

## ECONOMIC REVIEW | April 2019 Distributive Trade

### Distributive Trade Growth Moderates Further but 2Q19 Outlook Remain Firm Amid Effects of OPR Cut

- Retail sales growth at over 3-year low. Distributive trade growth inched down to over 2-year low of 5.3%yoy in Apr-19, as retail sales increased 6.3%yoy, the slowest pace since Sep-15. The growth has been on downward trend for the fifth consecutive month despite higher growth in two out of three components.
- Higher growth of distributive sale in 2Q19. For 1Q19, distributive sales expanded at a moderating pace of 6.6%yoy compared to 8.3%yoy in 4Q18, in line with our expectation. It is the weakest growth in sales since Dec-16. Moving forward, for the 2Q19, we foresee a continuous positive performance in distributive sales underpinned by low inflation, stable job market and supportive monetary and fiscal policy changes such as the recent OPR cut and stabilized retail fuel prices.
- Private consumption & services sector to grow at 7.2% & 6.5% respectively in 2019. Encouraging trend of distributive sales in 2018 is expected to continue in 2019 supported by economic conditions such as strengthening labor market including more job creations and wage growth on top of low inflationary pressure and upbeat tourism activities. The strong momentum in distributive trade will translate into solid growth for private consumption and services sector thus will drive Malaysia's economy into a good position in 2019.

**Retail sales growth at over 3-year low.** Distributive trade growth inched down to over 2-year low of 5.3%yoy in Apr-19, as retail sales increased 6.3%yoy, the slowest pace since Sep-15. The growth has been on downward trend for the fifth consecutive month despite higher growth in two out of three components. Wholesale and motor vehicle sales expanded 5.3%yoy and 2.2%yoy respectively (Mar-19: 5%yoy and 1.8%yoy). Looking ahead, we foresee domestic demand to increase in upcoming months buoyed by the recent OPR cut, stable job market, wage growth and low inflationary pressure.

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

	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19
<b>Distributive Trade</b>	<b>104.7</b>	<b>106.0</b>	<b>106.2</b>	<b>109.3</b>	<b>108.9</b>	<b>103.5</b>	<b>109.3</b>	<b>105.1</b>
YoY%	7.2	8.2	8.6	8.0	7.8	6.5	5.4	5.3
MoM%	(2.9)	1.2	0.2	2.9	(0.3)	(5.0)	5.7	(3.9)
<b>Motor Vehicles</b>	<b>11.2</b>	<b>12.1</b>	<b>12.3</b>	<b>11.9</b>	<b>12.2</b>	<b>10.8</b>	<b>12.5</b>	<b>12.3</b>
YoY%	(0.9)	2.9	2.1	(1.4)	4.8	2.3	1.8	2.2
MoM%	(17.1)	8.7	1.3	(3.2)	2.6	(11.7)	16.0	(1.3)
<b>Wholesale Trade</b>	<b>52.4</b>	<b>51.9</b>	<b>51.0</b>	<b>52.7</b>	<b>52.9</b>	<b>50.2</b>	<b>53.2</b>	<b>51.2</b>
YoY%	6.5	7.2	6.9	6.7	6.2	5.8	5.0	5.3
MoM%	2.9	(0.9)	(1.6)	3.3	0.2	(5.1)	6.1	(3.8)
<b>Retail Trade</b>	<b>41.2</b>	<b>42.0</b>	<b>42.9</b>	<b>44.7</b>	<b>43.9</b>	<b>42.5</b>	<b>43.6</b>	<b>41.6</b>
YoY%	10.5	11.2	12.6	12.4	10.6	8.5	6.9	6.3
MoM%	(5.3)	2.0	2.1	4.2	(1.8)	(3.0)	2.6	(4.7)

Source: CEIC; MIDFR

\*MoM is seasonally adjusted figures

**Moderating spending despite rebound in foreign activities.** Exports growth rebounded to the positive territory of 1.1%yoy in Apr-19 following two consecutive months of contraction. Similarly, manufacturing sales growth accelerated to 6.8%yoy. However, the sales growth has not been translated into better growth of employment and wage as the duo eased further to 1.7%yoy and 4.4%yoy respectively (Mar-19: 1.8%yoy and 5.1%yoy). Meanwhile, consumer price index increased 0.2%yoy in Apr-19, unchanged from previous month's figure while passenger movements growth surged to 6.6%yoy compared to 3.1%yoy in the previous month, both also influenced domestic spending.

