Further Moderation in Domestic Trade with Sharper Slowdown in Motor Vehicles

Economic Review
Jul-26 Distributive Trade



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Economic Review

- Malaysia's distributive trade continued to expand at a robust pace despite easing further to +9.0%yoy in Jul-26 (Jun-26: +10.1%yoy), easing below 10% after 3 months of double digit-expansion. Moderation was seen across the board, with slight easing for the wholesale (+11.7%yoy; Jun-26: +12.4%yoy) and retail trade (+6.4%yoy; Jun-26: +6.6%yoy), and steeper slowdown in the growth for motor vehicles (+7.9%yoy; Jun-26: +14.9%yoy
- Retail trade momentum moderated slightly to +6.4%yoy in Jul-26 being the second month of deceleration since May-26, due to the easing across most of the retail sub-sectors. We noticed slowing momentum in the retail trade, as the monthly retail trade turned negative to (-1.0%mom; Jun-26: +0.2%mom)
- For 2026, we expect retail sales growth to moderate slightly to +5.5% (2025: +6.1%). Over the medium term, a healthy labour market and sustained income growth, including public-sector salary adjustments, should continue to support consumption.

Moderation was seen across the board

Malaysia's distributive trade continued to expand at a robust pace despite easing further to +9.0%yoy in Jul-26 (Jun-26: +10.1%yoy), easing below 10% after 3 months of double digit-expansion. Moderation was seen across the board, with slight easing for the wholesale (+11.7%yoy; Jun-26: +12.4%yoy) and retail trade (+6.4%yoy; Jun-26: +6.6%yoy), and steeper slowdown in the growth for motor vehicles (+7.9%yoy; Jun-26: +14.9%yoy). To a certain extent, the easing growth signals slower consumption with a fading effect from major festive seasons. According to DOSM, resilient private consumption, solid wholesale demand, and strong automotive sales anchored overall trade growth, with additional tailwinds from vehicle services, retail promotions, and online shopping expansion. 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. 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 and stable labour market.

Volume eased across the board

On another note, the moderation in the distributive trade in Jul-26 was also due to lower volume growth, which moderated to +4.1%yoy (Jun-26: +5.1%yoy). The moderation in volume was seen across all components, especially in motor vehicles, which slowed to +6.2%yoy in Jul-26 (Jun-26: +13.2%yoy), while wholesale trade and retail trade eased marginally to +3.6%yoy (Jul-26: +4.2%yoy) and +4.1%yoy (Jul-26: 4.2%yoy), respectively. Therefore, consumer and business purchasing momentum slowed in Jul-26, primarily due to a sharper moderation in vehicle sales, though overall spending volume still managed to grow at a moderate pace.

Motor vehicle sales eased significantly

Retail trade momentum moderated slightly to +6.4%yoy in Jul-26 being the second month of deceleration since May-26, due to the easing across most of the retail sub-sectors. We noticed slowing momentum in the retail trade, as the monthly retail trade turned negative to (-1.0%mom; Jun-26: +0.2%mom), with non-specialised stores, a major contributor to retail sales, turning negative (-1.4%mom) and a contraction in food, beverages & tobacco in

specialised stores (-2.2%mom). In contrast, the motor vehicles segment eased the most, as it moderated to +7.9%yoy in Jul-26 (Jun-26: 14.9%yoy), as sales of motor vehicles eased significantly from +22.3%yoy to +8.3%yoy; broad-based moderation was seen across all components in motor vehicles.

Domestic consumption expected to remain resilient

For 2026, we expect retail sales growth to moderate slightly to +5.5% (2025: +6.1%). Over the medium term, a healthy labour market and sustained income growth, including public-sector salary adjustments, should continue to support consumption. Resilient domestic demand will remain an important buffer against external headwinds, including Middle East geopolitical tensions and weaker global trade. The extension of the Visit Malaysia campaign into 2027 should also help sustain tourist inflows and support key services sectors such as transport, retail and hospitality. Nevertheless, higher price pressures and the rising cost of living remain key risks to consumer sentiment and spending.

