CHAPTER 1

EXTERNAL SECTOR REPORT

External Positions and Policies

CONTENTS

BOXES

FIGURES

TABLES

CHAPTER 1

EXTERNAL SECTOR REPORT

Executive Summary

Current accounts in major economies diverged significantly in 2024. The deficits widened in the United States, Brazil and Australia, while surpluses increased in China, the euro area, Japan and Korea. As a result, global current account balances widened by 0.6 percentage points of world GDP, constituting a sizable reversal from the post-pandemic narrowing. Domestic macro imbalances—due to structural factors, cyclical conditions, and policies—drove the widening of global balances. From the saving-investment perspective, changes in investment rates contributed the most to diverging current accounts, as the investment rate increased in the United States, but decreased in China, the euro area, and Japan, reflecting diverging domestic economic conditions. Meanwhile, domestic saving compensated only part of the investment change. Global real interest rates remained stable in 2024, with excess saving in key surplus countries matching saving shortfall in deficit countries. Net capital inflows into emerging markets, excluding China, remained stable, while China saw increasing net outflows. Net external creditor and debtor stock positions reached a new high, owing to both valuation changes and widening CA balances. The United States sustained a large valuation loss in the external stock position amid its strong stock market and the exchange rate that had hit a historical high in 2024 before depreciating in 2025 amid rising uncertainty.

Excess current account balances, measured as the sum of the absolute value of IMF staff-assessed current account gaps, account for about two-thirds of the widening in global headline current account balances. Changes in desirable current account balances (i.e., CA norms and the applied staff adjustments) explain the remaining increase. The assessed increase in excess CA balances is the largest in a decade, with major economies—China, the United States, and the euro area—driving the increase. Such rapid and globally sizable increase in excess CA balances in major economies can generate significant negative cross-border spillovers.

In 2025 and over the medium term, a delay in macroeconomic adjustments to correct the post-pandemic domestic imbalances could result in continued current account divergence in major economies. A model-based risk scenario reveals that domestic macroeconomic forces are the largest contributors to external sector developments in China, the United States, and the euro area. Addressing domestic imbalances could thus bring about a convergence of major current account balances. A further escalation of trade tensions, including with tariffs, would have significant negative macroeconomic effects, with limited efficacy in correcting global imbalances.

Policy efforts, in both excess surplus and deficit economies, are required to promote external rebalancing. Durable market-oriented structural reforms can boost insufficient domestic demand in surplus countries and lift medium-term growth prospects, promoting investment. In deficit countries, appropriate fiscal consolidation can help rebuild fiscal buffers and increase saving. Pragmatic international cooperation remains vital in sustaining global growth and mitigating cross-country spillovers.

CHAPTER 1

EXTERNAL SECTOR REPORT

This overview chapter discusses the evolution of current accounts and other external sector developments in 2024 and summarizes IMF staff external sector assessments for the medium term on the basis of the 2024 information, with detailed country assessments presented in Chapter 3. The forward-looking part of this opening chapter analyzes key risks affecting global current account balances and discusses policy priorities for promoting external rebalancing.

