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Japanese report: 20 May 2022

April 2022 Consumer Price Index

Core CPI hits +2.1% y/y as influence of cuts in mobile phone rates declines

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Summary

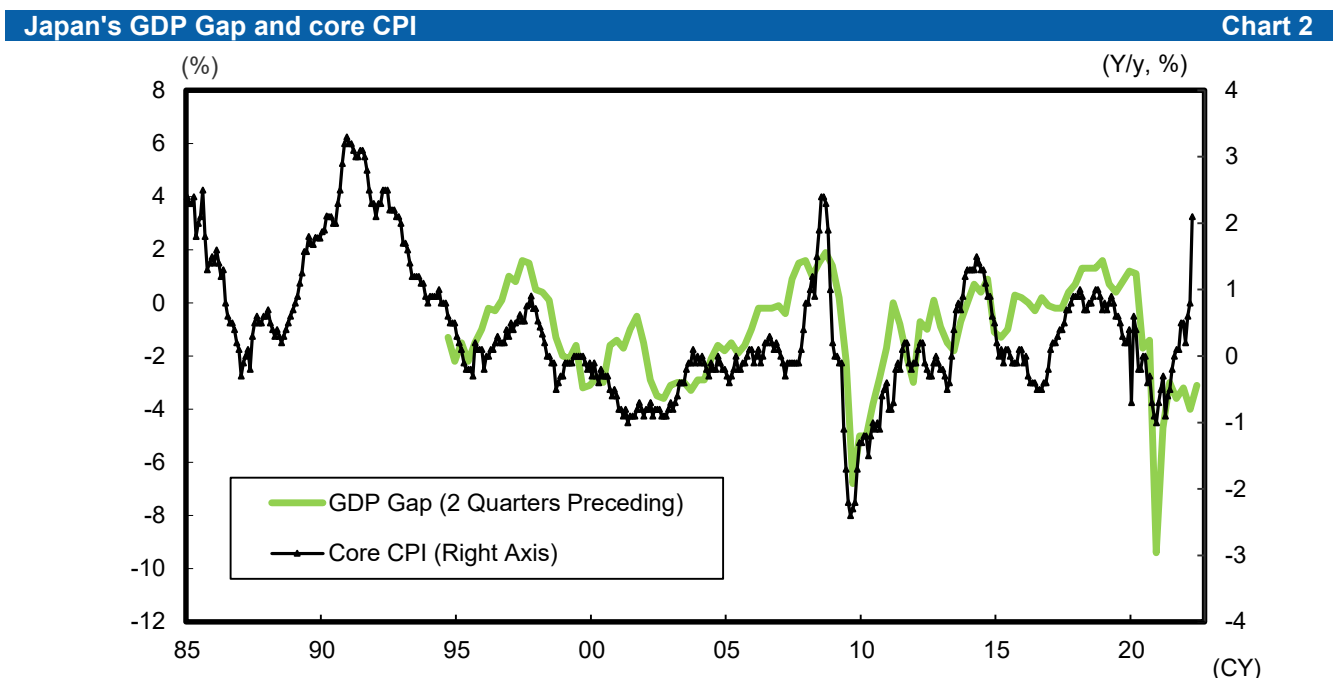
- Japan's April 2022 core CPI (excluding fresh foods) was at +2.1% y/y, a growth rate of +1.3%pt in comparison to the previous month. The decline in the influence of cuts in mobile phone rates was a major factor in pushing the index up, but at the same time upward pressure from the price of foods and other components is also growing. Though it remains more gradual than in other countries, cost push inflation is progressing in Japan.
- Looking at contribution by component in April 2022, in addition to major growth in the cost of services in comparison to the previous month due to the decline of the influence of cuts in "Telephone charges (mobile phone)", non-durable goods (excluding fresh foods and energy) are also on the way up due to highs in import prices. On the other hand, contribution to the index from energy remains large, though it has shrunk somewhat in comparison to the previous month.
- Japan's core CPI is expected to remain in the range of +1.5-2.0% y/y. Highs in the commodities market and the influence of the weak yen continue to push prices up, while at the same time there are factors holding down growth in prices, including the government's program to mitigate extreme fluctuations in the price of fuel oil and the Go To Travel Campaign. However, if highs in import prices continue, core CPI could experience an upswing.

Consumer Price Index (Y/y, %)								Chart 1
	2021				2022			
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Japan's Core CPI	0.1	0.1	0.5	0.5	0.2	0.6	0.8	2.1
Consensus								2.0
DIR Outlook								2.0
Japan's New Core-core CPI	-0.5	-0.7	-0.6	-0.7	-1.1	-1.0	-0.7	0.8
Tokyo 23 Wards Core CPI	0.1	0.1	0.3	0.5	0.2	0.5	0.8	1.9
New Core-core CPI	-0.1	-0.4	-0.4	-0.3	-0.7	-0.6	-0.4	0.8

