Domestic Spending Continued to Expand in Feb-25

ECONOMIC REVIEW:
Feb-25 Distributive Trade



Author
MIDF Research
research@midf.com.my

Economic Review

- Retail spending growth eased, but wholesale gains led to stronger distributive trade. Malaysia's retail spending growth eased to +5.8%yoy in Feb-25 (Jan-25: +8.2%yoy). However, the overall distributive trade growth improved to +5.1%yoy (Jan-25: +4.6%yoy) on the back of stronger rise in the wholesale trade (+5.3%yoy; Jan-25: +4.8%yoy) and rebound in motor vehicles sales (+1.5%yoy; Feb-25: -9.1%yoy).
- Higher growth in the motor vehicle sales segment. Motor vehicle sales rebounded to +1.5%yoy in Feb-25 (Jan-25: -9.1%yoy), mainly stemming from motorcycles maintenance & repair by +8.2%yoy (Jan-25: -1.2%yoy), followed by the motorcycle's vehicle parts & accessories by +2.7%yoy (Jan-25: +8.0%yoy).
- Retail sales to continue growth trajectory in 2025. We maintain our forecast that retail sales will grow by +4.6% in 2025, easing from the 5.5% expansion recorded in 2024. This continued growth will be supported by a resilient labour market, manageable inflation, accommodative monetary policy, and a sustained recovery in tourism.

Retail spending growth eased, but wholesale gains led to stronger distribution trade. Malaysia's retail spending growth eased to +5.8%yoy in Feb-25 (Jan-25: +8.2%yoy). However, the overall distributive trade growth improved to +5.1%yoy (Jan-25: +4.6%yoy) on the back of stronger rise in the wholesale trade (+5.3%yoy; Jan-25: +4.8%yoy) and rebound in motor vehicles sales (+1.5%yoy; Feb-25: -9.1%yoy). Meanwhile, the volume of distributive trade continued to expand by +3.9%yoy in Feb-25 (Jan-25: +3.8%yoy), supported by sustained volume growth in the wholesale trade (+4.9%yoy; Jan-25: 4.5%yoy) and albeit softer volume growth for retail trade (+4.3%yoy; Jan-25: +6.6%yoy). On the other hand, the volume contraction for motor vehicle sales significantly slowed to -0.8%yoy (Jan-25: -11.1%yoy).

Sustained expansion in domestic spending. Moving forward, we project sustained expansion in domestic spending, underpinned by several key factors. A resilient labour market, coupled with manageable inflationary pressures and an accommodative monetary policy stance, is expected to provide a solid foundation for consumer confidence and expenditure. The ongoing recovery in tourism activities will further contribute to this positive trajectory, bolstering spending across various sectors. Government initiatives will also play a crucial role in stimulating domestic demand. Continued cash assistance programs are anticipated to provide direct support to household budgets and encourage spending. Furthermore, recently implemented structural measures, including expanded access to flexible retirement fund accounts, the upward revision of civil servant salaries, and the mandated increase in the minimum wage, are poised to significantly reinforce aggregate consumption in the coming periods. These measures are expected to enhance disposable income and purchasing power across a broad segment of the population, thereby fuelling further growth in domestic spending. On the other hand, we acknowledge the tariffs measure in the US against Malaysia could negatively impact Malaysia's labour market, however, the 90-day delay on the imposition of reciprocal tariffs and the negotiation with the US government may potentially ease the risk in the near term.

Moderate inflation has had a minimal impact so far. Recent policy adjustments, including higher diesel prices and increased utility tariffs, have had a contained effect on overall price levels. The headline CPI inflation moderated to +1.5%yoy in Feb-25. Meanwhile, core CPI increased slightly faster at +1.9%yoy (Jan-25: +1.8%yoy) and continued to reverse higher from the 35-month low of +1.6%yoy recorded back in Dec-24. If the tariff-induced shock proves to be significant risks to Malaysia's economic outlook, we foresee the possibility that the government may consider delaying the implementation of the RON95 rationalisation and postpone certain tax increases to help sustain growth and consumption. In terms of credit activity, outstanding loans for personal uses rose at a slightly faster pace of +3.7%yoy in Feb-25 (Jan-25: +3.5%yoy), whereas loan growth for purchases big-ticket purchases slowed down. Loans for purchases of transport vehicles grew softer by +7.4%yoy (Dec-24: +8.4%yoy) and residential properties moderate by +6.7%yoy (Jan-25: +6.8%yoy). Credit card loans expanded at a slightly slower pace of +7.8%yoy (Jan-25: +7.9%yoy), in line with the deceleration in credit card transaction growth to +4.7%yoy (Jan-25: +11.2%yoy), indicating continued consumer spending, albeit at a more moderate rate.

