Domestic Spending Remained Robust as Distributive Trade Grew Faster in Dec-24

ECONOMIC REVIEW:
Dec-24 Distributive Trade



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Economic Review

- Domestic spending growth picked up in Dec-24. Domestic expenditure continued to show growth as the distributive trade grew faster by +5.7%yoy in Dec-24 (Nov-24: +4.7%yoy); with growth accelerated in the two components i.e. motor vehicles (+6.9%yoy; Nov-24: +1.4%yoy) and wholesale trade (+5.7%yoy, Nov-24: +4.7%yoy).
- Improved airport passenger movements. In 2024, the passenger movements via airports in Malaysia under MAHB increased +9.8% to 93.8m, already reaching 89.1% of 2019 level (2023: 77.8%, 2022: 50.1%).
- Retail sales to continue expanding in 2025. We maintain our forecast that retail sales will continue to expand at +4.6% this year, although moderating from +5.5% in 2024 on the back of labour market to remain stable and supported by higher income (including higher salaries for civil servants and an increase in the minimum wage), recovery in tourist arrivals and policy support (i.e. cash assistance) from the government.

Domestic spending growth picked up in Dec-24. Domestic expenditure continued to show growth as the distributive trade grew faster by +5.7%yoy in Dec-24 (Nov-24: +4.7%yoy); with growth accelerated in the two components i.e. motor vehicles (+6.9%yoy; Nov-24: +1.4%yoy) and wholesale trade (+5.7%yoy, Nov-24: +4.7%yoy). Retail trade also expanded further for the 39th straight month albeit the pace of moderated to +5.4%yoy (Nov-24: +5.8%yoy). Meanwhile, distributive trade volume registered a stronger expansion of +4.4%yoy (Nov-24: +3.9%yoy), also underpinned by the stronger volume growth in the wholesale trade (+5.0%yoy; Nov-24: +4.7%yoy) and motor vehicles (+5.5%yoy; Nov-24: +0.2%yoy). Meanwhile, the volume of retail trade moderated to +3.6%yoy (Nov-24: +4.1%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 increased arrivals of foreign tourists. The further boost will come from government support measures via cash assistance and subsidies. On top of that, access to the flexible account of retirement funds and the hike in civil servant salaries will support consumption.

Limited impact from stable inflation. At the moment, there is still a limited impact towards prices from the policy adjustments such as the increase in diesel prices and the higher utility tariffs. The headline CPI inflation remained generally stable as it continued to edge lower to +1.7%yoy in Dec-24 (Nov-24: +1.8%yoy). Meanwhile, core inflation moderated to +1.6yoy in Dec-24 after three months of stagnating at +1.8%yoy, indicating a limited underlying demand pressure on overall inflation. The delayed RON95 subsidy implementation, until mid-2025 offers consumers, continued relief through the first half of that year. Furthermore, ongoing subsidies for 85% of the population will mitigate the impact of increased RON95 prices on overall consumption. While outstanding loans for personal uses rose at a sustained pace of +3.8%yoy in Dec-24 (Nov-24: +3.7%yoy), loan growth for purchases big ticket items eased further. Loans for purchases of transport vehicles grew at +8.4%yoy (Nov-24: +8.7%yoy; Jan-24: +10.2%yoy) and residential properties at +6.9%yoy (Nov-24: +7.1%yoy; Jan-24: +7.4%yoy), respectively. Growth in credit card loans also moderated (+7.9%yoy; Nov-24: +8.6%yoy). 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.

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

	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24
Distributive Trade	**146.0**	**149.0**	**149.2**	**148.2**	**150.1**	**149.3**	**152.2**
YoY%	5.4	6.7	4.7	3.8	5.5	4.7	5.7
MoM%	-1.3	2.1	0.1	-0.7	1.3	-0.5	1.9
Motor Vehicles	**17.0**	**19.0**	**18.9**	**17.3**	**18.9**	**18.3**	**19.9**
YoY%	2.0	12.2	4.1	-1.0	2.7	1.4	6.9
MoM%	-9.4	11.6	-0.6	-8.3	9.1	-2.9	8.3
Wholesale Trade	**64.9**	**66.6**	**66.2**	**66.5**	**66.3**	**66.2**	**66.5**
YoY%	4.0	5.5	3.7	3.6	4.8	4.7	5.7
MoM%	-0.3	2.6	-0.5	0.4	-0.2	-0.3	0.5
Retail Trade	**64.1**	**63.5**	**64.1**	**64.4**	**64.9**	**64.8**	**65.8**
YoY%	7.9	6.4	5.9	5.5	7.1	5.8	5.4
MoM%	0.2	-1.0	1.0	0.5	0.8	-0.1	1.5

