

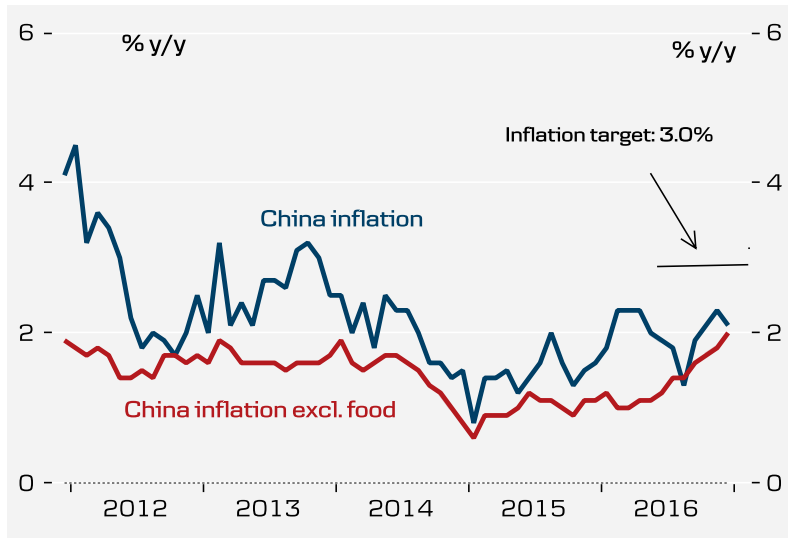
China: PPI surges, CPI inflation subdued

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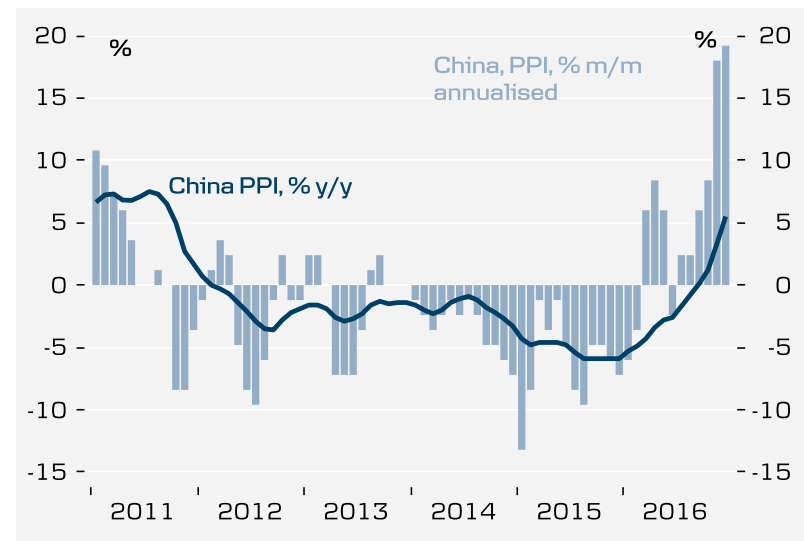
CPI inflation still subdued – PPI reflating

