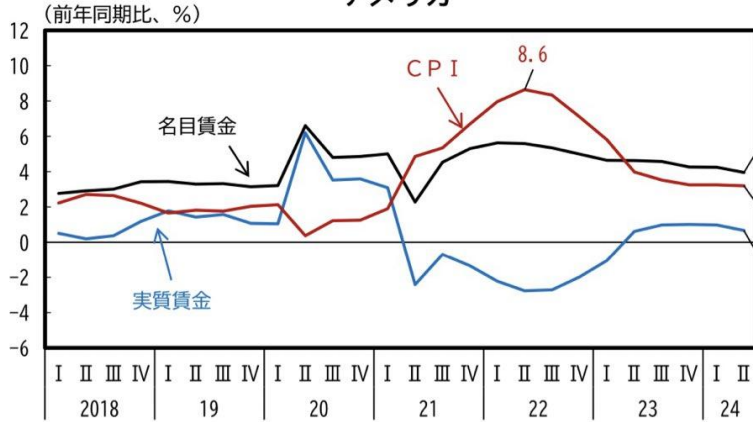


Price Hike in Energy and Food behind Inflation

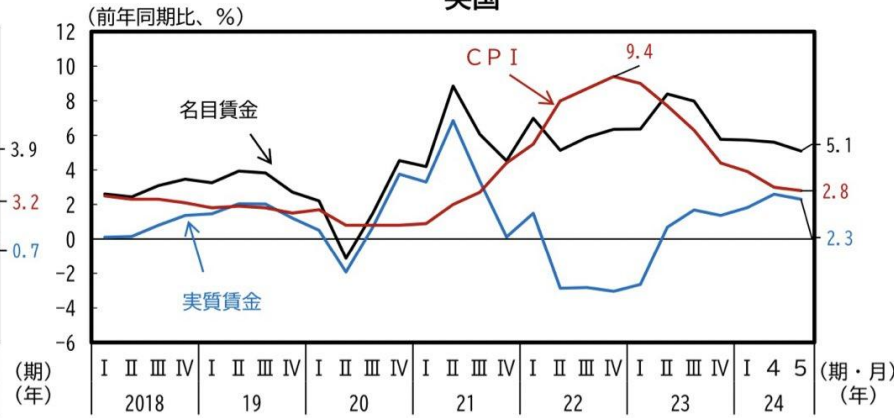
Monthly Review of the Economy

各国の名目賃金上昇率、物価上昇率、実質賃金上昇率

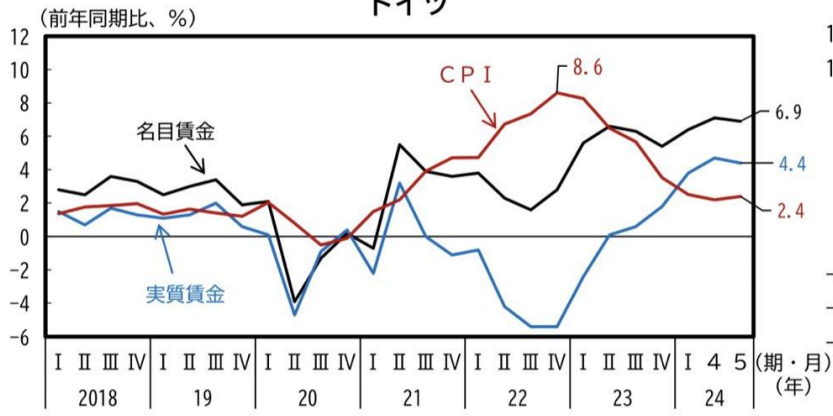
アメリカ



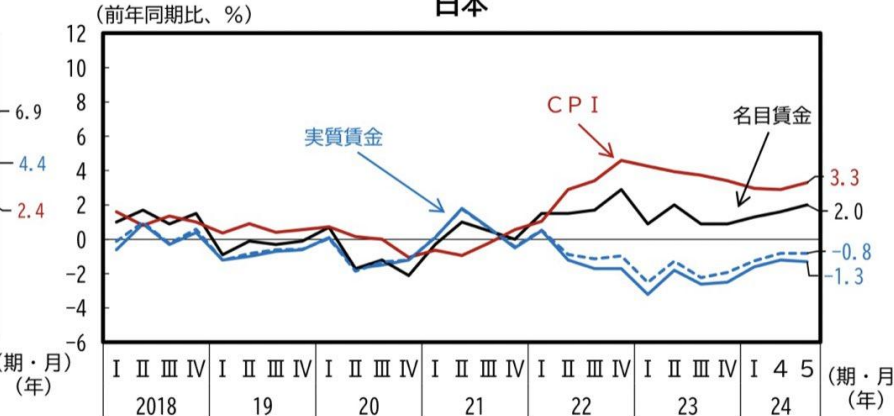
英国



ドイツ



日本

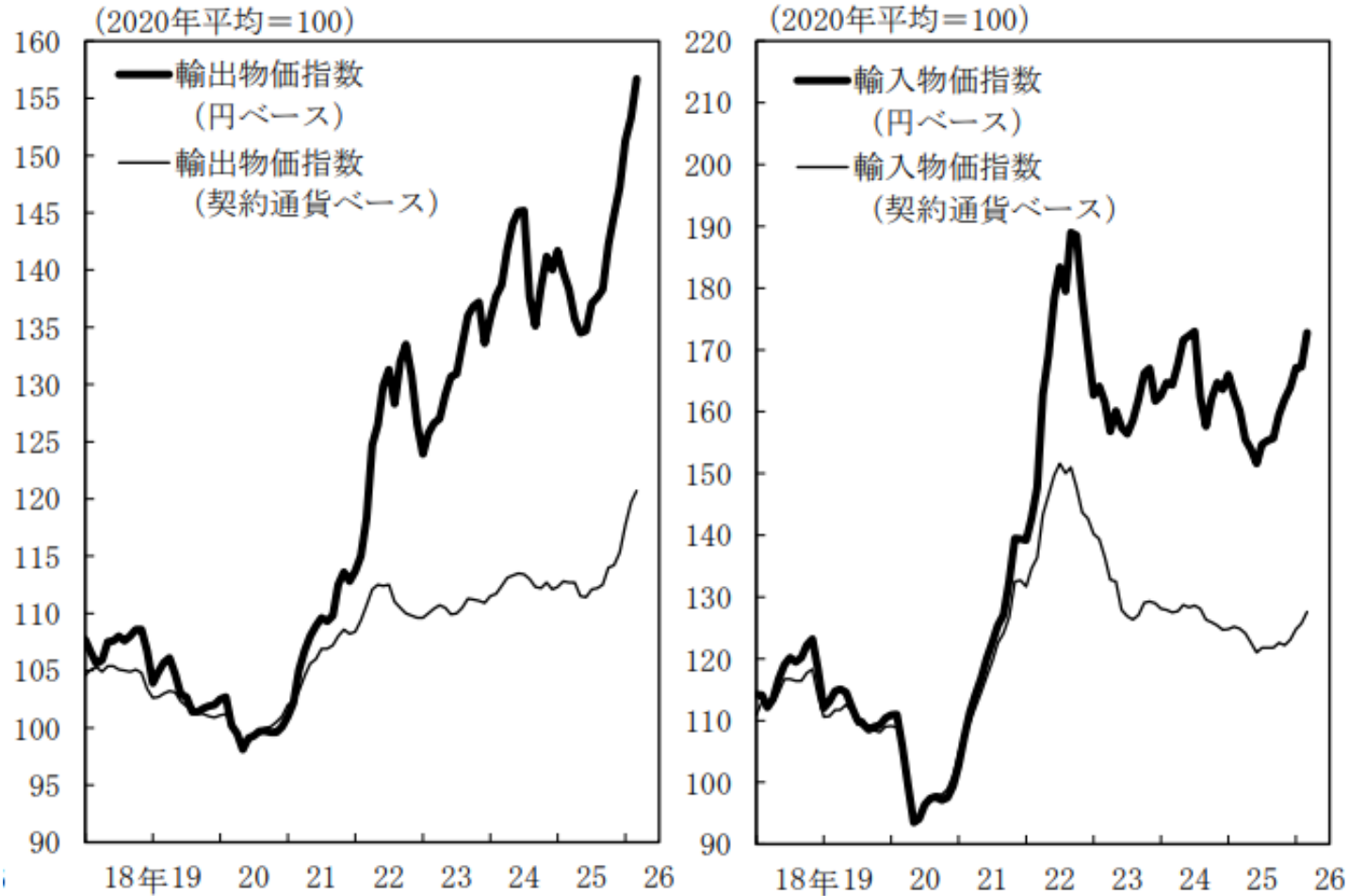


- (備考) 1. アメリカ労働省、英国国家統計局、ドイツ連邦統計局、総務省「消費者物価指数」及び厚生労働省「毎月勤労統計調査」により作成。
 2. アメリカは、名目賃金は時間あたり賃金、物価は消費者物価（帰属家賃含む）。英国は、名目賃金は週平均賃金、物価は消費者物価（帰属家賃含む）。ドイツは、名目賃金は月間平均賃金、物価は消費者物価（帰属家賃含む）。日本は、名目賃金は月平均賃金、物価は消費者物価（持家の帰属家賃を除く総合）。
 3. 日本の実質賃金について、実線は消費者物価指数（持家の帰属家賃を除く総合）で実質化、点線は消費者物価指数（総合）で実質化。

