

ECONOMIC REVIEW | July 2024 Distributive Trade**Retail Sales Continued to Grow Albeit Moderating to +6.4%yoy in Aug-24**

- *Retail trade growth moderated to +6.4%yoy in Jul-24. Malaysia's domestic spending increased sustainably as the overall distributive trade expanded faster at +6.7%yoy in Jul-24, following a more encouraging motor vehicles sales (+12.2%yoy) and wholesale trade (+5.5%yoy), and sustained rise in retail trade albeit at relatively moderate pace at +6.4%yoy. Looking at the seasonally-adjusted data, the stronger growth in distributive trade volume by +5.3%yoy (Jun-24: +4.3%yoy) was particularly attributable to a rebound in motor vehicle sales and stronger wholesale trade.*
- *Improved airport passenger movements. As of 7MCY24, the recovery rate of passenger movements via airports under MAHB already improved to 88.5% of 2019-level (2023: 77.8%). This was contributed by pick-up in domestic passenger movement, where the rate stood at 85.2% (2023: 83.2%), as well as continued recovery in international travellers, with the rate having risen to 91.6% (2023: 72.4%).*
- *Retail trade to grow at +5.0% in 2024. As of 7MCY24, Malaysia's distributive trade sales increased by +6.0% (2023: +7.7%), supported by +9.3%yoy rise in motor vehicle sales (2023: +12.3%) and continued increases by +6.3% (2023: +9.0%) in retail trade and +4.8%yoy (2023: +5.2%yoy) in wholesale trade. Nevertheless, we maintain our projection that the domestic retail trade will grow at +5.0% this year (2023: +9.0%yoy), reflecting sustained expansion in consumer spending backed by rising income and employment, recovery in tourist arrivals and policy measures such as higher allocation for cash assistance to B40.*

Retail trade growth moderated to +6.4%yoy in Jul-24. Malaysia's domestic spending increased sustainably as the overall distributive trade expanded faster at +6.7%yoy in Jul-24, growing for the 34th consecutive month since Oct-21. The continued expansion reflected a more encouraging sales performance for motor vehicles (+12.2%yoy) and wholesale trade (+5.5%yoy), and sustained rise in retail trade albeit at relatively moderate pace. Looking at the seasonally-adjusted data, the stronger growth in volume of distributive trade by +5.3%yoy (Jun-24: +4.3%yoy) was particularly attributable to a rebound in motor vehicle sales (+8.7%yoy; Jun-24: -0.6%yoy) and stronger growth in wholesale trade (+5.1%yoy; Jun-24: +3.1%yoy). We continue to expect the positive labour market conditions and higher tourist arrivals, as well as the flexibility to tap retirement fund and cash assistance from the government, will underpin positive outlook for the distributive trade in the coming months. However, rising cost of living and pessimistic consumer confidence could affect future spending plans, which may be influenced by the government's plan to further rationalise subsidy allocations.

Pessimism among consumers could weigh down on near-term outlook. Although underlying demand pressures on prices remained limited as shown by stable core CPI inflation which hovered around +1.9%yoy in Apr-Jul 2024, we are cautious that consumer sentiment could remain subdued despite the more encouraging growth outlook, after the economy clocking a stronger GDP growth of +5.9%yoy in 2QCY24 (1QCY24: +4.2%yoy). In particular, consumers have been highlighting rising prices, despite the still low inflation reading, as main the main concerns affecting their sentiment. Furthermore, policy changes by the government will also sway consumer confidence, which including continued rationalisation in subsidy spending with the next adjustment involving a planned shift to targeted subsidy for RON95. On another note, outstanding personal loans and credit card loans also grew at slower pace in Jul-24, moderating to +4.4%yoy and +7.8%yoy, respectively, in line with the more moderate growth in retail trade.

