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# Charts of the Week: Leading with a Trump

A HAVER ANALYTICS<sup>®</sup> podcast and publication

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Written by [Andy Cates](#)

## Leading with a Trump

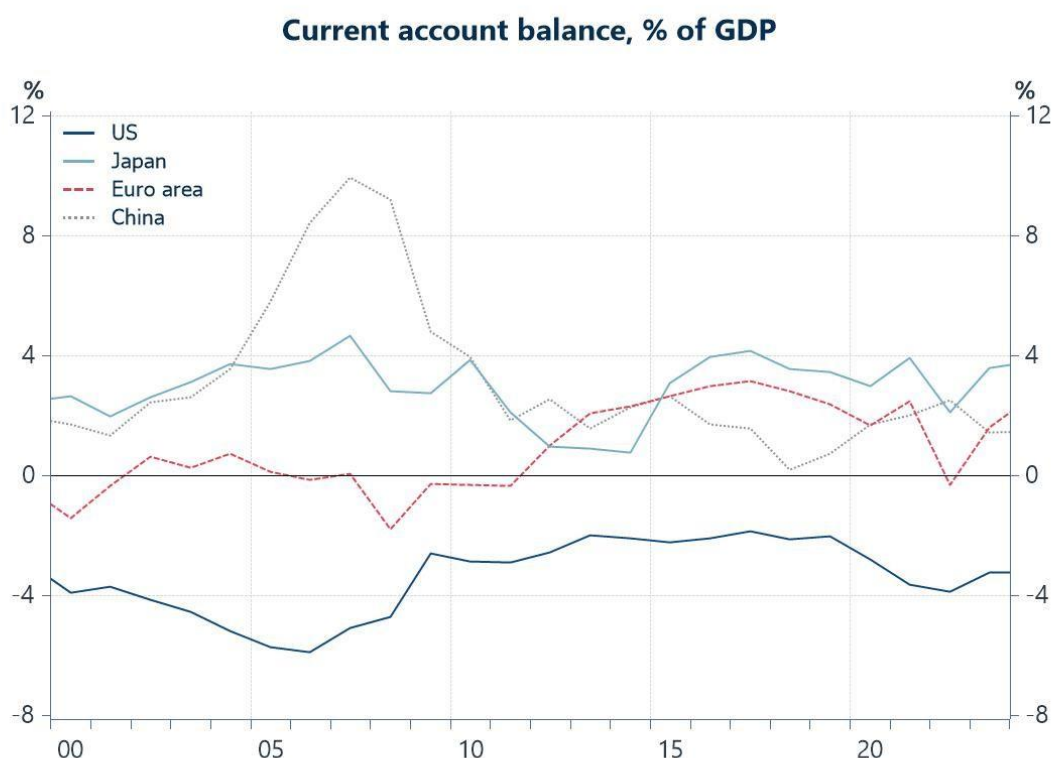
The macroeconomic implications of a new Trump administration are sparking fervent debate. Financial markets have reacted to last week's news with heightened expectations of some stimulus through looser fiscal policy, which could spur US growth in the near term. However, that boost may come at the cost of higher domestic inflation, more elevated public debt, and a ripple of adverse effects across the world economy. In our charts this week we illustrate some of the forces at play as policymakers weigh up their responses. For instance, global savings imbalances (chart 1), the US current account deficit (chart 2), and international demand for US financial assets (charts 3 and 4) lie at the epicentre of the policy agenda but equally highlight some of the underlying vulnerabilities. Should next year bring policies designed to curb demand for US imports or limit foreign investment in its financial markets, the repercussions for global economic stability could be significant (chart 5). Concerns are also mounting about energy policy, with the new administration eyeing an aggressive expansion of domestic oil production. While this may reduce energy costs and relieve inflationary pressures, it could carry environmental implications and strain international alliances (chart 6). Until such time as US policy become clearer, the easiest forecast is that uncertainty will persist. But even when some policy clarity emerges there are no guarantees that the fog will clear and there is a high probability that it could linger and even thicken.

