

Japan's Household Savings Ratio

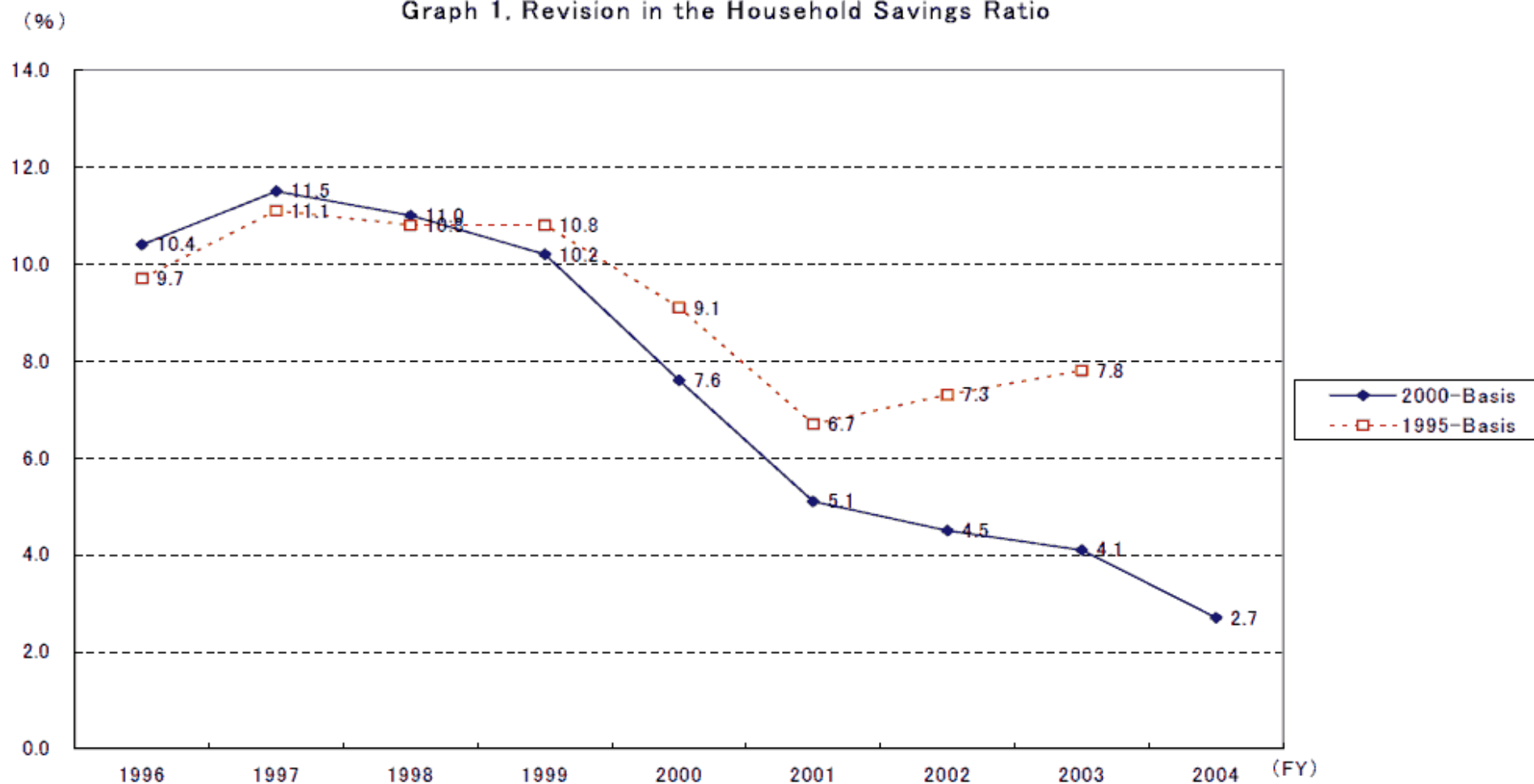
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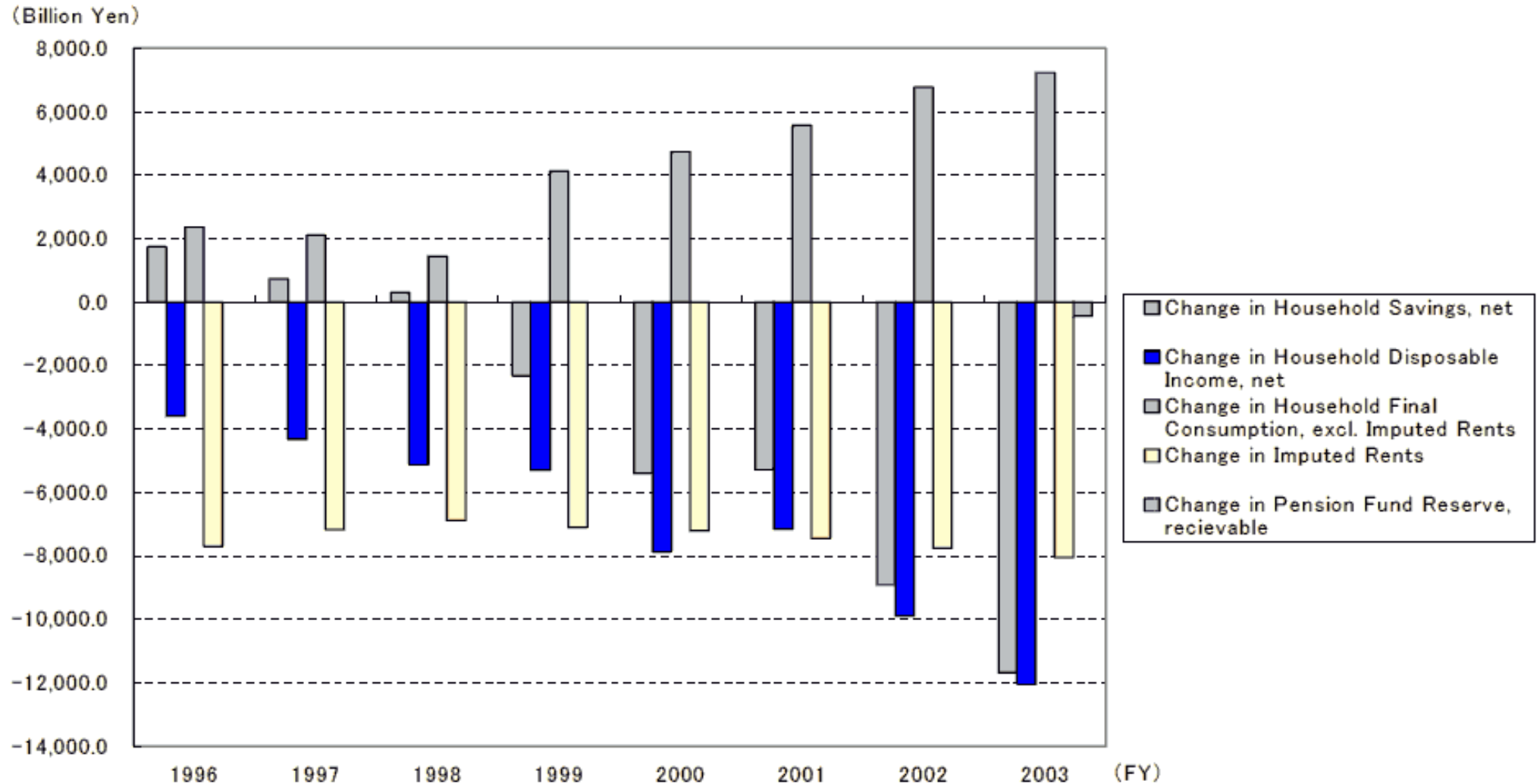
September 14th, 2006