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

	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24
Distributive Trade	142.4	141.1	145.7	144.9	147.9	146.0	149.0
YoY%	5.4	5.5	5.2	6.6	7.1	5.4	6.7
MoM%	-1.1	-0.9	3.3	-0.6	2.0	-1.3	2.1
Motor Vehicles	17.6	17.4	18.8	17.3	18.8	17.0	19.0
YoY%	16.0	5.4	3.2	18.1	10.5	2.0	12.2
MoM%	-5.1	-1.4	8.3	-8.2	8.8	-9.4	11.6
Wholesale Trade	63.7	62.2	64.1	63.8	65.1	64.9	66.6
YoY%	5.5	5.2	4.0	4.8	4.7	4.0	5.5
MoM%	1.2	-2.3	3.0	-0.4	2.0	-0.3	2.6
Retail Trade	61.1	61.5	62.8	63.8	64.0	64.1	63.5
YoY%	2.6	5.8	7.1	5.5	8.7	7.9	6.4
MoM%	-2.1	0.7	2.1	1.5	0.3	0.2	-1.0

Source: Macrobond, DOSM, MIDFR

Note: MoM are non-seasonally adjusted figures

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	4.0	4.5					
CY23 % of CY19	62.6	62.6	66.3	64.1	74.0	72.9	75.5	76.2	79.3	78.8	77.7	78.3
CY24 % of CY19	86.0	96.7	85.8	88.1	98.8	91.4	95.5					
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	2.1	2.2					
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	92.9	95.7					
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	1.9	2.3					
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	89.8	95.4					

Source: MAHB, MIDFR

Improved airport passenger movements. As of 7MCY24, the recovery rate of passenger movements via airports under MAHB already improved to 88.5% of 2019-level (2023: 77.8%). This was contributed by pick-up in domestic passenger movement, where the rate stood at 85.2% (2023: 83.2%), as well as continued recovery in international travellers, with the rate having risen to 91.6% (2023: 72.4%). By region, ASEAN passengers arriving to Malaysia's airports touched 14.3 million, or 93.8% of pre-pandemic level (2023: 78.3%), while non-ASEAN

passengers increase by +46.8%yoy to 13.8 million, or 89.5% of that in 7M24 (2023: 66.6%). Looking ahead, we foresee the level of movement could reach closer to the pre-pandemic levels as we anticipate increased foreign tourist arrivals, facilitated by 30-day visa-free entry for travellers from China and India. This 30-day visa-free entry which valid until end of 2024 is also applicable to Middle Eastern countries, Türkiye and Jordan. This is further facilitated by the proactive efforts to encourage more foreign tourists to visit Malaysia.

Consumer spending continued to grow. Retail sales continued to surpass last year’s performance, although the pace of growth moderated to +6.4%yoy in Aug-24. Stronger spending was recorded on automotive fuel, information & communication equipment, and cultural & recreation goods. As we expected, the hike in domestic diesel price led to increased spending on automotive fuel. This can be explained by the +0.8%mom rise in auto fuel spending, while the overall retail spending fell by -1%mom from Jun-24 due to reduced spending on F&B and tobacco (-1.7%mom), other goods in specialised stores (-3.8%mom) and purchases at non-specialised stores (-1.3%mom). We foresee spending on other items would improve again as consumers would benefit from the recent downward revision to RON97 and diesel prices. In general, we believe total retail sales will continue to grow above last year on the back of increased employment, income and more encouraging economic outlook.

Table 3: Distributive Trade’s Detailed Components Performance

	Share % Total DT		MoM%		YoY%	
	2019	7M24	Jun-24	Jul-24	Jun-24	Jul-24
Motor Vehicles Sales (MVS)	11.4	12.4	(9.4)	11.6	2.0	12.2
MVS: Motor Vehicle	6.1	6.4	(17.2)	21.7	(3.4)	14.0
MVS: Motor Vehicle Maint. & Repair	1.5	1.8	(0.3)	0.7	10.0	10.5
MVS: Motor Vehicle Parts & Accessories	2.8	3.4	(0.5)	0.8	9.2	9.6
MVS: Motorcycles Maint. & Repair, Parts & Acc.	0.9	0.8	(2.8)	12.4	(3.5)	12.9
Wholesale Sales (WS)	48.1	44.3	(0.3)	2.6	4.0	5.5
WS: Fee or Contract Basis	0.9	0.8	2.1	0.2	2.9	7.4
WS: Agri Raw Materials & Live Animals	3.8	4.0	(3.0)	5.0	7.9	7.7
WS: Food, Beverages & Tobacco	8.8	8.9	(0.3)	1.8	6.7	8.1
WS: Household Goods	9.3	9.3	(0.2)	1.0	5.6	8.2
WS: Machinery, Equipment & Supplies	4.1	3.5	(0.3)	5.3	2.4	10.2
WS: Others Specialised	19.9	16.6	(0.1)	2.9	1.2	1.0
WS: Non-Specialised	1.3	1.3	2.4	1.6	6.2	9.4
Retail Sales (RS)	40.5	43.3	0.2	(1.0)	7.9	6.4
RS: Non-Specialised Stores	13.9	16.7	(0.5)	(1.3)	8.8	7.7
RS: Food, Beverages & Tobacco	2.3	2.7	0.8	(1.7)	8.7	6.5
RS: Automotive Fuel	3.4	4.0	(1.0)	0.8	5.0	7.1
RS: Information & Communication Equip	4.1	3.4	(0.3)	5.6	(1.7)	2.5
RS: Household Equip	5.4	5.0	1.4	(0.9)	7.3	4.6
RS: Cultural & Recreation Goods	2.2	1.9	1.3	1.6	3.1	3.9
RS: Others in Specialised Store	8.7	9.1	1.2	(3.8)	12.6	6.6
RS: Stalls & Markets	0.1	0.1	1.5	0.7	6.1	6.5
RS: Not in Stores, Stalls & Markets	0.3	0.4	0.4	0.6	8.1	9.2

