

Housing Wealth and Consumption: Evidence from Japanese Micro Data

Takeshi Niizeki[#]

Osaka School of International Public Policy, Osaka University

Economic and Social Research Institute, Cabinet Office

January 22, 2016

Abstract

This paper examines to what extent the household consumption responds to the housing wealth using the Japanese micro data, the *Family Income and Expenditure Survey* (FIES). The cross-section analysis shows that the consumption of household with abundant housing wealth is relatively high, remaining other factors fixed. However, the estimated MPC in the benchmark specification is 0.0036, which is substantially lower than the reported MPC in other developed countries. The comparison of consumption patterns across different age groups also reveals that the estimated MPC is the highest for the middle-aged, followed by the old households.

The regression analysis using the pseudo-panel data constructed by the cross-section *FIES* data is also conducted as a robustness check. As in the cross-section analysis, a statistically significant positive housing wealth effect is observed and the old and middle-aged households increase their consumption in response to the rise in housing wealth, whereas the young households are almost unresponsive. Judging from these regression analyses, it is summarized that the housing wealth effect is observed in Japan, but to a lesser extent than in other developed countries. Furthermore, the most plausible explanation for housing wealth effect is the pure wealth effect channel.

Keywords: Housing wealth, Household consumption, Life cycle/permanent Income Hypothesis

JEL Classification: D12, D31, E21

[#] I would like to thank Masahiro Hori, Keiko Murata, Koichiro Iwamoto, Junya Hamaaki, Fumihiko Suga, and Daisuke Moriwaki for their helpful comments. Special thanks go to the Statistics Bureau of Japan for providing us with the microdata from the *Family Income and Expenditure Survey* (FIES). The views expressed in this paper are those of the author and do not represent those of the institutions the author belongs to.