

## Chapter 13

### Family Budgets and Prices



An image of the Hagoita-Ichi (Battledore Fair), held on the grounds of Senso-ji Temple in Taito-ku, Tokyo. There is an old belief that a *hagoita* (a battledore) "hits the evil away," hence the custom of giving one to express the wish for the healthy growth of a girl.

## 1. Family Budgets

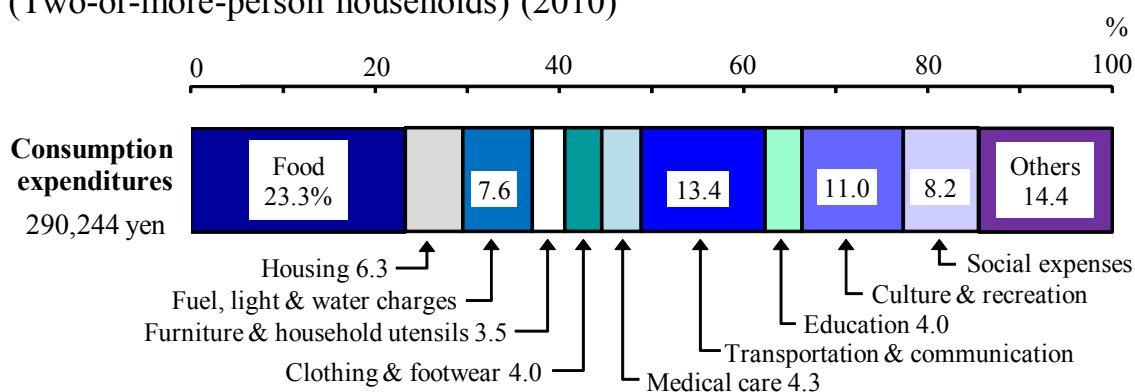
There are approximately 51 million households in Japan, of which about 70 percent are two-or-more-person households and about 30 percent are one-person households. Family budgets vary significantly depending on the employment situation and ages of their members. In this section, family budgets in various types of households are described on the basis of the 2010 results of the Family Income and Expenditure Survey.

### (1) Income and Expenditure

#### (A) Two-or-more-person Households

The 2010 average monthly consumption expenditures per two-or-more-person households (the average number of household members being 3.09 and the average age of the household head being 56.3 years) was 290,244 yen. Compared to the previous year, it decreased by 0.5 percent in nominal terms but increased by 0.3 percent in real terms. The share of food expenses to the whole consumption expenditures (Engel's coefficient) was 23.3 percent.

**Figure 13.1**  
Average Monthly Consumption Expenditures  
(Two-or-more-person households) (2010)



Source: Statistics Bureau, MIC.

#### (a) Workers' Households

A workers' household means a household of which the head is employed by a company, public office, school, factory, store, etc. The average income of workers' households (the average number of household members being 3.41 and the average age of the household head being 47.3

years) was 520,692 yen in 2010, of which over 80 percent came from the household head's income.

**Table 13.1****Average Monthly Income and Expenditures** (Workers' households <sup>1)</sup>)

	(Thousand yen)				
Item	2006	2007	2008	2009	2010
Income (A) .....	525.7	528.8	534.2	518.2	520.7
Wages and salaries .....	495.0	497.4	500.7	484.9	485.3
Others .....	30.7	31.4	33.5	33.3	35.4
Disposable income (A-C) .....	441.4	442.5	442.7	427.9	430.0
Expenditures .....	404.5	409.7	416.4	409.4	409.0
Consumption expenditures (B) .....	320.2	323.5	324.9	319.1	318.3
Non-consumption expenditures (C) <sup>2)</sup> .....	84.3	86.3	91.5	90.3	90.7
Surplus ((A-C)-B) .....	121.2	119.0	117.8	108.9	111.7
Net increase in savings and insurance .....	82.2	80.9	81.2	69.5	76.8
Average propensity to consume (%) <sup>3)</sup> .....	72.5	73.1	73.4	74.6	74.0
Ratio of net increase in savings and insurance (%) <sup>4)</sup> .....	18.6	18.3	18.3	16.2	17.9
Engel's coefficient (%) .....	21.7	21.7	21.9	22.0	21.9
Annual rate of increase (%) (real terms)					
Disposable income .....	-0.2	0.1	-1.5	-1.9	1.3
Consumption expenditures .....	-3.1	0.9	-1.1	-0.3	0.6

1) Two-or-more-person households. 2) Direct taxes, social insurance contributions, etc.

