Israel vs. UK and USA

GDP per capita (USD, Current Prices)
Israel vs. UK and USA

Ratio of Government Debt to GDP (%)

- Israel
- United Kingdom
- United States
Israel vs. USA

Ratio of non-Financial Corporate Debt to GDP (%)

US

Israel

% of GDP

72.8

70.1

2016-Q3
Israel and the US: Opposing trends

**Israel:** Deleverage and Shift of Burden from Public to the Private

**US:** Increased leverage. Shift of Burden from Private to the Public

Source: BIS data
Back of the Envelope Calculations

**Assume:** GDP growth rate ≥ Government Deficit

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<thead>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>GDP</td>
<td>1000</td>
<td>1000</td>
</tr>
<tr>
<td>2</td>
<td>Debt</td>
<td>630</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Tax</td>
<td>600</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Tot. Gov’t expenditures</td>
<td>625</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Gov’t Deficit</td>
<td>2.5%</td>
<td>2.5%</td>
</tr>
<tr>
<td>5</td>
<td>Permanent Annual Interest Payment</td>
<td>31.5</td>
<td></td>
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<tr>
<td>6</td>
<td>Tax Burden of Debt</td>
<td>5.25%</td>
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<tr>
<td>7</td>
<td>Interest Rate (see past decade)</td>
<td>5%</td>
<td>4.5%</td>
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</table>

→ Make an “**infrastructure box**” of 70

...and we are still below OECD average of 75%
Israel:
Deleverage and Shift of Burden from Public to the Private

% Debt to GDP by sector

Source: BIS data
US – opposite trends to Israel
Increased leverage. Shift of Burden from Private to the Public

Source: BIS data