Resilience in Domestic Economy as Retail Spending Grew Faster in Jul-25

Economic Review
Jul-25 Distributive Trade



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Economic Review

- Malaysia's distributive trade increased by +5.0%yoy in Jul-25 (Jun-25: +4.8%yoy), bolstered by the higher expansion in all major components: retail trade (+5.6%yoy), wholesale trade (+5.4%yoy) and motor vehicles sales (+1.6%yoy).
- In 7MCY25, Malaysia's distributive trade rose softer by +4.9%yoy (7MCY24: +5.9%yoy) with faster expansion seen for wholesale trade (+5.3%yoy; 7MCY24: +5.4%yoy).
- Retail sales rose faster by +5.6%yoy in Jul-25 (Jun-25: +5.4%yoy), supported by stronger growth in two components: others in specialised stores (+7.6%yoy) and automotive fuel (+6.6%yoy). Slight moderations were seen for the rest including food, beverages & tobacco, non-specialised stores and information & communication equipment.
- We expect retail sales to grow by +4.6% in 2025, moderating from the +5.5% expansion in 2024. Continued growth will be supported by a resilient labour market, low & stable inflation, higher wages, the ongoing strong tourism recovery, and recent monetary policy easing. These factors are set to lift household disposable income and sustain broad-based private consumption, despite headwinds from other policy measures.

Resilient domestic demand

Malaysia's distributive trade increased by +5.0%yoy in Jul-25 (Jun-25: +4.8%yoy), bolstered by the higher expansion in all major components: retail trade (+5.6%yoy), wholesale trade (+5.4%yoy) and motor vehicles sales (+1.6%yoy). There was a higher volume change; where distributive trade volume rose faster by +4.5%yoy (Jun-25: +4.3%yoy), stemming from the higher volume growth for retail trade (+4.4%yoy) and motor vehicles (+0.2%yoy), which recovered from declines seen in the previous two months. Meanwhile, wholesale trade recorded a sustained volume growth of +5.7%yoy (Jun-25: +5.8%yoy). Overall, the reading during the month suggests consumer spending and domestic demand remain robust. In 7MCY25, Malaysia's distributive trade rose softer by +4.9%yoy (7MCY24: +5.9%yoy) with faster expansion seen for wholesale trade (+5.3%yoy; 7MCY24: +5.4%yoy). However, growth in retail trade and motor vehicles sales moderated to +5.3%yoy and +0.1%yoy, respectively.

Malaysia's economic fundamentals remain strong

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 services sectors. On another note, low and stable inflationary pressure as well as the pre-emptive OPR cut in Jul-25 will provide additional support to consumers' purchasing power. Robust recovery in Malaysia's tourism sector will also bolster spending in various services sub-sectors such as F&B, transport, wholesale & retail trade, and accommodation. Although the impending fuel subsidy rationalisation may add some pressure and uncertainty, we expect its overall impact on household consumption to be contained. Resilient spending should continue to anchor Malaysia's economic growth, helping to cushion the adverse effects of heightened global trade tensions. Nonetheless, US tariffs could still weigh on consumer and business confidence, prompting more cautious spending behaviour.

Upbeat momentum in Malaysia's tourism sector

In Jun-25, total tourist arrivals grew marginally by +1.6%yoy, reaching a total of 2.4m (May-25: 2.1m). Meanwhile in the first six months of 2025 tourists' arrivals accelerated by +8.7%yoy, totaling 12.8m (6M2024: 11.8m), reflecting a continuous uptrend in the tourism sector recovery. During the period, Singapore accounted nearly one-third of arrivals with 4.4m (+2.9%yoy), followed by Indonesia (1.9m, +8.2%yoy), China (1.9m, +27.8%yoy), and Thailand (875K, +7.5%yoy). Long-haul markets posted steady trend, with arrivals from Australia and the UK were up by +7.4%yoy and 7.8%yoy respectively. Malaysia targets 45m tourist arrivals in 2025, with the latest figures indicating 28% of the goal achieved. We view Tourism Malaysia's latest initiatives, such as the visa liberalisation plan and Malaysia Mega Sale Campaign (MMSC) 2025, as positive steps to boost spending ahead of Visit Malaysia 2026. We believe the ongoing tourism recovery will lift related spending, with momentum set to strengthen as arrivals continue to rise.

