Encouraging Domestic Spending as Retail Trade Picked Up in Jan-25

ECONOMIC REVIEW:
Jan-25 Distributive Trade



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Economic Review

- Retail trade grew faster in Jan-25. Malaysia's retail spending registered an encouraging start at the beginning of the year as retail trade grew faster at +8.2%yoy in Jan-25. Nevertheless, the overall distributive trade growth softened to +4.6%yoy on the back of more moderate rise in wholesale trade and weaker spending on motor vehicles.
- Higher growth in most retail sales segments. Retail sales grew faster at +8.2%yoy (Dec-24: +5.4%yoy) partially attributed to the higher spending on foods, beverages & tobacco, non-specialised stores, and stalls & markets (+10.8%yoy), among others. The +9.6%yoy growth in non-store sales also reflects a rising trend in online spending through e-commerce platforms.
- 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.

Retail trade grew faster in Jan-25. Malaysia's retail spending registered an encouraging start at the beginning of the year as retail trade grew faster at +8.2%yoy in Jan-25 (Dec-24: +5.4%yoy). Nevertheless, the overall distributive trade growth softened to +4.6%yoy in Jan-25 (Dec: +5.7%yoy) on the back of more moderate rise in wholesale trade (4.9%yoy; Dec-24: +5.7%yoy) and weaker spending on motor vehicles. Motor vehicles sales fell by -9.1%yoy (Dec-24: +6.9%yoy), marking the first decline since Sep-24. Meanwhile, the volume of distributive trade also expanded at a softer pace of +3.8%yoy (Dec-24: +4.4%yoy), but supported by the volume growth in the wholesale trade (+4.5%yoy; Dec-24: +5%yoy) and retail trade (+6.6%yoy; Dec-24: +3.6%yoy). The volume of motor vehicles, on the other hand, plunged by -11.1%yoy (Dec-24: +5.5%yoy). Going forward, we anticipate continued growth in domestic spending, driven by a robust labor market, manageable inflation, accommodative monetary policy, and recovery in tourism activities. Government support measures, including cash assistance, will further stimulate spending. Additionally, expanded access to flexible retirement fund accounts, higher civil servant salaries, and an increased minimum wage are expected to further reinforce consumption.

Minimal impact from stable inflation. Currently, the impact of policy adjustments, such as the rise in diesel prices and higher utility tariffs, on overall prices remains limited. The headline CPI inflation remained generally stable as it is unchanged at +1.7%yoy in Jan-25. Meanwhile, core CPI increased to +1.8%yoy (Dec-24: +1.6%yoy), reversing from the 35-month low recorded in the previous month, which continues to signal limited underlying price pressure. The postponed implementation of the RON95 subsidy until mid-2025 will continue to provide relief to consumers through the first half of the year. However, the possibility of further delays remains, given the heightened trade war, which could pose risks to Malaysia's economic outlook. Furthermore, continued subsidies covering 85% of the population will help cushion the impact of higher RON95 prices on overall consumption. In terms of credit activity, outstanding loans for personal uses rose at a sustained pace of +3.5%yoy in Jan-25 (Dec-24: +3.6%yoy), whereas loan growth for purchases big-ticket purchases eased further. Loans for purchases of transport vehicles grew by +8%yoy (Dec-24: +8.4%yoy) and residential properties increased by +6.8%yoy (Dec-24: +6.9%yoy). Credit card loans grew by +8.0%yoy (Dec-24: +7.7%yoy), aligning with the +11.2%yoy increase in credit card transactions (Dec-24: +13.4%yoy), reflecting sustained consumer spending despite a softer pace of growth.

