

ECONOMIC REVIEW | May 2024 Distributive Trade**Stronger Retail Sales Growth as Partial Withdrawal of Retirement Fund Kick in May-24**

- *Retail trade growth surged to more than 1-year high. Malaysia's consumer demand remained firm as overall domestic trade expanded by +7.1%yoy in May-24, the fastest pace since Mar-23. Among the upside factors were retail trade expansion rate which registered at 13-month high of +8.7%yoy and motor vehicle sales maintained at double-digit pace for 2-straight months. In terms of seasonally adjusted volume, distributive trade expanded by +5.5%yoy (Apr-24: +7.5%yoy) while motor vehicles and retail trade improved by +7.5%yoy and +6.8%yoy respectively.*
- *Upbeat airport passenger recovery. As of 5MCY24, total recovery rate of airport passenger movements under MAHB was 88.0% of 2019-level (2023: 77.8%). Domestic passenger recovery rate stood at 85.1% (2023: 83.2%) while international at 90.8% (2023: 72.4%). By region, ASEAN passengers arriving to Malaysia's airports was 10.0 million, 93.6% of pre-pandemic level (2023: 78.2%), while non-ASEAN was 9.6 million, 88.2% (2023: 66.6%).*
- *We keep retail trade forecast at +5.0% in 2024. As of 5MCY24, Malaysia's distributive trade sales increased by +6.0% (2023: +7.7%). The components include sales of motor vehicles and retail trade improved by +10.2% (2023: +12.3%) and +5.9% (2023: +9.0%) while wholesale trade rose by +4.8% (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 surged to more than 1-year high. Malaysia's consumer demand remained firm as overall domestic trade expanded by +7.1%yoy in May-24, the fastest pace since Mar-23. Among the upside factors were retail trade expansion rate which registered at 13-month high of +8.7%yoy and motor vehicle sales maintained at double-digit pace for 2-straight months. In terms of seasonally adjusted volume, distributive trade expanded by +5.5%yoy (Apr-24: +7.5%yoy) while motor vehicles and retail trade improved by +7.5%yoy and +6.8%yoy respectively. Apart from stable job market and low inflationary pressure, we opine the approval of partial withdrawal of retirement fund which took effect in May-24 could be a boosting factor for the uptick of overall distributive trade sales. Looking ahead, we foresee consumer demand to stay on expansionary mode amid stable job market, better pick-up in tourism activities and supportive & accommodative economic policies. However, there remain downside risks to the demand especially with potential high inflation expectations and pessimistic consumer sentiment.

Pessimistic consumer sentiment despite low inflation and stable job market. Online sales and consumer sentiment in Malaysia remain pessimistic and less promising. According to Grips Intelligence, average daily e-commerce transaction value in Malaysia dropped by -65.0%yoy to USD45.8K in 6MCY24. 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 -56.6%yoy to 267 units in 6MCY24 (2019: 520 units, 2023: 569 units). Also, 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. In our opinion, the higher SST rate on selected items, upside adjustment of utility tariffs and targeted-Diesel subsidy measures are among the downward pressures on consumer sentiment and spending.

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

	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24
Distributive Trade	142.6	143.9	142.4	141.1	145.7	144.9	147.9
YoY%	6.2	4.8	5.4	5.5	5.2	6.6	7.1
MoM%	0.2	1.0	(1.1)	(0.9)	3.3	(0.6)	2.0
Motor Vehicles	18.1	18.6	17.6	17.4	18.8	17.3	18.8
YoY%	12.7	5.9	16.0	5.4	3.2	18.1	10.5
MoM%	(1.6)	2.7	(5.1)	(1.4)	8.3	(8.2)	8.8
Wholesale Trade	63.2	62.9	63.7	62.2	64.1	63.8	65.1
YoY%	6.2	4.4	5.5	5.2	4.0	4.8	4.7
MoM%	(0.2)	(0.4)	1.2	(2.3)	3.0	(0.4)	2.0
Retail Trade	61.3	62.4	61.1	61.5	62.8	63.8	64.0
YoY%	4.4	5.0	2.6	5.8	7.1	5.5	8.7
MoM%	1.2	1.8	(2.1)	0.7	2.1	1.5	0.3

