

**Voluntary Report** – Voluntary - Public Distribution  
2022

**Date:** November 08,

**Report Number:** JA2022-0096

**Report Name:** Soaring Food Inflation Likely to Curb Consumer Spending

**Country:** Japan

**Post:** Tokyo ATO

**Report Category:** Agricultural Situation, Agriculture in the Economy, National Plan, Policy and Program Announcements, Agriculture in the News, Agricultural Trade Office Activities

**Prepared By:** Enrique Mazon

**Approved By:** Chanda Berk

**Report Highlights:**

Japan continues to confront elevated levels of inflation on food and beverage products as prices experienced the fastest pace of increases since 1991. Inflation, coupled with a weakened yen, has left producers with no alternative but to pass on price increases to consumers. Among the 217 products included in the daily consumer price index, more than one-fifth of food related products experienced price increases. As Japan's recovery from the global pandemic continues, food inflation may drive consumers to opt for cheaper foods and beverages to reduce household consumption costs.

## Pace of Price Increases Soars

On October 21, 2022, Nikkei's Consumer Price Index (CPINow) released point-of-sale data from 1,500 supermarkets and other retailers, which highlighted the rapid pace of increased prices. Food inflation levels have now reached a 31-year high, with the seven-day average of commodity prices up 4.5 percent year-on-year, while the overall pace of prices accelerated by 1.5 percentage points from September. The chart below captures the leading products with the highest level of price increases.

### *Leading Products with Highest Price Increases*

<i>Cooking Oil</i>	23 percent
<i>Dried Pasta</i>	17.1 percent
<i>Mayonnaise</i>	16.7 percent
<i>Alcohol &amp; Beverages*</i>	6.1 percent
<i>Ham &amp; Bacon*</i>	2.2 percent
<i>Sausage</i>	3.3 percent

Source: Nikkei CPINow Data

**Notes\*:** Brewers raised consumer prices for the first time in 14 years  
Meat processors are negotiating price increases for November  
Food, excluding volatile fresh foods, makes up more than one-fifth of the index

Historically, Japanese retailers and supermarkets work to avoid passing on price increases to consumers. At the peak of the global pandemic, and disruptions to supply chains, such increases were absorbed by Japanese retailers and supermarkets. However prolonged economic stain and the incredibly weak yen have forced retailers' hands, and they can no longer afford to absorb these additional costs.

Yearly average	2019	2020	2021	2022*
JPY per USD	109.008	106.725	109.817	130.21

Note\*: Average JPY per USD estimated for 2022 YTD

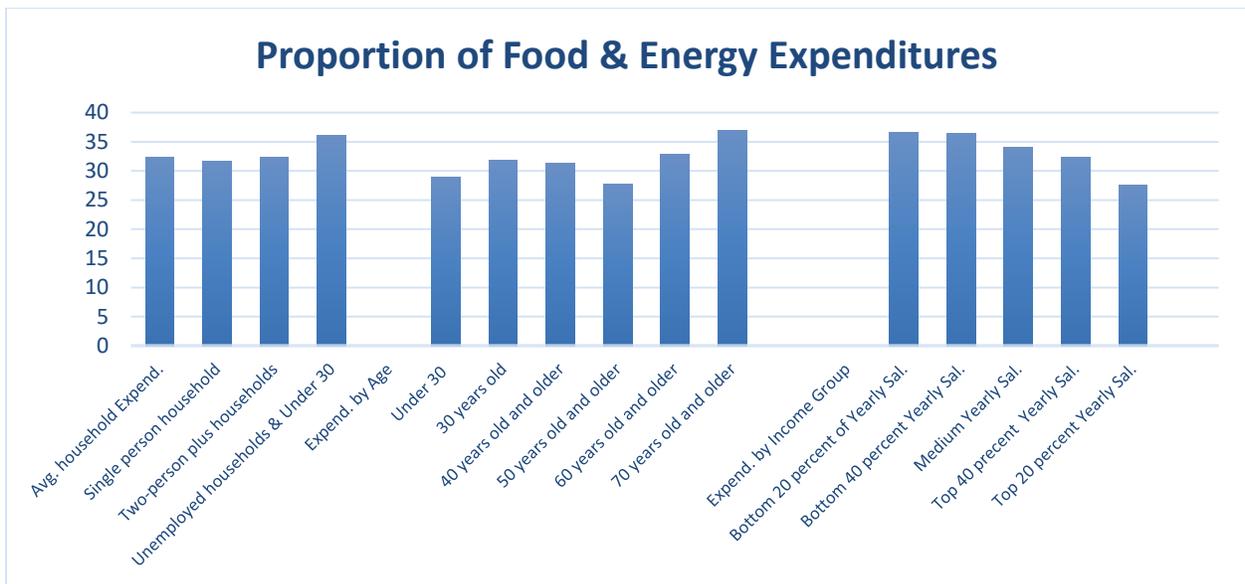
Source: [US Dollar to Japanese Yen Spot Exchange Rates for 2022](#)

## Higher Prices Passed to Consumers likely to Continue

On October 26, the Ministry of Agriculture, Forestry, and Fisheries (MAFF) announced a new initiative that will encourage food retailers to pass on price increases beginning in Japan fiscal year 2023 (April - March). While details at this point are unclear, MAFF's objective is to help inform Japanese consumers on the market dynamics that result in price increases at stores, such as product costs for agricultural products/inputs. In most countries worldwide, passing on such price increases to consumers is common. This effort by MAFF, would bring Japan in alignment with its global peers.

## Expenditures by Household

Monthly data from the Ministry of Health Labor and Welfare (MHLW) noted inflation-adjusted wages declining for the first five months of the year and wages are projected to continue to fall for the remainder of 2022. The significance of this is that with food and energy accounting for 36 percent of consumer expenditures, the highest ever since 2015, consumers are likely to cut back on spending. Inflation has also impacted Japanese households to varying degrees. The graph below depicts the ratio of consumption expenditures among Japan's households from the period of April – June 2022.



Source: Japan's Ministry of Internal Affairs and Communications' Household Budget Survey

## Government Intervenes to Assist Consumers

On October 28th, the GOJ adopted an economic package aimed at tackling the impact inflation continues to have on consumers. The package is estimated to total JPY 71.6 trillion. Details of the economic package entails fiscal investment and lending, as well as spending by local governments. The package also includes a JPY 6 trillion in measures to curb the average family's energy bill by a total of JPY 45,000.

This intervention is timely as 105 Japanese food manufacturers recently announced price increases for more than 2,000 food items, likely beginning February or March of 2023. A byproduct stemming from the GOJ intervention is to push Japan's real gross domestic product up by 4.6 percent, helping to lower consumer prices by 1.2 percent through 2023 and offering consumers some relief.

## Attachments:

No Attachments.