

China Watch

CPI inflation dipped further in Jan; PPI deflation narrowed slightly

Exhibit 1: Jan CPI and PPI data (announced: 8 Feb 2024)

Jan CPI inflation softened further to -0.8% yoy, trailing the consensus; PPI deflation narrowed

Dec	CPI	PPI
	% yoy	% yoy
Actual	-0.8	-2.5
Previous	-0.3	-2.7
Consensus	-0.5	-2.6
BofA Global Research	-0.6	-2.5

Source: BofA Global Research estimates, Bloomberg, NBS

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CPI inflation edged down further; PPI deflation narrowed

Headline CPI inflation softened again to -0.8% yoy in Jan, trailing both our expectation (-0.6%) and market consensus (-0.5%). Sequentially, headline CPI edged up by 0.3% mom (vs. 0.1% in Dec). Excluding food and energy, core CPI inflation remained muted as well, rising by only 0.4% yoy (vs. 0.6% in Dec).

Meanwhile, PPI deflation narrowed slightly to -2.5% yoy in Jan (vs. -2.7% in Dec), largely in line with the market expectations. Sequentially, PPI fell by 0.2% mom (vs. -0.3% in Dec), with price declines in both producer and consumer goods.

Food prices were a drag while services inflation eased

Declining food price inflation came in at -5.9% yoy (vs. -3.7% in Dec), which weighed on the headline CPI inflation as a drag by 1.13ppts. Part of such weakness was due to the base effects from the LNY shifting from late Jan last year to mid Feb this year. Within food, pork prices remained depressed, contracting by 0.2% mom or 17.3% yoy, while vegetable price picked up sequentially (0.38% mom). On the flip side, household facility, article & services showed the biggest sequential gain of +1.0% mom, which lifted the yoy growth to +1.0% from 0 in Dec. Meanwhile, tourism inflation eased to 1.8% yoy from 6.8% in Dec, and fuel price fell by 0.1% yoy (-1% mom).

Within PPI, producer goods PPI fell by 0.2% mom, leaving the yoy rate at -3.0%, which was a slight improvement from the -3.3% yoy in Dec. Such weakness was broad-based across mining (-6.0% yoy), raw material prices (-2.3%) and manufacturing (-3.1%) sectors. Consumer goods PPI also declined by 0.2% mom but the yoy decline was smaller at -1.1% yoy. Within components, PPI for durable goods was down 2.3% yoy, compared with food (-1.0%), clothing (+0.1%), and daily goods (0).

Expect CPI and PPI to pick up on favorable bases

Jan inflation continued to stay muted and remained in the deflationary zone for the 4th consecutive month. Although the weak print was partly due to the shift in LNY holidays (late-Jan last year vs. early Feb this year), the subdued core inflation prints (of 0.4% yoy) also underscore the fragile consumption and investment demand. Going forward, while inflation may continue to stay weak, the CPI inflation reading could enter a slow lane of recovery as a more favorable year-ago base to kick-in in coming months. We also expect policies to remain accommodative in supporting and stabilizing industrial demand in the near term.

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Abbreviations:

