Retail Spending Edged Higher in May-25

ECONOMIC REVIEW:
May-25 Distributive Trade



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Economic Review

- Slight moderation in distributive trade. Malaysia's overall distributive trade recorded sustained growth albeit at a slower pace of +4.4%yoy in May-25 (Apr-25: +4.7%yoy), marking the softest pace since Sep-24. The moderation was broad-based, except for retail trade, which rose slightly to +4.9%yoy (Apr-25: +4.7%yoy). Motor vehicles sales and wholesale trade recorded softer expansion of +1.2%yoy; (Apr-25: +2.1%yoy) and +4.7%yoy (Apr-25: +5.5%yoy), respectively.
- Solid fundamentals persist, supporting domestic demand. Looking ahead, we expect consumption to continue to expand, supported by labour market resilience with higher employment and wage growth in domestic-oriented sectors. The low and stable inflation and targeted fiscal measures will provide support to consumer purchasing power. Also, the recent OPR cut will alleviate borrowing costs, which will, in turn, stimulate renewed interest in big-ticket spending.
- Retail sales segment strengthened. Retail sales grew by +4.9%yoy in May-25 (Apr-25: +4.7%yoy), supported by stronger performance in several categories, including household equipment (+5.6%yoy), specialised stores (+5.2%yoy), and automotive fuel (+5.7%yoy). In contrast, motor vehicle sales moderated to +1.2%yoy (Apr-25: +2.1%yoy), with weaker growth across all sub-components. Wholesale trade also softened, rising by +4.4%yoy (Apr-25: +6.0%yoy), due to broad-based moderation.
- Retail sales to maintain growth momentum in 2025. We anticipate retail sales to grow by +4.6% in 2025, moderating from the +5.4% expansion in 2024. This continued growth will be driven by a resilient labour market, low and stable inflation, as well as the recent monetary policy easing.

Slight moderation in distributive trade. Malaysia's overall distributive trade recorded sustained growth albeit at a slower pace of +4.4%yoy in May-25 (Apr-25: +4.7%yoy), marking the softest pace since Sep-24. The moderation was broad-based, except for retail trade, which rose slightly to +4.9%yoy (Apr-25: +4.7%yoy). Motor vehicles sales and wholesale trade recorded softer expansion of +1.2%yoy; (Apr-25: +2.1%yoy) and +4.7%yoy (Apr-25: +5.5%yoy), respectively. Volume changes also moderated; where distributive trade volume rose softer by +4.1%yoy (Apr-25: +4.3%yoy), stemming from the slower volume growth for wholesale trade (+5.8%yoy; Apr-25: +6.6%yoy) and motor vehicle sales (+0.1%yoy; Apr-25: +0.8%yoy). However, retail trade volume growth strengthened to +3.7%yoy in May-25 (Apr-25: +3.4%yoy), signaling a modest recovery in consumer spending. The continued uptrend reflects resilient domestic demand, which remains a key pillar of economic growth this year. Meanwhile, the weaker motor vehicle sales indicate a normalisation trend amid the fading impact of high base effects.

Solid fundamentals persist, supporting domestic demand. Looking ahead, we expect consumption to continue to expand, supported by labour market resilience with higher employment and wage growth in domestic-oriented sectors. The low and stable inflation and targeted fiscal measures will provide support to consumer purchasing power. Also, the recent OPR cut will alleviate borrowing costs, which could, in turn, stimulate renewed interest in big-ticket spending. Resilient consumption will continue to remain a key driver of Malaysia's economic growth, providing cushion of heightened global trade tensions and geopolitics uncertainties. Moreover, the continued recovery in tourism, underpinned by increasing tourist arrivals, will provide an additional lift to consumer spending and support overall economic activity. That said, heightened global trade tensions, amplified by the latest round of US tariffs, pose downside risks to consumer and business confidence, which may result in more subdued spending patterns.