### Global current account imbalances

The Global current account imbalances have continued to shape President-elect Trump's views on the

world economy, particularly in his belief that trade deficits and imbalanced trade relationships are detrimental to US interests. Trump has long viewed large US trade deficits as evidence of "unfair" trade practices by other countries, notably China, Germany, and Japan. He contends that these countries manipulate trade policies, tariffs, and exchange rates to sustain their own current account surpluses at the expense of the US economy, which he sees as absorbing excessive imports and struggling to export competitively in return. As chart 1 below suggests, there was little-to-no narrowing of the US current account deficit (relative to GDP) during Trump's first term in office from 2016-2020. And since that time the deficit has widened a little and, according to the IMF, is on track to reach 3.3% of GDP in 2024. Allied to this, there has been little net change in the current account surplus position of some of the big creditor economies over the past several years, namely China, Japan and the euro area.

Chart 1: Global current account balances

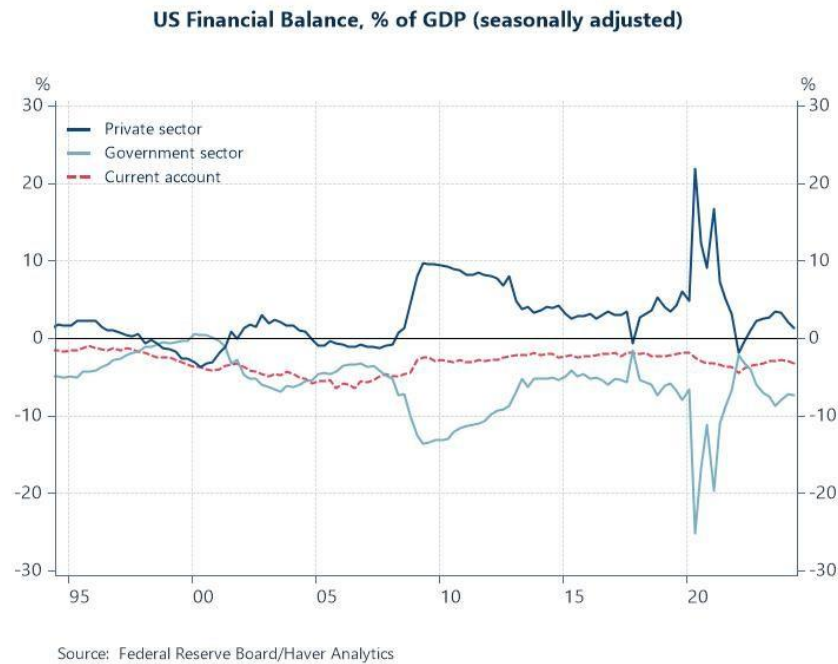


Source: International Monetary Fund/Haver Analytics

## US financial balances

Some economists (e.g. Michael Pettis\*) argue that instead of imposing higher tariffs on the trade in goods, capital controls should be instigated in order to limit foreign purchases of American assets. Still, as chart 2 below suggests, this may not resolve other persistent domestic imbalances in the US. High private savings and limited investment, for example, may instead reflect an ageing population and a structural pivot toward a services-led economy. Equally, large fiscal deficits mirror heavy government spending on areas like healthcare. President-elect Trump's plans for looser fiscal policy via lower corporate taxes could also widen this fiscal deficit even further, intensifying the economic challenges in the period ahead.

