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Australian economy most leveraged in the world and is heading for the rocks with household debt the most leveraged in the world, equal to 125% of GDP

AUSTRALIAN ECONOMY MOST LEVERAGED IN THE WORLD



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The Australian level of household debt dwarfs that of the USA at the peak of the GFC housing bubble.

Published in the Guardian, the following snippets paint a devastating prophecy of the Australia economy.

Today, the Australian household sector is the most leveraged in the world, with debts equal to 125% of GDP as of the first three months of 2016 (and its rising even further). In contrast, US household debt peaked at 98% in the first quarter of 2008. The US government was obliged to bail out its over leveraged banking system and mortgage lenders that were too heavily geared towards profiting from mortgage debt.

Just before the collapse of Lehman Brothers in 2008, the four largest banks in America – JP Morgan Chase, Bank of America, Citigroup and Wells Fargo – had a combined loan book equivalent to 21% of American GDP. In Australia, the mortgage book of the Commonwealth Bank alone is equal to 23% of Australian GDP. We are essentially talking about a housing bubble and leverage profile that has reached a completely different realm of “prime” banking and lending.

As under the leadership of Stevens, all that matters now is whether house prices rise or fall and household debt continues to expand faster than GDP and household income.

Our major banks are simply too big, too leveraged and too undercapitalised to survive a crash in house prices without driving the hard-working middle class a little closer to the poverty line.

RBA policy has helped to generate the largest debt-financed asset bubble in Australian history. This is defended by the RBA, including government and industry, as a natural result of deregulation and “innovation” by the banking and financial sector. This (Wonder Bra) paper wealth creation model has already been tried and tested on numerous occasions globally. Without exception, all have failed.

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Higher Australian household debt mounts to ‘unsustainable’ levels

“If something cannot go on forever, it will stop,” said Herbert Stein, economic adviser to presidents Nixon and Ford. Stein was mocking concerns about the “unsustainable” US current account and budget deficits in the late 1980s. He had a point, both grew much larger.

Households In Australia Have The ‘Most Debt’ In The World

Households in Australia have the most debt in the world. Barclays’ research warned of the country becoming vulnerable to a possible global financial crisis. Kieran Davies, chief economist at Barclays, said the debt-to-income ratio of the private sector is currently at a record high of 206 percent from the previous 191 percent before the global financial crisis. When it comes to leverage, economists said Australia is one of the countries included in the top 25 percent of the world.

Australia’s world-beating private debt

While Mortgage Choice CEO, John Flavell, hilariously tried to claim on Monday that Australian housing was “under-leveraged”, LF Economics has released a new report entitled Australia’s Addiction to Debt: Imbibing the Beverage but Ignoring the Leverage, which analyses Australia’s debt and finds that our household debt load is now tied with Switzerland for the highest in the world but with a worsening trend.

Banks’ ‘low-risk model’ high risk for Australian economy

You have to listen to a lot of talk from central bankers to glean the odd tidbit of enlightenment, but it’s worth it when you get an insight. Yesterday provided a particularly worrying insight into the Reserve Bank’s attitude towards home lending, and perhaps one reason why it’s generally stood idly by while Australian banks have inflated what is on most measures one of the world’s biggest ever housing bubbles.

Australian households awash with debt: Barclays

Australian households are the most indebted in the world, according to research by Barclays, which warns that the country would be vulnerable in the event of another global financial shock. Barclays chief economist for Australia Kieran Davies says private sector debt-to-income gearing is currently at an all-time high of 206 per cent, up from a pre-global financial crisis (GFC) level of 191 per cent. This put Australia just within the top 25 per cent of the world when it comes to leverage.

The Australian Economy is a Bomb on a Short Fuse

With the release of yesterday’s economic growth data, you’re finally starting to see a clearer picture for the Aussie economy. It explains why growth is strong but the economy ‘feels’ weak. The headline GDP number showed Australia grew a very healthy 1.1% in the three months to 31 March, and 3.1% over the past year. Given what else is happening in the world’s developed economies, that is exceptional.