

ECONOMIC REVIEW | March 2019 Distributive Trade

9-Quarter Low Distributive Trade Gain Signals GDP Growth Moderation in 1Q19

- Distributive trade increased 5.4%yoy in Mar-19, the lowest gain since Oct-16 but sales value hit fresh record high at RM109.3. The growth has been on downward trend for the fourth consecutive month as all three components moderated further.*
- Moderating spending despite improvement in foreign activities. Exports in Mar-19 contracted by -0.5%yoy, however, improved significantly from a larger contraction of over -5%yoy in Feb-19. Similarly, manufacturing sales growth went up to 5.7%yoy. However, the sales growth has not been translated into better growth of employment and wage.*
- Private consumption & services sector to grow at 7.5% & 6.2% 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.*

Distributive trade growth at over 2-year low. Distributive trade increased 5.4%yoy in Mar-19, the lowest gain since Oct-16 but sales value hit fresh record high at RM109.3. The growth has been on downward trend for the fourth consecutive month as all three components moderated further. Wholesale and retail sales grew 5%yoy and 6.9%yoy respectively but at a softer pace than preceding month's. Similarly, motor vehicle sales growth eased to 1.8%yoy. Based on this latest performance, we could expect a moderation in GDP growth for 1Q19 as private consumption accounts for more than 50% share of total GDP. Looking ahead, we foresee domestic demand to increase in upcoming months buoyed by OPR cut, stable job market, wage growth and low inflationary pressure.

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

	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19
Distributive Trade	107.9	104.7	106.0	106.2	109.3	108.9	103.5	109.3
YoY%	10.7	7.2	8.2	8.6	8.0	7.8	6.5	5.4
MoM%	1.3	(2.9)	1.2	0.2	2.9	(0.3)	(5.0)	5.7
Motor Vehicles	13.5	11.2	12.1	12.3	11.9	12.2	10.8	12.5
YoY%	10.6	(0.9)	2.9	2.1	(1.4)	4.8	2.3	1.8
MoM%	(2.8)	(17.1)	8.7	1.3	(3.2)	2.6	(11.7)	16.0
Wholesale Trade	50.9	52.4	51.9	51.0	52.7	52.9	50.2	53.2
YoY%	7.4	6.5	7.2	6.9	6.7	6.2	5.8	5.0
MoM%	3.6	2.9	(0.9)	(1.6)	3.3	0.2	(5.1)	6.1
Retail Trade	43.5	41.2	42.0	42.9	44.7	43.9	42.5	43.6
YoY%	14.8	10.5	11.2	12.6	12.4	10.6	8.5	6.9
MoM%	0.1	(5.3)	2.0	2.1	4.2	(1.8)	(3.0)	2.6

Source: CEIC; MIDFR

*MoM is seasonally adjusted figures

Moderating spending despite improvement in foreign activities. Exports in Mar-19 contracted by -0.5%yoy, however, improved significantly from a larger contraction of over -5%yoy in Feb-19. Similarly, manufacturing sales growth went up to 5.7%yoy. However, the sales growth has not been translated into better growth of employment and wage as the duo eased to 1.8%yoy and 5.1%yoy respectively (Feb-19: 2%yoy and 7.2%yoy). Meanwhile, consumer price index posted inflation of 0.2%yoy in Mar-19 after being under deflation for two straight months while passenger movements growth eased to 3.1%yoy compared to 5.4%yoy in the previous month, both 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 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. Looking at the passenger movements growth of 4.6%yoy in Apr-19, we opine it will be translated into a better growth for retail sales in upcoming month.

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

	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19
Distributive Trade Sales	9.3	8.4	7.3	8.0	9.4	8.3	6.6
Wholesale Sales	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
Retail Sales	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
Motor Vehicles Sales	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

Uptick in retail sales. The US retail trade growth quickened to 3.6%yoy in Mar-19 (Feb-19: 2.2%yoy) buoyed by optimistic labor market with nearly 50-year low unemployment rate and rising wages. Similarly, China retail sales surged 8.7%yoy compared to 8.2%yoy gain in the previous period. Among ASEAN countries, Indonesia retail trade escalated by a double digit growth of 10.1%yoy, the steepest rise since Dec-16 while Vietnam logged higher growth of 13.5%yoy. Most of the countries rely on domestic activities especially household consumptions to boost their economy in 2019 as global headwinds including unresolved US-China trade tensions continue to weigh on exports. Moving forward, we foresee retail sales to remain on upward trend as more countries opt for expansionary monetary policy which will boost private consumption and capital expansion. Up to date, countries including India, Malaysia and Philippines have cut their key interest rates.

Table 3: Global Retail Sales (YoY%)

	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19
Malaysia	10.5	11.2	12.6	12.4	10.6	8.5	6.9
Indonesia	4.8	2.9	3.4	7.7	7.2	9.1	10.1
Singapore	1.7	0.3	(2.0)	(5.9)	7.6	(9.9)	(1.0)
Thailand	10.1	20.1	13.1	10.5	9.4	8.5	
Vietnam	11.2	12.5	18.6	9.4	14.0	11.5	13.5
Japan	2.2	3.6	1.4	1.3	0.6	0.6	1.0
China	3.7	3.8	3.4	3.3			8.7
EU	3.2	4.6	3.5	2.2	3.1	4.1	3.9
US	4.0	4.6	4.0	1.6	2.9	2.2	3.6

