

Who faces higher prices?

–An empirical analysis based on Japanese homescan data¹

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Abstract

Based on household-level scanner data (homescan) that cover across Japan for three years, we construct a household-level price index and investigate the cause of the large differences in prices and inflation rates across households. As was pointed out by Aquiar and Hurst (2007), elderly people shop more frequently than young people in Japan. Both the price level and the inflation rate have a negative correlation with shopping frequency. However, the estimates with instrumental variables show no significant relationship between the shopping frequency and the price level. The effects of shopping frequency on the inflation rate become positive when the endogeneity of the frequency is taken into account. These results are inconsistent with the results reported by Aguiar and Hurst (2007). Rather than the shopping frequency, our results suggest that the preferences on the quality of commodities create the large differences in the household-level inflation rate.

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³ The views expressed in this paper are those of the authors and are not reflective of those of the Bank of Japan.