

Chapter 13

Family Budgets and Prices



The morning market held in Hakodate City, Hokkaido is always busy with tourists flocking to get fresh Hokkaido produce. Crabs are particularly favored for their affordability and great taste.

1. Family Budgets

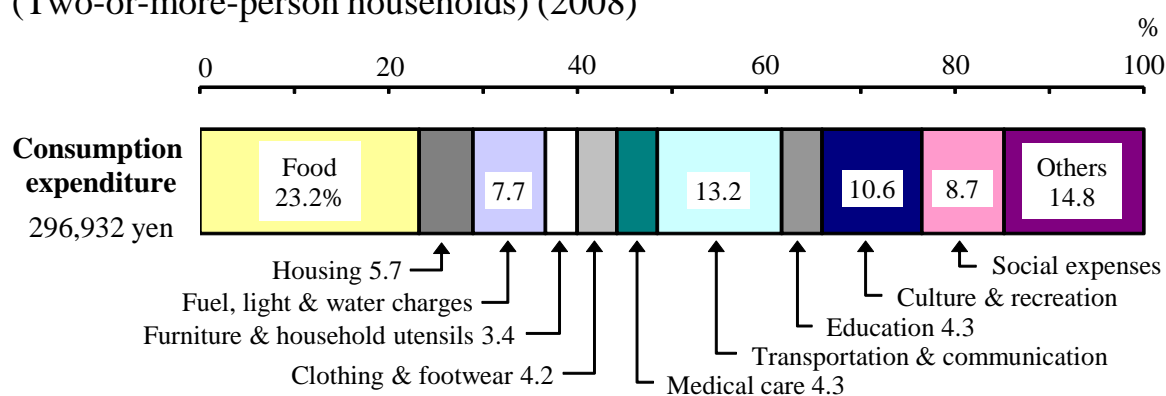
There are approximately 49 million households in Japan, of which 70 percent are two-or-more-person households and 30 percent are one-person households. Family budgets vary significantly depending on the employment situation and ages of their members. In this section, family budgets in various types of households are described on the basis of the 2008 results of the Family Income and Expenditure Survey.

(1) Income and Expenditure

(A) Two-or-more-person Households

The 2008 average monthly consumption expenditure per two-or-more-person households (the average number of household members being 3.13 and the average age of the household head being 55.7 years) was 296,932 yen. It decreased from the previous year by 0.3 percent in nominal terms and 1.9 percent in real terms. The share of food expenses to the whole consumption expenditure (Engel's coefficient) was 23.2 percent.

Figure 13.1
Average Monthly Consumption Expenditure
 (Two-or-more-person households) (2008)



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 3.45 and the average age of the household head being 47.4

years) was 534,235 yen in 2008, of which over 80 percent came from the household head's income.

Table 13.1**Average Monthly Income and Expenditure (Workers' households ¹⁾)**

Item	(Thousand yen)				
	2004	2005	2006	2007	2008
Income (A)	531.7	524.6	525.7	528.8	534.2
Wages and salaries	502.2	493.8	495.0	497.4	500.7
Others	29.4	30.8	30.7	31.4	33.5
Disposable income (A-C)	446.3	441.2	441.4	442.5	442.7
Expenditure	417.0	412.9	404.5	409.7	416.4
Consumption expenditure (B)	331.6	329.5	320.2	323.5	324.9
Non-consumption expenditure (C) ²⁾	85.4	83.4	84.3	86.3	91.5
Surplus ((A-C)-B)	114.7	111.7	121.2	119.0	117.8
Net savings and insurance	75.6	71.8	82.2	80.9	81.2
Average propensity to consume (%) ³⁾	74.3	74.7	72.5	73.1	73.4
Ratio of net savings and insurance (%) ⁴⁾ ...	16.9	16.3	18.6	18.3	18.3
Engel's coefficient (%)	21.7	21.5	21.7	21.7	21.9
Annual rate of increase (%) (real terms)					
Disposable income	1.3	-0.7	-0.2	0.1	-1.5
Consumption expenditure	1.6	-0.2	-3.1	0.9	-1.1

