Retail Spending Continued to Expand, Motor Vehicle Sales Turn Positive in Jun-26

Economic Review
Jun-26 Distributive Trade



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Economic Review

- Malaysia's distributive trade continued to expand at a robust pace despite easing slightly to +10.1%yoy in Jun-26 (May-26: +10.9%yoy), driven by the double-digit but moderate expansion in wholesale trade, continued rise in retail trade and a sharp spike in the motor vehicles sales.
- Retail trade momentum moderated slightly to +6.6%yoy in Jun-26 after accelerating to +7.2%yoy in May-26 (Apr-26: +6.3%yoy). Sequentially, the monthly rise eased to +0.2%mom in Jun-26 (May-26: +1.3%mom), with the non-specialised stores turning negative (-0.1%mom; May-26: +2.7%mom) and contraction in automotive fuels.
- For 2026, we anticipate retail sales will continue to expand but moderate slightly to +5.5% (2025: +6.1%). Over the longer term, a healthy labour market and positive income growth, including the salary adjustment for the public sector, are expected to establish steady support for consumption activity.

Motor vehicles spiked despite overall easing in distributive trade

Malaysia's distributive trade continued to expand at a robust pace despite easing slightly to +10.1%yoy in Jun-26 (May-26: +10.9%yoy), driven by the double-digit but moderate expansion in wholesale trade (+12.4%yoy; May-26: +18.4%yoy), continued rise in retail trade (+6.6%yoy; May-26: +7.2%yoy) and a sharp spike in the motor vehicles sales (+14.9%yoy; May-26: -2.3%yoy). Easing growth signals a slowdown in consumption with fading effect from major festive season. Apart from increased tourist arrivals (and spending), the easing growth also reflects limited key liquidity injection, specifically the Phase 2 Sumbangan Tunai Rahmah (STR) payment which has been a significant tailwind to household spending. Nevertheless, we expect the encouraging annual growth in 1HCY26 to persist into 2HCY26, albeit at a moderate pace, anchored by the sustained growth in domestic demand.

Volume picked up for wholesale trade and motor vehicles

On another note, the moderation in the distributive trade in Jun-26 was mainly due to slower price increase, in contrast to the higher volume growth, which picked up to +5.1%yoy (Apr-26: +3.0%yoy). In particular, volume expansion for wholesale trade and motor vehicles accelerated to +4.2%yoy (May-26: +3.2%yoy) and +13.2%yoy (May-26: -3.6%yoy), respectively. Conversely, retail trade volume rose marginally slower at +4.2%yoy (May-26: +4.4%yoy). Looking at this breakdown, the moderate nominal growth for wholesale trade during the month is mainly a reflection of the slower price increase. Meanwhile, for retail trade, the moderate nominal growth is attributable to both slower rise in volume and prices.

Motor vehicles sales spiked higher

Retail trade momentum moderated slightly to +6.6%yoy in Jun-26 after accelerating to +7.2%yoy in May-26 (Apr-26: +6.3%yoy), sustained by steady consumer spending following the post-festive normalisation. However, we see a slowing momentum in the retail trade, as the monthly rise eased to +0.2%mom in Jun-26 (May-26: +1.3%mom), with the non-specialised stores, a major contributor to retail sales, turning negative (-0.1%mom; May-26: +2.7%mom) and contraction in automotive fuels. In contrast, the motor vehicle segment

staged a sharp rebound to +14.9%yoy in Jun-26 (May-26: -2.3%yoy). This was mainly supported by the surge in sales of motor vehicles (+22.3%yoy; May-26: -11.4%yoy) and the slightly stronger expansion in other sub-components, namely motor vehicles parts & accessories (+8.3%yoy; May-26: +7.8%yoy) and motor vehicles maintenance & repair (+13.0%yoy; May-26: +9.1%yoy).

Domestic consumption expected to remain resilient

For 2026, we anticipate retail sales will continue to expand but moderate slightly to +5.5% (2025: +6.1%). Over the longer term, a healthy labour market and positive income growth, including the salary adjustment for the public sector, are expected to establish steady support for consumption activity. Resilient domestic demand will serve as a vital shock absorber against Middle East geopolitical risks, energy price volatility, and a weakening external trade backdrop. Concurrently, extending the Visit Malaysia 2026 (VM2026) campaign through 2027 will sustain tourist arrival momentum, providing durable multi-year support to the transport, hospitality, and retail sectors. We remain cautious that higher price pressures and rising cost of living will continue to affect consumer sentiment and their spending plans.

