Flash Economics

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Is the United States at risk of a balance of payments crisis?

The United States runs a very large current account deficit (3.6% of GDP in 2025), which stems from several factors: the low household saving rate, the size of the fiscal deficit and the high level of investment, particularly in intellectual property products (patents, research and development).

For the time being, the external deficit is being financed with ease: the dollar shows no sign of weakness, and the long-term dollar interest rate remains well below nominal GDP growth in the United States.

Is there nevertheless a risk that non-resident capital will stop flowing to the United States, triggering a balance of payments crisis – a depreciation of the dollar, a fall in equity prices, a rise in interest rates and a contraction in activity? In our view, the risk relates more to the financing of the US fiscal deficit than to that of the external deficit . Indeed:

- US technology companies, and the returns on US corporates and equities more generally, remain highly attractive to non-residents;
- by contrast, several habitual buyers of US Treasury securities have stopped increasing, or have even reduced, their holdings of Treasuries since the end of 2025. This is the case for Canada, Belgium, Luxembourg, Taiwan, Switzerland, India, Brazil, South Korea and Saudi Arabia. Middle Eastern oil-producing countries, having suffered a decline in their exports and now facing reconstruction needs, are necessarily becoming sellers of US Treasury securities.

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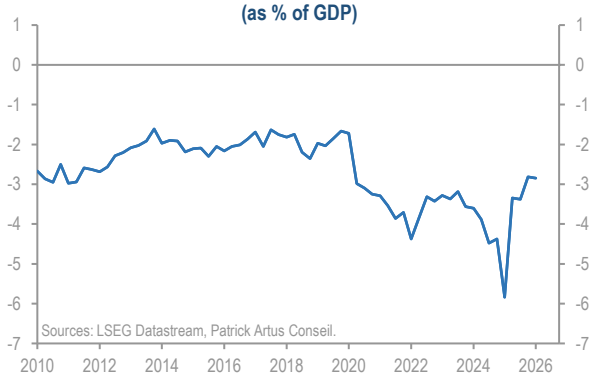
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The United States' very large current account deficit and its causes

The United States has a very large and persistent current account deficit (the trade balance in goods and services plus the balance of income flows between the United States and the rest of the world, **Chart 1**).

Chart 1
United States: current account balance
(as % of GDP)



The United States current account deficit has several causes:

- The low household saving rate (**Chart 2**)
- The large fiscal deficit (**Chart 3**)
- The high level of investment (**Chart 4**), particularly in intellectual property products (patents, research and development, **Chart 5**)

Chart 2
United States: personal saving
(as a % of disposable personal income)

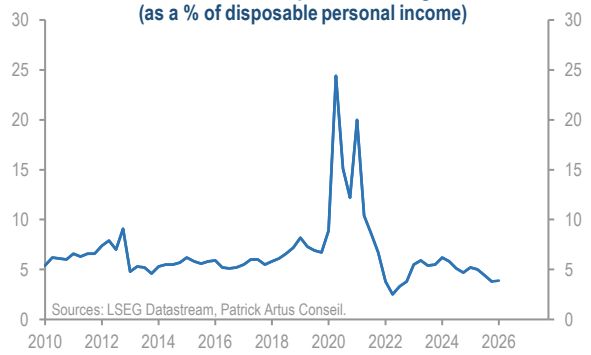


Chart 3
United States: general government deficit deficit
(as % of GDP)

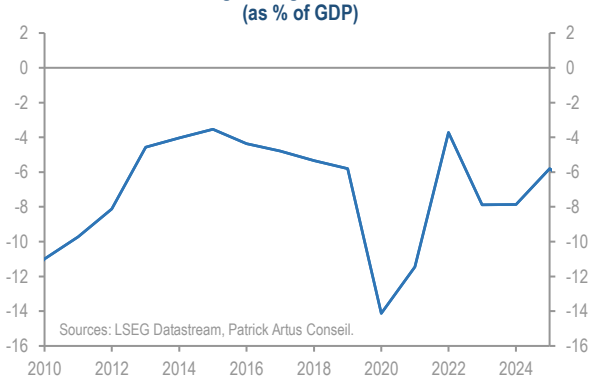
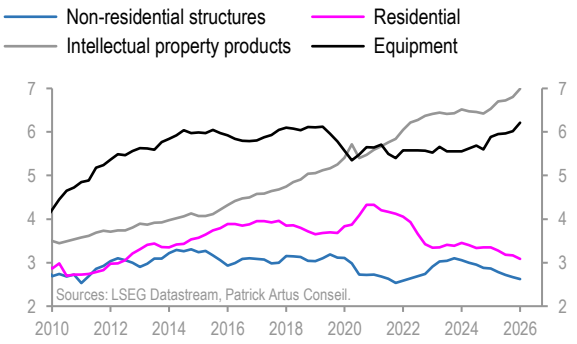


Chart 4
United States: private non-residential fixed investment
(as % of GDP)



Chart 5
United States: private investment by component
(as % of GDP)



For now,, the United States current account deficit is being financed with ease

There is currently no sign of any difficulty in financing the US external deficit. Indeed, we observe:

- that **the dollar is not weak (Charts 6A/B)**;

Chart 6A
Euro-dollar exchange rate (EUR 1 = USD...)



