Retail Spending Continued to Rise Albeit at a Slower Pace in Aug-25

Economic Review
Aug-25 Distributive Trade



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Economic Review

- Malaysia's distributive trade continued to grow albeit moderated slightly to +4.9%yoy in Aug-25 (Jul-25: +5.0%yoy), supported by the stronger expansion in the motor vehicles by +4.0%yoy (Jul-25: +1.6%yoy); but relatively slower growth in wholesale (+5.1%yoy; Jul-25: +5.4%yoy) and retail trade (+5.0%yoy; Jul-25: +5.6%yoy).
- Retail trade growth eased in Aug-25, rising by +5.0%yoy (Jul-25: +5.6%yoy), as most components recorded softer gains. Moderation was observed in food, beverages & tobacco (+5.5%yoy), automotive fuel (+5.3%yoy), household equipment (+2.6%yoy), and other specialized stores (+6.0%yoy). Slight improvements were only seen in non-specialized stores and cultural & recreational goods.
- We expect retail sales growth to moderate to +4.6% in 2025, compared to +5.5% in 2024. The continued expansion, however, will be underpinned by a resilient labour market, low and stable inflation, rising wages, robust tourism recovery, and supportive monetary policy following the OPR cut in Jul-25.

Slight moderation in distributive trade growth due to softer growth in retail and wholesale trade

Malaysia's distributive trade continued to grow albeit moderated slightly to +4.9%yoy in Aug-25 (Jul-25: +5.0%yoy), supported by the stronger expansion in the motor vehicles by +4.0%yoy (Jul-25: +1.6%yoy); but relatively slower growth in wholesale (+5.1%yoy; Jul-25: +5.4%yoy) and retail trade (+5.0%yoy; Jul-25: +5.6%yoy). The volume change in distributive trade also rose marginally slower by +4.3%yoy (Jul-25: +4.5%yoy), again due to more moderate volume growth for retail trade (+3.7%yoy) and wholesale trade (+5.3%yoy). Meanwhile, for motor vehicles, the volume change increased faster by +2.4%yoy (Jul-25: +0.2%yoy), signaling a continued recovery from declines back in Apr-25 and May-25. In 8MCY25, Malaysia's distributive trade rose softer by +4.9%yoy (8MCY24: +5.8%yoy), despite the faster expansion in the wholesale trade (+5.3%yoy; 8MCY24: +4.7%yoy). In contrast, growth in retail trade and motor vehicles sales in the same period moderated to +5.7%yoy and +0.6%yoy, respectively.

Resilient consumption outlook to anchor growth

Looking ahead, private consumption is expected to expand further, supported by a healthy labour market, characterised by higher employment and positive wage growth, particularly in domestic-oriented service sectors. In addition, low and stable inflationary pressures, together with the OPR cut in Jul-25, will provide further support to household purchasing power. The ongoing recovery in Malaysia's tourism sector, bolstered by Visit Malaysia Year 2026 (VMY2026) initiatives, is also set to stimulate spending across various services sub-sectors, including food and beverages, transport, wholesale and retail trade, and accommodation. Meanwhile, the BUDI95 fuel subsidy rationalisation is expected to have a limited impact on inflation, while the lower pump price will boost disposable income and encourage discretionary spending. Overall, resilient household spending should remain a key anchor of Malaysia's economic growth, helping to cushion external uncertainties. Nonetheless, elevated US tariffs could weigh on consumer and business sentiment, potentially leading to more cautious spending behaviour in the near term.