Source: CEIC; MIDFR


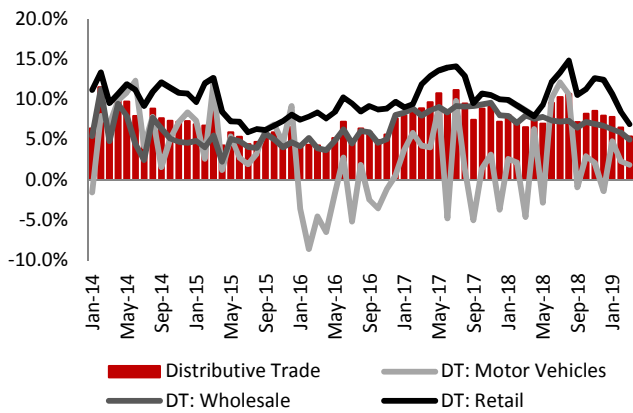
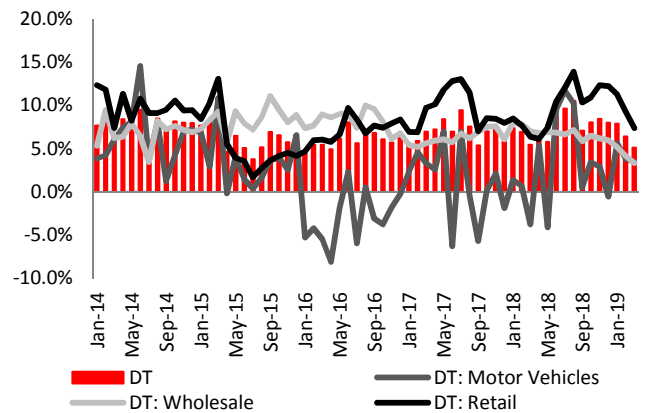
Private consumption & services sector to grow at 7.5% & 6.2% respectively in 2019. Encouraging trend of distributive sales in 2018 is expected to continue in 2019 supported by economic conditions such as strengthening labor market including more job creations and wage growth on top of low inflationary 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 targeted petrol subsidy with RON95 capped at RM2.08 per litre on top of OPR cut will pave the path for domestic consumption to rise steadily throughout the year. 

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



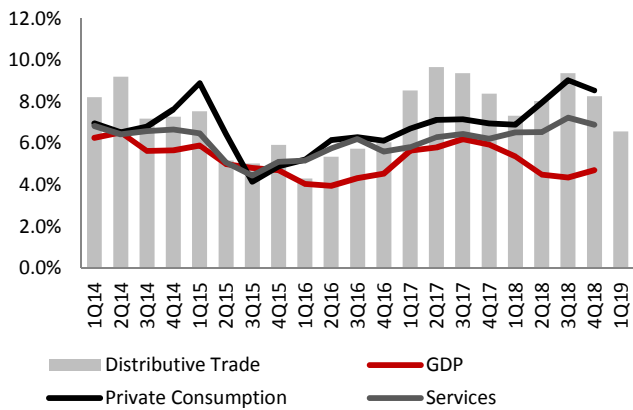
Source: CEIC; MIDFR

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



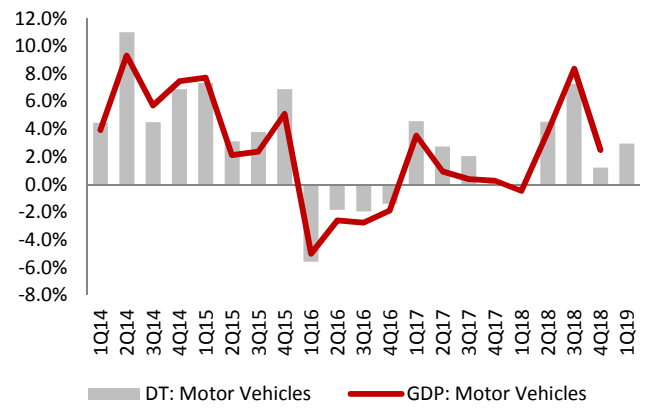
Source: CEIC; MAHB; MIDFR

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



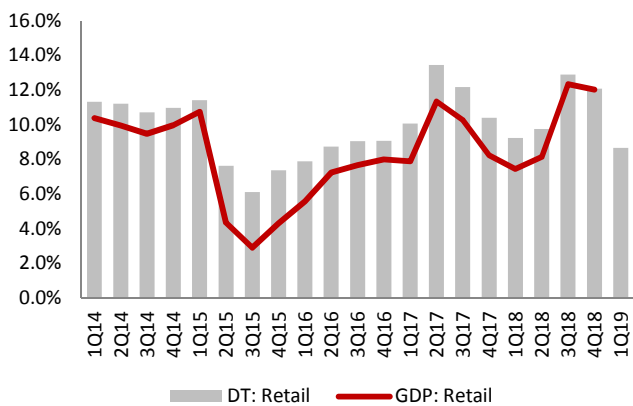
Source: CEIC; MIDFR

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



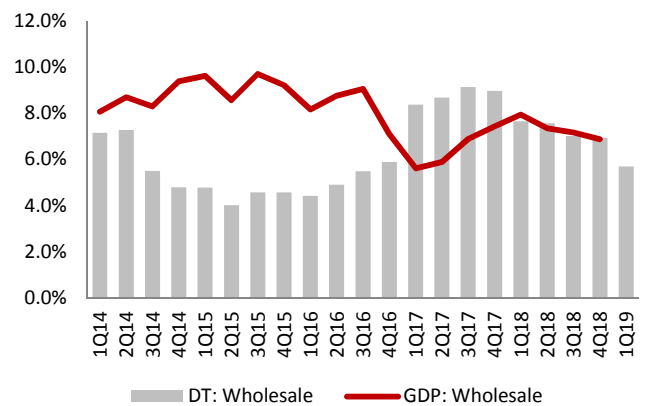
Source: CEIC; MIDFR

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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