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Japanese report: 24 Mar 2023

February 2023 Consumer Price Index

Core CPI growth rate decreases due to effects of government policy, but the upward trend in prices is continuing.

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Summary

- Japan's February 2023 core CPI (excluding fresh foods) was at +3.1% y/y. Growth rate was down by 1.1%pt in comparison to the previous month. This was due mostly to the government's Fuel Oil Price Fluctuation Mitigation Program, which pushed down electricity and gas bills significantly. New core-core CPI (excluding fresh food and energy) was at +3.5%, up 0.3%pt from the previous month. The chain index (seasonally adjusted) shows that the upward trend in prices is continuing.
- Japan's new core-core CPI growth rate (excluding fresh foods and energy) is expected to continue its downward trend until the first half of 2024, and then accelerate moderately to about +1% y/y in the Jan-Mar period of 2025. The underlying tone of prices is expected to return to a gradual increase as the trend of price hikes, especially for foodstuffs, gradually subsides and the macro supply-demand balance tightens. If a large base-pay increase is realized in the spring wage negotiations, the probability that the upward trend in prices will be further strengthened will increase.

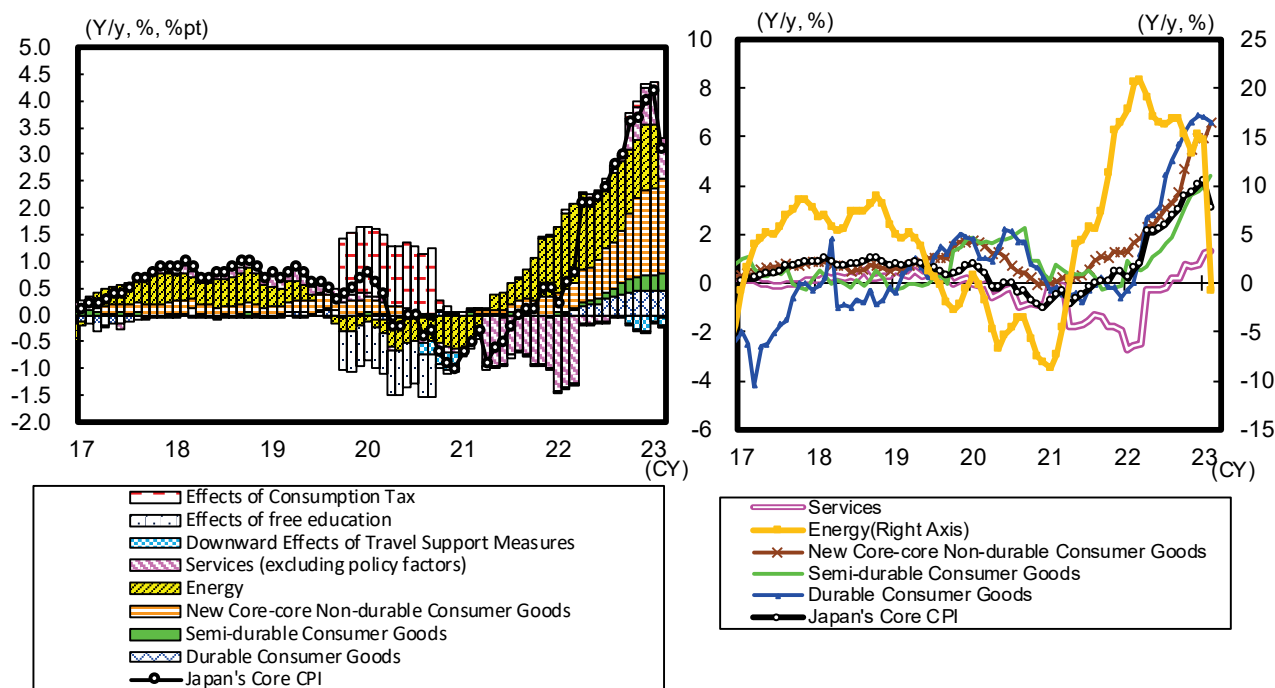
Consumer Price Index (Y/y, %)								Chart 1
	2022						2023	
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Japan's Core CPI	2.4	2.8	3.0	3.6	3.7	4.0	4.2	3.1
Consensus								3.1
DIR Outlook								2.9
Japan's New Core-core CPI	1.2	1.6	1.8	2.5	2.8	3.0	3.2	3.5
Tokyo 23 Wards Core CPI	2.3	2.6	2.8	3.4	3.6	3.9	4.3	3.3
New Core-core CPI	1.2	1.4	1.7	2.2	2.4	2.7	3.0	3.1

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

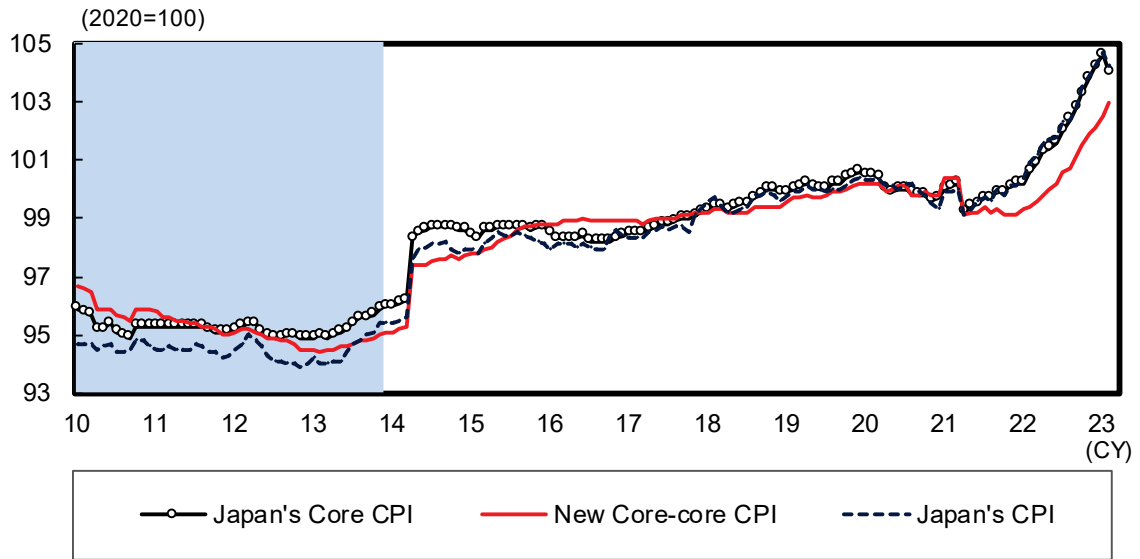


Source: Ministry of Internal Affairs and Communications; compiled by DIR.

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.