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

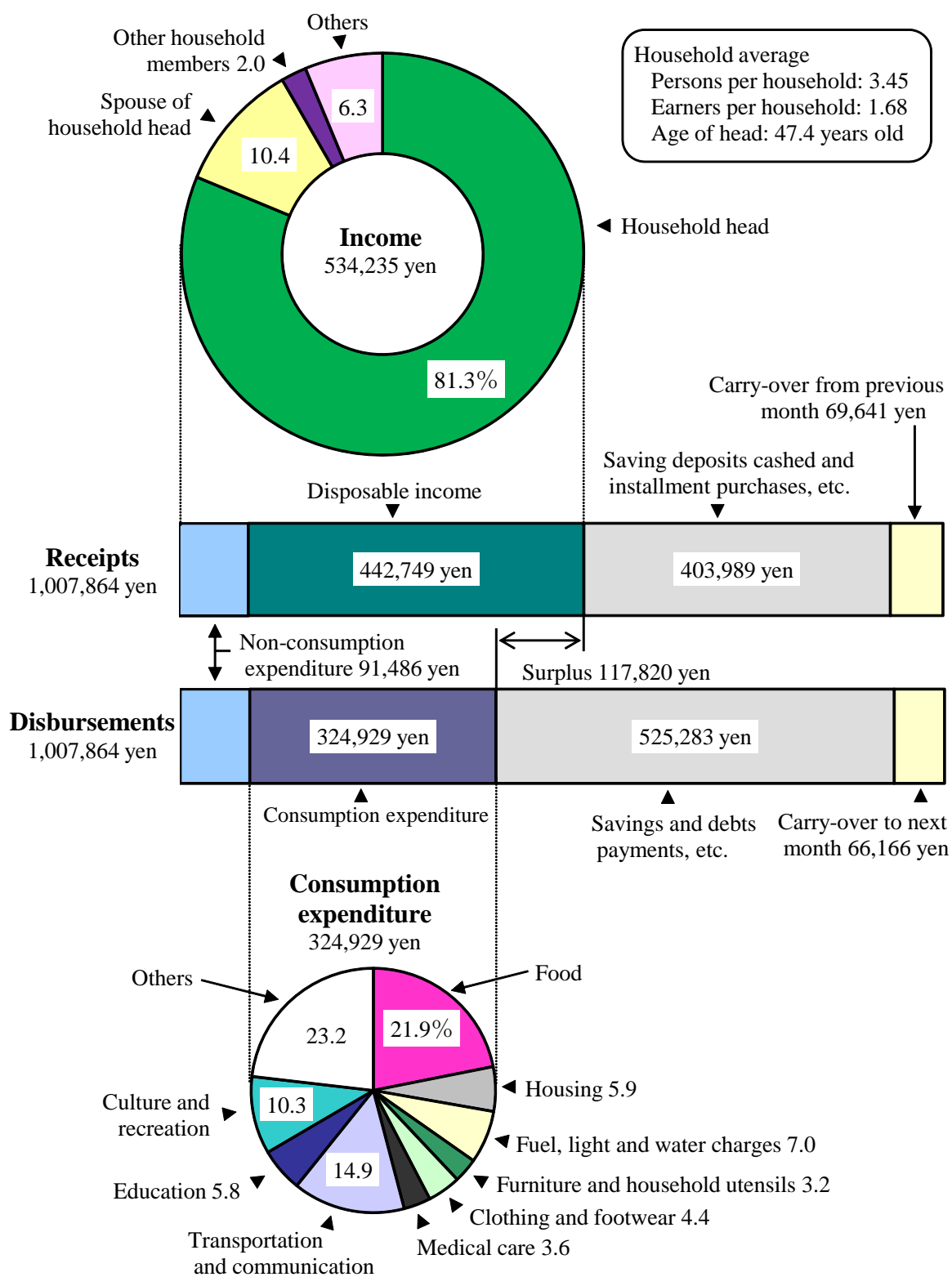
3) Ratio of consumption expenditure to disposable income. 4) Ratio of net savings and insurance to disposable income.

