Retail Spending Improved in Jun-25

Economic Review
Jun-25 Distributive Trade



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- Malaysia's distributive trade rose at a faster pace of +4.8%yoy in Jun-25 (May-25: +4.4%yoy), supported by the stronger expansion seen in retail trade (+5.4%yoy) and wholesale trade (+5.2%yoy).
- In 1HCY25, Malaysia's distributive trade rose at a softer pace by +4.9%yoy (1HCY24: +5.9%yoy), due to the slight decline in motor vehicles sales (-0.1%yoy; 1HCY24: +8.8%yoy) and the moderation in retail trade (+5.9%yoy; 1HCY24: +6.3%yoy).
- Retail sales rose faster by +5.4%yoy in Jun-25 (May-25: +4.9%yoy), supported by stronger performance in several categories, including non-specialised stores (+5.7%yoy), others in specialized stores (+5.9%yoy), and not in stores, stalls & markets (+5.7%yoy)
- 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, minimum wage adjustments, ongoing recovery in tourism activity as well as the recent monetary policy easing.

Resilient domestic demand

Malaysia's distributive trade rose at a faster pace of +4.8%yoy in Jun-25 (May-25: +4.4%yoy), supported by the stronger expansion seen in retail trade (+5.4%yoy) and wholesale trade (+5.2%yoy). However, motor vehicles sales slowed down by +0.7%yoy, marking the lowest reading since Jan-25. Meanwhile, there was a higher volume change; where distributive trade volume increased by +4.3%yoy (May-25: +3.1%yoy), stemming from the higher volume growth for wholesale trade (+5.9%yoy) and retail trade (+4.1%yoy). Volume of motor vehicle sales recorded a slower decline by -1.3%yoy, recovering from previous month's double-digit plunge (May-25: -13.0%yoy). Overall, the reading during the month points to sustained consumer spending, underscoring resilient domestic demand — a key growth pillar this year amid external uncertainties. In 1HCY25, Malaysia's distributive trade rose at a softer pace by +4.9%yoy (1HCY24: +5.9%yoy), due to the slight decline in motor vehicles sales (-0.1%yoy; 1HCY24: +8.8%yoy) and the moderation in retail trade (+5.9%yoy; 1HCY24: +6.3%yoy). Nonetheless, wholesale trade accelerated by +5.3%yoy (1HCY24: +4.7%yoy).

Solid economic fundamentals persist

Looking ahead, we expect continued expansion for consumption, supported by a healthy labour market with higher employment and positive wage growth especially in domestic-oriented sectors. The low and stable inflation also provides support to consumer purchasing power. Meanwhile, the latest OPR cut in Jul-25 is expected to renew interest in big-ticket spending. Moreover, the continued recovery in tourism will provide an additional lift to consumer spending and support overall economic activity, particularly services sub-sectors such as F&B, transport, wholesale & retail trade, and accommodation. While the impending fuel subsidy rationalisation may create some pressure, we expect the overall impact on household consumption to remain contained. Resilient consumption will remain the key driver in Malaysia's economic growth, cushioning the impacts from heightened global trade tensions. That said, US tariffs can still deter consumer and business confidence, resulting in more cautious spending patterns.

Recovery in Malaysia's tourism sector

Tourists' arrivals surged to 10.5m in the first five months of 2025, already surpassed 9.5m in 5MCY24, though slightly lower than 11.0m arrivals recorded in 2019. This annual +10.5%yoy increase reflects a continued recovery in the tourism sector in the region. In May-25, total arrivals reached 2.1m, higher than 2.0m in Apr-25. Meanwhile, Malaysia recorded 16.9m visitors in 5M2025, up +20.4%yoy (5M2024: 14.7m). Singapore accounted for nearly half of arrivals with 8.3m (+26.5%yoy), followed by Indonesia (1.8m, +10.3%yoy), China (1.8m, +38.8%yoy), and Thailand (1.1m, +5.2%yoy). Long-haul markets also grew, with arrivals from Australia and the UK up +16.6%yoy and 68.7%yoy respectively. The tourism ministry attributed the growth to government initiatives, including the visa liberalisation plan and industry incentives. Malaysia welcomed just over 25m international tourists in 2024, below its 27.3m target, but still aims for 47m arrivals by 2026, focusing on Central Asia, the Middle East, Southeast Asia, Europe, and Oceania. We believe the ongoing recovery in the tourism sector will drive higher tourism-related expenditure and the momentum is expected to gain further traction leading up to Visit Malaysia Year 2026.