Chart 6B
Dollar-renminbi exchange rate (USD 1 = CNY...)



- that **the long-term interest rate** on US Treasury debt remains well below the nominal growth rate (**Charts 7A/B**);
- that **non-resident investors hold** a growing amount of US equities **(USD 19.4** trillion in Q1 2026, compared with $16,200 billion in Q1 2025 and $14,700 billion in Q1 2024).

Chart 7A
United States: 10-year government bond yield (%)



Chart 7B
United States: nominal GDP (%, Y/Y)



We ask whether there is a risk that non-resident capital flow into the US will halt, which would trigger **a balance of payments crisis**, with a depreciation of the dollar, a fall in equity prices, a rise in interest rates, and necessarily **a contraction in activity**, as the external deficit would need to be reduced sharply.

Little risk of non-residents withdrawing from the equity, bond and private debt markets that finance the private sector

We do not believe that non-resident investors wish to withdraw from the financial assets that finance US companies, for several reasons:

- the strong growth in the share prices of these corporations (**Chart 8**), particularly technology companies;
- the high profitability of US corporations (**Chart 9**). For example, NVIDIA reported an 85% year-on-year increase in profits in the Q1 2026, Apple announced a 22% year-on-year rise in earnings per share in Q1 2026, and Microsoft a 18% year-on-year increase in profits.

Chart 8
United States: stock market indices (01.01.2010 = 100)

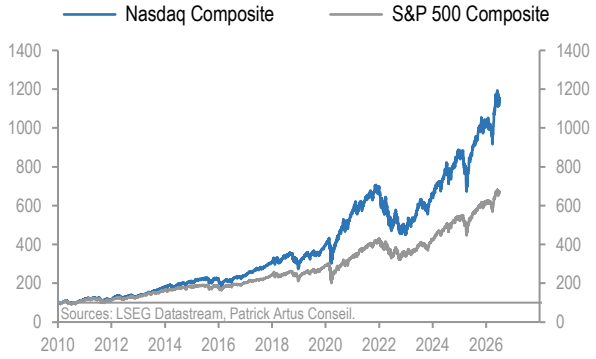
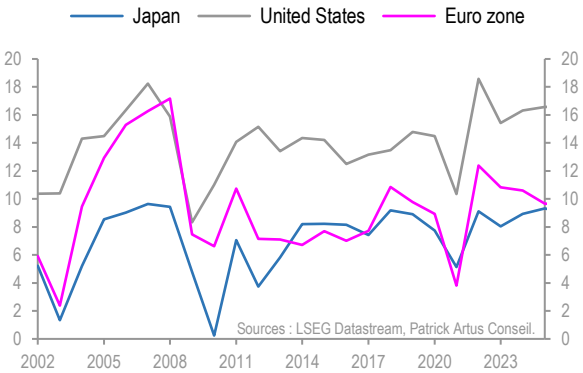


Chart 9
RoE



However, there is a risk related to the financing of the US fiscal deficit

The United States fiscal deficit is likely to reach at least USD 2 trillion in 2026 (6.1% of GDP), whilst many countries have stopped purchasing US Treasury securities since end-2025. This is the case for China, Belgium, Luxembourg, Canada (**Charts 10A** and **10B**), Taiwan, Switzerland (**Charts 10C** and **10D**), Brazil, India, Saudi Arabia and South Korea (**Charts 10E** and **10F**).

Chart 10A
United States: holdings of Treasury securities by country
(USD bn)

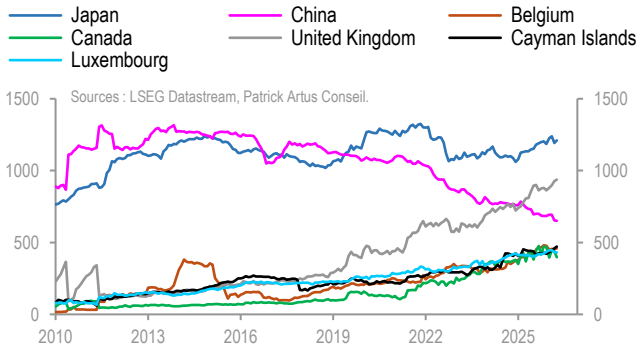


Chart 10B
United States: holdings of Treasury securities by country
(USD bn)

