

ECONOMIC REVIEW | November 2019 Distributive Trade

Retail Trade Performed Better Buoyed By Seasonal Sales

- Retail trade growth returned to 7%. Distributive trade growth inched higher to +5.3%yoy in Nov-19 backed by better gain in both retail and wholesale trade. Retail and wholesale sales advanced at higher pace of +7%yoy and +4.3%yoy respectively partly attributed to Single Day and Black Friday sales. In contrast, motor vehicle sales continued increasing but at softer pace of +3%yoy. Looking ahead into the final month of the year, we could expect sales of motor vehicles to improve, propelled by year-end promotions and offers.*
- Higher growth of distributive sales in 4Q19. For 3Q19, distributive sales expanded at a moderating pace of +5.7%yoy, the lowest rate in three years compared to +6.1%yoy in 2Q19. For the 4Q19, 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.*
- 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, expectation on rising inflationary pressure and slightly easing employment on top of currency risk could stifle domestic demand.*

Retail trade growth returned to 7%. Distributive trade growth inched higher to +5.3%yoy in Nov-19 backed by better gain in both retail and wholesale trade. Retail and wholesale sales advanced at higher pace of +7%yoy and +4.3%yoy respectively partly attributed to Single Day and Black Friday sales. In contrast, motor vehicle sales continued increasing but at softer pace of +3%yoy. Looking ahead into the final month of the year, we could expect sales of motor vehicles to improve, propelled by year-end promotions and offers. On monthly basis, wholesale trade continued falling, motor vehicle recorded tepid growth while retail sales grew to the highest in five months.

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

	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19
Distributive Trade	105.4	110.8	112.3	112.5	114.1	110.6	111.3	111.8
YoY%	5.6	6.8	5.9	5.7	5.8	5.6	5.0	5.3
MoM%	(3.7)	5.1	1.4	0.2	1.4	(3.0)	0.6	0.4
Motor Vehicles	12.3	13.4	12.7	13.6	13.6	11.7	12.6	12.7
YoY%	2.2	9.1	(2.5)	(1.7)	1.1	4.4	3.7	3.0
MoM%	(2.0)	8.8	(5.4)	7.3	(0.1)	(14.4)	8.0	0.5
Wholesale Trade	51.2	53.3	53.6	52.4	54.0	54.8	53.9	53.2
YoY%	5.3	5.5	6.4	6.6	6.0	4.7	3.9	4.3
MoM%	(3.8)	4.2	0.6	(2.3)	3.0	1.6	(1.7)	(1.2)
Retail Trade	41.9	44.1	46.0	46.5	46.5	44.1	44.8	45.9
YoY%	7.0	7.8	7.7	7.1	6.9	7.2	6.8	7.0
MoM%	(4.0)	5.3	4.4	1.1	(0.1)	(5.0)	1.6	2.3

Source: CEIC; MIDFR

Low inflation, stable labor market and upbeat industrial activities. Among others, the solid domestic demand in Malaysia is supported by key fundamental factors such as benign inflationary pressure, full-employment condition and upbeat momentum in industrial activities. Inflation in Nov-19 edged down to +0.9%yoy, the lowest in six months as prices of food & non-alcoholic beverages, the biggest component of CPI increased at a softer pace. Meanwhile, strong increase in industrial production (5-month high in Nov-19) is positive to manufacturing sector's employment and wage, improving consumer sentiment and eventually increase spending. In addition, continuous rising in passenger movements also plays a role.

Higher growth of distributive sales in 4Q19. For 3Q19, distributive sales expanded at a moderating pace of +5.7%yoy, the lowest rate in three years compared to +6.1%yoy in 2Q19. For the 4Q19, 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. In addition, expenses for festivals such as Deepavali and Christmas besides Single Day sales and other year-end sales on top of upbeat tourism activities could influence the estimate.

