



PRIME MINISTER'S DEPARTMENT  
DEPARTMENT OF STATISTICS  
MALAYSIA

# BULLETIN

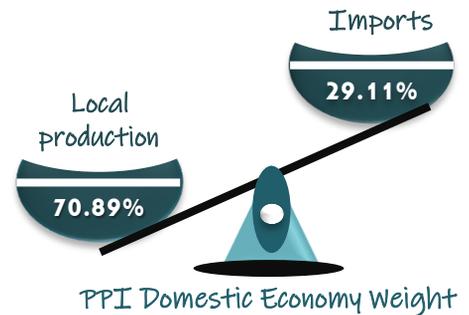
## PRODUCER PRICE INDEX (PPI) DOMESTIC ECONOMY

DOSM/B/BPHPP/2.2021/Series 2

### DEFINITION OF PPI

The Producer Price Index (PPI) comprises of indices for local production, imports and domestic economy. The PPI for local production is an output-based index that measures the average change in commodity prices for local market sales valued at factory prices. The PPI for local production is published on a monthly basis.

However, the **PPI for domestic economy, which is a composite index**, is also compiled and this index is based on PPI for local production and the relative unit value of the External Trade Index (IPLN) of imports. The PPI weight for domestic economy represents **70.89 per cent of local production and 29.11 per cent of imports**. An input-based import index measure changes in the prices of raw materials and intermediate goods imported into Malaysia by local producers for finished products over a period of time. Monthly local production PPI findings are used in compiling the PPI for domestic economy.



The PPI does not measure the value of production or the cost of production; but can be used to measure whether a change in the price of output is due to a change in the base price received by the producer or a change in the price paid by the producer for the input of goods used in the production of output.

The PPI for domestic economy and the Import index covers 10 major sections of goods in line with the United Nations classification "Standard International Trade Classification, Revision 4 (S.I.T.C. Rev. 4)" while the PPI for local production covers 9 Sections of Goods.

The PPI for domestic economy is calculated and updated using the following formula:

Beginning with the January 2018 reference month, the previously published domestic economic PPI still maintains 2010 as the "index reference period" with 2015 as the "weighted reference period" and uses the chain link index method such as the monthly compilation of the PPI local production.

### INDEX COMPILATION METHODOLOGY

Old basket (2010 = 100) and new (2015 = 100) were linked using the Laspeyres chain index method and December 2017 was as the link month.

$$I_{DE} = \frac{I_{LP} \times W_{DE\_LP} + I_{IMP} \times W_{DE\_IMP}}{W_{DE\_LP} + W_{DE\_IMP}}$$

- $I_{DE}$  = Domestic Index 2015=100
- $I_{LP}$  = Local Production Index 2015=100
- $I_{IMP}$  = Imports Index 2015=100
- $W_{DE\_LP}$  = Domestic Weight Local Production basket 2015
- $W_{DE\_IMP}$  = Domestic Weight Imports basket 2015

$$I_{t/10}^{ch} = I_{t/15}^{new} \times \left( \frac{I_{D17/10}^{old}}{I_{D17/15}^{new}} \right)$$



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## Weight comparison by Commodity Section between 2010 and 2015 Baskets of the Producer Price Index Domestic Economy, (2010 = 100)

Commodity Section	Weight					
	Domestic Economy		Local Production		Import	
	2010	2015	2010	2015	2010	*2015
Food	5.65	7.28	5.71	7.45	5.52	6.84
Beverages and tobacco	1.04	1.12	1.36	1.31	0.40	0.66
Crude materials, inedible	6.72	5.07	8.24	5.77	3.67	3.35
Mineral fuels, lubricants, etc.	19.90	18.69	24.58	21.08	10.47	12.87
Animal and vegetable oils and fats	7.34	6.90	10.29	9.29	1.41	1.07
Chemicals	8.18	9.13	8.12	8.56	8.31	10.51
Manufactured goods	11.30	13.58	11.21	13.67	11.46	13.37
Machinery and transport equipment	33.85	30.32	25.04	25.61	51.60	41.79
Miscellaneous manufactured articles	5.38	7.36	5.45	7.27	5.24	7.57
Miscellaneous of transactions and goods	0.64	0.57	-	-	1.92	1.96
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>



