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ECONOMIC REVIEW | December 2022 Distributive Trade

Malaysia's Consumer Demand Still Intact & Robust

- *Distributive trade growth hit historical high in 2022. Malaysia's distributive trade sales grew by +19.6% last year, the fastest expansion rate ever recorded. All components posted strong double-digit expansion. Sales of motor vehicles surged by +47.6% after registering poor performances during the pandemic years.*
- *Optimistic aviation & tourism outlook. The final month of 2022 saw the international passenger movements registered at 2.9 million, approximately 55.6% of Dec-19 levels. Sequential month growth rate of international passenger traffic continued since Mar-22. In Dec-22, the passenger traffic rose by +27.8%mom, thanks to both ASEAN and non-ASEAN tourists.*
- *We forecast retail trade growth to average at +8.9% for 2023. Considering macroeconomic outlook and improving domestic fundamentals, we are optimistic that retail trade growth able to touch +8.9% for 2023. We believe the pent-up demand will continue into this year underpinned by improving labour market, stable inflationary pressure, accommodative economic policies and uptick in tourism industry. Even though OPR is closer to normalised rate of 3.00%, we believe it would have minimal effect on domestic spending outlook.*

Distributive trade growth hit historical high in 2022. Malaysia's distributive trade sales grew by +19.6% last year, the fastest expansion rate ever recorded. All components posted strong double-digit expansion. Sales of motor vehicles surged by +47.6% after registering poor performances during the pandemic years. Reflecting effects of pent-up demand, retail trade sales skyrocketed by +23.9% in 2022. In the final month of 2022, the distributive trade growth moderated further to 9-month low at +13.8%yoy. By component, sales of motor vehicles increased by +20.3%yoy while wholesale and retail trade growth descended slightly to +4.7%yoy and +22.7%yoy. Nonetheless, month-on-month basis remained firm as all components recorded positive growth. Looking ahead, we opine the upbeat momentum of domestic demand to continue in 2023 underpin by steady labour market, softening inflationary pressure and supportive economic policies. As for 4QCY22, distributive trade growth moderated to +14.3%yoy, the slowest in 3-quarter. Receding low-base effects was amongst the factors. With this moderation, we foresee 4QCY22 GDP growth to come in at +5% and +8.3% for overall 2022.

Optimistic aviation & tourism outlook. The final month of 2022 saw the international passenger movements registered at 2.9 million, approximately 55.6% of Dec-19 levels. Sequential month growth rate of international passenger traffic continued since Mar-22. In Dec-22, the passenger traffic rose by +27.8%mom, thanks to both ASEAN and non-ASEAN tourists. 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 Dec-22, domestic destinations shares rose to 57.9% (2021: 81.5%) while international at 42.2% (2021: 18.4%) whereby 17.6% were non-ASEAN and 24.5% ASEAN. Moving forward, we expect airports passenger movements to improve in 2023 underpinned by borders reopening by China & Japan. 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.

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

	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
Distributive Trade	**132.8**	**130.4**	**133.6**	**134.0**	**133.6**	**134.3**	**137.3**
YoY%	44.0	40.7	33.6	24.0	14.9	14.2	13.8
MoM%	2.5	(1.8)	2.5	0.3	(0.3)	0.5	2.3
Motor Vehicles	**16.1**	**14.1**	**16.5**	**16.3**	**15.4**	**16.0**	**17.5**
YoY%	1,642.8	597.7	183.3	51.2	8.9	19.8	20.3
MoM%	15.8	(12.5)	17.0	(1.2)	(5.5)	4.0	9.3
Wholesale Trade	**60.5**	**59.7**	**60.1**	**60.0**	**59.9**	**59.5**	**60.3**
YoY%	19.3	20.6	16.0	13.3	7.3	5.6	4.7
MoM%	1.6	(1.4)	0.7	(0.2)	(0.3)	(0.6)	1.4
Retail Trade	**56.2**	**56.6**	**57.0**	**57.7**	**58.3**	**58.7**	**59.5**
YoY%	38.4	37.5	34.5	30.0	26.0	22.8	22.7
MoM%	0.2	0.8	0.7	1.2	1.1	0.7	1.2

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

Robust consumer demand. Despite inflationary pressure, Malaysia's consumer spending remained resilient particularly shown by sales of motor vehicles and retail trade. The upbeat momentum of both sales in terms of yearly and monthly basis really proven that Malaysia's consumer demand still intact and robust. Apart from stable inflation and steady job market, we foresee the revival of tourism activity is set to support Malaysia's retail trade spending in 2023. In particular, the reopening of China and Japan would benefit tourism in Asean region including Malaysia. With the upcoming retabling of Budget 2023, we believe cash assistance, bonuses and local spending incentives will boost further consumer conficence and demand this year.