The inflation heavily damaged the life-standard for the common people in the US, UK, Germany, and Japan.

The real wage turned positive in 2023 in US, UK and Germany, while it still remains under zero in Japan.

BOJ Report on Prices of Exports and Imports

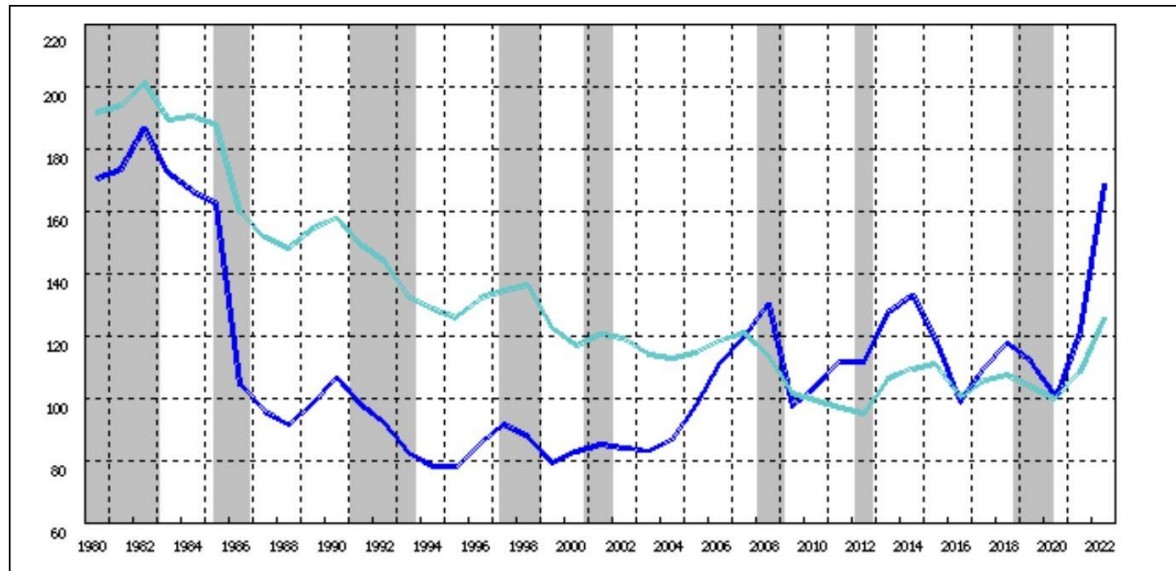


There is a wide discrepancy of the price indices denominated in the Yen and the U\$, which reflects the effect brought by the Yen depreciation.

The BOJ policy change in July 2024 seemed to be based on the recognition that the Yen depreciation was more likely to raise the domestic price level than before.

