Domestic Trade Grew Faster in Aug-26, Driven by Wholesale and Retail Trade

Economic Review
Aug-26 Distributive Trade



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Economic Review

- Malaysia's distributive trade growth accelerated to +10.5%yoy in Aug-26 (Jul-26: +9.0%yoy), returning to double-digit expansion driven mainly by stronger wholesale trade (+16.5%yoy; Jul-26: +11.7%yoy) and steady retail trade growth (+6.5%yoy; Jul-26: +6.4%yoy), in contrast to sharp moderation in motor vehicle sales growth (+2.5%yoy; Jul-26: +7.9%yoy) .
- Retail trade growth edged slightly higher to +6.5%yoy in Aug-26 (Jul-26: +6.4%yoy), while monthly sales rebounded to +0.5%mom (Jul-26: -1.0%mom), suggesting improved consumer spending. The improvement was mainly supported by stronger sales in non-specialised stores and automotive fuel.
- For 2026, we maintain our forecast for retail sales growth to moderate to +5.5% (2025: +6.1%). Healthy labour market conditions, sustained income growth and government support measures are expected to underpin household spending. Nevertheless, lingering inflationary pressures and external uncertainties remain key downside risks, although continued tourism-related activities under Visit Malaysia 2026–2027 should provide additional support to domestic consumption.

Wholesale trade returned to double-digit growth

Malaysia's distributive trade continued to expand at a robust pace, accelerating slightly to +10.5%yoy in Aug-26 (Jul-26: +9.0%yoy), returning to double-digit growth after easing below the 10% mark in the previous month. Growth strengthened across most segments, led by a notable pick-up in wholesale trade (+16.5%yoy; Jul-26: +11.7%yoy) and steady growth in retail trade (+6.5%yoy; Jul-26: +6.4%yoy). Meanwhile, motor vehicles growth moderated further to +2.5%yoy (Jul-26: +7.9%yoy). According to DOSM, the three sub-sectors collectively contributed +RM16.4b increase in the overall sales, pushing the overall value of distributive trade to RM173.0b which was the highest level in 4 months. Apart from increased tourist arrivals (and spending), the sustained growth in retail trade suggests domestic spending continued to growth on the back of positive employment growth and further disbursement of Sumbangan Tunai Rahmah (STR) Phase 3 during the month. 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 except for wholesale trade

On another note, the moderation in distributive trade volume observed in Jul-26 extended into Aug-26, with overall volume growth easing further to +3.6%yoy (Jul-26: +4.1%yoy). The softer outturn was driven primarily by a sharp slowdown in the motor vehicles segment, where volume growth decelerated significantly to +1.5%yoy (Jul-26: +6.2%yoy). Meanwhile, retail trade volume growth moderated slightly to +3.8%yoy (Jul-26: +4.1%yoy), reflecting a more measured pace of consumer spending amid rising cost-of-living concerns. The divergence between volume and value growth also suggests that higher retail prices partly supported the sustained expansion in retail sales value. In contrast, wholesale trade volume growth improved marginally to +4.0%yoy (Jul-26: +3.6%yoy), providing some support to overall distributive trade activity. Overall, purchasing momentum among consumers and businesses remained positive in Aug-26, although growth continued to soften amid weaker vehicle sales and a gradual easing in retail demand.

Motor vehicle sales eased significantly

Retail trade growth edged slightly higher to +6.5%yoy in Aug-26 (Jul-26: +6.4%yoy), while monthly sales rebounded to +0.5%mom (Jul-26: -1.0%mom), suggesting improved consumer spending. This was supported mainly by stronger sales in non-specialised stores (+1.8%mom; Jul-26: -1.4%mom), automotive fuel (+0.7%mom; Jul-26: -1.7%mom), and cultural & recreation goods (+1.5%mom; Jul-26: +0.9%mom). In annual terms, growth in non-specialised stores also strengthened to +7.5%yoy (Jul-26: +7.2%yoy), while automotive fuel accelerated to +8.9%yoy (Jul-26: +7.5% yoy). However, the gains were partly offset by moderation in several discretionary segments, including information & communication equipment (+4.0%yoy; Jul-26: +4.3%yoy), cultural & recreation goods (+3.0%yoy; Jul-26: +3.3%yoy), and other specialised stores (+6.9%yoy; Jul-26: +7.6%yoy). Overall, the retail sector remained resilient, supported by broad-based consumer demand despite some moderation in selected segments.

