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Japanese report: 19 Jan 2024

December 2023 Consumer Price Index

2023 Core CPI achieves highest growth since 1982 at +3.1% y/y

Economic Research Dept.
Shotaro Kugo
Kanako Nakamura

Summary

- Japan's December 2023 core CPI (excluding fresh food) recorded +2.3% y/y. New core-core CPI (excluding fresh food and energy) was at +3.7%. Growth in prices on a y/y basis is gradually slowing down. For CY2023, core CPI (excluding fresh food) rose +3.1%, a further acceleration from the core CPI growth rate in 2022 (+2.3%), and the highest growth rate since 1982.
- Looking at the y/y change in core CPI in terms of goods and services in December 2023, durable consumer goods and semi-durables increased in the positive range. On the other hand, non-durables (excluding fresh food and energy) saw the positive range of growth shrink, while energy declined further into negative territory. The growth range in the price of services marked time in comparison to the previous month.
- 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

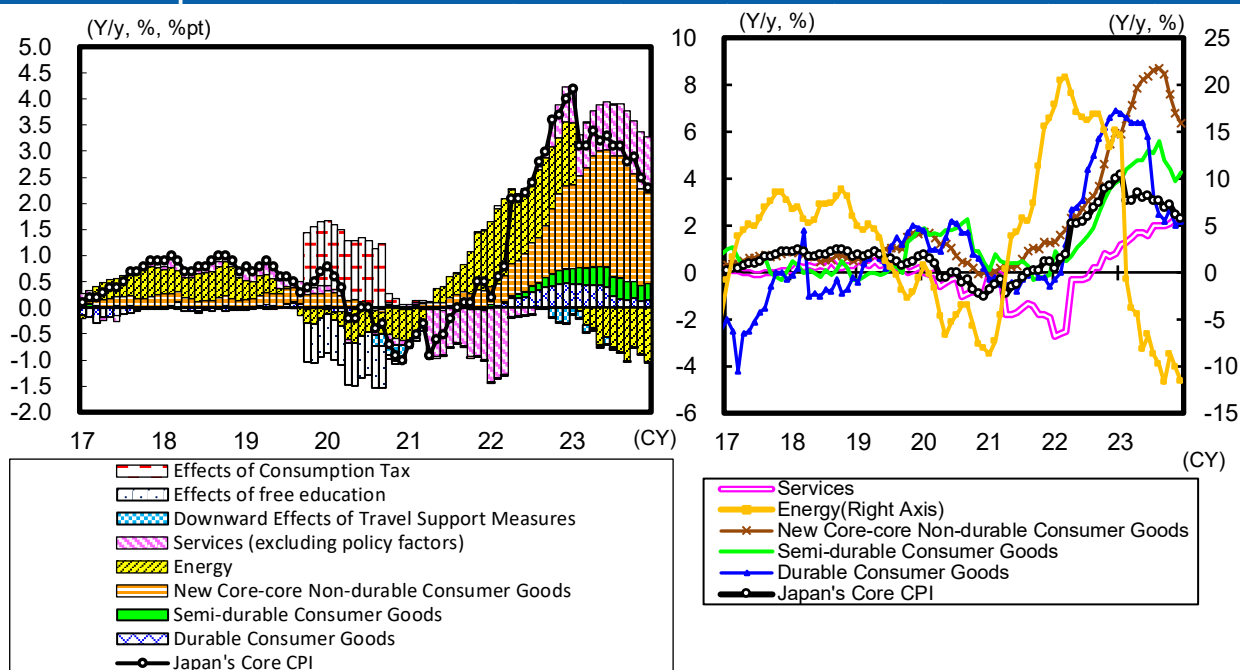
| | 2023 | | | | | | | |
|---------------------------|------|-----|-----|-----|-----|-----|-----|-----|
| | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
| Japan's Core CPI | 3.2 | 3.3 | 3.1 | 3.1 | 2.8 | 2.9 | 2.5 | 2.3 |
| Consensus | | | | | | | | 2.3 |
| DIR Outlook | | | | | | | | 2.3 |
| Japan's New Core-core CPI | 4.3 | 4.2 | 4.3 | 4.3 | 4.2 | 4.0 | 3.8 | 3.7 |
| Tokyo 23 Wards Core CPI | 3.1 | 3.2 | 3.0 | 2.8 | 2.5 | 2.7 | 2.3 | 2.1 |
| New Core-core CPI | 3.9 | 3.8 | 4.0 | 4.0 | 3.9 | 3.8 | 3.6 | 3.5 |

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

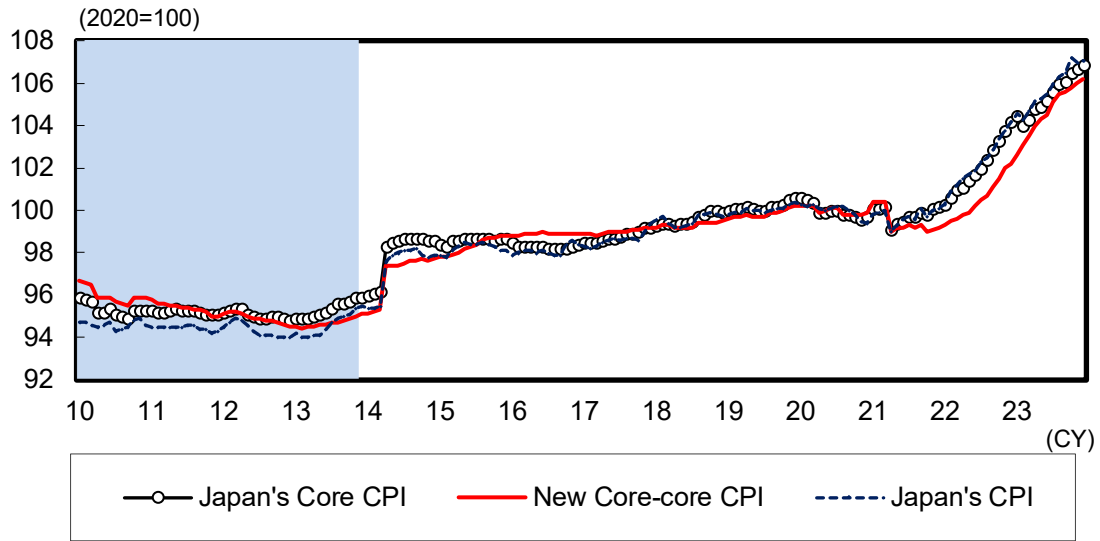


Source: Ministry of Internal Affairs and Communications; compiled by DIR.

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.