

The global economy : stuck in the debt overhang

Adair Turner

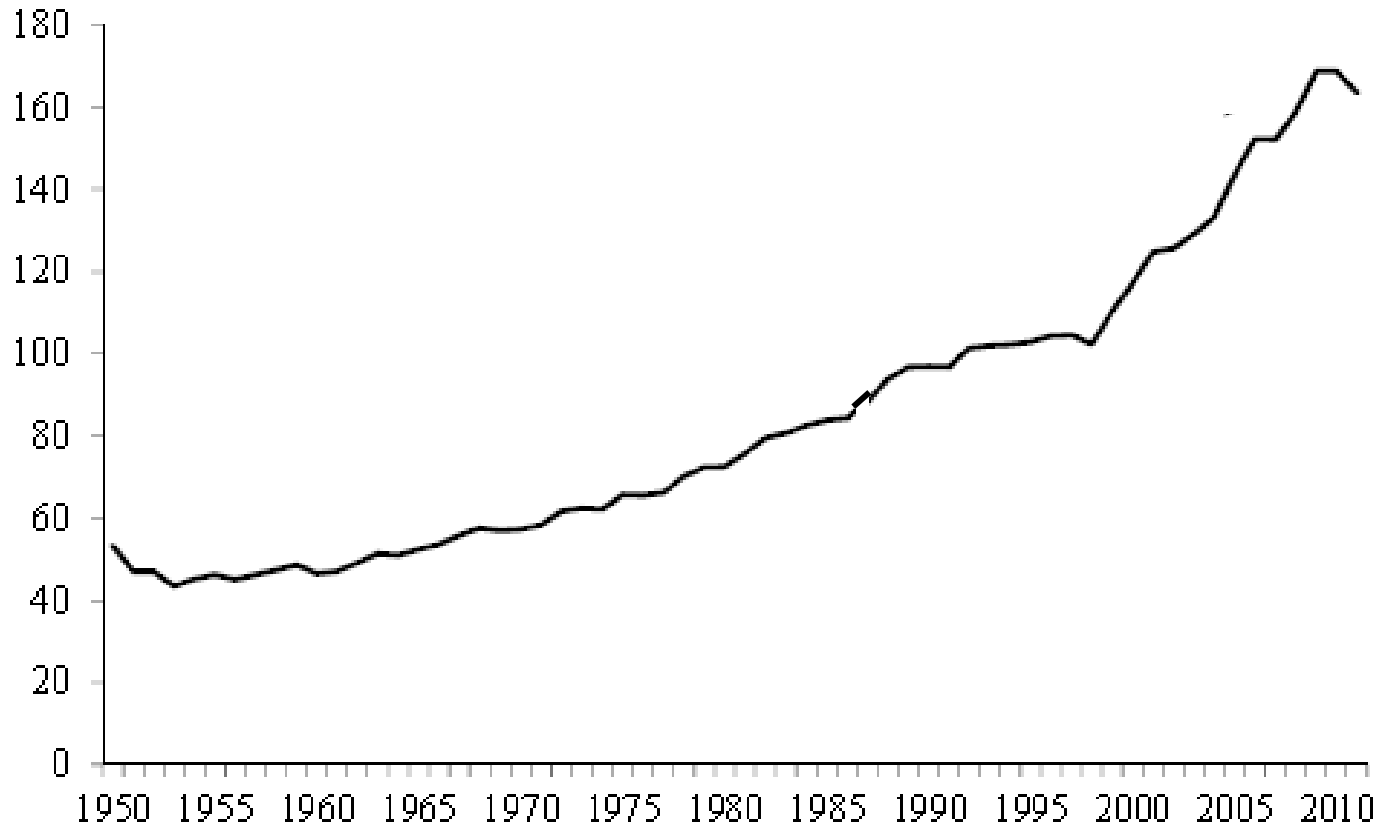
Senior Fellow, Institute for New Economic Thinking

