



OESTERREICHISCHE NATIONALBANK  
EUROSYSTEM

# Low interest rates and declining growth: Lessons from Japan

Forum Alpbach  
September 1, 2017

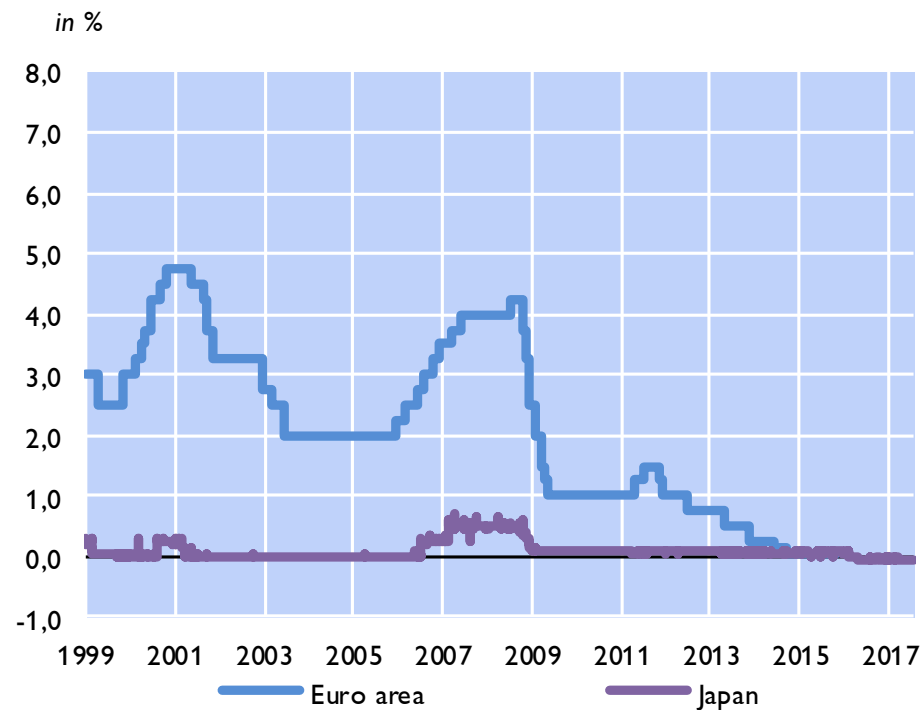
Univ.-Prof. Dr. Ewald Nowotny  
Governor, OeNB

[www.oenb.at](http://www.oenb.at)



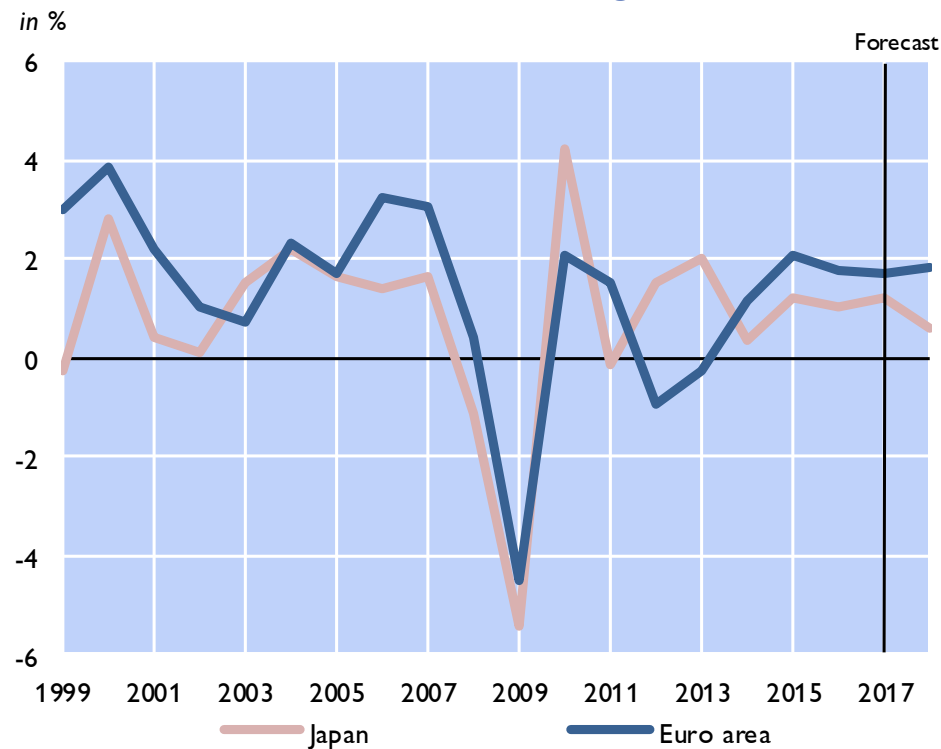
# Recently, euro area growth picked up supported by (unconventional) monetary policy

