

24 December 2021 (No. of pages:3)

Japanese report: 24 Dec 2021

November 2021 Consumer Price Index

Influence of energy prices increasingly strong, pushing core CPI up by +0.5% y/y

Economic Research Dept.
Yuki Seto

Summary

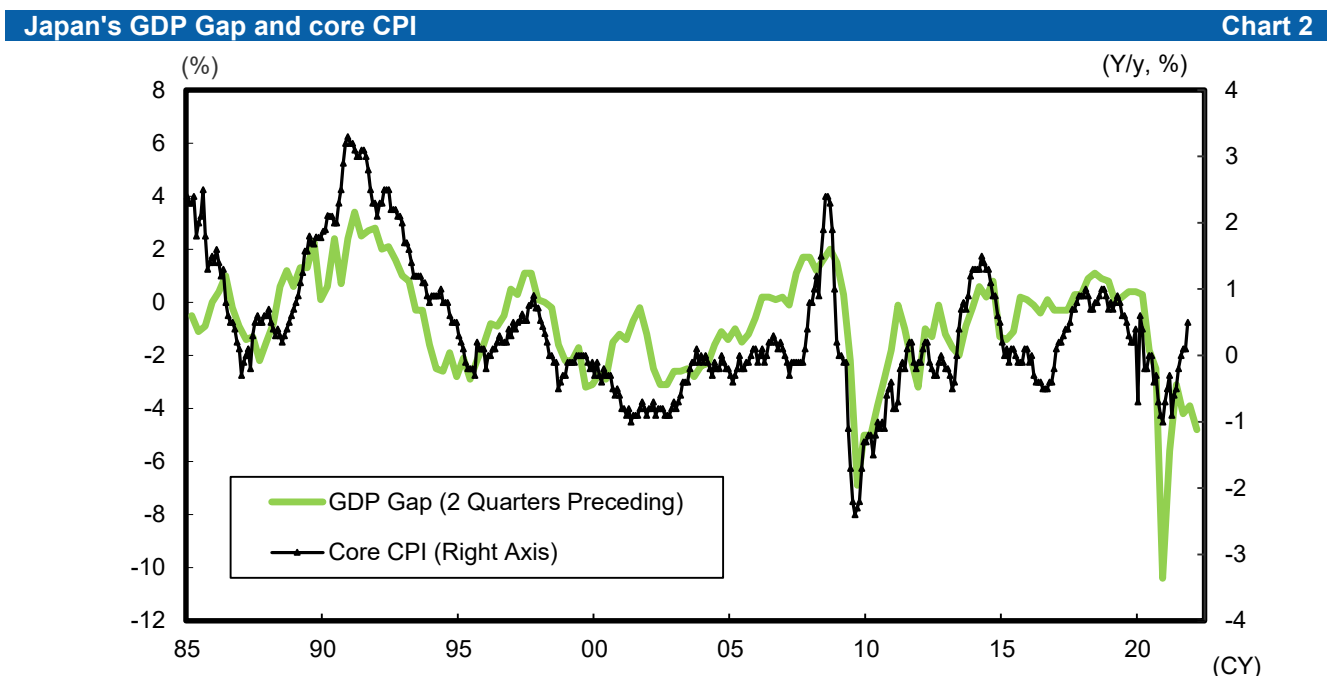
- Japan's November 2021 core CPI (excluding fresh foods) was at +0.5% y/y, exceeding market consensus at +0.4%, and achieving its highest growth rate since March 2020. The bull market in commodities is bringing even more upward pressure on non-durable consumer goods. Energy is the main factor underpinning recent core CPI growth, and it can be said that ignoring this factor, the general trend in prices is marking time.
- Looking at year-to-year performance by component in November, non-durable consumer goods, especially energy related components and foods (excluding fresh foods) pushed up overall performance. On the other hand, the contribution rate of services, which has been the major factor bringing downward pressure recently, remained pretty much unchanged in comparison with the previous month. The core CPI growth rate in y/y terms rose by +0.4%pt from +0.1% in October.
- As for the future of y/y change in Japan's core CPI, positive and negative factors are expected to continue competing, with moderate growth continuing overall. The macro supply-demand balance, which had continued its gradual deterioration until the Jul-Sep period of 2021, is expected to begin to improve due to the normalization of economic activities and other factors under the assumption that the stable infection situation in Japan will continue, boosting the price trend in a delayed reaction. However, we recommend caution regarding mutant variants (the omicron variant etc.) of COVID-19, which could significantly worsen the economy and prices.