IIMA

Tokyo, March 4th 2015

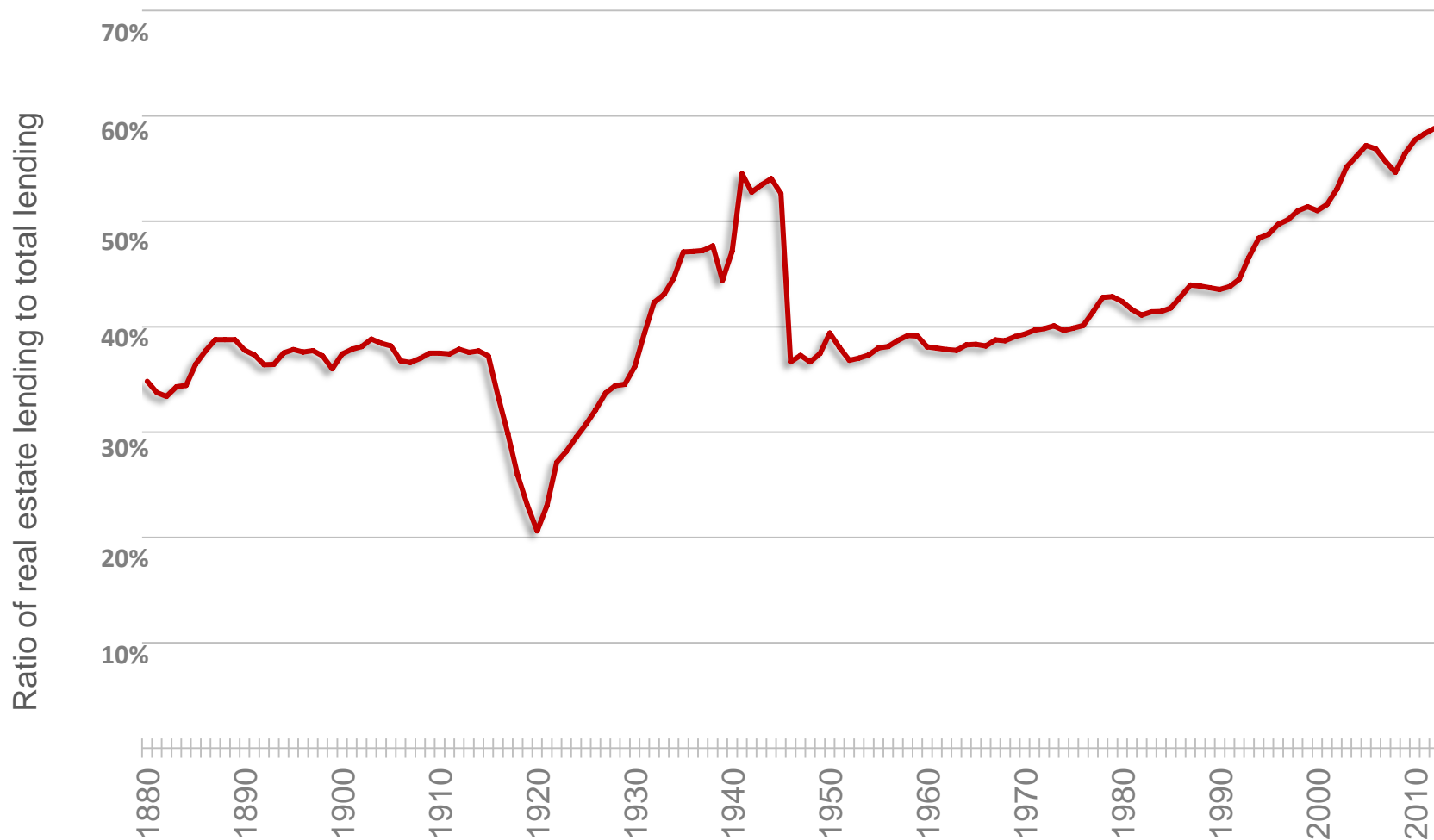
Private domestic credit as a % of GDP

Advanced economies 1950 – 2011



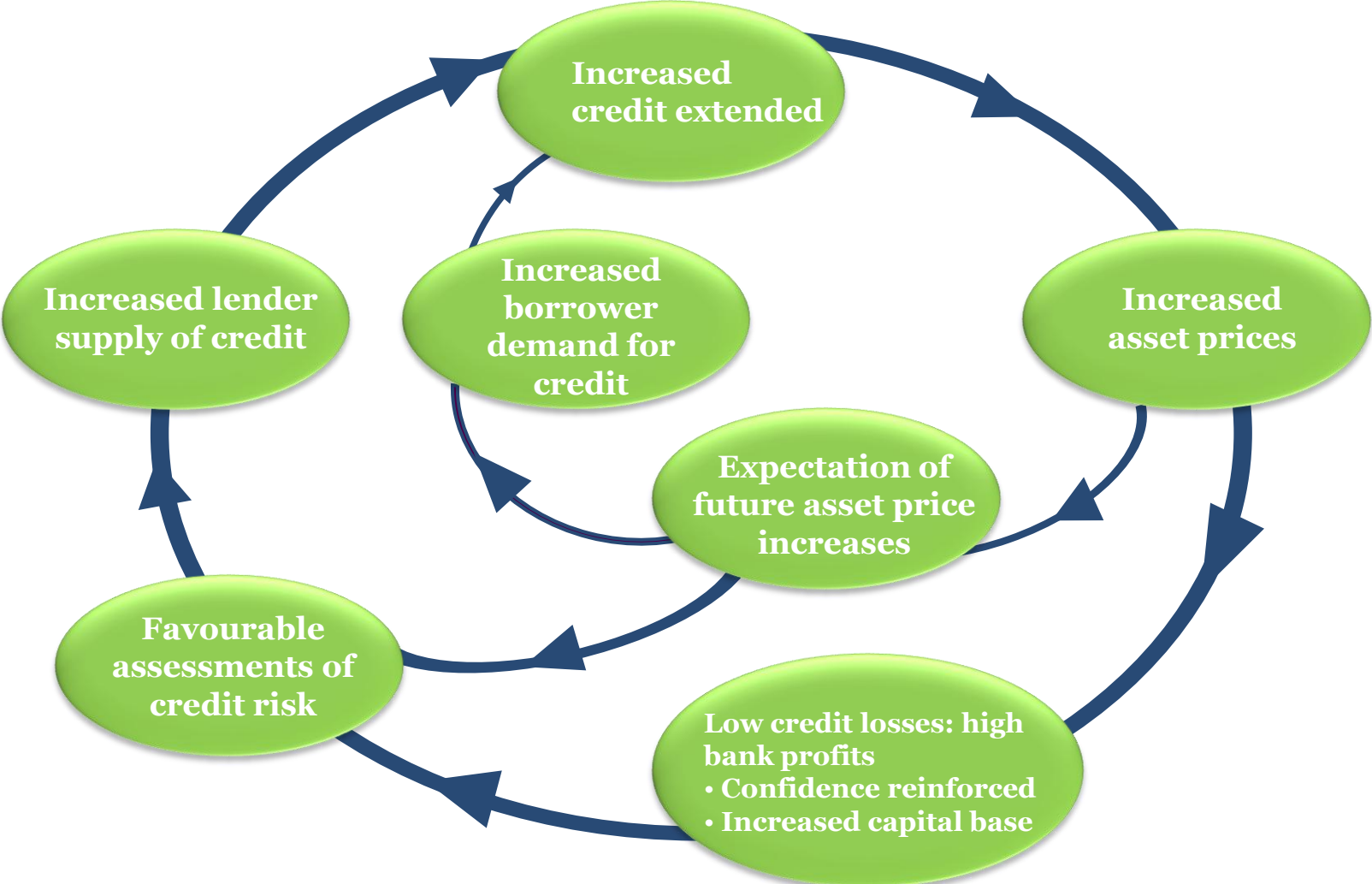
Source: *Financial and Sovereign Debt Crises: Some Lessons Learned and Those Forgotten*, C. Reinhart & K. Rogoff, 2013

