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Japanese report: 19 May 2023

April 2023 Consumer Price Index

CPI (excluding fresh food and energy) breaks through to +4% y/y level.

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Summary

- Japan's April 2023 core CPI (excluding fresh food) was at +3.4% y/y. New core-core CPI (excluding fresh food and energy) was at +4.1%, growth of 0.3% pt in comparison to the previous month. Looking at the trend in prices according to the chain index (seasonally adjusted), which removes distortions (upward bias) in CPI figures, new core-core CPI has grown for three consecutive months at +0.5% m/m. New core-core CPI maintains an extremely high pace of growth at around +6% annualized, and the upward trend in prices remains strong.
- The growth trend in prices is expected to be maintained in the future due to the rise in wage increases. The rate of wage increases is expected to increase significantly in the 2023 spring wage negotiations. Price hikes in a wide range of items, including services, are likely to be implemented due to increased personnel expenses, increasing the likelihood of a shift to a more sustainable demand-pull inflation as seen in the US and Europe.

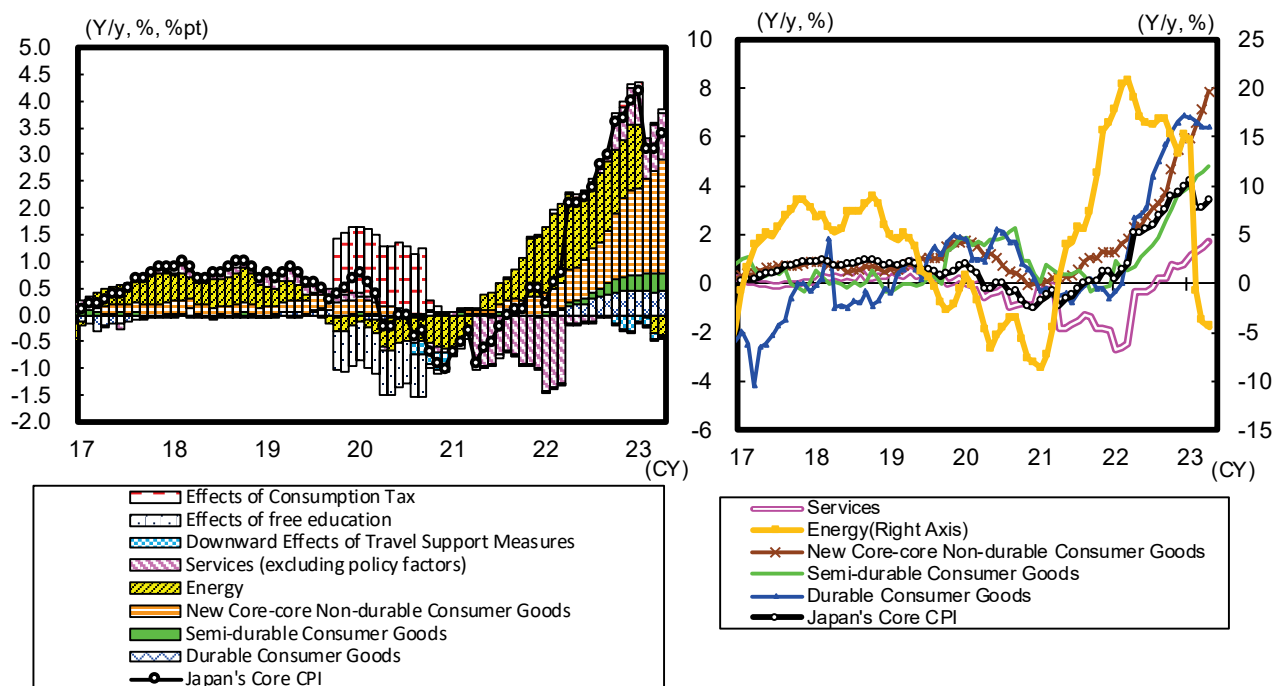
Consumer Price Index (Y/y, %)									Chart 1
	2022				2023				
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	
Japan's Core CPI	3.0	3.6	3.7	4.0	4.2	3.1	3.1	3.4	
Consensus								3.4	
DIR Outlook								3.3	
Japan's New Core-core CPI	1.8	2.5	2.8	3.0	3.2	3.5	3.8	4.1	
Tokyo 23 Wards Core CPI	2.8	3.4	3.6	3.9	4.3	3.3	3.2	3.5	
New Core-core CPI	1.7	2.2	2.4	2.7	3.0	3.1	3.4	3.8	

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

Notes: 1) Consensus figures from Bloomberg

2) Core CPI is total excluding fresh food, and new core-core CPI excludes fresh food and energy.

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

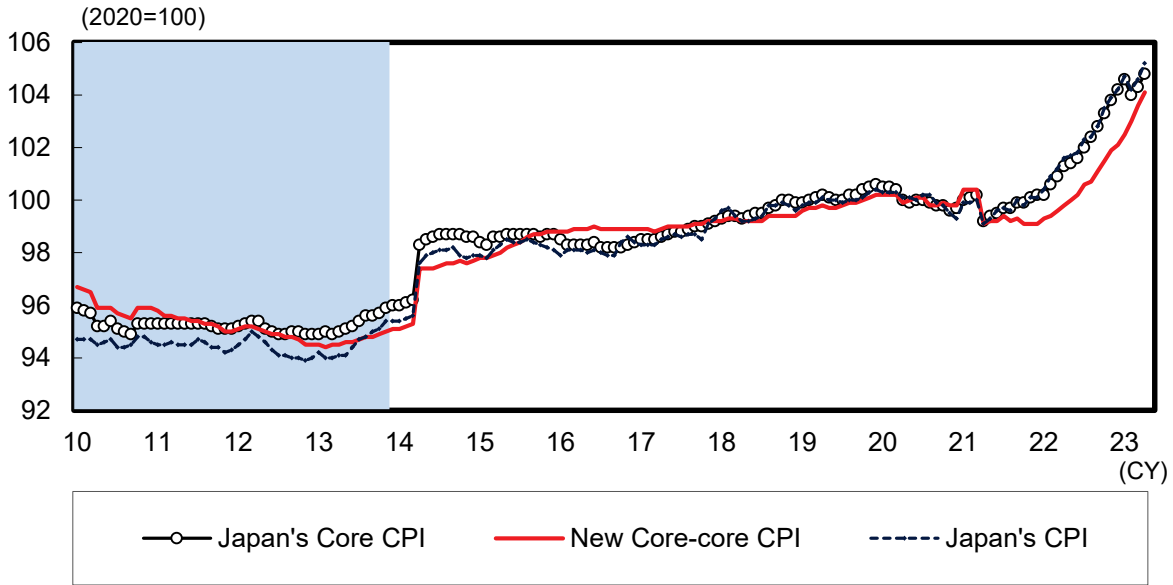


Source: Ministry of Internal Affairs and Communications; compiled by DIR.

Note: 1) Core CPI is total excluding fresh food, new core-core non-durable consumer goods is excluding fresh food 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 food, and new core-core CPI excludes fresh food and energy.

2) Shaded areas represent deflationary periods according to the government's monthly economic report.