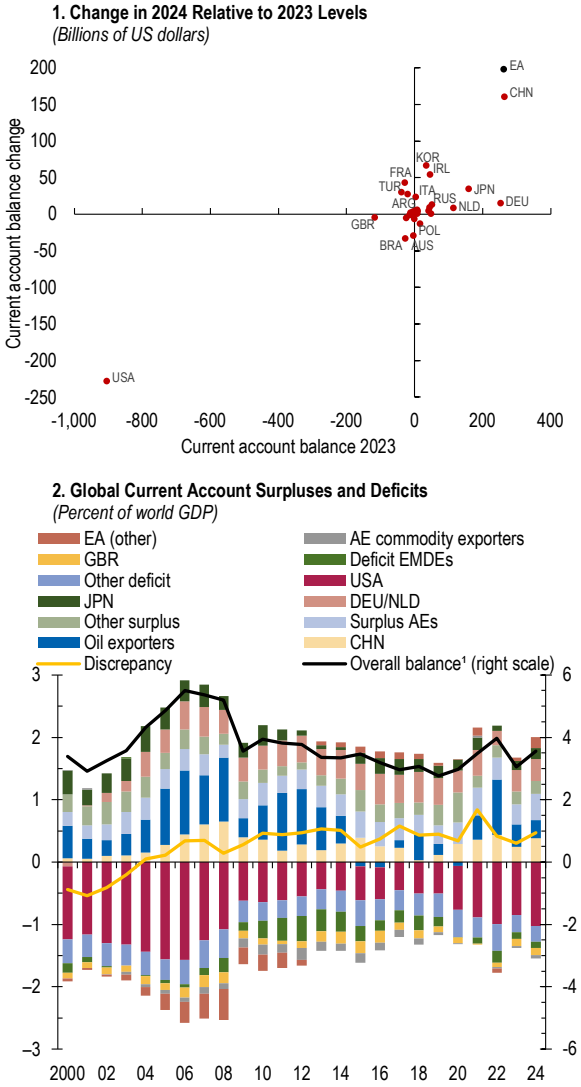
External Sector Developments in 2024

Current Accounts

Current accounts of major economies diverged significantly in 2024. The deficit in the United States widened by $228 billion to $1.13 trillion (1.0 percent of world GDP). Meanwhile, surpluses in China and the euro area increased by $161 billion to $424 billion and by $198 billion to $461 billion, respectively. Within the euro area, current accounts increased in all large member states, while Ireland provided the largest contribution to the increase in the surplus (Figure 1.1, panel 1). Among other major economies, surpluses increased in Japan and Korea, and deficits widened in Brazil and Australia. Overall, of the 30 countries covered in the *External Sector Report* (ESR), 22 reported widening current account deficits or surpluses (Table 1.1).

Global current account balances widened by 0.6 percentage point of world GDP. Major economies drove the widening global current account balances in 2024. Contributions from China and advanced economies accounted for most of the increased global current account surpluses, which were matched by an increased US contribution to global current account deficits (Figure 1.1, panel 2). Global balances widened despite a decline in oil exporters' current account surplus, reflecting lower commodity prices in 2024.[1] The

Figure 1.1. Diverging Current Account Balances in 2024



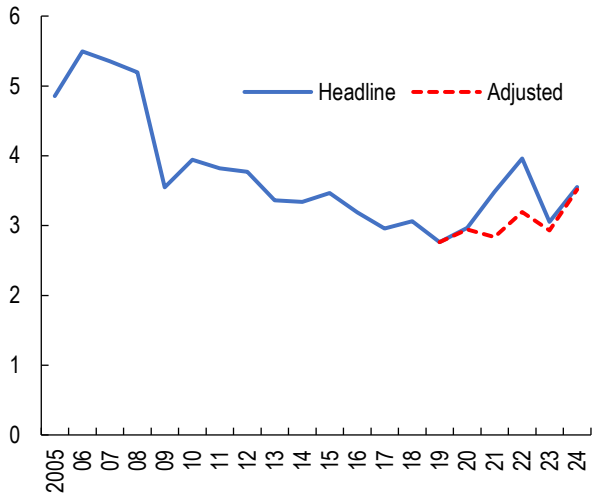
Sources: IMF, World Economic Outlook database; and IMF staff calculations.
Note: Data labels in the figure use International Organization for Standardization country codes. AE = advanced economy; EA = euro area; EMDE = emerging market and developing economy.
[1]Overall balance is the sum of absolute values of current account surpluses and deficits. AE commodity exporters comprise Australia, Canada, and New Zealand; deficit EMDEs comprise Brazil, Chile, India, Indonesia, Mexico, Peru, South Africa, and Türkiye; oil exporters comprise *World Economic Outlook* definition plus Norway; surplus AEs comprise Hong Kong SAR, Korea, Singapore, Sweden, Switzerland, and Taiwan Province of China. Other deficit (surplus) comprise all other economies running current account deficits (surpluses).

[1] Average global prices in 2024 declined for oil (by 4.5 percent), gas (16.2 percent), metals (4.7 percent), and food (5.9 percent).

negative contribution from oil-exporting countries in 2024 is notable, because this country group contributed significantly to all previous major widening episodes, including during 2003–06 and 2021–22.