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

	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
Distributive Trade Sales	7.3	8.0	9.4	8.3	6.6	6.1	5.7
Wholesale Sales	7.7	7.6	7.0	6.9	5.7	5.8	5.7
Wholesale Sales: Fee or Contract Basis	6.3	8.1	6.6	7.2	4.5	3.8	4.1
Wholesale Sales: Agri Raw Materials & Live Animals	8.4	1.6	(2.2)	(4.5)	3.7	5.4	5.2
Wholesale Sales: Food, Beverages & Tobacco	7.1	9.4	9.8	7.6	5.5	6.8	6.5
Wholesale Sales: Household Goods	6.8	8.2	8.6	8.4	6.4	6.1	6.3
Wholesale Sales: Machinery, Equipment & Supplies	6.3	5.5	2.1	2.3	1.9	2.1	2.8
Wholesale Sales: Others Specialised	8.9	8.4	8.2	9.4	6.8	6.3	6.1
Wholesale Sales: Non-Specialised	2.9	4.5	5.9	8.1	4.8	2.1	2.6
Retail Sales	9.2	9.8	12.9	12.1	8.6	7.5	7.0
Retail Sales: Non-Specialised Stores	10.0	11.1	15.1	14.9	10.4	8.6	8.1
Retail Sales: Food, Beverages & Tobacco	9.7	11.3	10.7	10.1	8.7	9.2	9.6
Retail Sales: Automotive Fuel	11.0	11.9	12.9	8.6	5.6	3.8	3.4
Retail Sales: Information & Communication Equip	4.7	4.2	6.7	6.8	5.0	4.4	3.5
Retail Sales: Household Equip	8.0	9.0	11.7	10.1	7.0	6.8	6.4
Retail Sales: Cultural & Recreation Goods	9.6	10.2	11.8	10.9	9.5	8.1	7.3
Retail Sales: Others in Specialised Store	10.4	10.0	14.5	14.2	9.9	8.8	8.2
Retail Sales: Stalls & Markets	7.4	5.0	5.9	7.7	8.3	8.9	7.9
Retail Sales: Not in Stores, Stalls & Markets	6.1	5.4	9.5	10.5	7.4	4.6	4.8
Motor Vehicles Sales	(0.2)	4.3	7.5	1.2	3.2	2.9	1.1
Motor Vehicles Sales: Motor Vehicle	(3.9)	3.5	7.7	(1.2)	1.9	1.5	(1.3)
Motor Vehicles Sales: Motor Vehicle Maint. & Repair	6.7	7.8	8.0	2.6	4.9	5.1	5.6
Motor Vehicles Sales: Motor Vehicle Parts & Accessories	4.2	4.4	7.5	4.6	4.3	4.5	3.5
Motor Vehicles Sales: Motorcycles Maint. & Repair, Parts & Acc.	2.1	4.9	5.2	4.8	5.8	3.9	3.2

Source: CEIC; MIDFR

Better performances globally. China's retail sales grew to five-month high of +8%yoy in Nov-19 as sales advanced for home appliances, oil & oil products and office supplies, among others. Similarly, the US retail trade growth inched to +3.3%yoy from +3.2%yoy in Oct-19. Meanwhile, Japan which had its highest decline in sales since Apr-15 in Oct-19 due to sales tax hike had recovered to a softer fall in Nov-19. This was in line with our expectation as consumer confidence remain strong and inflation rate stay low. The optimism could be partly propelled by the government's shopping reward points program for cashless purchases which had been widely used than initially expected. Besides that, Vietnam which had released its full year figure, showed that retail sales continued to expand at double digit, +12.2%yoy for 2019, higher than +11.8%yoy recorded in 2018. Looking ahead, global expansionary policies including both monetary and fiscal would be supportive to consumption.

Table 3: Global Retail Sales (YoY%)

	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19
Malaysia	7.8	7.7	7.1	6.9	7.2	6.8	7.0
Indonesia	7.7	(1.8)	2.4	1.1	0.7	3.6	1.3
Singapore	(2.0)	(8.9)	(1.5)	(4.0)	(2.1)	(4.3)	(4.0)
Thailand	10.1	6.9	0.4	(3.7)	(1.2)	(2.2)	
Vietnam	12.4	11.7	12.0	11.7	12.2	10.9	11.0
Japan	1.3	0.5	(2.0)	1.8	9.2	(7.0)	(2.1)
China	8.6	9.8	7.6	7.5	7.8	7.2	8.0
EU	2.2	3.4	3.4	3.2	3.1	2.2	2.3
US	3.0	3.3	3.5	4.4	4.0	3.2	3.3

Source: CEIC; MIDFR

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


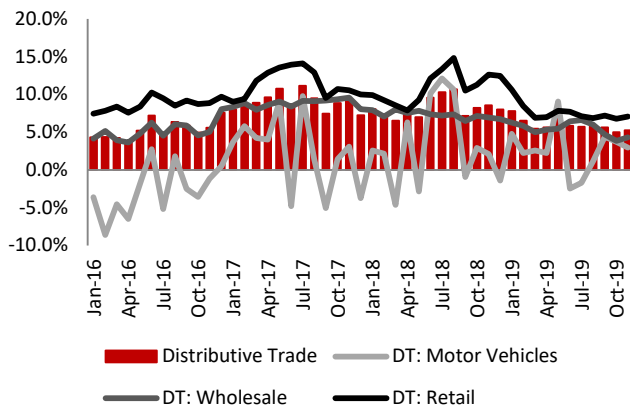
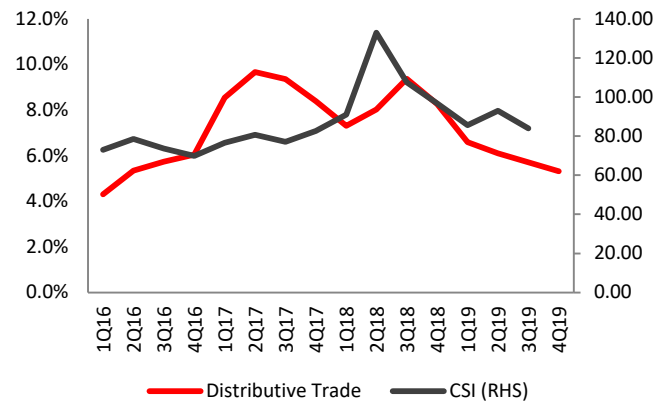
Encouraging trend of distributive sales in 2019 is expected to continue in 2020. However, expectation on rising inflationary pressure and slightly easing employment on top of currency risk could stifle domestic demand. Hence, we foresee private consumption and services sector to grow at a slightly softer pace of +6.5%yoy and +5.8%yoy (+7.5%yoy and +6.1%yoy estimated in 2019) respectively in 2020. 

