

## ECONOMIC REVIEW | January 2020 Distributive Trade

### Retail Sales are Likely to Trending Downward Amid COVID-19

- *Distributive trade growth fell below 6%. Distributive trade grew by 5.4%yoy in Jan-20 moderated from a solid 6%yoy in the preceding month. However, it was a decent start for the year. Significant slowdown was observed in motor vehicle sales which moderated sharply to a six-month low of 1%yoy (Dec-19: 4.5%yoy), attributed to the short working month due to Chinese New Year festive holidays.*
- *Elsewhere, gloomy start to the year. Most of the key countries recorded weak performance of retail sales in the first month of the year. The US retail sales continued expanding but at a moderating pace of 4.4%yoy while those of the EU maintained at 3.1%yoy. Retail sales growth in other countries such as Japan, Singapore and Indonesia continued to be in negative territory.*
- *We anticipate continuous moderation for private consumption and services sector in 2020. Encouraging trend of distributive sales in 2019 is expected to continue in 2020. However, COVID-19 is expected to stifle domestic demand as consumers reduce their economic activities and tight their purse string due to uncertainty over the near future.*

**Distributive trade growth fell below 6%.** Distributive trade grew by 5.4%yoy in Jan-20 moderated from a solid 6%yoy in the preceding month. However, it was a decent start for the year. Significant slowdown was observed in motor vehicle sales which moderated sharply to a six-month low of 1%yoy (Dec-19: 4.5%yoy), attributed to the short working month due to Chinese New Year festive holidays. Similarly, both wholesale and retail trade recorded slightly slower growth at 5.2%yoy and 6.7%yoy (Dec-19: 5.4%yoy and 7%yoy) respectively. On monthly basis, motor vehicle and wholesale trade contracted while retail sales registered tepid growth.

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

	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20
<b>Distributive Trade</b>	<b>112.5</b>	<b>114.1</b>	<b>110.6</b>	<b>111.3</b>	<b>111.7</b>	<b>115.8</b>	<b>114.8</b>
YoY%	5.7	5.8	5.6	5.0	5.2	6.0	5.4
MoM%	0.9	0.9	-1.6	0.5	1.0	0.4	-0.4
<b>Motor Vehicles</b>	<b>13.6</b>	<b>13.6</b>	<b>11.7</b>	<b>12.6</b>	<b>12.7</b>	<b>12.4</b>	<b>12.3</b>
YoY%	-1.7	1.1	4.4	3.7	3.0	4.5	1.0
MoM%	1.7	-0.2	-4.7	3.5	0.1	-0.9	-1.2
<b>Wholesale Trade</b>	<b>52.4</b>	<b>54.0</b>	<b>54.8</b>	<b>53.9</b>	<b>53.2</b>	<b>55.6</b>	<b>55.6</b>
YoY%	6.6	6.0	4.7	3.9	4.2	5.4	5.2
MoM%	0.9	0.7	0.4	-0.3	0.6	0.4	-0.1
<b>Retail Trade</b>	<b>46.5</b>	<b>46.5</b>	<b>44.1</b>	<b>44.8</b>	<b>45.9</b>	<b>47.8</b>	<b>46.8</b>
YoY%	7.1	6.9	7.2	6.8	7.0	7.0	6.7
MoM%	-0.3	0.3	-0.7	0.3	1.0	0.7	0.1

Source: CEIC; MIDFR

Note: MoM is seasonally adjusted figures

**Weak foreign and industrial activities.** In Jan-20, exports contracted by -1.5%yoy, reversing positive growth (2.7%yoy) recorded in Dec-19. In line, industrial production recorded marginal growth of 0.6%yoy, the lowest rate in three months in which manufacturing production increased by 2.1%yoy, moderating from 3.4%yoy in Dec-19. Weak export and sales reflect low business and that would affect employment and wage growth which deteriorates consumer sentiment, eventually curb spending. In addition, passenger movements were unpleasant for the month with double digit contraction (-23.4%yoy vs 6.6%yoy in Dec-19) as tourists start to postpone their vacation plans due to COVID-19. Nevertheless, inflationary pressure for the month was modest, supportive to consumption.