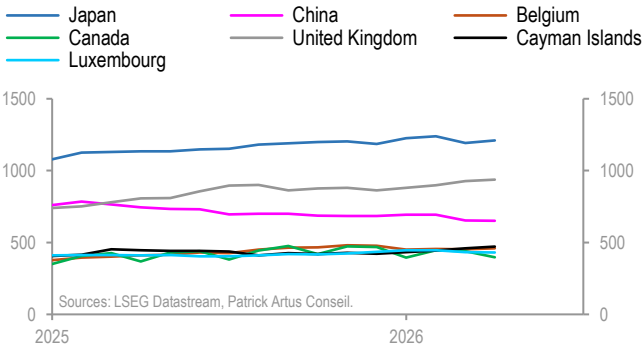


Chart 10C
United States: holdings of Treasury securities by country
(USD bn)

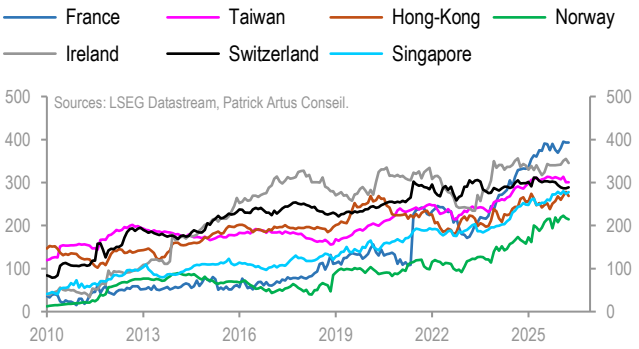


Chart 10D
United States: holdings of Treasury securities by country
(USD bn)

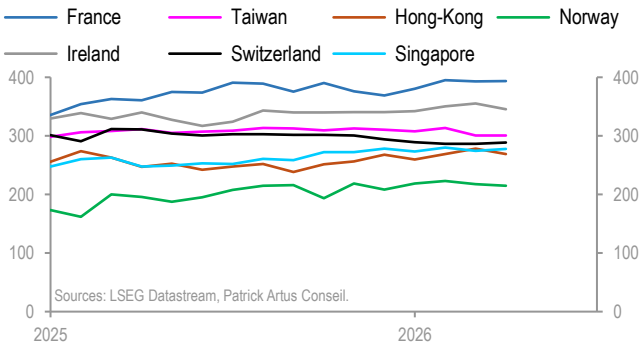


Chart 10E
United States: holdings of Treasury securities by country
(USD bn)

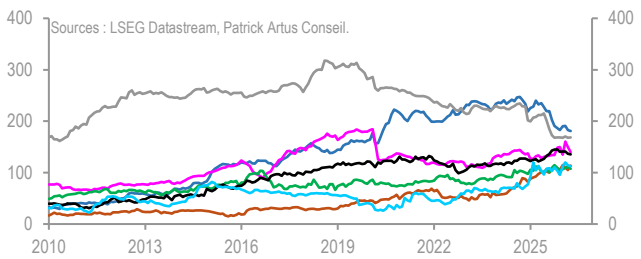
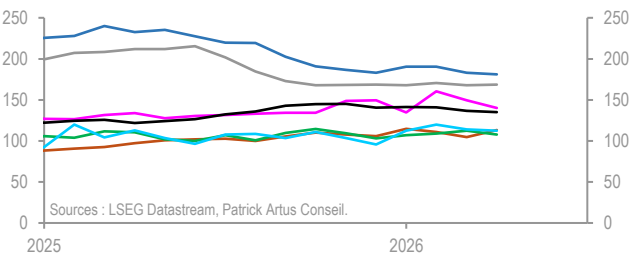


Chart 10F
United States: holdings of Treasury securities by country
(USD bn)



Middle Eastern countries, faced with the decline of their oil and gas exports since the outbreak of war with Iran, no **longer have the means to accumulate US Treasury securities.** During the period when the Strait of Hormuz was closed, oil exports fell by 1.5 million barrels per day in Saudi Arabia, by 1.3 million barrels per day in Kuwait, and by 1.1 million barrels per day in the United Arab Emirates. If many countries cease to be buyers of US Treasury securities (non-residents holding 31% of US Treasury **debt), there will be growing pressure on the financing of the** US Treasury, leading to a rise in long-term dollar interest rates.

Conclusion: a risk of a US Treasury financing crisis is more probable than a balance of payments crisis

The foregoing shows :

- that **non-residents will probably remain interested in financing US corporations**;
- but that **few countries remain buyers of US Treasury securities,** namely the United Kingdom, the Cayman Islands, Ireland, France and Hong Kong.

A logical conclusion is that there is no risk of aglobal US financing crisis, but that there is a possibility of a US Treasury financing crisis. To avoid a genuine crisis, the US Treasury should continue to reduce the average maturity of the debt (currently 5.4 years), by continuing to increase the share financed through Treasury Bills (with an initial maturity of one month to one year), which currently stands at 21.4%.

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