

ECONOMIC REVIEW | June 2019 Distributive Trade**Distributive Trade Hit Another Record High Despite Contraction in Motor Vehicle Sales**

- *Distributive trade hit new record high. Distributive trade hit new record high at RM 112.3b in June-19 despite contraction in motor vehicles sales and tepid moderation in retail sales growth. Motor vehicles sales declined by -2.5%yoy as festive season promotional campaigns ended. Meanwhile, retail trade continued expanding but at a slightly lower pace of 7.7%yoy (May-19: 7.8%yoy).*
- *Continuous positive sales in 3Q19. For 2Q19, distributive sales expanded at a slightly moderating pace of 6.1%yoy compared to 6.6%yoy in 1Q19. Moving forward, for the 3Q19, 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 OPR cut and stabilized retail fuel prices. Nevertheless, high base effect from tax holiday period last year could influence the outcome.*
- *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 stable labor market, low inflationary pressure and upbeat tourism activities. In addition, the 25bsp rate cut by BNM could provide more support to the estimate.*

Distributive trade hit new record high. Distributive trade hit new record high at RM 112.3b in June-19 despite contraction in motor vehicles sales and tepid moderation in retail sales growth. Motor vehicles sales declined by -2.5%yoy as festive season promotional campaigns ended. Meanwhile, retail trade continued expanding but at a slightly lower pace of 7.7%yoy (May-19: 7.8%yoy). The moderation could also be attributed to the higher base effect resulted from June-August tax holiday period last year which caused consumers to ramp up their spending especially on big-ticket items. Motor vehicles and retail sales growth were the highest (double digit growth) during the tax holiday period compared to rest of the months of 2018. In contrast, wholesale trade which constitutes about 48% of total distributive trade advanced by 6.4%yoy in June-19, the fastest pace so far this year. Looking ahead, we foresee domestic demand to continue increasing in upcoming months buoyed by the OPR cut, stable job market and low inflationary pressure.

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

	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19
Distributive Trade	106.2	109.3	108.9	103.5	109.3	105.4	110.8	112.3
YoY%	8.6	8.0	7.8	6.5	5.4	5.6	6.8	5.9
MoM%	0.2	2.9	(0.3)	(5.0)	5.7	(3.6)	5.1	1.4
Motor Vehicles	12.3	11.9	12.2	10.8	12.5	12.3	13.4	12.7
YoY%	2.1	(1.4)	4.8	2.3	1.8	2.2	9.1	(2.5)
MoM%	1.3	(3.2)	2.6	(11.7)	16.0	(1.3)	8.8	(5.4)
Wholesale Trade	51.0	52.7	52.9	50.2	53.2	51.2	53.3	53.6
YoY%	6.9	6.7	6.2	5.8	5.0	5.3	5.5	6.4
MoM%	(1.6)	3.3	0.2	(5.1)	6.1	(3.8)	4.2	0.6
Retail Trade	42.9	44.7	43.9	42.5	43.6	41.9	44.1	46.0
YoY%	12.6	12.4	10.6	8.5	6.9	7.0	7.8	7.7
MoM%	2.1	4.2	(1.8)	(3.0)	2.6	(4.0)	5.3	4.4

Source: CEIC; MIDFR

Weak foreign activities relax domestic spending. Exports growth plunged to negative territory of -3.1%yoy in June-19 after maintaining positive growth in the previous two months amid multiple headwinds took place during the month. Hence, manufacturing sales were impacted likewise as reflected by the sales figure which increased by 5.3%yoy, the lowest growth since Mar-18. In line with this, employment growth in the sector maintained at 1.8%yoy while wage growth eased by 3.1%yoy. Meanwhile, inflation rate which influence domestic demand accelerated to 1.5%yoy in June-19 from tepid 0.2%yoy in May-19 mainly due to low base effect resulting from the removal of GST last year.

Continuous positive sales in 3Q19. For 2Q19, distributive sales expanded at a slightly moderating pace of 6.1%yoy compared to 6.6%yoy in 1Q19. Moving forward, for the 3Q19, 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 OPR cut and stabilized retail fuel prices. Nevertheless, high base effect from tax holiday period last year could influence the outcome.

