

# TYCHOS

## PRESS RELEASE

Tychos Analytics Group

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### France Private Debt Growth Remains at Concerning Level

*After Sharp Covid-based Private Debt Increases for Major European Countries in 2020, France Private Debt Growth Remains High, UK Private Debt Shows Slight Deleveraging, Though Student Loan Debt Accelerates, and German Private Debt Levels Remain Stable*

The Tychos Group specializes in analysis of private debt trends in the world's seven largest economies, including Germany, France, and the U.K. in Europe. This announcement focuses on Europe only. Private debt trends are a key determinant of overall economic trends, and rapid growth in total private debt often signals financial crisis. Specific industry sectors within an economy that show overly rapid growth often experience higher credit losses and crisis within that sector, and thus warrant close attention regarding potential risk.

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

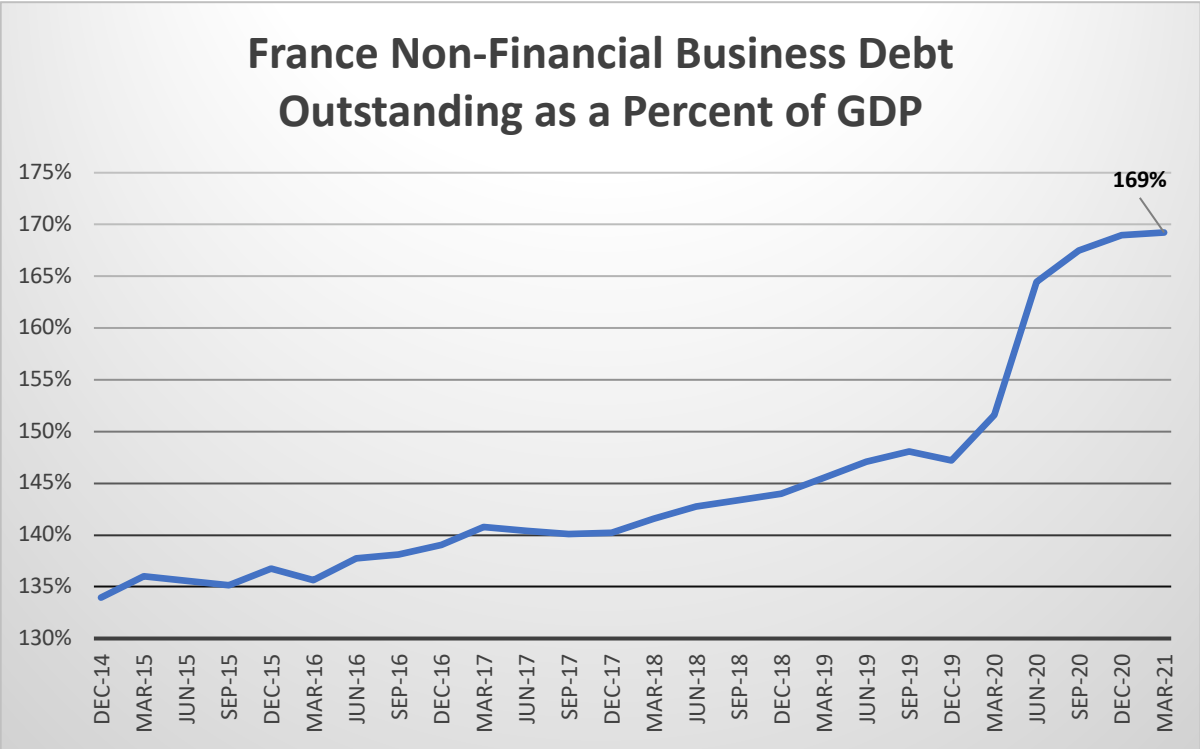
In France, private debt to GDP stepped up sharply from 209 percent at year-end 2019 to 237 percent into the first quarter of 2021. In the UK, it grew from 156 percent to 170 percent, driven by rising household debt, and in Germany, where private debt trends benefit from its large trade surplus, it accelerated from 122 percent to 133 percent.

In France, this growth comes from a notable step up in real estate lending, both to households and businesses, along with select commercial sectors. In the UK, the most notable increase is in student debt which has grown by 91 percent in ratio to GDP over five years. Germany's business sector, which has been slowly re-leveraging since 2017, has seen its debt to GDP ratio rise to 74 percent, the highest it has been in a decade. In the most recent quarter for which private debt data is available, France private debt growth remains high at 23 percent over five years, UK private debt shows slight deleveraging, and German private debt levels remain stable.

#### **France**

Business Debt:

Business debt in France continues to grow across nearly all industries. Total business debt is now at 169 percent as a ratio to GDP, a 24 percent five-year increase (See Chart). Of particular note is commercial real estate debt because of its large size relative to other sectors.



