

ECONOMIC REVIEW | March 2017 Distributive Trade

Robust Performance for Distributive Trade in 1Q17

- *Distributive trade hits highest growth in almost two years. Distributive trade and retail trade expanded by 8.9%yoy and 11.8%yoy respectively in March this year, the highest since March 2015. As for other components of distributive trade, wholesale trade and motor vehicles increased by 8%yoy and 4.2%yoy respectively in March.*
- *Malaysia's retail sales was the highest among major economies in March. Malaysia continued to be the best performer in retail sales in the Asean region by registering 11.8%yoy in the last month of the first quarter 2017.*
- *We are maintaining our forecast of private consumption and services sector to grow at 6.3% and 5.3% respectively for 2017. Solid performance of distributive trade in the first quarter signals stronger domestic spending is in play and hence will drive Malaysia's economy into better position in 2017 compared to last year.*

Distributive trade hits highest growth in almost two years. Distributive trade and retail trade expanded by 8.9%yoy and 11.8%yoy respectively in March this year, the highest since March 2015. As for other components of distributive trade, wholesale trade and motor vehicles increased by 8%yoy and 4.2%yoy respectively in March. On monthly seasonally adjusted, distributive trade and its components grew at positive rate surpassing 1% level. Solid performance of the distributive trade signals robust domestic spending in our economy. We expect Malaysia's private consumption and services sector to grow by 6.3% and 5% respectively in 2017.

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

	2016	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17
Distributive Trade	1,061,540	89,670	94,405	93,532	90,140	97,411
% YoY	5.4	5.6	7.6	8.0	8.3	8.9
%MoM sa		0.0	1.4	-1.5	0.9	1.4
Motor Vehicles	138,979	11,668	12,534	11,360	10,322	12,875
% YoY	-2.6	-1.1	0.5	3.7	5.8	4.2
%MoM sa		1.6	3.7	-4.7	1.5	1.2
Wholesale Trade	518,745	43,570	45,756	46,098	44,138	46,928
% YoY	5.2	5.0	8.1	8.3	8.5	8.0
%MoM sa		-1.6	1.1	-1.7	0.5	2.0
Retail Trade	403,816	34,431	36,116	36,074	35,680	37,609
% YoY	8.7	8.9	9.7	9.0	8.7	11.8
%MoM sa		1.2	0.9	-0.6	0.5	2.9

Source: DOSM; MIDFR

Private consumption and services sector are gaining momentum. For the first quarter 2017, distributive trade rose by 8.4%yoy, relatively higher than 2016 average annual growth for private consumption and services. Plus, the first quarter growth of distributive trade performed better than fourth quarter growth of private consumption and services. Distributive trade components namely motor vehicles, wholesale trade and retail trade increased firmly in the first quarter by 4.6%yoy, 8.3%yoy and 11.8%yoy respectively, better than 2016 average annual growth for sub-sectors of services at 5.6%. We opine positive economic activities, strengthening labour market and stable wage growth among factors that drive up distributive trade performance in the first quarter 2017. Hence, this will translate into high growth in private consumption and overall services sector.

Table 2: Distributive Trade vs Selected Components of GDP (%YoY)

	2016	1Q-16	2Q-16	3Q-16	4Q-16	1Q-17
Distributive Trade	5.4	4.3	5.3	5.7	6.1	8.4
Motor Vehicles	-2.7	-5.6	-1.8	-2.0	-1.4	4.6
Wholesale Trade	5.2	4.4	4.9	5.5	5.9	8.3
Retail Trade	8.7	7.9	8.7	9.1	9.1	9.8
GDP: Private Consumption	6.1	5.3	6.3	6.4	6.2	
GDP: Services	5.6	5.1	5.7	6.1	5.5	
Motor Vehicles	-3.3	-5.1	-2.7	-3.1	-2.2	
Wholesale Trade	8.2	8.1	8.7	8.9	7.0	
Retail Trade	7.0	5.4	7.1	7.5	7.8	

Source: DOSM; MIDFR

Malaysia's retail sales was the highest among major economies in March. Malaysia continued to be the best performer in retail sales in the Asean region by registering 11.8%yoy in the last month of the first quarter 2017. Most economies recorded retail sales growth at moderate pace. As for the US, retail sales increased solidly at 5.2%yoy, reflects US domestic spending remain on upward trend while China's retail sales rose to 10.9%yoy in March after two consecutive months recording single digit growth.

