

## 【Fundamentals Navigator】

# CPI for January 2021: Core decline narrows sharply with Go To suspension

(original Japanese report issued on February 19, 2021)

### Core decline to narrow from Feb as energy's negative contribution weakens

The nationwide core CPI fell 0.6% YoY in January, a 0.4pt improvement over December, while core-core growth rose 0.1% for the first positive growth in six months. The falloff in accommodations charges narrowed sharply with the temporary suspension of the Go To travel campaign at the end of December, which has just begun to make itself felt in the January data. That factor alone accounts for most of the improvement in the core CPI. Accommodations charges are likely to fall again when the Go To campaign resumes, but we expect the CPI decline to weaken further due to the waning negative contribution of energy prices. Petroleum product prices are rising on a MoM basis, reflecting the increase in oil prices, and we can expect a backlash for now from last year's price plunge.

- (1) Overview:** The core CPI excluding fresh foods fell 0.6% YoY in January (December: -1.0%), an improvement of 0.4pt over the previous month. Meanwhile, the core-core CPI excluding fresh foods and energy gained sharply to a 0.1% rise (-0.4%), the first positive growth since July last year.
- (2) Go To suspension eases core CPI decline:** The falloff in accommodations charges eased dramatically to a dip of 2.1% YoY (December: -33.5%, +0.38ppt contribution to core CPI YoY in January (our estimate)). This factor alone accounted for nearly the entire 0.4pt narrowing in the core CPI decline. The Go To travel subsidies for accommodations were temporarily suspended at the end of December, and the effects have become evident in the January CPI. Go To subsidies also halted for theme park admissions, which climbed 6.2% (-1.7%, +0.02ppt). The index was also notably affected by revisions in insurance premiums in January. Fire/earthquake insurance premiums were up 14.3% (-0.1%, +0.09ppt) and nonlife insurance premiums up 2.3% (0.0%, +0.03ppt), while auto insurance fell 1.0% (+2.0%, -0.06ppt). The combined contribution from the three was positive.
- (3) Other items:** Foods excluding fresh foods again slipped 0.1% (December: -0.1%). A renewed rise in demand for home-prepared meals has led to a 0.3% gain in noodles (-0.4%). Restaurants slowed to 0.0% (+0.1%). Sales are struggling under the state of emergency, but discounting has been limited, helped by support funds for workers forced to take leave under the pandemic. The reduced opportunity for going out has led to drops of 5.9% in accessories (+1.7%) and 0.5% in cosmetics (-0.2%).

### Results and market consensus

Nationwide (January 2021)  
 Core CPI (ex. fresh food):  
 -0.6% YoY  
 (market consensus: -0.6% YoY)  
 Core-core CPI (ex. fresh food & energy): +0.1% YoY  
 (market consensus: 0.0% YoY)  
 (Market consensus:  
 Bloomberg)

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**(4) Energy:** Energy dragged down the core CPI by another 8.6% YoY (December: -8.1%, -0.04ppt contribution to core CPI). However, gasoline, kerosene and other oil products were up again by 1.5% MoM (+0.9%), reflecting the rise in international oil markets.

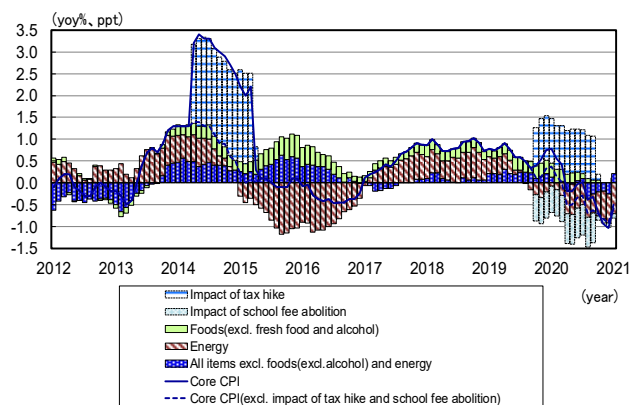
**(5) Outlook:** We believe the CPI decline will continue to lessen. Accommodations charges are likely to fall again when the Go To campaign resumes. At the same time, the negative impact of energy should weaken. Petroleum product prices have already turned upward on a MoM basis, and we believe the falloff YoY will narrow quickly in a backlash from the plunge in prices last year. Electricity charges also look to stabilize in February onward. Some market participants expect costs to rise due to higher raw material and component prices, but we do not believe this will spread easily to retail prices.

