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Malaysia's PPI back to positive territory for first time since January, with marginal 0.2% uptick in September

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KUALA LUMPUR (Oct 26): Malaysia's Producer Price Index (PPI), which measures the prices of goods at the factory gates, returned to positive territory for the first time this year since January, with a marginal year-on-year (y-o-y) growth of 0.2% in September, compared to the 2.2% y-o-y contraction recorded in August, the Department of Statistics Malaysia (DOSM) reported on Thursday.

According to DOSM, this is the first increase after seven consecutive months of decline recorded from February, due to the higher base effect and higher prices of primary commodities.

Notably, the marginal increase was contributed by all sectors except for the manufacturing sector, DOSM data showed.

The agriculture, forestry and fishing sector increased by 3.2% (August: -1%) due to the increase in animal production (5.7%) and growth of perennial crops (3.3%).

At the same time, the mining sector rose 6.9% after recording a negative 3.8% in the previous month, supported by higher extraction of crude petroleum (8.1%) and natural gas (2.7%). The two utility sectors, meanwhile, recorded marginal increases, with the electricity and gas supply sector climbing 0.5% and the water supply rising by 0.9%.

Meanwhile, the manufacturing sector remained negative for five consecutive months, recording a negative 0.8% (August: -2.3%), affected by manufacturing of coke and refined petroleum products (-7.1%) and food products (-5.3%).

On a month-to-month (m-o-m) basis, Malaysia's PPI went up by 0.9% in September 2023, which was also an improvement compared with the 0.3% in August and 0.2% in July, pointing to three months of consecutive growth from June's 0.3% contraction.

September's m-o-m performance was on the back of the growth in mining (5.6%), electricity and gas supply (0.4%), as well as the manufacturing sector, which increased by a slight 0.8% after recording negative changes since May. However, this was offset by declines in agriculture, forestry and fishing, and the water supply sectors.

In comparison with some countries, Chief Statistician Datuk Seri Dr Mohd Uzir Mahidin noted that the US recorded a 2.2% y-o-y growth in September against 2% in August, making it the highest growth since April. Japan's PPI also rose by 2%, slowing from 3.3% in the previous month.

Meanwhile, China's producer prices continued to decline by 2.5% from a drop of 3% in the previous month. Similarly, India's producer inflation registered a smaller contraction of 0.3%, compared with 0.5% in August.

"Overall, Malaysia's PPI decreased by 2.1% in the first nine months of 2023 as compared to last year, due to the volatility of Malaysia's main commodities, particularly palm oil products and crude oil," Mohd Uzir said.

"Looking ahead 12 months, oil prices are projected to average US$98 (RM462.56) per barrel after the Opec countries extended their voluntary supply cut of crude oil. Meanwhile, according to the Commodity Research Bureau (CRB) Index, overall commodity prices index increased from around 290 in June to 320 in September 2023, mainly driven by the increase in the price of crude oil. Other factors, such as the shortage of agricultural supplies due to the Russia-Ukraine war and adverse weather patterns, are expected to keep price of commodities unstable in 2023," he added.