11 December 2024

ECONOMIC REVIEW | October 2024 Distributive Trade

Robust Domestic Spending as Distributive Trade Grew Faster than Expected in Oct-24

- *Domestic spending rose further in Oct-24. Domestic expenditure continued to show steady growth as the distributive trade grew faster at +5.5%yoy in Oct-24 (Sep-24: +3.8%yoy), with stronger growth in all major components i.e. wholesale (+4.8%yoy; Sep-24: +3.6%yoy) and retail trade (+7.1%yoy; Sep-24: +5.5%yoy) as well as motor vehicles (+2.7%yoy; Sep-24: -1.0%yoy).*
- *Improved airport passenger movements. As of 10MCY24, the passenger movements via airports in Malaysia under MAHB increased +14.8%yoy to 77.5m, already reaching 89.5% of 2019 level (2023: 78.0%, 2022: 47.0%). 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%).*
- *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, with potential upside surprise looking at the more robust growth in Oct-24 and stable inflation. We forecast retail trade to continue growing at +5.2% next year, underpinned by increased employment, growing income, continued recovery in tourist arrivals and policy support.*

Domestic spending rose further in Oct-24. Domestic expenditure continued to show steady growth as the distributive trade grew faster at +5.5%yoy in Oct-24 (Sep-24: +3.8%yoy), with stronger growth in all major components i.e. wholesale (+4.8%yoy; Sep-24: +3.6%yoy) and retail trade (+7.1%yoy; Sep-24: +5.5%yoy) as well as motor vehicles (+2.7%yoy; Sep-24: -1.0%yoy). In particular, the growth in retail trade was faster than expected attributable to low base effect and monthly increase (+0.8%mom) from Sep-24. Based on non-seasonally adjusted data, the distributive trade volume also registered stronger expansion of +5.1%yoy (Sep-24: +3.5%yoy), driven by higher volume of retail (+5.0%yoy; Sep-24: +3.8%yoy) and wholesale trade (+6.1%yoy; Sep-24: +4.8%yoy) and even motor vehicle sales (+1.6%yoy; Sep-24: -2.4%yoy). Going forward, we expect domestic spending will continue to grow backed by healthy labour market conditions, still low and stable inflation, accommodative monetary policy and continued recovery in foreign tourist arrivals. This will be further boosted by government support measures (e.g. cash assistance and subsidies), having access to the flexible account of retirement fund and higher income, including hikes in civil servant salaries.

Relief from stable inflation due to limited effect from policy changes. Price pressures from policy changes, such as higher utility tariffs and increased diesel price, have been rather limited given the still stable inflation reading. The headline CPI inflation remained generally stable albeit rising marginally to +1.9%yoy in Oct-24 (Sep-24: +1.8%yoy) mainly due to higher food prices, while steady core CPI inflation at +1.8%yoy indicated 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. On another note, although outstanding personal loans and credit card loans remained moderate in Oct-24 with growth of +3.4%yoy (Jan-24: +5.4%yoy) and +7.8%yoy (Jan-24: +11.1%yoy), respectively, purchases of big ticket items remained encouraging as shown by sustained rise in housing loans (Oct-24: +8.0%yoy; Jan-24: +7.5%yoy) and hire purchase for passenger cars (Oct-24: +9.0%yoy; Jan-24: +10.1%yoy). In the short run, consumer spending in some states will be negatively impacted by the adverse weather conditions and the higher prices as a result of the supply disruptions.

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

	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24
Distributive Trade	**144.9**	**147.9**	**146.0**	**149.0**	**149.2**	**148.2**	**150.1**
YoY%	6.6	7.1	5.4	6.7	4.7	3.8	5.5
MoM%	-0.6	2.0	-1.3	2.1	0.1	-0.7	1.3
Motor Vehicles	**17.3**	**18.8**	**17.0**	**19.0**	**18.9**	**17.3**	**18.9**
YoY%	18.1	10.5	2.0	12.2	4.1	-1.0	2.7
MoM%	-8.2	8.8	-9.4	11.6	-0.6	-8.3	9.1
Wholesale Trade	**63.8**	**65.1**	**64.9**	**66.6**	**66.2**	**66.5**	**66.3**
YoY%	4.8	4.7	4.0	5.5	3.7	3.6	4.8
MoM%	-0.4	2.0	-0.3	2.6	-0.5	0.4	-0.2
Retail Trade	**63.8**	**64.0**	**64.1**	**63.5**	**64.1**	**64.4**	**64.9**
YoY%	5.5	8.7	7.9	6.4	5.9	5.5	7.1
MoM%	1.5	0.3	0.2	-1.0	1.0	0.5	0.8