Inflation remains a key concern, but mitigated by policy supports

Consumer spending faces headwinds from persistent price pressures, highlighted by some uptrend in CPI inflation. Recent upward adjustments in transport and utility tariffs have squeezed household purchasing power. While global crude prices temporarily eased as Middle East tensions subsided, renewed geopolitical friction has pushed Brent back above USD80pb. Compounding these risks, cost pass-through from supply chain disruptions and infrastructure damage threatens to keep inflation elevated through 2H 2026. On another note, domestic demand momentum will rely on the government's ability to balance structural fiscal reforms, the shift to targeted measures somewhat limited the fiscal pressures. However, the government's commitment to keep subsidized fuel prices unchanged has resulted in higher subsidy bills. This targeted policy support, together with efforts to ensure sufficient domestic oil supply, basically helped to limit more significant destabilizing effects of the global energy crisis on the broader economy.

VMY26 is expected to boost tourism, positive for the domestic economy

In May-26, Malaysia's tourist arrivals increase to 2.06m in May-26 (Apr-26: 2.01m), bringing the total for the first 5MCY26 total to 10.6m (5MY25: 10.4M). However, it was lower than the May-25, recording a -3.2%yoy growth in the same month last year. While Bank Negara Malaysia (BNM) continues to view tourism as a primary growth pillar, it anticipates a more moderate spending trajectory ahead. Consequently, the government's Visit Malaysia 2026 (VM2026) target of 47 million visitors appears increasingly ambitious, prompting the campaign's formal extension into 2027. Global travel demand faces persistent headwinds, including Middle East geopolitical frictions, elevated airfares, and high jet fuel costs. This presents a headwind for Malaysia's high-value, long-haul inbound tourism segment, making the strategic extension of targeted travel initiatives crucial to sustaining service-sector momentum. 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.

Divergent and moderating spending in other economies

US retail sales have been exceptionally robust, expanding by +7.3%yoy in May-26 before moderating slightly to +6.7%yoy in Jun-26 (Apr-26: +5.1% yoy), fueled in part by higher gas station sales amid Middle East geopolitical tensions. In China, spending briefly contracted to -0.6%yoy in May-26, being its first decline since late 2022, but later staged a recovery to +1.0%yoy in Jun-26 (Apr-26: +0.2%yoy). Despite the turnaround, the overall weakness in retail sales underscores persistent headwinds in domestic consumption. Euro area retail momentum peaked at +1.9%yoy in May-26 before cooling to +0.7%yoy in Jun-26. Regional Asian performance displayed divergence: while Japan's growth slowed sharply from +5.0%yoy in May-26 to +0.5%yoy in Jun-26 and Indonesia remained in contraction (-2.9% yoy in Jun-26), momentum strengthened in Vietnam (+13.8% yoy), Taiwan (+5.6% yoy), and Singapore (+4.0% yoy). Despite current resilience in select markets, elevated energy prices

and geopolitical volatility pose clear headwinds that could reignite global inflationary pressures, squeeze real purchasing power, and stifle near-term consumer activity.

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

	Monthly Data							Cumulative	
	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	2QCY25	2QCY26
Distributive Trade	**163.7**	**159.8**	**156.3**	**169.0**	**174.8**	**171.3**	**168.4**	**459.0**	**514.6**
YoY%	7.6	7.3	5.3	9.8	15.3	10.9	10.1	4.6	12.1
MoM%	3.0	(2.4)	(2.2)	8.1	3.5	(2.0)	(1.6)		
Wholesale Trade	**71.1**	**70.8**	**69.5**	**78.4**	**83.5**	**80.7**	**76.7**	**203.8**	**241.9**
YoY%	6.9	6.0	5.7	15.7	24.1	18.4	12.4	5.1	6.7
MoM%	1.3	(0.4)	(1.8)	12.7	6.6	(3.3)	(4.9)		
Retail Trade	**70.4**	**70.2**	**70.1**	**72.0**	**71.0**	**71.9**	**72.0**	**201.4**	**214.9**
YoY%	6.9	6.1	7.7	7.5	6.3	7.2	6.6	5.0	6.7
MoM%	2.0	(0.3)	(0.2)	2.8	(1.5)	1.3	0.2		
Motor Vehicles	**22.3**	**18.8**	**16.7**	**18.6**	**20.4**	**18.6**	**19.6**	**53.8**	**58.7**
YoY%	12.2	17.3	(5.3)	(3.1)	15.5	(2.3)	14.9	1.4	9.0
MoM%	12.6	(15.7)	(11.1)	11.6	9.2	(8.5)	5.7		

