

(Box 2) Differences in Inflation Rates Faced by Households across Attributes

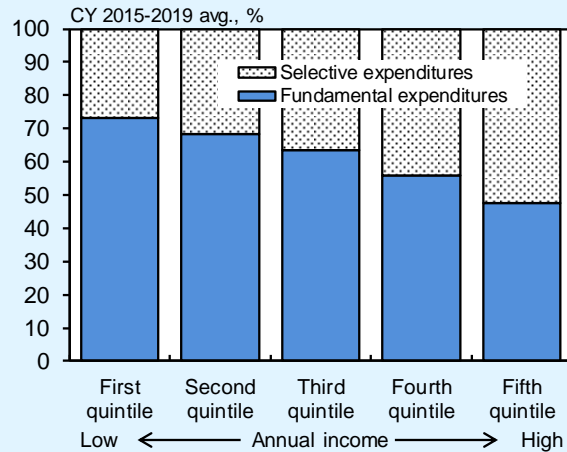
The inflation rate has risen recently, particularly for energy and food. Households have various attributes, such as income and age, and the inflation rates that they face differ depending on these attributes.

Expenditure by income group in the *Family Income and Expenditure Survey* shows that the lower the income of households, the higher the share of fundamental expenditures in overall consumption expenditure (Chart B2-1). Since many energy and food items are included in fundamental expenditures and their prices have increased considerably of late, the inflation rates that lower-income households face have been higher (Chart B2-2).

Therefore, the recent price rises seem to have exerted greater downward pressure on real income of relatively low-income households. Looking at the Cabinet Office's *Consumer Confidence Survey* to examine households' perception of "overall livelihood" by income group, the recent results show that the lower the income of households, the more cautious they become in their perception (Chart B2-3). While various factors may have affected the difference in households' perception in this regard, one factor seems to be the aforementioned difference in the inflation rates that they face.

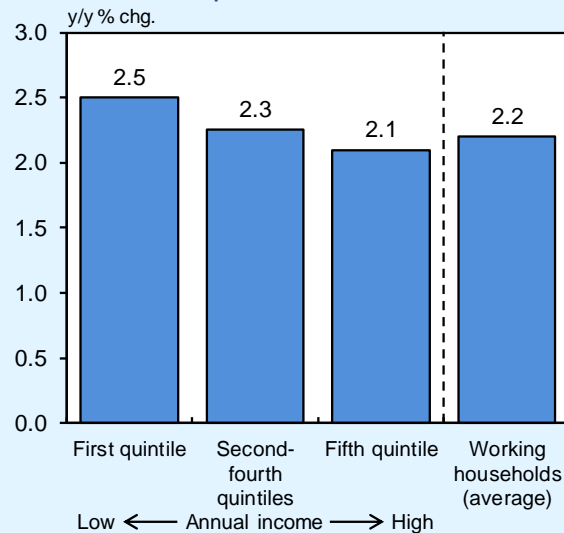
Given these circumstances, the government formulated in April 2022 the Comprehensive

Chart B2-1: Consumption Shares by Income Group



Source: Ministry of Internal Affairs and Communications.
 Notes: 1. Figures are for all households by annual income quintile.
 2. Expenditures are classified based on each item's spending elasticity (i.e., the percentage change in spending on the item when overall spending changes by 1 percent). Selective expenditures consist of expenditures on items with a spending elasticity of 1 or above, while fundamental expenditures consist of expenditures on items with a spending elasticity of less than 1.

Chart B2-2: Consumer Price Inflation by Income Group

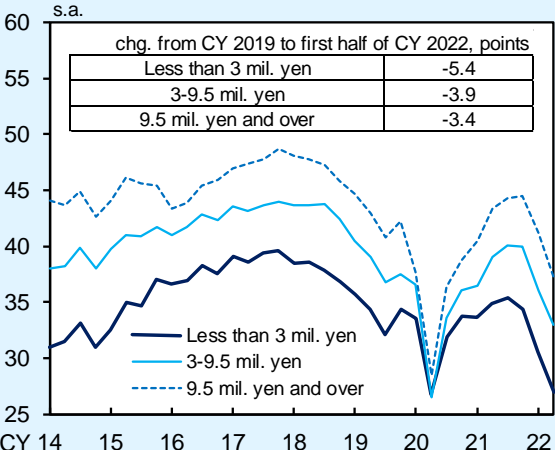


Source: Ministry of Internal Affairs and Communications.
 Note: Figures are for working households by annual income quintile and are for May 2022.

Emergency Measures to Counter Soaring Crude Oil and Other Prices and has been implementing them since then. The measures include an expansion of gasoline subsidies and an extension of the period during which they are provided, as well as benefit payments to child-rearing households with low incomes. Such measures are likely to alleviate the impact of price rises on households.

It is necessary to continue to carefully examine the impact of price rises on households' behavior and sentiment, taking into account the differences in the impact across household attributes.

Chart B2-3: Perception of Overall Livelihood by Income Group



Source: Cabinet Office.
 Note: The chart shows developments in the index for consumer perception of overall livelihood. Figures are for all households in a particular income group and are the weighted averages of perception of overall livelihood in each income group using the number of households as weights.