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December 2024 Consumer Price Index

Core CPI y/y growth rate hits 3% level for first time since August 2023 due to termination of electricity & gas subsidies

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Summary

- Japan's December 2024 core CPI (excluding fresh food) recorded +3.0% y/y, an expansion in the y/y growth rate for the second consecutive month. An increase in the price of energy due to the government's termination of electricity & gas subsidies, which were part of its "Emergency Assistance for Overcoming Severe Summer Heat," pushed prices up. New core-core CPI (excluding fresh food and energy) was at +2.4%, marking time in comparison to the previous month.
- Looking at the y/y change in core CPI in terms of goods and services in December 2024, the y/y growth rates for energy and non-durables (excluding fresh food and energy), as well as services expanded in comparison to the previous month. On the other hand, the y/y growth rates for durables and semi-durables shrank.
- 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 May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Japan's Core CPI	2.5	2.6	2.7	2.8	2.4	2.3	2.7	3.0
Consensus								3.0
DIR Outlook								3.0
Japan's New Core-core CPI	2.1	2.2	1.9	2.0	2.1	2.3	2.4	2.4
Tokyo 23 Wards Core CPI	1.9	2.1	2.2	2.4	2.0	1.8	2.2	2.4
New Core-core CPI	1.7	1.8	1.5	1.6	1.6	1.8	1.9	1.8

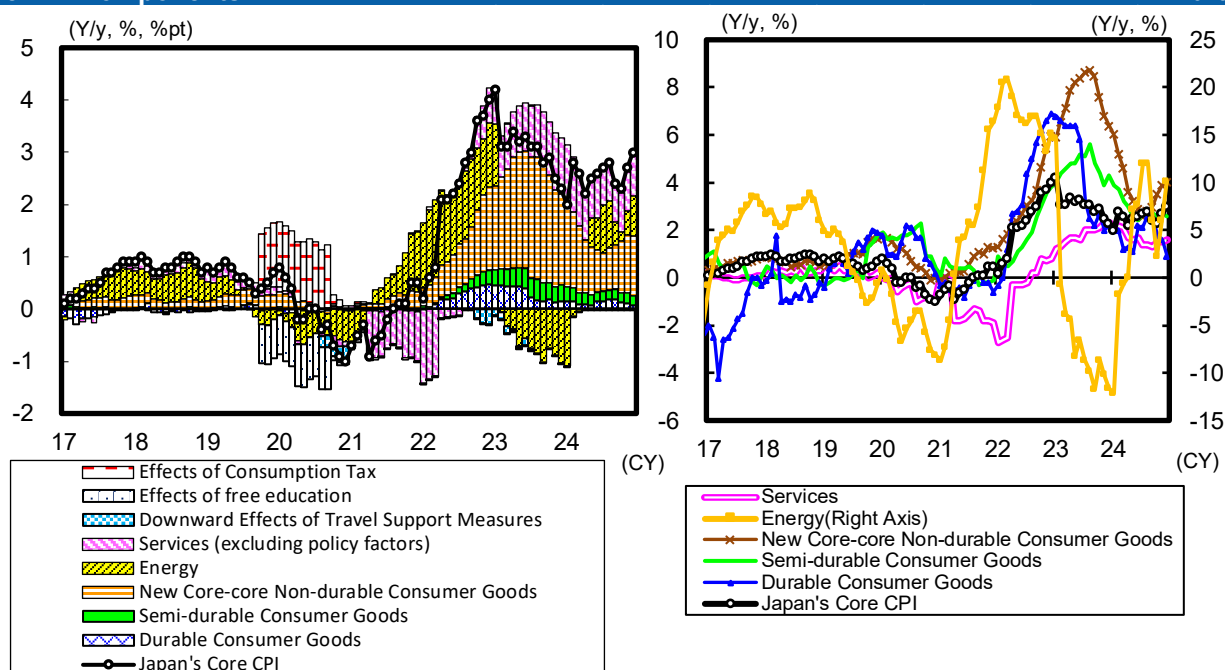
Sources: Ministry of Internal Affairs and Communications, Bloomberg; compiled by DIR.

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



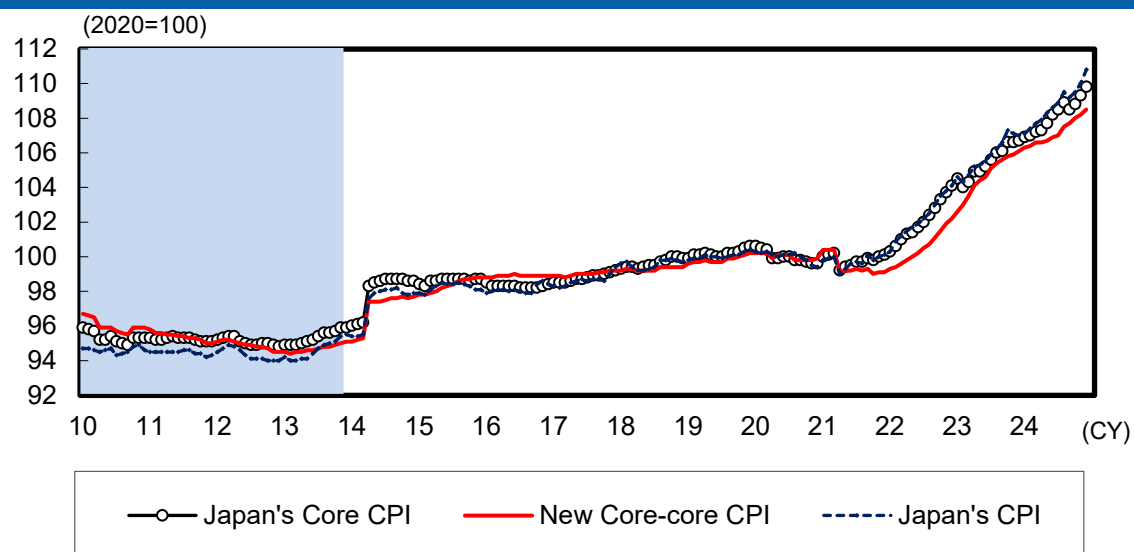
Source: Ministry of Internal Affairs and Communications; compiled by DIR.

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.