Source: Statistics Bureau, MIC.

Disposable income, calculated as income minus non-consumption expenditure such as taxes and social insurance contributions, was 442,749 yen. Of this disposable income, 324,929 yen was used for living expenses (consumption expenditure), such as food and housing expenses, while the remainder (surplus), totaling 117,820 yen, was applied to savings, life insurance premiums and repaying debt such as housing loans.

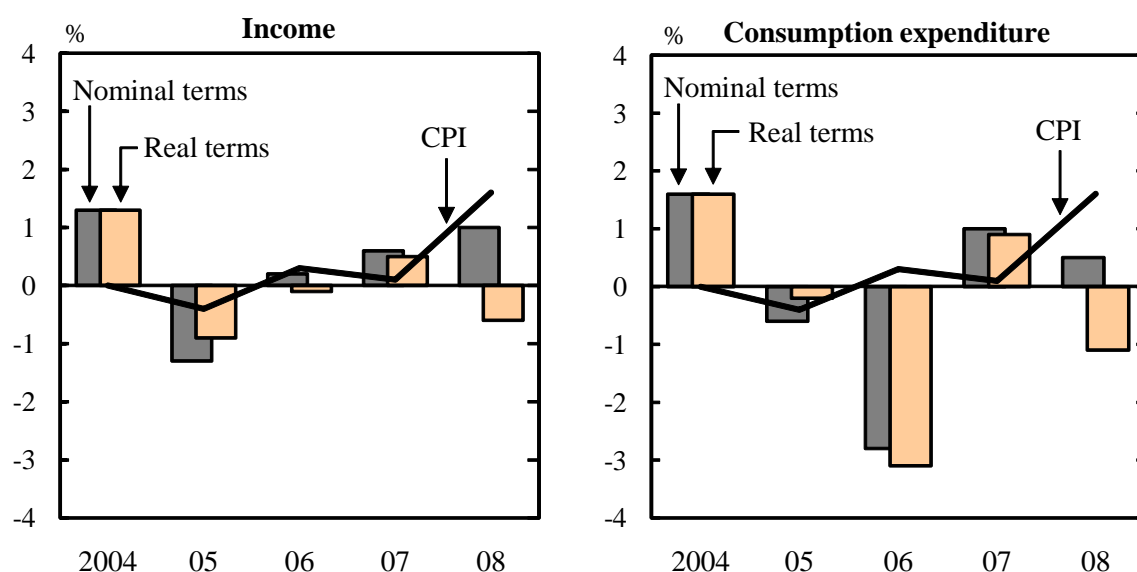
A comparison of consumption expenditure by category showed that spending on "Transportation and communication" and "Furniture and household utensils" increased in real terms compared with the previous year, while that on "Housing" and "Food" decreased in real terms.

Figure 13.2
Balance of Income and Expenditure
 (Monthly average, workers' households ¹⁾) (2008)



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

Figure 13.3
Annual Change in Household Income and Expenditure
 (Workers' households ¹⁾)