The widening in global balances in 2024 might signal a shift in the underlying trend. The historical significance of this widening is partly obscured by the external sector volatility during 2020–22, stemming from the COVID-19 pandemic and the spike in commodity prices. Once these events are adjusted for, two key findings emerge (Figure 1.2 and the note). First, the contributions of the pandemic and Russia's war shocks to global balances fully receded by 2023.[2] Second, 2024 saw the largest increase in global balances since the pre-Global Financial Crisis boom, halting the downward trend that prevailed in the aftermath of the Global Financial Crisis.

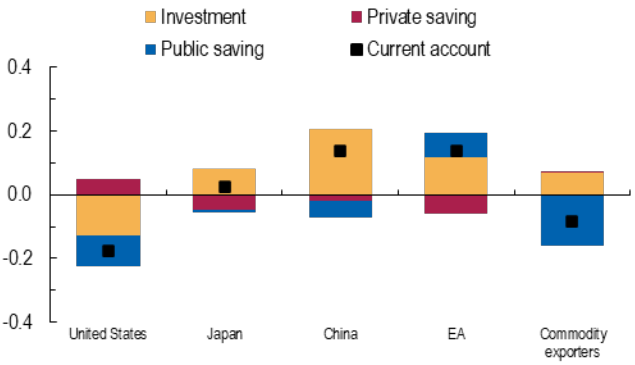
Figure 1.2. Global Current Account Balances
(Percent of world GDP)



Sources: IMF, World Economic Outlook database; and IMF staff calculations.
Note: "Adjusted" series removes from the 2020–24 headline global current account balance the impact of (1) COVID-19 pandemic factors as identified in Figure 1.3 of the 2024 *External Sector Report,* and (2) commodity price fluctuations, identified by removing fluctuations in "oil exporters" group's current account balances relative to the group's average surplus over the preceding decade. Oil exporters comprise World Economic Outlook definition plus Norway.

Domestic macro imbalances—due to structural factors, cyclical conditions, and policies—drove the widening global balances in 2024. Saving-investment decomposition of the current account changes in key economies sheds light on these developments (Figure 1.3). Changes in investment rates uniformly contributed to widening saving-investment gaps, with an increased investment rate in the United States widening the current account deficit, and a decrease in key surplus regions (China, the euro area, and Japan) expanding the surpluses. These changes in investment partly reflect divergent domestic demand conditions in 2024 relative to 2023: continuing real estate correction and weaker demand in China, deteriorating conditions in the euro area, and strong growth in the United States. Changes in medium-term growth prospects and productivity trends also contributed to these investment trends, with stronger productivity growth in the United States, in contrast to decelerating productivity growth projected in surplus advanced economies and China (2025 April *World Economic Outlook*). The divergence in investment rates was accommodated partly by changes in private saving, which are estimated to have increased in the United States and decreased in the surplus countries—China, euro area, and Japan. However, in all cases, private saving compensated for only 10 percent to 50 percent of the investment change. Meanwhile, change in public saving magnified domestic imbalances through dissaving in the United States and higher public saving in the euro area, while contributing to narrowing domestic imbalances in China.

Figure 1.3. Decomposition of Changes in Current Account into Contributions from Saving and Investment, 2023–24
(Percent of world GDP)



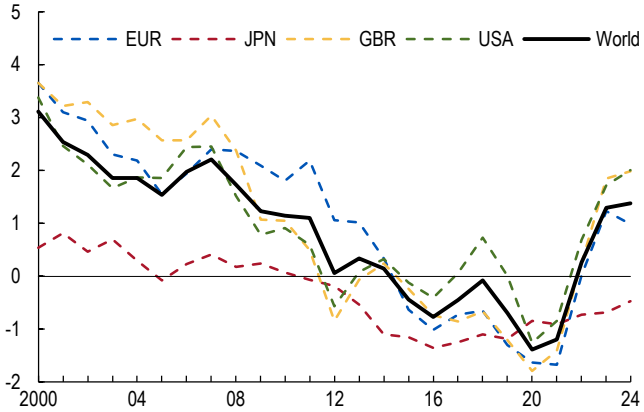
Sources: IMF, April 2025 *World Economic Outlook*; and IMF staff calculations.
Note: The estimated changes in contributions include the impact of changes in countries' shares in world GDP, including because of exchange rate effects. Investment is displayed as a negative value. The private saving rate is calculated as the residual from the current account balance, investment, and the public saving rate. EA = euro area.

