Economics

Inflation

July CPI And PPI Inflation Below Expectations

- China's July headline CPI inflation eased to 0.5% yoy (-0.5ppt mom), below Bloomberg's consensus estimate of 0.8% yoy. Core CPI inflation edged down to 0.9% yoy (-0.1ppt mom), below Bloomberg's consensus estimate of 1.0% yoy, with goods inflation moderating to 0.2% yoy (-0.9ppt mom) and services inflation softening to 0.7% yoy (-0.1ppt mom).
- PPI inflation slowed to 3.5% yoy (-0.6ppt mom), below Bloomberg's consensus estimate of 3.9% yoy, as producer goods PPI inflation eased to 4.8% yoy (-0.7ppt mom) on softer raw materials inflation (6.1% yoy, -2.5ppt mom), while consumer goods PPI deflation eased to -0.8% yoy (+0.1ppt mom).
- Overall, the data is mildly negative for markets, as softer data may raise concerns that China may soon return to a deflationary environment.

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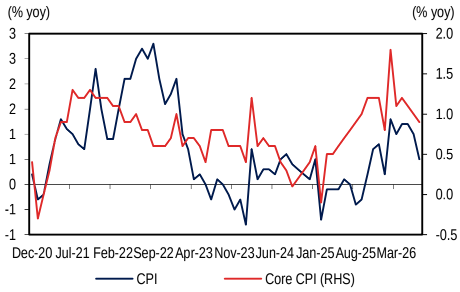
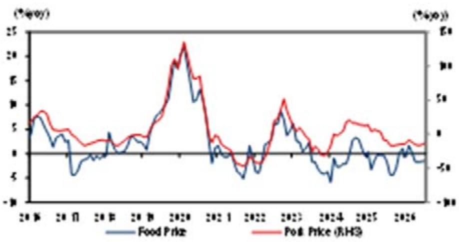
CPI And Core CPI



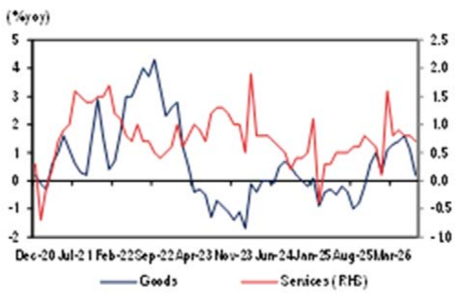
Source: NBS, CEIC, UOB Kay Hian

Food And Pork Prices



Source: NBS, CEIC, UOB Kay Hian

Goods And Services Inflation



Source: NBS, CEIC, UOB Kay Hian

Our View

- **July headline CPI inflation eased to 0.5% yoy (-0.5ppt mom),** below Bloomberg's consensus estimate of 0.8% yoy. The softness was concentrated in transportation and communication inflation, which moderated to 0.4% yoy (-3.7ppt mom) as the fuel cost pass-through that supported the category through 2Q26 faded. Food deflation narrowed slightly to -1.5% yoy (+0.1ppt mom), while food, tobacco and liquor inflation held at -0.8% yoy (0.0ppt mom). For other categories, daily necessities and services inflation moderated to 0.8% yoy (-0.5ppt mom) and other products and services inflation slowed to 5.8% yoy (-0.8ppt mom). On the other hand, medical-related articles inflation picked up to 2.9% yoy (+0.6ppt mom). Core CPI inflation edged down to 0.9% yoy (-0.1ppt mom), below Bloomberg consensus of 1.0% yoy, with goods inflation moderating to 0.2% yoy (-0.9ppt mom) and services inflation softening to 0.7% yoy (-0.1ppt mom).
- **PPI inflation slowed to 3.5% yoy in July (-0.6ppt mom),** below Bloomberg's consensus estimate of 3.9% yoy. Producer goods PPI inflation eased to 4.8% yoy (-0.7ppt mom), mainly dragged by raw materials inflation slowing to 6.1% yoy (-2.5ppt mom). Consumer goods PPI deflation eased to -0.8% yoy (+0.1ppt mom), with durable consumer goods PPI inflation improving to 0.4% yoy (+0.3ppt mom). Moreover, Purchasing Price Index inflation retreated to 5.5% yoy (-0.9ppt mom), reflecting softer fuel and power inflation (9.3% yoy, -2.5ppt mom), non-ferrous metal materials and wires inflation (19.0% yoy, -2.6ppt mom) and chemical raw materials inflation (9.3% yoy, -2.2ppt mom).
- Overall, the July data suggests the upstream-led reflation is passing its peak rather than broadening into end-demand, with the softness at both ends of the price chain traceable to the same fading energy inflation. Looking ahead, investors should watch whether upstream inflation continues to decelerate due to a higher base for comparison from 2H26.