Malaysia's tourism sector continues to strengthen. International arrivals surging to 8.4m in the first four months of 2025, nearly double the 4.2m recorded in the same period of 2020, and higher than 7.6m in 2024. This +197.1% increase slightly outpaces Thailand's rebound of +180.7%, reflecting a strong recovery trend in the region. Tourism revenue hit a record RM102.2b in 2024, exceeding the pre-pandemic peak of RM86.1b in 2019. In 1Q25 alone, receipts rose to RM27.5b (1Q24: RM22.2b; 1Q19: RM21.4b). Tourism's contribution to GDP rose to 6.2% in 2024 (2023: 4.5%) and reached 6.6% in 1Q25. While this remains below Thailand's historical range of 10–12%, it marks solid progress. Tourist receipts also accounted for 10.6% of private consumption in 1Q25, the highest since 2020, signalling a return to pre-pandemic levels. In comparison, Thailand's ratio typically ranges from 20% to 23%.

Low and stable inflationary pressures. Price levels are still stable despite policy changes such as higher minimum wages, increased diesel prices, and revised utility tariffs. With the implementation of the Sales and Service Tax (SST), we anticipate a minimal impact on overall price levels, contributing an estimated 0.35 to 0.40 percentage points to headline inflation. However, the policy is expected to prompt a shift in consumer spending patterns, from discretionary items towards essential goods. According to the latest reading, the headline CPI inflation was slower at +1.2%yoy in May-25 (Apr-25: +1.4%yoy) and marking the lowest reading since Mar-21. Meanwhile, core CPI moderated to +1.8%yoy inMay-25 (Apr-25: +2.0%yoy), still signaling mild underlying price pressure. We continue to expect inflation will rise to an average of +2.2% this year (2024: +1.8%), which will be driven mainly by policy changes as the recent declines in PPI suggest further easing cost pressures (-3.6%yoy; Apr-25: -3.4%yoy). Nonetheless, we recognize the downside risks to our inflation forecast, including the targeted RON95 rollout in 2H2025 and a possible spike in global oil prices amid tensions in the Middle East. Should tariff shocks pose a significant risk to Malaysia's economic outlook, we believe the government may reconsider or postpone further subsidy rationalisation, as well as planned hikes in taxes and utility rates, to support domestic consumption and sustain overall growth.

Big-ticket loans saw slight moderation, while credit card loans surged. In terms of credit growth, outstanding loans for personal uses rose at a slightly faster pace of +3.4%yoy in May-25 (Apr-25: +3.3%yoy). The growth in loans for purchases of transport vehicles slightly eased to +6.9%yoy (Apr-25: +7.0%yoy) and residential property loans moderated to +6.4%yoy (Apr-25: +6.5%yoy). However, growth in credit card loans rose accelerated by +9.1%yoy (Apr-25: +7.9%yoy). This indicates a slight drop in loans for big-ticket items, suggesting more cautious borrowing in that category. However, the recent OPR cut may help ease financing costs and gradually revive demand for high-value purchases. Meanwhile, the rise in credit card loans and transactions indicates sustained momentum in consumer spending, particularly on smaller-ticket items.

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

	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25
Distributive Trade	**149.3**	**152.2**	**148.9**	**148.3**	**154.0**	**151.7**	**154.3**
YoY%	4.7	5.7	4.6	5.2	5.7	4.7	4.4
MoM%	-0.5	1.9	-2.1	-0.3	3.7	-1.5	1.7
Motor Vehicles	**18.3**	**19.9**	**16.0**	**17.6**	**19.2**	**17.6**	**19.0**
YoY%	1.4	6.9	-9.1	1.5	2.3	2.1	1.2
MoM%	-2.9	8.3	-19.4	10.1	9.2	-8.4	7.9
Wholesale Trade	**66.2**	**66.5**	**66.8**	**65.8**	**67.8**	**67.3**	**68.2**
YoY%	4.7	5.7	4.9	5.8	5.7	5.5	4.7
MoM%	-0.3	0.5	0.4	-1.5	3.0	-0.6	1.3
Retail Trade	**64.8**	**65.8**	**66.1**	**65.1**	**67.0**	**66.8**	**67.1**
YoY%	5.8	5.4	8.2	5.8	6.6	4.7	4.9
MoM%	-0.1	1.5	0.5	-1.6	2.9	-0.3	0.5