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

	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25
Distributive Trade	**149.2**	**148.2**	**150.1**	**149.3**	**152.2**	**148.9**	**148.3**
YoY%	4.7	3.8	5.5	4.7	5.7	4.6	5.1
MoM%	0.1	-0.7	1.3	-0.5	1.9	-2.1	-0.4
Motor Vehicles	**18.9**	**17.3**	**18.9**	**18.3**	**19.9**	**16.0**	**17.6**
YoY%	4.1	-1.0	2.7	1.4	6.9	-9.1	1.5
MoM%	-0.6	-8.3	9.1	-2.9	8.3	-19.4	10.1
Wholesale Trade	**66.2**	**66.5**	**66.3**	**66.2**	**66.5**	**66.8**	**65.5**
YoY%	3.7	3.6	4.8	4.7	5.7	4.9	5.3
MoM%	-0.5	0.4	-0.2	-0.3	0.5	0.4	0.4
Retail Trade	**64.1**	**64.4**	**64.9**	**64.8**	**65.8**	**66.1**	**65.1**
YoY%	5.9	5.5	7.1	5.8	5.4	8.2	5.8
MoM%	1.0	0.5	0.8	-0.1	1.5	0.5	-1.5

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

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

	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25
No. of Card Transactions	**78.8**	**79.6**	**81.1**	**80.1**	**88.4**	**86.6**	**74.0**
YoY%	11.0	11.8	9.6	10.1	13.4	11.2	4.7
MoM%	1.5	1.1	1.8	-1.1	10.3	-2.0	-14.6
Total Purchases							
Local Cardholders	**15,406.3**	**15,350.2**	**15,865.9**	**15,567.2**	**17,580.8**	**17,610.4**	**14,447.0**
YoY%	4.0	5.8	4.6	2.9	5.6	6.9	-3.9
MoM%	0.6	-0.4	3.4	-1.9	12.9	0.2	-18.0
Foreign Cardholders	**1,890.5**	**1,715.8**	**1,683.8**	**1,724.7**	**2,144.1**	**2,031.3**	**1,775.8**
YoY%	16.2	15.9	10.1	11.1	15.2	8.3	0.9
MoM%	-13.7	-9.2	-1.9	2.4	24.3	-5.3	-12.6
Total Cash Advances							
Local Cardholders	**206.9**	**202.8**	**204.9**	**200.7**	**208.6**	**201.9**	**191.0**
YoY%	-0.4	-3.1	-3.6	-2.7	-1.3	-5.2	-0.9
MoM%	0.1	-2.0	1.0	-2.1	3.9	-3.2	-5.4
Foreign Cardholders	**54.8**	**47.2**	**47.4**	**46.4**	**48.5**	**51.8**	**48.2**
YoY%	28.8	18.4	14.5	15.2	15.1	18.5	0.9
MoM%	5.9	-13.9	0.4	-2.0	4.6	6.8	-7.0

Source: Macrobond, BNM, MIDFR

Slowdown in credit card transactions. Credit card transactions in Malaysia continued to grow but softer at +4.7%yoy in Feb-25 (Jan-24: +11.2%yoy), the first single-digit growth in 4 months. Total purchases by local cardholders declined by -3.9%yoy (Jan-25: +6.9%yoy) to RM14.4b. Meanwhile, spending by foreign cardholders recorded marginal growth of +0.9%yoy (+8.3%yoy) to RM1.8b. For cash advances, local cardholders withdrew RM1b, marking a softer decline of -0.9%yoy, continuing the downward trend observed in the previous seven months. However, there was a sharp slowdown among foreign cardholders by +0.9%yoy to RM48.2m, indicating weaker reliance on credit during this period. Overall, Feb-25 saw a continued slowdown in spending, with lower credit card transactions and purchases, suggesting that while consumers may be tightening credit-based spending. According to Bank Negara Malaysia e-payment transactions rose by +28% to RM14.7b in 2024, up from RM11.5b the previous year and online banking remained the most widely used method, recording a +24% increase over the same period. Looking ahead, we expect Malaysia's credit card transactions to sustain moderate growth, underpinned by resilient consumer spending and a stable labor market. However, lingering global trade uncertainties may weigh on consumer sentiment, potentially softening demand in the near term.