Term of Trade matters

グラフ

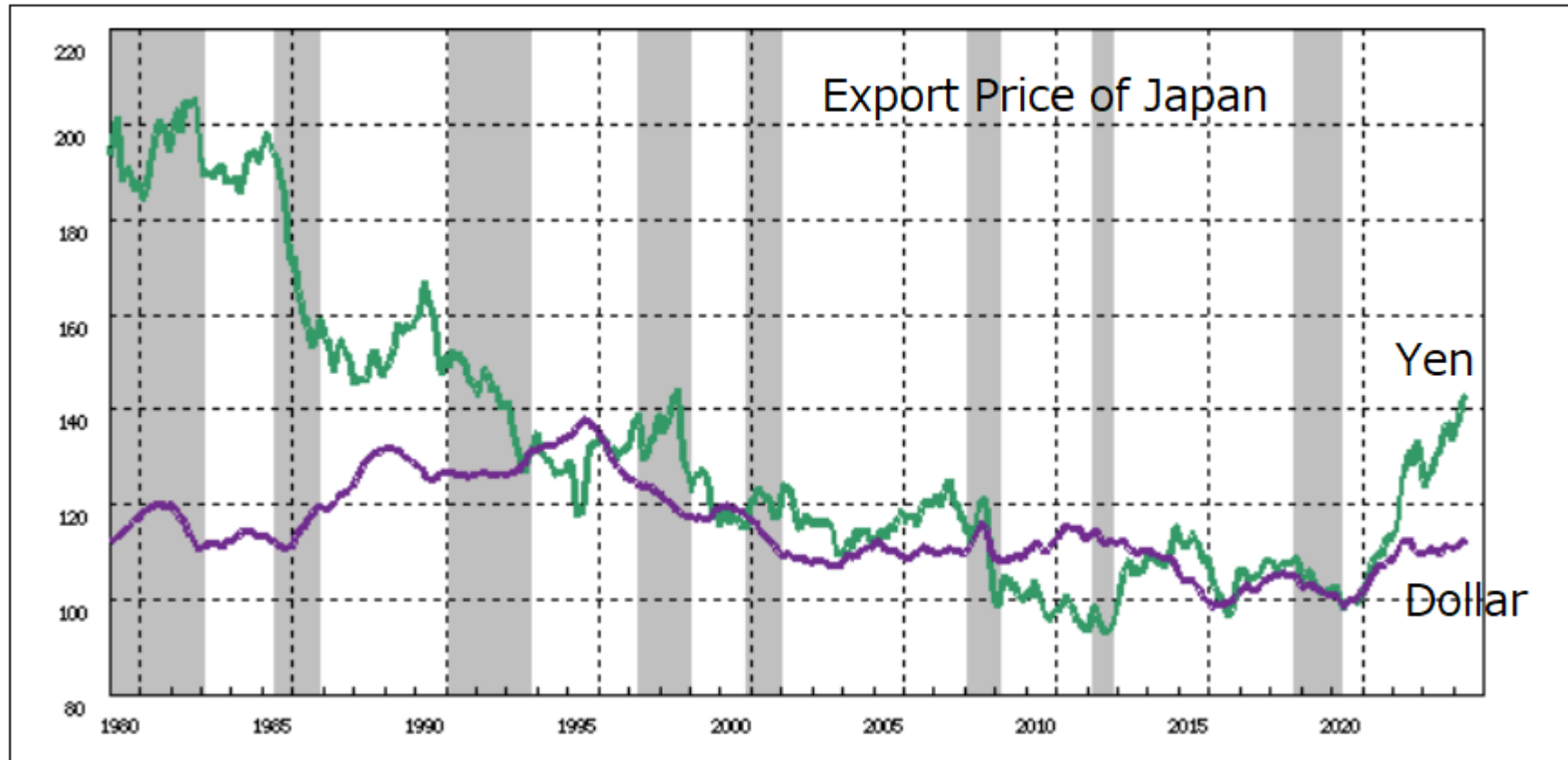


※グラフのデータソースはフッターの上部にある「データ表示」ボタンを押すと確認できます。

Drawn by the author using data compiled by BOJ
<https://www.stat-search.boj.or.jp/index.html>

- Term of Trade is the ratio of **export prices** to **import prices**.
- Current inflation increases export prices and greatly benefits business and their shareholders.
- The term of trade of Japan improved drastically in 1980, had deteriorated since 1990 until 2008 (Lehman crisis), and since then has stabilized.
- However, it deteriorates again recently, reflecting world inflation.
- Japanese people's welfare is affected more by the import price index than by the export price index.
- The import price index is greatly affected by prices in food and energy.

Export Price Index: Yen and Dollar



Japan's export price index, with 2020 as 100, showing a long-term low trend through 2020.

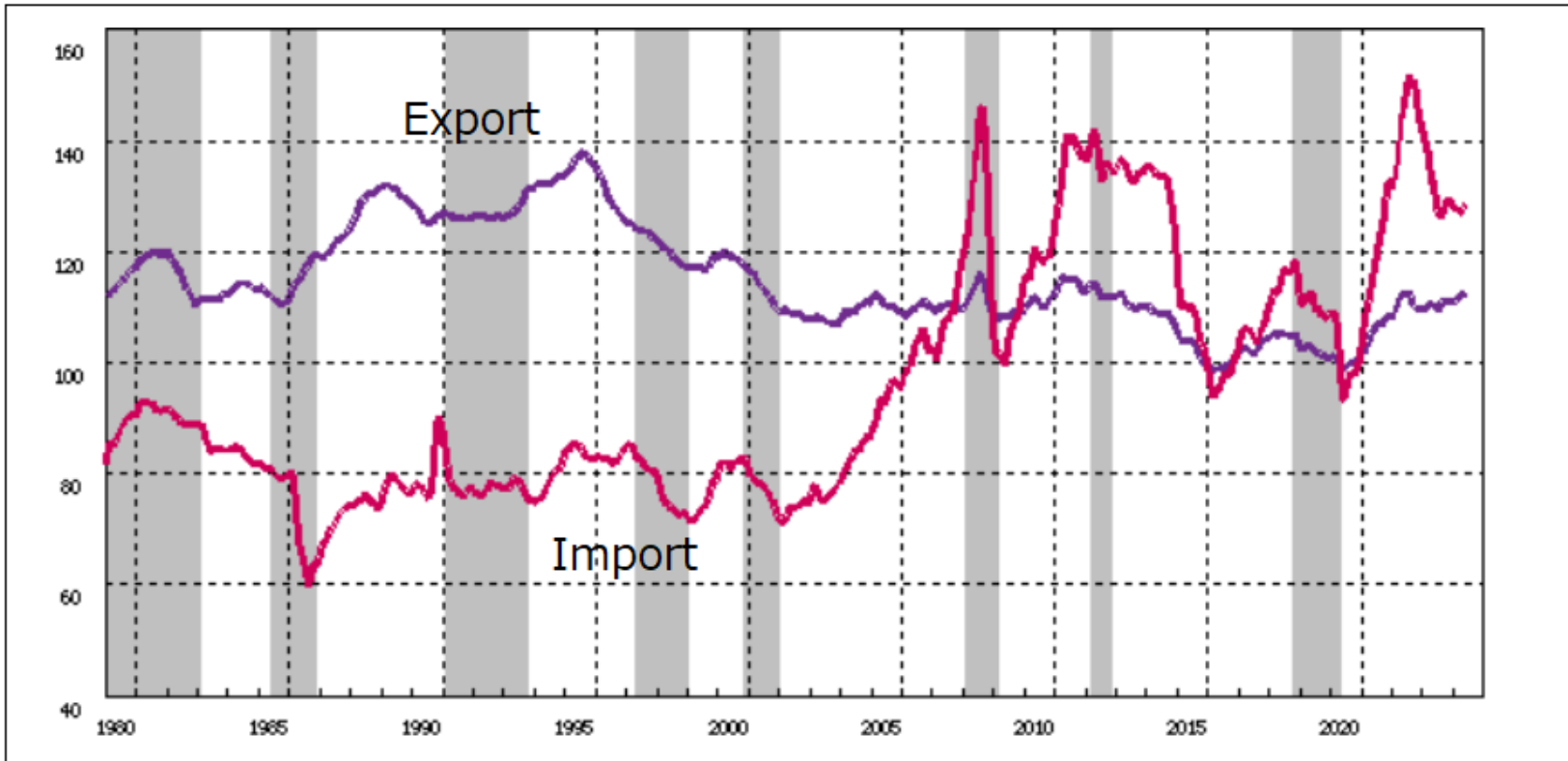
The gap of the indices based on the yen and the contract currency suggests a large appreciation or depreciation of the U\$/yen.