## JAPAN & EURO AREA: Monetary policy rates



Source: Thomson Reuters.

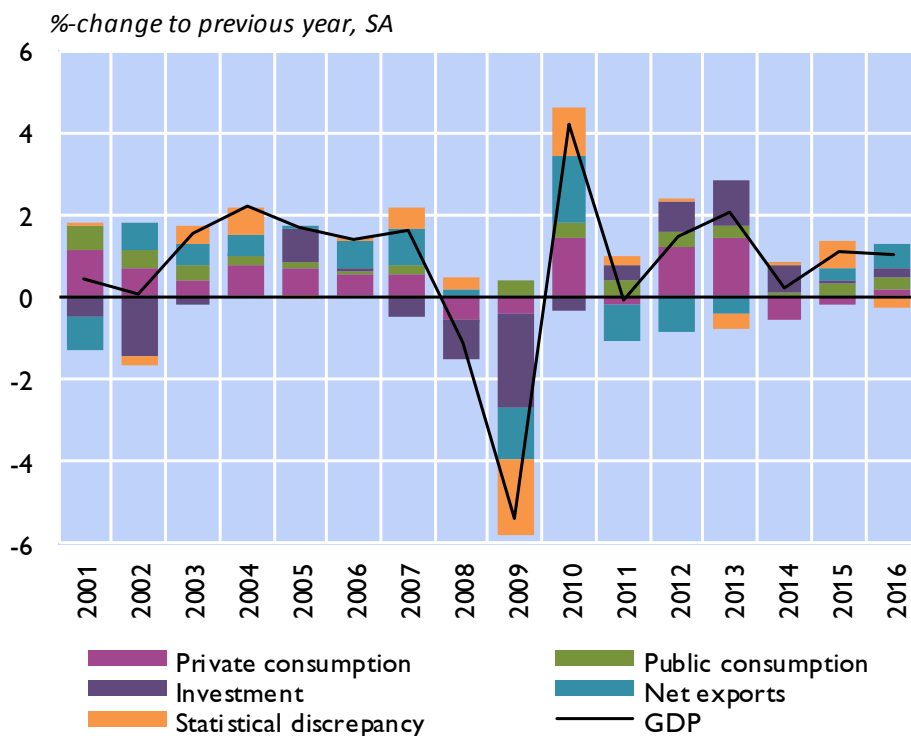
## JAPAN & EURO AREA: Real GDP growth



Source: AMECO.

