



Harry's Take

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Demographics-Based Spending Has Peaked Long Term for Japan

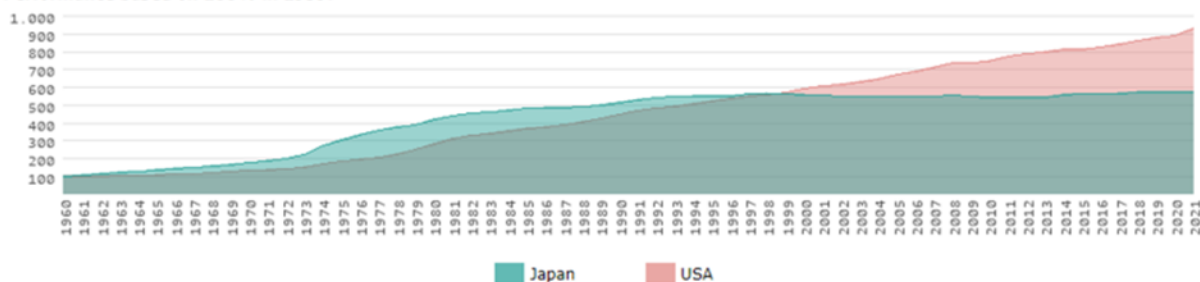
This is a great chart that shows how Japan's economy has performed in inflation rates vs. the U.S. since 1960. Japan outperformed the U.S. from 1960 into a plateau between 1993 and 1998. And remember that rising demographic trends first cause inflation and then rising spending on a lag. The U.S. has outperformed Japan ever since, and that has just gotten more exaggerated.

Demographics, Japan vs. U.S.: Japan Better 1960 to 1997, U.S. Better 1998 to 2023

Performance over the last 61 years compared with the USA

In only a few countries are negative inflation rates achieved. This means that the general price level is declining and consumer prices get cheaper. This is called deflation. In comparison to most other countries, the drastic price increases are no longer average. Usually this is a sign of political and economic turmoil.

Performance based on 100% in 1959:



Source: <https://www.worlddata.info/asia/japan/inflation-rates>

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In past books I've written, I showed that Japan's Baby Boom generation peaked in their Spending Wave in 1996, long before the U.S. Baby Boom generation peaked. While the U.S. tech bubble began around 2000 and peaked in 2007, Japan's stock bubble peaked at its all-time high in late 1989 and first crashed into 1992. Stocks have done better since, as Japan is a big exporter to the global economy. But Japan has not reached and will not reach new highs over its near-40,000 Nikkei peak, the highest we'll see in our lifetimes, as I forecast way back in the 1980s and in my first book, *Our Power to Predict*, published January 1, 1990. I was one of very few forecasters to be outright bearish on Japan. From 1986 to 1992, I was a leading speaker at TEC (The Executive Committee, now called Vistage), a global network of small business CEOs. I clearly forewarned those in TEC, all the way to Australia.

And, of course, Japan's stock peak and fall largely are the result of demographics. Japan's Baby Boom came early; its birth wave started around 1924 and peaked in 1949, just after the soldiers came back from World War II. Japan's peak age for spending, 47, is a bit higher than in the U.S., as the Japanese have almost no immigration. Immigrants on average tend to be younger and peak in spending a bit earlier, which brings down our peak spending age a bit in the U.S. Japan also was busy industrializing aggressively after World War II, which was an added economic supercharger.

The important point still is that Japan (and now South Korea, which is following Japan on a 30-year lag) has peaked for as far as the eye can see. Japanese demographics had a secondary, lower peak in 2020 and will continue to fall rapidly again for decades to come.

The U.S. has been in more of a sideways plateau since its Baby Boom Generation peaked in spending in late 2007 (right on time for the Great Recession of 2008). The "finale" generation ahead, the Millennials, should peak at nearly the same levels around 2037, by around age 47 on average, vs. age 46 for the Boomers.

Who says the economy is not predictable? Not everything is predictable, but demographic and technology cycles are.

Generational cycles peak every 39 years, as in 1929, 1968, and 2007. Technology cycles are on a 45-year clock and peaked in 1930, 1975, and 2020. Since 2020, the U.S. has been in the down phase of its Technology/Innovation cycle, and the demographic cycle for the U.S. will not turn upward again until late 2024. Only from 1982 to 2007 did both key cycles point upward together... and that's when we got "the Greatest Boom in History," which was my tag line from the 1980s forward. People thought I was crazy back then for being so bullish on North America.

However, neither we nor the western world will see a boom like this again in our lifetimes, nor will our kids.

Harry

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