

ECONOMIC REVIEW | August 2024 Distributive Trade

Retail Trade Expanded Close to 3 Years Although Pace of Growth Eased in Sep-24

- Retail trade growth eased to +5.9%yoy in Aug-24. Malaysia's domestic expenditure exhibited a sustained expansion, with the overall distributive trade expanding further at +4.7%yoy in Aug-24 (Jul-24: +6.7%yoy). The growth in Aug-24 was buoyed by increased retail trade (+5.9%yoy) and wholesale trade (+3.7%yoy) as well higher sales of motor vehicles (+4.1%yoy). Looking at the non-seasonally adjusted data, the volume of distributive trade continued to expand by +3.8%yoy (Jul-24: +5.5%yoy).
- Improved airport passenger movements. As of 8MCY24, the recovery rate of passenger movements via airports under MAHB already improved to 88.7% 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 92.1% (2023: 72.4%).
- Retail trade to grow at +5.0% in 2024. As of 8MCY24, Malaysia's distributive trade sales increased by +5.8% (2023: +7.7%), supported by +9.3%yoy rise in motor vehicle sales (2023: +12.3%) and continued increases by +6.2% (2023: +9.0%) in retail trade and +4.7%yoy (2023: +5.2%yoy) in wholesale trade. For the whole year, we maintain our forecast that the domestic retail trade will grow at +5.0% this year (2023: +9.0%yoy).

Retail trade growth eased to +5.9%yoy in Aug-24. Malaysia's domestic expenditure exhibited a sustained expansion, with the overall distributive trade expanding further at +4.7%yoy in Aug-24 (Jul-24: +6.7%yoy). The growth in Aug-24 was buoyed by increased retail trade (+5.9%yoy) and wholesale trade (+3.7%yoy) as well higher sales of motor vehicles (+4.1%yoy). Looking at the non-seasonally adjusted data, the volume of distributive trade grew by +3.8%yoy (Jul-24: +5.5%yoy), attributable to higher retail (+4.0%yoy; +4.6%yoy) and wholesale trade (+3.8%yoy; Jul-24: +5.2%yoy) and increased volume of motor vehicle sales (+2.8%yoy; Jul-24: 10.8%yoy). Looking ahead, we expect the positive labour market conditions, higher tourist arrivals, the flexibility to tap retirement fund and distribution of cash assistance from the government will support for domestic consumption and distributive trade to continue growing in the coming months.

RON95 subsidy rationalisation could affect consumer confidence. Price pressures from policy changes have been rather limited as headline and core CPI inflation only increased to +2.0%yoy and +1.9%yoy, respectively, in July-August 2024 (1HCY24: +1.8%yoy and +1.8%yoy). While consumers continued to indicate concerns over higher cost of living, we remain cautious that the next subsidy rationalisation involving RON95 could sway consumer confidence and their spending plans. For now, while the government is yet to decide on the RON95 subsidy adjustment, this becomes a temporary relief to the households, while cash assistance from the government and ability to EPF Account 3 provide additional supports to consumer spending this year. On another note, although outstanding personal loans and credit card loans have moderated to +3.6%yoy and +8.1%yoy, respectively, in Aug-24 (Jan-24: +5.4%yoy and +11.1%yoy), purchases of big ticket items remained encouraging as shown by the faster rise in housing loans at +8.5%yoy (Jan-24: +7.5%yoy) and still robust growth in hire purchase for passenger cars (Aug-24: +9.6%yoy; Jan-24: +10.1%yoy).

