

ECONOMIC REVIEW | June 2024 Distributive Trade**Distributive Trade Remained Robust in 1HCY24**

- *Domestic demand remains upbeat. Malaysia's domestic demand remained firm as overall domestic trade continued to expand by +5.4%yoy in Jun-24 (May-24: +7.1%yoy), marking the 5th consecutive month of growth above +5%yoy. Consumer spending remained robust with retail sales growing at +7.9%yoy, although moderating from the over 1-year high of +8.7%yoy in May-24. Growth in motor vehicle sales, however, moderated sharply to +2.0%yoy (May-24: +10.5%yoy), ending 2 consecutive months of double-digit expansion. The softer growth in vehicle sales in Jun-24 might be due to the implementation of diesel subsidy rationalisation which affected commercial vehicle sales. Meanwhile, wholesale trade advanced further by +4.0%yoy, albeit slowing to a 3-month low.*
- *Steady recovery of global and regional traffic. The MAHB network of airports registered 65m passenger movements in 1H24, reaching 95.4% of 2019 levels. This significant progress was driven by a resurgence in international passenger movements, supported by 30-day visa exemptions for China and India travellers and 15-day visa exemptions for Malaysians traveling to China. The availability of more open-jaw tickets and the expansion of airline routes with new international flights also contributed, recording 34.1 million passengers.*
- *We maintain our retail trade forecast at +5.0% for 2024. As of 1HCY24, Malaysia's distributive trade sales increased by +5.9% (2023: +7.7%). Sales of motor vehicles and retail trade improved by +7.5% (2023: +12.3%) and +6.3% (2023: +9.0%), respectively, while wholesale trade rose by +4.7% (2023: +5.2%). Looking ahead, the steady momentum of domestic demand is expected to continue in 2024, underpinned by a resilient labour market, positive real wage growth, a better pick-up in tourism activities, and supportive economic policies.*

Domestic demand remains upbeat. Malaysia's domestic demand remained firm as overall domestic trade continued to expand by +5.4%yoy in Jun-24 (May-24: +7.1%yoy), marking the 5th consecutive month of growth above +5%yoy. Consumer spending remained robust with retail sales growing at +7.9%yoy, although moderating from the over 1-year high of +8.7%yoy in May-24. Growth in motor vehicle sales, however, moderated sharply to +2.0%yoy (May-24: +10.5%yoy), ending 2 consecutive months of double-digit expansion. The softer growth in vehicle sales in Jun-24 might be due to the implementation of diesel subsidy rationalisation which affected commercial vehicle sales. Meanwhile, wholesale trade advanced further by +4.0%yoy, albeit slowing to a 3-month low. The sustained expansion in consumer demand was aligned with the healthy labour market condition and stable inflation, as price pressures in general remained under control despite the implementation of diesel subsidy rationalisation in Jun-24. Looking ahead, we anticipate consumer demand to maintain its expansionary trajectory, supported by a stable job market, increased tourism activity, and supportive economic policies. Nevertheless, potential downside risks persist, notably elevated inflation expectations and subdued consumer sentiment.

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

	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24
Distributive Trade	143.9	142.4	141.1	145.7	144.9	147.9	146.0
YoY%	4.8	5.4	5.5	5.2	6.6	7.1	5.4
MoM%	1.0	(1.1)	(0.9)	3.3	(0.6)	2.0	(1.3)
Motor Vehicles	18.6	17.6	17.4	18.8	17.3	18.8	17.0
YoY%	5.9	16.0	5.4	3.2	18.1	10.5	2.0
MoM%	2.7	(5.1)	(1.4)	8.3	(8.2)	8.8	(9.4)
Wholesale Trade	62.9	63.7	62.2	64.1	63.8	65.1	64.9
YoY%	4.4	5.5	5.2	4.0	4.8	4.7	4.0
MoM%	(0.4)	1.2	(2.3)	3.0	(0.4)	2.0	(0.3)
Retail Trade	62.4	61.1	61.5	62.8	63.8	64.0	64.1
YoY%	5.0	2.6	5.8	7.1	5.5	8.7	7.9
MoM%	1.8	(2.1)	0.7	2.1	1.5	0.3	0.2

Source: DOSM; MIDFR

Note: MoM are non-seasonally adjusted figures

Steady recovery of global and regional traffic. The MAHB network of airports registered 65m passenger movements in 1H24, reaching 95.4% of 2019 levels. This significant progress was driven by a resurgence in international passenger movements, supported by 30-day visa exemptions for China and India travellers and 15-day visa exemptions for Malaysians traveling to China. The availability of more open-jaw tickets and the expansion of airline routes with new international flights also contributed, recording 34.1 million passengers. Domestic passenger movements grew by 4.1% over 1H23, with 30.9 million passengers, reaching 86.5% of 2019 levels.

