Festive Season Convergence Bolstered Retail Momentum

Economic Review
Feb-26 Distributive Trade



Author
MBSB Research
research@mbsb.com

Economic Review

- Malaysia's distributive trade rose at a slower pace of +5.3%yoy in Feb-26 (Jan-26: +7.3%yoy), mainly dragged by the contraction in motor vehicles (-5.3%yoy) and a slight moderation in wholesale trade (+5.7%yoy). However, growth was supported by the retail sector, which accelerated by +7.7%yoy thanks to the double-festive boost.
- Retail trade strengthened by +7.7%yoy (Jan-26: +6.1%yoy) with higher expansion recorded in retail sales in non-specialised stores (+10.4%yoy), via stalls & markets (+8.9%yoy), and not in stores, stalls or markets (+8.2%yoy).
- We anticipate retail sales to moderate to +5.5% in 2026 (2025: +6.1%), with a robust 1Q26 performance. Growth will be bolstered by the "double-festive" boost of CNY and Ramadan/Hari Raya, alongside increased disposable income from SSPA Phase 2 adjustments and STR cash transfers. Furthermore, a healthy labor market and the maturing Progressive Wage Policy should provide a steady consumption floor. However, the consumption outlook may be clouded by a challenging inflation environment. As energy costs filter through transportation and logistics, consumer sentiment may eventually be tempered.

Retail sales surged; contraction in motor vehicles posed a drag

Malaysia's distributive trade rose at a slower pace of +5.3%yoy in Feb-26 (Jan-26: +7.3%yoy), mainly dragged by the contraction in motor vehicles (-5.3%yoy; Jan-26: +17.3%yoy) and a slight moderation in wholesale trade (+5.7%yoy; Jan-26: +6.0%yoy). However, growth was supported by the retail sector, which accelerated by +7.7%yoy (Jan-26: +6.1%yoy) thanks to the double-festive boost of Chinese New Year and Ramadhan/Hari Raya celebrations. The increased spending was also bolstered by the disbursement of Phase 1 of Sumbangan Tunai Rahmah (STR) and Sumbangan Asas Rahmah (SARA) and Phase 2 of the SSPA salary adjustment. Volume growth for the distributive trade was lower at +4.4%yoy (Jan-25: +5.8%yoy), weighed by the decline recorded for motor vehicles (-6.5%yoy). Nonetheless volume expanded larger for retail (+5.4%yoy) and wholesale (+6.2%yoy) trade.

Strong retail spending amidst automotive softness

Retail trade strengthened by +7.7%yoy (Jan-26: +6.1%yoy) with higher expansion recorded in retail sales in non-specialised stores (+10.4%yoy), via stalls & markets (+8.9%yoy), and not in stores, stalls or markets (+8.2%yoy). Wholesale trade rose at a marginally slower rate of +5.7%yoy (Jan-26: +6.0%yoy), underpinned by resilient momentum of household goods (+9.6%yoy), non-specialised wholesale trade (+7.6%yoy), and food, beverages & tobacco (+5.7%yoy). Meanwhile, motor vehicle sales contracted by -5.3%yoy (Jan-26: +17.3%yoy), mainly attributable to decline in sale of motor vehicles (-17.1%yoy). Likewise, Feb-26 TIV came in at 52.4K units (-18.5%mom), mainly due to fewer working days and a one-week plant shutdown during the Chinese New Year period.

Domestic demand poised to stay resilient

Looking ahead, we anticipate retail sales to moderate to +5.5% for the year (2025: +6.1%). Performance is expected to be particularly robust in 1QCY26, bolstered by the double-festive boost of Chinese New Year and Ramadan/Hari Raya festivities, increased disposable income from SSPA Phase 2 salary adjustments, and government cash transfers, including the Phase 1 & 2 STR payments. The maturation of the Progressive Wage Policy and a healthy labour market are expected to provide a steady consumption floor. Consequently, we

foresee domestic tourism remaining resilient, acting as a buffer against the uncertainties of inbound travel caused by Middle East tensions. Furthermore, the extension of the Visit Malaysia Year (VMY2026) programme through the end of 2027 will provide sustained support for inbound arrivals, maintaining momentum for the tourism sector.

Navigating inflationary risks and policy adjustments

However, the consumption outlook may be clouded by a challenging inflation environment. As energy costs filter through transportation and logistics, consumer sentiment may eventually be tempered. While the BUDI95 quota adjustments present a minimal drag on spending, we believe that as long as RON95 prices remain stable, the overall impact on consumption will be limited. Given these uncertainties, the government may choose to pause fiscal consolidation or delay targeted subsidy adjustments on essentials to mitigate the impact of higher inflation.