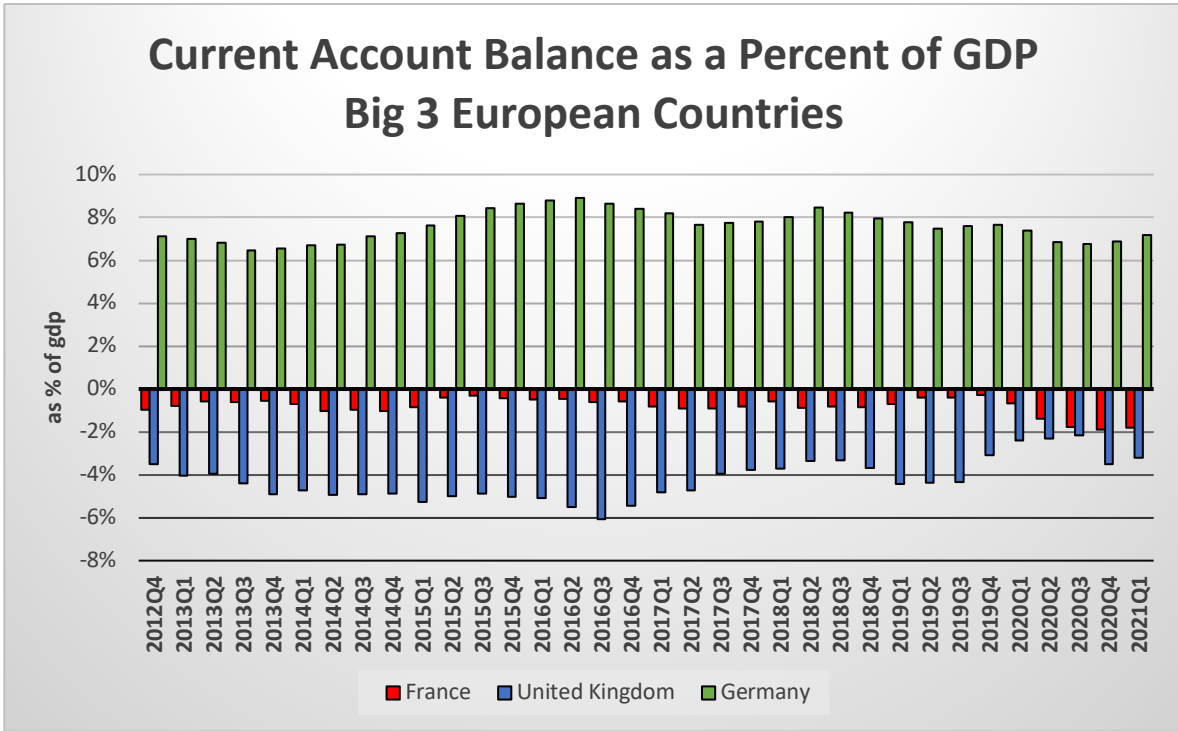
**Household Debt:**

Household debt, although smaller in size, has been growing at roughly the same pace as business debt. It now stands at 68 percent of GDP, a 22 percent five-year increase. The large majority of household debt is in the form of housing loans.

This data was released on 07/23/2021 and will next be updated on 10/25/2021.

**Germany**

Germany's overall private debt reached 133 percent of GDP, for a 13 percent five-year growth. 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 74 percent, the highest it has been in ten years. Of particular concern are Commercial Real Estate and Construction, as well as the IT industry. Germany, though, has continued to use their advantageous trade surplus position as a means of boosting growth without becoming over-reliant on debt (See Chart).