**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 higher food inflation 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
<b>Distributive Trade Sales</b>	8.0	9.4	8.3	6.6	6.1	5.7	5.4
<b>Wholesale Sales</b>	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
<b>Retail Sales</b>	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
<b>Motor Vehicles Sales</b>	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


**Elsewhere, gloomy start to the year.** Most of the key countries recorded weak performance of retail sales in the first month of the year. The US retail sales continued expanding but at a moderating pace of 4.4%yoy while those of the EU maintained at 3.1%yoy. Retail sales growth in other countries such as Japan, Singapore and Indonesia continued to be in negative territory. Singapore's in particular was pressured by the motor vehicles sales which saw double digit drop of -33.6%yoy, the biggest drop in more than 6 years amid lower certificate of entitlement quota. Only Vietnam managed to continue its double digit growth for the 13<sup>th</sup> month. However, we believe that January's figures were not significantly affected by COVID-19 as concerns over the epidemic escalated only at the end of the month. Hence, moving forward, we foresee retail sales to keep falling at least for the 1Q20 due to low consumer spending and tourist arrivals resulting from COVID-19.

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

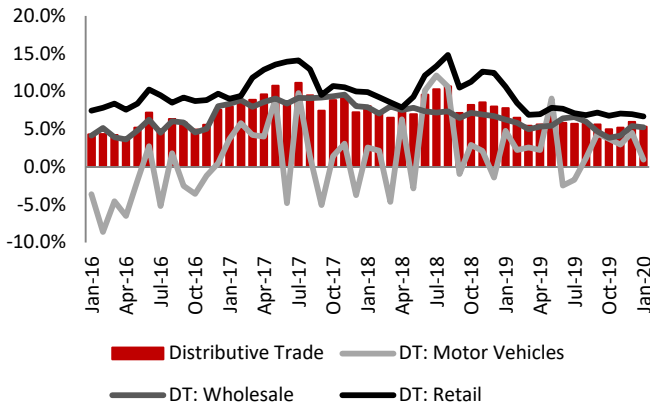
	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20
Malaysia	7.1	6.9	7.2	6.8	7.0	7.0	6.7
Indonesia	2.4	1.1	0.7	3.6	1.3	(0.5)	(0.3)
Singapore	(1.4)	(3.9)	(1.9)	(4.3)	(4.2)	(3.4)	(5.3)
Thailand	0.6	(3.6)	(1.1)	(3.3)	(4.5)	(3.6)	n.a
Vietnam	12.0	11.7	12.2	10.9	11.0	12.2	11.6
Japan	(2.0)	1.8	9.2	(7.0)	(2.1)	(2.6)	(0.4)
China	7.6	7.5	7.8	7.2	8.0	8.0	n.a
EU	3.4	3.3	3.0	2.3	2.4	3.1	3.1
US	3.5	4.4	4.0	3.1	3.3	5.5	4.4

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

**We anticipate continuous moderation for private consumption and services sector in 2020.**

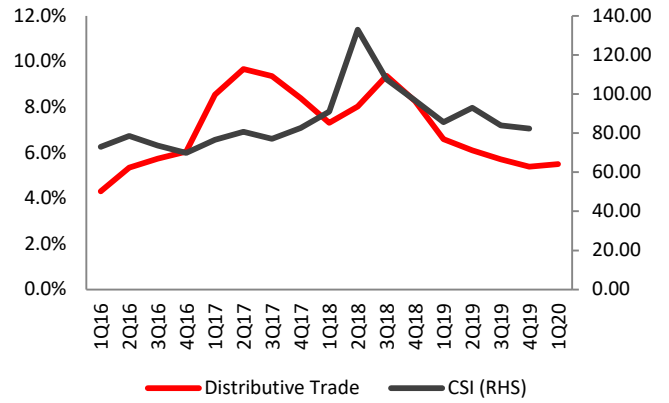
Encouraging trend of distributive sales in 2019 is expected to continue in 2020. However, COVID-19 is expected to stifle domestic demand as consumers reduce their economic activities and tight their purse string due to uncertainty over the near future. On top of that, easing employment and currency risk could also curtail consumption. Hence, we foresee private consumption and services sector to grow at a softer pace of 7%yoy and 5.2%yoy (7.6%yoy and 6.2%yoy estimated in 2019) respectively in 2020. Services sector in particular will be impacted by low tourist arrivals. 