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 this year. While external risks, ranging from Middle East tensions to cooling global trade which could weigh on the overall growth, resilient domestic absorption provides a critical buffer. Extended Visit Malaysia initiatives through 2027 will further reinforce services activity across transport, retail, and hospitality. However, lingering price pressures continue to pose downside risks to consumer spending.

Inflationary pressures as a key risk, but government support provides buffer

Consumer spending continues to face headwinds from elevated price pressures, especially concerns on inflation expectations increase due to the elevated oil prices. 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. To help offset these cost pressures, targeted welfare assistance and fuel-price support mechanisms will play a vital role. This includes the temporary rise of the domestic electricity bill protection threshold from 600kWh to 800kWh, effective until the end of 2026, and the reversal of monthly subsidized fuel quota under BUDI MADANI programme from 200L to 300L. By cushioning vulnerable households, these policy measures should help contain broader second-round spillovers into economy-wide inflation

Tourism robust momentum continues despite external headwinds

Malaysia's tourist arrivals increased to 2.31m in Aug-26 (Jul-26: 2.30m), with the cumulative arrivals reaching around 17.4m in the first 8 months of 2026. However, arrivals were marginally higher than a year ago, increasing by +0.1%yoy, after three consecutive months of contractions. Tourism remains a vital growth pillar for the Malaysian economy, though persistent travel cost inflation, elevated airfares, fuel-price volatility, and Middle East geopolitical friction may weigh on high-yield, long-haul arrivals. Nevertheless, extending the Visit Malaysia campaign through 2027 provides a strategic runway to sustain tourist momentum, bolster services-sector expansion, and align with the Government's medium-term visitor and yield targets.

Global consumer spending uneven amid persistent cost pressures

Global retail spending displayed mixed trends through Aug-26. In the US, retail sales re-accelerated to +6.0%yoy in Aug-26 (Jul-26: +5.0%yoy), pointing to resilient domestic consumption. Conversely, growth in China moderated further to +0.4%yoy in Aug-26 (Jul-26: +0.6%yoy and Jun-26: +1.0%yoy), underscoring persistent weakness in domestic consumer demand. In reaction to this continued softness, China has rolled out various targeted programmes to promote domestic investment and spending activities. Meanwhile, retail trade in euro area picked up modestly to +0.8%yoy in Aug-26 (Jul-26: +0.4%yoy). Across Asia, performance remained highly diverged: Malaysia (Aug-26: +6.5%yoy) and Vietnam (+14.4%yoy in Aug-26) maintained encouraging growth momentum, whereas regional peers like Indonesia (+0.5%yoy) and Singapore (+0.7%yoy) saw demand softened, while retail spending in Thailand continued to fall by -11.9%yoy for the fourth straight month. Looking ahead, consumer sentiment, purchasing power and spending plans will continue to be affected by concerns about living costs, elevated energy prices amid ongoing geopolitical tensions, as well as policy tightening in several economies.

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

	Monthly Data							Cumulative	
	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	2QCY25	2QCY26
Distributive Trade	**156.3**	**169.0**	**174.8**	**171.3**	**168.4**	**170.4**	**172.9**	**459.0**	**514.6**
YoY%	5.3	9.8	15.3	10.9	10.1	9.0	10.5	4.6	12.1
MoM%	(2.2)	8.1	3.5	(2.0)	(1.6)	1.2	1.5		
Wholesale Trade	**69.5**	**78.4**	**83.5**	**80.7**	**76.7**	**78.8**	**81.2**	**203.8**	**241.9**
YoY%	5.7	15.7	24.1	18.4	12.4	11.7	16.5	5.1	6.7
MoM%	(1.8)	12.7	6.6	(3.3)	(4.9)	2.1	3.6		
Retail Trade	**70.1**	**72.0**	**71.0**	**71.9**	**72.0**	**71.3**	**71.7**	**201.4**	**214.9**
YoY%	7.7	7.5	6.3	7.2	6.6	6.4	6.5	5.0	6.7
MoM%	(0.2)	2.8	(1.5)	1.3	0.2	(1.0)	0.5		
Motor Vehicles	**16.7**	**18.6**	**20.4**	**18.6**	**19.6**	**20.8**	**20.1**	**53.8**	**58.7**
YoY%	(5.3)	(3.1)	15.5	(2.3)	14.9	7.9	2.5	1.4	9.0
MoM%	(11.1)	11.6	9.2	(8.5)	5.7	5.7	(3.3)		

