

Producer Price Index (Feb-26)

Manufacturing slump deepens factory-gate deflation

- **Malaysia's Producer Price Index (PPI) fell 3.4% in February, following a 2.9% drop in January. This marks the twelfth consecutive month of deflation.**

- Manufacturing drove the decline, supported by continued price weakness in agriculture and utility sectors.
- On a monthly basis, the PPI returned to a 0.5% contraction after a brief 0.1% rise in January, as manufacturing prices slipped further.

- **Manufacturing and agriculture remain the primary drags on the index**

- **Manufacturing (-2.7%; Jan: -1.7%):** continued to retreat, primarily reflecting double-digit declines in refined petroleum products (-10.6%; Jan: -5.8%) and a 5.2% drop in food manufacturing (Jan: -4.2%).
- **Agriculture, Forestry & Fishing (-8.7%; Jan: -8.3%):** deflation persisted, led by lower prices in perennial crops (-15.1%; Jan: -14.7%). However, on a MoM basis, agriculture, forestry & fishing recorded an increase of 1.0% (Jan: 0.3%).
- **Mining (-8.5%; Jan: -11.7%):** recorded an increase albeit remained in deflation. On a MoM basis, mining showed a decline of 0.4% (Jan: 1.9%).

- **Deflation persists across all processing stages, signalling weak pipeline pressure**

- **Intermediate materials, Supplies & Components (-3.1%; Jan: -2.3%):** fell into a six-month low, primarily led by significant decline in prices for processed fuel and lubricants (-9.3%; Jan: -6.3%).
- **Finished Goods (-1.1%; Jan: -0.6%):** prices fell as capital equipment costs declined by 2.3%.
- **Crude Materials for Further Processing (-7.0%; Jan: -7.5%):** recorded a slight increase although remained in deflation, mainly driven by a modest rise in non-food materials (-9.5%; Jan: -10.0%) prices.

- **Major economies show diverging producer price trends**

- **China (-0.9%; Jan: -1.4%):** rose slightly higher, driven by an increase in metals and commodities prices.
- **Japan (2.0%; Jan: 2.3%):** continued to decrease, supported by government fuel subsidies.
- **Germany (-3.3%; Jan: -3.0%):** deflation deepened as energy prices continued to decline.

- **We raised our 2026 PPI forecast to -1.9% from -2.2% (2025: -2.0%) to reflect rising oil prices**

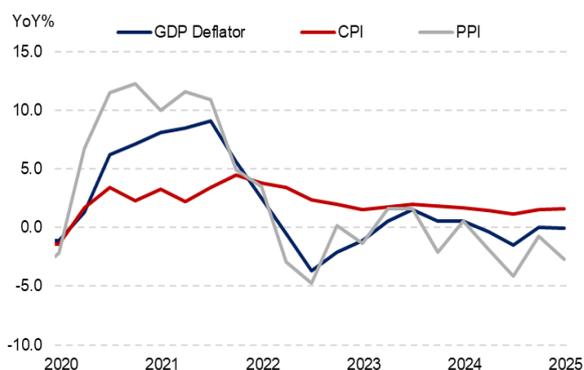
- Heightened geopolitical tensions involving Iran prompted us to lift our 2026 Brent assumption to USD80.0 per barrel (bbl), up from USD67.0/bbl previously. While Malaysia secured assurances regarding safe passage through the Strait of Hormuz, broader supply chain disruptions will likely push factory-gate prices higher. A firmer ringgit should nonetheless keep the overall PPI in deflationary territory for the year.
- Pass-through to consumer prices remains manageable, and we maintain our CPI forecast at 2.1%. However, rising upside risks could eventually weigh on private consumption if producers begin passing higher input costs to households.

Table 1: Global Producer Price Index (% YoY)

	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26
Japan	2.8	2.7	2.7	2.4	2.3	2.0
Korea	1.2	1.6	1.9	1.9	1.9	2.4
Germany	-1.7	-1.8	-2.3	-2.5	-3.0	-3.3
Indonesia	2.3	2.6	2.4	2.8	1.7	2.4
USA	3.0	2.8	3.0	3.0	2.9	3.4
China	-2.3	-2.1	-2.2	-1.9	-1.4	-0.9

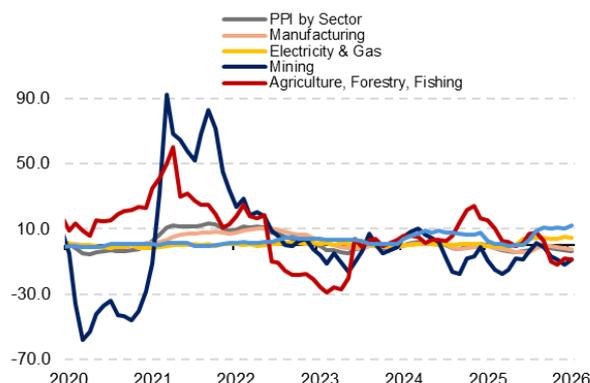
Source: Bloomberg, Kenanga Research

Graph 1: CPI, PPI and GDP Deflator



Source: Macrobond, Kenanga Research

Graph 2: PPI Growth by Sector



Source: Macrobond, Kenanga Research

30 March 2026

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

Base 2010=100	weight	2023	2024	2025	Feb -25	Sep -25	Oct -25	Nov -25	Dec -25	Jan -26	Feb -26
PPI by Sector	100.0	-1.9	0.3	-2.0	0.3	-0.8	-0.1	-1.8	-2.7	-2.9	-3.4
Manufacturing	81.6	-0.2	-0.3	-2.1	-0.3	-2.1	-0.6	-0.6	-1.3	-1.7	-2.7
Electricity & Gas Supply	3.4	0.4	0.6	1.9	-0.3	4.6	4.3	4.1	4.1	4.9	4.7
Mining	7.9	-5.9	-2	-8.2	-9.7	1.1	-1.0	-7.2	-8.8	-11.7	-8.5
Agriculture, Forestry, Fishing	6.7	-13.8	7.9	3.2	15.2	7.8	2.7	-9.7	-12.1	-8.3	-8.7
Water Supply	0.3	2.4	6.5	4.7	2.9	9.1	10.8	10.1	10.9	10.2	11.9
PPI by Stage of Processing	100.0	-1.9	0.3	-2.0	0.3	-0.8	-0.1	-1.8	-2.7	-2.9	-3.4
Finished Goods	27.5	3.1	1.9	-1.2	0.7	-1.8	-1.0	-0.2	-0.7	-0.6	-1.1
Intermediate Materials, Supplies & Components	56.1	-1.2	-0.5	-1.8	0.0	-1.2	-0.2	-1.1	-1.6	-2.3	-3.1
Crude Materials for Further Processing	16.4	-9.6	0.7	-3.7	0.0	2.4	1.2	-6.2	-8.3	-7.5	-7.0

Source: Macrobond, DOSM, Kenanga Research

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