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

Notes: 1) Consensus figures from Bloomberg

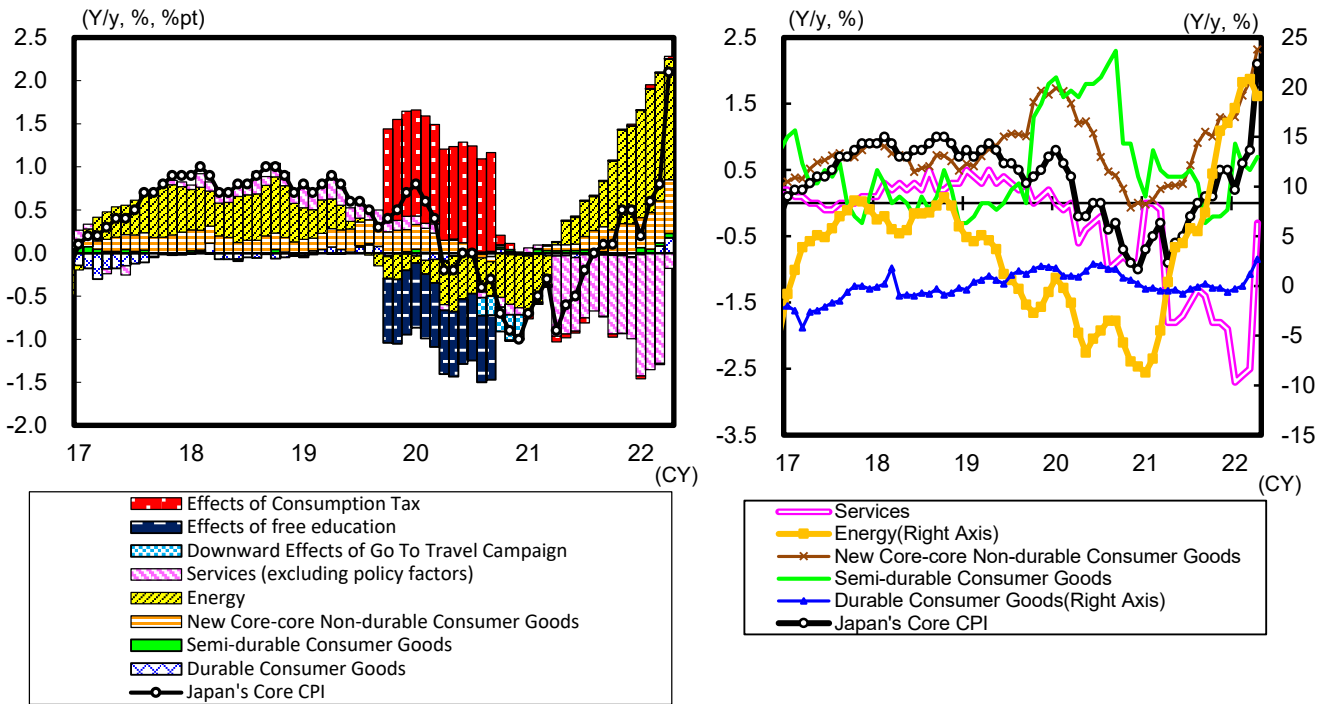
2) Core CPI is total excluding fresh foods, and new core-core CPI excludes fresh foods and energy.



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



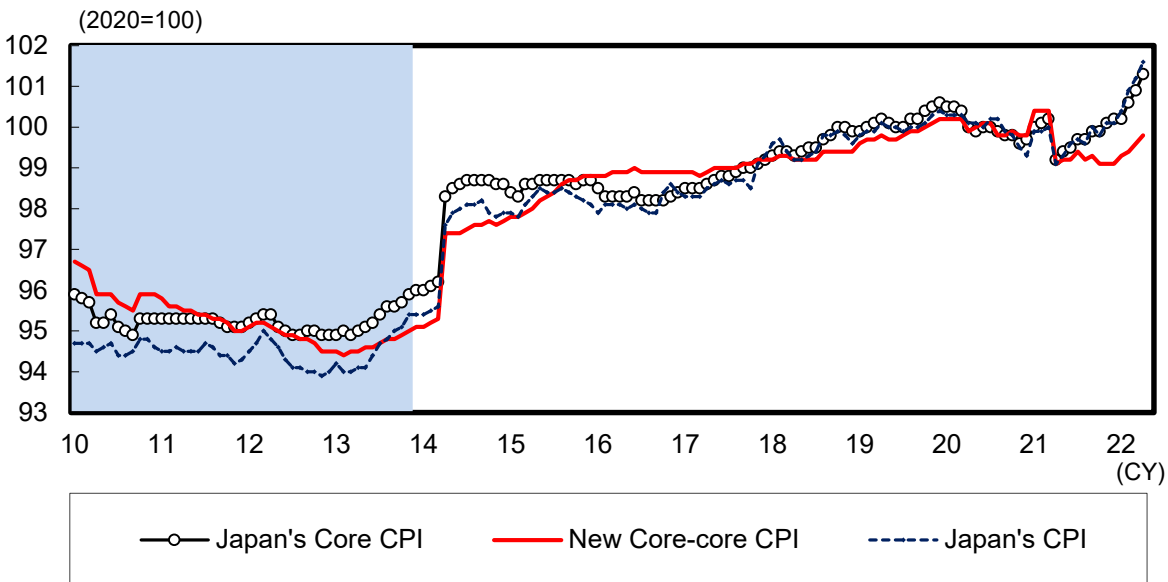
Source: Ministry of Internal Affairs and Communications; compiled by DIR.

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.