14 January 2025

ECONOMIC REVIEW | November 2024 Distributive Trade

Domestic Spending Continued to Expand Despite Moderation in Distributive Trade Growth in Nov-24

- *Domestic expenditure continued to show growth but slower than the previous month as the distributive trade grew by +4.7%yoy in Nov-24 (Oct-24: +5.5%yoy), with stronger growth in all major components i.e wholesale (+4.7%yoy; Oct-24: 4.8%yoy) and retail trade (+5.8%yoy; Oct-24:+7.1%yoy) as well as motor vehicles (+1.4%yoy; Oct-24: +2.7%yoy).*
- *Improved airport passenger movements. As of 11MCY24, the passenger movements via airports in Malaysia under MAHB increased +14.9%yoy to 85.2m, already reaching 89.3% of 2019 level (2023: 77.8%, 2022: 50.1%). The recovery last year until Nov-24 was contributed by pick-up in domestic passenger movement, where the recovery rate at 11MCY24 stood at 85.7% of 2019 level (2023: 83.3%; 2022: 69.6%).*
- *Retail sales to grow at +5.8% in 2024. For full-year 2024, we maintain our forecast that retail sales will grow at +5.8% in 2024, as inflation and labour market is expected to remain stable and the potential upside surprise for a more robust growth. For 2025, we forecast retail trade to continue growing at +5.2%.*

Domestic spending growth moderated in Nov-24. Domestic expenditure continued to show growth but slower than the previous month as the distributive trade grew by +4.7%yoy in Nov-24 (Oct-24: +5.5%yoy); growth moderated in all major components i.e wholesale (+4.7%yoy; Oct-24: 4.8%yoy) and retail trade (+5.8%yoy; Oct-24:+7.1%yoy) as well as motor vehicles (+1.4%yoy; Oct-24: +2.7%yoy). The distributive trade volume also registered a weaker expansion of +3.9%yoy (Oct-24: +5.1%yoy, which saw a slower volume expansion in every component: wholesale trade (+4.7%yoy; Oct-24: +4.7%yoy), retail (+4.1%yoy; Oct-24: +5.0%yoy), and motor vehicles sales (+0.2%yoy; Oct-24: +0.2%yoy. Going forward, we expect domestic spending will continue to grow backed by healthy labour market conditions, still low and manageable inflation, accommodative monetary policy and continued recovery in foreign tourist arrivals. The further boost will come from government support measures via cash assistance and subsidies. On top of that, access to the flexible retirement account and the hike in civil servant salaries will support consumption.

Limited impact from stable inflation. The limited impact towards prices from policy changes such as a higher utility tariff and increased diesel prices provides relief to consumers. The headline CPI inflation remained generally stable as it edged lower to +1.8%yoy in Nov-24 (Oct-24: +1.9%yoy), due to the moderation of transport prices. Meanwhile, core inflation remained steady at +1.8%yoy in Nov-24, indicating limited underlying demand pressures on overall inflation. While the targeted RON95 subsidy will be implemented from mid-2025, this provides extended relief for consumers even going into 1HCY25. At the same time, the government's plan to continue offering fuel subsidies to 85% of the population will also limit the impact of higher RON95 prices on the overall consumption outlook. While outstanding loans for personal uses rose at sustained pace of +3.8%yoy in Nov-24 and credit card loans grew faster at +8.2%yoy (Oct-24: +7.9%yoy), loan growth for purchases big ticket items eased. Loans for purchases of transport vehicles grew at +8.7%yoy (Oct-24: +9.1%yoy; Jan-24: +10.2%yoy) and residential properties at +7.0%yoy (Oct-24: +7.1%yoy; Jan-24: +7.4%yoy), respectively. In the short run, we expect consumer spending in some states will be negatively impacted by the adverse weather conditions (due to heavy rains and floods) and the higher prices as a result of the supply disruptions.