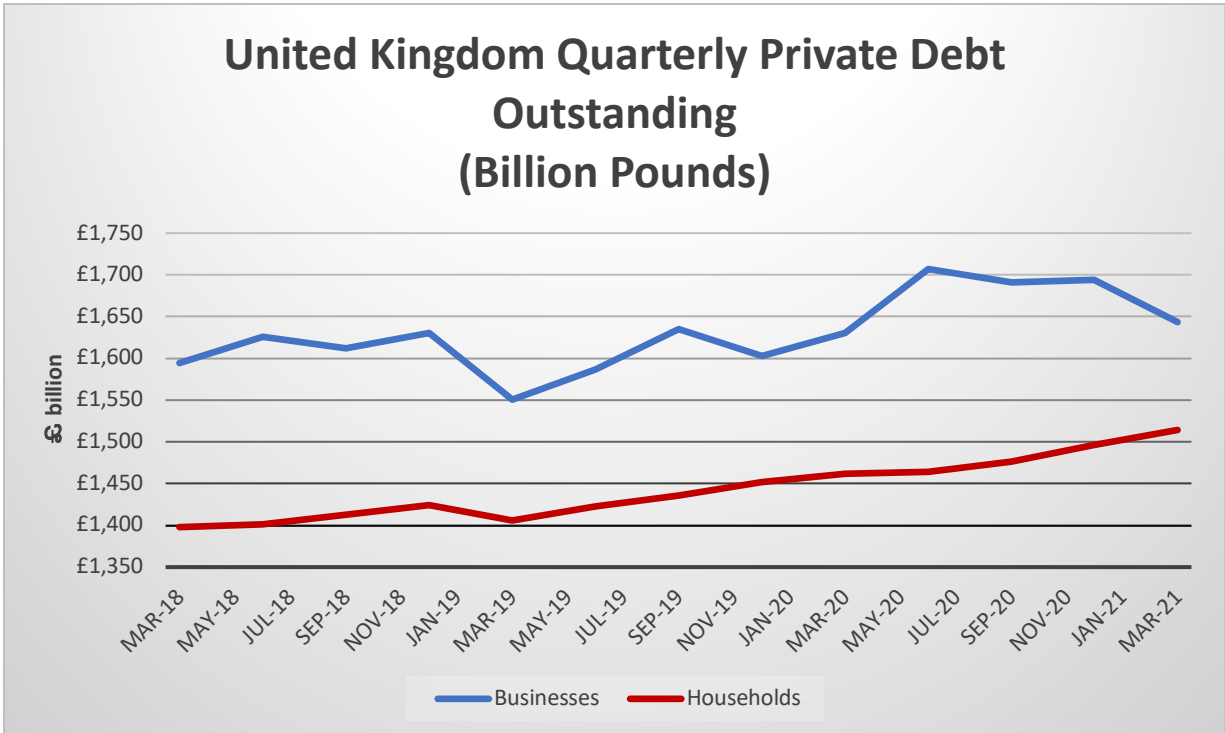


This data was released on 07/16/2021 and will next be updated on 10/13/2021.

**United Kingdom**

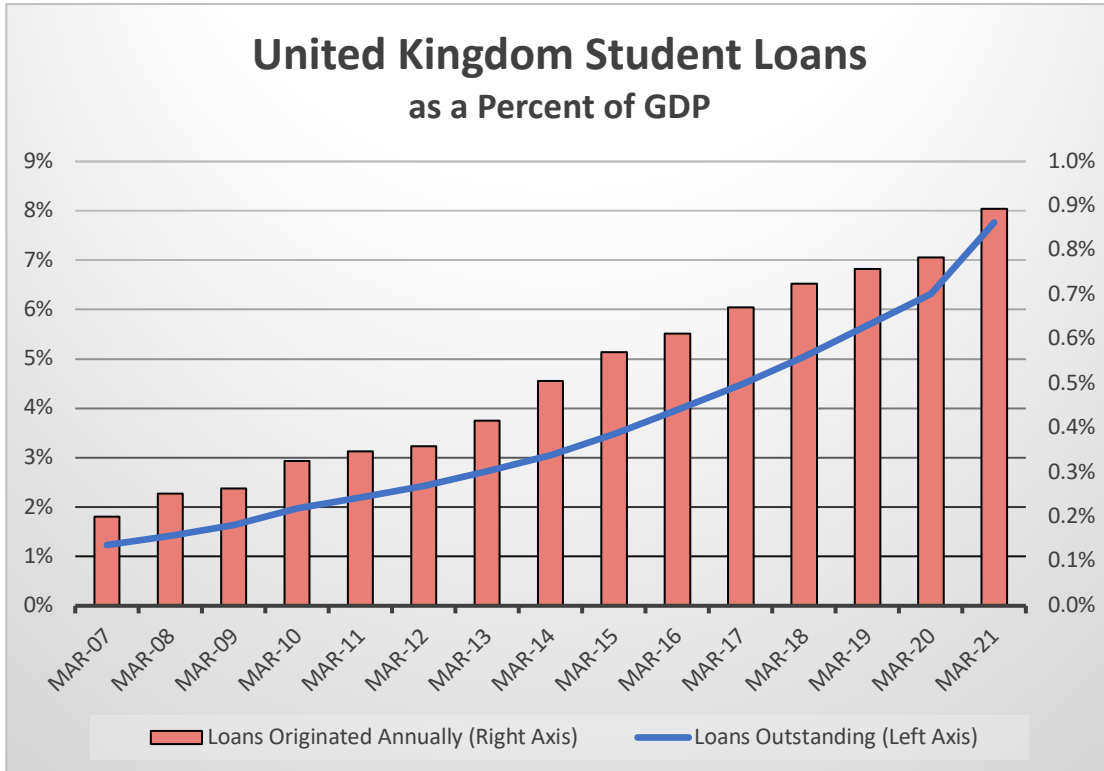
**Business Debt:**

The United Kingdom’s private sector debt has been relatively flat, with households and businesses deleveraging at times over the past decade. 2020 saw a slight uptick in debt in both the household and business sectors. The first quarter of 2021, business debt dropped to 78 percent of GDP, down from 80 percent in 2020, a nominal decline of £51 billion (See Chart).



**Household Debt:**

Although overall household debt levels have been relatively flat, of particular concern 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 91 percent (See Chart).



This data was released on 07/12/2021 and will next be updated on 10/11/2021.

Globally, private sector debt, which includes business and household debt and stands at over \$132 trillion, is significantly larger than government debt, which stands at over \$73 trillion. and is a more significant factor in economic outcomes.

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