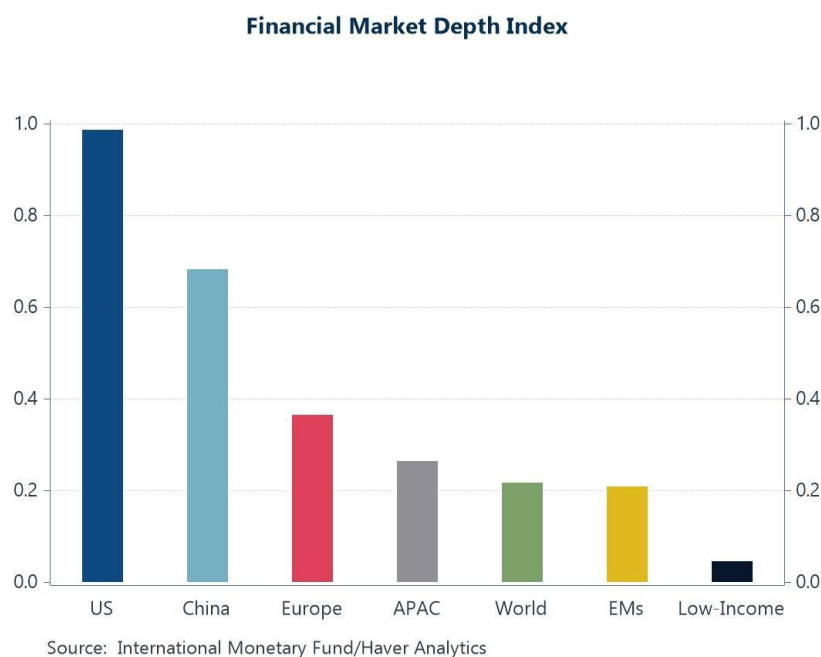
Chart 2: US financial balances



## Financial market depth

Why do surplus countries channel their savings into the US? This is probably because of limited opportunities to invest domestically, insufficient financial market depth and the prospect of a lower return on investment. The US, in contrast, has deep, liquid, and relatively high-yielding financial markets, making it an attractive destination for these surplus savings (see chart 3 below). The US dollar's role as the world's reserve currency is also significant. Absent policies that shift the relative attraction of US financial markets and the US dollar's reserve status there are additional reasons for believing that the status quo for global imbalances could persist.

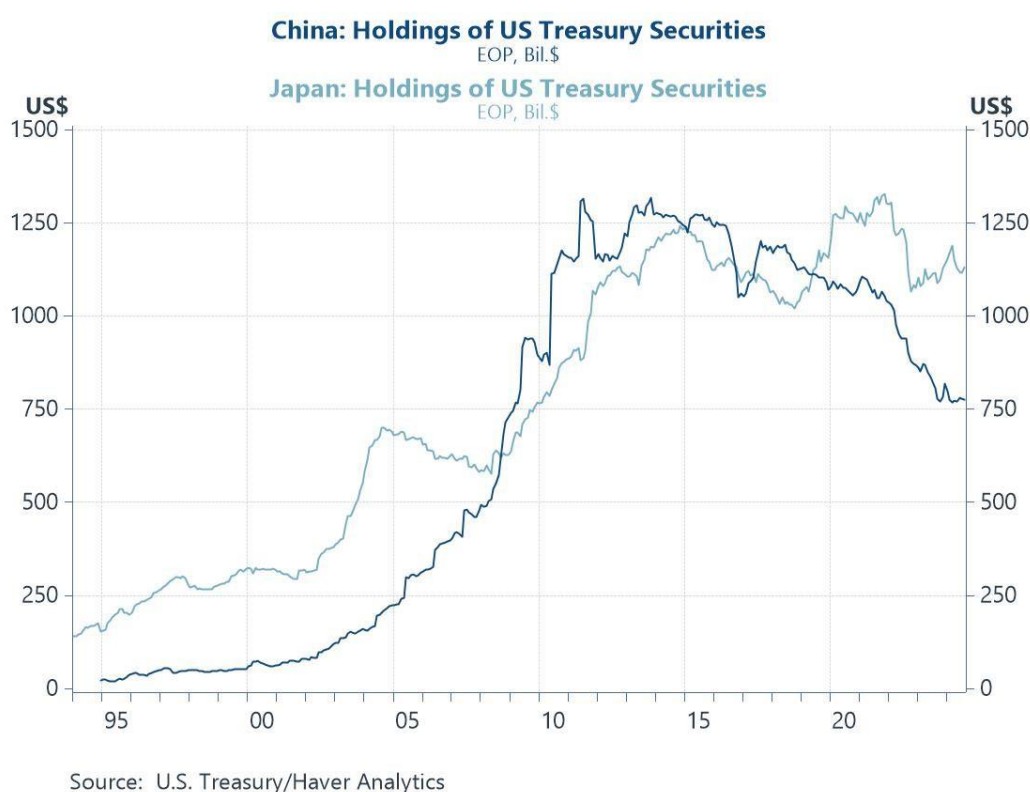
Chart 3: Financial market depth indices for selected major economies



