10 November 2022

ECONOMIC REVIEW | September 2022 Distributive Trade

Strong Distributive Trade Sales Hinted Robust 3QCY22 GDP Growth

- *Fastest pace of distributive trade sales growth in 3QCY22. Malaysia's distributive trade sales growth continued on double-digit expansion rate for 5-consecutive months, +23.9%yoy in Sep-22 and +32.7%yoy in the third quarter of 2022, reaching a new peak point. By component, retail spending expanded strongly by +30%yoy, wholesale trade up by +13.3%yoy and motor vehicles sales by +51%yoy.*
- *Total passenger movements surpassed 5 million. Prior to international borders reopening in Apr-22, total passenger movements hardly surpassed 3 million mark due to the Covid-19 pandemic and the subsequent lockdowns. However, latest figure in Sep-22 saw the passenger movements registered at 5.3 million, approximately 63.7% of Sep-19 levels.*
- *Malaysia's retail trade growth forecast at 17.6% for 2022. Malaysia's consumer spending is expanding strongly as reflected in retail trade sales growth of +23.9%yoy in 9MCY22. Looking at the macro outlook and improving fundamentals, we project retail trade growth to +17.6% for this year. We believe the pent-up demand will continue until end of this year underpin by improving labour market, stable inflationary pressure and domestic economy reopenning.*

Fastest pace of distributive trade sales growth in 3QCY22. Malaysia's distributive trade sales growth continued on double-digit expansion rate for 5-consecutive months, +23.9%yoy in Sep-22 and +32.7%yoy in the third quarter of 2022, reaching a new peak point. By component, retail spending expanded strongly by +30%yoy, wholesale trade up by +13.3%yoy and motor vehicles sales by +51%yoy. The high growth rates were widely expected due to low-base effects as Malaysia faced another tight nationwide lockdown in Jul-21 until Sep-21. On 3QCY22 performances, retail trade growth hit new high at +34%yoy while wholesale and motor vehicles at +16.6%yoy and +277.4%yoy respectively. Robust domestic spending among others were driven by stable inflationary pressure, improving labour market and accommodative monetary as well as fiscal policies. Looking ahead, we opine the upbeat momentum of domestic demand to continue in 4QCY22 and 2023 amid steady labour market, softening inflationary pressure and supportive economic policies.

Total passenger movements surpassed 5 million. Prior to international borders reopening in Apr-22, total passenger movements hardly surpassed 3 million mark due to the Covid-19 pandemic and the subsequent lockdowns. However, latest figure in Sep-22 saw the passenger movements registered at 5.3 million, approximately 63.7% of Sep-19 levels. Sequential month growth rate of international passenger traffic continued since Mar-22. In Sep-22, the passenger traffic rose by +10.1%mom, thanks to both Asean and non-Asean tourists as well as domestic passengers. Pre-pandemic, 50.7% of Malaysia's airports passenger traffic contributed by international travel, 25.0% by Asean and 25.7% by non-Asean destination. As of Sep-22, domestic destinations shares skid to 63.8% (2021: 81.5%) while international at 36.2% (2021: 18.4%) whereby 14.5% were non-Asean and 21.8% Asean. Moving forward, we expect airports passenger movements to improve in 4QCY22

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underpin by borders reopening by Japan and stay on gradual recovery mode in 2023 with harping on the reopening of China. The recovery towards 2019-level is still a long journey despite the international borders reopening by Malaysia. 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)