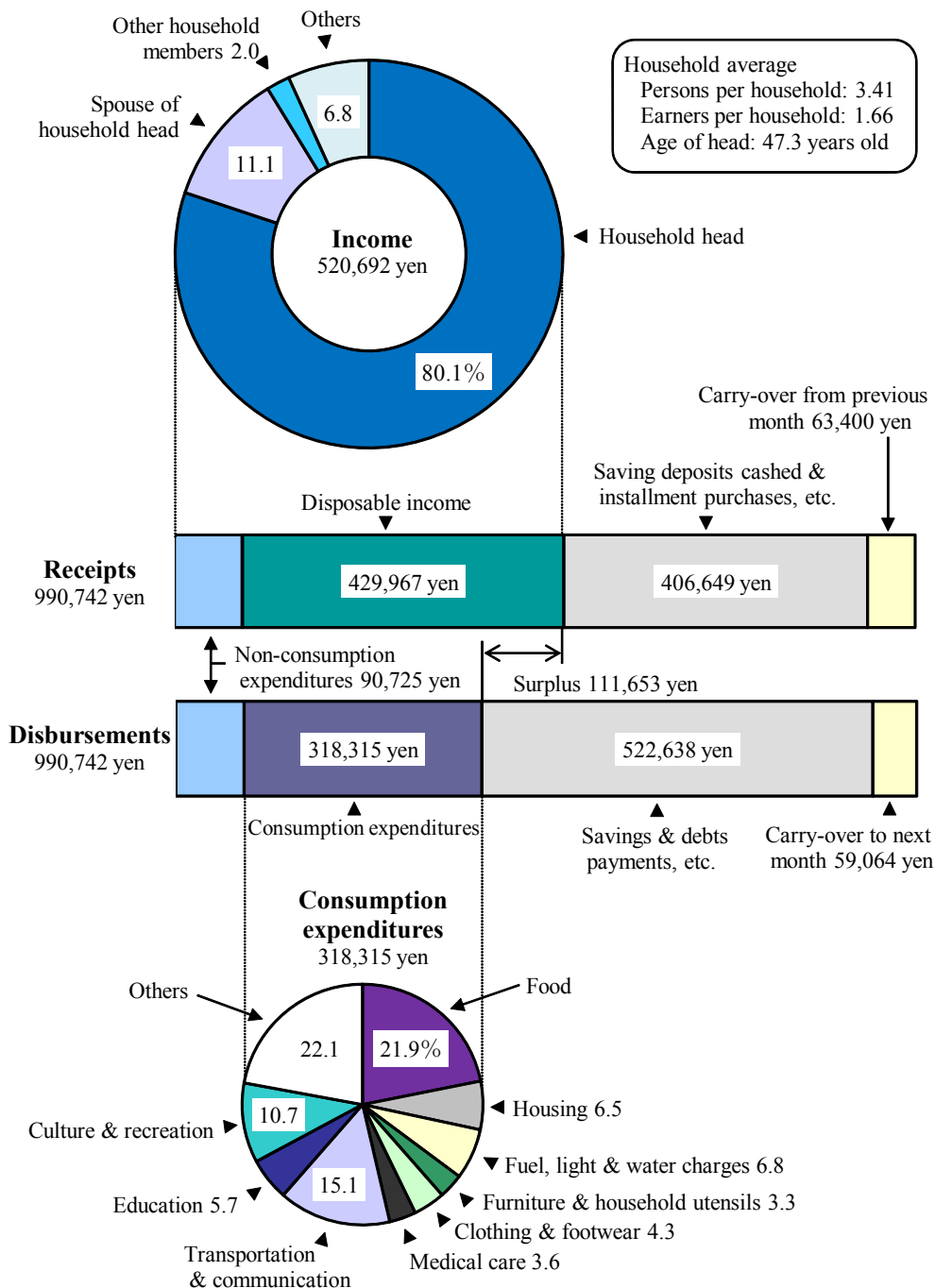
3) Ratio of consumption expenditures to disposable income. 4) Ratio of net savings and insurance to disposable income.

Source: Statistics Bureau, MIC.

Disposable income, calculated as income minus non-consumption expenditures such as taxes and social insurance contributions, was 429,967 yen. Of this disposable income, 318,315 yen was used for living expenses (consumption expenditures), such as food and housing expenses, while the remainder (surplus), totaling 111,653 yen, was applied to savings, life insurance premiums and repaying debt such as housing loans.