# Overseas holdings of US Treasuries

The above notwithstanding, overseas demand for US financial assets – and Treasuries in particular - may wane in coming months should US policy become more protectionist and/or if US fiscal policy were to be loosened. In recent years, foreign ownership of US Treasuries has seen fluctuations. For instance, China's holdings have declined from their peak around 10 years ago. More specifically, in November 2013, China held approximately \$1.316 trillion in US Treasuries, marking its peak ownership. But by August 2024, this figure had decreased to \$774.6 billion, representing a reduction of about 41% over that period. Elsewhere, Japan has remained a major holder over the same time frame. Indeed as of August 2024, Japan was the largest foreign holder, with approximately \$1.129 trillion in US Treasuries, about 13% of the foreign-held stock.

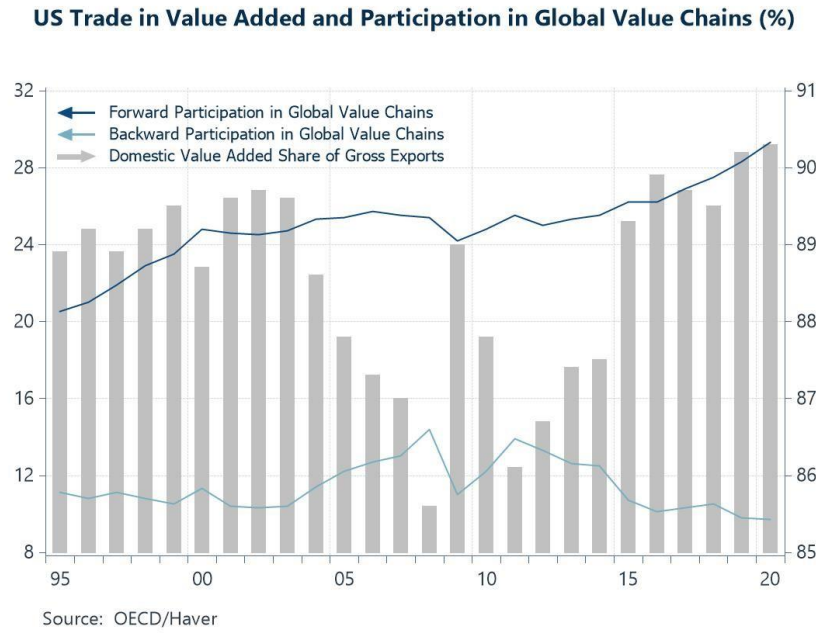
Chart 4: Holdings of US Treasuries



## Global trade policy

The primary policy tool which a new US administration is likely to address imbalances is higher tariffs. But while this would directly raise the cost of bilateral trade, it could also have far-reaching effects on global supply chains. As a major player in global value-added trade, the US contributes significantly to international markets, with high-tech products comprising a notable portion of its exports. Reflecting its advanced manufacturing base, the US adds substantial value to imported inputs, shown by its high domestic value-added share of gross exports. This underscores that much of the value in US exports is generated domestically. Moreover, with moderately high forward participation in global value chains, the US remains a crucial supplier of intermediate goods, underpinning its central role in global production networks.