Table 2: Distributive Trade's Detailed Components Performance

	Share % Total DT		MoM%		YoY%	
	Dec-21	Dec-22	Nov-22	Dec-22	Nov-22	Dec-22
Motor Vehicles Sales (MVS)	**12.1**	**12.8**	**4.0**	**9.3**	**19.8**	**20.3**
MVS: Motor Vehicle	6.6	7.3	6.7	13.8	15.3	24.8
MVS: Motor Vehicle Maint. & Repair	1.4	1.6	1.5	4.5	40.6	30.9
MVS: Motor Vehicle Parts & Accessories	2.8	3.1	1.6	3.9	32.8	27.3
MVS: Motorcycles Maint. & Repair, Parts & Acc.	1.3	0.8	(3.0)	2.7	(11.2)	(29.8)
Wholesale Sales (WS)	**47.7**	**43.9**	**(0.6)**	**1.4**	**5.6**	**4.7**
WS: Fee or Contract Basis	0.8	0.8	3.6	3.4	14.7	15.0
WS: Agri Raw Meterials & Live Animals	3.9	4.0	(1.7)	7.2	9.4	18.2
WS: Food, Beverages & Tabacco	9.5	8.9	3.9	1.1	6.0	6.1
WS: Household Goods	9.5	8.9	(2.0)	(1.8)	14.4	7.6
WS: Machinery, Equipment & Supplies	4.0	3.6	1.0	2.7	3.9	2.7
WS: Others Specialised	18.7	16.4	(2.8)	1.7	0.1	(0.3)
WS: Non-Specialised	1.3	1.2	3.7	(0.1)	6.2	5.9

	Share % Total DT		MoM%		YoY%	
	Dec-21	Dec-22	Nov-22	Dec-22	Nov-22	Dec-22
Retail Sales (RS)	**40.2**	**43.3**	**0.7**	**1.2**	**22.8**	**22.7**
RS: Non-Specialised Stores	14.9	16.3	1.6	2.0	23.9	24.7
RS: Food, Beverages & Tobacco	2.5	2.6	1.9	2.2	14.4	16.0
RS: Automotive Fuel	3.2	4.0	1.4	1.6	40.9	44.4
RS: Information & Communication Equip	3.8	3.7	(0.9)	0.2	10.3	9.8
RS: Household Equip	5.1	5.1	(0.6)	(0.8)	14.8	12.6
RS: Cultural & Recreation Goods	2.1	1.9	(0.6)	0.1	5.9	3.9
RS: Others in Specialised Store	7.9	9.1	0.4	1.2	32.8	30.7
RS: Stalls & Markets	0.1	0.1	0.6	0.7	18.5	17.8
RS: Not in Stores, Stalls & Markets	0.5	0.5	0.4	0.8	10.8	11.4

Source: DOSM; MIDFR

Easing retail spending in major economies. Consumer spending momentum in the US moderated amid elevated inflationary pressure and tightening monetary policy. Annual retail sales growth rate +6%yoy at 2-year low while -1.1%mom in Dec-22 was the largest drop in a year. We expect the consumer spending trend to stay on moderating path as Fed Funds Rate to stay elevated this year. Across the globe, retail trade still on contractionary in Eurozone thanks to prolonged elevated energy prices and higher interest rate in the region. Recently, ECB raised its interest rate to 3% and signalled for another 50bps rate hike in Mar-23. China's retail trade shrank smaller by -1.8%yoy, signs of improving local activities as the Chinese government opted for removing restrictive measures gradually since early 4QCY22. We foresee strong rebound in China's domestic trade activities in 2023 underpin by the reopening of international borders.

Table 3: Global Retail Sales (YoY%)

	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
Malaysia	38.4	37.5	34.5	30.0	26.0	22.8	22.7
Indonesia	4.1	6.2	4.9	4.6	3.7	1.3	
Singapore	14.9	13.9	13.3	11.3	10.3	6.5	7.4
Thailand	12.7	18.0	22.3	12.5	(0.6)	4.3	
Vietnam	27.3	42.6	50.2	36.1	17.1	17.5	17.1
Taiwan	22.5	18.1	12.0	7.8	2.1	1.8	9.4
South Korea	(1.5)	(1.9)	2.4	(0.9)	(0.7)	(2.1)	(2.5)
China	3.1	2.7	5.4	2.5	(0.5)	(5.9)	(1.8)
Japan	1.5	2.4	4.1	4.8	4.4	2.5	3.8
Euro area	(2.9)	(0.7)	(1.3)	0.1	(2.6)	(2.5)	(2.8)
USA	8.8	10.0	9.7	8.4	8.0	6.0	6.0

