Retail Spending Strengthened in Sep-25, Signalling Firmer Demand

Economic Review
Sep-25 Distributive Trade



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- Malaysia's distributive trade accelerated to +6.6%yoy in Sep-25 (Aug-25: +4.9%yoy), supported by the stronger expansion in all segments, including wholesale trade (+6.9%yoy; Aug-25: +5.1%yoy) and retail trade (+7.0%yoy; Aug-25: +5.0%yoy) and motor vehicles (+4.3%yoy; Aug-25: +4.0%yoy).
- Retail trade surged by +7.0%yoy in Sep-25 (Aug-25: +5.6%yoy), supported by broad-based gains across key components, including food, beverages & tobacco (+6.2%yoy), automotive fuel (+7.0%yoy), information & communication equipment (+4.2%yoy), non-specialised stores (+9.9%yoy), and retail trade not in stores, stalls, or markets (+9.2%yoy).
- Retail sales growth is expected to moderate to +4.6% in 2025, from +5.5% in 2024, supported by a resilient labour market, low inflation, rising wages, and a robust tourism recovery, all boosting household disposable income and sustaining private consumption.

Wholesale and retail trade drive stronger distributive trade expansion in Sep-25

Malaysia's distributive trade accelerated to +6.6%yoy in Sep-25 (Aug-25: +4.9%yoy), supported by the stronger expansion in all segments, including wholesale trade (+6.9%yoy; Aug-25: +5.1%yoy) and retail trade (+7.0%yoy; Aug-25: +5.0%yoy) and motor vehicles (+4.3%yoy; Aug-25: +4.0%yoy). The volume change in distributive trade also rose faster by +5.4%yoy (Aug-25: +4.3%yoy), again due to higher volume growth for retail trade (+4.8%yoy) and wholesale trade (+6.6%yoy) and motor vehicles (+3.3%yoy). In 9MCY25, Malaysia's distributive trade expanded slightly slower at +5.1%yoy (9MCY24: +5.6%yoy), supported by stronger growth in wholesale trade, which rose +5.5%yoy (9MCY24: +4.5%yoy). In contrast, growth in retail trade and motor vehicle sales moderated to +5.9%yoy and +1.0%yoy, respectively.

Private consumption remains key anchor for growth

Looking ahead, private consumption is expected to grow, supported by a resilient labour market, positive wage growth in domestic-oriented services, and low, stable inflation that preserves household purchasing power. The ongoing tourism recovery ahead of Visit Malaysia Year 2026 (VMY2026) and the recent BUDI95 fuel subsidy rationalisation which lowered subsidised pump prices are likely to boost discretionary spending across services, retail, and accommodation. The conclusion of the Agreement on Reciprocal Trade (ART) with the US could also bolster consumer sentiment and business confidence especially in the export-oriented sectors. Overall, resilient household consumption is expected to remain a key anchor of Malaysia's economic growth. However, fiscal consolidation and targeted subsidy adjustments on essentials such as sugar, rice, and cooking oil may temper near-term sentiment and consumption.

Tourism recovery sustains momentum ahead of Visit Malaysia Year 2026

In Aug-25, tourist arrivals dipped slightly by -3.5%yoy to 2.3m (Jul-25: 2.6m). However, cumulative arrivals for the first eight months of 2025 rose +8.0%yoy to 17.8m (8M2024: 16.5m), underscoring continued recovery in the tourism sector. Growth was mainly supported by travelers from regional markets, Singapore (6.0m; +4.7%yoy), Indonesia (2.6m; +7.0%yoy), China (2.8m; +22.2%yoy), and Thailand (1.1m; +5.2%yoy), while long-haul arrivals from Australia (263K; +9.8%yoy) and the UK (261K; +8.5%yoy) also strengthened. With 63% of the 2025 target of 45m visitors already achieved (8M2025: 28m), Malaysia remains on track to meet its goal. Looking ahead, the tourism outlook is upbeat, supported by Visit Malaysia Year 2026 (VM2026) initiatives and Budget 2026 allocations aimed at boosting promotion, infrastructure, and private sector participation to spur growth across hospitality, retail, transport, and cultural segments.

Mild inflation uptick amid easing PPI deflation and policy support

Overall inflation remained mild despite accelerating slightly. The headline CPI inflation edged up to +1.5%yoy in Sep-25 (Aug-25: +1.3%yoy), while core CPI rose slightly faster by +2.1%yoy (Aug-25: +2.0%yoy), reflecting a mild and gradual pickup in underlying price pressures. The gap between CPI and PPI inflation narrowed as PPI deflated at a slower pace of -0.8%yoy (Aug-25: -2.8%yoy), marking the seventh consecutive month of contraction but at the slowest pace since Mar-25. The impact of recent policy measures, including the expansion of Sales and Service Tax (SST), has so far been more moderate than initially anticipated. Looking ahead, inflation is expected to trend higher towards year-end, driven by stronger domestic demand supported by cash handouts and fiscal incentives. Although the BUDI95 fuel subsidy for Malaysian citizens poses limited inflation risk, lower pump prices effectively raise household disposable income, sustaining purchasing power and boosting discretionary spending across the economy.

