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# ECONOMICS

**In this report:**

**Malaysia – Robust distributive sales wrap up September**

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## Malaysia

### Robust distributive sales wrap up September

Positive growth of distributive trade re-emerged after six months of contraction, climbing 0.2% y/y in September from -2.3% y/y in August, clearly showing more people are coming out from their homes and spend in the physical shops. This is also being reflected by the strongest outstanding household loan growth in 17 months, rising 5.2% y/y from 4.8% y/y in August.

The latest set of data confirmed our view of a strong rebound in 3Q2020's GDP versus -17.1% y/y in 2Q2020. Based on our estimation, the 3Q2020 GDP print could come in at -2.0% to -3.0%.

For the full year of 2020, we expect the GDP to hover between -3.6% and -5.6%. In 2021, we expect growth to rebound to 6.5% to 7.0% (official forecast: 2020: -4.5%; 2021: 6.5% to 7.5%), supported by improving domestic economic activities which will be complemented by a continuous stimulus effect as well as a recovery in the global trade.

- Positive growth of distributive trade re-emerged after six months of contraction, climbing 0.2% y/y in September from -2.3% y/y in August, clearly showing more people are coming out from their homes and spend in the physical shops. This is also being reflected by the strongest outstanding household loan growth in 17 months, rising 5.2% y/y from 4.8% y/y in August.
- Details from distributive trade showed a faster increase in motor vehicle sales (17.1% y/y in September vs 1% y/y in August) and retail sales (1.1% y/y in September vs -1.5% y/y in August), offsetting the still weak wholesale trade at -4.2% y/y from -3.9% y/y in the previous month. On average, the 3Q distributive sales remained under negative expansion at around -1.9%.
- The latest set of data confirmed our view of a strong rebound in 3Q2020's GDP versus -17.1% y/y in 2Q2020. The data includes: (1) manufacturing index grew 3.1% y/y in 3Q2020 (2Q2020: -18.1% y/y); (2) services index recorded -5.7% y/y (-21.6% y/y); (3) construction work done at -13.1% y/y (2Q2020: -44.9% y/y), and (4) crude palm oil production at 2.5% y/y (2Q2020: 7.4% y/y). Based on our estimation, the 3Q2020 GDP print could come in at -2.0% to -3.0%.
- However, the economy's performance in the final quarter of 2020 may turn flat or softer versus 3Q2020's performance when we factor in the implementation and extension of the CMCO in several states, mainly in KL, Selangor and Sabah. The stringent implementation of the standard operating procedure (SOP) is expected to add some drag to consumption activities due to lower out-of-home/non-essential consumption activities.

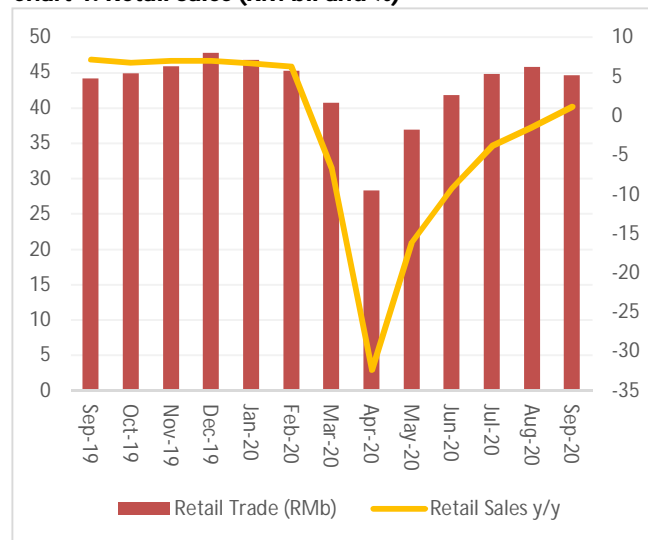
- We opine that the downside risk to consumption activities will be cushioned by the higher adoption of online shopping, which will be also complemented by strong year-end promotional activity as well as the first tranche of the RM7 billion one-off cash assistance to the B40 and M40 groups in late October. Besides, the ongoing operation of business activities will provide support to overall domestic demand.
- That said, we foresee the full-year GDP to hover between -3.6% and -5.6%. In 2021, we expect growth to rebound to 6.5% to 7.0% (official forecast: 2020: -4.5%; 2021: 6.5% to 7.5%), supported by improving domestic economic activities which will be complemented by a continuous stimulus effect as well as a recovery in the global trade.

