

ECONOMIC REVIEW | October 2017 Distributive Trade

Distributive Trade Sales Highest on Record at RM98.1 Billion amid Rebound in Motor Vehicles Sales

- Retail trade sales growth returned to double digit. Distributive trade expanded firmly by 9%yoy in October. Among others, sales in retail trade rose by 10.9%yoy while wholesale trade and motor vehicles sales up by 9.5%yoy and 1.3%yoy respectively.
- Expecting a slight slowdown for private consumption and services sector in 4Q17. Despite of year-end sales and tourism activity factors, unfavorable base effect will play its roles affecting moderating speed in distributive sales performances in the last quarter of 2017.
- We estimate private consumption and services sector to grow at 7% and 6.4% respectively for 2017. Continuous good performance of distributive trade in October signals stronger domestic spending is in play, added with strengthening labor market and upbeat momentum in external trade activities will drive Malaysia's economy into a better position in 2017 compared to last year in particular via private consumption and services sector.

Retail trade sales growth returned to double digit. Distributive trade expanded firmly by 9%yoy in October. Among others, sales in retail trade rose by 10.9%yoy while wholesale trade and motor vehicles sales up by 9.5%yoy and 1.3%yoy respectively. Tapering inflationary pressure, continuous rising in passenger movements, tightening labour market and stable wage growth are key supporting factors for the continuous upbeat trends in Malaysia's domestic demand. Looking ahead, we foresee distributive trade sales will remain robust in November mainly due to year-end sales and upbeat tourism activity. The latest distributive trade figures indicate that Malaysia's domestic demand remains on upbeat trajectory and we expect the trend will stay on until end of the year.

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

	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17
Distributive Trade	92.8	96.9	96.9	96.5	97.5	97.8	98.1
YoY%	9.6	10.7	8.6	11.1	9.5	7.6	9.0
MoM%	(1.0)	3.1	0.1	0.1	0.9	(1.2)	1.7
Motor Vehicles	11.4	12.7	11.8	12.4	12.2	11.3	11.8
YoY%	4.0	9.0	(4.8)	9.8	1.4	(5.0)	1.3
MoM%	(8.4)	14.0	(8.8)	3.5	0.1	(6.9)	5.7
Wholesale Trade	45.2	46.9	46.9	45.9	47.4	49.3	48.5
YoY%	8.6	9.0	8.4	9.2	9.1	9.3	9.5
MoM%	(0.8)	2.7	(0.1)	(0.8)	3.8	1.9	(0.4)
Retail Trade	36.3	37.4	38.1	38.3	37.9	37.3	37.8
YoY%	12.9	13.6	13.9	14.1	12.9	9.6	10.9
MoM%	0.1	1.3	3.2	(0.3)	(1.5)	(2.9)	2.4

Source: DOSM; MIDFR

*MoM is seasonally-adjusted figures

Domestic spending benefited from upbeat momentum in external sector. Exports growth remain expanding at double digit rate, 18.9%yoy in October. Hence, this translates into industrial production and manufacturing sales increase by 3.4%yoy and 11%yoy respectively. Plus, employment in the manufacturing sector increased by 2.4%yoy while wage growth of manufacturing sector expanded solidly at 9.6%yoy in the same month. We believe the strong performance in external trade translates into better sales, employment and most importantly improvement in domestic spending. Moving forward, we expect the upbeat momentum in Malaysia's domestic spending will continues until the end of this year in tandem with external trade activities and tourism performances.

Expecting a slight slowdown for private consumption and services sector in 4Q17. Despite of year-end sales and tourism activity factors, unfavorable base effect will play its roles affecting moderating speed in disitributive sales performances in the last quarter of 2017. For instance, average growth of passenger movements in October and November registered at 5.4%yoy, lowest since 3Q16. Hence, we forecast private consumption and services sector to grow marginally lower in 4Q17 as compared to 3Q17.