### Weight

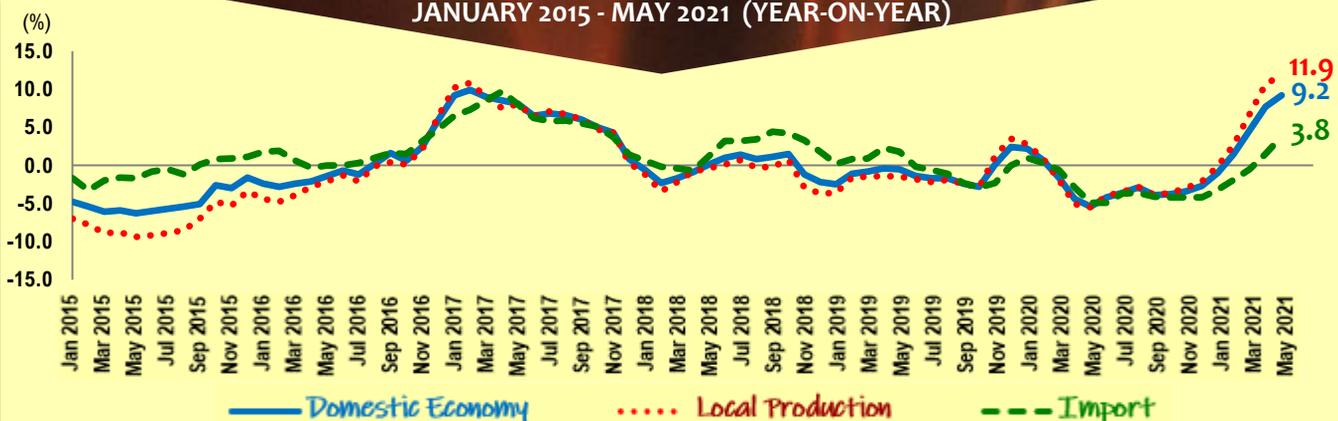
Weight for products are determined based on the percentage contribution of items to the value of output in the economy. The value of this contribution is obtained based on the output value of the 2015 Economic Census and the value of imports in 2015.

\*The source for weight in compiling the import index is obtained from the International Trade Statistics Division, Department of Statistics Malaysia

Breakdown of the weightage for the PPI domestic economy (2015) by SITC Commodity Section, 70.89% local production and 29.11% import.

Commodity Section	Weight		
	Domestic Economy	Local Production	Import
Food	7.28	5.28	1.99
Beverages and tobacco	1.12	0.93	0.19
Crude materials, inedible	5.07	4.09	0.98
Mineral fuels, lubricants, etc.	18.69	14.94	3.74
Animal and vegetable oils and fats	6.90	6.58	0.31
Chemicals	9.13	6.07	3.06
Manufactured goods	13.58	9.69	3.89
Machinery and transport equipment	30.32	18.16	12.17
Miscellaneous manufactured articles	7.36	5.15	2.20
Miscellaneous of transactions and goods	0.57	-	0.57
<b>Total</b>	<b>100.00</b>	<b>70.89</b>	<b>29.11</b>

## PPI DOMESTIC ECONOMY BY COMMODITY SECTION, (SITC) JANUARY 2015 - MAY 2021 (YEAR-ON-YEAR)



Based on the record of the PPI domestic economy, it can be observed that throughout 2015, the value of the index was influenced by both PPI local production and import index. Although the weight of the import index is small, it still affects the value of the PPI domestic economy as depicted by the percentage change year 2015 and 2018. However, starting in 2021, it can be observed that the PPI local production has increased significantly and impacted the overall value of the PPI domestic economy. These changes were driven by higher prices of petroleum crude oil, natural gas, as well as major agricultural commodities and electrical & electronic products which also contributed to the change in the PPI local production.