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



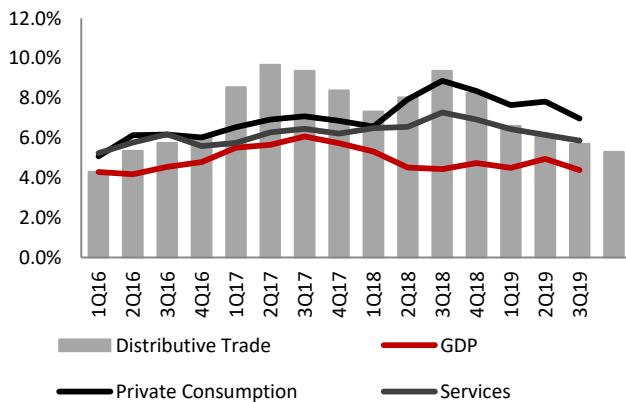
Source: CEIC; MIDFR

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



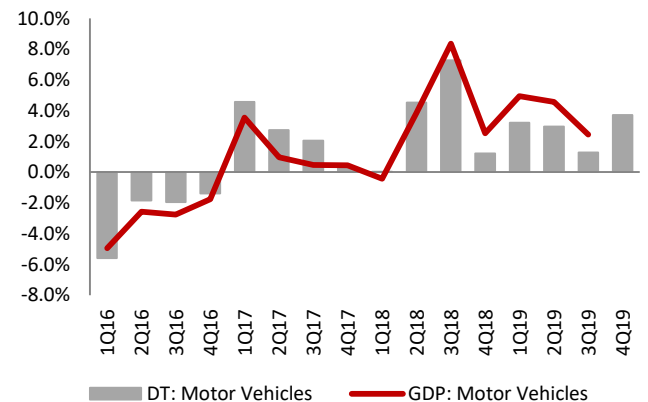
Source: CEIC; MAHB; MIDFR

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



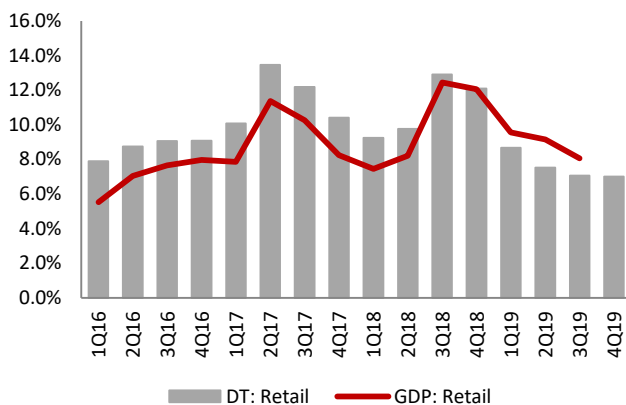
Source: CEIC; MIDFR

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



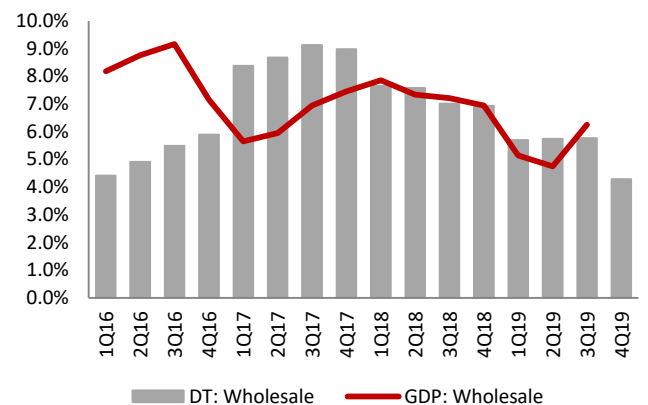
Source: CEIC; MIDFR

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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