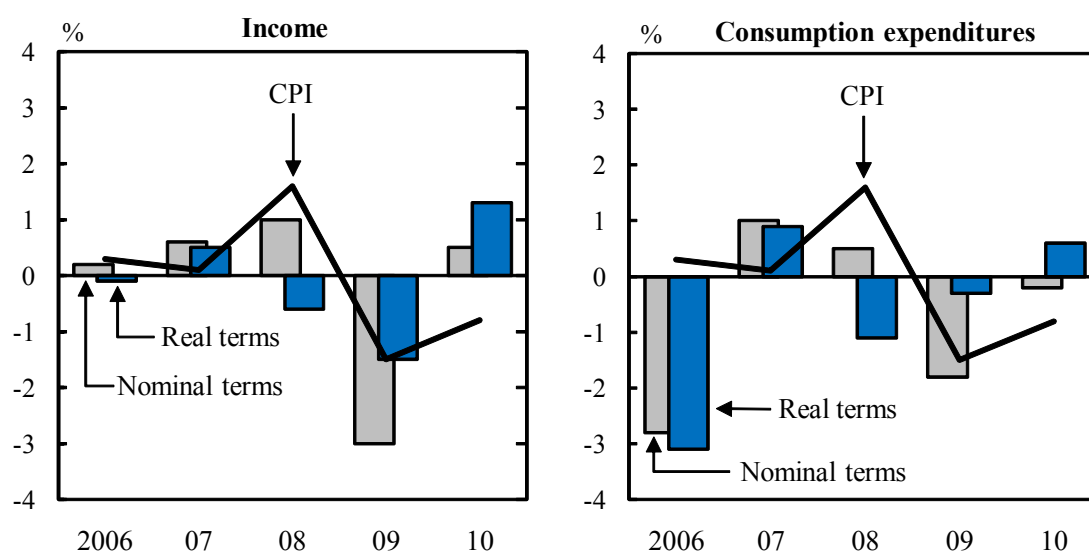
A look at consumption expenditures by category showed that some categories, including spending on "housing" and "culture and recreation," increased from the previous year in real terms, while "medical care," "food" and other spending decreased in real terms.

**Figure 13.2**  
**Balance of Income and Expenditures**  
 (Monthly average, workers' households <sup>1)</sup>) (2010)



1) Two-or-more-person households.  
 Source: Statistics Bureau, MIC.

**Figure 13.3**  
**Annual Change in Household Income and Expenditures**  
 (Workers' households <sup>1)</sup>)

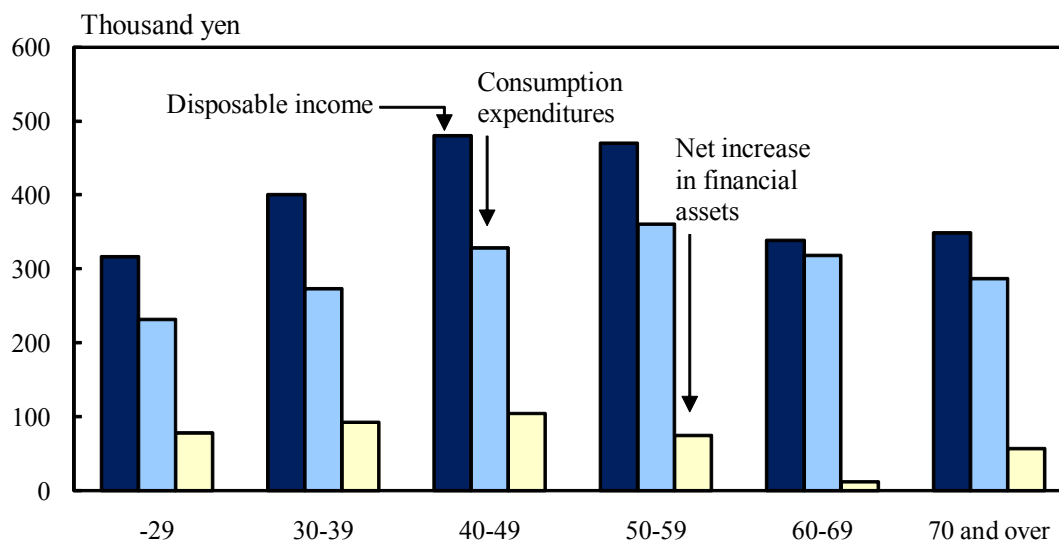


1) Two-or-more-person households.  
 Source: Statistics Bureau, MIC.

