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Japanese report: 18 Feb 2022

January 2022 Consumer Price Index

Core CPI growth rate declines as base effect of Go To Travel Campaign dissipates

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Summary

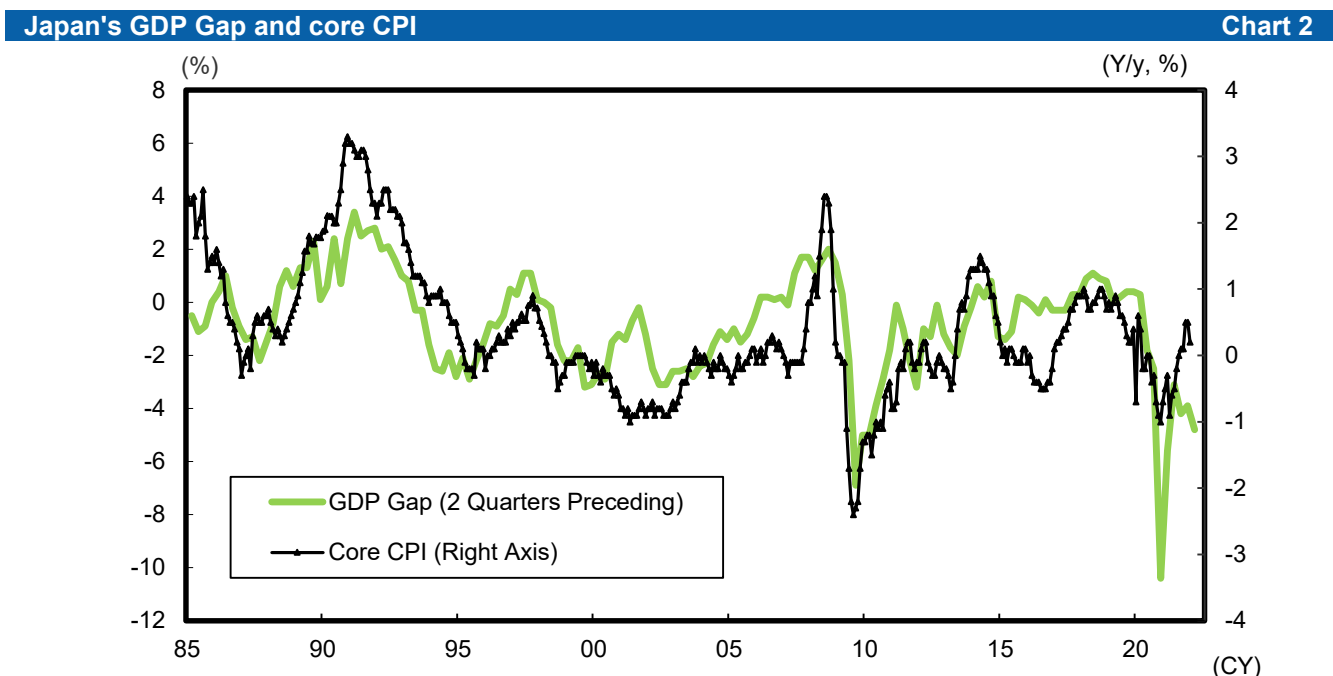
- Japan's January 2022 core CPI (excluding fresh foods) was at +0.2% y/y, falling below market consensus at +0.3%. While non-durable goods continued to bring upward pressure on CPI as a result of the influence of highs being experienced in import prices, services brought downward pressure on overall performance. Energy has been the main factor in recent core CPI growth, while prices of other components are marking time.
- Looking at year-to-year performance by component in January 2022, energy related components and foods showed growth rates on the upswing due to import price highs. Meanwhile, in the area of services, "Hotel charges," which had been reflecting the base effect of the Go To Travel Campaign through December of 2021, suffered a decline in growth rate.
- As for the future of y/y change in Japan's core CPI, positive and negative factors are expected to continue competing, but moderate growth is expected to continue overall, due to the influence of import price highs. However, the uncertainty factor of the Omicron variant of COVID-19 is expected to continue bringing influence on trends for the time being. If the macroeconomic supply-demand balance deteriorates due to the spread of infection, there will be lagging downward pressure on prices.

Consumer Price Index (Y/y, %)								Chart 1
	2021							2022
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Japan's Core CPI	-0.5	-0.2	0.0	0.1	0.1	0.5	0.5	0.2
Consensus								0.3
DIR Outlook								0.3
Japan's New Core-core CPI	-0.9	-0.6	-0.5	-0.5	-0.7	-0.6	-0.7	-1.1
Tokyo 23 Wards Core CPI	-0.6	-0.3	0.0	0.1	0.1	0.3	0.5	0.2
New Core-core CPI	-0.6	-0.4	-0.1	-0.1	-0.4	-0.4	-0.3	-0.7

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.