Higher growth in the motor vehicle sales segment. Motor vehicle sales rebounded to +1.5%yoy in Feb-25 (Jan-25: -9.1%yoy), mainly stemming from motorcycles maintenance & repair by +8.2%yoy (Jan-25: -1.2%yoy), followed by the motorcycle's vehicle parts & accessories by +2.7%yoy (Jan-25: +8.0%yoy). Meanwhile, wholesale sales grew faster by +5.3%yoy (Jan-25: +4.9%yoy), which saw the pickup in all the subcomponents except for agriculture raw materials & live animals (+4.9%yoy; Jan-25: +5.3%yoy) and household goods (+5.1%yoy; Jan-25: +5.3%yoy). On the other hand, retail sales grew slower to +5.9%yoy (Jan-25: +8.2%yoy), attributed to the slowdown in all sub-components except in the information & communication equipment which picked up to +5.9%yoy (Jan-25: +5.2%yoy). We think the next data release will be encouraging due to promotion during the festive season i.e. Hari Raya Aidilfitri.

Table 3: Distributive Trade's Detailed Components Performance

	Share % Total DT		MoM%		YoY%	
	2019	2M2025	Jan-25	Feb-25	Jan-25	Feb-25
Motor Vehicles Sales (MVS)	**11.4**	**11.3**	**-19.4**	**1.5**	**-9.1**	**1.5**
MVS: Motor Vehicle	6.1	5.4	-33.8	0.2	-22.7	0.2
MVS: Motor Vehicle Maintenance & Repair	1.5	1.8	-2.0	0.6	5.1	0.6
MVS: Motor Vehicle Parts & Accessories	2.8	3.4	-1.8	2.7	8.0	2.7
MVS: Motorcycles Maintenance & Repair, Parts & Acc.	0.9	0.8	-3.1	8.2	-1.2	8.2
Wholesale Sales (WS)	**48.1**	**44.5**	**0.4**	**5.3**	**4.9**	**5.3**
WS: Fee or Contract Basis	0.9	0.8	-4.2	7.3	5.2	7.3
WS: Agri Raw Materials & Live Animals	3.8	3.9	-10.1	5.3	8.3	5.3
WS: Food, Beverages & Tobacco	8.8	9.1	5.4	6.3	5.0	6.3
WS: Household Goods	9.3	9.3	2.9	5.1	5.3	5.1
WS: Machinery, Equipment & Supplies	4.1	3.6	0.5	10.3	10.2	10.3
WS: Others Specialised	19.9	16.6	-0.4	3.7	2.6	3.7
WS: Non-Specialised	1.3	1.3	-1.5	8.1	6.4	8.1
Retail Sales (RS)	**40.5**	**44.2**	**0.5**	**5.9**	**8.2**	**5.9**
RS: Non-Specialised Stores	13.9	17.0	1.5	5.9	9.7	5.9
RS: Food, Beverages & Tobacco	2.3	2.8	1.6	6.4	8.8	6.4
RS: Automotive Fuel	3.4	4.0	0.7	6.2	7.8	6.2
RS: Information & Communication Equip	4.1	3.4	0.6	5.9	5.2	5.9
RS: Household Equipment	5.4	5.0	-1.0	4.6	4.7	4.6
RS: Cultural & Recreation Goods	2.2	1.9	1.1	8.6	9.4	8.6
RS: Others in Specialised Store	8.7	9.3	-1.3	5.5	8.3	5.5
RS: Stalls & Markets	0.1	0.1	1.3	7.6	10.8	7.6
RS: Not in Stores, Stalls & Markets	0.3	0.5	1.4	9.2	9.6	9.2