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	4.6
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	89.1
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	2.3
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	93.5
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	2.3
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	92.2

Source: MAHB, MIDFR

Improved airport passenger movements. In 2024, the passenger movements via airports in Malaysia under MAHB increased +9.8% to 93.8m, already reaching 89.1% of 2019 level (2023: 77.8%, 2022: 50.1%). The recovery last year was contributed by a pick-up in domestic passenger movement, where the recovery rate in 2024 stood at 85.0% of 2019 level (2023: 83.3%; 2022: 69.6%). In addition, the improvement last year was also driven by the increased movement of international travelers, having risen to 93.1% of the 2019 level (2023: 72.5%; 2022: 31.0%). By region, ASEAN passengers arriving at Malaysia's airports touched 24.9 million, or 93.5% of 2019 level (2023: 78.5%; 2022: 36.3%), while non-ASEAN passengers increased +38.2%yoy to 24.6 million, or 92.2% of that in 2019 (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 travelers 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 retail sales are moderate. Retail sales grew slower to 5.4%yoy (Nov-24: +5.8%yoy) partially attributed to the moderation in spending on foods, beverages & tobacco (+6.0%yoy), other specialised stores (+7.0%yoy), and non-specialised stores (+5.4%yoy), among others. The higher sales growth, which is not in stores, indicated an increase in online spending through e-commerce platforms. For motor vehicles, while overall spending picked up to +6.9%yoy (+1.4%yoy), the sales of motor vehicles grew by +3.6%yoy reversing the four months of negative readings. Meanwhile, the other sub-components grew at a faster pace, namely maintenance and repair (+7.8%yoy), sales of motor vehicle parts & accessories (+11.2%yoy), and motorcycles maintenance & repair (+20.5%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 Ramadan and Aidilfitri will provide an additional boost to domestic consumption as well as tourist spending.

Table 3: Distributive Trade's Detailed Components Performance

	Share % Total DT		MoM%		YoY%	
	2019	2024	Nov-24	Dec-24	Nov-24	Dec-24
Motor Vehicles Sales (MVS)	**11.4**	**13.0**	**-2.9**	**8.3**	**1.4**	**6.9**
MVS: Motor Vehicle	6.1	7.1	-3.3	-13.4	-4.3	3.6
MVS: Motor Vehicle Maintenance & Repair	1.5	1.8	-2.5	-2.4	6.3	7.8
MVS: Motor Vehicle Parts & Accessories	2.8	3.4	-0.9	3.0	8.6	11.2
MVS: Motorcycles Maintenance & Repair, Parts & Acc.	0.9	0.8	-8.8	2.3	13.7	20.5
Wholesale Sales (WS)	**48.1**	**43.7**	**-0.3**	**0.5**	**4.7**	**5.7**
WS: Fee or Contract Basis	0.9	0.8	0.3	3.5	3.1	5.7
WS: Agri Raw Materials & Live Animals	3.8	4.3	4.2	3.4	13.7	13.9
WS: Food, Beverages & Tabacco	8.8	8.6	-0.6	1.3	5.2	6.35
WS: Household Goods	9.3	8.7	-1.6	-2.2	5.0	4.4
WS: Machinery, Equipment & Supplies	4.1	3.5	-0.1	-0.2	7.9	6.5
WS: Others Specialised	19.9	16.3	-0.6	0.9	1.4	3.6
WS: Non-Specialised	1.3	1.2	0.7	0.6	6.6	8.6
Retail Sales (RS)	**40.5**	**43.3**	**-0.1**	**1.5**	**5.8**	**5.4**
RS: Non-Specialised Stores	13.9	16.25	-0.9	-1.7	5.5	5.4
RS: Food, Beverages & Tobacco	2.3	2.7	-1.0	-1.4	6.5	6.0
RS: Automotive Fuel	3.4	3.9	-1.4	-1.3	6.3	6.6
RS: Information & Communication Equip	4.1	3.4	0.8	-0.4	4.2	3.1
RS: Household Equipment	5.4	5.0	0.5	1.6	3.1	3.4
RS: Cultural & Recreation Goods	2.2	1.9	-0.9	1.5	4.0	4.5
RS: Others in Specialised Store	8.7	9.3	1.7	2.0	8.2	7.0
RS: Stalls & Markets	0.1	0.1	-1.2	1.1	5.9	5.5
RS: Not in Stores, Stalls & Markets	0.3	0.4	1.1	-0.4	7.6	5.9

