

19 November 2021 (No. of pages:3)

Japanese report: 19 Nov 2021

October 2021 Consumer Price Index

Services offset rising energy prices, leaving core CPI in y/y terms unchanged from previous month

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Summary

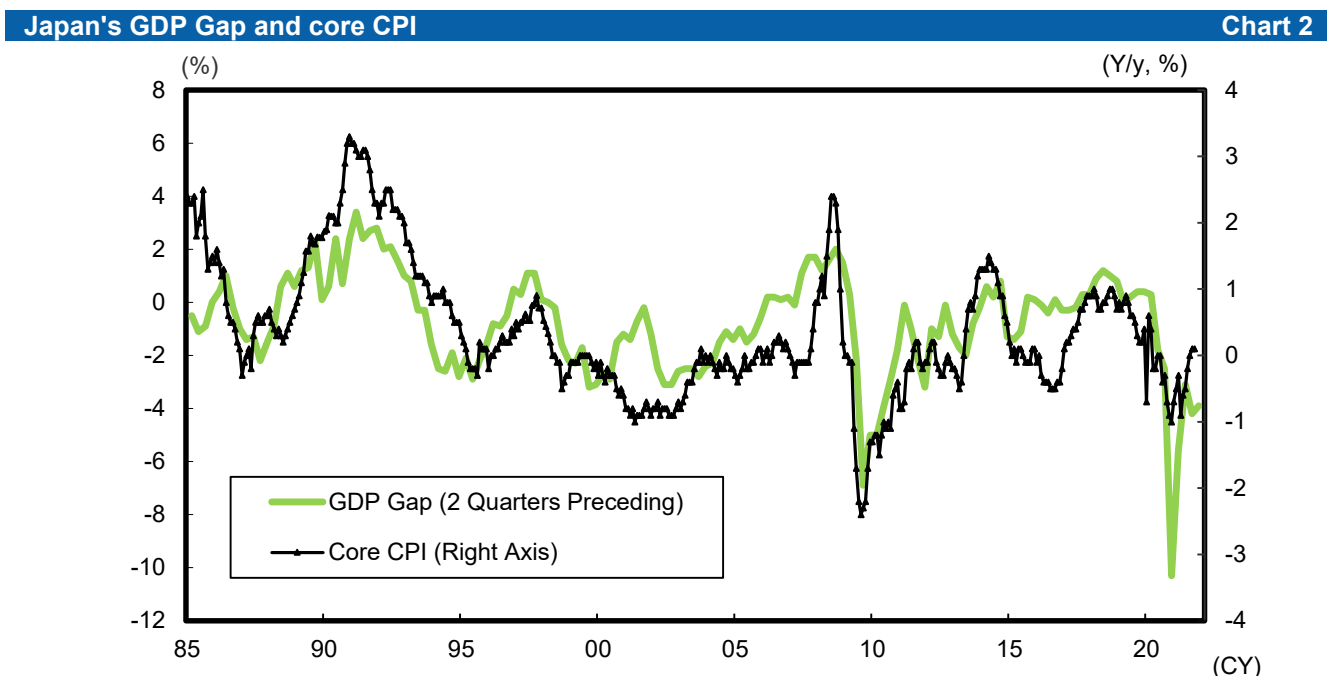
- Japan's October 2021 core CPI (excluding fresh foods) was at +0.1% y/y, marking time in comparison with the previous month. While non-durable consumer goods centering on energy pushed overall performance upwards, services brought downward pressure on CPI in a continuation of the situation seen previously. If we ignore the fact that energy is the main factor that underpins core CPI at the moment, it can be said that the underlying trend of prices is at a standstill on the whole.
- Looking at year-to-year performance by component in October, non-durable consumer goods, especially energy related components such as electricity and gas rates pushed up overall performance. On the other hand, services, which have recently become a major factor in overall downward pressure, are intensifying that tendency. The major cause of this phenomenon is that telephone charges (mobile phone) have greatly increased their downward pressure, exceeding the upward pressure brought on by accommodations.
- 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 price pass-through associated with this factor. Meanwhile, the lagging recovery of the GDP gap and its effects on the macro supply and demand balance, as well as the influence of cuts in telephone charges (mobile phone), and the resumption of the Go To Travel Campaign are expected to continue their role as factors bringing downward pressure on CPI.