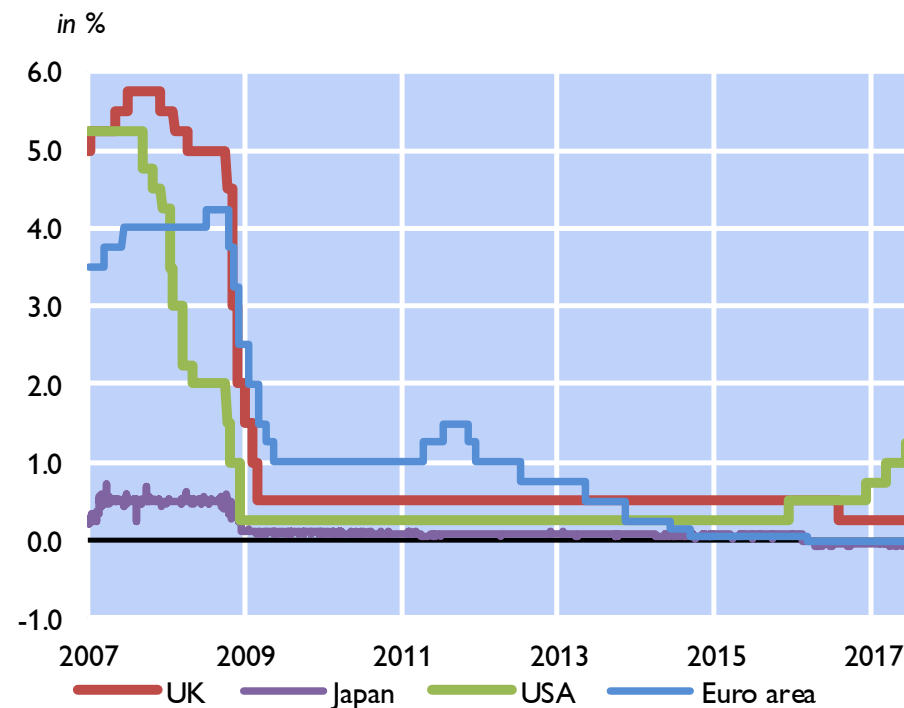
# Japan experienced low growth amid very low interest rates

## Japan: Contributions to GDP growth



Source: ESRI.

## Monetary policy rates worldwide

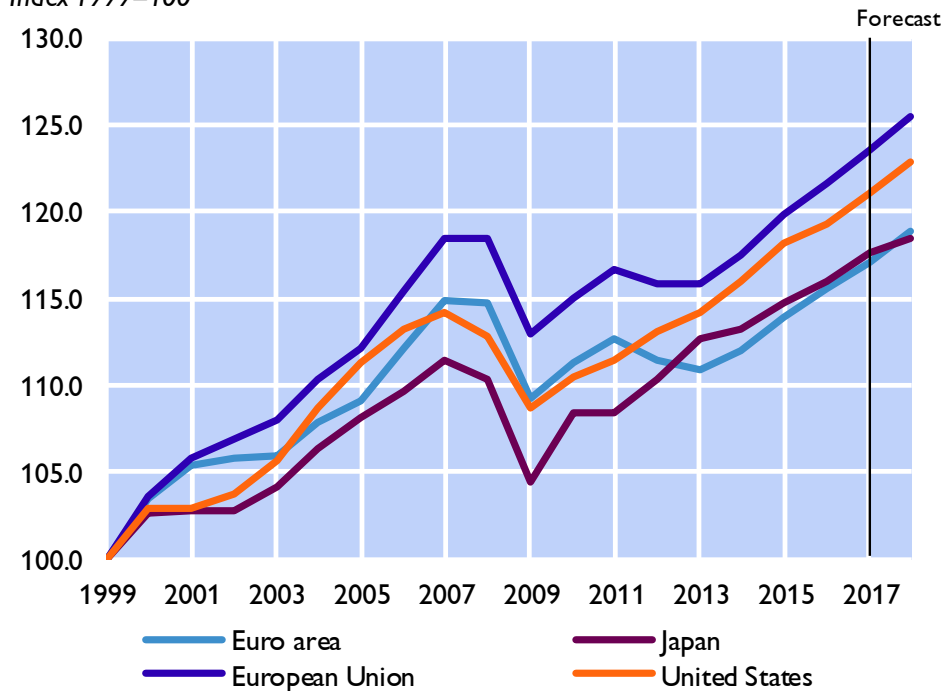


Source: Thomson Reuters.

