ASIA INTELLIGENCE BRIEF — FRIDAY, AUGUST 21, 2026

The Month That Has Two Numbers

Japan published July consumer prices on Friday morning and, on the same morning, switched the index to a new base year. Two versions of the same month are now in circulation and they do not agree.

A central bank three weeks from a decision has to choose which July it is looking at. That is an unusually literal example of a country adjusting the instrument before reading the result.

Read in Japanese, Korean and English, from the Ministry of Internal Affairs and Communications and the survey compilers.

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EDITOR'S LEADER · 01

A PRICE INDEX REBASED THREE WEEKS BEFORE A RATE DECISION

Changing The Ruler

Statistical agencies rebase price indices every five years. They rarely do it in the same week that a central bank is being asked to move.

Japan's Ministry of Internal Affairs and Communications published July consumer prices on Friday morning. Core prices, which exclude fresh food but include energy, rose 1.8% against a year earlier.

That was up from 1.6% in June, matched the median forecast exactly, and was the fastest reading since January. It was also the seventh consecutive month below the two per cent target.

The measure that strips out both fresh food and fuel, which the central bank watches most closely, rose 1.9% from 1.7%. On that gauge underlying pressure is now running ahead of the headline target.

And the second version

The Statistics Bureau began publishing the monthly report on a 2025 base with this release. Rebasing changes the weights attached to each item in the basket and therefore changes the answer.

Figures of 1.9% and 2.0% for headline July inflation are both now in circulation from reputable services. They are not a contradiction so much as two different rulers laid against the same object.

We are reporting 1.9% headline with 1.8% core and 1.9% underlying, which is the set carried by the wire agencies and the national press. Readers who see 2.0% elsewhere are not looking at an error.

> *The reading, the fastest since January, matched the median economist estimate.*
>
> REPORTED ACCOUNT OF THE JULY CONSUMER PRICE RELEASE · FRIDAY 21 AUGUST 2026

What is actually pushing prices

Food excluding fresh items rose three per cent, easing slightly from 3.1% in June. Services inflation picked up to 1.2% from 1.1%, against goods at 2.7%.

That services figure is the one that matters most. It is the sign that firms are passing labour costs into their prices, which is the kind of inflation a central bank cannot subsidise away.

The thing holding it down is a government decision

Core prices have stayed below two per cent for seven months largely because of state subsidies aimed at holding down fuel costs. That is not the market judging inflation to be contained.

It is the government purchasing a lower number. Japanese caution here takes an administrative form, which is characteristic and which does not change the underlying arithmetic.

EXECUTIVE SUMMARY · 02

TEN ITEMS, RANKED BY CONSEQUENCE

The Day At A Glance

Here is Friday's news, in order of consequence for Latin American readers. Every item is dated.

#	ITEM	WHY IT MATTERS
1	Japanese core prices rose 1.8%	Up from 1.6% in June and the fastest since January. It matched the median forecast precisely.
2	The index was rebased the same morning	The Statistics Bureau moved the monthly report onto a 2025 base. Two versions of July inflation are now in public circulation.
3	Underlying inflation reached 1.9%	The measure excluding fresh food and fuel rose from 1.7%. It is the gauge the central bank watches most closely.
4	Seven months below target	Core inflation has stayed under two per cent since January. Government fuel subsidies are the main reason.
5	Services inflation picked up	The rate rose to 1.2% from 1.1%, against goods at 2.7%. It is evidence of labour costs reaching prices.
6	A September increase is widely expected	The policy board meets on 17 and 18 September. Markets expect a move to 1.25% from one per cent.
7	Japanese factories led the fastest growth since February	The August flash activity survey showed business expanding at its quickest pace in six months. Manufacturing led it.
8	The won reached its strongest since September	The currency traded near 1,382 per dollar, up more than six per cent over a month. Exporter dollar sales and a large share-conversion flow are behind it.
9	Seoul shares rose again	The Kospi closed 3.68% higher at 6,579. It has now recovered a heavy fall recorded earlier in the week.
10	Alibaba's spending hit its profit	Net income fell about seventy-five per cent on artificial intelligence investment and shares dropped five per cent. Management pointed to a ten billion dollar revenue target.

