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Japanese report: 20 Dec 2024

November 2024 Consumer Price Index

Core CPI y/y growth rate expands for the first time in three months due to the reduction in electricity & gas subsidies

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Summary

- Japan's November 2024 core CPI (excluding fresh food) recorded +2.7% y/y, an expansion in the y/y growth rate for the first time in three months. An increase in the price of energy due to the government's reduction of its "Emergency Assistance for Overcoming Severe Summer Heat" starting in October (appearing in November payments) pushed prices up. New core-core CPI (excluding fresh food and energy) also grew by +2.4% y/y, an expansion in the 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 November 2024, the growth rates for semi-durables, non-durables (excluding fresh food and energy) and energy expanded in comparison to the previous month. On the other hand, the growth rate for durables shrunk. The growth rate for services marked time in comparison to the previous month.
- As for the future of Japan's new core-core CPI, growth of around +2% y/y is expected in both FY2024 and FY2025. The main cause of rising prices has already shifted from an increase in intermediate input costs to an increase in labor costs. The structural issue of an intensifying labor shortage is the factor behind this situation, and companies are expected to continue to raise wages. This will also lead to a continuation of the trend of passing on the resulting increase in labor costs to sales prices. We expect the cyclical increase in wages and prices to become the norm in FY2025.

Consumer Price Index (Y/y, %)

Chart 1

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

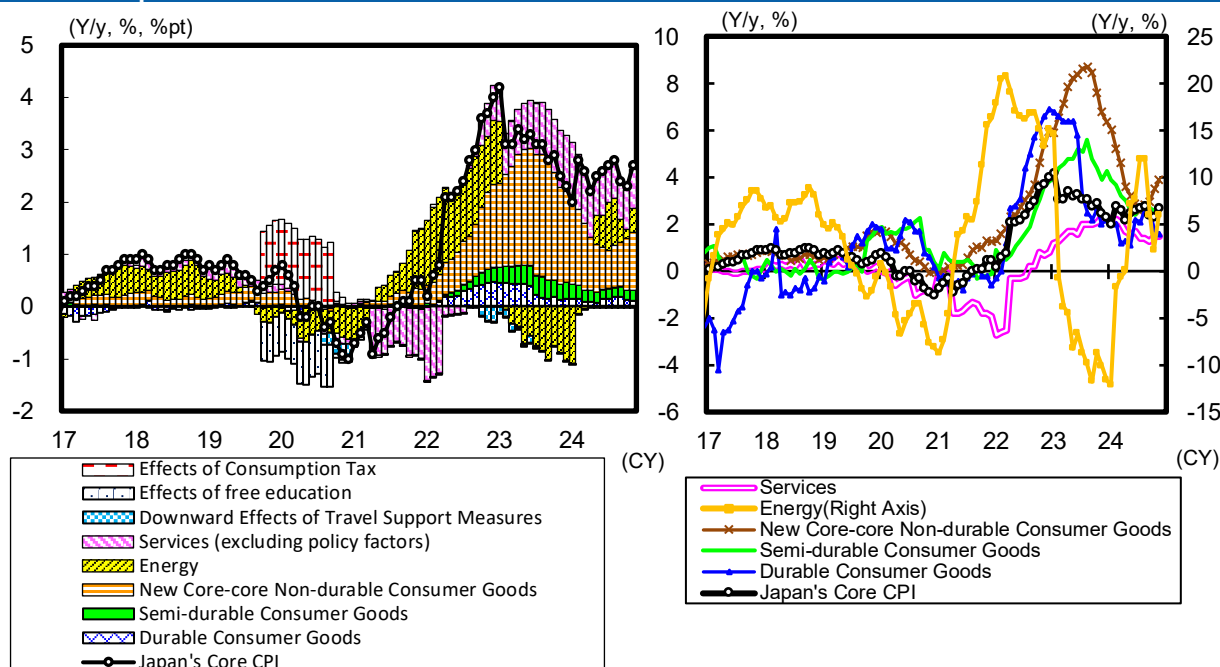
Sources: Ministry of Internal Affairs and Communications, Bloomberg; compiled by DIR.

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



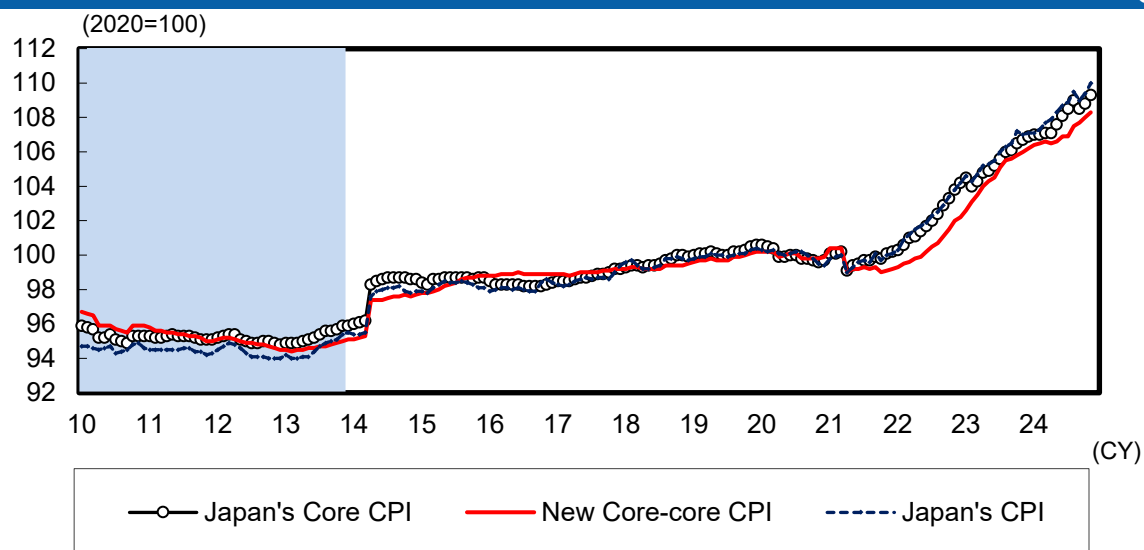
Source: Ministry of Internal Affairs and Communications; compiled by DIR.

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 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.