CPI

(yoy % chg)	Jul 26	ppt chg	Jun 26	May 26
Headline CPI	0.5	-0.5	1.0	1.2
Food	-1.5	0.1	-1.6	-1.7
Core CPI	0.9	-0.1	1.0	1.1
Goods	0.2	-0.9	1.1	1.6
Services	0.7	-0.1	0.8	0.8
Food, Tobacco And Liquor	-0.8	0.0	-0.8	-0.9
Clothing	1.4	0.0	1.4	1.4
Residence	-0.3	0.0	-0.3	-0.2
Daily Necessities And Services	0.8	-0.5	1.3	1.8
Transportation And Communication	0.4	-3.7	4.1	5.4
Recreational, Educational And Cultural Articles	1.3	-0.1	1.4	1.3
Medical-Related Articles	2.9	0.6	2.3	2.1
Other Products And Services	5.8	-0.8	6.6	9.9

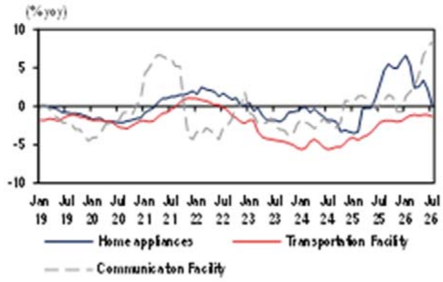
Source: NBS, Wind, UOB Kay Hian

PPI

(yoy % chg)	Jul 26	ppt chg	Jun 26	May 26
Headline PPI	3.5	-0.6	4.1	3.9
Producer Goods	4.8	-0.7	5.5	5.2
Mining And Quarrying	16.4	-0.1	16.5	15.8
Raw Materials	6.1	-2.5	8.6	9.2
Processing	3.1	0.1	3.0	2.3
Consumer Goods	-0.8	0.1	-0.9	-0.8
Food	-2.1	0.0	-2.1	-1.8
Clothing	-1.1	-0.1	-1.0	-1.0
Articles For Daily Use	-1.0	0.0	-1.0	-1.0
Durable Consumer Goods	0.4	0.3	0.1	0.0
Purchasing Price Index	5.5	-0.9	6.4	5.8
Fuel And Power	9.3	-2.5	11.8	10.0
Ferrous Metal Materials	1.4	0.1	1.3	0.3
Non-Ferrous Metal Materials And Wires	19.0	-2.6	21.6	22.0
Chemical Raw Materials	9.3	-2.2	11.5	11.8
Wood And Pulp	-0.5	0.5	-1.0	-1.6
Building Materials And Non-Metallic	-4.1	0.7	-4.8	-5.5
Other Industrial Raw Materials And Semi-Products	1.6	0.1	1.5	1.1
Agricultural And Sideline Products	-0.8	0.5	-1.3	-1.6
Textile Raw Materials	3.2	-0.1	3.3	2.5

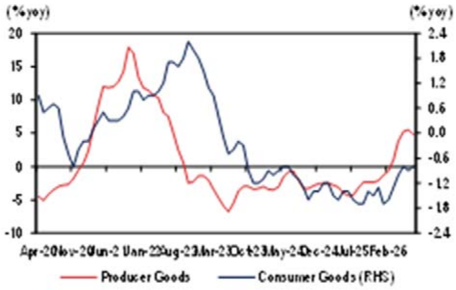
Source: NBS, CEIC, UOB Kay Hian

CPI Of Consumer Durables



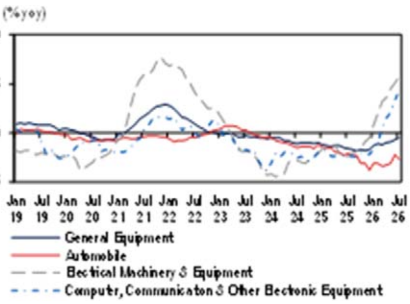
Source: NBS, CEIC, UOB Kay Hian

PPI Of Consumer And Producer Goods



Source: NBS, CEIC, UOB Kay Hian

PPI In Equipment



Source: NBS, CEIC, UOB Kay Hian