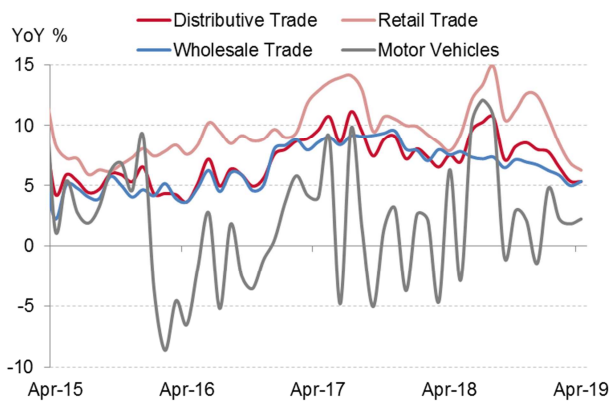


# Malaysia Distributive Trade

Eases to 30-month low on weak retail trade, reaffirms growth downtrend

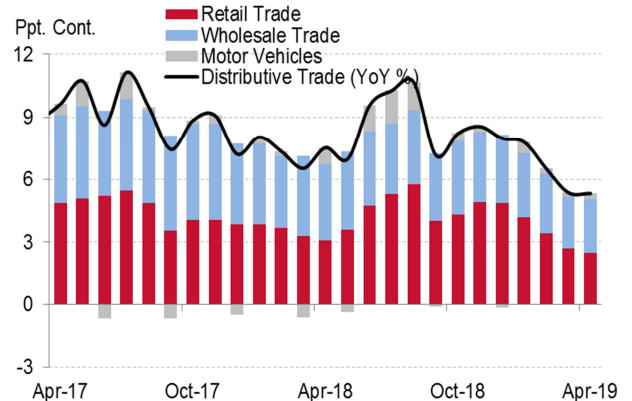
- April's distributive trade sales value extended its slowdown, albeit marginally, to 5.3% YoY (Mar: 5.4%),** marking its lowest growth in the past 30 months. On a MoM basis, it declined by 3.9% after charting a brief growth of 5.7% in the preceding month. The softer performance was mainly attributable to moderation in retail activities.
- Weaker retail trade outweighed improvement in wholesale trade and motor vehicles sales.** Sales of retail trade edged lower to 6.3% YoY (Mar: 6.9%), its smallest expansion since October 2015, suggesting further weakness in private consumption activities in the 2Q19, in line with the MIER consumer sentiment index which slipped below the 100-point confidence threshold for the past two consecutive quarters. Nonetheless, we expect the retail trade to chart some improvement in May, amid increased spending during the Eid celebration. On the other hand, the wholesale trade sales trended up for the first time in five months, to 5.3% (Mar: 5.0%), underpinned by Other Specialised Wholesale, Wholesale on a fee or Contract Basis and Wholesale of Food, Beverages & Tobacco. Similarly, motor vehicles sales strengthened to 2.2% (Mar: 1.8%), on higher sales and maintenance of vehicles.
- Retail trade softened across most advanced and developing economies.** In the US, retail trade growth slowed to 3.3% in April, mainly on weak auto and building materials purchases. Within Asia, Japan's retail trade edged lower as sales of autos and clothes moderated as consumers became pre-cautious of their spending in anticipation of the sales tax hike in October. On a similar direction, China's retail trade dropped to its lowest since May 2003, suggesting widening concerns among consumer with regards to future income flow and in part justifying the government's action in stepping up stimulus measures to weather the economic slowdown.
- Overall, we foresee distributive trade sales to expand within the range of 6.5-7.5% in 2019 (2018: 8.2%),** reflecting the high base effect arising from frontloading of spending during the 3-month tax holiday period in 2018, as well as softer domestic demand against the backdrop of global economic slowdown and looming external uncertainties arising from the unresolved trade dispute between China and the US. Subsequently, private consumption is expected to moderate to 6.8% in 2019 (2018: 8.1%) in line with our lower GDP growth projection of 4.5% for 2019 (2018: 4.7%).

Graph 1: Sales Value Growth



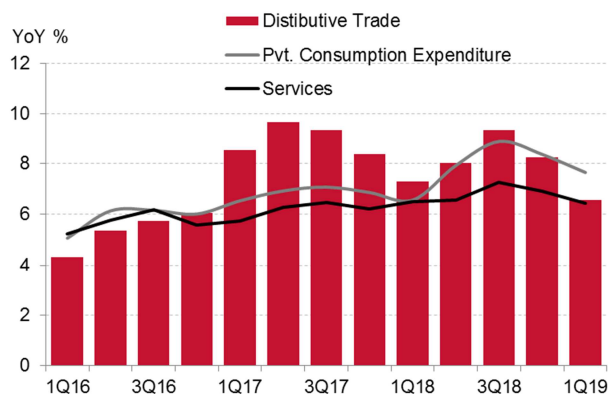
Source: Dept. of Statistics, Kenanga Research

Graph 2: Contribution to Overall Sales Value



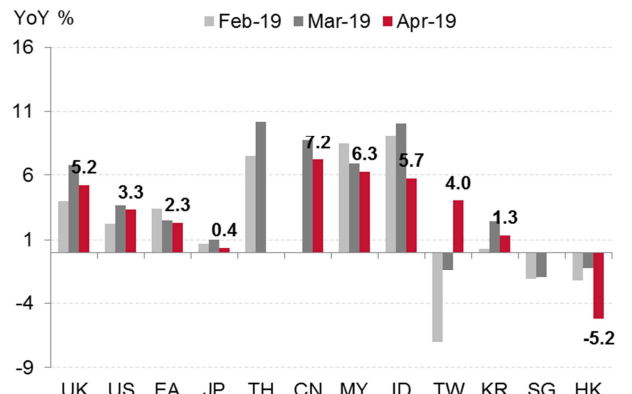
Source: Dept. of Statistics, Kenanga Research

Graph 3: Pvt. Consumption, Services & Distributive Trade



Source: Dept. of Statistics, Kenanga Research

Graph 4: Retail Trade Sales of Selected Countries



Source: Dept. of Statistics, CEIC, Kenanga Research

12 June 2019

**Table 1: Distributive Trade Sales by Sub-sector (YoY %)**

	% Share (2018)	2017	2018	Apr- 18	Dec- 18	Jan- 19	Feb- 19	Mar- 19	Apr- 19
<b>Distributive Trade</b>		<b>9.0</b>	<b>8.2</b>	<b>7.5</b>	<b>8.0</b>	<b>7.8</b>	<b>6.5</b>	<b>5.4</b>	<b>5.3</b>
Wholesale Trade	48.4	8.8	7.3	7.6	6.7	6.2	5.8	5.0	5.3
Retail Trade	39.9	11.5	11.0	7.9	12.4	10.6	8.5	6.9	6.3
Motor Vehicles	11.7	2.2	3.2	6.3	-1.4	4.8	2.3	1.8	2.2

Source: Dept. of Statistics, Kenanga Research

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