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

	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24
Distributive Trade	**147.9**	**146.0**	**149.0**	**149.2**	**148.2**	**150.1**	**149.3**
YoY%	7.1	5.4	6.7	4.7	3.8	5.5	4.7
MoM%	2.0	-1.3	2.1	0.1	-0.7	1.3	-0.5
Motor Vehicles	**18.8**	**17.0**	**19.0**	**18.9**	**17.3**	**18.9**	**18.3**
YoY%	10.5	2.0	12.2	4.1	-1.0	2.7	1.4
MoM%	8.8	-9.4	11.6	-0.6	-8.3	9.1	-2.9
Wholesale Trade	**65.1**	**64.9**	**66.6**	**66.2**	**66.5**	**66.3**	**66.2**
YoY%	4.7	4.0	5.5	3.7	3.6	4.8	4.7
MoM%	2.0	-0.3	2.6	-0.5	0.4	-0.2	-0.3
Retail Trade	**64.0**	**64.1**	**63.5**	**64.1**	**64.4**	**64.9**	**64.8**
YoY%	8.7	7.9	6.4	5.9	5.5	7.1	5.8
MoM%	0.3	0.2	-1.0	1.0	0.5	0.8	-0.1

Source: Macrobond, DOSM, MIDFR
Note: MoM are non-seasonally adjusted figures

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
2023	2.8	2.6	3.0	2.8	3.0	3.2	3.5	3.5	3.3	3.4	3.4	4.0
2024	3.8	4.0	3.8	3.9	4.0	4.0	4.5	4.4	4.1	4.1	4.1	
CY23 % of CY19	62.6	62.6	66.3	64.1	74.0	72.9	75.5	76.3	79.5	79.0	77.7	78.3
CY24 % of CY19	86.0	96.7	85.8	88.1	98.8	91.4	95.5	95.2	99.3	95.2	93.9	
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
2023	1.5	1.4	1.6	1.6	1.7	1.8	1.9	1.8	1.7	1.8	1.8	2.1
2024	1.9	2.0	1.9	2.0	2.1	2.1	2.2	2.1	2.1	2.0	2.1	
CY23 % of CY19	71.1	70.1	72.9	71.6	82.4	79.9	82.4	81.2	82.1	81.6	81.6	83.6
CY24 % of CY19	90.4	100.1	86.3	91.1	101.3	92.9	95.7	93.8	97.5	94.6	93.0	
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
2023	1.3	1.2	1.3	1.2	1.3	1.4	1.6	1.7	1.6	1.6	1.6	1.9
2024	1.9	2.0	1.9	1.9	1.9	1.9	2.3	2.3	2.1	2.1	2.1	
CY23 % of CY19	54.8	55.5	59.6	56.5	65.5	65.6	68.8	71.7	76.8	76.4	73.8	73.4
CY24 % of CY19	82.0	93.4	85.3	85.0	96.3	89.8	95.4	96.5	101.1	95.7	94.7	

Source: MAHB, MIDFR

Improved airport passenger movements. As of 11MCY24, the passenger movements via airports in Malaysia under MAHB increased +14.9%yoy to 85.2m, already reaching 89.3% of 2019 level (2023: 77.8%, 2022: 50.1%). The recovery last year until Nov-24 was contributed by pick-up in domestic passenger movement, where the recovery rate at 11MCY24 stood at 85.7% of 2019 level (2023: 83.3%; 2022: 69.6%). The improvement this year was mainly driven by increased movement of international travellers, with the rate having risen to 93.1% of 2019 as of 10MCY24 (2023: 72.5%; 2022: 31.0%). By region, ASEAN passengers arriving to Malaysia's airports touched

20.5 million, or 94.3% of 2019 level (2023: 78.5%; 2022: 36.3%), while non-ASEAN passengers increased +41.4%yoy to 20.2 million, or 91.5% of that in 10MCY19 (2023: 66.6%; 2022: 25.8%). Looking ahead, we foresee passenger movement will likely reach the pre-pandemic levels next year as we anticipate increased foreign tourist arrivals, facilitated by visa-free entry for travellers from China and India. The recovery in tourist arrivals will also be supported by proactive efforts and promotions to attract more tourists to visit Malaysia.

