08 July 2022

ECONOMIC REVIEW | May 2022 Distributive Trade

Retail Trade Spending Growth +29.9%yoy, More Than 1-Year High

- *Distributive trade sales growth hit 1-year high. Malaysia's distributive trade sales expanded by +19.9%yoy in May-22, the biggest gain in a year. Most significantly, retail spending rose continued expanding strongly by +29.9%yoy and +5.1%mom. Sales growth of motor vehicles and wholesale grew by double digit rate of +20.1%yoy and +11.7%yoy.*
- *Malaysia airports passenger traffic jumped +64.8%mom in May-22. Thanks to international borders reopening on 1st Apr-22, we saw passenger traffic in all Malaysia's airports increased to 4.6m in May-22 (Apr-22: 2.8m). Most significantly, international passenger surged by +76.9%mom with Asean and non-Asean rose by +121.8%mom and +36.9%mom respectively. Domestic passenger remained firm, growing at 6-month high by +65.9%mom.*
- *We forecast retail trade sales to expand by +10.5% for 2022. Malaysia's consumer spending is expanding strongly as reflected in retail trade sales growth of +15.8%yoy in 5MCY22. Underpin by improving labour market, stable inflationary pressure and fiscal incentives, private consumption is projected to grow by +7.2% for 2022, rebound from +1.9% in 2021 and -4.2% in 2020.*

Distributive trade sales growth hit 1-year high. Malaysia's distributive trade sales expanded by +19.9%yoy in May-22, the biggest gain in a year. Most significantly, retail spending rose continued expanding strongly by +29.9%yoy and +5.1%mom. Sales growth of motor vehicles and wholesale grew by double digit rate of +20.1%yoy and +11.7%yoy. We opine effects of special EPF withdrawal and international borders reopening provided extra boost to consumer spending starting in Apr-22. On top of that, economic fundamentals in Malaysia strengthen as employment growth hit record high at +3.4%yoy and unemployment rate stayed at pandemic-low 3.9% in the same month. Despite of food inflation rise, overall price pressure in Malaysia remained stable thanks to the capped retail fuel prices. Looking ahead, we expect private consumption and services sector to contribute stronger 2QCY22 and 2HCY22 GDP growth amid strong and sound domestic demand. The 3-month moving average of distributive trade sales was +15.0%yoy (1QCY22: 8.6%yoy) for the second quarter of 2022.

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passenger movements. Moving forward, we expect airports passenger movement to stay on gradual recovery mode in 2HCY22 particularly driven by further improvement in domestic flights and slight uptick in international arrivals. Our house view is that the earliest for passenger traffic to reach 2019's level only by 2024.

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

	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22
Distributive Trade	**117.6**	**120.6**	**120.2**	**117.2**	**123.8**	**128.0**	**129.8**
YoY%	6.5	3.6	7.5	8.5	9.8	15.2	19.9
MoM%	1.1	2.6	(0.4)	(2.5)	5.6	3.4	1.4
Motor Vehicles	**13.4**	**14.6**	**12.6**	**12.5**	**16.7**	**15.4**	**13.9**
YoY%	4.6	2.2	17.0	12.5	11.1	11.3	20.1
MoM%	(5.5)	8.9	(13.3)	(0.7)	32.9	(7.7)	(9.6)
Wholesale Trade	**56.3**	**57.6**	**58.6**	**55.9**	**57.2**	**59.0**	**59.6**
YoY%	6.8	4.1	5.7	6.2	8.6	11.5	11.7
MoM%	1.0	2.2	1.7	(4.7)	2.5	3.1	0.9
Retail Trade	**47.8**	**48.5**	**49.0**	**48.8**	**49.9**	**53.6**	**56.3**
YoY%	6.7	3.5	7.3	10.2	10.8	20.9	29.9
MoM%	3.4	1.3	1.0	(0.4)	2.2	7.4	5.1

Source: CEIC; MIDFR
Note: MoM is non-seasonally adjusted figures

Retail trade on strong tide. Pent-up demand with supportive fiscal incentives and macro conditions are driving retail trade performances in 2022. Looking at MoM% basis, overall retail trade jumped +5.1% with all sub-components recorded positive expansion rate. Most notably, spending on automotive fuel up +10.1%mom amid festive season and school holiday period. Moving forward, domestic spending to stay on uptward momentum underpin by strong and supportive economic fundamentals.

