

Intra-temporal Substitution between Tradable and Non-tradable Goods: Evidence from Japanese Household Survey Data

Very preliminary

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Abstract:

We estimate the intratemporal elasticity of substitution between tradable and nontradable goods using Japanese survey-based household data. In contrast to previous studies based on aggregate time-series data, this study therefore sheds light on the heterogeneity in consumption behavior among consumers with different social and economic backgrounds. Among other conclusions, our results suggest a higher level of substitution between tradable and nontradable goods for older generations of consumers and during deflationary periods. Thus, we confirm that consumers in general are indeed sensitive to the prices of economic goods and services, particularly in times of slow economic recovery.

Keywords: Intratemporal elasticity of substitution, tradable and nontradable goods, economic goods and services, survey-based household data, Japan

JEL classification: D1