Most of the segments in the retail sales grew slower in Nov-24. Retail sales grew slower at +5.5%yoy (Oct-24: +8.5%yoy) partially attributable to the moderation in spending on foods, beverages & tobacco (+6.5% yoy), non-specialised stores (+5.5%yoy), among others. The higher sales which are not in stores (+7.6%yoy) also signal increased online spending through e-commerce platforms. For motor vehicles, while overall spending slowed to +1.4%yoy (Oct-24: +2.7%yoy), the sales of motor vehicles continued to contract for the fourth month in a row (-4.3%yoy), while other sub-components grew at slower pace, namely maintenance and repair (+6.2%yoy), sales of motor vehicles parts & accessories (+8.6%yoy), and motorcycles maintenance & repair (+13.6%yoy). We expect that consumers will continue to increase their spending, on the back of strong employment and income growth due to positive economic prospects. The upcoming festive seasons namely Chinese New Year, Ramadhan, and Aidifitri will boost consumption and tourist spending.

Table 3: Distributive Trade's Detailed Components Performance

	Share % Total DT		MoM%		YoY%	
	2019	11M24	Oct-24	Nov-24	Oct-24	Nov-24
Motor Vehicles Sales (MVS)	**11.4**	**12.3**	**9.1**	**-2.9**	**2.7**	**1.4**
MVS: Motor Vehicle	6.1	6.4	16.4	-3.3	-3.9	-4.3
MVS: Motor Vehicle Maintenance & Repair	1.5	1.8	1.1	-2.5	9.3	6.3
MVS: Motor Vehicle Parts & Accessories	2.8	3.4	1.6	-0.9	9.8	8.6
MVS: Motorcycles Maintenance & Repair, Parts & Acc.	0.9	0.8	7.1	-8.8	20.7	13.7
Wholesale Sales (WS)	**48.1**	**44.3**	**-0.2**	**-0.3**	**4.8**	**4.7**
WS: Fee or Contract Basis	0.9	0.8	0.4	0.3	6.4	3.1
WS: Agri Raw Materials & Live Animals	3.8	4.1	0.1	4.2	7.9	13.7
WS: Food, Beverages & Tabacco	8.8	8.9	-1.6	-0.6	8.9	5.2
WS: Household Goods	9.3	9.3	0.5	-1.6	5.1	5.0
WS: Machinery, Equipment & Supplies	4.1	3.5	-2.4	-0.1	8.3	7.9
WS: Others Specialised	19.9	16.6	0.7	-0.6	0.9	1.4
WS: Non-Specialised	1.3	1.3	-2.1	0.7	7.3	6.6
Retail Sales (RS)	**40.5**	**43.3**	**0.8**	**-0.1**	**7.1**	**5.8**
RS: Non-Specialised Stores	13.9	16.7	1.0	-0.9	8.5	5.5
RS: Food, Beverages & Tobacco	2.3	2.7	0.4	-1.0	9.0	6.5
RS: Automotive Fuel	3.4	4.0	1.1	-1.4	7.3	6.3
RS: Information & Communication Equip	4.1	3.4	-1.5	0.8	1.8	4.2
RS: Household Equipment	5.4	5.0	0.3	0.5	3.7	3.1
RS: Cultural & Recreation Goods	2.2	1.9	0.4	-0.9	4.4	4.0
RS: Others in Specialised Store	8.7	9.1	1.5	1.7	8.4	8.2
RS: Stalls & Markets	0.1	0.1	0.6	-1.2	8.4	5.9
RS: Not in Stores, Stalls & Markets	0.3	0.4	0.5	1.1	7.4	7.6

Source: DOSM, Macrobond, MIDFR

Retail spending continued to grow globally. Retail sales in most economies continued to grow in Nov-24 although the pace of growth moderated for some countries. Retail sales in the US grew by +3.8%yoy (previous: +2.9%yoy) as household stepped up purchases online. Meanwhile, in China, retail sales slowed to +2.9%yoy (previous: +4.8%yoy) despite the stimulus measures by the government to support domestic economic activities. Vietnam recorded the strongest growth of +9.3%yoy during the month. On the other hand, Singapore recorded a contraction of retail sales in Nov-24, after four months of growth. In general, we foresee global spending activity will continue to grow on the back of positive labour market and improved confidence, which improved in response to the more moderate inflation. However, renewed rise in inflation expectations and concerns over re-acceleration in inflation could affect future confidence and consumer spending plans.