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		
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		
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		
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		
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		
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		

Source: MAHB, MIDFR

Improved airport passenger movements. As of 10MCY24, the passenger movements via airports in Malaysia under MAHB increased +14.8%yoy to 77.5m, already reaching 89.5% of 2019 level (2023: 78.0%, 2022: 47.0%). The recovery last year was contributed by pick-up in domestic passenger movement, where the recovery rate at 10MCY24 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.

Increased spending on consumer products and online. Retail sales rose faster at +7.1%yoy driven by stronger spending on foods, beverages & tobacco (+9.0%yoy) and better sales at non-specialised stores (+8.5%yoy), specialised stores (+8.4%yoy) and stalls & markets (+8.4%yoy). The higher sales which are not in stores (+7.4%yoy) also signals increased online spending through e-commerce platforms. For the motor vehicles, while overall sales remained weak despite falling slower at -3.9%yoy (Sep-24: -10.3%yoy), consumers generally increased spending on maintenance & repair (+9.3%yoy), purchasing vehicle parts & accessories (+9.8%yoy) as well as on motorcycles (+20.7%yoy). We anticipate consumer will continue to increase their spending, supported by increased employment and income growth on the back of positive economic prospects. The holiday seasons would also boost year-end spending and tourism spending.

Table 3: Distributive Trade's Detailed Components Performance

	Share % Total DT		MoM%		YoY%	
	2019	10M24	Sep-24	Oct-24	Sep-24	Oct-24
Motor Vehicles Sales (MVS)	**11.4**	**11.1**	**-8.3**	**9.1**	**-1.0**	**2.7**
MVS: Motor Vehicle	6.1	5.7	-14.3	16.4	-10.3	-3.9
MVS: Motor Vehicle Maintenance & Repair	1.5	1.6	-1.3	1.1	8.7	9.3
MVS: Motor Vehicle Parts & Accessories	2.8	3.1	-1.2	1.6	8.5	9.8
MVS: Motorcycles Maintenance & Repair, Parts & Acc.	0.9	0.7	-5.2	7.1	20.6	20.7
Wholesale Sales (WS)	**48.1**	**39.8**	**0.4**	**-0.2**	**3.6**	**4.8**
WS: Fee or Contract Basis	0.9	0.7	0.3	0.4	7.3	6.4
WS: Agri Raw Materials & Live Animals	3.8	3.6	-0.2	0.1	4.0	7.9
WS: Food, Beverages & Tabacco	8.8	8.0	1.2	-1.6	7.9	8.9
WS: Household Goods	9.3	8.3	0.2	0.5	7.9	5.1
WS: Machinery, Equipment & Supplies	4.1	3.2	4.0	-2.4	9.6	8.3
WS: Others Specialised	19.9	14.9	-0.7	0.7	-2.6	0.9
WS: Non-Specialised	1.3	1.1	0.9	-2.1	8.2	7.3
Retail Sales (RS)	**40.5**	**38.9**	**0.5**	**0.8**	**5.5**	**7.1**
RS: Non-Specialised Stores	13.9	15.0	-0.5	1.0	6.2	8.5
RS: Food, Beverages & Tobacco	2.3	2.5	1.2	0.4	7.2	9.0
RS: Automotive Fuel	3.4	3.6	-0.5	1.1	6.7	7.3
RS: Information & Communication Equip	4.1	3.1	1.1	-1.5	2.0	1.8
RS: Household Equipment	5.4	4.5	1.9	0.3	3.8	3.7
RS: Cultural & Recreation Goods	2.2	1.7	0.4	0.4	4.6	4.4
RS: Others in Specialised Store	8.7	8.1	1.6	1.5	5.7	8.4
RS: Stalls & Markets	0.1	0.1	1.1	0.6	7.9	8.4
RS: Not in Stores, Stalls & Markets	0.3	0.4	-2.2	0.5	6.2	7.4

