Flash Economics

N° 73
July 30th, 2026

Subscribe here.

The problem for Europe: the United States needs to grow its exports of services, China its exports of goods

In the United States, income distribution is highly unfavourable to employees; in addition, the import content of investment is extremely high. The result is weak growth in household consumption and a modest contribution of investment to GDP growth. Unless the United States is prepared to alter an income distribution strategy that favours corporations, expanding exports of services is the only growth strategy available.

China faces weak domestic demand, with a very high household saving rate and a declining investment rate. The only growth strategy available to China is to continue gaining global market share in industrial goods.

Europe will therefore face simultaneously:

- a wave of services imports from the United States;
- a wave of goods imports from China.

This entails a major risk of persistently weak growth in Europe.

Patrick Artus
Senior Economic Advisor
patrick.artus-ext@ossiam.com
@PatrickArtus
Patrick Artus

Isabelle Gravet
Research Assistant
isabelle.gravet-ext@ossiam.com

Marketing communication: this document is a marketing presentation. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research; and it is not subject to any prohibition on dealing ahead of the dissemination of investment research.

The only strategy available to the United States: expanding exports of services

Household consumption growth has become weak in the United States (Chart 1), owing to the shift in income distribution away from employees and in favour of corporations (Chart 2).

Chart 1
United States: Annualised quarterly % change in real household consumption

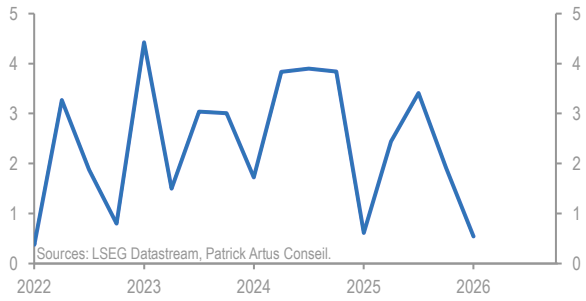
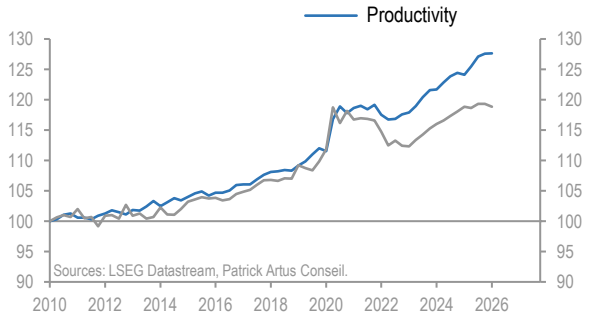


Chart 2
United States : Productivity and hourly compensation of a private sector employee, deflated by the GDP deflator (2010.Q1 = 100)



Moreover, **the import content of investment is very high**. This implies that, despite the strong increase in investment (Chart 3), the contribution of investment to GDP growth is small, since the additional demand generated by investment accrues largely to imports (Charts 4A and 4B).

Chart 3
United States: Private non-residential fixed investment (as % of GDP)

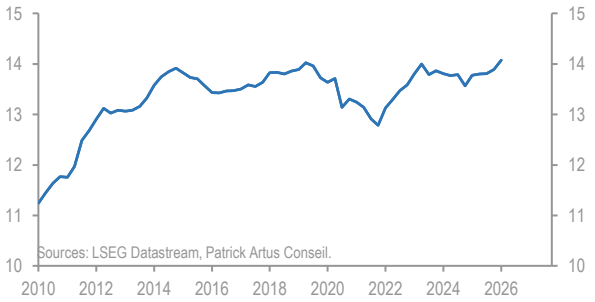


Chart 4A
United States: Imports (Q/Q annualised, %)

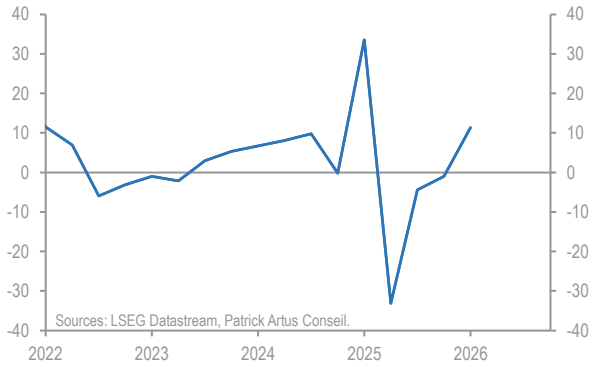
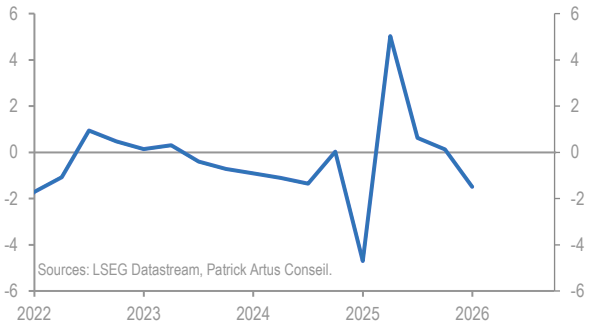


Chart 4B
United States: contribution of imports to GDP growth (percentage points)



Growth in the United States can therefore stem neither from consumption growth nor from investment growth. External trade in goods, moreover, **records a very large deficit** (**Chart 5**).