Low and stable inflation persists

According to the latest reading, the headline CPI inflation edged slightly higher to +1.2%yoy in Jul-25 (Jun-25: +1.1%yoy), whereas core CPI rose by +1.8%yoy, unchanged from the previous month and signaling continued mild underlying price pressure. The gap between PPI deflation and CPI inflation persisted as PPI declined by -3.8%yoy (Jun-25: -4.2%yoy), marking a five-consecutive-months of contraction. Looking ahead, we expect inflation to trend higher in the final 5 months of the year, driven by rising cost pressures and policy measures such as the expanded SST. Stronger demand, supported by the recent OPR cut and more cash handouts, may add to price pressures. The planned petrol price hike in 4QCY25 will largely affect non-citizens and high-income groups, but upward pressures on overall inflation will be partly offset by a lower subsidised RON95 price.

Stable credit growth with stronger vehicle and credit card spending

In terms of credit growth in Jul-25, outstanding loans for personal uses and property rose by +3.3%yoy and +6.4%yoy, respectively. Both readings were unchanged from the previous month, indicating a stable demand for household financing. Meanwhile, loans for purchases of vehicles grew by +7.3%yoy (Jun-25: +6.8%yoy), the fastest since Mar-25 and in line with the uptick in total industry volume (TIV) to 70.1K (Jun-25: 54.8K). Credit card usage recorded a slightly faster growth of +9.2%yoy (Jun-25: +8.8%yoy), reflecting higher spending on smaller-ticket items. The Jul-25 OPR cut is expected to continue ease financing costs and support demand for big-ticket purchases.

Retail, wholesale, and motor vehicle sales growth picked up

Retail sales rose faster by +5.6%yoy in Jul-25 (Jun-25: +5.4%yoy), supported by stronger growth in two components: others in specialised stores (+7.6%yoy) and automotive fuel (+6.6%yoy). Slight moderations were seen for the rest including food, beverages & tobacco, non-specialised stores and information & communication equipment. Meanwhile, motor vehicle sales ticked up to +1.6%yoy (Jun-25: +0.7%yoy), thanks to higher spending for maintenance & repair for motor vehicles (+6.2%yoy) and motorcycles (+7.5%yoy). Wholesale trade sales also increased faster by +5.4%yoy (Jun-25: +5.2%yoy), supported by various categories, including household goods (+6.7%yoy), fee or contract basis (+5.5%yoy), and machinery (+5.9%yoy).

Slower retail sales across major countries

Retail sales growth in the US moderated to +3.9%yoy in Jul-25 (Jun-25: +4.4%yoy). Similarly, monthly, retail trade growth eased to +0.5%mom (Jun-25: +0.9%mom), but still points to a recovery from the declines in Apr-25 and May-25. China's consumer spending also slowed down as retail sales expanded slower at +3.7%yoy (Jun-25: +4.8%yoy), marking the weakest growth since Dec-24 and highlighting concerns about the strength of domestic demand. Similarly, retail sales were weaker in most economies, including Japan (+0.3%yoy; Jun-25: +1.9%yoy), Taiwan (-3.6%yoy; Jun-25: -2.9%yoy), and euro area (+2.2%yoy; Jun-25: +3.5%yoy). However, the growth in retail sales was higher in regional economies such as Singapore (+4.8%yoy; Jun-25: +2.4%yoy) and Vietnam (+9.2%yoy; Jun-25: +8.3%yoy) Overall, global spending is expected to soften further as tariffs may raise inflation expectations, weaken consumer confidence, and dampen future demand.

Expect retail spending to moderate in 2025.

We expect retail sales to grow by +4.6% in 2025, moderating from the +5.5% expansion in 2024. Continued growth will be supported by a resilient labour market, low & stable inflation, higher wages, the ongoing strong tourism recovery, and recent monetary policy easing. These factors are set to lift household disposable income and sustain broad-based private consumption, despite headwinds from other policy measures. While the upcoming fuel subsidy rationalisation may weigh on confidence, its overall impact on household demand is expected to remain contained. Robust domestic consumption should remain the key growth drive, cushioning against external trade uncertainties. Continued resilience in domestic spending could be a basis for upward revision to our projection, but we remain cautious that uncertainties on the external front (such as the US tariff hikes and potentially weaker external demand) could also dampen sentiment and spending among both consumers and businesses.

