

**ECONOMIC REVIEW | April 2024 Distributive Trade****Steady Domestic Sales Despite Concerning Consumer Sentiment & Inflation Expectations**

- *Retail trade growth surged to 8-month high. Malaysia's consumer demand remained steady as overall domestic trade expanded by +6.6%yoy in Apr-24, the fastest pace since Sep-23. Among the upside factors were motor vehicle sales which jumped by +18.1%yoy, the highest rate in 6-month. Sales of retail and wholesale trade rose by +5.5%yoy and +4.8%yoy respectively.*
- *Sanguine airport passenger recovery. As of 4MCY24, total recovery rate of airport passenger movements under MAHB was 86.0% of 2019-level (2023: 77.8%). Domestic passenger recovery rate stood at 82.8% (2023: 83.2%) while international at 89.0% (2023: 72.4%). By region, ASEAN passengers arriving to Malaysia's airports was 7.9 million, 91.8% of pre-pandemic level (2023: 78.2%), while non-ASEAN was 7.7 million, 86.3% (2023: 66.6%).*
- *We downgrade retail trade forecast from +7.5% to +5.0% in 2024. As of 4MCY24, Malaysia's distributive trade sales increased by +5.7% (2023: +7.7%). The components include sales of motor vehicles and retail trade improved by +10.2% (2023: +12.3%) and +5.2% (2023: +9.0%) while wholesale trade rose by +4.9% (2023: +5.2%).*

**Retail trade growth surged to 8-month high.** Malaysia's consumer demand remained steady as overall domestic trade expanded by +6.6%yoy in Apr-24, the fastest pace since Sep-23. Among the upside factors were motor vehicle sales which jumped by +18.1%yoy, the highest rate in 6-month. Sales of retail and wholesale trade rose by +5.5%yoy and +4.8%yoy respectively. In terms of seasonally adjusted volume, distributive trade expanded by +5.5%mom (2-year high) while motor vehicles and retail trade improved by +21.5%mom and +3.8%mom respectively. Stable job market and low inflationary pressure were fundamental reasons supporting the resilient domestic demand. Looking ahead, we foresee consumer demand to stay on expansionary mode amid positive real wage growth, better pick-up in tourism activities and supportive & accommodative economic policies. However, there remain downside risks to the demand especially high inflation expectations and pessimistic consumer sentiment.

**Weaker consumer sentiment.** Despite of low inflationary pressure and stable job market, MIER's Consumer Sentiment Index turned lower to 87.0 points in 1QCY24 (4QCY23: 89.0). The sentiment trend among others reflects consumers still concern on inflation expectations and personal income prospects. According to Grips Intelligence, average daily e-commerce transaction value in Malaysia dropped by -63.3%yoy to USD48.2K in 5MCY24. As comparison, the average transactions value was USD104.5K in 2019 and USD112.6K in 2023. By volume, average daily e-commerce transaction volume dropped by -54.3%yoy to 281 units in 5MCY24 (2019: 520 units, 2023: 569 units). We opine the higher SST rate on selected items, upside adjustment of utility tariffs and targeted-subsidy measures may possibly exert further downward pressures on consumer sentiment and spending in the near term.

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

	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24
<b>Distributive Trade</b>	<b>142.3</b>	<b>142.6</b>	<b>143.9</b>	<b>142.4</b>	<b>141.1</b>	<b>145.7</b>	<b>144.9</b>
YoY%	6.5	6.2	4.8	5.4	5.5	5.2	6.6
MoM%	(0.3)	0.2	1.0	(1.1)	(0.9)	3.3	(0.6)
<b>Motor Vehicles</b>	<b>18.4</b>	<b>18.1</b>	<b>18.6</b>	<b>17.6</b>	<b>17.4</b>	<b>18.8</b>	<b>17.3</b>
YoY%	19.1	12.7	5.9	16.0	5.4	3.2	18.1
MoM%	5.2	(1.6)	2.7	(5.1)	(1.4)	8.3	(8.2)
<b>Wholesale Trade</b>	<b>63.3</b>	<b>63.2</b>	<b>62.9</b>	<b>63.7</b>	<b>62.2</b>	<b>64.1</b>	<b>63.8</b>
YoY%	5.7	6.2	4.4	5.5	5.2	4.0	4.8
MoM%	(1.4)	(0.2)	(0.4)	1.2	(2.3)	3.0	(0.4)
<b>Retail Trade</b>	<b>60.6</b>	<b>61.3</b>	<b>62.4</b>	<b>61.1</b>	<b>61.5</b>	<b>62.8</b>	<b>63.8</b>
YoY%	3.9	4.4	5.0	2.6	5.8	7.1	5.5
MoM%	(0.8)	1.2	1.8	(2.1)	0.7	2.1	1.5

