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Japanese report: 21 Feb 2025

January 2025 Consumer Price Index

Upward trend in prices remains strong excluding temporary factors

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Summary

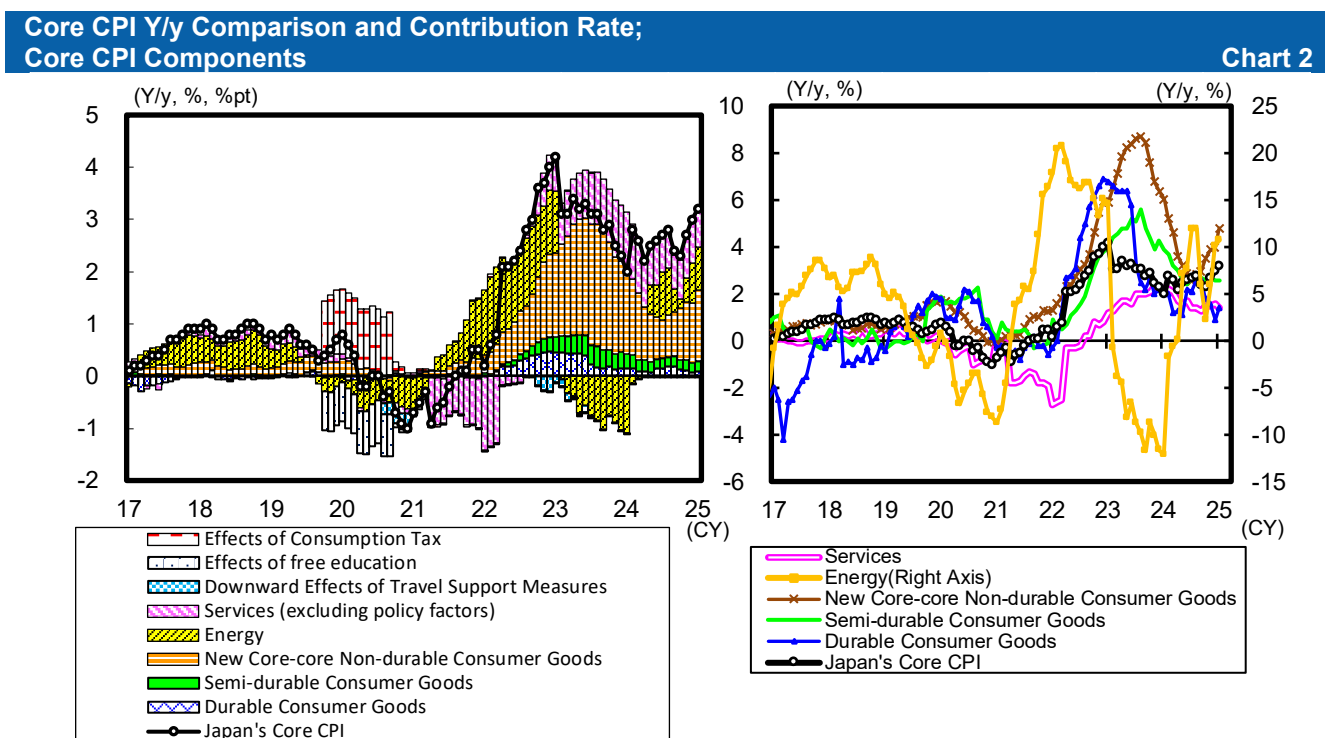
- Japan's January 2025 core CPI (excluding fresh food) recorded +3.2% y/y, an expansion in the y/y growth rate in comparison to the previous month. Higher food prices and energy prices due to reduced gasoline subsidies pushed prices higher. In addition, the CPI growth rate for all items was +4.0%, reaching the 4% level for the first time in two years, due to the impact of higher prices for fresh food. Furthermore, the y/y growth rate of new core-core CPI, (excluding fresh food and energy, which tends to fluctuate widely), expanded from the previous month to +2.5%, indicating that the upward trend in prices is still strong even when temporary factors are excluded.
- Looking at the y/y change in core CPI in terms of goods and services in January 2025, the y/y growth rates for non-durables (excluding fresh food and energy) and energy, as well durables expanded in comparison to the previous month. On the other hand, the y/y growth rate for services shrank in comparison to the previous month. The growth rate for semi-durables marked time in comparison to the previous month.
- As for the future of Japan's new core-core CPI, growth of +2.2% y/y is expected in FY2024, with +2.3% seen in FY2025 and +2.0% in FY2026. Prices of some foodstuffs, such as rice, continue to soar at present, but such trends are expected to gradually subside. On the other hand, the trend of passing on increased labor costs to selling prices will continue, and the cyclical increase in wages and prices will take root, with underlying prices likely to remain stable at around +2% y/y.

Consumer Price Index (Y/y, %)								Chart 1
	2024 Jun	Jul	Aug	Sep	Oct	Nov	Dec	2025 Jan
Japan's Core CPI	2.6	2.7	2.8	2.4	2.3	2.7	3.0	3.2
Consensus								3.1
DIR Outlook								3.1
Japan's New Core-core CPI	2.2	1.9	2.0	2.1	2.3	2.4	2.4	2.5
Tokyo 23 Wards Core CPI	2.1	2.2	2.4	2.0	1.8	2.2	2.4	2.5
New Core-core CPI	1.8	1.5	1.6	1.6	1.8	1.9	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.



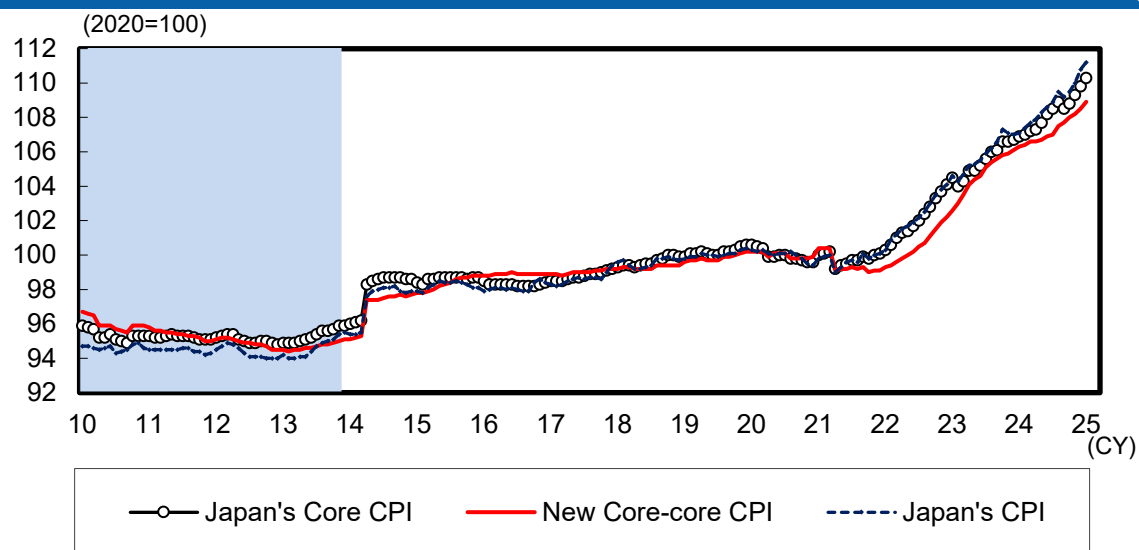
Source: Ministry of Internal Affairs and Communications; compiled by DIR.

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.