<https://t.co/tSLUgJYssC>

<https://stat-search.boj.or.jp/index.html>

Export and Import Price in Dollar

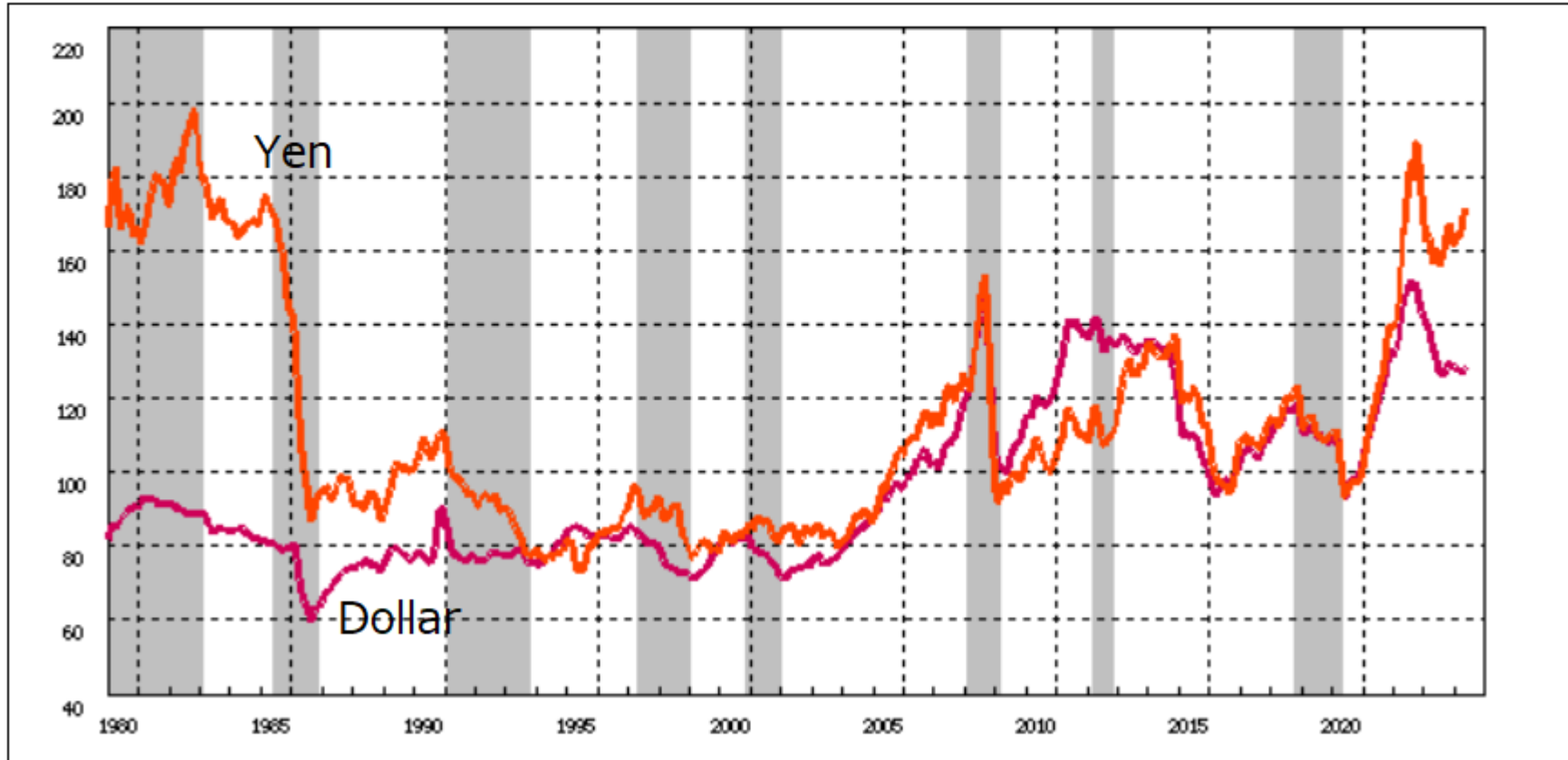
Export and Import Price Index (\$)



The dollar price of Japan's exports has shown a long-run stagnated trend, while the dollar price of Japan's imports increased in the early 2000s, reflecting the rise in the energy and food prices.

