Resilient Retail Spending, but Middle East Tensions May Dampen Sentiment

Economic Review
Jan-26 Distributive Trade



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Economic Review

- Malaysia's distributive trade growth rose at a steady pace of +7.3%yoy in Jan-26 (Dec-25: +7.6%yoy), with resilient expansion across all major segments, including motor vehicles (+17.3%yoy; Dec-25: +12.2%yoy), retail trade (+6.1%yoy; Dec-25: +6.9%yoy), and wholesale trade (+6.0%yoy ;Dec-25: +6.9%yoy; Nov -25: +6.0%yoy).
- Retail trade remains resilient, though expanding at a slightly softer pace of +6.1%yoy (Dec-25: +6.9%yoy), within our expectations, with steady expansion recorded in retail trade not conducted in stores, stalls, or markets (+9.0%yoy), non-specialised stores (+7.9%yoy), and retail sale of automotive fuel in specialised stores (+7.0%yoy).
- Looking ahead, we anticipate retail sales will remain resilient at +6.0% for the year (2025: +6.1%). Consumption is expected to strengthen in 1QCY26, bolstered by the Chinese New Year and Hari Raya festivities, increased disposable income from SSPA Phase 2 salary adjustments, and government cash transfers. However, a challenging inflation outlook, as energy costs filter through transportation and logistics, may eventually temper consumer sentiment.

Still steady distributive trade growth

Malaysia's distributive trade growth rose at a steady pace of +7.3%yoy in Jan-26 (Dec-25: +7.6%yoy), with resilient expansion across all major segments, including motor vehicles (+17.3%yoy; Dec-25: +12.2%yoy), retail trade (+6.1%yoy; Dec-25: +6.9%yoy), and wholesale trade (+6.0%yoy ;Dec-25: +6.9%yoy; Nov -25: +6.0%yoy). Volume growth for the distributive trade held at +5.8%yoy (Dec-25: +6.4%yoy), driven by motor vehicles (+15.9%yoy), retail (+3.7%yoy), and wholesale (+6.1%yoy).

Domestic demand poised to stay resilient

Looking ahead, we anticipate retail sales will remain resilient at +6.0% for the year (2025: +6.1%). Consumption is expected to strengthen in 1QCY26, bolstered by the Chinese New Year and Hari Raya festivities, increased disposable income from SSPA Phase 2 salary adjustments, and government cash transfers, including the Phase 2 Sumbangan Tunai Rahmah (STR) payments in March 2026. Malaysia's domestic engine remains a primary pillar of growth, supported by a healthy labour market, wage gains, stable inflation, and a tourism recovery ahead of Visit Malaysia Year 2026 (VMY2026). While there could be some negative impacts from the Middle Eastern tensions, the tourism sector remains resilient due to its lower reliance on long-haul travellers. However, a challenging inflation outlook, as energy costs filter through transportation and logistics, may eventually temper consumer sentiment. Given these uncertainties, the government may pause fiscal consolidation and targeted subsidy adjustments on essentials to limit inflation impact.

Retail, wholesale and motor vehicles sales momentum still intact

Retail trade remains resilient, though expanding at a slightly softer pace of +6.1%yoy (Dec-25: +6.9%yoy), within our expectations, with steady expansion recorded in retail trade not conducted in stores, stalls, or markets (+9.0%yoy), non-specialised stores (+7.9%yoy), and retail sale of automotive fuel in specialised stores (+7.0%yoy). Meanwhile, motor vehicle sales accelerated by +17.3%yoy (Dec-25: +12.2%yoy), mainly attributable to the spending on maintenance & repair of motorcycles and component (+32.7%yoy) and motor vehicles (+25.9%yoy). Wholesale trade rose expanded at a marginally slower rate of +6.1%yoy (Dec-

25: +6.9%yoy), underpinned by resilient momentum of wholesale of agricultural raw materials & live animals (+9.4%yoy), household goods (+7.7%yoy), fee or contract basis (+7.0%yoy).