Tourism recovery maintains strong momentum ahead of VMY2026

In Jul-25, total tourist arrivals rose by +16.0%yoy to 2.6m (Jun-25: 2.4m). For the first seven months of 2025, cumulative arrivals grew by +10.0%yoy, reaching 15.5m (7M2024: 14.1m), underscoring the continued momentum in tourism sector recovery. Growth was primarily driven by higher arrivals from regional countries: Singapore (5.3m, +7.3%yoy), Indonesia (2.3m, +8.9%yoy), China (2.3m, +25.1%yoy), and Thailand (997k, +5.1%yoy). Long-haul markets also recorded steady gains, led by Australia (+10.6%yoy; Jun-25: +7.4%yoy) and the UK (+8.4%yoy; Jun-25: +7.8%yoy). Malaysia is targeting 45m tourist arrivals in 2025, with current performance indicating that 34% of the target has been achieved. Looking ahead to Budget 2026, the tourism uptrend is expected to bolster government revenue and domestic consumption, contributing to higher tax receipts. The government is likely to maintain strong support for Visit Malaysia Year 2026 (VMY2026) as a key national initiative to enhance tourism promotion, strengthen infrastructure and service capacity, and generate broad-based spillover benefits across hospitality, retail, transport, and cultural sectors.

BUDI95: limited inflation risk, positive income effect

Headline CPI inflation edged slightly higher to +1.3%yoy in Aug-25 (Jul-25: +1.2%yoy), while core CPI rose faster by +2.0%yoy, indicating a mild uptick in underlying price pressures. The gap between CPI and PPI inflation persisted, as PPI continued to contract by -2.8%yoy (Jul-25: -3.8%yoy), marking the sixth consecutive month of deflation, albeit at the slowest pace since April 2025. Looking ahead, inflation is expected to trend higher in the coming months, underpinned by rising cost pressures and policy adjustments, including the expanded Sales and Service Tax (SST). Stronger domestic demand, supported by cash handouts and fiscal incentives, may add to price pressures. However, the BUDI95 fuel subsidy for Malaysian citizens is likely to have a limited impact on overall inflation; non-citizens only account for about 40% of total RON95 users, while Malaysian citizens continue to benefit from the lower subsidised fuel price. The reduced pump price effectively increases household disposable income, thereby supporting purchasing power and potentially boosting discretionary spending across the broader economy.

Household credit growth moderates amid softer loan demand

In Aug-25, outstanding loans for personal use and property purchases grew at a softer pace of +2.5%yoy (Jul-25: +3.3%yoy) and +6.2%yoy (Jul-25: +6.2%yoy), respectively, indicating a moderation in household financing demand. Meanwhile, vehicle loans expanded by +7.2%yoy (Jul-25: +7.3%yoy), remaining broadly stable. Consistent with this, Malaysia's new vehicle sales rose by +0.6%yoy to 73.1K units in Aug-25 (Aug-24: 72.6K units). Credit card spending continued to rise, up by +9.4%yoy (Jul-25: +9.2%yoy), suggesting stronger consumption on smaller-ticket items and improved consumer sentiment. The Jul-25 OPR cut is expected to further ease financing charges and potentially support demand for big-ticket purchases in the coming months.

Softer retail momentum, but motor vehicle sales rebound

Retail trade growth eased in Aug-25, rising by +5.0%yoy (Jul-25: +5.6%yoy), as most components recorded softer gains. Moderation was observed in food, beverages & tobacco (+5.5%yoy), automotive fuel (+5.3%yoy), household equipment (+2.6%yoy), and other specialized stores (+6.0%yoy). Slight improvements were only seen in non-specialized stores and cultural & recreational goods. Meanwhile, motor vehicle sales rebounded by +4.0%yoy (Jul-25: +1.6%yoy), supported by stronger spending on motor vehicles (+4.2%yoy) and maintenance & repair of motorcycles (+7.8%yoy). In contrast, wholesale trade growth moderated to +5.1%yoy (Jul-25: +5.4%yoy), with slower momentum across key segments such as food, beverages & tobacco (+5.4%yoy), fee or contract-based activities (+4.9%yoy), and machinery, equipment & supplies (+4.9%yoy). Nonetheless, higher growth was recorded in other specialized industries, particularly non-specialized trades, agricultural raw materials, and live animals.

