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July 2023 Consumer Price Index

Growth trend in prices remains strong even when special factors are ignored

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Summary

- Japan's July 2023 core CPI (excluding fresh food) recorded +3.1% y/y. New core-core CPI (excluding fresh food and energy) was at +4.3%, growth of 0.1% pt in comparison to the previous month. The seasonally adjusted figure for new core-core CPI (seasonally adjusted by Laspeyres' Chain Index Method), was at +0.6% m/m. Although special factors were partly responsible for pushing prices up, mainly the end of Nationwide Travel Support in some regions, the growth trend in prices remains strong.
- Looking at the y/y change in core CPI in terms of goods and services, in energy, the negative range of electricity and city gas bills widened in comparison to the previous month. The positive range narrowed for durable and semi-durable goods. On the other hand, non-durable goods (excluding fresh food and energy) and services expanded their positive growth.
- As for the future of Japan's core CPI (excluding fresh food) in y/y terms, the positive range is expected to gradually narrow, but even so, growth is expected to exceed 2% for some time to come. 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, is growing 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.

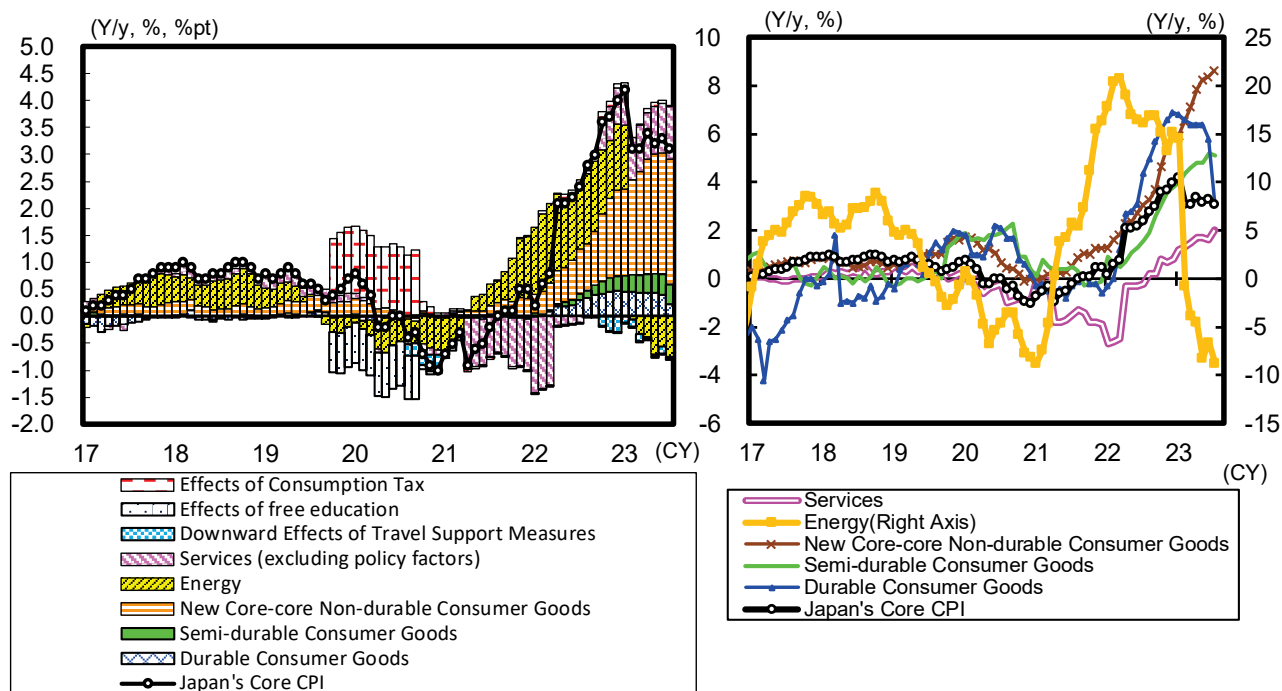
Consumer Price Index (Y/y, %)								Chart 1
	2022	2023	Feb	Mar	Apr	May	Jun	Jul
	Dec	Jan						Jul
Japan's Core CPI	4.0	4.2	3.1	3.1	3.4	3.2	3.3	3.1
Consensus								3.1
DIR Outlook								3.1
Japan's New Core-core CPI	3.0	3.2	3.5	3.8	4.1	4.3	4.2	4.3
Tokyo 23 Wards Core CPI	3.9	4.3	3.3	3.2	3.5	3.1	3.2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

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

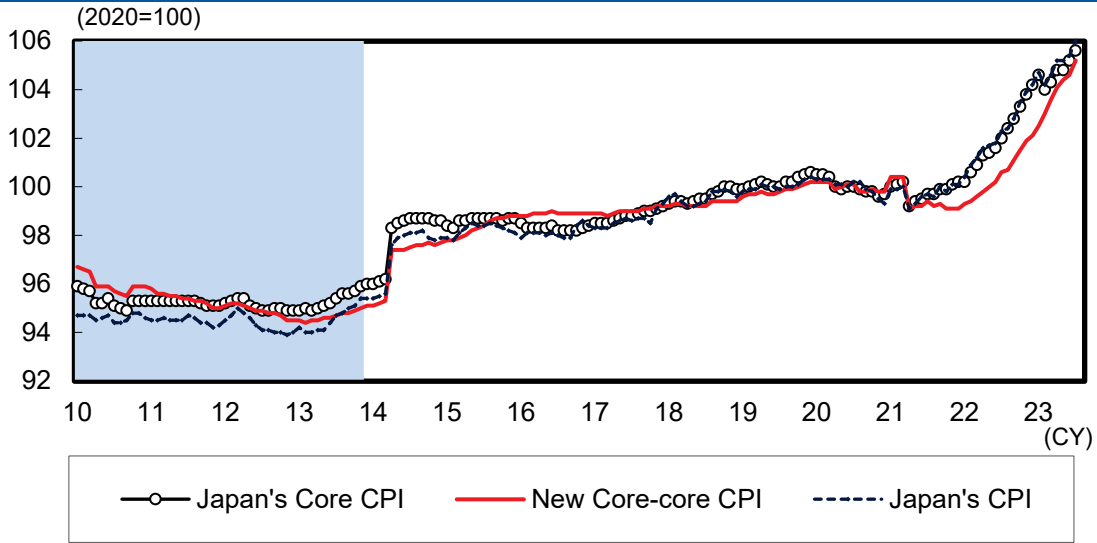


Source: Ministry of Internal Affairs and Communications; compiled by DIR.

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.