CPI inflation still moderate and below target – core inflation rising



Source: Macrobond Financial, Danske Bank Markets

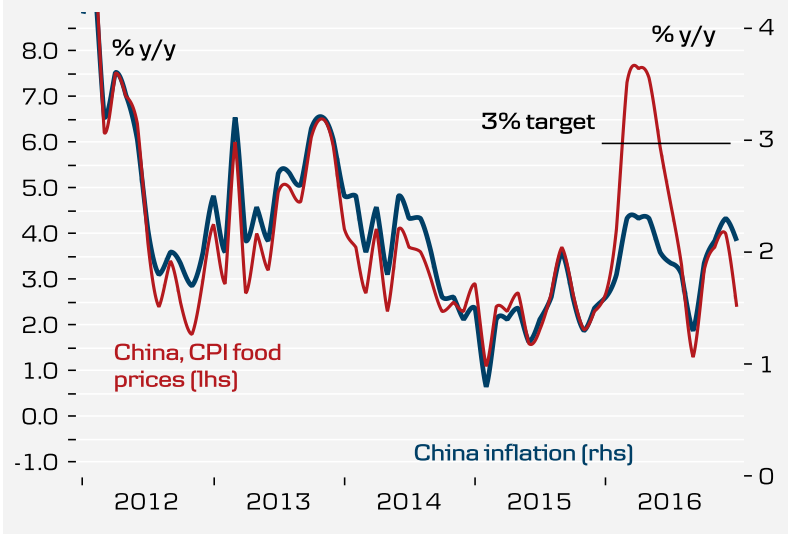
Producer price inflation surges



Source: Macrobond Financial, Danske Bank Markets

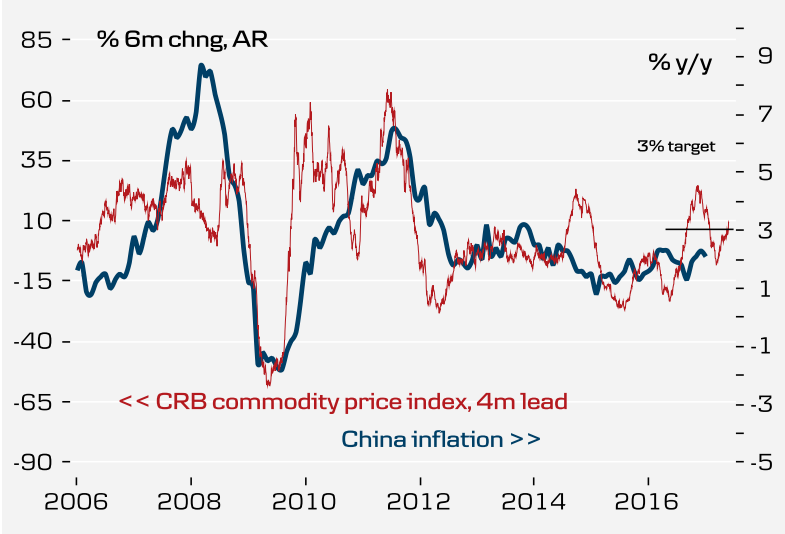
Headline CPI still far below target – held down by food

Headline CPI inflation mostly driven by food prices – comfortably below 3% target



Source: Macrobond Financial, Danske Bank Markets

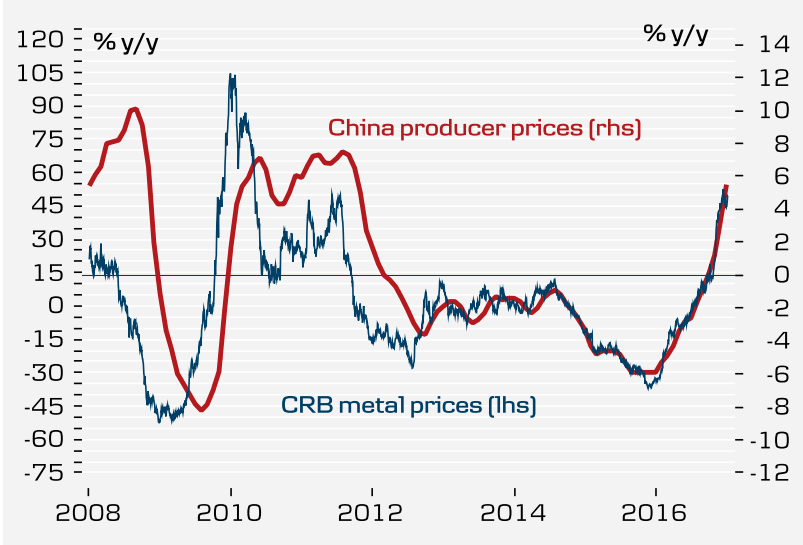
CPI inflation should stay subdued as long as global food prices do



