

“Corporate Goods Price Index”, Dropped 4 Consecutive Months

The “Corporate Goods Price Index”, which is represented by the “Producer Price Index”, is a price index compiled and released by the Bank of Japan (BOJ) on a monthly basis. In the past, “Wholesale Price Index” was used as the representative price index for corporate activities, but now, the “Corporate Goods Price Index” has become popular due to the dramatic changes in distribution styles. It represents trade prices of products between corporations in the domestic market. To observe the trend of prices, it is an important index, alongside the “Consumer Price Index” released by the Cabinet Office and the “Services Producer Price Index” announced by BOJ.

Point 1

September Corporate Goods Price Index dropped 3.9% YoY The index dropped for 4 consecutive months MoM

- September “Corporate Goods Price Index” dropped 3.9% YoY to 102.2 points (Average of CY2010 = 100). After rising to 106.6 points, a level before the 2008 financial crisis, due to yen depreciation from the previous year, the index dropped for 4 consecutive months, since June this year.
- The price drop of imported materials such as crude oil and non-ferrous metals due to the slowdown in China’s economy pushed the price index down. Especially in September, the impact of the drop of crude oil price was fully reflected into the index.

Point 2

Price of Electric power and Petroleum products dropped MoM Reflecting price drops in natural resources

- Analyzing the backdrop of the September index decrease by breaking down into commodities, Industrial high tension power was the largest contributor. The price of fuels such as LNG and Heavy oil to generate electric power dropped. The second group of contributors was Petroleum products such as Gas oil and Fuel oil. The third was Chemical products such as Benzene and Styrene monomer. All were affected by the drop in crude oil price.
- Prices of Iron & steel scrap, Steel and Non-ferrous metals also dropped. On the other hand, commodity prices that rose were limited to Textile products, Lumber & wood products and Electronic components & devices. Food related products which prices have been rising until this August was flat in September.

“Corporate Goods Price Index”

(CY2010=100, %)

	Monthly Change	Yearly Change
2014/Aug.	-0.1	4.0
Sep.	-0.1	3.6
Oct.	-0.8	2.9
Nov.	-0.3	2.6
Dec.	-0.5	1.8
2015/Jan.	-1.3	0.3
Feb. r	0.0	r 0.5
Mar. r	0.2	0.7
Apr.	0.1	-2.1
May	0.2	-2.2
Jun.	-0.2	-2.4
Jul.	-0.3	-3.1
Aug.	-0.6	-3.6
Sep. p	-0.5	-3.9

- (Note) 1. Data is from August 2014 to September 2015.
2. "r" is revised figures. "p" is preliminary figures.
(Source) SMAM, based on BOJ data.

■ Resource prices are likely to bottom out

The September survey confirmed that the worldwide drop in prices of resources such as crude oil and mineral products had significantly affected the Corporate Goods Price Index. However, the index is expected to bottom out sometime around the end of 2015, as resource prices represented by crude oil have started to show recovery.

■ Pay Attention to the Chinese economic growth trend

The focal point will be the economic growth trend of China, the world's largest consumer of natural resources. Needless to say, since China's impact on global resource prices is significant, we need to keep a close watch on its economic data and policy changes.

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