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

	Monthly Data							Cumulative	
	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	7MCY24	7MCY25
Distributive Trade	**148.9**	**148.3**	**154.0**	**151.7**	**154.3**	**153.0**	**156.4**	**1017.0**	**1066.8**
YoY%	4.6	5.2	5.7	4.7	4.4	4.8	5.0	6.0	4.9
MoM%	-2.1	-0.3	3.7	-1.5	1.7	-0.9	2.3		
Wholesale Trade	**66.8**	**65.8**	**67.8**	**67.3**	**68.2**	**68.3**	**70.1**	**450.4**	**474.3**
YoY%	4.9	5.8	5.7	5.5	4.7	5.2	5.4	4.8	5.3
MoM%	0.4	-1.5	3.0	-0.6	1.3	0.1	2.7		
Retail Trade	**66.1**	**65.1**	**67.0**	**66.8**	**67.1**	**67.5**	**67.0**	**440.8**	**466.6**
YoY%	8.2	5.8	6.6	4.7	4.9	5.4	5.6	6.3	5.8
MoM%	0.5	-1.6	2.9	-0.3	0.5	0.7	-0.8		
Motor Vehicles	**16.0**	**17.6**	**19.2**	**17.6**	**19.1**	**17.1**	**19.3**	**125.8**	**126.0**
YoY%	-9.1	1.5	2.3	2.1	1.2	0.7	1.6	9.3	0.1
MoM%	-19.4	10.1	9.2	-8.4	7.9	-10.2	12.6		

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

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

	Share % Total DT		MoM%		YoY%	
	2019	7M2025	Jun-25	Jul-25	Jun-25	Jul-25
Wholesale Sales (WS)	**48.1**	44.5	**0.1**	**2.7**	**5.2**	**5.4**
WS: Fee or Contract Basis	0.9	0.8	2.9	0.5	5.2	5.5
WS: Agri Raw Materials & Live Animals	3.8	4.1	5.7	-2.0	12.2	4.7
WS: Food, Beverages & Tobacco	8.8	9.1	-1.3	1.8	6.7	6.6
WS: Household Goods	9.3	9.4	-2.2	2.3	5.3	6.7
WS: Machinery, Equipment & Supplies	4.1	3.5	-1.5	7.4	3.9	5.9
WS: Others Specialised	19.9	16.3	0.8	4.1	2.8	4.0
WS: Non-Specialised	1.3	1.3	3.8	-1.3	9.0	5.8
Retail Sales (RS)	**40.5**	**43.7**	**0.7**	**-0.8**	**5.4**	**5.6**
RS: Non-Specialised Stores	13.9	16.9	1.1	-1.5	5.7	5.5
RS: Food, Beverages & Tobacco	2.3	2.8	0.9	-2.0	6.5	6.1
RS: Automotive Fuel	3.4	4.1	-0.8	1.4	6.0	6.6
RS: Information & Communication Equip	4.1	3.4	-1.4	4.7	4.1	3.3
RS: Household Equipment	5.4	5.0	-0.3	-1.1	3.8	3.6
RS: Cultural & Recreation Goods	2.2	1.9	0.9	1.2	3.4	3.0
RS: Others in Specialised Store	8.7	9.2	1.8	-2.2	5.9	7.6

RS: Stalls & Markets	0.1	0.1	0.7	0.3	5.8	5.5
RS: Not in Stores, Stalls & Markets	0.3	0.5	1.6	0.4	5.4	5.1
Motor Vehicles Sales (MVS)	**11.4**	**11.8**	-10.2	12.6	**0.7**	**1.6**
MVS: Motor Vehicle	6.1	5.9	-19.7	23.8	-2.8	-1.1
MVS: Motor Vehicle Maintenance & Repair	1.5	1.8	1.8	2.1	4.8	6.2
MVS: Motor Vehicle Parts & Accessories	2.8	3.4	0.4	0.7	3.0	2.9
MVS: Motorcycles Maintenance & Repair, Parts & Acc.	0.9	0.8	-3.8	12.9	7.1	7.5

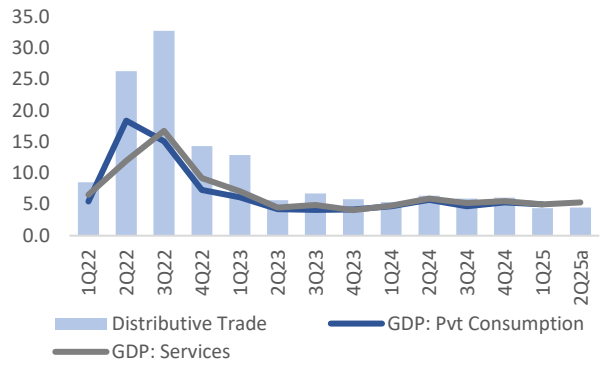
Source: DOSM, Macrobond, MBSBR

Table 3: Global Retail Sales (YoY%)

