

**(Box 4) Recent Developments in the Mobile Phone Market and the CPI**

As described in the main text, the year-on-year rate of change in the CPI (all items less fresh food and energy) has been fluctuating in slightly positive territory thus far, and has not yet seen a clear improvement. This is largely attributable to not only weakening in prices of food products, reflecting a surge in fresh food prices, but also to factors that are unique to the mobile phone market such as a decline in prices of mobile phones ("mobile phones") and in charges for mobile phones ("telephone charges (mobile phone)") (Box Chart 8 [3]).

Despite the fact that the year-on-year rate of decline in "mobile phones" in the import price index (IPI) has been decelerating, the rate of decline in "mobile phones" in the CPI has accelerated to a large extent recently, and this contains an improvement in durable goods prices as a whole in the CPI (Box Chart 8 [1]). These developments in "mobile phones" are contrary to those in durable goods prices other than "mobile phones," such as prices of household electrical appliances including televisions; reflecting the past yen depreciation, the rate of decline in durable goods prices other than "mobile phones" has been decelerating at a gradual pace with some time lag from the IPI.

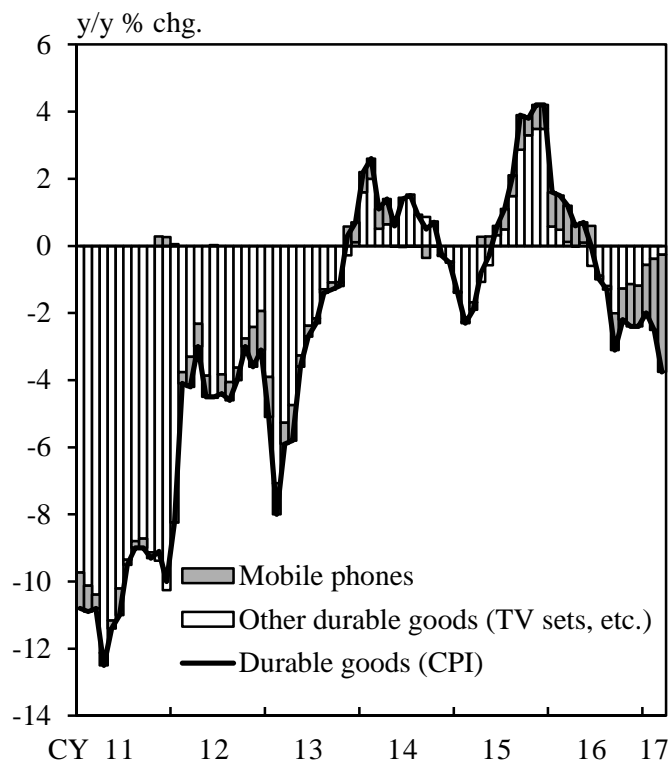
The year-on-year rate of decline in "telephone charges (mobile phone)" also has been on an accelerating trend since 2016, exerting downward pressure on general services prices as a whole in the CPI (Box Chart 8 [2]). Since the weight of "telephone charges (mobile phone)" in the CPI has been on an uptrend, the impact of a reduction in telephone charges on the overall CPI has become much larger.

The reduction in prices of and charges for mobile phones seems largely attributable to intensifying competition among mobile phone carriers that reflects the spread of MVNOs (Mobile Virtual Network Operators). Therefore, it can be said that the recent declines in those prices and charges in the CPI have been brought about by a sectoral shock that is not so related to the output gap and inflation expectations, which determine developments in general prices from a somewhat long-term perspective.

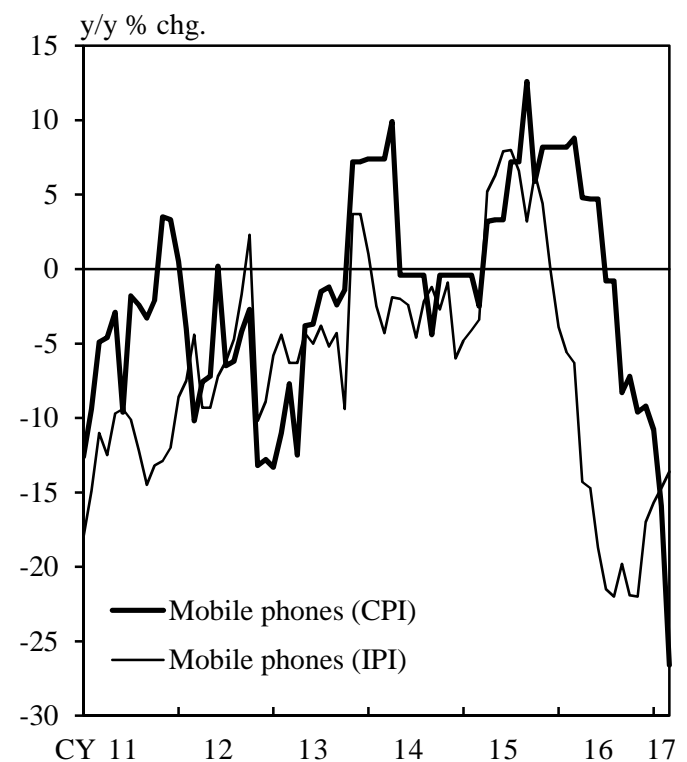
## The Mobile Phone Market and the Consumer Price Index