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

	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24
Distributive Trade	141.1	145.7	144.9	147.9	146.0	149.0	149.2
YoY%	5.5	5.2	6.6	7.1	5.4	6.7	4.7
MoM%	(0.9)	3.3	(0.6)	2.0	(1.3)	2.1	0.1
Motor Vehicles	17.4	18.8	17.3	18.8	17.0	19.0	18.9
YoY%	5.4	3.2	18.1	10.5	2.0	12.2	4.1
MoM%	(1.4)	8.3	(8.2)	8.8	(9.4)	11.6	(0.6)
Wholesale Trade	62.2	64.1	63.8	65.1	64.9	66.6	66.2
YoY%	5.2	4.0	4.8	4.7	4.0	5.5	3.7
MoM%	(2.3)	3.0	(0.4)	2.0	(0.3)	2.6	-0.5
Retail Trade	61.5	62.8	63.8	64.0	64.1	63.5	64.1
YoY%	5.8	7.1	5.5	8.7	7.9	6.4	5.9
MoM%	0.7	2.1	1.5	0.3	0.2	(1.0)	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	95.2				
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	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	93.8				
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	96.5				

Source: MAHB, MIDFR

Improved airport passenger movements. As of 8MCY24, the recovery rate of passenger movements via airports under MAHB already improved to 88.7% 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 92.1% (2023: 72.4%). By region, ASEAN passengers arriving to Malaysia's airports touched 16.4 million, or 93.8% of 2019 level (2023: 78.4%), while non-ASEAN passengers

increased by +45.1%yoy to 16.1 million, or 90.4% of that in 8M24 (2023: 66.6%). Looking ahead, we foresee passenger movement will 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. In addition, proactive efforts to encourage more tourists to visit Malaysia will also contribute to the recovery in foreign tourist arrivals.

Consumer spending has shown resilience. Retail sales grew further by +5.9%yoy in Aug-24, although growing at the slowest pace since Apr-24. Stronger spending was recorded in non-specialised stores; food beverages & tobacco; and cultural & recreation goods. Strong sales not in stores, stalls & markets also grew faster, which suggests increased spending via e-commerce and online platforms. The overall retail spending rebounded to +1.0%mom from Jul-24 driven by higher spending on cultural & recreation goods (+1.8%mom), retail trade not in stores, stalls or market (+1.6%mom) and other purchases at specialised stores (+1.6%mom). We anticipate a notable increase in consumer spending as households regained some confidence, in view of the approaching holiday season and a rise in airport passenger traffic and tourist arrivals (and spending), coupled with recent reductions in RON97 and diesel prices. Spending will also be bolstered by factors such as rising employment levels, more favorable economic outlook and possible delay in the RON95 target subsidy roll-out.

Table 3: Distributive Trade's Detailed Components Performance

	Share % Total DT		MoM%		YoY%	
	2019	8M24	Jul-24	Aug-24	Jul-24	Aug-24
Motor Vehicles Sales (MVS)	11.4	12.4	11.6	-0.6	12.2	4.1
MVS: Motor Vehicle	6.1	6.4	21.7	-1.1	14.0	-0.5
MVS: Motor Vehicle Maint. & Repair	1.5	1.8	0.7	0.4	10.5	9.0
MVS: Motor Vehicle Parts & Accessories	2.8	3.4	0.8	0.6	9.6	8.6
MVS: Motorcycles Maint. & Repair, Parts & Acc.	0.9	0.8	12.4	-3.9	12.9	16.2
Wholesale Sales (WS)	48.1	44.3	2.6	-0.5	5.5	3.7
WS: Fee or Contract Basis	0.9	0.8	0.2	-0.7	7.4	5.5
WS: Agri Raw Materials & Live Animals	3.8	4.0	5.0	-0.3	7.7	7.8
WS: Food, Beverages & Tobacco	8.8	8.9	1.8	-0.9	8.1	7.0
WS: Household Goods	9.3	9.3	1.0	0.8	8.2	6.7
WS: Machinery, Equipment & Supplies	4.1	3.5	5.3	-1.7	10.2	7.2
WS: Others Specialised	19.9	16.6	2.9	-0.6	1.0	-1.4
WS: Non-Specialised	1.3	1.3	1.6	-2.5	9.4	8.1
Retail Sales (RS)	40.5	43.3	-1.0	1.0	6.4	5.9
RS: Non-Specialised Stores	13.9	16.7	-1.3	1.4	7.7	7.8
RS: Food, Beverages & Tobacco	2.3	2.7	-1.7	1.3	6.5	6.8
RS: Automotive Fuel	3.4	4.0	0.8	0.6	7.1	5.3
RS: Information & Communication Equip	4.1	3.4	5.6	-0.6	2.5	2.4
RS: Household Equip	5.4	5.0	-0.9	-0.4	4.6	2.7
RS: Cultural & Recreation Goods	2.2	1.9	1.6	1.8	3.9	4.8
RS: Others in Specialised Store	8.7	9.1	-3.8	1.6	6.6	5.8
RS: Stalls & Markets	0.1	0.1	0.7	0.6	6.5	5.6
RS: Not in Stores, Stalls & Markets	0.3	0.4	0.6	1.6	9.2	9.4