Source: DOSM; MIDFR

Resilience in US retail spending, but signs of slower demand in China. Retail sales in the US picked up to +2.7%yoy in Jul-24 (Jun-24: +2.0%yoy), indicating continued resilience in consumer spending as the pace of growth was similar as in April-May 2024. This can be explained by improved purchasing plans as inflation eased, in addition to continued rise in wages and still positive job growth. In China, despite retail sales also accelerated to +2.7%yoy (Jun-24: +2.0%yoy), there are still concerns about that slowing consumer spending will require more supports from the government. In regional economies like Singapore, Vietnam and Taiwan, consumer spending experienced a more encouraging performance with retail spending improved in June-July 2024. In Japan, despite the policy hike by the Bank of Japan, retail spending continued to grow albeit moderating to +2.6%yoy in Jul-24 (Jun-24: +3.8%yoy). We foresee healthy labour market and growing income to continue supporting consumer spending, on the back of easing price pressures.

Table 4: Global Retail Sales (YoY%)

	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24
Malaysia	2.6	5.8	7.1	5.5	8.7	7.9	6.4
Indonesia	1.1	6.4	9.3	(2.7)	2.1	2.7	n.a.
Singapore	1.5	8.4	2.7	(1.2)	2.2	(0.6)	1.0
Thailand	10.9	3.9	(3.7)	15.3	14.0	12.6	n.a.
Vietnam	8.1	8.5	9.2	9.0	9.5	9.1	9.4
Taiwan	1.7	8.5	1.9	1.6	2.6	3.9	3.4
China	5.5	5.5	3.1	2.3	3.7	2.0	2.7
Japan	2.1	4.7	1.1	2.0	2.8	3.8	2.6
Euro area	(0.9)	(0.3)	0.6	0.7	0.5	(0.4)	(0.1)
USA	0.3	2.1	3.6	2.8	2.6	2.0	2.7

Source: Macrobond; MIDFR


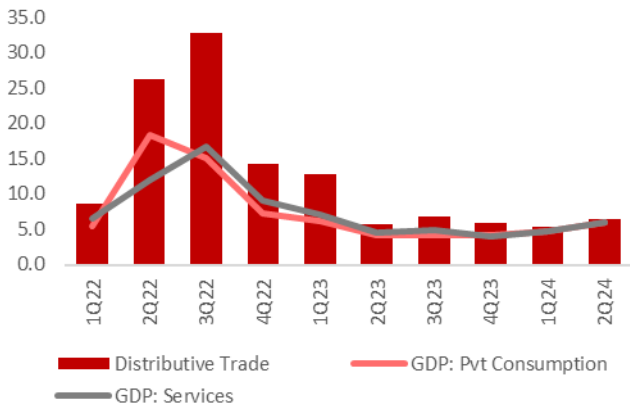
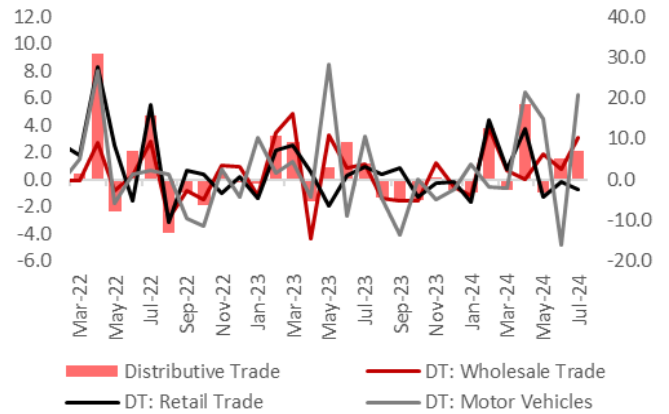
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Chart 1: Distributive Trade Sales vs. GDP (YoY%)



