

Economics

Inflation

PPI Inflation Beat Driven By Upstream Cost-Push

- China's September headline CPI inflation edged up to 0.9% yoy (+0.1ppt mom), below Bloomberg consensus of 1.0% yoy, lifted by transportation and communication inflation (4.3% yoy, +1.8ppt mom). Core CPI inflation held at 1.0% yoy (0.0ppt mom), in line with Bloomberg consensus, with goods inflation at 1.0% yoy (+0.2ppt mom) and services inflation at 0.8% yoy (0.0ppt mom).
- PPI inflation surged to 5.0% yoy (+1.2ppt mom), beyond Bloomberg consensus of 4.4% yoy, as producer goods PPI inflation rose to 6.5% yoy (+1.5ppt mom) on mining and quarrying inflation (25.4% yoy, +7.6ppt mom), while consumer goods PPI deflation continued narrowing to -0.1% yoy (+0.4ppt mom).
- Overall, the data is market neutral. With CPI inflation slightly below consensus and core CPI inflation flat, the PPI inflation beat reflects upstream cost-push rather than stronger end-demand, widening margin pressure on downstream producers. Looking ahead, investors should continue to watch whether upstream cost pressure filters through to core CPI inflation.

Our View

- September headline CPI inflation edged up to 0.9% yoy (+0.1ppt mom)**, below Bloomberg consensus of 1.0% yoy. The pick-up was mainly led by transportation and communication inflation, which accelerated to 4.3% yoy (+1.8ppt mom) due to the rally in crude oil passed through to fuel costs. Notably, transportation and communication was the only one of the eight major categories to post a higher reading, with four easing and three unchanged, indicating the rise was narrow and cost-driven. Food deflation deepened to -1.7% yoy (-0.3ppt mom), while food, tobacco and liquor deflation deepened to -0.9% yoy (-0.2ppt mom). Among other categories, other products and services inflation moderated to 5.9% yoy (-1.4ppt mom) and daily necessities and services inflation slowed to 0.2% yoy (-0.5ppt mom). Core CPI inflation held at 1.0% yoy (0.0ppt mom), in line with Bloomberg consensus, with goods inflation at 1.0% yoy (+0.2ppt mom) and services inflation at 0.8% yoy (0.0ppt mom).
- PPI inflation surged to 5.0% yoy in September (+1.2ppt mom)**, well above Bloomberg consensus of 4.4% yoy. Producer goods PPI inflation jumped to 6.5% yoy (+1.5ppt mom), led by mining and quarrying inflation at 25.4% yoy (+7.6ppt mom) and raw materials inflation at 9.4% yoy (+2.7ppt mom). Consumer goods PPI deflation also narrowed to -0.1% yoy (+0.4ppt mom), with durable consumer goods PPI inflation rising to 1.6% yoy (+0.4ppt mom) and food PPI deflation easing to -1.8% yoy (+0.5ppt mom). Meanwhile, Purchasing Price Index inflation rose to 6.9% yoy (+1.1ppt mom), reflecting a broad-based firming across sub-components, with eight of the nine categories improving mom. Among them, fuel and power inflation accelerated to 13.6% yoy (+3.8ppt mom) and chemical raw materials inflation to 12.6% yoy (+3.1ppt mom). By contrast, ferrous metal materials slipped into deflation at -0.4% yoy (-0.7ppt mom).
- Overall, the September data is market neutral. With CPI inflation below consensus and core CPI inflation flat, the PPI inflation beat reflects upstream cost-push rather than stronger end-demand, widening margin pressure on downstream producers, although it eases near-term deflation risk. Looking ahead, investors should watch whether upstream cost pressure filters through to core CPI inflation or is absorbed by downstream margins.

Analyst(s)

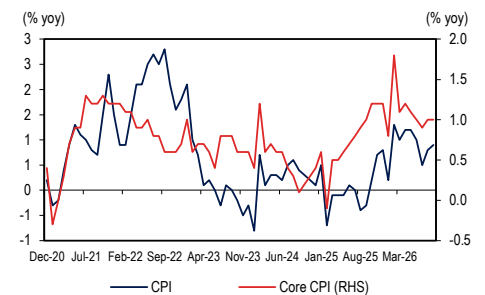
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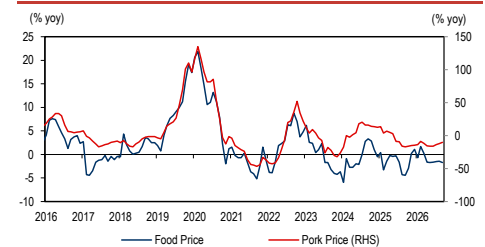
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CPI And Core CPI