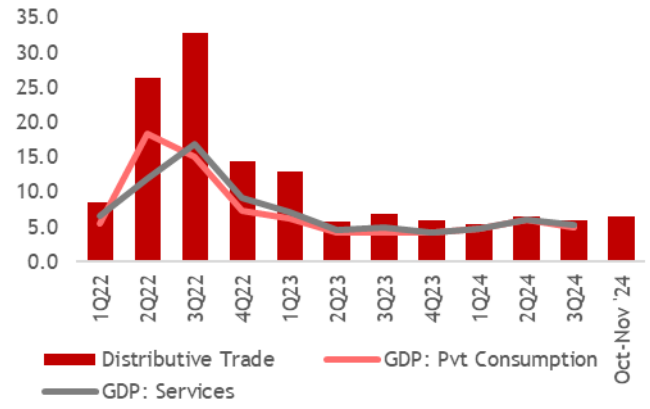
Table 4: Global Retail Sales (YoY%)

	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24
Malaysia	8.7	7.9	6.4	5.9	5.5	7.1	5.5
Indonesia	2.1	2.7	4.5	5.8	4.8	1.5	0.9
Singapore	2.2	(0.6)	1.0	0.7	1.9	2.2	-0.7
Thailand	14.8	13.4	21.7	31.6	20.6	20.8	n.a
Vietnam	9.5	9.1	9.4	7.9	7.6	7.1	9.3
Taiwan	2.6	3.9	3.1	1.1	3.2	-0.5	1.8
China	3.7	2.0	2.7	2.1	3.2	4.8	2.9
Japan	2.8	3.8	2.7	3.1	0.7	1.6	2.8
Euro area	0.4	(0.8)	0.2	2.5	3.0	1.9	1.2
USA	2.6	2.0	2.9	2.0	2.0	2.9	3.8

Source: Macrobond; MIDFR

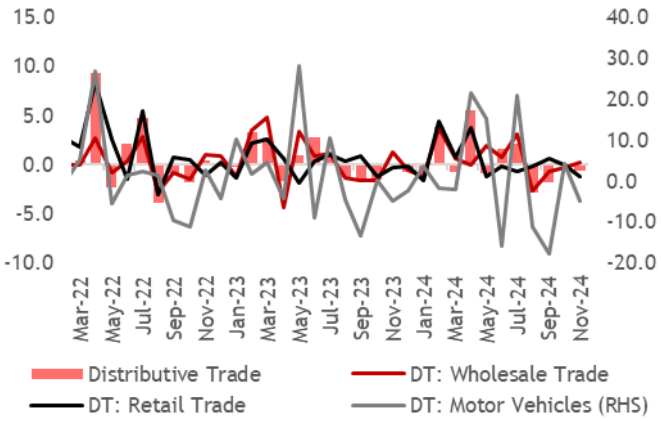
Retail sales to grow at +5.8% in 2024. For full-year 2024, we maintain our forecast that retail sales will grow at +5.8% in 2024, as inflation and labour market is expected to remain stable and the potential upside surprise for a more robust growth. As of 11MY24, Malaysia's distributive trade sales increased by +5.5% (2023: +7.7%), supported by +6.7%yoy rise in motor vehicles (2023: +12.3%), continued increases by +5.5%yoy in motor vehicles sales (2023: +12.3%) and 4.6%yoy (2023: 5.2%) in wholesale trade. We forecast retail trade to continue growing at +5.2% in 2025 driven by increased employment, growing income (including higher salaries for civil servants and increased minimum wage), continued recovery in tourist arrivals and policy support (i.e. cash assistance) from the government. Nevertheless, we are cautious that spending may be constrained by higher cost-push inflation.

