

ECONOMIC REVIEW | February 2024 Distributive Trade**Holidays & Cash Bonuses Among Catalysts for the Improving Distributive Trade Sales**

- *Distributive trade growth improved to 3-month high. Malaysia's consumer demand remained steady as overall domestic trade expanded by +5.5%yoy in Feb-24, the fastest pace since Dec-23. Lunar New Year celebration, school holidays and cash bonus to civil servants were among the upside factors contributing to 5-month high retail trade growth at +5.8%yoy. Sales of motor vehicles and wholesale trade rose by +5.4%yoy and +5.25%yoy respectively.*
- *International passenger recovery rate just above 80.0%. In Feb-24, foreign passenger movements recorded at 81.2% of Feb-19 levels amid Lunar New Year celebration. Due to the long holiday, domestic passenger movement jumped by +20.4%mom. The domestic passenger was the only upside factor for the airport movements in Feb-24.*
- *We keep retail trade forecast +7.5% in 2024. As of 2MCY24, Malaysia's distributive trade sales increased by +5.4% (2023: +7.7%). 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.*

Distributive trade growth improved to 3-month high. Malaysia's consumer demand remained steady as overall domestic trade expanded by +5.5%yoy in Feb-24, the fastest pace since Dec-23. Lunar New Year celebration, school holidays and cash bonus to civil servants were among the upside factors contributing to 5-month high retail trade growth at +5.8%yoy. Sales of motor vehicles and wholesale trade rose by +5.4%yoy and +5.25%yoy, respectively. In terms of seasonally adjusted volume, distributive trade, wholesale trade and retail trade surged by +3.8%mom, +3.7%mom, and +4.4%mom respectively whereas motor vehicles reduced by -1.8%mom. Looking ahead, we foresee sanguine domestic outlook for 2024 amid positive real wage growth, better pick-up in tourism activities and supportive & accommodative economic policies from both fiscal and monetary sides.

Cautious Malaysian consumer. Consumer market continues to soften despite job market strengthening with steady employment growth and lower jobless rate at 3.3%. In addition, inflationary pressure remains low, below +2.0%yoy since Jul-23. We opine Malaysia's consumers are still pessimistic amid potential increase in inflation pressure. MIER's Consumer Sentiment Index stayed below its demarcation line of 100 points throughout 2023, reflecting pessimism mood. E-Commerce transactions also showing declining trends. According to Grips Intelligence, average daily e-commerce transaction value in Malaysia dropped by -60.5%yoy to USD56.3K in 3MCY24. 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 -49.6%yoy to 340 units in 3MCY24 (2019: 520 units, 2023: 569 units). The imposition of new 10.0% sales tax on the import of low-value goods (LVG) starting on Jan-24 could be a possible factor to the weakening online sales and pessimistic consumer sentiment. Higher

SST rate on selected items, upside adjustment of utility tariffs and targeted-subsidy measures will add more downward pressures on consumer sentiment and spending in the near term.

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

	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24
Distributive Trade	142.5	142.7	142.3	142.6	143.9	142.4	141.1
YoY%	6.7	6.5	6.5	6.2	4.8	5.4	5.5
MoM%	2.0	0.1	(0.3)	0.2	1.0	(1.1)	(0.9)
Motor Vehicles	18.1	17.5	18.4	18.1	18.6	17.6	17.4
YoY%	9.7	7.0	19.1	12.7	5.9	16.0	5.4
MoM%	7.1	(3.6)	5.2	(1.6)	2.7	(5.1)	(1.4)
Wholesale Trade	63.9	64.2	63.3	63.2	62.9	63.7	62.2
YoY%	6.2	6.9	5.7	6.2	4.4	5.5	5.2
MoM%	1.2	0.5	(1.4)	(0.2)	(0.4)	1.2	(2.3)
Retail Trade	60.5	61.1	60.6	61.3	62.4	61.1	61.5
YoY%	6.3	5.9	3.9	4.4	5.0	2.6	5.8
MoM%	1.4	0.9	(0.8)	1.2	1.8	(2.1)	0.7

Source: DOSM; MIDFR

Note: MoM are non-seasonally adjusted figures

International passenger recovery rate just above 80.0%. In Feb-24, foreign passenger movements recorded at 81.2% of Feb-19 levels amid Lunar New Year celebration. Due to the long holiday, domestic passenger movement jumped by +20.4%mom. The domestic passenger was the only upside factor for the airport movements in Feb-24. We believe the international segment to improve stronger in Mar-24 onwards.

