



# *Harry's Take*

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## **The U.S. Does Not Lead the World in Consumer Debt, Switzerland and Australia Do!**

Looking at global data often puts things into perspective. The U.S. is still the richest major country in the world and still has the largest economy, unless you adjust for cost of living. Then, China barely edges us out, but likely not for long. You know my view on China by now: it is the most overleveraged country in the world, with the fastest-to-rise, fastest-to-fall success story in all of modern history!

A strategy of building condos for no one to boost your economy in hopes that it will work out longer term will not go down well in history, even a decade from now. And has no one looked at their demographic trends? China's population is projected to shrink from 1.4 billion now to only 780 million over the next 50 years. Only Japan has demographic trends as bad or worse than that, and how has Japan done since their stock market peaked in late 1989 and their real estate market peaked in 1991?

But perhaps my biggest surprise recently came when I was examining the newest data on global consumer debt trends. The U.S. has been in the biggest debt bubble in its history, and seemingly everyone with a pulse has bought a new or bigger home in the past decade or two. But we ARE NOT more in debt compared with consumers in other developed countries, not even close!

## U.S. Household Debt Not as High as in Most Other Developed Countries

Country	Percentage of GDP, Fourth Quarter 2022
Switzerland	128.3
Australia	111.8
South Korea	105.0
Canada	102.4
Hong Kong SAR	96.0
Netherlands	95.0
New Zealand	94.5
Sweden	87.9
Thailand	87.7
Denmark	86.0
United Kingdom	83.5
Norway	77.4
United States	74.4
Japan	68.2
Luxembourg	67.2
Malaysia	66.8
France	66.2
Finland	65.8
Portugal	61.5
China	61.3

Source: <http://stats.bis.org>

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First of all, it is no surprise to me that Switzerland has the highest debt here, at 128.3% of GDP. I lived in Lausanne for the summer of 1978 between years at Harvard Business School. It was la-la land, with castles on Lake Geneva... But prices on everything seemed about double those in the U.S., even back then.

Australia, is second in consumer debt. No surprise here, given the super-high home prices that everyone is so proud of there... Tell that to the kids there, who now will have to buy houses at some of the highest prices around the world, when average wages in Australia are a bit below those of Switzerland or the U.S. South Korea is a bit of a surprise at No. 3, but they just went through a meteoric, three-decade rise in urbanization and standard of living, like Japan before them.

The surprise to me is that for the U.S., household debt is only 74.4% of GDP. Of the major wealthy countries, the percentage of debt to GDP is lower only in Japan and France, and Japan has been through a three-decade housing crash and depression that has lowered debt and housing costs dramatically. The French spend more money on wine than houses (ha ha). And China, with

household debt at 61.3% of GDP, is still an emerging country; its debt ratios are the highest in the emerging world, where households are far less credit-worthy.

As this second and most-massive global debt bubble in history shakes out, it will be the U.S. that weathers it best in the developed world, not the European nations, Japan, or even South Korea. China has the greatest real estate bubble of all, once you've considered its second-world incomes, and it will fare the worst! And even Australia, which has the most favorable demographic trends in all of the developed world as a result of immigration from Asia, will undergo some of the worst debt shocks (at first) from falling home prices and mortgage defaults before their longer-term boom continues.

So, take our real estate and debt bubble burst seriously here, as it has finally started. However, we will feel much better than many countries after this debt and home crash crisis finally shakes out. This real estate bust is the biggest thing my Aussie friends have to worry about! After that, Australia and New Zealand will look the best in the developed world, economically, along with Norway and Sweden, and North America will fare better than most of Europe.

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*Got a question or comment? You can contact us at [info@hsdent.com](mailto:info@hsdent.com).*