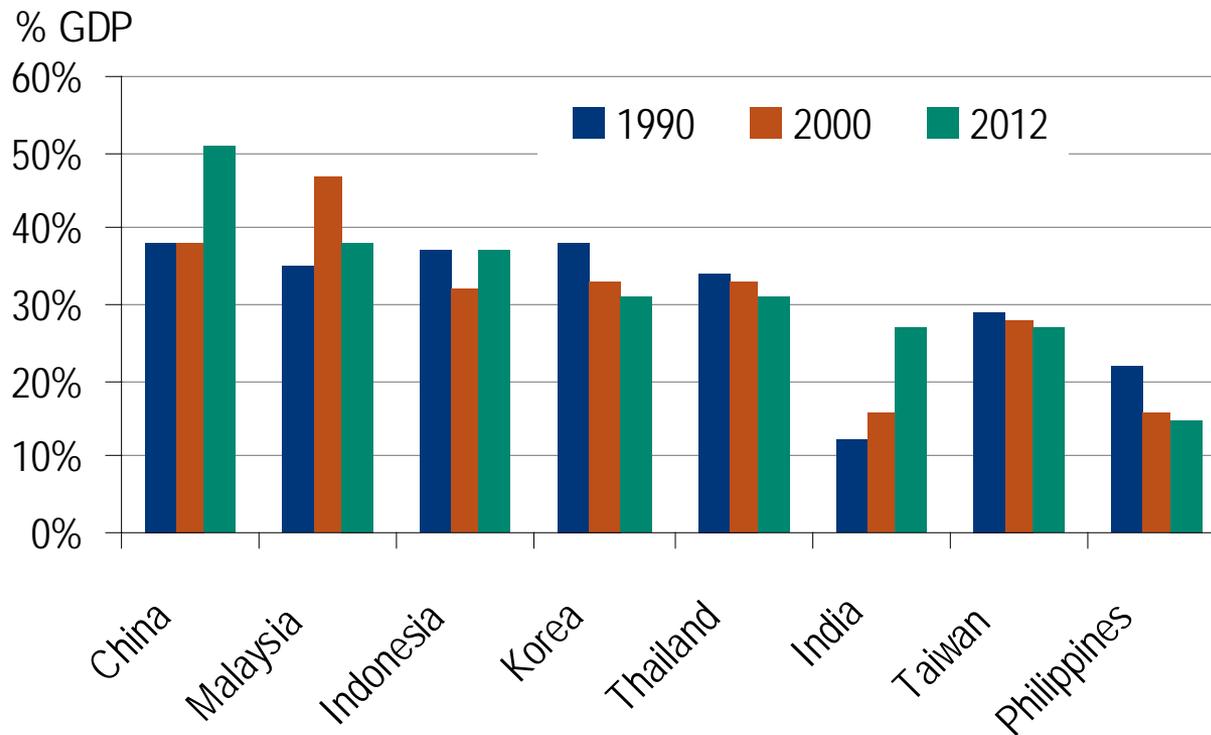# Discussion: Time-Series Evidence on the Impact of Age Structure of the Population on the Household Saving Rate in Korea and India
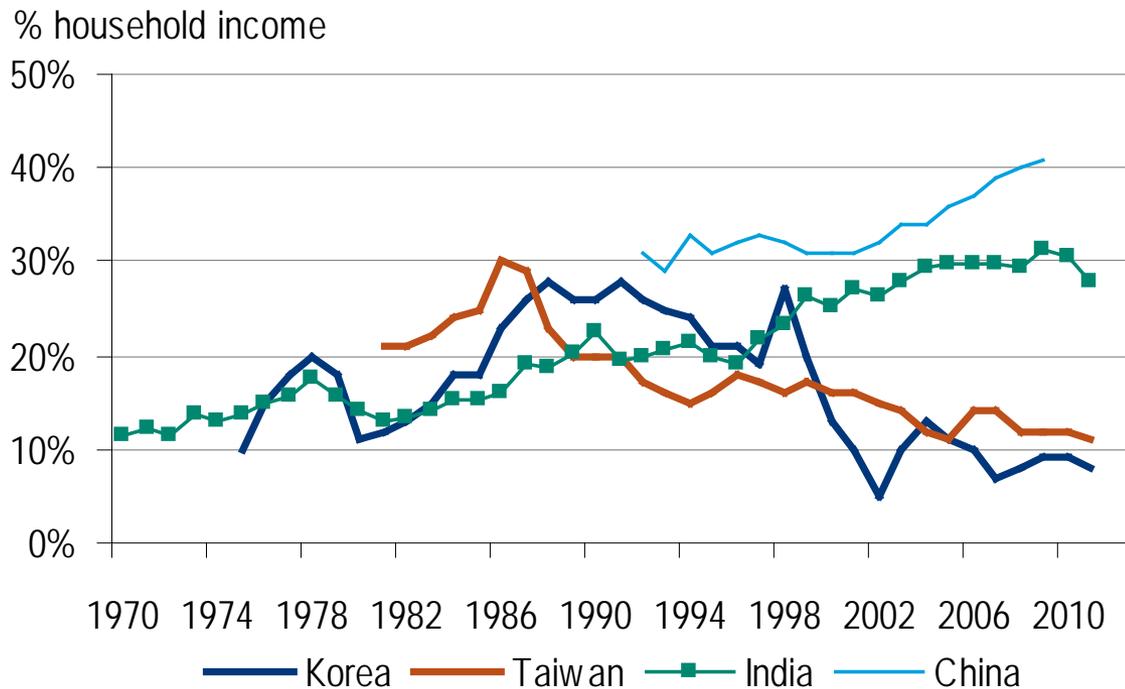
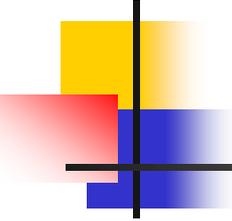Asia: Challenges of Stability and Growth