Source: DOSM; MIDFR

Continued resilience in US retail spending vs. concerns over weak demand in China. Retail sales in the US continued to grow at +2.1%yoy in Aug-24 (Jul-24: +2.7%yoy), signalling that the economic growth will remain resilient in 3QCY24 underpinned by increased consumer spending. In China, however, there were growing concerns over weak demand looking at the slower growth in retail sales, which expanded at +2.1%yoy in Aug-24 (Jan-Feb-24: +5.5%yoy). This has led to recent actions taken by China's authorities to support the economy and weak property market. In regional economies like Singapore, Vietnam and Taiwan, retail spending also reported sustained albeit at more moderate pace. Retail sales in euro area, Japan and Indonesia, on the other hand, was more encouraging as growth picked up in Aug-24. We foresee healthy labour markets and growing income will continue to support consumer spending. Meanwhile, consumer confidence also improved on the back of easing price pressures.

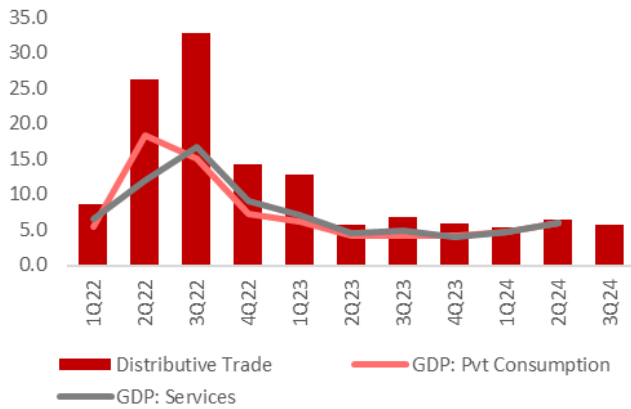
Table 4: Global Retail Sales (YoY%)

	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24
Malaysia	5.8	7.1	5.5	8.7	7.9	6.4	5.9
Indonesia	6.4	9.3	(2.7)	2.1	2.7	4.5	5.8
Singapore	8.4	2.7	(1.2)	2.2	(0.6)	1.0	0.6
Thailand	3.9	(3.7)	28.8	14.8	13.4	21.7	n.a.
Vietnam	8.5	9.2	9.0	9.5	9.1	9.4	7.9
Taiwan	8.5	1.9	1.6	2.6	3.9	3.1	1.1
China	5.5	3.1	2.3	3.7	2.0	2.7	2.1
Japan	4.7	1.1	2.0	2.8	3.8	2.7	2.8
Euro area	(0.3)	0.6	0.8	0.5	(0.3)	(0.1)	0.8
USA	2.1	3.6	2.8	2.6	2.0	2.9	2.1

Source: Macrobond; MIDFR

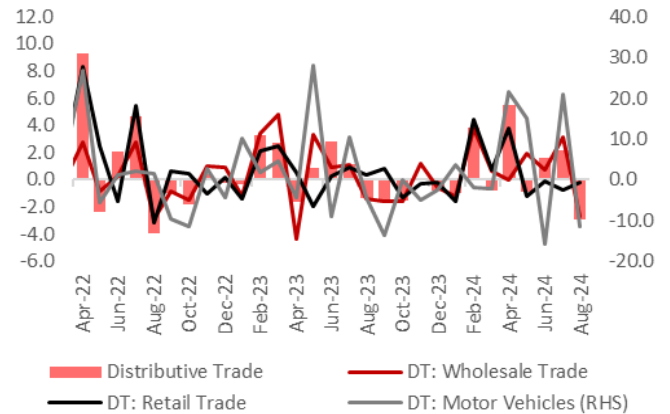
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Chart 1: Distributive Trade Sales vs. GDP (YoY%)