Family budgets differ among households according to their stages in life. Observed by age group of the household head, the 2010 average monthly disposable income of workers' households was the highest in households in the 40s group (479,799 yen), followed by those in the 50s group (470,345 yen) and the 30s group (400,310 yen).

The 2010 average propensity to consume (the ratio of consumption expenditures to disposable income) was the lowest in households in the 30s group (68.2 percent). The figure was 68.4 percent in those in the 40s group, 76.6 percent in the 50s group, and 93.9 percent in the 60s group. The percentage tends to be higher as the age goes up, except for the under-30 group (73.2 percent) and the 70-and-over group (82.2 percent). Meanwhile, a net increase in financial assets (an amount added to savings) was the highest in households in the 40s group, followed by those in the 30s group.

**Figure 13.4**  
**Average Monthly Family Income and Expenditures by Age Group**  
**of Household Head (Workers' households <sup>1)</sup>) (2010)**



1) Two-or-more-person households.

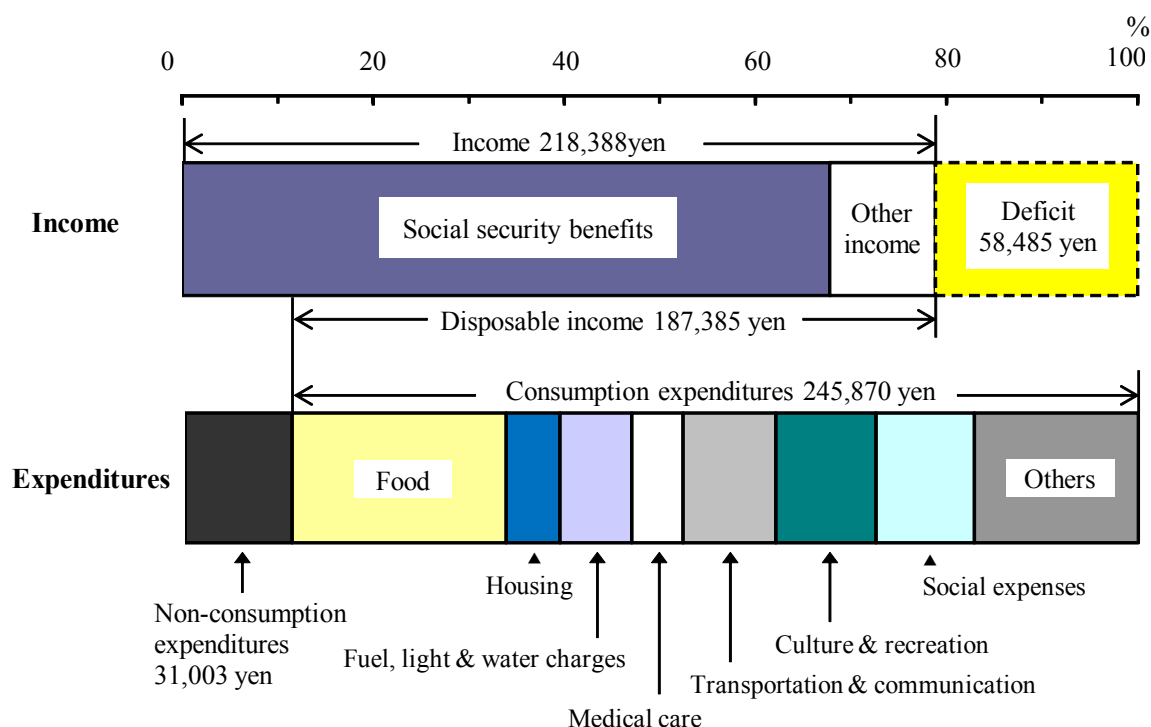
Source: Statistics Bureau, MIC.

### (b) Non-working Elderly Households

With the rapid aging of the population, the number of households consisting of elderly people is increasing. According to an analysis of the average monthly income and expenditures of non-working elderly households (two-or-more-person households where the age of the household head is 60 and over), the average income was 218,388 yen in 2010. Social security benefits amounted to 187,592 yen, thus accounting for 85.9 percent of income.

Disposable income averaged 187,385 yen, while consumption expenditures averaged 245,870 yen. The average propensity to consume in non-working elderly households was 131.2 percent, which means consumption expenditures exceeded disposable income. The deficit of disposable income to consumption expenditures (58,485 yen) increased from that of the previous year (54,225 yen). This deficit was financed by the proceeds from private and/or corporate pension insurance, and by withdrawing financial assets.

