Economics

Inflation

PPI Inflation Beats Consensus While CPI Inflation Eases

- October headline CPI inflation eased to 0.7% yoy (-0.2ppt mom), below Bloomberg consensus of 0.8% yoy, as food deflation deepened (-2.9% yoy, -1.2ppt mom). Core CPI inflation slowed to 0.8% yoy (-0.2ppt mom), below consensus of 0.9% yoy, with goods inflation (0.8% yoy, -0.2ppt mom) and services inflation (0.7% yoy, -0.1ppt mom) both easing.
- PPI inflation accelerated to 5.7% yoy (+0.7ppt mom), above Bloomberg consensus of 5.3% yoy, led by mining and quarrying inflation (27.9% yoy, +2.5ppt mom) and raw materials inflation (11.6% yoy, +2.2ppt mom). Meanwhile, consumer goods PPI deflation held at -0.1% yoy (0.0ppt mom).
- Overall, the data is mildly negative for markets, as the PPI inflation beat reflects upstream cost-push rather than stronger end-demand, with softer core CPI inflation and unchanged consumer goods PPI deflation pointing to stalling pass-through. Looking ahead, investors should watch whether downstream margins continue to absorb rising input costs.

Our View

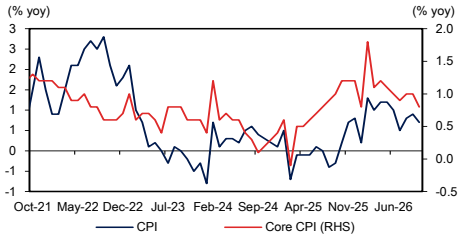
- **October headline CPI inflation eased to 0.7% yoy (-0.2ppt mom),** below Bloomberg consensus of 0.8% yoy. The softness was mainly led by food deflation, which deepened to -2.9% yoy (-1.2ppt mom) against a higher base. Food, tobacco and liquor deflation also deepened to -1.6% yoy (-0.7ppt mom). Among other categories, other products and services inflation slowed markedly to 1.8% yoy (-4.1ppt mom), also partly due to a higher base of 12.8% yoy in Oct 25, while medical-related articles inflation eased to 2.4% yoy (-0.3ppt mom). By contrast, transportation and communication inflation accelerated to 5.5% yoy (+1.2ppt mom) on continued fuel cost pass-through. Overall, four of the eight major categories eased, two rose and two were unchanged. Core CPI inflation slowed to 0.8% yoy (-0.2ppt mom), below Bloomberg consensus of 0.9% yoy, with goods inflation at 0.8% yoy (-0.2ppt mom) and services inflation at 0.7% yoy (-0.1ppt mom).
- **PPI inflation accelerated to 5.7% yoy in October (+0.7ppt mom),** above Bloomberg consensus of 5.3% yoy. Producer goods PPI inflation rose to 7.4% yoy (+0.9ppt mom), led by mining and quarrying inflation at 27.9% yoy (+2.5ppt mom) and raw materials inflation at 11.6% yoy (+2.2ppt mom). Consumer goods PPI deflation held at -0.1% yoy (0.0ppt mom), with food PPI deflation narrowing to -1.6% yoy (+0.2ppt mom) offset by durable consumer goods PPI inflation easing to 1.4% yoy (-0.2ppt mom). As a result, the producer-consumer goods PPI spread widened to 7.5ppt (+0.9ppt mom). Meanwhile, Purchasing Price Index inflation rose to 7.9% yoy (+1.0ppt mom), with five of the nine categories improving mom. Among them, fuel and power inflation accelerated to 18.6% yoy (+5.0ppt mom) and chemical raw materials inflation rose to 16.8% yoy (+4.2ppt mom). By contrast, non-ferrous metal materials and wires inflation eased to 16.7% yoy (-3.3ppt mom).
- Overall, the October data is mildly negative for markets. The PPI inflation beat reflects upstream cost-push rather than stronger end-demand, as softer core CPI inflation and unchanged consumer goods PPI deflation indicate limited downstream pass-through, intensifying margin pressure. Looking ahead, investors should monitor whether downstream producers regain pricing power.

