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# July 2021 Consumer Price Index

**Core CPI based on 2020 results declines by -0.2% y/y, exceeding market consensus**

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## Summary

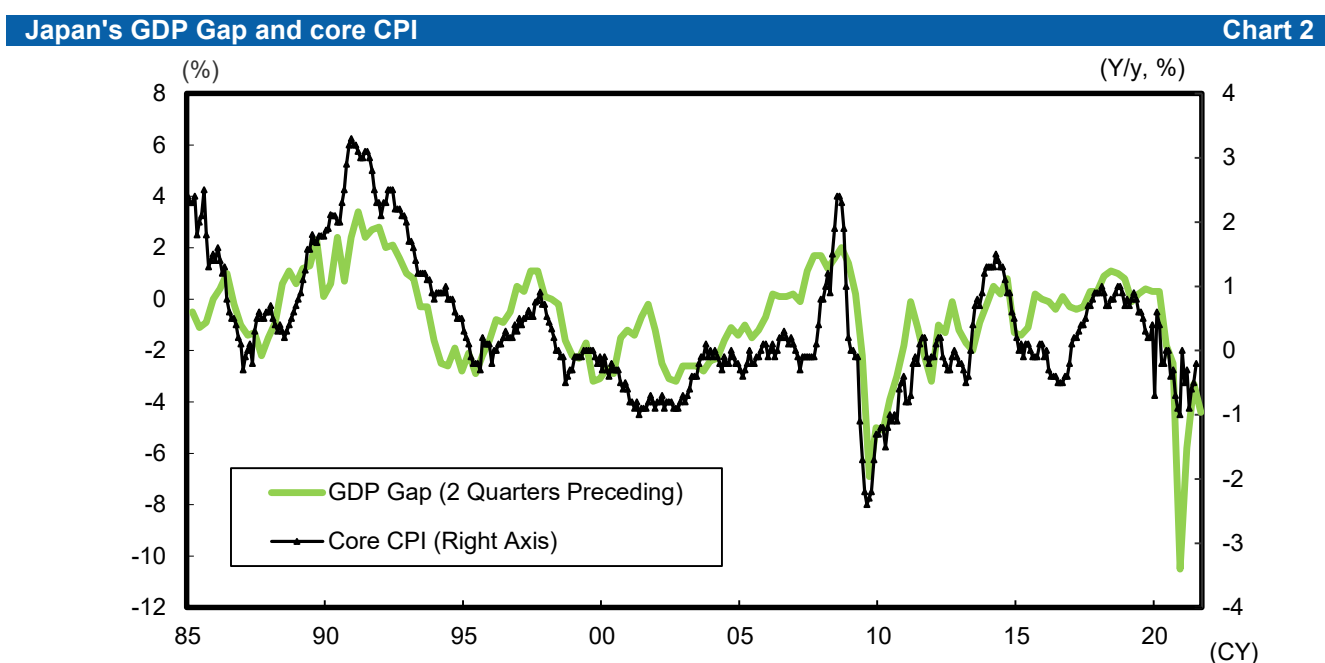
- Japan's July 2021 core CPI (excluding fresh foods) declined by -0.2% y/y, while at the same time exceeding market consensus at -0.4%. CPI figures have been revised based on 2020 results as of the current report, which has brought a major downward revision in the rate of change on a y/y basis. Meanwhile, new core-core CPI (excluding fresh foods and energy), also suffered a year-to-year decline at -0.6%, but declined less than in June when it registered -0.9%. Prices continue to maintain underlying strength excluding the influence of special factors.
- Looking at year-to-year performance by component in July, energy prices were a major factor in pushing up overall performance. Meanwhile, services continued the previous month's trend and became a major negative factor, with mobile phone communication fees (mobile phone charges) continuing the downward trend. However, due to the change in how the index is calculated, accommodations recorded a major increase, with the extent of downward pressure on services weakening overall.
- As for the future of Japan's core CPI, positive and negative factors are expected to continue competing for the most influence, with the extent of decline gradually decreasing. Positive factors include growth in the price of resources and the price of imported goods, with residual influence also expected from last year's Go To Travel program in August. On the other hand, the widening of the state of emergency to include more regions, as well as the extension of the period covered by the state of emergency, creates a situation in which the price of services will likely find it difficult to increase. Meanwhile, the cut in mobile phone communication fees is expected to continue holding down the year-to-year growth rate in core CPI.

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

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.

