Specialised Store	8.7	8.9	1.9	3.2	3.7	5.8
RS: Stalls & Markets	0.1	0.1	1.1	1.5	5.8	6.6
RS: Not in Stores, Stalls & Markets	0.3	0.4	0.9	1.2	0.7	1.1

Source: DOSM; MIDFR

American retail trade surged to 11-month high. The US retail trade growth rate surged to 11-month high at +5.6%yoy in the final month of 2023 (market estimates: +4.0%). On sequential monthly basis, the local trade edged up by +0.6%mom (market estimates: +0.4%mom). The robust consumer demand is in tandem with the resilient & strong job market and softening inflationary pressure. Jobless rate remained at 3.7% which reflects a full-employment condition and non-farm payrolls surged to 1-year high at +353K in Jan-24 (market estimates: +180K). On the flip side, retail trade growth in Euro Area fell further by -0.8%yoy, marking 15 consecutive months of contraction. Across the globe, China's retail trade expanded steadily by +7.4%yoy, albeit lower than

market consensus of +8.0%yoy. We foresee China's consumer demand to return to upbeat momentum amid positive effects from stimulus measures and also supported by low inflation environment in the country.

Table 4: Global Retail Sales (YoY%)

	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
Malaysia	5.8	5.5	6.3	5.9	3.9	4.4	5.0
Indonesia	7.9	1.5	1.1	1.5	2.4	2.1	
Singapore	1.0	1.4	4.3	0.8	(0.1)	2.4	(0.4)
Thailand	(0.6)	0.5	(2.7)	2.8	17.2	11.0	
Vietnam	6.5	7.1	7.6	7.5	7.0	10.1	9.3
Taiwan	13.9	5.3	4.3	6.9	5.1	7.3	1.1
China	3.1	2.5	4.6	5.5	7.6	10.1	7.4
Japan	5.6	7.0	7.0	6.2	4.1	5.4	2.1
Euro area	(0.8)	(0.8)	(1.7)	(2.8)	(0.8)	(0.4)	(0.8)
USA	1.5	2.8	2.8	4.0	2.2	4.0	5.6

Source: Macrobond; MIDFR


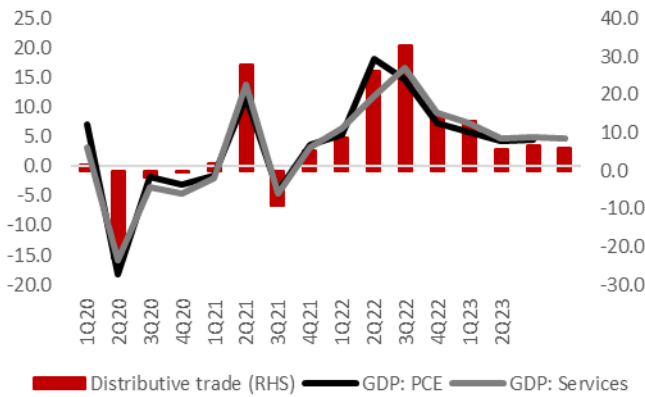
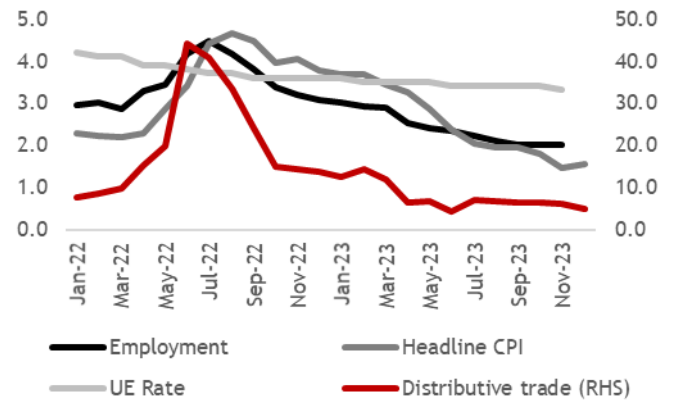
We foresee retail trade to expand by +7.5% in 2024. In 2023, Malaysia's distributive trade sales increased by +7.7%. All components particularly sales of motor vehicles and retail trade improved by +12.3% and +9.0% while wholesale trade inched up by +5.2%. Consumer demand remained firm and resilient as reflected in the distributive trade sales performance. Moving forward, the upbeat momentum of domestic demand is expected to continue in 2024 underpinned by resilient labour market, stable income growth, pick-up in tourism activities and supportive & accommodative economic policies. However, upward inflation pressure may affect consumer demand depending on the potential effects of targeted-subsidy approaches and fluctuations in the global commodity prices. 

