

Malaysia's PPI jumps 7.8% in May

» Mining and manufacturing drive producer inflation higher, with cost pressures expected to ease gradually: Kenanga IB

KUALA LUMPUR: Malaysia's Producer Price Index (PPI) rose further to 7.8% in May from 5.4% posted in April, marking the fastest pace of increase in 47 months.

Kenanga Investment Bank Bhd (Kenanga IB) said the increase was broad-based across sectors, with the mining segment continuing to lead, driven by persistently elevated global energy prices amid ongoing supply disruptions at the Strait of Hormuz linked to the US-Iran conflict, while manufacturing as well as agriculture, forestry and fishing also recorded an uptick.

On a month-on-month basis, producer prices rose at a more moderate pace of 1.1% in May, down from 3.2% in April, signalling a sequential easing in price momentum.

Kenanga IB said price pressures were driven primarily by a continued rise in mining inflation, alongside rising inflation in manufacturing, agriculture, forestry, and fishing.

Mining inflation eased to 52.6% in May from 53.2% in April but continued accelerating at a more measured pace on sustained pressure from crude petroleum extraction at 74.5%, unchanged from April, though it reverted to mild deflation of -2.8%

month-on-month from 19.8% in April, signalling a pullback from the prior month's sharp increase.

Manufacturing inflation rose further to 3.5% from 1.1% in April, driven mainly by higher prices in coke and refined petroleum products at 12.3% versus 3% in April, with month-on-month inflation quickening to 1.8% from 1.4%.

Agriculture, forestry and fishing inflation accelerated further to 8.9% from 2.7% in April, driven by a sharp rise in perennial crop prices to 11% from 1.4%, though it moderated to 0.3% month-on-month from 2.4% in April.

Meanwhile, inflation for crude materials for further processing soared to a 54-month high of 31.5% from 26.1% in April, led by the continued rise in non-food materials prices to 38.1% from 31.2%.

Inflation in intermediate materials, supplies, and components rose substantially to 3% from 0.8% in April, driven by higher prices for supplies at 5.7% versus 4.4%.

Finished goods inflation increased further to 1.7% from 0.7% in April on a rise in capital equipment prices to 2.1% from 0.8%.

"We retained our 2026 PPI forecast at 3.7% amid expectations of a gradual



Manufacturing activity remains a key contributor to Malaysia's industrial output. – PEXELS PIX

moderation in price pressures," Kenanga IB said.

It said the easing US-Iran tensions have reduced the risk of sustained supply disruptions along the Strait of Hormuz, contributing to a moderation in oil prices.

Nevertheless, energy and freight markets have yet to fully normalise, with shipping routes still adjusting, freight backlogs gradually clearing and geopolitical risk premia remaining

embedded in global supply chains.

As a result, Kenanga IB said, transport and logistics costs are likely to remain elevated through 2H of 2026 and into 2027, implying that upstream cost pressures should ease only gradually rather than retreat sharply.

Producer price inflation is therefore expected to moderate progressively, particularly within the mining sector, supported by softer energy prices and a gradually appreciating ringgit,

Kenanga IB said.

"Consumer Price Index pass-through remains contained, with risks now more balanced. Consumer price transmission continues to be cushioned by targeted subsidy mechanisms.

"A firmer ringgit and softer global energy prices should help ease imported inflation. However, high transport costs and potential El Niño-related disruptions remain key risks to producer and consumer prices."