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

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

Notes: 1) Consensus figures from Bloomberg

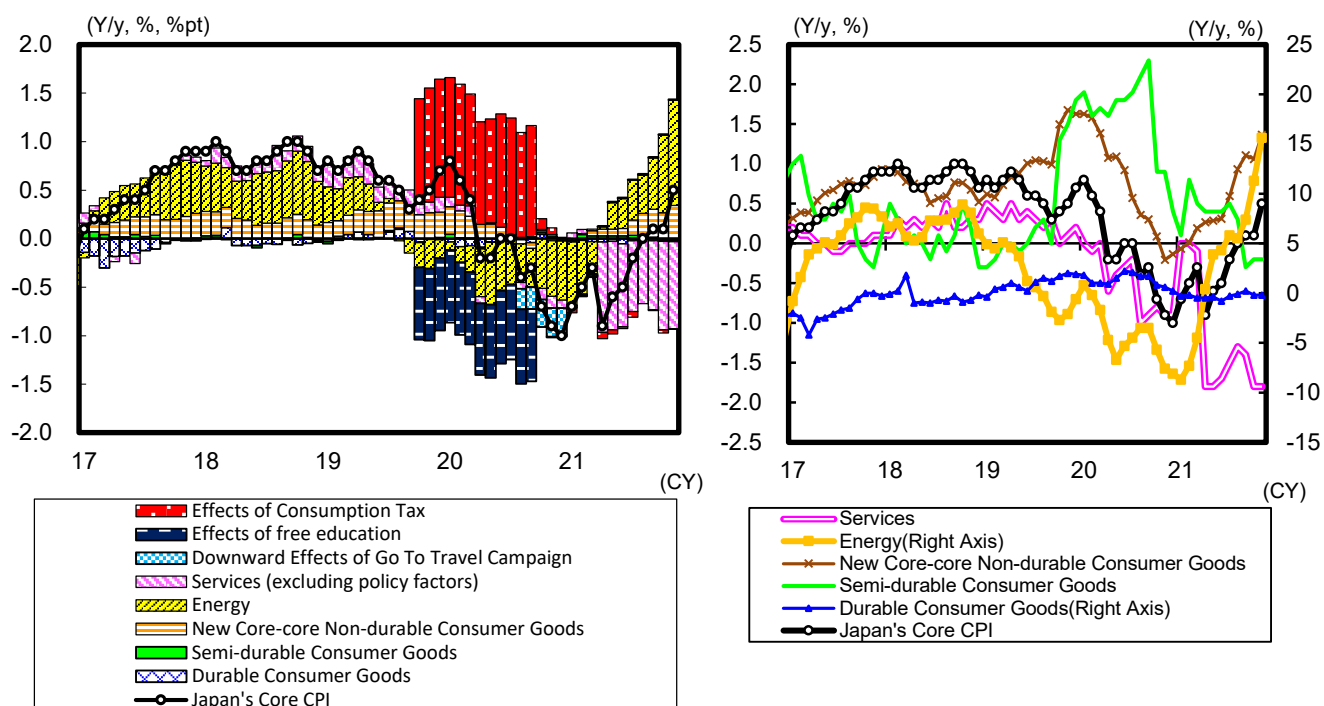
2) Core CPI is total excluding fresh foods, and new core-core CPI excludes fresh foods and energy.



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



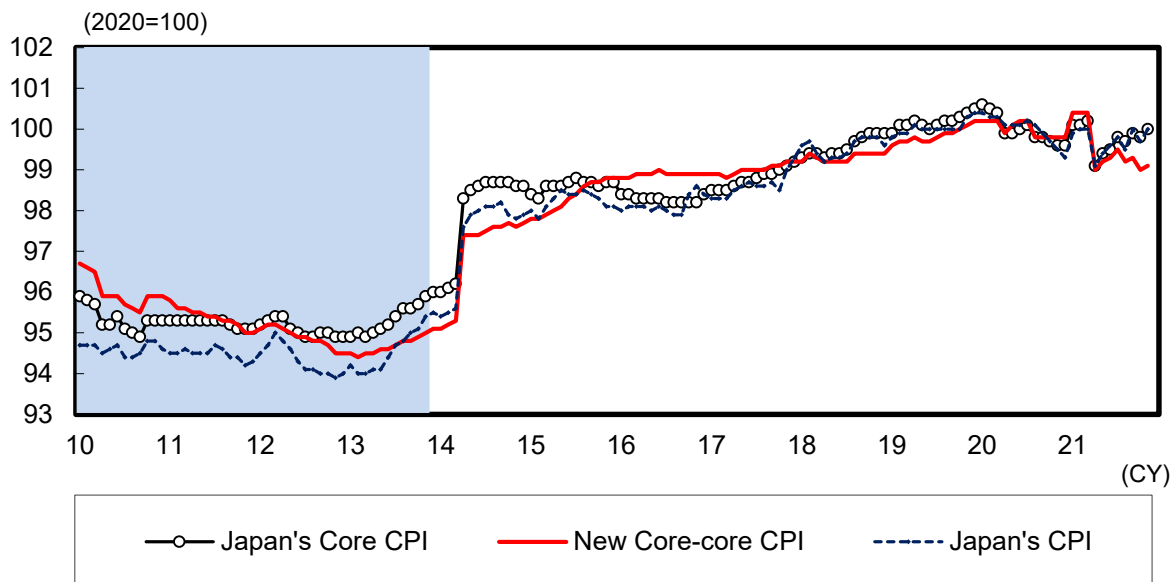
Source: Ministry of Internal Affairs and Communications; compiled by DIR.

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.