**Higher growth of distributive sale in 2Q19.** For 1Q19, distributive sales expanded at a moderating pace of 6.6%yoy compared to 8.3%yoy in 4Q18, in line with our expectation. It is the weakest growth in sales since Dec-16. Moving forward, for the 2Q19, we foresee a continuous positive performance in distributive sales underpinned by low inflation, stable job market and supportive monetary and fiscal policy changes such as the recent OPR cut and stabilized retail fuel prices. 2Q19's distributive trade performance could also be influenced by the expenses for fasting month of Ramadan and Eid al-Fitr celebration.

**Table 2: Distributive Trade's Detailed Components Performance (YoY%)**

	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19
<b>Distributive Trade Sales</b>	9.3	8.4	7.3	8.0	9.4	8.3	6.6
<b>Wholesale Sales</b>	9.1	9.0	7.7	7.6	7.0	6.9	5.7
Wholesale Sales: Fee or Contract Basis	9.2	7.1	6.3	8.1	6.6	7.2	4.5
Wholesale Sales: Agri Raw Materials & Live Animals	8.2	10.3	8.4	1.6	(2.2)	(4.5)	3.7
Wholesale Sales: Food, Beverages & Tobacco	9.9	8.7	7.1	9.4	9.8	7.6	5.5
Wholesale Sales: Household Goods	5.6	5.2	6.8	8.2	8.6	8.4	6.4
Wholesale Sales: Machinery, Equipment & Supplies	6.1	7.2	6.3	5.5	2.1	2.3	1.9
Wholesale Sales: Others Specialised	11.9	11.6	8.9	8.4	8.2	9.4	6.8
Wholesale Sales: Non-Specialised	3.5	2.8	2.9	4.5	5.9	8.1	4.8
<b>Retail Sales</b>	12.2	10.4	9.2	9.8	12.9	12.1	8.6
Retail Sales: Non-Specialised Stores	13.1	11.2	10.0	11.1	15.1	14.9	10.4
Retail Sales: Food, Beverages & Tobacco	10.8	10.6	9.7	11.3	10.7	10.1	8.7
Retail Sales: Automotive Fuel	14.0	13.2	11.0	11.9	12.9	8.6	5.6
Retail Sales: Information & Communication Equip	9.2	5.5	4.7	4.2	6.7	6.8	5.0
Retail Sales: Household Equip	9.2	8.9	8.0	9.0	11.7	10.1	7.0
Retail Sales: Cultural & Recreation Goods	8.8	10.3	9.6	10.2	11.8	10.9	9.5
Retail Sales: Others in Specialised Store	14.9	11.9	10.4	10.0	14.5	14.2	9.9
Retail Sales: Stalls & Markets	9.6	9.7	7.4	5.0	5.9	7.7	8.3
Retail Sales: Not in Stores, Stalls & Markets	8.5	8.4	6.1	5.4	9.5	10.5	7.4
<b>Motor Vehicles Sales</b>	1.9	0.2	(0.2)	4.3	7.5	1.2	3.0
Motor Vehicles Sales: Motor Vehicle	(1.1)	(4.3)	(3.9)	3.5	7.7	(1.2)	1.5
Motor Vehicles Sales: Motor Vehicle Maint. & Repair	7.0	7.1	6.7	7.8	8.0	2.6	4.9
Motor Vehicles Sales: Motor Vehicle Parts & Accessories	5.9	6.2	4.2	4.4	7.5	4.6	4.3
Motor Vehicles Sales: Motorcycles Maint. & Repair, Parts & Acc.	4.6	4.7	2.1	4.9	5.2	4.8	5.8