Visit Malaysia Year 2026: A tailwind at risk

For VMY2026, Malaysia is targeting 47m visitors (2025: 42.2m) and RM329b in tourism receipts. However, this target appears increasingly ambitious given the confluence of Middle East tensions, which have dampened travel sentiment due to elevated airfares, and global flight capacity rationalisation. Furthermore, escalating crude oil prices and subsequent surges in jet fuel costs threaten to deter high-value, long-haul travelers. Despite a negligible 0.4% direct exposure to the Middle East in 2025, geopolitical spillover effects pose a risk to the broader long-haul category (3.4m; 8% of total arrivals). This risk is significant as long-haul visitors represent a critical tier of the tourism mix, trailing only Singapore (21.1m; 50%), China (4.6m; 11%), and Indonesia (4.3m; 10%). On balance, while VMY2026 is still expected to contribute positively to the services sector and tourism-related industries, the total uplift will likely fall short of initial projections. The extension of the Visit Malaysia Year program into 2027 may serve as a necessary buffer, sustaining momentum and supporting continued spillovers to the retail sector and the broader economy.

Supply-side inflationary risks amidst resilient domestic demand

The headline CPI inflation moderated to +1.4%yoy in Feb-26, following two consecutive months of unchanged reading at +1.6%yoy. Similarly core inflation ticked down to +2.0%yoy (Jan-26: +2.3%yoy). Despite CPI inflation easing, the spread relative to PPI deflation remained wide as PPI deflated at a sharper pace of -3.4%yoy (Jan-26; -2.9%yoy). Looking ahead, oil prices exceeding USD100pb heighten inflationary risks through rising input and consumer costs. While the government remains committed to stable RON95 prices, potential quota adjustments leave room for upside pressure. However, while supply-side risks loom, the still moderate readings in recent months suggest that demand-side pressures remain well-contained, reflecting a manageable pace of inflation which should remain broadly supportive of household consumption and domestic demand ahead.

Global spending trends: Resilience in US and Asia, softness in Japan

US retail sales rose by +3.7%yoy in Feb-26 (Jan-26: +3.2%yoy) whereas the monthly reading expanded by +0.6%mom. The solid consumer spending is bolstered by a resilient labour market. During the period of Jan-Feb 2026, China's retail spending increased by +2.8%yoy (Dec-25: +0.9%yoy), boosted by the Lunar New Year festive season. Meanwhile, euro area recorded moderation in retail sale growth of +1.7%yoy (Jan-26: +2.1%yoy). The overall performance across Asia was solid: growth was recorded in Vietnam (+8.5%yoy), Singapore (+8.3%yoy), Taiwan (+7.7%yoy), whereas Japan posted a marginal contraction of -0.2%yoy. Consumer confidence in Japan plummeted to 33.3 in Mar-26 (Feb-26: 39.7), marking the most significant contraction since the Apr-20 pandemic onset. This sharp decline follows the outbreak of conflict in Iran, which has weighed heavily on sentiment. Likewise, while global spending has remained resilient thus far, escalating Middle Eastern tensions and the resulting spike in oil prices, could trigger an inflationary uptick, potentially softening near-term consumption.

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

	Monthly Data							Cumulative	
	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	2MCY25	2MCY26
Distributive Trade	**156.6**	**158.0**	**160.9**	**158.9**	**163.7**	**159.8**	**156.3**	**297.4**	**316.1**
YoY%	4.9	6.6	7.2	6.4	7.6	7.3	5.3	4.9	6.3
MoM%	0.1	0.9	1.8	(1.2)	3.0	(2.4)	(2.2)		
Wholesale Trade	**69.6**	**71.1**	**71.2**	**70.1**	**71.1**	**70.8**	**69.5**	**132.6**	**140.3**
YoY%	5.1	6.9	7.3	6.0	6.9	6.0	5.7	5.3	5.8
MoM%	(0.7)	2.0	0.2	(1.4)	1.3	(0.4)	(1.8)		
Retail Trade	**67.3**	**68.9**	**69.3**	**69.1**	**70.4**	**70.2**	**70.1**	**131.2**	**140.3**
YoY%	5.0	7.0	6.8	6.4	6.9	6.1	7.7	7.0	6.9
MoM%	0.5	2.4	0.6	(0.4)	2.0	(0.3)	(0.2)		
Motor Vehicles	**19.6**	**18.0**	**20.4**	**19.8**	**22.3**	**18.8**	**16.7**	**33.6**	**35.5**
YoY%	4.0	4.3	8.2	8.0	12.2	17.3	(5.3)	(3.9)	5.5
MoM%	1.7	(8.0)	13.1	(-3.0)	12.6	(15.7)	(11.1)		

