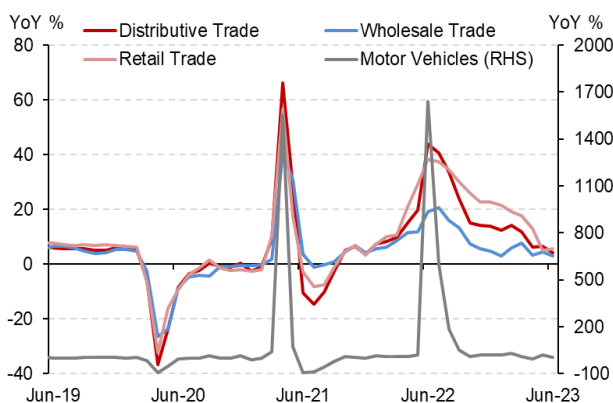


Malaysia Distributive Trade

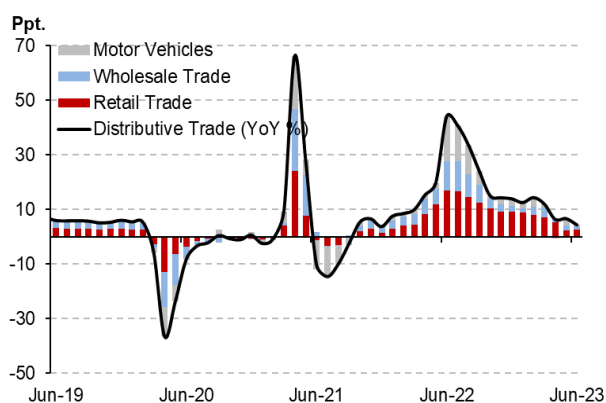
Sales growth moderated in June due to the high base effect recorded last year

- Distributive trade sales moderated in Jun (4.3% YoY; May: 6.6%) mainly due to a waning lower base effect**
 - Sales value (RM138.5b; May: RM138.0b): rose to a three-month high as MoM growth (0.3%; May: 1.5%) expanded for the second straight month, albeit slower.
 - 2Q23: Growth moderated sharply to 5.7% (1Q23: 12.8%), a six-quarter low, partly as the lower base effect dissipated in spite of QoQ growth expanded by 1.2% (1Q23: 0.6%).
- Growth was mainly attributable to expansion in the sales of retail trade**
 - Retail trade (5.8%; May: 5.0%): expanded due to higher sales in the non-specialised stores (10.9%; May: 8.4%) and food, beverages & tobacco (12.6%; May: 10.0%), thanks to the gradual increase in tourist arrivals.
 - Wholesale trade (3.1%; May: 4.4%): growth slowed, attributable to moderation in household goods (4.8%; May: 7.9%), but partially supported by higher fee or contract basis (9.2%; May: 7.3%).
 - Motor vehicles (3.4%; May: 22.0%): slowed sharply due to weak sales of motor vehicles (-3.8%; May: 29.8%), which partly attributed to the high base effect, as MoM unit sales (62.6k units; May: 61.8k units) expanded.
- Retail sales slowed in June across regional economies**
 - CN: moderated to a four-month low (3.1%; May: 12.7%). Despite slower growth in June, the year-to-date retail sales grew by 8.2% YoY, reflecting a continued expansion in consumer demand.
 - SG: moderated to a five-month low (1.1%; May: 1.8%), supported by higher sales of food & alcohol.
- 2023 distributive trade sales growth forecast maintain at 4.1% (2022: 19.6%)**
 - As of June, YTD sales growth remained resilient, growing by 9.1% to RM819.9b compared to RM751.3b in the same period last year. Growth was primarily attributed to resilient domestic demand, with further expansion in the services sector following the full reopening of economic activities and a gradual increase in tourist arrivals. Moving forward, we expect sales growth to remain positive, partly supported by a higher motor vehicle booking backlog (275k units), higher tourist arrivals, and a lower unemployment rate, which we project to average 3.5% for the year.
 - Despite weaker distributive retail trade numbers in June and overall 2Q23, we still expect GDP growth to expand by 6.0% in 2Q23 (1Q23: 5.8%) as we expect domestic demand would support growth. However, we remain cautious about the future growth outlook as growth is expected to moderate in the 2H23 at 3.6% (1H23F: 5.8%) amid slower global economic growth due to the impact of a higher interest rate environment which will likely weigh on consumer demand. At this juncture, we maintain our 2023 GDP growth forecast at 4.7% (2022: 8.7%).