Source: DOSM; MIDFR

Note: MoM are non-seasonally adjusted figures

**Sanguine airport passenger recovery.** As of 4MCY24, total recovery rate of airport passenger movements under MAHB was 86.0% of 2019-level (2023: 77.8%). Domestic passenger recovery rate stood at 82.8% (2023: 83.2%) while international at 89.0% (2023: 72.4%). By region, ASEAN passengers arriving to Malaysia's airports was 7.9 million, 91.8% of pre-pandemic level (2023: 78.2%), while non-ASEAN was 7.7 million, 86.3% (2023: 66.6%). Looking ahead, we foresee better pick-up in foreign tourist arrivals underpin by 30-day visa-free entry for China and India travellers. This 30-day visa-free entry which valid until end of 2024 also applicable to Middle Eastern countries, Türkiye and Jordan.

**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
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
2024	3.8	4.0	3.8	3.9								
CY23 % of CY19	62.6	62.4	66.2	63.7	73.9	72.9	75.3	76.2	79.3	78.8	77.7	78.3
CY24 % of CY19	86.0	96.7	85.8	88.1								
<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
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
2024	1.9	2.0	1.9	2.0								
CY23 % of CY19	71.1	69.6	72.7	71.4	82.1	79.8	81.3	80.8	81.3	81.5	81.6	83.6
CY24 % of CY19	90.4	100.1	86.3	91.1								
<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
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

Monthly International Passenger Movements, Million												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2024	1.9	2.0	1.9	1.9								
CY23 % of CY19	54.8	55.5	59.5	56.0	65.6	65.4	69.5	71.7	77.3	76.2	73.8	73.4
CY24 % of CY19	82.0	93.4	85.3	85.0								

Source: MAHB, MIDFR

**Retail trade still recording positive monthly gains.** For 3-consecutive months, retail trade registered positive month-on-month growth rates. The biggest jump was Automotive Fuel +2.9%mom which was attributed by Eid al-Fitr celebration. In terms of year-on-year, the Automotive Fuel jumped at 7-month high of +4.9%yoy. We should expect persistent pick-up in this sub-segment of retail trade following price hike for Diesel, potential hike for RON95 and steady pick-up in tourism activities. We believe 2QCY24 distributive trade performances to stay solid amid low inflationary pressure and stable job market. For 3QCY24 onwards, we postulate that the momentum may lose steam due to higher inflation expectations and pessimistic consumer sentiment.

**Table 3: Distributive Trade's Detailed Components Performance**

	Share % Total DT		MoM%		YoY%	
	2019	4M24	Mar-24	Apr-24	Mar-24	Apr-24
<b>Motor Vehicles Sales (MVS)</b>	<b>11.4</b>	<b>12.4</b>	<b>8.3</b>	<b>(8.2)</b>	<b>3.2</b>	<b>18.1</b>
MVS: Motor Vehicle	6.1	6.4	12.8	(13.4)	(2.8)	26.5
MVS: Motor Vehicle Maint. & Repair	1.5	1.8	2.3	1.3	14.4	13.1
MVS: Motor Vehicle Parts & Accessories	2.8	3.4	2.0	0.4	13.8	11.8
MVS: Motorcycles Maint. & Repair, Parts & Acc.	0.9	0.8	14.2	(21.2)	(4.7)	(0.2)
<b>Wholesale Sales (WS)</b>	<b>48.1</b>	<b>44.2</b>	<b>3.0</b>	<b>(0.4)</b>	<b>4.0</b>	<b>4.8</b>
WS: Fee or Contract Basis	0.9	0.8	(0.1)	3.8	2.0	3.2
WS: Agri Raw Materials & Live Animals	3.8	3.9	3.8	1.9	3.2	6.7
WS: Food, Beverages & Tobacco	8.8	9.0	4.4	(1.0)	5.4	6.6
WS: Household Goods	9.3	9.2	3.3	(0.9)	3.5	4.4
WS: Machinery, Equipment & Supplies	4.1	3.4	5.9	(0.5)	1.4	2.6
WS: Others Specialised	19.9	16.7	1.5	(0.6)	4.5	4.2
WS: Non-Specialised	1.3	1.2	3.5	1.5	2.5	4.7
<b>Retail Sales (RS)</b>	<b>40.5</b>	<b>43.4</b>	<b>2.1</b>	<b>1.5</b>	<b>7.1</b>	<b>5.5</b>
RS: Non-Specialised Stores	13.9	16.7	2.6	1.8	8.4	5.2
RS: Food, Beverages & Tobacco	2.3	2.7	1.7	1.5	8.6	7.2
RS: Automotive Fuel	3.4	4.0	1.8	2.9	4.0	4.9
RS: Information & Communication Equip	4.1	3.4	1.5	0.7	(1.8)	0.4
RS: Household Equip	5.4	5.0	1.7	1.3	4.8	4.7
RS: Cultural & Recreation Goods	2.2	1.9	2.0	(2.1)	6.3	5.0
RS: Others in Specialised Store	8.7	9.2	1.8	1.6	10.9	8.4
RS: Stalls & Markets	0.1	0.1	1.1	2.5	3.2	4.0
RS: Not in Stores, Stalls & Markets	0.3	0.4	5.4	1.3	6.3	6.4