# Adjusted for demography and employment, growth in Japan is not that low

## Real GDP per capita

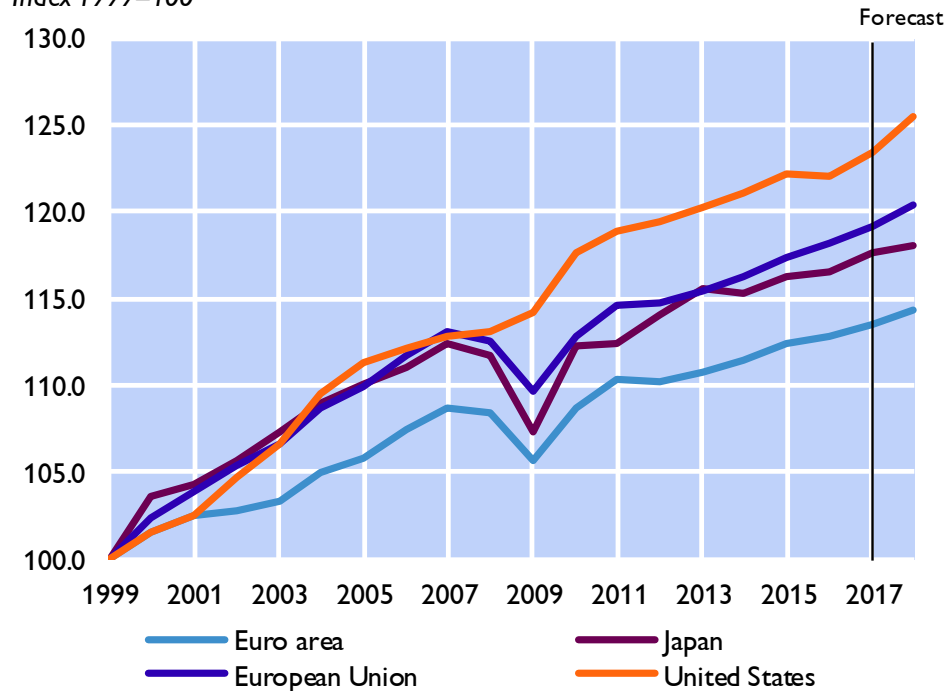
Index 1999=100



Source: AMECO.

## Real GDP per person employed

Index 1999=100

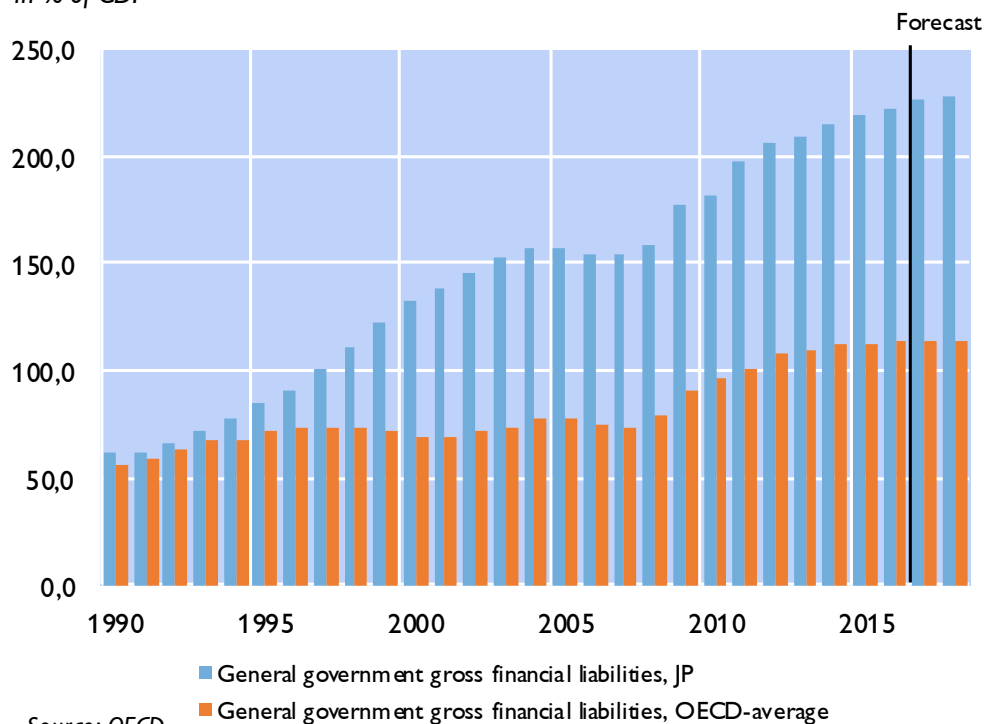


Source: AMECO.

