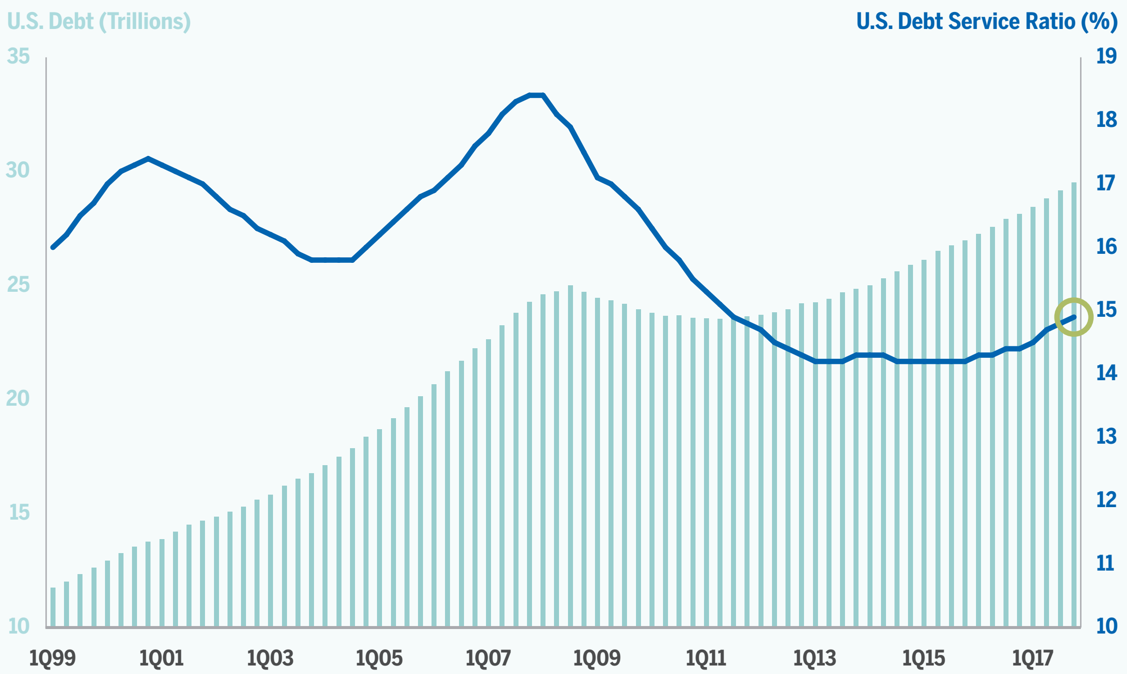
Doomed by Debt?

Many investors are fearful of the amount of debt in the U.S. and the rest of the world. While it is true that debt levels are elevated, debt service, or the share of income used for interest payments and amortizations, is quite low relative to history. The two metrics tell very different stories about the economy.

Americans Are Not Overburdened by Debt



Source: Bank for International Settlements. Data is for the U.S. private non-financial sector, including households and corporations.
Note: Debt service ratio is defined as debt service divided by income

- U.S. debt of households and non-financial corporations climbed to a record of nearly $30 trillion at the end of last year. As a percent of GDP it was also quite high at 152%, up from 127% in the late 1990s but below the recent peak of 169% set right before the Global Financial Crisis in 2008.
- However, U.S. debt service ratios are low relative to historical levels. Just prior to the past two recessions, debt service ratios peaked at 18.4% and 17.3%, respectively. Those numbers are higher than the current 14.9%.
- The story is much the same in the rest of the world. Countries such as Germany, Japan and the U.K. have debt service ratios that are near decade lows.
- Low debt service ratios indicate that debt payments are not a burden to household and corporate borrowers. This implies debt levels are manageable and not an impediment to the economy.

Inspired by Change, Driven by Growth.

The views expressed are the views of Fred Alger Management, Inc. ("FAM") and Alger Management, Ltd. ("AML") as of July 2018. These views are subject to change at any time and they do not guarantee the future performance of the markets, any security or any funds managed by Fred Alger Management, Inc. These views are not meant to provide investment advice and should not be considered a recommendation to purchase or sell securities. FAM serves as sub-advisor to AML.

Risk Disclosure: Investing in the stock market involves gains and losses and may not be suitable for all investors. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Many technology companies have limited operating histories and prices of these companies' securities have historically been more volatile than other securities, especially over the short term. Technology companies may also face increased competition, government regulation, and risk of obsolescence due to progress in technological developments.

Funds authorized by the Swiss Financial Market Supervisory Authority FINMA for distributing their shares publicly in Switzerland: for interested parties, fund regulations or the articles of incorporation, the key investor information document (KIID) and the full prospectus, in their current versions, as well as the annual and semi-annual reports are provided free of charge at the representative in Switzerland. ACOLIN Fund Services AG, Affolternstrasse 56, CH-8050 Zurich. Paying agent in Switzerland is Neue Helvetische Bank AG, Seefeldstrasse 215, CH-8008 Zürich.

Alger Management, Ltd. (company house number 8634056, domiciled at 78 Brook Street, London W1K 5EF, UK) is authorised and regulated by the Financial Conduct Authority, for the distribution of regulated financial products and services. La Française AM International has a signed agreement with Alger Management Ltd., whereby La Française AM International is authorized to distribute Fred Alger Management, Inc. products in Europe.