Graph 1. Revision in the Household Savings Ratio

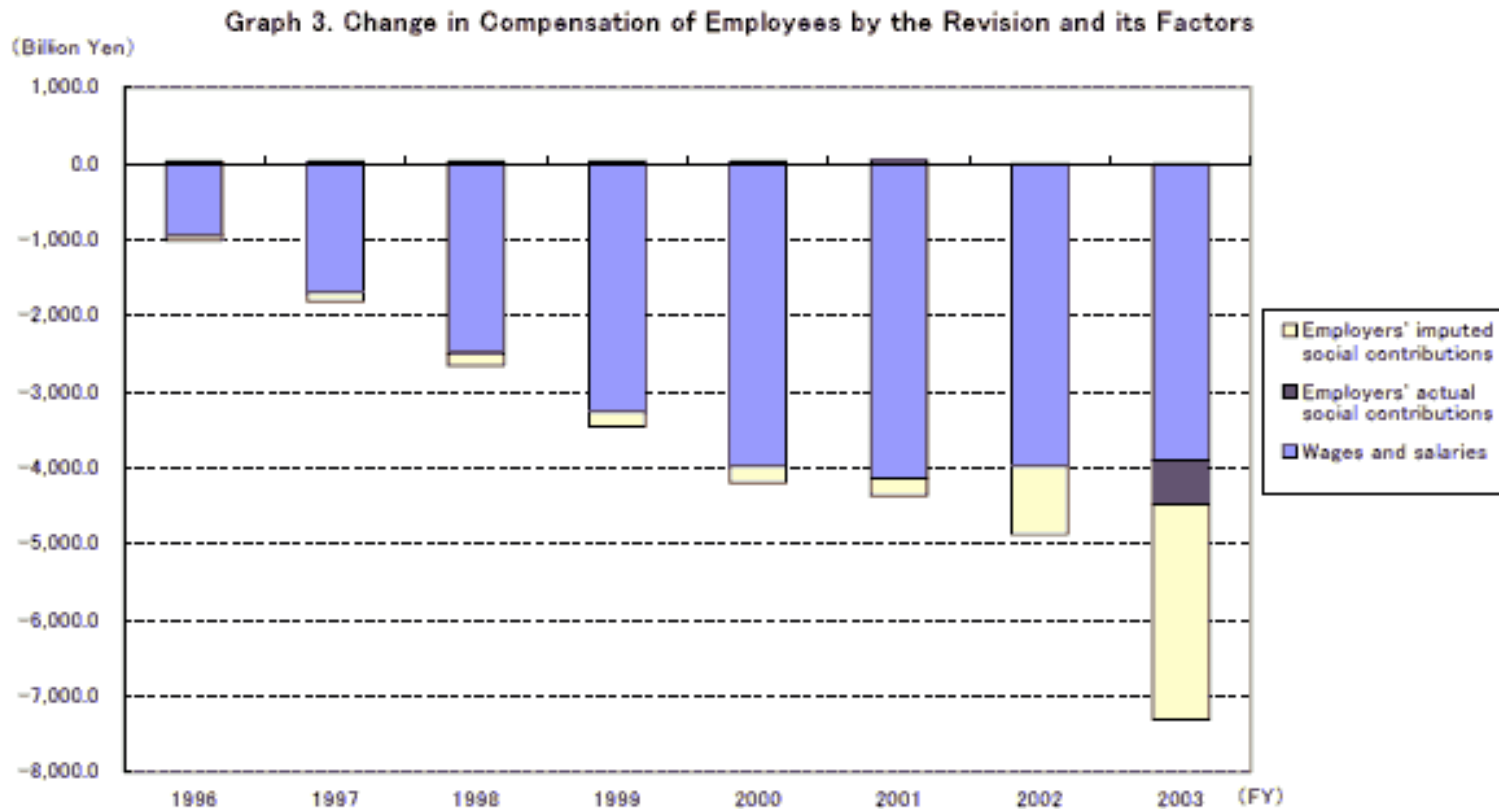


- By the last SNA benchmark revision, Japan's household savings ratio has been revised downward sharply, especially since FY2000, reaching a record low of 2.7 percent in FY 2004.
- It is almost the same as that of the United States, and much lower than major European countries.

