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ECONOMICS

In this report:

Malaysia – Distributive sales see moderate improvement

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Malaysia

Distributive sales see moderate improvement

After the November decline of 1.2% y/y, distributive sales slowly turned better in December, registering a smaller decline of 0.3% y/y. Nonetheless, the extension of CMCO during December continued to limit growth.

This also meant lesser people came out from their homes and spent in the physical shops. With the CMCO and MCO 2.0 extended into the first quarter, we expect consumption to remain subdued for the start of the year. Online promotions and purchases have proven to be far from a perfect substitute to offline shopping. This was also reflected by the weakest outstanding household loan growth in 11 months, rising by a lower 3.4% y/y from 3.8% y/y in November.

Based on our estimation, the 4Q GDP could come in between -3.2% and -3.5%, translating the full-year 2020 GDP to around 5.5%. Going forward into 2021, the domestic outlook will depend on the deployment of vaccines and the containment of the pandemic virus spread. Meanwhile, the improvement in trade, pick-up in domestic activities from the support of the stimulus measures, better business confidence and consumer sentiment could become the key drivers to the overall economy. On the whole, the GDP should expand around 5.2% to 5.9% during the year.

- After the November decline of 1.2% y/y, distributive sales slowly turned better in December, registering a smaller decline of 0.3% y/y. Nonetheless, the extension of the CMCO during December continued to limit the growth.
- This also meant lesser people came out from their homes and spent in the physical shops. With the CMCO and MCO 2.0 extended into the first quarter, we expect consumption to remain subdued for the start of the year. Online promotions and purchases have proven to be far from a perfect substitute to offline shopping. This was also reflected by the weakest outstanding household loan growth in 11 months, rising by a lower 3.4% y/y from 3.8% y/y in November.

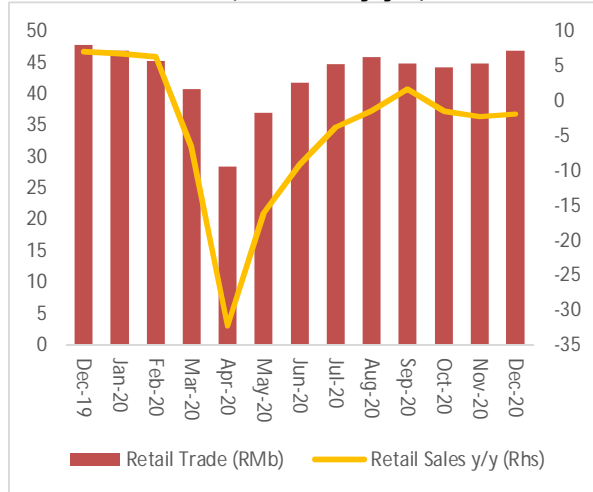
- Details from distributive trade showed both wholesale and retail sales remained under negative expansion albeit relatively signalling a gradual recovery at -0.6% y/y (Nov: -0.7% y/y) and -2% y/y (Nov: -2.3% y/y), respectively. Meanwhile, motor vehicle sales increased rapidly by 7.4% y/y in December versus 1.2% y/y in November, which was also the fastest rise since September. On average, the 4Q distributive sales edged slightly higher by -0.8% as compared to deeper contraction of -1.9% in the 3Q.
- The latest set of data confirmed our view of a weaker GDP print in 4Q2020 versus -2.7% y/y in 3Q2020. The data includes: (1) manufacturing index growing 2.8% y/y in 4Q2020 (3Q2020: +3.1% y/y); (2) services index recording -7.1% y/y (3Q2020: -5.7% y/y); and (3) crude palm oil production at -2.5% y/y (3Q2020: +2.5% y/y). Based on our estimation, the 4Q2020 GDP could come in at -3.2% to -3.5%, translating the full-year 2020 GDP to around 5.5%.
- Anticipation of a slower domestic economic growth came after the extension of the CMCO in several states. 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. Possibilities for the 4Q 2020 GDP to be lower than the previous quarter remain high.
- Going forward into 2021, the domestic outlook will depend on the deployment of vaccines and the containment of the pandemic virus spread. Meanwhile, the improvement in trade, pick-up in domestic activities from the support of the stimulus measures, better business confidence and consumer sentiment could become the key drivers to the overall economy. On the whole, the GDP should expand around 5.2% to 5.9% during the year.

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

	Dec'19	Jan'20	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Wholesale & Retail Trade y/y	6.0	5.4	5.3	-5.7	-36.6	-23.8	-8.4	-3.5	-2.3	0.3	-0.8	-1.2	-0.3
Wholesale Trade y/y	5.4	5.2	4.9	-2.7	-26.3	-23.6	-8.7	-4.5	-3.9	-4.2	-0.9	-0.7	-0.6
Retail Trade y/y	7.0	6.7	6.3	-6.6	-32.4	-16.1	-9.2	-3.8	-1.5	1.6	-1.5	-2.3	-2.0
Motor Vehicles Sales y/y	4.5	1.0	3.5	-15.3	-93.2	-49.5	-4.5	1.7	1.0	17.1	2.2	1.2	7.4
Wholesale & Retail Trade m/m	3.7	-0.9	-5.1	-5.3	-35.2	26.3	21.8	5.6	2.5	-0.4	-0.5	-0.1	4.6
Wholesale Trade m/m	4.6	0.1	-5.4	-1.6	-27.2	8.0	20.3	2.2	3.7	1.2	1.7	-1.2	4.8
Retail Trade m/m	4.2	-2.0	-3.4	-9.9	-30.5	30.5	13.0	7.1	2.3	-2.1	-1.4	1.4	4.5
Motor Vehicles Sales m/m	-1.7	-0.9	-9.4	-4.4	-92.2	709.0	78.9	14.3	-0.7	-0.8	-5.8	-0.5	4.4

