

ECONOMIC REVIEW | February 2020 Distributive Trade

RMO To Limit Consumer Spending in Upcoming Months

- Retail trade growth maintain above 6%. Malaysia's retail sales expanded by 6.4%yoy in Feb-20, the lowest growth since Sep-15 but still considered solid in comparison to other key countries such as Singapore and Indonesia which experienced contraction. In fact, Vietnam's retail sales recorded sharp slowdown to 4%yoy in the same month after 13 months of double digit growth.
- Moderation expected in 1Q20. For 4Q19, distributive sales pace eased, expanding +5.4%yoy, the lowest rate since 2Q16. For 1Q20, we foresee continuous moderation in distributive sales. Retail sales in particular will be influenced by RMO and slowdown in passenger movements resulting from Covid-19.
- We anticipate continuous moderation for private consumption and services sector in 2020. Covid-19 pandemic is expected to stifle domestic demand as consumers reduce their economic activities and tight their purse string due to uncertainty over the near future. Consumption will be particularly curtailed as Rakyat stays home during RMO and substantial increase in unemployment in badly affected sectors such as hotel and aviation.

Retail trade growth maintain above 6%. Malaysia's retail sales expanded by 6.4%yoy in Feb-20, the lowest growth since Sep-15 but still considered solid in comparison to other key countries such as Singapore and Indonesia which experienced contraction. In fact, Vietnam's retail sales recorded sharp slowdown to 4%yoy in the same month after 13 months of double digit growth. In a similar note, wholesale trade recorded slightly slower growth of 5.1%yoy. In contrast, motor vehicles sales increased at a higher pace of 3.7%yoy partially due to low base effect. Distributive trade in overall grew 5.5%yoy. On monthly basis, wholesale and retail trade registered tepid negative growth while those of motor vehicles increased. Moving forward, we foresee quite significant moderation in distributive trade growth as consumers change spending pattern from discretionary to necessity. Significant slowdown could be observed in Mar-20 and Apr-20 as consumers stay home due to RMO. Motor vehicles sales are likely to be affected the most as consumers hold purchases for big ticket items.

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

	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20
Distributive Trade	114.1	110.6	111.3	111.7	115.8	114.8	109.2
YoY%	5.8	5.6	5.0	5.2	6.0	5.4	5.5
MoM%	0.9	-1.6	0.5	1.0	0.4	0.5	-0.4
Motor Vehicles	13.6	11.7	12.6	12.7	12.4	12.3	11.2
YoY%	1.1	4.4	3.7	3.0	4.5	1.0	3.7
MoM%	-0.2	-4.7	3.5	0.1	-0.9	1.7	1.6
Wholesale Trade	54.0	54.8	53.9	53.2	55.6	55.6	52.7
YoY%	6.0	4.7	3.9	4.2	5.4	5.2	5.1
MoM%	0.7	0.4	-0.3	0.6	0.4	0.1	-0.2
Retail Trade	46.5	44.1	44.8	45.9	47.8	46.8	45.3
YoY%	6.9	7.2	6.8	7.0	7.0	6.7	6.4
MoM%	0.3	-0.7	0.3	1.0	0.7	0.3	-0.6

Source: CEIC; MIDFR

Note: MoM is seasonally adjusted figures

Factors influencing consumption remain in tact. In Feb-20, exports soared by double digit growth of 11.8%yoy, the fastest pace since Oct-18. Strong exports reflect solid businesses and that would affect employment and wage growth which improves consumer sentiment, eventually increase spending. In addition, inflationary pressure for the month remain modest, supportive to consumption. Nevertheless, passenger movements showed double digit contraction (-23.4%yoy vs 6.6%yoy in Jan-20) as tourists start to postpone their vacation plans due to Covid-19. Looking ahead, exports and tourism activities are expected to flatten as the pandemic flared globally. Inflationary pressure will continue to remain benign mainly due to declining oil prices. Furthermore, we do not foresee any major demand-pull inflation amid the outbreak.

