10 May 2023

ECONOMIC REVIEW | March 2023 Distributive Trade

Anticipating Solid 1QCY23 GDP Growth as Distributive Trade Sales Continued on Double-Digit Expansion Rate

- *Sturdy domestic trade performances. Malaysia's distributive trade sales grew by +11.9%yoy in Mar-23, marking the 12th straight months of double-digit growth rate. All components posted solid expansion rate with motor vehicles by +9.3%yoy, wholesale by +7.6%yoy and retail by +17.7%yoy respectively. As for 1QCY23, distributive trade sales increased by +12.9%yoy (4QCY22: +14.3%yoy).*
- *International passenger movements at 3-year high. The third month of 2023 saw the international passenger movements registered at 3 million, approximately reaching 66.2% of Feb-19 levels and highest since Feb-20. Mar-23 saw strong pick-up of passenger movements, thanks to long school holidays. The international passenger traffic surged by +13.4%mom, ASEAN tourists were up by 15.7%mom and non-ASEAN tourists increased by +10.6%mom.*
- *We keep retail trade growth forecast 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.*

Sturdy domestic trade performances. Malaysia's distributive trade sales grew by +11.9%yoy in Mar-23, marking the 12th straight months of double-digit growth rate. All components posted solid expansion rate with motor vehicles by +9.3%yoy, wholesale by +7.6%yoy and retail by +17.7%yoy respectively. Despite inflation concerns, consumer demand remained robust as retail trade growth still on double-digit rate for the past 14-month. Excluding price effects, seasonally adjusted volume of distributive trade growth touched +9.4%yoy, mainly supported by motor vehicles and retail trade by +4%yoy and +12%yoy respectively. On monthly comparison, retail trade volume increased by +1.2%mom, 2-straight months of positive gain. The expansion of distributive trade sales came from both value and volume factors. As for 1QCY23, distributive trade sales increased by +12.9%yoy (4QCY22: +14.3%yoy). We opine the upbeat momentum of domestic demand underpin by steady labour market, softening inflationary pressure, pick-up in tourism activities and supportive economic policies will continue boosting 1QCY23 GDP growth as well as overall 2023 expansion rate.

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

	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23
Distributive Trade	**134.0**	**133.6**	**134.3**	**137.3**	**135.1**	**133.8**	**138.5**
YoY%	24.0	14.9	14.2	13.8	12.4	14.3	11.9
MoM%	0.3	(0.3)	0.5	2.3	(1.6)	(1.0)	3.5
Motor Vehicles	**16.3**	**15.4**	**16.0**	**17.5**	**15.2**	**16.5**	**18.2**
YoY%	51.2	8.9	19.8	20.3	20.1	32.3	9.3
MoM%	(1.2)	(5.5)	4.0	9.3	(13.4)	8.6	10.6
Wholesale Trade	**60.0**	**59.9**	**59.5**	**60.3**	**60.4**	**59.1**	**61.6**
YoY%	13.3	7.3	5.6	4.7	3.1	5.9	7.6

KINDLY REFER TO THE LAST PAGE OF THIS PUBLICATION FOR IMPORTANT DISCLOSURES

	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23
MoM%	(0.2)	(0.3)	(0.6)	1.4	0.1	(2.0)	4.1
Retail Trade	**57.7**	**58.3**	**58.7**	**59.5**	**59.6**	**58.2**	**58.7**
YoY%	30.0	26.0	22.8	22.7	21.7	19.2	17.7
MoM%	1.2	1.1	0.7	1.2	0.2	(2.4)	0.9

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

International passenger movements at 3-year high. The third month of 2023 saw the international passenger movements registered at 3 million, approximately reaching 66.2% of Feb-19 levels and highest since Feb-20. Mar-23 saw strong pick-up of passenger movements, thanks to long school holidays. The international passenger traffic surged by +13.4%mom, ASEAN tourists were up by 15.7%mom and non-ASEAN tourists increased by +10.6%mom. During the pre-pandemic, 50.7% of Malaysia's airports passenger traffic was contributed by international travels, 25.0% by ASEAN and 25.7% by non-ASEAN destinations. As of Mar-23, travelers for domestic destinations accounted for 55.5% (2022: 71.7%) vis-à-vis international destinations at 44.5% (2022: 28.1%), whereby 19.9% were non-ASEAN and 24.6% ASEAN. Moving forward, we expect airport 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 reopening of Malaysia's international borders since last year. Our house view is that the earliest for passenger traffic to reach 2019 level will only be by 2024.