Source: Macrobond, MBSBR

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

	Share % Total DT		MoM%		YoY%	
	2019	6MCY26	May-26	Jun-26	May-26	Jun-26
Wholesale Sales (WS)	**48.1**	**45.6**	**-3.3**	**-4.9**	**18.4**	**12.4**
WS: Fee or Contract Basis	0.9	0.8	-4.9	0.2	9.3	6.4
WS: Agri Raw Materials & Live Animals	3.8	4.0	-1.5	0.4	7.3	2.0
WS: Food, Beverages & Tobacco	8.8	8.6	-0.5	-1.7	5.0	4.5
WS: Household Goods	9.3	9.1	-0.7	0.6	3.5	6.5
WS: Machinery, Equipment & Supplies	4.1	3.4	-2.2	1.0	3.8	6.4
WS: Others Specialised	19.9	18.4	-6.3	-11.4	42.6	25.3
WS: Non-Specialised	1.3	1.3	1.8	5.0	4.8	6.0
Retail Sales (RS)	**40.5**	**42.7**	**1.3**	**0.2**	**7.2**	**6.6**
RS: Non-Specialised Stores	13.9	16.6	2.7	-0.1	8.2	7.0
RS: Food, Beverages & Tobacco	2.3	2.7	0.5	0.3	7.2	6.6
RS: Automotive Fuel	3.4	4.1	1.0	-2.6	12.8	10.8
RS: Information & Communication Equip	4.1	3.2	-1.4	-0.2	3.5	4.7
RS: Household Equipment	5.4	4.7	2.1	-0.5	3.4	3.2
RS: Cultural & Recreation Goods	2.2	1.7	2.0	0.4	4.1	3.7
RS: Others in Specialised Store	8.7	9.1	-0.3	2.2	6.7	7.0
RS: Stalls & Markets	0.1	0.1	0.4	0.3	8.1	7.7
RS: Not in Stores, Stalls & Markets	0.3	0.5	-0.6	1.7	9.8	10.0
Motor Vehicles Sales (MVS)	**11.4**	**11.7**	**-8.5**	**5.7**	**(2.3)**	**14.9**
MVS: Motor Vehicle	6.1	5.8	-14.4	10.8	-11.4	22.3
MVS: Motor Vehicle Maintenance & Repair	1.5	1.8	-0.5	2.0	6.8	7.0
MVS: Motor Vehicle Parts & Accessories	2.8	3.3	-0.8	0.9	7.8	8.3
MVS: Motorcycles Maintenance & Repair, Parts & Acc.	0.9	0.8	-12.0	-0.4	9.1	13.0

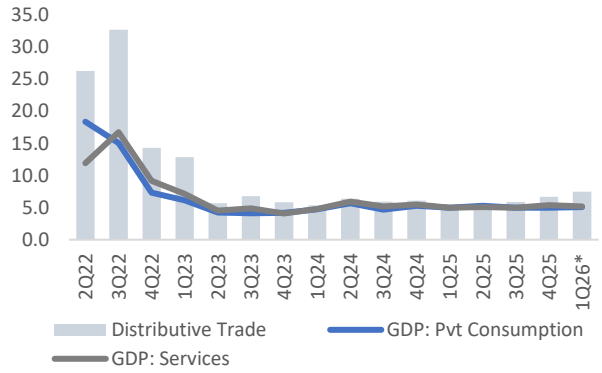
Source: DOSM, Macrobond, MBSBR

Table 3: Global Retail Sales (YoY%)

	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26
Malaysia	6.9	6.1	7.7	7.5	6.3	7.1	6.6
Indonesia	3.5	5.7	6.5	3.4	(3.7)	(3.9)	(2.9)
Singapore	2.5	(0.3)	8.4	4.6	5.4	2.9	4.0
Thailand	47.4	91.8	31.4	21.2	(20.0)	(15.0)	n.a
Vietnam	9.8	9.3	8.5	12.1	12.1	11.8	13.8
Taiwan	0.9	(3.4)	7.7	3.3	5.2	4.9	5.6
China	0.9	2.8	-	1.7	0.2	(0.6)	1.0
Japan	(0.9)	1.8	(0.1)	1.4	2.8	5.0	0.5
Euro Area	2.0	2.1	1.2	2.3	1.0	1.9	0.7
US	2.4	3.3	4.2	4.2	5.1	7.3	6.7