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



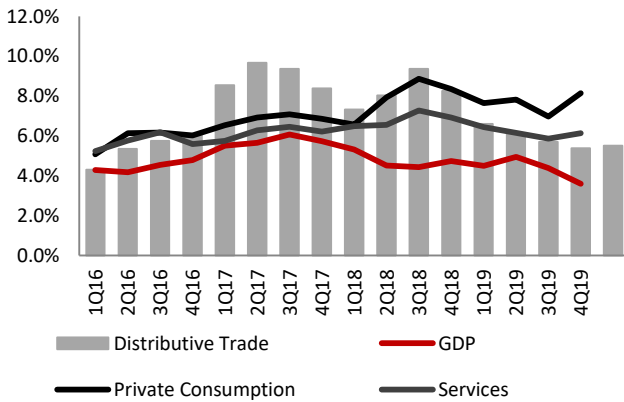
Source: CEIC; MIDFR

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



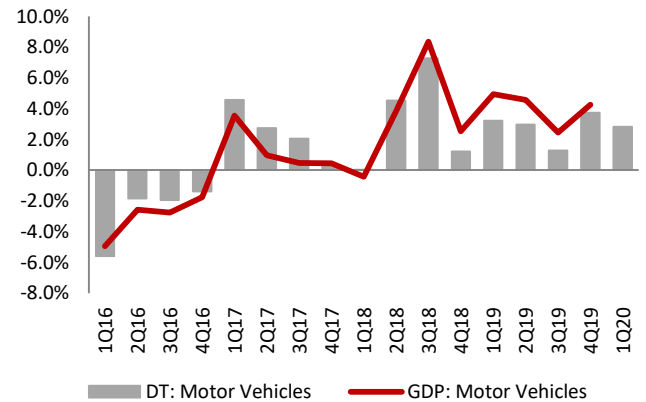
Source: CEIC; MAHB; MIDFR

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



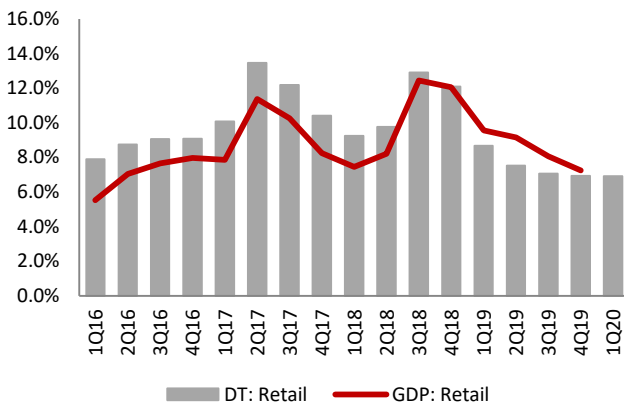
Source: CEIC; MIDFR

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



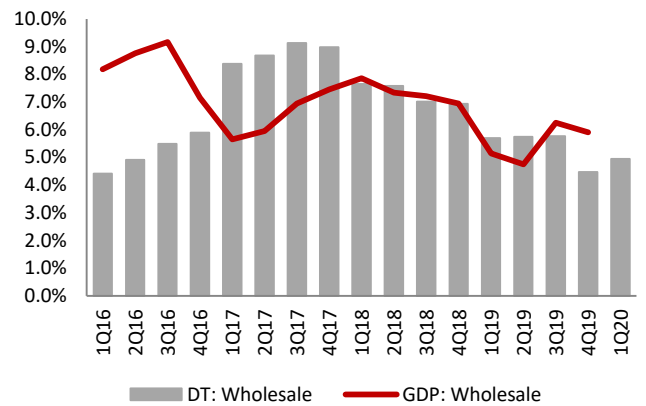
Source: CEIC; MIDFR

**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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