Graph 2. Changes in Household Savings Ratio by the Revision and their Factors

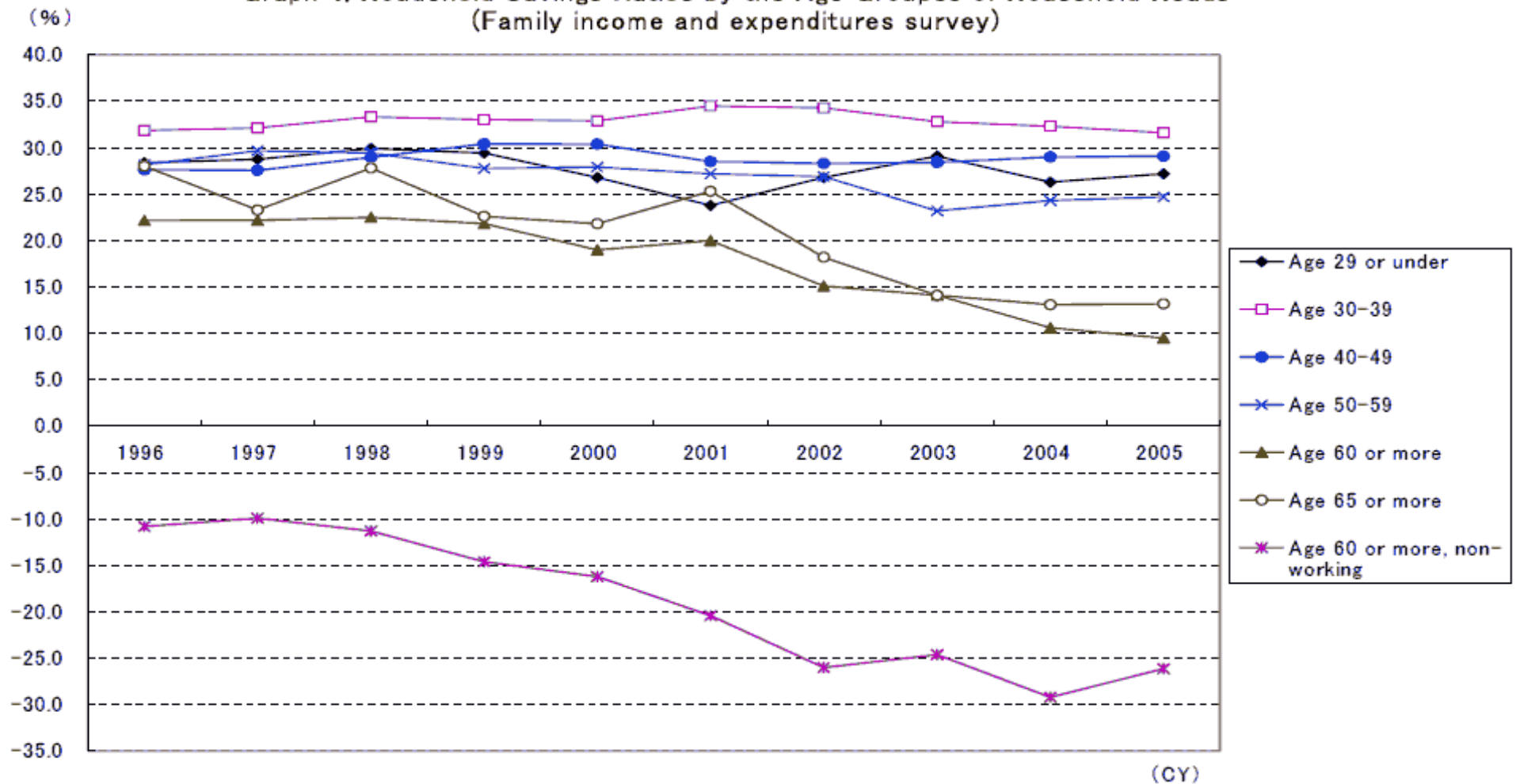


- This change is mainly because of the upward revision in the private consumption expenditures other than imputed rents of owned houses, and of the downward revision in the household disposable income.



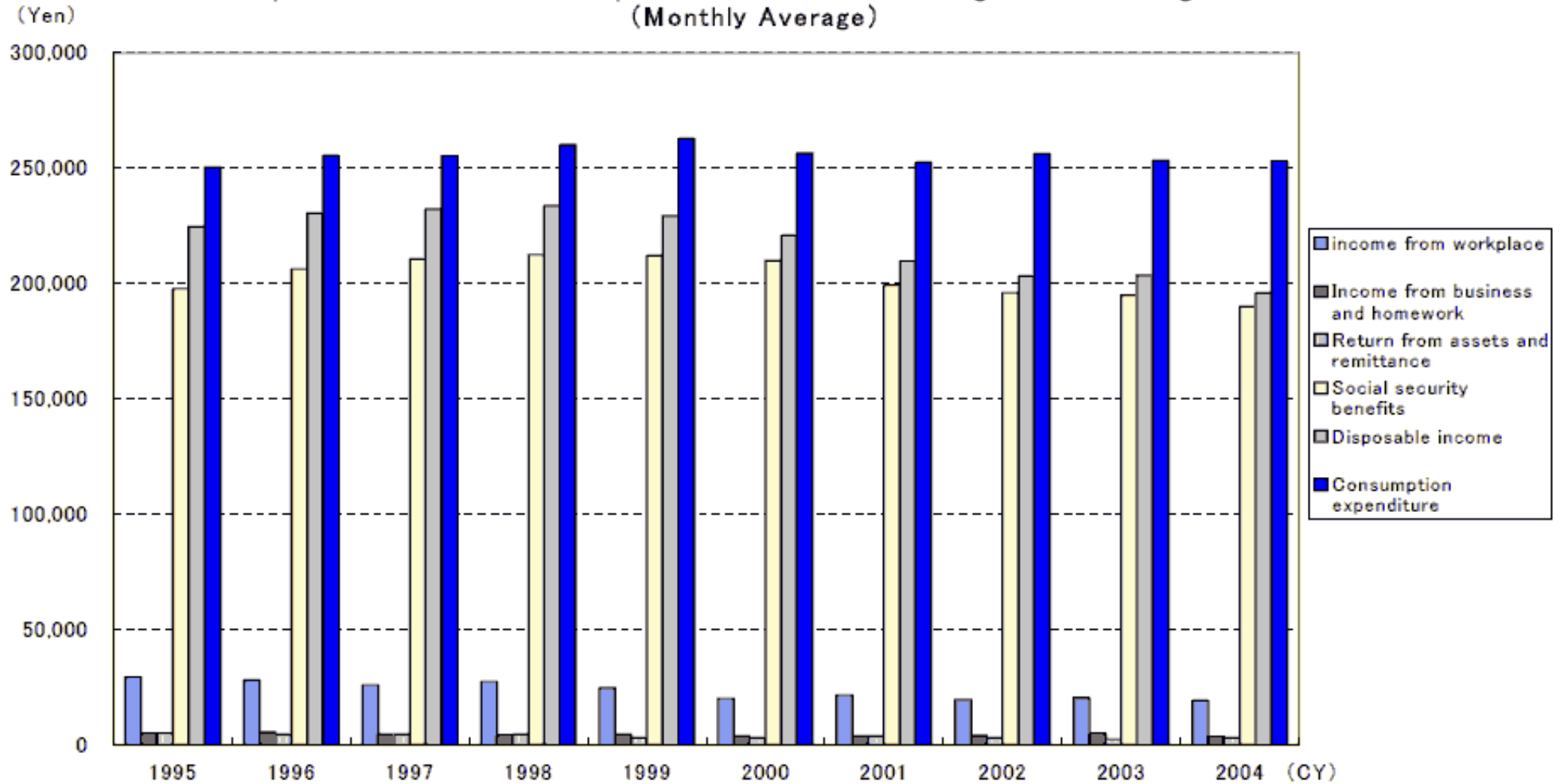
- Especially since FY2000, the revision of the compensation of employees has been the main cause for the decrease in the household savings.
- As for FY 2003, downward revision in “employers’ imputed social contributions” is exceptionally large.