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
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	3.4										
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	81.2										
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
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	1.6										
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	78.4										
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

Monthly International Passenger Movements, Million												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
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
2024	1.9	1.8										
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	83.8										

Source: MAHB, MIDFR

Retail trade the only positive month-on-month growth. Apart from low inflationary pressure and stable job market, we opine the upturn of retail spending in Feb-24 mainly driven by long school holiday, Lunar New Year celebration and direct cash bonus RM1,000~RM2,000 to civil servants and pensioners. Expenditures on ICT, household equipment and e-commerce declined in terms of month-on-month. Other expenditures picked up firmly such as automotive fuel which reflected more consumers travelling during the month.

Table 3: Distributive Trade's Detailed Components Performance

	Share % Total DT		MoM%		YoY%	
	2019	2MCY24	Jan-24	Feb-24	Jan-24	Feb-24
Motor Vehicles Sales (MVS)	11.4	12.3	(5.1)	(1.4)	16.0	5.4
MVS: Motor Vehicle	6.1	6.4	(11.3)	(4.5)	20.9	0.2
MVS: Motor Vehicle Maintenance. & Repair	1.5	1.8	0.5	2.6	12.4	14.1
MVS: Motor Vehicle Parts & Accessories	2.8	3.4	1.1	2.9	11.9	13.7
MVS: Motorcycles Maintenance. & Repair, Parts & Acc.	0.9	0.8	18.1	(2.7)	5.4	(3.2)
Wholesale Sales (WS)	48.1	44.4	1.2	(2.3)	5.5	5.2
WS: Fee or Contract Basis	0.9	0.8	(2.5)	0.2	2.1	0.8
WS: Agri Raw Materials & Live Animals	3.8	3.9	(5.4)	(0.5)	4.2	5.6
WS: Food, Beverages & Tobacco	8.8	9.1	6.7	(5.6)	4.6	4.0
WS: Household Goods	9.3	9.2	2.0	(1.3)	2.9	3.7
WS: Machinery, Equipment & Supplies	4.1	3.4	(2.9)	(4.3)	4.5	1.7
WS: Others Specialised	19.9	16.8	0.6	(1.3)	8.3	7.4
WS: Non-Specialised	1.3	1.2	0.6	(1.4)	4.3	5.4
Retail Sales (RS)	40.5	43.3	(2.1)	0.7	2.6	5.8
RS: Non-Specialised Stores	13.9	16.5	(2.5)	1.7	2.2	6.7
RS: Food, Beverages & Tobacco	2.3	2.7	(1.0)	0.9	6.2	8.0
RS: Automotive Fuel	3.4	4.0	(0.5)	0.7	1.0	3.4
RS: Information & Communication Equip	4.1	3.4	(1.4)	(1.2)	(2.4)	(2.6)
RS: Household Equip	5.4	5.0	(2.2)	(2.0)	3.3	4.0
RS: Cultural & Recreation Goods	2.2	1.9	(3.4)	0.9	1.1	5.4
RS: Others in Specialised Store	8.7	9.1	(2.5)	1.1	4.9	9.5
RS: Stalls & Markets	0.1	0.1	(3.5)	0.7	2.0	3.3
RS: Not in Stores, Stalls & Markets	0.3	0.4	(2.0)	(1.0)	0.7	1.0

