



## Price hike and its impact on “Consumer Price”

“Consumer Price” is announced by Statistic Bureau, Ministry of Internal Affairs and Communications every month by way of “Consumer Price” Index. In addition to “Consumer Price” Index (All Items), there are “Consumer Price” Index (All Items, less fresh food) which is referred to by BOJ for their monetary policy decision and “Consumer Price” Index (All Items, less fresh food and energy). If you break it down by subgroup index, you will find prices of Fuel etc. have risen recently following rise in Fresh food prices due to bad weather and typhoon damage of previous year. “Consumer Price” is likely to rise due to weaker JPY and price hikes of various items since last autumn.

### Point 1

#### “Consumer Price” has stayed positive since October 2016

#### “Consumer Price” (All Items, less fresh food) is positive for 2 months

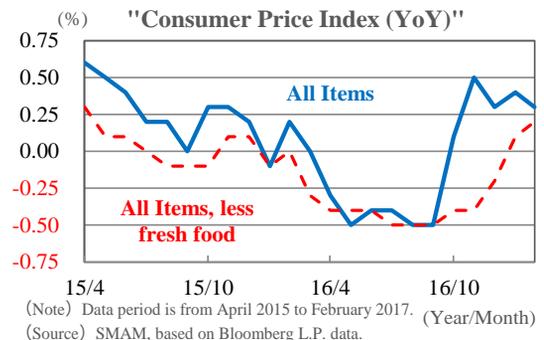
- February “Consumer Price” Index (All Items) released by Statistic Bureau, Ministry of Internal Affairs and Communications on 31<sup>st</sup> March 2017 rose +0.3% YoY. The index turned positive since October 2016 as fresh food price rose due to bad weather and typhoon damage since last summer.
- “Consumer Price” Index (All Items, less fresh food) which is referred to by BOJ for their monetary policy decision, continued to rise +0.2% YoY from January when the index turned positive for the first time in 13 months.

### Point 2

#### Price hikes of Fuel etc. contributed

#### Electricity and Gas prices seem to rise going forward

- If you take a look at index component which affected February “Consumer Price” Index (All Items, YoY), you will find major contributors are rise in prices of energy related items such as gasoline, electricity and kerosene. Major electricity and gas companies (10 electricity companies and 4 gas companies) have announced price rise from February 2017 onward which will be 4 consecutive months of price rise from February to May 2017.



### Future Outlook

#### Although price stability target of BOJ is far to be achieved, we expect to see price hikes of various items gradually

- Price hikes of various items such as edible oil and home-use papers were announced this year. Yamato Transport announced its plan to raise price of “Door to Door Parcel Delivery Service” by the end of September this year. If implemented, it will be for the first time in 27 years excluding price hike when consumption tax was raised (Yamato Transport raised transport fee by 8% on average in year 1990). We estimate that if price is raised by 5% in industry related to road transportation including door to door parcel delivery service (road transportation, railway transportation, services related to driving), price will rise by 0.1 to 0.2 % points across the majority of industries which will push up “Consumer Price” Index by about 0.11 % points. Weaker JPY after US presidential election last autumn will likely cause price hike going forward. Although achievement of “price stability target of 2%” seems to be difficult for the time being, we believe that these price hikes of various items will gradually lead to rise of “Consumer Price”.



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