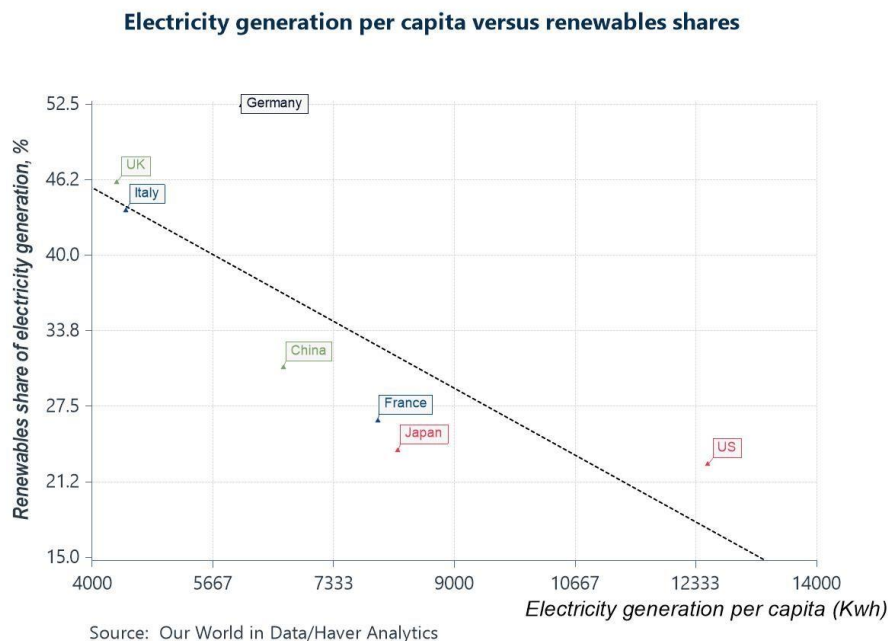
Chart 5: US Trade in Value Added and Participation in Global Value Chains



## US energy policy

A further route via which US policy shifts could exert a global economic impact concerns the energy sector. A new administration purportedly plans to aggressively expand domestic energy production by lifting restrictions on oil and gas drilling. That strategy is designed to lower energy costs and reduce inflation. Per capita electricity generation in the US is relatively high compared with many European economies. The share of renewables in generating that electricity, in the meantime, is relatively low (see chart 6). The current position in the US, in other words, implies challenges and opportunities to shift toward renewables. Equally, maintaining the status quo (or putting it into reverse) could generate climate-related consequences, and at the very least, meet with much global resistance.

Chart 6: Electricity generation per capita versus renewable shares in selected major economies





# About the author



Haver Analytics is pleased to bring [Andy Cates's](#) commentaries on the state of the global economy to its clients.

Andy has more than 25 years of experience forecasting the global economic outlook and in assessing the implications for policy settings and financial markets. He

has held various senior positions in London in a number of Investment Banks including as Head of Developed Markets Economics at Nomura and as Chief Eurozone Economist at RBS. These followed a spell of 21 years as Senior International Economist at UBS, 5 of which were spent in Singapore. Prior to his time in financial services Andy was a UK economist at HM Treasury in London holding positions in the domestic forecasting and macroeconomic modelling units.

He has a BA in Economics from the University of York and an MSc in Economics and Econometrics from the University of Southampton.

## Data featured in this commentary:

### Chart 1: Global current account balances

#### Series 1: A111BCDS@IMFWEO

A111BCDS@IMFWEO [US: Current Account Balance as % of GDP[Oct 2024](%)]

#### Series 2: A158BCDS@IMFWEO $y = 0.110x + 83.001$

A158BCDS@IMFWEO [Japan: Current Account Balance as % of GDP[Oct 2024](%)]

#### Series 3: A163BCDS@IMFWEO $y = 0.162x + 83.135$

A163BCDS@IMFWEO [Euro Area: Current Account Balance[Oct 2024](% of GDP)]

#### Series 4: A924BCDS@IMFWEO

A924BCDS@IMFWEO [China: Current Account Balance as % of GDP[Oct 2024](%)]

### Chart 2: US financial balances

#### Series 1: sa(S111ZCPP@G10)

S111ZCPP@G10 [US: Private Sector Capital Balance as % of GDP(%)]

#### Series 2: sa(S111ZCGP@G10) $y = 0.11x + 83.00$

S111ZCGP@G10 [US: General Government Capital Balance as % of GDP (%)]

#### Series 3: (-1 \* sa(S111ZCWP@G10)) $y = 0.16x + 83.13$

-1

S111ZCWP@G10 [US: Rest of the World Capital Balance as % of GDP (%)]

### Chart 3: Financial market depth indices for selected major economies

#### Series 1: F111FMDI@IFS

F111FMDI@IFS [United States: Financial Markets Depth (Index)]

