

## Business

# China producer inflation picks up for first time in 9 months

## Prices edge up easing deflation worries

**BEIJING:** China's factory-gate inflation picked up for the first time in nine months in March, lifted by price rises in global commodities as well as signs that government efforts to boost the economy may be putting a floor under domestic demand. Consumer inflation also quickened, jumping to the highest since October 2018 as pork prices soared due to a growing epidemic of swine fever, official data showed yesterday.

The step-up in producer inflation, while slight, will ease deflation worries and likely add to optimism that the world's second-largest economy is starting to turn the corner. Recent surveys showed factory activity expanded for the first time in months in March. But analysts urge caution, saying it will take a few more months of better data and further policy support from Beijing to see if a recovery can be sustained.

China's producer price index (PPI) in March rose 0.4 percent from a year earlier, driven largely by rapid rises in oil and gas prices, and advancing from a 0.1 percent increase in February, the National Bureau of Statistics (NBS) said.

That was in line with analysts' forecasts in a Reuters poll. Most of the gain was in mining, with prices rising 4.2 percent on-year, up from 1.8 percent in February. Drops in raw material prices also moderated.

Beijing is fast-tracking more infrastructure projects, which is pushing up prices of construction materials. Surging iron ore prices hit a record domestically on Tuesday, fuelled by concerns over tight global supply after disrup-

tions to production and shipments at top miners in Brazil and Australia. Prices of steel reinforcing bars used in building hit a 7-1/2 year high this week.

But underlying demand in other parts of the economy still appears subdued. Prices of consumer durables fell for a second month, pointing to weakness in demand for big-ticket items such as cars and appliances. "Looking ahead, we expect oil prices to fall back in the coming months. This will drag down PPI... Meanwhile, continued economic weakness is likely to keep a lid on broader price pressures," said Julian Evans-Pritchard, Senior China Economist at Capital Economics. On a monthly basis, producer prices increased for the first time in five months. The index inched up 0.1 percent, compared with a 0.1 percent decrease in February.

The world's second-largest economy is growing at its weakest pace in almost three decades amid weaker domestic demand and a year-long trade war with the United States. Multi-year campaigns to curb debt risks and pollution have deterred fresh investment.

Last month, the government announced nearly 2 trillion yuan (\$297.27 billion) in additional tax cuts to ease the pressure on corporate balance sheets, while authorities are pressing banks to keep lending to struggling smaller firms. Cuts in value-added tax (VAT) that kicked in on April 1 have already led authorities to reduce prices for electricity and natural gas. Retail gasoline and diesel prices are to be reduced as well.

ciety. In addition to sustaining consumption, the middle class drives much of the investment in education, health and housing. Its tax contributions are also key in supporting social protection systems.

But the report, titled "Under Pressure: The Squeezed Middle Class," found that middle class incomes have barely grown, in both relative and absolute terms in most of the OECD countries. Meanwhile, the cost of essential parts of the middle-class lifestyle have increased faster than inflation.

House prices have been growing three times faster than household median income over the last two decades, the report found. And middle income households are plagued by over-indebtedness more than both low-income and high-income households, with one-in-five spending more than they are earning.

Furthermore, they are at considerable risk of losing their livelihood to automation. The report found one in six middle-income workers are in jobs that are at high risk of automation, compared to one in five low-income and one in ten high-income workers.

The OECD, which groups the world's wealthiest countries, urged governments take a range of measures to support the middle class, in particular by tackling cost of living issues such as affordable housing and tax relief for home buyers. —AFP



**BEIJING:** A woman (center) reaches out to grab an apple at a market in Beijing yesterday. Factory and consumer inflation in China picked up in March, indicating some much-needed stability in the world's number two economy though analysts warned it is not yet out of the woods. — AFP

A growing number of companies ranging from Apple Inc to BMW have lowered prices for their products following the tax cuts.

The consumer price index (CPI) in March rose 2.3 percent from a year earlier, a five-month high, largely due to higher pork prices as the spread of African swine fever prompts farmers to cull their herds. That was more than a 1.5 percent increase in February but just below market expectations for a 2.4 percent rise.

Pork prices rose 5.1 percent in March from a year earlier, the first increase after a 25-month

declining streak. On a month-on-month basis, CPI rose 1.2 percent.

Some analysts forecast pig production in China, which eats about half of the world's pork, will fall by around 30 percent in 2019, which would send meat prices soaring. But economists say the central bank is unlikely to overreact to a food price spike if it appears temporary and core inflation, which strips out volatile energy and food prices, remains steady. Non-food consumer inflation was 1.8 percent on-year, just a touch more than February. — Reuters

## Millennials hurt most by middle class squeeze: OECD

**PARIS:** The middle class is getting squeezed and it is the millennial generation above all that is bearing the brunt, the OECD said, urging action to help households struggling with the rising cost of education and housing as incomes stagnate.

"Today the middle class looks increasingly like a boat in rocky waters," the OECD's Secretary-General Angel Gurría was quoted in a statement as saying at Wednesday's New York launch of the report. The OECD found that with each successive generation fewer and fewer are making it into the middle class, which is defined as having between 75 and 200 percent of the median national income.

If 70 percent of the baby boomers born after World War II were part of the middle class in their twenties, for millennials—those aged 17-35 — it has fallen to 60 percent.

A strong and prosperous middle class has long been viewed by economists as crucial for a successful economy and a cohesive so-

## No transactions with Venezuela while leadership in doubt: IMF

**WASHINGTON:** The International Monetary Fund will not have any contact with Venezuela, nor allow the country to access its reserves held by the institution, until the international community recognizes a government in Caracas, an IMF spokesman said yesterday.

The country's leadership has been in question since late January when national assembly leader Juan Guaidó challenged embattled President Nicolás Maduro as the country's acute economic crisis worsened. "Any IMF engagement with Venezuela, including responding to potential financial transaction requests, is predicated on the issue of government recognition being clarified," an IMF spokesman told AFP.

"We are guided by our membership on that issue, and at this point, this determination has not been made." The United States is among some 50 countries that recognize Guaidó, the opposition leader who declared himself interim president in late January in a bid to replace Maduro. Guaidó has branded Maduro's rule illegitimate because

of what Guaidó calls fraudulent elections last year in which Maduro won another term in office.

Maduro, who is backed by Russia and China, is under increasing pressure as the economy implodes and the exodus of Venezuelans continues amid a worsening humanitarian crisis.

The IMF has previously said it is awaiting a decision by its members on recognition of a government in Caracas, which would take a majority of the voting shares on the fund's executive board.

All of the 189 members of the global crisis lender are required to keep a minimum level of foreign currency reserves on deposit at the IMF, but because of the limbo in Caracas neither Maduro nor Guaidó could have access to those funds.

Nor would either leader be able to enter negotiations with the IMF for an aid program. The United States has sanctioned a broad array of Maduro administration officials, military officers and institutions, blocking them from the financial system and freezing assets held in US banks, including those of Venezuela-owned oil company Citgo. Britain also has recognized Guaidó, and the Bank of England holds about 31 tons of Venezuelan gold reserves worth \$1.3 billion, which Maduro has been trying for several months to repatriate. Earlier Wednesday, US Vice President Mike Pence asked the United Nations to recognize Guaidó as the legitimate leader of Venezuela, telling the Security Council, "Nicolás Maduro must go." — AFP