

29 September 2026

Producer Price Index (Aug-26)

Hits 50-month high as oil shock bites; the peak is still ahead

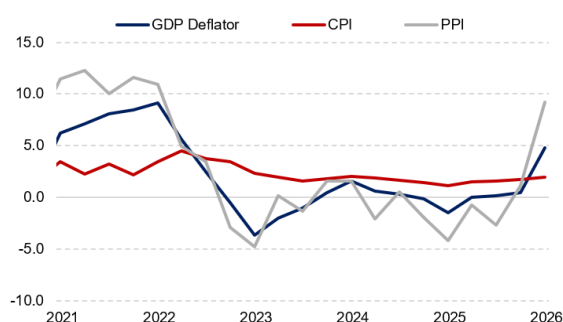
- Malaysia's Producer Price Index (PPI) rose further to 10.7% in August (Jul: 9.7%), a 50-month high**
 - Sharp price increases in the mining sector and persistent pressure in manufacturing outweighed slower increases in agriculture, forestry and fishing, and in electricity, gas and water supply.
 - On a month-on-month basis, prices rose 1.0% (Jul: 0.7%), a sign that near-term momentum is building.
- Mining led the rise, with manufacturing adding further pressure**
 - Mining (41.2%; Jul: 30.5%):** Prices jumped with MoM rebounding to 6.7% (Jul: 1.1%). Higher prices for crude petroleum extraction (49.8%; Jul: 39.6%) and natural gas (14.7%; Jul: 2.9%) drove the gain. This largely reflects elevated global energy prices amid ongoing tensions between the US and Iran.
 - Manufacturing (8.8%; Jul: 8.2%):** Pressure persisted, led by faster price gains in coke and refined petroleum products (33.5%; Jul: 30.4%) and computer, electronic and optical products (12.4%; Jul: 10.5%). However, MoM growth eased to 0.4% (Jul: 0.8%).
 - Agriculture, Forestry & Fishing (4.6%; Jul: 7.2%):** Moderated mainly on slower price growth in perennial crops (1.9%; Jul: 6.2%). However, MoM prices rose 0.8% (Jul: 0.7%), pointing to a modest price pick up in the near-term momentum.
- Producer inflation increased across the production pipeline**
 - Crude Materials for Further Processing (24.8%; Jul: 24.1%):** Edged up, supported by firmer crude fuel prices (46.5%; Jul: 41.8%).
 - Intermediate Materials, Supplies & Components (9.6%; Jul: 8.4%):** Kept rising, driven mainly by processed fuel and lubricants (20.0%; Jul: 13.8%) and manufacturing industries (14.8%; Jul: 12.9%).
 - Finished Goods (3.1%; Jul: 2.5%):** Gained momentum, driven mainly by higher capital equipment prices (4.3%; Jul: 3.4%).
- Producer price inflation increased across major economies**
 - US (5.4%; Jul: 4.8%):** Rose on higher goods prices, alongside rising airline fares and hospital service costs.
 - Korea (7.9%; Jul: 7.7%):** Rose on higher agricultural goods prices as heatwave disrupted supply.
 - China (3.8%; Jul: 3.5%):** Edged up on higher energy prices.
- We keep our 2026 PPI forecast at 6.4% (2025: -2.0%) and expect pressures to ease after October**
 - We expect producer prices to peak in October, then ease towards year-end, assuming energy markets stabilise and ringgit holds steady. That said, renewed Middle East tensions and disruptions in the Strait of Hormuz have pushed crude above USD100 per barrel. A prolonged supply shock could spill over into transport, food and manufacturing costs, and is the key upside risk to our view. El Niño could also disrupt farm output and add to price pressures. On the other hand, any easing in geopolitical tensions would help cap prices.
 - Domestic inflation remains broadly anchored, supported by targeted subsidies. This underpins our revised 2026 CPI forecast of 1.9% (previous: 2.1%; 2025: 1.4%). However, higher energy and freight cost should gradually pass through to logistics, supply chains and food production cost in the coming months. So far, however, subsidies continue to absorb part of the cost, limiting the pass through impact on consumers, as reflected in the modest price increase of finished consumer goods (+1.5%) in spite of the sharp increase in refined petroleum producer prices (+33.5%).

Table 1: Global Producer Price Index (% YoY)

	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26
Japan	3.0	5.5	6.8	7.4	7.7	7.6
Korea	4.1	7.2	8.6	8.5	7.7	7.9
Germany	-0.2	1.7	2.2	1.8	3	4.6
Indonesia	2.3	3.8	5.8	6.5	5.7	6.2
USA	4.3	5.7	5.9	5.6	4.8	5.4
China	0.5	2.8	3.9	4.1	3.5	3.8

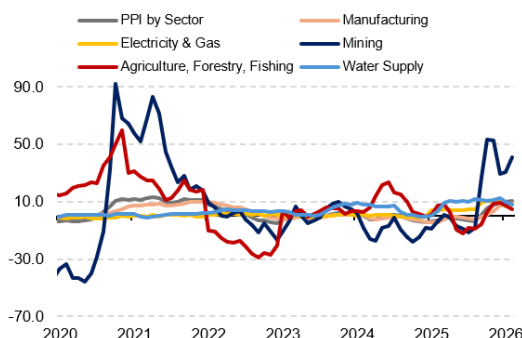
Source: Bloomberg, Kenanga Research

Graph 1: CPI, PPI and GDP Deflator



Source: Macrobond, Kenanga Research

Graph 2: PPI Growth by Sector



Source: Macrobond, Kenanga Research

29 September 2026

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

Base 2010=100	weight	2023	2024	2025	Aug -25	Mar -26	Apr -26	May -26	Jun -26	Jul -26	Aug -26
PPI by Sector	100.0	-1.9	0.3	-2.0	-2.8	1.1	5.4	7.8	9.2	9.7	10.7
Manufacturing	81.6	-0.2	-0.3	-2.1	-4.0	-0.8	1.1	3.5	7.2	8.2	8.8
Electricity & Gas Supply	3.4	0.4	0.6	1.9	4.1	9.6	10.6	10.0	10.2	6.7	6.4
Mining	7.9	-5.9	-2	-8.2	-3.4	26.5	53.4	52.6	29.0	30.5	41.2
Agriculture, Forestry, Fishing	6.7	-13.8	7.9	3.2	7.3	-5.6	2.7	8.9	9.1	7.2	4.6
Water Supply	0.3	2.4	6.5	4.7	3.4	11.3	10.8	11.2	12.7	10.2	7.8
PPI by Stage of Processing	100.0	-1.9	0.3	-2.0	-2.8	1.1	5.4	7.8	9.2	9.7	10.7
Finished Goods	27.5	3.1	1.9	-1.2	-3.4	-0.1	0.7	1.7	2.0	2.5	3.1
Intermediate Materials, Supplies & Components	56.1	-1.2	-0.5	-1.8	-3.1	-1.3	0.8	3.0	7.4	8.4	9.6
Crude Materials for Further Processing	16.4	-9.6	0.7	-3.7	-0.8	9.8	26.1	31.5	25.0	24.1	24.8

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

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may affect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies. Kenanga Investment Bank Berhad being a full-service investment bank offers investment banking products and services and acts as issuer and liquidity provider with respect to a security that may also fall under its research coverage.

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