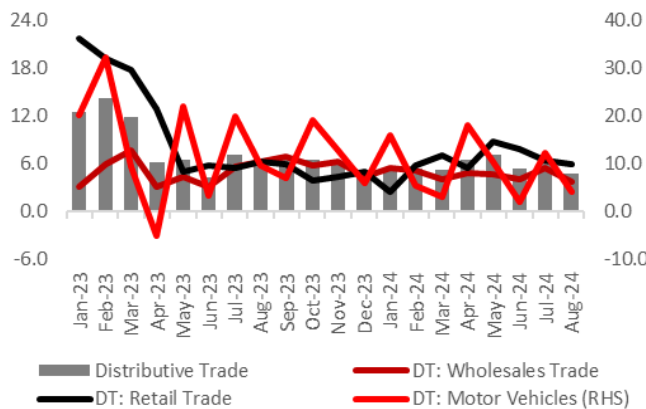
Source: Macrobond, MIDFR

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



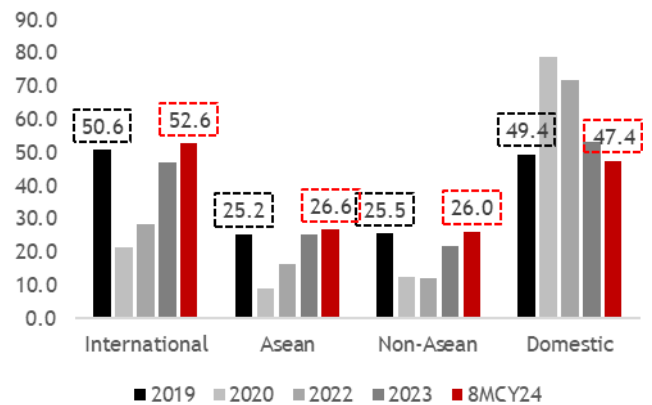
Source: Macrobond, MIDFR

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



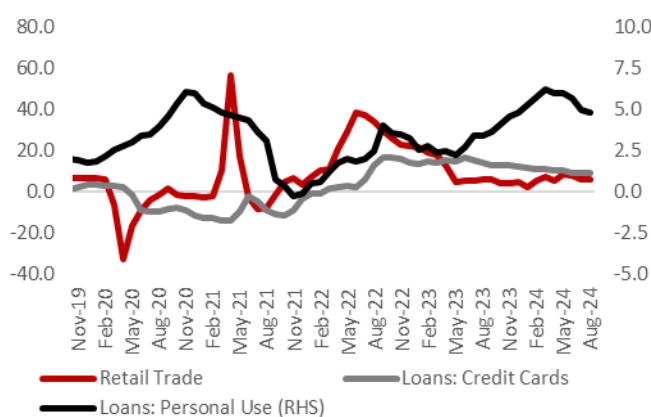
Source: DOSM; MIDFR

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



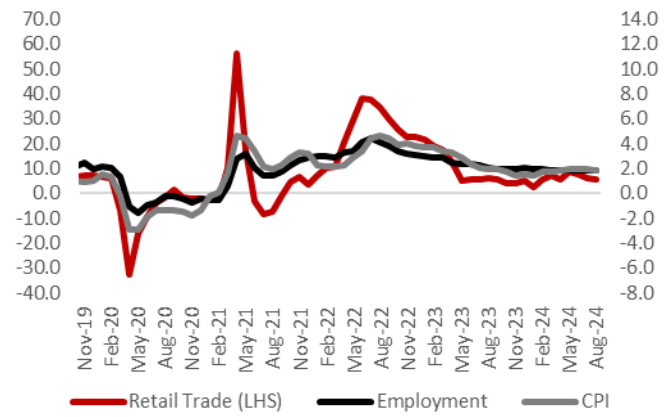
Source: MAHB; MIDFR

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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