

## Consumer prices rise as China powers out of crisis

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BEIJING — China said Friday it had ended an almost year-long bout of deflation in November while factory output picked up as the world's third-largest economy powered ahead following the global crisis.

The nation's consumer price index, the main gauge of inflation, rose 0.6 percent year on year in November, the first increase since January, official data showed.

"The mild rise in prices during economic recovery is actually conducive to economic growth and job creation," Sheng Laiyun, spokesman for the National Bureau of Statistics (NBS), told a news conference.

"Currently there is still no inflationary pressure."

The increase was due in part to Beijing's efforts to raise state-controlled prices for fuel, electricity and water to better reflect market forces.

Prices also likely rose last month because early snowstorms in northern and central China destroyed crops and disrupted transport, driving up the cost of food.

Analysts said the increase in consumer prices would stoke debate about when the government should start exiting stimulus measures.

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"Higher housing costs and food prices are already having an impact on Chinese households and any further increase in inflation in the months ahead will likely put increasing pressure on Beijing to start tightening policy," said Brian Jackson, a Hong Kong-based strategist at Royal Bank of Canada.

Ren Xianfang, a Beijing-based economist at IHS Global Insight, added: "We expect a gradual build up in inflation ... but it will be mild in the short term because of overcapacity" in the manufacturing sector.

China last year unveiled a four-trillion-yuan (586-billion-dollar) stimulus package along with big tax breaks to boost consumer spending as the global crisis hit its key export markets in the United States and Europe.

Beijing said this week it would maintain its pro-growth monetary policy for 2010 while also pushing on with efforts to stimulate domestic demand and boost exports.

Industrial output, which shows activity in the millions of factories and workshops around the country, expanded 19.2 percent in November from a year ago, up from 16.1 percent in October.

Exports fell 1.2 percent in November, the slowest decline in a year.

"The fast rebounding in industry means... the foundation of the national economic recovery is further consolidating," Sheng told reporters.

Jing Ulrich, an economist at JPMorgan, said the data "indicates continued economic recovery"

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in China.

"With the outlook for external demand improving, net exports should contribute positively to China GDP's growth in 2010," she said.

New lending rose to 294.8 billion yuan in November, up from 253.0 billion yuan in October, but down from the 516.7 billion yuan lent in September.

The NBS said retail sales, the main measure of consumer spending, rose by 15.8 percent in November compared with the same month a year earlier, down slightly from the 16.2 percent increase posted the previous month.

The government sees consumer spending as a key factor in boosting the economy.

Fixed-asset investment in urban areas rose 32.1 percent in the January to November period, after growing 33.1 percent in the first 10 months of the year.