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Japanese report: 22 Mar 2024

February 2024 Consumer Price Index

Core CPI growth rate accelerates on a y/y basis due to reduction in energy price decline

Economic Research Dept.
Shotaro Kugo
Kanako Nakamura

Summary

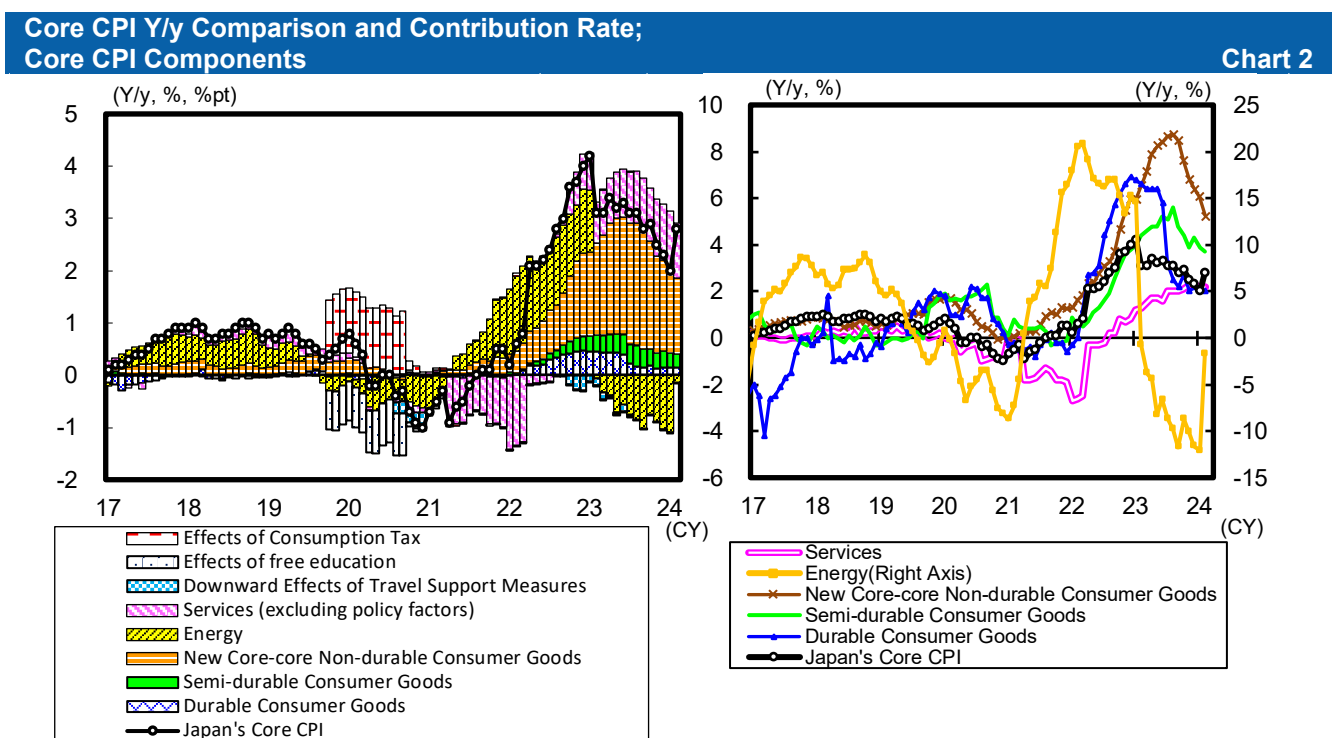
- Japan's February 2024 core CPI (excluding fresh food) recorded +2.8% y/y. New core-core CPI (excluding fresh food and energy) was at +3.2%.
- Looking at the y/y change in core CPI in terms of goods and services in February 2024, the growth rate declined in comparison with the previous month for durable consumer goods, semi-durables, and non-durables (excluding fresh food and energy). Meanwhile, energy experienced a significant decrease in negative range as the influence of government policy wanes in a y/y basis. The price of services marked time in comparison to the previous month, including both public services and general services.
- As for the future of Japan's new core-core CPI (excluding fresh food and energy), growth of +3.9% y/y is expected in FY2023, with +2.1% seen in FY2024, and +2.0% expected in FY2025. The risk of the underlying inflation rate being on the high side is especially large in FY2024. As for this year's spring labor negotiations, the Japanese Trade Union Confederation (JTUC) announced the results of the first round of responses on March 15. The rate of wage increase, including regular salary increase, is a weighted average of 5.28%. We expect the cyclical growth of wages and prices to strengthen further centering on FY2024 as companies move to implement price pass-through in response to the increased labor costs resulting from higher wages.

Consumer Price Index (Y/y, %)								Chart 1
	2023						2024	
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Japan's Core CPI	3.1	3.1	2.8	2.9	2.5	2.3	2.0	2.8
Consensus								2.8
DIR Outlook								2.8
Japan's New Core-core CPI	4.3	4.3	4.2	4.0	3.8	3.7	3.5	3.2
Tokyo 23 Wards Core CPI	3.0	2.8	2.5	2.7	2.3	2.1	1.8	2.5
New Core-core CPI	4.0	4.0	3.9	3.8	3.6	3.5	3.3	3.1

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.

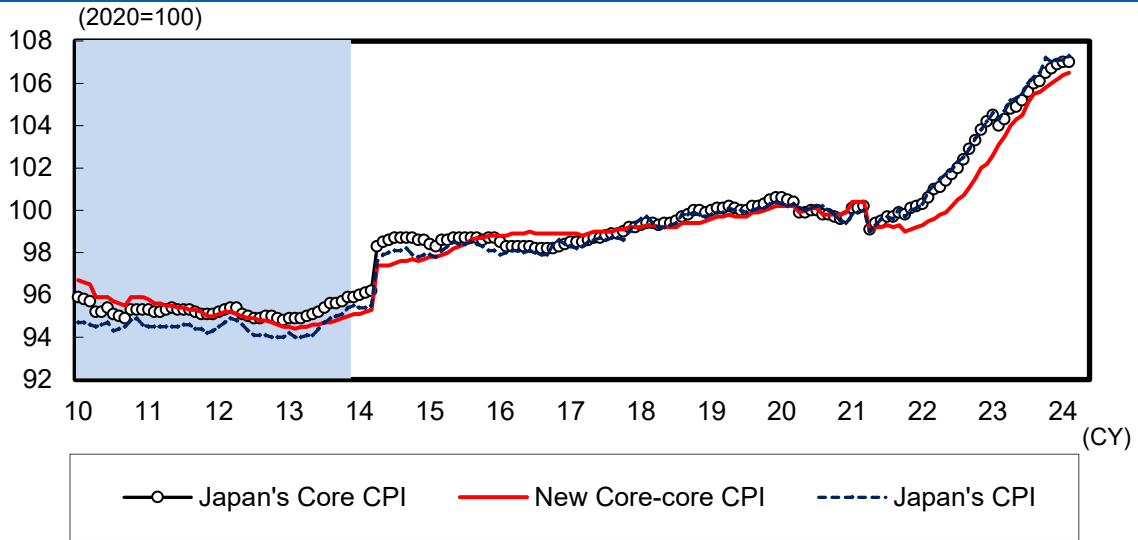


Source: Ministry of Internal Affairs and Communications; compiled by DIR.

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.