Graph 4. Household Savings Ratios by the Age Groups of Household Heads
(Family income and expenditures survey)



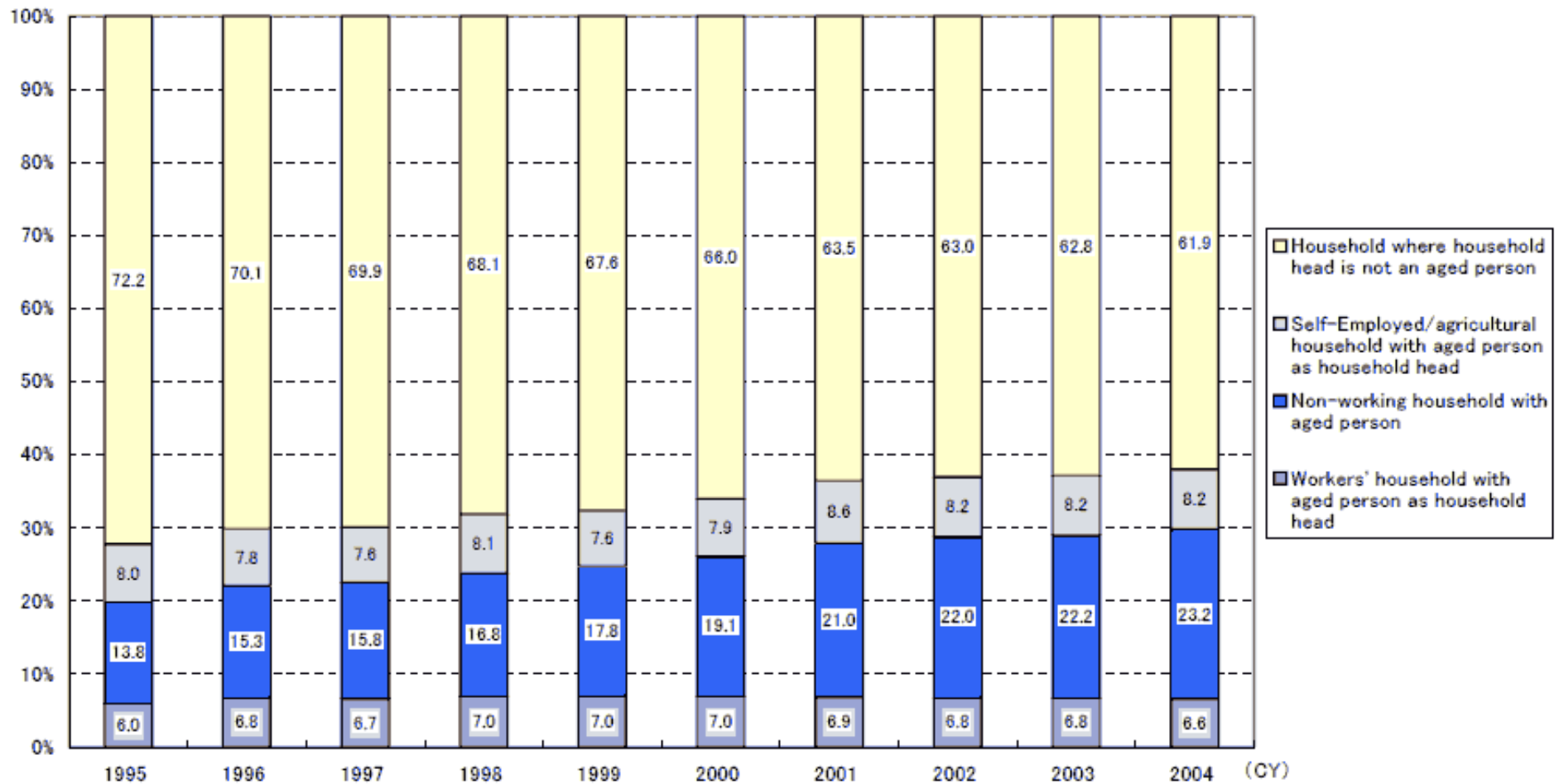
- The savings ratio of age 40 or under stayed almost stable, that of age 50 declined slightly and that of age 60 or over decreased apparently.
- In addition, the savings ratio of households with aged (age 60 or over) non-working heads dipped into big minus, which means they reduce their savings.

