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Summary of
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"Saving Trends in Southeast Asia:
A Cross-Country Analysis" by Hamid Faruqee and Aasim M. Husain

This paper reviews long-run developments in private saving behavior in Indonesia, Malaysia, Singapore, and Thailand since 1970. Over this period, rates of private sector saving in these economies have risen steadily and are presently among the highest in the world. Using cointegration analysis, the paper empirically examines the economic determinants underlying the long-run pattern of saving in these countries and the degree to which these economies share common developments in the factors accounting for their strong saving performance.

Based on country estimates and cross-country analysis, the principal finding of this study is that shifts in the demographic structure of the population appear to be the main factor explaining the sustained rise in the rate of saving in all four countries over the sample period. Fundamental demographic shifts increasing the relative size of the working age population appear to have boosted the rate of saving in these countries. Moreover, the magnitude of these long-run effects appears to be quite comparable across countries with the exception of Indonesia, where the impact has been even more pronounced.

The paper finds that the long-run implications of provident funds and compulsory saving policies are less clear. Compulsory provident fund saving appears to have had little or no consequence for the trend rate of saving in Malaysia, but there is some evidence of a long-run impact in Singapore. These differences may well be tied to each country's differing experience with compulsory saving schemes. Finally, financial deepening appears to be marginally significant for the long-run determination of saving only in the case of Singapore, the country achieving the highest level of financial development over this period.