Source: DOSM; MIDFR


**Growing consumer spending in the US but at softer pace.** The US retail sales increased by +3.0%yoy in Apr-24, lower than the 3-month high recorded in the previous month. Against the previous month, retail sales

were unchanged (market estimates: +0.4%mom). Excluding auto sales, the retail trade inched up by +0.2%mom which in line with market consensus. The consumer spending in the US is expected to stay at steady pace as the ISM Services PMI recorded at 9-month high figure of 53.8 (market expectations: 50.8). Also, the American S&P Global Services PMI was confirmed at 54.8, the highest in a year. We opine the optimism in the services sector mainly attributed by moderation in inflationary pressure and potential interest rate cuts in 2HCY24. On the flip side, retail trade growth in Euro Area was muted, signalling moderation of domestic demand in the region. Across the globe, China's retail sales rose modestly by +2.3%yoy. The latest retail trade growth rate was the slowest in 15-month and missed market expectations of +3.8%yoy. However, we foresee China's consumer demand to stay improve steadily in the near term as Caixin Services PMI surged to 54.0 in May-24, the highest point since Jul-23.

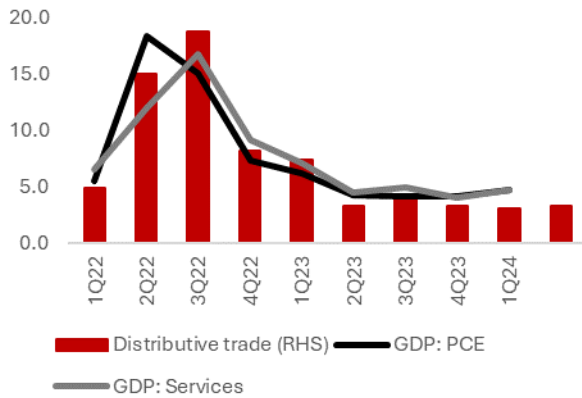
**Table 4: Global Retail Sales (YoY%)**

	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24
Malaysia	3.9	4.4	5.0	2.6	5.8	7.1	5.5
Indonesia	2.4	2.2	0.2	1.1	6.4	9.3	
Singapore	(0.4)	2.0	(0.5)	1.6	8.6	2.8	(1.2)
Thailand	17.6	11.5	13.6	10.9	3.9	(3.7)	
Vietnam	7.0	10.1	9.3	8.1	8.5	9.2	9.0
Taiwan	4.6	6.6	0.5	1.7	8.5	1.9	1.6
China	7.6	10.1	7.4	5.5	5.5	3.1	2.3
Japan	4.1	5.4	2.4	2.1	4.7	1.1	2.4
Euro Area	(1.2)	(0.6)	(0.5)	(0.7)	(0.3)	0.7	0.0
USA	2.7	4.0	5.5	0.3	2.1	3.8	3.0

Source: Macrobond; MIDFR

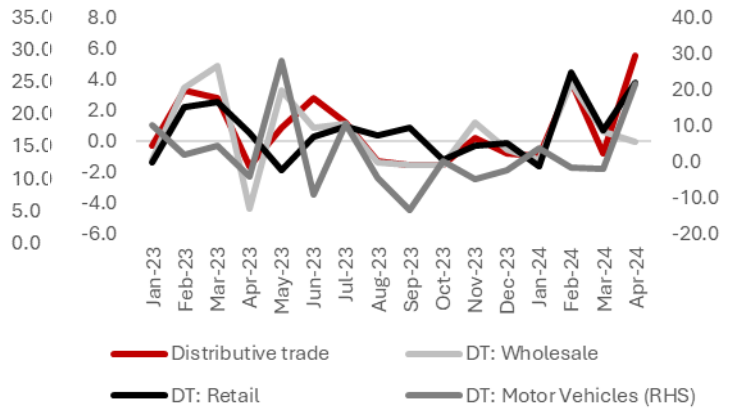
**We downgrade retail trade forecast from +7.5% to +5.0% in 2024.** As of 4MCY24, Malaysia's distributive trade sales increased by +5.7% (2023: +7.7%). The components include sales of motor vehicles and retail trade improved by +10.2% (2023: +12.3%) and +5.2% (2023: +9.0%) while wholesale trade rose by +4.9% (2023: +5.2%). Moving forward, steady momentum of domestic demand is expected to continue in 2024 underpinned by resilient labour market, positive real wage growth, better pick-up in tourism activities and supportive & accommodative economic policies. However, we opine 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%)**



