

ECONOMIC REVIEW | September 2024 Distributive Trade**Continued Rise in Domestic Spending as Retail Trade Registered 36th Straight Month of Growth**

- *Retail trade growth slowed at +5.5%yoy in Sep-24. Domestic expenditure continued to show steady growth, with overall distributive trade increasing by +3.8%yoy in Sep-24 (Aug-24: +4.7%yoy). The growth in Sep-24 was supported by rises in retail trade (+5.5%yoy) and wholesale trade (+3.6%yoy). Conversely, the sales for motor vehicles fell to -1.0%yoy (Aug-24: +4.1%yoy), the lowest since May-23.*
- *Improved airport passenger movements. As of 9MCM24, the recovery rate of passenger movements via airports under MAHB already improved to 89.3% of 2019 level (2023: 77.8%, 2022: 50.1%). This was contributed by pick-up in domestic passenger movement, where the rate stood at 85.8% (2023: 83.3%; 2022: 69.6%) as well as continued recovery in international travellers, with the rate having risen to 92.9% (2023: 72.5%; 2022: 31.0%).*
- *Retail sales to grow at +5.8% in 2024. We now forecast retail sales would grow at +5.8% in 2024, a stronger growth compared to our earlier forecast of +5.0% due to the absence of targeted RON95 subsidy which we previously anticipated will be implemented in 4QCY24. As of 9MCM24, Malaysia's distributive trade sales increased by +5.7% (2023: +7.7%), with continued rise in retail trade by +6.1% (2023: +9.0%).*

Retail trade growth slowed at +5.5%yoy in Sep-24. Domestic expenditure continued to show steady growth, with overall distributive trade increasing by +3.8%yoy in Sep-24 (Aug-24: +4.7%yoy). The growth in Sep-24 was supported by rises in retail trade (+5.5%yoy) and wholesale trade (+3.6%yoy). Conversely, the sales for motor vehicles fell to -1.0%yoy (Aug-24: +4.1%yoy), the lowest since May-23. In non-seasonally adjusted terms, distributive trade volume grew by +3.5%yoy (Aug-24: +3.8%yoy), driven by higher retail (+3.8%yoy; Aug-24: +4.0%yoy) and wholesale trade (+4.8%yoy; Aug-24: +3.8%yoy), while motor vehicle sales fell (-2.4%yoy; Aug-24: +2.8%yoy). Looking ahead, we anticipate spending activities will grow further in the coming months on the back of favourable labour market conditions, easing inflation, stable monetary policy setting and increased tourist arrivals. The growth will be further boosted by government support measures (e.g. cash assistance and subsidies) and the flexible access to retirement funds.

Limited price pressures amid cautious consumer sentiment in Malaysia. Price pressures from policy changes have been rather limited as both headline and core CPI inflation eased to +1.8%yoy in Sep-24. We are cautious that consumer sentiment could remain subdued despite the more encouraging growth outlook as the economy sustained a robust growth, growing at +5.3%yoy in 3QCY24 (2QCY24: +5.9%yoy) based on advanced estimate. Consumers continued to indicate concerns over higher cost of living, which may limit their spending plans. For now, the delay in rationalizing RON95 fuel subsidies until mid-2025 has alleviated fears of fuel price hikes, providing temporary relief to the households. On another note, although outstanding personal loans and credit card loans have moderated to +3.5%yoy and +8.4%yoy, respectively, in Sep-24 (Jan-24: +5.4%yoy and +11.1%yoy), purchases of big ticket items remained encouraging as shown by the more encouraging growth in housing loans at +8.1%yoy (Jan-24: +7.5%yoy) and still robust growth in hire purchase for passenger cars (Sep-24: +9.3%yoy; Jan-24: +10.1%yoy).

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

	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24
Distributive Trade	145.7	144.9	147.9	146.0	149.0	149.2	148.2
YoY%	5.2	6.6	7.1	5.4	6.7	4.7	3.8
MoM%	3.3	-0.6	2.0	-1.3	2.1	0.1	-0.7
Motor Vehicles	18.8	17.3	18.8	17.0	19.0	18.9	17.3
YoY%	3.2	18.1	10.5	2.0	12.2	4.1	-1.0
MoM%	8.3	-8.2	8.8	-9.4	11.6	-0.6	-8.3
Wholesale Trade	64.1	63.8	65.1	64.9	66.6	66.2	66.5
YoY%	4.0	4.8	4.7	4.0	5.5	3.7	3.6
MoM%	3.0	-0.4	2.0	-0.3	2.6	-0.5	0.4
Retail Trade	62.8	63.8	64.0	64.1	63.5	64.1	64.4
YoY%	7.1	5.5	8.7	7.9	6.4	5.9	5.5
MoM%	2.1	1.5	0.3	0.2	-1.0	1.0	0.5

