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October 2023 Consumer Price Index

Underlying price shows a stronger tendency toward slowing down

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Summary

- Japan's October 2023 core CPI (excluding fresh food) recorded +2.9% y/y. New core-core CPI (excluding fresh food and energy) was at +4.0%. The seasonally adjusted figure for new core-core CPI (seasonally adjusted by Laspeyres' Chain Index Method), was at +0.1% m/m (1.1% m/m annualized). Looking at the three-month moving average, the growth rate has contracted significantly from the previous month, and the underlying pace of price increases has been showing a stronger tendency toward slowing down.
- Looking at the y/y change in core CPI in terms of goods and services, the positive range increased for durable consumer goods and services. Energy experienced a decrease in negative range due to the reduction in subsidies associated with measures to prevent high energy costs. Meanwhile, semi-durables and non-durables (excluding fresh food and energy) saw a decrease in positive range.
- As for the future of Japan's core CPI (excluding fresh food), growth of +2.8% y/y is expected in FY2023, with the same rate of growth (+2.8%) also seen in FY2024. As for new core-core CPI, +3.9% is seen in FY2023 and + 1.9% in FY2024. With further progress in price pass-through, and a wage increase rate of the same level or higher as the previous year expected in spring wage negotiations in 2024, the cyclical growth mechanism of wages and prices is expected to function reliably. In addition to overcoming deflation, we expect the Bank of Japan to achieve its 2% price stability target.

Consumer Price Index (Y/y, %) Chart 1

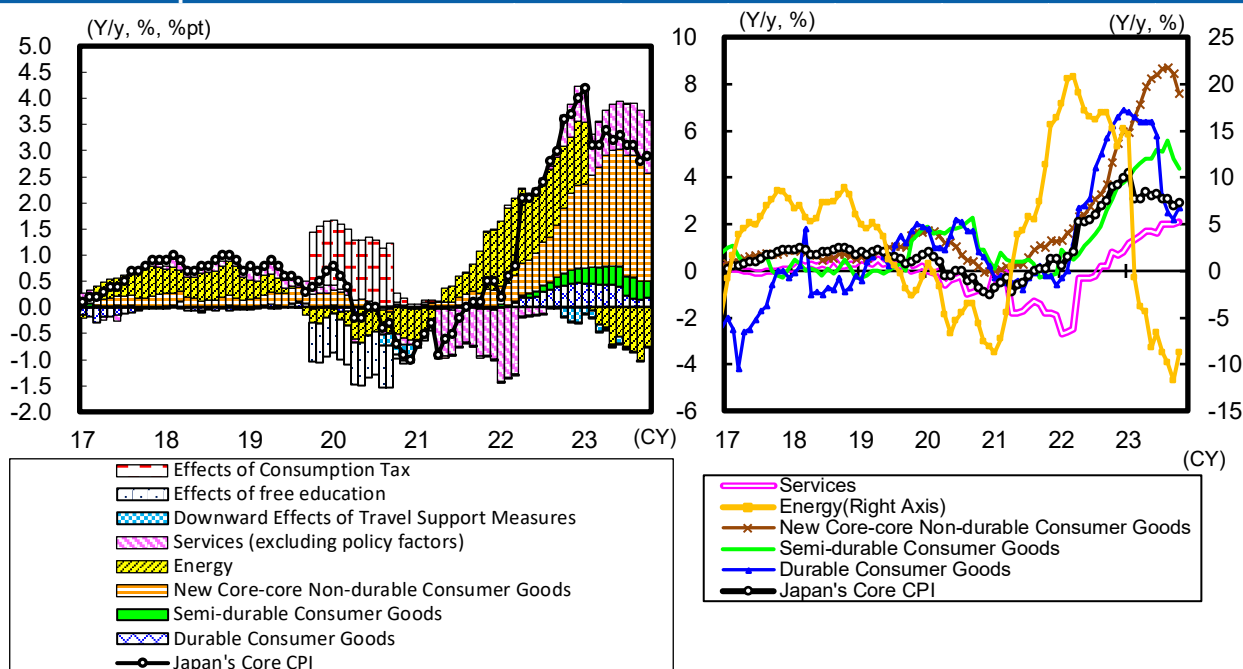
	2023							
	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Japan's Core CPI	3.1	3.4	3.2	3.3	3.1	3.1	2.8	2.9
Consensus								3.0
DIR Outlook								2.9
Japan's New Core-core CPI	3.8	4.1	4.3	4.2	4.3	4.3	4.2	4.0
Tokyo 23 Wards Core CPI	3.2	3.5	3.1	3.2	3.0	2.8	2.5	2.7
New Core-core CPI	3.4	3.8	3.9	3.8	4.0	4.0	3.9	3.8

