

ECONOMIC REVIEW | May 2019 Distributive Trade

Distributive Trade Hit Record High at RM 110.8b as OPR Cut Effect Transpires

- Distributive trade growth at 4-month high. Distributive trade grew by 6.8%yoy (Apr-19: 5.6%yoy) to a new record high of RM110.8b in May-19 as all three components registered higher growth compared to the previous month. Wholesale and retail sales expanded by 5.5%yoy and 7.8%yoy respectively, the highest growth since Feb-19. Motor vehicles sales soared to a 9-month high of 9.1%yoy mainly due to OPR cut effects.*
- 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. 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 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.*

Distributive trade growth at 4-month high. Distributive trade grew by 6.8%yoy (Apr-19: 5.6%yoy) to a new record high of RM110.8b in May-19 as all three components registered higher growth compared to the previous month. Wholesale and retail sales expanded by 5.5%yoy and 7.8%yoy respectively, the highest growth since Feb-19. Motor vehicles sales soared to a 9-month high of 9.1%yoy mainly due to OPR cut effects. In line, loan approved for transport vehicles and passenger car surged to a 9-month high of 19.6%yoy and 16.7%yoy respectively. Looking ahead, we foresee domestic demand to continue increasing in upcoming months buoyed by the OPR cut, stable job market, wage growth and low inflationary pressure.

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

	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19
Distributive Trade	106.0	106.2	109.3	108.9	103.5	109.3	105.4	110.8
YoY%	8.2	8.6	8.0	7.8	6.5	5.4	5.6	6.8
MoM%	1.2	0.2	2.9	(0.3)	(5.0)	5.7	(3.6)	5.1
Motor Vehicles	12.1	12.3	11.9	12.2	10.8	12.5	12.3	13.4
YoY%	2.9	2.1	(1.4)	4.8	2.3	1.8	2.2	9.1
MoM%	8.7	1.3	(3.2)	2.6	(11.7)	16.0	(1.3)	8.8
Wholesale Trade	51.9	51.0	52.7	52.9	50.2	53.2	51.2	53.3
YoY%	7.2	6.9	6.7	6.2	5.8	5.0	5.3	5.5
MoM%	(0.9)	(1.6)	3.3	0.2	(5.1)	6.1	(3.8)	4.2
Retail Trade	42.0	42.9	44.7	43.9	42.5	43.6	41.9	44.1
YoY%	11.2	12.6	12.4	10.6	8.5	6.9	7.0	7.8
MoM%	2.0	2.1	4.2	(1.8)	(3.0)	2.6	(4.0)	5.3

Source: CEIC; MIDFR

*MoM is seasonally adjusted figures

Domestic spending in line with external trade activities. Exports growth doubled to 2.5%yoy in May-19 from 1.1%yoy in Apr-19, continuing the gradual recovery since Mar-19. The 4-month high growth in exports has been translated into an increase in industrial production and manufacturing sales by 4%yoy and 6.7%yoy respectively in the same month. However, the sales growth has not been translated into better growth of employment and wage as the duo eased further to 1.4%yoy and 4.1%yoy respectively (Apr-19: 1.7%yoy and 4.4%yoy). Meanwhile, inflation rate which influence domestic demand maintains at 0.2%yoy for the third consecutive month in May-19, favouring 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. 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 OPR cut and stabilized retail fuel prices. 2Q19's distributive trade performance could also been 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
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

Mixed performances globally. Retail sales for some key countries such as Japan and China grew at a faster pace in May-19. Japan's retail sales growth accelerated to 1.2%yoy, the highest rate so far this year. The surge was mainly due to a rebound in motor vehicle sales which accounted for the second largest share of the total retail sales. In contrast, retail sales continued expanding but at a slower pace for the US and EU, among others. The US's retail trade growth slowed to a 3-month low of 3.2%yoy. 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. In addition, moderations seen in retail trade for both Indonesia and Vietnam based on their June-19 data could provide hint on what to expect from other key countries.

Table 3: Global Retail Sales (YoY%)

	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19
Malaysia	12.4	10.6	8.5	6.9	7.0	7.8	
Indonesia	7.7	7.2	9.1	10.1	6.7	7.7	2.2
Singapore	(5.9)	7.6	(9.9)	(1.0)	(1.9)		
Thailand	10.5	9.4	7.5	10.2	14.4		
Vietnam	9.4	14.0	11.5	13.5	13.3	12.4	12.1
Japan	1.3	0.6	0.6	1.0	0.4	1.2	
China	3.3	-	-	8.7	7.2	8.6	
EU	2.3	3.1	4.1	4.0	3.6	2.0	
US	1.6	2.9	2.1	3.8	3.7	3.2	

