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Japanese report: 24 May 2024

April 2024 Consumer Price Index

Growth rate of services falls due to policy factors

Economic Research Dept.

Shotaro Kugo**Kanako Nakamura**

Summary

- Japan's April 2024 core CPI (excluding fresh food) recorded +2.2% y/y. New core-core CPI (excluding fresh food and energy) was at +2.4%. Both core CPI and new core-core CPI continue to show a reduction in y/y growth rate in comparison to the previous month.
- Looking at the y/y change in core CPI in terms of goods and services in April 2024, the growth rate declined in comparison with the previous month for semi-durable goods, non-durables (excluding fresh food and energy), and services. On the other hand, the growth rate rose for durable consumer goods in comparison to the previous month. The price of energy saw a return to a positive growth rate.
- As for the future of Japan's new core-core CPI (excluding fresh food and energy), growth of +2.2% y/y is expected in both FY2024 and FY2025. The sharp increase in import prices has already run its course, and the increase in intermediate input costs, which had been a major cause of rising prices, is gradually slowing. On the other hand, major wage hikes in this year's labor negotiations will likely bring a strengthening around the middle of FY2024 of the tendency for companies to implement price pass-through in response to increased labor costs, and this is expected to lead to an increase in underlying inflation. We expect the virtuous cycle between wages and prices to become the norm in FY2025, with new core-core CPI maintaining stable growth of around +2%.

Consumer Price Index (Y/y, %)

Chart 1

	2023 Sep	Oct	Nov	Dec	2024 Jan	Feb	Mar	Apr
Japan's Core CPI	2.8	2.9	2.5	2.3	2.0	2.8	2.6	2.2
Consensus								2.2
DIR Outlook								2.2
Japan's New Core-core CPI	4.2	4.0	3.8	3.7	3.5	3.2	2.9	2.4
Tokyo 23 Wards Core CPI	2.5	2.7	2.3	2.1	1.8	2.5	2.4	1.6
New Core-core CPI	3.9	3.8	3.6	3.5	3.3	3.1	2.9	1.8

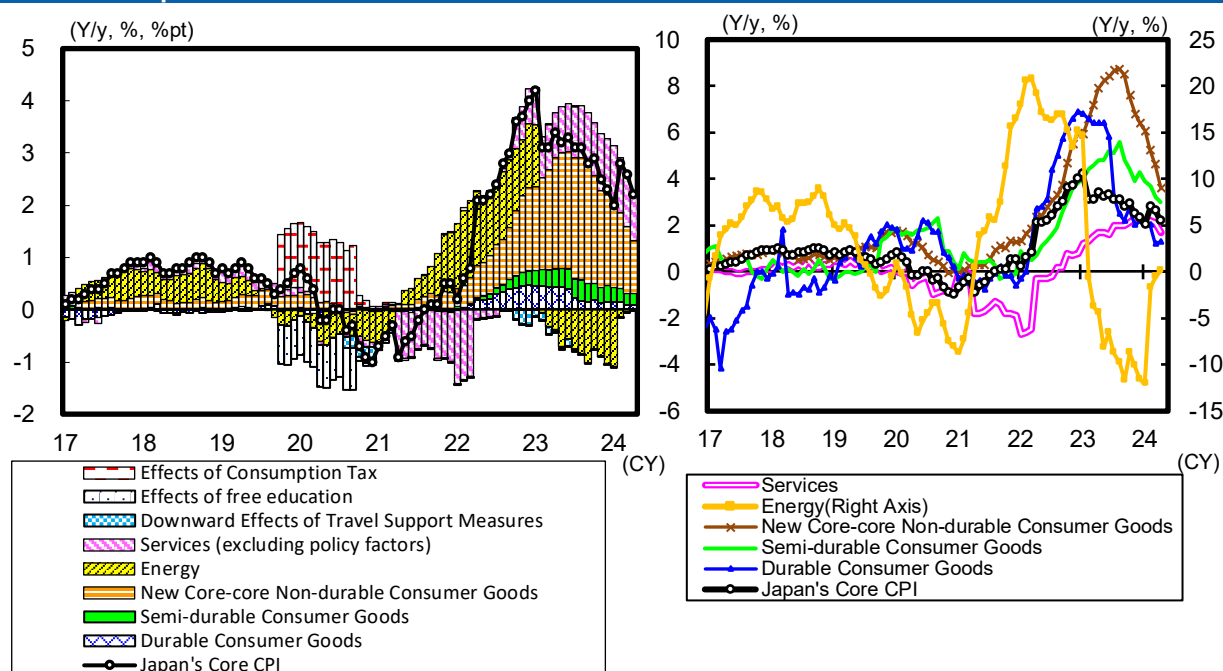
Source: Ministry of Internal Affairs and Communications, Bloomberg; compiled by DIR.

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



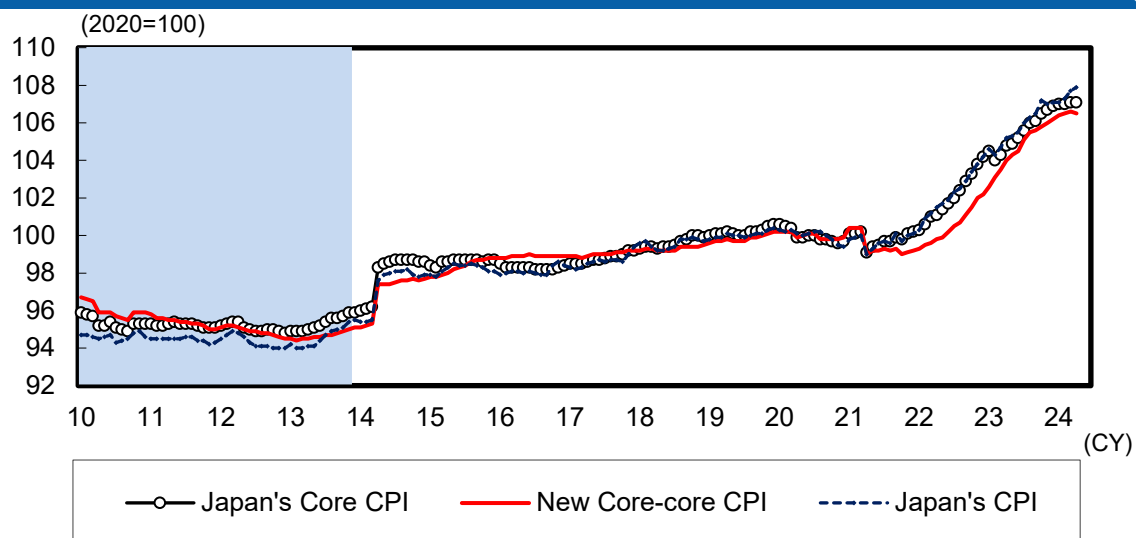
Source: Ministry of Internal Affairs and Communications; compiled by DIR.

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.