Graph 5. Income and Consumption of Households with Aged non-working Heads
(Monthly Average)



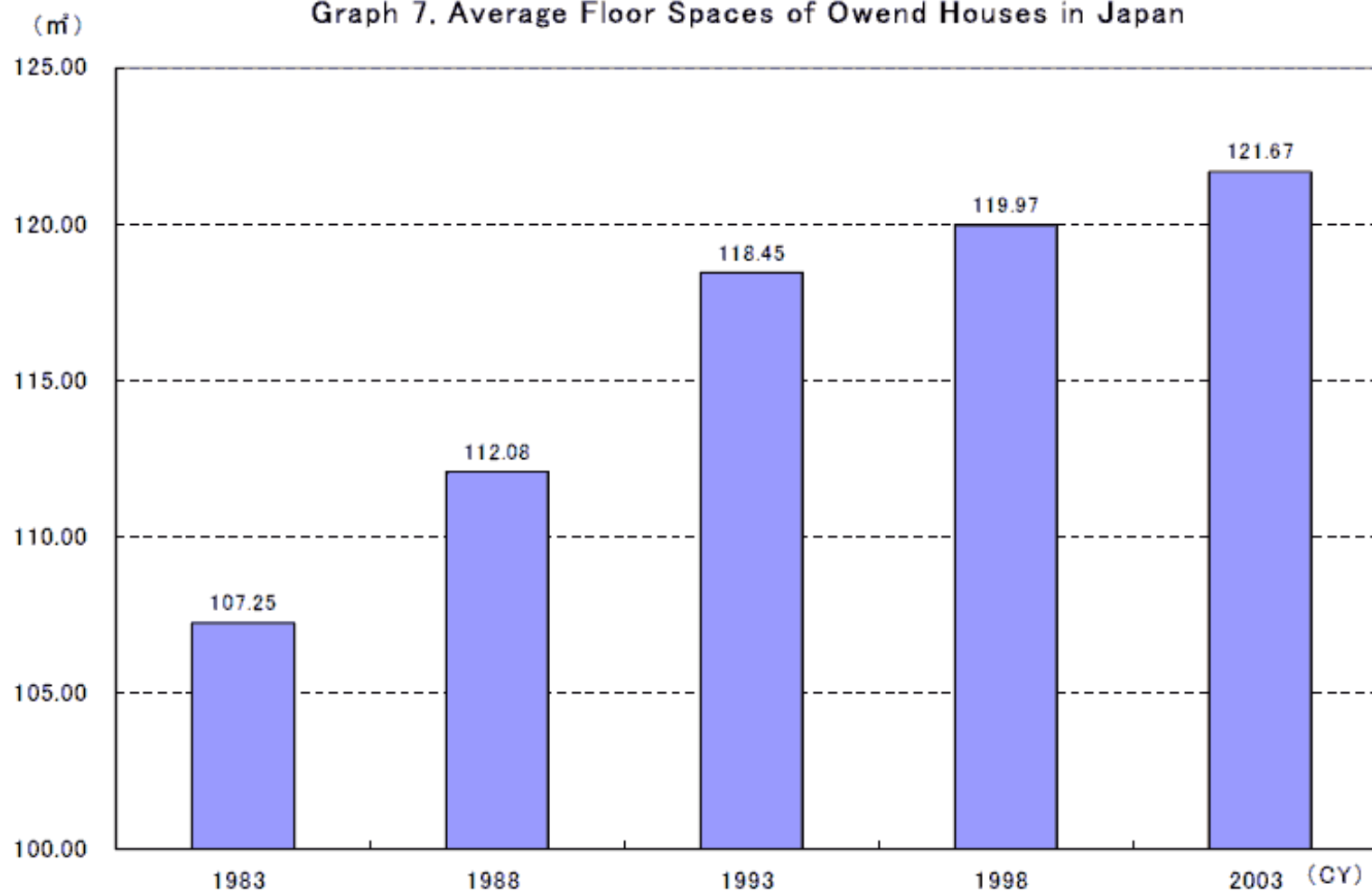
- The households with aged non-working heads have kept their consumption expenditures almost the same level as before in spite that their disposable income is decreasing.