# Japan's public debt comparatively high, but 90% held domestically

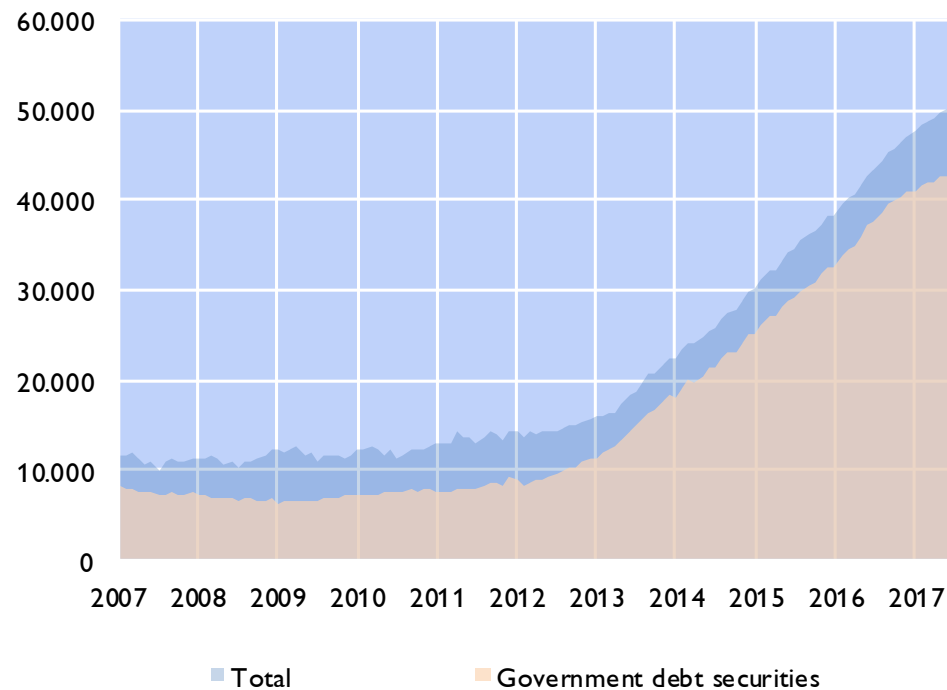
## JAPAN & OECD: Gross public debt

in % of GDP



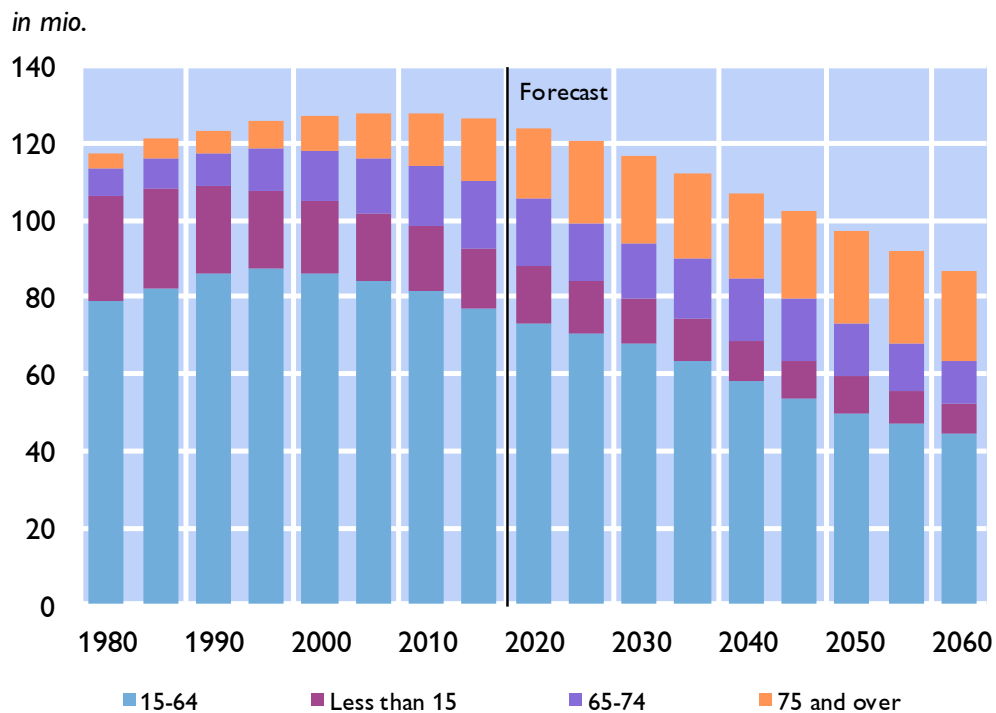
## JAPAN: Balance sheet Bank of Japan

in bn. Yen

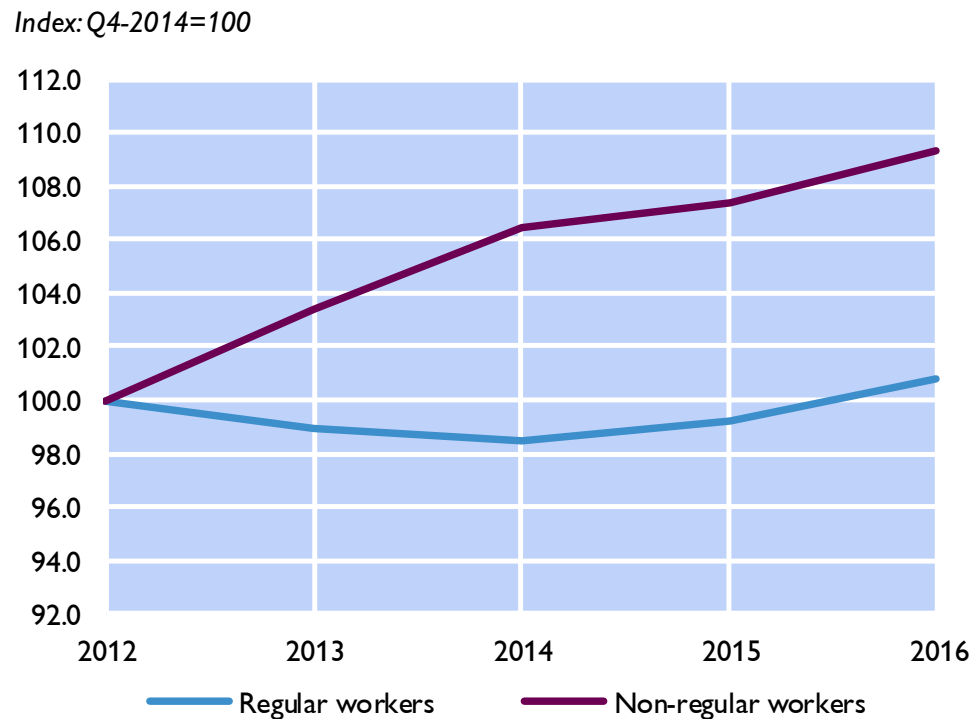


# Demographic changes and labor market segregation pose a challenge to Japan's debt sustainability

## JAPAN: Demographic developments



## JAPAN: Regular vs. non-regular workers



Non-regular workers include part-time, fixed-term and dispatched workers

## Summarizing, the challenges for Japan are different from those of the rest of the world

- Public debt (in % of GDP) is comparatively high in Japan but almost exclusively held domestically (90% of all government debt)
- Demographic trends (ageing and shrinking population) pose a serious challenge to growth and debt sustainability, unless automatization leads to higher productivity
- Globally, demographic trends may be overcome by putting more people to work, which is not (easily) feasible for Japan
- One lesson which can be drawn from Japan is that labor market segregation negatively affects wage growth and productivity of non-standard employees
- Skill-biased technological change may aggravate the problem by enhancing the pool of non-standard employees in the future
- Sensible reforms to boost qualifications of those most affected and significant efforts to improve and expand qualification measures are key