

# TYCHOS

## PRESS RELEASE

Tychos Analytics Group

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### **China Household Debt to GDP Reaches New All-time High *Japan Business Debt Accelerates, Reaches Highest Level Since 2001***

#### **Private Sector Debt Growth in Asia's Three Largest Economies**

Private sector debt to GDP showed brisk growth in China and Japan, while declining in India. The five-year change in household debt to GDP ratio for China in 2020 continued its rapid climb and now stands at 61 percent, an all-time high. Business and household sector debt growth in Japan, which had been benign or down for almost two decades, has increased significantly in recent quarters. For India, overall private sector debt to GDP growth has been down, though household debt to GDP has shown growth.

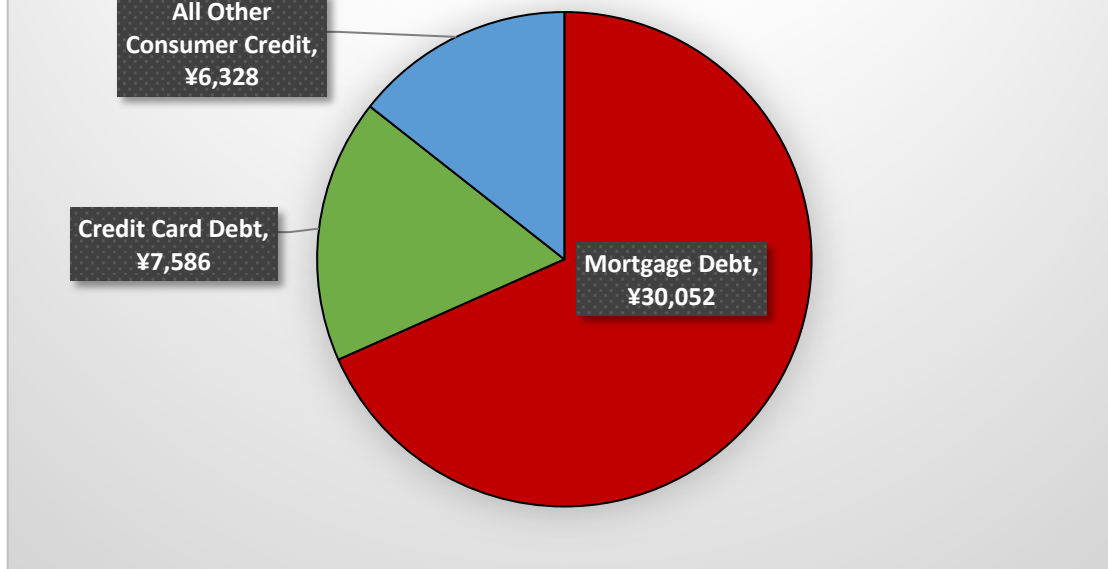
As seen in prior crises, specific economic sectors that show overly rapid growth over several years often experience higher credit losses and thus warrant close attention regarding potential risk. Globally, private sector debt, at over \$132 trillion, is significantly larger than government debt, which stands at over \$73 trillion, and a much greater determinant of economic outcomes.

#### **China**

##### **Mortgage Debt:**

Residential mortgage debt in China has now reached CN¥34 trillion, 15 percent higher on an annualized basis than the level of CN¥30 trillion on 12/31/19. Even more recent data suggests continued growth of over CN¥35 trillion for 2021 Q1. Making up nearly 70 percent of China's Household debt, mortgage debt growth is a key area for analytical attention (See Chart).