# PPI Domestic Economy, May 2021

year on year

**9.2%**  
Apr 2021:  
7.7%

month on month

**0.7%**  
Apr 2021:  
0.8%

## Year-on-Year Change

- The PPI for the domestic economy in **May 2021 rose 9.2 per cent** over the same month a year earlier. The section of goods that contributed to this increase was **Crude materials, inedible (62.1%)**. Oil seeds and oleaginous fruits, for extraction of other fixed vegetable oils recorded an increase of 120.2 per cent in May 2021 as compared to 89.7 per cent recorded in April 2021.
- Meanwhile, **Animal and vegetable oils & fats** increased **29.5 per cent** contributed by a 32.6 per cent increase in the Other fixed vegetable oils, fluid or solid, crude, refined or purified.
- In addition, the **Mineral fuels, lubricants, etc.** index also recorded **an increase of 23.3 per cent**. This positive change was driven by the increase in Petroleum oils, crude, and crude oils which comprised bituminous minerals (80.6%), Petroleum products, refined (21.8%) and Natural gas, whether liquefied or not (2.6%).
- Next, the **Chemicals index rose 3.7 per cent**. The products that contributed to the increase were Alcohols, phenols and alcohol-phenols and their derivatives (4.7%).
- The Indices of **Manufactured goods, Miscellaneous manufactured articles and Food** rose 2.1 per cent respectively. The increase in the index of Copper (including alloys) (10.7%), Aluminium (6.1%), Iron and steel bars, rods, angles, shapes and sections (Including sheet piling) (3.6%) influenced the increase in the index of Manufactured goods by this factory.
- Meanwhile, the **Food** index was driven by the increase in the Live animals and Feeding Stuff For Animals (Not Including Unmilled Cereals) index by 9.9 per cent and 6.2 per cent respectively.
- In addition, the **Miscellaneous transactions & commodities index rose 0.9 per cent** supported by a 0.9 per cent increase in the price of Gold (non -monetary).
- Next, the **Beverages & tobacco index increased 0.5 per cent** contributed by higher prices of Alcoholic beverages (1.8%) and Tobacco, manufactured (0.8%).
- However, **Machinery & transport equipment fell 1.8 per cent**. A negative change of 4.0 per cent was recorded for electronic components named Thermionic valves and tubes, photocells and spare parts.



