

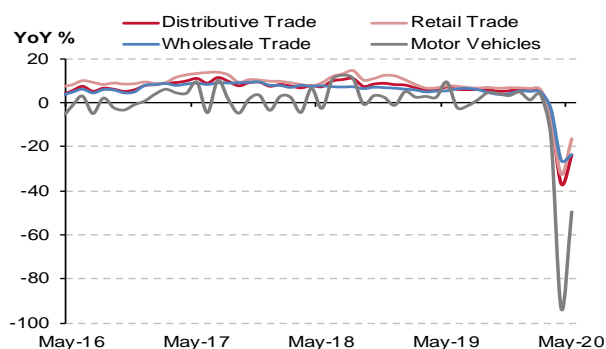
10 July 2020

Malaysia Distributive Trade

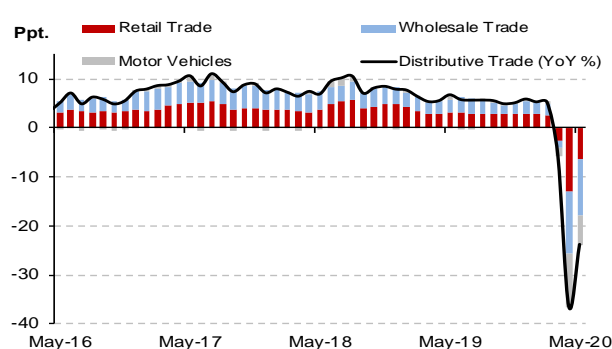
Softer decline amid a resumption of purchasing activities in May

- **Distributive trade sales registered a softer drop in May (-23.8%; Apr: -36.6%) following the resumption of purchasing activities as some businesses were allowed to reopen** under the period of Conditional Movement Control Order (CMCO) starting on 4th May. This is reflected in the MoM record high rebound of 26.3% (Apr: -35.2%).
- **The improved performance was broad-based, steered mainly by the retail trade and motor vehicles sales**
 - Retail trade: contraction narrowed (-16.2%; Apr: -32.4%) largely on a smaller decline in sales of household equipment and automotive fuels, as driving activity started to pick up following the conditional easing of the inter-state travel ban in early May.
 - Motor vehicles: the decline was almost halved (-49.5%; Apr: -93.2%), but remained relatively compressed, as consumers were still reluctant to purchase big ticket items amid the challenging economic environment.
 - Wholesale trade: marked a marginally softer fall (-23.6%; Apr: -26.3%) on narrowed contraction in sales of household goods and machines.
- **Improved retail trade performance across most advanced and developing economies**
 - US: dropped by less (-6.6%; Apr: -16.7) primarily on a MoM surge in sales at clothing and accessories store.
 - KR: rebounded (2.1%; Apr: -2.0%) on a spike in online purchases of food and sanitary items as social-distancing requirements remained upheld.
- **2020 distributive trade sales forecast retained, but with a possibility of hitting the lower-end of our forecast range (-2.5 to -1.5; 2019: 5.9%)**
 - While the implementation of the Recovery MCO (RMCO), government stimulus injection and continued monetary easing are expected to support consumer activities, the recovery would be partially capped by persisting worries over a second wave of COVID-19 infections, surging unemployment and elevated uncertainty surrounding income stability.
 - Against this backdrop, we maintain our private consumption forecast at 1.5% in 2Q20 (1Q20: 6.7%), leading to a substantial fall in the GDP growth (-7.5%; 1Q20: 0.7%). On the expectation of further reopening of the economy, the GDP is forecasted to register a softer contraction in 3Q20 (-4.5%).

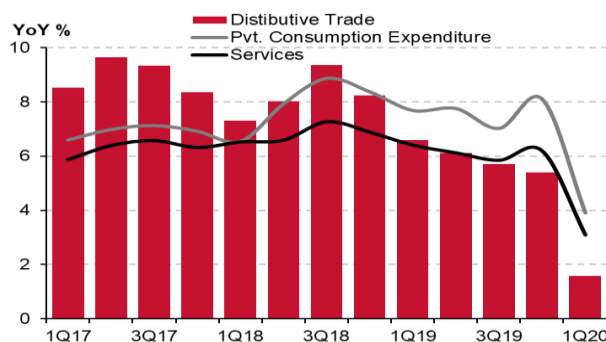
Graph 1: Sales Value Growth



Graph 2: Contribution to Overall Sales Value

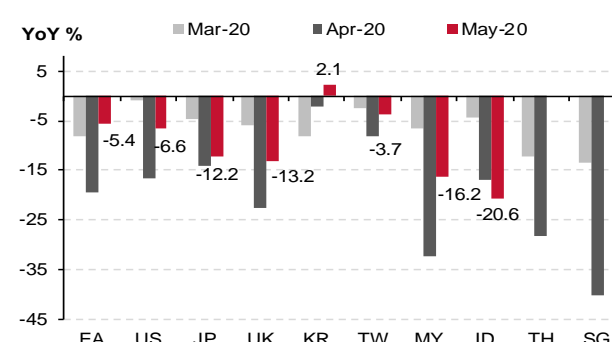


Graph 3: Pvt. Consumption, Services & Distributive Trade



Source: Dept. of Statistics, Kenanga Research

Graph 4: Retail Trade Sales of Selected Countries



Source: Dept. of Statistics, CEIC, Kenanga Research

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

	% Share	2018	2019	May-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20
Distributive Trade		8.2	5.9	6.8	6.0	5.4	5.3	-5.7	-36.6	-23.8
Wholesale Trade	48.1	7.3	5.4	5.5	5.4	5.2	4.9	-2.7	-26.3	-23.6
Retail Trade	40.5	11.0	7.5	7.8	7.0	6.7	6.3	-6.6	-32.4	-16.2
Motor Vehicles	11.4	3.2	2.7	9.1	4.5	1.0	3.5	-15.3	-93.2	-49.5

Source: Dept. of Statistics, Kenanga Research

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