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

	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25
Distributive Trade	**149.0**	**149.2**	**148.2**	**150.1**	**149.3**	**152.2**	**148.9**
YoY%	6.7	4.7	3.8	5.5	4.7	5.7	4.6
MoM%	2.1	0.1	-0.7	1.3	-0.5	1.9	-2.1
Motor Vehicles	**19.0**	**18.9**	**17.3**	**18.9**	**18.3**	**19.9**	**16.0**
YoY%	12.2	4.1	-1.0	2.7	1.4	6.9	-9.1
MoM%	11.6	-0.6	-8.3	9.1	-2.9	8.3	-19.4
Wholesale Trade	**66.6**	**66.2**	**66.5**	**66.3**	**66.2**	**66.5**	**66.8**
YoY%	5.5	3.7	3.6	4.8	4.7	5.7	4.9
MoM%	2.6	-0.5	0.4	-0.2	-0.3	0.5	0.4
Retail Trade	**63.5**	**64.1**	**64.4**	**64.9**	**64.8**	**65.8**	**66.1**
YoY%	6.4	5.9	5.5	7.1	5.8	5.4	8.2
MoM%	-1.0	1.0	0.5	0.8	-0.1	1.5	0.5

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

Table 2: Malaysia's Credit Card Transaction (RM m)

	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25
No. of Card Transactions	**77.6**	**78.8**	**79.6**	**81.1**	**80.1**	**88.4**	**86.6**
YoY%	16.2	11.0	11.8	9.6	10.1	13.4	11.2
MoM%	5.1	1.5	1.1	1.8	-1.1	10.3	-2.0
Total Purchases							
Local Cardholders	**15,309.4**	**15,406.3**	**15,350.2**	**15,865.9**	**15,567.2**	**17,580.8**	**17,610.4**
YoY%	11.0	4.0	5.8	4.6	2.9	5.6	6.9
MoM%	3.4	0.6	-0.4	3.4	-1.9	12.9	0.2
Foreign Cardholders	**2,189.7**	**1,890.5**	**1,715.8**	**1,683.8**	**1,724.7**	**2,144.1**	**2,031.3**
YoY%	32.1	16.2	15.9	10.1	11.1	15.2	8.3
MoM%	11.5	-13.7	-9.2	-1.9	2.4	24.3	-5.3
Total Cash Advances							
Local Cardholders	**206.7**	**206.9**	**202.8**	**204.9**	**200.7**	**208.6**	**201.9**
YoY%	1.0	-0.4	-3.1	-3.6	-2.7	-1.3	-5.2
MoM%	10.8	0.1	-2.0	1.0	-2.1	3.9	-3.2
Foreign Cardholders	**51.7**	**54.8**	**47.2**	**47.4**	**46.4**	**48.5**	**51.8**
YoY%	23.2	28.8	18.4	14.5	15.2	15.1	18.5
MoM%	15.2	5.9	-13.9	0.4	-2.0	4.6	6.8

Source: Macrobond, BNM, MIDFR

Credit card transactions continued to grow. Credit card transactions in Malaysia continued to grow albeit moderating to +11.2%yoy in Jan-25 (Dec-24: +13.4%yoy) and maintaining double-digit growth for three consecutive months. Total purchases by local cardholders showed faster growth, increasing by +6.9%yoy (Dec-24: +5.6%yoy) to RM17.6b. Meanwhile, spending by foreign cardholders increased at a softer pace of +8.3%yoy (+15.2%yoy) to RM2.03b. For cash advances, local cardholders withdrew RM2b, marking a -5.2%yoy decline, continuing the downward trend observed in the previous six months. However, foreign cardholders increased their cash advances by +18.5%yoy to RM51.8m, indicating stronger reliance on credit during this period. Overall, Jan-25 saw a post-holiday spending slowdown, with moderated transactions and purchases, except for a higher rise in foreign cash advances. Additionally, Buy Now, Pay Later (BNPL) transactions in Malaysia surged to RM7.1b in the 2HCY24, up from RM4.9b in 1HCY24, highlighting the growing consumer preference for alternative financing options to support spending. Looking ahead, we expect Malaysia's credit card transactions to maintain steady growth, supported by strong consumer spending and a resilient labor market. While the recent moderation in transaction growth suggests a post-holiday spending cooldown, the sustained double-digit expansion indicates continued confidence in credit-based consumption. The continued surge in BNPL transactions underscores changing consumer preferences, and this trend is expected to support retail sales in the coming months.