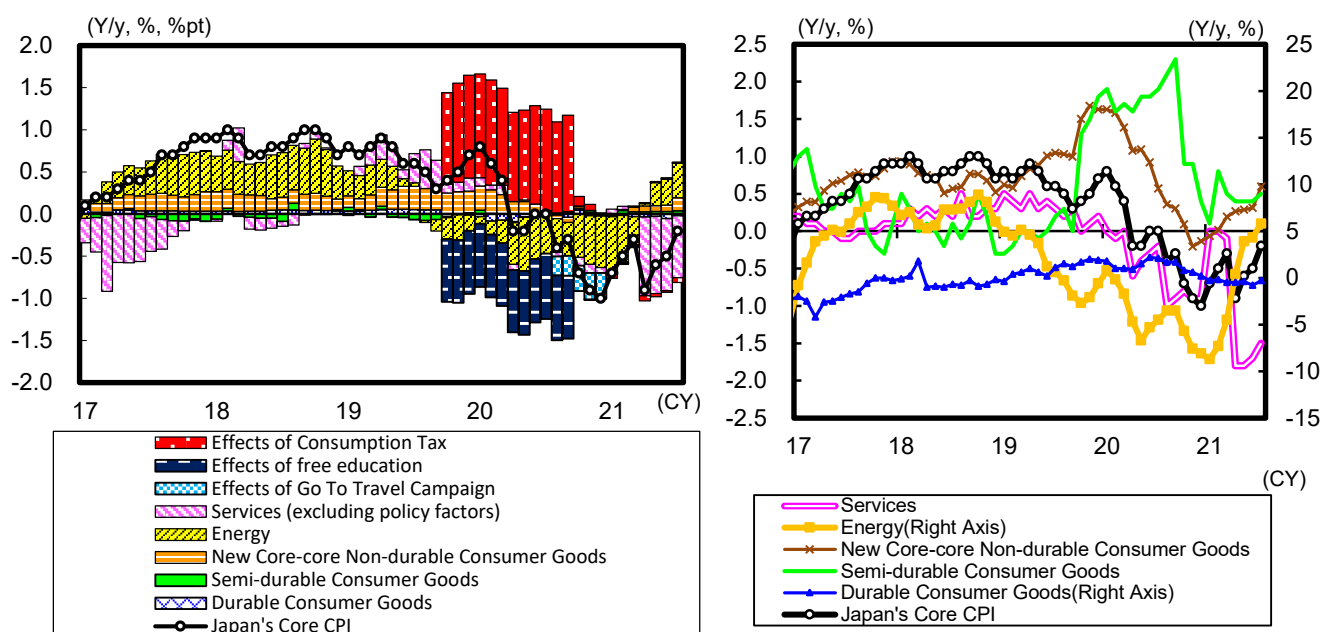


Source: Ministry of Internal Affairs and Communications, Cabinet Office; compiled by DIR.

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.

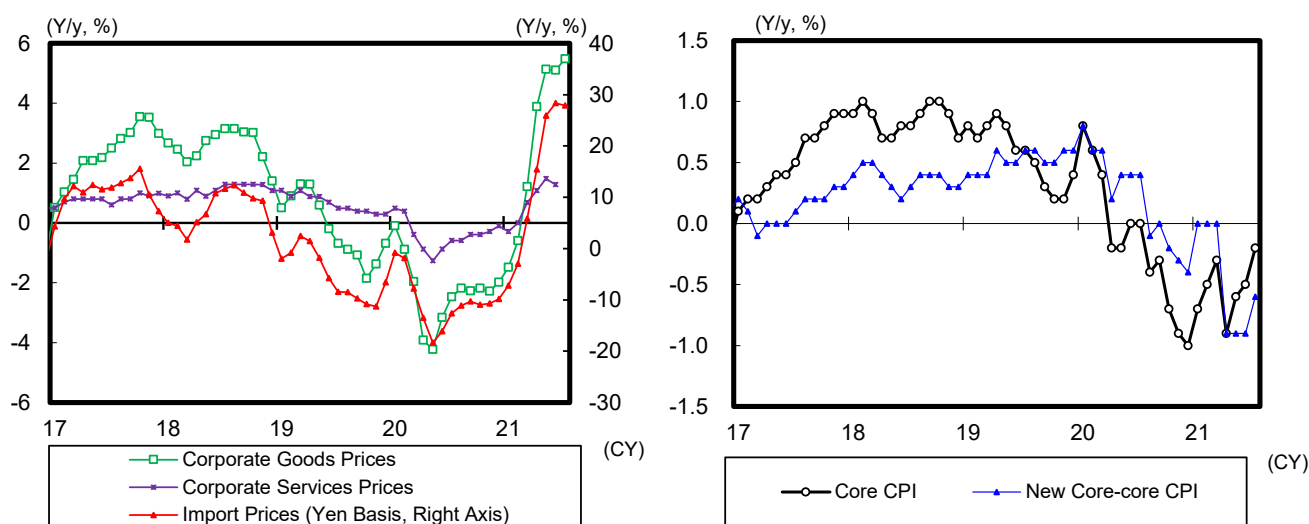
Note: 1) Figures other than Core CPI appearing in the chart at left (Breakdown of Contributions to Core CPI by Goods and Services) make use of the 2015 results on items from 2019 or earlier.

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

3) 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.