Graph 6. Change in the Share of Household Type of General Households



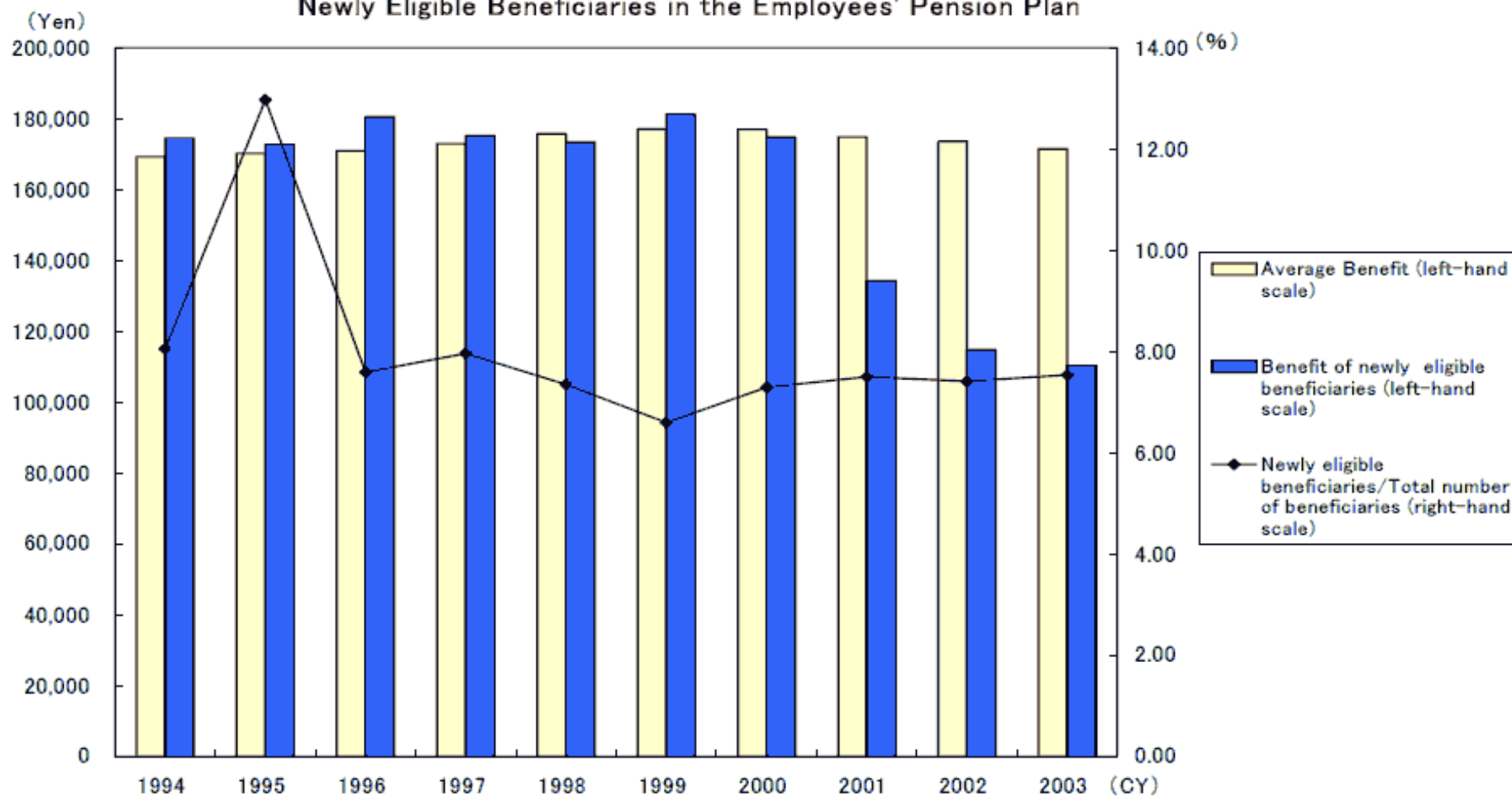
- Furthermore, the number of households with aged non-working heads has increased and is expected to increase in the future.
- Therefore, their share in the total households has risen and will continue to rise.

Graph 7. Average Floor Spaces of Owend Houses in Japan



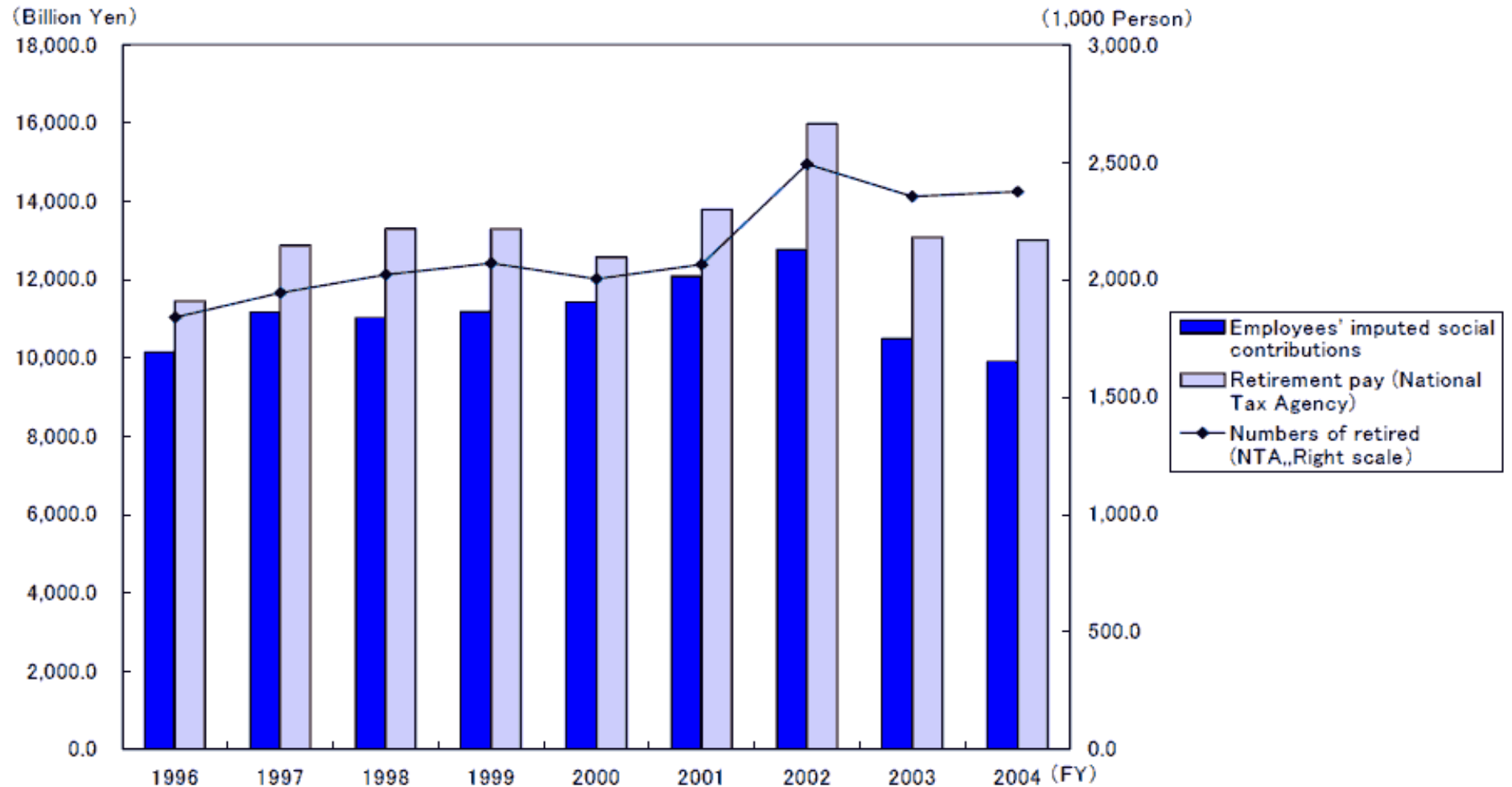
- The imputed rents of owned houses have also increased the personal consumption expenditures, and therefore lowered the household savings ratio.

