

29 July 2026

Producer Price Index (Jun-26)

Manufacturing drives upstream inflation to a four year high despite softer monthly price momentum

Malaysia's Producer Price Index (PPI) accelerated further to 9.2% in June (May: 7.8%), marking its strongest increase in 48 months

- Stronger price growth in manufacturing, alongside continued elevated inflation in mining and agriculture, forestry & fishing, drove the acceleration. While producer prices remained elevated, month-on-month inflation moderated to 0.6% (May: 1.1%), suggesting upstream price momentum has begun to ease.

Manufacturing remained the key driver of producer price inflation, while mining pressures moderated from elevated levels

- Manufacturing (7.2%; May: 3.5%):** accelerated sharply, driven mainly by a stronger increase in the manufacture of coke & refined petroleum products (30.1%; May: 12.3%). On a monthly basis, manufacturing prices rose 2.4% (May: 1.8%), indicating upstream price pressures remained broad-based despite easing global energy prices towards month-end.
- Mining (29.0%; May: 52.6%):** remained elevated although inflation moderated as crude petroleum extraction prices increased by 40.7% (May: 74.5%). On a MoM basis, prices declined by 11.6% (May: -2.8%), reflecting lower global oil prices following the partial unwinding of geopolitical risk premiums after tensions in the Middle East eased temporarily.
- Agriculture, Forestry & Fishing (9.1%; May: 8.9%):** edged higher, supported mainly by stronger animal production prices (6.6%; May: 3.1%). Nevertheless, monthly prices slipped into contraction (-0.8%; May: 0.3%), suggesting near-term cost pressures have started to moderate.

Inflationary pressures remained broad-based across the production pipeline

- Crude Materials for Further Processing (25.0%; May: 31.5%):** moderated, mainly reflecting a slower increase in non-food material prices (29.8%; May: 38.1%).
- Intermediate Materials, Supplies & Components (7.4%; May: 3.0%):** accelerated further, driven by higher processed fuel and lubricant prices (13.9%; May: 3.7%), pointing to persistent cost pressures at the intermediate stage.
- Finished Goods (2.0%; May: 1.7%):** increased modestly, led by stronger consumer goods inflation (1.9%; May: 1.1%), although downstream price pressures remained relatively contained.

Producer price inflation remained mixed across major economies

- US (5.5%; May: 6.0%):** eased modestly as lower energy prices reduced input cost pressures.
- Japan (7.1%; May: 6.6%):** accelerated further, supported largely by yen weakness, which continued to lift import costs.
- China (4.1%; May: 3.9%):** recorded a modest pickup, supported by firmer industrial commodity prices despite easing energy costs.

We maintain our 2026 PPI forecast at 3.7% (2025: -2.0%) as upstream inflation is expected to moderate gradually

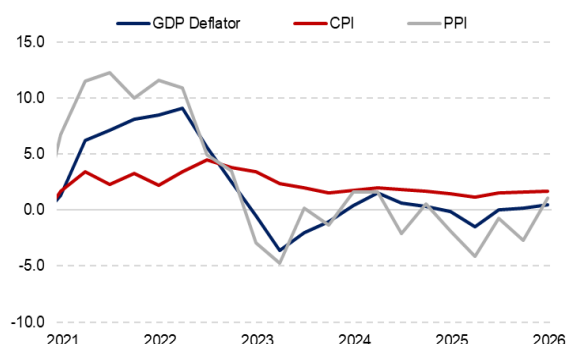
- Although June's headline PPI surprised to the upside, the moderation in monthly price momentum suggests upstream inflation is unlikely to accelerate indefinitely. We continue to expect producer price inflation to ease gradually over the coming quarters, supported by lower global commodity prices, fading base effects and a firmer ringgit, which should help contain imported input costs.
- The pass-through to consumer inflation is expected to remain manageable. While elevated producer prices may place upward pressure on selected manufactured goods and food prices, we expect CPI to stay relatively contained, supported by targeted fuel assistance measures such as BUDI95 and BUDI Diesel, alongside the firmer ringgit. Nevertheless, renewed geopolitical tensions or another sharp increase in global energy prices remain the key upside risks to both producer and consumer inflation.

Table 1: Global Producer Price Index (% YoY)

	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26
Japan	2.3	2.1	2.9	5.4	6.6	7.1
Korea	1.9	2.5	4.1	7.2	8.5	8.6
Germany	-3.0	-3.3	-0.2	1.7	2.2	1.8
Indonesia	1.7	2.4	2.3	3.8	5.8	6.5
USA	3.1	3.4	4.3	5.7	6.0	5.5
China	-1.4	-0.9	0.5	2.8	3.9	4.1

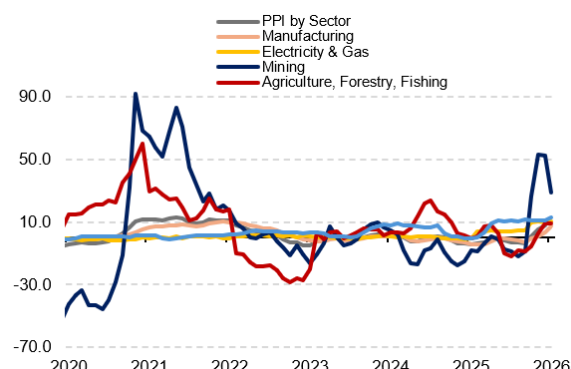
Source: Bloomberg, Kenanga Research

Graph 1: CPI, PPI and GDP Deflator



Source: Macrobond, Kenanga Research

Graph 2: PPI Growth by Sector



Source: Macrobond, Kenanga Research

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

Base 2010=100	weight	2023	2024	2025	Jun -25	Jan -26	Feb -26	Mar -26	Apr -26	May -26	Jun -26
PPI by Sector	100.0	-1.9	0.3	-2.0	-4.2	-2.9	-3.4	1.1	5.4	7.8	9.2
Manufacturing	81.6	-0.2	-0.3	-2.1	-4.3	-1.7	-2.7	-0.8	1.1	3.5	7.2
Electricity & Gas Supply	3.4	0.4	0.6	1.9	-0.2	4.9	4.7	9.6	10.6	10.0	10.2
Mining	7.9	-5.9	-2	-8.2	-8.0	-11.7	-8.5	26.5	53.4	52.6	29.0
Agriculture, Forestry, Fishing	6.7	-13.8	7.9	3.2	-0.3	-8.3	-8.7	-5.6	2.7	8.9	9.1
Water Supply	0.3	2.4	6.5	4.7	-0.2	10.2	11.9	11.3	10.8	11.2	12.7
PPI by Stage of Processing	100.0	-1.9	0.3	-2.0	-4.2	-2.9	-3.4	1.1	5.4	7.8	9.2
Finished Goods	27.5	3.1	1.9	-1.2	-2.3	-0.6	-1.1	-0.1	0.7	1.7	2.0
Intermediate Materials, Supplies & Components	56.1	-1.2	-0.5	-1.8	-4.4	-2.3	-3.1	-1.3	0.8	3.0	7.4
Crude Materials for Further Processing	16.4	-9.6	0.7	-3.7	-5.8	-7.5	-7.0	9.8	26.1	31.5	25.0

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

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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