Source: DOSM; MIDFR

Signs of softening domestic demand in the US. The US retail sales rose by +1.5%yoy in Feb-24. Sales of motor vehicle & part dealers rebounded and grew by +1.4%yoy (Jan-24: -2.1%yoy) while sales of food & beverage stores also grew further but moderated to at +0.4%yoy (Jan-24: +0.9%yoy). Sales at gasoline stations declined by -4.5%yoy (Jan-24: -7.4%yoy), extending its contractionary run to over a year. Against the previous month, retail sales reversed the previous month's contraction to rise +0.6%mom (Jan-24: -1.1%mom), yet below market expectations of +0.8%mom. We believe the consumer demand in the US to stay on softening pace as both ISM and S&P Global Services PMI figures recorded at 3-month low in Mar-24. On the flip side, retail trade growth in Euro Area declined further by -0.7%yoy, marking 17-consecutive months of contraction. We foresee China's consumer demand to return to upbeat momentum amid positive effects from stimulus measures and supported by low inflation environment in the country.

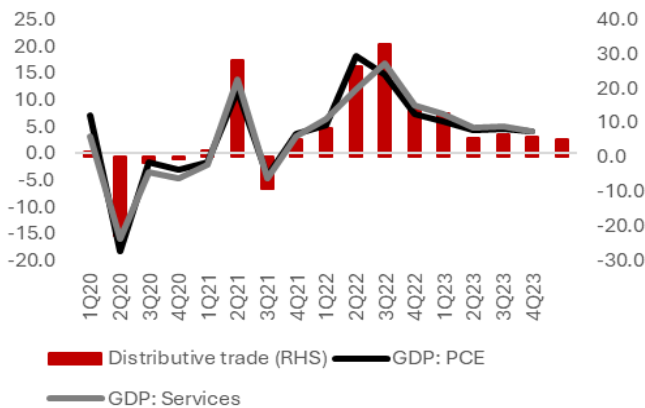
Table 4: Global Retail Sales (YoY%)

	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24
Malaysia	6.3	5.9	3.9	4.4	5.0	2.6	5.8
Indonesia	1.1	1.5	2.4	2.2	0.2	1.1	
Singapore	4.3	0.7	(0.4)	2.0	(0.5)	1.6	8.4
Thailand	(2.6)	3.1	17.6	11.5	13.6	10.8	
Vietnam	7.6	7.5	7.0	10.1	9.3	8.1	8.5
Taiwan	4.3	6.9	5.1	7.3	1.1	0.3	9.3
China	4.6	5.5	7.6	10.1	7.4	5.5	5.5
Japan	7.0	6.2	4.1	5.4	2.4	2.1	4.6
Euro area	(2.3)	(3.4)	(1.2)	(0.6)	(0.6)	(0.9)	(0.7)
USA	2.8	4.0	2.2	3.6	5.0	0.0	1.5

Source: Macrobond; MIDFR

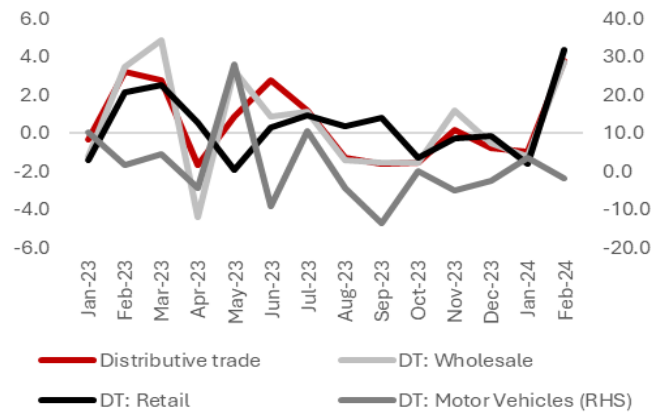
We keep retail trade forecast +7.5% in 2024. As of 2MCY24, Malaysia's distributive trade sales increased by +5.4% (2023: +7.7%). The components include sales of motor vehicles and retail trade improved by +10.5% (2023: +12.3%) and +4.2% (2023: +9.0%) while wholesale trade rose by +5.3% (2023: +5.2%). 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, 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%)



