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July 2022 Consumer Price Index

As growth rate of foods continues to climb, “Mobile phones” add to upward movement of overall performance

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Summary

- Japan's July 2022 core CPI (excluding fresh foods) was at +2.4% y/y, with the growth rate up by 0.2%pt in comparison to the previous month. While the growth rate of energy continued at about the same level as the previous month, upward pressure from food related components grew stronger, bringing a rise in the growth rate of non-durable goods. Meanwhile, durable goods also brought upward pressure on core CPI due to the influence of “Mobile phones”.
- Japan's core CPI is expected to continue experiencing upward pressure influenced by high import prices. Price increases are likely to continue in goods, mainly non-durable consumer goods, and in services, which are more susceptible to import price movements. On the other hand, government policy is expected to bring downward pressure on prices, hence core CPI is expected to move in the range of 2.0% - 2.4% y/y. However, we must remain cautious regarding risk that the growth rate in the price of imports may remain high due to the exchange rate factor.

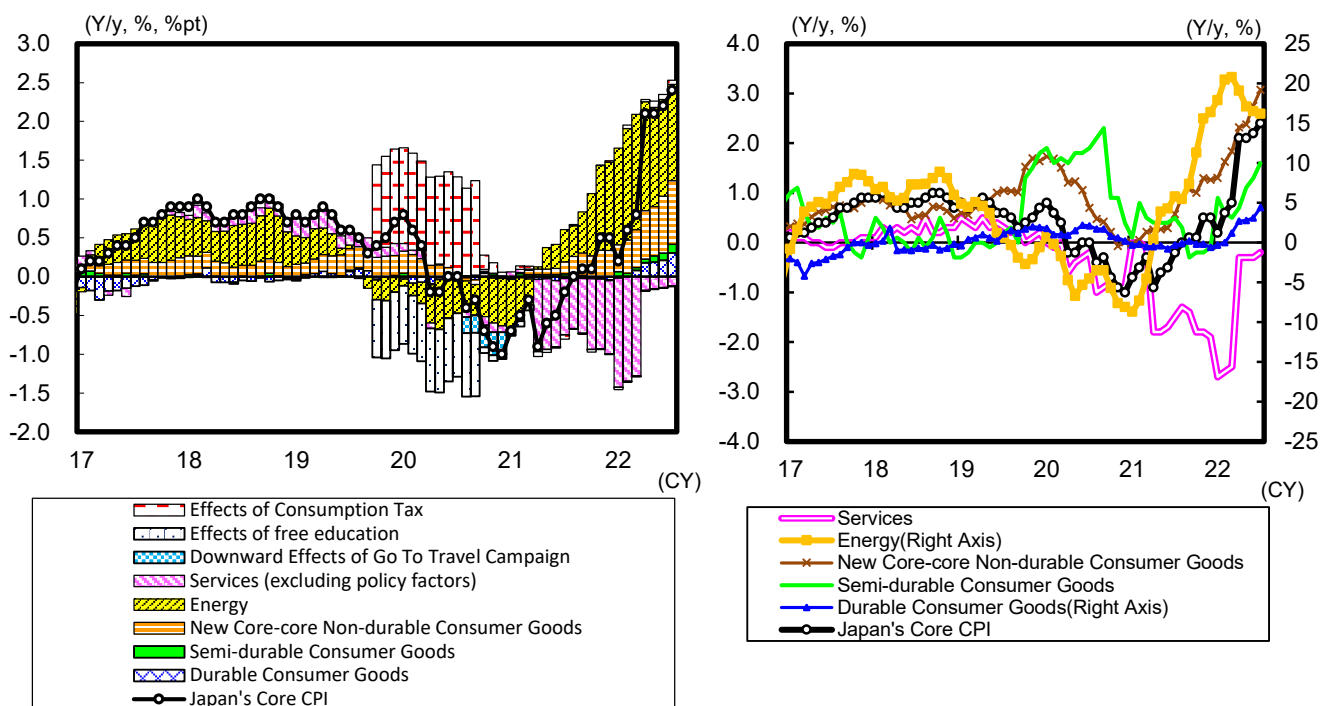
Consumer Price Index (Y/y, %)								Chart 1
	2021		2022					Jul
	Dec	Jan	Feb	Mar	Apr	May	Jun	
Japan's Core CPI	0.5	0.2	0.6	0.8	2.1	2.1	2.2	2.4
Consensus								2.4
DIR Outlook								2.4
Japan's New Core-core CPI	-0.7	-1.1	-1.0	-0.7	0.8	0.8	1.0	1.2
Tokyo 23 Wards Core CPI	0.5	0.2	0.5	0.8	1.9	1.9	2.1	2.3
New Core-core CPI	-0.3	-0.7	-0.6	-0.4	0.8	0.9	1.0	1.2

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



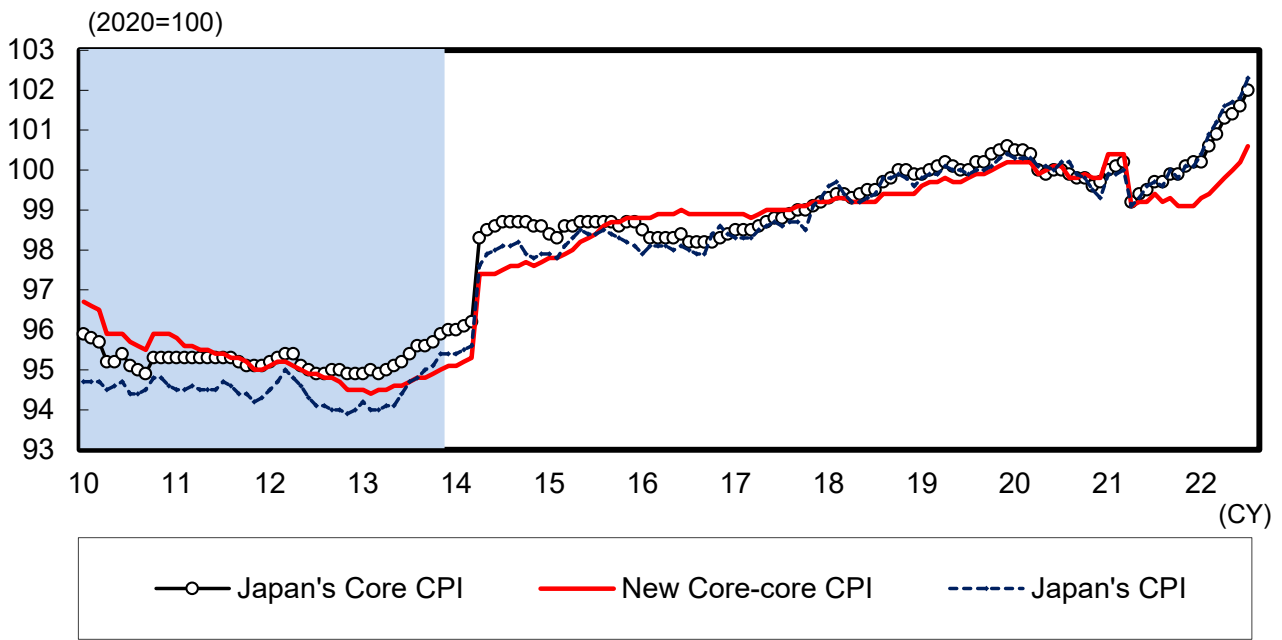
Source: Ministry of Internal Affairs and Communications; compiled by DIR.

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.