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## Big Seven Net Worth Commentary 9-16-20

We are fortunate that comprehensive data on aggregate country balance sheet information is available at the household, non-financial corporation, financial institution, and government level. There are however, differences and disputes regarding that data. Notable example of that are the non-financial assets for non-financial corporations and financial institutions in China, and the lack of non-financial asset data altogether in India.

Further, the data is significantly lagged.

Nevertheless, if taken with full knowledge of those limitation, this information has value both in comparing countries at a given point in time, and, more importantly, assessing trends through time.

We think of this approach of looking at both sides of the balance sheet of all sectors as “balance sheet economics”, and view any effort that does not take this into account to at least some degree as incomplete.

This data is aggregated and easily accessible from the OECD and central bank databases, with the exception of China which is from the Center of National Balance Sheets.

The notable aspects of recent trends are apparent in the accompanying charts.

In the US, total country financial net worth continues to decline relative to its GDP. Household financial net worth is 361%, non-financial corporation financial net worth is -268%, and household + non-financial corporation financial net worth is 93%.

Compared to the other members of the Big Seven, US total net worth and financial net worth are at the low end of the range and declining. A major factor in this has been the wider current account deficit from the early 2000s forward. US households and non-financial corporations also rank at the low end of the Big Seven.

An interesting trend can be seen in Japan, where government debt to GDP is a notable 240%, yet net government debt is much lower because of the high level of financial assets owned by the government itself (beyond those owned by the BOJ), presumably to help support financial markets, which leaves its net financial assets at -124%. Japan's government is a significant outlier in regards to the financial assets it owns. In fact, Japan's government net worth is not much higher than the U.S.'s, in spite of its much higher *gross* government debt level.

China's country net worth is favorable, but it has been declining since 2008, the very year its net export position began to decline because of the GFC. Its net export position has remained low and it now has to look internally for demand growth.

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Only two countries have negative country financial net worth—the U.S. and the U.K., though France is approaching negative financial net worth. All three have had persistent current account and net export deficits over the past decade.

Household + nonfinancial corporation financial net worth, which we view as a proxy for the financial resilience of a given country's private sector, is highest in Japan, and lowest in China. In China's case, that stems from the government's ownership of a large number of corporations, which are largely owned by the private sector in the other countries of the Big Seven.