## China Household Debt Breakdown 2020 (CN¥ Billion)



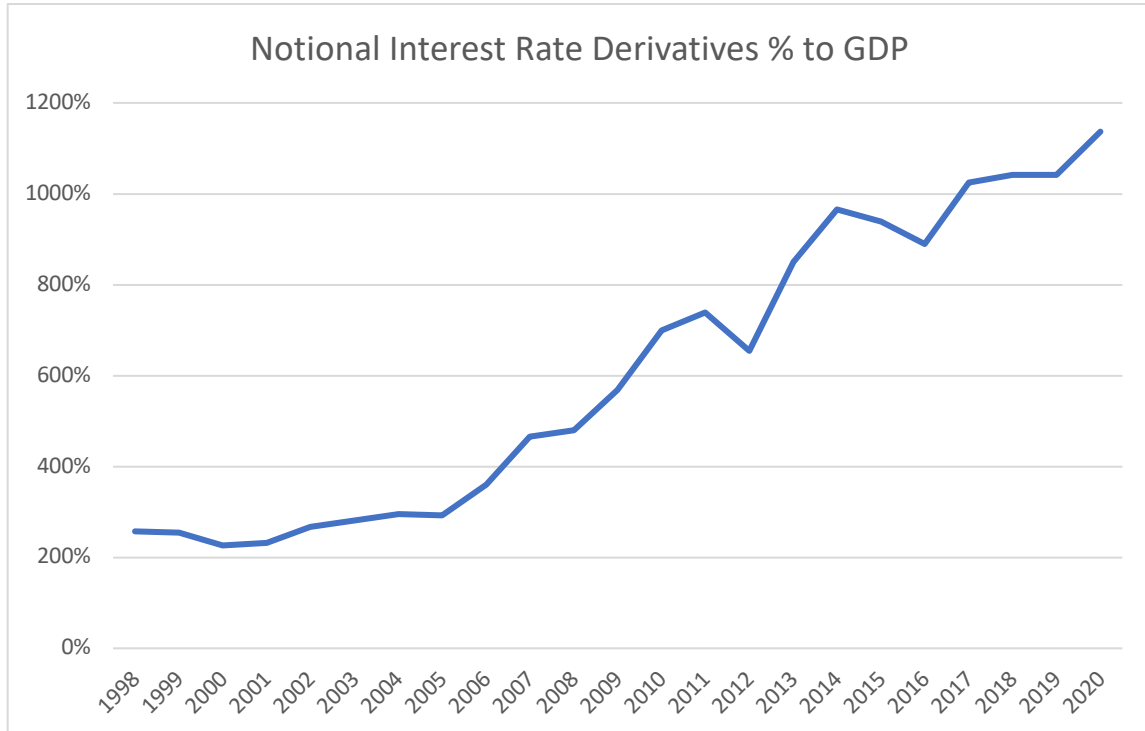
Overall five-year non-financial corporation debt growth to GDP increased to 6 percent, up from 1 percent in the prior quarter and down from 36 percent in 2016. Preliminary 2021 first quarter data was released on 04/18/2021, and 2021 second quarter preliminary data will next be updated on 06/18/2021. Complete data through the fourth quarter was released on 03/02/2021 and will next be updated on 06/01/2021.

### **Japan**

In Japan, overall five-year country-level private debt growth to GDP grew 19%, largely due to a significant nominal growth in non-financial corporation debt, which has reached the highest level to GDP since 2001. Sector areas of heightened concern include Transportation Equipment, Real Estate, Transport, Commodity Lease, Utilities and Construction. This data was released on 03/17/2021 and will next be updated on 06/09/2021.

### Interest Rate Derivatives:

As reported by the Bank of Japan in its most recent report on derivatives, interest rate derivatives in Japan have reached an all-time high of 1,137 percent of GDP, well above the previous peak of 966 percent of GDP reached in 2014 (See Chart).