	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22
Distributive Trade	**123.8**	**128.0**	**129.5**	**132.8**	**130.4**	**133.6**	**134.0**
YoY%	9.8	15.2	19.6	44.0	40.7	33.6	23.9
MoM%	5.7	3.4	1.2	2.5	(1.8)	2.5	0.3
Motor Vehicles	**16.7**	**15.4**	**13.9**	**16.1**	**14.1**	**16.5**	**16.3**
YoY%	11.1	11.3	20.1	1,642.8	597.7	183.3	51.0
MoM%	33.9	(7.7)	(9.6)	15.8	(12.5)	17.0	(1.3)
Wholesale Trade	**57.2**	**59.0**	**59.6**	**60.5**	**59.7**	**60.1**	**60.0**
YoY%	8.6	11.5	11.7	19.3	20.6	16.0	13.3
MoM%	2.5	3.1	0.9	1.6	(1.4)	0.7	(0.2)
Retail Trade	**49.9**	**53.6**	**56.0**	**56.2**	**56.6**	**57.0**	**57.7**
YoY%	10.8	20.9	29.2	38.4	37.5	34.5	30.0
MoM%	2.2	7.4	4.6	0.2	0.8	0.7	1.2

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

Consumer spending demand remained firm. 12.2% of distributive trade sales contributed by motor vehicle purchases in Sep-22, 2% point higher than the same month in previous year. Pre-pandemic levels for average motor vehicle sales share is 11.5%. In general, Malaysia's consumer spending remained solid as reflected in the positive month-on-month growth in retail trade sales. We opine the strong economic fundamentals especially declining jobless rate and stable inflation rate will continue to support Malaysia's consumer spending in 2HCY22 and 2023.

Table 2: Distributive Trade's Detailed Components Performance

	Share % Total DT		MoM%		YoY%	
	Sep-21	Sep-22	Aug-22	Sep-22	Aug-22	Sep-22
Wholesale Sales (WS)	**49.0**	**44.8**	**0.7**	**(0.2)**	**16.0**	**13.3**
WS: Fee or Contract Basis	0.7	0.7	1.2	1.4	23.9	27.5
WS: Agri Raw Meterials & Live Animals	4.3	4.0	(2.7)	1.5	12.7	16.0
WS: Food, Beverages & Tabacco	10.2	8.5	0.8	0.7	5.9	3.8
WS: Household Goods	9.4	9.3	(0.4)	0.5	27.9	21.9
WS: Machinery, Equipment & Supplies	4.1	3.7	3.5	1.3	14.5	11.1
WS: Others Specialised	18.8	17.3	1.4	(1.7)	16.8	13.9
WS: Non-Specialised	1.4	1.2	2.4	0.5	9.9	6.6
Retail Sales (RS)	**41.0**	**43.0**	**0.7**	**1.2**	**34.5**	**30.0**
RS: Non-Specialised Stores	15.0	15.9	1.1	1.3	37.1	31.9
RS: Food, Beverages & Tobacco	2.7	2.5	0.3	0.7	18.1	15.7

	Share % Total DT		MoM%		YoY%	
	Sep-21	Sep-22	Aug-22	Sep-22	Aug-22	Sep-22
RS: Automotive Fuel	3.4	3.9	(1.0)	1.4	54.0	44.4
RS: Information & Communication Equip	4.1	3.8	1.3	0.6	17.5	15.9
RS: Household Equip	5.3	5.2	(0.3)	0.4	27.9	23.1
RS: Cultural & Recreation Goods	2.2	2.0	0.4	0.5	18.7	11.6
RS: Others in Specialised Store	7.8	9.0	1.3	1.9	45.7	43.4
RS: Stalls & Markets	0.1	0.1	0.2	0.5	23.5	20.2
RS: Not in Stores, Stalls & Markets	0.5	0.5	0.7	0.9	28.7	21.3
Motor Vehicles Sales (MVS)	**10.0**	**12.2**	**17.0**	**(1.3)**	**183.3**	**51.0**
MVS: Motor Vehicle	6.0	6.8	34.1	(2.9)	202.6	40.2
MVS: Motor Vehicle Maint. & Repair	1.1	1.5	(1.0)	1.5	134.2	80.2
MVS: Motor Vehicle Parts & Accessories	2.2	2.9	(1.2)	1.7	135.2	65.8
MVS: Motorcycles Maint. & Repair, Parts & Acc.	0.7	0.9	7.7	(2.8)	471.2	53.3