Source: Macrobond, MBSBR

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

	Share % Total DT		MoM%		YoY%	
	2019	8MCY26	Jul-26	Aug-26	Jul-26	Aug-26
Wholesale Sales (WS)	**48.1**	46.9	**2.1**	3.6	**11.7**	16.5
WS: Fee or Contract Basis	0.9	0.7	1.7	-1.5	7.7	7.4
WS: Agri Raw Materials & Live Animals	3.8	4.0	4.7	-1.8	9.0	6.8
WS: Food, Beverages & Tobacco	8.8	8.3	1.2	-2.0	3.9	4.0
WS: Household Goods	9.3	9.0	1.1	0.2	5.2	5.9
WS: Machinery, Equipment & Supplies	4.1	3.3	4.0	-2.4	3.1	3.3
WS: Others Specialised	19.9	20.3	2.1	10.7	22.8	35.6
WS: Non-Specialised	1.3	1.3	1.3	-1.9	8.8	9.2
Retail Sales (RS)	**40.5**	41.5	**-1.0**	0.5	**6.4**	6.5
RS: Non-Specialised Stores	13.9	16.3	-1.4	1.8	7.2	7.5
RS: Food, Beverages & Tobacco	2.3	2.6	-2.2	0.4	6.4	6.1
RS: Automotive Fuel	3.4	4.0	-1.7	0.7	7.5	8.9
RS: Information & Communication Equip	4.1	3.2	4.4	-1.1	4.3	4.0
RS: Household Equipment	5.4	4.5	-1.2	-1.0	3.1	3.5
RS: Cultural & Recreation Goods	2.2	1.7	0.9	1.5	3.3	3.0
RS: Others in Specialised Store	8.7	8.7	-1.8	-0.5	7.6	6.9
RS: Stalls & Markets	0.1	0.1	0.4	-0.4	7.8	7.0
RS: Not in Stores, Stalls & Markets	0.3	0.4	-0.2	0.2	9.3	7.9
Motor Vehicles Sales (MVS)	**11.4**	11.6	**5.7**	-3.3	**7.9**	2.5
MVS: Motor Vehicle	6.1	5.9	9.7	-5.1	8.3	-1.3
MVS: Motor Vehicle Maintenance & Repair	1.5	1.7	1.9	-1.9	6.8	5.3
MVS: Motor Vehicle Parts & Accessories	2.8	3.2	-0.4	-0.6	7.1	6.7
MVS: Motorcycles Maintenance & Repair, Parts & Acc.	0.9	0.8	10.0	-3.8	10.1	9.9

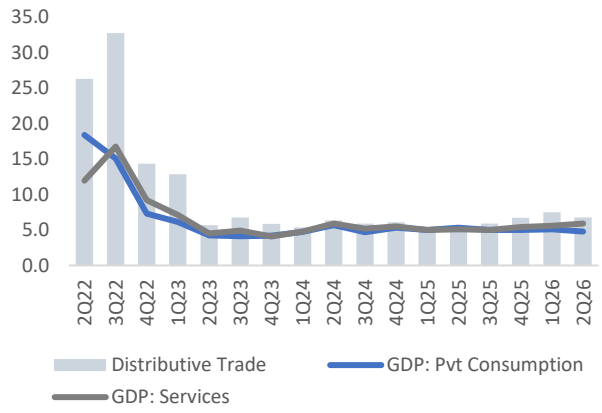
Source: DOSM, Macrobond, MBSBR

Table 3: Global Retail Sales (YoY%)

	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26
Malaysia	7.7	7.5	6.3	7.1	6.6	6.4	6.5
Indonesia	6.5	3.4	(3.7)	(3.9)	(2.9)	1.2	0.5
Singapore	8.4	4.6	5.4	2.9	4.1	1.3	0.7
Thailand	31.4	21.2	(23.5)	(18.1)	(18.3)	(11.9)	n.a
Vietnam	8.5	12.1	12.1	11.8	13.8	14.1	14.4
Taiwan	7.7	3.3	5.2	4.9	5.6	5.2	4.8
China	-	1.7	0.2	(0.6)	1.0	0.6	0.4
Japan	(0.1)	1.4	2.8	5.0	0.6	3.7	2.7
Euro Area	1.2	2.3	1.0	1.9	1.4	0.4	0.8
US	4.2	4.2	5.1	7.2	6.8	5.0	6.0