yoy: year-over-year

mom: month-over-month

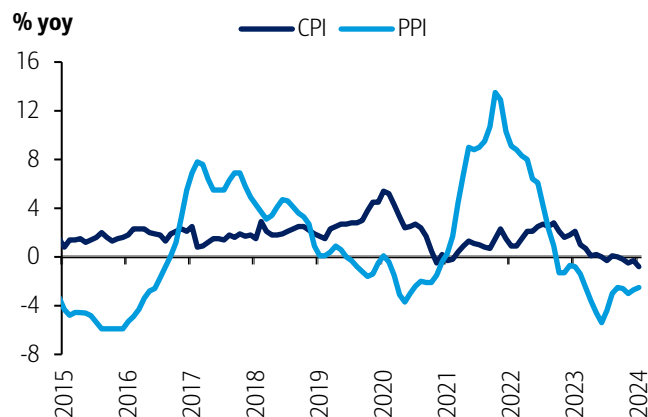
CPI: Consumer Price Index

PPI: Producer Price Index

LNY: Lunar New Year

Exhibit 2: CPI vs. PPI inflation

Jan CPI inflation declined to -0.8% yoy; PPI deflation narrowed to -2.5%

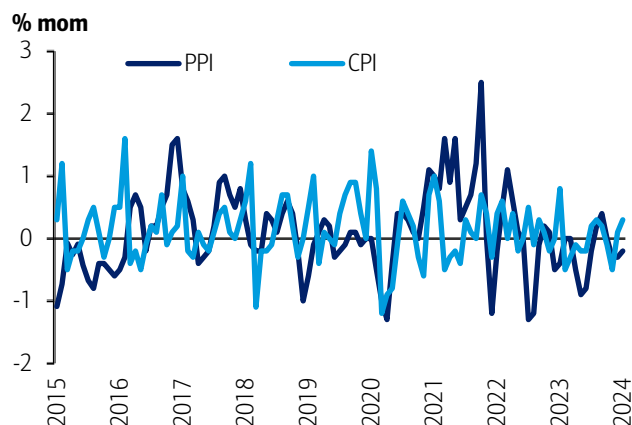


Source: BofA Global Research, NBS, CEIC

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Exhibit 3: Sequential CPI vs. PPI inflation

Jan CPI rose by 0.3% sequentially while PPI fell by 0.2% mom

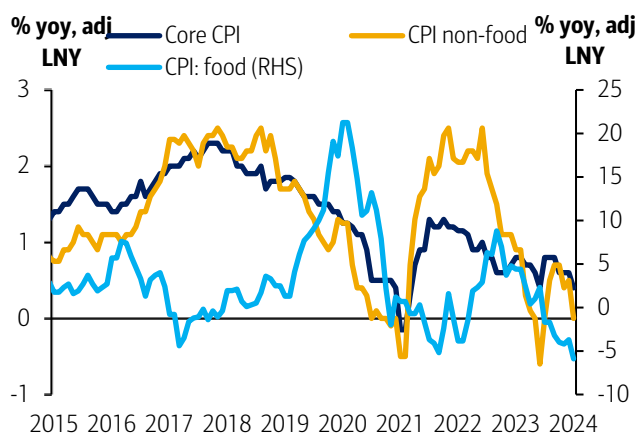


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Exhibit 4: Core, food and non-food CPI inflation

Food CPI fell by 5.9% yoy in Jan (vs. -3.7% in Dec); core CPI inflation fell to 0.4% yoy

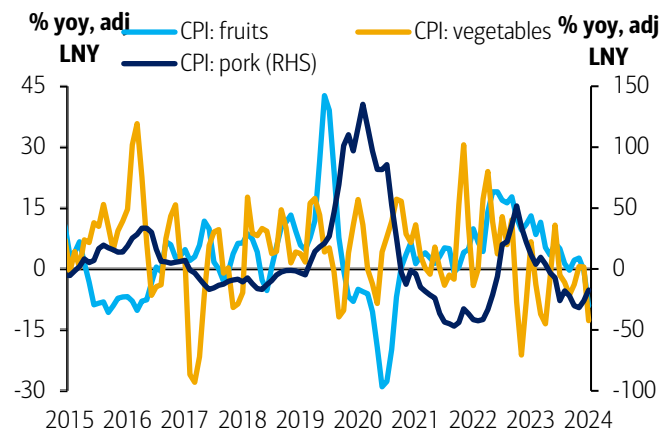


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Exhibit 5: Food CPI inflation

Pork prices remained in deep deflation; fruit prices dropped by 9.1% yoy

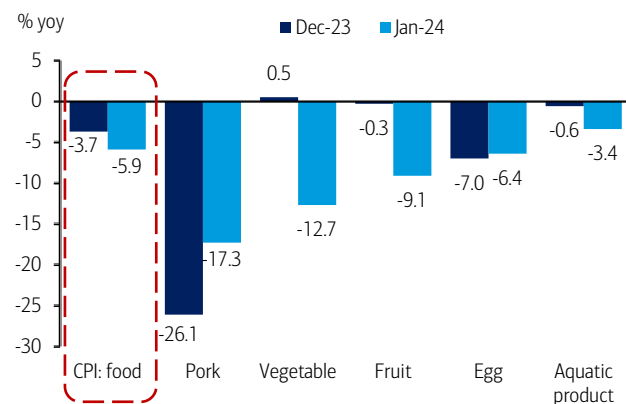


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Exhibit 6: Food CPI inflation: details