Table 2: Malaysia Airports: Passenger Traffic (Million)

Monthly International Passenger Movements, Million												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
International												
2019	4.4	4.2	4.5	4.4	4.0	4.4	4.7	4.6	4.1	4.3	4.4	5.1
2022	0.3	0.3	0.4	0.6	1.0	1.3	1.6	1.8	1.9	2.1	2.2	2.9
2023	2.8	2.6	3.0									
CY22 % of CY19	6.1	6.4	9.1	13.2	25.6	29.4	35.0	37.9	46.5	48.9	50.9	55.6
CY23 % of CY19	62.5	62.4	66.2									
Asean												
2019	2.1	2.0	2.3	2.2	2.0	2.3	2.3	2.3	2.1	2.2	2.2	2.5
2022	0.1	0.1	0.2	0.3	0.6	0.8	1.0	1.1	1.2	1.3	1.3	1.7
2023	1.5	1.4	1.6									
CY22 % of CY19	5.2	5.3	6.9	12.4	30.0	35.1	43.7	47.7	55.0	60.6	58.7	66.4
CY23 % of CY19	70.6	69.6	72.7									
Non-Asean												
2019	2.3	2.2	2.2	2.2	2.0	2.1	2.4	2.4	2.0	2.2	2.2	2.6
2022	0.2	0.2	0.3	0.3	0.4	0.5	0.6	0.7	0.8	0.8	0.9	1.2
2023	1.3	1.2	1.3									
CY22 % of CY19	6.9	7.5	11.3	13.9	21.0	23.3	26.4	28.5	37.7	37.2	43.1	45.3
CY23 % of CY19	55.0	55.5	59.5									

Source: MAHB, MIDFR

Harping on tourism revival. We foresee pick-up in tourism activities led by China's tourists, recovery of labour market, softening inflation rate, and supportive economic policies will bolster the household consumption and retail trade spending to stay upward for this year. Retail trade sales rose by +0.9%mom with all of its components registered positive monthly gain in Mar-23. Malaysia's retail trade outlook remains bright despite OPR's return to pre-pandemic levels 3.00%.

Table 3: Distributive Trade's Detailed Components Performance

	Share % Total DT		MoM%		YoY%	
	Mar-22	Mar-23	Feb-23	Mar-23	Feb-23	Mar-23
Motor Vehicles Sales (MVS)	**13.5**	**13.2**	**8.6**	**10.6**	**32.3**	**9.3**
MVS: Motor Vehicle	8.0	7.4	15.2	16.3	42.4	3.8
MVS: Motor Vehicle Maint. & Repair	1.5	1.7	1.1	2.0	21.2	20.9
MVS: Motor Vehicle Parts & Accessories	2.9	3.2	1.2	1.9	22.6	20.2
MVS: Motorcycles Maint. & Repair, Parts & Acc.	1.0	0.9	6.0	16.0	24.4	3.2
Wholesale Sales (WS)	**46.2**	**44.5**	**(2.0)**	**4.1**	**5.9**	**7.6**
WS: Fee or Contract Basis	0.8	0.8	1.5	(1.3)	9.0	5.5
WS: Agri Raw Meterials & Live Animals	4.2	4.0	(1.8)	6.2	10.0	7.2
WS: Food, Beverages & Tabacco	8.8	8.9	(5.1)	3.0	9.9	12.9
WS: Household Goods	9.0	9.4	(2.1)	3.5	15.8	16.4
WS: Machinery, Equipment & Supplies	3.7	3.5	(1.7)	6.2	1.9	7.7
WS: Others Specialised	18.5	16.6	(0.5)	4.3	(1.0)	0.8
WS: Non-Specialised	1.3	1.3	(2.5)	6.5	6.1	10.7
Retail Sales (RS)	**40.3**	**42.4**	**(2.4)**	**0.9**	**19.2**	**17.7**
RS: Non-Specialised Stores	15.1	16.1	(2.6)	1.0	21.1	19.8
RS: Food, Beverages & Tobacco	2.5	2.6	(0.8)	1.1	18.4	17.9
RS: Automotive Fuel	3.2	4.0	(1.7)	1.2	45.9	38.1
RS: Information & Communication Equip	3.8	3.6	(1.0)	0.7	8.0	6.3
RS: Household Equip	5.1	4.9	(2.6)	0.9	7.5	7.8
RS: Cultural & Recreation Goods	2.1	1.8	(3.2)	1.1	(1.2)	(0.9)
RS: Others in Specialised Store	7.9	8.6	(3.1)	0.5	24.2	21.9
RS: Stalls & Markets	0.1	0.1	(0.6)	1.2	21.0	18.8
RS: Not in Stores, Stalls & Markets	0.4	0.4	(1.3)	0.2	14.0	18.9

