

# Daiwa's Economic View

## Burden on Japanese households as seen from Engel's coefficient

- Impact of soaring food prices varies by age, income level
- K-shaped disparity among household finances

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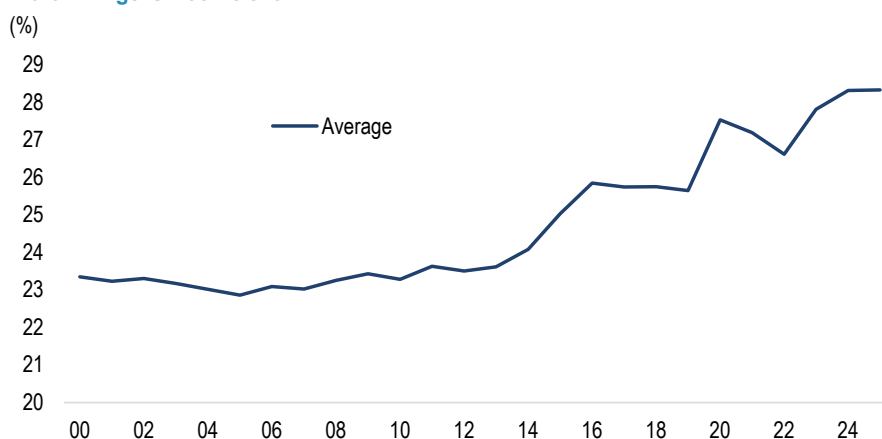
As food prices in Japan continue to soar, the burden on household finances is increasing. Indeed, [during his 1 December speech, BOJ Governor Kazuo Ueda](#) said, "Consumption of nondurable goods has continued on a decreasing trend, reflecting consumers' increased thriftiness due to a rise in food prices and other factors." He added, "The burden of price increases on households remains high." Ueda mentioned that soaring food prices are putting pressure on household finances. Actually, Engel's coefficient, which indicates the proportion of household expenditure allocated to food, has continued to rise (Chart 1).

### ◆ Speech by BOJ Governor Kazuo Ueda (1 Dec 2025)

Consumption of nondurable goods has continued on a decreasing trend, reflecting consumers' increased thriftiness due to a rise in food prices and other factors. Overall consumption has been resilient, against the background of an improvement in the employment and income situation and the recent pick-up in consumer sentiment on the back of factors such as an increase in summer bonuses and a rise in stock prices. That said, the burden of price increases on households remains high, and due attention to the impact of price increases is therefore warranted.

The surge in prices for daily staples like rice may be increasing the proportion of household spending allocated to food, potentially straining household finances. As a result, rising food expenditures may curb consumption of durable goods and services. Also, this sense of burden tends to vary depending on age and income bracket.

Chart 1: Engel's Coefficient

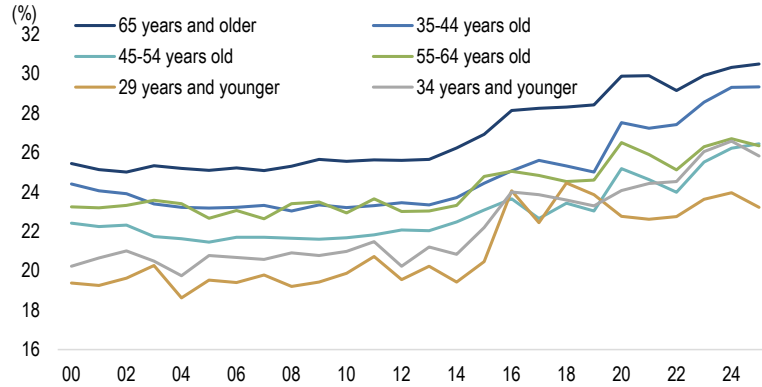


Source: Ministry of Internal Affairs and Communications (MIC); compiled by Daiwa.

### By age bracket

Chart 2 plots Engel's coefficient by age group. This coefficient is the highest at any given period for households with a head of household 65 or older. This coefficient for households with a head of household between the ages of 35 to 44 also remains at a high level. Prior to the COVID pandemic, Engel's coefficient for households with a head of household between the ages of 35 to 44 was nearly on par with that of the 55 to 64 age group. However, since the pandemic, Engel's coefficient has remained flat for the 55 to 64 age bracket, while continuing to rise for the 35 to 44 age bracket. Engel's coefficient is the lowest for those aged 29 and under and it has recently remained largely flat.

