Global Imbalances

Economics

Why some countries run persistent surpluses and others deficits.

Drivers and consequences.

Drivers

- National saving above domestic investment
- Demographics and pension provision
- Exchange rate management
- Reserve currency demand
- Commodity export windfalls

Consequences

- Capital flows from surplus to deficit countries
- Asset price effects in recipient markets
- Political friction over trade
- Adjustment risk if flows reverse

> A deficit that funds productive investment differs fundamentally from one that funds consumption, though the accounts look identical.