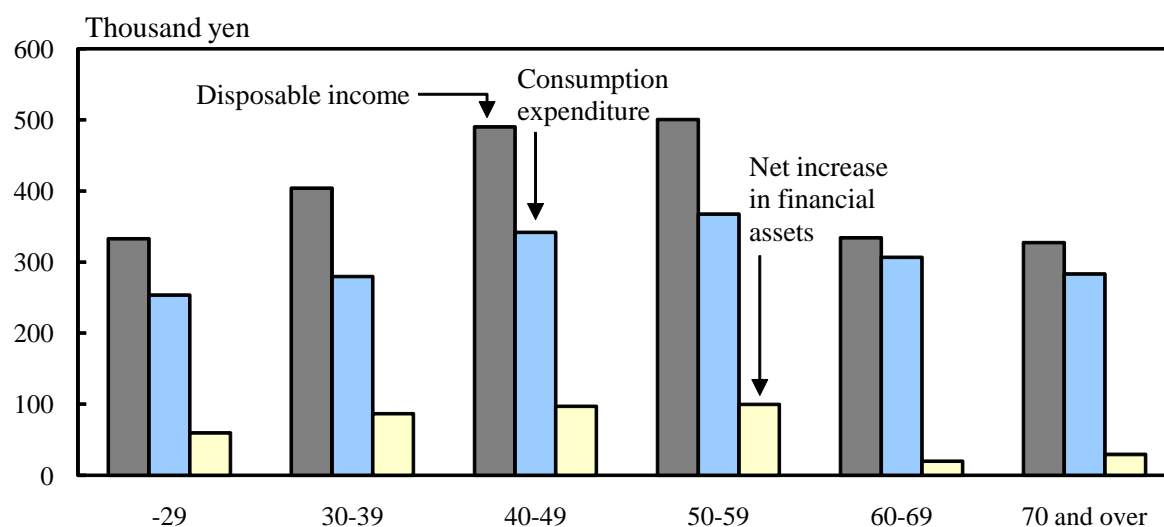


1) Two-or-more-person households.
 Source: Statistics Bureau, MIC.

Family budgets differ among households according to their stages in life. Observed by age group of the household head, the 2008 average monthly disposable income of workers' households was the highest in households in the 50s group (500,268 yen), followed by those in the 40s group (489,837 yen) and the 30s group (404,018 yen).

The 2008 average propensity to consume (the ratio of consumption expenditure to disposable income) was the lowest in households in the 30s group (69.2 percent). The figure was 69.7 percent in those in the 40s group, 73.5 percent in the 50s group, and 91.8 percent in the 60s group. The percentage tends to be higher as the age goes up, except for the under-30 group (76.1 percent) and the 70-and-over group (86.5 percent). Meanwhile, a net increase in financial assets (an amount added to savings) was the highest in households in the 50s group, followed by those in the 40s group.

Figure 13.4
Average Monthly Family Income and Expenditure by Age Group
of Household Head (Workers' households ¹⁾) (2008)



1) Two-or-more-person households.

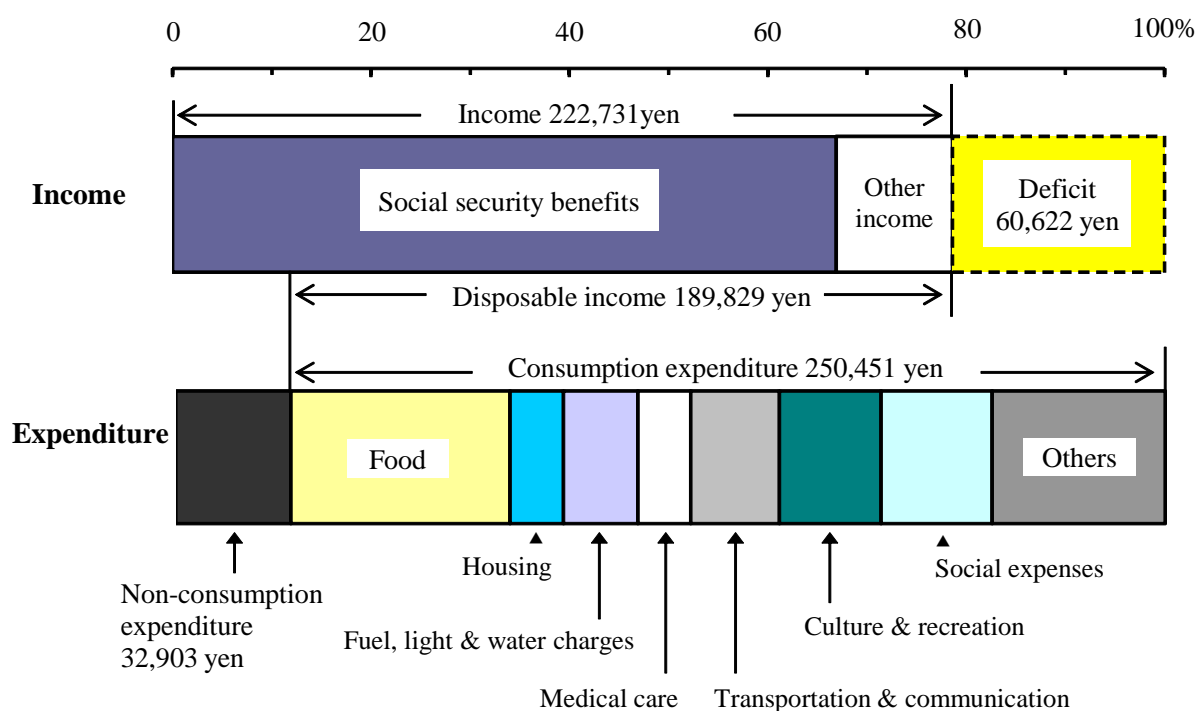
Source: Statistics Bureau, MIC.

