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PRESS RELEASE

Tychos Analytics Group

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2020 Accelerates Pre-Covid Debt Trends

France Private Debt Growth Accelerates, German Businesses Continue to Borrow, UK Student Loan Debt Keeps Growing

Private Sector Debt Growth in Europe's Three Largest Economies

A combination of GDP declines and accelerating private sector debt brought sharp increases in private debt to GDP ratios in all three countries. In France, it stepped up sharply from 210 percent in 2019 to 240 percent in 2020. In the UK, it grew from 156 percent to 170 percent, and in Germany, where private debt trends benefit from its large trade surplus, it accelerated from 122 percent to 132 percent.

In France, this growth comes from a notable step up in housing lending along with commercial loans to the Business Support and Accommodations and Restaurants sectors. In the UK, the most notable increase is in student debt which has grown to nearly eight percent of GDP, a 95 percent increase in that ratio over five years. Germany's business sector, which has been slowly re-leveraging since 2017, has seen its debt to GDP ratio rise to 73 percent, the highest it has been in ten years.

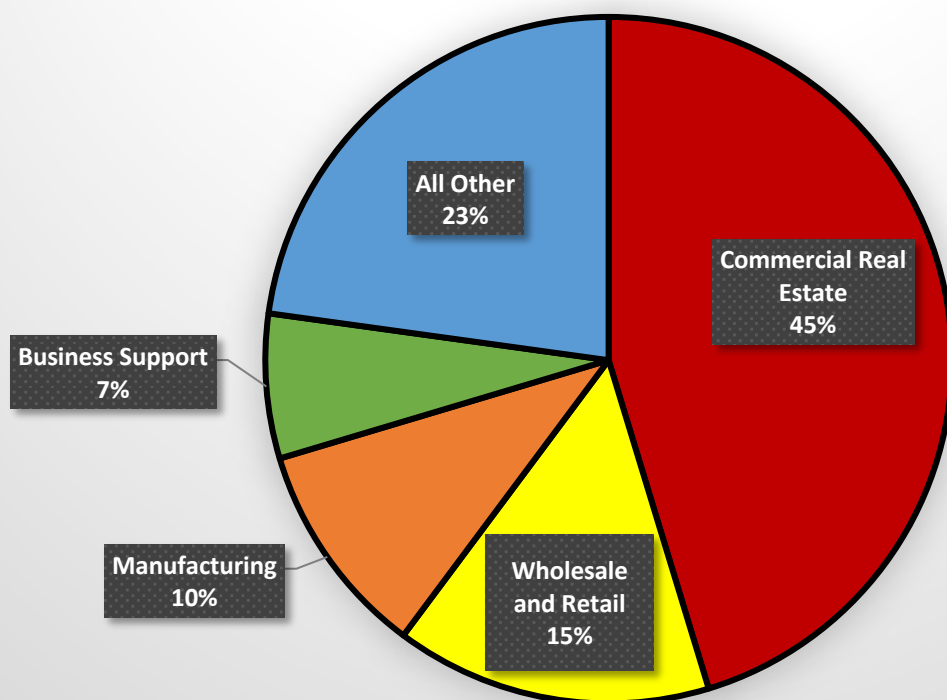
As seen in prior crises, specific economic sectors that show overly rapid growth over several years often experience higher credit losses and thus warrant close attention regarding potential risk. Globally, private sector debt, at over \$132 trillion, is significantly larger than government debt, which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

France

Business Debt:

Business debt in France continues to grow across nearly all industries. Total business debt is now at 171 percent as a ratio to GDP, a 25 percent increase from 2015. Of particular note is commercial real estate debt. Although growing at roughly the same pace as business debt overall, its size, which now stands at 23 percent to GDP (an increase of 26 percent over five years), makes it more concerning (See chart).