[2] For additional analysis of the contributions of the COVID-19 shock and the 2022 commodity price spike to global current account balances, see the 2024 *External Sector Report*.

With temporarily compressed commodity prices, commodity exporters smoothed the negative impact on income by decreasing public saving, thus running smaller current account surpluses relative to 2023.

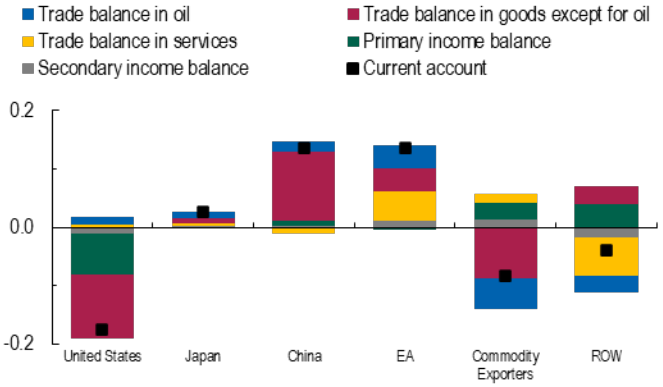
Global real interest rates remained stable in 2024, with excess saving in key surplus countries matched by dissaving in deficit countries. Globally, both investment and saving decreased as a share of GDP. Concurrently, global real interest rates remained broadly stable in 2023–24 (Figure 1.4). A key implication is that broadly offsetting drivers of saving and investment were behind the increase in global current account balances in 2024. Weak domestic demand in China and the resulting excess saving were broadly matched by the dissaving in the United States. These underlying drivers of widening global current account balances have so far had more muted global effects than in the years leading up to the global financial crisis, when excess global saving contributed to the widening global balances and declining global interest rates (April 2023 *World Economic Outlook,* Chapter 2; Bernanke 2005; Caballero, Farhi, and Gourinchas 2008, 2016, 2017a, 2017b, 2021). Persistently elevated real interest rates since 2023 could mark a break from previous trends, after a large decline in the past 20 years.

Figure 1.4. Real Interest Rates
(Percent per year)



Sources: *Consensus Economics*; Organisation for Economic Co-operation and Development; IMF, World Economic Outlook database; and IMF staff calculations.
Note: Real interest rates are calculated using nominal 10-year government bond yields and long-term inflation expectations from *Consensus Forecasts*. World real interest rate is calculated as average of EUR, GBR, JPN, and USA, weighted by GDP weights adjusted for purchasing power. Data labels in the figure use International Organization for Standardization country codes.

Figure 1.5. Decomposition of Changes in Current Account by External Flow Components, 2023–24
(Percent of world GDP)



Sources: IMF, April 2025 *World Economic Outlook*; and IMF staff calculations.
Note: The estimated changes in contributions include the impact of changes in countries' shares in world GDP, including because of exchange rate effects. EA = euro area; ROW = rest of the world and statistical discrepancy for each balance of payment component.

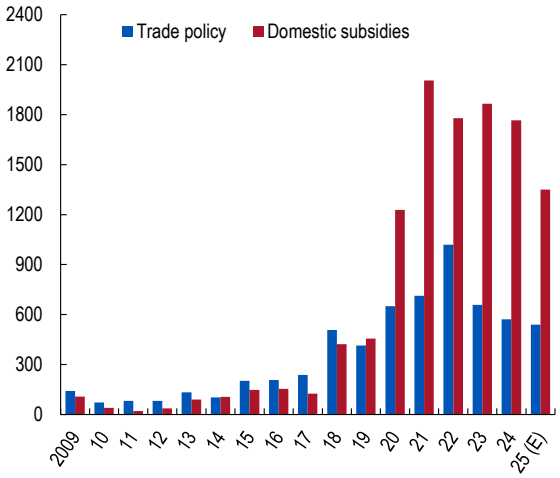
Among external flows, diverging trade balances for goods contributed the most to the widening global current account balances. In the United States, expansion of the trade deficit in goods accounted for 63 percent of the decrease in the current account, with a surge in imports of goods driving the widening deficit (Figure 1.5). A reduction in the primary income balance accounted for the remaining increase in the deficit. In China, 87 percent of the current account increase came from a stronger goods balance, underpinned by a weakness in imports reflecting deteriorating domestic demand and a surge in exports potentially reflecting stronger foreign demand or excess domestic supply (Rotunno and Ruta 2024; Garcia-Macia and others, forthcoming). In the euro area, an increase in the services balance contributed sizably, partly because exports of intellectual property from Ireland were unusually high. An increase in the goods balance was significant, mainly resulting from an improved trade balance for oil, reflecting lower energy import prices and broadly offset by corresponding reduced surpluses for oil exporters. The "rest of the world" group also played a