Source: Macrobond Financial, Danske Bank Markets

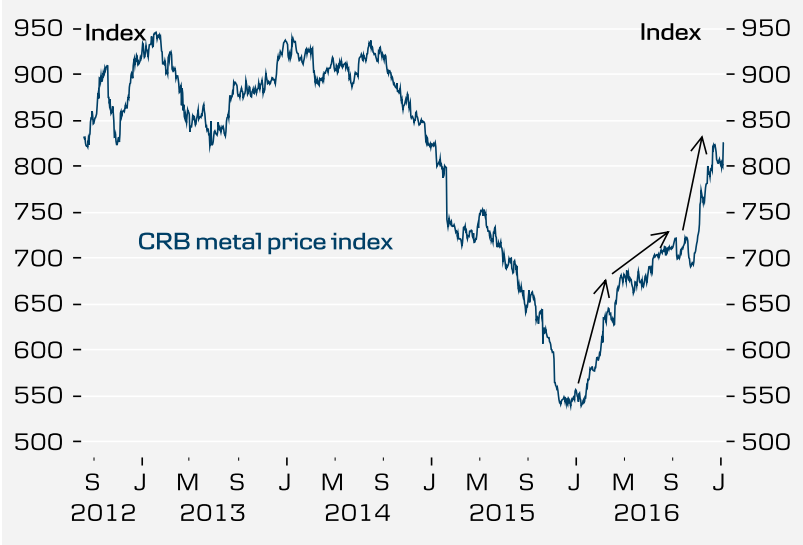
PPI inflation pushed up by higher commodity prices

Rise in PPI inflation fully in line with rise in commodity prices



Source: Macrobond Financial, Danske Bank Markets

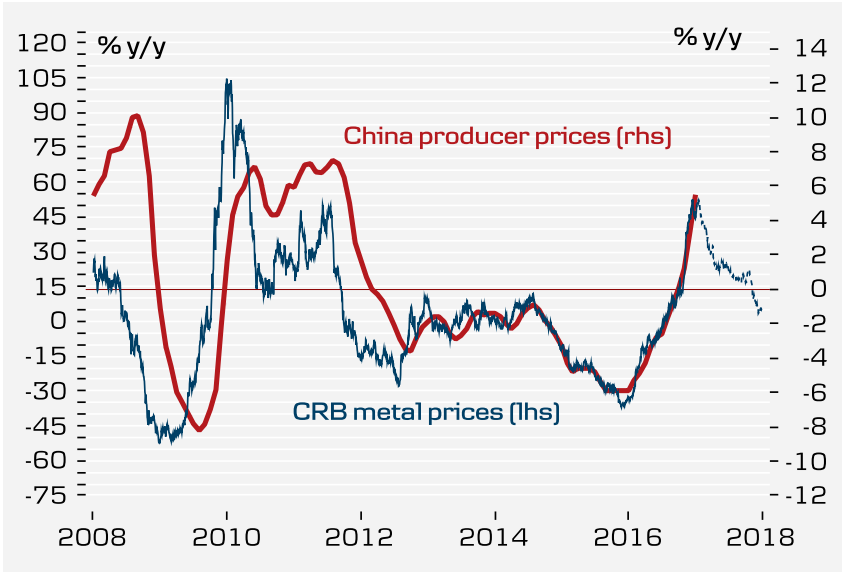
Sharp increase in metal prices over past year - accelerated post-Trump



Source: Macrobond Financial, Danske Bank Markets

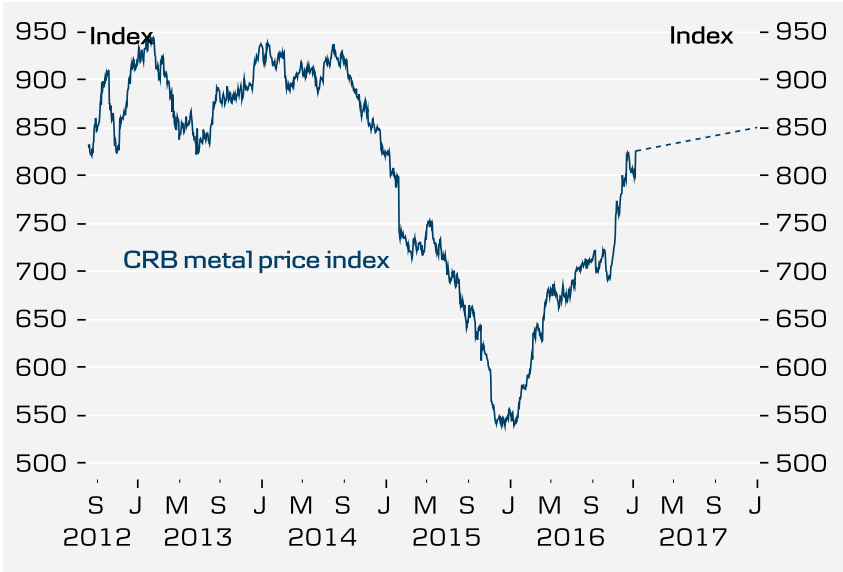
PPI inflation should moderate again in 2017

We should be close to a peak...