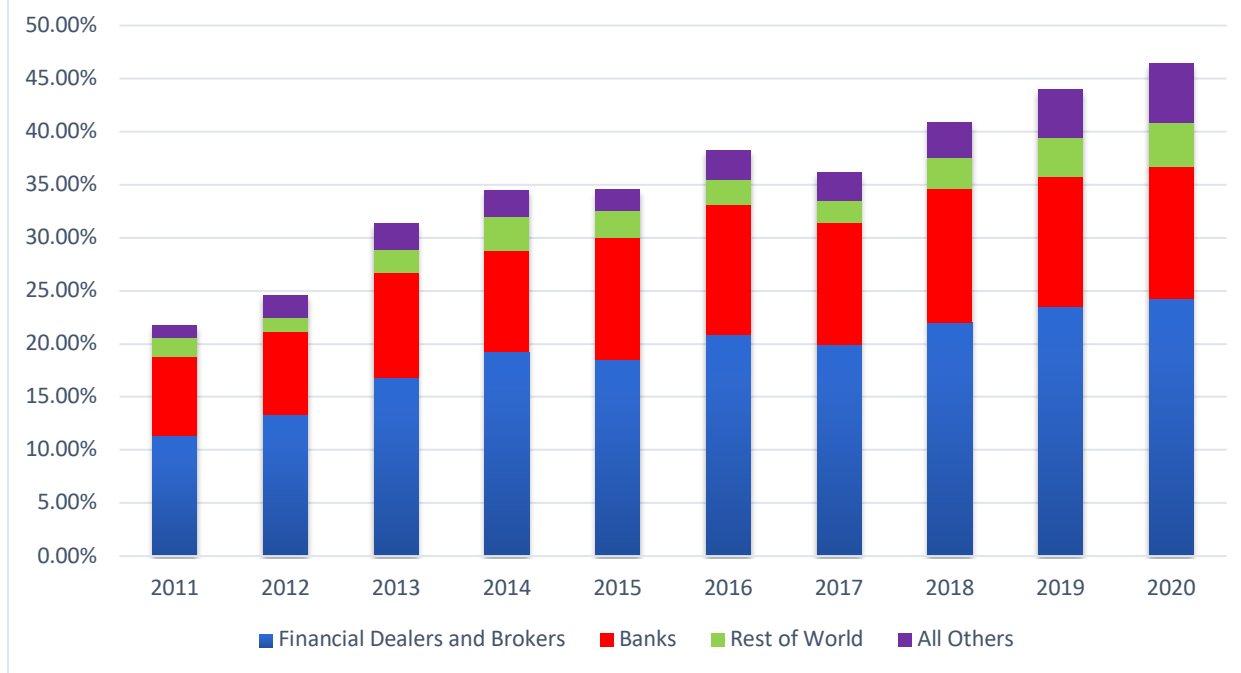
An interest rate derivative is a financial instrument with a value that is linked to the movements of an interest rate or rates. These may include futures, options, or swaps contracts. Interest rate derivatives are often used as hedges by institutional investors, banks, companies, and individuals to protect themselves against changes in market interest rates, but they can also be used to increase or refine the holder's risk profile or to speculate on rate moves.

This is based on information as of 2020 Q4 that became publicly available on 03/08/2021. The next update from the OCC on this information will be 06/2021.

#### Repurchase Agreements and Securities Lending Transactions:

Japan's repurchase agreements and securities lending transaction liabilities has now reached 250 trillion Yen. Financial Dealers and Brokers, Banks and Rest of World sectors hold a significant majority of the debt (See Chart).

## Repurchase Agreements & Securities Lending Transaction Liabilities as a Percent of GDP By Sector



Repurchase agreements and securities lending transactions refers to those repurchase agreements and securities lending transactions that can be regarded as credit facilities backed by bonds and other instruments. Bonds and other instruments are sold or lent in real transactions. More specifically, they include bond gensaki (sale and repurchase) transactions in central government securities and treasury discount bills, and bond lending transactions with cash collateral.

This is based on information as of 2020 Q4 that became publicly available on 03/17/2021. The next update from the BOJ on this information will be 06/09/2021.

### **India**

Overall, debt to GDP has been relatively flat in India—helping contribute to its decelerating GDP. Within that, non-financial corporation debt is contracting in relation to GDP, and household debt is expanding moderately, especially in the area of housing loans, which represents the highest area of credit risk concern. This data was released on 03/01/2021 and will next be updated on 06/01/2021.

**For additional details, including commentary on recent U.S. trends, please visit [www.tychosgroup.org](http://www.tychosgroup.org).**