

**ECONOMIC REVIEW | March 2024 Distributive Trade****Steady Macro Fundamentals Continue to Support Consumer Spending**

- *Retail trade growth close to 1-year high. Malaysia's consumer demand remained steady as overall domestic trade expanded by +5.2%yoy in Mar-24, 3-consecutive months above +5.0%yoy level. Among the upside factors were retail trade sales which jumped by +7.1%yoy, the fastest pace since May-23. Sales of motor vehicles and wholesale trade rose by +3.2%yoy and +4.0%yoy respectively.*
- *Airport passenger recovery continues. As of 3MCY24, total recovery rate of airport passenger movements under MAHB was 85.8% of 2019-level (2023: 77.7%). Domestic passenger recovery rate stood at 82.1% (2023: 83.2%) while international at 89.3% (2023: 72.4%). By region, ASEAN passengers arriving to Malaysia's airports was 5.9 million, 92.0% of pre-pandemic level (2023: 78.2%), while non-ASEAN was 5.8 million, 86.8% (2023: 66.6%).*
- *We forecast retail trade to improve by +7.5% in 2024. As of 3MCY24, Malaysia's distributive trade sales increased by +5.4% (2023: +7.7%). The components include sales of motor vehicles and retail trade improved by +7.8% (2023: +12.3%) and +5.1% (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.*

**Retail trade growth close to 1-year high.** Malaysia's consumer demand remained steady as overall domestic trade expanded by +5.2%yoy in Mar-24, 3-consecutive months above +5.0%yoy level. Among the upside factors were retail trade sales which jumped by +7.1%yoy, the fastest pace since May-23. Sales of motor vehicles and wholesale trade rose by +3.2%yoy and +4.0%yoy respectively. In terms of seasonally adjusted volume, distributive trade and motor vehicles down by -0.8%mom and -2.0%mom respectively while retail trade improved by +0.7%mom. Stable job market and softening inflationary pressure were fundamental reasons supporting the resilient domestic demand. 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.

**Weak online sales.** E-Commerce transactions continued its declining trends. According to Grips Intelligence, average daily e-commerce transaction value in Malaysia dropped by -60.8%yoy to USD50.5K in 4MCY24. 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 -52.5%yoy to 290 units in 4MCY24 (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. In our opinion, the higher SST rate on selected items, upside adjustment of utility tariffs and targeted-subsidy measures may possibly add more downward pressures on consumer sentiment and spending in the near term.

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

	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24
<b>Distributive Trade</b>	<b>142.7</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>
YoY%	6.5	6.5	6.2	4.8	5.4	5.5	5.2
MoM%	0.1	(0.3)	0.2	1.0	(1.1)	(0.9)	3.3
<b>Motor Vehicles</b>	<b>17.5</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>
YoY%	7.0	19.1	12.7	5.9	16.0	5.4	3.2
MoM%	(3.6)	5.2	(1.6)	2.7	(5.1)	(1.4)	8.3
<b>Wholesale Trade</b>	<b>64.2</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>
YoY%	6.9	5.7	6.2	4.4	5.5	5.2	4.0
MoM%	0.5	(1.4)	(0.2)	(0.4)	1.2	(2.3)	3.0
<b>Retail Trade</b>	<b>61.1</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>
YoY%	5.9	3.9	4.4	5.0	2.6	5.8	7.1
MoM%	0.9	(0.8)	1.2	1.8	(2.1)	0.7	2.1

Source: DOSM; MIDFR

Note: MoM are non-seasonally adjusted figures

**Airport passenger recovery continues.** As of 3MCY24, total recovery rate of airport passenger movements under MAHB was 85.8% of 2019-level (2023: 77.7%). Domestic passenger recovery rate stood at 82.1% (2023: 83.2%) while international at 89.3% (2023: 72.4%). By region, ASEAN passengers arriving to Malaysia's airports was 5.9 million, 92.0% of pre-pandemic level (2023: 78.2%), while non-ASEAN was 5.8 million, 86.8% (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									
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									
<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									
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									
<b>Non-Asean</b>												