Import Price Index in Yen and Dollar

Import Price of Japan

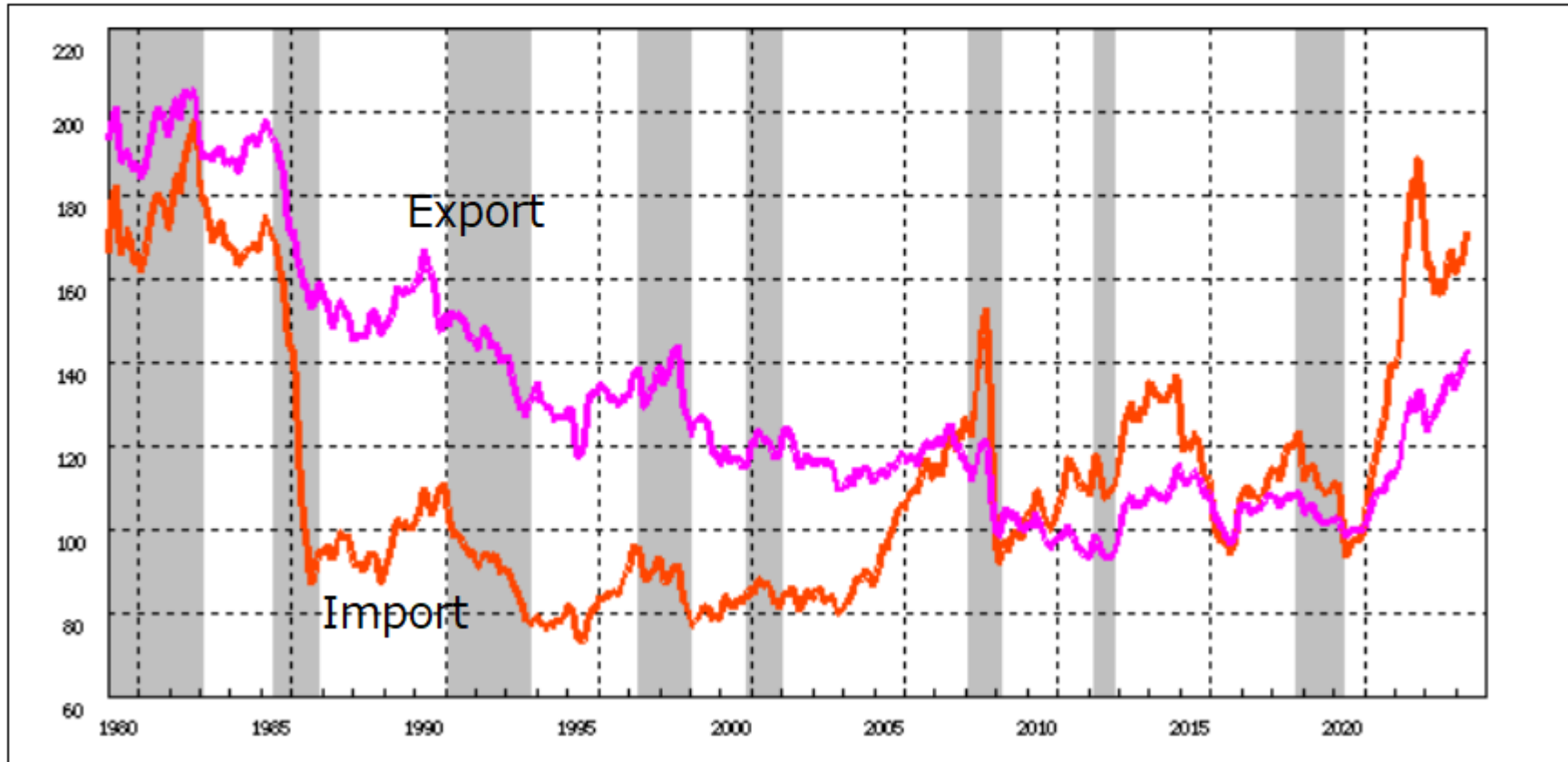


In 1985, there was a sudden and large decline in Japan's import prices denominated in Yen, which was caused by the Plaza Accord that brought the rise and fall of the Japanese economy.

There is an increasing trend of Japan's import prices, mainly of food and energy.

Export and Import Price Index in Yen

Export and Import Price Index (¥)



Japan's import prices in Yen are more volatile than Japan's export prices in Yen, suggesting the Yen appreciation is associated with the decline in food and energy prices.

Terms of Trade: Japan

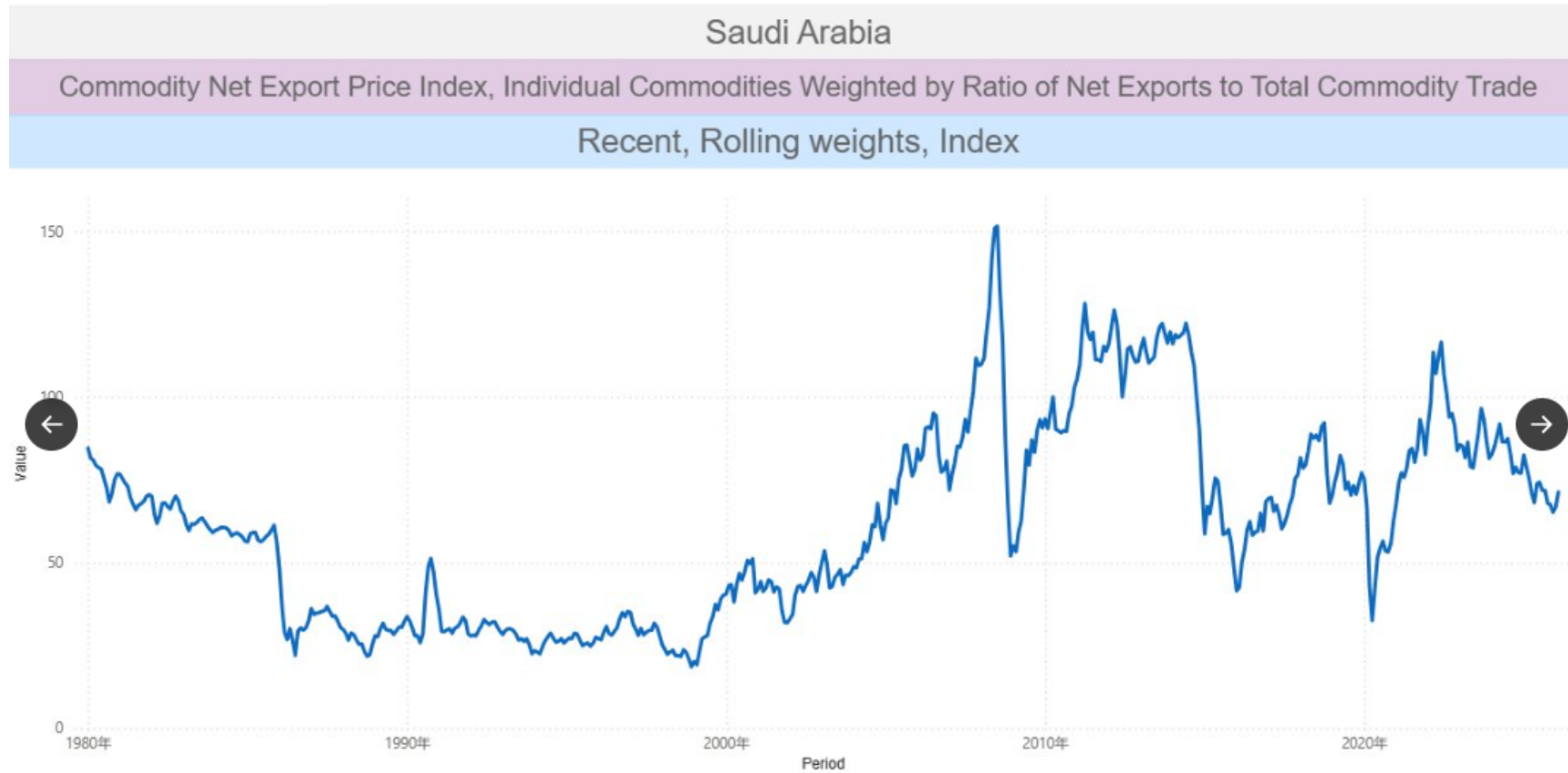


- Japan's Terms of Trade decreased with
 - Globalization in 2000s.
 - Economic recovery from the Lehman Shock in 2010s.
 - The inflation under the recovery from the Corona pandemic.
 - Russia's invasion into Ukraine.
- Japan's Terms of Trade increased with
 - The Lehman crisis
 - the fear for another depression in 2015.
 - The Corona pandemic in 2020
- Better for the world is worse for Japan, because economic recovery is followed by the competition for natural resources.

Terms of Trade (China) Similar Pattern



Terms of Trade (Saudi Arabia)



Terms of Trade (Russia)

- Economic recovery and the war benefits Russian economy.
- Russia can finance its war expenses simply by extending it.