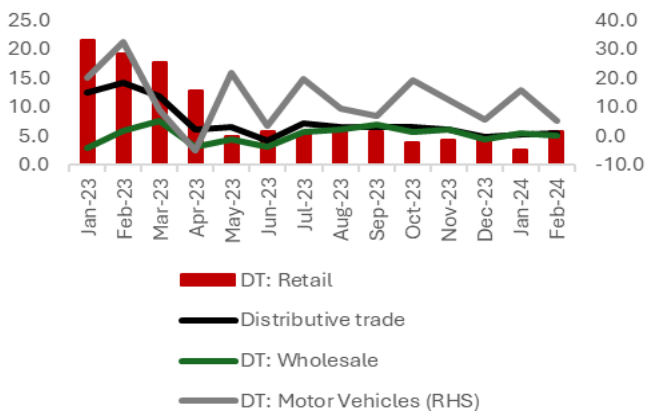
Source: DOSM; MIDFR

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



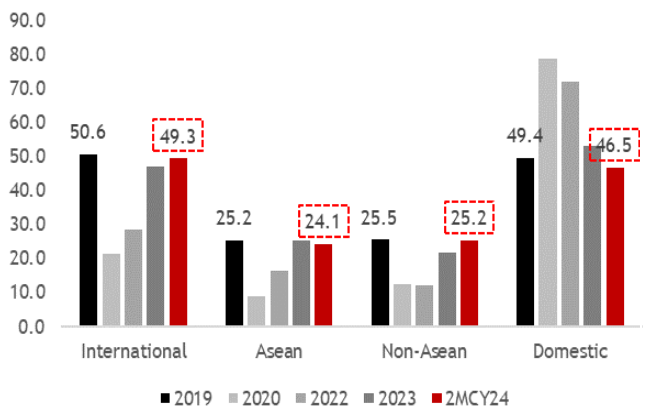
Source: CEIC; MIDFR

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



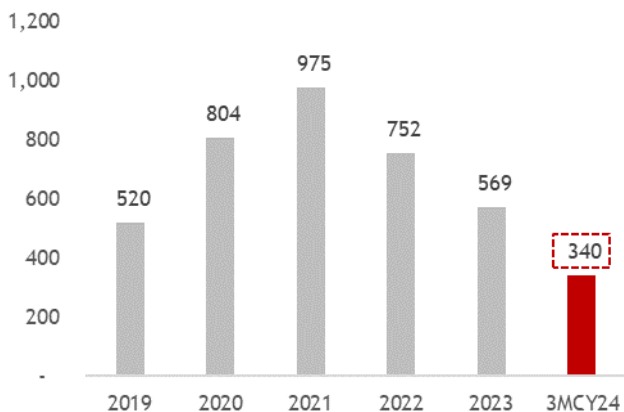
Source: DOSM; MIDFR

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



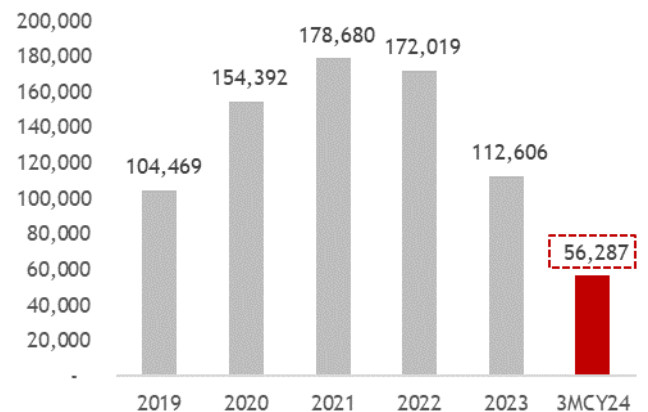
Source: MAHB; MIDFR

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



Source: CEIC; MIDFR

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



Source: CEIC; MIDFR

**MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad
197501002077 (23878-X).
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)**

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878 - X)). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed or published in any form or for any purpose.