(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 expenditure 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 222,731 yen in 2008. Social security benefits amounted to 189,545 yen, thus accounting for 85.1 percent of income.

Disposable income averaged 189,829 yen, while consumption expenditure averaged 250,451 yen. The average propensity to consume in non-working elderly households was 131.9 percent, which means consumption expenditure exceeded disposable income. The deficit of disposable income to consumption expenditure (60,622 yen) increased from that of the previous year (54,917 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 Expenditure
 (Non-working elderly households ¹⁾) (2008)



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

(B) One-person Households

The average monthly consumption expenditure of one-person households in 2008 was 171,602 yen, up 1.4 percent in nominal terms but down 0.2 percent in real terms from the previous year. A year-on-year, age group comparison of average monthly consumption expenditure in real terms showed that it was up 3.2 percent from the previous year in the under-35 group, down 2.0 percent in the 35-59 group, and down 0.4 percent in the 60-and-over 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 "Transportation and communication."

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

	(Yen)					
	2004	2005	2006	2007	2008	Annual growth ¹⁾ (%)
Average	174,318	177,343	163,699	169,153	171,602	-0.2
Under 35 years	180,069	177,597	171,858	183,562	192,515	3.2
35-59	200,458	204,710	185,371	188,947	188,158	-2.0
60 and over	152,523	159,081	145,555	149,844	151,670	-0.4

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 2008 showed that the average amount of savings per workers' household was 12.50 million yen, resulting in its ratio to average yearly income (7.17 million yen) amounting to 174.3 percent. On the other hand, the average amount of debts per household was 6.52 million yen, which was 90.9 percent relative to yearly income. The portion for "Housing and land" accounted for 6.03 million yen of the debts (6.52 million yen). A total of 38.2 percent of workers' households held "Debts for housing and land."

Table 13.3
Average Amount of Savings and Debts (Workers' households ¹⁾)

(Thousand yen)							
Year	Yearly income	Savings	Ratio of savings to yearly income (%)	Debts	Housing and land	Ratio of debts to yearly income (%)	Ratio of households holding debts (%)
2004	7,300	12,730	174.4	6,550	6,050	89.7	52.7
2005	7,190	12,920	179.7	6,160	5,610	85.7	49.8
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

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 ¹⁾) (2008)

Item	Average	(Million yen)					
		-29	30-39	40-49	50-59	60-69	70 and over
Yearly income	7.17	4.55	5.89	7.63	8.54	6.42	6.21
Savings	12.50	2.78	6.40	11.53	16.09	19.91	22.82
Financial institutions	11.95	2.62	6.06	10.90	15.21	19.67	22.79
Demand deposits	2.34	1.29	1.88	2.04	2.50	3.52	4.90
Time deposits	4.79	0.77	2.19	4.10	6.43	8.33	9.03
Life insurance	3.34	0.39	1.47	3.59	4.44	4.70	3.79
Securities	1.47	0.17	0.51	1.18	1.84	3.11	5.08
Non-financial institutions	0.55	0.16	0.34	0.63	0.87	0.24	0.03
Debts	6.52	3.80	8.00	9.07	5.16	2.35	1.06
Housing and land	6.03	3.43	7.55	8.51	4.57	2.09	0.75
Other than housing and land	0.29	0.14	0.24	0.31	0.38	0.16	0.28
Monthly and yearly installments ..	0.20	0.22	0.21	0.25	0.20	0.09	0.04

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 price index (with base year 2005=100) was 101.7 in 2008, up 1.4 percent from the previous year. This was due to the fact that petroleum product prices were pushed up by oil price hikes and that food, etc. also became more expensive.

