

22 October 2021 (No. of pages:3)

Japanese report: 22 Oct 2021

September 2021 Consumer Price Index

Core CPI moves into positive range in y/y terms due to soaring commodity prices

Economic Research Dept.
Yuki Seto

Summary

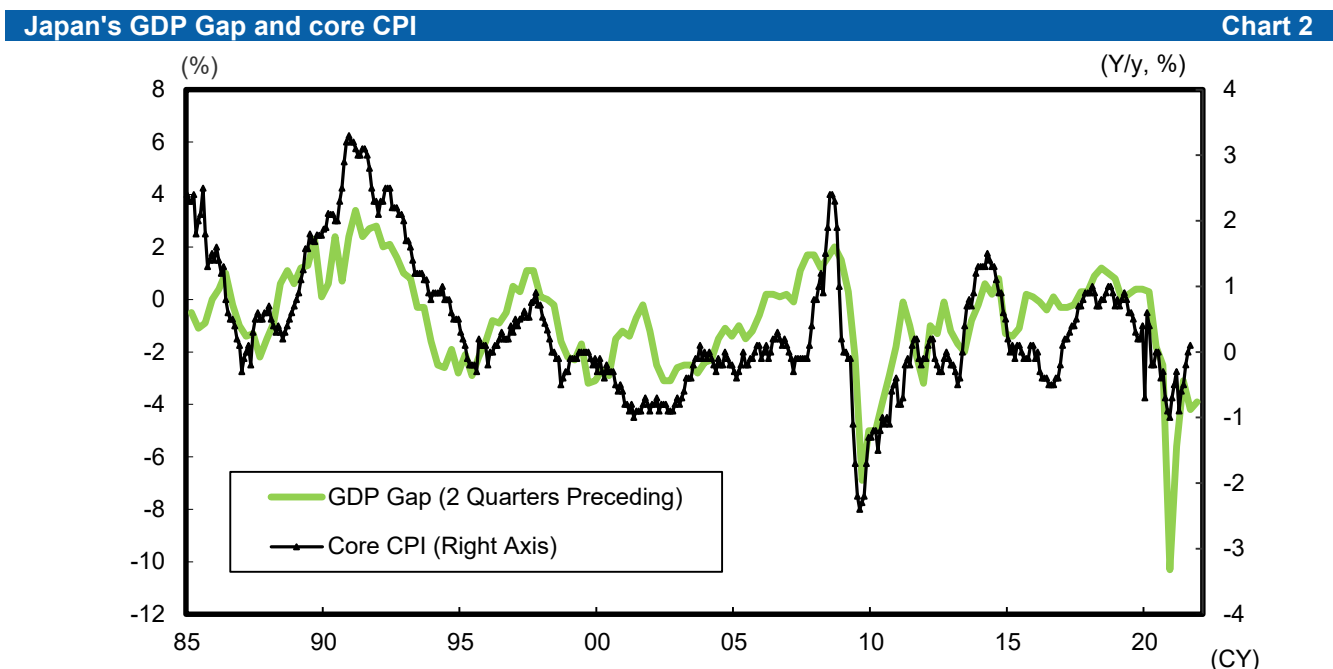
- Japan's September 2021 core CPI (excluding fresh foods) was at +0.1% y/y, the first time CPI has moved into the positive range in y/y terms since March 2020, a year and a half ago. Influenced by soaring commodity prices worldwide, non-durable consumer goods such as energy and foods (excluding fresh foods), pushed overall results in the upward direction. Meanwhile, as for new core-core CPI (excluding fresh foods and energy), the negative range marked time in comparison to the previous month at -0.5%. Prices are seen as marking time considering that energy is the major factor providing underlying support for recent core CPI results.
- Looking at year-to-year performance by component in September, non-durable consumer goods such as "gasoline", "electricity" rates, and "beef (imported)" pushed up overall performance. On the other hand, services, which have recently become a major factor in overall downward pressure, are continuing the dynamic of downward pressure caused by telephone charges (mobile phone).
- As for the future of Japan's core CPI, positive and negative factors are expected to continue competing, with moderate growth continuing. Major growth factors will likely be increasing production costs for corporations due to soaring commodity prices, and the base effect of last year's Go To Travel Campaign. Meanwhile, the lagging recovery of the GDP gap, and the influence of cuts in telephone charges (mobile phone) are expected to continue their role as factors bringing downward pressure on CPI.

Consumer Price Index (Y/y, %)		Chart 1							
		2021							
		Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Japan's Core CPI		-0.5	-0.3	-0.9	-0.6	-0.5	-0.2	0.0	0.1
Consensus									0.1
DIR Outlook									0.1
Japan's New Core-core CPI		0.0	0.0	-0.9	-0.9	-0.9	-0.6	-0.5	-0.5
Tokyo 23 Wards Core CPI		-0.4	-0.3	-0.9	-0.7	-0.6	-0.3	0.0	0.1
New Core-core CPI		0.1	0.1	-0.7	-0.6	-0.6	-0.4	-0.1	-0.1

