

## Consumer Spending Remained Strong

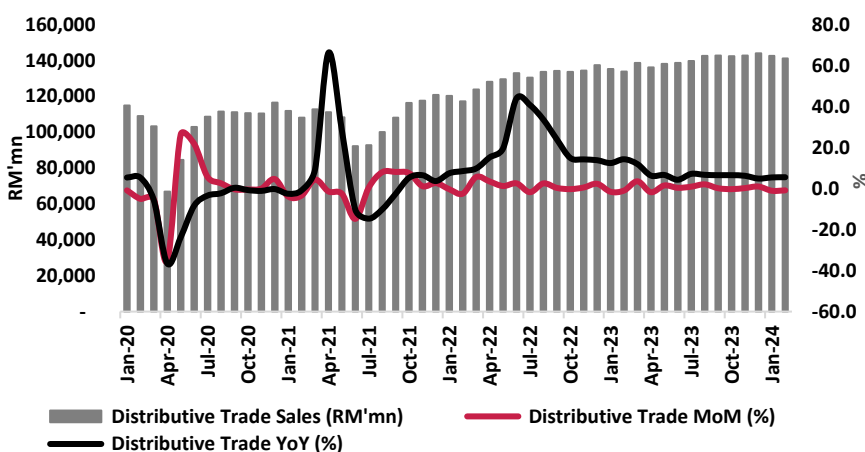
- Growth in distributive trade sales grew 5.5% YoY in February
- All sub-sectors recorded positive growth
- Global retail sales rebound in February
- Resilient consumer demand amid a healthy labor market and softening inflation pressure to support growth momentum in retail spending

Malaysia’s Wholesale & Retail Trade recorded sales value of RM141.1bn in February 2024, grew 5.5% YoY. The positive growth was contributed by all sub-sectors.

Sales of retail trade registered a growth rose 5.8% YoY or RM3.4bn to register RM61.5bn. Growth was supported by Retail Sales in Non-specialised Stores which grew 6.7% (Jan: 2.2%) or RM1.5bn to RM23.6bn. Other groups in this sub-sector also recorded positive growth namely Retail Sale of Other Goods in Specialised Stores (Feb: 9.5%; Jan: 4.9%), Retail Sale of Food, Beverages & Tobacco in Specialised Stores (Feb: 8.0%; Jan: 6.2%) and Retail Sales of Cultural & Recreation Goods (Feb: 5.4%. Jan: 1.1%). Wholesale trade sub-sector also expanded by registering 5.2% YoY or RM3.1bn and generated sales value of RM62.2bn. The increase was supported by Other Specialised Wholesale which rose RM1.6bn or 7.4% to RM23.7bn. This was followed by Wholesale of Agricultural Raw Materials & Live Animals (Feb: 5.6%; Jan: 4.2%), and Non-specialised Wholesale Trade (Feb: 5.4%; Jan: 4.3%). Sales value of motor vehicles expanded with a growth of 5.4% or RM0.9bn to settle at RM17.4bn. The increase was fuelled by Sales of Motor Vehicle Parts & Accessories which surged 13.7% (Jan: 11.9%) or RM0.6bn to record RM4.9bn. This was followed by Maintenance & Repair of Motor Vehicles (Feb: 14.1%; Jan: 12.4%) and Sales of Motor Vehicles (Feb: 0.2%; Jan: 20.9%). Total Industry Volume (TIV) for February 2024 decreased by 4% MoM to 62,833 units whilst on YoY basis, TIV edged down by 1.1%.

On a monthly basis, sales value of wholesale & retail trade recorded negative growth for two consecutive months with -0.9%, contributed by Wholesale Trade which slipped -2.3%, followed by Motor Vehicles sub-sector which contracted -1.4%. In contrast, Retail Trade sub-sector registered a positive growth of 0.7% for the month.

Chart 1: Distributive Trade (Sales Value, YoY, %)



Source: Department of Statistics, BIMB Securities

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Table 1: Distributive Trade Summary (RM'bn)

	Sep'23	Oct	Nov	Dec	Jan'24	Feb
<b>Distributive Trade</b>	<b>142.7</b>	<b>142.3</b>	<b>142.6</b>	<b>143.9</b>	<b>142.4</b>	<b>141.1</b>
% YoY	6.5	6.5	6.2	4.8	5.4	5.5
% MoM	0.1	-0.3	0.2	1.0	-1.1	-0.9
<b>Retail Trade</b>	<b>61.1</b>	<b>60.6</b>	<b>61.3</b>	<b>62.4</b>	<b>61.1</b>	<b>61.5</b>
% YoY	5.9	3.9	4.4	5.0	2.6	5.8
% MoM	0.9	-0.8	1.2	1.8	-2.1	0.7
<b>Wholesale Trade</b>	<b>64.2</b>	<b>63.3</b>	<b>63.2</b>	<b>62.9</b>	<b>63.7</b>	<b>62.2</b>
% YoY	6.9	5.7	6.2	4.4	5.5	5.2
% MoM	0.5	-1.4	-0.2	-0.4	1.2	-2.3
<b>Motor Vehicles</b>	<b>17.5</b>	<b>18.4</b>	<b>18.1</b>	<b>18.6</b>	<b>17.6</b>	<b>17.4</b>
% YoY	7.0	19.1	12.7	5.9	16.0	5.4
% MoM	-3.6	5.2	-1.6	2.7	-5.1	-1.4