Inflationary pressures remain a key risk, partly cushioned by policy support

Consumer spending continues to face headwinds from elevated price pressures, despite the recent moderation in inflation. Higher utility costs have weighed on real household purchasing power, while the renewed rise in global crude oil prices amid Middle East tensions could add further cost pressures through energy, logistics and supply-chain channels. Nevertheless, targeted assistance and fuel-price support should help cushion the impact on households and limit severe second-round inflationary effects.

Tourism momentum remains resilient despite external headwinds

Malaysia's tourist arrivals increased to 2.24m in Jun-26 from 2.06m in May-26, bringing cumulative arrivals in 1H26 to around 12.8m. Nevertheless, arrivals were marginally lower than a year earlier, declining by -0.1%yoy in June. Tourism remains an important growth pillar, although persistent global travel pressures, elevated airfares, fuel-price volatility and Middle East geopolitical tensions could weigh on the higher-value long-haul segment. The proposed extension of the Visit Malaysia campaign through 2027 could provide a longer runway to sustain tourism momentum, support services-sector growth and pursue the Government's visitor targets.

Global consumer spending uneven amid persistent cost pressures

Global retail spending remained mixed in Jul-26. In the US, retail sales rose +5.0%yoy, although sales declined -0.6%mom, pointing to some moderation in consumer momentum. In China, retail sales growth eased to +0.6%yoy after recovering to +1.0% in Jun-26, highlighting continued softness in domestic consumption. Euro area retail sales increased by +0.6%yoy but fell -0.6%mom, suggesting weaker household spending momentum. Across Asia, performance remained uneven, with relatively stronger growth in selected economies. Looking ahead, elevated energy prices, geopolitical uncertainty and persistent cost pressures remain key downside risks to global purchasing power and consumer spending.

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

	Monthly Data							Cumulative	
	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	2QCY25	2QCY26
Distributive Trade	**159.8**	**156.3**	**169.0**	**174.8**	**171.3**	**168.4**	**170.4**	**459.0**	**514.6**
YoY%	7.3	5.3	9.8	15.3	10.9	10.1	9.0	4.6	12.1
MoM%	(2.4)	(2.2)	8.1	3.5	(2.0)	(1.6)	1.2		
Wholesale Trade	**70.8**	**69.5**	**78.4**	**83.5**	**80.7**	**76.7**	**78.8**	**203.8**	**241.9**
YoY%	6.0	5.7	15.7	24.1	18.4	12.4	11.7	5.1	6.7
MoM%	(0.4)	(1.8)	12.7	6.6	(3.3)	(4.9)	2.1		
Retail Trade	**70.2**	**70.1**	**72.0**	**71.0**	**71.9**	**72.0**	**71.3**	**201.4**	**214.9**
YoY%	6.1	7.7	7.5	6.3	7.2	6.6	6.4	5.0	6.7
MoM%	(0.3)	(0.2)	2.8	(1.5)	1.3	0.2	(1.0)		
Motor Vehicles	**18.8**	**16.7**	**18.6**	**20.4**	**18.6**	**19.6**	**20.8**	**53.8**	**58.7**
YoY%	17.3	(5.3)	(3.1)	15.5	(2.3)	14.9	7.9	1.4	9.0
MoM%	(15.7)	(11.1)	11.6	9.2	(8.5)	5.7	5.7		

