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Japanese report: 23 Apr 2021

March 2021 Consumer Price Index

Core CPI decline narrows on a y/y basis – FY2020 results fall first time in four years

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Summary

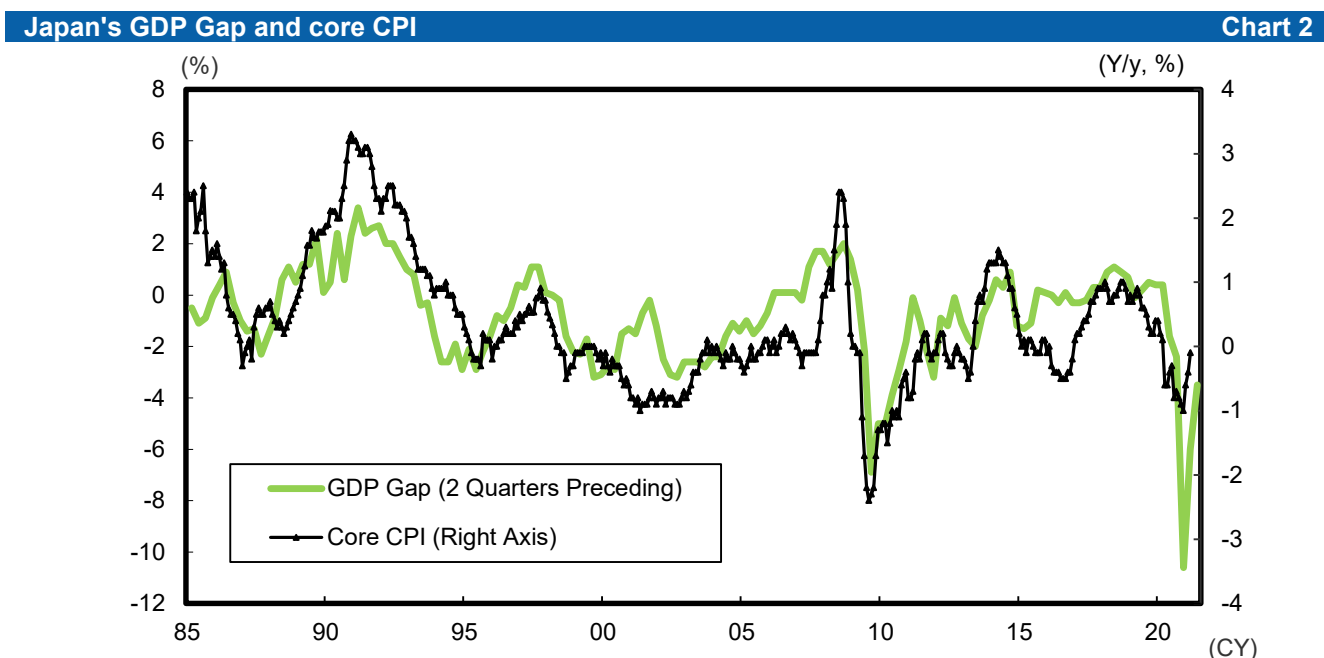
- Japan's March 2021 core CPI (excluding fresh foods) declined by -0.1% y/y, while at the same time exceeding market consensus at -0.2% and narrowing the extent of its decline for the third consecutive month. Meanwhile, new core-core CPI (excluding fresh foods and energy), which indicates the price trend, recorded growth of +0.3%. Japan's core CPI for the FY2020 period declined by -0.4% y/y. This was due to the major decline in prices brought on by the low price of crude oil, which brought down prices to the greatest extent experienced since FY2016.
- Looking at performance by component, the major contributor in March was the increase in energy prices, as well as prices for services. Energy prices were influenced by the comeback in the price of crude oil, which brought a shift into a growth trend for gasoline prices. Meanwhile, gas & electricity bills, which lag behind gasoline in reflecting changes in the price of crude oil, reduced the extent of their decline. As for services, accommodations and other industries also contributed to growth. On the other hand, mobile phone communication fees, influenced by cuts in mobile phone usage rates, brought down overall performance. Other items, such as women's outer wear, buoyed performance.
- As for the future of Japan's core CPI in y/y terms, a shift into positive growth is expected in April. Factors encouraging this trend include the macro supply-demand balance as seen in the gap in supply and demand, growth in the price of crude oil, and the increase in import prices associated with the weakening yen. Meanwhile, the recent rise in corporate prices is also expected to bring lagging influence on pushing CPI up.

Consumer Price Index (Y/y, %)								Chart 1
	2020					2021		
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Japan's Core CPI	-0.4	-0.3	-0.7	-0.9	-1.0	-0.6	-0.4	-0.1
Consensus								-0.2
DIR Outlook								-0.2
Japan's Core CPI (excluding influence of consumption tax hike and free preschool education measure)	-0.8	-0.7	-0.8	-0.9	-1.0	-0.6	-0.4	-0.1
Japan's New Core-core CPI	-0.1	0.0	-0.2	-0.3	-0.4	0.1	0.2	0.3
Tokyo 23 Wards Core CPI	-0.3	-0.2	-0.5	-0.7	-0.9	-0.5	-0.3	-0.1
New Core-core CPI	-0.1	0.0	-0.2	-0.2	-0.4	0.2	0.2	0.3