**Figure 13.5**  
**Average Monthly Income and Expenditures**  
 (Non-working elderly households <sup>1)</sup>) (2010)



1) Two-or-more-person households.  
 Source: Statistics Bureau, MIC.

### (B) One-person Households

The average monthly consumption expenditures of one-person households in 2010 was 162,009 yen, down 0.4 percent in nominal terms but up 0.4 percent in real terms from the previous year. Compared on an age-group basis to the previous year, the average monthly consumption expenditures were up 2.4 percent for the 35-59 age group and up 3.4 percent for the 60-and-over, while there was a 7.9-percent decrease in the under 35-year-old group. Spending on categories such as "fuel, light and water charges," "furniture and household utensils" and "medical care" tended to be larger in older age groups. Meanwhile, older age groups were found to spend increasingly less on categories such as "housing" and "clothing and footwear."

**Table 13.2**  
**Average Monthly Consumption Expenditures of One-Person Households**  
**by Age Group**

	(Yen)					
	2006	2007	2008	2009	2010	Annual growth <sup>1)</sup> (%)
Average .....	163,699	169,153	171,602	162,731	162,009	0.4
Under 35 years .....	171,858	183,562	192,515	171,233	156,582	-7.9
35-59 .....	185,371	188,947	188,158	183,380	186,396	2.4
60 and over .....	145,555	149,844	151,670	146,861	150,669	3.4

1) Real terms.

Source: Statistics Bureau, MIC.

## (2) Savings and Debts

An observation of the savings and debts situation of two-or-more-person households in 2010 showed that the average amount of savings per workers' household was 12.44 million yen, resulting in its ratio to average yearly income (6.97 million yen) amounting to 178.5 percent. On the other hand, the average amount of debts per household was 6.79 million yen, which was 97.4 percent relative to yearly income. The portion for "housing and land" accounted for 6.29 million yen of the debts (6.79 million yen). A total of 39.1 percent of workers' households held "debts for housing and land."

**Table 13.3**  
**Average Amount of Savings and Debts (Workers' households <sup>1)</sup>)**

Year	Yearly income	Savings	Ratio of savings to yearly income (%)	Debts	(Thousand yen)		
					Housing and land	Ratio of debts to yearly income (%)	Ratio of households holding debts (%)
2006	7,130	12,640	177.3	6,240	5,770	87.5	51.2
2007	7,180	12,680	176.6	6,640	6,140	92.5	51.3
2008	7,170	12,500	174.3	6,520	6,030	90.9	52.4
2009	7,090	12,030	169.7	6,430	5,960	90.7	52.8
2010	6,970	12,440	178.5	6,790	6,290	97.4	52.8

1) Two-or-more-person households.

Source: Statistics Bureau, MIC.

By age group of the head of the household, the average amount of savings was found to be the highest in the 70-and-over group, while debts were the highest in the 40s group.

**Table 13.4**  
**Amount of Savings and Debts by Age Group of Household Head**  
(Workers' households <sup>1)</sup>) (2010)

Item	(Million yen)						
	Average	-29	30-39	40-49	50-59	60-69	70 and over
Yearly income .....	6.97	4.58	5.76	7.41	8.22	6.44	6.08
Savings .....	12.44	2.74	6.24	10.82	15.85	21.50	24.06
Financial institutions .....	11.79	2.60	5.82	10.04	14.95	21.03	24.01
Demand deposits .....	2.53	1.14	2.05	2.25	2.66	3.91	4.94
Time deposits .....	4.75	0.89	1.97	3.76	5.88	9.87	11.04
Life insurance .....	3.29	0.39	1.44	3.12	4.77	4.73	3.96
Securities .....	1.22	0.18	0.36	0.91	1.65	2.52	4.07
Non-financial institutions .....	0.65	0.14	0.42	0.78	0.91	0.47	0.05
Debts .....	6.79	3.22	8.61	9.50	5.31	2.43	1.26
Housing and land .....	6.29	2.83	8.25	8.88	4.75	1.97	1.14
Other than housing and land .....	0.30	0.23	0.14	0.41	0.34	0.28	0.04
Monthly and yearly installments ...	0.21	0.16	0.21	0.21	0.22	0.18	0.08

1) Two-or-more-person households.

Source: Statistics Bureau, MIC.

By yearly income group, a positive correlation was observed between yearly income and savings/debts: the higher the yearly income, the higher the amount of savings as well as debts.