Chart 5
United States: Goods trade balance
(USD bn, monthly data)



If the current pattern of income distribution to the detriment of employees is maintained in the United States, the only strategy available to support growth is therefore to **expand services exports** (IT, financial and technology services) **and to continue improving the services trade balance** (**Chart 6A**). The European Union's services trade deficit vis-à-vis the United States stood at €179 billion in 2025 (**Chart 6B**).

Chart 6A
United States: Exports of services and services trade balance (USD bn, monthly data)

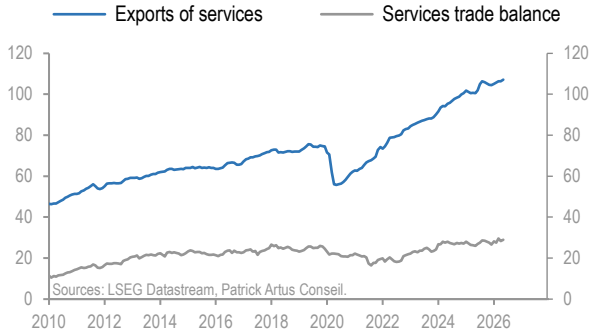
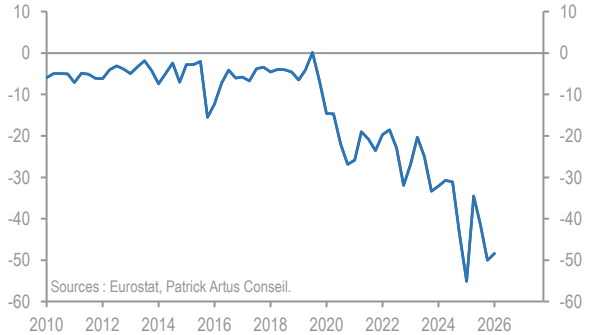


Chart 6B
European Union (EU-27) : Services trade balance with the United States (EUR bn, quarterly data)



The only strategy available to China: continuing to gain market share in industrial goods

China faces **weak domestic demand**, with stagnating consumption and a declining investment rate (**Charts 7** and **8**).

Chart 7
China : Retail sales (in value terms, Y/Y as %)

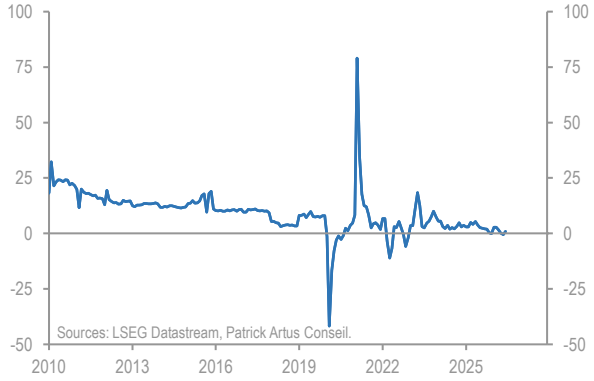
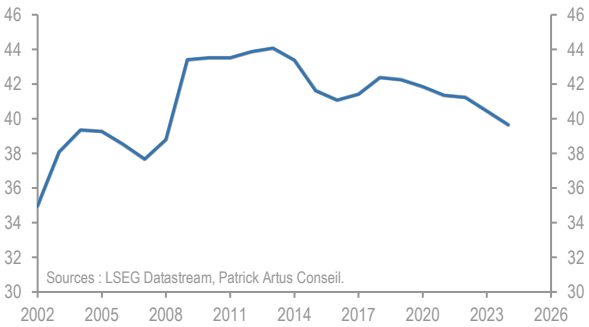


Chart 8
China: Gross fixed capital formation (as % of nominal GDP)



China **has an aging demographic**, which keeps the household saving rate very high (**Chart 9**), and falling house prices (**Chart 10**), which erode household wealth and depress demand.

