

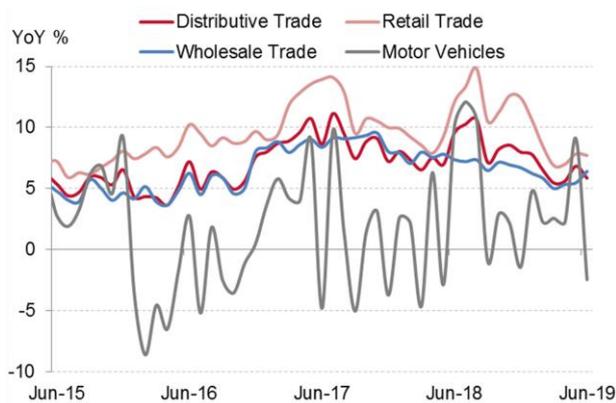
14 August 2019

Malaysia Distributive Trade

Eases on decline in motor vehicles sales amid high base effect

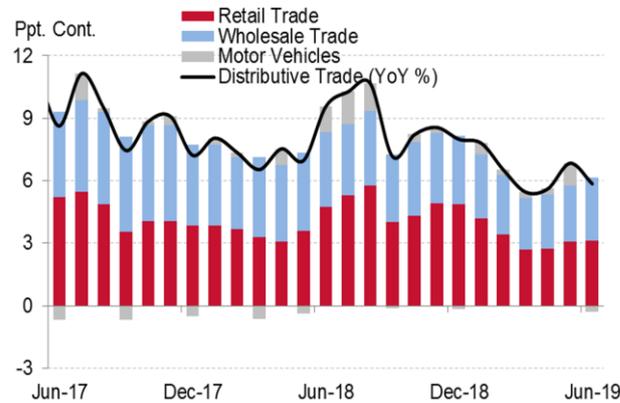
- June's distributive trade sales value edged down to 5.9% YoY (May: 6.8%),** after firming up in the past two consecutive months. On a MoM basis, growth eased to 1.4% (May: 5.1%). Overall for 2Q19, distributive trade sales slowed to 6.1% YoY (1Q19: 6.6%), its lowest growth in the past ten quarters, dragged mainly by weaker performance of retail trade (2Q19: 7.5% vs. 1Q19: 8.6%) and motor vehicle sales (2Q19: 2.9% vs. 1Q19: 3.2%). This was in line with our forecast of a more moderate economic expansion in 2Q19 (4.3% vs. 1Q19: 4.5%).
- Contraction in motor vehicles sales outweighed improvement in wholesale trade.** Motor vehicles sales fell markedly by 2.5% (May: +9.1%), largely reflecting a high base effect, arising from the spike in car sales following the GST zerorisation which began in June 2018, as well as a normalisation in sales following the conclusion of festive season promotions. Meanwhile, sales of retail trade edged slightly lower to 7.7% (May: 7.8%), suggesting continued weakness in private consumption activities in the 2Q19, in line with the MIER consumer sentiment index which remained below the 100-point confidence threshold for the past two consecutive quarters. These have outpaced the increase in wholesale trade sales, which registered a six-month high growth of 6.4% (May: 5.5%), underpinned by higher growth in the agriculture, raw materials & live animals segments.
- Mixed retail trade performance across advanced and developing economies.** In the US, retail trade registered a faster expansion of 3.3% in June, underpinned by purchases of motor vehicles, furniture and building materials. On a similar direction, China's retail trade accelerated to its highest in 13 months, lifted by a jump in car sales as car dealers slashed prices. Meanwhile, retail trade charted a steep decline in Hong Kong as consumer sentiment soured and tourist arrivals dwindled amid the ongoing anti-extradition bill protests.
- Overall, we maintain our projection of 6.5-7.5% expansion in distributive trade sales in 2019 (2018: 8.2%),** reflecting the high base effect arising from front-loading 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 escalating US-China trade dispute. Subsequently, private consumption is expected to moderate to 6.7% in 2019 (2018: 8.0%) in line with our lower GDP growth projection of 4.5% for 2019 (2018: 4.7%).

Graph 1: Sales Value Growth



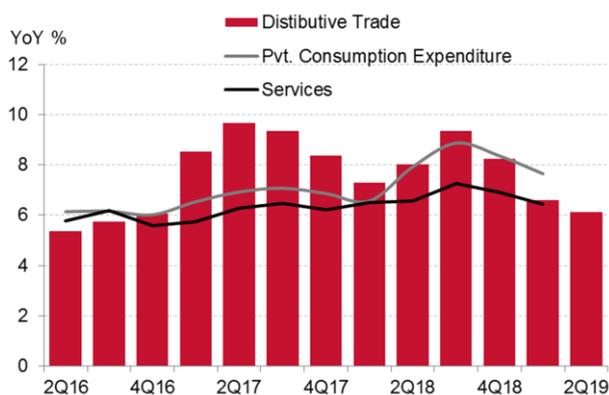
Source: Dept. of Statistics, Kenanga Research

Graph 2: Contribution to Overall Sales Value



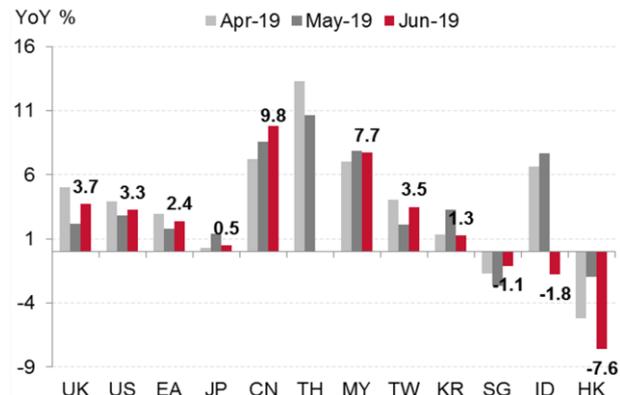
Source: Dept. of Statistics, Kenanga Research

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

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

	% Share (2018)	2017	2018	Jun- 18	Feb- 19	Mar- 19	Apr- 19	May- 19	Jun- 19
Distributive Trade		9.0	8.2	9.6	6.5	5.5	5.6	6.8	5.9
Wholesale Trade	48.4	8.8	7.3	7.4	5.8	5.0	5.3	5.5	6.4
Retail Trade	39.9	11.5	11.0	12.1	8.5	6.9	7.0	7.8	7.7
Motor Vehicles	11.7	2.2	3.2	10.1	2.3	2.6	2.2	9.1	-2.5

Source: Dept. of Statistics, Kenanga Research

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