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Japanese report: 20 Jan 2023

December 2022 Consumer Price Index

Core CPI growth attains 4% on a y/y basis

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Summary

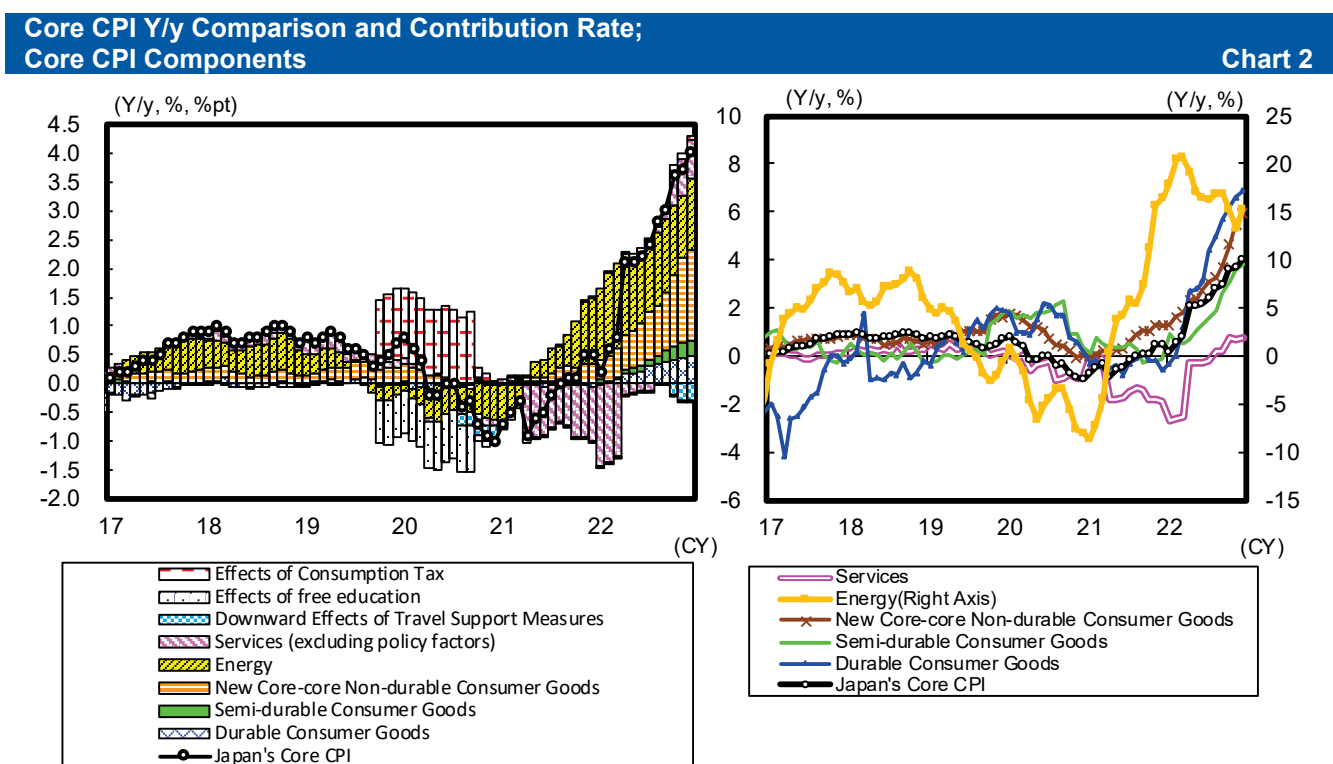
- Japan's December 2022 core CPI (excluding fresh foods) was at +4.0% y/y, reaching the 4% level for the first time since December 1981. Looking at the breakdown, the growth rate of non-durable consumer goods is increasing due to the impact of food price hikes in goods, while in services, price hikes are spreading in items such as food services.
- Japan's core CPI growth rate is expected to continue to reflect the strong influence of the government's Fuel Oil Price Fluctuation Mitigation Program. On a quarterly basis, the growth rate peaked in the Oct-Dec period of 2022, and is expected to decline sharply in the Jan-Mar through Jul-Sep periods of 2023 due to the effects of the program. The growth rate will accelerate again from the Oct-Dec period onward when the effects of the measures have worn off. The underlying tone of prices is expected to continue to rise moderately against the backdrop of an improvement in the supply-demand gap. However, if a high level of wage hikes is achieved in the spring labor negotiations, this will likely become a factor that pushes prices up.

Consumer Price Index (Y/y, %)									Chart 1
	2022								
	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Japan's Core CPI	2.1	2.2	2.4	2.8	3.0	3.6	3.7	4.0	
Consensus								4.0	
DIR Outlook								4.0	
Japan's New Core-core CPI	0.8	1.0	1.2	1.6	1.8	2.5	2.8	3.0	
Tokyo 23 Wards Core CPI	1.9	2.1	2.3	2.6	2.8	3.4	3.6	3.9	
New Core-core CPI	0.9	1.0	1.2	1.4	1.7	2.2	2.4	2.7	

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.

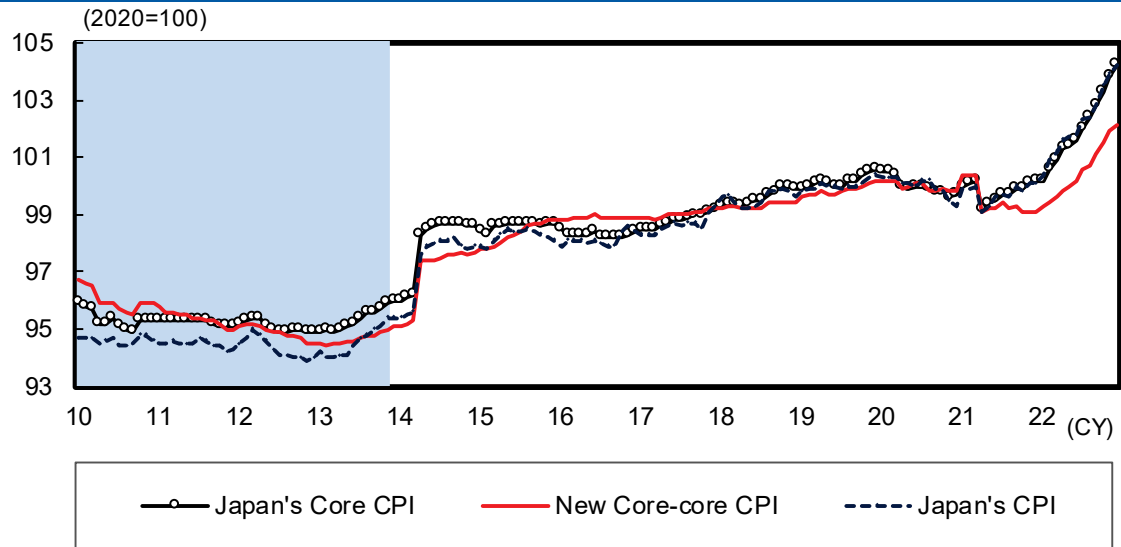


Source: Ministry of Internal Affairs and Communications; compiled by DIR.

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, free preschool and higher education and Travel Support Measures (Go To Travel Campaign and Nationwide Travel Support) are estimated by DIR.

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.