THE NUMBERS AT A GLANCE · ASIA · FRIDAY, AUGUST 21, 2026

JAPAN Core prices **1.8%** from 1.6%	**JAPAN** Underlying **1.9%** from 1.7%	**JAPAN** Headline **1.9%** new 2025 base	**JAPAN** Nikkei 225 **67,524** +0.83%
SOUTH KOREA Won per dollar **1,382** strongest since Sept	**SOUTH KOREA** Kospi **6,579** +3.68%	**CHINA** CSI 300 **4,691** +0.58%	**HONG KONG** Hang Seng **25,440** -0.83%

OUR SIMPLE HEALTH CHECK · TEN ASIAN DIMENSIONS

How The Countries Are Doing

Our own reading of ten dimensions across the region, scored one to five. This is a judgement, not a forecast, and it is not financial advice.

	POLITICS	BUDGET	MONEY	MARKETS	OUTSIDE	WHAT WE SEE
Japanese prices National	3	4	4	3	4	Core at 1.8% and underlying at 1.9%, a seventh month below target held there by state fuel subsidies.
Japanese statistics Statistics Bureau	2	2	3	3	2	Monthly report moved onto a 2025 base, leaving two versions of July inflation in public circulation.
Japanese policy Bank of Japan	3	3	4	3	4	Board meets 17 and 18 September with a move to 1.25% widely expected after June's rise to a 31-year high.
Japanese industry Manufacturing	2	3	3	2	3	August flash survey showed the quickest expansion in six months, with factories leading.
Japanese shares Tokyo	2	3	3	2	3	The Nikkei closed at 67,524, up 0.83% and extending a run through the middle of the month.
Korean currency Won	2	3	3	2	3	Near 1,382 per dollar, the strongest since late September, on exporter sales and a share-conversion flow.
Korean shares Seoul	3	3	3	3	3	Kospi up 3.68% to 6,579, recovering ground lost in a sharp fall earlier in the week.
Chinese corporate Technology	3	3	3	4	4	Alibaba net income fell around seventy-five per cent on artificial intelligence spending and shares dropped five per cent.
Hong Kong shares Hang Seng	3	3	3	4	4	Closed 0.83% lower at 25,440, the weakest of the major regional markets on the day.
Indian shares Nifty 50	2	3	3	3	3	Closed 0.15% lower at 24,436, effectively unchanged against a mixed regional session.

How to read the colours: 1 = calm, 2 = fairly good, 3 = mixed, 4 = some strain, 5 = serious strain. Updated Friday, August 21, 2026.

DEEP DIVE · THE SEPTEMBER DECISION · 04

WHAT A REBASED INDEX DOES TO A RATE MEETING

Three Weeks To Decide

Part One · What Actually Happened

The Bank of Japan raised its policy rate to one per cent in June, the highest level since September 1995. It held in July while issuing what was described as its strongest warning yet about inflation risks.

The board next meets on 17 and 18 September. Market expectation is for a move to 1.25%, and news agencies have reported that the bank is prepared to go further and faster after that.

Friday's release gives the case for moving three separate supports. Core inflation accelerated for a second month, underlying inflation reached 1.9%, and services inflation rose for the first time in a while.

It also gives the case against. Seven consecutive months below target is a long run, and the acceleration is partly the arithmetic of subsidies being scaled back rather than demand strengthening.

Into that sits the rebasing. From this release the monthly report runs on a 2025 base, which reweights the basket and shifts the headline figure by a tenth or two depending on which service you read.

A tenth of a percentage point does not decide a rate meeting on its own. But a board arguing about whether inflation has genuinely reached target is now arguing while the definition of the number moves under it.

Part Two · Three Ways This Can Go

Possibility A · The bank raises in September · 60%

Underlying inflation at 1.9% and rising services prices are treated as sufficient. The rate goes to 1.25% and the bank signals that more will follow if wage pass-through continues.

Possibility B · The bank waits for clean data · 25%

The board decides that a rebased index and subsidy-distorted energy prices make July an unreliable base for a decision. It holds and moves in October or later.

Possibility C · A larger move · 15%

Agencies have reported the bank is considering tightening more aggressively after the next step. A half-point move would confirm that the July warning was meant literally.