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	99.3			
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	97.5			
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	101.1			

Source: MAHB, MIDFR

Improved airport passenger movements. As of 9MCY24, the recovery rate of passenger movements via airports under MAHB already improved to 89.3% of 2019 level (2023: 77.8%, 2022: 50.1%). This was contributed by pick-up in domestic passenger movement, where the rate stood at 85.8% (2023: 83.3%; 2022: 69.6%) as well as continued recovery in international travellers, with the rate having risen to 92.9% (2023: 72.5%; 2022: 31.0%). By region, ASEAN passengers arriving to Malaysia's airports touched 20.8 million, or 94.2% of 2019 level (2023: 78.5%; 2022: 36.3%), while non-ASEAN passengers increased by +43.5%yoy to 18.1 million, or 91.5% of

that in 9MCY19 (2023: 66.6%; 2022: 25.8%). 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 is valid until the end of 2024 is also applicable to Middle Eastern countries, Türkiye and Jordan. In addition, proactive efforts and promotions to encourage more tourists to visit Malaysia will also contribute to the recovery of foreign tourist arrivals.

Robust consumer spending driving economic growth. Retail sales continued to expand by +5.5%yoy in Sep-24, albeit at a slower pace (Aug-24: +5.9%yoy). Stronger spending was evident across all retail categories, led by stalls & markets (+7.9%yoy); food, beverages & tobacco (+7.2%yoy); and automotive fuel (+6.7%yoy). A +6.2%yoy growth in retail sales not in stores, stalls & markets indicates increased spending on the e-commerce and online platforms. The overall retail spending increased by +0.5%mom from the previous month (Aug-24: +1.0%mom), driven by higher expenditures on household equipment (+1.9%mom), other purchases at specialised stores (+1.6%mom) and food, beverages & tobacco (+1.2%mom). Online retail sales, however, recorded the first monthly contraction at -2.2%mom after 6 consecutive months of growth. We anticipate further increases in consumer spending as households' confidence improved, attributed to employment and salaries growth, positive economic outlook and lower global commodity prices. The approaching holiday season is also likely to boost tourism spending, supported by rising demand for air transport and increased tourist arrivals.

Table 3: Distributive Trade's Detailed Components Performance

	Share % Total DT		MoM%		YoY%	
	2019	9M24	Aug-24	Sep-24	Aug-24	Sep-24
Motor Vehicles Sales (MVS)	11.4	12.3	-0.6	-8.3	4.1	-1.0
MVS: Motor Vehicle	6.1	6.3	-1.1	-14.3	-0.5	-10.3
MVS: Motor Vehicle Maint. & Repair	1.5	1.8	0.4	-1.3	9.0	8.7
MVS: Motor Vehicle Parts & Accessories	2.8	3.4	0.6	-1.2	8.6	8.5
MVS: Motorcycles Maint. & Repair, Parts & Acc.	0.9	0.8	-3.9	-5.2	16.2	20.6
Wholesale Sales (WS)	48.1	44.4	-0.5	0.4	3.7	3.6
WS: Fee or Contract Basis	0.9	0.8	-0.7	0.3	5.5	7.3
WS: Agri Raw Materials & Live Animals	3.8	4.0	-0.3	-0.2	7.8	4.0
WS: Food, Beverages & Tobacco	8.8	8.9	-0.9	1.2	7.0	7.9
WS: Household Goods	9.3	9.3	0.8	0.2	6.7	7.9
WS: Machinery, Equipment & Supplies	4.1	3.5	-1.7	4.0	7.2	9.6
WS: Others Specialised	19.9	16.6	-0.6	-0.7	-1.4	-2.6
WS: Non-Specialised	1.3	1.3	-2.5	0.9	8.1	8.2
Retail Sales (RS)	40.5	43.3	-1.0	1.0	5.9	5.5
RS: Non-Specialised Stores	13.9	16.7	-1.3	1.4	7.8	6.2
RS: Food, Beverages & Tobacco	2.3	2.7	-1.7	1.3	6.8	7.2
RS: Automotive Fuel	3.4	4.0	0.8	0.6	5.3	6.7
RS: Information & Communication Equip	4.1	3.4	5.6	-0.6	2.4	2.0
RS: Household Equip	5.4	5.0	-0.9	-0.4	2.7	3.8
RS: Cultural & Recreation Goods	2.2	1.9	1.6	1.8	4.8	4.6
RS: Others in Specialised Store	8.7	9.1	-3.8	1.6	5.8	5.7
RS: Stalls & Markets	0.1	0.1	0.7	0.6	5.6	7.9
RS: Not in Stores, Stalls & Markets	0.3	0.4	0.6	1.6	9.4	6.2