Source: DOSM; MIDFR

Fourth-straight months of contraction in Euro-Area. Inflation is biting consumer spending as reflected in Euro Area which recorded contraction rate for four-consecutive months. Prolong elevated energy prices and gas supply threats are exacerbating it for the region. On a flip side, retail spending in the US remained strong ignoring inflation risk and tightening monetary policy by the Fed. Hence, this will lead the central bank to further tighten its policy rate in the upcoming meetings. China's retail trade trends remain uncertain as the country still commit to its zero-Covid policy. In Asean, retail spending continued to stay robust with Singapore and Vietnam expanded by double-digit rate while retail sales growth in Indonesia moderated to three-month low following higher domestic retail fuel prices starting in Sep-22. Even though global jobless rate on downward trends, risks stemming from inflation and tightening monetary policy in many economies would weigh down global economic activities in the medium term.

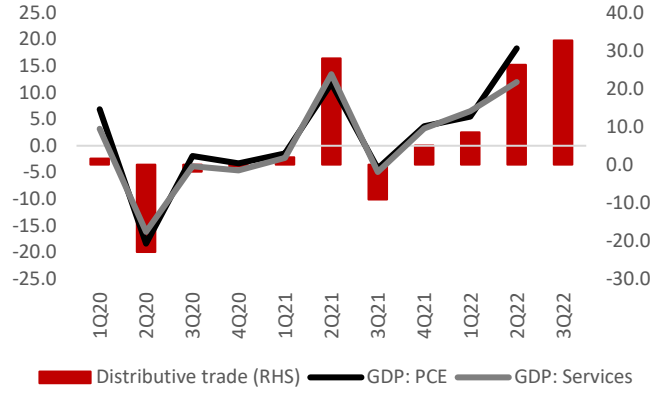
Table 3: Global Retail Sales (YoY%)

	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22
Malaysia	10.8	20.9	29.2	38.4	37.5	34.5	30.0
Indonesia	9.3	8.5	2.9	4.1	6.2	4.9	4.6
Singapore	8.8	12.1	17.8	14.9	13.9	13.3	11.2
Thailand	3.9	11.0	13.6	12.4	17.9	22.0	
Vietnam	9.4	12.1	22.6	27.3	42.6	50.2	36.1
Taiwan	5.5	4.7	3.6	22.5	18.1	12.0	7.5
South Korea	2.1	0.4	0.7	(1.5)	(1.9)	2.4	(0.7)
China	(3.5)	(11.1)	(6.7)	3.1	2.7	5.4	2.5
Japan	0.7	3.1	3.7	1.5	2.4	4.1	4.5
Euro area	2.3	5.1	1.1	(2.9)	(0.8)	(1.4)	(0.6)
US	7.1	7.8	8.7	8.8	10.0	9.4	8.2

Source: MACROBOND; MIDFR

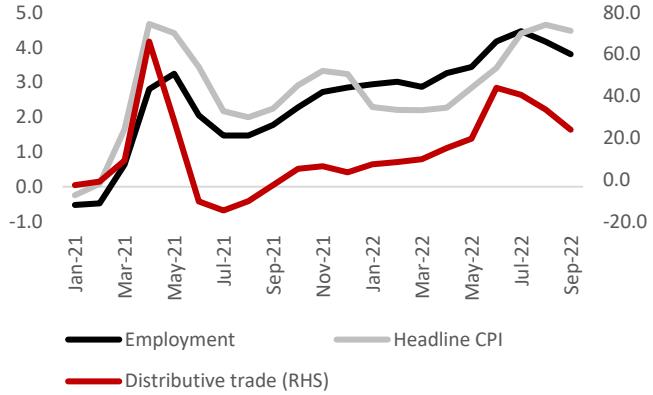
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Chart 1: Distributive Trade Sales, DT vs. GDP (YoY%)