Graph 8. Average Benefit, Benefit of Newly Eligible Beneficiaries, and the Ratio of Newly Eligible Beneficiaries in the Employees' Pension Plan



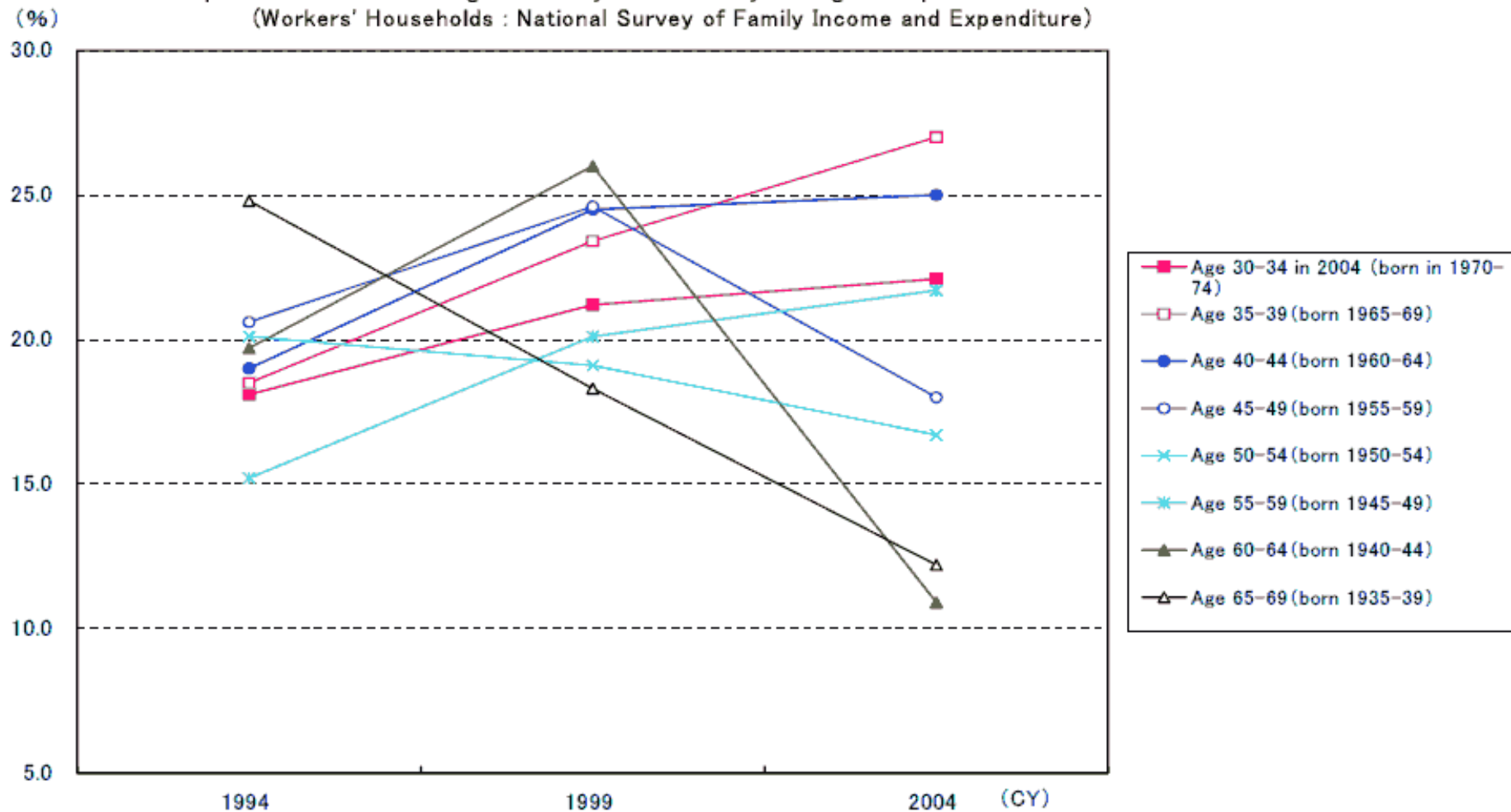
- The recent decline of the savings ratio of the households with old household heads is mainly caused by the public pension reform of 1995, which raise the eligibility age for the fixed portion of the Employees' Pension Plan gradually from 60 to 65.
- Its influence is once for all, and is expected to disappear when the transition period proceeds.

Graph 9. Employers' Imputed Social Contributions, Retirement Pays & Numbers of Retired