Malaysia tops ASEAN tourism rankings in 2025

In 2025, Malaysia recorded 42.2m visitors, marking a +11.2% year-on-year increase (2024: +31.1%; 38.0m). Tourist arrivals, which represent 63.1% of all foreign visitors, grew by +6.4% to reach 26.6m (2024: +24.0%; 25.0m). Despite this moderation in growth, arrivals have now surpassed the pre-pandemic peak of 26.1m recorded in 2019, signaling a return to a normalized trend. Singapore remains the top source market with 21.1m, followed by China (4.6m), Indonesia (4.3m), and Thailand (2.5m). Notably, arrivals from China surged by +20.6% compared to 2024 and +40.0% compared to 2019, exceeding the 3.3m pre-pandemic benchmark. Regionally, Malaysia outperformed its ASEAN neighbors, surpassing Thailand (32m) and Indonesia (15.4m) in total foreign visitors. Domestic tourism remains a vital pillar; from Jan-September 2025, Malaysia recorded 216.1m (2024: 260.1m) domestic visitors with receipts reaching RM88.4b (2024: 106.8b).

Challenging outlook for inflation

The headline CPI inflation rose by +1.6%yoy in Jan-26, unchanged from the previous month while similarly, core CPI rose at previous month's pace of +2.3%yoy. The gap between CPI and PPI inflation widened as PPI deflated at a sharper pace of -2.9%yoy (Dec-25: -2.7%yoy). On the price outlook, energy prices are projected to rise as the Iran conflict drives a surge in commodity markets. Higher oil prices may complicate the inflation outlook, as energy costs typically filter through transportation, shipping, and various consumer goods. Sustained crude gains can inflate headline inflation even if underlying pressures are stable; the spikes in oil prices are likely temporary and should abate once geopolitical tensions cool. Hence, we continue to anticipate a potential mild uptick in inflation to +1.8% in 2026 (2025: +1.4%yoy), which should remain broadly supportive of household consumption and domestic demand.

Sustained global retail sales growth

US retail sales rose +3.2%yoy in Jan-26 (Dec-25: +2.4%yoy), though the monthly reading edged down by -0.2% mom due to weaker auto dealer sales amid winter weather disruptions. Similarly, the Euro area saw retail sales tick up to +2.0%yoy (Dec-25: +1.8%yoy), driven by resilient non-food demand despite localized monthly dips. Performance across Asia was mixed: solid growth was recorded in Vietnam (+9.3%yoy), Indonesia (+5.7%yoy), and Japan (+1.8%yoy), while Singapore (-0.4%yoy) and Taiwan (-3.4%yoy) saw contractions. Overall, while global spending remains sustained, escalating Middle Eastern tensions, and the resulting spike in oil prices, could trigger an inflationary uptick that may soften near-term consumption.

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

	Monthly Data							Cumulative	
	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	2024	2025
Distributive Trade	**156.4**	**156.6**	**158.0**	**160.9**	**158.9**	**163.7**	**159.8**	**1766.0**	**1865.0**
YoY%	5.0	4.9	6.6	7.2	6.4	7.6	7.3	5.5	5.6
MoM%	2.3	0.1	0.9	1.8	(1.2)	3.0	(2.4)		
Wholesale Trade	**70.1**	**69.6**	**71.1**	**71.2**	**70.1**	**71.1**	**70.8**	**782.1**	**827.4**
YoY%	5.4	5.1	6.9	7.3	6.0	6.9	6.0	4.7	5.8
MoM%	2.7	(0.7)	2.0	0.2	(1.4)	1.3	(0.4)		
Retail Trade	**67.0**	**67.3**	**68.9**	**69.3**	**69.1**	**70.4**	**70.2**	**764.9**	**811.5**
YoY%	5.6	5.0	7.0	6.8	6.4	6.9	6.1	6.1	6.1
MoM%	(0.8)	0.5	2.4	0.6	(0.4)	2.0	(0.3)		
Motor Vehicles	**19.3**	**19.6**	**18.0**	**20.4**	**19.8**	**22.3**	**18.8**	**219.1**	**226.1**
YoY%	1.6	4.0	4.3	8.2	8.0	12.2	17.3	6.5	3.2
MoM%	12.6	1.7	(8.0)	13.1	(-3.0)	12.6	(15.7)		

