UOBKayHian

Economics | Greater China

Thursday, 10 September 2026

Economics

Inflation

Inflation Above Consensus On Upstream Strength

- China's August headline CPI inflation rose to 0.8% yoy (+0.3ppt mom), in line with Bloomberg consensus, lifted by transportation and communication inflation (2.5% yoy, +2.1ppt mom). Core CPI inflation edged up to 1.0% yoy (+0.1ppt mom), slightly above Bloomberg consensus of 0.9% yoy, with goods inflation at 0.8% yoy (+0.6ppt mom) and services inflation at 0.8% yoy (+0.1ppt mom).
- PPI inflation reaccelerated to 3.8% yoy (+0.3ppt mom), above Bloomberg consensus of 3.6% yoy, as producer goods PPI inflation firmed to 5.0% yoy (+0.2ppt mom) on mining and quarrying inflation (17.8% yoy, +1.4ppt mom), while consumer goods PPI deflation narrowed to -0.5% yoy (+0.3ppt mom).
- Overall, the data is mildly positive for markets, as the upside surprise eases near-term deflation risk. Margin pressure eased slightly but remains persistent. Looking ahead, investors should watch for signs of a recovery in downstream pricing power.

Our View

- **August headline CPI inflation rose to 0.8% yoy (+0.3ppt mom),** in line with Bloomberg consensus. The pickup was led by transportation and communication inflation, which rebounded to 2.5% yoy (+2.1ppt mom) as fuel cost pass-through resumed after fading in July. Food deflation narrowed to -1.4% yoy (+0.1ppt mom), while food, tobacco and liquor deflation eased to -0.7% yoy (+0.1ppt mom). Notably, other products and services inflation accelerated to 7.3% yoy (+1.5ppt mom) whereas medical-related articles inflation pull backed slightly to 2.7% yoy (-0.2ppt mom). Core CPI inflation edged up to 1.0% yoy (+0.1ppt mom), slightly above Bloomberg consensus of 0.9% yoy, with goods inflation rebounded to 0.8% yoy (+0.6ppt mom) and services inflation at 0.8% yoy (+0.1ppt mom).
- **PPI inflation reaccelerated to 3.8% yoy in August (+0.3ppt mom),** above Bloomberg consensus of 3.6% yoy, reversing July's moderation. Producer goods PPI inflation firmed to 5.0% yoy (+0.2ppt mom), led by mining and quarrying inflation at 17.8% yoy (+1.4ppt mom) and raw materials inflation at 6.7% yoy (+0.6ppt mom). Consumer goods PPI deflation narrowed to -0.5% yoy (+0.3ppt mom), with durable consumer goods PPI inflation strengthening to 1.2% yoy (+0.8ppt mom), though food and clothing PPI deflation deepened to -2.3% yoy (-0.2ppt mom) and -1.2% yoy (-0.1ppt mom), respectively. Meanwhile, Purchasing Price Index inflation rose to 5.8% yoy (+0.3ppt mom), reflecting a broad-based firming across sub-components, with eight of the nine categories improving mom. Among them, non-ferrous metal materials and wires inflation rose to 19.8% yoy (+0.8ppt mom) and building materials and non-metallic deflation narrowed to -3.2% yoy (+0.9ppt mom), while ferrous metal materials inflation slowed to 0.3% yoy (-1.1ppt mom).
- Overall, the August data was mildly market positive, with upstream reflation resuming, easing concerns on a return to deflationary environment. However, downstream margins remain under pressure, while the goods-led CPI increase points to continued cost-push inflation. Looking ahead, investors should watch for signs of a recovery in downstream pricing power, with consumer goods PPI inflation turning positive being the clearest confirmation.

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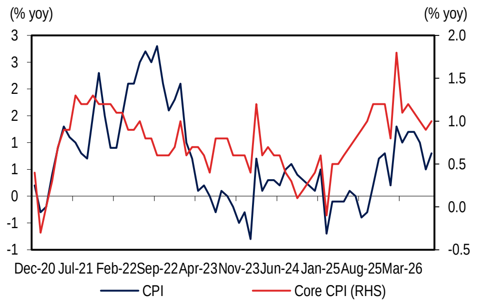
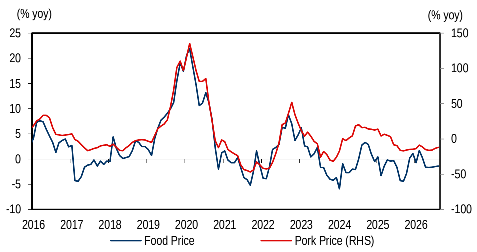
CPI And Core CPI