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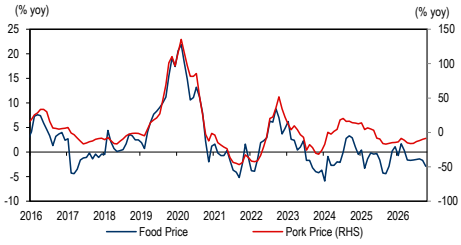
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CPI And Core CPI



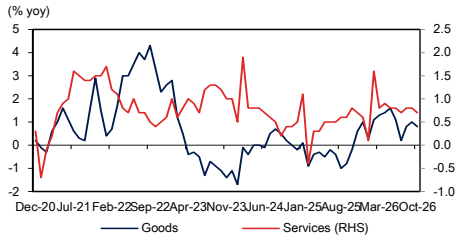
Source: NBS, CEIC, UOB Kay Hian

Food And Pork Prices



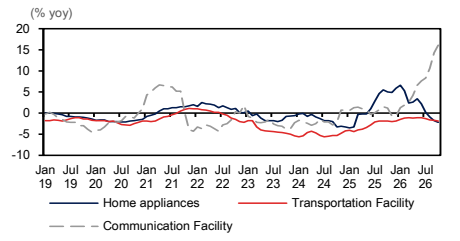
Source: NBS, CEIC, UOB Kay Hian

Goods And Services Inflation



Source: NBS, CEIC, UOB Kay Hian

CPI Growth In Durables



Source: NBS, CEIC, UOB Kay Hian

CPI

(yoy % chg)	Oct 26	ppt chg	Sep 26	Aug 26
Headline CPI	**0.7**	**-0.2**	**0.9**	**0.8**
Food	-2.9	-1.2	-1.7	-1.4
Core CPI	0.8	-0.2	1.0	1.0
Goods	0.8	-0.2	1.0	0.8
Services	0.7	-0.1	0.8	0.8
Food, Tobacco And Liquor	-1.6	-0.7	-0.9	-0.7
Clothing	1.1	-0.1	1.2	1.3
Residence	-0.3	0.0	-0.3	-0.3
Daily Necessities And Services	0.2	0.0	0.2	0.7
Transportation And Communication	5.5	1.2	4.3	2.5
Recreational, Educational And Cultural Articles	1.5	0.1	1.4	1.4
Medical-Related Articles	2.4	-0.3	2.7	2.7
Other Products And Services	1.8	-4.1	5.9	7.3

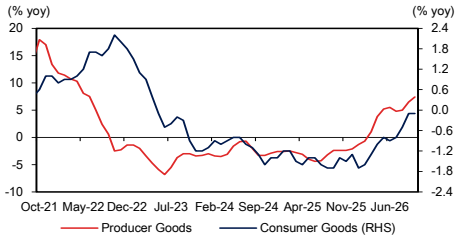
Source: NBS, Wind, UOB Kay Hian

PPI

(yoy % chg)	Oct 26	ppt chg	Sep 26	Aug 26
Headline PPI	**5.7**	**0.7**	**5.0**	**3.8**
Producer Goods	7.4	0.9	6.5	5.0
Mining And Quarrying	27.9	2.5	25.4	17.8
Raw Materials	11.6	2.2	9.4	6.7
Processing	3.5	0.1	3.4	3.1
Consumer Goods	-0.1	0.0	-0.1	-0.5
Food	-1.6	0.2	-1.8	-2.3
Clothing	-1.3	-0.1	-1.2	-1.2
Articles For Daily Use	-0.7	-0.1	-0.6	-0.8
Durable Consumer Goods	1.4	-0.2	1.6	1.2
Purchasing Price Index	**7.9**	**1.0**	**6.9**	**5.8**
Fuel And Power	18.6	5.0	13.6	9.8
Ferrous Metal Materials	-1.1	-0.7	-0.4	0.3
Non-Ferrous Metal Materials And Wires	16.7	-3.3	20.0	19.8
Chemical Raw Materials	16.8	4.2	12.6	9.5
Wood And Pulp	-0.5	-0.5	0.0	-0.2
Building Materials And Non-Metallic	-1.9	0.4	-2.3	-3.2
Other Industrial Raw Materials And Semi-Products	1.7	-0.2	1.9	1.8
Agricultural And Sideline Products	0.5	0.9	-0.4	-0.5
Textile Raw Materials	5.3	0.8	4.5	3.8

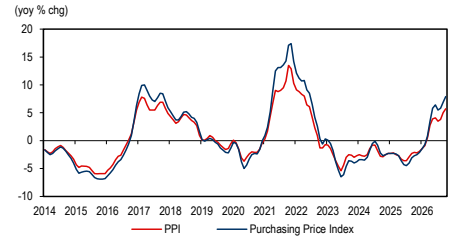
Source: NBS, CEIC, UOB Kay Hian

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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