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Inflation may reach peak in July

2011-07-11 16:45 **Ecns.cn** Web Editor: Li Heng

(Ecns.cn)--China's consumer price index (CPI), a major gauge of inflation, may reach its peak in July as food prices continue to rise, experts said in the *Beijing Times* on July 11.

Chinese consumer inflation accelerated to its fastest pace in three years this June. Data from the National Bureau of Statistics showed that the CPI rose to 6.4% last month, exceeding May's 5.5% rise and marking the highest level for the index since the 7.1% in June 2008.

Chen Dongqi, researcher with the National Development and Reform Commission (NDRC), said the inflation rate may reach its peak this month and begin to slow down in August as the consumption of pork, which is one of the major pushers of inflation, enters into the low season.

According to data from the statistics agency, pork prices rose 57.1% in June since the previous year and drove up the CPI food prices, which make up around a third of the CPI basket. CPI food prices were up 14.4% from the previous year in June, accelerating sharply from May's 11.7% increase and matching a level not seen since July 2008.

The CPI for the whole year may be higher than the government's target, experts have said. Chen said the government should further raise the CPI target to 5%. Cao Yuanzheng, chief economist of BOC International (China) Limited, pointed out that inflation will stay high in the third quarter as food prices and labor costs continue to surge. He also predicted that the CPI may reach its ceiling in July and the whole year's CPI may come to 5%, which is much higher than the 4% target set by the government at the beginning of the year.

Inflation affects middle-income groups

The continued surging inflation has begun to affect the daily lives of middle-income groups in China, according to the *Economic Information Daily*.

"We spend as little as possible because the consumer prices keep rising, but our salary does not," said Zhou Wei, a white-collar worker who earns 5,000 yuan a month in southern China's Guangdong Province. "We spend less on clothing and take buses or subways more than taxis."

"We only eat cheaper fruits, such as watermelon and apples now, whereas, we did not care about the prices before," Zhou told the newspaper.

In addition to low-income families, more people, including the white-collared that are working in China's big cities, have become sensitive to consumer prices. Not only suffering from price rises on foods, such as fruits, eggs, milk-powder, and snacks, the white-collared have also met higher price pressures from their surging expenditures on transportation, cosmetics, training, and education, the report said.

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Mr. He recalled that the price of "Niunanfen," a traditional Chinese snack popular in Guangzhou, was only eight yuan a bowl in 2008, but is 13 yuan this year, an increase of 60%. "We cook breakfast at home on the weekends," he told the newspaper. "We would need more than 40 yuan if we ordered breakfast for the family. It's just too expensive."

Non-food inflation also ticked slightly higher in June, rising to 3.0% since the previous year—marking a new peak for the current cycle—from 2.9% the previous month. However, non-food prices remained the same in June as in May.

A higher cost on services and rent in big cities has become a heavy burden on the daily life of the middle class. For example, taxi fares in Shanghai and Shenzhen began a new round of hikes and the rent in Guangzhou has seen a 13.3% rise since the previous year in May.

Moreover, higher consumer prices have begun to restrain consumers' other living requirements, such as training and education. Data from Guangdong Province showed in May the prices of health care rose 4.2% and personal products rose 2.2%. The average personal expenditures on education and training reached 652.93 yuan, an increase of 11.6% from the previous year. The rising prices have obvious effects on people's consumption of such products.

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