Terms of Trade (USA) moves in the same way as that of Japan in smaller extent



The pattern of Germany is the same as Japan with the similar extent



Consumer Price Index (CPI)

表1 総合、生鮮食品を除く総合、生鮮食品及びエネルギーを除く総合の指数及び前年同月比

2020年=100

原数値		2025年						2026年						
		4月	5月	6月	7月	8月	9月	10月	11月	12月	1月	2月	3月	4月
総合	指数	110.7	111.1	110.8	111.0	111.2	110.7	111.8	112.2	112.0	111.9	111.4	111.7	112.4
	前年同月比 (%)	3.4	3.4	3.1	2.9	2.5	2.5	2.7	2.7	2.0	1.5	1.5	1.4	1.5
生鮮食品を除く総合	指数	110.0	110.5	110.3	110.5	110.6	110.0	111.0	111.4	111.1	110.9	110.5	111.0	111.7
	前年同月比 (%)	3.4	3.6	3.1	2.9	2.5	2.5	2.8	2.8	2.3	2.0	1.8	1.7	1.5
生鮮食品及びエネルギーを除く総合	指数	109.3	109.6	109.5	109.7	110.1	109.6	110.6	110.8	110.6	110.4	110.6	111.0	111.3
	前年同月比 (%)	3.1	3.3	3.1	3.1	3.0	2.5	2.8	2.8	2.6	2.4	2.5	2.3	1.9

Row 1=General

Row 2=General minus fresh food

Row 3=General minus fresh food and energy

<https://stat.go.jp/data/cpi/sokuhou/tsuki/index-z.html>

Consumer Price Index (CPI)

Total

Food

Housing utility

Home goods

Furniture

年 月	原			数					
	総 合	生鮮食品を除く総合	生鮮食品及びエネルギーを除く総合	食 料	生鮮食品	生鮮食品を除く食料	住 居	光熱・水道	家具・家事用品
ウエイト	10000	9615	9145	2529	385	2144	2760	555	335
指数									
2021 年平均	99.8	99.8	99.7	99.9	99.3	100.0	100.5	99.2	102.5
2022	102.2	101.9	100.8	104.4	108.7	103.6	101.1	118.6	106.2
2023	105.4	105.0	104.5	112.6	116.4	111.9	101.6	110.4	114.0
2024	107.9	107.2	106.6	117.4	124.6	116.0	102.3	113.0	118.6
2025	111.0	110.1	109.5	124.7	131.4	123.5	103.5	114.8	122.1
2024 年 4 月	107.0	106.4	106.0	115.9	123.3	114.6	102.0	109.4	117.3
5	107.4	106.7	106.1	116.4	124.4	115.0	102.2	113.2	118.5
6	107.5	107.0	106.2	116.2	120.8	115.3	102.2	116.9	119.3
7	107.8	107.4	106.4	116.1	118.3	115.7	102.3	120.1	119.7
8	108.4	107.9	106.9	117.0	122.1	116.1	102.4	119.3	121.1
9	108.1	107.3	106.9	118.4	127.3	116.8	102.5	109.3	121.3
10	108.8	107.9	107.5	120.0	130.2	118.2	102.6	110.2	121.6
11	109.2	108.3	107.7	120.7	131.5	118.8	102.7	114.2	120.9
12	109.8	108.6	107.7	121.7	138.3	118.7	102.7	119.6	119.6
2025 年 1 月	110.2	108.7	107.8	124.1	148.4	119.7	102.8	119.1	119.5
2	109.7	108.5	108.0	123.0	139.6	120.1	102.9	113.3	119.7
3	110.2	109.1	108.5	123.4	136.4	121.1	103.0	113.9	120.6
4	110.7	110.0	109.3	122.9	128.1	121.9	103.6	117.7	122.3
5	111.1	110.5	109.6	123.1	124.5	122.9	103.7	121.2	122.2
6	110.8	110.3	109.5	123.5	123.0	123.6	103.6	116.1	123.4
7	111.0	110.5	109.7	124.1	123.2	124.2	103.7	114.7	123.2
8	111.2	110.6	110.1	124.8	125.7	124.6	103.7	108.9	123.5
9	110.7	110.0	109.6	125.6	130.4	124.8	103.7	107.2	122.8
10	111.8	111.0	110.6	127.0	132.0	126.2	103.8	112.4	123.5
11	112.2	111.4	110.8	127.3	132.2	126.5	104.0	117.0	123.0
12	112.0	111.1	110.6	127.2	133.3	126.1	104.1	116.7	120.9
2026 年 1 月	111.9	110.9	110.4	128.1	137.4	126.4	104.3	116.5	120.2
2	111.4	110.5	110.6	127.7	133.6	126.6	104.4	105.8	121.6
3	111.7	111.0	111.0	127.3	129.3	127.0	104.4	106.4	123.0
4	112.4	111.7	111.3	127.8	129.4	127.5	104.7	114.1	123.6

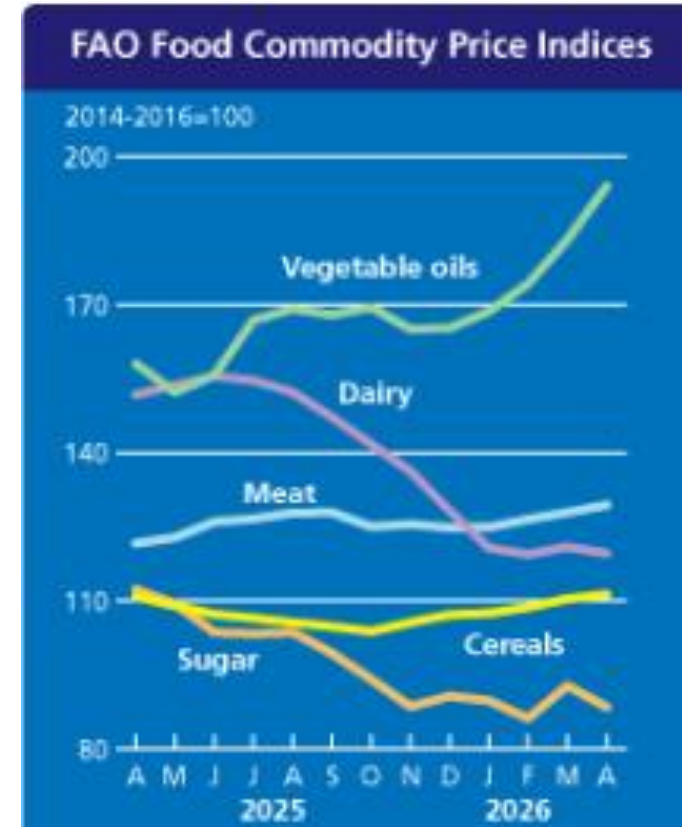
- Cumulative rise in CPI affects people's recognition of the economy more directly than the current rise in CPI.
- Cumulative CPI is normalized to 100 for 2020.
- In April 2026, Total CPI is 112.
- CPI is
 - 127 for food
 - 104 for housing rent
 - 114 for utility
 - 123 for home goods and furniture
- Most of food, energies, and home goods are imported from abroad, much affected by world inflation.

