Key Features of Japan's Final Demand-Intermediate Demand Price Indexes during the Post-2020 Inflationary Episode

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The inflationary episode since 2020 has heightened interest in how price pressures originating upstream in the production flow are transmitted to downstream stages. This study investigates the features of price developments over the period 2020-2025 using the Final Demand-Intermediate Demand (FD-ID) price indexes, which distinguish upstream from downstream inter-firm transactions. These indexes reorganize producer prices by stage of production in a manner consistent with the production flow described in the Inputâ€“Output table. We first compare FD-ID price indexes for Japan and the United States over this period. The results show that, in Japan, price increases varied substantially across production stages, whereas such cross-stage dispersion was relatively limited in the United States. A decomposition of the Japan-U.S. differences in price increases by stage indicates that, at upstream stages, Japan experienced larger price increases than the United States, particularly for goods such as energy and raw materials. By contrast, at downstream stages, Japan recorded smaller price increases than the United States across a wide range of goods-producing sectors. We then examine developments over time in Japan's FD-ID price indexes. The results suggest that, across a broad set of sectors-including food products, raw materials, metals, machinery, and transportation equipment-price increases at upstream stages were accompanied by stronger price increases at downstream stages than in the past. Taken together, these results suggest two key implications. First, even during the post-2020 inflationary episode, the overall degree of goods price pass-through by Japanese firms remained relatively restrained when compared with the United States. Second, goods price pass-through in Japan nevertheless became more active across a wide range of sectors relative to the pre-2020 period.