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

Notes: 1) Consensus figures from Bloomberg

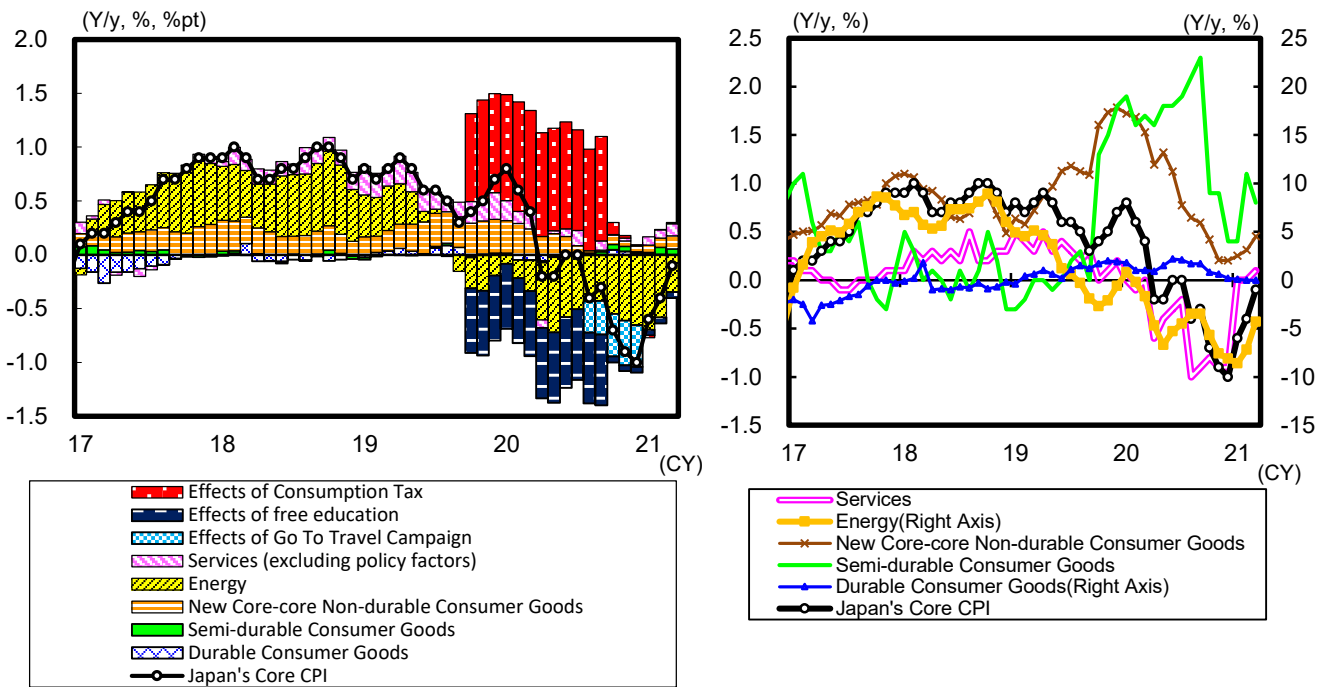
2) Core CPI is total excluding fresh foods, and new core-core CPI excludes fresh foods and energy.



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

Note: Core CPI is total excluding fresh foods, consumption tax and effects of free preschool and higher education.

Core CPI Y/y Comparison and Contribution Rate; Core CPI Components Chart 3

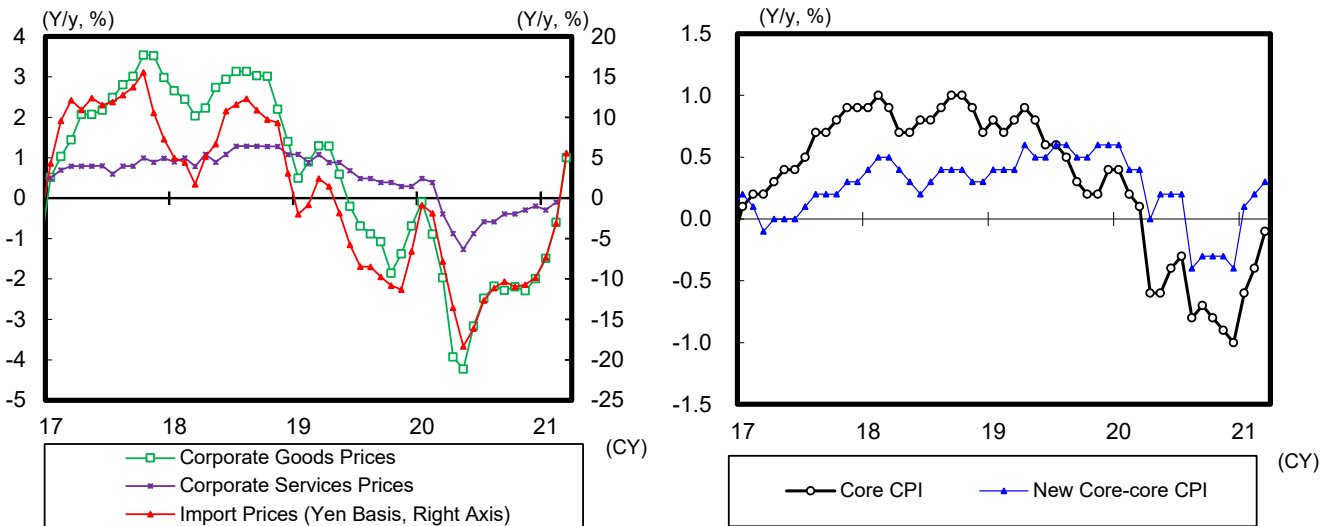


Source: Ministry of Internal Affairs and Communications; compiled by DIR.

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

2) Effects of consumption tax and free preschool and higher education are estimated by DIR.

Import Prices and Corporate Prices; Changes in Japan's Core indices(excluding influence of consumption tax hike and free education measure) Chart 4



Source: Bank of Japan; compiled by DIR.

Note: Corporate goods prices and corporate services prices are excluding consumption tax.

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

Notes: Core CPI is total excluding fresh foods, and new core-core CPI excludes fresh foods and energy.