Source: DOSM, Macrobond, MIDFR

Retail spending continued to grow globally. Retail sales in most economies continued to grow in Dec-24 although at a moderate pace in some countries. Retail sales in the US grew by +3.9%yoy (Nov-24: +4.1%yoy%) as intense promotions during the year-end festive season supported sales performance. Meanwhile, in China, retail sales picked up to +3.7%yoy in Dec-24, stronger than the market expectation of +3.5%yoy supported by the increase in online sales. Vietnam retail sales increased by +9.3%yoy in Dec-24. On the other hand, Singapore recorded a contraction of retail sales in Dec-24 for the second month after four months of growth. In general, we foresee global spending activity will continue to grow on the back of a positive labour market and improved confidence, which improved in response to the more moderate inflation. However, a renewed rise in inflation expectations and concerns over re-acceleration in inflation could affect future confidence and consumer spending plans.

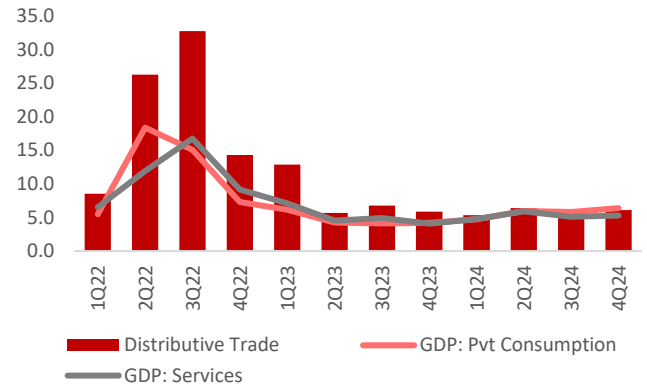
Table 4: Global Retail Sales (YoY%)

	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24
Malaysia	7.9	6.4	5.9	5.5	7.1	5.8	5.4
Indonesia	2.7	4.5	5.8	4.8	1.5	0.9	1.0
Singapore	(0.6)	1.0	0.7	1.9	2.2	(0.7)	(2.9)
Thailand	13.4	21.7	31.6	20.6	20.8	15.1	n.a
Vietnam	9.1	9.4	7.9	7.6	7.1	8.8	9.3
Taiwan	3.9	3.1	1.1	3.4	-0.5	2.1	2.9
China	2.0	2.7	2.1	3.2	4.8	2.9	3.7
Japan	3.8	2.7	3.1	0.7	1.6	2.8	3.7
Euro area	(0.7)	0.3	2.5	3.2	2.1	1.6	1.9
US	2.0	2.9	2.0	2.0	3.0	4.1	3.9

Source: DOSM, Macrobond, MIDFR

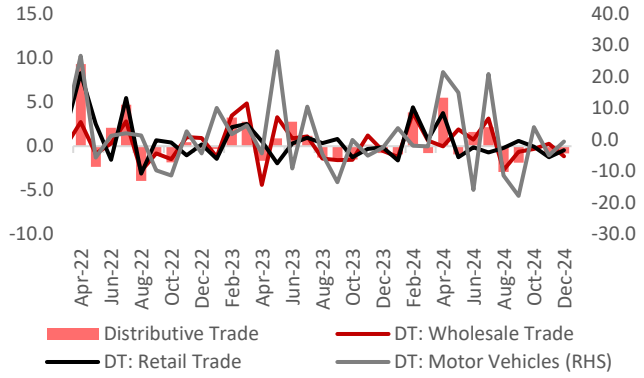
Retail sales to continue expanding in 2025. We maintain our forecast that retail sales will continue to expand at +4.6% this year, moderating from +5.5% in 2024 on the back of labour market to remain stable and supported by higher income (including higher salaries for civil servants and an increase in the minimum wage), recovery in tourist arrivals and policy support (i.e cash assistance) from the government. On the other hand, we are cautious about the potential downside risk towards spending outlook due to renewed price pressures potentially from higher cost-push inflation emanating from the implementation of the subsidy rationalization as well as rising global prices due to intensified trade tensions. As of the 4Q24, the wholesale & retail trade volume index is +4.4%yoy (3Q24: +4.3%yoy), supported by the wholesale trade (+5.3%yoy), retail trade (+4.2%yoy), and motor vehicles (+2.5%yoy). For the whole 2024, 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.