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 and implementation of a wider Sales and Service Tax (SST). According to the latest reading, the headline CPI inflation softened to +1.1%yoy in Jun-25 (May-25: +1.2%yoy) and marking the lowest reading since Mar-21. Meanwhile, core CPI rose by +1.8%yoy, unchanged from the previous month, signaling mild underlying price pressure. For the year, we expect inflation will trend at +an average +1.8% (2024: +1.8%), considering the sustained moderate inflation reading and weaker cost pressures. The latest PPI recorded a sharper deflation of -4.2%yoy in Jun-25 (May-25: -3.6%yoy), hitting the lowest reading since Jun-25. Nonetheless, downside risks to the spending outlook include the full rollout of targeted RON95 subsidy rationalization in 4QCY25.

Steady growth in big-ticket and credit card loans

In terms of credit growth, outstanding loans for personal uses rose at a softer pace of +3.3%yoy in Jun-25 (May-25: +3.4%yoy). The pace of growth in other loans was unchanged from the previous month for purchases of transport vehicles (+6.9%yoy) and residential property (+6.4%yoy), indicating a steady rise in loans for the big-ticket items. However, credit card usage moderated slightly to +8.8%yoy (May-25: +9.1%yoy), though growth remains resilient, reflecting continued spending on smaller-ticket items. The recent OPR cut is expected to ease financing costs and revive demand for high-value purchases.

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

	Monthly Data							Cumulative	
	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	1HCY24	1HCY25
Distributive Trade	**152.2**	**148.9**	**148.3**	**154.0**	**151.7**	**154.3**	**153.0**	**868.0**	**910.4**
YoY%	5.7	4.6	5.2	5.7	4.7	4.4	4.8	5.9	4.9
MoM%	1.9	-2.1	-0.3	3.7	-1.5	1.7	-0.9		
Motor Vehicles	**19.9**	**16.0**	**17.6**	**19.2**	**17.6**	**19.0**	**19.1**	**106.9**	**106.7**
YoY%	6.9	-9.1	1.5	2.3	2.1	1.2	0.7	8.8	-0.1
MoM%	8.3	-19.4	10.1	9.2	-8.4	7.9	-10.2		
Wholesale Trade	**66.5**	**66.8**	**65.8**	**67.8**	**67.3**	**68.2**	**68.2**	**383.8**	**404.2**
YoY%	5.7	4.9	5.8	5.7	5.5	4.7	5.2	4.7	5.3
MoM%	0.5	0.4	-1.5	3.0	-0.6	1.3	0.1		
Retail Trade	**65.8**	**66.1**	**65.1**	**67.0**	**66.8**	**67.1**	**67.1**	**377.3**	**399.5**
YoY%	5.4	8.2	5.8	6.6	4.7	4.9	5.4	6.3	5.9
MoM%	1.5	0.5	-1.6	2.9	-0.3	0.5	0.7		

*n.a.: not available
Source: Macrobond, MBSBR

More encouraging retail sales growth

Retail sales rose faster by +5.4%yoy in Jun-25 (May-25: +4.9%yoy), supported by stronger performance in several categories, including non-specialised stores (+5.7%yoy), others in specialized stores (+5.9%yoy), and not in stores, stalls & markets (+5.7%yoy). In contrast, motor vehicle sales moderated further to +0.7%yoy (May-25: +1.2%yoy), dragged by the decline in motor vehicles (-2.8%yoy). Wholesale trade sales increased by +5.2%yoy (May-25: +4.7%yoy), due to broad-based improvement. This is seen especially for categories such as agriculture raw materials & live animals (+12.2%yoy), fee or contract basis (+5.2%yoy), and non-specialised goods (+9.0%yoy).

Table 2: Malaysia's Distributive Trade Summary (RM b)