Source: Macrobond, MBSBR

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

	Share % Total DT		MoM%		YoY%	
	2019	2025	Dec-25	Jan-26	Dec-25	Jan-26
Wholesale Sales (WS)	**48.1**	**44.5**	**1.3**	**-0.4**	**6.9**	**6.0**
WS: Fee or Contract Basis	0.9	0.8	3.6	-3.2	4.2	5.3
WS: Agri Raw Materials & Live Animals	3.8	4.1	5.1	-8.6	4.6	6.4
WS: Food, Beverages & Tobacco	8.8	9.0	1.7	4.1	7.1	5.8
WS: Household Goods	9.3	9.4	-1.6	3.2	9.2	9.4
WS: Machinery, Equipment & Supplies	4.1	3.6	4.0	-4.1	10.8	5.7
WS: Others Specialised	19.9	16.3	1.2	-1.6	5.5	4.3
WS: Non-Specialised	1.3	1.3	0.3	-1.2	5.2	5.6
Retail Sales (RS)	**40.5**	**43.6**	**2.0**	**-0.3**	**6.9**	**6.1**
RS: Non-Specialised Stores	13.9	16.9	2.2	0.2	9.3	7.9
RS: Food, Beverages & Tobacco	2.3	2.8	1.5	0.7	6.5	5.6
RS: Automotive Fuel	3.4	4.0	2.0	0.3	7.4	7.0
RS: Information & Communication Equip	4.1	3.4	0.6	-1.3	5.9	3.9
RS: Household Equipment	5.4	4.9	1.7	-0.9	3.1	3.3
RS: Cultural & Recreation Goods	2.2	1.9	1.3	1.4	3.9	4.2
RS: Others in Specialised Store	8.7	9.1	2.5	-1.5	5.6	5.4
RS: Stalls & Markets	0.1	0.1	1.7	1.6	5.9	6.2
RS: Not in Stores, Stalls & Markets	0.3	0.5	1.4	1.3	9.1	9.0
Motor Vehicles Sales (MVS)	**11.4**	**12.0**	**12.6**	**-15.7**	**12.2**	**17.3**
MVS: Motor Vehicle	6.1	6.0	20.5	-28.0	15.7	25.9
MVS: Motor Vehicle Maintenance & Repair	1.5	1.8	3.4	-2.5	9.7	9.3
MVS: Motor Vehicle Parts & Accessories	2.8	3.4	3.7	-2.2	6.6	6.2
MVS: Motorcycles Maintenance & Repair, Parts & Acc.	0.9	0.8	5.6	15.9	10.9	32.7

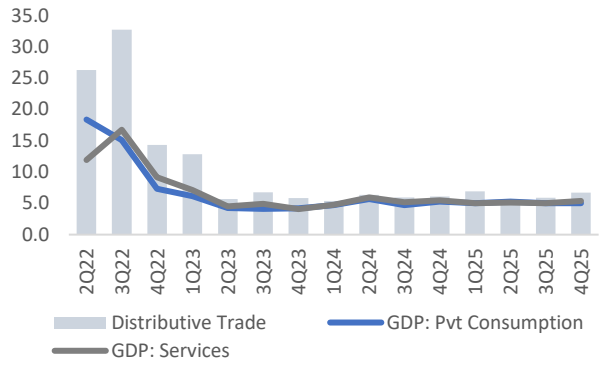
Source: DOSM, Macrobond, MBSBR

Table 3: Global Retail Sales (YoY%)

	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26
Malaysia	5.6	5.0	7.0	6.8	6.4	6.9	6.1
Indonesia	4.7	3.5	3.7	4.3	6.3	3.5	5.7
Singapore	5.2	5.5	2.1	4.0	4.9	2.5	-0.4
Thailand	7.9	-5.2	50.0	66.8	15.6	46.9	—
Vietnam	9.2	10.6	11.3	7.2	7.1	9.8	9.3
Taiwan	(3.6)	0.4	(2.2)	1.9	1.6	0.9	-3.4
China	3.7	3.4	3.0	2.9	1.3	0.9	—
Japan	0.4	(0.9)	0.2	1.7	1.1	(0.9)	1.8
Euro Area	2.6	1.8	1.3	2.1	2.6	1.8	2.0
US	4.1	5.0	4.1	3.2	3.2	2.4	3.2

