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May 2022 Consumer Price Index

While price hikes spread further, Core CPI is marking time at +2.1% y/y

Economic Research Dept.
Yuki Seto

Summary

- Japan's May 2022 core CPI (excluding fresh foods) was at +2.1% y/y, marking time in comparison to the previous month's growth rate. Foods remain a major factor in upward pressure on the index, while growth in energy prices have been mitigated by the government's program to mitigate extreme fluctuations in the price of fuel oil and other factors.
- Looking at contribution by component in May 2022, food related items marked time amongst non-durable goods, while energy declined, causing an overall decline in contribution from non-durable goods. On the other hand, contribution to the index from durable goods and semi-durable goods grew.
- Japan's core CPI is expected to remain in the range of +2.0% y/y. While the weak yen and highs on the commodities market are expected to continue pushing prices upwards, the government's program to mitigate extreme fluctuations in the price of fuel oil and other factors are expected to prevent any sharp increases. However, depending on trends in the price of imports, core CPI could experience an upswing.

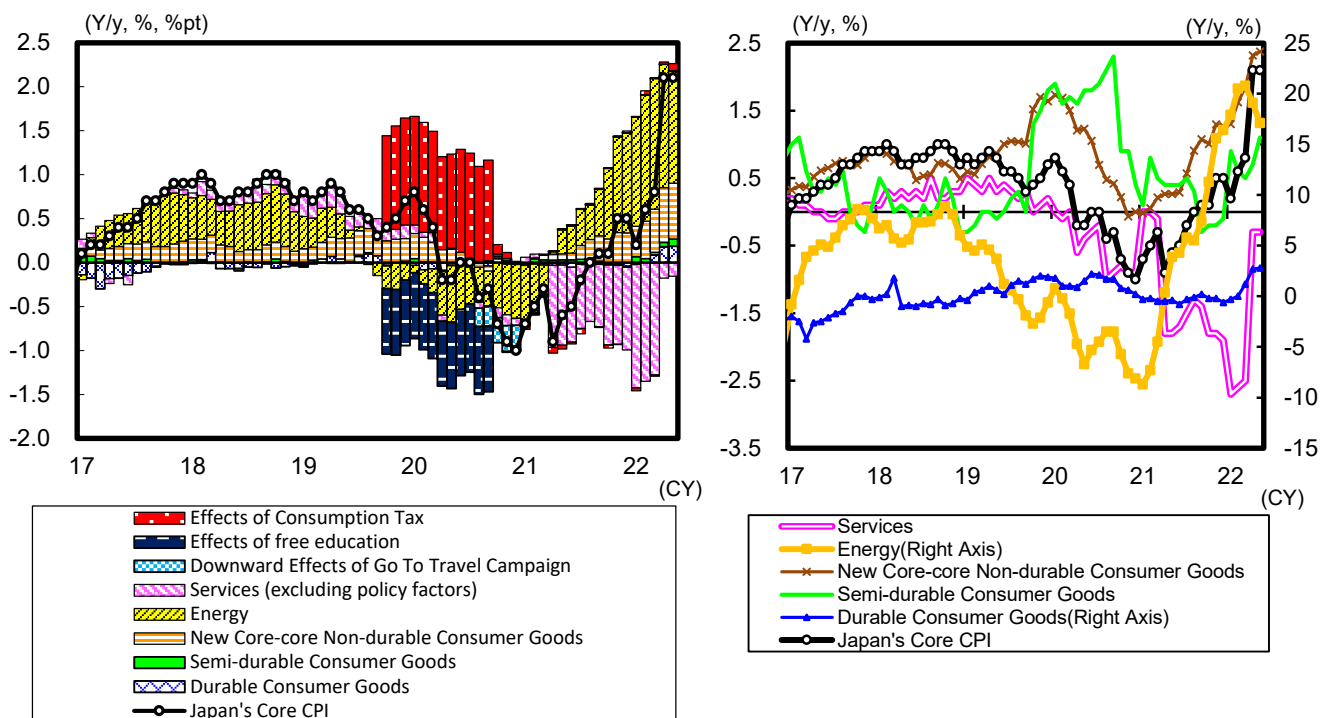
Consumer Price Index (Y/y, %)								Chart 1
	2021			2022				May
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	
Japan's Core CPI	0.1	0.5	0.5	0.2	0.6	0.8	2.1	2.1
Consensus								2.1
DIR Outlook								2.1
Japan's New Core-core CPI	-0.7	-0.6	-0.7	-1.1	-1.0	-0.7	0.8	0.8
Tokyo 23 Wards Core CPI	0.1	0.3	0.5	0.2	0.5	0.8	1.9	1.9
New Core-core CPI	-0.4	-0.4	-0.3	-0.7	-0.6	-0.4	0.8	0.9

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.

Core CPI Y/y Comparison and Contribution Rate; Core CPI Components Chart 2



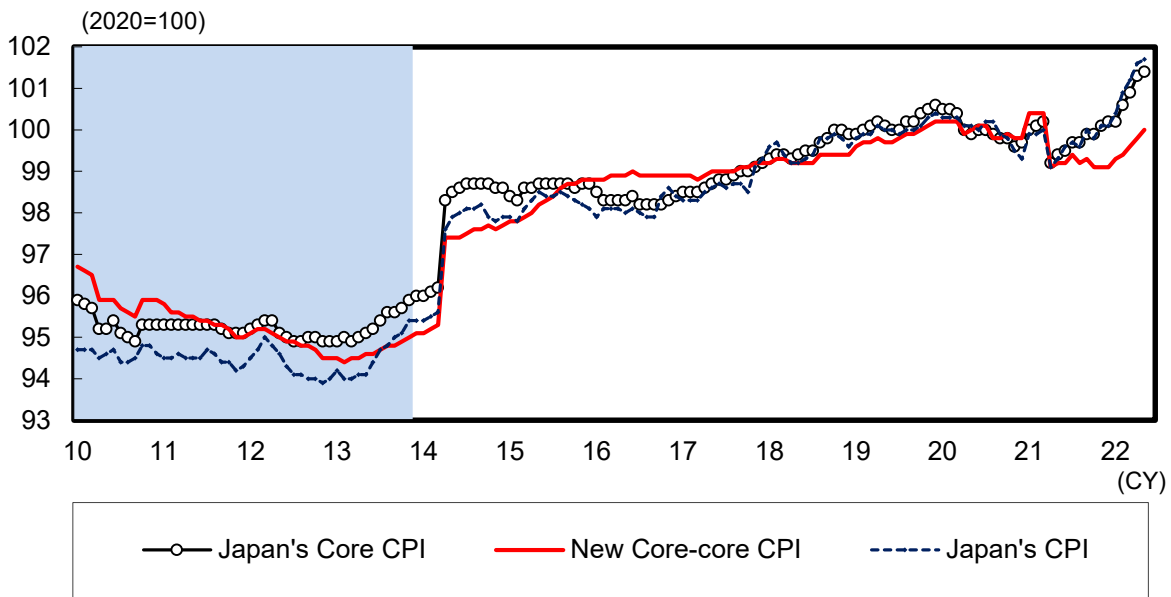
Source: Ministry of Internal Affairs and Communications; compiled by DIR.

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 3



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.