

24 June 2022 (No. of pages:1)

Japanese report: 21 Jun 2022

Characteristics of Factors Recently Pushing Up Core CPI

Cost-push inflation similar to 2008, but expected to continue for a longer time

Economic Research Dept.
Yuki Seto

Summary

- In 2008, when Japan's inflation rate exceeded 2%, it is estimated that the core CPI growth rate was pushed up by a maximum of about 1.2%pt due to high raw materials costs and other factors. At that time, demand plummeted in response to the global financial crisis triggered by the Lehman Brothers collapse in September of the same year, and inflation of over 2% did not persist for long. On the other hand, in the first quarter of 2022, the rate of increase in core CPI due to higher raw materials prices is expected to be around 1.5%pt, and this increase is expected to continue in the future. Cost-push inflation is the same as in 2008, but this time around, high raw materials costs may become prolonged, and the sustainability point will differ greatly.
- In Japan, where the rate of wage increase is low, high inflation, such as in the US and Europe, is unlikely to occur. The rate of increase in core CPI is expected to peak over 2% on a y/y basis and fall below 1% in the second half of FY2023. However, the rate of increase in prices of items such as food, which are purchased frequently by households, is at a fairly high level. As the inflation rate perceived by households is expected to continue to significantly exceed the growth rate of core CPI, attention should be paid to the possibility of a deterioration in consumer sentiment.

Attention

This report is a summary translation. The official document is only in Japanese.