Sustained and mixed performance in global retail sales amid weakening sentiment in selected countries

In the US, retail sales grew faster by +5.0%yoy in Aug-25 (Jul-25: +4.1%yoy). On a monthly basis, growth was unchanged at +0.5%mom, still indicating a sustained expansion in consumer spending. In China, consumer spending softened slightly, rising at +3.4%yoy (Jul-25: +3.7%yoy), the slowest pace since Nov-24 and reflecting waning momentum in domestic demand as the boost from the consumer trade-in programme began to fade. Elsewhere, retail sales weakened in Japan (-1.1%yoy; Jul-25: +0.4%yoy) and euro area (+2.2%yoy; Jul-25: +3.5%yoy), while several ASEAN economies recorded stronger performance. Singapore's retail sales rose +5.2%yoy (Jul-25: +4.6%yoy) and Vietnam's accelerated to +10.6%yoy (Jul-25: +9.2%yoy). In contrast, Indonesia saw a moderation to +3.5%yoy (Jul-25: +4.7%yoy). Overall, global consumer spending may soften in the coming months, as tariff-related inflation risks and weaker confidence could dampen future demand.

Expect retail spending to moderate in 2025.

We expect retail sales growth to moderate to +4.6% in 2025, compared to +5.5% in 2024. The continued expansion, however, will be underpinned by a resilient labour market, low and stable inflation, rising wages, robust tourism recovery, and supportive monetary policy following the OPR cut in Jul-25. These factors are expected to lift household disposable income and sustain broad-based private consumption, despite some drag from policy adjustments. Meanwhile, the BUDI95 fuel subsidy rationalisation is anticipated to have a limited impact on inflation, while the lower pump price should boost disposable income and encourage discretionary spending. Overall, robust domestic consumption will likely remain the key growth driver, cushioning the economy against external trade uncertainties. While sustained resilience in household spending could warrant an upward revision to our outlook, we remain cautious of downside risks stemming from higher US tariffs and potentially weaker external demand, which could weigh on both consumer and business sentiment.

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

	Monthly Data							Cumulative	
	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	8MCY24	8MCY25
Distributive Trade	**148.3**	**154.0**	**151.7**	**154.3**	**153.0**	**156.4**	**156.6**	**1166.2**	**1223.4**
YoY%	5.2	5.7	4.7	4.4	4.8	5.0	4.9	5.8	4.9
MoM%	(0.3)	3.7	(1.5)	1.7	(0.9)	2.3	0.1		
Wholesale Trade	**65.8**	**67.8**	**67.3**	**68.2**	**68.3**	**70.1**	**69.6**	**516.6**	**543.9**
YoY%	5.8	5.7	5.5	4.7	5.2	5.4	5.1	4.7	5.3
MoM%	(1.5)	3.0	(0.6)	1.3	0.1	2.7	(0.7)		
Retail Trade	**65.1**	**67.0**	**66.8**	**67.1**	**67.5**	**67.0**	**67.3**	**504.9**	**533.9**
YoY%	5.8	6.6	4.7	4.9	5.4	5.6	5.0	6.2	5.7
MoM%	(1.6)	2.9	(0.3)	0.5	0.7	(0.8)	0.5		
Motor Vehicles	**17.6**	**19.2**	**17.6**	**19.1**	**17.1**	**19.3**	**19.6**	**144.7**	**145.6**
YoY%	1.5	2.3	2.1	1.2	0.7	1.6	4.0	8.6	0.6
MoM%	10.1	9.2	(8.4)	7.9	(10.2)	12.6	1.7		

