

## China's CPI inflation rebounded due to a smaller drag from food prices

Food inflation snapped a 12-month streak of negative inflation to offset a slight dip in non-food inflation, pushing overall CPI inflation to a 5-month high



Pork

# 0.5% YoY

## China's July CPI inflation

in line with our forecast

### CPI inflation rebounded to 5-month high in July

China's CPI inflation came in at 0.5% YoY, which matched our forecast for the month, but was a little higher than consensus forecasts of 0.3% YoY.

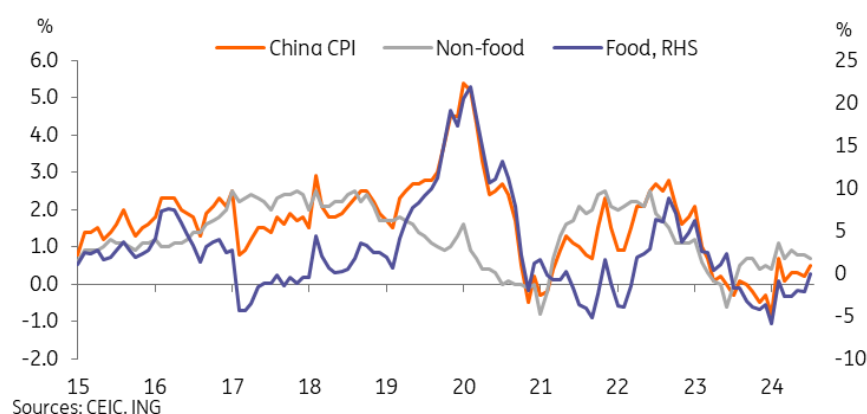
A big part of the increase was due to food prices finally ending deflation to return to a flat 0.0% YoY level thanks to a 1.2% MoM gain. Food inflation had been in negative territory and the main drag on inflation for the 12 prior months. In July, there were still various food products such as fruits (-4.2%), dairy (-1.9%), beef (-12.9%) and mutton (-6.3%) seeing negative YoY growth, but a

rise in pork (20.4%) and vegetable prices (3.3%) drove overall prices higher. Pork prices saw the fastest YoY growth since 2022 and high-frequency data show prices still on an upward trajectory.

In contrast, non-food inflation actually moderated slightly to 0.7% YoY. There are three main drags on non-food prices currently: first, transportation facilities (-5.6%) are seeing negative growth due to price competition in the auto sector leading to cheaper vehicles for sale. Second, communications facilities (-2.1%) also declined thanks to falling smartphone prices. Third, rents (-0.3%) are also falling amid continued weakness in the property market. We expect price weakness to remain in the first two categories, while we are in wait-and-see mode on the rent category as policy support for the real estate market continues to roll out.

Conditions are in place to see inflation trend a little higher in the coming months but it should not impede further monetary easing. With low inflation and weak credit activity, domestic factors continue to favour further monetary policy easing. We continue to look for at least one more rate cut this year with the potential for more if global rate cuts accelerate.

## CPI inflation recovered due to a smaller drag from food prices



### Author

**Lynn Song**

Chief Economist, Greater China

[lynn.song@asia.ing.com](mailto:lynn.song@asia.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](http://www.ing.com).