Higher growth in most retail sales segments. Retail sales grew faster at +8.2%yoy (Dec-24: +5.4%yoy) partially attributed to the higher spending on foods, beverages & tobacco (+8.8%yoy), non-specialised stores (+9.7%yoy), and stalls & markets (+10.8%yoy), among others. The +9.6%yoy growth in non-store sales reflects a rising trend in online spending through e-commerce platforms. For wholesale sales, while overall spending moderated (+4.9%yoy; Dec-24: +5.7%yoy), sales of household goods and machinery recorded higher growth of +5.3%yoy and +10.2%yoy, respectively. Meanwhile, the other sub-components grew at a stable pace, including agriculture raw materials (+8.3%yoy), food, beverages & tobacco (+5.0%yoy), and non-specialised (+6.4%yoy). Contrastingly, motor vehicle sales dropped by -9.1%yoy (Dec-24: +6.9%yoy), mainly stemming from sales decline for motor vehicle (-22.7%yoy) and motorcycles maintenance & repair (-1.2%yoy). Looking ahead, we anticipate continued growth in consumer spending, supported by stable labour market conditions and rising incomes. The upcoming festive seasons, particularly the fasting month of Ramadan and Hari Raya Aidilfitri, are expected to further boost domestic consumption.

Table 3: Distributive Trade's Detailed Components Performance

	Share % Total DT		MoM%		YoY%	
	2019	1M2025	Dec-24	Jan-25	Dec-24	Jan-25
Motor Vehicles Sales (MVS)	**11.4**	**10.8**	**8.3**	**-19.4**	**6.9**	**-9.1**
MVS: Motor Vehicle	6.1	4.8	-13.4	-33.8	3.6	-22.7
MVS: Motor Vehicle Maintenance & Repair	1.5	1.8	-2.4	-2.0	7.8	5.1
MVS: Motor Vehicle Parts & Accessories	2.8	3.4	3.0	-1.8	11.2	8.0
MVS: Motorcycles Maintenance & Repair, Parts & Acc.	0.9	0.7	2.3	-3.1	20.5	-1.2
Wholesale Sales (WS)	**48.1**	**44.8**	**0.5**	**0.4**	**5.7**	**4.9**
WS: Fee or Contract Basis	0.9	0.8	3.5	-4.2	5.7	5.2
WS: Agri Raw Materials & Live Animals	3.8	4.0	3.4	-10.1	13.9	8.3
WS: Food, Beverages & Tobacco	8.8	9.3	1.3	5.4	6.35	5.0
WS: Household Goods	9.3	9.3	-2.2	2.9	4.4	5.3
WS: Machinery, Equipment & Supplies	4.1	3.6	-0.2	0.5	6.5	10.2
WS: Others Specialised	19.9	16.5	0.9	-0.4	3.6	2.6
WS: Non-Specialised	1.3	1.3	0.6	-1.5	8.6	6.4
Retail Sales (RS)	**40.5**	**44.4**	**1.5**	**0.5**	**5.4**	**8.2**
RS: Non-Specialised Stores	13.9	17.1	-1.7	1.5	5.4	9.7
RS: Food, Beverages & Tobacco	2.3	2.8	-1.4	1.6	6.0	8.8
RS: Automotive Fuel	3.4	4.1	-1.3	0.7	6.6	7.8
RS: Information & Communication Equip	4.1	3.4	-0.4	0.6	3.1	5.2
RS: Household Equipment	5.4	5.1	1.6	-1.0	3.4	4.7
RS: Cultural & Recreation Goods	2.2	1.9	1.5	1.1	4.5	9.4
RS: Others in Specialised Store	8.7	9.4	2.0	-1.3	7.0	8.3
RS: Stalls & Markets	0.1	0.1	1.1	1.3	5.5	10.8
RS: Not in Stores, Stalls & Markets	0.3	0.5	-0.4	1.4	5.9	9.6