Moderation expected in 1Q20. For 4Q19, distributive sales pace eased, expanding +5.4%yoy, the lowest rate since 2Q16. For 1Q20, we foresee continuous moderation in distributive sales. Retail sales in particular will be influenced by RMO and slowdown in passenger movements resulting from Covid-19. In addition, some impact could also be observed in automotive sales amid Covid-19 and political change in Malaysia, affecting market sentiment. Nevertheless, OPR cuts which are supportive to expenditure could influence the overall estimate.

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

	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19
Distributive Trade Sales	8.0	9.4	8.3	6.6	6.1	5.7	5.4
Wholesale Sales	7.6	7.0	6.9	5.7	5.8	5.7	4.6
Wholesale Sales: Fee or Contract Basis	8.1	6.6	7.2	4.5	3.8	4.1	4.3
Wholesale Sales: Agri Raw Materials & Live Animals	1.6	(2.2)	(4.5)	3.7	5.4	5.2	(2.0)
Wholesale Sales: Food, Beverages & Tobacco	9.4	9.8	7.6	5.5	6.8	6.5	5.7
Wholesale Sales: Household Goods	8.2	8.6	8.4	6.4	6.1	6.3	5.5
Wholesale Sales: Machinery, Equipment & Supplies	5.5	2.1	2.3	1.9	2.1	2.8	3.0
Wholesale Sales: Others Specialised	8.4	8.2	9.4	6.8	6.3	6.1	5.4
Wholesale Sales: Non-Specialised	4.5	5.9	8.1	4.8	2.1	2.6	3.6
Retail Sales	9.8	12.9	12.1	8.6	7.5	7.0	6.9
Retail Sales: Non-Specialised Stores	11.1	15.1	14.9	10.4	8.6	8.1	8.3
Retail Sales: Food, Beverages & Tobacco	11.3	10.7	10.1	8.7	9.2	9.6	8.4
Retail Sales: Automotive Fuel	11.9	12.9	8.6	5.6	3.8	3.4	3.9
Retail Sales: Information & Communication Equip	4.2	6.7	6.8	5.0	4.4	3.5	3.6
Retail Sales: Household Equip	9.0	11.7	10.1	7.0	6.8	6.4	5.1
Retail Sales: Cultural & Recreation Goods	10.2	11.8	10.9	9.5	8.1	7.3	6.3
Retail Sales: Others in Specialised Store	10.0	14.5	14.2	9.9	8.8	8.2	8.5
Retail Sales: Stalls & Markets	5.0	5.9	7.7	8.3	8.9	7.9	8.6
Retail Sales: Not in Stores, Stalls & Markets	5.4	9.5	10.5	7.4	4.6	4.8	8.1
Motor Vehicles Sales	4.3	7.5	1.2	3.2	2.9	1.1	3.7
Motor Vehicles Sales: Motor Vehicle	3.5	7.7	(1.2)	1.9	1.5	(1.3)	3.5
Motor Vehicles Sales: Motor Vehicle Maint. & Repair	7.8	8.0	2.6	4.9	5.1	5.6	4.3
Motor Vehicles Sales: Motor Vehicle Parts & Accessories	4.4	7.5	4.6	4.3	4.5	3.5	3.8
Motor Vehicles Sales: Motorcycles Maint. & Repair, Parts & Acc.	4.9	5.2	4.8	5.8	3.9	3.2	4.0

Source: CEIC; MIDFR

Record plunge in China's retail sales amid Covid-19. Retail sales in China slumped -20.5%yoy for the Jan-Feb 2020 period, the first fall on record (the series began in 1993) as consumers stay away from crowded places like shopping malls amid the rapid spread of Covid-19 pandemic. In overall, other key countries recorded weaker performance of retail sales in Feb-20. The US's retail sales advanced 4.3%yoy but slowing from 5%yoy in the prior month. Among ASEAN countries, Indonesia and Singapore continued to register contraction in retail sales while Vietnam's moderated to nearly 2-year low of 4%yoy. In contrast, Japan's retail trade rebounded 1.7%yoy after four months of contraction. Looking ahead, we foresee retail sales to keep falling in upcoming months due to low consumer spending and tourist arrivals resulting from lockdowns and movement restrictions consequential to Covid-19 pandemic.