BoK-IMF Conference, September 2013

Jaewoo Lee

Personal view only
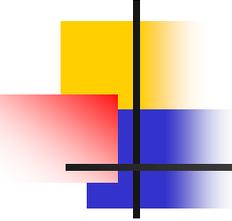
Steady national saving rates in Asia

Some sharp movements in household saving rates

% household income

Korea　Taiwan　India　China

Three drivers of household saving (or consumption)

- Life-cycle
  - Population
  - Income dynamics
- Habit
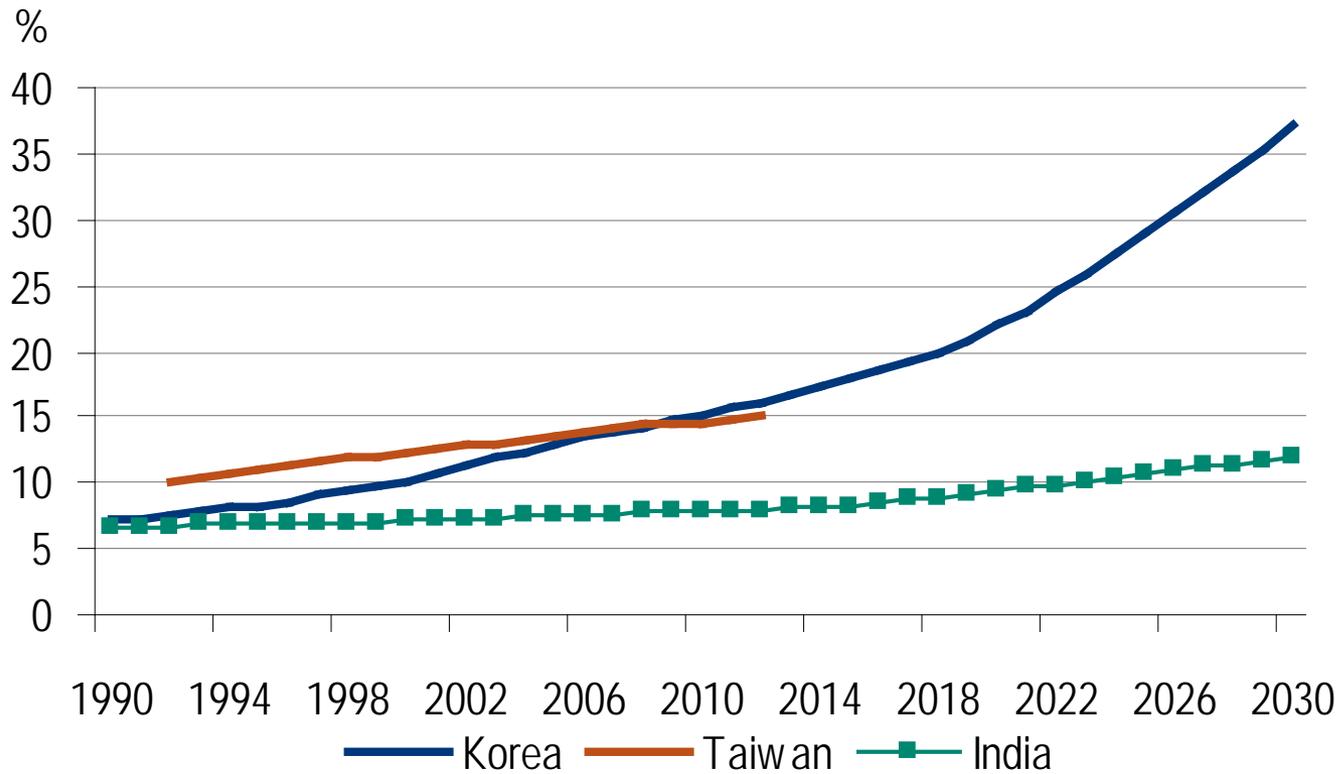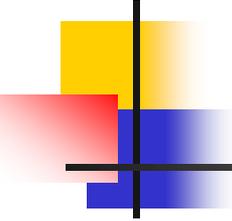 - Sticky consumption
- Financial constraint