Source: DOSM, Macrobond, MIDFR

Retail spending continues to grow globally. Retail sales in most economies started strong, recording growth in Jan-25. Retail sales in the US grew at a softer pace of +4.2%yoy (Dec-24: +4.4%yoy%), but we foresee further slowdown in view of the declining consumer confidence driven by tariffs and severe weather conditions, kept more Americans indoors. Meanwhile, in China, retail sales data for January 2025 is still pending. However, the latest consumer price index fell more than expected, marking its sharpest decline in 13 months, while producer price deflation persisted. This suggests weakening consumer demand, with households remaining cautious about spending due to concerns over jobs and income. Singapore's retail sales recorded an expansion of +4.5%yoy during the month (Dec-24: -2.9%yoy), reversing from contraction seen in the previous two months. This was driven by Chinese New Year celebrations taking place in the same month. Strong figures at the beginning of the year are likely to decline in February as the festive season's impact fades. Retail sales also increased for Vietnam (+9.5%yoy), Taiwan (+5.3%yoy), Japan (+3.9%yoy) with all three countries experiencing their fastest growth in the past six months. In contrast, retail sales in the EU moderated at +1.5%yoy (+2.2%yoy), reflecting an ongoing consumption slump. Overall, we expect global spending to continue growing, supported by a strong labor market and moderating inflation. However, renewed inflation concerns and the risk of rising prices amid heightened trade tensions could impact consumer confidence and spending decisions.

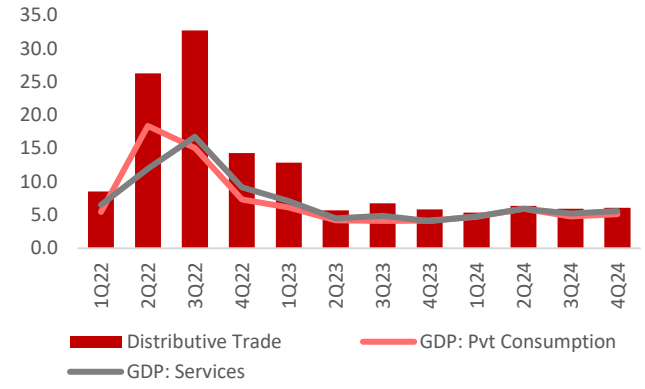
Table 4: Global Retail Sales (YoY%)

	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25
Malaysia	6.7	4.7	3.8	5.5	4.7	5.7	4.6
Indonesia	4.5	5.8	4.8	1.5	0.9	1.8	n.a
Singapore	1.0	0.7	1.9	2.2	(0.7)	(2.9)	4.5
Thailand	21.7	31.6	20.6	21.3	15.5	4.0	n.a.
Vietnam	9.4	7.9	7.6	7.1	8.8	9.3	9.5
Taiwan	3.1	1.1	3.4	-0.5	2.1	2.9	5.3
China	2.7	2.1	3.2	4.8	2.9	3.7	n.a
Japan	2.7	3.1	0.7	1.6	2.8	3.5	3.9
Euro Area	0.4	2.7	3.3	2.3	1.8	2.2	1.5
USA	2.9	2.0	2.0	3.0	4.0	4.4	4.2

Source: DOSM, Macrobond, MIDFR

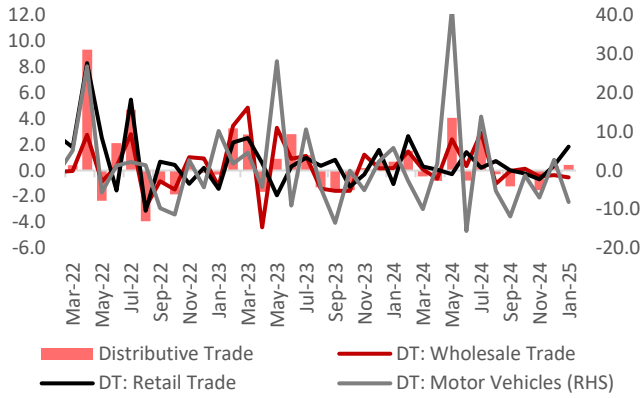
Retail sales to continue growth trajectory in 2025. We maintain our forecast that retail sales will grow by +4.6% in 2025, moderating from 5.5% in 2024. This continued expansion will be driven by a stable labor market, rising incomes, including salary increases for civil servants and a higher minimum wage, a continued recovery of tourism activity, and government policy support such as cash assistance programs. However, we remain cautious about potential downside risks to the spending outlook, particularly from renewed price pressures driven by higher cost-push inflation, rising global prices amid escalating trade tensions, and the implementation of further subsidy rationalization. Despite heightened uncertainties in the global trade landscape that pose risks to Malaysia's economy, we believe that domestic consumption will remain a key driver to support Malaysia's economic growth this year.