#### Series 2: F924FMDI@IFS $y = 0.1102210x + 83.0012047$

F924FMDI@IFS [China: Financial Markets Depth (Index)]

#### Series 3: F100FMDI@IFS $y = 0.1622460x + 83.1349220$

F100FMDI@IFS [Europe: Financial Markets Depth (Index)]

#### Series 4: F240FMDI@IFS

F240FMDI@IFS [Asia and Pacific: Financial Markets Depth (Index)]

#### Series 5: F001FMDI@IFS

F001FMDI@IFS [All Countries: Financial Markets Depth (Index)]

#### Series 6: F200FMDI@IFS

F200FMDI@IFS [Emerging Markets: Financial Markets Depth (Index)]

#### Series 7: F400FMDI@IFS

F400FMDI@IFS [Low-Income and Developing Countries: Financial Markets Depth (Index)]

### Chart 4: Holdings of US Treasuries

#### Series 1: FH924TB@USINT

FH924TB@USINT [China: Holdings of US Treasury Securities (EOP, Bil.\$)]

#### Series 2: FH158TB@USINT $y = 0.110x + 83.001$

FH158TB@USINT [Japan: Holdings of US Treasury Securities (EOP, Bil.\$)]

#### Chart 5: US Trade in Value Added and Participation in Global Value Chains

##### Series 1: FRD1111W@TIVAAMER

FRD1111W@TIVAAMER [United States: Forward Participation in GVCs: World [\_T] (%)]

##### Series 2: CPD1111W@TIVAAMER $y = 0.1x + 83.0$

CPD1111W@TIVAAMER [United States: Backward Participation in GVCs: World [\_T] (%)]

##### Series 3: OUB1111W@TIVAAMER $y = 0.2x + 83.1$

OUB1111W@TIVAAMER [United States: Dom VA Share of Gross Exports: World [\_T] (%)]

#### Chart 6: Electricity generation per capita versus renewable shares in selected major economies

##### Series 1: OJITDU@ENERGY

OJITDU@ENERGY [Italy: Per Capita Electricity Generation (KWh)]

##### Series 2: OJITEC@ENERGY $y = 0.110x + 83.001$

OJITEC@ENERGY [Italy: Renewables Share of Electricity Generated (%)]

##### Series 3: OJJPDU@ENERGY $y = 0.162x + 83.135$

OJJPDU@ENERGY [Japan: Per Capita Electricity Generation (KWh)]

##### Series 4: OJJPEC@ENERGY

OJJPEC@ENERGY [Japan: Renewables Share of Electricity Generated (%)]

##### Series 5: OJCNDU@ENERGY

OJCNDU@ENERGY [China: Per Capita Electricity Generation (KWh)]

##### Series 6: OJCNEC@ENERGY

OJCNEC@ENERGY [China: Renewables Share of Electricity Generated (%)]

##### Series 7: OJDEDU@ENERGY

OJDEDU@ENERGY [Germany: Per Capita Electricity Generation (KWh)]

##### Series 8: OJDEEC@ENERGY

OJDEEC@ENERGY [Germany: Renewables Share of Electricity Generated (%)]

##### Series 9: OJFRDU@ENERGY

OJFRDU@ENERGY [France: Per Capita Electricity Generation (KWh)]

##### Series 10: OJFREC@ENERGY

OJFREC@ENERGY [France: Renewables Share of Electricity Generated (%)]

##### Series 11: OJUSDU@ENERGY

OJUSDU@ENERGY [United States: Per Capita Electricity Generation (KWh)]

##### Series 12: OJUSEC@ENERGY

OJUSEC@ENERGY [United States: Renewables Share of Electricity Generated (%)]

##### Series 13: OJGBDU@ENERGY

OJGBDU@ENERGY [United Kingdom: Per Capita Electricity Generation (KWh)]

##### Series 14: OJGBEC@ENERGY

OJGBEC@ENERGY [United Kingdom: Renewables Share of Electricity Generated (%)]

For more info on our data products please email [sales@haver.com](mailto:sales@haver.com)