Food price inflation widened in Jan, amid weak pork, vegetable, fruit, egg prices

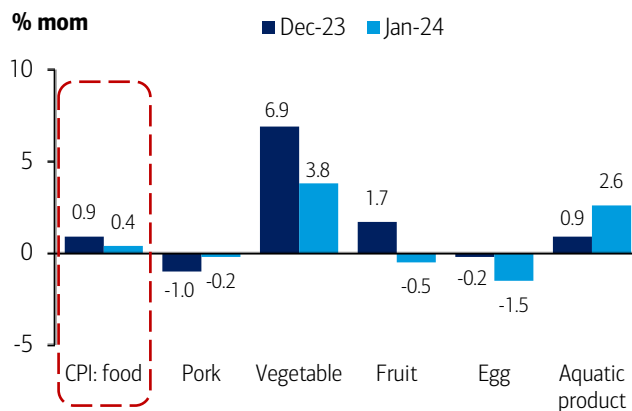


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Exhibit 7: Sequential food CPI inflation: details

Food prices growth also moderated sequentially in Jan

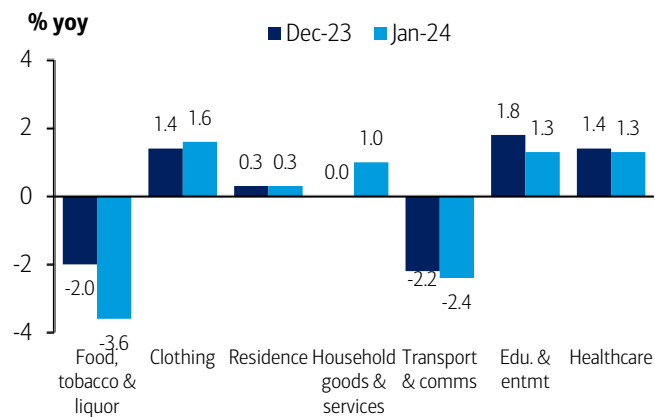


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Exhibit 8: CPI inflation by major category

Both food, tobacco & liquor and transport & comms saw larger yoy price declines in Jan

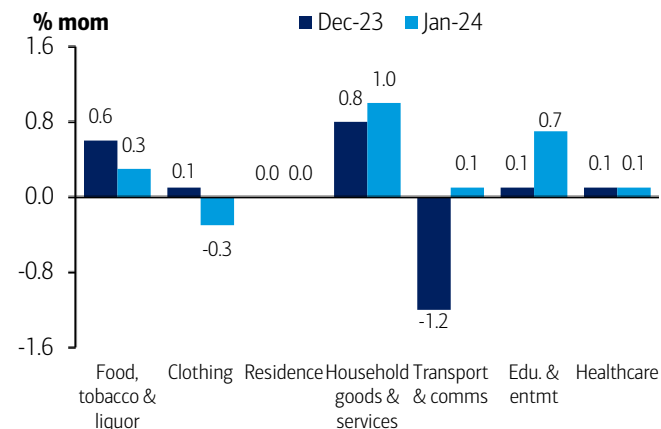


Source: BofA Global Research, NBS, CEIC

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Exhibit 9: Sequential CPI inflation by major category

Household goods & services and education & entertainment prices rose sequentially