Source: Macrobond Financia, Danske Bank Markets

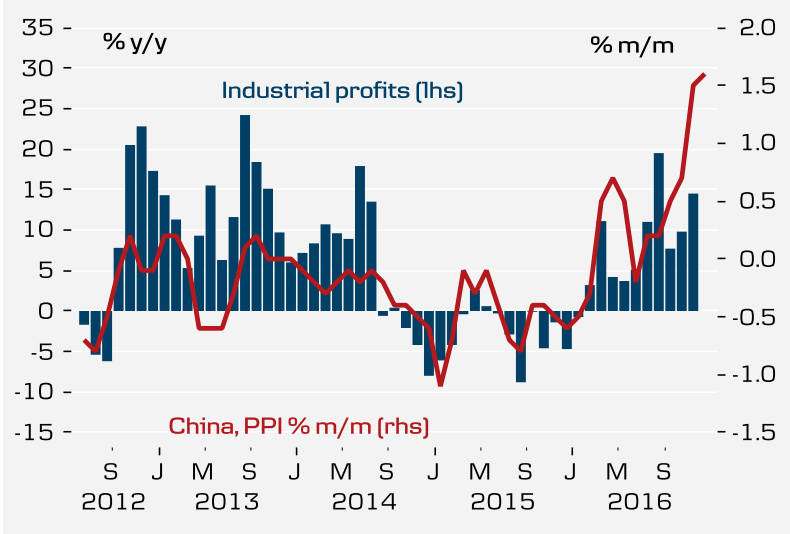
... if metal prices flatten out as we forecast



Source: Macrobond Financia, Danske Bank Markets

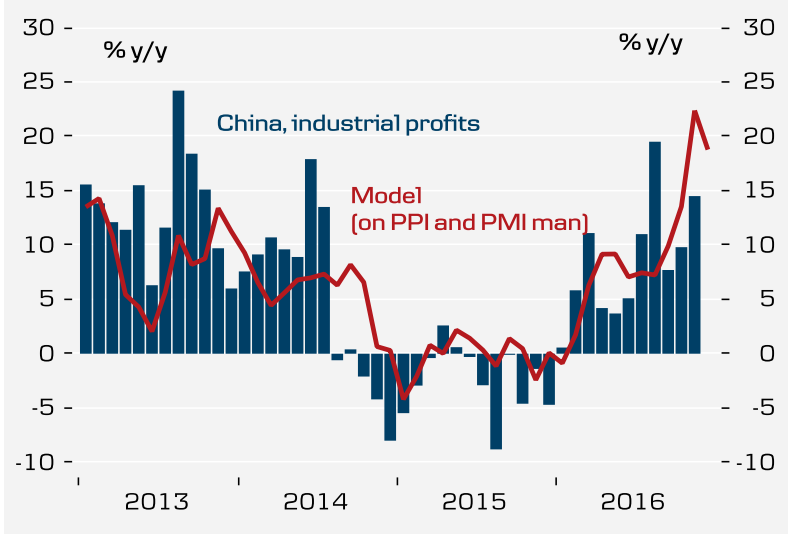
Rise in PPI inflation very supportive for profits

Higher producer prices improve profitability



Source: Macrobond Financial, Danske Bank Markets

Our profit model points to further upside in profit growth on higher activity as well as prices



Source: Macrobond Financial, Danske Bank Markets

Policy rates to stay unchanged – but de facto policy is tightened

China normally hikes when CPI inflation rises – not the case currently. We expect policy rates to stay unchanged next 12m



Source: Macrobond Financial, Danske Bank Markets

But de facto policy is tightened – partly to dampen financial leverage and housing



Source: Macrobond Financial, Danske Bank Markets

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