Household financing and consumer spending show signs of moderation

In Sep-25, outstanding loans for personal use and property purchases grew at a slower pace of +1.5%yoy (Aug-25: +2.5%yoy) and +6.1%yoy (Aug-25: +6.2%yoy), respectively, reflecting a moderation in household financing demand. Vehicle loans also expanded more modestly by +7.0%yoy (Aug-25: +7.2%yoy), remaining broadly stable. Meanwhile, new vehicle sales in Malaysia edged up slightly by +0.2%yoy to 58.5K units (Aug-25: 74.5K units). Credit card spending rose at a more moderate +8.0%yoy (Aug-25: +9.4%yoy), indicating slower consumption on smaller-ticket items and a more cautious consumer sentiment.

Retail and wholesale trade accelerated, driven by broad-based gains

Retail trade surged by +7.0%yoy in Sep-25 (Aug-25: +5.6%yoy), supported by broad-based gains across key components, including food, beverages & tobacco (+6.2%yoy), automotive fuel (+7.0%yoy), information & communication equipment (+4.2%yoy), non-specialised stores (+9.9%yoy), and retail trade not in stores, stalls, or markets (+9.2%yoy). Motor vehicle sales also rose modestly by +4.3%yoy (Aug-25: +4.0%yoy), underpinned by higher spending on parts & accessories (+6.7%yoy) and motorcycle maintenance & repair (+9.6%yoy). Wholesale trade accelerated to +6.9%yoy (Aug-25: +5.1%yoy), with strong momentum in food, beverages & tobacco (+7.2%yoy), fee or contract-based activities (+5.8%yoy), household goods (+8.2%yoy), machinery, equipment & supplies (+7.0%yoy), and agricultural raw materials & live animals (+9.3%yoy).

Global consumer spending mixed ahead of year-end amid weak sentiment and tariff risks

US consumer spending outlook remains soft, with retailers and hospitality firms hiring the fewest seasonal workers in over a decade amid tariffs and a slowing labor market. Supporting this, the University of Michigan's consumer sentiment index dropped to 50.3 in Nov-25 (Oct-25: 53.6), the lowest since Jun-22. In China, consumer spending softened further to +3.0%yoy (Jul-25: +3.7%yoy), remaining art the slowest pace since Nov-24 and reflecting subdued domestic demand as the boost from the trade-in programme began to fade. Elsewhere, retail sales weakened in Taiwan (-2.2%yoy; Aug-25: +0.4%yoy), euro area (+1.0%yoy; Aug-25: +1.6%yoy), and Singapore (+2.8%yoy; Aug-25: +5.3%yoy). However, stronger consumption was recorded in Indonesia (+3.7%yoy; Aug-25: +3.5%yoy), Vietnam (+11.3%yoy; Aug-25: +10.6%yoy) and Japan (+0.5%yoy; Aug-25: -0.9%yoy). Overall, global consumer spending may rise slightly during the year-end holiday season, though tariff-related inflation risks and softer confidence could weigh on future demand.

Retail sales growth is expected to moderate to +4.6% in 2025, from +5.5% in 2024, supported by a resilient labour market, low inflation, rising wages, and a robust tourism recovery, all boosting household disposable income and sustaining private consumption. The BUDI95 fuel subsidy rationalisation, which lowered pump prices, should further encourage discretionary spending. However, fiscal consolidation and phased adjustments to targeted subsidies on essentials such as sugar, rice, and cooking oil may temper near-term spending. Overall, domestic consumption is likely to remain the key growth driver, cushioning the economy against external trade uncertainties, though downside risks persist from possible US tariffs on semiconductors and potentially weaker external demand.

Expect retail spending to moderate in 2025.

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

	Monthly Data							Cumulative	
	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	9MCY24	9MCY25
Distributive Trade	**154.0**	**151.7**	**154.3**	**153.0**	**156.4**	**156.6**	**158.0**	**1314.4**	**1381.4**
YoY%	5.7	4.7	4.4	4.8	5.0	4.9	6.6	5.6	5.1
MoM%	3.7	(1.5)	1.7	(0.9)	2.3	0.1	0.9		
Wholesale Trade	**67.8**	**67.3**	**68.2**	**68.3**	**70.1**	**69.6**	**71.1**	**583.1**	**615.0**
YoY%	5.7	5.5	4.7	5.2	5.4	5.1	6.9	4.5	5.5
MoM%	3.0	(0.6)	1.3	0.1	2.7	(0.7)	2.0		
Retail Trade	**67.0**	**66.8**	**67.1**	**67.5**	**67.0**	**67.3**	**68.9**	**569.3**	**602.8**
YoY%	6.6	4.7	4.9	5.4	5.6	5.0	7.0	6.1	5.9
MoM%	2.9	(0.3)	0.5	0.7	(0.8)	0.5	2.4		
Motor Vehicles	**19.2**	**17.6**	**19.1**	**17.1**	**19.3**	**19.6**	**18.0**	**162.0**	**163.7**
YoY%	2.3	2.1	1.2	0.7	1.6	4.0	4.3	7.5	1.0
MoM%	9.2	(8.4)	7.9	(10.2)	12.6	1.7	(8.0)		