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



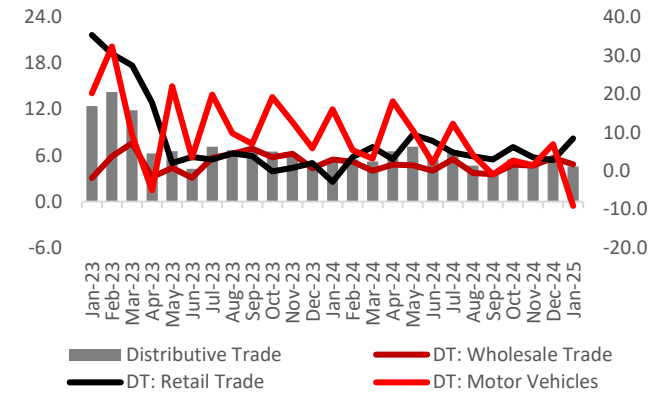
Source: Macrobond, MIDFR

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



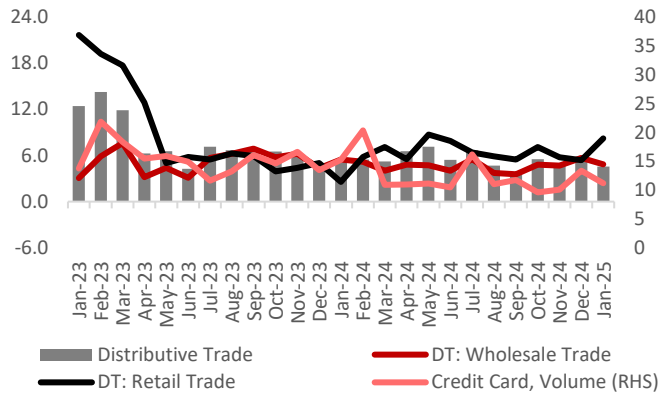
Source: Macrobond, MIDFR

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



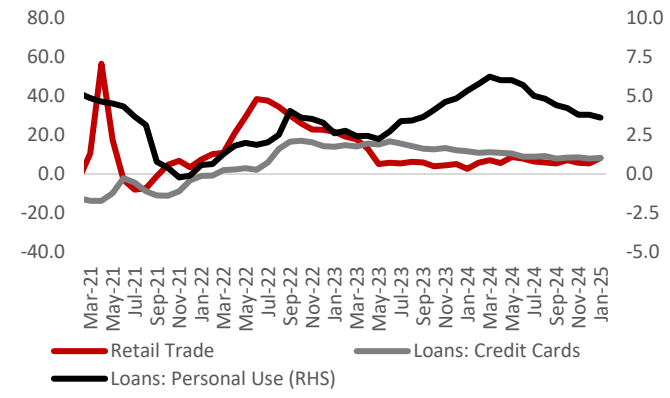
Source: Macrobond, MIDFR

Chart 4: Distributive Trade Sales Growth vs. Credit Card Transaction Volume (YoY%)



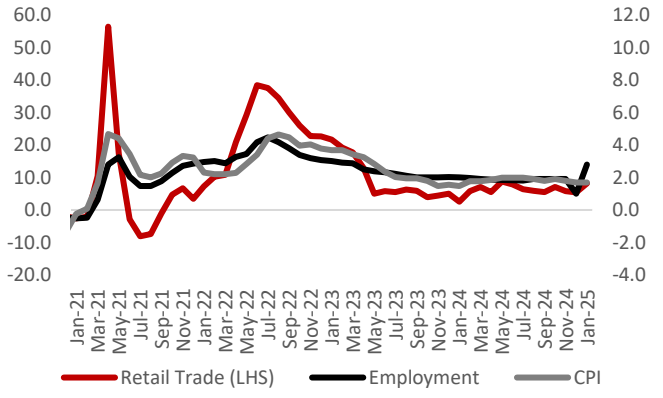
Source: Macrobond, MIDFR

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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