Retail Momentum Supported by Festive Demand Amid Middle East Tensions

Economic Review
Mar-26 Distributive Trade



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- Malaysia's distributive trade surged by +9.8%yoy in Mar-26 (Feb-26: +5.3%yoy), mainly driven by the double-digit growth in wholesale trade (+15.7%yoy; Feb-26: +5.7%yoy). While retail trade remained resilient at +7.5%yoy (Feb-26: +7.7%yoy), motor vehicles, continued to drag on overall performance with a -3.1%yoy contraction (Feb-26: -5.3%yoy), albeit at a slower pace.
- Retail trade rose by +7.5%yoy (Feb-26: +7.7%yoy) with expansion recorded in retail sales of automotive fuel in specialised stores (+10.6%yoy), via stalls & markets (+9.3%yoy), and not in stores, stalls or markets (+8.5%yoy). Firm retail trade performance was supported by Ramadan and Hari Raya festive demand. Key liquidity injection, specifically the Phase 2 Sumbangan Tunai Rahmah (STR) payment.
- For 2026, we anticipate retail sales to moderate to +5.5% (2025: +6.1%). In 1QCY26. Over the longer term, a healthy labour market and the maturation of the Progressive Wage Policy are expected to establish a stable consumption floor. This should ensure that domestic tourism remains resilient, serving as a critical buffer against potential volatility in inbound travel stemming from Middle Eastern geopolitical tensions. However, the consumption outlook remains subject to a more challenging inflationary environment as the year progresses.

Wholesale acceleration and festive retail support offset automotive drag

Malaysia's distributive trade surged by +9.8%yoy in Mar-26 (Feb-26: +5.3%yoy), mainly driven by the double-digit growth in wholesale trade (+15.7%yoy; Feb-26: +5.7%yoy). While retail trade remained resilient at +7.5%yoy (Feb-26: +7.7%yoy), motor vehicles continued to drag on overall performance with a -3.1%yoy contraction (Feb-26: -5.3%yoy), albeit at a slower pace. Firm retail trade performance was supported by Ramadan and Hari Raya festive demand. Key liquidity injections, specifically the Phase 2 Sumbangan Tunai Rahmah (STR) payment, provided a significant tailwind to household spending during this period.

Value outpaces volume gains, driven more by price and cost increases

Despite the sharp rise in trade value, distributive trade volume growth was unchanged at +4.4%yoy in Mar-26. While retail (+5.2%yoy) and wholesale (+5.9%yoy) continued to expand at a softer pace, the overall volume was weighed down by a -4.5%yoy contraction in motor vehicles. This widening gap between value and volume, particularly in wholesale trade, indicates that recent gains are increasingly price-driven, aligning with the uptick in global commodity prices and producer costs.

Wholesale strength and resilient retail spending amid automotive contraction

Retail trade rose by +7.5%yoy (Feb-26: +7.7%yoy) with expansion recorded in retail sales of automotive fuel in specialised stores (+10.6%yoy), via stalls & markets (+9.3%yoy), and not in stores, stalls or markets (+8.5%yoy). Meanwhile, wholesale trade rose accelerated by +15.7%yoy (Feb-26: +5.7%yoy), which was mainly underpinned by the surge in other specialised wholesale (+32.0%yoy). In contrast, motor vehicle sales declined by -3.1%yoy (Feb-26: -5.3%yoy), weighed by the double-digit drop in motor vehicle sales (-12.5%yoy). Consistently, TIV figures in fell by -13%yoy to 63.5K units in Mar-26 (Mar-25: 72.9K units), attributable to a temporary plant shutdown during the Hari Raya festive holiday.

Domestic demand to stay resilient

For 2026, we anticipate retail sales to moderate to +5.5% (2025: +6.1%). In 1QCY26, distributive trade saw a widened expansion of +7.5%yoy (1QCY25: +5.2%yoy). This performance was underpinned by accelerated growth across all segments: wholesale trade (+9.2%yoy), retail (+7.1%yoy), and motor vehicles (+2.3%yoy). During the quarter, spending was 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. Over the longer term, a healthy labour market and the maturation of the Progressive Wage Policy are expected to establish a stable consumption floor. This should ensure that domestic tourism remains resilient, serving as a critical buffer against potential volatility in inbound travel stemming from Middle Eastern geopolitical tensions. Furthermore, the extension of the Visit Malaysia Year (VMY2026) initiatives through 2027 will likely sustain inbound arrival momentum and provide long-term support for the tourism sector.