**Food**  
**2.1%**      **0.1%**  
Apr 2021: 3.1%      Apr 2021: 0.9%



**Beverages and tobacco**  
**0.5%**      **-0.1%**  
Apr 2021: 0.2%      Apr 2021: 0.1%



**Crude materials, inedible**  
**62.1%**      **2.2%**  
Apr 2021: 40.0%      Apr 2021: 2.7%



**Mineral fuels, lubricants, etc.**  
**23.3%**      **1.4%**  
Apr 2021: 20.8%      Apr 2021: 1.6%



**Animal and vegetable oils and fats**  
**29.5%**      **1.6%**  
Apr 2021: 24.2%      Apr 2021: 1.5%



**Chemicals**  
**3.7%**      **0.7%**  
Apr 2021: 2.9%      Apr 2021: 1.0%



**Manufactured goods**  
**2.1%**      **0.1%**  
Apr 2021: 2.2%      Apr 2021: 0.4%



**Machinery & transport equipment**  
**-1.8%**      **0.2%**  
Apr 2021: -2.4%      Apr 2021: 0.0%



**Miscellaneous manufactured articles**  
**2.1%**      **0.4%**  
Apr 2021: 1.4%      Apr 2021: -0.1%

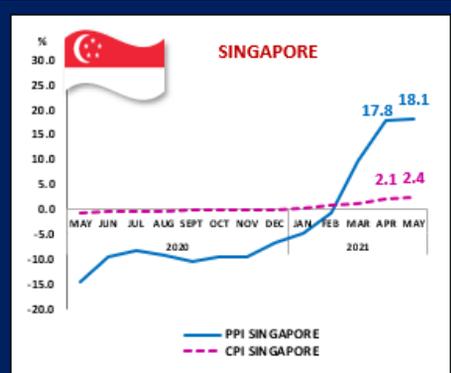
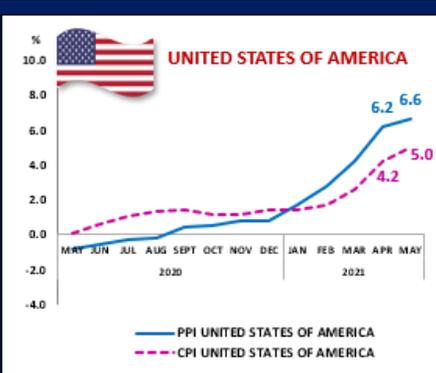
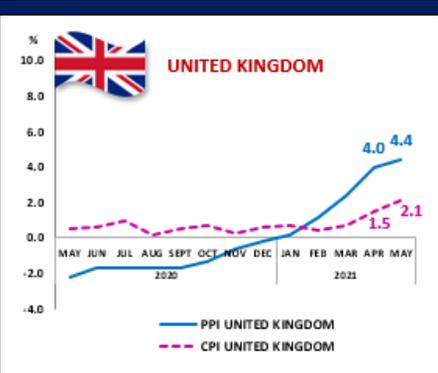
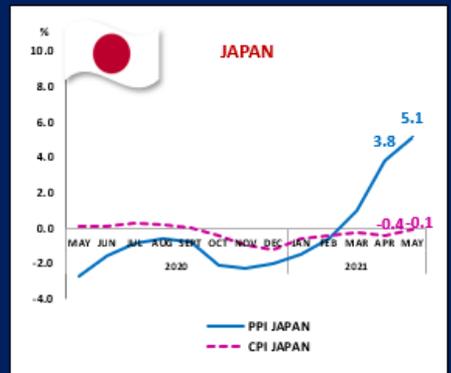
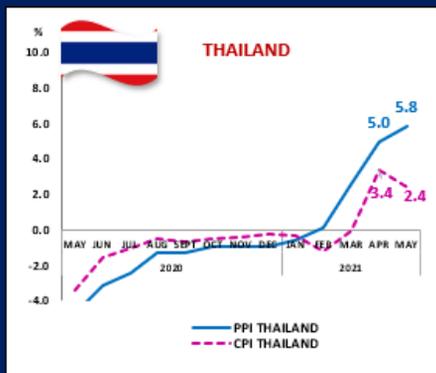
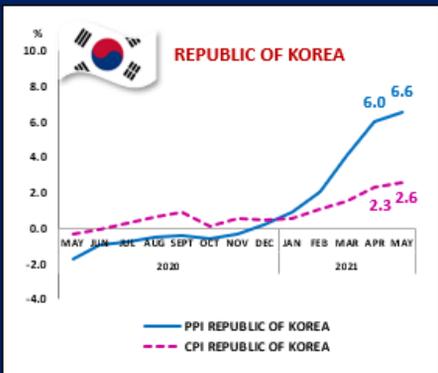
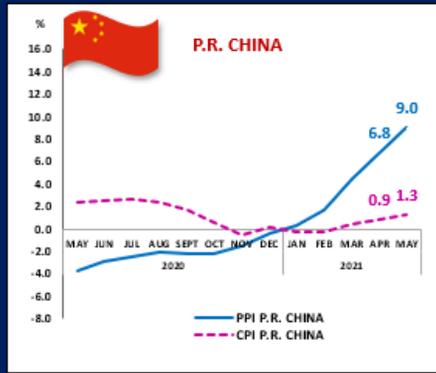
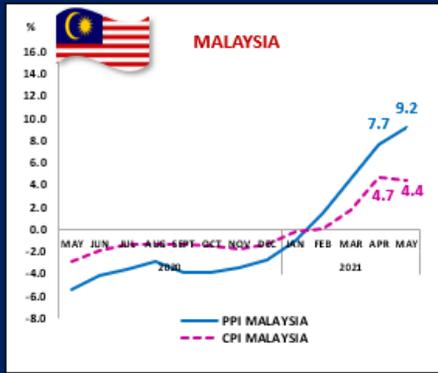


**Miscellaneous transactions and commodities**  
**0.9%**      **0.0%**  
Apr 2021: 3.6%      Apr 2021: 3.3%

## Month-on-Month Change

- For monthly comparison, the PPI of domestic economy in May 2021 recorded a marginal increase of 0.7 per cent as compared to 0.8 per cent in April 2021.
- The increase was driven by the goods section for Inedible raw materials 2.2 per cent, followed by Animal & vegetable oils & fats (1.6%), Mineral fuels, lubricants, etc.(1.4%), Chemicals (0.7%) and Miscellaneous manufactured articles (0.4%). In addition, Machinery & transport equipment and Manufactured goods also increased by 0.2 per cent and 0.1 per cent respectively. No changes were recorded for Miscellaneous transactions & commodities. On the other hand, Beverages & tobacco recorded a decline of 0.1 per cent.

# Year on Year Comparison Chart , Producer Price Index (PPI) and Consumer Price Index (CPI) For Selected Countries May 2020 - May 2021



Source : tradingeconomics.com