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

	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17
Distributive Trade Sales	4.3	5.4	5.7	6.1	8.5	9.7	9.4
Wholesale Sales	4.4	4.9	5.5	5.9	8.4	8.7	9.2
Wholesale Sales: Fee or Contract Basis	1.0	3.6	3.7	5.8	9.0	8.0	9.2
Wholesale Sales: Agri Raw Meterials & Live Animals	0.8	(2.5)	3.5	7.0	11.5	10.2	8.2
Wholesale Sales: Food, Beverages & Tabacco	7.9	8.4	7.8	7.9	8.9	9.6	9.9
Wholesale Sales: Household Goods	7.2	6.0	4.4	4.7	3.9	6.5	6.0
Wholesale Sales: Machinery, Equipment & Supplies	3.4	7.0	10.5	8.2	9.0	8.8	5.7
Wholesale Sales: Others Specialised	2.7	4.1	4.4	5.0	10.0	9.4	11.9
Wholesale Sales: Non-Specialised	4.6	6.7	6.8	3.9	3.2	3.4	3.5
Retail Sales	7.9	8.7	9.0	9.1	10.1	13.5	12.2
Retail Sales: Non-Specialised Stores	7.7	8.8	9.9	9.0	9.9	15.3	13.3
Retail Sales: Food, Beverages & Tobacco	8.9	10.6	11.3	9.7	13.3	14.0	10.8
Retail Sales: Automotive Fuel	8.7	8.9	9.7	9.5	16.0	16.2	14.0
Retail Sales: Information & Communication Equip	6.6	9.5	7.4	8.1	7.3	9.8	9.2
Retail Sales: Household Equip	7.4	7.8	7.5	6.6	7.3	10.5	9.2
Retail Sales: Cultural & Recreation Goods	9.8	7.8	7.1	7.3	8.1	7.8	8.8
Retail Sales: Others in Specialised Store	8.2	8.7	9.3	11.7	11.5	15.1	14.9
Retail Sales: Stalls & Markets	10.8	11.7	12.7	11.4	11.7	10.4	9.6
Retail Sales: Not in Stores, Stalls & Markets	4.2	6.3	7.4	5.8	6.5	8.7	8.5
Motor Vehicles Sales	(5.5)	(1.8)	(2.0)	(1.4)	4.5	2.5	1.9
Motor Vehicles Sales: Motor Vehicle	(9.0)	(5.2)	(5.4)	(5.2)	4.6	(0.1)	(1.1)
Motor Vehicles Sales: Motor Vehicle Maint. & Repair	0.5	2.4	3.0	4.0	5.6	7.5	7.0
Motor Vehicles Sales: Motor Vehicle Parts & Accessories	0.1	4.4	4.0	5.2	4.2	6.5	5.9
Motor Vehicles Sales: Motorcycles Maint. & Repair, Parts & Acc.	(3.9)	1.5	0.7	2.0	3.1	2.8	4.6

Source: DOSM; MIDFR

Typhoon scares Japanese consumers. Retail sales in Japan shrank by 0.2%yoy in October, lowest since November 2016. Two typhoons namely Talim and Lan are major dragging factors on Japan’s domestic spending activity during the month. Sales of general merchandise and food & beverage are mostly impacted, contracted by 2%yoy and 1.5%yoy respectively. In Euro Area, retail sales registered a tepid growth of 0.4%yoy, mainly due to declining spending in Germany and France. Moving forward, we opine year-end sales will push up domestic spending activity regionally and globally. For instance, mega shopping events such as Singles Day, Boxing Day and Black Friday will give extra boost for higher retail sales growth globally in 4Q17. Henceforth, we foresee domestic spending in developed and developing economies will continue expanding at sustainable pace amid of optimistic global economic outlook towards the end of 2017.

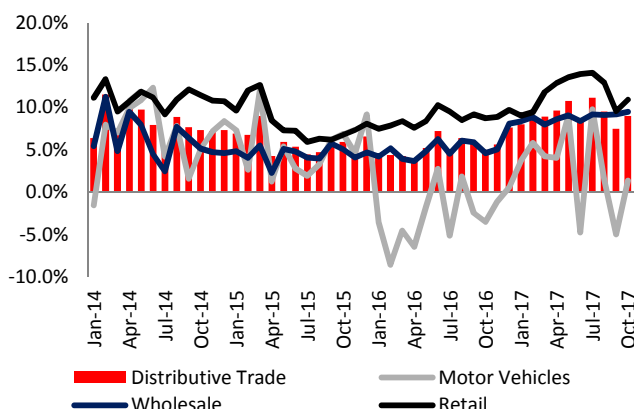
Table 3: Global Retail Sales (YoY%)

	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17
Malaysia	12.9	13.6	13.9	14.1	12.9	9.6	10.9
Indonesia	4.2	4.3	6.3	(3.3)	2.2	1.8	2.2
Singapore	2.7	0.8	2.0	1.7	3.7	(0.6)	(0.1)
Philippines	3.9	3.4	3.3	3.3	3.3	3.2	2.7
Thailand	3.2	6.8	4.9	8.1	10.6	10.1	
Japan	3.2	2.1	2.2	1.8	1.8	2.3	(0.2)
China	10.7	10.7	11.0	10.4	10.1	10.3	10.0
Euro Area	2.8	2.7	3.5	2.3	2.3	4.0	0.4
US	4.5	4.2	3.0	3.7	3.5	4.8	4.6