The May 2009 overall index (2005=100) marked 100.6, down 0.2 percent from the previous month. Compared year on year, it dropped by 1.1 percent, reflecting falling oil product prices and stabilizing food prices.

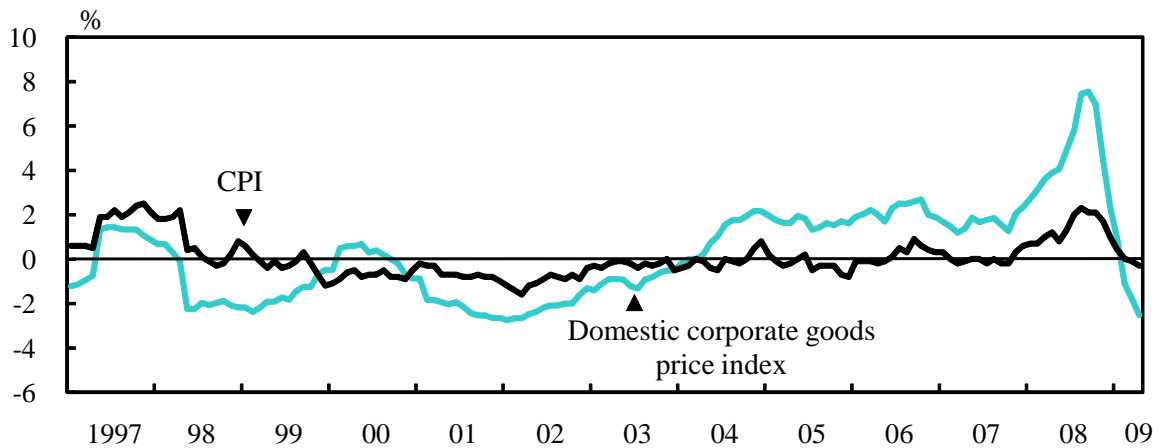
Table 13.5
CPI for Major Categories of Goods and Services

(2005=100)

Item	Weight	1995	2000	2006	2007	2008
Overall	10000	100.7	102.2	100.3	100.3	101.7
Overall, excluding imputed rent	8578	101.8	102.8	100.3	100.4	102.0
Food	2586	101.0	101.6	100.5	100.8	103.4
Housing	2039	96.7	100.3	100.0	99.8	100.0
Fuel, light and water charges	676	97.4	100.2	103.6	104.4	110.7
Furniture and household utensils	344	128.1	117.5	97.9	96.3	96.0
Clothing and footwear	464	102.5	106.0	100.8	101.4	101.9
Medical care	448	87.8	97.6	99.4	99.7	99.4
Transportation and communication	1392	103.6	101.3	100.3	100.4	102.4
Education	364	87.9	96.1	100.7	101.4	102.1
Culture and recreation	1100	110.7	109.4	98.5	97.2	96.7
Miscellaneous	586	95.1	98.2	100.9	101.7	102.1
Goods	4937	105.4	104.4	100.6	100.6	103.0
Services	5063	96.1	100.1	99.9	100.0	100.4