	Share % Total DT		MoM%		YoY%	
	2019	6M2025	May-25	Jun-25	May-25	Jun-25
Motor Vehicles Sales (MVS)	**11.4**	**11.7**	**7.9**	**-10.2**	**1.2**	**0.7**
MVS: Motor Vehicle	6.1	5.8	14.0	-19.7	0.2	-2.8
MVS: Motor Vehicle Maintenance & Repair	1.5	1.8	0.4	1.8	0.6	4.8
MVS: Motor Vehicle Parts & Accessories	2.8	3.4	0.5	0.4	2.1	3.0
MVS: Motorcycles Maintenance & Repair, Parts & Acc.	0.9	0.8	11.9	-3.8	8.2	7.1
Wholesale Sales (WS)	**48.1**	**44.4**	**1.3**	**0.1**	**4.7**	**5.2**
WS: Fee or Contract Basis	0.9	0.8	-2.1	2.9	4.4	5.2
WS: Agri Raw Materials & Live Animals	3.8	4.1	2.5	5.7	3.0	12.2
WS: Food, Beverages & Tobacco	8.8	9.1	1.4	-1.3	7.7	6.7
WS: Household Goods	9.3	9.4	3.7	-2.2	7.4	5.3
WS: Machinery, Equipment & Supplies	4.1	3.5	-0.3	-1.5	5.1	3.9
WS: Others Specialised	19.9	16.3	-0.1	0.8	1.8	2.8
WS: Non-Specialised	1.3	1.3	3.5	3.8	7.5	9.0
Retail Sales (RS)	**40.5**	**43.9**	**0.5**	**0.7**	**4.9**	**5.4**
RS: Non-Specialised Stores	13.9	16.9	0.7	1.1	4.0	5.7
RS: Food, Beverages & Tobacco	2.3	2.8	-0.8	0.9	6.4	6.5
RS: Automotive Fuel	3.4	4.1	0.7	-0.8	5.7	6.0
RS: Information & Communication Equip	4.1	3.4	-1.2	-1.4	5.3	4.1
RS: Household Equipment	5.4	5.0	2.2	-0.3	5.6	3.8
RS: Cultural & Recreation Goods	2.2	1.9	1.8	0.9	3.8	3.4
RS: Others in Specialised Store	8.7	9.3	-0.2	1.8	5.2	5.9
RS: Stalls & Markets	0.1	0.1	-1.2	0.7	6.7	5.8
RS: Not in Stores, Stalls & Markets	0.3	0.5	-1.6	1.6	4.1	5.4

Source: DOSM, Macrobond, MBSBR

Mixed retail sales performance across countries.

Retail sales in the US rose by +3.9%yoy in Jun-25 (May-25: +3.3%yoy). On a monthly basis, retail trade increased by +0.6%mom (May 25: -0.9%mom), recovering from declines seen in the previous two months. By contrast, China's consumer spending slowed down as retail sales growth moderated to +4.8%yoy (May-24: +6.4%yoy), marking the weakest growth since Feb-25. Similarly, retail sales were weaker in Vietnam (+8.3%yoy; May-25: +10.2%yoy) and Taiwan (-2.9%yoy; May-25: -1.6%yoy), signalling a softer demand, amid escalating trade tensions. Meanwhile, retail sales increased for Japan (+2.0%yoy), Singapore (+2.3%yoy) and euro area (+3.1%yoy). Overall, global spending is likely to soften in the coming months after Trump's tariff announcement, which could heighten trade tensions. The measures may stoke inflation expectations, erode consumer confidence and dampen future spending.

Table 4: Global Retail Sales (YoY%)

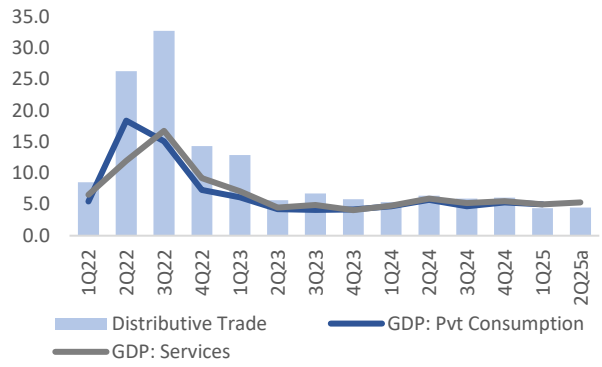
	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25
Malaysia	5.4	8.2	5.7	6.6	4.7	4.4	4.8
Indonesia	1.8	0.5	2.0	5.5	-0.3	1.9	n.a.
Singapore	-2.9	4.7	-3.5	1.3	0.2	1.3	2.3
Thailand	4.3	5.8	25.3	32.3	41.4	26.1	n.a.
Vietnam	9.3	9.5	9.4	10.8	11.1	10.2	8.3
Taiwan	2.9	5.3	-3.8	0.4	-0.6	-1.6	-2.9
China	3.7	4.0	4.0	5.9	5.1	6.4	4.8
Japan	3.5	4.4	1.3	3.1	3.5	1.9	2.0
Euro Area	2.2	1.9	2.0	2.1	2.7	1.9	3.1
US	4.4	3.9	3.1	5.2	5.2	3.3	3.9

Source: DOSM, Macrobond, MBSBR

Retail sales to maintain growth momentum in 2025.