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							
Non-Asean												

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	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 5-consecutive months, retail trade registered positive month-on-month growth rates. All retail components, contributed positively towards annual growth, except for “Information & Communication Equipment in Specialised Stores”. We foresee the robust consumer demand to continue in 2HCY24, underpinned by discretionary and tourism related spendings.

Table 3: Distributive Trade’s Detailed Components Performance

	Share % Total DT		MoM%		YoY%	
	2019	6M24	May-24	Jun-24	May-24	Jun-24
Motor Vehicles Sales (MVS)	11.4	12.3	8.8	(9.4)	10.5	2.0
MVS: Motor Vehicle	6.1	6.3	14.9	(17.2)	11.1	(3.4)
MVS: Motor Vehicle Maint. & Repair	1.5	1.8	0.5	(0.3)	12.8	10.0
MVS: Motor Vehicle Parts & Accessories	2.8	3.4	0.9	(0.5)	11.9	9.2
MVS: Motorcycles Maint. & Repair, Parts & Acc.	0.9	0.8	17.2	(2.8)	(4.5)	(3.5)
Wholesale Sales (WS)	48.1	44.2	2.0	(0.3)	4.7	4.0
WS: Fee or Contract Basis	0.9	0.8	(0.5)	2.1	2.2	2.9
WS: Agri Raw Materials & Live Animals	3.8	4.0	4.7	(3.0)	3.9	7.9
WS: Food, Beverages & Tobacco	8.8	8.9	1.2	(0.3)	6.2	6.7
WS: Household Goods	9.3	9.3	2.9	(0.2)	6.5	5.6
WS: Machinery, Equipment & Supplies	4.1	3.4	4.1	(0.3)	1.8	2.4
WS: Others Specialised	19.9	16.6	0.9	(0.1)	4.0	1.2
WS: Non-Specialised	1.3	1.3	2.7	2.4	4.3	6.2
Retail Sales (RS)	40.5	43.5	0.3	0.2	8.7	7.9
RS: Non-Specialised Stores	13.9	16.7	0.9	(0.5)	10.7	8.8
RS: Food, Beverages & Tobacco	2.3	2.7	0.4	0.8	9.6	8.7
RS: Automotive Fuel	3.4	4.0	0.6	(1.0)	8.1	5.0
RS: Information & Communication Equip	4.1	3.4	(1.0)	(0.3)	(2.2)	(1.7)
RS: Household Equip	5.4	5.0	0.3	1.4	5.3	7.3
RS: Cultural & Recreation Goods	2.2	1.8	1.1	1.3	3.4	3.1
RS: Others in Specialised Store	8.7	9.2	(0.8)	1.2	12.8	12.6
RS: Stalls & Markets	0.1	0.1	0.3	1.5	5.9	6.1
RS: Not in Stores, Stalls & Markets	0.3	0.4	0.7	0.4	8.0	8.1

Source: DOSM; MIDFR

Retail sales slowing in the US and China. US retail sales increased by +2.3%yoy in Jun-24, hitting a 4-month low, primarily due to contractions in motor vehicle sales (-2.2%yoy) and gasoline stations (-0.4%yoy). Meanwhile,

China's retail sales growth softened to +2.0%yoy from a 3-month high of +3.7%yoy in May-24. This moderation coincides with a decline in the Caixin services PMI for Jun-24, as service providers faced reduced sales and higher input prices. However, the Jul-24 PMI indicates an improvement, suggesting a faster recovery in China's domestic demand.

