China: Both CPI and PPI inflation picked up in August

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Bottom line:

China's headline CPI inflation rose to +0.8% yoy in August from +0.5% yoy in July, mainly on higher energy and transportation services prices. Headline PPI inflation rose to +3.8% yoy in August from +3.5% yoy in July, mainly due to higher prices for downstream products. Higher prices for semiconductor-related products accounted for about half of the increase in downstream product prices.

Key numbers:

CPI: +0.8% yoy (+0.5% mom annualized*) in August vs. GS: +0.7% yoy, Bloomberg consensus: +0.8% yoy; July: +0.5% yoy (-4.1% mom annualized*).

- Food: -1.4% yoy in August (-3.8% mom annualized*) vs. -1.5% yoy in July.
- Non-food: +1.2% yoy in August (+4.0% mom annualized*) vs. +0.9% yoy in July.
- Core: +1.0% yoy in July (+1.7% mom annualized*) vs. +0.9% yoy in June.

PPI: +3.8% yoy in August (+2.8% mom annualized*) vs. GS: +3.5% yoy, Bloomberg consensus: +3.6% yoy; July: +3.5% yoy (-6.1% mom annualized*).

(*seasonally adjusted by GS)

Main points:

1. China's headline CPI inflation rose to +0.8% yoy in August from +0.5% yoy in July, mainly on higher energy prices (Exhibit 2). In month-on-month terms, headline CPI inflation rose to +0.5% (annualized, seasonally adjusted) in August (vs. -4.1% mom s.a. ann in July).

2. In year-over-year terms, food inflation edged up to -1.4% yoy in August from -1.5% yoy in July. Among major food items, pork prices fell by 11.8% yoy in August (vs. -13.3% yoy in July). Fresh vegetable prices decreased by 2.8% yoy in August (vs. -0.3% yoy in July), and fresh fruit prices declined by 0.5% yoy in August (vs. -1.1% yoy in July).

3. Non-food CPI inflation rose to +1.2% yoy in August from +0.9% yoy in July, mainly on higher prices for vehicle fuel and transportation services (Exhibit 3). Fuel costs rose by +8.3% yoy in August (vs. +0.8% yoy in July), and transportation services price inflation increased by 3.0% yoy in August (vs. 0.4% yoy in July). After excluding food and energy prices, core CPI inflation edged up to +1.0% yoy in August (vs. +0.9% yoy in July).

4. Year-over-year PPI inflation rose to +3.8% yoy in August from +3.5% yoy in July,

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mainly due to higher prices for downstream products (Exhibit 4). The contribution of upstream sectors to year-over-year headline PPI inflation was roughly unchanged from July to August, as the rise of oil-related product prices was mostly offset by the decline in prices of ferrous metals. Meanwhile, higher prices for semiconductor-related products accounted for about half of the increase in downstream product prices. In month-over-month terms, PPI inflation rose to +2.8% (annualized, seasonally adjusted) in August (vs. -6.1% in July). PPI inflation in producer goods rose to +5.0% yoy in August from +4.8% yoy in July, and PPI inflation in consumer goods rose to -0.5% yoy in August (vs. -0.8% yoy in July).

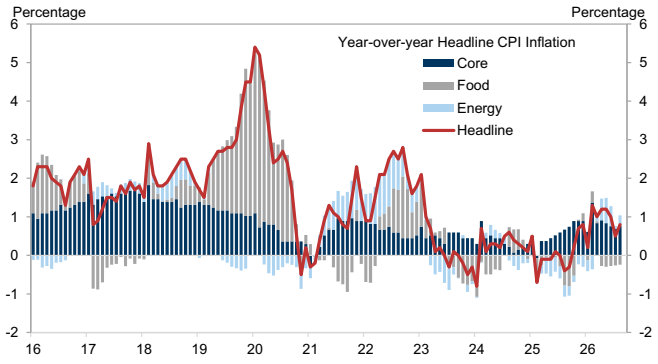
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Exhibit 1: Both headline CPI and PPI inflation rose in year-over-year terms from July to August



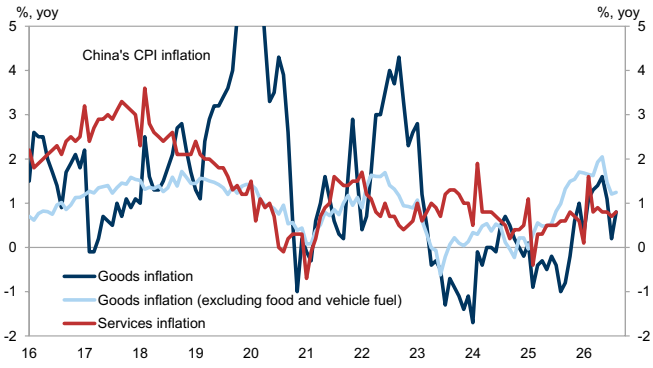
Source: NBS

Exhibit 2: Headline CPI inflation rose in August mainly on higher energy prices



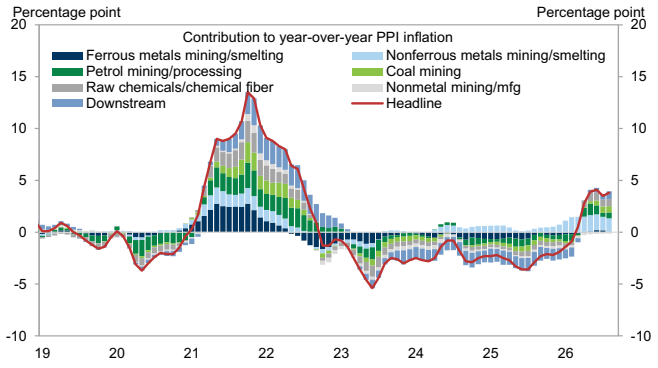
Source: NBS, Goldman Sachs Global Investment Research

Exhibit 3: Goods inflation picked up mainly on higher energy prices in August, and services inflation also edged up



Source: CEIC, Goldman Sachs Global Investment Research

Exhibit 4: PPI inflation rose from July to August, mainly due to higher prices for downstream products



Source: NBS, Goldman Sachs Global Investment Research

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