significant role and was the main counterparty to the primary income deficit in the United States and the service trade surplus in the euro area.[3] With increasingly complex cross-border transactions in trade and finance, these balance-of-payments external flow components, including trade balance in goods and primary income balance, can contain significant measurement errors, which could impact headline current accounts and global balances (see Box 1.1).

State interventions and other non-market policies and practices affect trade flows, but the impact on aggregate external imbalances is harder to quantify. The number of new policy measures restricting trade continued to accumulate during 2024 at a high pace (Figure 1.6), with their effective size accelerating in 2025 (Figure 1.27). Data from the Global Trade Alert show that between 2009 and 2022 new restrictions have increased rapidly in the United States and euro area, though from low levels. Over the same period, China accounted for about two-thirds of all subsidy measures adopted by G20 advanced economies combined (IMF 2024, Box 7; Gourinchas and others 2024). Rotunno and Ruta (2024) find that subsidies of products in China can have a small but non-negligible impact by expanding exports and suppressing imports, thus potentially contributing to external imbalances. However, the impact on aggregate trade balance remains unclear. A lack of up-to-date and comprehensive data on subsidy policies in many countries hinders further analysis of their role in driving current account imbalances in 2024.

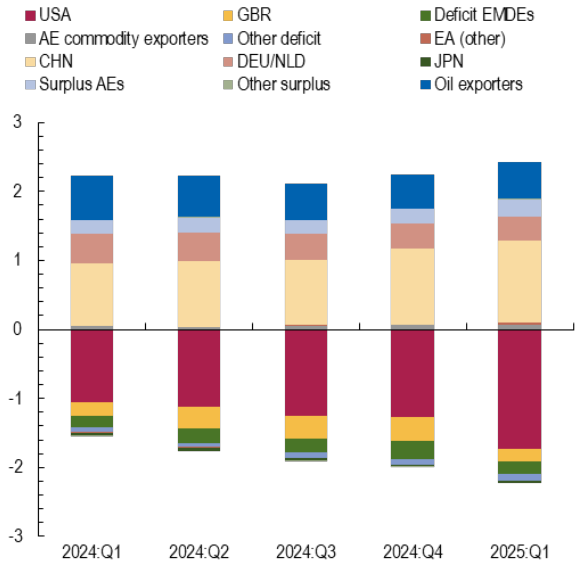
Early data for 2025 signal highly volatile external balances. Monthly merchandise trade flows data from customs for January-March show a large increase in the US deficit, countered by an expanded surplus in China (Figure 1.7). This likely reflected consumers and businesses frontloading trade in anticipation of tariff increases, and gold imports for the United States. The temporary nature of such activities could signal more volatility going forward.

Figure 1.6. Number of Net Harmful New Trade-Restrictive Measures by Policy Instrument, 2009–25



Sources: Global Trade Alert database; and IMF staff calculations.
Note: Domestic subsidies policies are those non-tariff measures interventions cataloged in Chapter L by the classification adopted in UNCTAD (2013). Trade interventions are those cataloged as tariff measures or under chapters B–E, I, M, P, or D in UNCTAD (2013). Net new interventions are counted each year. The reported time series is adjusted for time-series comparison. The year 2025 reports expected interventions, using implemented interventions until May 21, and linelay interpotlating them for the rest of the year. Net interventions are the number of harmful (red) minus liberalizing (green) interventions as published in the Global Trade Alert database. Results are based on data published on May 22, 2025. E = Estimate.

Figure 1.7. High-Frequency Global Balances Indicator Based on Trade Balances
(Percent of world GDP)



Sources: IMF, World Economic Outlook database; national statistical offices: and IMF staff calculations.
Note: Data labels in the figure use International Organization for Standardization country codes. AE = advanced economy; EA = euro area; EMDE = emerging market and developing economy.

