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Japanese report: 18 Mar 2022

February 2022 Consumer Price Index

Energy prices continue to bring upward pressure on Core CPI, hitting +0.6% y/y in February

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Summary

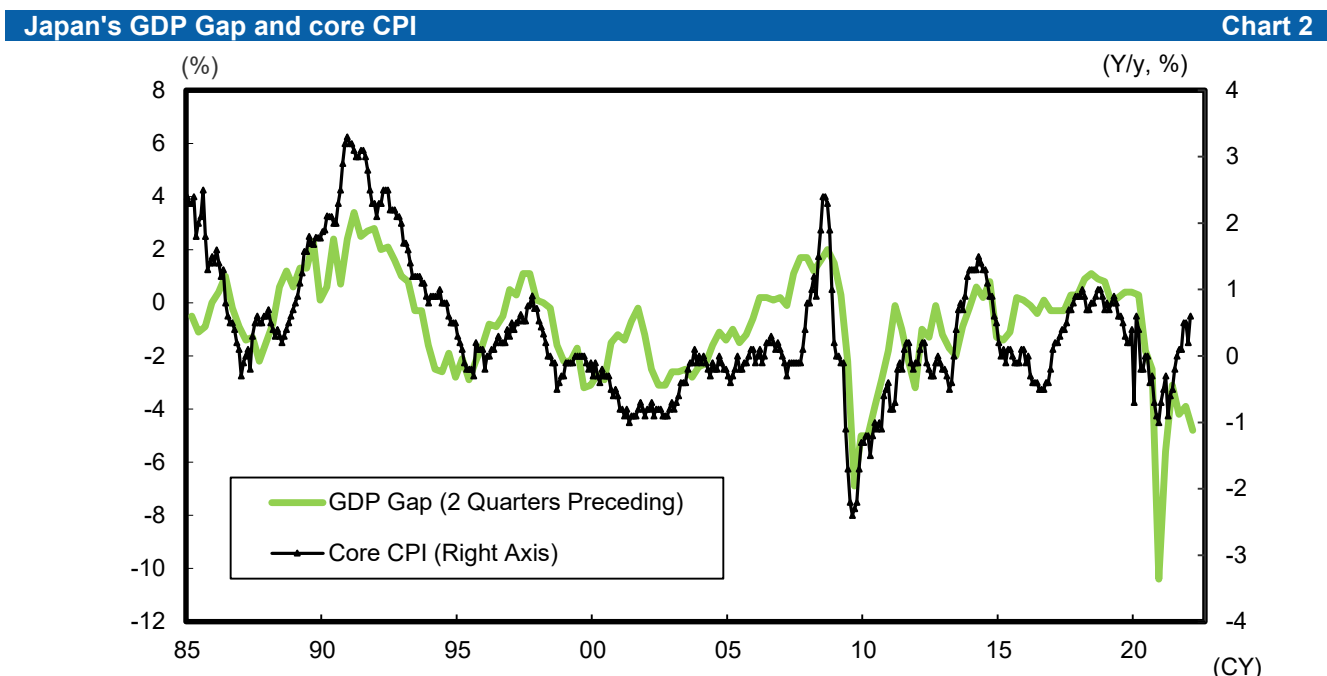
- Japan's February 2022 core CPI (excluding fresh foods) was at +0.6% y/y, exceeding market consensus at +0.5%. Non-durable consumer goods continued to bring upward pressure on CPI with the influence of highs in import prices. Energy was the main factor in core CPI growth, while prices of other components such as foods (excluding fresh foods) also experienced growth in prices. Though its appearance has been slower than in other countries, Japan can now be said to be experiencing the gradual advance of cost push inflation.
- Looking at year-to-year performance by component in February 2022, energy related components such as "Electricity" and "Gas", as well as some foods such as "White bread", showed growth rates on the upswing. Meanwhile, in the area of services, "Hotel charges" grew, while the y/y decline in "Telephone charges (mobile phone)" remained unchanged from the previous month, while the overall decline in services as a whole narrowed.
- The growth rate in Japan's core CPI is expected to grow sharply due to the influence of cuts in mobile phone rates in April 2022, and is expected to continue moderate growth after that point due to highs in the price of imported goods. Upside risk in CPI has increased due to pressure from import prices due to a further surge in the price of crude oil and other resources as a result of tensions associated with the Ukraine situation and other factors.

Consumer Price Index (Y/y, %)								Chart 1
	2021						2022	
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Japan's Core CPI	-0.2	0.0	0.1	0.1	0.5	0.5	0.2	0.6
Consensus								0.5
DIR Outlook								0.5
Japan's New Core-core CPI	-0.6	-0.5	-0.5	-0.7	-0.6	-0.7	-1.1	-1.0
Tokyo 23 Wards Core CPI	-0.3	0.0	0.1	0.1	0.3	0.5	0.2	0.5
New Core-core CPI	-0.4	-0.1	-0.1	-0.4	-0.4	-0.3	-0.7	-0.6