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

Notes: 1) Consensus figures from Bloomberg

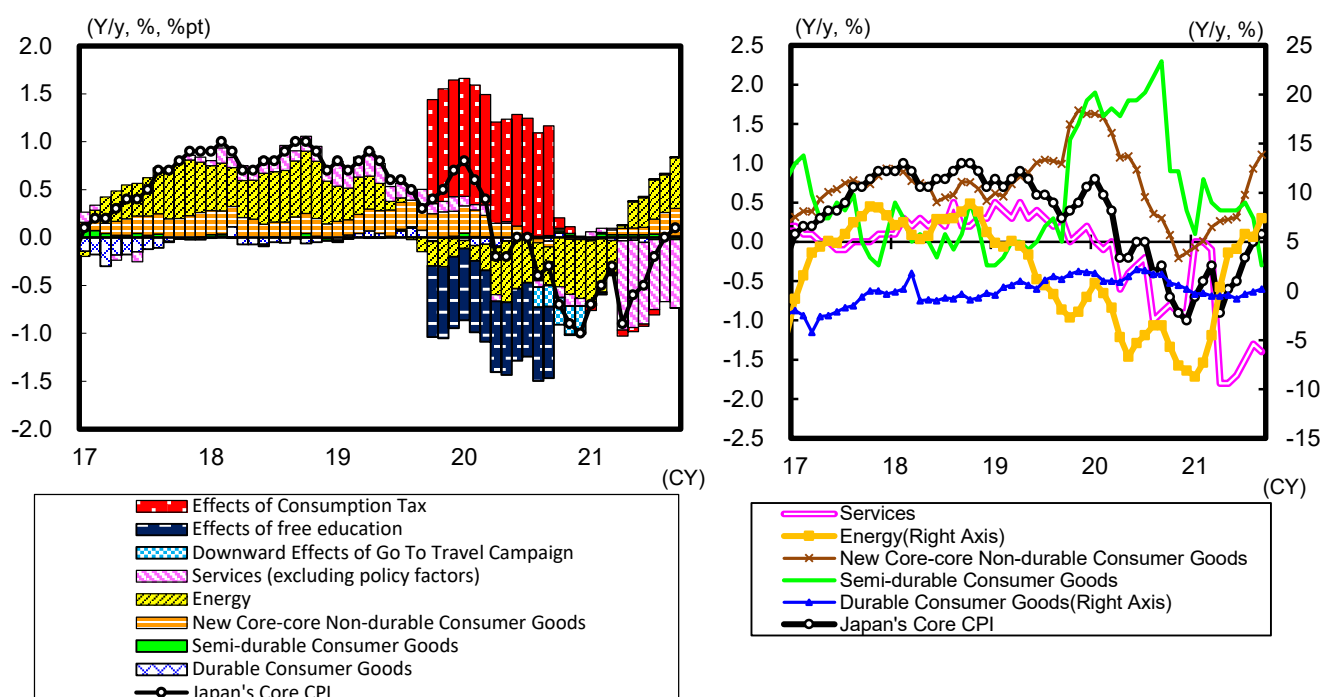
2) Core CPI is total excluding fresh foods, and new core-core CPI excludes fresh foods and energy.



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

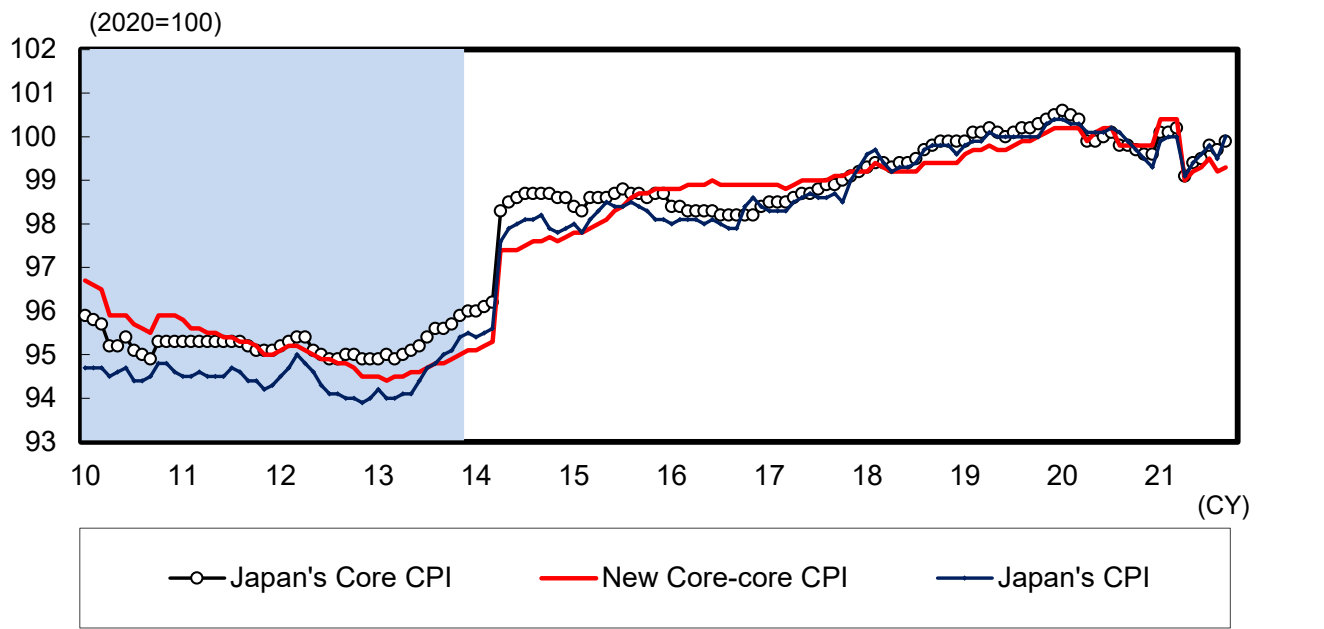
Note: Core CPI is total excluding fresh foods, consumption tax and effects of free preschool and higher education.

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.
 3) The effects of cuts in mobile phone communication fees are not included in the Policy Factors category.

Japan's Consumer Price Index (Seasonally Adjusted, Computed by Laspeyres' Chain Index Method) Chart 4



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