**Figure 1. Consumer price indices**

(YoY,%)		2020												2021
		1	2	3	4	5	6	7	8	9	10	11	12	
Nationwide	All items	+0.7	+0.4	+0.4	+0.1	+0.1	+0.1	+0.3	+0.2	0.0	-0.4	-0.9	-1.2	-0.6
	(excl. impact of tax hike and preschool fee abolition)	+0.3	+0.1	+0.1	-0.3	-0.3	-0.2	0.0	-0.1	-0.3	-0.5	—	—	—
	All items, less fresh food	+0.8	+0.6	+0.4	-0.2	-0.2	0.0	0.0	-0.4	-0.3	-0.7	-0.9	-1.0	-0.6
	(excl. impact of tax hike and preschool fee abolition)	+0.4	+0.2	+0.1	-0.6	-0.6	-0.4	-0.3	-0.8	-0.7	-0.8	—	—	—
	All items, less fresh food and energy	+0.8	+0.6	+0.6	+0.2	+0.4	+0.4	+0.4	-0.1	0.0	-0.2	-0.3	-0.4	0.1
(excl. impact of tax hike and preschool fee abolition)	+0.6	+0.4	+0.4	0.0	+0.2	+0.2	+0.2	-0.4	-0.3	-0.3	—	—	—	
	Energy	+0.8	-0.2	-1.7	-4.7	-6.7	-5.3	-4.5	-3.5	-3.5	-5.7	-7.6	-8.1	-8.6
Tokyo	All items	+0.6	+0.4	+0.4	+0.2	+0.4	+0.3	+0.6	+0.3	+0.2	-0.3	-0.8	-1.2	-0.5
	All items, less fresh food	+0.7	+0.5	+0.4	-0.1	+0.2	+0.2	+0.4	-0.3	-0.2	-0.5	-0.7	-0.9	-0.5
	All items, less fresh food and energy	+0.9	+0.7	+0.7	+0.2	+0.5	+0.4	+0.6	-0.1	0.0	-0.2	-0.2	-0.4	0.2
	Energy	-1.3	-3.0	-3.8	-4.3	-4.7	-3.5	-3.2	-2.9	-3.3	-5.6	-8.9	-10.2	-10.9

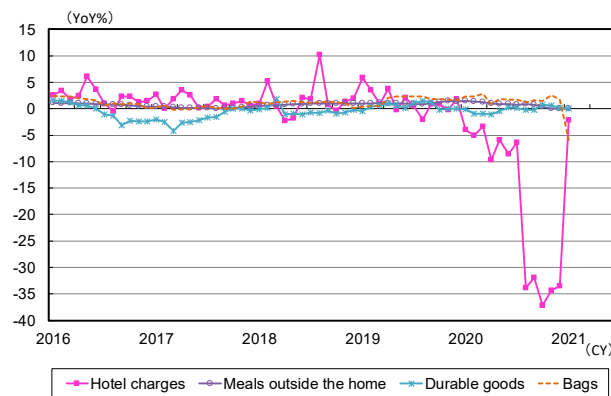
Source: MUMSS, from Ministry of Internal Affairs and Communications (MIC) "Consumer Price Index"

**Figure 2. Nationwide core CPI**



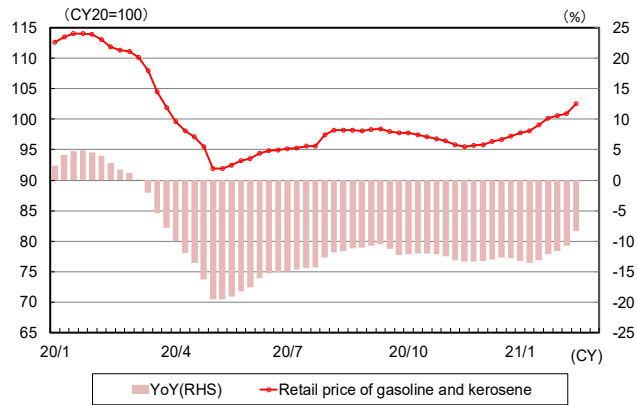
Source: MUMSS, from MIC "Consumer Price Index"

**Figure 3. Nationwide CPI: Key categories**



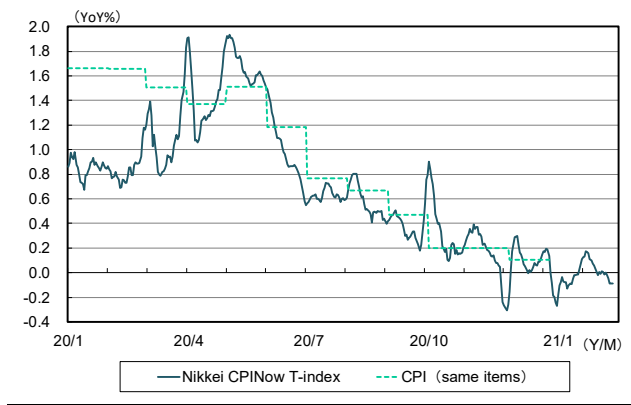
Note: MUMSS estimates, adjusted for rise in consumption tax  
Source: MUMSS, from MIC "Consumer Price Index"

**Figure 4. Oil product prices**



Note: Gasoline and kerosene prices expressed as indices; weighted average, based on CPI weighting  
 Source: MUMSS, from Agency for Natural Resources and Energy data and MIC "Consumer Price Index"

**Figure 5. Foods and daily goods prices**



Note: Nikkei CPINow-T index represents the daily average price of foods and daily goods at supermarkets  
 Source: MUMSS, from NOWCAST, Inc. data

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## Appendix A

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