Producer Price Index (Mar-26)

Mining surge ends prolonged deflation as energy pressures build

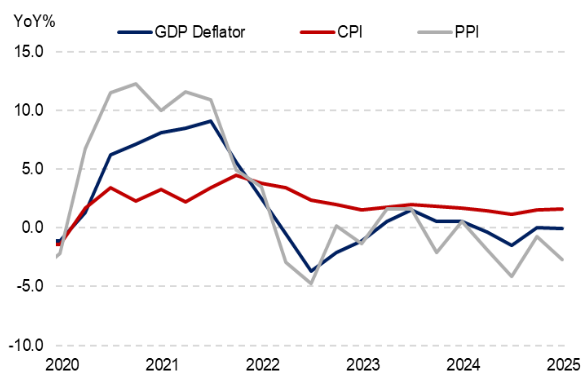
- **Malaysia's Producer Price Index (PPI) rebounded to 1.1% YoY in March (Feb: -3.4%), marking the first positive reading since February 2025**
  - The sharp turnaround reflected surging mining prices amid elevated global energy costs triggered by disruptions in the Strait of Hormuz.
  - The rebound showed broad momentum with prices rising 4.1% MoM (Feb: -0.5%). Mining led the charge, while gain across other sectors offset a modest drag from water supply.
- **Price acceleration was broad-based across all sectors, with mining as the primary driver**
  - **Mining (26.5%; Feb: -8.5%):** accelerated sharply to a four-year high, propelled by a strong rise in crude petroleum extraction (38.5%; Feb: -6.4%). On a MoM basis, mining surged 32.9% (Feb: 0.4%).
  - **Electricity & Gas Supply (9.6%; Feb: 4.7%):** soared notably amid elevated global energy prices. On a MoM basis, electricity & gas supply rebounded to 4.9% from a 0.1% contraction in February.
  - **Agriculture, Forestry & Fishing (-5.6%; Feb: -8.7%):** remained in deflation, led by lower prices for perennial crops (-11.0%; Feb: -15.1%). However, it edged up 2.8% MoM (Feb: 1.0%).
- **Momentum built across all processing stages, led by crude materials**
  - **Crude Materials for Further Processing (9.8%; Feb: -7.0%):** surged to the highest level since June 2022, driven mainly by significant rise in non-food materials (10.7%; Feb: -9.5%) prices.
  - **Intermediate materials, Supplies & Components (-1.3%; Feb: -3.1%)**: narrowed its deflationary pace, supported by processed fuel and lubricants (-4.8%; Feb: -9.3%).
  - **Finished Goods (-0.1%; Feb: -1.1%):** saw a slight improvement, helped by gains in manufacturing industries (1.2%; Feb: 0.2%)
- **Major economies registered renewed inflationary momentum amid the ongoing Strait of Hormuz disruptions**
  - **China (0.5%; Feb: -0.9%):** turned positive, ending a 41-month deflationary episode, due to rising geopolitical tensions.
  - **Japan (2.6%: Feb: 2.1%):** accelerated further, weighed by rising global commodity costs.
  - **Germany (-0.2%; Feb: -3.3%):** narrowed its deflation significantly but remained in negative territory.
- **We revised our 2026 PPI forecast upward to 1.9% (2025: -2.0%), with risks skewed toward stronger near-term pressures from sustained oil price dynamics, only partly cushioned by a stronger ringgit**
  - Rising geopolitical tensions including disruptions along the Strait of Hormuz, have lifted global oil prices sharply. Shipping through the strait collapsed dramatically, exposing vulnerabilities in global energy supply chains and pushed up energy and fertiliser costs. For Malaysia, higher upstream production and logistics expenses are feeding into factory-gate prices, as the mining rebound already signals the initial pass-through. Assuming moderate MoM gains or stabilisation through mid-year followed by milder declines in 2H26, the annual average should settle around 1.9%. A permanent de-escalation potentially in 3Q26 could ease oil prices later in the year, while a firmer ringgit and a still-soft global PPI backdrop amid subdued trade momentum may cap the upside.
  - Consumer price pass-through remains contained for now, supporting our unchanged 2.1% CPI forecast for 2026. However, upside risks are building: should producers pass on higher input costs more aggressively to households, it could eventually weigh on private consumption and Malaysia's growth engine. Prolonged disruptions also raise food security concerns through higher farm-gate and logistics costs.