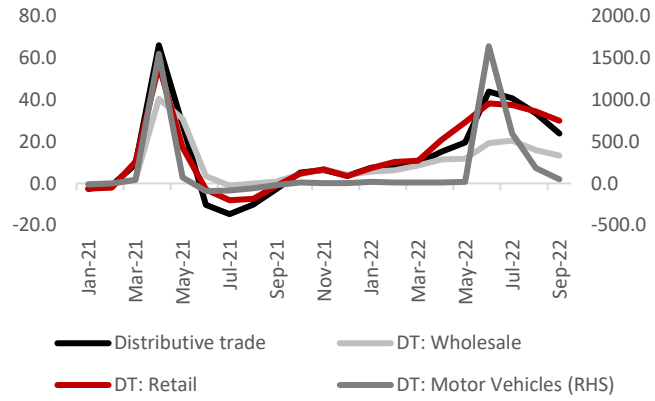
Source: DOSM; MIDFR

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



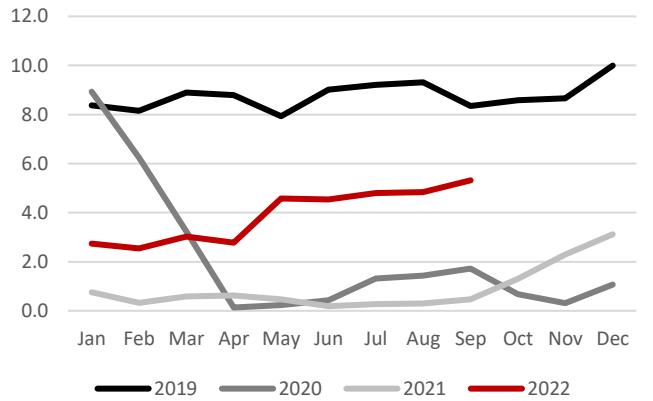
Source: DOSM; MIDFR

Chart 3: Distributive Trade Sales by Component (YoY%)



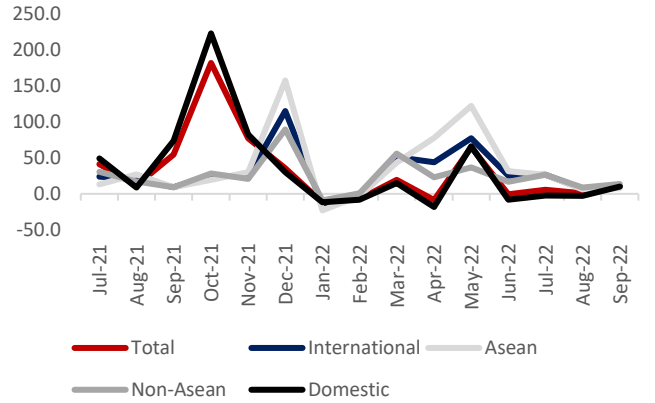
Source: DOSM; MIDFR

Chart 4: Airports Passenger Movements (Million Persons)



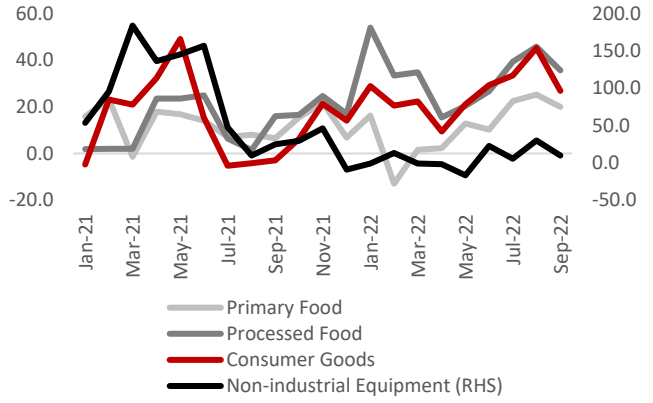
Source: MAHB; MIDFR

Chart 5: Airports Passenger Movements (MoM%)



Source: MAHB; MIDFR

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



Source: DOSM; MIDFR

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