Source: DOSM, Macrobond, MIDFR

Table 4: Global Retail Sales (YoY%)

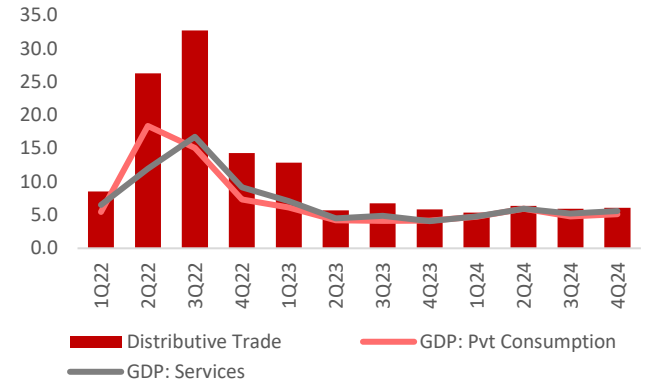
	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25
Malaysia	4.7	3.8	5.5	4.7	5.7	4.6	
Indonesia	5.8	4.8	1.5	0.9	1.8	0.5	n.a
Singapore	0.7	1.9	2.2	(0.7)	(2.9)	4.7	-3.6
Thailand	31.6	20.6	21.3	15.6	4.2	-1.0	n.a
Vietnam	7.9	7.6	7.1	8.8	9.3	9.5	9.4
Taiwan	1.1	3.4	-0.5	2.1	2.9	5.3	-3.8
China	2.1	3.2	4.8	2.9	3.7	4.0	
Japan	3.1	0.7	1.6	2.8	3.5	4.4	1.4
Euro Area	2.7	3.3	2.3	1.8	2.2	1.8	2.3
USA	2.0	2.0	3.0	4.0	4.4	3.9	3.1

Source: DOSM, Macrobond, MIDFR

Mixed retail spending reading across countries. Retail sales in the US grew at a softer pace of +3.1%yoy (Jan-25: +3.9%yoy) as consumers cut back on discretionary spending, underscoring the growing uncertainty surrounding the economy, fueled by tariffs and widespread layoffs of federal government employees. Meanwhile, in China, retail sales picked up modestly by +4%yoy during the first two months of 2025 (Dec-24: +3.7%yoy), the strongest growth since Oct-24, driven by increased consumer spending during the Spring Festival season. The uptick came despite rising unemployment and slowing factory output, highlighting the ongoing pressures on an economy grappling with renewed U.S. trade tensions. Singapore's retail sales recorded a decline of -3.6%yoy during the month (Jan-25: +4.7%yoy), reversing from sharp growth seen in the previous month. Rising global trade tensions could adversely affect Singapore's small, open economy—dampening employment conditions and consumer confidence, and putting pressure on household spending and retail sales. Retail sales also increased at a softer pace for Vietnam (+9.5%yoy) and Euro Area (+2.3%yoy). In contrast, retail sales in Taiwan declined sharply by -3.8%yoy (+5.3%yoy), reflecting an ongoing consumption slump and marking the first drop-in retail activity since Oct-24. Overall, we anticipate that global spending could soften amid escalating trade tensions, which may undermine consumer confidence and influence spending behaviour.

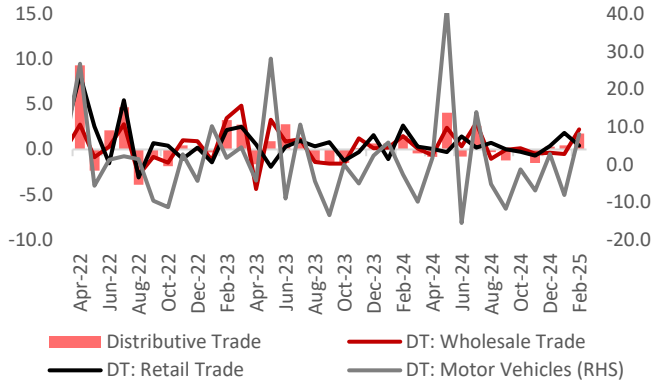
Retail sales to continue growth trajectory in 2025. We maintain our forecast that retail sales will grow by +4.6% in 2025, easing from the 5.5% expansion recorded in 2024. This continued growth will be supported by a resilient labour market, manageable inflation, accommodative monetary policy, and a sustained recovery in tourism. Government measures—including cash assistance programs, access to flexible retirement savings, higher civil service wages, and an increased minimum wage—are expected to further bolster consumer spending this year. However, we remain cautious of downside risks, particularly as escalating global trade tensions could dampen consumer confidence and weigh on spending decisions. Despite these external headwinds, we believe that domestic consumption will remain a key pillar of Malaysia's economic growth in 2025.

