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Japanese report: 24 Sep 2021

August 2021 Consumer Price Index

Downward pressure from services eases up, bringing core CPI to 0.0% y/y

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Summary

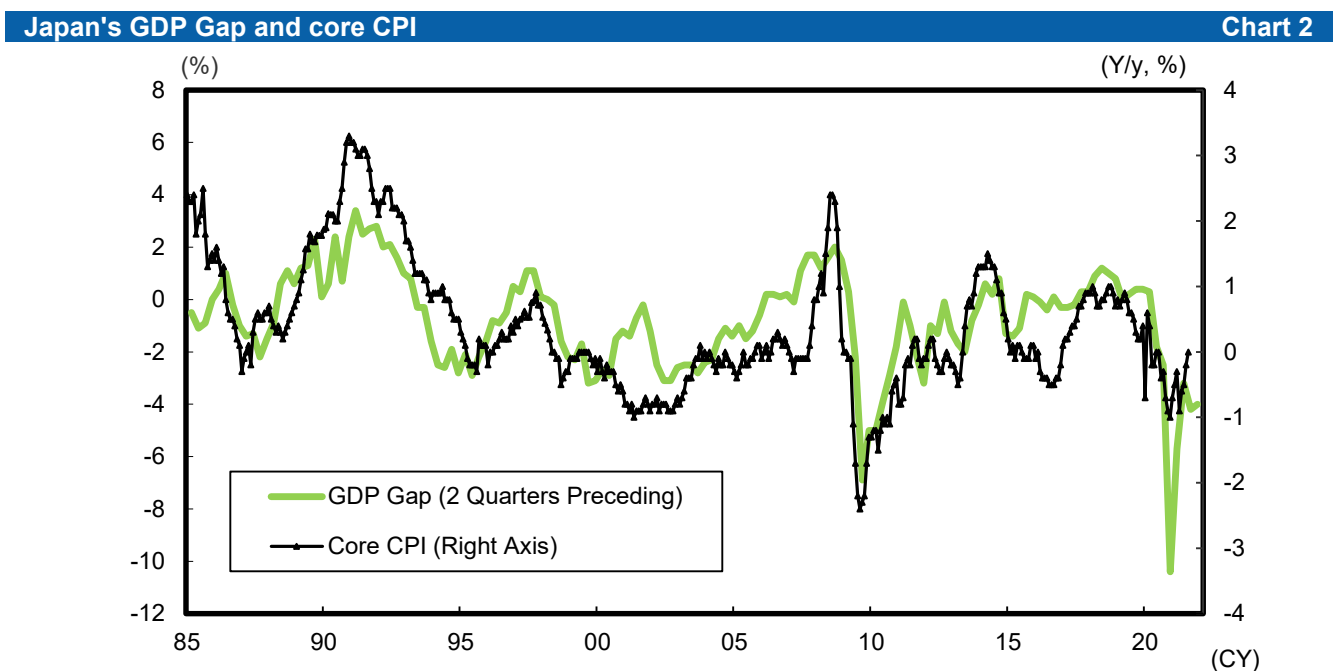
- Japan's August 2021 core CPI (excluding fresh foods) was at 0.0% y/y. upward pressure from energy weakened, while downward pressure also weakened due to the residual influence of the Go To Travel Campaign, narrowing the range of decline in comparison to the previous month (-0.2%). Meanwhile, new core-core CPI (excluding fresh foods and energy), also its range of decline narrow to -0.5% in comparison to the -0.6% of July. Prices continue to maintain underlying strength excluding the influence of special factors.
- Looking at year-to-year performance by component in August, energy prices, which had been a major factor in pushing up overall performance saw their range of increase narrow. On the other hand, services overall saw downward pressure weaken, with increase in accommodations partially offset by a decline in mobile phone communication fees (mobile phone charges).
- As for the future of Japan's core CPI, positive and negative factors are expected to continue competing, with moderate growth continuing. Major positive factors will likely be the residual influence of the 2020 Go To Travel Campaign, and rising production costs for corporations. Meanwhile, if the request for shortened business hours or leave of absence on the part of restaurants and bars due to the spread of mutant strains of COVID-19 is canceled, demand for services requiring face-to-face contact and mobility will begin to make a comeback, and prices also may gradually move upwards. On the other hand, the influence of cuts in mobile phone communication fees is expected to continue holding down growth in prices.

