



Harry's Take

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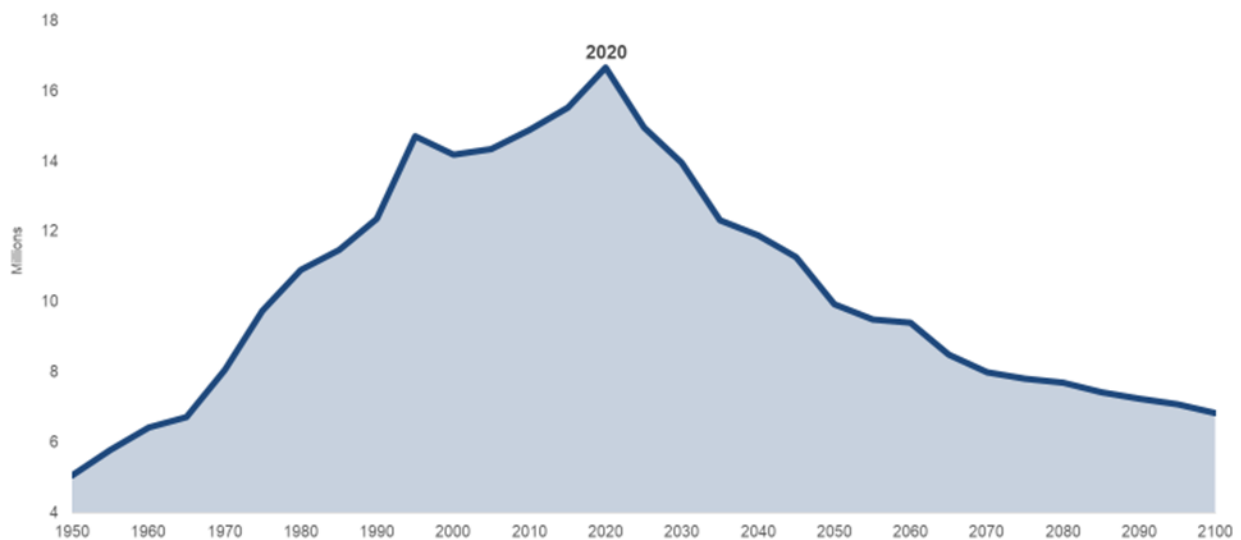
The Greatest Bubble Peak and Burst: East Asia, China, and the Tigers

Japan was the first major developed country to peak in demographic trends (their Spending Wave), back in 1996. China was then the first major emerging country to peak in demographic trends. All the way back in 2011, their workforce growth peaked forever.

The present global bubble, the first total bubble in stocks (and everything else), has bubbled up the greatest in East Asia: Japan, South Korea, China, and Taiwan. These countries began moving up from emerging country incomes and GDP per capita starting in the 1970s with Japan, followed in succession by the other Tiger countries and ending at last with the largest, China.

East Asia Spending Wave Peaks 2020 and Down Big: Will Be Worst Hit

45-to-49-Year-Olds, Developed East Asia (less China, Mongolia and North Korea)



Source: United Nations Population Division

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This chart shows not only the steepest surge and peak for all of East Asia last year in 2020, but also the steepest fall—yes, steeper than even Europe, which has also peaked forever in this boom. The U.S. and Canada at least have a Millennial Boom coming ahead into 2036–2037 that will rival the peak of the Baby Boom Spending Wave and demographic trends, although that upcoming boom will not be nearly as bubbly as the present rare one is, and stocks may not again reach present levels.

In the chart, the first minor spike shows Japan's peak in 1996. The 2020 spike is the average of China peaking at 2011, South Korea from 2007 to 2016, and, finally, Taiwan (the smallest country) by 2023–2026. The drop-off will be dramatic into 2035, falling first by about one third, and then, by 2055, falling by half. This will be the steepest drop of any major global developed region. Investors and businesses will be shocked to see not only the extent of the fall of East Asia compared with the Western world, but to a greater level, the weakness of their next boom and rebound.

In Asia, growth in the next global boom will focus on the Southeast Asian nations and India, not East Asia—and in China, growth will continue only as

a result of the last round of urbanization (increasing from 60% to 80%+) but will be largely offset by declining demographic trends.

The movie Crazy Rich Asians comes to mind. The East Asian nations rose from emerging-world to developed-world income standards more rapidly than did other countries. The rise of Japan was from the 1970s to the 1990s. The rise of South Korea, China, and Taiwan started in the 1980s and is peaking now. These countries quickly got rich, but their birth rates fell off quickly as well—fastest in the world.

In East Asia, the fall in birth rates, which began in the early 1970s, is what will cause the bust to be the most severe and the recoveries the weakest there (along with Southern and Central Europe) in the great bubble burst ahead.

Harry

Got a question or comment? You can reach us at info@hsdent.com.