Table 2: Distributive Trade's Detailed Components Performance

	Share % Total DT		MoM%		YoY%	
	May-21	May-22	Apr-22	May-22	Apr-22	May-22
Wholesale Sales (WS)	**46.1**	**45.9**	**3.1**	**0.9**	**11.5**	**11.7**
WS: Fee or Contract Basis	0.8	0.8	0.2	1.1	6.7	12.0
WS: Agri Raw Meterials & Live Animals	4.0	4.1	0.5	4.0	14.9	17.7
WS: Food, Beverages & Tabacco	8.8	8.6	2.6	(0.2)	11.8	7.4
WS: Household Goods	9.5	9.2	8.6	(1.5)	22.9	22.1
WS: Machinery, Equipment & Supplies	3.7	3.7	3.0	2.0	8.8	10.1
WS: Others Specialised	18.1	18.2	1.5	1.8	6.5	8.8
WS: Non-Specialised	1.3	1.2	1.3	0.2	6.3	3.8
Retail Sales (RS)	**41.8**	**43.4**	**7.4**	**5.1**	**20.9**	**29.9**
RS: Non-Specialised Stores	15.5	16.0	6.5	4.4	26.4	36.3
RS: Food, Beverages & Tobacco	2.5	2.6	5.3	4.3	15.5	21.4
RS: Automotive Fuel	3.7	4.0	17.9	10.1	37.7	54.6
RS: Information & Communication Equip	3.9	4.0	5.9	4.7	5.0	8.0

	Share % Total DT		MoM%		YoY%	
	May-21	May-22	Apr-22	May-22	Apr-22	May-22
RS: Household Equip	5.4	5.6	7.7	5.2	16.0	23.7
RS: Cultural & Recreation Goods	2.0	2.0	0.4	1.3	15.5	20.1
RS: Others in Specialised Store	8.3	8.6	7.9	5.6	19.2	30.8
RS: Stalls & Markets	0.1	0.1	6.8	5.1	17.3	24.0
RS: Not in Stores, Stalls & Markets	0.4	0.5	10.5	5.4	28.6	27.0
Motor Vehicles Sales (MVS)	**12.0**	**10.7**	**(7.7)**	**(9.6)**	**11.3**	**20.1**
MVS: Motor Vehicle	6.5	5.3	(16.5)	(16.7)	1.2	9.3
MVS: Motor Vehicle Maint. & Repair	1.5	1.5	2.8	0.8	33.8	37.4
MVS: Motor Vehicle Parts & Accessories	3.0	2.9	4.6	0.6	31.1	34.3
MVS: Motorcycles Maint. & Repair, Parts & Acc.	1.1	1.0	10.6	(9.5)	5.7	23.2

Source: CEIC; MIDFR

Inflation effects vary across countries. Some countries continued to record firm positive growth in retail sales despite inflation risk pressure and tightening monetary policy. For instance, the US saw retail sales growth at +8.1%yoy (3-month high) while Euro Area retail spending decelerated to +0.2%yoy in May-22. Asean economies namely Singapore and Vietnam continued registering double-digit rate retail sales growth particularly driven by spending on food and fuel. Apart from inflation factor, lower jobless rate which led to revival of domestic demand in post-pandemic era fuelled consumer spending in many countries. As for China, retail sales in contracted at slower pace of -6.7%yoy as restrictive measures relaxed gradually during the month. We foresee retail spending in China to stay in contraction in Jun-22 and improve modestly in 2HCY22.

Table 3: Global Retail Sales (YoY%)

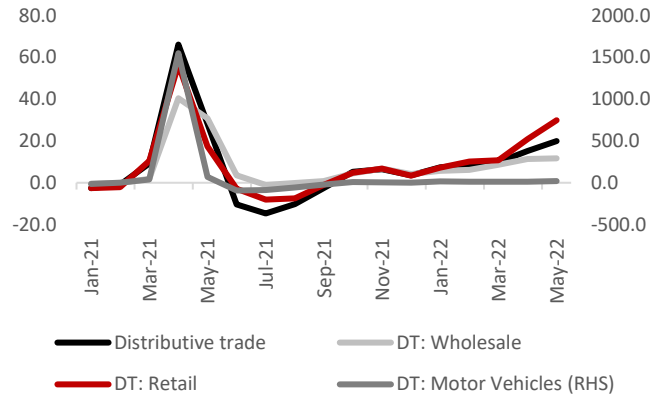
	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22
Malaysia	6.7	3.5	7.3	10.2	10.8	20.9	29.9
Indonesia	10.8	13.8	15.2	12.9	9.3	8.5	
Singapore	2.2	6.7	12.0	(3.5)	8.8	12.1	17.8
Thailand	12.4	12.2	13.1	7.8	3.7	10.7	
Vietnam	(12.2)	1.1	1.3	3.1	9.4	12.1	22.6
Taiwan	6.9	3.7	6.3	0.2	5.5	4.7	2.7
South Korea	4.6	6.8	4.7	1.6	2.1	0.4	0.7
China	3.9	1.7	0.0	6.7	(3.5)	(11.1)	(6.7)
Japan	1.9	1.2	1.1	(0.9)	0.7	3.1	3.6
Euro area	8.5	2.4	8.5	5.2	1.9	4.0	0.2
US	18.6	16.8	13.8	17.7	7.1	7.8	8.1

Source: CEIC; MIDFR

We forecast retail trade sales to expand by +10.5% for 2022. Malaysia's consumer spending is expanding strongly as reflected in retail trade sales growth of +15.8%yoy in 5MCY22. Underpin by improving labour market, stable inflationary pressure and fiscal incentives, private consumption is projected to grow by +7.2% for 2022, rebound from +1.9% in 2021 and -4.2% in 2020. We believe the pent-up demand will continue until end of this