Source: DOSM; MIDFR

Retail trade growth remained in contractionary in Europe. Euro Area's domestic retail trade had a largest decline by -3.6%yoy in Mar-23, marking the 6-consecutive months of contraction. The overall retail sales were underwhelming compared to the market consensus of -3.2%yoy. On monthly basis, the trade dropped by -1.2%mom (Feb-23: -2.2%). Retail sale of food, beverages & tobacco had a continuous fall by -6.5%yoy since Nov-21, which accounted as highest share for Euro Area's sales. Signs of cooling labour market, American retail spending grew at a lesser pace of +2.3%yoy while contracted -0.6%mom in Mar-23. Across the globe, China's retail trade sales grew by +10.6%yoy (Market expectations: +7.4%yoy), fastest gain since Jun-21.

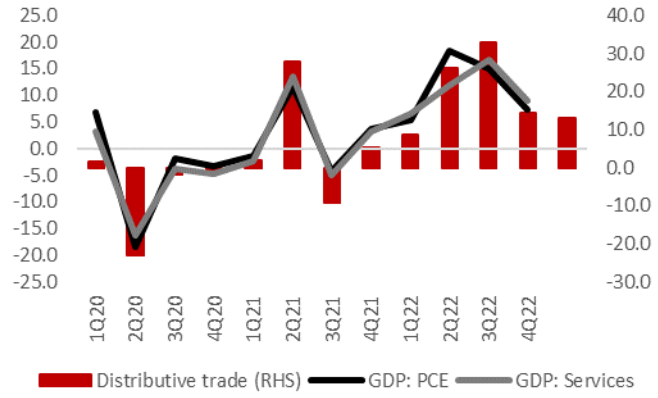
Table 4: Global Retail Sales (YoY%)

	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23
Malaysia	30.0	26.0	22.8	22.7	21.7	19.2	17.7
Indonesia	4.6	3.7	1.3	0.7	(0.6)	0.6	
Singapore	11.3	10.7	6.8	7.7	(0.8)	12.6	4.5
Thailand	12.6	(0.4)	4.9	(0.1)	6.5	1.8	
Vietnam	36.1	17.1	17.5	17.1	20.0	13.2	13.4
Taiwan	7.8	2.1	1.8	9.4	4.2	4.6	7.1
South Korea	(0.9)	(0.7)	(2.1)	(3.1)	(0.9)	(0.8)	
China	2.5	(0.5)	(5.9)	(1.8)	3.5	3.5	10.6
Japan	4.8	4.4	2.5	3.8	5.0	7.3	7.2
Euro area	0.1	(2.6)	(2.4)	(2.8)	(1.8)	(2.4)	(3.8)
USA	9.4	8.8	6.1	6.0	7.4	5.2	2.3

Source: Macrobond; MIDFR

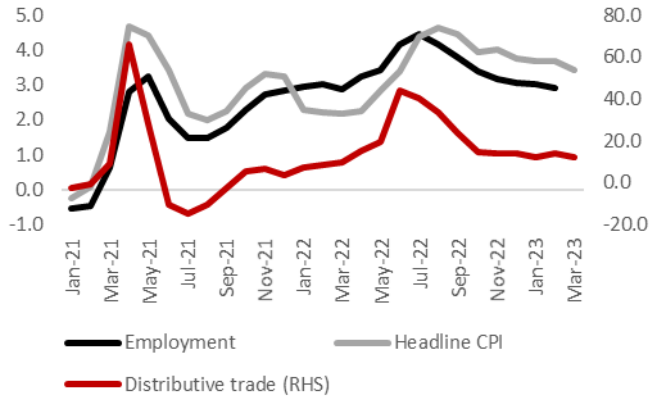
We keep retail trade growth forecast at +8.9% for 2023. Considering macroeconomic outlook and improving domestic fundamentals, we are optimistic that retail trade growth able to touch +8.9% for 2023. We believe the pent-up demand will continue into this year underpinned by improving labour market, stable inflationary pressure, accommodative economic policies and uptick in tourism industry. Even though OPR back to its normalised rate of 3.00%, we believe it would have minimal effect on domestic spending outlook. In addition, we are confident that BNM will keep the OPR status quo at least until of this year.

