



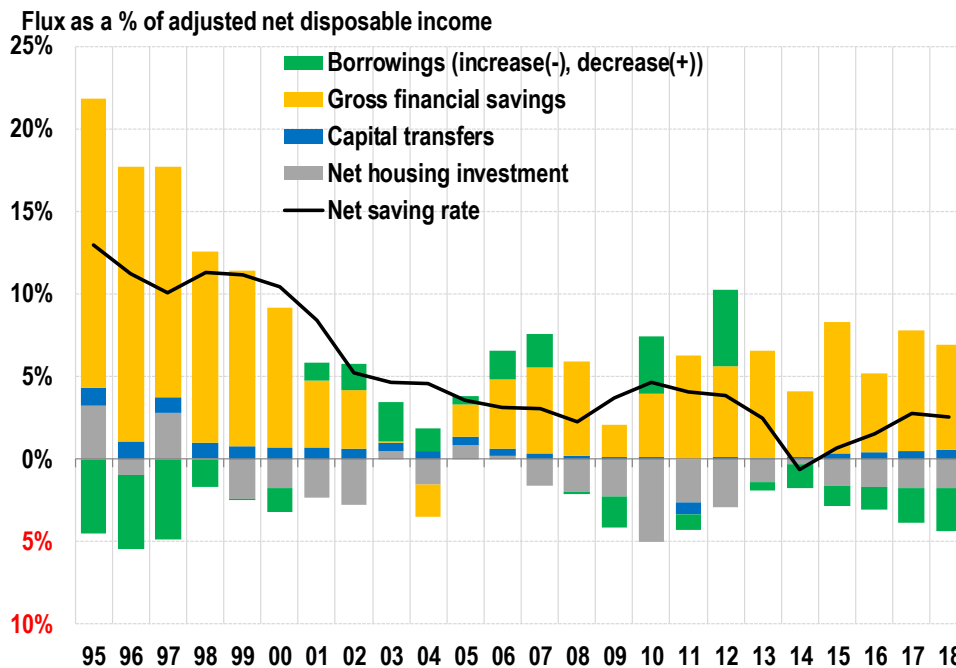
## Impact of low rates on the saving behavior of Japanese households

Alongside the quasi-uninterrupted decline in Japanese interest rates since the early 1990s, the household savings rate has declined by more than 10 percentage points, from a net rate of 12.9%(1) in 1994(2) to 2.5% in 2017(2). The savings rate consists of a net financial savings rate (gross financial savings flow minus borrowings flow) and a net housing investment rate (gross housing investment flow minus (in Japan) fixed capital consumption). The decrease in the financial savings rate resulted from the decline in the gross financial savings flow rather than from a rise in the borrowings flow. Thus, the flow of gross financial savings not only contracted, but was also reshaped in favour of monetary deposits, owing to the decline in opportunity costs. Gross housing investment flows diminished, falling below the level of depreciation (fixed capital consumption) throughout most of the period, resulting in a net dissaving in housing (in the midst of a slowly deflating housing bubble). Lastly, despite the ongoing decline in financing costs, the household debt rate tended to decline between 2001 and 2012, before picking up mildly again as of 2013.

(1) Japan, like the United States but unlike the European Union, reports the net savings rate, i.e. after fixed capital consumption.

(2) "Fiscal year" n begins on 1 April of civil year n and ends on 31 March of civil year n+1.

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Sources : National Accounts of Japan, BNP Paribas calculations