

20 July 2021 (No. of pages:3)

Japanese report: 20 Jul 2021

June 2021 Consumer Price Index

Core CPI maintains positive y/y growth for the second consecutive month

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Summary

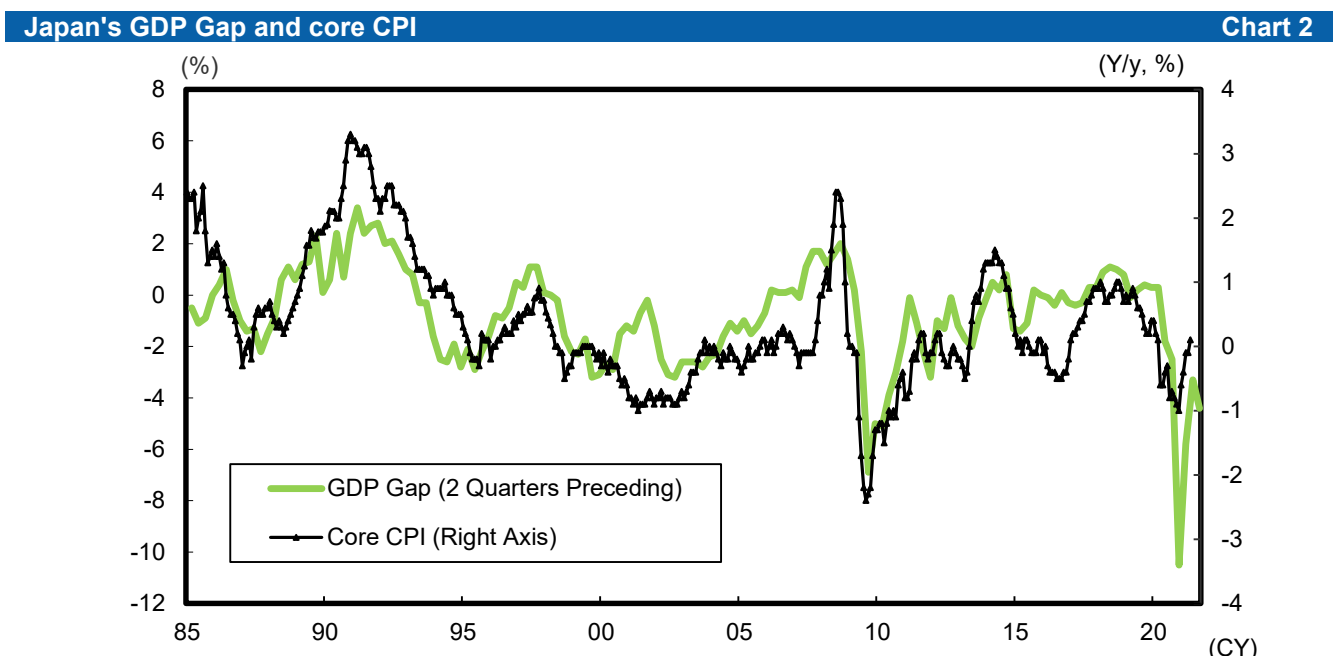
- Japan's June 2021 core CPI (excluding fresh foods) grew by +0.2% y/y in keeping with market consensus, and maintaining positive y/y performance for the second consecutive month. Meanwhile, new core-core CPI (excluding fresh foods and energy), which indicates the price trend, suffered a year-to-year decline for the third consecutive month at -0.2%. However, prices continue to maintain underlying strength if we exclude the influence of special factors.
- Looking at year-to-year performance by component in June, rising energy prices were a major factor in pushing up overall performance. On the other hand, services continued the previous month's declining trend. As for energy prices, gas & electricity bills, which lag in reflecting changes in the price of crude oil, reduced the extent of their decline. Meanwhile, in services, mobile phone communication fees (mobile phone charges) continued the previous month's trend, declining significantly in comparison to the previous year at -27.9%.
- As for the environment surrounding Japan's core CPI, positive and negative factors are expected to continue competing for the most influence. Positive factors include growth in the price of crude oil and the price of imported goods, with residual influence also expected from last year's Go To Travel Campaign in August and beyond. On the other hand, the cut in mobile phone communication fees is expected to continue holding down the year-to-year growth rate. Core CPI in July, to be announced on August 20, 2021, is to be revised according to 2020 standards. In association with this change, Japan's core CPI is expected to be on the low side with a maximum of -0.3%pt y/y.

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

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.