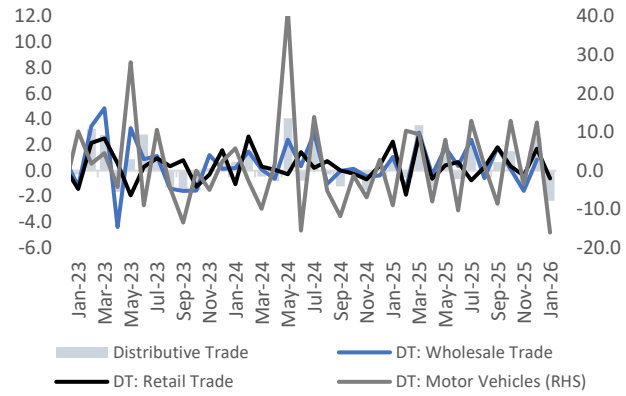
Source: DOSM, Macrobond, MBSBR

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



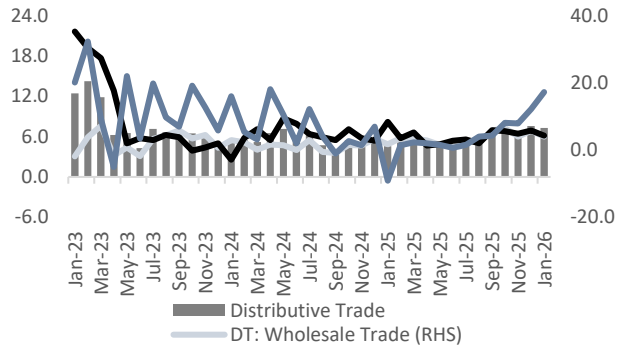
Source: Macrobond, MBSBR

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



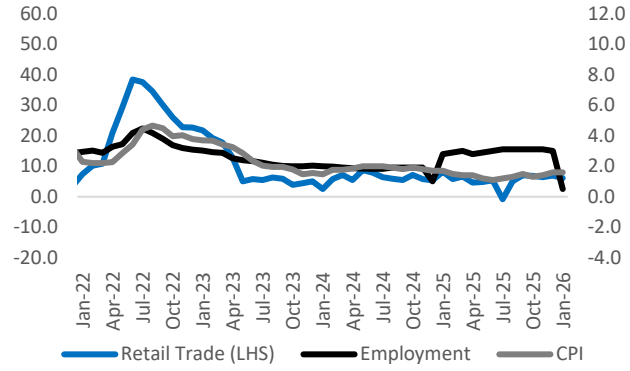
Source: Macrobond, MBSBR

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



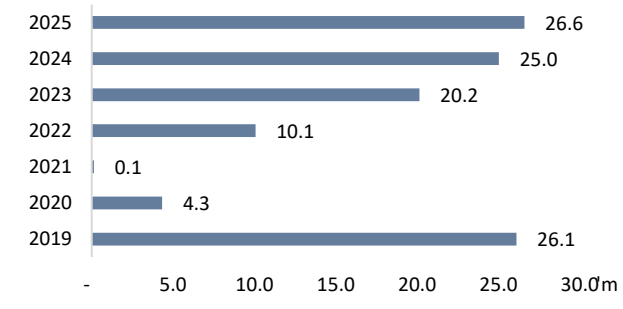
Source: Macrobond, MBSBR

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



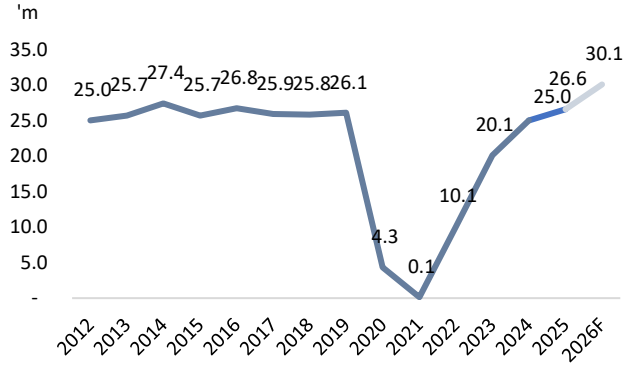
Source: Macrobond, MBSBR

Chart 5: Tourist Arrivals in Malaysia (2025)



Source: DOSM, MBSBR

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



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

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