Source: Macrobond, MBSBR

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

	Share % Total DT		MoM%		YoY%	
	2019	6MCY26	Jun-26	Jul-26	Jun-26	Jul-26
Wholesale Sales (WS)	**48.1**	**45.9**	**-4.9**	**2.1**	**12.4**	**11.7**
WS: Fee or Contract Basis	0.9	0.8	0.2	1.7	6.4	7.7
WS: Agri Raw Materials & Live Animals	3.8	4.0	0.4	4.7	2.0	9.0
WS: Food, Beverages & Tobacco	8.8	8.7	-1.7	1.2	4.5	3.9
WS: Household Goods	9.3	9.2	0.6	1.1	6.5	5.2
WS: Machinery, Equipment & Supplies	4.1	3.4	1.0	4.0	6.4	3.1
WS: Others Specialised	19.9	18.6	-11.4	2.1	25.3	22.8
WS: Non-Specialised	1.3	1.2	5.0	1.3	6.0	8.8
Retail Sales (RS)	**40.5**	**42.6**	**0.2**	**-1.0**	**6.6**	**6.4**
RS: Non-Specialised Stores	13.9	16.6	-0.1	-1.4	7.0	7.2
RS: Food, Beverages & Tobacco	2.3	2.7	0.3	-2.2	6.6	6.4
RS: Automotive Fuel	3.4	4.1	-2.6	-1.7	10.8	7.5
RS: Information & Communication Equip	4.1	3.2	-0.2	4.4	4.7	4.3
RS: Household Equipment	5.4	4.7	-0.5	-1.2	3.2	3.1
RS: Cultural & Recreation Goods	2.2	1.8	0.4	0.9	3.7	3.3
RS: Others in Specialised Store	8.7	9.0	2.2	-1.8	7.0	7.6
RS: Stalls & Markets	0.1	0.1	0.3	0.4	7.7	7.8
RS: Not in Stores, Stalls & Markets	0.3	0.5	1.7	-0.2	10.0	9.3
Motor Vehicles Sales (MVS)	**11.4**	**11.4**	**5.7**	**5.7**	**14.9**	**7.9**
MVS: Motor Vehicle	6.1	5.5	10.8	9.7	22.3	8.3
MVS: Motor Vehicle Maintenance & Repair	1.5	1.8	2.0	1.9	7.0	6.8
MVS: Motor Vehicle Parts & Accessories	2.8	3.3	0.9	-0.4	8.3	7.1
MVS: Motorcycles Maintenance & Repair, Parts & Acc.	0.9	0.8	-0.4	10.0	13.0	10.1

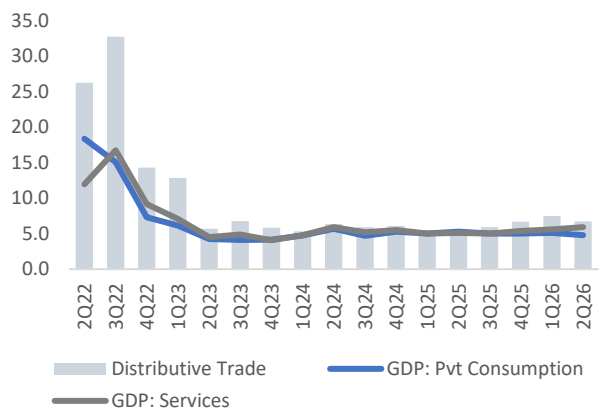
Source: DOSM, Macrobond, MBSBR

Table 3: Global Retail Sales (YoY%)

	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26
Malaysia	6.1	7.7	7.5	6.3	7.1	6.6	6.4
Indonesia	5.7	6.5	3.4	(3.7)	(3.9)	(2.9)	1.2
Singapore	(0.3)	8.4	4.6	5.4	2.9	4.0	1.5
Thailand	91.8	31.4	21.2	(23.5)	(18.1)	(18.3)	n.a
Vietnam	9.3	8.5	12.1	12.1	11.8	13.8	14.1
Taiwan	(3.4)	7.7	3.3	5.2	4.9	5.6	5.1
China	2.8	-	1.7	0.2	(0.6)	1.0	0.6
Japan	1.8	(0.1)	1.4	2.8	5.0	0.6	4.0
Euro Area	2.1	1.2	2.3	1.0	2.0	1.4	0.7
US	3.3	4.2	4.2	5.1	7.3	6.7	5.0

