

22 December 2023 (No. of pages:3)

Japanese report: 22 Dec 2023

November 2023 Consumer Price Index

Slowdown in price increases strengthens due mainly to goods, while general services continue to accelerate

Economic Research Dept.
Shotaro Kugo
Kanako Nakamura

Summary

- Japan's November 2023 core CPI (excluding fresh food) recorded +2.5% y/y. New core-core CPI (excluding fresh food and energy) was at +3.8%. New core-core CPI fell below 4% for the first time since March. Growth in prices on a y/y basis is clearly slowing down.
- Looking at the y/y change in core CPI in terms of goods and services, the positive range shrunk for durable consumer goods, semi-durables, and non-durables (excluding fresh food and energy), and energy experienced a decline in negative range. On the other hand, services saw an increase in the positive range of growth. Public services experienced a decline in the range of negative growth on a y/y basis, while general services increased their positive range, which boosted the entire services category.
- As for the future of Japan's core CPI, growth of +2.8% y/y is expected in FY2023, with the same rate of growth (+2.8%) also seen in FY2024. As for new core-core CPI, +3.9% is seen in FY2023 and +1.9% in FY2024. With further progress in price pass-through, and a slightly higher wage increase compared to the previous year expected in spring wage negotiations in 2024, the cyclical growth mechanism of wages and prices is expected to function reliably. We expect the Bank of Japan to achieve its 2% price stability target.

Consumer Price Index (Y/y, %) Chart 1

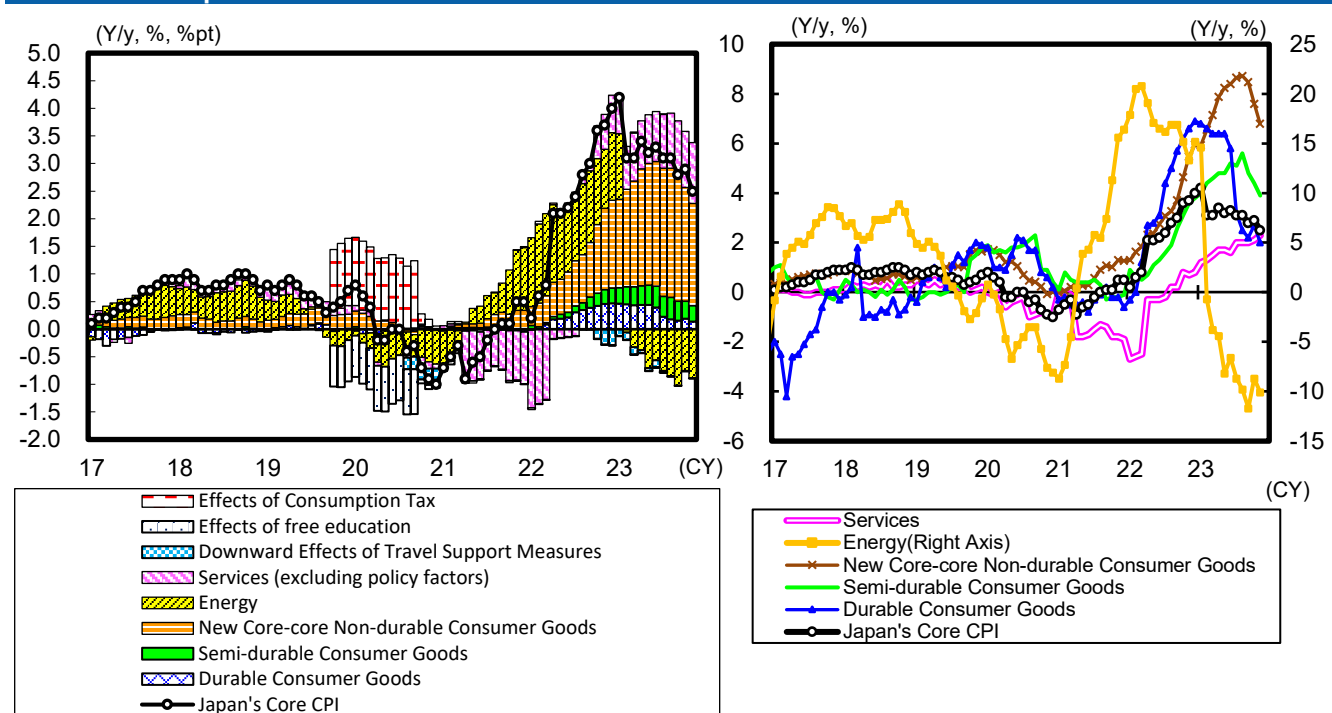
	2023							
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Japan's Core CPI	3.4	3.2	3.3	3.1	3.1	2.8	2.9	2.5
Consensus								2.5
DIR Outlook								2.6
Japan's New Core-core CPI	4.1	4.3	4.2	4.3	4.3	4.2	4.0	3.8
Tokyo 23 Wards Core CPI	3.5	3.1	3.2	3.0	2.8	2.5	2.7	2.3
New Core-core CPI	3.8	3.9	3.8	4.0	4.0	3.9	3.8	3.6