Table 1: Global Producer Price Index (% YoY)

	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26
Japan	2.7	2.7	2.4	2.3	2.1	2.6
Korea	1.6	1.9	1.9	1.9	2.5	4.1
Germany	-1.8	-2.3	-2.5	-3.0	-3.3	-0.2
Indonesia	2.6	2.4	2.8	1.7	2.4	2.3
USA	2.8	3.0	3.0	3.1	3.4	4.0
China	-2.1	-2.2	-1.9	-1.4	-0.9	0.5

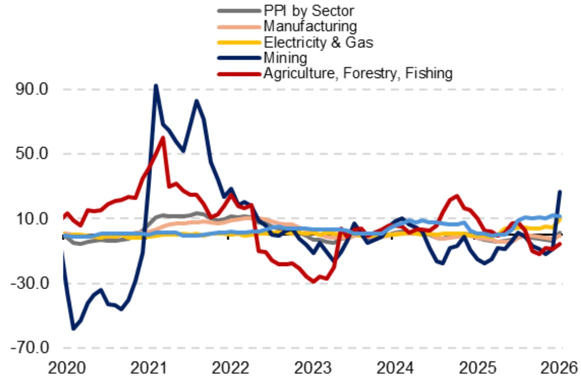
Source: Bloomberg, Kenanga Research

Graph 1: CPI, PPI and GDP Deflator



Source: Macrobond, Kenanga Research

Graph 2: PPI Growth by Sector



Source: Macrobond, Kenanga Research

Table 2: Malaysia Producer Price Index by Sector and Stage of Processing (% YoY)

Base 2010=100	*weight*	**2023**	**2024**	**2025**	**Mar -25**	**Oct -25**	**Nov -25**	**Dec -25**	**Jan -26**	**Feb -26**	**Mar -26**
PPI by Sector	**100.0**	**-1.9**	**0.3**	**-2.0**	**-1.9**	**-0.1**	**-1.8**	**-2.7**	**-2.9**	**-3.4**	**1.1**
Manufacturing	81.6	-0.2	-0.3	-2.1	-1.8	-0.6	-0.6	-1.3	-1.7	-2.7	-0.8
Electricity & Gas Supply	3.4	0.4	0.6	1.9	-0.5	4.3	4.1	4.1	4.9	4.7	9.6
Mining	7.9	-5.9	-2	-8.2	-15.0	-1.0	-7.2	-8.8	-11.7	-8.5	26.5
Agriculture, Forestry, Fishing	6.7	-13.8	7.9	3.2	9.9	2.7	-9.7	-12.1	-8.3	-8.7	-5.6
Water Supply	0.3	2.4	6.5	4.7	0.7	10.8	10.1	10.9	10.2	11.9	11.3
PPI by Stage of Processing	100.0	-1.9	0.3	-2.0	-1.9	-0.1	-1.8	-2.7	-2.9	-3.4	1.1
Finished Goods	27.5	3.1	1.9	-1.2	-0.6	-1.0	-0.2	-0.7	-0.6	-1.1	-0.1
Intermediate Materials, Supplies & Components	56.1	-1.2	-0.5	-1.8	-1.5	-0.2	-1.1	-1.6	-2.3	-3.1	-1.3
Crude Materials for Further Processing	16.4	-9.6	0.7	-3.7	-4.5	1.2	-6.2	-8.3	-7.5	-7.0	9.8

Source: Macrobond, DOSM, Kenanga Research

For further information, please contact:

Wan Suhaimie Wan Mohd Saidie
Head of Economic Research
wansuhaimi@kenanga.com.my

Muhammad Saifuddin Sapuan
Economist
saifuddin.sapuan@kenanga.com.my

Afiq Asyraf Syazwan Abd. Rahim
Economist
afiqasyraf@kenanga.com.my

Nurul Hanees Hairulkama
Economist
nurulhanees@kenanga.com.my

Published by:

KENANGA INVESTMENT BANK BERHAD (15678-H)
Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my