Navigating inflationary pressures and shifting policy risks

However, the consumption outlook remains subject to a more challenging inflationary environment as the year progresses. During 1QCY26, headline and core inflation proved resilient at +1.6%yoy and +2.1%yoy respectively, reflecting well-contained demand-side pressures. On the policy front, while the BUDI Madani quota adjustments have exerted a minimal drag on spending thus far, the government's ongoing refinement of eligibility thresholds for targeted petrol subsidies may induce more cautious consumption patterns, particularly among higher-income households. These domestic policy shifts, combined with supply-side risks from prolonged Middle Eastern tensions, could further temper sentiment as elevated energy and logistics costs filter through the economy. Ultimately, the trajectory of domestic demand will hinge on the government's ability to balance fiscal consolidation with targeted interventions to mitigate inflationary spikes and preserve the current consumption floor.

Potentially tempered gains for VMY26

In Mar-26, Malaysia's tourist arrivals eased to 2.1m in Mar-26 (Feb-26: 2.2m), bringing the 1QCY26 total to 6.5m (1QCY25: 6.4m). This represents a modest +2.5%yoy growth, a deceleration from the +9.4%yoy recorded in 1QCY25. While BNM still views tourism as a primary growth driver, it now anticipates a more moderate pace of spending. Consequently, the government's Visit Malaysia Year 2026 (VMY26) target of 47m visitors appears increasingly ambitious. Headwinds, including Middle East tensions, elevated airfares, and rising jet fuel costs, are dampening travel sentiment and threatening high-value, long-haul arrivals. While direct exposure to the Middle East was negligible 0.4% in 2025, geopolitical spillovers threaten the broader long-haul segment (3.4m; 8% of total arrivals). This risk is critical, as long-haul visitors are a high-value tier, following only Singapore (50%), China (11%), and Indonesia (10%) in the arrival mix. On balance, while VMY26 will still support the services and retail sectors, the total uplift is expected to fall short of initial projections, making the program's extension into 2027 a vital buffer for the broader economy.

Global spending trends: sustained resilience amid energy-driven risks

US retail sales rose by +4.0%yoy in Mar-26, maintaining the same pace of growth as in the previous month, whereas the monthly reading surged by +1.7%mom. This was largely fuelled by a record +15.5%mom jump in gas station receipts amid conflict-driven price spikes. China's retail spending moderated to +1.7%yoy (Jan to Feb 2026: +2.8%yoy), after the robust festive season demand in the prior period. Meanwhile, retail sales in euro area recorded a marginal moderation of +1.2%yoy (Feb-26: +1.3%yoy). The overall performance across Asia was mixed: stronger growth was recorded in Vietnam (+12.5%yoy), Japan (+1.7%yoy), whereas retail sector slowed in Singapore (+4.8%yoy), Taiwan (+3.2%yoy). While global spending has proven resilient thus far, escalating Middle Eastern tensions and the subsequent spike in oil prices could trigger inflationary pressures, potentially softening near-term consumption.

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

	Monthly Data							Cumulative	
	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	1QCY25	1QCY26
Distributive Trade	**158.0**	**160.9**	**158.9**	**163.7**	**159.8**	**156.3**	**169.0**	**451.4**	**485.1**
YoY%	6.6	7.2	6.4	7.6	7.3	5.3	9.8	5.2	7.5
MoM%	0.9	1.8	(1.2)	3.0	(2.4)	(2.2)	8.1		
Wholesale Trade	**71.1**	**71.2**	**70.1**	**71.1**	**70.8**	**69.5**	**78.4**	**200.3**	**218.7**
YoY%	6.9	7.3	6.0	6.9	6.0	5.7	15.7	5.5	9.2
MoM%	2.0	0.2	(1.4)	1.3	(0.4)	(1.8)	12.7		
Retail Trade	**68.9**	**69.3**	**69.1**	**70.4**	**70.2**	**70.1**	**72.0**	**198.2**	**212.3**
YoY%	7.0	6.8	6.4	6.9	6.1	7.7	7.5	6.8	7.1
MoM%	2.4	0.6	(0.4)	2.0	(0.3)	(0.2)	2.8		
Motor Vehicles	**18.0**	**20.4**	**19.8**	**22.3**	**18.8**	**16.7**	**18.6**	**52.9**	**54.1**
YoY%	4.3	8.2	8.0	12.2	17.3	(5.3)	(3.1)	(1.7)	2.3
MoM%	(8.0)	13.1	(-3.0)	12.6	(15.7)	(11.1)	11.6		