OUTCOME	WHAT IT LOOKS LIKE	WHAT IT MEANS FROM LATIN AMERICA
A rise to 1.25%	Borrowing costs at their highest since the mid-1990s.	A firmer yen and a further unwinding of cheap funding used across emerging markets.
A hold	The bank waits for an index it trusts and for wage data.	Cheap yen funding persists a while longer, supporting regional carry flows.
A larger move	A half-point step and an explicit tightening path.	A sharper repricing of global funding costs, felt first in the most leveraged regional currencies.

Chances are Rio Times Intelligence Desk estimates and sum to one hundred. They are a way of ordering possibilities, not financial advice.

EIGHT THINGS, WITH OUR OWN VIEW

Eight Things We Are Watching

Eight things we are watching, with our own view on each. These are opinions from the Rio Times Intelligence Desk and not financial advice.

WHAT	WHEN	OUR VIEW
Which July the bank uses	17-18 September	Two versions of the month exist. The choice of base is now a small input into a large decision.
Services inflation	Monthly	At 1.2% from 1.1% this is the cleanest evidence of labour costs reaching prices. It is the number to follow.
Fuel subsidies	Ongoing	Seven months below target rests on them. Any decision to scale them back changes the headline mechanically.
The September meeting	17-18 September	A move to 1.25% is widely expected. Agencies report the bank may go faster afterwards.
The won	Daily	Strongest since late September on exporter sales and a large share-conversion flow. Both are finite.
Korean shares	Daily	A 3.68% gain follows a heavy fall earlier in the week. Volatility of this size is itself the signal.
Chinese technology spending	Quarterly	Alibaba's profit fell about seventy-five per cent on artificial intelligence investment. The market is not yet paying for the promise.
Japanese factory activity	Monthly	August flash showed the fastest expansion in six months. It supports the case for tightening.

POWER PLAYERS · 06

WHO IS DECIDING THIS WEEK

Five People Shaping The News

Five people whose decisions this week shape what follows. We characterise stances and choices, not private motives.

The Bank of Japan policy board · Tokyo

Raised to one per cent in June and held in July with an unusually direct warning about inflation risks. It now has three weeks and one rebased index to work with.

The Statistics Bureau of Japan · Ministry of Internal Affairs and Communications

Moved the monthly consumer price report onto a 2025 base with this release. The timing, three weeks before a rate decision, was a schedule rather than a choice.

Krishna Bhimavarapu · APAC economist, State Street Investment Management

Said the rise in headline inflation strengthens the case for a September increase, while flagging food prices as the item warranting closest attention.

Shin Hyun-song · Governor, Bank of Korea

Presides over a currency now at its strongest in eleven months, driven by exporter flows rather than by policy. The next Korean decision falls on 27 August.

Eddie Wu · Chief Executive, Alibaba

Has accepted a roughly seventy-five per cent fall in net income to fund artificial intelligence, and points to a ten billion dollar revenue target. Shareholders marked the stock down five per cent.

DAILY BRIEFING · 07

WHAT HAPPENED WHERE

The Day, Country By Country

What happened where, across the region, on Friday 21 August 2026.

JAPAN · PRICES

Core consumer prices rose 1.8% in July from a year earlier, up from 1.6% in June and matching the median forecast. It was the fastest reading since January and the seventh straight month below the two per cent target.

The measure excluding both fresh food and fuel rose 1.9% from 1.7%. Headline inflation was reported at 1.9%.

JAPAN · THE NEW BASE

The Statistics Bureau began publishing the monthly report on a 2025 base with this release. Rebasing reweights the basket and changes the resulting figure.

Headline readings of 1.9% and 2.0% for the same month are now both in circulation. We carry 1.9%, the figure used by the wire agencies and the national press.

JAPAN · WHAT MOVED

Food excluding fresh items rose three per cent, easing from 3.1% in June. Services inflation picked up to 1.2% from 1.1% against goods at 2.7%.

The August flash activity survey showed the quickest business expansion in six months, led by manufacturing. The Nikkei closed 0.83% higher at 67,524.

SOUTH KOREA

The won traded near 1,382 per dollar, its strongest level since late September, and has gained more than six per cent over a month. Exporter dollar sales and the conversion of a large share-offering proceeds are the stated drivers.

The Kospi closed 3.68% higher at 6,579. The Bank of Korea's next decision falls on 27 August.

