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# January 2023 Consumer Price Index

Core CPI growth attains +4.2% on a y/y basis

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## Summary

- Japan's January 2023 core CPI (excluding fresh foods) was at +4.2% y/y, recording its highest growth rate since September of 1981. Growth was up 0.2%pt in comparison to the previous month - here we must take into consideration the influence of the reduction in discount rates under the Nationwide Travel Support.
- Japan's CPI growth rate (excluding fresh foods and energy) is expected to turn downward in early 2023, and then rise moderately from the second half of 2024 to about +1% y/y in the Jan-Mar period of 2025. The underlying tone of prices is expected to continue to rise moderately, given the tightening of the macro supply-demand balance and higher wage growth.
- One of the characteristics of the recent price hikes is that not only flexible price items, which are subject to frequent price revisions, but also sticky price items, which are subject to less frequent price revisions, have seen an increase in the rate of price hikes. Price trends for sticky price items are considered to be closely related to the expected inflation rate, and it is possible that the higher expected inflation rate is driving price increases for sticky price items.

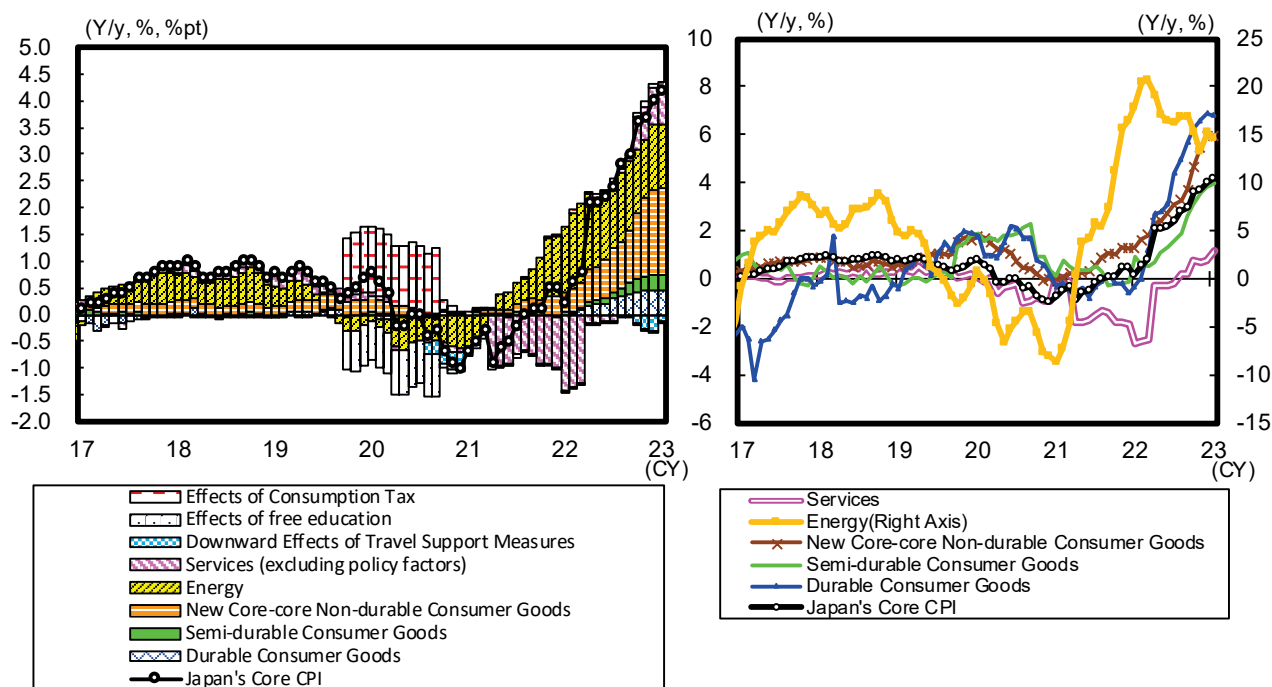
Consumer Price Index (Y/y, %)								Chart 1
	2022							2023
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Japan's Core CPI	2.2	2.4	2.8	3.0	3.6	3.7	4.0	4.2
Consensus								4.2
DIR Outlook								4.2
Japan's New Core-core CPI	1.0	1.2	1.6	1.8	2.5	2.8	3.0	3.2
Tokyo 23 Wards Core CPI	2.1	2.3	2.6	2.8	3.4	3.6	3.9	4.3
New Core-core CPI	1.0	1.2	1.4	1.7	2.2	2.4	2.7	3.0

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

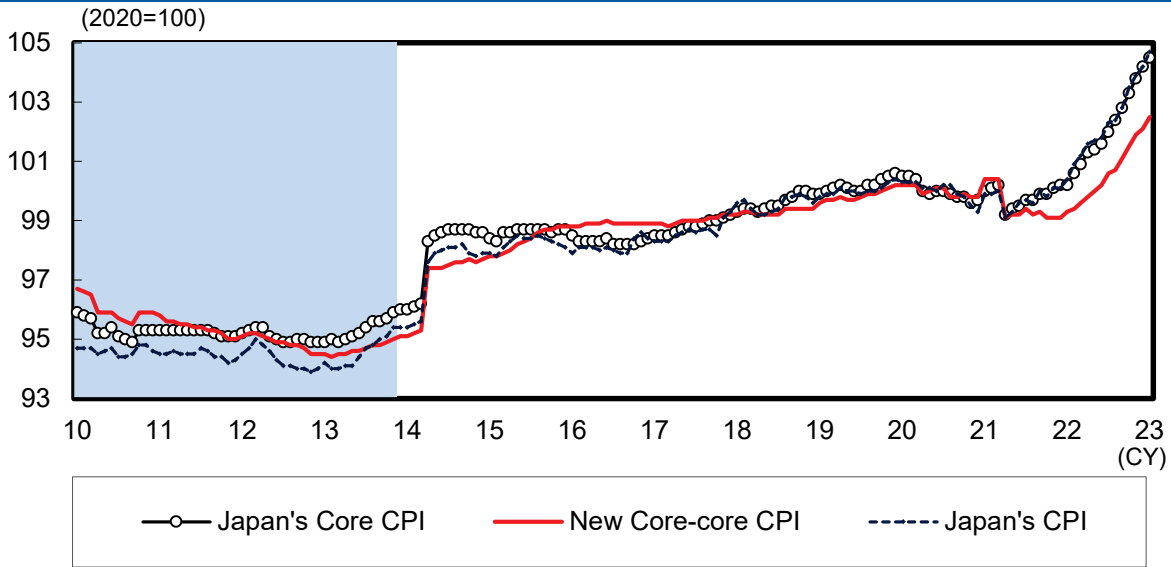


Source: Ministry of Internal Affairs and Communications; compiled by DIR.

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, 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.