Source: DOSM; MIDFR

Note: MoM are non-seasonally adjusted figures

Upbeat airport passenger recovery. As of 5MCY24, total recovery rate of airport passenger movements under MAHB was 88.0% of 2019-level (2023: 77.8%). Domestic passenger recovery rate stood at 85.1% (2023: 83.2%) while international at 90.8% (2023: 72.4%). By region, ASEAN passengers arriving to Malaysia's airports was 10.0 million, 93.6% of pre-pandemic level (2023: 78.2%), while non-ASEAN was 9.6 million, 88.2% (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
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	4.0	3.8	3.9	4.0							
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	98.8							
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	2.0	1.9	2.0	2.1							
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	101.3							

Monthly International Passenger Movements, Million												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
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
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	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	96.3							

Source: MAHB, MIDFR

Consumer spending remains resilient. For 4-consecutive months, retail trade registered positive month-on-month growth rates. Among the retail components, "Others in Specialised Store" and "Not in Stores, Stalls & Markets" recorded annual growth at more than 1-year high. "Non-Specialised Stores" growth rate hit 11-month high while "Automotive Fuel" at 9-month high. We expect the Automotive Fuel to stay on strong upward momentum following readjustment of Diesel price and improving tourism activities.

Table 3: Distributive Trade's Detailed Components Performance

	Share % Total DT		MoM%		YoY%	
	2019	5M24	Apr-24	May-24	Apr-24	May-24
Motor Vehicles Sales (MVS)	11.4	12.4	(8.2)	8.8	18.1	10.5
MVS: Motor Vehicle	6.1	6.5	(13.4)	14.9	26.5	11.1
MVS: Motor Vehicle Maint. & Repair	1.5	1.8	1.3	0.5	13.1	12.8
MVS: Motor Vehicle Parts & Accessories	2.8	3.4	0.4	0.9	11.8	11.9
MVS: Motorcycles Maint. & Repair, Parts & Acc.	0.9	0.8	(21.2)	17.2	(0.2)	(4.5)
Wholesale Sales (WS)	48.1	44.2	(0.4)	2.0	4.8	4.7
WS: Fee or Contract Basis	0.9	0.8	3.8	(0.5)	3.2	2.2
WS: Agri Raw Materials & Live Animals	3.8	3.9	1.9	4.7	6.7	3.9
WS: Food, Beverages & Tobacco	8.8	9.0	(1.0)	1.2	6.6	6.2
WS: Household Goods	9.3	9.2	(0.9)	2.9	4.4	6.5
WS: Machinery, Equipment & Supplies	4.1	3.4	(0.5)	4.1	2.6	1.8
WS: Others Specialised	19.9	16.6	(0.6)	0.9	4.2	4.0
WS: Non-Specialised	1.3	1.2	1.5	2.7	4.7	4.3
Retail Sales (RS)	40.5	43.4	1.5	0.3	5.5	8.7
RS: Non-Specialised Stores	13.9	16.7	1.8	0.9	5.2	10.7
RS: Food, Beverages & Tobacco	2.3	2.7	1.5	0.4	7.2	9.6
RS: Automotive Fuel	3.4	4.0	2.9	0.6	4.9	8.1
RS: Information & Communication Equip	4.1	3.4	0.7	(1.0)	0.4	(2.2)
RS: Household Equip	5.4	5.0	1.3	0.3	4.7	5.3
RS: Cultural & Recreation Goods	2.2	1.8	(2.1)	1.1	5.0	3.4
RS: Others in Specialised Store	8.7	9.1	1.6	(0.8)	8.4	12.8
RS: Stalls & Markets	0.1	0.1	2.5	0.3	4.0	5.9
RS: Not in Stores, Stalls & Markets	0.3	0.4	1.3	0.7	6.4	8.0