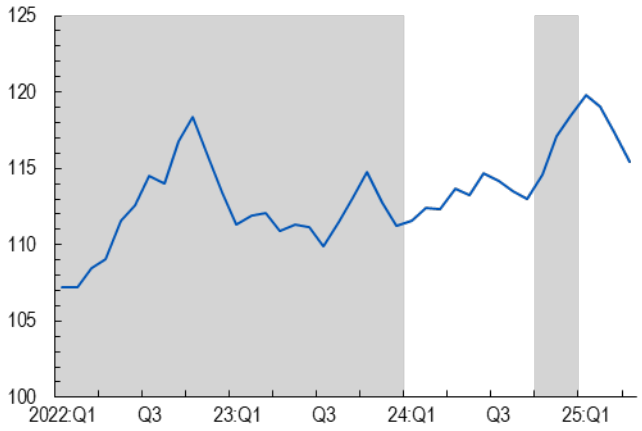
[3] The unbalanced contribution of goods and services to changes in current accounts could partly reflect higher barriers to trade in services, despite technological advances disproportionately reducing trade costs for this trade component. A further reduction of trade barriers for services could play a role in external rebalancing, as empirical evidence indicates that service balances have been systematically offsetting global trade balances for goods (Li and others, forthcoming).

Currencies, Financial Flows and Balance Sheets

Exchange Rates

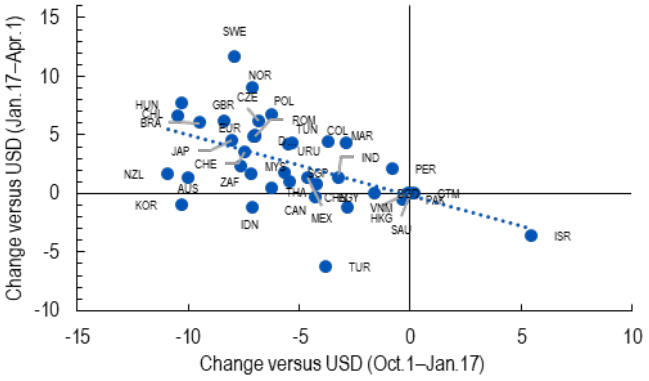
The US dollar hit a historic high in 2024, followed by a depreciation amid rising uncertainty in 2025. During the first three quarters of 2024, the US dollar was broadly stable at 13 percent above the post-2000 average (Figure 1.8). The limited appreciation in effective terms during this period (1.3 percentage points), was entirely due to appreciation against the Mexican peso. In the fourth quarter of 2024, as the US presidential election came into focus, the US dollar appreciated sharply against all major advanced economy and emerging market currencies (x-axis in Figure 1.9). By the end of the year, the US dollar reached its highest since September 1985 in real effective terms, at 18.5 percent above the post-2000 average. The surge reflected broad-based optimism about the strength of the US economy, favorable terms-of-trade developments, and still tight monetary policy. After peaking in January, the US dollar depreciated sharply in the first quarter of 2025, reversing the broad-based appreciation in the fourth quarter of 2024. The depreciation was attributed to weaker economic growth prospects for the United States amid tariff hikes and policy uncertainty. Currencies that depreciated more in the fourth quarter of 2024 tended to appreciate more in the first quarter of 2025 (Figure 1.9). Despite the depreciation, as of April 2025, the US dollar remained at 15 percent above its post-2000 average value.

Figure 1.8. US Dollar Volatility during 2024–2025:Q1
(US REER, 2000–25 average = 100; increase = appreciation)



Source: Haver Analytics.
Note: Shaded areas indicate pre-2024 period and 2024:Q4. REER = real effective exchange rate.