Source: DOSM, Macrobond, MIDFR

Sustained growth in global retail sales. Retail spending continued to grow in most countries in Sep-24. In the US, retail sales grew further albeit moderating to +1.7%yoy in Sep-24 (Aug-24: +2.2%yoy), underscoring economic resilience underpinned by increased consumer spending. In fact, the monthly increase of +0.4%mom was stronger than +0.3%mom growth predicted by the market consensus. In China, spending growth improved as retail sales grew faster at +3.2%yoy in Sep-24 (Aug-24: +2.1%yoy), signalling improved consumer confidence. This will be further boosted by policy measures announced by the government recently. Japan and Vietnam also reported steady retail spending growth, albeit at a moderated pace. Retail sales in Singapore and Taiwan, on the other hand, recorded accelerated growth in Sep-24. We foresee solid labour markets and rising income, coupled with easing monetary policies across major economies, will continue to support global consumer spending. Meanwhile, consumer sentiment also improved on the back of easing inflationary pressures as global commodity prices stabilized.

Table 4: Global Retail Sales (YoY%)

	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24
Malaysia	7.1	5.5	8.7	7.9	6.4	5.9	5.5
Indonesia	9.3	(2.7)	2.1	2.7	4.5	5.8	n.a.
Singapore	2.7	(1.2)	2.2	(0.6)	1.0	0.7	2.0
Thailand	(3.7)	28.8	14.8	13.4	21.7	31.4	n.a.
Vietnam	9.2	9.0	9.5	9.1	9.4	7.9	7.6
Taiwan	1.9	1.6	2.6	3.9	3.1	1.1	3.2
China	3.1	2.3	3.7	2.0	2.7	2.1	3.2
Japan	1.1	2.0	2.8	3.8	2.7	3.1	0.5
Euro area	0.6	0.8	0.5	(0.3)	(0.1)	0.8	n.a.
USA	3.6	2.8	2.6	2.0	2.9	2.2	1.7

Source: Macrobond; MIDFR

Positive support to economic growth. We expect the continued rise in consumer spending will contribute positively to Malaysia's economic growth in 3QCY24. The sustained growth has resulted in the size of private consumption to GDP increasing from around 54% of real GDP in 2015 to 60.7% in 2023. The ratio increased further to 61.2% of real GDP in 1HCY24. Looking at retail trade growing at +5.9%yoy in 3QCY24 (2QCY24: +7.4%yoy), we expect the private consumption will remain a key driver to growth during the quarter. Together with the recovery in exports, this explains why the pace of economic growth in the third quarter of 2024 remained robust (i.e. above +5%) as shown by the advance estimate.


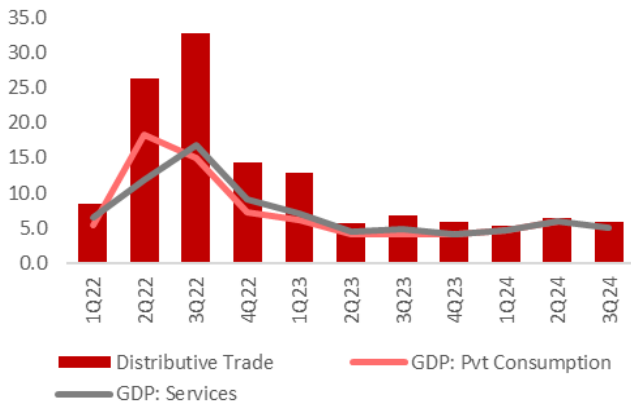
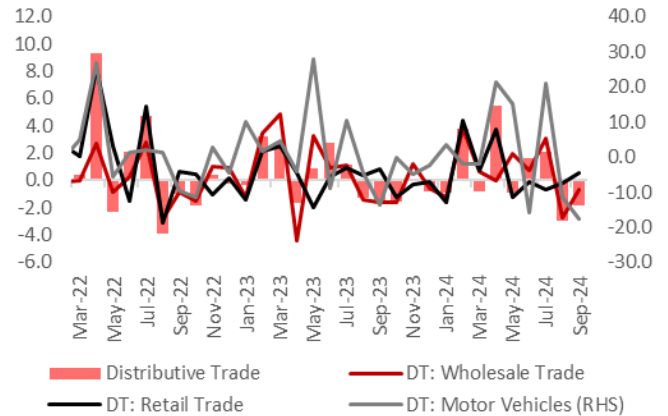
Retail sales to grow at +5.8% in 2024. We now forecast retail sales would grow at +5.8% in 2024, a stronger growth compared to our earlier forecast of +5.0%. The upward revision mainly reflects the absence of targeted RON95 subsidy which we previously anticipated will be implemented in the final quarter of 2024. Overall, domestic spending has been growing supported by rising income and employment, recovery in tourist arrivals and policy measures (e.g. cash assistance). Meanwhile, the flexible access to some of retirement funds and timely shift to targeted subsidies may result in more encouraging spending outlook, mitigating the potential inflationary effects from policy changes which has been well contained thus far. As of 9MCY24, Malaysia's distributive trade sales increased by +5.7% (2023: +7.7%), supported by +7.5%yoy rise in motor vehicle sales (2023: +12.3%) and continued increases by +6.1% (2023: +9.0%) in retail trade and +4.5%yoy (2023: +5.2%yoy) in wholesale trade. 