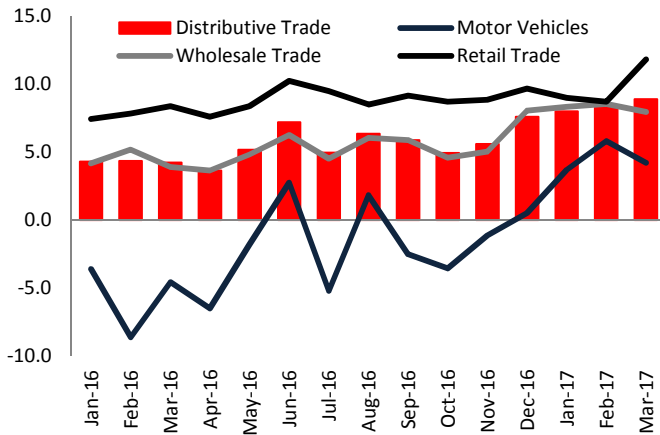
Table 3: Global Retail Sales (%YoY)

	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17
Malaysia	9.5	8.5	9.2	8.7	8.9	9.7	9.0	8.7	11.8
Indonesia	6.3	11.4	10.6	8.1	9.9	10.5	6.3	3.7	4.2
Singapore	2.7	-0.5	2.2	2.0	0.7	0.7	2.3	-2.5	
Philippines	2.2	2.3	3.0	3.4	3.6	4.3	4.4	5.1	4.4
Thailand	2.1	5.5	2.0	-1.2	1.9	1.3	5.5	2.5	
Japan	-0.2	-2.2	-1.7	-0.2	1.7	0.7	1.0	0.1	2.1
China	10.2	10.6	10.7	10.0	10.8	10.9	9.5	9.5	10.9
EU	2.1	1.3	1.2	3.0	2.7	1.5	1.6	1.7	2.3
US	2.4	2.2	3.3	4.2	3.9	4.4	6.0	5.1	5.2

Source: CEIC; MIDFR

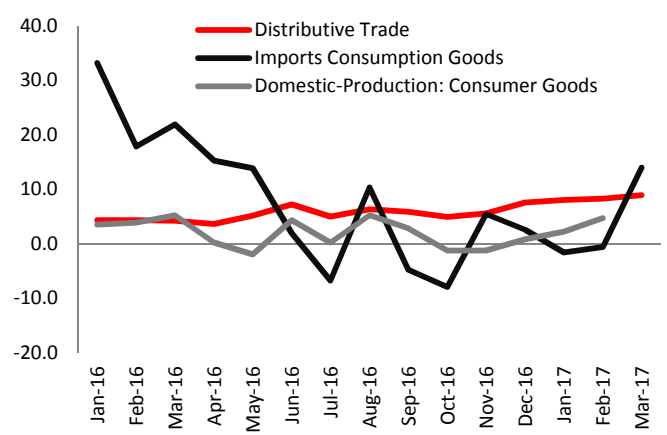
We are maintaining our forecast of private consumption and services sector to grow at 6.3% and 5.3% respectively for 2017. Solid performance of distributive trade in the first quarter signals stronger domestic spending is in play and hence will drive Malaysia's economy into better position in 2017 compared to last year. Given the strengthening domestic spending coupled with stellar external sector performance, we opine Malaysia economy will be able to expand 4.9% in 2017. 