Source: Macrobond, MBSBR

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

	Share % Total DT		MoM%		YoY%	
	2019	2MCY26	Jan-26	Feb-26	Jan-26	Feb-26
Wholesale Sales (WS)	**48.1**	**44.4**	**-0.4**	**-1.8**	**6.0**	**5.7**
WS: Fee or Contract Basis	0.9	0.8	-3.2	2.6	5.3	5.7
WS: Agri Raw Materials & Live Animals	3.8	4.0	-8.6	-2.8	6.4	4.7
WS: Food, Beverages & Tobacco	8.8	9.1	4.1	-4.1	5.8	5.7
WS: Household Goods	9.3	9.6	3.2	-1.4	9.4	9.6
WS: Machinery, Equipment & Supplies	4.1	3.5	-4.1	-4.8	5.7	5.0
WS: Others Specialised	19.9	16.2	-1.6	-0.3	4.3	3.7
WS: Non-Specialised	1.3	1.3	-1.2	2.2	5.6	7.6
Retail Sales (RS)	**40.5**	**44.4**	**-0.3**	**-0.2**	**6.1**	**7.7**
RS: Non-Specialised Stores	13.9	17.4	0.2	0.3	7.9	10.4
RS: Food, Beverages & Tobacco	2.3	2.8	0.7	0.8	5.6	7.7
RS: Automotive Fuel	3.4	4.0	0.3	-1.7	7.0	6.2
RS: Information & Communication Equip	4.1	3.4	-1.3	-0.3	3.9	4.1
RS: Household Equipment	5.4	4.9	-0.9	-1.2	3.3	4.3
RS: Cultural & Recreation Goods	2.2	1.9	1.4	-1.0	4.2	3.0
RS: Others in Specialised Store	8.7	9.3	-1.5	0.2	5.4	7.4
RS: Stalls & Markets	0.1	0.1	1.6	0.3	6.2	8.9
RS: Not in Stores, Stalls & Markets	0.3	0.5	1.3	-2.1	9.0	8.2
Motor Vehicles Sales (MVS)	**11.4**	**11.2**	**-15.7**	**-11.1**	**17.3**	**-5.3**
MVS: Motor Vehicle	6.1	5.2	-28.0	-18.5	25.9	-17.1
MVS: Motor Vehicle Maintenance & Repair	1.5	1.8	-2.5	-1.6	9.3	9.5
MVS: Motor Vehicle Parts & Accessories	2.8	3.4	-2.2	-1.7	6.2	6.6
MVS: Motorcycles Maintenance & Repair, Parts & Acc.	0.9	0.8	15.9	-19.1	32.7	0.7

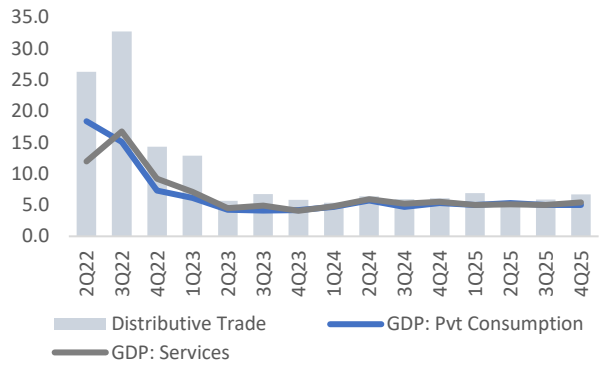
Source: DOSM, Macrobond, MBSBR

Table 3: Global Retail Sales (YoY%)

	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26
Malaysia	5.0	7.0	6.8	6.4	6.9	6.1	7.7
Indonesia	3.5	3.7	4.3	6.3	3.5	5.7	—
Singapore	5.5	2.1	4.0	4.9	2.5	(0.4)	8.3
Thailand	-5.2	50.0	66.8	15.6	46.9	75.4	—
Vietnam	10.6	11.3	7.2	7.1	9.8	9.3	8.5
Taiwan	0.4	(2.2)	1.9	1.6	0.9	(3.4)	7.7
China	3.4	3.0	2.9	1.3	0.9	2.8	
Japan	(0.9)	0.2	1.7	1.1	(0.9)	1.8	(0.2)
Euro Area	1.8	1.3	2.1	2.5	2.0	2.1	1.7
US	5.0	4.1	3.2	3.2	2.4	3.2	3.7