Table 4: Global Retail Sales (YoY%)

	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24
Malaysia	5.0	2.6	5.8	7.1	5.5	8.7	7.9
Indonesia	0.2	1.1	6.4	9.3	(2.7)	2.1	
Singapore	(0.3)	1.5	8.4	2.7	(1.2)	2.2	(0.6)
Thailand	13.6	10.9	3.9	(3.7)	15.3	9.4	
Vietnam	9.3	8.1	8.5	9.2	9.0	9.5	9.1
Taiwan	0.5	1.7	8.5	1.9	1.6	2.4	3.9
China	7.4	5.5	5.5	3.1	2.3	3.7	2.0
Japan	2.4	2.1	4.7	1.1	2.0	3.0	3.7
Euro area	(0.4)	(0.9)	(0.3)	0.6	0.6	0.5	(0.3)
USA	5.5	0.3	2.1	3.6	2.7	2.6	2.3

Source: Macrobond; MIDFR


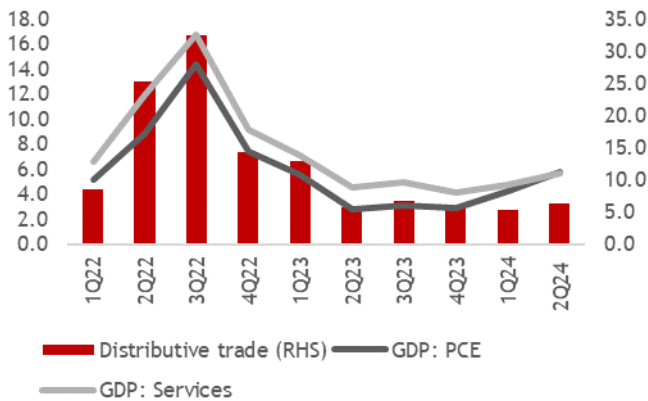
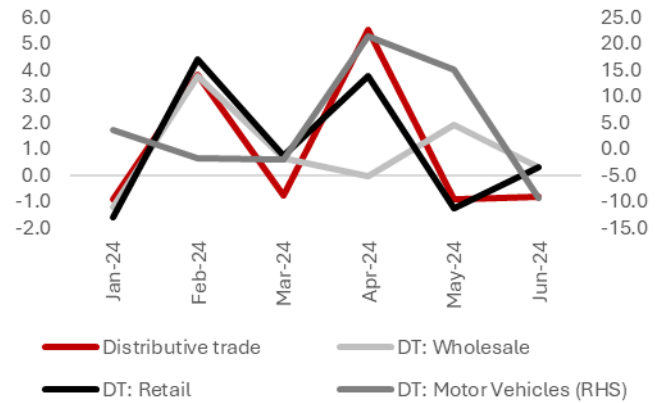
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Chart 1: Distributive Trade Sales, DT vs. GDP (YoY%)



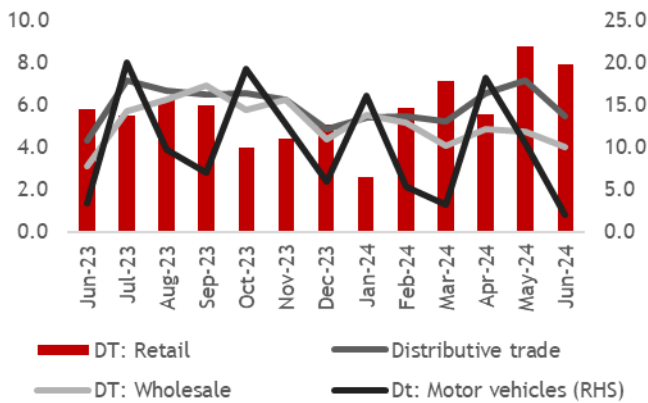
Source: DOSM; MIDFR

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



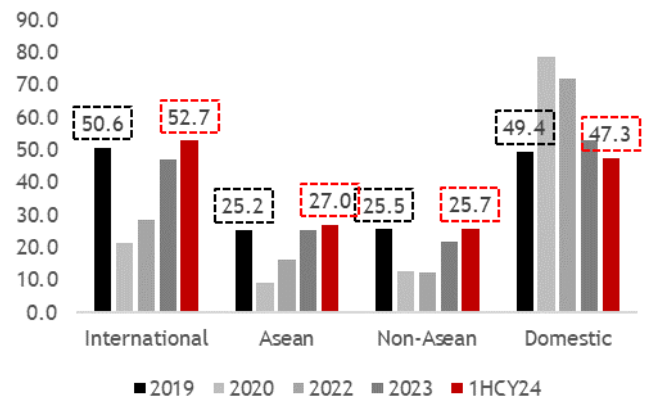
Source: CEIC; MIDFR

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



Source: DOSM; MIDFR

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



Source: MAHB; MIDFR

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