Share of real estate lending in total bank lending

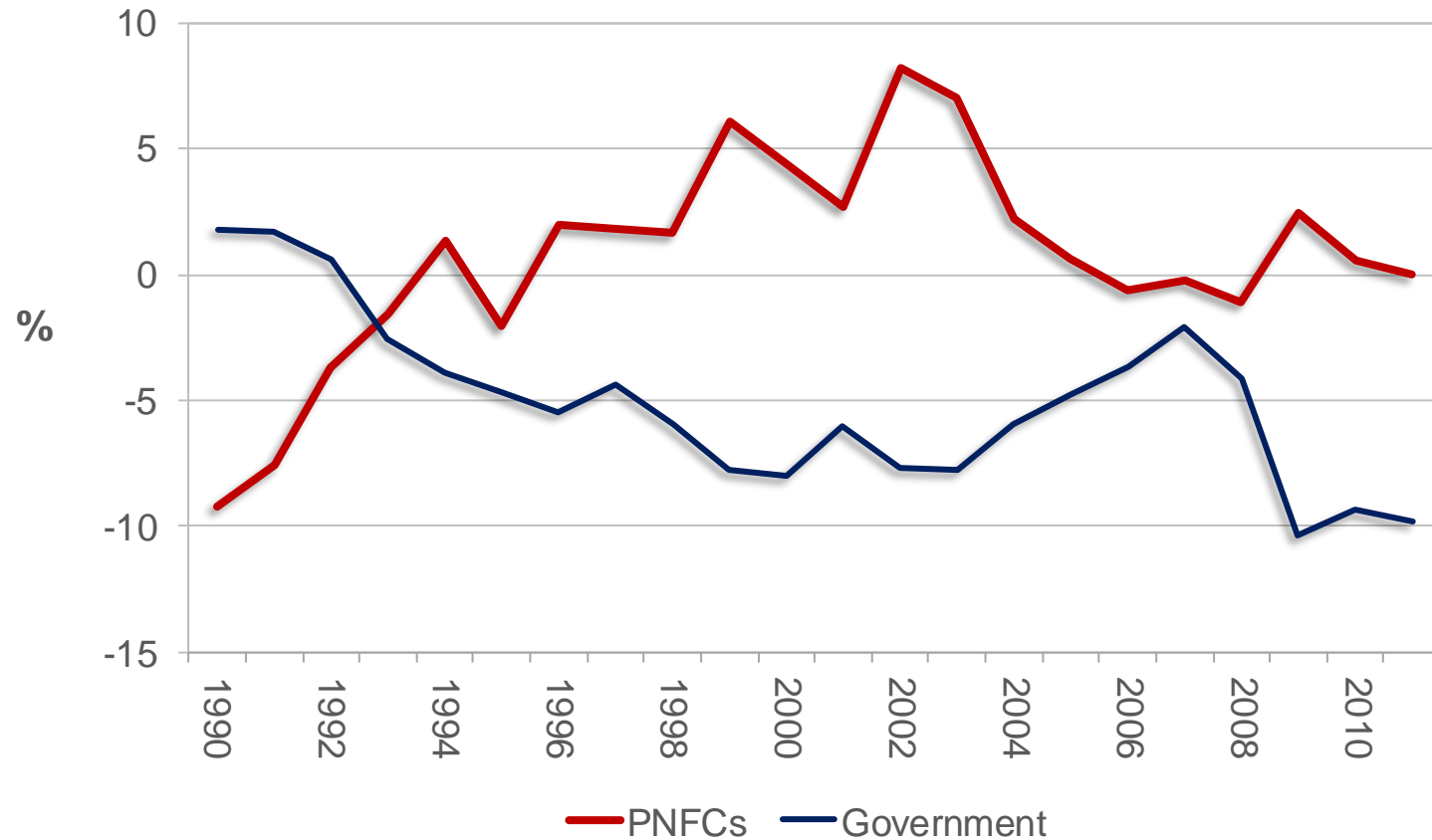


Source: The Great Mortgaging, Professor Alan Taylor, University of California, Davis