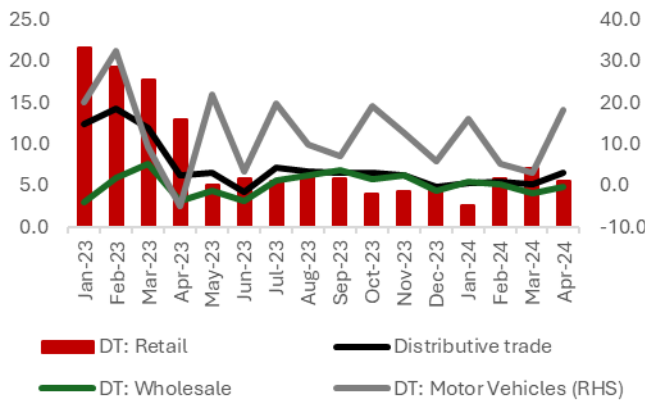
Source: DOSM; MIDFR

**Chart 2: Distributive Trade Volume by Component (MoM%)**



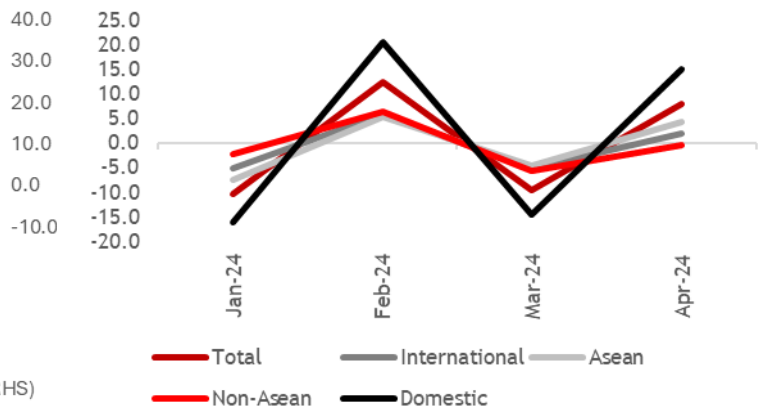
Source: CEIC; MIDFR

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



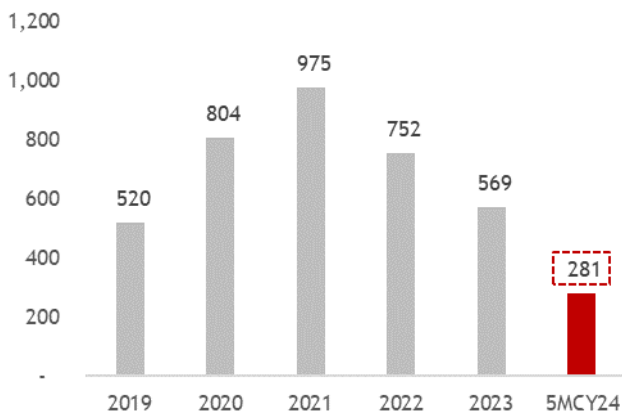
Source: DOSM; MIDFR

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



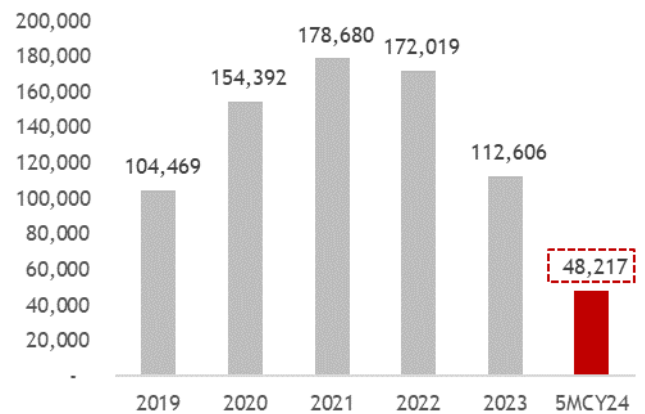
Source: MAHB; MIDFR

**Chart 5: Daily Average E-Commerce Transactions (Volume, Unit)**



Source: CEIC; MIDFR

**Chart 6: Daily Average E-Commerce Transactions (Value, USD)**



Source: CEIC; MIDFR

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