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



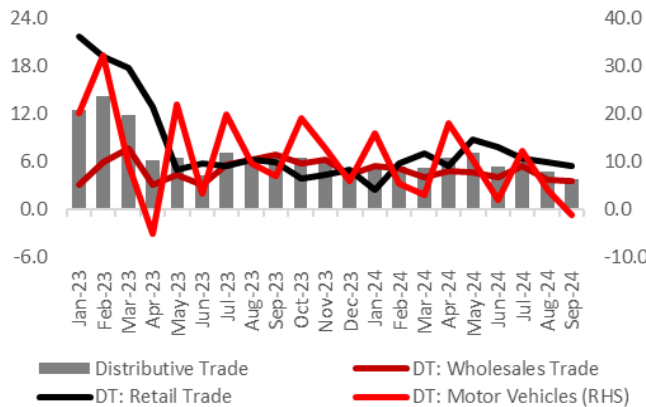
Source: Macrobond, MIDFR

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



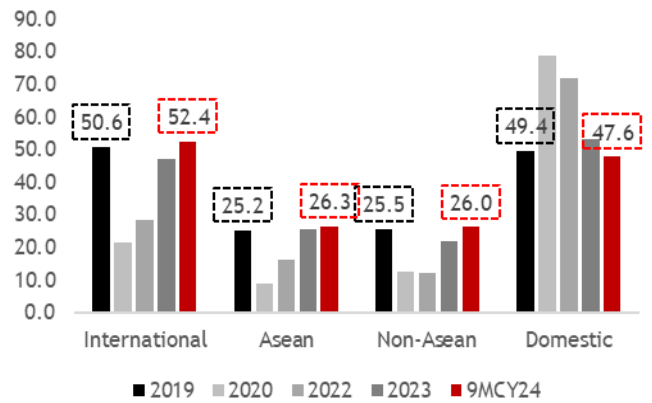
Source: Macrobond, MIDFR

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



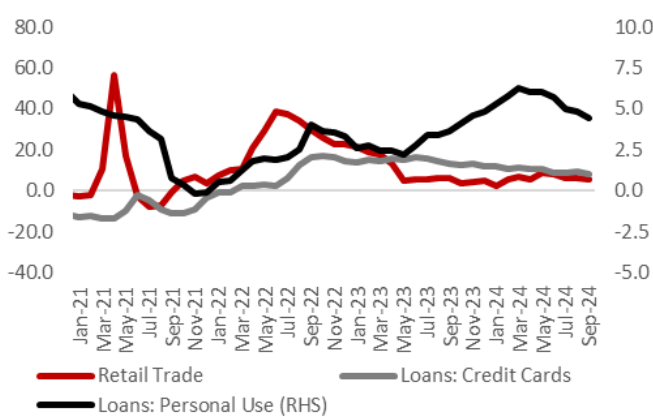
Source: DOSM; MIDFR

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



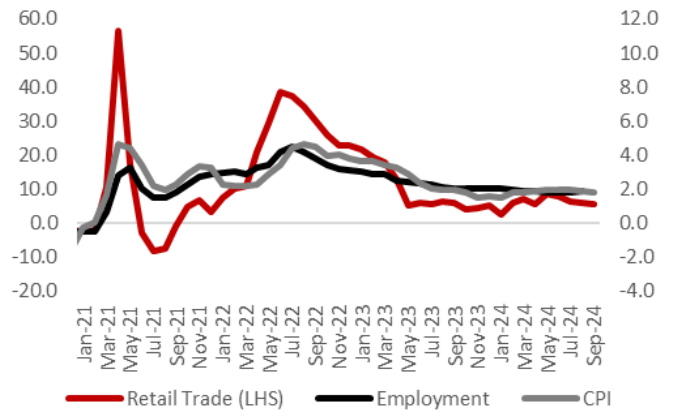
Source: MAHB; MIDFR

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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