Chart 2: Engel's Coefficient (by age bracket)

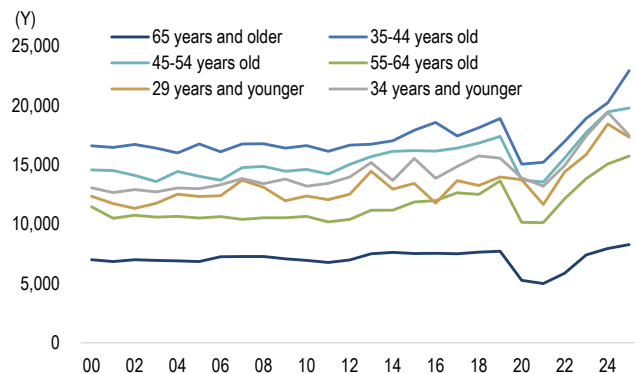


Source: MIC; compiled by Daiwa.

We examined food expenditures separately for eating out and eating at home. Spending on eating out by households headed by someone 65 and over has remained largely flat (excluding the COVID pandemic period) (Chart 3). Despite rising food prices now driving up costs for eating outside of the home, nominal spending on eating out has not increased. This suggests that households headed by someone 65 or older may be scaling back their dining-out opportunities to save money. This is likely a cost-saving measure resulting from increased spending on home-cooked meals, though we cannot rule out the possibility that people are deliberately choosing to eat more at home for health reasons (Chart 4).

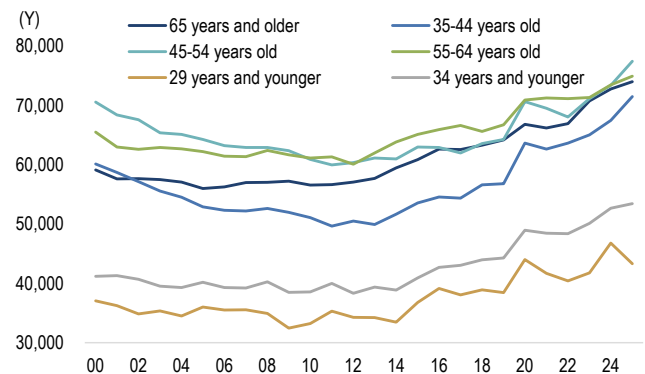
Households with a head of household between the ages of 35 to 44 are often raising children and so tend to have higher food consumption. Also, in the case of dual-income households, many families likely utilize home delivery services and dining out for convenience. Actually, spending on eating outside of the home is the highest among households where the head of household is 35 to 44. Currently, as costs to eat outside of the home are rising, household expenditures are also increasing.

Chart 3: Expenditures for Eating Out (by age bracket)



Source: MIC; compiled by Daiwa.

Chart 4: Expenditures for Eating at Home (by age bracket)

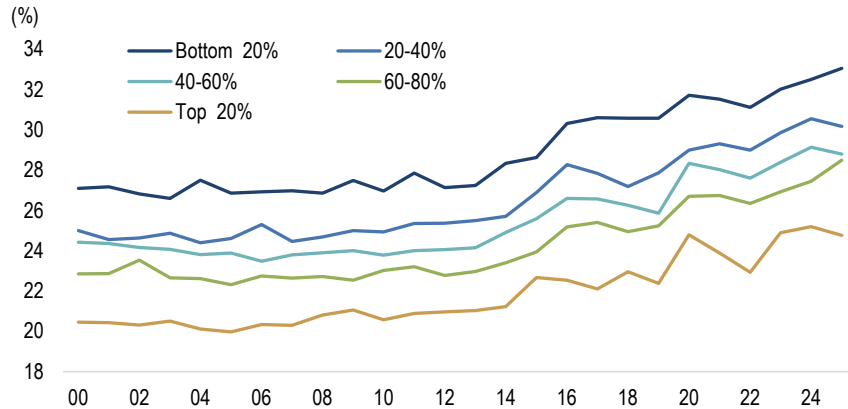


Source: MIC; compiled by Daiwa.

### By income bracket

Unlike the age bracket, Engel's coefficient has increased across all income brackets since the COVID pandemic started (Chart 5). For every income bracket, the surge in food prices may be a burden. Changes in preferences and lifestyles should also be considered. Such preferences include dining out, utilizing food delivery services, and inclinations towards more up-scale and healthy eating.