Chart 9
China: Household savings rate (as % of nominal GDP)

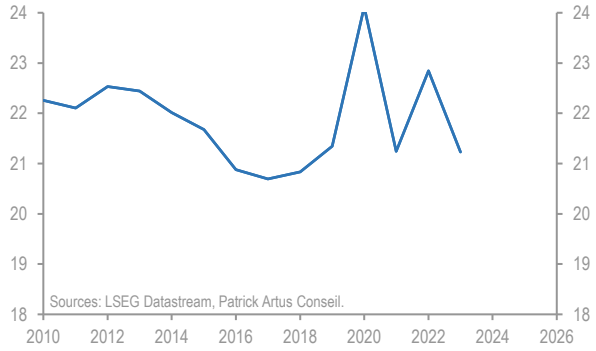
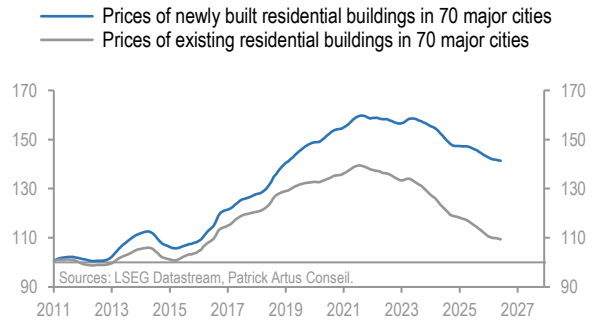


Chart 10
China: prices of newly built and existing residential buildings (January 2011 = 100)



If continued growth is the objective, **the only strategy available to China** therefore lies in **gaining shares in the export market** and in very rapid export growth (**Charts 11** and **12**). The European Union's trade deficit with China reached €76 billion in the first quarter of 2026 (**Chart 13**).

Chart 11
China: Exports of goods (in volume terms, Y/Y as %)



Chart 12
Exports of goods (in volume terms, 2010 Q1 = 100)

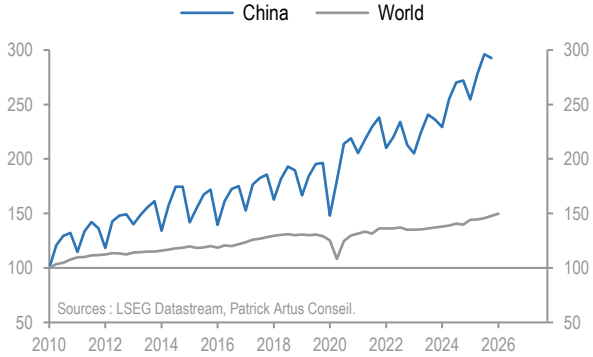
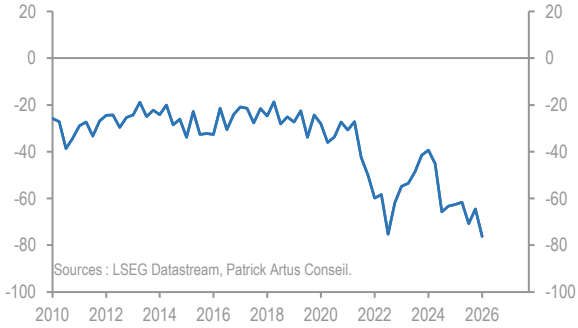


Chart 13
European Union (EU-27): Goods trade balance with China (EUR bn, quarterly data)



Summary: a serious difficulty for Europe

Europe therefore faces a twofold difficulty:

- **strong growth in US exports of IT, financial and technology services;**
- **strong growth in China's exports of manufactured goods.**

Europe is therefore condemned to:

- the underdevelopment of its services sector, in particular technology services;
- the decline of its manufacturing industry;
- and consequently, to being able to base its growth only on non-tradable services (household services) and on a small number of tradable services (maritime transport, in particular) and industries (aerospace and defence, for example).

Disclaimer

Ossiam, a subsidiary of Natixis Investment Managers, is a French asset manager authorized by the Autorité des Marchés Financiers (Agreement No. GP-10000016). Although information contained herein is from sources believed to be reliable, Ossiam makes no representation or warranty regarding the accuracy of any information of which it is not the source. The information presented in this document is based on market data at a given moment and may change from time to time. This material has been prepared solely for informational purposes only and it is not intended to be and should not be considered as an offer, or a solicitation of an offer, or an invitation or a personal recommendation to buy or sell participating shares in any Ossiam Fund, or any security or financial instrument, or to participate in any investment strategy, directly or indirectly. It is intended for use only by those recipients to whom it is made directly available by Ossiam. Ossiam will not treat recipients of this material as its clients by virtue of their receiving this material. All performance information set forth herein is based on historical data and, in some cases, hypothetical data, and may reflect certain assumptions with respect to fees, expenses, taxes, capital charges, allocations and other factors that affect the computation of the returns. Past performance does not predict future returns. Any opinions expressed herein are statements of our judgment on this date and are subject to change without notice. Ossiam assume no fiduciary responsibility or liability for any consequences, financial or otherwise, arising from, an investment in any security or financial instrument described herein or in any other security, or from the implementation of any investment strategy. This information contained herein is not intended for distribution to, or use by, any person or entity in any country or jurisdiction where to do so would be contrary to law or regulation or which would subject Ossiam to any registration requirements in these jurisdictions. This material may not be distributed, published, or reproduced, in whole or in part.