Monthly International Passenger Movements, Million												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
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
2024	1.9	2.0	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									

Source: MAHB, MIDFR

**Retail trade recorded 11-month monthly gain.** Thanks to low inflationary pressure and stable job market, Ramadhan month was among the upside factors boosting retail trade which increased by +2.1%mom. All retail components improved especially "Not in Stores, Stalls & Markets" registered the highest of +5.4%mom, followed by "Non-Specialised Stores" +2.6%mom and "Cultural & Recreation Goods" +2.0%mom.

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

	Share % Total DT		MoM%		YoY%	
	2019	3M24	Feb-24	Mar-24	Feb-24	Mar-24
<b>Motor Vehicles Sales (MVS)</b>	<b>11.4</b>	<b>12.5</b>	<b>(1.4)</b>	<b>8.3</b>	<b>5.4</b>	<b>3.2</b>
MVS: Motor Vehicle	6.1	6.5	(4.5)	12.8	0.2	(2.8)
MVS: Motor Vehicle Maint. & Repair	1.5	1.8	2.6	2.3	14.1	14.4
MVS: Motor Vehicle Parts & Accessories	2.8	3.4	2.9	2.0	13.7	13.8
MVS: Motorcycles Maint. & Repair, Parts & Acc.	0.9	0.8	(2.7)	14.2	(3.2)	(4.7)
<b>Wholesale Sales (WS)</b>	<b>48.1</b>	<b>44.3</b>	<b>(2.3)</b>	<b>3.0</b>	<b>5.2</b>	<b>4.0</b>
WS: Fee or Contract Basis	0.9	0.8	0.2	(0.1)	0.8	2.0
WS: Agri Raw Meterials & Live Animals	3.8	3.9	(0.5)	3.8	5.6	3.2
WS: Food, Beverages & Tobacco	8.8	9.0	(5.6)	4.4	4.0	5.4
WS: Household Goods	9.3	9.2	(1.3)	3.3	3.7	3.5
WS: Machinery, Equipment & Supplies	4.1	3.4	(4.3)	5.9	1.7	1.4
WS: Others Specialised	19.9	16.7	(1.3)	1.5	7.4	4.5
WS: Non-Specialised	1.3	1.2	(1.4)	3.5	5.4	2.5
<b>Retail Sales (RS)</b>	<b>40.5</b>	<b>43.2</b>	<b>0.7</b>	<b>2.1</b>	<b>5.8</b>	<b>7.1</b>
RS: Non-Specialised Stores	13.9	16.6	1.7	2.6	6.7	8.4
RS: Food, Beverages & Tobacco	2.3	2.7	0.9	1.7	8.0	8.6
RS: Automotive Fuel	3.4	4.0	0.7	1.8	3.4	4.0
RS: Information & Communication Equip	4.1	3.4	(1.2)	1.5	(2.6)	(1.8)
RS: Household Equip	5.4	5.0	(2.0)	1.7	4.0	4.8
RS: Cultural & Recreation Goods	2.2	1.9	0.9	2.0	5.4	6.3
RS: Others in Specialised Store	8.7	9.1	1.1	1.8	9.5	10.9
RS: Stalls & Markets	0.1	0.1	0.7	1.1	3.3	3.2
RS: Not in Stores, Stalls & Markets	0.3	0.4	(1.0)	5.4	1.0	6.3