## 2. Prices

A general overview of Japan's price movements in recent years showed that corporate goods prices were going up since 2004, reflecting the recovering economy and rising prices in raw material imports. Meanwhile, consumer prices, which had been deflationary for the past decade, changed their pattern in 2006 to later take on an upward trend in the start of 2008. However, since September 2008, corporate goods prices and consumer prices have both been on a continuous decline. This was due to falling prices of petroleum products, etc. which resulted from a global economic slowdown triggered by the failure of an American securities investment

bank in September 2008. In this section, recent trends of the two basic price indices will be examined.

### (1) Consumer Price Index (CPI)

The overall index of consumer prices (with base year 2005 = 100) was 99.6 in 2010, down 0.7 percent from the previous year. This was due to, among other factors, substantial drops in public high school tuition fees as well as private high school tuition fees as a result of the "Free Tuition Fee at Public High Schools/High School Enrollment Support Fund System" being implemented as of April of that year.

The May 2011 overall index (2005 = 100) marked 100.0, up 0.1 percent from the previous month. Compared year on year, it increased by 0.3 percent. Major categories that contributed to the year-on-year difference in the overall index included cigarettes and fresh vegetables.

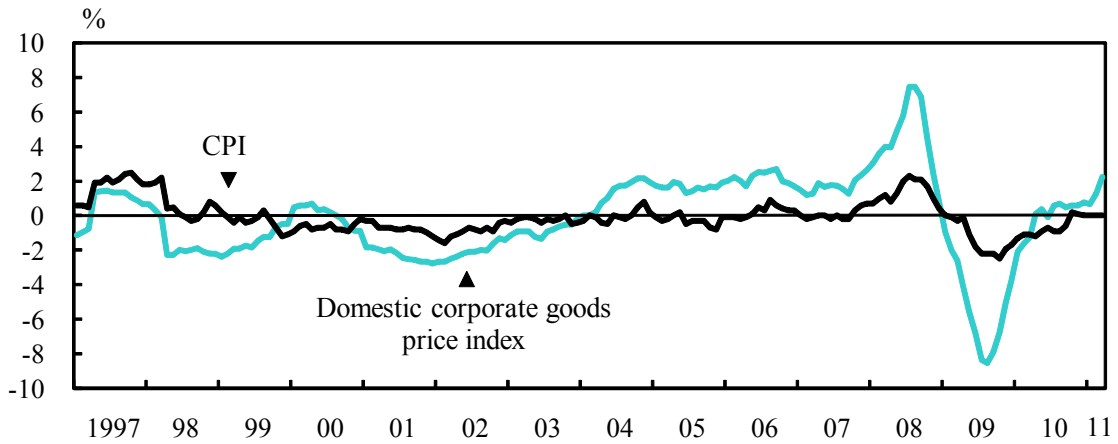
**Table 13.5**  
**CPI for Major Categories of Goods and Services**

(2005=100)

Item	Weight	1995	2000	2008	2009	2010
Overall .....	10000	100.7	102.2	101.7	100.3	99.6
Overall, excluding imputed rent .....	8578	101.8	102.8	102.0	100.5	99.7
Food .....	2586	101.0	101.6	103.4	103.6	103.3
Housing .....	2039	96.7	100.3	100.0	99.8	99.4
Fuel, light and water charges .....	676	97.4	100.2	110.7	106.1	105.9
Furniture and household utensils .....	344	128.1	117.5	96.0	93.9	89.6
Clothing and footwear .....	464	102.5	106.0	101.9	101.0	99.8
Medical care .....	448	87.8	97.6	99.4	99.3	98.8
Transportation and communication ...	1392	103.6	101.3	102.4	97.4	98.4
Education .....	364	87.9	96.1	102.1	103.0	93.1
Culture and recreation .....	1100	110.7	109.4	96.7	94.3	92.7
Miscellaneous .....	586	95.1	98.2	102.1	101.7	103.0
Goods .....	4937	105.4	104.4	103.0	100.5	99.9
Services .....	5063	96.1	100.1	100.4	100.2	99.3