Retail sales segment strengthened. Retail sales grew by +4.9%yoy in May-25 (Apr-25: +4.7%yoy), supported by stronger performance in several categories, including household equipment (+5.6%yoy), specialised stores (+5.2%yoy), and automotive fuel (+5.7%yoy). In contrast, motor vehicle sales moderated to +1.2%yoy (Apr-25: +2.1%yoy), with weaker growth across all sub-components. Wholesale trade also softened, rising by +4.4%yoy (Apr-25: +6.0%yoy), due to broad-based moderation. However, categories such as food, beverages & tobacco (+7.7%yoy), household goods (+7.4%yoy), and non-specialised goods (+7.5%yoy) continued to provide support and sustained growth during the month.

Table 3: Distributive Trade's Detailed Components Performance

	Share % Total DT		MoM%		YoY%	
	2019	5M2025	Apr-25	May-25	Apr-25	May-25
Motor Vehicles Sales (MVS)	**11.4**	**11.8**	**-8.4**	**7.9**	**2.1**	**1.2**
MVS: Motor Vehicle	6.1	5.9	-13.9	14.0	1.0	0.2
MVS: Motor Vehicle Maintenance & Repair	1.5	1.8	-0.2	0.4	0.7	0.6
MVS: Motor Vehicle Parts & Accessories	2.8	3.4	-1.2	0.5	2.5	2.1
MVS: Motorcycles Maintenance & Repair, Parts & Acc.	0.9	0.8	-11.8	11.9	13.4	8.2
Wholesale Sales (WS)	**48.1**	**44.3**	**-0.6**	**1.3**	**5.5**	**4.7**
WS: Fee or Contract Basis	0.9	0.8	4.1	-2.1	6.0	4.4
WS: Agri Raw Materials & Live Animals	3.8	4.0	-1.7	2.5	5.2	3.0
WS: Food, Beverages & Tobacco	8.8	9.1	-1.1	1.4	7.5	7.7
WS: Household Goods	9.3	9.4	-1.9	3.7	6.6	7.4
WS: Machinery, Equipment & Supplies	4.1	3.5	2.7	-0.3	9.8	5.1
WS: Others Specialised	19.9	16.3	-0.3	-0.1	2.8	1.8
WS: Non-Specialised	1.3	1.3	-0.6	3.5	6.7	7.5
Retail Sales (RS)	**40.5**	**43.8**	**-0.3**	**0.5**	**4.7**	**4.9**
RS: Non-Specialised Stores	13.9	16.9	-0.4	0.7	4.2	4.0
RS: Food, Beverages & Tobacco	2.3	2.8	1.2	-0.8	7.8	6.4
RS: Automotive Fuel	3.4	4.1	0.8	0.7	5.6	5.7
RS: Information & Communication Equip	4.1	3.4	1.2	-1.2	5.5	5.3
RS: Household Equipment	5.4	5.0	-0.8	2.2	3.6	5.6
RS: Cultural & Recreation Goods	2.2	1.9	-2.7	1.8	3.1	3.8
RS: Others in Specialised Store	8.7	9.3	-1.0	-0.2	4.5	5.2
RS: Stalls & Markets	0.1	0.1	0.9	-1.2	8.3	6.7
RS: Not in Stores, Stalls & Markets	0.3	0.5	-1.0	-1.6	6.5	4.1

Source: DOSM, Macrobond, MIDFR

Table 4: Global Retail Sales (YoY%)

	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25
Malaysia	5.8	5.4	8.2	5.7	6.6	4.7	
Indonesia	0.9	1.8	0.5	2.0	5.5	-0.3	1.9
Singapore	-0.7	-2.9	4.7	-3.5	1.3	0.2	1.4
Thailand	15.6	4.3	5.8	25.3	32.3	41.4	n.a.
Vietnam	8.8	9.3	9.5	9.4	10.8	11.1	10.2
Taiwan	2.1	2.9	5.3	-3.8	0.4	-0.6	-1.6
China	2.9	3.7	4.0		5.9	5.1	6.4
Japan	2.8	3.5	4.4	1.3	3.1	3.5	2.2
Euro Area	1.8	2.2	1.9	2.0	2.1	2.7	1.8
US	4.0	4.4	3.9	3.1	5.2	5.2	3.3