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

	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19
Distributive Trade Sales	8.4	7.3	8.0	9.4	8.3	6.6	6.1
Wholesale Sales	9.0	7.7	7.6	7.0	6.9	5.7	5.8
Wholesale Sales: Fee or Contract Basis	7.1	6.3	8.1	6.6	7.2	4.5	3.8
Wholesale Sales: Agri Raw Materials & Live Animals	10.3	8.4	1.6	(2.2)	(4.5)	3.7	5.4
Wholesale Sales: Food, Beverages & Tobacco	8.7	7.1	9.4	9.8	7.6	5.5	6.8
Wholesale Sales: Household Goods	5.2	6.8	8.2	8.6	8.4	6.4	6.1
Wholesale Sales: Machinery, Equipment & Supplies	7.2	6.3	5.5	2.1	2.3	1.9	2.1
Wholesale Sales: Others Specialised	11.6	8.9	8.4	8.2	9.4	6.8	6.3
Wholesale Sales: Non-Specialised	2.8	2.9	4.5	5.9	8.1	4.8	2.1
Retail Sales	10.4	9.2	9.8	12.9	12.1	8.6	7.5
Retail Sales: Non-Specialised Stores	11.2	10.0	11.1	15.1	14.9	10.4	8.6
Retail Sales: Food, Beverages & Tobacco	10.6	9.7	11.3	10.7	10.1	8.7	9.2
Retail Sales: Automotive Fuel	13.2	11.0	11.9	12.9	8.6	5.6	3.8
Retail Sales: Information & Communication Equip	5.5	4.7	4.2	6.7	6.8	5.0	4.4
Retail Sales: Household Equip	8.9	8.0	9.0	11.7	10.1	7.0	6.8
Retail Sales: Cultural & Recreation Goods	10.3	9.6	10.2	11.8	10.9	9.5	8.1
Retail Sales: Others in Specialised Store	11.9	10.4	10.0	14.5	14.2	9.9	8.8
Retail Sales: Stalls & Markets	9.7	7.4	5.0	5.9	7.7	8.3	8.9
Retail Sales: Not in Stores, Stalls & Markets	8.4	6.1	5.4	9.5	10.5	7.4	4.6
Motor Vehicles Sales	0.2	(0.2)	4.3	7.5	1.2	3.2	2.9
Motor Vehicles Sales: Motor Vehicle	(4.3)	(3.9)	3.5	7.7	(1.2)	1.9	1.5
Motor Vehicles Sales: Motor Vehicle Maint. & Repair	7.1	6.7	7.8	8.0	2.6	4.9	5.1
Motor Vehicles Sales: Motor Vehicle Parts & Accessories	6.2	4.2	4.4	7.5	4.6	4.3	4.5
Motor Vehicles Sales: Motorcycles Maint. & Repair, Parts & Acc.	4.7	2.1	4.9	5.2	4.8	5.8	3.9

Source: CEIC; MIDFR

Mixed performances globally. Retail sales in China continued to increase in June-19 at 9.8%yoy, the fastest pace since Mar-18 boosted by sales of automobiles, oil products and building materials, among others as more stimulus kicked in. Similarly, the US and EU recorded retail sales growth at a higher pace of 3.4%yoy and 3.1%yoy (May-19: 2.9%yoy and 1.9%yoy) respectively. In contrast, retail sales in Japan recorded a tepid growth of 0.5%yoy while those of Singapore plunged further to -8.9%yoy, the worst since Feb-19. Retail sales momentum moving forward could be influenced by ongoing global headwinds which are likely to jeopardize demand. Nevertheless, both fiscal and monetary policy expansion taken by most of the countries' authority could boost private consumption and capital expansion. Better performance seen in retail trade for both Indonesia and Vietnam based on their July-19 data could provide hint on what to expect from other key countries.

Table 3: Global Retail Sales (YoY%)

	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19
Malaysia	10.6	8.5	6.9	7.0	7.8	7.7	
Indonesia	7.2	9.1	10.1	6.7	7.7	(1.8)	2.3
Singapore	7.6	(9.7)	(0.8)	(1.9)	(2.0)	(8.9)	
Thailand	9.6	7.7	9.1	13.3	10.7		
Vietnam	14.0	11.5	13.5	13.3	12.4	11.7	12.7
Japan	0.6	0.6	1.0	0.4	1.3	0.5	
China	-	-	8.7	7.2	8.6	9.8	
EU	3.0	4.0	4.1	3.8	1.9	3.1	
US	2.6	1.9	3.8	3.8	2.9	3.4	