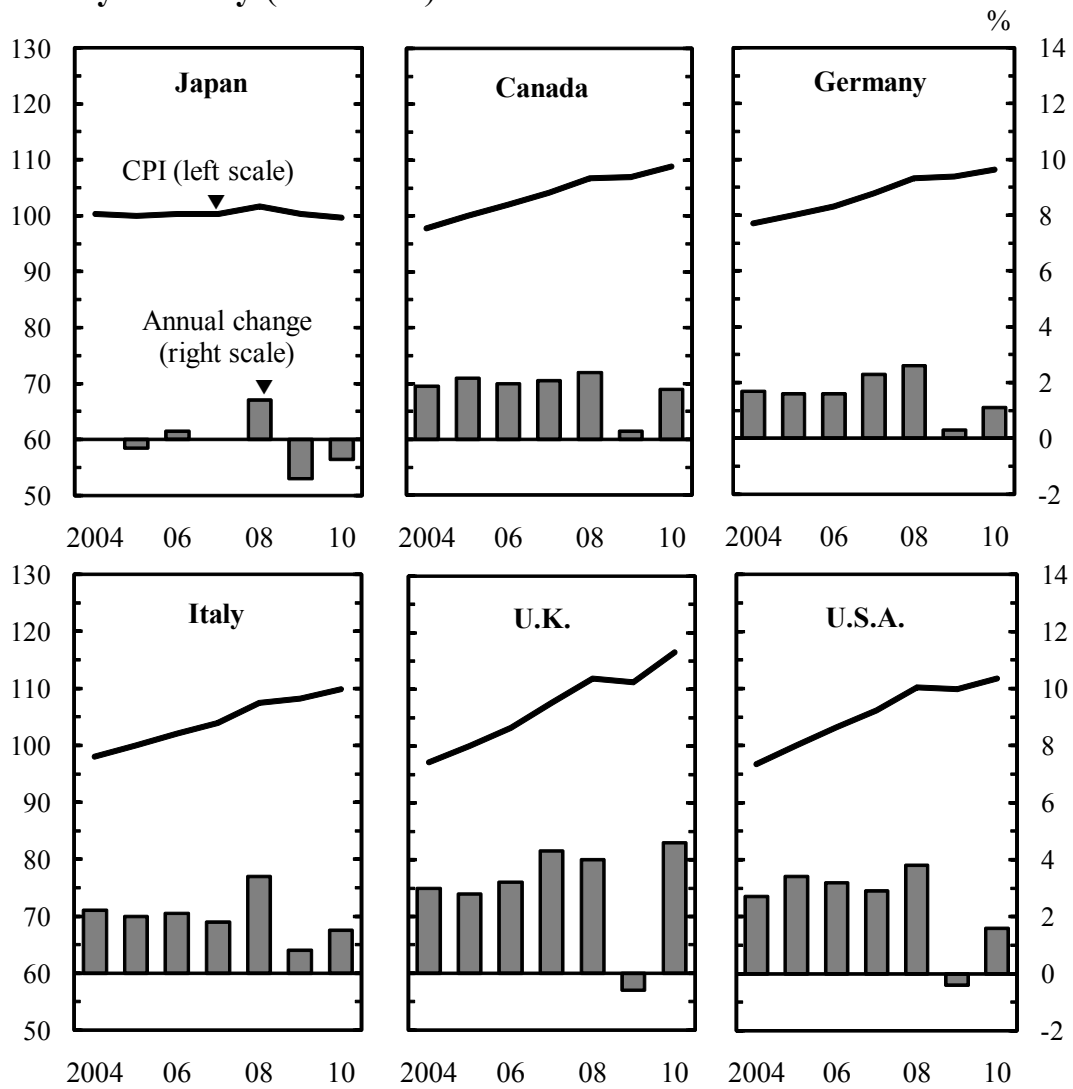
Source: Statistics Bureau, MIC.

**Figure 13.6**  
**Price Trends (Percent change from previous year)**



Source: Statistics Bureau, MIC; Bank of Japan.