Source: DOSM; MIDFR


**Moderating domestic demand in the US.** The US retail sales increased by +4.0%yoy in Mar-24, the fastest pace in 3-month. Against the previous month, retail sales rose by +0.7%mom (Feb-24: +0.9%mom), way higher

than market expectations of +0.3%mom. Excluding auto sales, the retail trade jumped by +1.1%mom, the biggest gain in more than a year. However, we believe the consumer demand in the US to stay on moderating pace as ISM Services PMI fell to 49.4 in Apr-24 (Mar-24: 51.4), the first contraction since Dec-22 and in contrast to market expectations for an increase to 52.0. Job market is on cooling mode as non-farm payrolls expanded by +175K in Apr-24, the softest expansion in 6-month and below market expectations of +243K. Also, the unemployment rate increased to 3.9% against market expectations for the rate to remain at 3.8%. On the flip side, retail trade growth in Euro Area rebounded to +0.7%yoy, the first pick-up since Sep-22. Across the globe, China's retail sales improved further by +3.1%yoy, and domestic demand conditions expected to stay firm amid continuous expansionary for 16-consecutive months of services sentiment as reflected in the Caixin Services PMI.

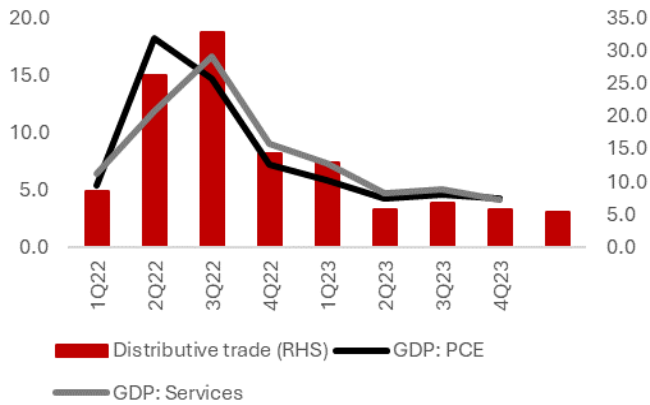
**Table 4: Global Retail Sales (YoY%)**

	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24
Malaysia	5.9	3.9	4.4	5.0	2.6	5.8	7.1
Indonesia	1.5	2.4	2.2	0.2	1.1	6.4	
Singapore	0.7	(0.4)	2.0	(0.5)	1.6	8.6	2.7
Thailand	3.1	17.6	11.5	13.6	10.9	3.8	
Vietnam	7.5	7.0	10.1	9.3	8.1	8.5	9.2
Taiwan	6.9	5.1	7.3	1.1	0.3	9.3	0.7
China	5.5	7.6	10.1	7.4	5.5	5.5	3.1
Japan	6.2	4.1	5.4	2.4	2.1	4.7	1.2
Euro area	(3.4)	(1.2)	(0.6)	(0.6)	(0.9)	(0.5)	0.7
USA	4.0	2.2	3.6	5.0	0.2	1.5	4.0

Source: Macrobond; MIDFR

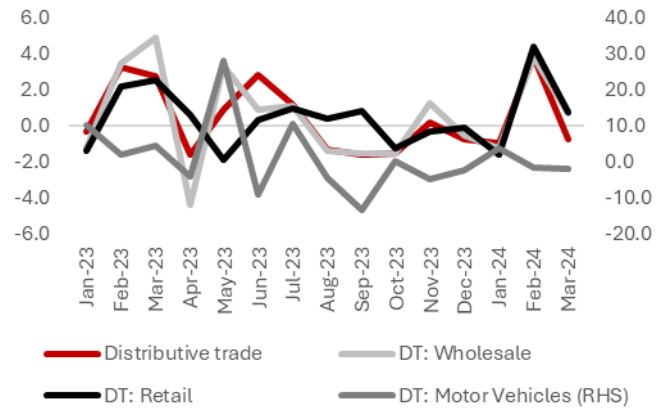
**We forecast retail trade to improve by +7.5% in 2024.** As of 3MCY24, Malaysia's distributive trade sales increased by +5.4% (2023: +7.7%). The components include sales of motor vehicles and retail trade improved by +7.8% (2023: +12.3%) and +5.1% (2023: +9.0%) while wholesale trade rose by +4.9% (2023: +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, in our opinion, 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%)**