Credit and asset price cycles: upswing

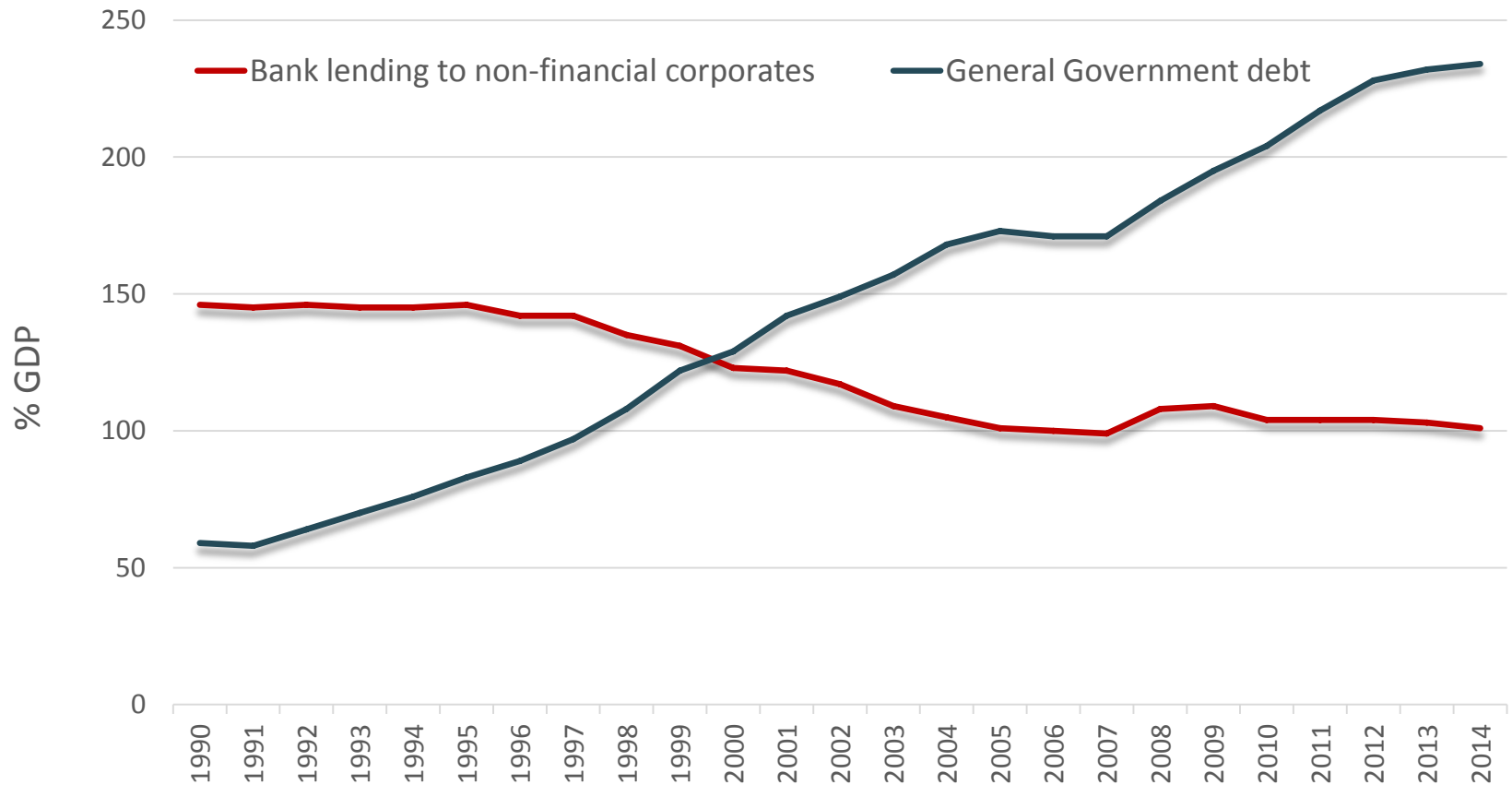


Sectoral financial surpluses/deficits as % of GDP: Japan 1990 – 2012



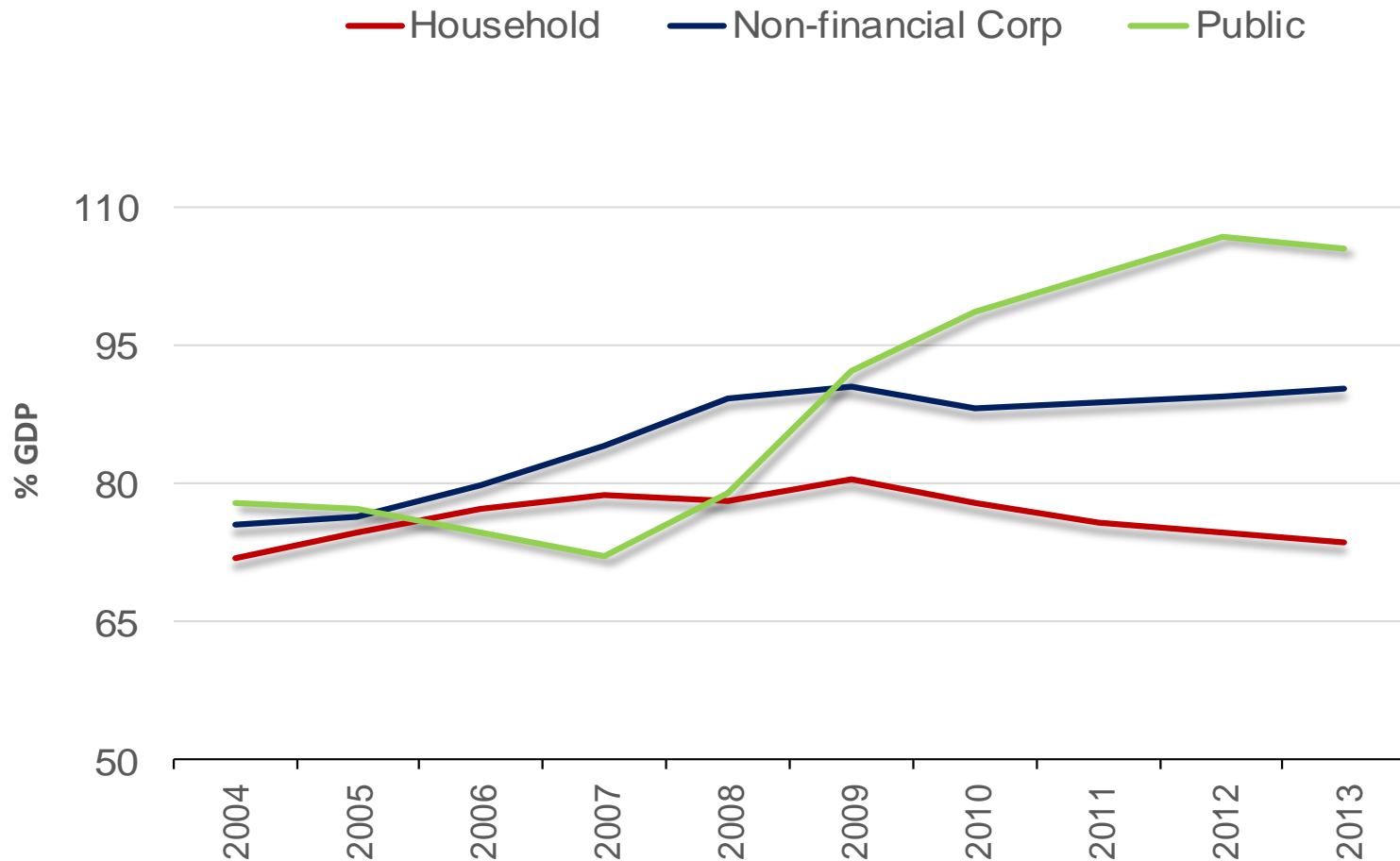