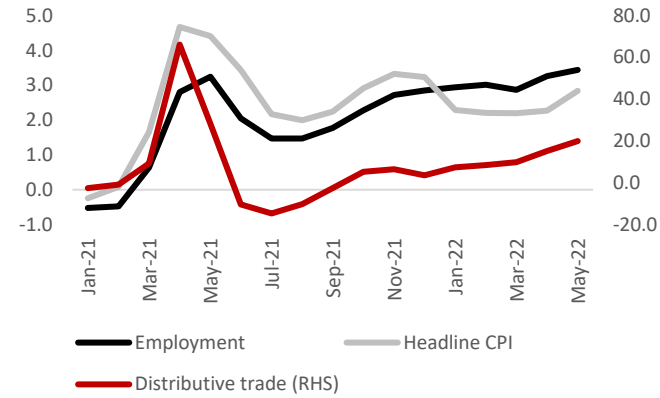
year provided that no significant change in overall inflationary pressure. With the reopening of international borders, tourism activity will improve modestly yet still below pre-pandemic levels.

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



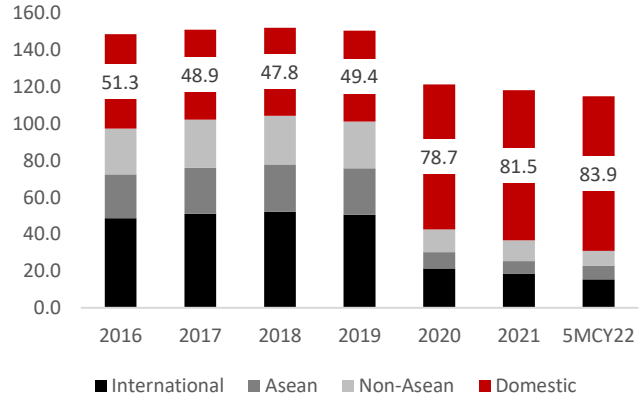
Source: CEIC; MIDFR

Chart 2: DT vs. CPI vs. Employment (YoY%)



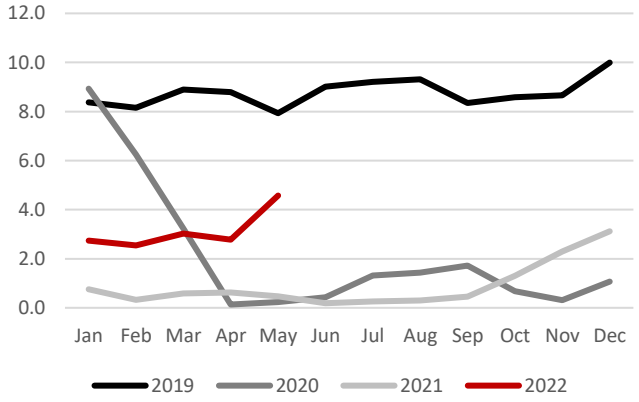
Source: CEIC; MIDFR

Chart 3: Composition of Airports Passenger Movements (Share %)



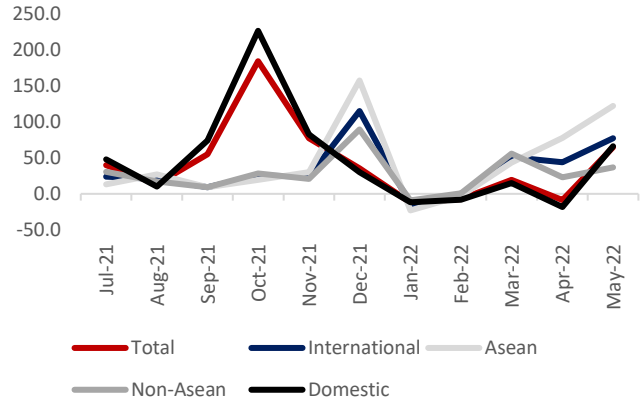
Source: CEIC; MIDFR

Chart 4: Airports Passenger Movements (Million Persons)



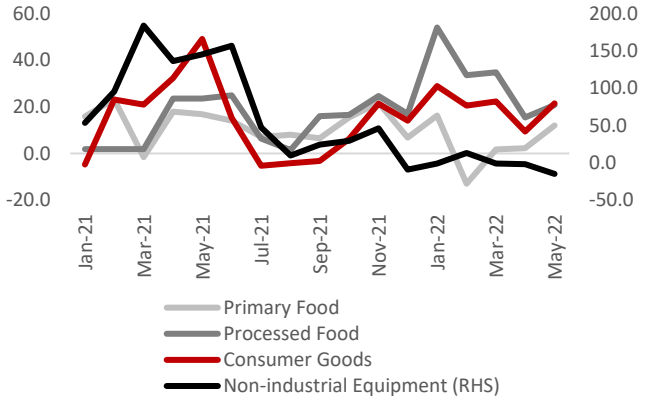
Source: CEIC; MIDFR

Chart 5: Airports Passenger Movements (MoM%)



Source: CEIC; MIDFR

Chart 6: Components of imported consumption goods (YoY%)



Source: CEIC; MIDFR

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