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

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

	Share % Total DT		MoM%		YoY%	
	2019	9M2025	Aug-25	Sep-25	Aug-25	Sep-25
Wholesale Sales (WS)	**48.1**	**44.5**	**(0.7)**	**2.0**	**5.1**	**6.9**
WS: Fee or Contract Basis	0.9	0.8	(1.2)	1.1	4.9	5.8
WS: Agri Raw Materials & Live Animals	3.8	4.1	0.2	3.7	5.2	9.3
WS: Food, Beverages & Tobacco	8.8	9.1	(2.0)	2.9	5.4	7.2
WS: Household Goods	9.3	9.4	(0.4)	3.0	5.4	8.2
WS: Machinery, Equipment & Supplies	4.1	3.6	(2.6)	6.0	4.9	7.0
WS: Others Specialised	19.9	16.3	0.2	-0.2	4.8	5.4
WS: Non-Specialised	1.3	1.3	(2.2)	1.9	6.1	7.2
Retail Sales (RS)	**40.5**	**43.6**	**0.5**	**2.4**	**5.0**	**7.0**
RS: Non-Specialised Stores	13.9	16.9	1.5	3.5	5.6	9.9
RS: Food, Beverages & Tobacco	2.3	2.8	0.7	1.8	5.5	6.2
RS: Automotive Fuel	3.4	4.0	(0.6)	1.1	5.3	7.0
RS: Information & Communication Equip	4.1	3.4	(0.7)	2.1	3.1	4.2
RS: Household Equipment	5.4	4.9	(1.4)	1.8	2.6	2.5
RS: Cultural & Recreation Goods	2.2	1.9	1.9	1.8	3.1	4.6
RS: Others in Specialised Store	8.7	9.2	0.1	1.4	6.0	5.8
RS: Stalls & Markets	0.1	0.1	0.4	1.2	5.2	5.3
RS: Not in Stores, Stalls & Markets	0.3	0.5	1.5	1.7	5.0	9.2
Motor Vehicles Sales (MVS)	**11.4**	**11.8**	**1.7**	**-8.0**	**4.0**	**4.3**

MVS: Motor Vehicle	6.1	5.9	4.1	-16.2	4.2	1.9
MVS: Motor Vehicle Maintenance & Repair	1.5	1.8	(0.5)	2.8	5.2	9.6
MVS: Motor Vehicle Parts & Accessories	2.8	3.4	(0.2)	3.3	2.0	6.7
MVS: Motorcycles Maintenance & Repair, Parts & Acc.	0.9	0.8	(3.6)	-12.3	7.8	-0.3

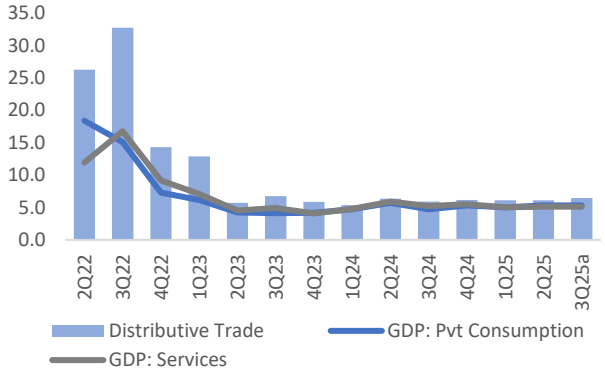
Source: DOSM, Macrobond, MBSBR

Table 3: Global Retail Sales (YoY%)

	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25
Malaysia	6.6	4.7	4.9	5.4	5.6	5.0	7.0
Indonesia	5.5	-0.3	1.9	1.3	4.7	3.5	3.7
Singapore	1.6	0.1	1.4	2.4	4.6	5.3	2.8
Thailand	32.5	41.9	26.5	30.7	7.7	-5.6	n.a.
Vietnam	10.8	11.1	10.2	8.3	9.2	10.6	11.3
Taiwan	0.4	(0.6)	(1.4)	(2.9)	(3.6)	0.4	(2.2)
China	5.9	5.1	6.4	4.8	3.7	3.4	3.0
Japan	3.1	3.5	1.9	1.9	0.4	(0.9)	0.5
Euro Area	2.1	2.7	2.0	3.6	2.4	1.6	1.0
US	5.2	5.2	3.3	4.4	4.1	5.0	n.a.