**Table 1: Key Wholesale and Retail Sales Data (%)**

	Sep'19	Oct	Nov	Dec	Jan'20	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
<b>Wholesale &amp; Retail Trade y/y</b>	5.6	5.0	5.2	6.0	5.4	5.3	-5.7	-36.6	-23.8	-8.4	-3.5	-2.3	0.2
Wholesale Trade y/y	4.7	3.9	4.2	5.4	5.2	4.9	-2.7	-26.3	-23.6	-8.7	-4.5	-3.9	-4.2
Retail Trade y/y	7.2	6.8	7.0	7.0	6.7	6.3	-6.6	-32.4	-16.1	-9.2	-3.8	-1.5	1.1
Motor Vehicles Sales y/y	4.4	3.7	3.0	4.5	1.0	3.5	-15.3	-93.2	-49.5	-4.5	1.7	1.0	17.1
<b>Wholesale &amp; Retail Trade m/m</b>	-3.0	0.6	0.3	3.7	-0.9	-5.1	-5.3	-35.2	26.3	21.8	5.6	2.5	-0.6
Wholesale Trade m/m	1.6	-1.7	-1.3	4.6	0.1	-5.4	-1.6	-27.2	8.0	20.3	2.2	3.7	1.2
Retail Trade m/m	-5.0	1.6	2.3	4.2	-2.0	-3.4	-9.9	-30.5	30.5	13.0	7.1	2.3	-2.5
Motor Vehicles Sales m/m	-14.4	8.0	0.5	-1.7	-0.9	-9.4	-4.4	-92.2	709.0	78.9	14.3	-0.7	-0.8

