

“Consumer Prices,” the effect of consumption tax hike diminished

The Ministry of Internal Affairs and Communications reports consumer price data every month as a consumer price index (CPI). The CPI is calculated to comprehensively measure the price fluctuation of goods and services purchased by households nationwide in the time series. The consumer prices excluding fresh food, so-called “Core CPI” is a very useful indicator for monitoring inflation. Additionally, “Monitoring survey of prices” is released by the Consumer Affairs Agency, including future sentiment of consumer prices as well as prices by items.

Point 1

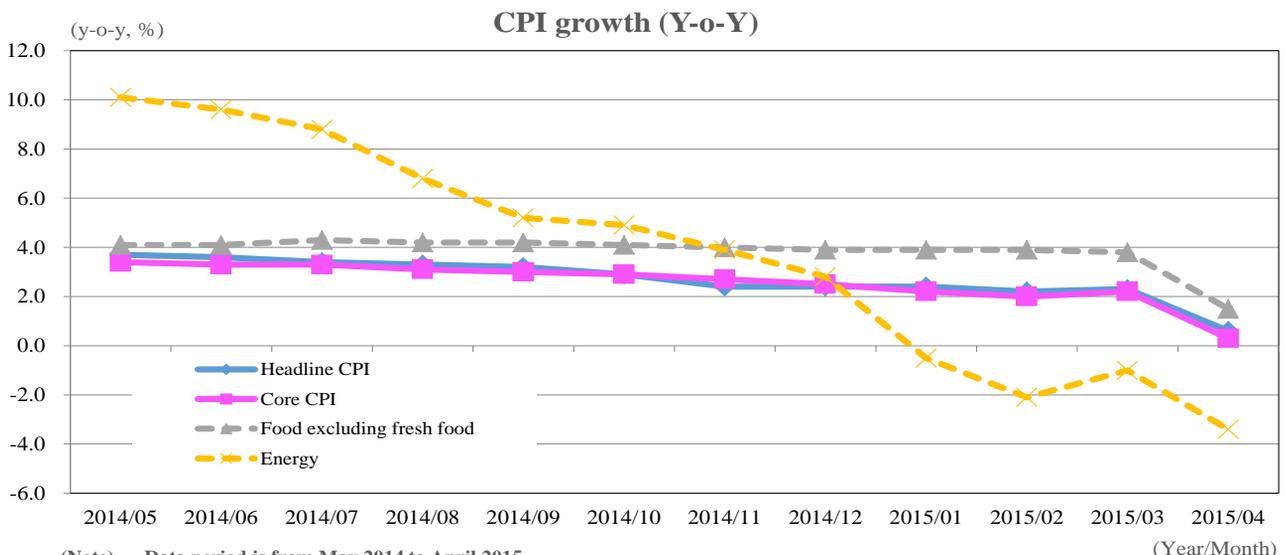
CPI growth contracted due to the diminished effect of consumption tax hike Food rose whereas energy dropped

- April “Core CPI” slid to +0.3% y-o-y from +2.2% y-o-y in March as the effect of consumption tax hike has diminished and low crude oil price pushed the prices lower.
- In terms of items, “Food excluding fresh food” gained +1.5% y-o-y, whereas “Energy” fell -3.4% y-o-y. The consumer prices excluding energy seem to be moving higher slightly.

Point 2

Food prices are rising Low crude oil pushes prices lower

- The prices of food, most of whose finished goods and materials are largely dependent on imports, are moving higher due to JPY depreciation. “Monitoring survey of prices as of May 2015” shows prices of 11 items out of 18 items increased such as instant noodles and dairy products. In addition, the future sentiment shows bread and cooking oil is anticipated to rise due to higher material costs. Depreciation of JPY seems to put upward pressure on those prices.
- Meantime, lower crude oil price pushes the prices lower. Supposed the current crude oil price and exchange rates continued, petrochemical products are expected to continue soft and will put downward pressure on inflation.



■ 0% inflation rate to be continued for the time being

Low Inflation is expected to continue due to low crude oil price, whereas food prices are rising one after another. May Core CPI in Tokyo Central area slowed to +0.2% y-o-y from +0.4% y-o-y. CPI growth in Japan will remain at 0% y-o-y for the time being without any significant contributor putting upward pressure on inflation.

■ CPI is expected to grow alongside the economic growth

Real wages (excluding effect on inflation) turned slightly positive in April. Private consumption is likely to accelerate underpinned by nominal wage growth and subdued inflation. Consumer prices are expected to move higher along with a moderate economic growth.

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