Source: DOSM; MIDFR

Retail spending losing steam in the US while China is gaining momentum. The US retail sales rose by +2.3%yoy in May-24, marking a 3-month low. Motor vehicle & parts dealers saw a softer sales increase of +1.3%yoy, the lowest in 4-month. Sales of food services & drinking places grew slower by +3.8%yoy, 4-month low. Across the globe, domestic demand in China strengthened as retail sales growth rate improved to 3-month high at +3.7%yoy, surpassing market expectations of +3.0%yoy. The retail trade increased by +0.5%mom, the largest monthly gain in 7-month. The steady expansion of retail trade among others supported by the improving labour market in China. Latest jobless rate reported at 5.0% in May-24, maintaining the 5-month low recorded in the previous month. Judging from Caixin Services PMI, the 10-month high optimism level in the services sector indicate continuous betterment of domestic demand going into 2HCY24.

Table 4: Global Retail Sales (YoY%)

	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24
Malaysia	4.4	5.0	2.6	5.8	7.1	5.5	8.7
Indonesia	2.2	0.2	1.1	6.4	9.3	(2.7)	2.1
Singapore	2.2	(0.3)	1.5	8.4	2.7	(1.2)	2.2
Thailand	11.5	13.6	10.9	3.9	(3.7)	15.3	
Vietnam	10.1	9.3	8.1	8.5	9.2	9.0	9.5
Taiwan	6.6	0.5	1.7	8.5	1.9	1.6	2.4
China	10.1	7.4	5.5	5.5	3.1	2.3	3.7
Japan	5.4	2.4	2.1	4.7	1.1	2.0	3.0
Euro area	(0.6)	(0.4)	(0.9)	(0.3)	0.6	0.6	0.3
USA	4.0	5.5	0.3	2.1	3.6	2.7	2.3

Source: Macrobond; MIDFR


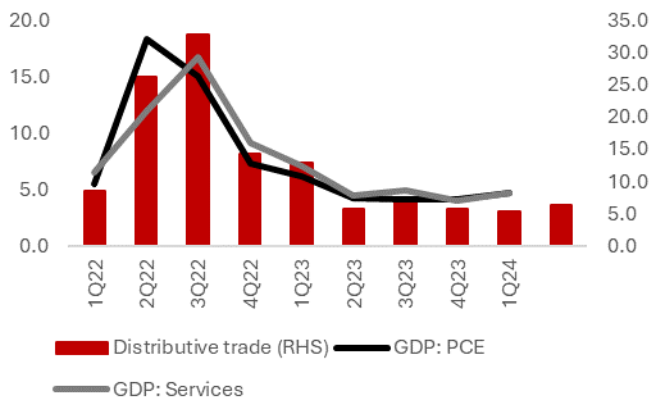
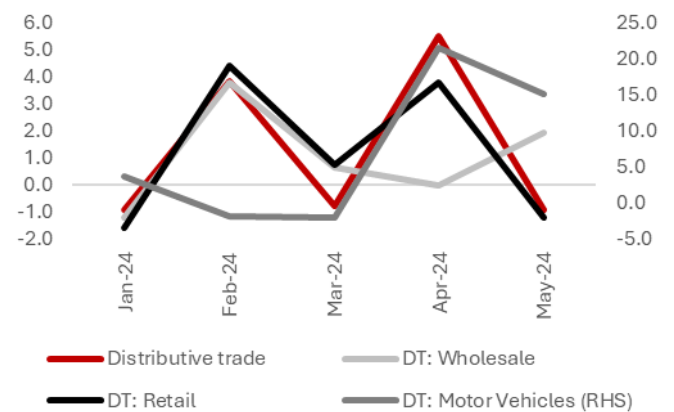
We keep retail trade forecast at +5.0% in 2024. As of 5MAY24, Malaysia's distributive trade sales increased by +6.0% (2023: +7.7%). The components include sales of motor vehicles and retail trade improved by +10.2% (2023: +12.3%) and +5.9% (2023: +9.0%) while wholesale trade rose by +4.8% (2023: +5.2%). 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-fuel subsidy approaches and fluctuations in the global commodity prices. 