Source: Department of Statistics, BIMB Securities

### Global retail sales rebound in February

Consumer spending was mixed in February. The monthly report on how consumers are spending or pulling back is viewed as a harbinger for the state of the advance economy. The February spending shows the consumer is still robust but not as strong as expected. Retail spending in the US was back in positive territory in February, after a sizeable decline to start the year. Higher borrowing costs and elevated prices are challenging households but spending is still being fuelled by a robust job market and rising wages. On the other hand, the Asia region retail sector has embarked on a recovery journey following the disruption of the global pandemic. While external headwinds persist worldwide, the resurgence in international tourism and the resilience exhibited at the domestic level bode well for growth in consumer spending.

Retail sales in the US were up 0.6% MoM in February, following an upwardly revised 1.1% fall in January. The relatively modest increase, combined with a larger decline in January, suggests a potential slowdown in consumer spending. Excluding autos, sales were up 0.3%. US retail sales increased 1.5% YoY, following a flat reading in January. Eurozone retail sales decreased in February due to lower demand for both food and non-food items. Retail sales fell -0.5% MoM in February after staying flat for the month of January, which was revised down from a 0.1% gain. On an annual basis, retail sales fell by 0.7%, extending the streak of contraction to the 17th consecutive month. Meanwhile, Retail sales in the UK remained unchanged in February, following an upwardly revised 3.6% increase in January. Heavy rain contributed to falls in sales at food and household goods stores but boosted online shopping. Year-on-year, retail trade was down by 0.4% in February, partially reversing a 0.5% advance in January.

Meanwhile, retail sales across Asian economies remained strong, supported by spending on Lunar New Year. Retail sales in Japan rose 4.6% YoY in February, accelerating from a downwardly revised 2.1% gain in January. It was also the 24th consecutive month of expansion in retail sales as consumption in Japan continued a healthy streak. On a monthly basis, retail sales increased by 1.5% in February, accelerating from a downwardly revised 0.2% gain in January. The performance of China's economy in the first two months of 2024 showed sluggish household consumption. China's retail sales growth slowed and increased by 5.5% YoY in January-February 2024 combined, but the figure was down from December, which saw an increase of 7.4%. Still, it was the 13th straight month of growth in retail trade. The recording period included China's major Lunar New Year holiday — this year falling in early February — which generally drives a consumption spike in the preceding weeks. The momentum was near flat in February at 0.03% MoM following gains

of 0.17% MoM in January and 0.25% MoM in December. This is the 7th straight month of sequential gains. Singapore's Feb retail sales expanded 3.0% MoM (Jan revised: -0.5%), translating to a strong 8.4% YoY increase (Jan revised: 1.6%), owing to the Lunar New Year seasonality, with a sharp increase seen in components that tend to see strong demand during the festivities such as F&B, supermarkets, and clothing & footwear. Excluding motor vehicle sales, retail sales posted a robust 9.4% YoY, reversing the small -1.8% YoY contraction in January. We anticipate a stronger retail performance in tourist destinations within Asian region, bolstered by an influx of either international or domestic tourists.

**Table 2: Retail Sales from other Countries (YoY, %)**

	Aug'23	Sep	Oct	Nov	Dec	Jan'24	Feb
Malaysia	6.3	5.9	3.9	4.4	5.0	2.6	5.8
Indonesia	1.1	1.5	2.4	2.2	0.2	1.1	-
Singapore	4.2	0.8	-0.1	2.4	-0.4	1.6	8.4
Thailand	-2.6	3.1	17.6	11.5	13.6	10.8	-
US	2.5	4.1	2.2	3.6	5.0	0.0	1.5
Eurozone	-2.1	-2.9	-0.9	-0.5	0.8	-0.9	-0.7
UK	-1.4	-1.5	-2.0	0.6	-2.1	0.5	-0.4
China	4.6	5.5	7.6	10.1	7.4	-	5.5
Japan	7.0	6.2	4.1	5.4	2.4	2.1	4.6