Source: IMF, Bank of Japan Flow of Funds Accounts

Japanese government and corporate debt: 1990 – 2010



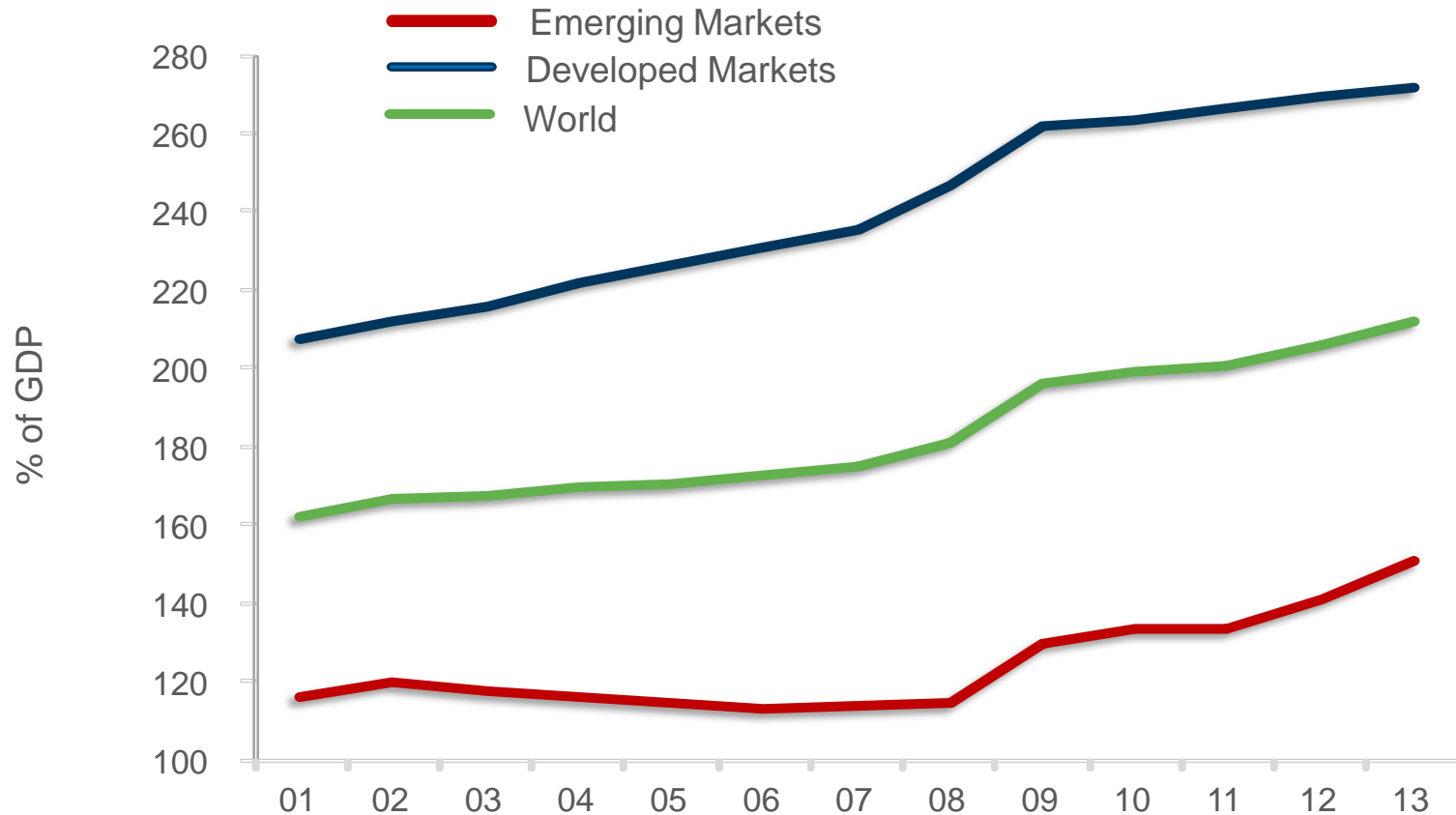
Source: BoJ Flow of Funds Accounts, IMF WEO database (April 2011), FSA calculations