Source: CEIC; MIDFR

**Dwindling retail sales.** Retail sales for key countries continued to increase in Apr-19 however at a moderating pace. The US retail trade growth moderated to 3.1%yoy from 3.8%yoy in the previous month, could be partly due to a gradual increase in inflationary pressure. Headline inflation returned to 2% level in Apr-19 after four months hovering below that level. Nevertheless, labor market remains firm with unemployment rate at 49-year low. Similarly, China retail growth moderated sharply to 7.2%yoy, smallest rise since May-03 amid weakening stimulus measures and China's retaliation to the US latest tariff hike. Among ASEAN countries, Indonesia and Vietnam logged lower growth than last month's. Moving forward, we foresee retail sales to continue expanding however the momentum could be influenced by ongoing global headwinds. Besides that, the recent monetary policy expansion trend in most of the countries will boost private consumption and capital expansion.

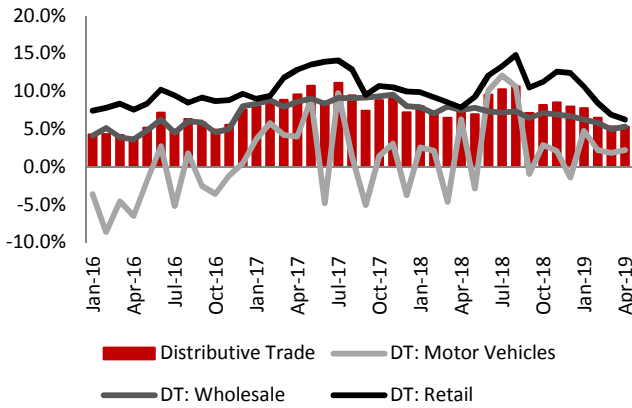
**Table 3: Global Retail Sales (YoY%)**

	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19
Malaysia	11.2	12.6	12.4	10.6	8.5	6.9	6.3
Indonesia	2.9	3.4	7.7	7.2	9.1	10.1	5.7
Singapore	0.3	(2.0)	(5.9)	7.6	(9.9)	(1.0)	
Thailand	20.1	13.2	10.5	9.4	7.5	10.2	
Vietnam	12.5	18.6	9.4	14.0	11.5	13.5	13.3
Japan	3.6	1.4	1.3	0.6	0.6	1.0	0.5
China	8.6	8.1	8.2	8.2	8.2	8.7	7.2
EU	4.6	3.5	2.3	3.1	4.1	4.0	3.3
US	4.6	4.0	1.6	2.9	2.1	3.8	3.1

Source: CEIC; MIDFR

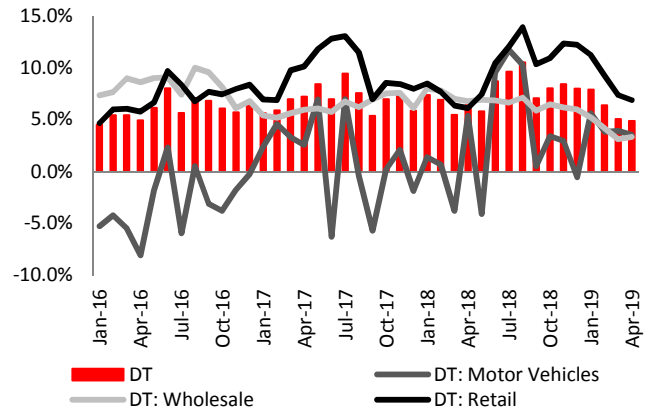
**Private consumption & services sector to grow at 7.2% & 6.5% respectively in 2019.** Encouraging trend of distributive sales in 2018 is expected to continue in 2019 supported by economic conditions such as strengthening labor market including more job creations and wage growth on top of low inflationary pressure and upbeat tourism activities. The strong momentum in distributive trade will translate into solid growth for private consumption and services sector thus will drive Malaysia's economy into a good position in 2019. Moreover, clearer direction of the economy and supportive policies such as RON95 being capped at RM2.08 per litre, lower than 2018's average price of RM2.20 per litre, on top of the recent OPR cut will pave the path for domestic consumption to rise steadily throughout the year. 