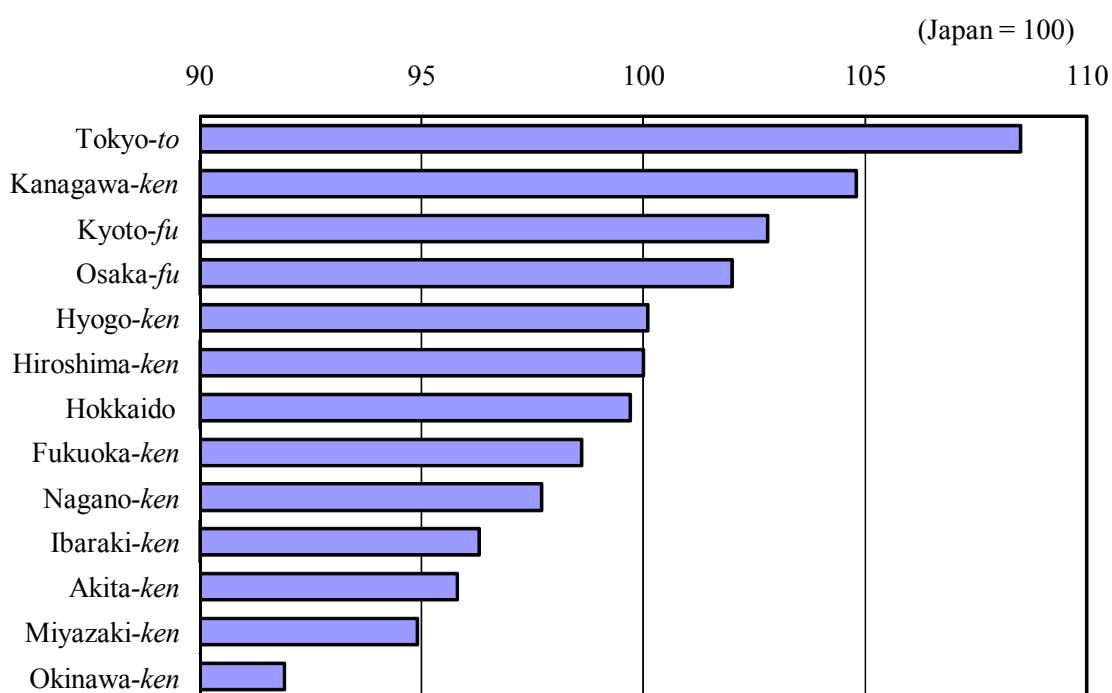
**Figure 13.7**  
**CPI by Country (2005=100)**



Source: Statistics Bureau, MIC; International Monetary Fund.

According to the regional difference index of prices, which compares the difference in consumer price levels by prefecture, Tokyo-*to* had the highest score in 2007, with a figure of 108.5 against the national average set at 100. Following Tokyo-*to* were Kanagawa-*ken* (104.8) and Kyoto-*fu* (102.8). On the other hand, Okinawa-*ken* registered the lowest score at 91.9. Comparing Tokyo-*to* and Okinawa-*ken*, price index of Tokyo-*to* was 18.1 percent higher than that of Okinawa-*ken*.

**Figure 13.8**  
**Regional Difference Index of Prices by Selected Prefectures (2007)**



Source: Statistics Bureau, MIC.

## (2) Corporate Goods and Services Price Indices

The corporate goods price index measures the price developments of goods traded between companies. It is comprised of the domestic corporate goods price index (index of transaction prices between companies for domestic products targeted at the domestic market), the export price index, and the import price index.

In 2010, the domestic corporate goods price index (2005 as the base year = 100) was 102.8, down 0.2 percent from the previous year, recording a decrease for the second consecutive year. In May 2011, it reached 105.5, marking a 2.2-percent year-on-year increase.

In 2010, the export price index turned upwards to 100.5 on a contract currency basis (up 2.3 percent from the previous year); measured in yen, the index decreased for the third consecutive year to 86.4 (down 2.5 percent). Meanwhile, the import price index rose to 127.2 on a contract currency basis (up 13.2 percent from the previous year) and to 106.3 on a yen basis (up 7.0 percent), thus turning upwards in both contractual currency and yen terms.

The corporate services price index measures price movements of services traded between companies. In 2010, the corporate services price index (2005 as the base year = 100) was 96.9, down 1.3 percent from the previous year.

**Table 13.6**  
**Corporate Goods and Services Price Indices**

		(2005=100)				
Item	Weight	2000	2007	2008	2009	2010
<b>Corporate goods price index</b>						
Domestic corporate goods price index .....	1000.0	102.4	104.0	108.7	103.0	102.8
Manufactured products .....	918.8	102.3	103.8	108.4	102.8	102.7
Export price index (yen basis) .....	1000.0	101.7	105.4	99.0	88.6	86.4
Import price index (yen basis) .....	1000.0	84.7	122.5	133.0	99.3	106.3
<b>Corporate services price index</b>						
All items .....	1000.0	107.4	100.3	100.9	98.2	96.9
Information and communications .....	216.5	112.3	98.6	98.2	96.5	95.0
Transportation .....	210.3	96.7	104.3	107.6	99.7	99.7
Leasing and rental .....	84.6	146.6	94.6	91.5	88.2	84.3
Advertising services .....	68.5	102.3	99.4	97.2	91.2	89.7

Source: Bank of Japan.