Source: Bloomberg, BIMB Securities

## Outlook

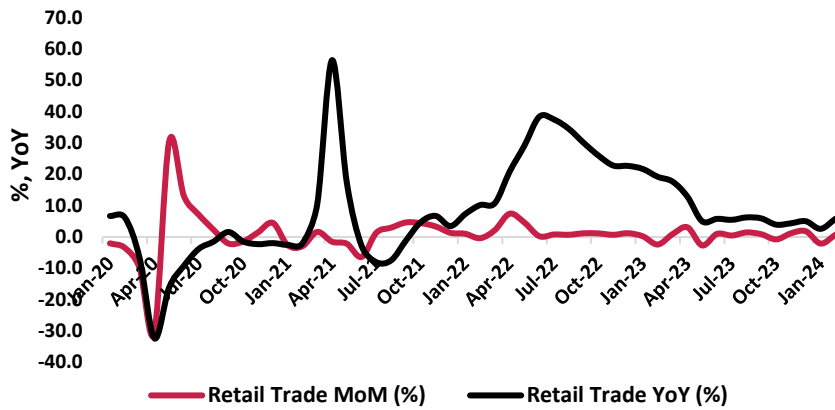
Malaysia's distributive trade remained resilient with growth of 5.5% YoY in February although monthly growth remained negative. Meanwhile, Malaysia's retail sales grew by 5.8% YoY in February (Jan: 2.6%), marking its fastest pace in five months, while on monthly basis retail sales rebounded into the positive territory (Feb: +0.7%; Jan: -2.1%), partly attributed to increased spending during the Chinese New Year holiday. The strong consumer spending was also supported by robust labor market conditions, with the unemployment rate returning to pre-pandemic level of 3.3% since November 2023. The stronger consumer spending was also reflected in the performance in online retail sales which went up 0.4% YoY in February (Jan: -1.6%). For seasonally adjusted value, the index edged up 0.4% as against the previous month.

Overall, Malaysia's consumer demand remained resilient and is in tandem with the healthy job market development and softening inflationary pressure. The value of total retail sales remained above RM60bn for seven consecutive months, alongside the revival of inbound tourism.

Year-to-date, the recovery in tourist arrivals from China has been promising, likely bolstered by the 30-day visa exemption. In 2023, Malaysia received a total of 1.47mn tourists from China and Tourism Malaysia is confident the target of attracting over five million tourists from China can be achieved this year. Visa free entrance for China, India and Middle East, along with the weaker ringgit, are the main drivers boosting the country's tourism market. The weak ringgit will make the country's tourist products cheaper and more attractive for budget travellers. In 2023, Malaysia recorded 20.1 million tourist arrivals, generating RM71.3bn in tourism income. The Ministry of Tourism, Arts, and Culture anticipates tourist arrivals in Malaysia to reach 27.3mn, with an expected income of RM102.7bn, in 2024.

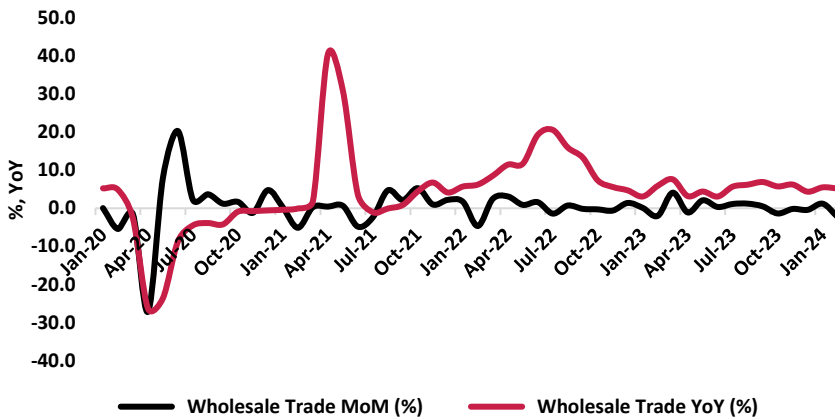
Looking ahead, we expect retail sales growth to be driven by strong domestic demand, supported by a stable and lower unemployment rate. This positive outlook is reinforced by the continued increase in tourist arrivals and spending. However, risks to our forecast include the impact of subsidy rationalisation, which could potentially dampen consumer spending and subsequently affect sales growth.

Chart 2: Retail Trade



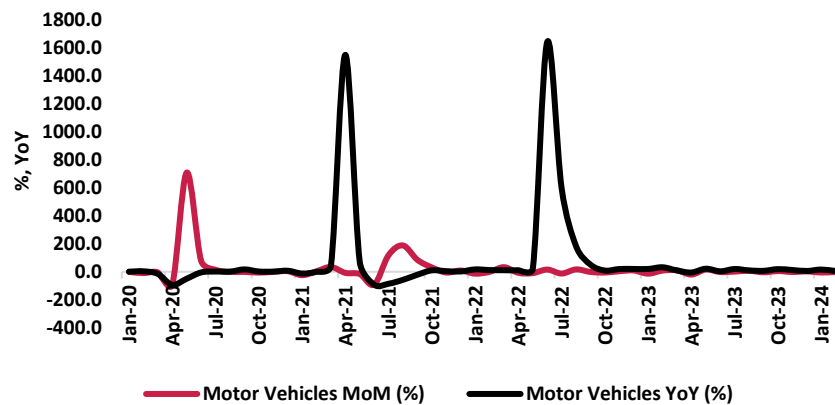
Source: Department of Statistics, BIMB Securities

Chart 3: Wholesale Trade



Source: Department of Statistics, BIMB Securities

Chart 4: Motor Vehicles Trade



Source: Department of Statistics, BIMB Securities

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