Source: CEIC; MIDFR


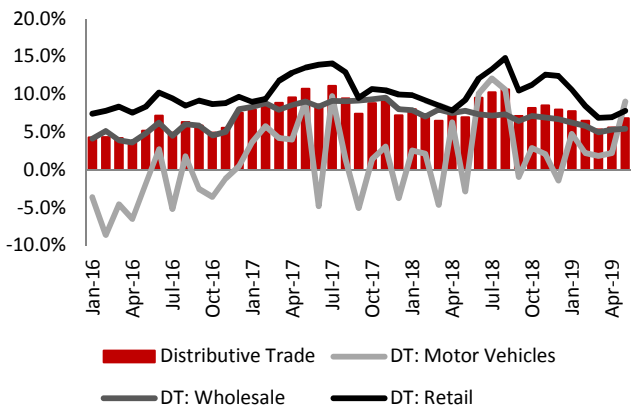
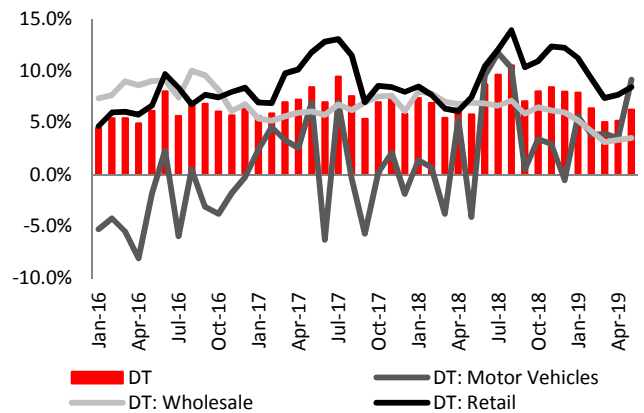
Private consumption & services sector to grow at 7.2% & 6.5% respectively in 2019. Encouraging trend of distributive sales in 2018 is expected to continue in 2019 supported by economic conditions such as strengthening labor market including more job creations and wage growth on top of low inflationary 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 OPR cut, will pave the path for domestic consumption to rise steadily throughout the year. 

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



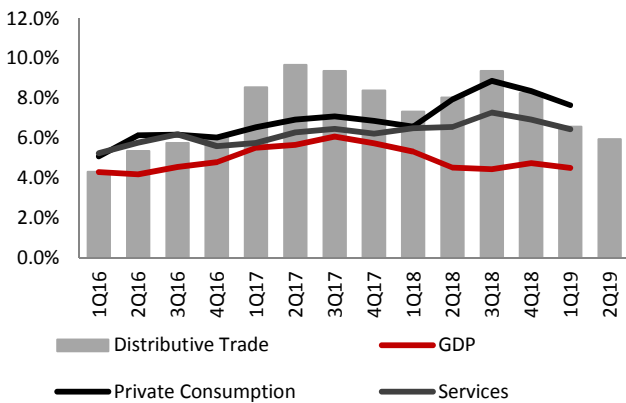
Source: CEIC; MIDFR

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



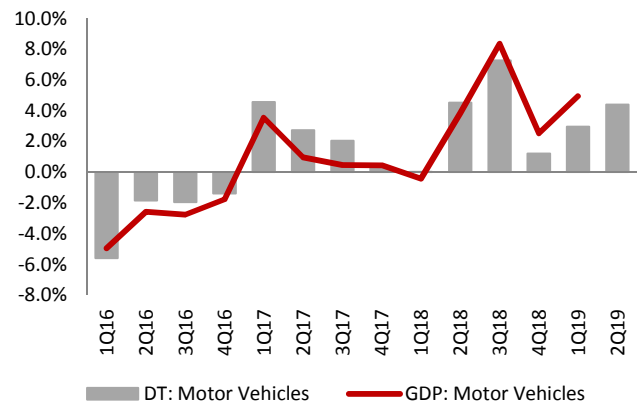
Source: CEIC; MAHB; MIDFR

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



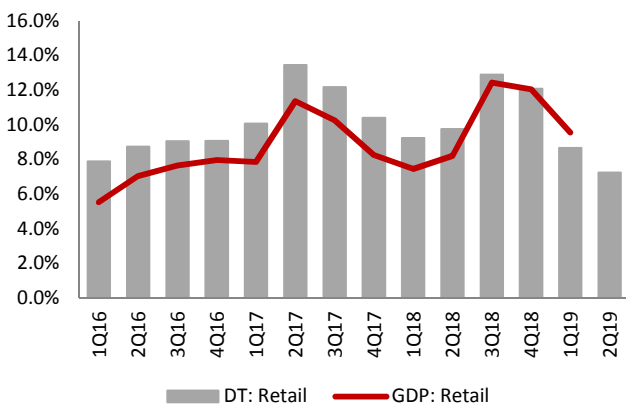
Source: CEIC; MIDFR

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



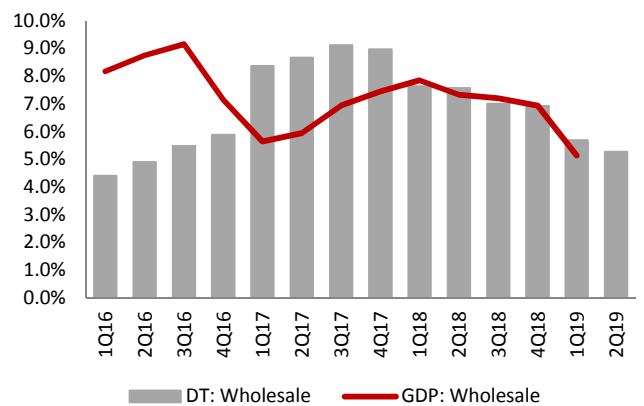
Source: CEIC; MIDFR

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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