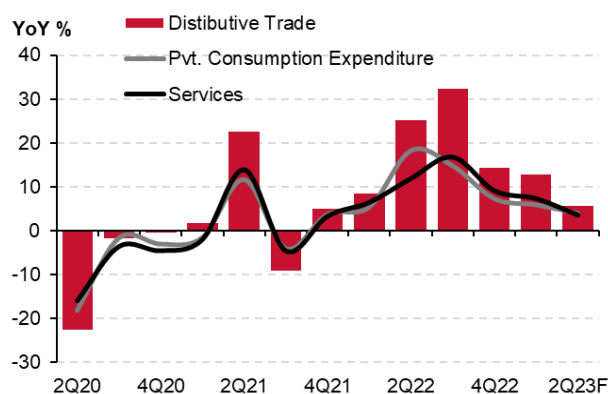
Graph 1: Sales Value Growth



Graph 2: Contribution to Overall Sales Value

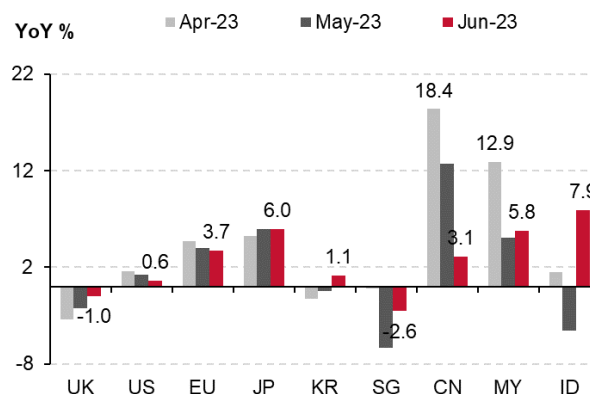


Graph 3: Pvt. Consumption, Services & Distributive Trade



Source: Macrobond, Dept. of Statistics, Kenanga Research

Graph 4: Retail Trade Sales of Selected Countries



Source: Macrobond, Dept. of Statistics, Kenanga Research

10 August 2023

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

| | % Share* | 2021 | 2022 | Jan-23 | Feb-23 | Mar-23 | Apr-23 | May-23 | Jun-23 |
|---|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|
| Distributive Trade | 100.0 | 4.0 | 19.6 | 12.4 | 14.3 | 11.9 | 6.3 | 6.6 | 4.3 |
| Wholesale Trade | 45.7 | 6.4 | 10.7 | 3.1 | 5.9 | 7.6 | 3.2 | 4.4 | 3.1 |
| Other Specialised | 17.8 | 10.5 | 8.7 | -2.8 | -1.0 | 0.8 | -1.1 | -1.8 | -0.8 |
| Household Goods | 9.3 | 0.7 | 17.4 | 8.6 | 15.8 | 16.4 | 5.4 | 7.9 | 4.8 |
| Food, Beverages and Tobacco | 8.8 | 6.0 | 7.4 | 7.6 | 9.9 | 12.9 | 7.7 | 9.6 | 7.8 |
| Agricultural Raw Materials and Live Animals | 4.0 | 6.2 | 15.1 | 12.8 | 10.0 | 7.2 | 5.1 | 8.6 | 4.7 |
| Machinery, Equipment and Supplies | 3.7 | 4.0 | 8.6 | -4.0 | 1.9 | 7.7 | 2.7 | 5.8 | 1.1 |
| Non-specialised | 1.3 | 9.8 | 6.4 | 2.6 | 6.1 | 10.7 | 8.5 | 11.6 | 11.4 |
| Fee or Contract Basis | 0.8 | -5.3 | 16.2 | 9.5 | 9.0 | 5.5 | 8.0 | 7.3 | 9.2 |
| Retail Trade | 42.5 | 4.4 | 23.9 | 21.7 | 19.2 | 17.7 | 12.9 | 5.0 | 5.8 |
| Non-specialised Stores | 15.8 | 2.5 | 26.8 | 24.6 | 21.1 | 19.8 | 18.0 | 8.4 | 10.9 |
| Other Goods in Specialised Stores | 8.7 | 2.3 | 28.4 | 29.1 | 24.2 | 21.9 | 17.4 | 6.0 | 2.7 |
| Other Household Equipment in Specialised Stores | 5.3 | 7.7 | 18.0 | 10.9 | 7.5 | 7.8 | 1.5 | -1.9 | -2.1 |
| Automotive Fuel in Specialised Stores | 3.8 | 5.6 | 43.4 | 45.0 | 45.9 | 38.1 | 19.6 | 6.0 | 8.5 |
| Information and Communication Equipment in Specialised Stores | 3.8 | 7.2 | 9.0 | 6.4 | 8.0 | 6.3 | -1.1 | -2.4 | -0.8 |
| Food, Beverages and Tobacco in Specialised Stores | 2.6 | 5.1 | 15.2 | 17.5 | 18.4 | 17.9 | 15.1 | 10.0 | 12.6 |
| Cultural and Recreation Goods in Specialised Stores | 2.0 | 7.4 | 12.8 | 0.4 | -1.2 | -0.9 | -2.1 | -0.8 | -0.2 |
| Not in Stores, Stalls or Markets | 0.5 | 20.0 | 23.4 | 10.9 | 14.0 | 18.9 | 8.9 | 2.5 | 2.0 |
| Stalls and Markets | 0.1 | 8.2 | 18.5 | 19.8 | 21.0 | 18.8 | 13.1 | 6.0 | 5.8 |
| Motor Vehicles | 11.8 | -8.1 | 47.6 | 20.1 | 32.3 | 9.3 | -5.1 | 22.0 | 3.4 |
| Sales of Motor Vehicles | 6.3 | -5.7 | 39.6 | 25.0 | 42.4 | 3.8 | -17.3 | 29.8 | -3.8 |
| Parts and Accessories | 3.0 | -12.8 | 64.1 | 15.9 | 22.6 | 20.2 | 17.4 | 17.7 | 18.3 |
| Maintenance and Repair | 1.6 | -14.2 | 70.5 | 16.8 | 21.2 | 20.9 | 20.5 | 20.4 | 20.0 |
| Sale, Maintenance and Repair | 0.9 | -1.8 | 26.8 | 12.1 | 24.4 | 3.2 | -29.8 | -5.0 | -16.6 |

Source: Macrobond, Dept. of Statistics, Kenanga Research

*Average 2022

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