China: Three things in China

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Three quick highlights from China:

- **PPI inflation likely peaked:** China's CPI inflation softened slightly from 1.2% yoy in May to 1.0% yoy in June, mainly driven by lower energy and gold prices. PPI inflation ticked up from 3.9% yoy to 4.1% yoy, but declined sharply in sequential month-over-month terms from May to June. In light of our commodity team's lower oil price projections, we revised down our H2 PPI inflation forecast. For 2026 and 2027, we expect full-year PPI inflation to be 2% and 0%, respectively.

China's PPI inflation ticked up to 4.1% yoy in June

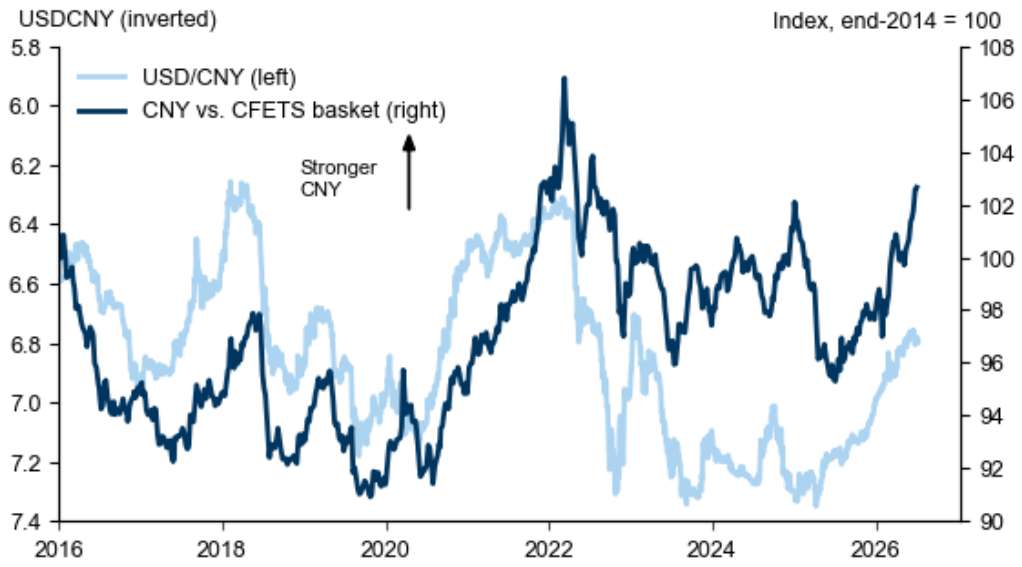


Source: NBS

- **PBOC signals:** The Q2 MPC meeting statement acknowledged challenges in the domestic economy, including strong supply and weak demand, but refrained from signalling broad-based easing measures. We expect no policy rate or RRR cuts in 2026. Separately, Governor Pan's latest speech in Hong Kong unveiled measures to improve CNH market infrastructure, liquidity, and products. With the central bank determined to advance RMB internationalization, we expect the RMB to continue strengthening against the USD and other currencies.

Investors should consider this report as only a single factor in making their investment decision. For Reg AC certification and other important disclosures, see the Disclosure Appendix, or go to www.gs.com/research/hedge.html.

CNY has appreciated against both the USD and the CFETS basket



Source: Wind, Goldman Sachs Global Investment Research

- **Government's plan to boost retail sales:** On July 9, the Ministry of Commerce announced a document on "Accelerating the Innovative Development of the Retail Industry." Most measures appear to focus on the supply side, such as ensuring easy access to supermarkets, convenience stores, and fresh food markets; improving the quality of goods and services; and developing new retail formats, models, and consumption scenarios. The document also emphasizes market regulation, including strengthening antitrust reviews of undertakings in the online platform sector and narrowing price gaps between online and offline sales.

Recent GS China macro research

Local marketing takeaways and thematic research:

China: What do local clients think about the economy? Local marketing takeaways, June 2026, 30 June 2026

China Matters: All About Tech, 22 June 2026

Asia Economics Analyst: Chinese Household Balance Sheet: Structural Shift from Property to Financial Assets Amid Ongoing Deleveraging, 17 June 2026

Data comments and trackers:

AEJ Week Ahead: China Q2 GDP and activity data, BoK meeting, India CPI, Q2 GDP in Singapore and Malaysia, 10 July 2026

China Economic Activity and Policy Tracker: July 10, 10 July 2026

China: CPI inflation softened from May to June, and PPI inflation likely peaked, 9 July 2026

China: PBOC reiterated its measured easing stance at Q2 MPC meeting; Governor Pan unveiled package to support CNH market in Hong Kong, 9 July 2026

Hong Kong: PMI increased in June, 6 July 2026

China: Unofficial services PMI fell in June, 3 July 2026

Hong Kong: Retail sales increased in May, 2 July 2026

China: Unofficial China manufacturing PMI edged down in June, 1 July 2026

China: Both official manufacturing and non-manufacturing PMIs rose in June, 30 June 2026

China: PBOC introduces overnight reverse repo but keeps rate undisclosed, 30 June 2026

Team presentation materials and webinar replays:

Macro & Strategy | Global Macro, Activity Data, Market Views (In Mandarin), 6 July 2026

China: GS China Economic Outlook: July 2026 [Presentation], 3 July 2026

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