



Zanetti Monday Missive 2023.03.06 Turning Older Japanese

**“The Koreans say the Japanese are lazy.”
~ Dave F. (A Zanetti Financial, LLC client)**

Hello Everyone,

When I heard Dave say the above quote, I responded "What!? Really? The Japanese lazy? No way. I haven't heard this."

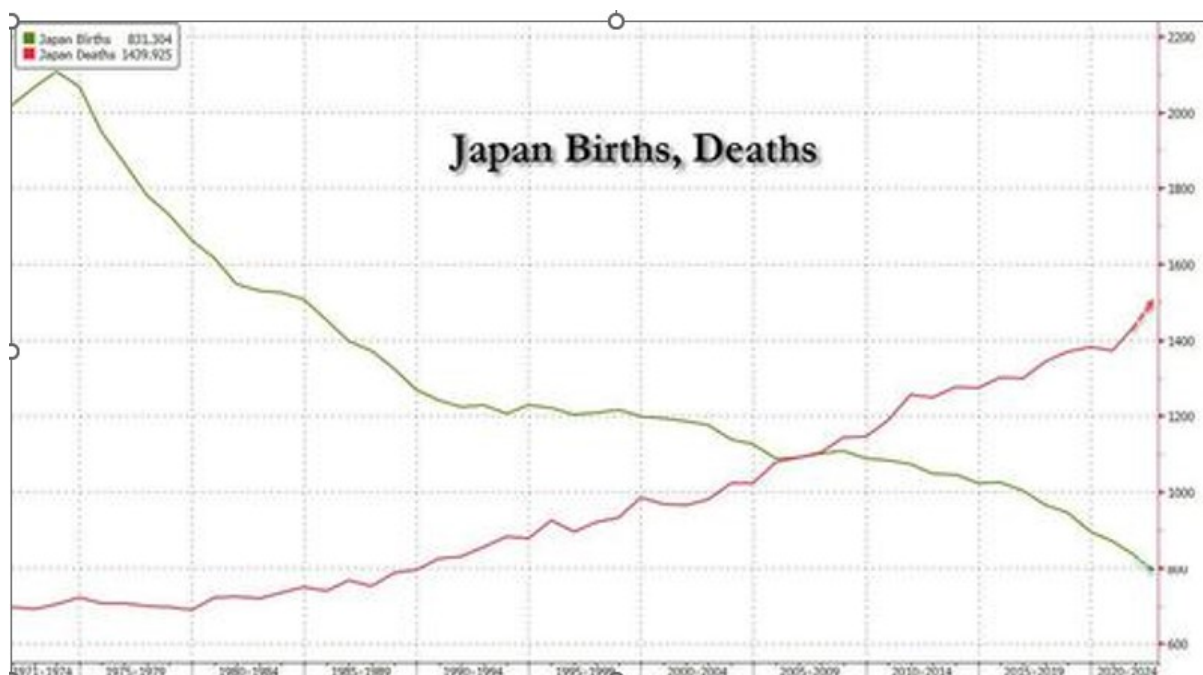
So, what precipitated Dave's comment?

Dave is a "car guy." When he comes in to talk investments, invariably we spend some time talking about cars...often the exotic ones. The ones he owns. Anyway, I need a new car. Not an exotic one. I have an older Ford Edge. Lots of miles. So, I peppered Dave with questions. Including questions about Toyota, Subaru, Kia, Hyundai, etc.

That's when he relayed the purported Korean view of their competitors across the Korea Strait.

Coincidentally, a day or two later, an article came across my screen about Japan's demographic problem. In 2022, 1.58 million Japanese people died. But only 799,000 were born. That is almost a 2:1 death vs. birth ratio.

Oh, and deaths have exceeded births since 2005... and the gap is growing.



In short, Japan sells far more Depends than Pampers. And there is no turnaround in sight.

But wait...there's more.

Marriage is increasingly unpopular. And even when Japanese men and women do marry, they tie the knot when they are in their low-to-mid-30's. And given the high cost of living in Japan, they are not eager to have large families.

But low birth rates do not necessarily translate into laziness. So, something else must be at play if the Korean view is to have validity.

Have you heard the term Freeters?

Freeters is Japanese slang that combines the English word free with the German word “arbeiter”, which means worker. Free-worker. Freeters are part-time workers earning low paying. They drift from job to job. They live with their parents. They are discouraged about having any kind of financial security.

Another Japanese slang term is NEET.

NEET means--- Not in Education, not Employed, not in Training. The real Japanese term is Hikikomori. The Hikikomori are Japanese who have rejected their parents’ “salaryman” model of working 16-hour days for the good of the firm or the country.

Often, NEETs choose to stay in school drifting from one class to another without any ambition of leaving student life. They have pulled inward. The self-seek isolation and confinement.

This isn’t to say there are no hard-working younger Japanese. The “salaryman” model is alive and well. So much so, that some Japanese men and women literally collapse on subways, sidewalks, at the office from overwork and exhaustion.

But, demographics are demographics and by 2040, Japan's workforce will be 20% smaller.

So, are the Japanese lazy? Probably no more so than any other country's workers.

But Japanese workers are older.

So, why should we care?

Well, besides the fact that Japan has the third largest economy in the world---- and what happens there affects us. The Japanese are also the largest holders of US debt.

That title used to belong to China. But China has been systematically and methodically selling their US debt holdings. They have gone from \$1.3 trillion of US debt ownership to now only \$867 billion. That leaves Japan in first place at just over \$1 trillion.

But, now the Japanese are selling. Not because they are mad at us. They just need the money. Japan's debt to GDP ratio is twice what ours is. They have little to chance of digging out based on their ageing population and declining workforce. Thus, they are dipping into their savings (US Treasury debt) to keep going.

Soooo....we have China selling our debt. Japan is selling our debt. And the Saudis are de-dollarizing as they pivot away from the petro-dollar system that Henry Kissinger negotiated 50-years ago. Oh, and Europe hasn't bought our debt in bulk since the 1990's

That leaves us to buy our own debt. That is inflationary. That is why we are invested as we are. Hard assets win in this environment.

Signed, Your And-Just-Like-That-Saying Covid-Came-From-A-Lab-Isn't-Racist-Anymore Financial Advisor,

Greg

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