Source: CEIC; MIDFR

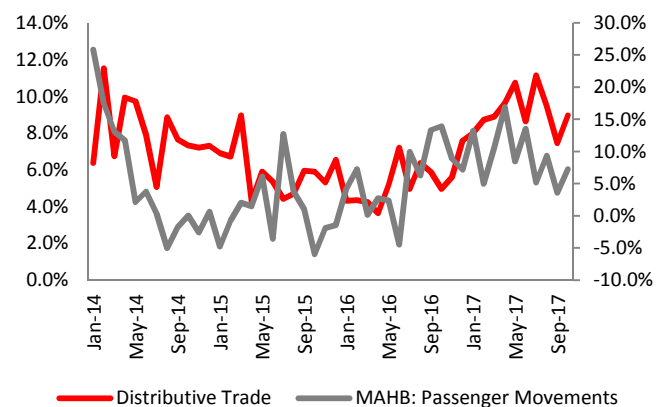
We estimate private consumption and services sector to grow at 7% and 6.4% respectively for 2017. Continuous good performance of distributive trade in October signals stronger domestic spending is in play, added with strengthening labor market and upbeat momentum in external trade activities will drive Malaysia’s economy into a better position in 2017 compared to last year in particular via private consumption and services sector. 📈

Chart 1: Distributive Trade, DT (YoY%)



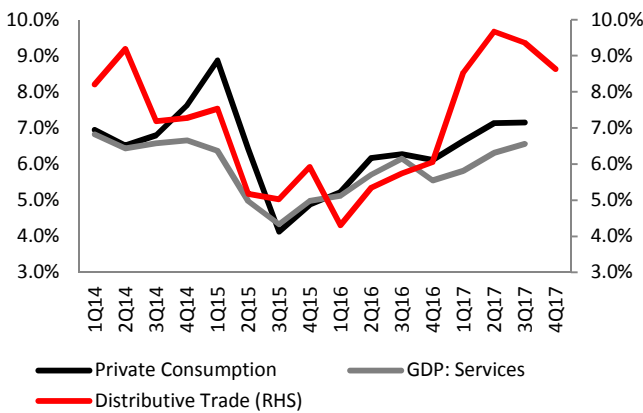
Source: DOSM; MIDFR

Chart 2: DT vs Passenger Movements (YoY%)



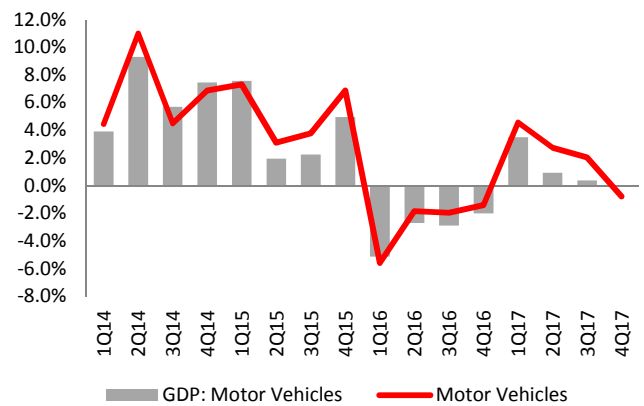
Source: DOSM; MAHB; MIDFR

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



Source: DOSM; MIDFR

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



Source: DOSM; MIDFR

Chart 5: Retail Trade: GDP vs DT (YoY%)



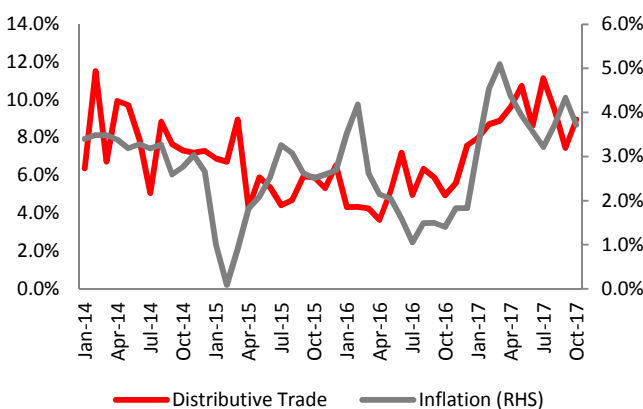
Source: DOSM; MIDFR

Chart 6: Wholesale Trade: GDP vs DT (YoY%)



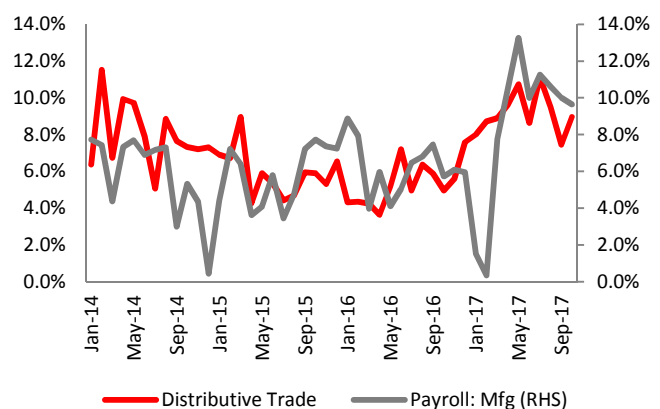
Source: DOSM; MIDFR

Chart 7: Distributive Trade vs Inflation Rate (YoY%)



Source: DOSM; MIDFR

Chart 8: : Distributive Trade vs Manufacturing Payroll (YoY%)



Source: DOSM; MIDFR

**MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (23878 - X).
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)**

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed or published in any form or for any purpose.