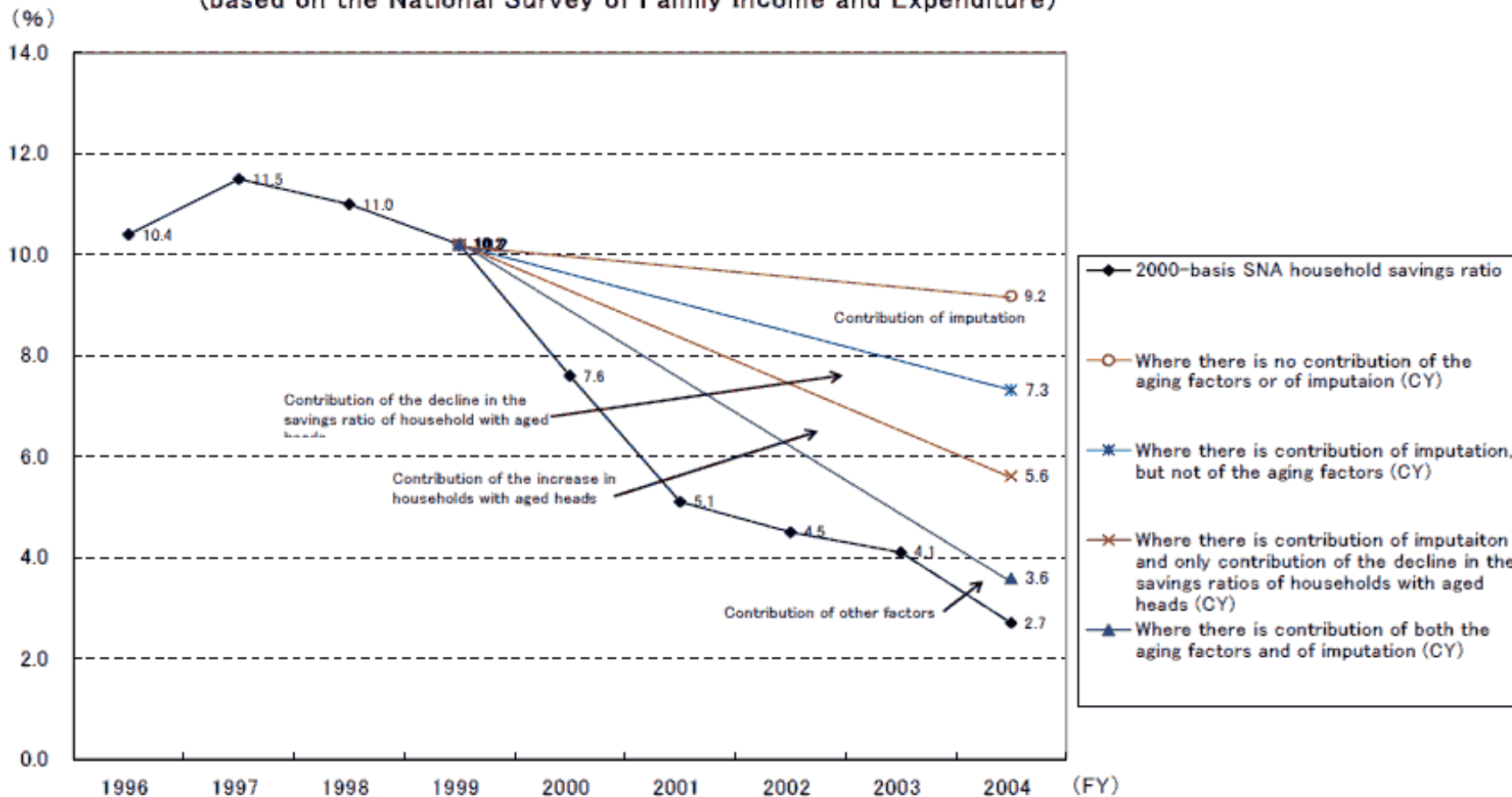
- The reduction of retirement pays in FY2003 is considered to be a reactionary phenomenon originating in the acceleration of early retirement required by restructuring of corporations up until FY2002.
- It is temporary and would not continue any more.

Graph 10. Household Savings Ratios by Cohorts & by the Age Groups of Household Heads
(Workers' Households : National Survey of Family Income and Expenditure)



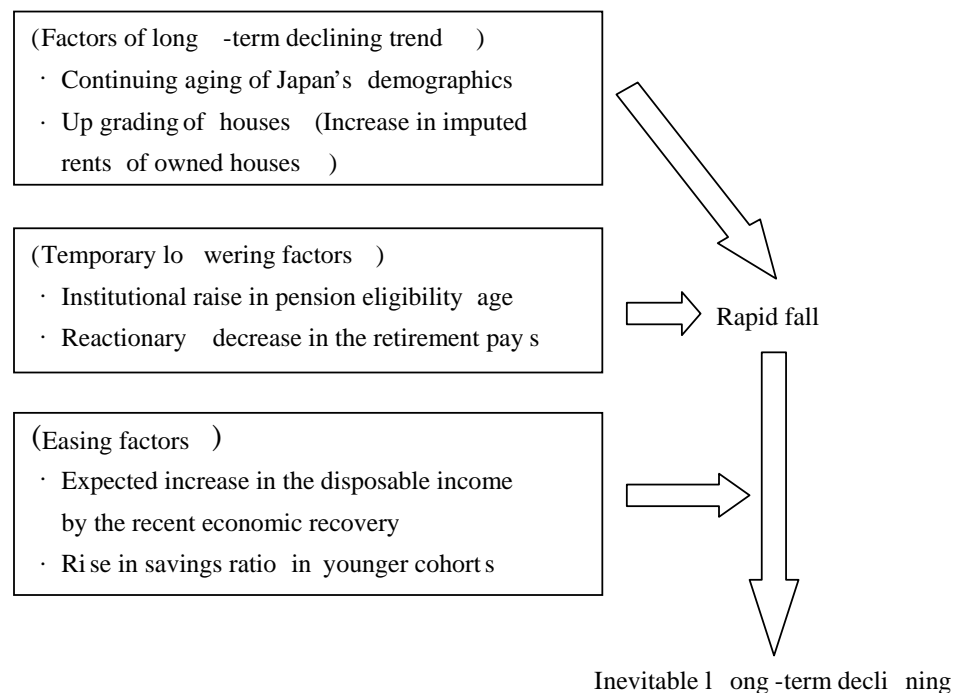
- Workers' households may increase their savings to cover the cost of living in the first half of their 60s.
- We have found that younger cohorts continued to raise their savings ratios from 1994 to 2004, while aged cohorts pulled them down.

Graph. 11 Estimation of the Decreasing Factors of the SNA Household Savings Ratio
(based on the National Survey of Family Income and Expenditure)



- We have estimated factors which contribute to the decline of the household savings ratio from 1999 to 2004.
- In 2004, the contribution of imputation, such as the increase of imputed rents of owned houses, is estimated to be 1.9 percent point (=9.2-7.3).
- The contribution of aging factors is estimated to be 3.7 percent point (=7.3-3.6).
- That of other factors is 0.9 percent point (=3.6-2.7).

(Conclusions)



- Although Japan's household savings ratio will depend on these complicated factors, the ratio is expected to follow inevitably a long-term declining trend caused by the continuing aging of Japan's demographics.