France Bank Loans Outstanding by Sector (Percent of Total Loans)



All Other includes Agriculture, Health & Education, Accommodations & Restaurants, Industrials, and Information & Communication

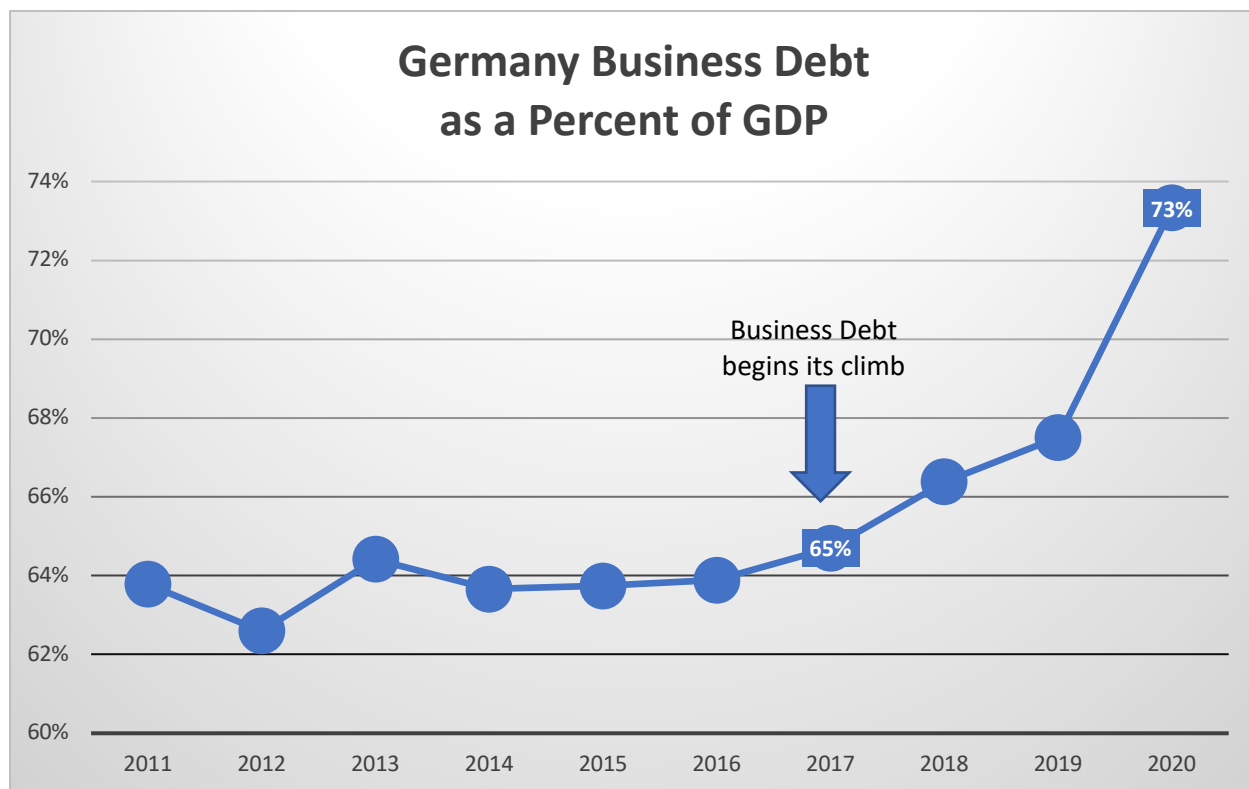
Household Debt:

Household debt, although smaller in size, has been growing at roughly the same pace as business debt. It now stands at 69 percent of GDP, a 23 percent increase from 2015. The overwhelming majority of household debt is in the form of housing loans.

Complete data through the fourth quarter was released on 04/26/2021 and will next be updated on 07/27/2021.

