

China's CPI inflation hit a 21-month high in November

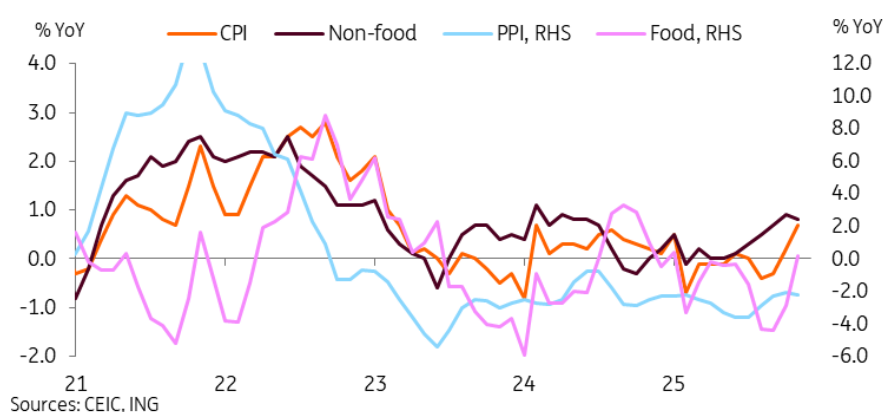
A surge in fresh vegetable prices helped propel China's food inflation back to positive territory and headline CPI inflation to a 21-month high of 0.7% year on year in November



0.7% YoY China's November CPI inflation

As expected

Positive momentum seen in inflation indicators in past few months



CPI inflation accelerated for the third consecutive month

China's consumer price index inflation rose to 0.7% year on year in November, up from 0.2% in October. This was broadly in line with consensus forecasts. It marks a 21-month high, and it's tied for the highest level in the past 33 months.

The big driver was a larger-than-expected boost to food prices, which rose 0.5% month-on-month to 0.2% YoY. Year-to-date, this has been a significant drag on CPI inflation -- food inflation is at -1.7% YoY. The biggest contributor was a spike in fresh vegetable prices, which surged 7.2% MoM to reach 14.5% YoY. The lift from food prices could continue in the coming months, where we expect China's pork price cycle to turn again. Currently, pork prices (-15.0%) continue to weigh on food inflation, and this effect is likely to reverse next year.

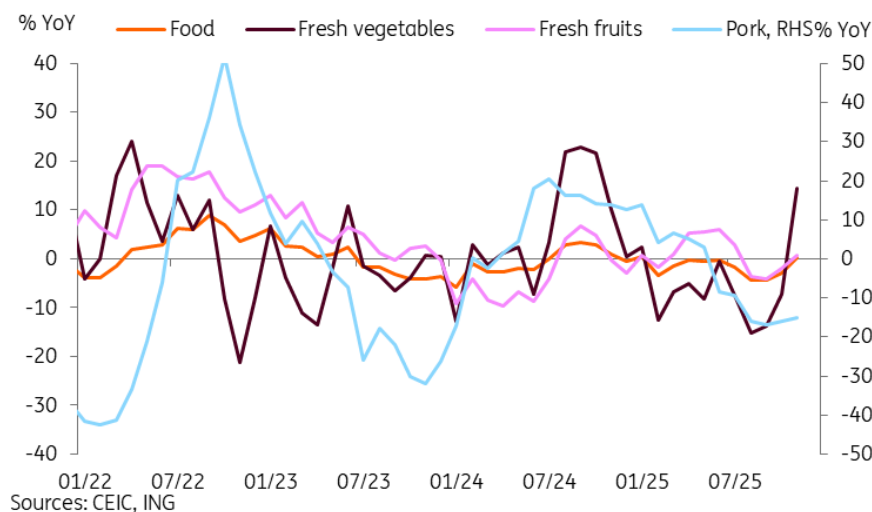
Core inflation stabilised at 1.2% YoY in November, halting a 6-month streak of consecutive acceleration. Non-food prices actually dipped to 0.8% YoY, down slightly from October's 0.9% read, primarily thanks to a steeper decline of transport & communication prices, which fell to -2.3% YoY. Other categories were generally more or less stable on the month.

Producer price index inflation edged down slightly to -2.2% YoY, remaining in negative territory for a 38th consecutive month. Most subcategories are seeing negative YoY, but non-ferrous metal-related industries have bucked the trend with some positive YoY levels.

While deflationary pressures have been discussed extensively this year. The recent positive momentum on the CPI could actually eke out a tiny positive read for 2025 as a whole. We don't think inflation is likely to constrain the People's Bank of China's policy easing next year. This is especially the case if core inflation stabilises near current levels and the bulk of the upswing is driven by a food price recovery.

As we discuss in [our 10 questions for China in 2026 piece](#), we expect China's CPI inflation will move back to positive territory for 2026. This will be positive for those who fear China will be stuck in deflation. But it will also mean a less supportive GDP deflator. Recent attention has been on getting 2026, the first year of the next Five-Year Plan period, off to a good start. This will likely require another wave of policy support in the early months of next year. As such, we are pencilling in 20bp of rate cuts in 2026.

Surge in fresh vegetable prices boosted food inflation back to positive levels



Author

Lynn Song

Chief Economist, Greater China

lynn.song@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user’s investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.