FAO food price index

	Food Price Index ¹	Meat ²	Dairy ³	Cereals ⁴	Vegetables Oils ⁵	Sugar ⁶	
2009	91.8	81.6	91.4	97.2	94.4	112.2	
2010	106.9	91.4	111.9	107.5	122.0	131.7	
2011	131.8	105.0	129.9	142.2	156.5	160.9	
2012	122.8	104.7	111.7	137.4	138.3	133.3	
2013	120.1	106.2	140.9	129.1	119.5	109.5	
2014	115.0	112.1	130.2	115.8	110.6	105.2	
2015	93.1	96.8	87.1	95.9	89.9	83.2	
2016	92.0	91.1	82.6	88.3	99.4	111.6	
2017	97.9	97.5	108.0	91.0	101.9	99.1	
2018	95.8	94.4	107.3	100.8	87.8	77.4	
2019	94.9	99.5	102.8	96.6	83.2	78.6	
2020	98.1	95.3	101.8	103.1	99.4	79.5	
2021	125.7	107.5	119.6	131.2	164.9	109.3	
2022	144.5	118.3	149.5	154.7	187.8	114.5	
2023	124.5	114.1	123.7	130.9	126.3	145.0	
2024	122.0	117.3	129.7	113.5	138.1	125.7	
2025	127.2	123.3	146.7	107.9	161.7	104.3	
2026	127.2	127.2	120.2	109.5	180.0	89.3	
2025	April	128.2	121.6	151.7	110.9	158.0	112.3
	May	127.1	122.8	153.6	109.0	152.2	109.4
	June	128.1	126.0	155.5	107.3	155.7	103.6
	July	129.8	126.6	154.6	106.5	166.8	103.3
	August	130.0	127.8	152.2	105.6	169.1	103.6
	September	128.6	127.9	147.2	104.8	167.9	99.4
	October	126.4	125.0	141.7	103.8	169.4	94.1
	November	125.2	125.5	136.2	105.6	165.0	88.6
	December	124.5	124.8	128.2	107.2	165.2	90.7
2026	January	124.1	124.9	120.7	107.5	168.6	89.8
	February	125.5	126.5	119.4	108.7	174.2	86.2
	March	128.6	127.9	120.9	110.4	183.1	92.8
	April	130.7	129.4	119.6	111.3	193.9	88.5

Rising food price

- World food prices rose sharply during the economic recovery after the Corona disaster. This is the main cause of the recent political turmoil.
- However, as we move into 2024, the price increase has subsided and some prices are declining, except for vegetable oils.



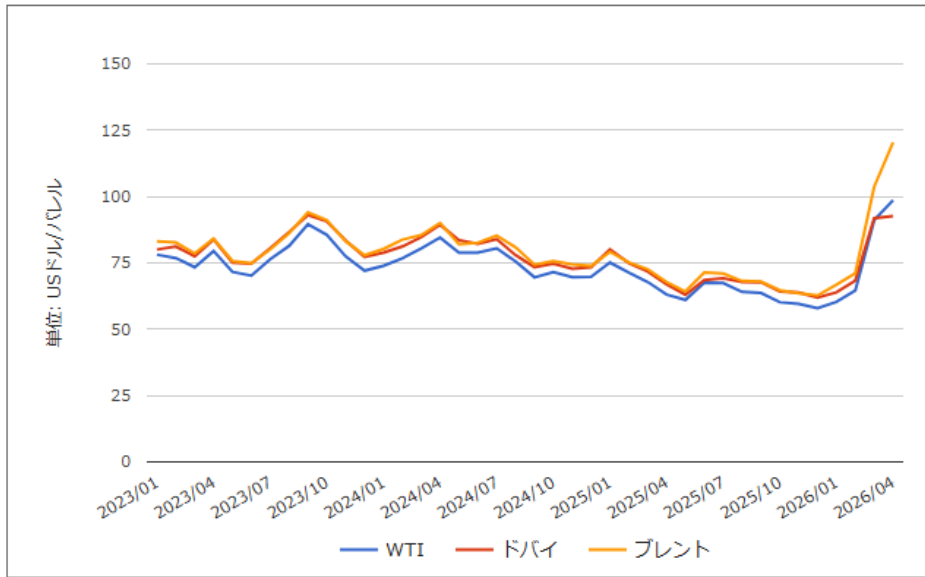
- Although PM Abe resigned because of its failure of handling the anti-Corona measures, Corona was only one of the foreign circumstances that made his situation worse.
- These days, foreign circumstances have a greater impact on Japanese politics than the performance by domestic policies.
- The impact of foreign shocks on domestic politics differs depending on whether exchange rate fluctuations amplify the shocks or, conversely, reduce them.
- In the past, the dollar/yen rate moved in the direction of reducing shocks from abroad (war, recession, inflation, etc.), so politics was not destabilized.
- During the DPJ administration, world food prices were also high, but domestic prices did not rise because of the strong yen.
- Recently, however, the yen has weakened in tandem with rising international prices for energies and food, amplifying the shocks and increasing public dissatisfaction with politics.

How foreign exchange rates affect politics?

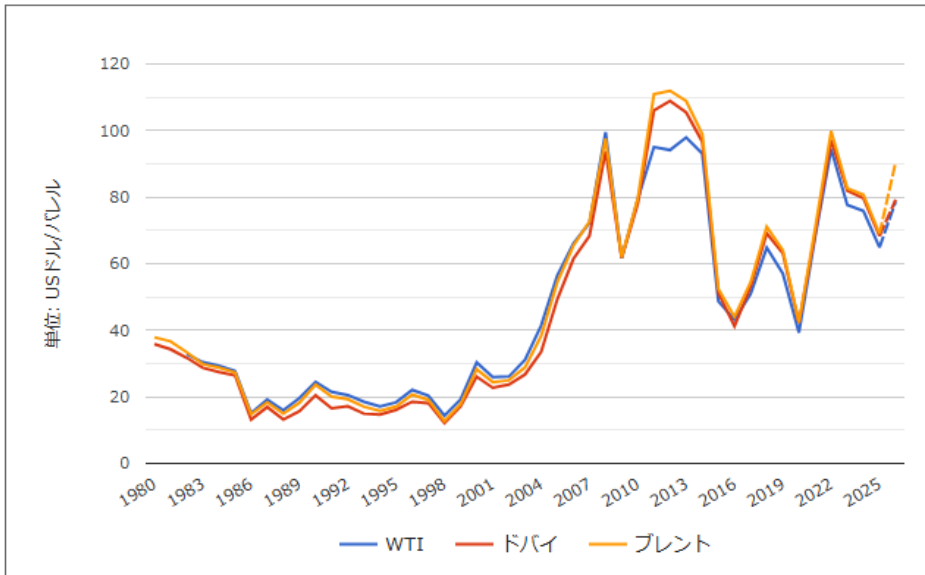
Living cost is more important than political scandals

- The dollar-yen rate has risen by about 1.5 times compared to its stable period. With rising food prices coming to Japan, it is no wonder that the approval rating of the administration is falling.
- The media is still saying that "politics-money scandals have caused distrust in politics," but the economy and people's lives are much more important.
- Gerald Curtis (Columbia University) said on Japanese TV that "the issue of politics and money is nothing compared to the era of Kakuei Tanaka and Shin Kanemaru."
- What the people are most upset about is the rising cost of living.
- Reflationists say, "There are many advantages to a weak yen," but they cannot persuade the public.