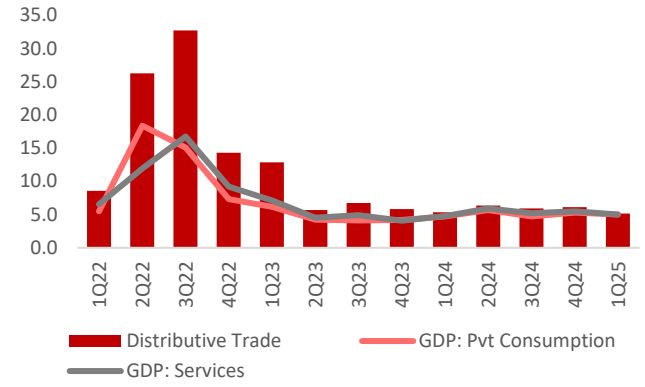
Source: DOSM, Macrobond, MIDFR

Weaker retail sales in most economies. Retail sales in the US moderated by +3.3%yoy in May-25 (Apr-25: +5.2%yoy). On a monthly basis, retail trade declined sharply by -0.9%mom (Apr-25: -0.1%mom), marking the steepest fall in retail sales since Jan-25, as consumers scaled back spending in anticipation of upcoming tariffs. By contrast, China's consumer spending continues to expand in May-25 as retail sales surged by +6.4%yoy (Apr-24: +5.1%yoy), driven by stronger holiday spending during Labour Day, the Dragon Boat Festival, a major online shopping event, and government subsidies on electronic goods. Retail sales were weaker in

Euro Area (+1.8%yoy; Apr-25: +2.7%yoy), Japan (+2.2%yoy; Apr-25: +3.5%yoy), and Taiwan (-1.6%yoy; Apr-25: -0.6%yoy), and Vietnam (+10.2%yoy; Apr-25: +11.1%yoy) signalling a demand slowdown, as escalating trade tensions and ongoing policy uncertainty dampened economic activities across countries. Meanwhile, retail sales increased for Indonesia (+1.9%yoy) and Singapore (+1.4%yoy), though growth remains relatively modest, pointing to ongoing softness in consumer spending. Overall, global spending may continue to weaken following Trump's new tariff announcement, which is likely to intensify trade tensions. The tariffs are expected to fuel inflation expectations, potentially undermining consumer confidence and restraining future spending.

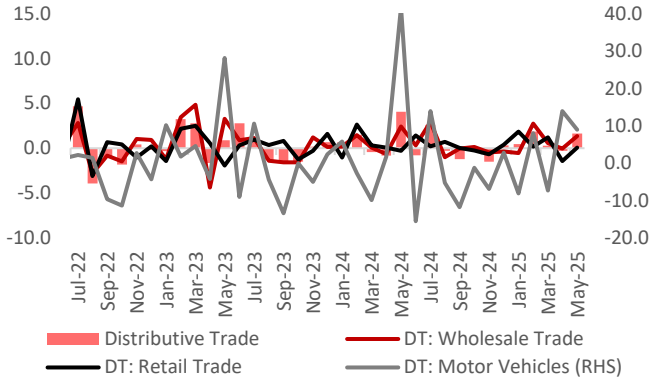
Retail sales to maintain growth momentum in 2025. We anticipate retail sales to grow by +4.6% in 2025, moderating from the +5.4% expansion in 2024. This continued growth will be driven by a resilient labour market, low and stable inflation, as well as the recent monetary policy easing. The decline in borrowing costs is likely to enhance purchasing power and improve access to credit, encouraging greater consumer spending. Robust domestic consumption is expected to remain a key growth driver, cushioning against external trade uncertainties. Steady job and wage gains, particularly in domestic-oriented sectors, will support household spending, while stronger tourism activity should further lift consumption. However, global trade tensions and rising uncertainties remain downside risks that could dampen consumer sentiment and spending.