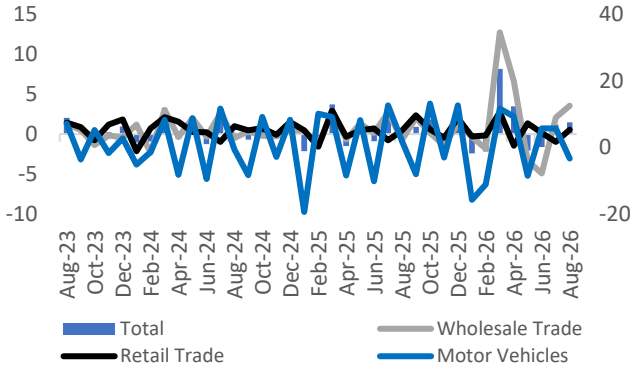
Source: DOSM, Macrobond, MBSBR

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



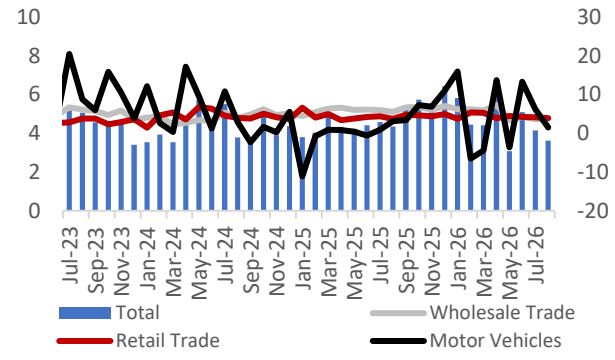
Source: Macrobond, MBSBR

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



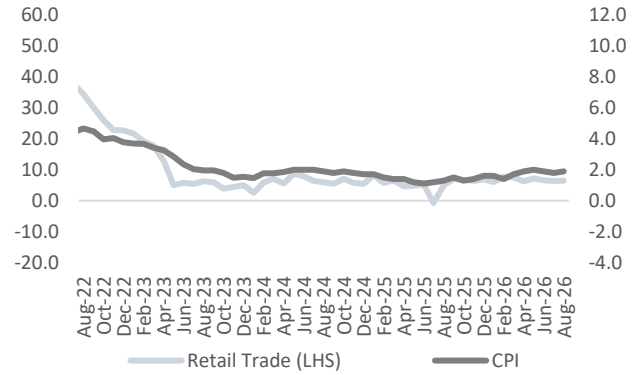
Source: Macrobond, MBSBR

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



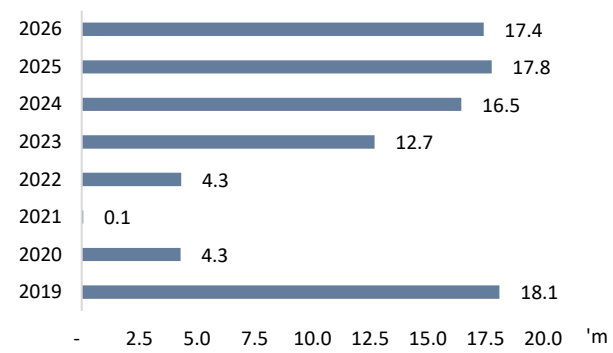
Source: Macrobond, MBSBR

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



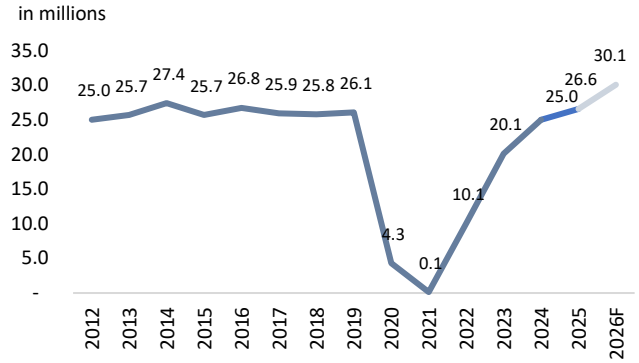
Source: Macrobond, MBSBR

Chart 5: Tourist Arrivals in Malaysia (8MCY26)



Source: DOSM, MBSBR

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



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

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