Figure 1.9. Currency Movements in EMs and AEs, 2024–25
(Percent, increase = appreciation)

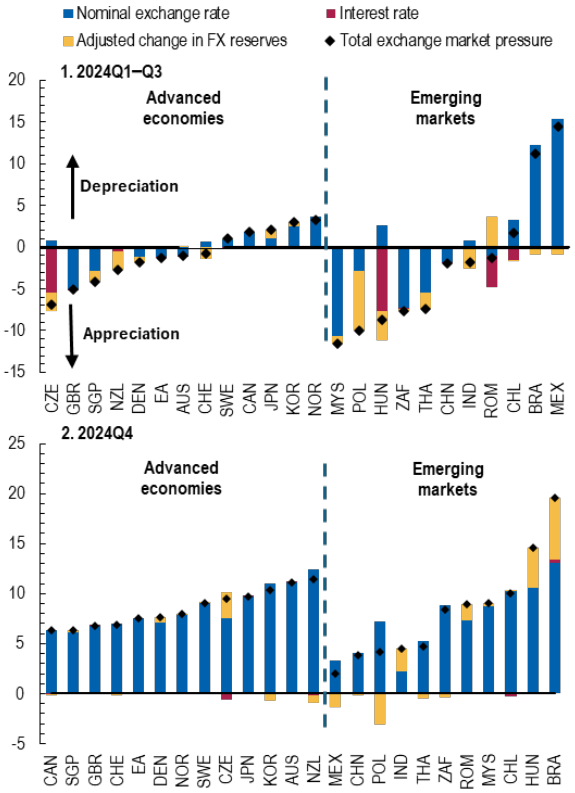


Source: Haver Analytics.
Note: Currencies are of countries in the External Balance Assessment model sample. Argentina and Russian Federation were ommitted. Data labels in the figure use International Organization for Standardization country codes. AE = advanced economy; EM = emerging market.

Other reserve currencies had diverse movements in real effective terms. The nominal exchange rate of the Chinese renminbi has been broadly stable against the US dollar, thus the adjustment in the real exchange rate is through relative prices. The currency continued to depreciate in 2024 (2.3 percent) and the first quarter of 2025 (1.6 percent), reflecting lower inflation in China relative to its trading partners and extending the cumulative depreciation since 2022 to 13 percent. The Japanese yen depreciated in 2024 by 5.3 percent, reflecting the yen's nominal depreciation against major currencies, mainly as a result of continued wide interest rate differentials, but it strengthened by 2.4 percent in the first quarter of 2025. The euro was broadly unchanged, appreciating slightly by 0.6 percent in 2024, relative to 2023, but depreciating by 1.4 percent in the first quarter of 2025. The pound sterling appreciated by 5.3 percent during 2024 and the first quarter of 2025, driven primarily by nominal exchange rate appreciation, as interest rates remain on average higher in the United Kingdom than across other advanced economies.

In several economies, policy rate changes or adjusted changes in foreign exchange (FX) reserves also contributed to addressing broader exchange market pressure in 2024. In addition to nominal exchange rate movements, exchange market pressure can be cushioned by short-term interest rate changes or adjusted changes in FX reserves, which often reflect FX intervention.[4] During the first three quarters of 2024, exchange rate changes were the main outlet for addressing exchange market pressure, especially in countries that experienced significant depreciation pressure, such as Brazil and Mexico (Figure 1.10.1). Adjusted changes in FX reserves also contributed to absorbing both appreciation pressure (Poland, Hungary) and depreciation pressure (Japan, Korea). Monetary policy rates were lowered in 17 of the 24 sample economies but had a smaller impact on addressing exchange market pressure. This reflected both limited easing as inflation proved sticky globally and the comparatively low elasticity of exchange market pressure to interest rates in the ESR sample. During the fourth quarter of 2024, the broad-based depreciation pressure in emerging market and advanced economies was addressed mostly by exchange rate changes, with notable contributions from adjusted changes in FX reserves in some countries (Brazil, Hungary, India). The contribution from policy rates during this episode was subdued (Figures 1.10.2).

Figure 1.10. Exchange Market Pressure and its Components
(Percent change, + = depreciation pressure)