Source: Macrobond; MIDFR

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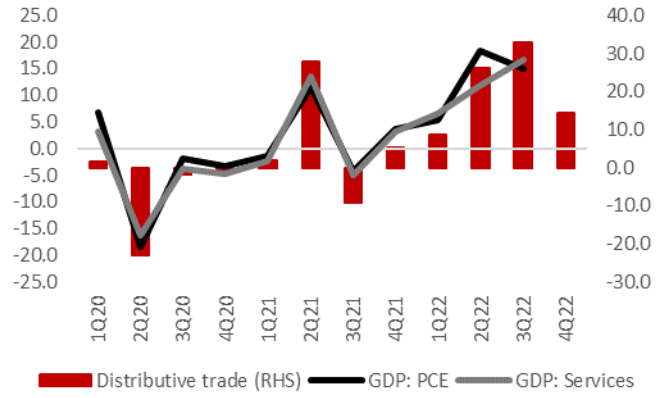
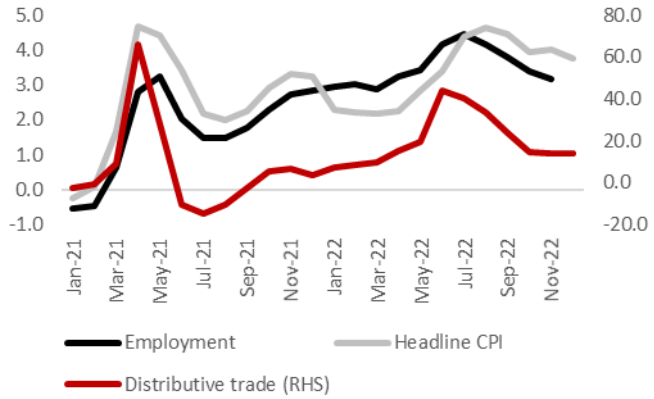
Chart 1: Distributive Trade Sales, DT vs. GDP (YoY%)



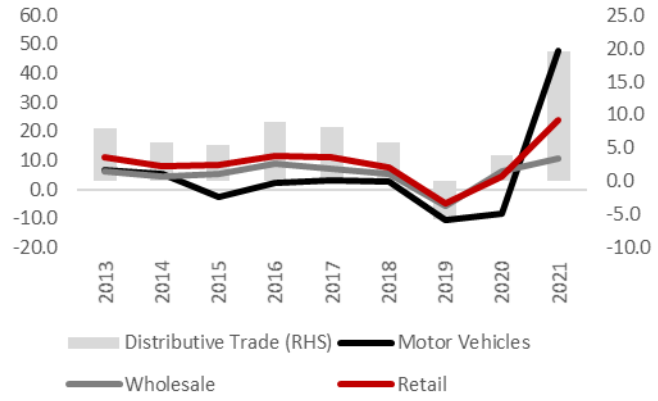
Source: DOSM; MIDFR

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



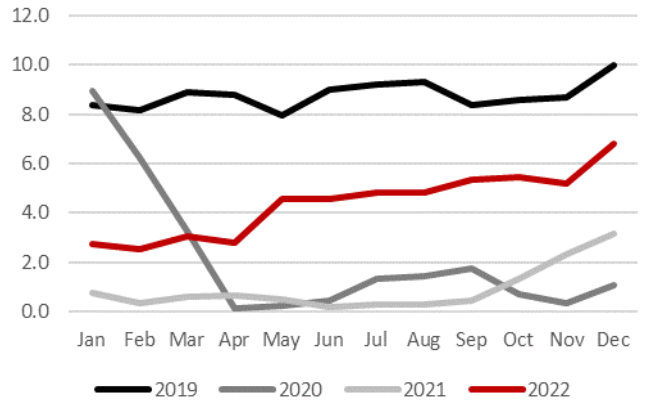
Source: DOSM; MIDFR

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



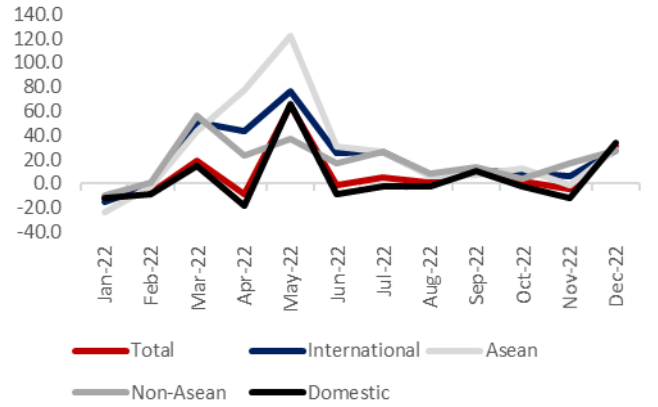
Source: DOSM; MIDFR

Chart 4: Airports Passenger Movements (Million Persons)



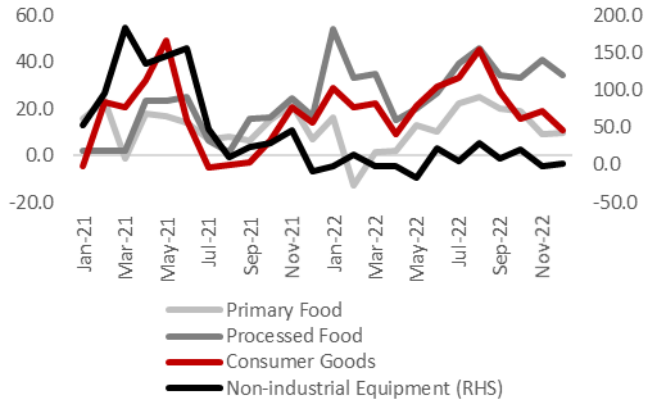
Source: MAHB; MIDFR

Chart 5: Airports Passenger Movements (MoM%)



Source: MAHB; MIDFR

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



Source: DOSM; MIDFR

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