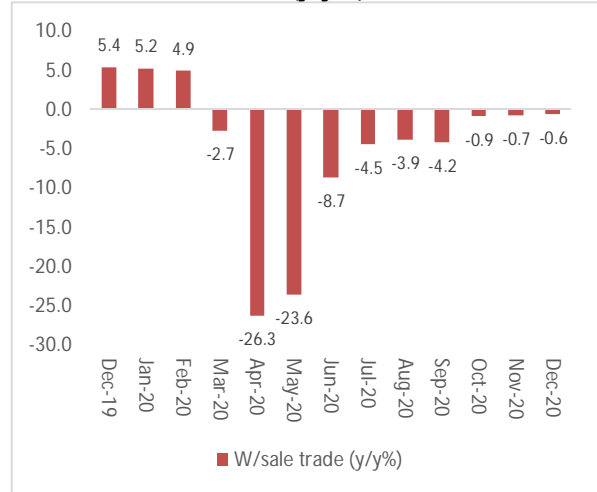
Source: CEIC/AmBank Research

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



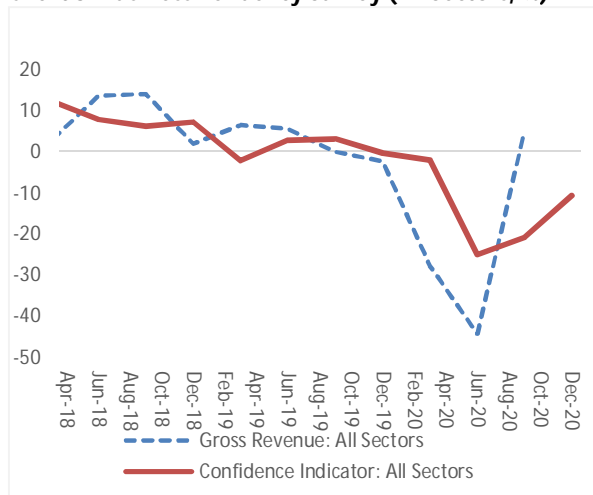
Source: CEIC/AmBank Research

Chart 2: Wholesale Trade (y/y %)



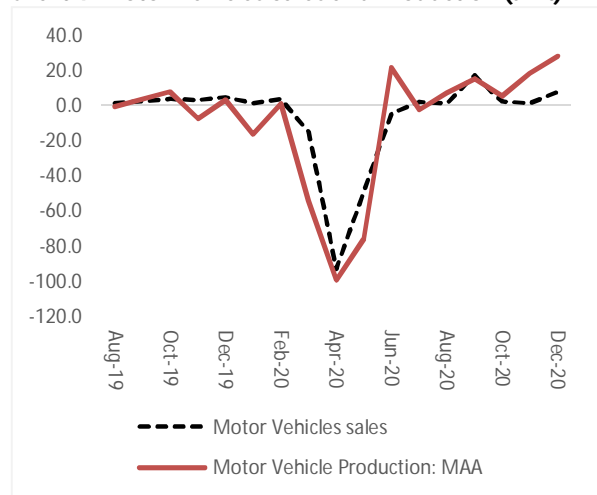
Source: CEIC/AmBank Research

Chart 3: Business Tendency Survey (All Sectors, %)



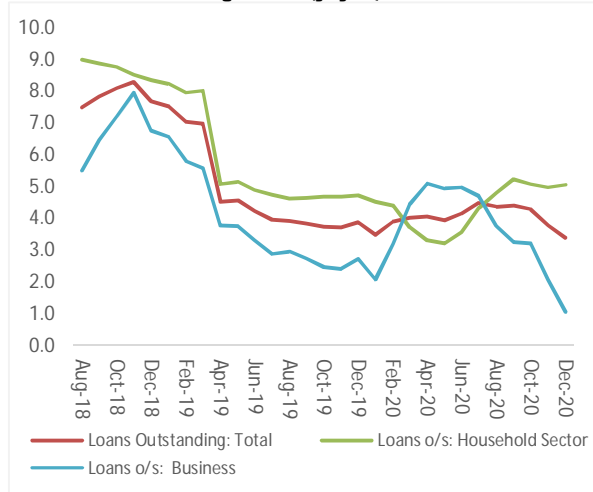
Source: CEIC/AmBank Research

Chart 4: Motor Vehicles Sales and Production (unit)



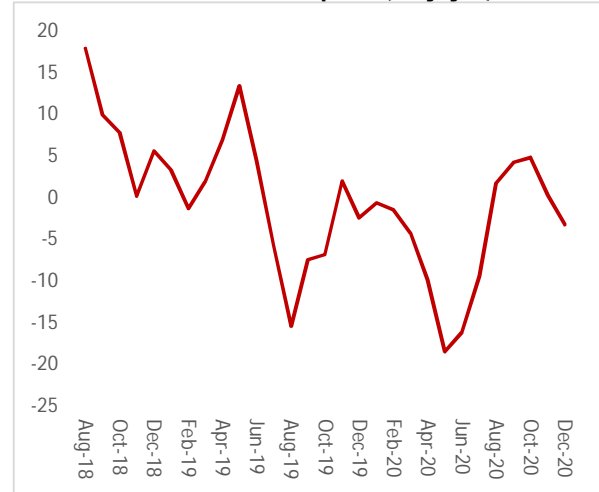
Source: CEIC/AmBank Research

Chart 5: Outstanding Loans (y/y %)



Source: CEIC/AmBank Research

Chart 6: Consumer Goods Imports (sa, y/y %)



Source: CEIC/AmBank Research

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