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June 2023 Consumer Price Index

New core-core CPI (excluding fresh food and energy) appears to be close to peaking out in y/y terms

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Summary

- Japan's June 2023 core CPI (excluding fresh food) recorded +3.3% y/y. New core-core CPI (excluding fresh food and energy) was at +4.2%, a decline of 0.1% pt in comparison to the previous month. This is the first time in 1 year and 5 months that new core-core CPI has experienced a decline on a y/y basis in comparison to the previous month. Hence it is believed that new core-core CPI appears to be showing signs of peaking out. The seasonally adjusted figure for new core-core CPI (seasonally adjusted by Laspeyres' Chain Index Method), was at +0.2% m/m. In annualized terms this is around +2.3%, meaning that it is maintaining a pace of growth above the BOJ price stability target of 2%. But the rapid acceleration in the pace of increase seen in late 2022 and early 2023 has already run its course.
- The y/y change in core CPI (excluding fresh food) is expected to exceed 2% for the time being, although the positive range will gradually narrow. 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

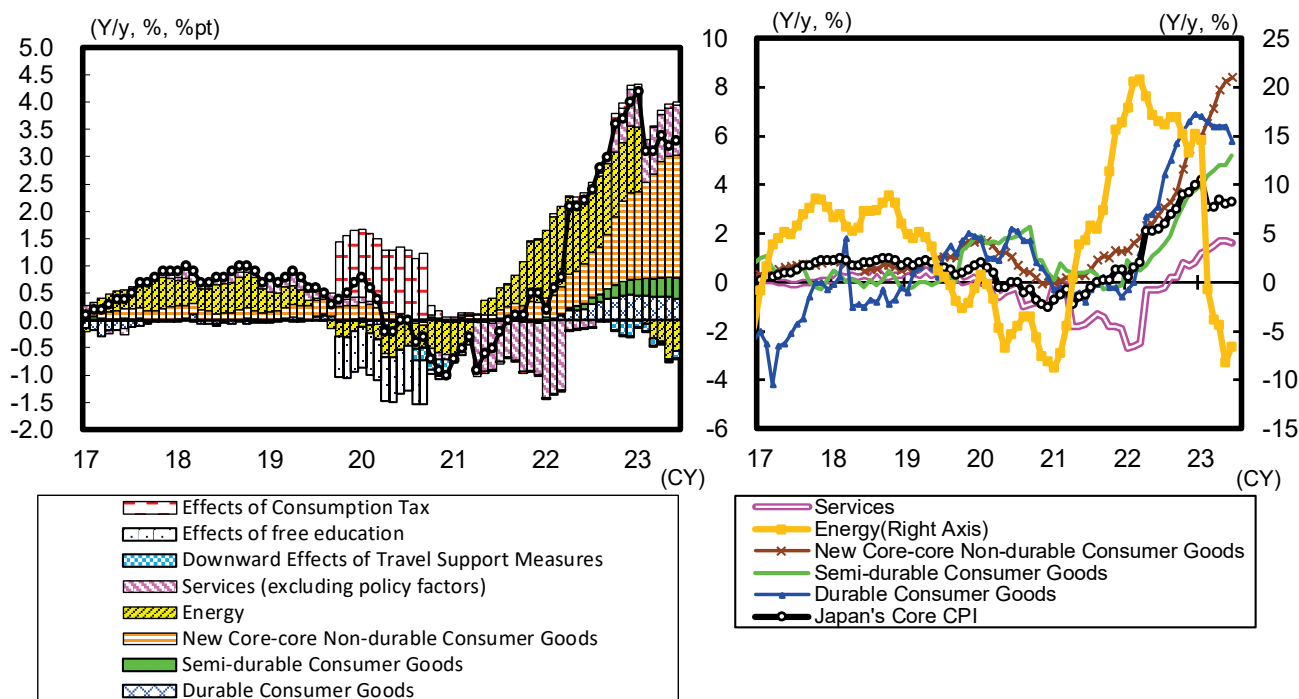
	2022		2023					
	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Japan's Core CPI	3.7	4.0	4.2	3.1	3.1	3.4	3.2	3.3
Consensus								3.3
DIR Outlook								3.2
Japan's New Core-core CPI	2.8	3.0	3.2	3.5	3.8	4.1	4.3	4.2
Tokyo 23 Wards Core CPI	3.6	3.9	4.3	3.3	3.2	3.5	3.1	3.2
New Core-core CPI	2.4	2.7	3.0	3.1	3.4	3.8	3.9	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

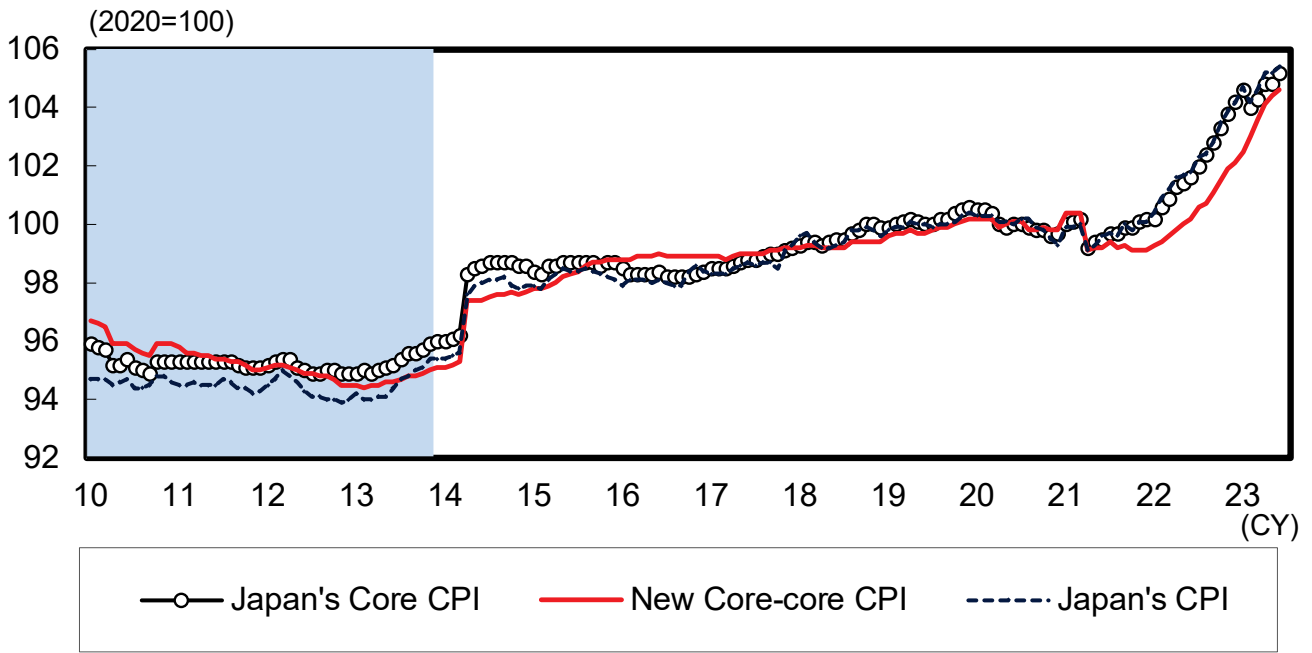


Source: Ministry of Internal Affairs and Communications; compiled by DIR.

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