



Retail sales likely to show strong recovery this year

KUALA LUMPUR: Malaysia's retail trade is expected to grow by 17.6% this year, supported by improving macro outlook and fundamentals, said MIDF Research.

In a note today, it said Malaysia's consumer spending is expanding strongly, as reflected in the retail trade sales growth of 21.6% year-on-year (y-o-y) in the first seven months of 2022.

"We believe the pent-up demand will continue until the end of this year, underpinned by improving labour market, stable inflationary pressure and the reopening of the domestic economy," it said.

Citing data released by the **department of statistics Malaysia (DoSM)** earlier today, MIDF Research said the high growth rate of 41% year-on-year (y-o-y) recorded in July 2022 was expected given the low base resulting from the tight nationwide lockdown in July 2021.

The DoSM data also showed that retail spending rose strongly by 37.5% y-o-y while wholesale trade rose 20.6% and motor vehicle sales soared 613.8%.

The research house said that even though the central bank had raised the overnight policy rate (OPR) by 25 basis points to 2.5% last week, the higher benchmark interest rate would have minimal effect on domestic spending.

"The OPR is set to reach 2.75% by end of this year; still below (the) 2019 level of 3%. We believe Malaysia's monetary policy is on the normalisation path rather than the tightening path, and could possibly reach 3% by early 2023," it added.

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