Germany

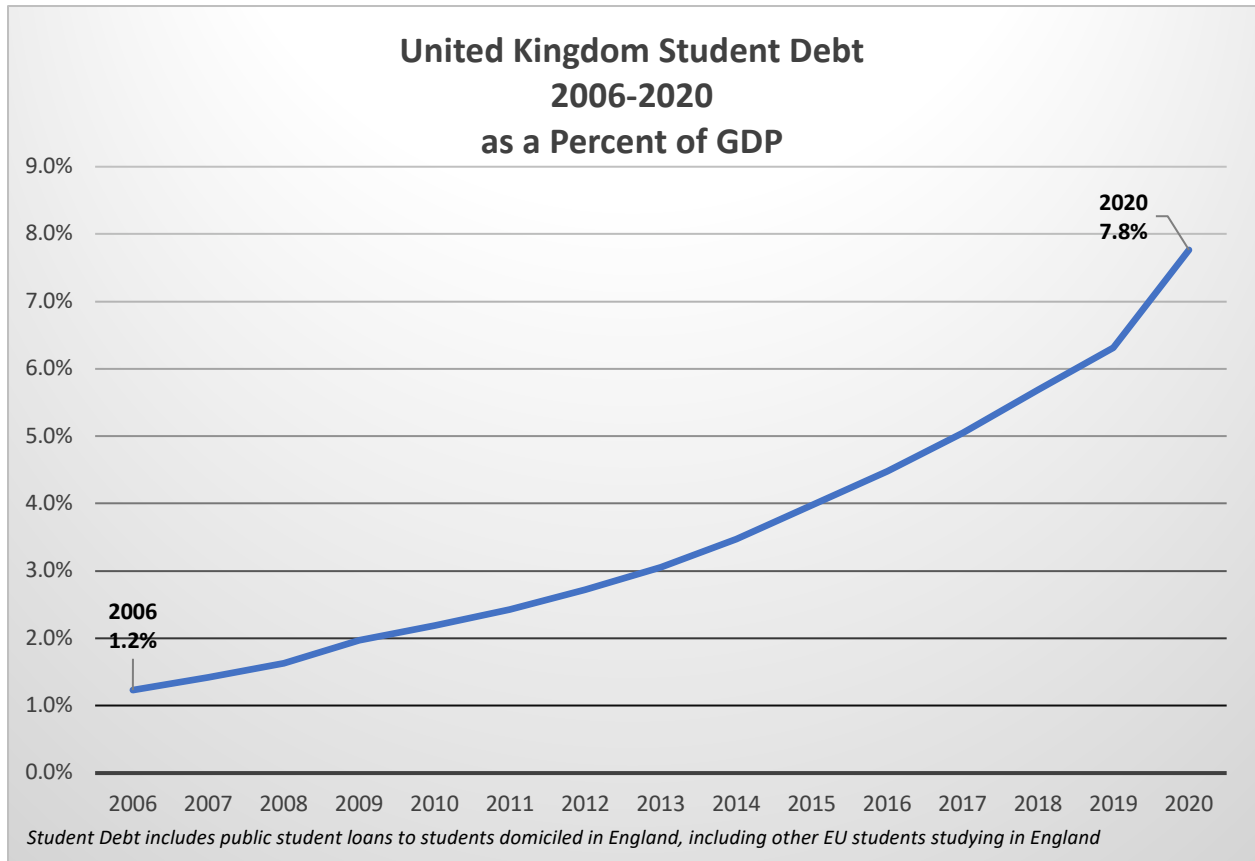
Germany's overall private debt reached 132 percent of GDP, 13 percent higher than it was in 2015. The growth is coming primarily from businesses. Germany's business sector, which has been slowly re-leveraging since 2017, has seen its debt to GDP ratio rise to 73 percent, the highest it's been in ten years (See chart).



Of particular concern are Commercial Real Estate and Construction, as well as the IT industry. This data was released on 04/15/2021 and will next be updated on 07/15/2021.

United Kingdom

The United Kingdom's private sector debt has been relatively flat, with households and businesses even deleveraging at times over the past decade. 2020 saw a slight uptick in debt, primarily in the business sector. Of acute concern however is student debt. At two percent of GDP at the beginning of the decade, student debt outstanding has now reached nearly eight percent of GDP, with a five-year growth rate of 95 percent (See Chart).



This data was released on 03/31/2021 and will next be updated on 07/02/2021.

For additional details, including commentary on recent U.S. trends, please visit www.tychosgroup.org.