Table 3: Global Retail Sales (YoY%)

	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20
Malaysia	6.9	7.2	6.8	7.0	7.0	6.7	6.4
Indonesia	1.1	0.7	3.6	1.3	(0.5)	(0.3)	(0.8)
Singapore	(4.2)	(2.1)	(4.3)	(4.4)	(3.5)	(5.3)	(8.6)
Thailand	(3.5)	(1.0)	(3.2)	(4.4)	(4.7)	(0.4)	n.a.
Vietnam	11.7	12.2	10.9	11.0	12.2	11.6	4.0
Japan	1.8	9.2	(7.0)	(2.1)	(2.6)	(0.4)	1.7
China	7.5	7.8	7.2	8.0	8.0	(20.5)	(20.5)
EU	3.3	3.1	2.3	2.4	3.2	3.9	n.a.
US	4.4	4.0	3.1	3.3	5.4	5.0	4.3

Source: CEIC; MIDFR
Note: n.a. is not available


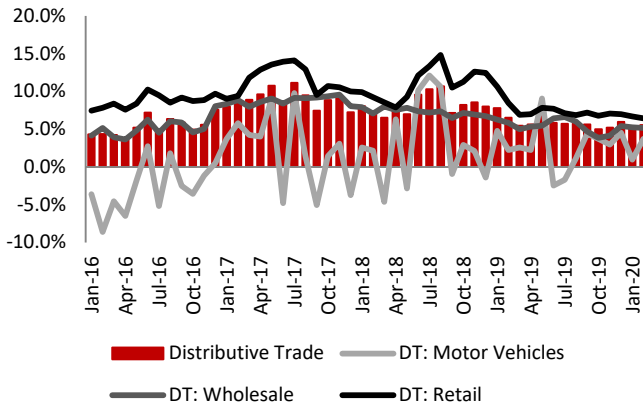
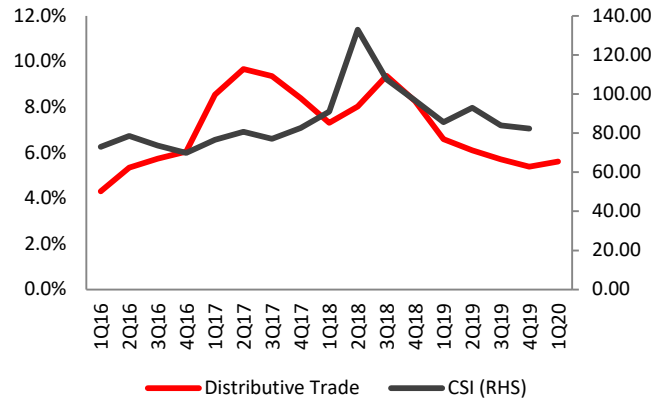
We anticipate continuous moderation for private consumption and services sector in 2020. Covid-19 pandemic is expected to stifle domestic demand as consumers reduce their economic activities and tight their purse string due to uncertainty over the near future. Consumption will be particularly curtailed as Rakyat stays home during RMO and substantial increase in unemployment in badly affected sectors such as hotel and aviation. Nevertheless, low inflationary pressure, OPR cuts and huge economic stimulus package particularly through Rakyat-centric measures such as six months' moratorium on individual loan payments, reduction in EPF contribution rate, EPF Account 2 withdrawal and one-off cash assistance, among others would be supportive to household spending and cushion some of the adverse impact of the outbreak. We foresee private consumption to grow at a softer pace of 5.9%yoy in 2020 (2019: 7.6%yoy). Similarly, services sector will experience a slowdown, growing at 4.2%yoy (2019: 6.1%yoy) dragged down by weak tourism activities especially with the call-off of Visit Malaysia 2020 due to Covid-19. 