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



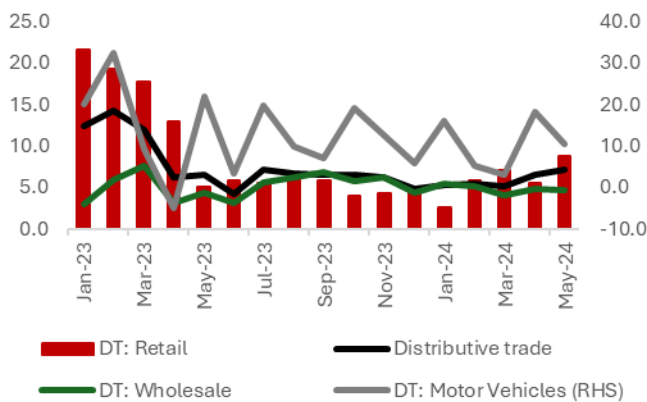
Source: DOSM; MIDFR

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



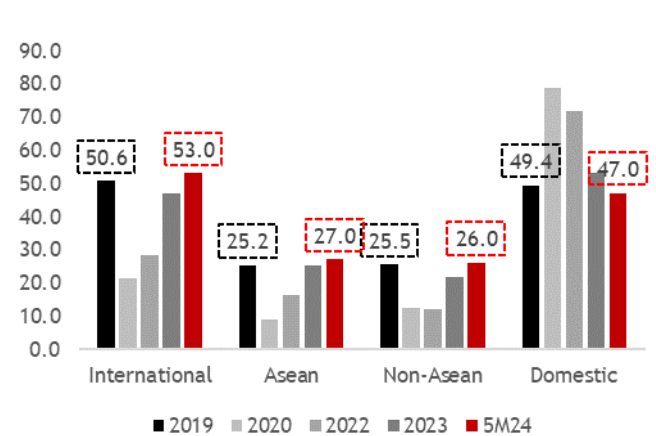
Source: CEIC; MIDFR

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



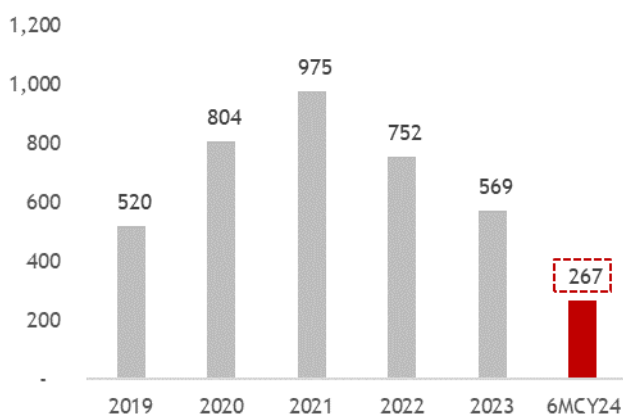
Source: DOSM; MIDFR

Chart 4: Airport Passenger by Nationality (% of Total Passenger)



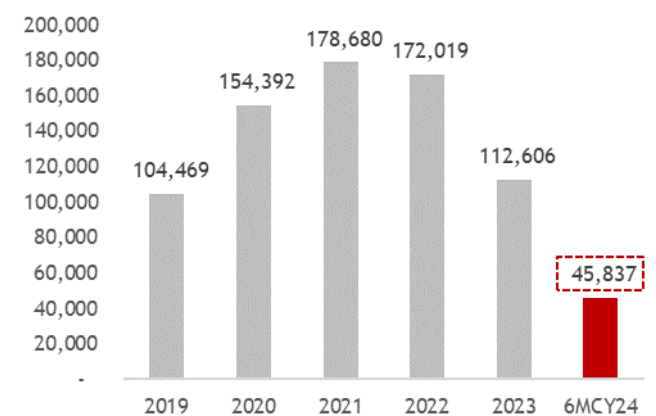
Source: MAHB; MIDFR

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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