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



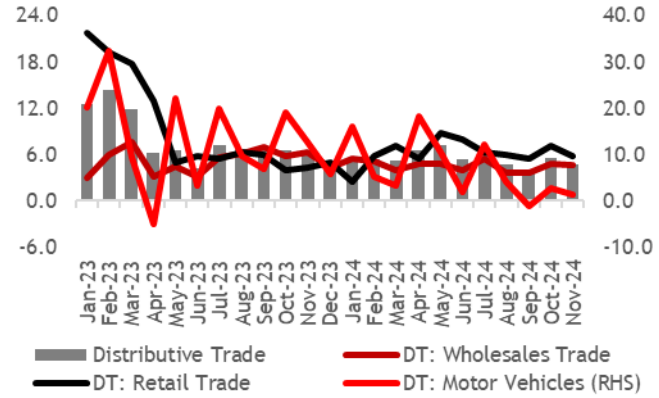
Source: Macrobond, MIDFR

Chart 2: Distributive Trade Volume Change by Component (MoM%)



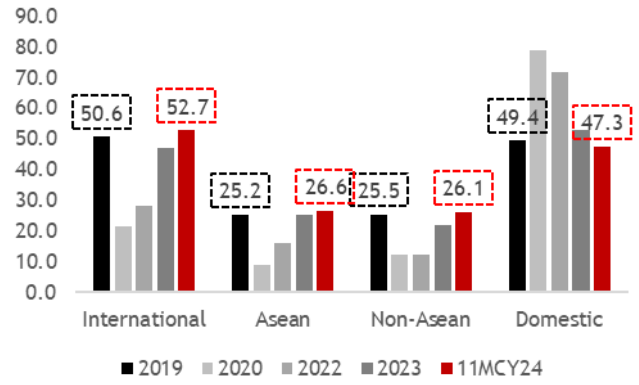
Source: Macrobond, MIDFR

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



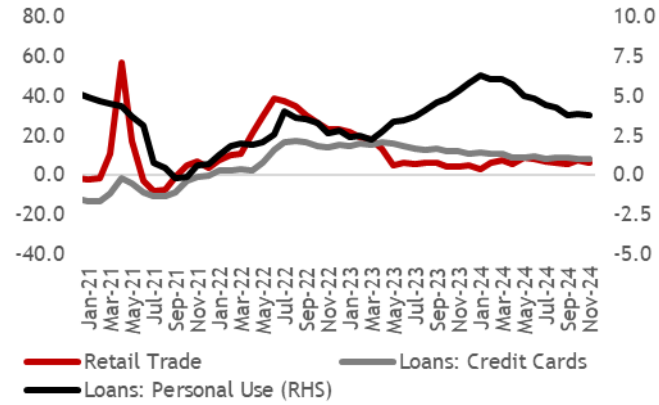
Source: DOSM; MIDFR

Chart 4: Airport Passenger by Nationality (% of Total Passenger)



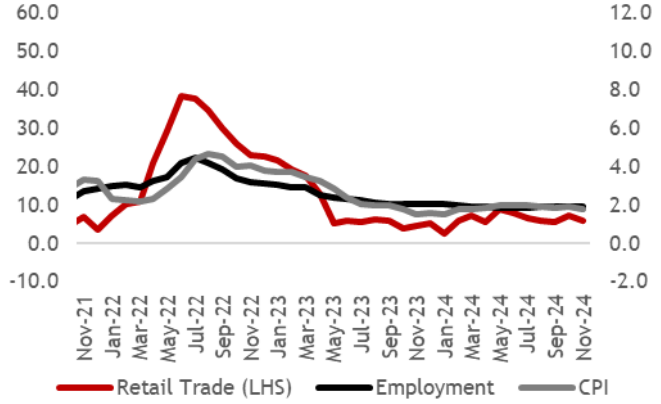
Source: MAHB; MIDFR

Chart 5: Retail Trade vs. Credit Cards and Personal Loans (YoY%)



Source: Macrobond, BNM, MIDFR

Chart 6: Retail Trade vs. Employment and CPI Inflation (YoY%)



Source: Macrobond, MIDFR

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