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

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

	Share % Total DT		MoM%		YoY%	
	2019	8M2025	Jul-25	Aug-25	Jul-25	Aug-25
Wholesale Sales (WS)	**48.1**	**44.5**	**2.7**	**(0.7)**	**5.4**	**5.1**
WS: Fee or Contract Basis	0.9	0.8	0.5	(1.2)	5.5	4.9
WS: Agri Raw Materials & Live Animals	3.8	4.1	(2.0)	0.2	4.7	5.2
WS: Food, Beverages & Tobacco	8.8	9.1	1.8	(2.0)	6.6	5.4
WS: Household Goods	9.3	9.4	2.3	(0.4)	6.7	5.4
WS: Machinery, Equipment & Supplies	4.1	3.6	7.4	(2.6)	5.9	4.9
WS: Others Specialised	19.9	16.3	4.1	0.2	4.0	4.8
WS: Non-Specialised	1.3	1.3	(1.3)	(2.2)	5.8	6.1
Retail Sales (RS)	**40.5**	**43.6**	**(0.8)**	**0.5**	**5.6**	**5.0**
RS: Non-Specialised Stores	13.9	16.8	(1.5)	1.5	5.5	5.6
RS: Food, Beverages & Tobacco	2.3	2.8	(2.0)	0.7	6.1	5.5
RS: Automotive Fuel	3.4	4.0	1.4	(0.6)	6.6	5.3
RS: Information & Communication Equip	4.1	3.4	4.7	(0.7)	3.3	3.1
RS: Household Equipment	5.4	5.0	(1.1)	(1.4)	3.6	2.6
RS: Cultural & Recreation Goods	2.2	1.9	1.2	1.9	3.0	3.1
RS: Others in Specialised Store	8.7	9.2	(2.2)	0.1	7.6	6.0
RS: Stalls & Markets	0.1	0.1	0.3	0.4	5.5	5.2
RS: Not in Stores, Stalls & Markets	0.3	0.5	0.4	1.5	5.1	5.0
Motor Vehicles Sales (MVS)	**11.4**	**11.9**	**12.6**	**1.7**	**1.6**	**4.0**
MVS: Motor Vehicle	6.1	6.0	23.8	4.1	(1.1)	4.2
MVS: Motor Vehicle Maintenance & Repair	1.5	1.8	2.1	(0.5)	6.2	5.2
MVS: Motor Vehicle Parts & Accessories	2.8	3.4	0.7	(0.2)	2.9	2.0
MVS: Motorcycles Maintenance & Repair, Parts & Acc.	0.9	0.8	12.9	(3.6)	7.5	7.8

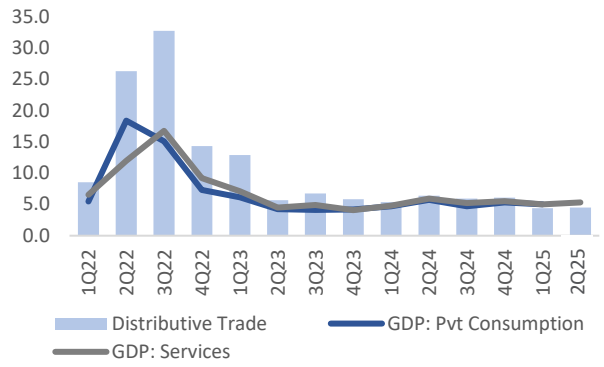
Source: DOSM, Macrobond, MBSBR

Table 3: Global Retail Sales (YoY%)

	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25
Malaysia	5.7	6.6	4.7	4.4	4.8	5.0	5.0
Indonesia	2.0	5.5	-0.3	1.9	1.3	4.7	3.5
Singapore	(3.4)	1.6	0.1	1.4	2.4	4.6	5.2
Thailand	25.5	32.5	41.9	26.5	30.7	7.3	n.a.
Vietnam	9.4	10.8	11.1	10.2	8.3	9.2	10.6
Taiwan	(3.8)	0.4	(0.6)	(1.4)	(2.9)	(3.6)	0.4
China	4.0	5.9	5.1	6.4	4.8	3.7	3.4
Japan	1.3	3.1	3.5	1.9	1.9	0.4	(1.1)
Euro Area	2.0	2.1	2.7	2.0	3.5	2.1	1.0
US	3.1	5.2	5.2	3.3	4.4	4.1	5.0

