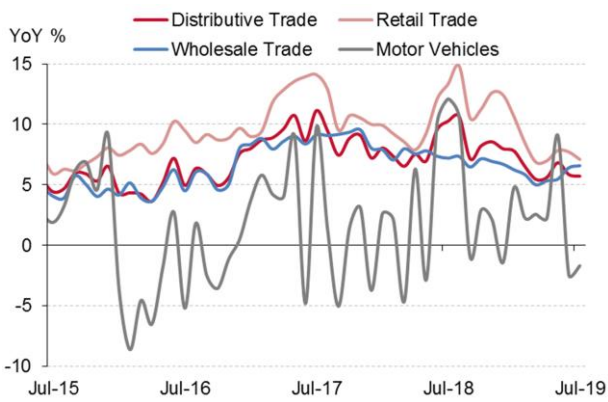


Malaysia Distributive Trade

Slows in July amid slowing domestic demand and high base effect

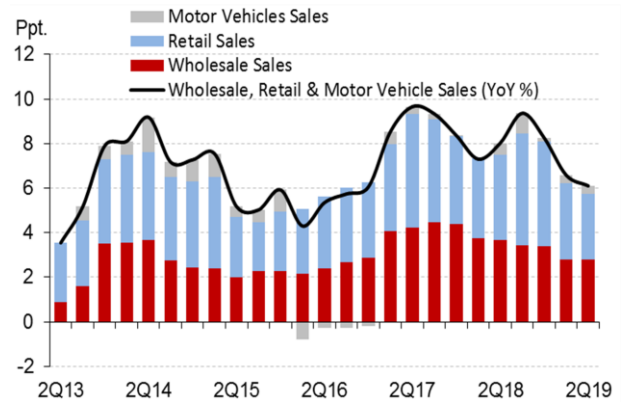
- July's distributive trade sales YoY growth value continued to slow in July to 5.7% (Jun: 5.9%).** On a MoM basis, growth eased to 0.2% (Jun: 1.4%). The slower growth was attributed to a higher base effect brought by the zerorisation and removal of Goods & Services Tax (GST) between June and August 2018 and slower external demand.
- Fall in motor vehicles sales and moderation in retail trade outweighed expansion in wholesale trade sales.** Motor vehicles sales fell by 1.7% YoY (Jun: -2.5%), mainly reflecting a high base effect arising from the spike in car sales following the tax holiday last year, as well as normalisation in sales following the end of festive season promotions. Besides, sales of retail trade moderated to 7.1% YoY (Jun: 7.7%). While on MoM, it slowed to 1.1% (Jun: 4.4%), suggesting weakness in private consumption activities at the start of 3Q19. Meanwhile, wholesale trade sales edged up to 6.6% YoY (Jun: 6.4%), driven by higher growth in sales of agriculture, raw materials & live animals segments (9.0% YoY; Jun: 8.3%).
- Mixed retail trade performance across advanced and developing economies in July.** In the US, retail trade continued to expand, growing by 3.4% YoY (Jun: 3.3%) driven by soaring non-store retail sales growth. Meanwhile, retail trade in China slowed to 7.6% YoY after a sharp increase in June (9.8%) mainly due to poor auto sales and oil product sales. Hong Kong's seasonally adjusted retail trade recorded a steep decline in July at 13.1% YoY (Jun: -7.6%) it's seventh straight month of decline as consumer sentiment soured and tourist arrivals fell amid the on-going anti-extradition bill protests. In Indonesia, retail sales rebounded by 2.4% YoY (Jun: -1.8%) mainly backed by higher sales of automotive spare parts and accessories as well as food, beverages, and tobacco.
- The high base effect arising from front-loading of spending during the 3-month tax holiday period last year is expected to taper growth in 3Q19. Besides, concerns over global economic slowdown and looming external uncertainties arising from the on-going US-China trade dispute may have an adverse impact on domestic demand. Subsequently, **private consumption is expected to moderate to 6.7% YoY in 3Q19 (2Q19: 7.8%), dragging the GDP growth to slow to 4.4% (2Q19: 4.9%), bringing our whole year GDP growth forecast to moderate to 4.5% in 2019 (2018: 4.7%).**

Graph 1: Sales Value Growth



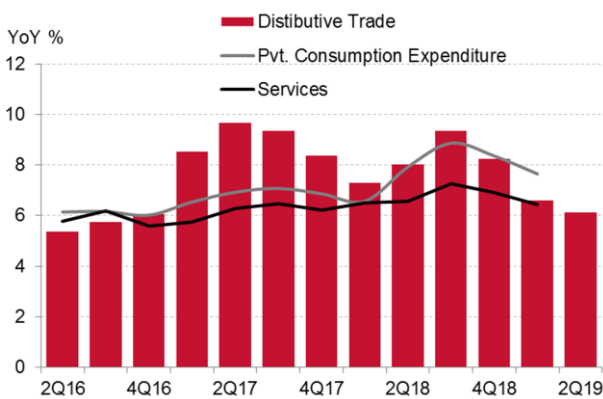
Source: Dept. of Statistics, Kenanga Research

Graph 2: Contribution to Overall Sales Value



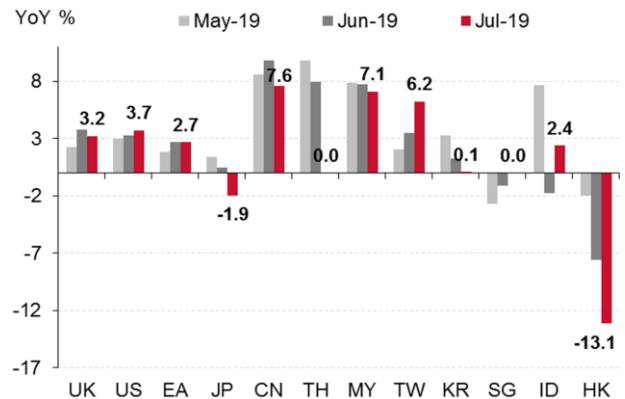
Source: Dept. of Statistics, Kenanga Research

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 September 2019

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

	% Share (2018)	2017	2018	Jul- 18	Mar- 19	Apr- 19	May- 19	Jun- 19	Jul- 19
Distributive Trade		9.0	8.2	9.6	5.5	5.6	6.8	5.9	5.7
Wholesale Trade	48.4	8.8	7.3	7.2	5.0	5.3	5.5	6.4	6.6
Retail Trade	39.9	11.5	11.0	13.3	6.9	7.0	7.8	7.7	7.1
Motor Vehicles	11.7	2.2	3.2	12.1	2.6	2.2	9.1	-2.5	-1.7

Source: Dept. of Statistics, Kenanga Research

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