



Retail trade to expand 5.5% this year: MIDF Research

KUALA LUMPUR: MIDF Research has forecast Malaysia's retail trade to expand by 5.5% year-on-year (y-o-y) in 2022.

It said the relaxation of containment measures, economic reopening and progressive improvements in macroeconomic data set the stage for strong consumer spending in the fourth quarter of 2021 (Q4'21) as well as for 2022.

Earlier yesterday, the **Department of Statistics Malaysia (DoSM)** said wholesale and retail trade sales in November 2021 recorded the highest level seen on record, increasing by 7.0% y-o-y to RM118.1 billion led by motor vehicles, wholesale and retail.

"We forecast private consumption to expand by 6.0% in 2022. With interstate travels allowed, we project the services sector to benefit and increase by 7.1% for 2022," it said in a research note yesterday.

However, it said the downside risks towards revival of consumer spending remained under the radar such as the new Covid-19 variant, climate change impacts, weakness in labour market recovery, and spike in inflationary pressure.

Meanwhile, MIDF Research said consumer spending is set to stay on an upward trajectory in December 2021 and 2022, underpin by progressive vaccination rate, stable inflationary pressure and improving labour market.

It said the recovery momentum was in line with the reopening of domestic economic activities and interstate travels amid higher vaccination rate.

"Looking ahead, we expect private consumption and services sector to contribute positively towards the gross domestic product growth in Q4 2021," it said.

Furthermore, motor vehicles sales have a bright prospect in the first half of 2022 due to the extension of sales tax exemption until June 2022.

As more domestic economic activities are allowed to operate, MIDF Research observed that spending on automotive fuel, food and beverages, and stalls and markets, among others, have improved firmly.

Besides retail trade, sales of motor vehicles remained in expansionary path amid sales tax exemption and improving labour market.

In another development, it said unemployment rate stayed at a pandemic low of 4.3% as the number of unemployed persons fell below 700,000 in November 2021.

"Steady employment growth and stable inflationary pressure are set to benefit and support Malaysia's consumer spending in Q4'21 as well as for 2022," it said.

Moving forward, MIDF Research remains cautious that consumer spending activities will be constrained by the upward trend in the Omicron-dominant Covid-19 infections in many economies, in addition to the elevated headline Consumer Price Index inflation and the ongoing global supply bottlenecks. – Bernama

<https://www.thesundaily.my/business/retail-trade-to-expand-55-this-year-midf-research-AI8749301>