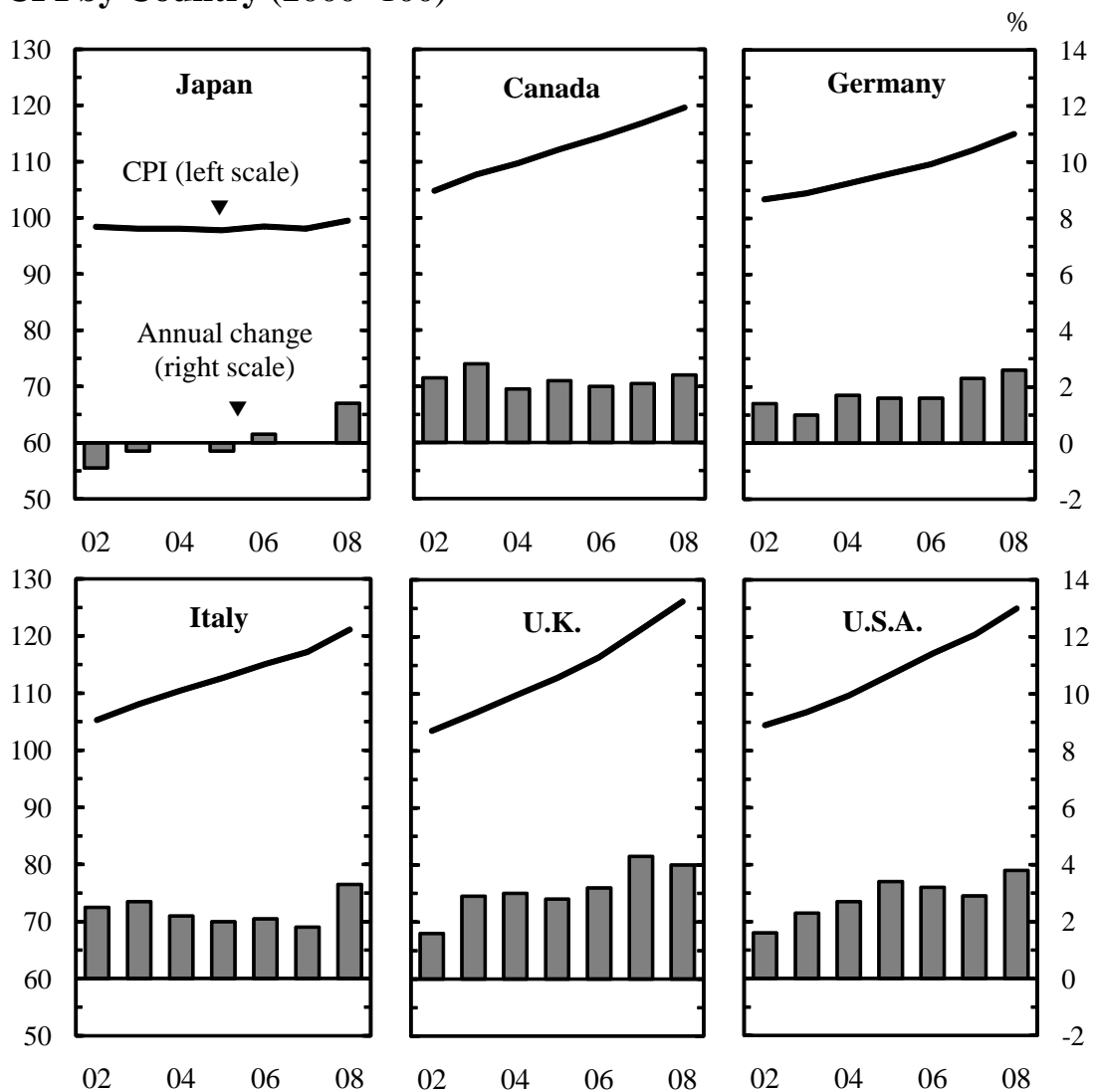
Source: Statistics Bureau, MIC.

Figure 13.6
Price Trends (Percent change from previous year)



Source: Statistics Bureau, MIC; Bank of Japan.