CHINA AND HONG KONG

Alibaba reported net income down about seventy-five per cent as artificial intelligence spending absorbed profit, and its shares fell five per cent. Management pointed to a ten billion dollar artificial intelligence revenue target.

The CSI 300 closed 0.58% higher at 4,691 while the Hang Seng fell 0.83% to 25,440.

INDIA AND THE REGION

The Nifty 50 closed 0.15% lower at 24,436, effectively unchanged. Regional markets were mixed as Wall Street's Thursday decline failed to carry through.

Regional shares held up despite long American borrowing costs climbing back. The divergence is the notable feature of the session.

CORPORATE PIPELINE · 08

DEALS, SECTORS AND DATES

Pipeline, Sectors, And The Calendar

Companies, sectors and dates across the region over the next month.

WHAT	WHO	WHERE IT STANDS
September policy decision	Bank of Japan	Board meets 17 and 18 September, with a move to 1.25% widely expected.
August policy decision	Bank of Korea	Scheduled for 27 August, with the won at an eleven-month high.
Artificial intelligence build-out	Alibaba	Net income down roughly seventy-five per cent on investment, against a ten billion dollar revenue target.
2025-base index	Statistics Bureau of Japan	Monthly consumer price report moved onto the new base with the July release.
Fuel subsidy programme	Government of Japan	Continues to hold core inflation below target for a seventh month.

Sector Watch · Four Things to Track

Semiconductors

Korean export receipts and a large share-conversion flow are moving the won more than policy is. That is a sector setting a currency.

Japanese manufacturing

The fastest expansion in six months arrives in the same week as the inflation data. Both point the policy board in the same direction.

Chinese technology

Profit is being converted into artificial intelligence capacity and shareholders are marking it down. The willingness to spend is not in doubt; the return is.

Energy and subsidies

Japanese fuel support is the single largest reason core inflation is where it is. Its eventual withdrawal is a scheduled inflation event.

Calendar · Next 30 Days

DATE	WHAT
21 August	Japanese July consumer prices and August flash activity surveys.
27 August	Bank of Korea policy decision.
27 August	Japanese unemployment rate for July.
17-18 September	Bank of Japan policy meeting, with a rise to 1.25% widely expected.
Mid-September	Japanese August trade figures, after three consecutive monthly deficits.

BOTTOM LINE · SOURCES · 09

WHAT THE DAY ADDS UP TO

What Friday Tells Us

A country measured its own prices and changed the measuring instrument on the same morning.

The rebasing was scheduled years in advance and is entirely routine. It is nonetheless the case that a central bank arguing about whether inflation has reached target is now doing so while the number itself has two published versions.

The substance underneath is clearer than the arithmetic on top. Underlying inflation at 1.9%, services prices rising, and a headline held down by subsidies the government chooses to pay.

That is an economy where price pressure is real and the reported figure is partly an administrative artefact. The Japanese preference for managing the appearance of a problem while the problem develops is on display here in an unusually literal form.

For Latin American readers the consequence sits in funding costs. A Japanese move on 17 September, followed by the faster path agencies have reported the bank is considering, removes cheap money that has financed positions across the region for years.

	DETAIL
PRIMARY	Ministry of Internal Affairs and Communications, July consumer price index, released 21 August 2026. Statistics Bureau of Japan notice of the 2025-base revision, 21 August 2026.
REPORTING	Reuters, The Japan Times, Xinhua, CNBC, investingLive, Trading Economics, FXStreet, Bloomberg · 20-21 August 2026.
LANGUAGES	Japanese, Korean and English.
VERIFICATION NOTE	Headline July inflation is reported as 1.9% by the wire agencies and the Japanese national press and as 2.0% by at least one data service, a divergence consistent with the same-day move to a 2025 base. We carry 1.9% and record the disagreement rather than reconciling it. Regional index levels are taken from the Rio Times market panel at the Friday close.
EXCLUDED	No conflict coverage. Index moves appear as evidence only.
SKIPPED	This edition's outlet sweep covered Japanese, Korean and English sources. The Chinese, Hindi, Bahasa Indonesia, Vietnamese, Thai and Filipino sweep was not completed before the edition closed, and coverage of South and Southeast Asia is correspondingly thin.