Source: DOSM, Macrobond, MIDFR

Retail spending continued to grow globally. Retail sales in most economies continued to grow in Oct-24 although the pace of growth moderated for some countries. In the US, the economic resilience can be reflected by the stronger pick-up in consumption spending as retail sales grew faster in Oct-24 (+2.8%yoy; Sep-24: +2.0%yoy). In China, following stimulus measures by the government and improved growth momentum, retail sales also grew faster at +4.8%yoy in Oct-24, the fastest expansion in 8 months. Japan and Singapore also reported stronger retail sales during the month. Taiwan, in particular, recorded reduced retail sales in Oct-24, marking the first decline since Aug-21. 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.

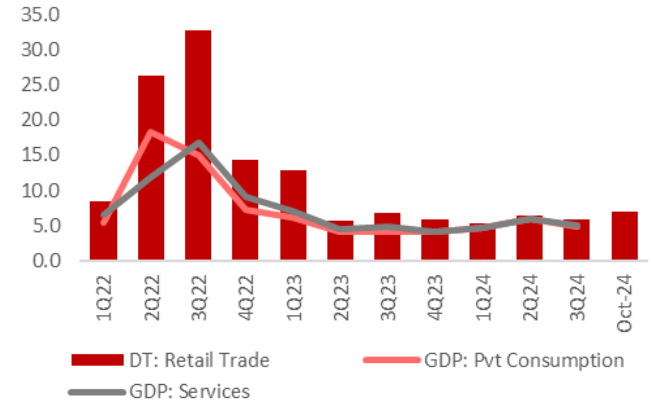
Table 4: Global Retail Sales (YoY%)

	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24
Malaysia	5.5	8.7	7.9	6.4	5.9	5.5	7.1
Indonesia	(2.7)	2.1	2.7	4.5	5.8	4.8	1.5
Singapore	(1.2)	2.2	(0.6)	1.0	0.7	1.9	2.2
Thailand	28.8	14.8	13.4	21.7	31.6	20.6	n.a.
Vietnam	9.0	9.5	9.1	9.4	7.9	7.6	7.1
Taiwan	1.6	2.6	3.9	3.1	1.1	3.2	-0.5
China	2.3	3.7	2.0	2.7	2.1	3.2	4.8
Japan	2.0	2.8	3.8	2.7	3.1	0.7	1.6
Euro area	0.9	0.4	(0.8)	0.2	2.5	3.0	1.9
USA	2.8	2.6	2.0	2.9	2.0	2.0	2.8

Source: Macrobond; MIDFR

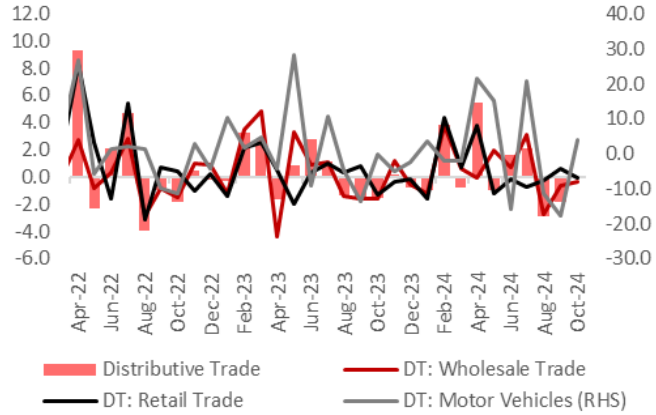
Retail sales to grow at +5.8% in 2024. For full-year 2024, we maintain our forecast that retail sales will grow at +5.8% in 2024, with potential upside surprise looking at the more robust growth in Oct-24 and stable inflation. As of 10MCY24, Malaysia's distributive trade sales increased by +5.6% (2023: +7.7%), supported by +7.5%yoy rise in motor vehicle sales (2023: +12.3%) and continued increases by +6.1% (2023: +9.0%) in retail trade and +4.5%yoy (2023: +5.2%yoy) in wholesale trade. We forecast retail trade to continue growing at +5.2% next year, underpinned 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%)



