

Publication of 10%-trimmed CPI

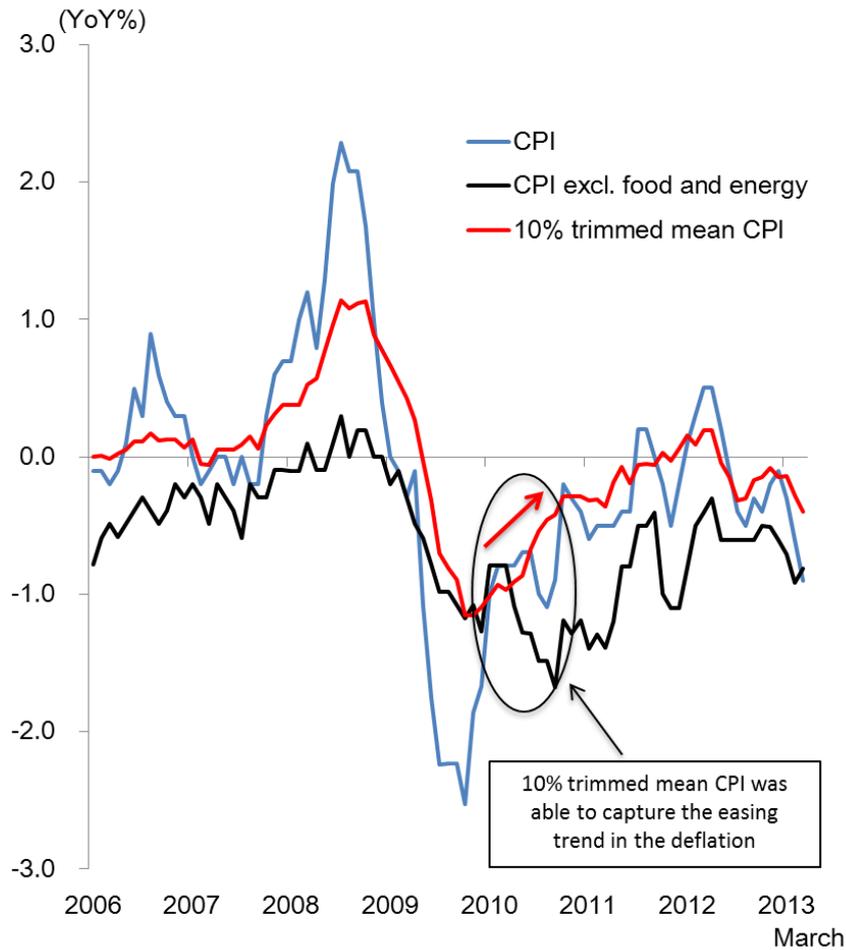
Summary

We are happy to announce that we are starting to publish a variation of CPI inflation measure called “10% trimmed CPI”. Trimmed CPI measures are popular among policy makers as they are often the best indicators for the longer term trend in the CPI inflation. By “trimming” volatile components, trimmed CPI measures capture the “core” trend in the CPI. For the methodology and references for the indicator, please see our page. You can also download its historical series from the page. By adding these information to wider public domain, we hope it will help various stakeholders in the Japanese economy to make better judgment on the state of deflation in Japan.

Trimmed CPI measures capture the “core” trend in CPI inflation

An observation of what happen to various CPI measures in 2010 offer good example of the usefulness of trimmed CPI measures. In 2010, deflation was apparently deteriorating in Japan. Both the headline CPI as well as the core CPI excluding food and energy were showing a deteriorating deflationary trend. However, as the chart below shows, the 10%-trimmed CPI measure was able to consistently suggest that the deflation was in fact easing. A detailed analysis shows that the CPI deflation in 2010 was mostly caused by the abolition of public high school fee, a clear one-off factor, and sharp declines in consumer electronics prices. Excluding these volatile components, deflation was easing at the core and later data confirms the validity of such observation.

Comparison of various CPI measures



Source:MIAC, JMA

What does our 10%-trimmed CPI show now?

For details please see our comment [here](#). In short, recent developments in the 10%-trimmed CPI show that Japanese economy still suffers from moderate deflation and there is yet little signs that reflation is on the way.

We will be updating our 10%-trimmed CPI on May 31 when the Japanese government releases the result of April 2013.