Source: CEIC; MIDFR


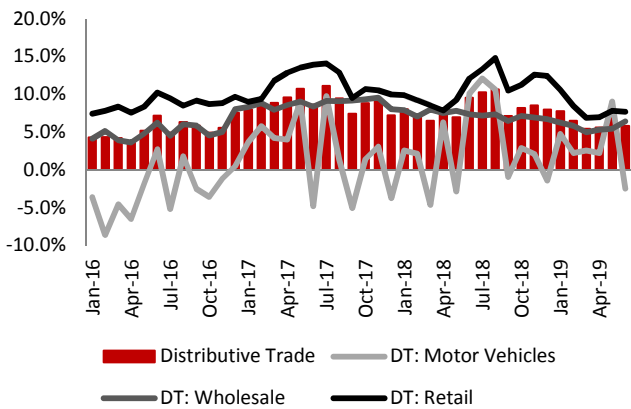
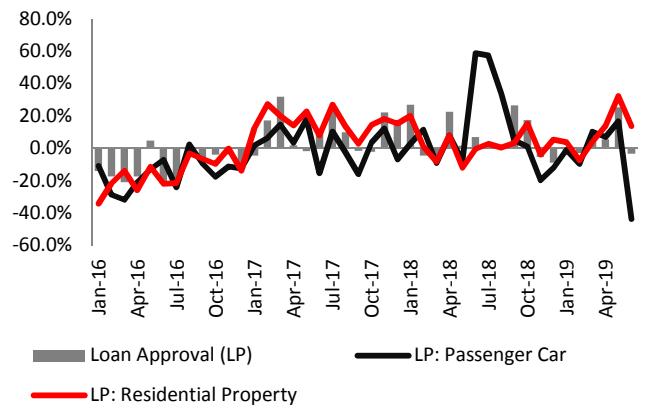
Private consumption & services sector to grow at 7.2% & 6.5% respectively in 2019. Encouraging trend of distributive sales in 2018 is expected to continue in 2019 supported by economic conditions such as stable labor market, low inflationary pressure and upbeat tourism activities. In addition, the 25bsp rate cut by BNM could provide more support to the estimate. 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. 

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



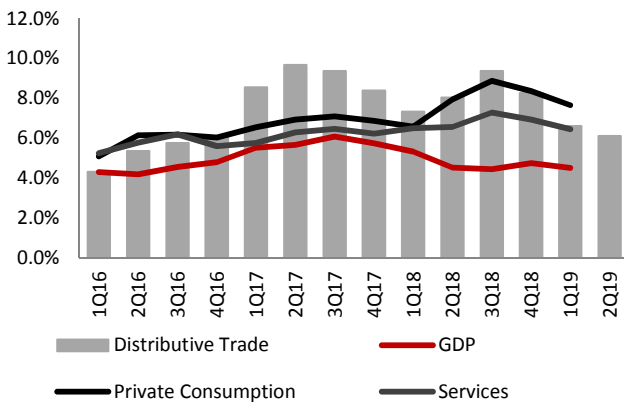
Source: CEIC; MIDFR

Chart 2: Loan Approval (YoY%)



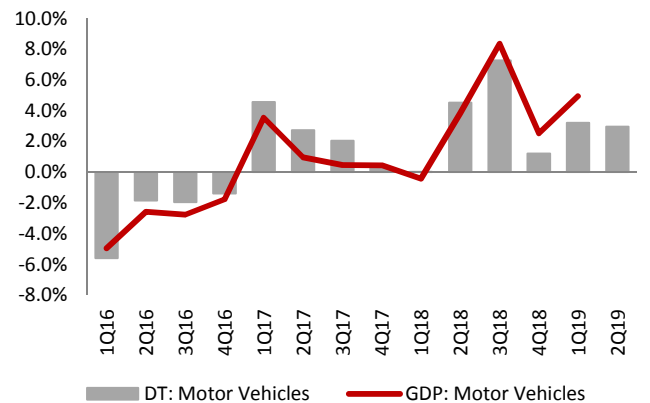
Source: CEIC; MAHB; MIDFR

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



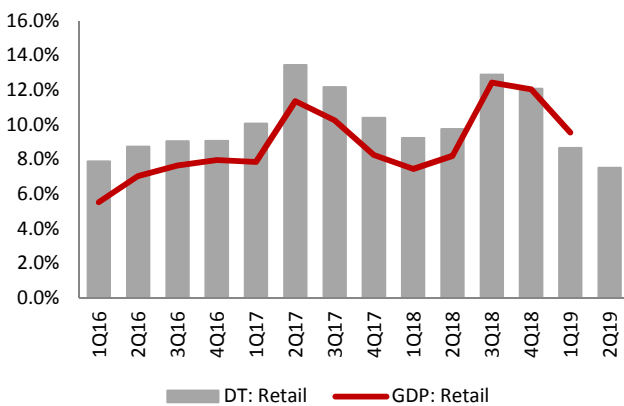
Source: CEIC; MIDFR

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



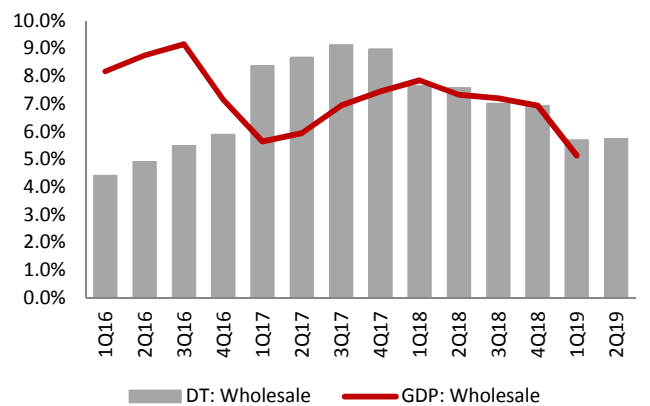
Source: CEIC; MIDFR

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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