

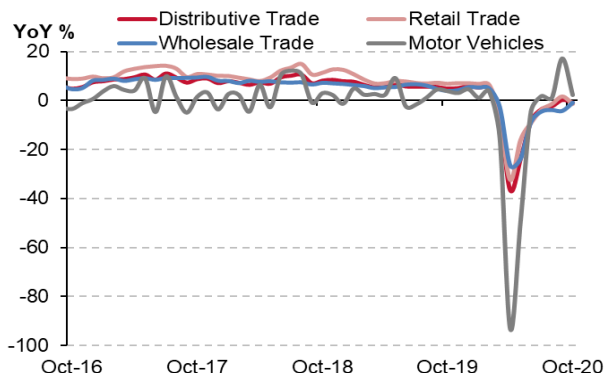
11 December 2020

Malaysia Distributive Trade

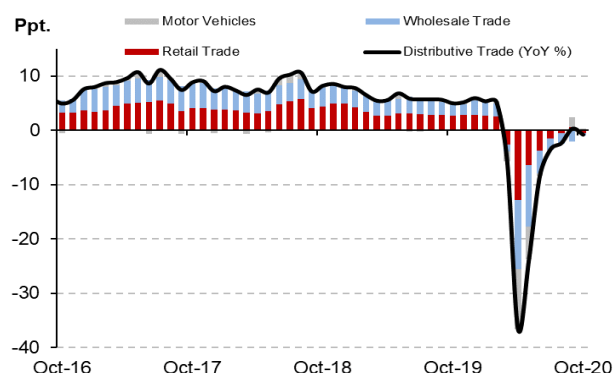
Returned to negative growth in October due to the impact of renewed CMCO

- **Distributive trade sales fell in October (-0.8% YoY; Sep: 0.3%) amid weak consumer spending due to the reimplementing of Conditional Movement Control Order (CMCO)**
 - Sales value (RM110.5b; Sep: RM111.0b): lowest in three months.
 - MoM (-0.5%; Sep: -0.4%): continued to fall for the second straight month, reaching a six-month low as the pace of consumer spending has tapered off due to the renewed restrictions and COVID-19 resurgence.
- **The decline was led by weakening retail trade and motor vehicle sales, but was partially capped by a softer contraction in wholesale trade**
 - Retail trade (-1.5%; Sep: 1.6%): returned to a growth contraction, due to declining sales of other goods in specialised stores (-7.4%; Sep: -1.2%) and a further fall in sales of automotive fuels (-9.6%; Sep: -7.1%).
 - Wholesale trade (-0.9%; Sep: -4.2%): contraction softened to its smallest in 8 months, driven by a softer decline in sales of other specialised items (-6.1%; Sep: -14.2%).
 - Motor vehicles (2.2%; Sep: 17.1%): growth fell significantly, due to declining motor vehicle sales (6.4%; Sep: 34.8%) and smaller growth in the sale, maintenance, and repair (4.7%; Sep: 9.4%).
- **Increased retail trade performance across most advanced and developing economies**
 - Japan: rebounded sharply to 6.2% (Sep: -8.8%), up for the first time in eight months, partly due to a low base effect.
 - China: climbed to 4.3% (Sep: 3.3%), the third consecutive month of gains on the back of higher consumer spending due to the golden week holiday in October.
- **2020 distributive trade sales forecast revised lower to between -6.5% to -5.5% from -5.5% to -4.5% (YTD: -6.9%; 2019: 5.9%) as the pandemic showed no signs of slowing**
 - The resurgence of COVID-19 cases which has led to the reimplementing of CMCO and Enhanced MCO in high-risk areas in Malaysia is expected to dampen consumer spending in the near term. However, government attempt to mitigate the economic impacts of the COVID-19 pandemic by decreasing the CMCO stringency may partially help to cushion the impact on the retail sector.
 - Nevertheless, private consumption growth is projected to rebound in 4Q20 (3.7%; 3Q20: -2.1%) due to the impact from the fiscal stimulus, with the 4Q20 GDP growth contraction expected to decelerate further to -1.7% (3Q20: -2.7%).

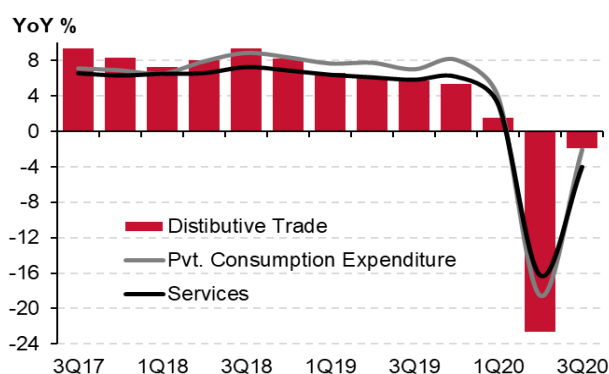
Graph 1: Sales Value Growth



Graph 2: Contribution to Overall Sales Value

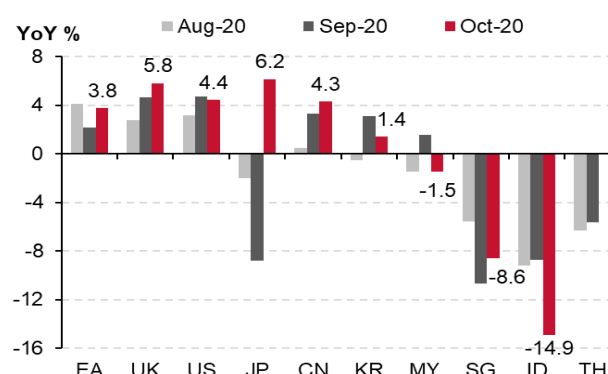


Graph 3: Pvt. Consumption, Services & Distributive Trade



Source: Dept. of Statistics, CEIC, 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	Oct-19	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20
Distributive Trade		8.2	5.9	5.0	-23.8	-8.4	-3.5	-2.3	0.3	-0.8
Wholesale Trade	48.1	7.3	5.4	3.9	-23.6	-8.7	-4.5	-3.9	-4.2	-0.9
Retail Trade	40.5	11.0	7.5	6.8	-16.1	-9.2	-3.8	-1.5	1.6	-1.5
Motor Vehicles	11.4	3.2	2.7	3.7	-49.5	-4.5	1.7	1.0	17.1	2.2

Source: Dept. of Statistics, Kenanga Research

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