

Division in Affluence?: Gap of Household Assets Widening Rapidly

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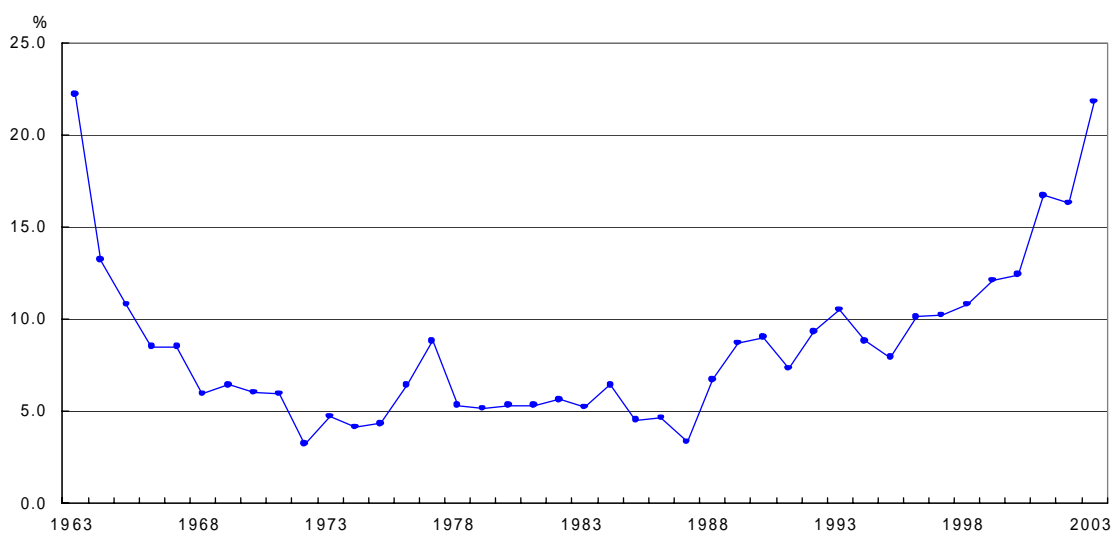
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Steep Increase in Households Without Savings

The number of households with no savings whatsoever is increasing sharply. According to “Public Opinion Survey on Household Financial Assets and Liabilities” conducted by the Central Council for Financial Services Information (Secretariat: Bank of Japan (BOJ)), the ratio of households without any financial assets, other than cash, rose to 21.8% of all households in 2003 (Table 1: Simple calculation). The ratio is the highest since 1965, including findings by “Public Opinion Survey on Household Savings and Consumption”, the above-mentioned survey’s predecessor.

Households without financial assets, except cash, began to increase gradually around the end of the 1980s. The ratio of such households doubled from 10.1% in 1996 to 21.8% in seven years. In addition, households that saved nothing out of net annual income started to increase in the second half of the 1990s, with their ratio reaching some 30% in 2002.

Fig Ratio of Households Without Financial Assets Except Cash



(Note) Compiled from “Public Opinion Survey on Household Financial Assets and Liabilities” conducted by The Central Council for Financial Services Information (Secretariat: Bank of Japan)

Balance of Household Assets Increasing Steadily

In the meantime, financial assets held by households across Japan are increasing. According to the BOJ’s “Flow of Funds Accounts,” the financial assets held by households grew to 1,428 trillion yen at the end of March 2000 from 935 trillion yen at

the end of 1990. Taking into account the economic slump during the period, it is fair to say households in Japan steadily increased their financial assets.

Despite subsequent moderate fluctuations, the outstanding balance of financial assets at households hovers around 1,400 trillion yen or about 11 million yen per capita. Both figures are the second highest after those of the United States among seven major countries of the Organization for Economic Cooperation and Development (OECD).

Indeed, Japanese households as a whole have accumulated ample assets. As mentioned earlier, however, one out of five households has no financial assets at all. While macro data to cover the whole of Japan indicate that Japanese households have promoted the accumulate of ample assets, micro data show that households without savings account for some 30% of all households on a flow basis and about 20% on a stock basis.

There seems to be a wide gap in family finances depending on whether they are seen from macro data or micro data.

Wide Gap in Asset Allocation

It is already known that a gap in asset allocation is much wider than in income allocation. But even in the United States where such a difference is believed to be huge, a study shows that households with no financial assets accounted for 6.9% in 2001. The above-mentioned ratio for Japan -- 21.8% in 2003 -- is three times higher than the U.S. ratio.

Why the number of households without financial assets in Japan is increasing? As one possible reason, households tend to keep cash rather than financial assets in order to cope with the “pay-off” system have been partially removed in April 2002. According to “Public Opinion Survey on Household Financial Assets and Liabilities”, the outstanding balance of cash held by households shows a moderate upward trend since the late 1990s, amounting to 350,000 yen per month on the average in 1999 and increasing to 360,000 yen in 2001 and 2003.

Nevertheless, the reason does not seem plausible enough to explain the increase in the number of households without savings. The above-mentioned survey data are results of simple calculation. In addition, it is known not only in Japan but also in other countries that people with large assets or high income tend to say they have no assets when they reply to surveys of assets.

Households Without Savings Increasing, Whether Employed or Retired

Therefore, researchers concerned, including this writer, analyzed the allocation of financial assets by utilizing each reply to questionnaires about household financial assets, conducted by the Postal Services Research Institute in 1998 and 2001, and by eliminating such a sample selection bias. By closely examining the data, we obtained the percentage of households with no financial assets at 7.46% for 1998 and 14.90% for 2002. The ratio of households with assets of more than 10,000 yen but less than 500,000 yen, which are considered to be living on a hand-to-mouth basis, came to 4.86% (a total of 12.32%) and 6.59% (21.49%).

As another finding of our analysis, trends toward the absolute absence of financial assets are stronger among people with low income than those with high income, among people without owning houses (people with small assets) than those having their own homes, and among women than men.

Our analysis also found that while the ratio of households without financial assets

grew from 7.46% in 1998 to 14.90% in 2002, the rise took place on a broad front rather than only among specific households such as those of retired people. In addition, “affluent households,” synonym for personal financial assets worth 1,400 trillion or about 11 million yen per capita, and three-member households with assets worth 33 million yen or four-member households with 44 million yen account for only about 7.5% and 4.4% of all households, respectively. Households without savings plunge into a fix if they are hit by accidents such as loss of employment and serious illness. Or the lack of savings may make life difficult for elderly people. Social security, tax system and other policy issues should be discussed by taking into account the fact households with extremely limited savings account for one-fifth to one-seventh of all households.

[Reference] Katsumi Matsuura and Sayuri Shiraishi[2004] “Division in Affluence: Steep Increase in Households Without Financial Assets”, unpublished