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



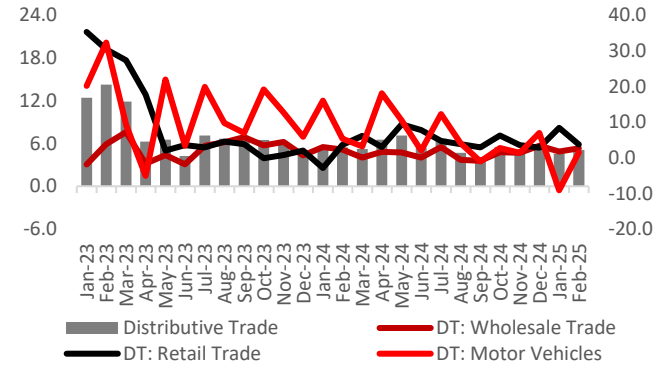
Source: Macrobond, MIDFR

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



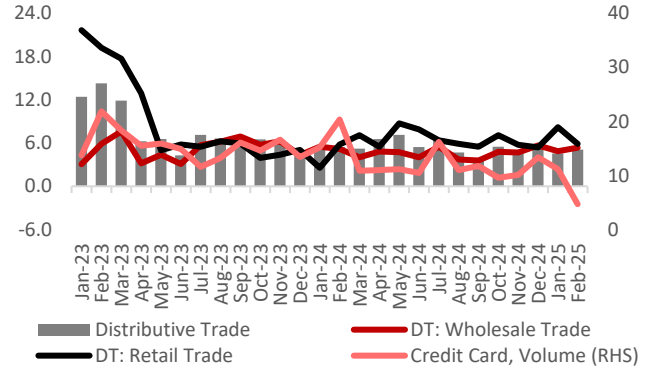
Source: Macrobond, MIDFR

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



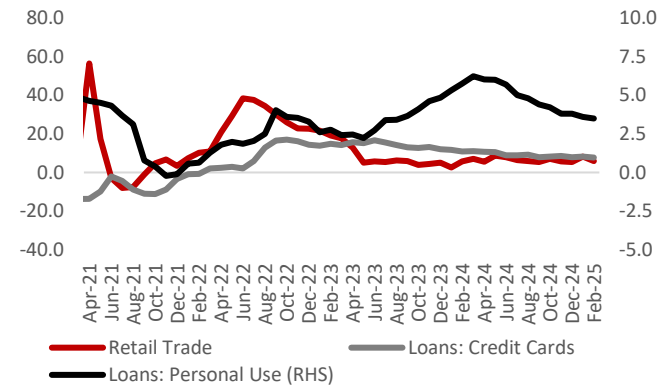
Source: Macrobond, MIDFR

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



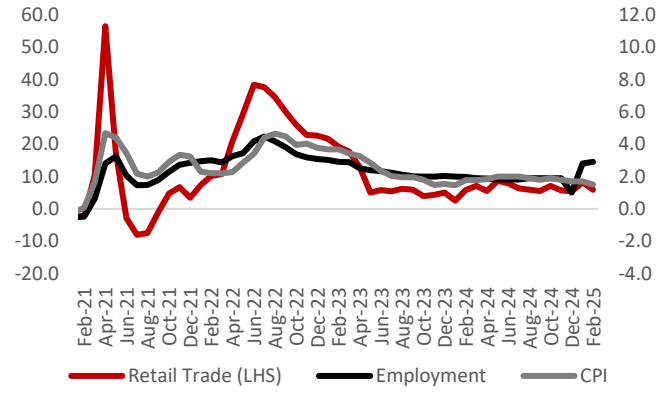
Source: Macrobond, MIDFR

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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