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September 2024 Consumer Price Index

Core CPI y/y growth rate declines in comparison to previous month due to “emergency assistance to ride out the extreme heat”

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Summary

- Japan's September 2024 core CPI (excluding fresh food) recorded +2.4% y/y, a decline in growth rate in comparison to the previous month. This was mainly due to the implementation of government measures to combat high energy prices. New core-core CPI (excluding fresh food and energy) recorded +2.1% y/y, an increase in growth rate in comparison to the previous month.
- Looking at the y/y change in core CPI in terms of goods and services in September 2024, the growth rates for energy and services declined in comparison to the previous month. On the other hand, rates for semi-durables and non-durables (excluding fresh food and energy) increased in comparison to the previous month. The growth rate for durables marked time in comparison to the previous month.
- As for the future of Japan's new core-core CPI, growth of +2.0% y/y is expected in both FY2024 and FY2025. While the pace of increase in intermediate input costs is expected to be slower particularly from the mid-point of FY2024, the momentum for companies to pass on increases in labor costs to selling prices in response to significant wage hikes during the spring labor negotiations will expand more than in FY2023. There will likely be an increase in underlying inflation rate from the second half of FY2024. We expect the cyclical increase in 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

	2024 Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Japan's Core CPI	2.8	2.6	2.2	2.5	2.6	2.7	2.8	2.4
Consensus								2.3
DIR Outlook								2.3
Japan's New Core-core CPI	3.2	2.9	2.4	2.1	2.2	1.9	2.0	2.1
Tokyo 23 Wards Core CPI	2.5	2.4	1.6	1.9	2.1	2.2	2.4	2.0
New Core-core CPI	3.1	2.9	1.8	1.7	1.8	1.5	1.6	1.6

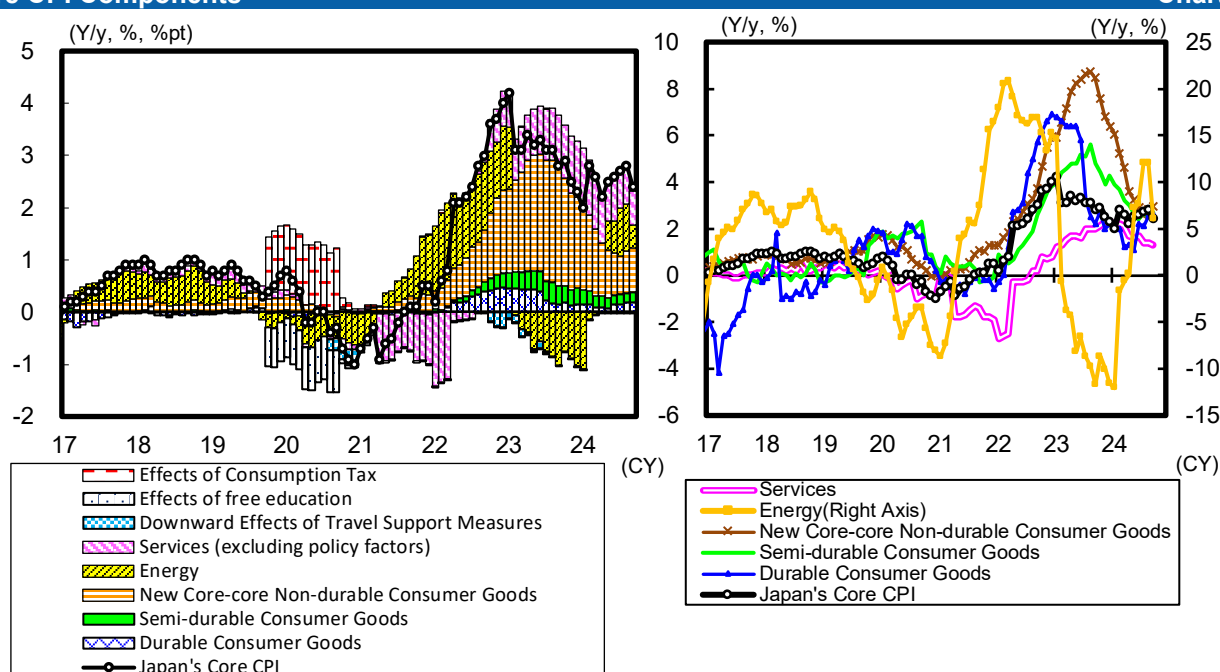
Sources: Ministry of Internal Affairs and Communications, Bloomberg; compiled by DIR.

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



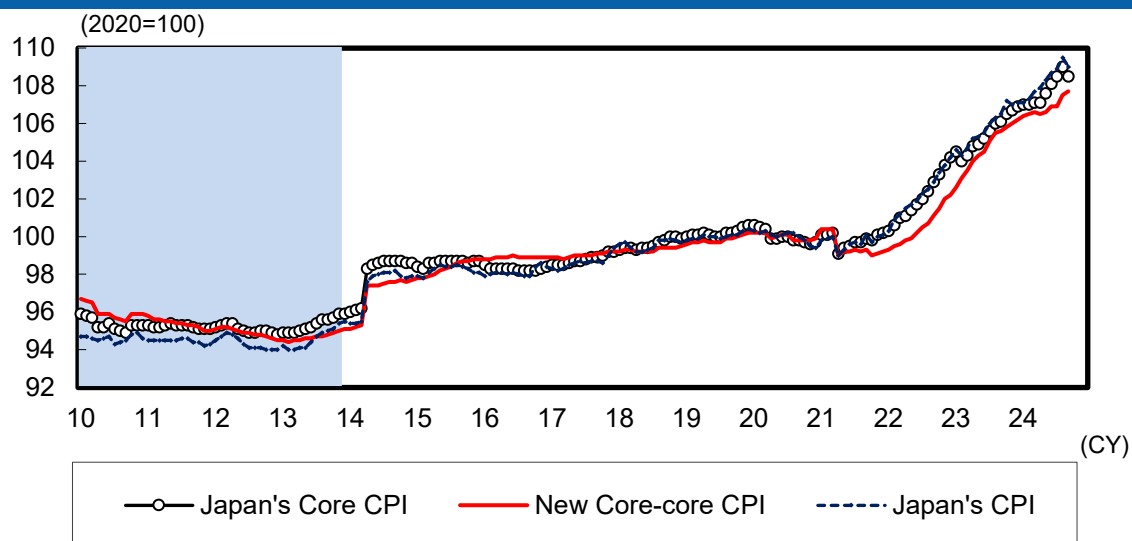
Source: Ministry of Internal Affairs and Communications; compiled by DIR.

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



Sources: 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.