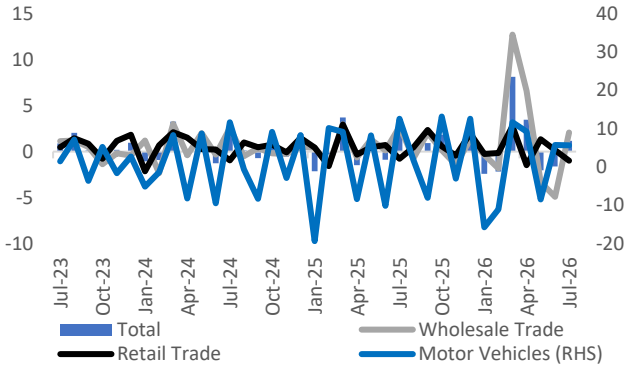
Source: DOSM, Macrobond, MBSBR

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



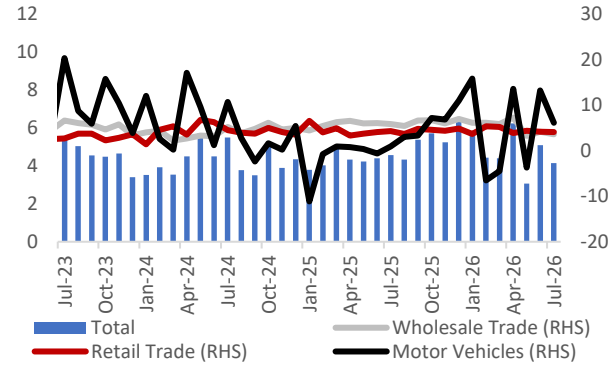
Source: Macrobond, MBSBR

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



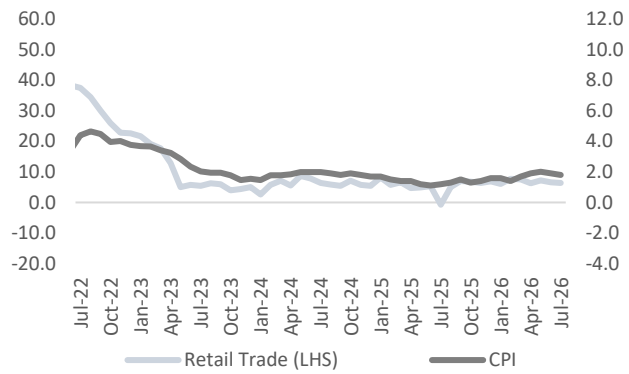
Source: Macrobond, MBSBR

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



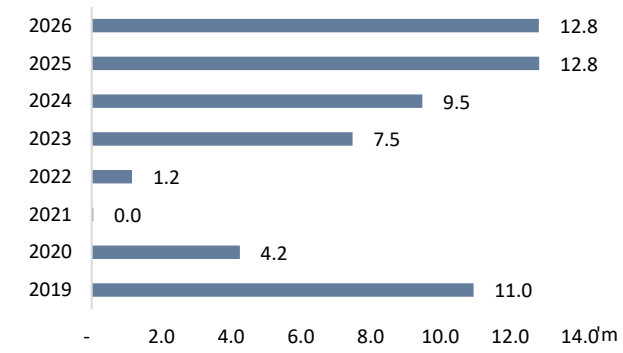
Source: Macrobond, MBSBR

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



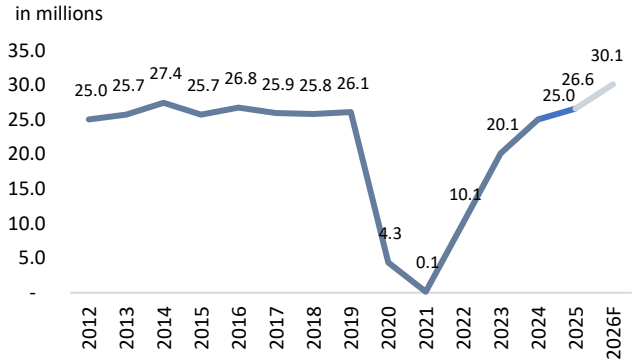
Source: Macrobond, MBSBR

Chart 5: Tourist Arrivals in Malaysia (6MCY26)



Source: DOSM, MBSBR

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



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

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