Source: Ministry of Internal Affairs and Communications, Bloomberg; compiled by DIR.

Notes: 1) Consensus figures from Bloomberg aggregated data.

2) Core CPI is total excluding fresh food, and new core-core CPI excludes fresh food and energy.

Core CPI Y/y Comparison and Contribution Rate; Core CPI Components Chart 2

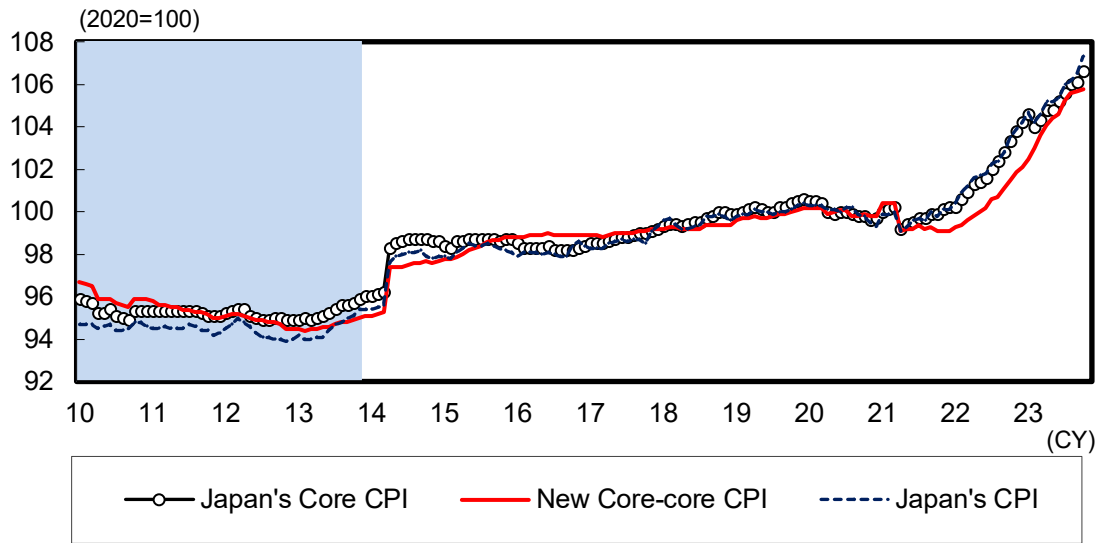


Source: Ministry of Internal Affairs and Communications; compiled by DIR.

Note: 1) Core CPI is total excluding fresh food, and new core-core non-durable consumer goods is excluding fresh food and energy.

2) Effects of consumption tax, free preschool and higher education and Travel Support Measures (Go To Travel Campaign and Nationwide Travel Support) are estimated by DIR.

Japan's Consumer Price Index (Seasonally Adjusted, Computed by Laspeyres' Chain Index Method) Chart 3



Source: Ministry of Internal Affairs and Communications, Cabinet Office; compiled by DIR.
 Notes: 1) Core CPI is total excluding fresh food, and new core-core CPI excludes fresh food and energy.
 2) Shaded areas represent deflationary periods according to the government's monthly economic report.