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

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

Notes: 1) Consensus figures from Bloomberg

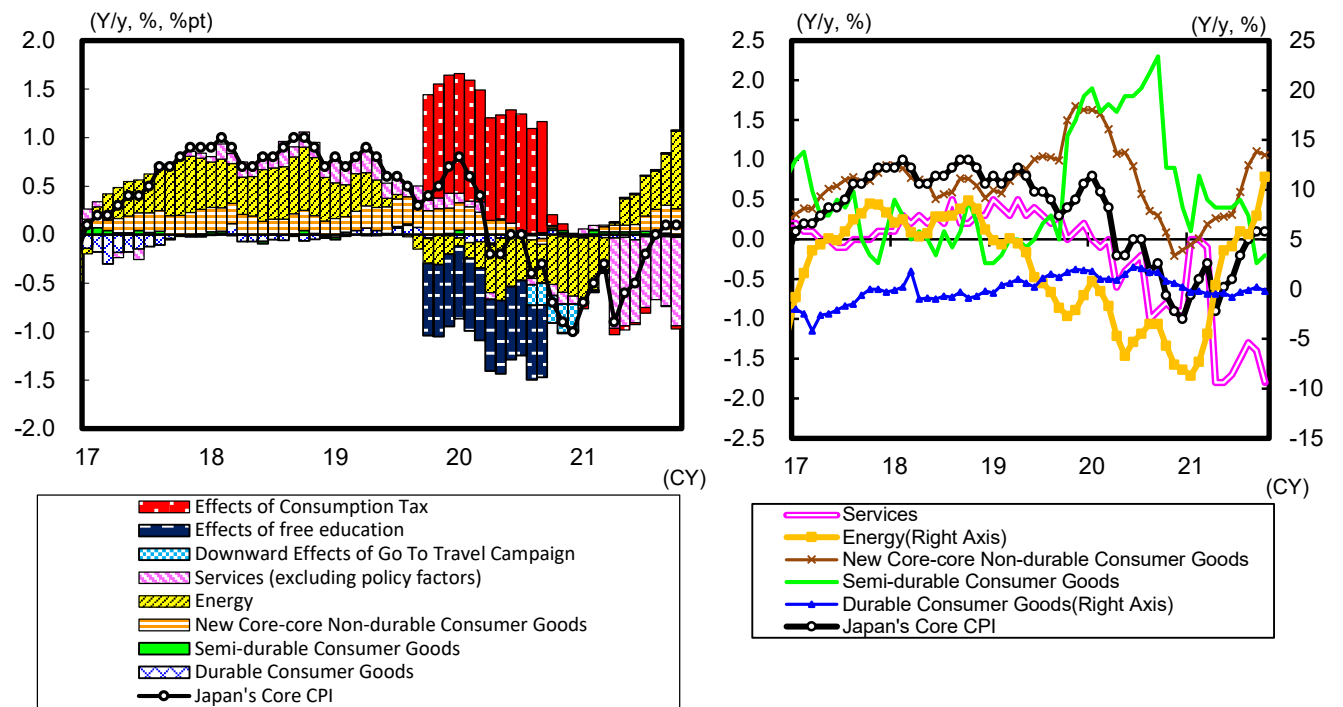
2) Core CPI is total excluding fresh foods, and new core-core CPI excludes fresh foods and energy.



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



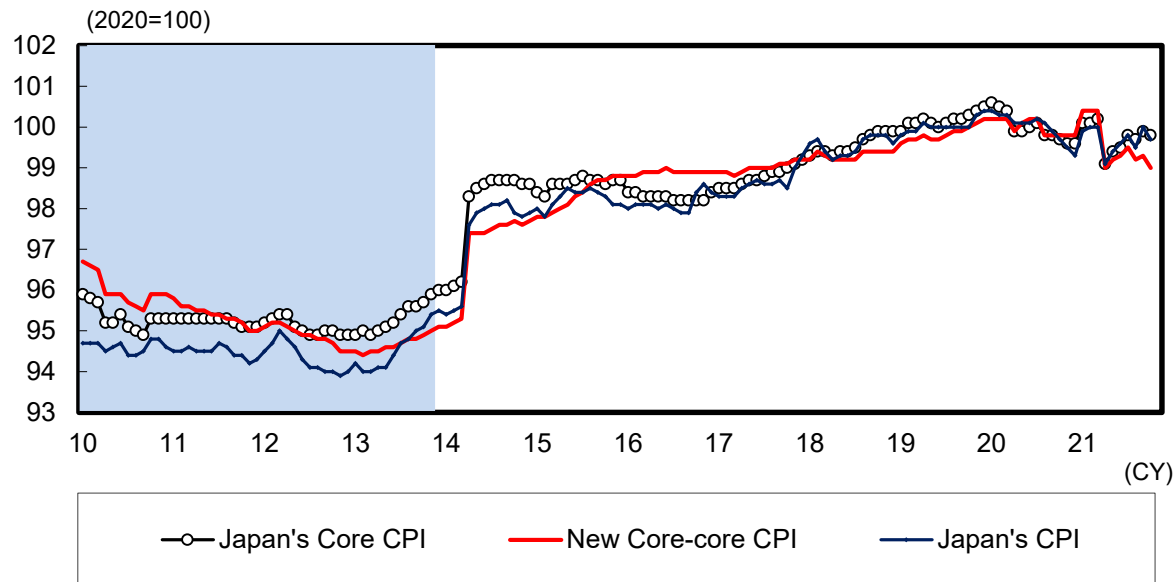
Source: Ministry of Internal Affairs and Communications; compiled by DIR.

Note: 1) 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.