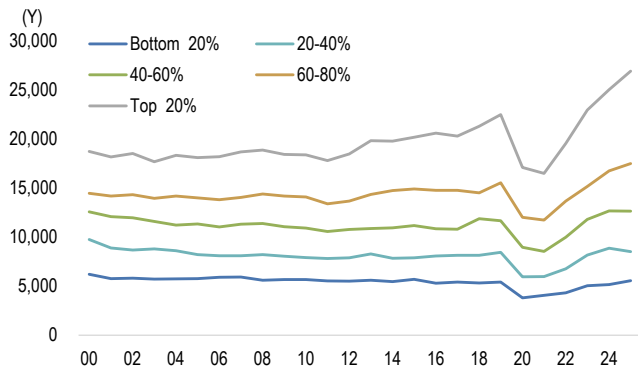
Chart 5: Engel's Coefficient (by income bracket)



Source: MIC; compiled by Daiwa.

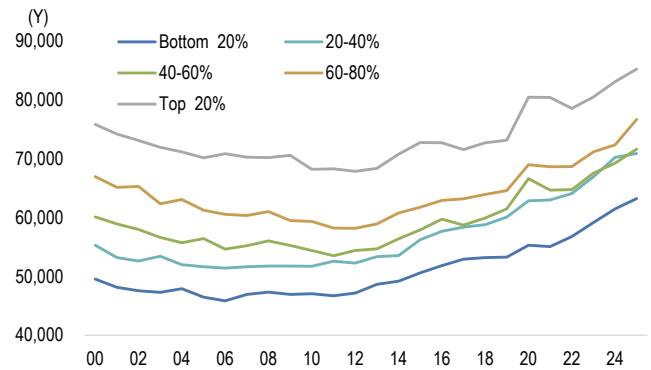
Despite the ongoing surge in food prices, high-income households are increasing their spending on both dining out and cooking at home (Charts 6 and 7). Even as dining out costs rise, those people may still be able to afford dining outside the home. Meanwhile, among low-income households, spending on eating out has remained largely unchanged, while spending on eating at home has increased. It has been suggested that the increase in costs for eating at home, due to soaring food prices, is a factor discouraging people from eating out.

Chart 6: Expenditures for Eating Out (by income bracket)



Source: MIC; compiled by Daiwa.

Chart 7: Expenditures for Eating at Home (by income bracket)



Source: MIC; compiled by Daiwa.

### K-shaped disparity among Japanese households

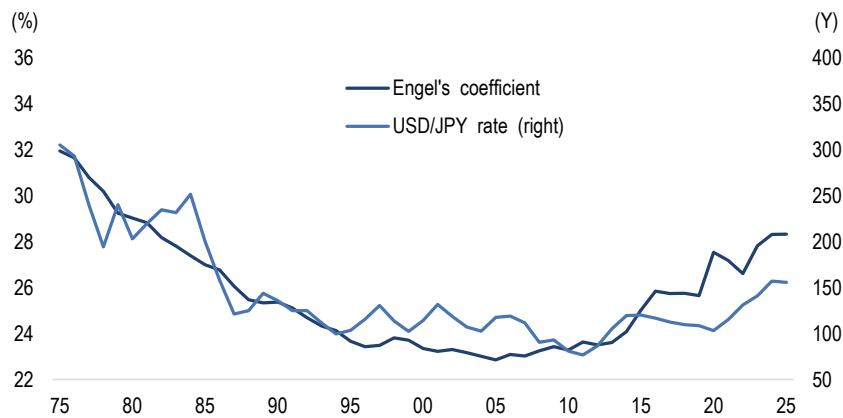
We confirmed that the increase in Engel's coefficient differed by age and income bracket. From a macro-economic perspective, there are upward trends for Engel's coefficient, but in terms of perceived burden, disparities are widening across income and age brackets. The structure of Japan's consumption may also be signaling a "K-shaped" pattern (high-income brackets spending more, low-income brackets spending less), similar to that of the US.

This sense of burden is also directly linked to the perceived prices among households. The impact of yen depreciation on prices is now intensifying and, within the BOJ, perceptions

regarding exchange rates are starting to correct. [During his 1 December speech, Ueda](#) said, “Developments in import prices, including fluctuations in foreign exchange rates, as well as the extent to which such developments will spread to domestic prices may lead prices to deviate either upward or downward from the outlook.” He added, “Exchange rate developments are, compared to the past, more likely to affect prices.” In this manner, he expressed his current views on the yen’s depreciation against the dollar. Even [during his 27 November speech, policy board member Asahi Noguchi](#) mentioned that the weak yen may pose greater-than-expected risks to the economy and prices.

Going forward, if concerns about the fiscal condition trigger further yen depreciation and push prices even higher, the “K-shaped disparity” among household finances will deepen and the sense of burden will intensify.

**Chart 8: Engel's Coefficient, USD/JPY Rate**



Source: MIC, Bloomberg; compiled by Daiwa.

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