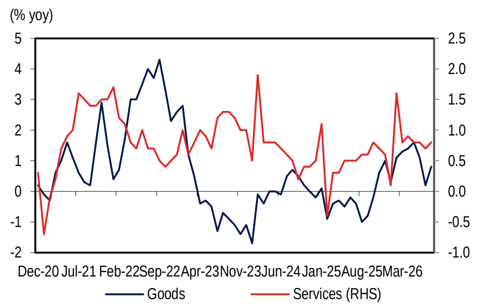
Source: NBS, CEIC, UOB Kay Hian

Food And Pork Prices



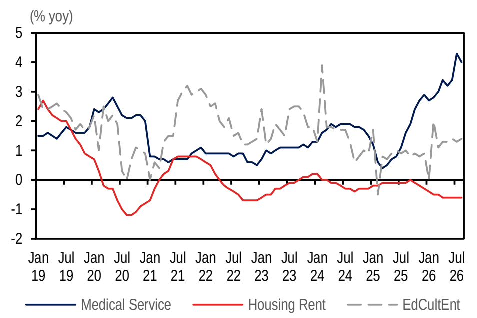
Source: NBS, CEIC, UOB Kay Hian

Goods And Services Inflation



Source: NBS, CEIC, UOB Kay Hian

CPI Growth In Services



Source: NBS, CEIC, UOB Kay Hian

CPI

(yoy % chg)	Aug 26	ppt chg	Jul 26	Jun 26
Headline CPI	0.8	0.3	0.5	1.0
Food	-1.4	0.1	-1.5	-1.6
Core CPI	1.0	0.1	0.9	1.0
Goods	0.8	0.6	0.2	1.1
Services	0.8	0.1	0.7	0.8
C	-0.7	0.1	-0.8	-0.8
Clothing	1.3	-0.1	1.4	1.4
Residence	-0.3	0.0	-0.3	-0.3
Daily Necessities And Services	0.7	-0.1	0.8	1.3
Transportation And Communication	2.5	2.1	0.4	4.1
Recreational, Educational And Cultural Articles	1.4	0.1	1.3	1.4
Medical-Related Articles	2.7	-0.2	2.9	2.3
Other Products And Services	7.3	1.5	5.8	6.6

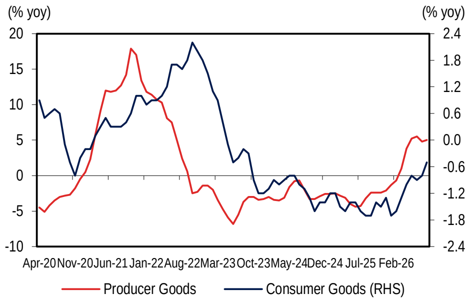
Source: NBS, Wind, UOB Kay Hian

PPI

(yoy % chg)	Aug 26	ppt chg	Jul 26	Jun 26
Headline PPI	3.8	0.3	3.5	4.1
Producer Goods	5.0	0.2	4.8	5.5
Mining And Quarrying	17.8	1.4	16.4	16.5
Raw Materials	6.7	0.6	6.1	8.6
Processing	3.1	0.0	3.1	3.0
Consumer Goods	-0.5	0.3	-0.8	-0.9
Food	-2.3	-0.2	-2.1	-2.1
Clothing	-1.2	-0.1	-1.1	-1.0
Articles For Daily Use	-0.8	0.2	-1.0	-1.0
Durable Consumer Goods	1.2	0.8	0.4	0.1
Purchasing Price Index	5.8	0.3	5.5	6.4
Fuel And Power	9.8	0.5	9.3	11.8
Ferrous Metal Materials	0.3	-1.1	1.4	1.3
Non-Ferrous Metal Materials And Wires	19.8	0.8	19.0	21.6
Chemical Raw Materials	9.5	0.2	9.3	11.5
Wood And Pulp	-0.2	0.3	-0.5	-1.0
Building Materials And Non-Metallic	-3.2	0.9	-4.1	-4.8
Other Industrial Raw Materials And Semi-Products	1.8	0.2	1.6	1.5
Agricultural And Sideline Products	-0.5	0.3	-0.8	-1.3
Textile Raw Materials	3.8	0.6	3.2	3.3

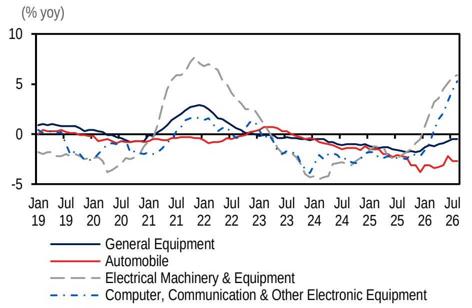
Source: NBS, CEIC, UOB Kay Hian

PPI Of Consumer And Producer Goods



Source: NBS, CEIC, UOB Kay Hian

PPI In Equipment



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