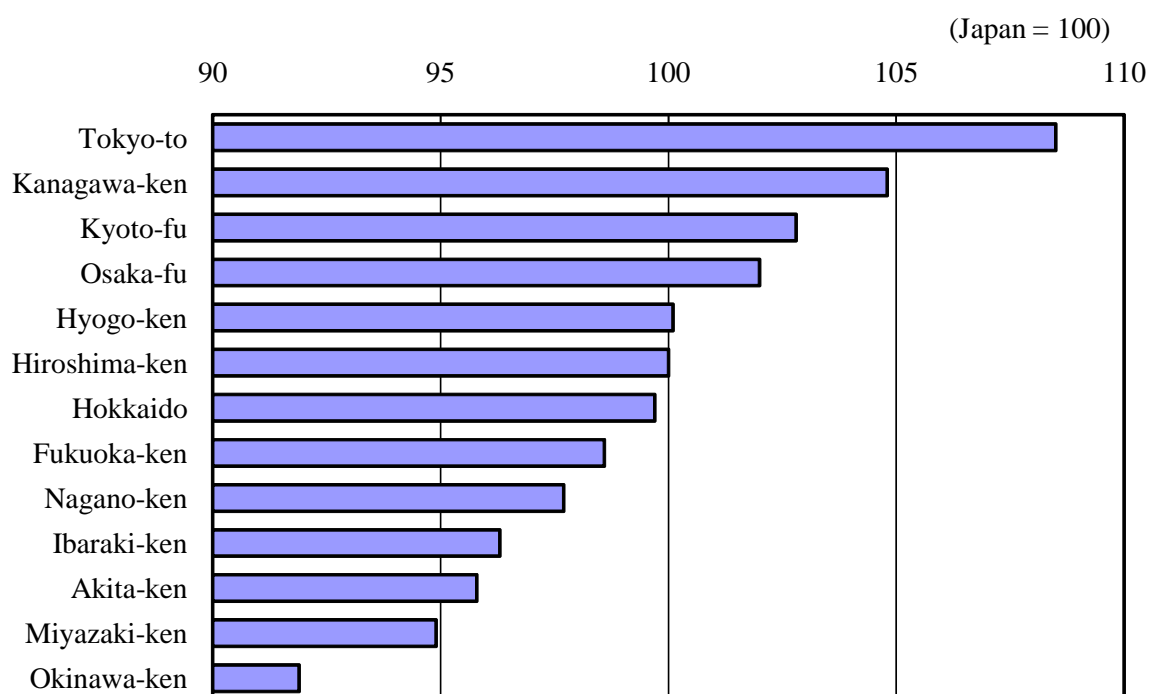
Figure 13.7
CPI by Country (2000=100)



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 was 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 Prefecture (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 comprises 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 2008, the domestic corporate goods price index (2005 as the base year = 100) was 108.8, up 4.6 percent from the previous year, marking an increase for the fifth consecutive year. In May 2009, it reached 103.0, marking a 5.4-percent year-on-year decrease.

In 2008, the export price index, on a contractual currency basis, increased to 101.6 (up 2.1 percent from the previous year); measured in yen terms, the index decreased for the first time in four years to 99.0 (down 6.1 percent). Meanwhile, the import price index, on a contractual currency basis, increased to 139.7 (up 20.6 percent), registering its sixth straight year of growth. In yen terms, the index rose for the fifth consecutive year to 133.6 (up 9.2 percent).

The corporate services price index measures the price developments of services traded between companies, and is the index counterpart of the corporate goods price index. In 2008, the corporate services price index (2000 as the base year =100) was 94.7, up 0.3percent from the previous year.

Table 13.6
Corporate Goods and Services Price Indices

Item	Weight	2000	2005	2006	2007	2008
Corporate goods price index (2005=100)						
Domestic corporate goods price index	1000.0	102.4	100.0	102.2	104.0	108.8
Manufactured products	918.8	102.3	100.0	102.1	103.8	108.5
Export price index (yen basis)	1000.0	101.7	100.0	103.1	105.4	99.0
Import price index (yen basis)	1000.0	84.7	100.0	113.9	122.4	133.6
Corporate services price index (2000=100)						
All items	1000.0	100.0	93.2	93.1	94.4	94.7
Transportation	193.3	100.0	103.8	104.9	111.0	113.0
Information services	106.1	100.0	93.0	93.2	94.1	94.2
Communications and broadcasting services	96.3	100.0	86.2	85.7	84.7	83.4
Leasing and rental	93.0	100.0	68.2	67.5	66.7	66.1

Source: Bank of Japan.