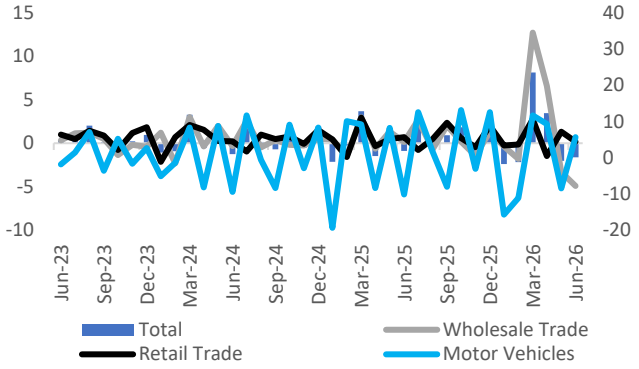
Source: DOSM, Macrobond, MBSBR

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



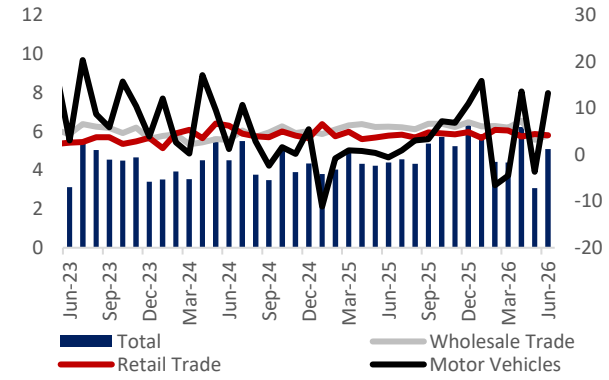
Source: Macrobond, MBSBR
*Note: Refers to advance estimates

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



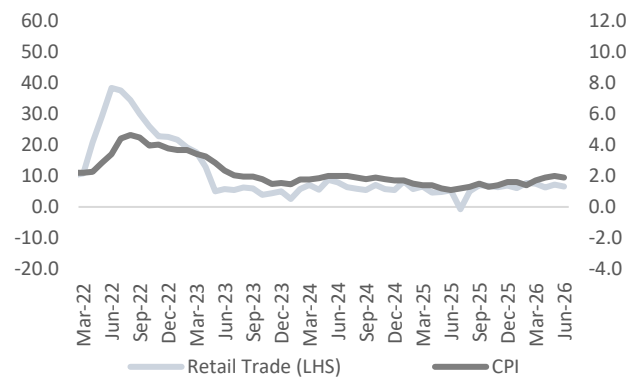
Source: Macrobond, MBSBR

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



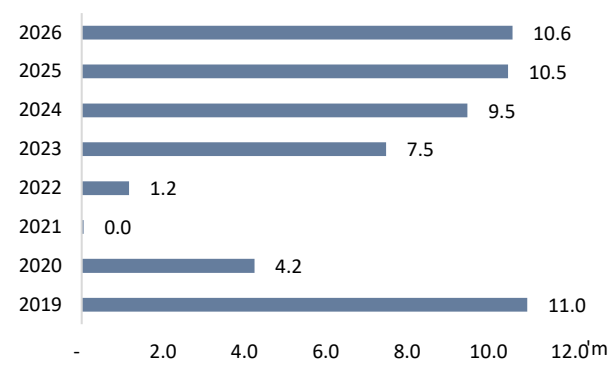
Source: Macrobond, MBSBR

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



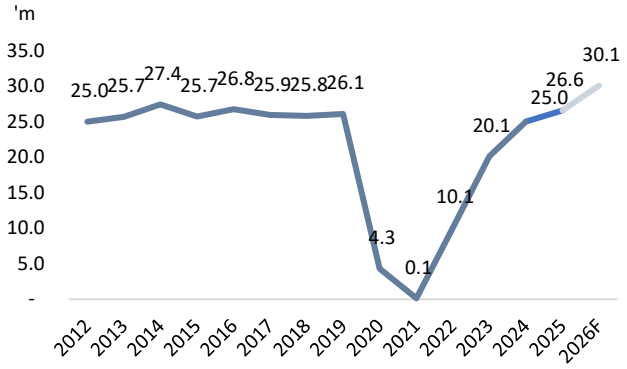
Source: Macrobond, MBSBR

Chart 5: Tourist Arrivals in Malaysia (5MCY26)



Source: DOSM, MBSBR

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



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

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