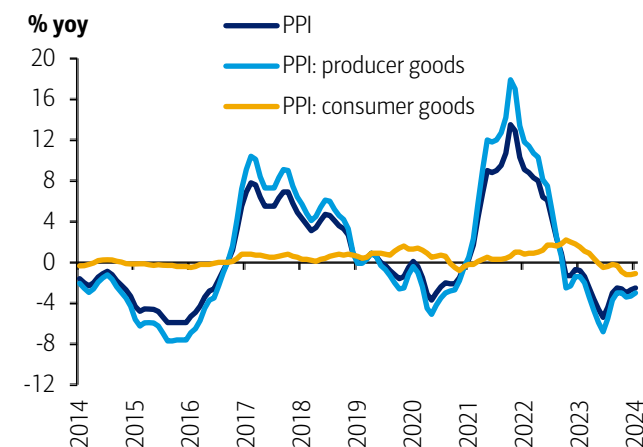


Source: BofA Global Research, NBS, CEIC

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Exhibit 10: PPI inflation for producer vs. consumer goods

PPI deflation narrowed to -2.5% yoy in Jan (vs. -2.7% yoy in Dec)

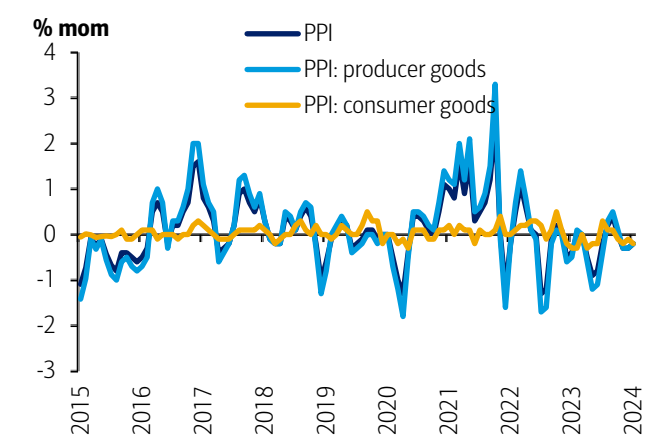


Source: BofA Global Research, NBS, CEIC

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Exhibit 11: Sequential PPI inflation for producer vs. consumer goods

Sequentially, producer and consumer goods prices both fell by 0.2% in Jan

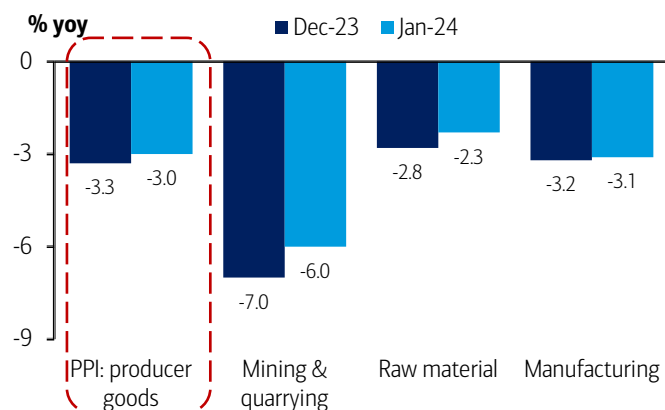


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Exhibit 12: Producer goods PPI: details

PPI deflation for producer goods narrowed slightly in Jan

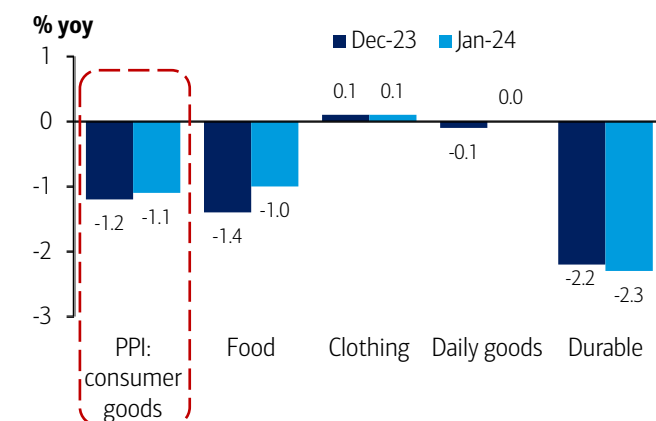


Source: BofA Global Research, NBS, CEIC

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Exhibit 13: Consumer goods PPI: details

PPI deflation for food narrowed in Jan



Source: BofA Global Research, NBS, CEIC

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