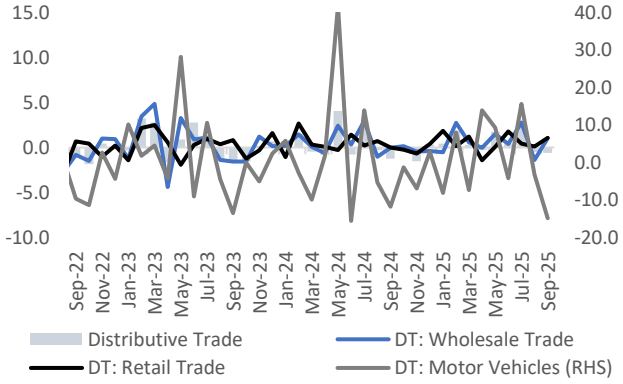
Source: DOSM, Macrobond, MBSBR

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



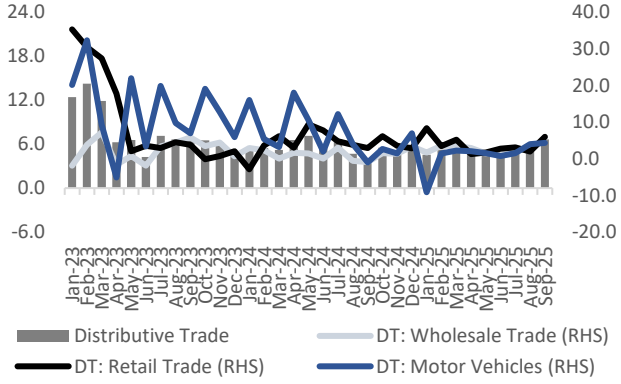
a: Advance estimates
Source: Macrobond, MBSBR

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



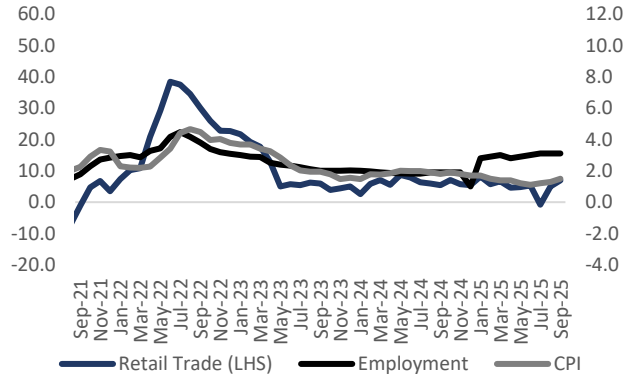
Source: Macrobond, MBSBR

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



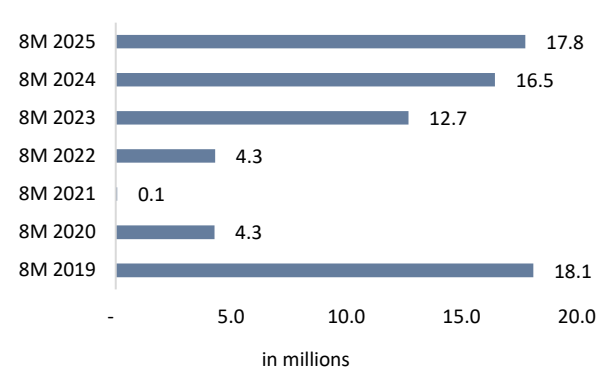
Source: Macrobond, MBSBR

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



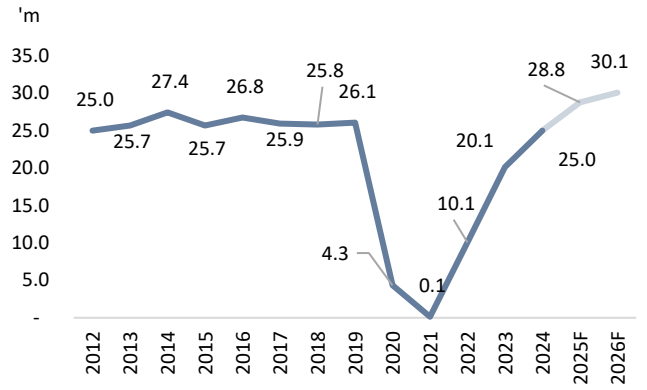
Source: Macrobond, MBSBR

Chart 5: Tourist Arrivals in Malaysia (8M2025)



Source: DOSM, MBSBR

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



Note: 2025f and 2026f refer to MBSB estimates
Source: DOSM, MBSBR

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