Developed economies – Debt to GDP



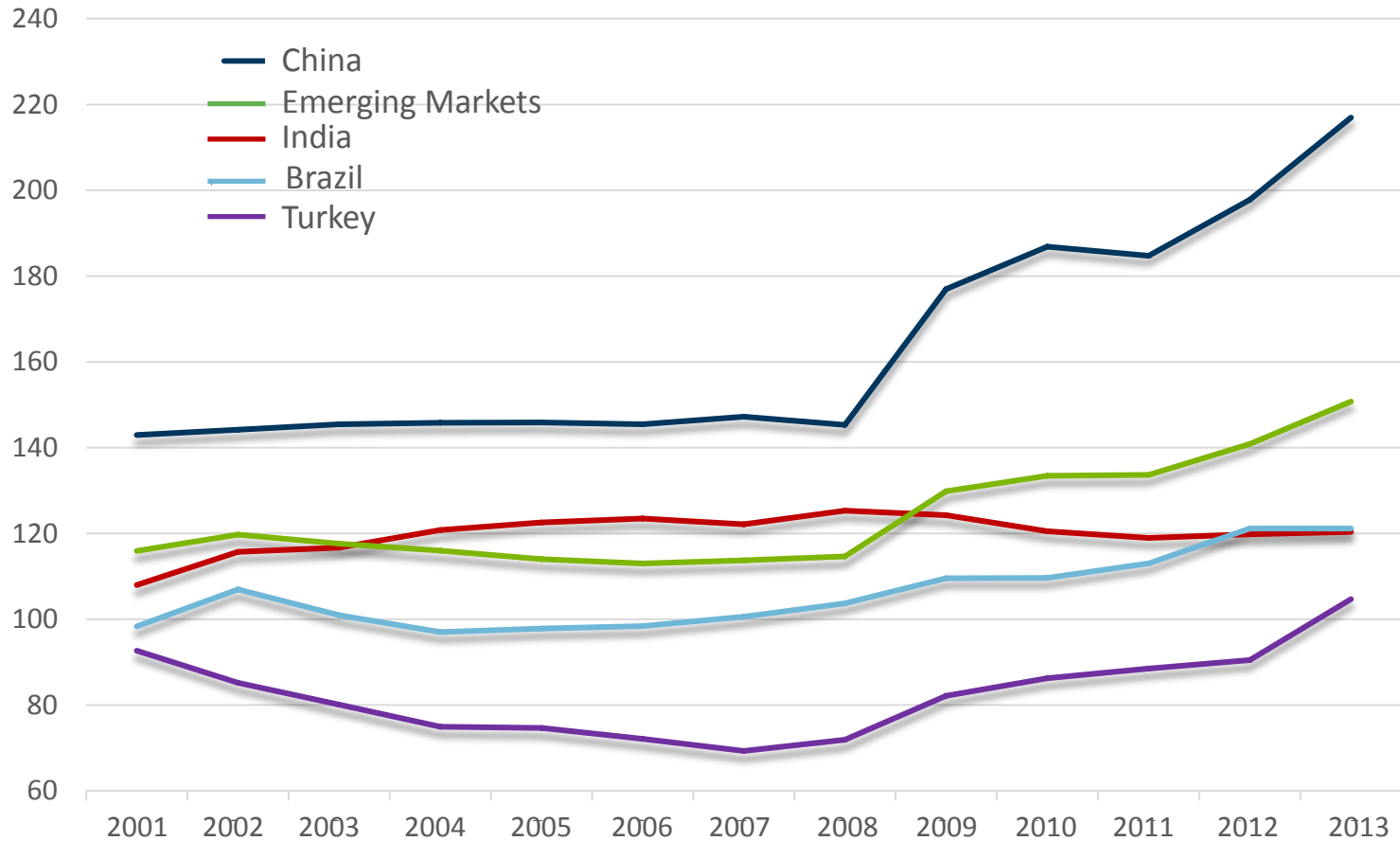
Source: Geneva Report No 16 *Deleveraging, What Deleveraging?* ICMB / CEPR September 2014

Global debt excluding financials



Source: Geneva Report No 16 *Deleveraging, What Deleveraging?* ICMB / CEPR September 2014

Emerging markets: total debt as % of GDP (excluding financial sector debt)