原油価格の推移(月次)



原油価格の推移(年次)

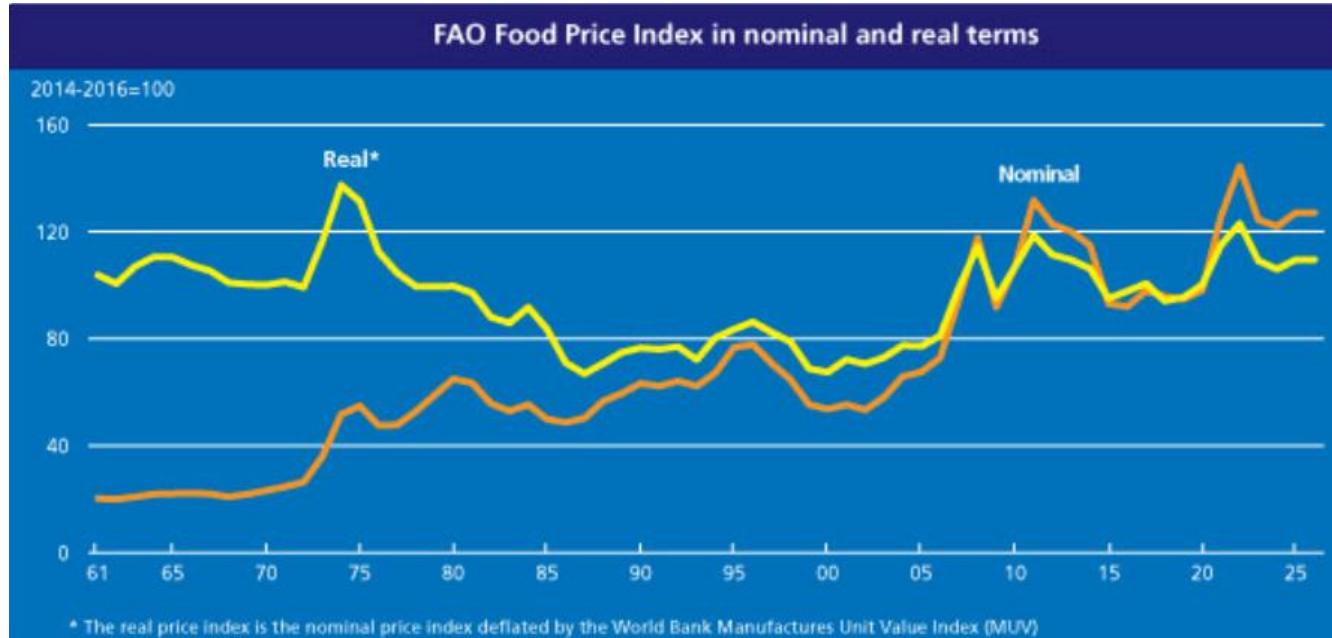


World Oil Price

- World oil prices remained stable at low levels until 2000, but rose sharply after 2000, reaching a high of around \$100 in the 2010s.
- The price then declined sharply through the Corona period but has recently risen sharply again.
- It can be said that the stability of the Abe administration has been brought by the low and stable price of crude oil.
- Oil price suddenly rose in March 2026, due to the US attack on Iran.

https://ecodb.net/commodity/group_oil.html

Return of the Pessimism

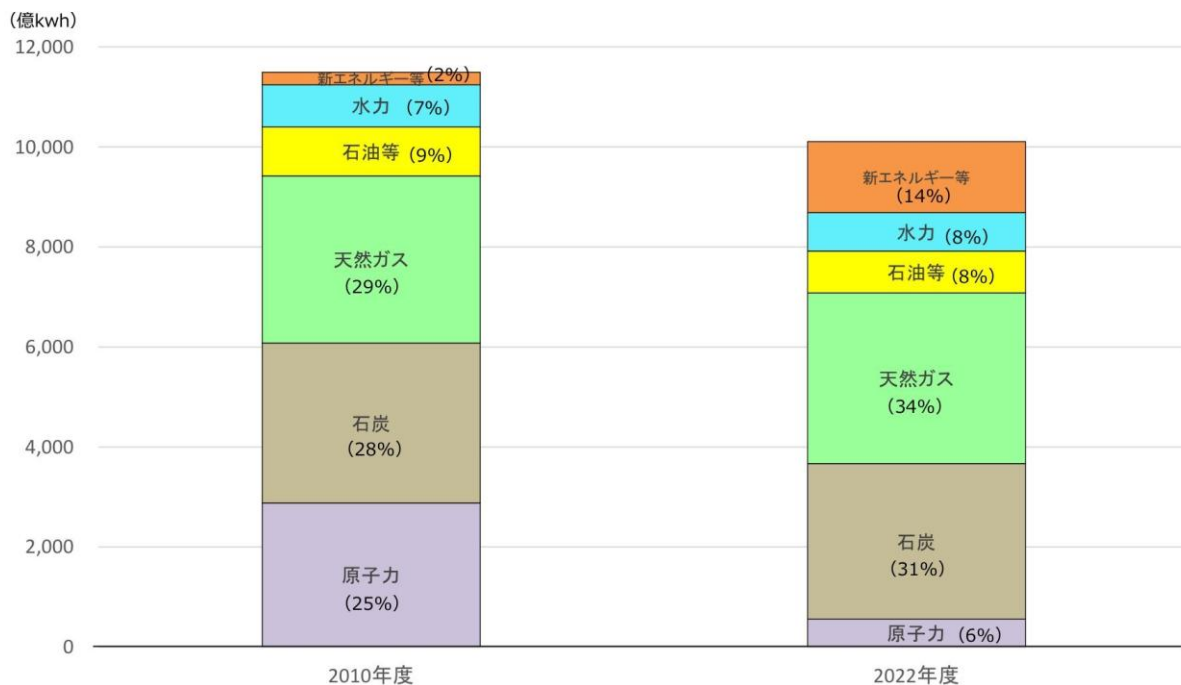


- The long-term trend of the real index of the World Food Price (perhaps denominated by the CPI) shows that it was high until about 1975, then declined and remained stable at a low level until about 2005.
- The period from 1975 to 2005 can be described as a period of optimism, while the period after 2005 is the return of pessimism originally proposed by the Club of Rome in 1972, which emphasized the upcoming food crisis.
- The rise in the price of food and energy might have been brought by the Globalization with economic growth of emerging countries.

電源構成の推移

図表 4

- 原子力の占める割合は東日本大震災後に減少。その分、石炭・天然ガス等の化石燃料や太陽光等の割合が増加。



(※) 「新エネルギー等」には、太陽光、風力、地熱、バイオマス、が含まれる。

(出所) 資源エネルギー庁 「総合エネルギー統計」

Changes in Power Supply Composition

Energy consumption in power supply has significantly declined in the last decade, while Japan's real GDP is growing.

Energy saving has been driven by the efforts of the government and the industries to avoid the energy shortage after the east-Japan mega-earthquake and the nuclear power plant accident in 2011.

4

https://mof.go.jp/policy/international_policy/councils/bop/20240701140554.html... https://mof.go.jp/policy/international_policy/councils/bop/20240702.pdf