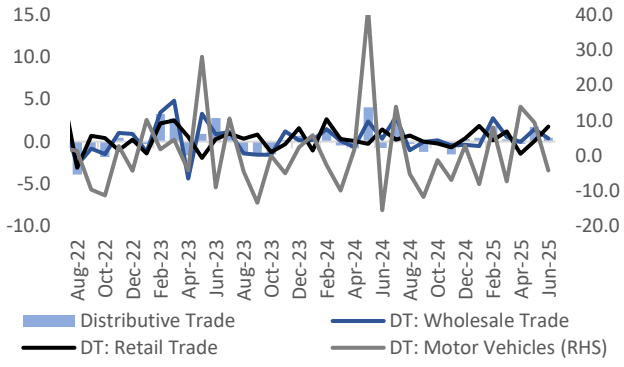
We anticipate retail sales to grow by +4.6% in 2025, moderating from the +5.4% expansion in 2024. This continued growth will be driven by a resilient labour market, low and stable inflation, minimum wage adjustments, ongoing recovery in tourism activity as well as the recent monetary policy easing. These factors are expected to boost household disposable income and support broad-based private consumption, despite headwinds from the expanded SST and Jul-25's electricity tariff adjustments. Although the impending fuel subsidy rationalisation could weigh on spending, we expect the overall impact on household demand to remain contained. Robust domestic consumption will remain a key growth driver, cushioning against external trade uncertainty. However, the latest round of US tariffs could dampen sentiment and spending among consumers and businesses.

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



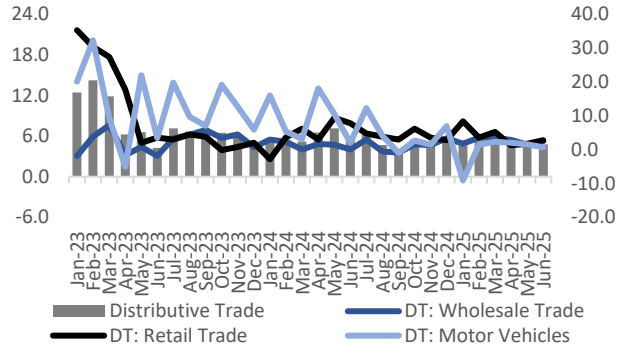
Source: Macrobond, MBSBR

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



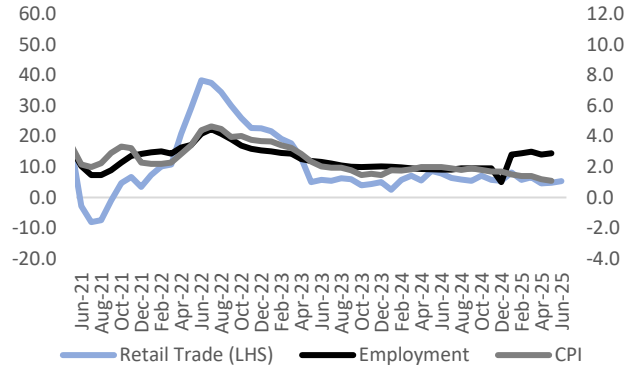
Source: Macrobond, MBSBR

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



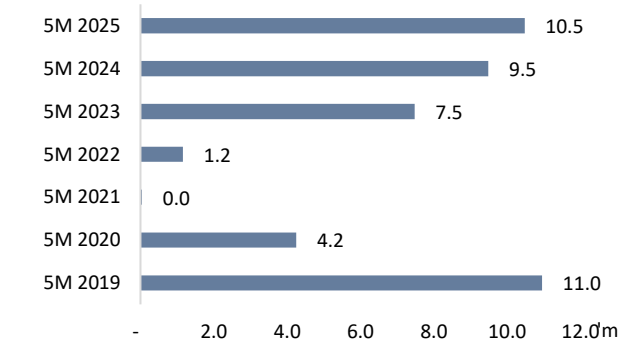
Source: Macrobond, MBSBR

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



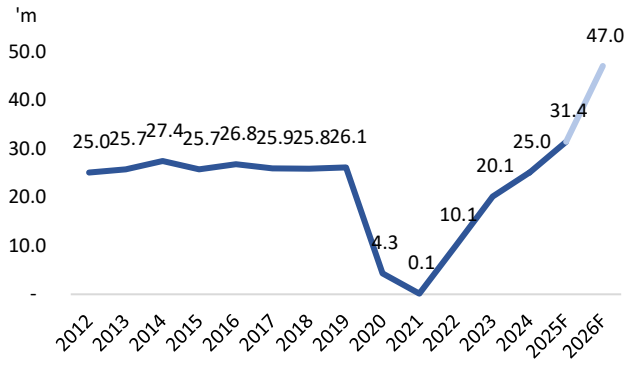
Source: Macrobond, MBSBR

Chart 5: Tourist Arrivals in Malaysia (4M2025)



Source: DOSM, MBSBR

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



Source: DOSM, MBSBR

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