Source: Macrobond, MBSBR

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

	Share % Total DT		MoM%		YoY%	
	2019	3MCY26	Feb-26	Mar-26	Feb-26	Mar-26
Wholesale Sales (WS)	**48.1**	**45.1**	**-1.8**	**12.7**	**5.7**	**15.7**
WS: Fee or Contract Basis	0.9	0.8	2.6	-2.8	5.7	4.3
WS: Agri Raw Materials & Live Animals	3.8	3.9	-2.8	6.3	4.7	5.7
WS: Food, Beverages & Tobacco	8.8	9.0	-4.1	5.0	5.7	5.4
WS: Household Goods	9.3	9.4	-1.4	4.2	9.6	7.9
WS: Machinery, Equipment & Supplies	4.1	3.5	-4.8	3.7	5.0	6.6
WS: Others Specialised	19.9	17.2	-0.3	27.2	3.7	32.0
WS: Non-Specialised	1.3	1.2	2.2	-0.3	7.6	2.9
Retail Sales (RS)	**40.5**	**43.8**	**-0.2**	**2.8**	**7.7**	**7.5**
RS: Non-Specialised Stores	13.9	17.1	0.3	1.2	10.4	8.1
RS: Food, Beverages & Tobacco	2.3	2.8	0.8	3.4	7.7	7.9
RS: Automotive Fuel	3.4	4.0	-1.7	7.9	6.2	10.6
RS: Information & Communication Equip	4.1	3.3	-0.3	2.3	4.1	5.9
RS: Household Equipment	5.4	4.8	-1.2	2.8	4.3	4.1
RS: Cultural & Recreation Goods	2.2	1.8	-1.0	-2.9	3.0	2.7
RS: Others in Specialised Store	8.7	9.3	0.2	4.3	7.4	8.2
RS: Stalls & Markets	0.1	0.1	0.3	3.8	8.9	9.3
RS: Not in Stores, Stalls & Markets	0.3	0.5	-2.1	5.4	8.2	8.5
Motor Vehicles Sales (MVS)	**11.4**	**11.2**	**-11.1**	**11.6**	**-5.3**	**-3.1**
MVS: Motor Vehicle	6.1	5.2	-18.5	20.6	-17.1	-12.5
MVS: Motor Vehicle Maintenance & Repair	1.5	1.8	-1.6	4.2	9.5	9.8
MVS: Motor Vehicle Parts & Accessories	2.8	3.4	-1.7	4.3	6.6	7.6
MVS: Motorcycles Maintenance & Repair, Parts & Acc.	0.9	0.8	-19.1	6.7	0.7	0.6

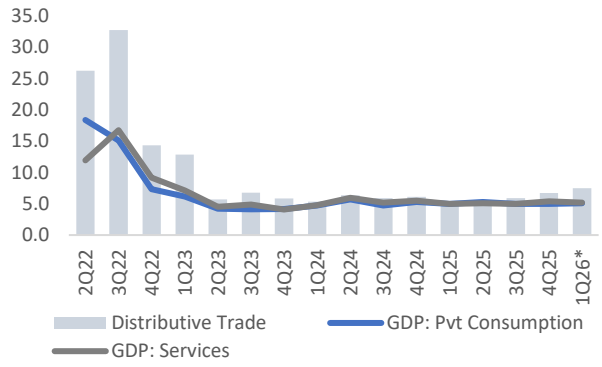
Source: DOSM, Macrobond, MBSBR

Table 3: Global Retail Sales (YoY%)

	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26
Malaysia	7.0	6.8	6.4	6.9	6.1	7.7	7.5
Indonesia	3.7	4.3	6.3	3.5	5.7	6.5	—
Singapore	2.1	4.0	4.9	2.5	(0.4)	8.3	4.8
Thailand	50.0	66.8	15.6	46.9	75.4	20.0	—
Vietnam	11.3	7.2	7.1	9.8	9.3	8.5	12.1
Taiwan	(2.2)	1.9	1.6	0.9	(3.4)	7.7	3.2
China	3.0	2.9	1.3	0.9	2.8		1.7
Japan	0.2	1.7	1.1	(0.9)	1.8	(0.2)	1.7
Euro Area	1.3	2.1	2.5	2.0	2.1	1.3	1.2
US	4.1	3.2	3.2	2.4	3.2	4.0	4.0