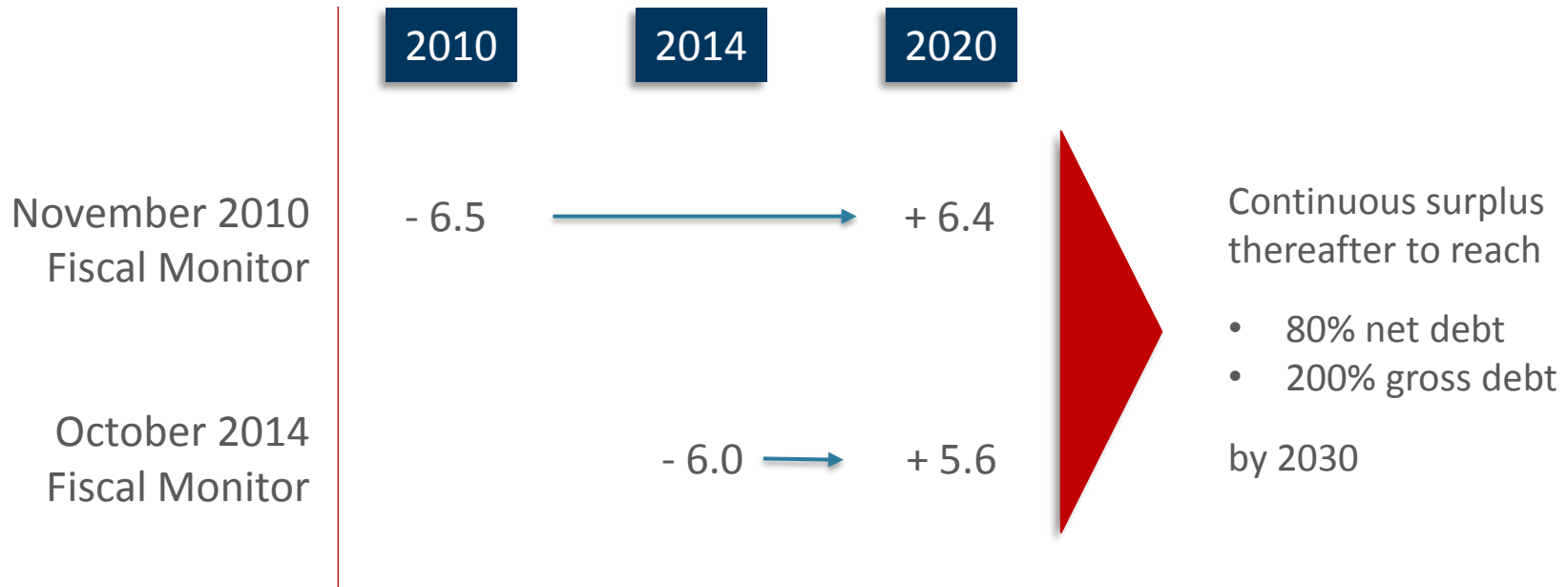


Source: *Deleveraging, What deleveraging*, The Geneva Report, 2014



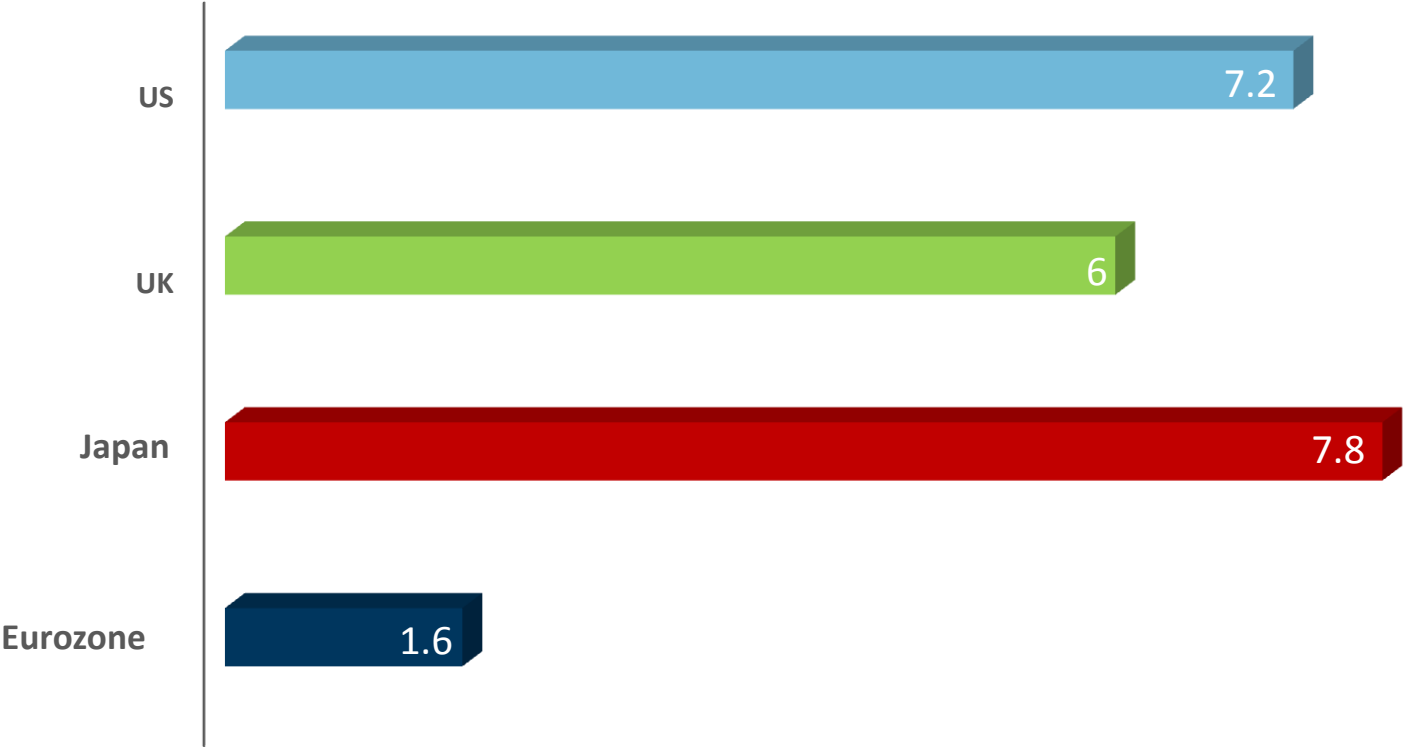
Ensuring long-term Japan debt sustainability: IMF scenarios