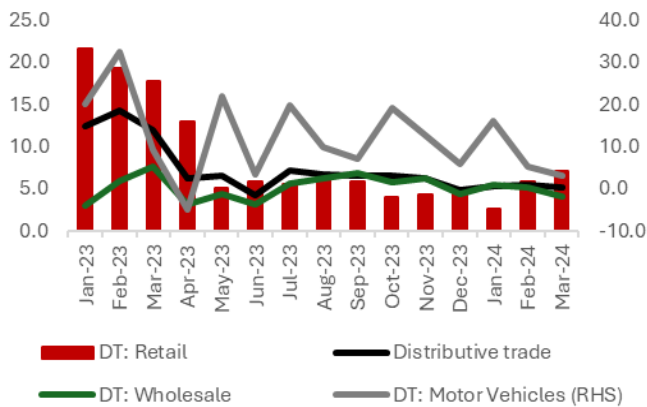
Source: DOSM; MIDFR

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



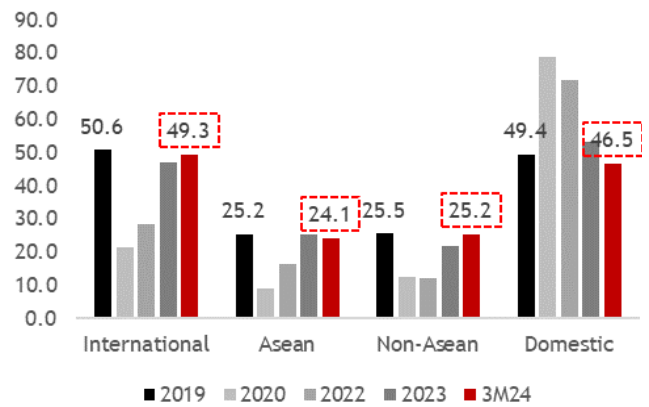
Source: CEIC; MIDFR

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



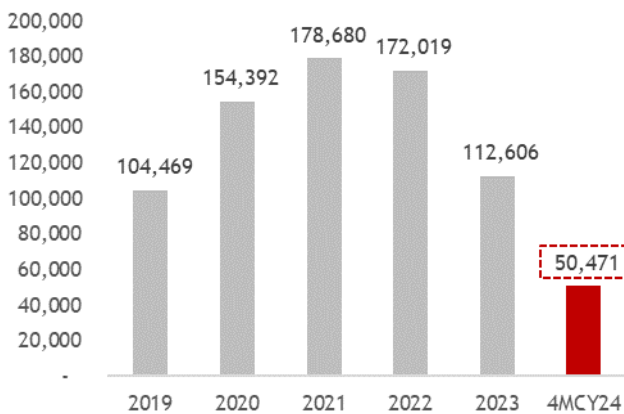
Source: DOSM; MIDFR

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



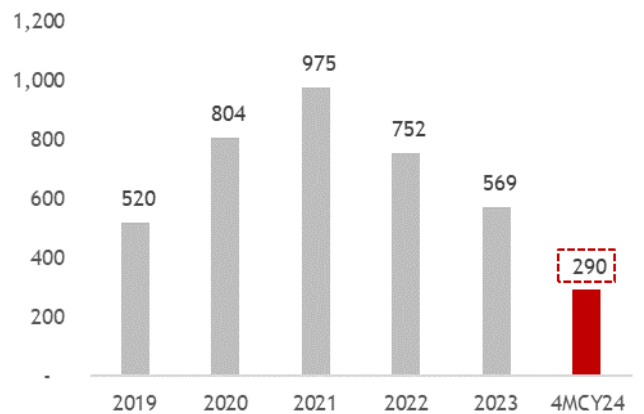
Source: MAHB; MIDFR

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



Source: CEIC; MIDFR

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



Source: CEIC; MIDFR

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