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



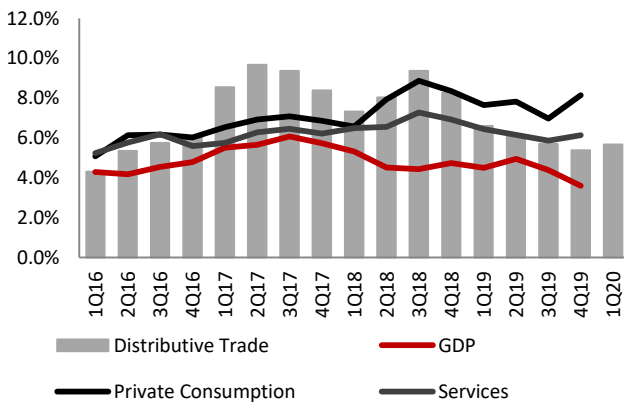
Source: CEIC; MIDFR

Chart 2: DT (YoY%) vs Consumer Sentiment Index



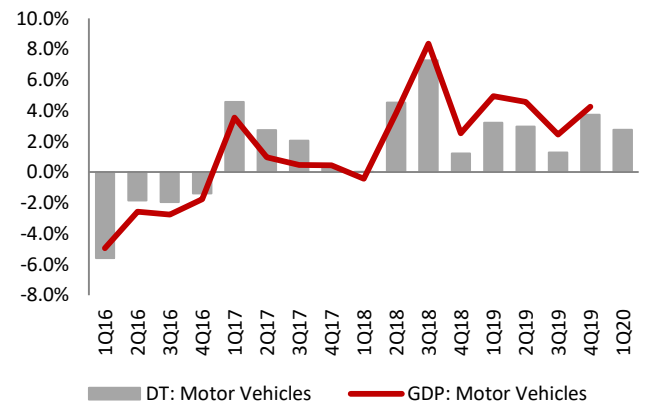
Source: CEIC; MAHB; MIDFR

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



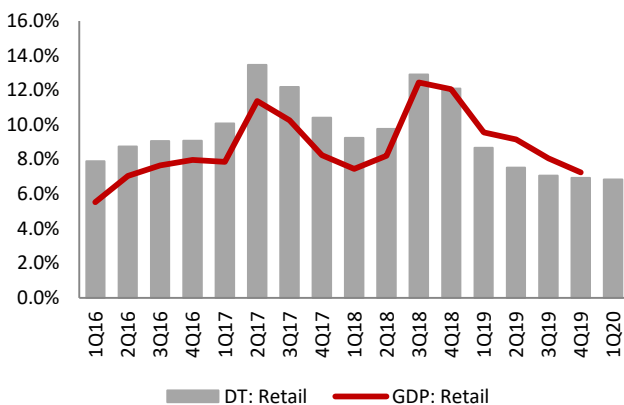
Source: CEIC; MIDFR

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



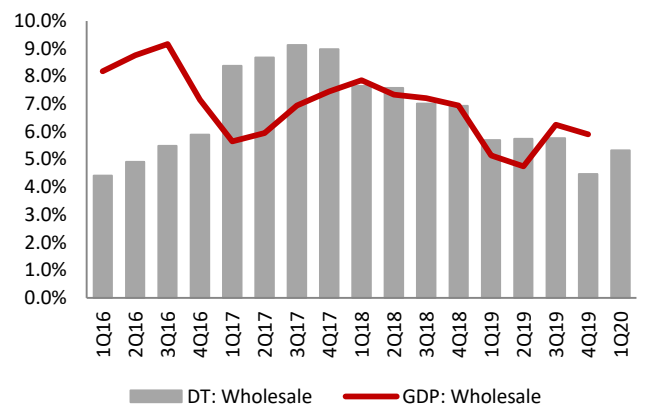
Source: CEIC; MIDFR

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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