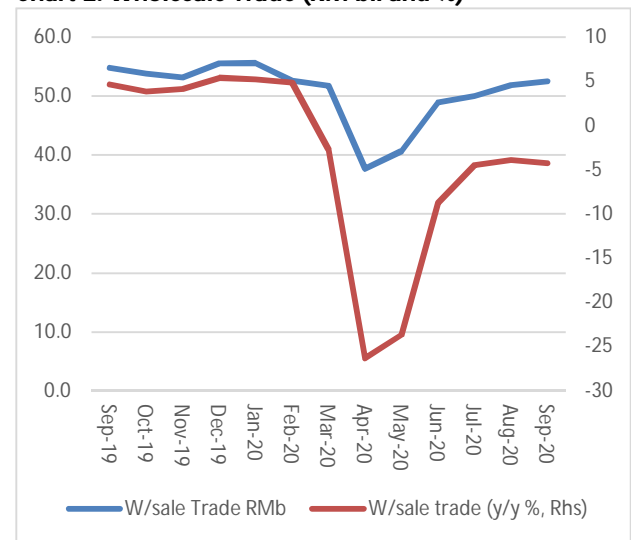
Source: CEIC/AmBank Research

**Chart 1: Retail Sales (RM'bil and %)**



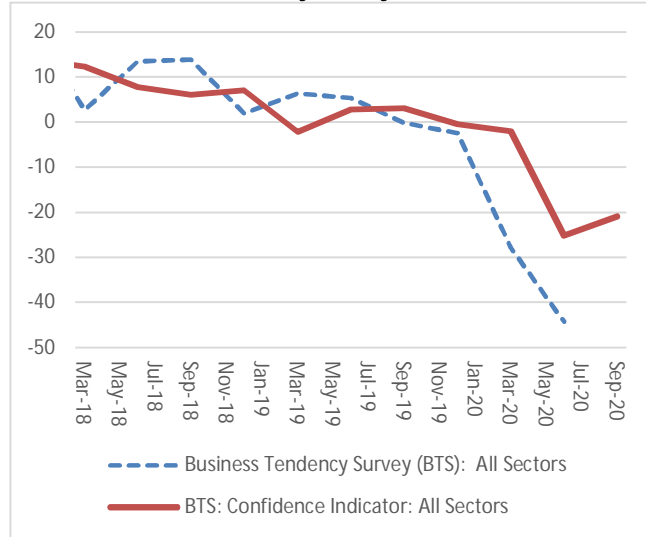
Source: CEIC/AmBank Research

**Chart 2: Wholesale Trade (RM'bil and %)**



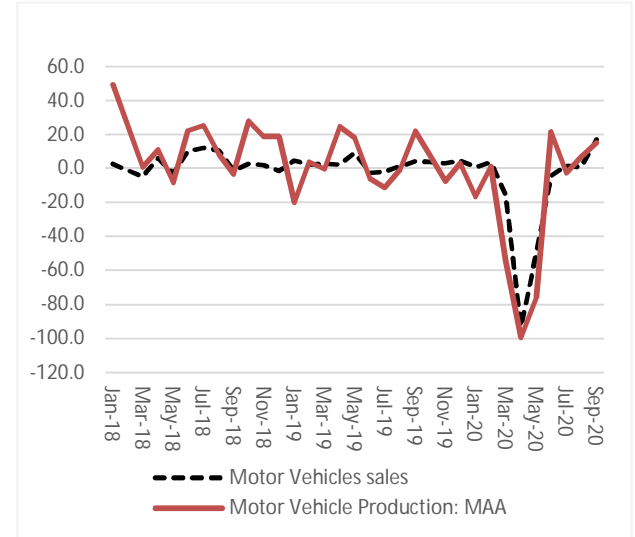
Source: CEIC/AmBank Research

**Chart 3: Business Tendency Survey (All Sectors)**



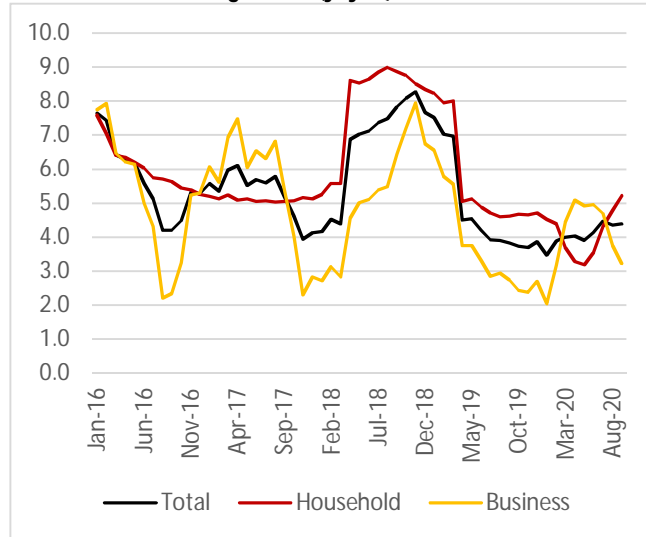
Source: CEIC/AmBank Research

**Chart 4: Motor Vehicles Sales and Production (unit)**



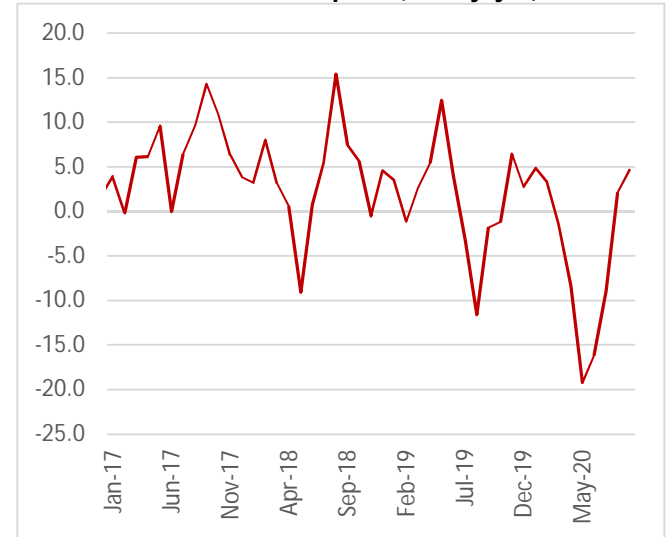
Source: CEIC/AmBank Research

**Chart 5: Outstanding Loans (y/y %)**



Source: CEIC/AmBank Research

**Chart 6: Consumer Goods Imports (3MA, y/y %)**



Source: CEIC/AmBank Research

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