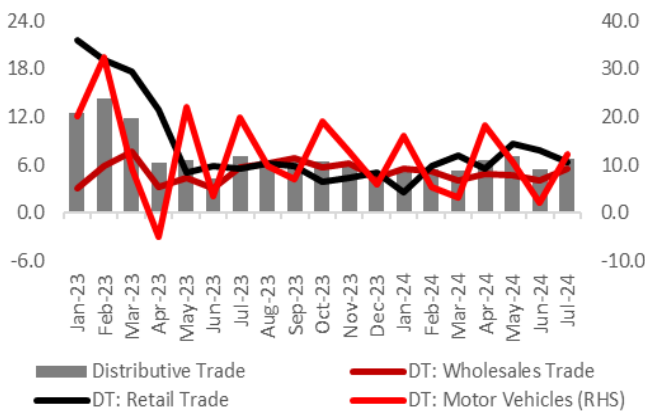
Source: Macrobond, MIDFR

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



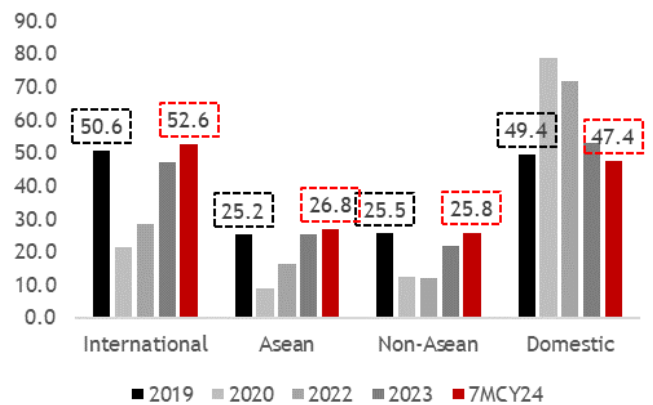
Source: Macrobond, MIDFR

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



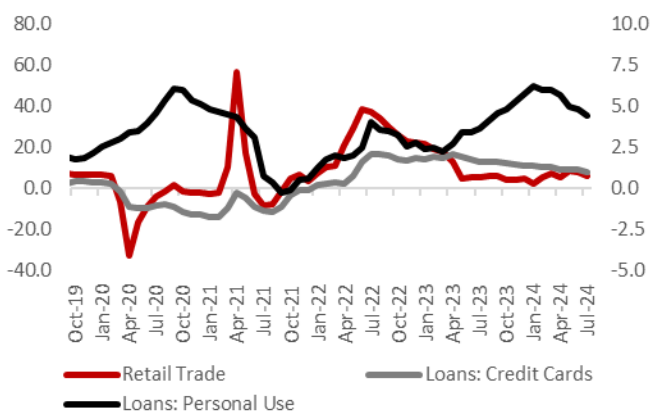
Source: DOSM; MIDFR

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



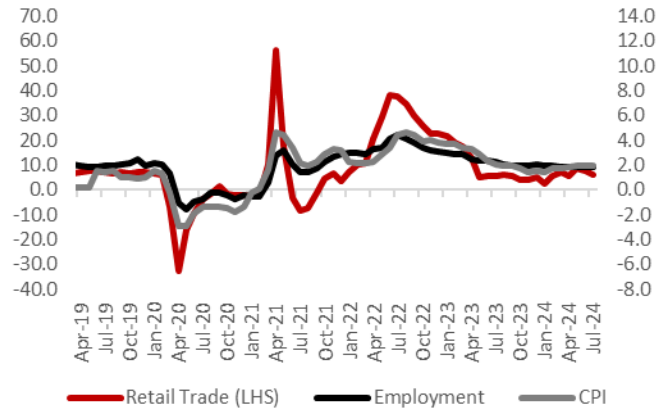
Source: MAHB; MIDFR

Chart 5: Retail Trade vs. Credit Cards and Personal Loans (YoY%)



Source: Macrobond, BNM, MIDFR

Chart 6: Retail Trade vs. Employment and CPI Inflation (YoY%)



Source: Macrobond, MIDFR

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