Take Korea

BoK Economic Brief (Shin and Lee)

- HH saving rate fell from 19.8% (1990s) to 4.7% (2000s).
- Of the 15.1%,
    - 6.5%, worse employment and social insurance
    - 2.4%, increase in more "sticky" expenditure
    - 3.0%, increase in HH debt

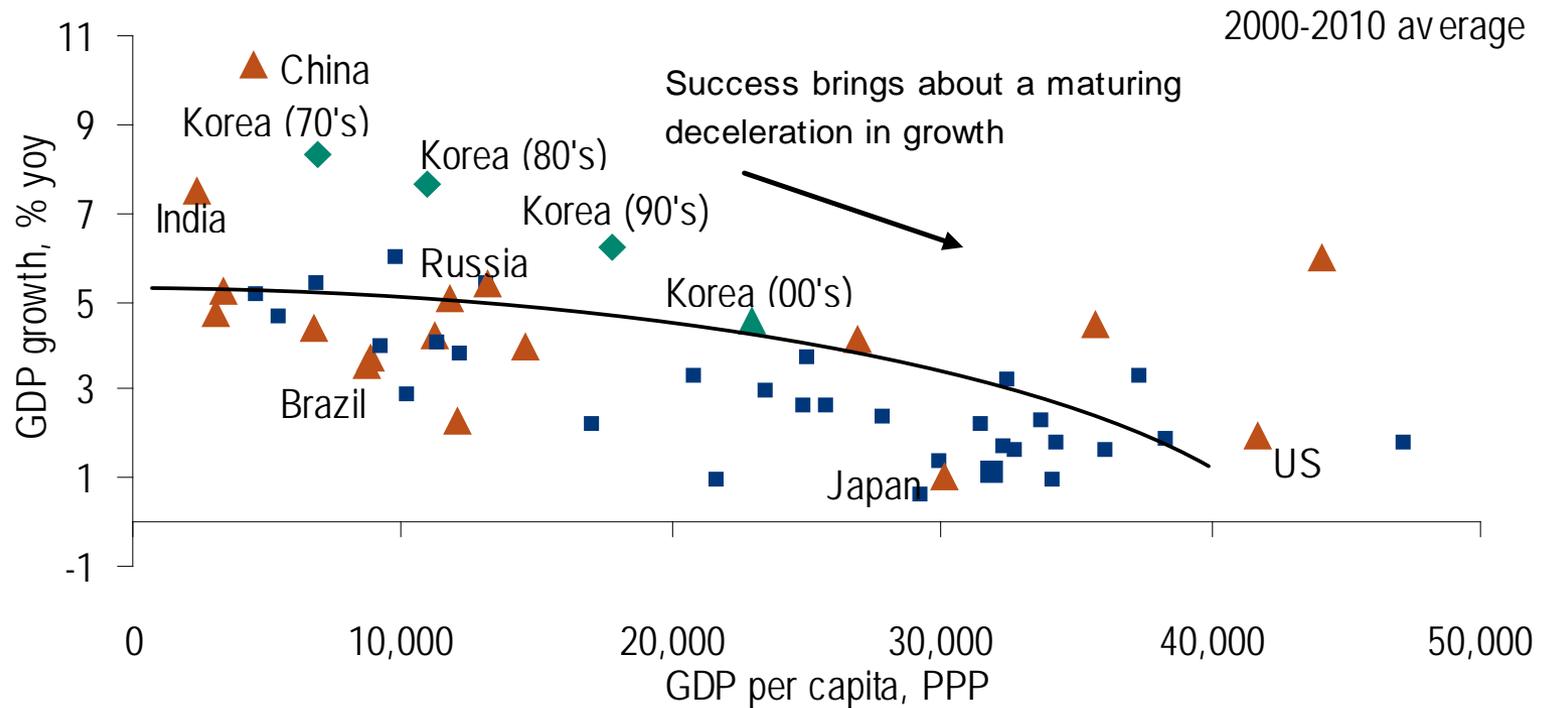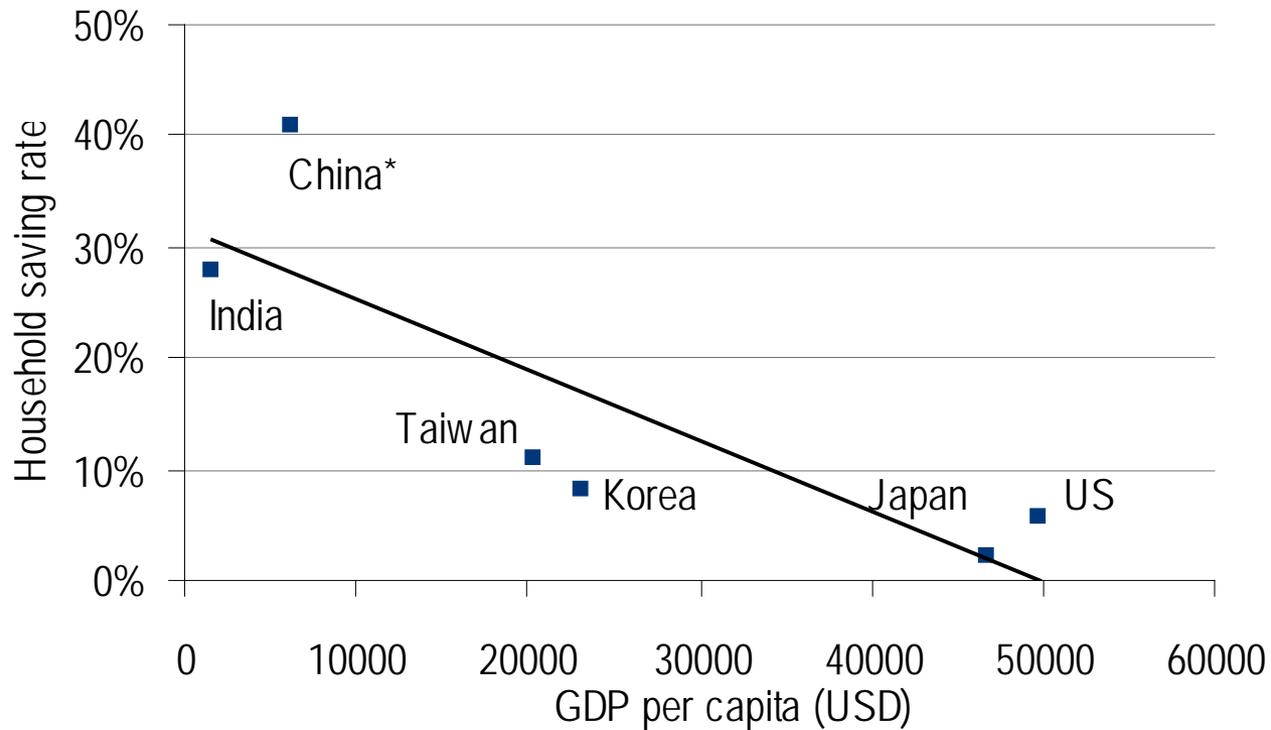# Demographic transformation for Korea
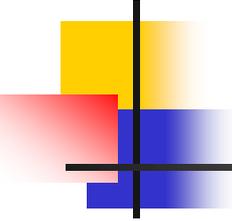
Role of three drivers in Korea

- Population – now and to come
- Income dynamics and habit
  - late rise in saving in the early years (Carroll and Weil, 2000)
  - decline in saving since the late 1990s
- Financial constraint
  - rise in household debt in the 2000s

Korea leading Asian growth story

2000-2010 average

Success brings about a maturing deceleration in growth

GDP growth, % yoy

China
Korea (70's)
India
Korea (80's)
Korea (90's)
Russia
Korea (00's)
Brazil
Japan
US

GDP per capita, PPP

Will growth lead saving in Asia? Probably not, except maybe India

Speculate on the future

- No particular reason to expect rises in saving

- How fast or far a decline to expect?

- Bound to see a deceleration in main changes: demographics, economic development, financial deepening, social welfare provisions