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

Notes: 1) Consensus figures from Bloomberg

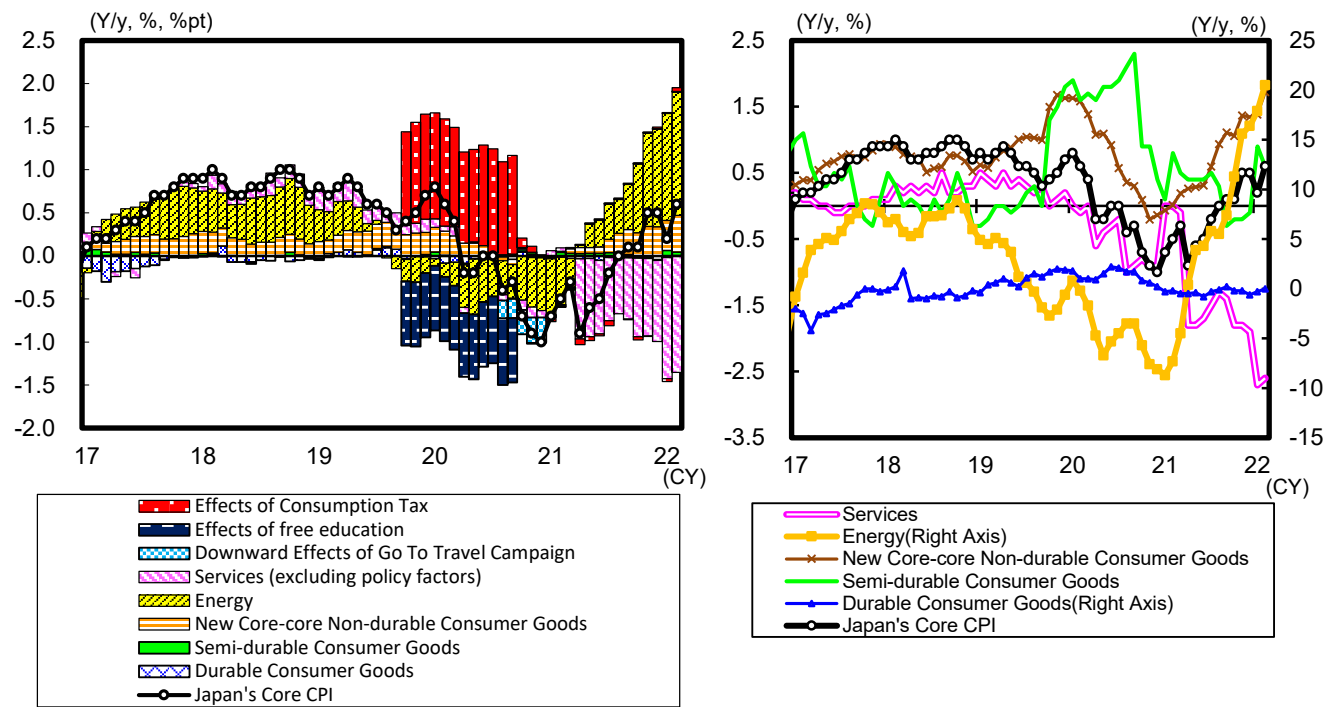
2) Core CPI is total excluding fresh foods, and new core-core CPI excludes fresh foods and energy.



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



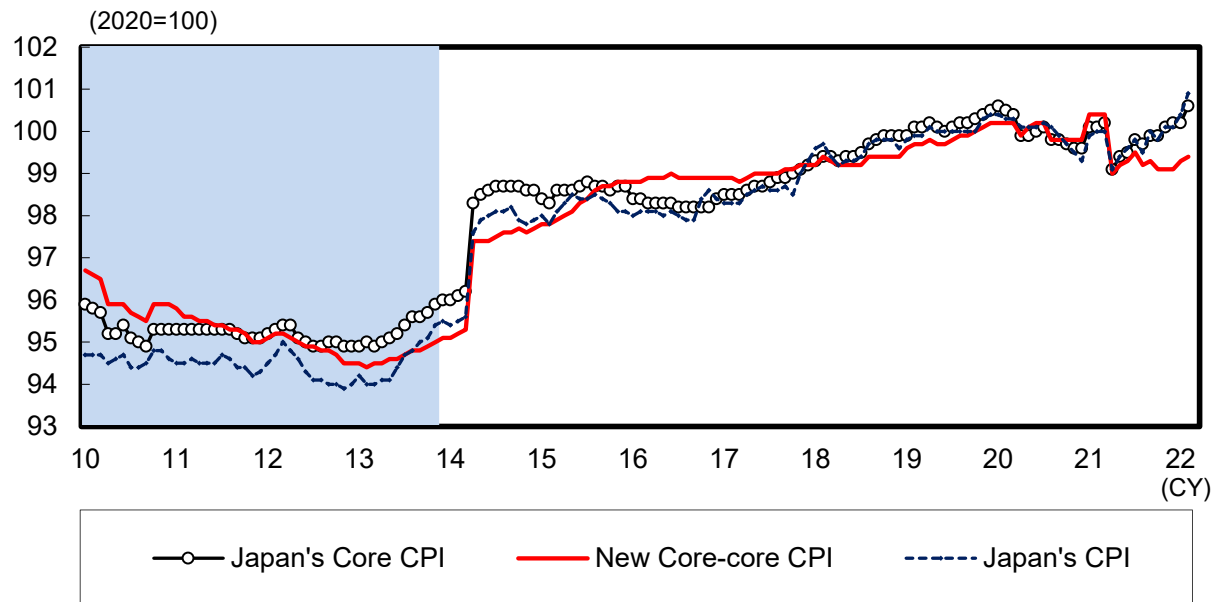
Source: Ministry of Internal Affairs and Communications; compiled by DIR.

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.