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



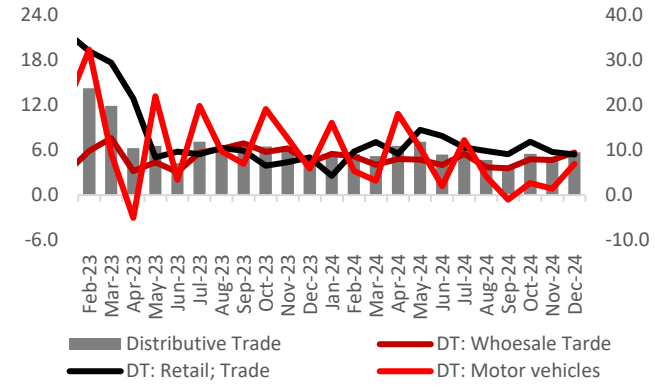
Source: Macrobond, MIDFR

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



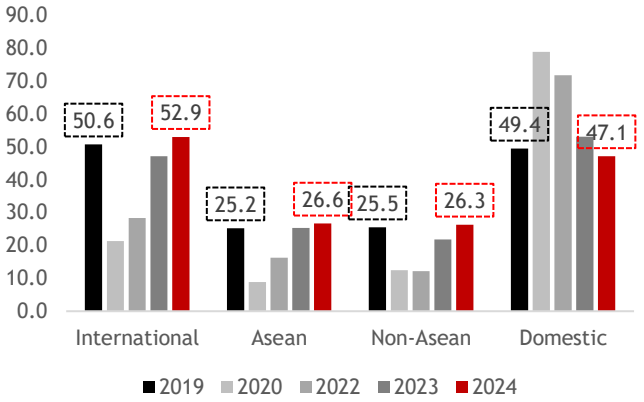
Source: Macrobond, MIDFR

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



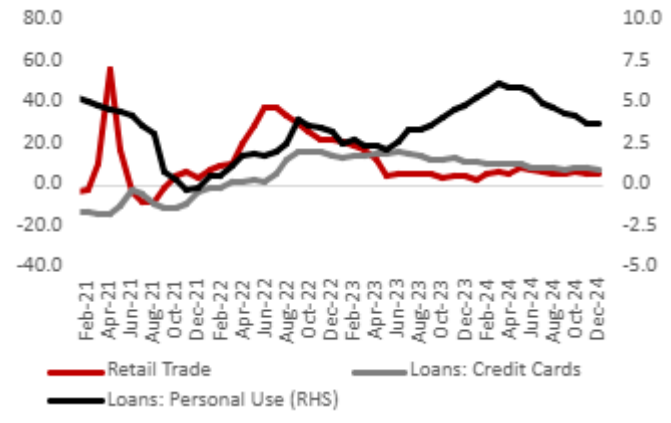
Source: Macrobond, MIDFR

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



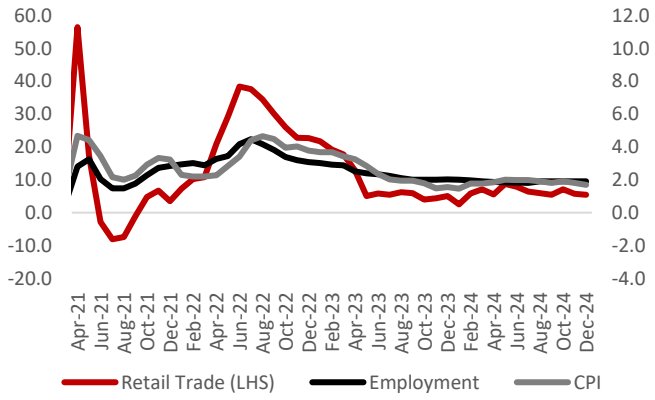
Source: Macrobond, MIDFR

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



Source: Macrobond, MIDFR

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



Source: Macrobond, MIDFR

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