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



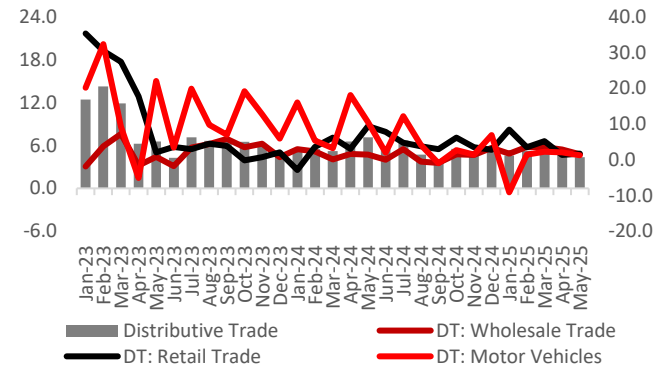
Source: Macrobond, MIDFR

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



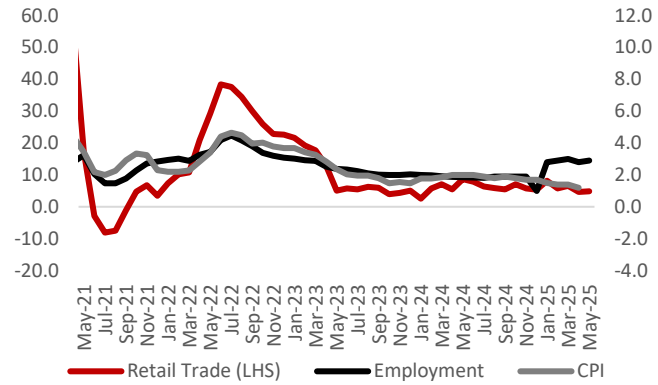
Source: Macrobond, MIDFR

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



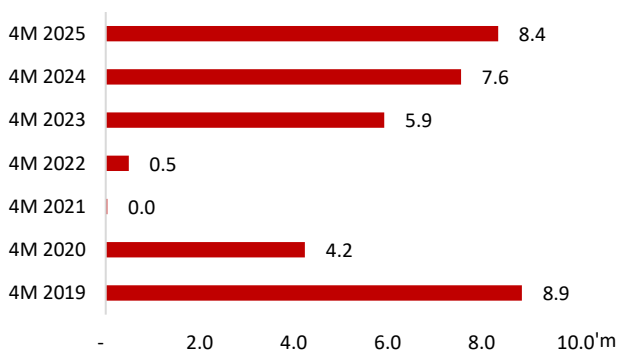
Source: Macrobond, MIDFR

Chart 4: Retail Trade vs. Employment and CPI Inflation (YoY%)



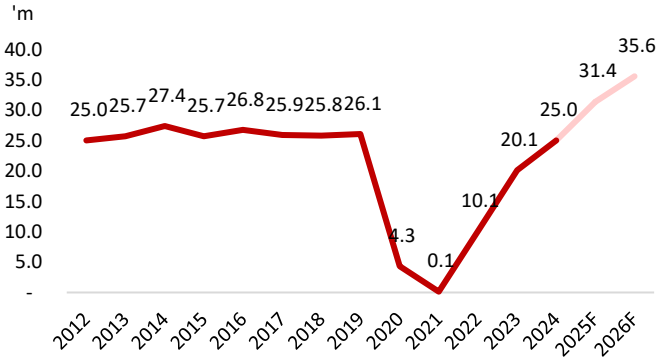
Source: Macrobond, MIDFR

Chart 5: Tourist Arrivals in Malaysia (4M2025)



Source: Tourism Malaysia, MIDFR

Chart 6: Tourist Arrivals to Malaysia (2012-2026F)



Source: Tourism Malaysia, MIDFR

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