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



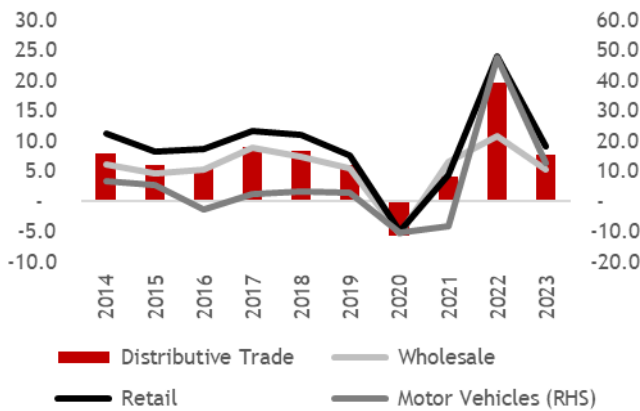
Source: DOSM; MIDFR

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



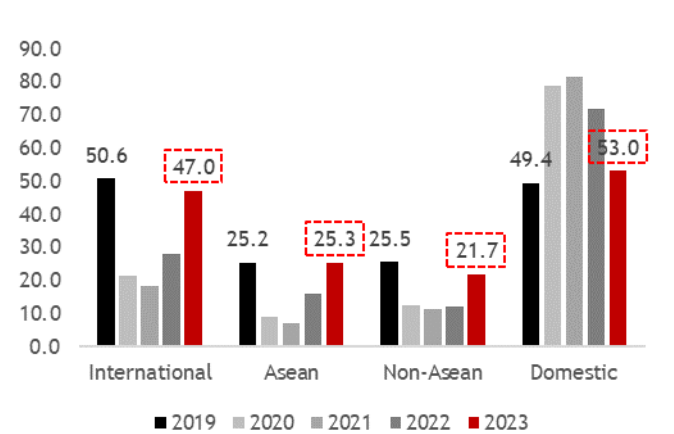
Source: DOSM; MIDFR

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



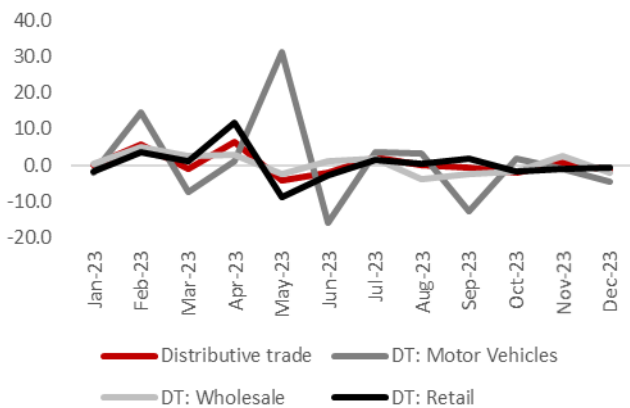
Source: DOSM; MIDFR

Chart 4: Airport Passenger Movements (% of Total Passenger Movements)



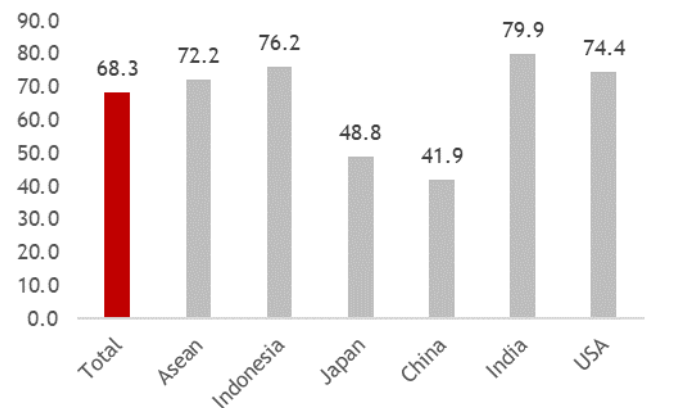
Source: MAHB; MIDFR

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



Source: DOSM; MIDFR

Chart 6: Tourist Arrival by Key Country & Region at 11MCY23 (% of 2019-level)



Source: TOURISM MALAYSIA; MIDFR

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