1. Title
The Responses of Consumption and Prices in Japan to the COVID-19 Crisis and the Tohoku Earthquake

2. Authors and affiliations and contact emails
Name: Tsutomu Watanabe
Affiliation: Graduate School of Economics, University of Tokyo
Email: watanabe1284@gmail.com

3. Abstract
This note compares the responses of consumption and prices to the COVID-19 shock and another large-scale natural disaster that hit Japan, the Tohoku earthquake in March 2011. The comparison shows that the responses of supermarket sales and prices at a daily frequency during the two crises are quite similar: (1) the year-on-year rate of sales growth increased quickly and reached a peak of 20 percent two weeks after the outbreak of COVID-19 in Japan, which is quite similar to the response immediately after the earthquake; (2) the items consumers purchased at supermarkets in these two crisis are almost identical; (3) the year-on-year rate of consumer price inflation for goods rose by 0.6 percentage points in response to the coronavirus shock, compared to 2.2 percentage points in the wake of the earthquake. However, evidence suggests that whereas people expected higher inflation for goods and services in the wake of the earthquake, they expect lower inflation in response to the coronavirus shock. This difference in inflation expectations suggests that the economic deterioration due to COVID-19 should be viewed as driven mainly by an adverse aggregate demand shock to face-to-face service industries such as hotels and leisure, transportation, and retail, rather than as driven by an aggregate supply shock.

4. Data description
Scanner data
Credit card transaction data

5. JEL codes for the project
E21; E31

6. Key-words
COVID-19; Consumer price inflation; Natural disaster; High frequency scanner data; demand shocks; supply shocks

The paper is available here
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The Vox related to this paper is available here