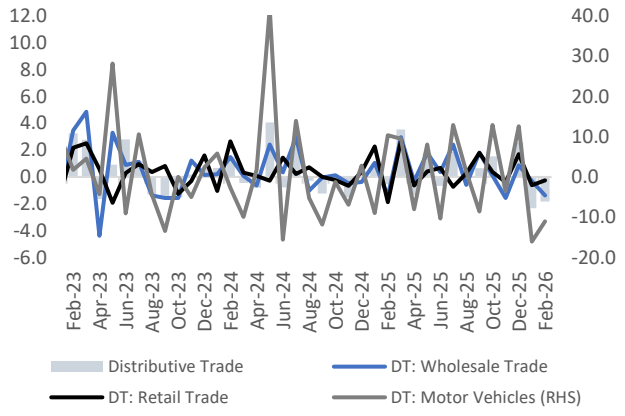
Source: DOSM, Macrobond, MBSBR

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



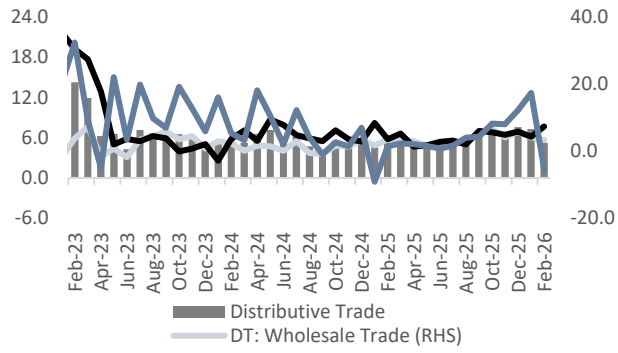
Source: Macrobond, MBSBR

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



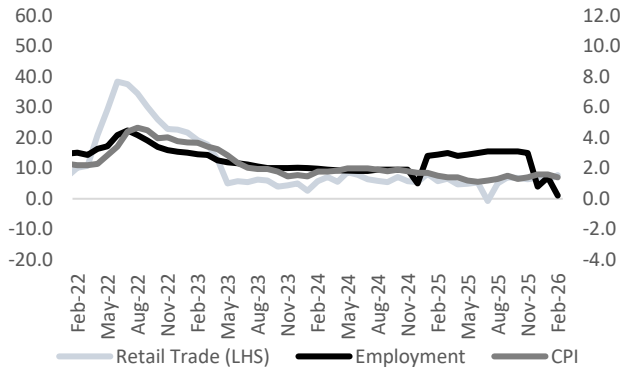
Source: Macrobond, MBSBR

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



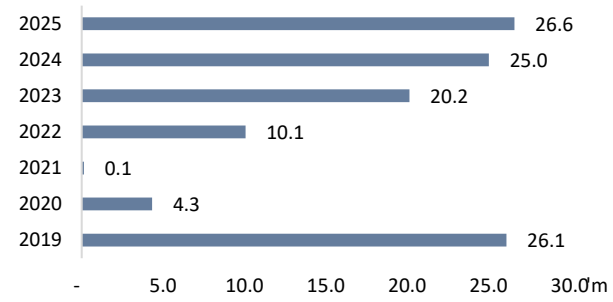
Source: Macrobond, MBSBR

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



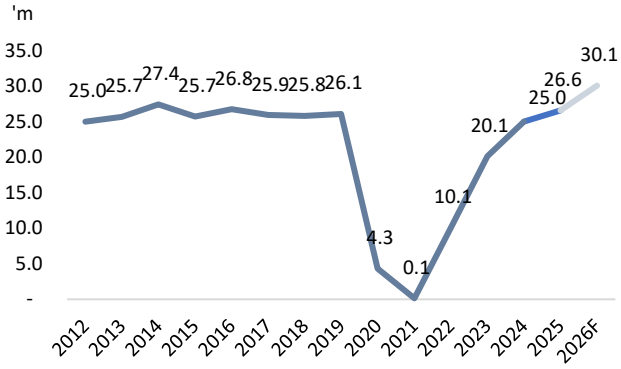
Source: Macrobond, MBSBR

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

MBSB RESEARCH (formerly known as MIDF Research) is part of
MBSB Investment Bank Berhad (formerly known as MIDF Amanah Investment Bank)
(Bank Pelaburan) (A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MBSB INVESTMENT BANK BERHAD (formerly known as MIDF Amanah Investment Bank Berhad) 197501002077 (24878-X).

It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MBSB INVESTMENT BANK BERHAD (formerly known as MIDF AMANAH INVESTMENT BANK BERHAD) makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MBSB INVESTMENT BANK BERHAD (formerly known as MIDF AMANAH INVESTMENT BANK BERHAD).

The directors, employees and representatives of MBSB INVESTMENT BANK BERHAD (formerly known as MIDF AMANAH INVESTMENT BANK BERHAD) may have an interest in any of the securities mentioned and may benefit from the information herein. Members of the MBSB Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein This document may not be reproduced, distributed or published in any form or for any purpose.