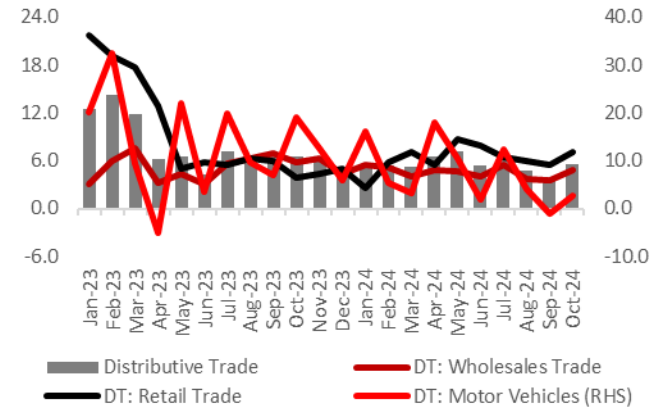
Source: Macrobond, MIDFR

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



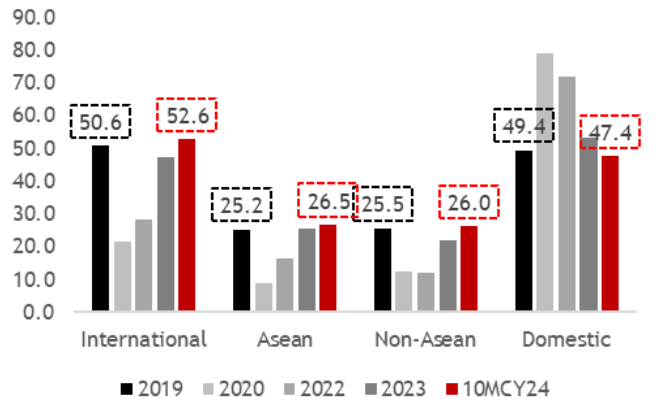
Source: Macrobond, MIDFR

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



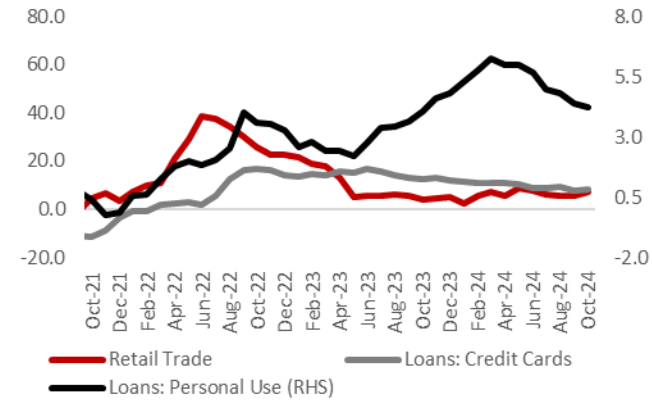
Source: DOSM; MIDFR

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



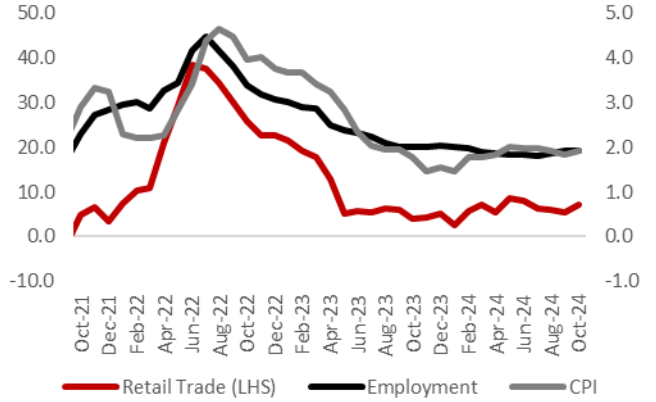
Source: MAHB; MIDFR

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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