Required cyclical changes in adjusted primary balance
% of GDP



General Government primary deficit

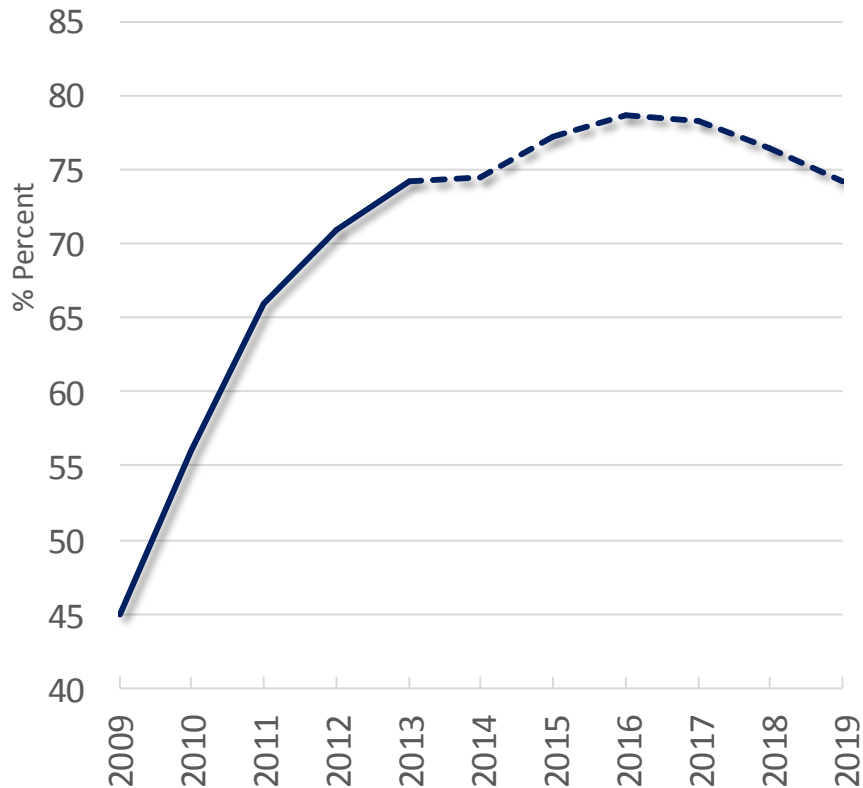
% of GDP, average 2008- 2013



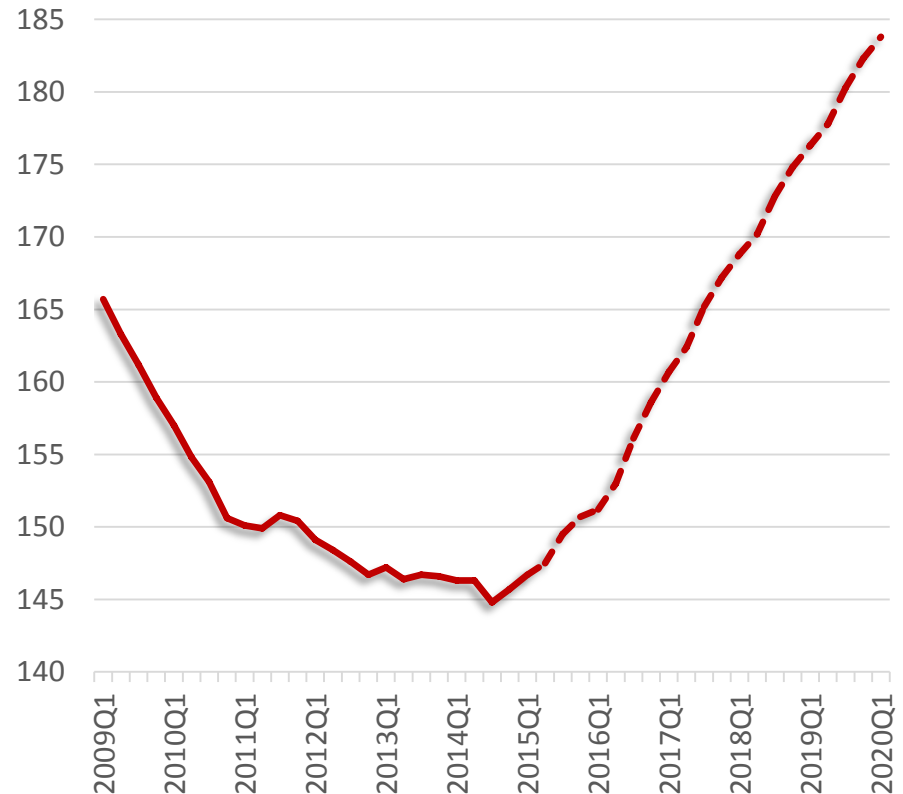
Source: International Monetary Fund Fiscal Monitor, October 2014

Shifting leverage: back to private again

UK Public net debt as % of GDP: 2009 - 2019



UK Household gross debt as % of income: 2009 - 2020



Source: Office of Budget Responsibility, Economic and Fiscal Outlook, December 2014