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

Notes: 1) Consensus figures from Bloomberg aggregated data.

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

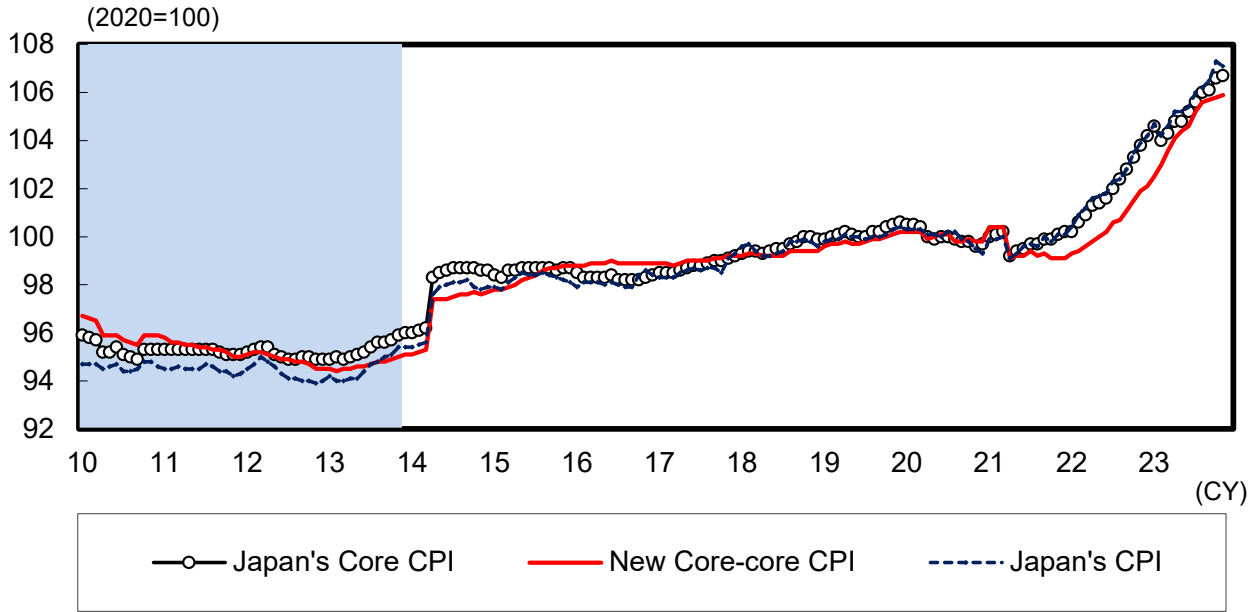


Source: Ministry of Internal Affairs and Communications; compiled by DIR.

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.