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Impact of Resource Highs Due to Ukraine Crisis

Cost burden is expected to increase in the short-term by 2 tril yen for households and 2.6 tril yen for corporations

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Summary

- Against the backdrop of Russia's invasion of Ukraine, there is growing concern over the tightening of supply chains and the rise of resource prices. Due to the depreciation of the yen and the appreciation of resources, domestic prices have already been passed on from raw materials to intermediate goods. On the other hand, the pass-through of costs to final goods is slow, and the pace of increase in the consumer price index is moderate. In the future, the focus will be on how the transfer of price increases from intermediate goods to final goods and then to households proceeds. Accordingly, this paper analyzes the impact of the ripple effect of resource appreciation on corporations and households.
- What is expected to be rising in Japan are those import items for which Russian imports account for a large share. Due to the surge in import prices, income outflow overseas is expected. This outflow will be borne mainly by domestic households and corporations. Using the input-output table to estimate the impact of resource prices, which rose through March 2022, it can be seen that the burden on the corporate side will be larger, with the short-term burden being 2 tril yen in the household sector and 2.6 tril yen in the corporate sector. However, as cost increases are passed through over time, the final figures are expected to be 2.6 tril yen for the household sector and 2 tril for the corporate sector.
- Looking at the breakdown of estimated results, it was found that the burden on corporations is especially large downstream from the supply chain. Even though households ultimately bear the majority of the impact of high resource prices, the burden on corporations cannot be ignored. Until such time as price increases are passed through, the burden on businesses close to the downstream sector will be particularly large, such as transportation and postal activities, petroleum and coal products, chemical products, food and beverages, and personal services.

Attention

This report is a summary translation. The official document is only in Japanese.