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



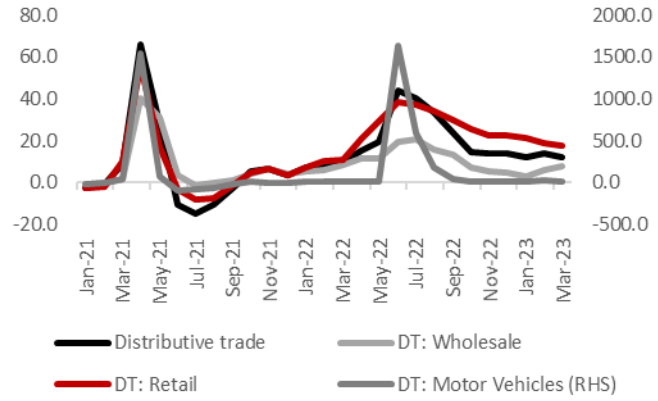
Source: DOSM; MIDFR

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



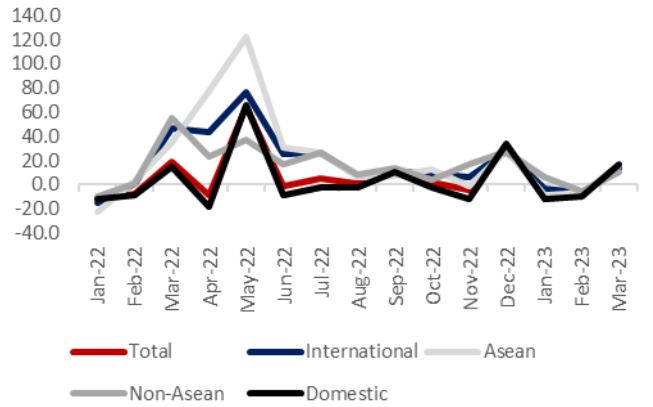
Source: DOSM; MIDFR

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



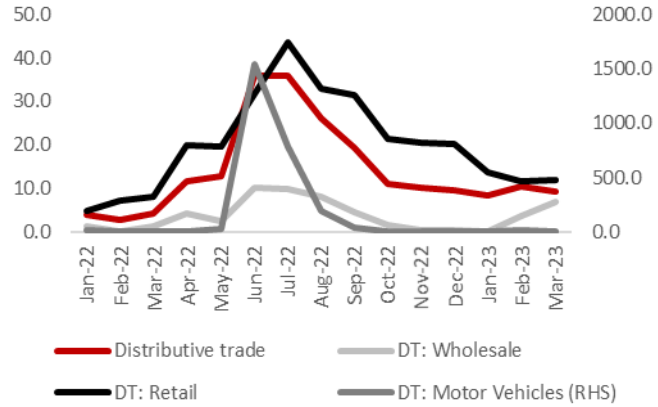
Source: DOSM; MIDFR

Chart 4: Airports Passenger Movements (MoM%)



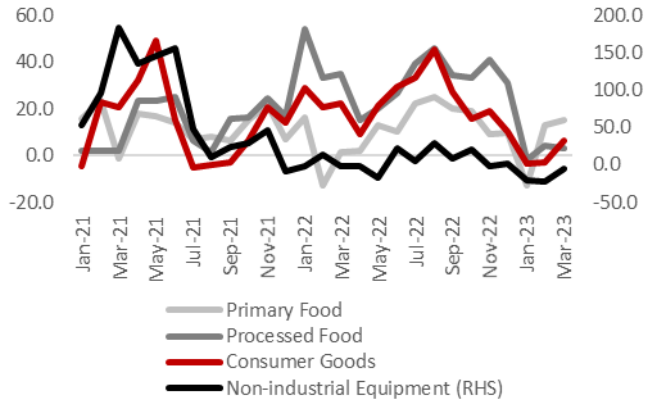
Source: MAHB; MIDFR

Chart 5: Distributive Trade Volume by Component (YoY%)



Source: DOSM; MIDFR

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



Source: DOSM; MIDFR

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad 197501002077 (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 (197501002077 (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.