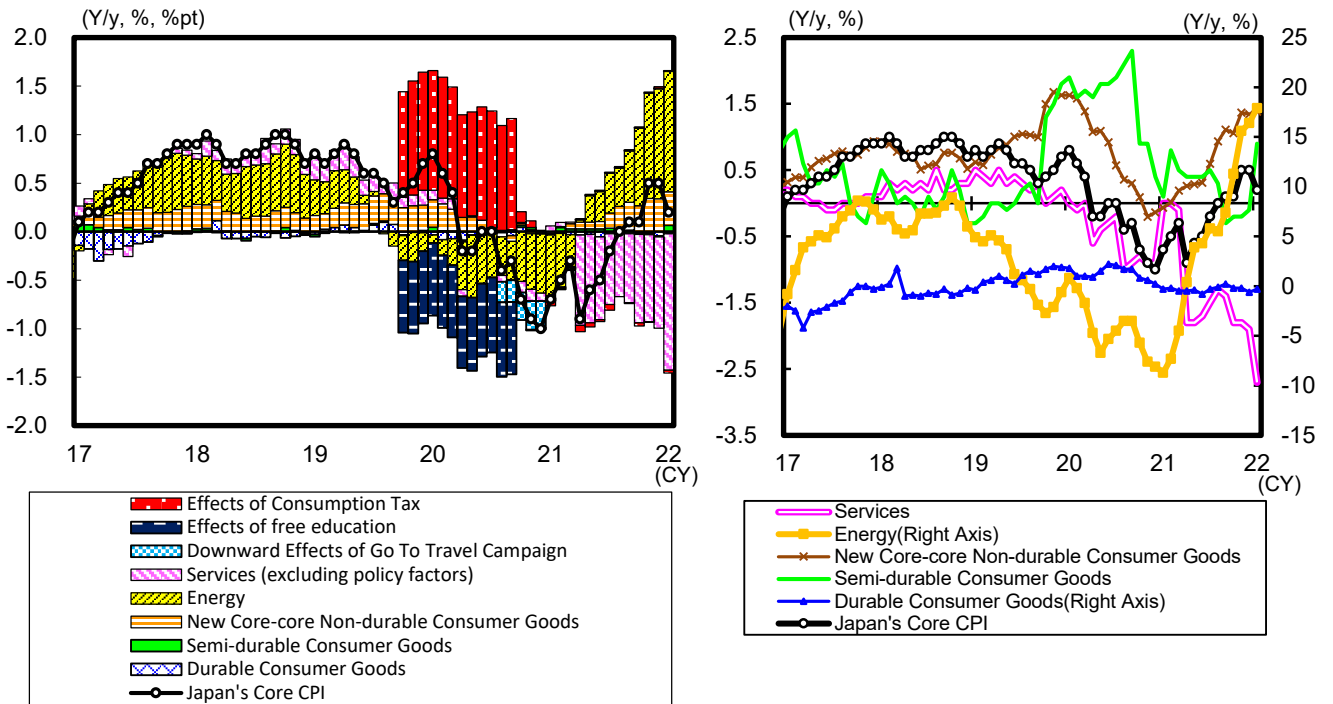


Source: Ministry of Internal Affairs and Communications, Cabinet Office; compiled by DIR.

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.

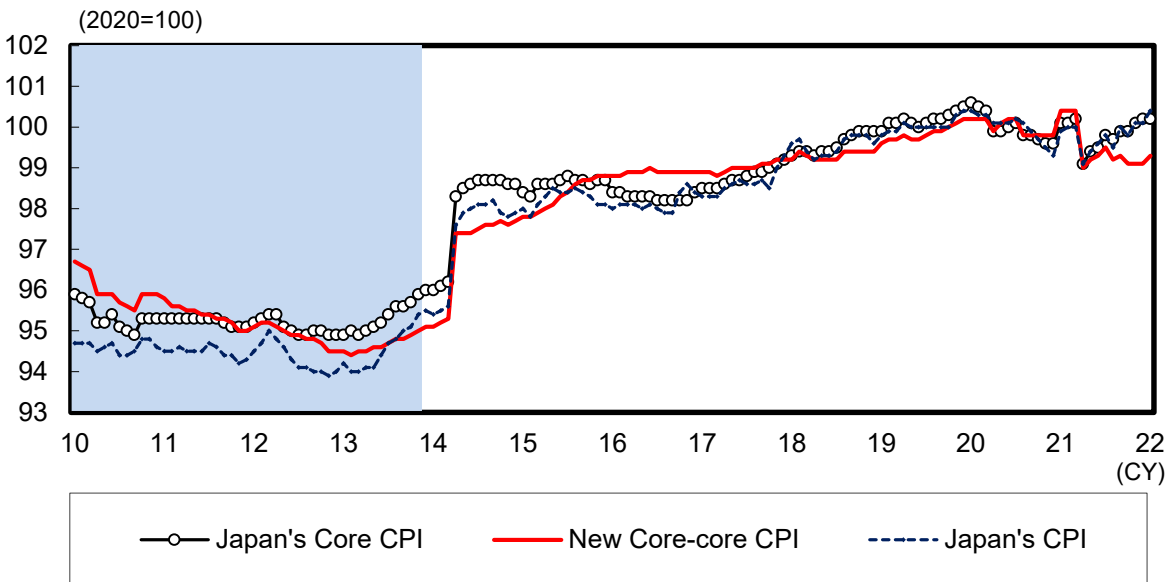
Note: 1) Core CPI is total excluding fresh foods, new core-core non-durable consumer goods is excluding fresh foods and energy.

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.