**Chart 1: Distributive Trade Sales, DT (YoY%)**



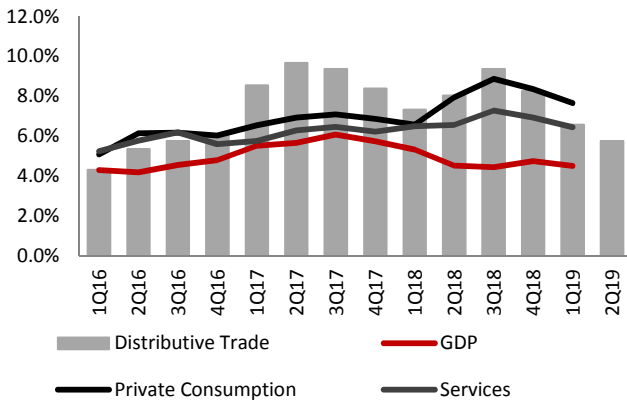
Source: CEIC; MIDFR

**Chart 2: Distributive Trade Volume, DT (YoY%)**



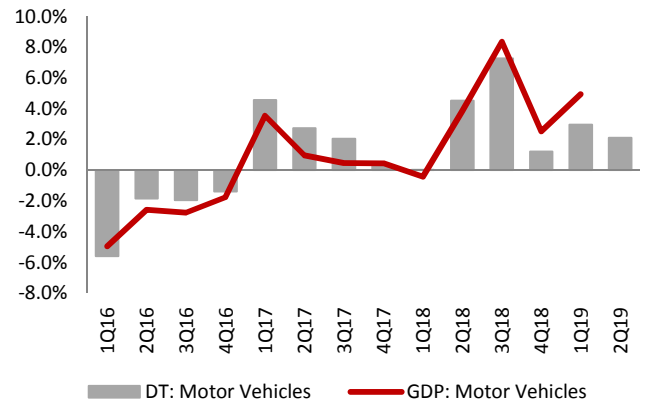
Source: CEIC; MAHB; MIDFR

**Chart 3: DT vs Private Consumption vs Services (YoY%)**



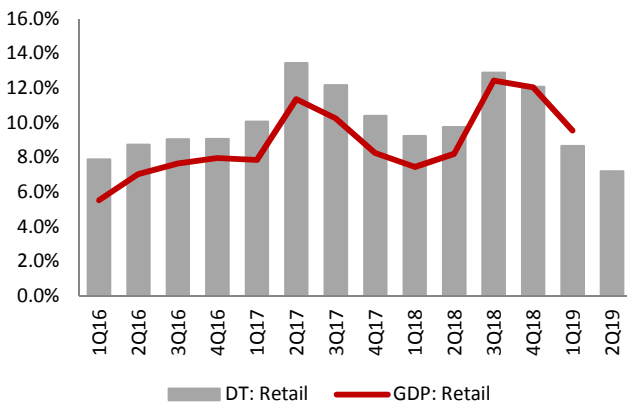
Source: CEIC; MIDFR

**Chart 4: Motor Vehicles: GDP vs DT (YoY%)**



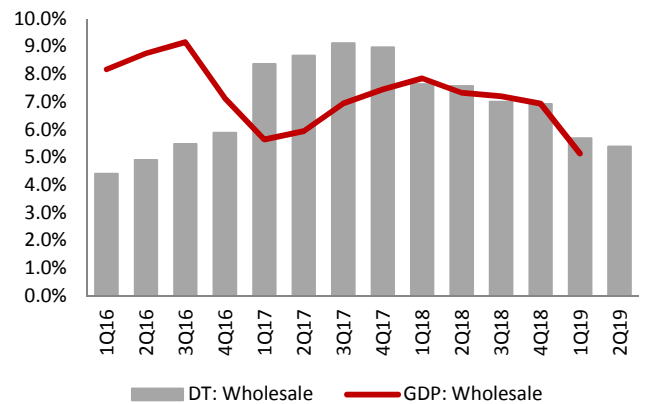
Source: CEIC; MIDFR

**Chart 5: Retail Trade: GDP vs DT (YoY%)**



Source: CEIC; MIDFR

**Chart 6: Wholesale Trade: GDP vs DT (YoY%)**



Source: CEIC; MIDFR

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