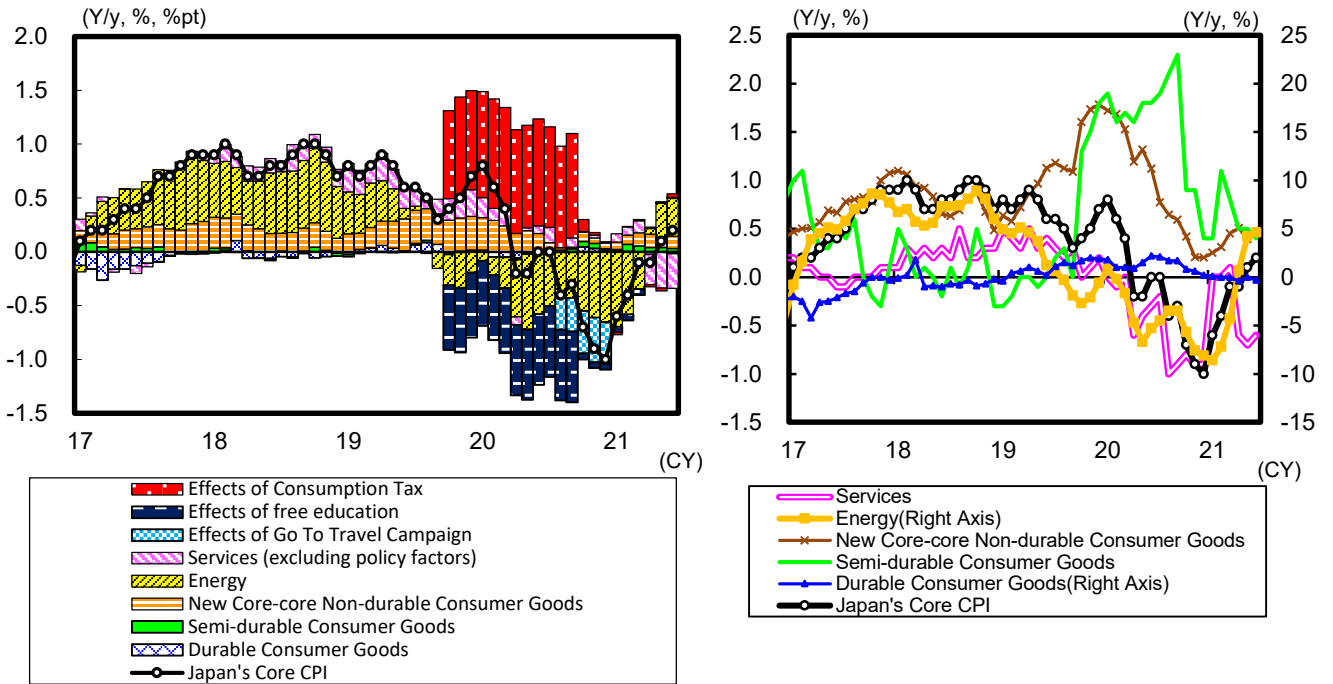


Source: Ministry of Internal Affairs and Communications, Cabinet Office; compiled by DIR.

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



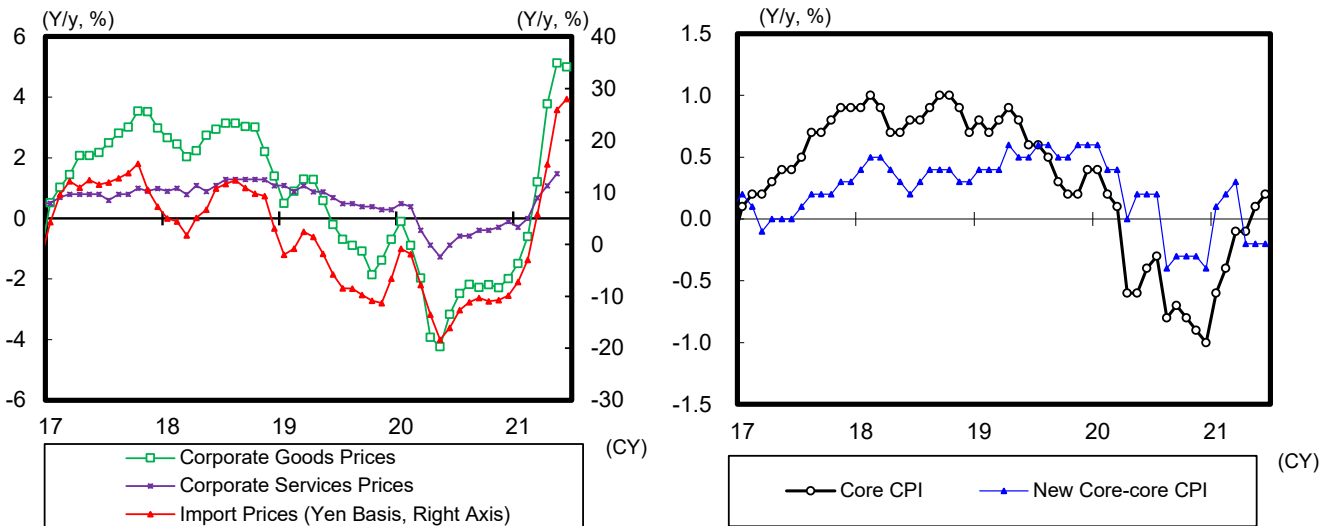
Source: Ministry of Internal Affairs and Communications; compiled by DIR.

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.