Chart 1: Distributive Trade, DT (%yoy)



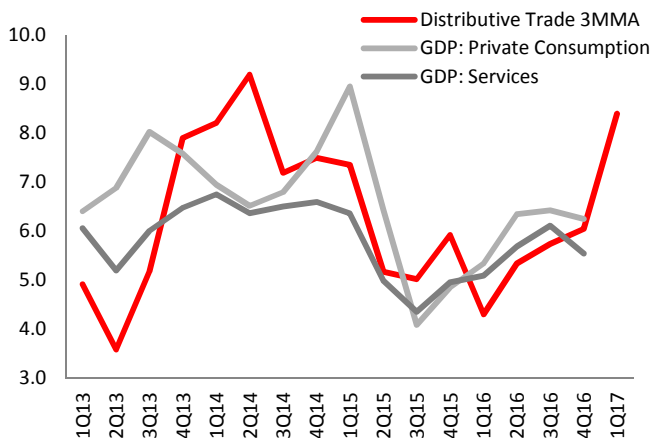
Source: DOSM;MIDFR

Chart 2: DT vs Consumer Goods (%yoy)



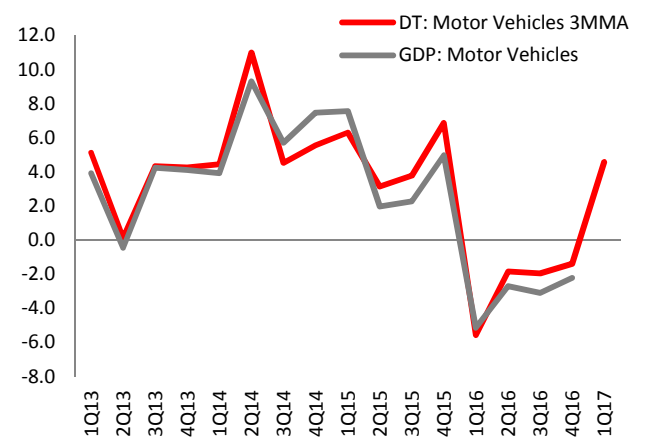
Source: DOSM;MIDFR

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



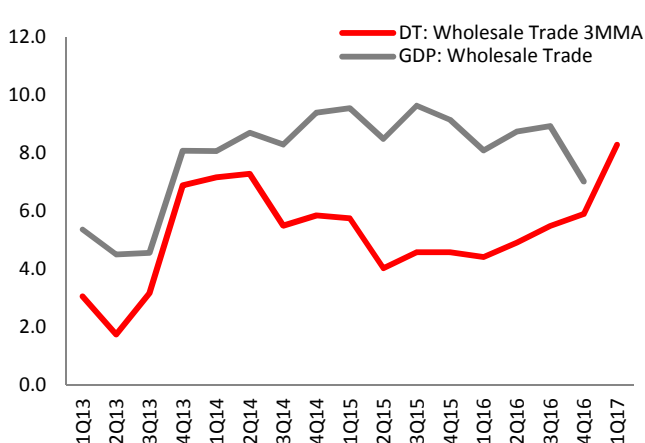
Source: DOSM;MIDFR

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



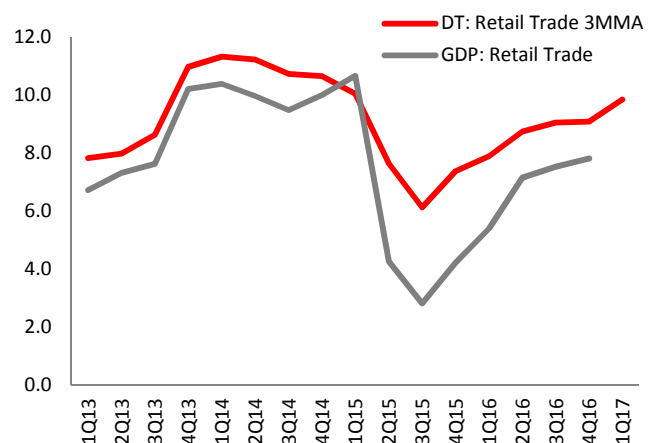
Source: DOSM;MIDFR

Chart 5: Wholesale Trade: GDP vs DT (%yoy)



Source: DOSM;MIDFR

Chart 6: Retail Trade: GDP vs DT (%yoy)



Source: DOSM;MIDFR

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