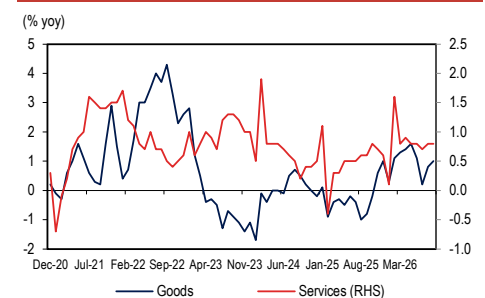
Source: NBS, CEIC, UOB Kay Hian

Food And Pork Prices



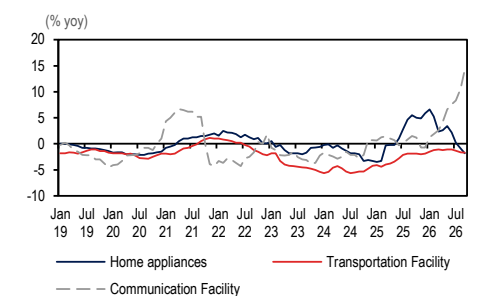
Source: NBS, CEIC, UOB Kay Hian

Goods And Services Inflation



Source: NBS, CEIC, UOB Kay Hian

CPI Growth In Durables



Source: NBS, CEIC, UOB Kay Hian

CPI

(yoy % chg)	Sep 26	ppt chg	Aug 26	Jul 26
Headline CPI	0.9	0.1	0.8	0.5
Food	-1.7	-0.3	-1.4	-1.5
Core CPI	1.0	0.0	1.0	0.9
Goods	1.0	0.2	0.8	0.2
Services	0.8	0.0	0.8	0.7
Food, Tobacco And Liquor	-0.9	-0.2	-0.7	-0.8
Clothing	1.2	-0.1	1.3	1.4
Residence	-0.3	0.0	-0.3	-0.3
Daily Necessities And Services	0.2	-0.5	0.7	0.8
Transportation And Communication	4.3	1.8	2.5	0.4
Recreational, Educational And Cultural Articles	1.4	0.0	1.4	1.3
Medical-Related Articles	2.7	0.0	2.7	2.9
Other Products And Services	5.9	-1.4	7.3	5.8

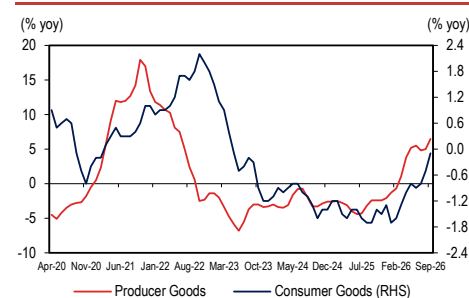
Source: NBS, Wind, UOB Kay Hian

PPI

(yoy % chg)	Sep 26	ppt chg	Aug 26	Jul 26
Headline PPI	5.0	1.2	3.8	3.5
Producer Goods	6.5	1.5	5.0	4.8
Mining And Quarrying	25.4	7.6	17.8	16.4
Raw Materials	9.4	2.7	6.7	6.1
Processing	3.4	0.3	3.1	3.1
Consumer Goods	-0.1	0.4	-0.5	-0.8
Food	-1.8	0.5	-2.3	-2.1
Clothing	-1.2	0.0	-1.2	-1.1
Articles For Daily Use	-0.6	0.2	-0.8	-1.0
Durable Consumer Goods	1.6	0.4	1.2	0.4
Purchasing Price Index	6.9	1.1	5.8	5.5
Fuel And Power	13.6	3.8	9.8	9.3
Ferrous Metal Materials	-0.4	-0.7	0.3	1.4
Non-Ferrous Metal Materials And Wires	20.0	0.2	19.8	19.0
Chemical Raw Materials	12.6	3.1	9.5	9.3
Wood And Pulp	0.0	0.2	-0.2	-0.5
Building Materials And Non-Metallic	-2.3	0.9	-3.2	-4.1
Other Industrial Raw Materials And Semi-Products	1.9	0.1	1.8	1.6
Agricultural And Sideline Products	-0.4	0.1	-0.5	-0.8
Textile Raw Materials	4.5	0.7	3.8	3.2

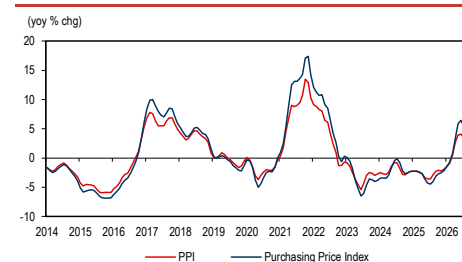
Source: NBS, CEIC, UOB Kay Hian

PPI Of Consumer And Producer Goods



Source: NBS, CEIC, UOB Kay Hian

PPI And Purchasing Price Index



Source: NBS, CEIC, UOB Kay Hian

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