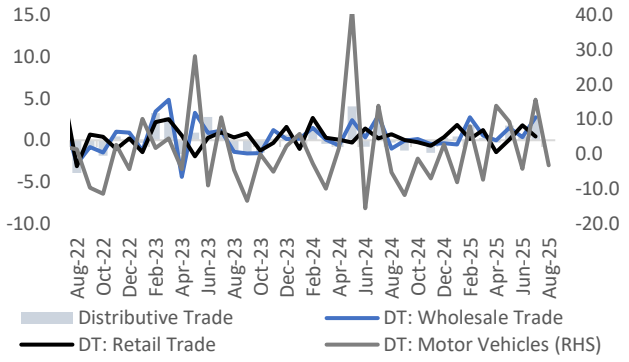
Source: DOSM, Macrobond, MBSBR

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



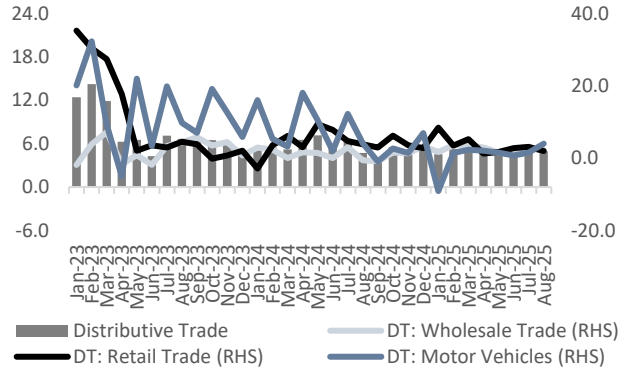
Source: Macrobond, MBSBR

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



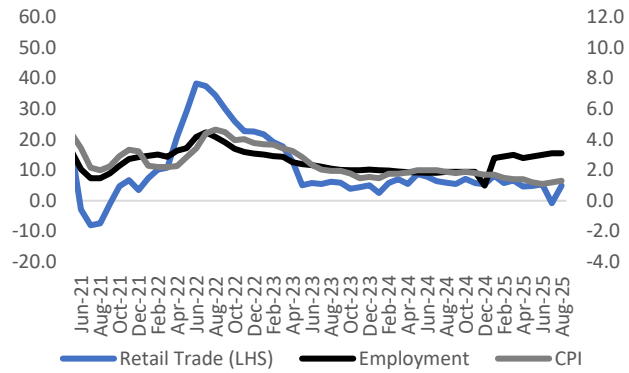
Source: Macrobond, MBSBR

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



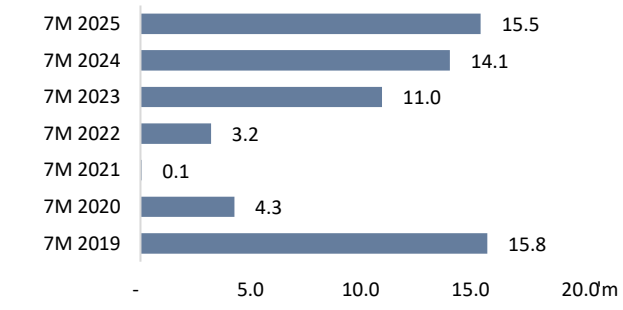
Source: Macrobond, MBSBR

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



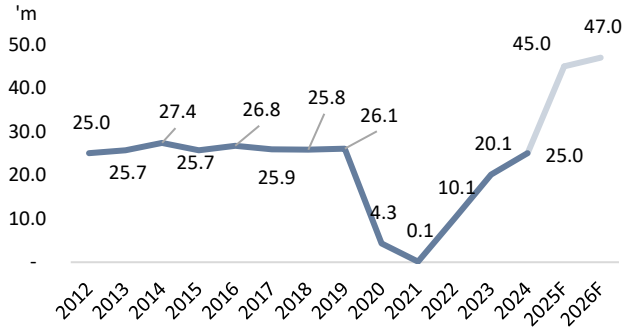
Source: Macrobond, MBSBR

Chart 5: Tourist Arrivals in Malaysia (7M2025)



Source: DOSM, MBSBR

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



Source: DOSM, MBSBR

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