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

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

Notes: 1) Consensus figures from Bloomberg

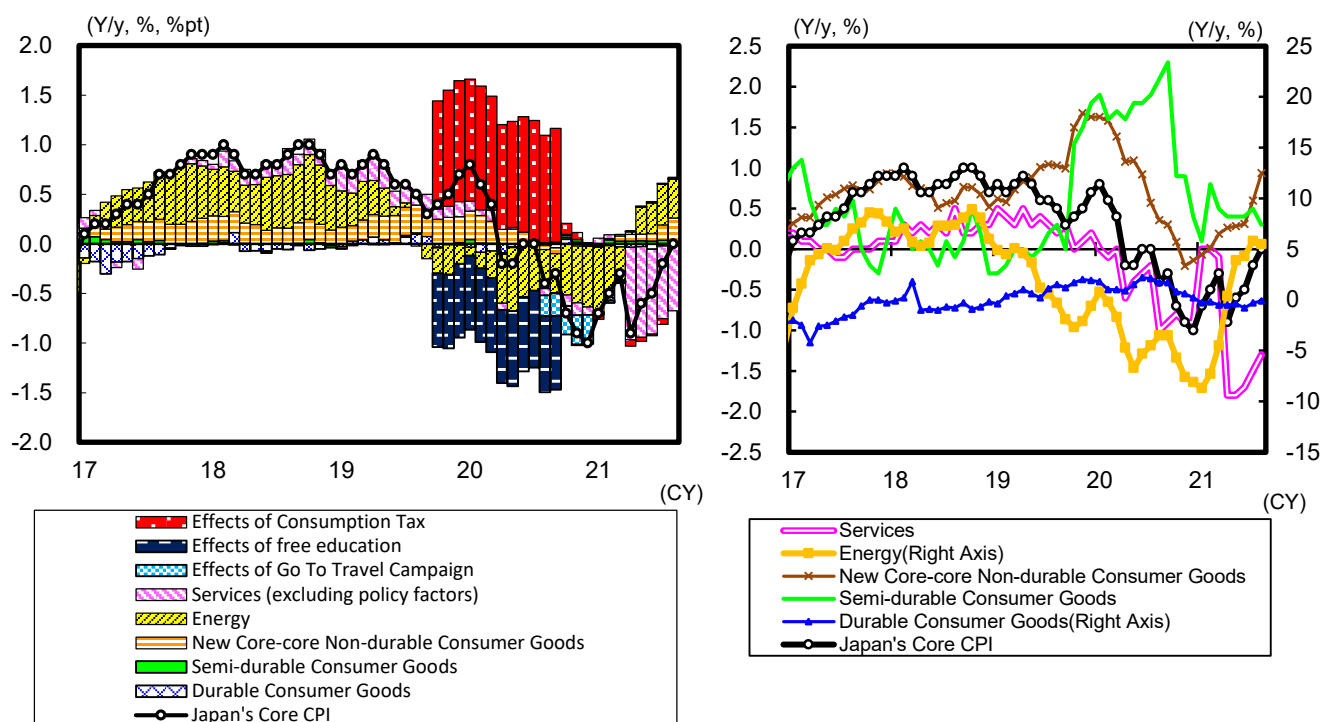
2) Core CPI is total excluding fresh foods, and new core-core CPI excludes fresh foods and energy.



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.

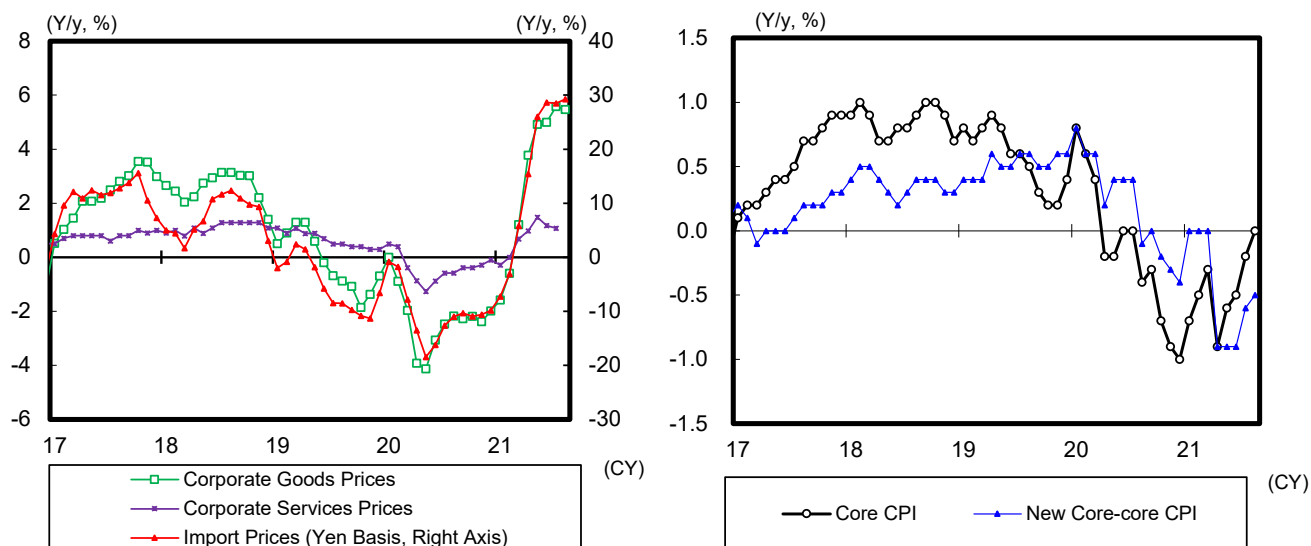
Core CPI Y/y Comparison and Contribution Rate; Core CPI Components Chart 3



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.