	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25
Malaysia	8.2	5.7	6.6	4.7	4.4	4.8	5.0
Indonesia	0.5	2.0	5.5	-0.3	1.9	1.3	n.a.
Singapore	4.9	-3.4	1.6	0.1	1.4	2.4	4.8
Thailand	6.0	25.5	32.5	41.9	26.4	30.5	n.a.
Vietnam	9.5	9.4	10.8	11.1	10.2	8.3	9.2
Taiwan	5.3	-3.8	0.4	-0.6	-1.4	-2.9	-3.6
China	4.0	4.0	5.9	5.1	6.4	4.8	3.7
Japan	4.4	1.3	3.1	3.5	1.9	1.9	0.3
Euro Area	1.9	2.0	2.1	2.7	2.0	3.5	2.2
US	3.9	3.1	5.2	5.2	3.3	4.4	3.9

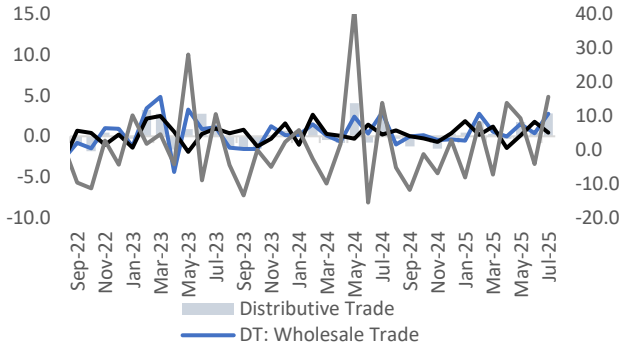
Source: DOSM, Macrobond, MBSBR

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



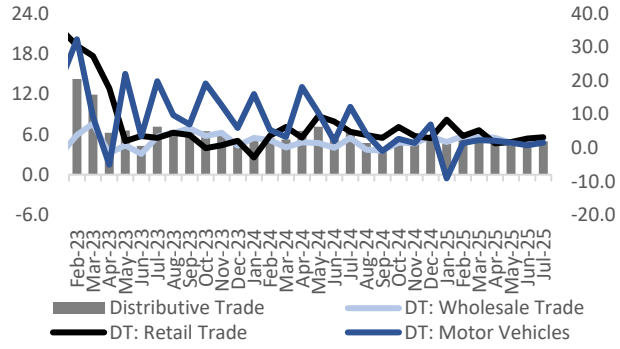
Source: Macrobond, MBSBR

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



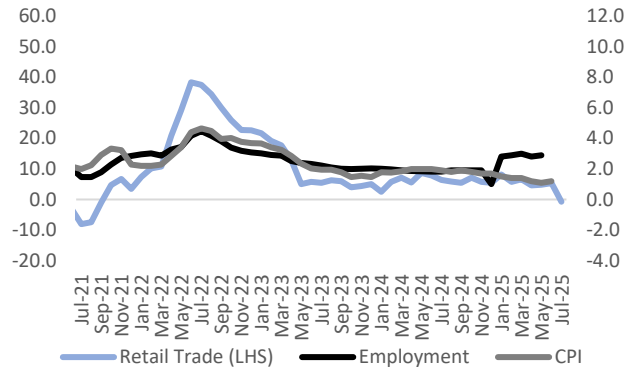
Source: Macrobond, MBSBR

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



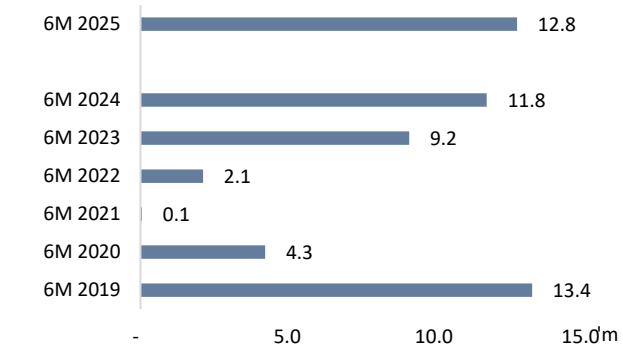
Source: Macrobond, MBSBR

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



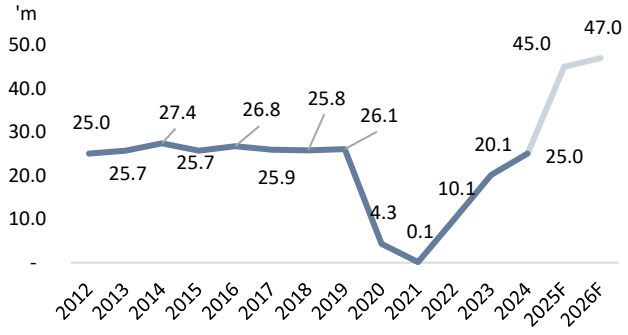
Source: Macrobond, MBSBR

Chart 5: Tourist Arrivals in Malaysia (6M2025)



Source: DOSM, MBSBR

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



Source: DOSM, MBSBR

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