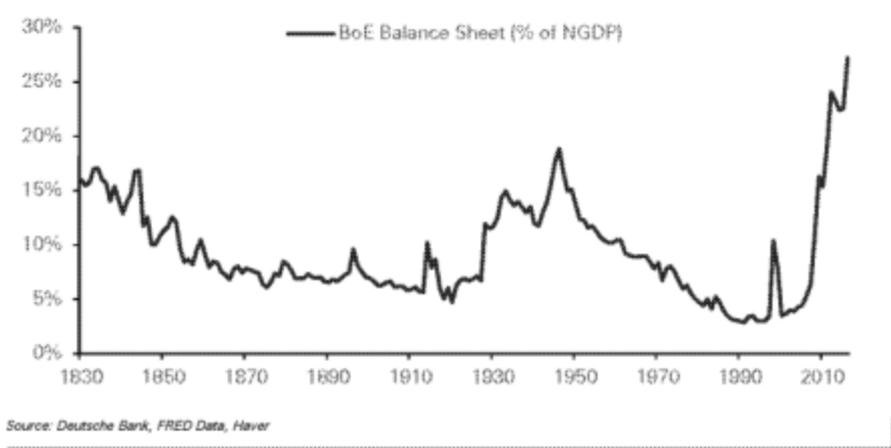




breadth of countries now currently printing money is surely unique through history. It's difficult to prove this given the lack of breadth of relevant historic global data but it seems that we are entering unknown money printing territory in many countries. The longest time series of central bank balance sheet data we have is from the Bank of England. Figure 34 shows that 2012 saw the balance sheet surpass the previous peak relative to GDP (17.28%) seen in 1946 just after WWII. As recently as 2007 this number was under 7%, climbing to nearly 30% today. The numbers in the 1930s and 1940s reflect very weak and occasionally negative annual nominal GDP as much as balance sheet expansion so is not directly comparable to today's money printing.

Figure 34: Bank of England Balance Sheet (% of GDP)



Source: Deutsche Bank, FRED Data, Haver

This trend is being repeated across the developed world to varying degrees and again we are journeying deep into the unknown. Anyone predicting the endgame is speculating outside of the historical dataset as there are few precedents for such broad based global money printing. Even with this extraordinary stimulus most economies are still seeing their weakest recovery in history, further reinforcing the uniqueness of the current environment. What is clear is that the roots of the GFC, and the post GFC era of aggressive money printing and ballooning fiscal deficits would not have been possible in a pre-1971 world.

This recent aggressive money printing has obviously been a response to the huge increased debt burden since the GFC, especially at the government sector. Government debt has clearly continued to climb post crisis but yields have fallen reflecting the artificial nature of bond markets in a QE-world. Figure 35 adapts a previous chart showing total G7 government debt to GDP back to 1864 now adding 10 year government bond yields.