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Japanese report: 23 Jun 2023

May 2023 Consumer Price Index

Core CPI slows due to decline in energy prices, but upward trend in prices remains strong.

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Summary

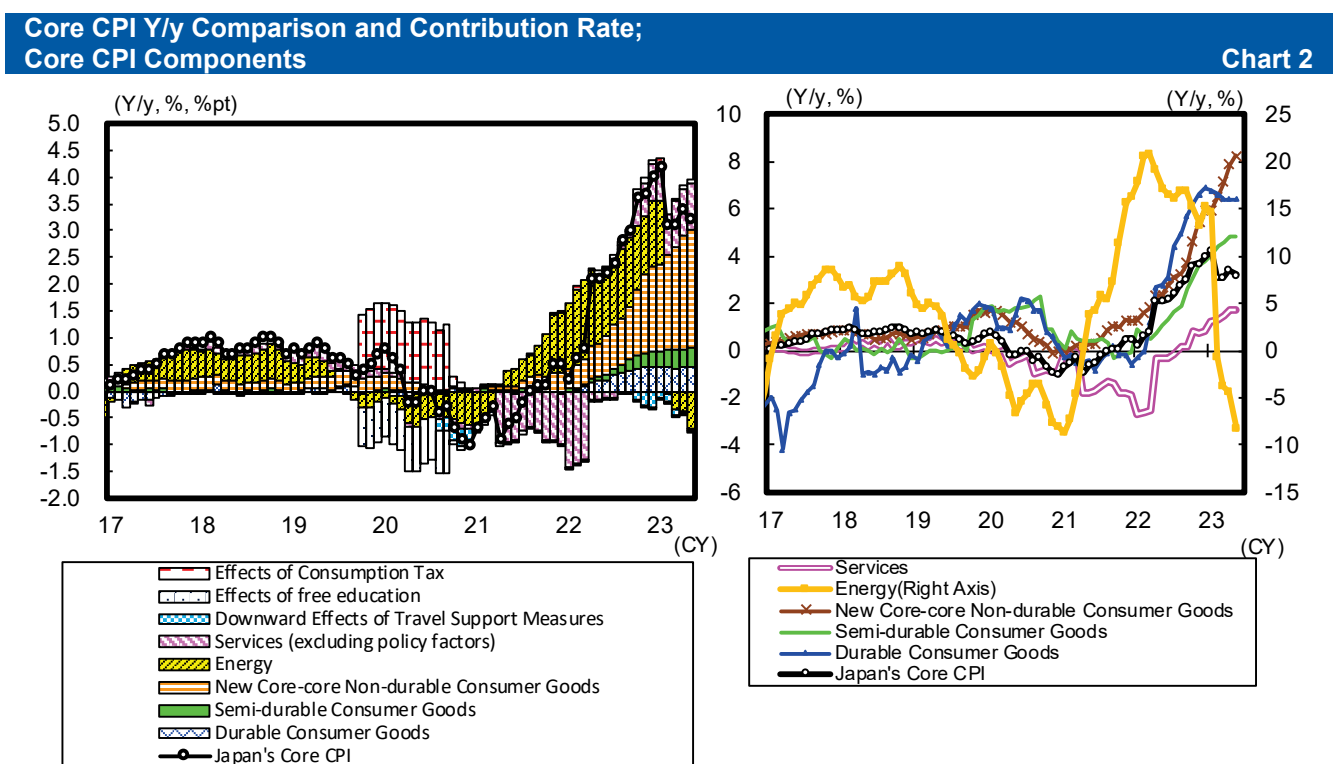
- Japan's May 2023 core CPI (excluding fresh food) slowed to +3.2% y/y. New core-core CPI (excluding fresh food and energy) was at +4.3%, growth of 0.2% pt in comparison to the previous month. According to the chain index (seasonally adjusted by Laspeyres' Chain Index Method), new core-core CPI grew by +0.3% m/m. Although this constitutes a slowdown in comparison with the previous month (which recorded +0.5%), new core-core CPI maintains an extremely high pace of growth at around +3.5% annualized, and the upward trend in prices remains strong.
- The y/y change in core CPI (excluding fresh food) is expected to exceed the Bank of Japan's price stability target level of 2% for the time being, though the growth rate will gradually slow down. With the high rate of growth in wages achieved in the 2023 spring labor negotiations, the upward trend in the price of services, which is closely linked to wages, will likely grow stronger. Companies are now becoming more aggressive in their pricing behavior, and there is a possibility that they will further accelerate their efforts to pass on the increased input costs resulting from higher wages to selling prices.

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

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.

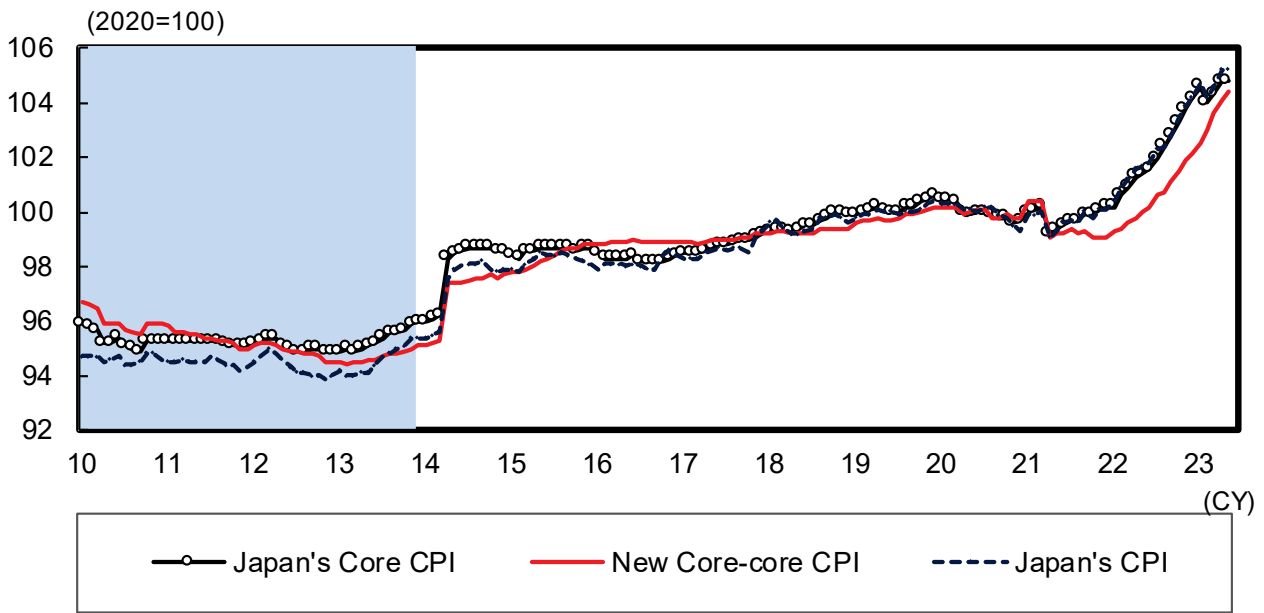


Source: Ministry of Internal Affairs and Communications; compiled by DIR.

Note: 1) Core CPI is total excluding fresh food, and 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.