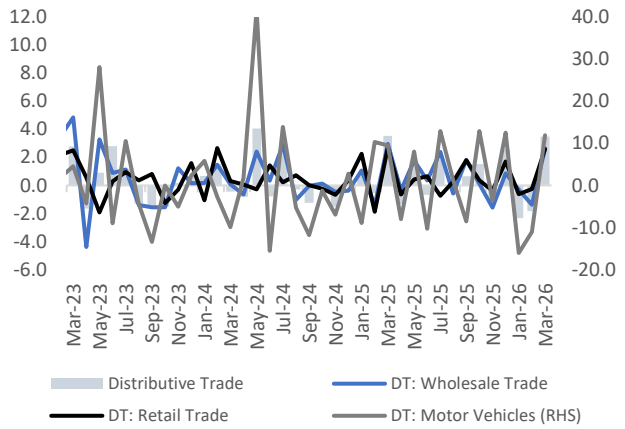
Source: DOSM, Macrobond, MBSBR

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



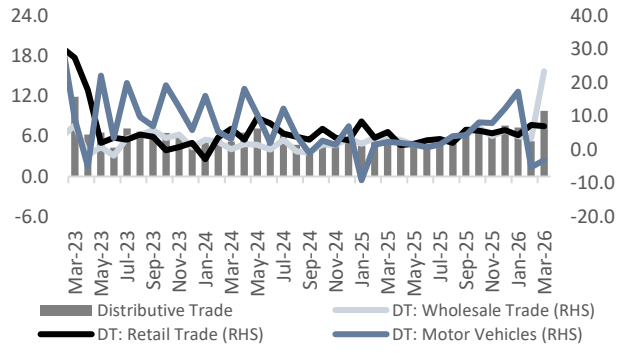
Source: Macrobond, MBSBR
*Note: Refers to advance estimates

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



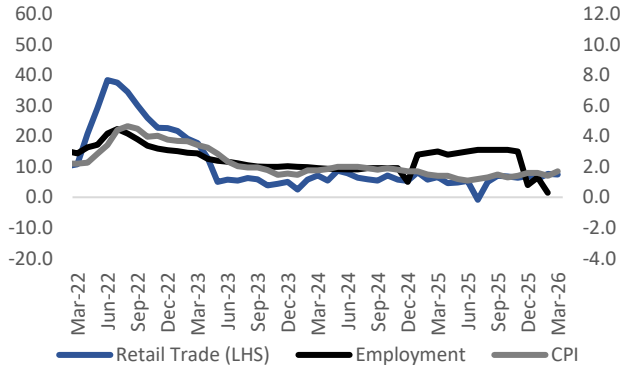
Source: Macrobond, MBSBR

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



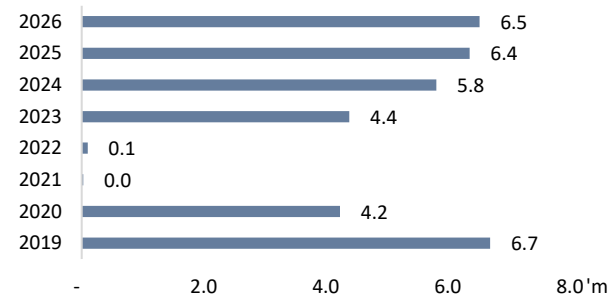
Source: Macrobond, MBSBR

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



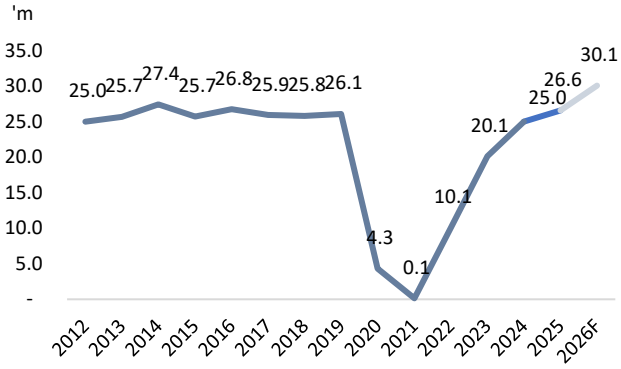
Source: Macrobond, MBSBR

Chart 5: Tourist Arrivals in Malaysia (1QCY26)



Source: DOSM, MBSBR

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



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

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