### (1) Durable Goods Prices

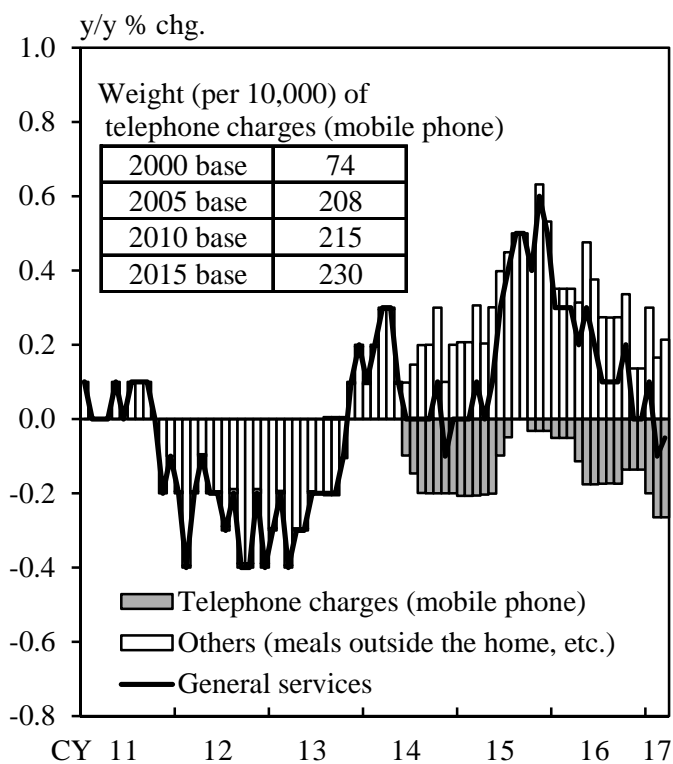
#### (a) Total



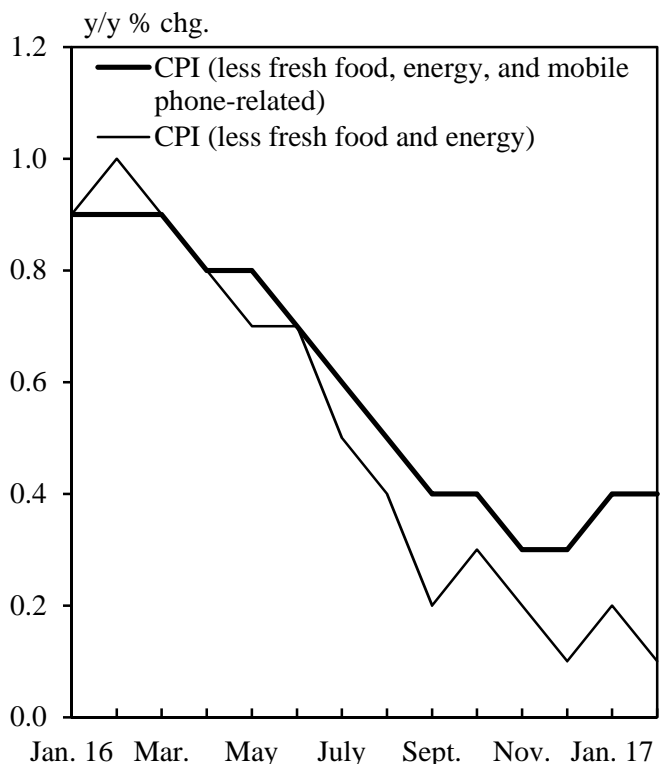
#### (b) Mobile Phones



### (2) Mobile Communication Charges



### (3) CPI All Items Less Fresh Food, Energy, and Mobile Phone-Related



Notes: 1. Figures for the CPI for March 2017 in (1) and (2) are estimated using March 2017 figures (preliminary) for the ku-area of Tokyo.

2. Mobile phone-related consists of "mobile phones" and "telephone charges (mobile phone)."

3. Figures for the CPI are adjusted to exclude the estimated effects of changes in the consumption tax rate.

Sources: Ministry of Internal Affairs and Communications; Bank of Japan.