Sources: Adler and others (2024); Goldberg and Krogstrup (2023); IMF, International Financial Statistics database; and IMF staff calculations.
Note: The Exchange Market Pressure Index is based on Goldberg and Krogstrup (2023, updated). It combines pressures observed in exchange rate adjustments with model-based estimates of incipient pressures that are masked by changes in FX reserves and policy rate adjustments. Positive values correspond to exchange market pressure that would depreciate the nominal exchange rate. Values of adjusted changes in FX reserves and interest rate changes are expressed in terms of counterfactual exchange rate adjustments that would have occurred if no changes in FX reserves or policy rates had occurred. Changes in FX reserves are adjusted for valuation changes, income flows, and changes in other foreign currency balance sheet positions by Adler and others (2024, updated). This measure often reflects FX intervention, but it can sometimes be dominated by other changes in the central bank's foreign currency position. Central banks can also intervene through derivatives, which have been increasingly used in some economies. Country sample includes selected External Balance Assessment economies covered by Goldberg and Krogstrup (2023). Missing ESR economies are Argentina, Indonesia, and Türkiye; the Russian Federation is excluded as an outlier. The United States is not reported because the reference currency is the US dollar. Data labels in the figure use International Organization for Standardization country codes. Asterisks indicate advanced economies. EA = euro area; ER = exchange rate; ESR = External Sector Report; FX = foreign exchange.

Global Financial Flows

Net capital inflows to emerging market economies in 2024 showed a similar pattern to 2023.

- **In China, net capital outflows continued accelerating to reach a new decade-high (Figure 1.11, panel 1).** Increased net outflows in 2024 were driven by higher gross capital outflows while gross inflows remained close to zero. The increase in gross outflows was driven by a surge in gross portfolio and other outflows, while gross foreign direct investment (FDI) outflows declined slightly relative to 2023 (Figure 1.12). On the gross inflow side, all components remained subdued, continuing the pattern from 2023.

- **In other emerging markets, net inflows remained positive and stable, but significantly below levels observed a decade ago.** Both gross inflows and gross outflows grew in 2024 relative to 2023 (Figure 1.11, panel 2), with contributions from portfolio flows on the inflow side and "other" flows on the outflow side (Figure 1.12). Changes in net inflows over the past decade stem mostly from increasing gross outflows, especially gross portfolio outflows. FDI declined on both the inflow and outflow sides, with a limited impact on net capital inflows. The overall stability of net inflows to emerging markets, excluding China, hides sizable regional heterogeneity. Net inflows grew in the

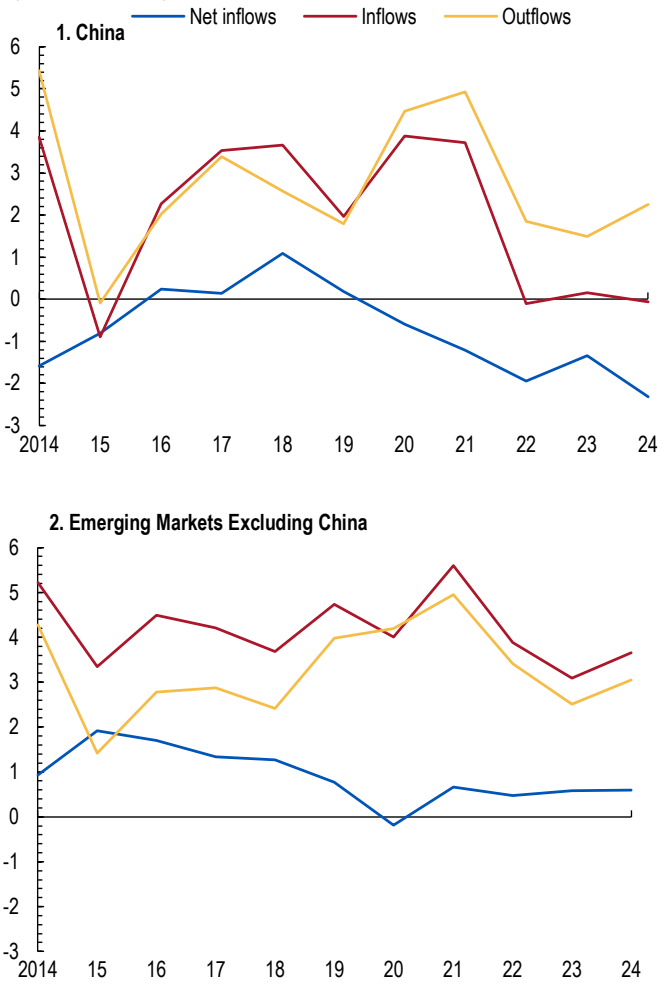
[4] See the note to Figure 1.10 for more details.

Middle East and North Africa region and were flat in Latin America and the Caribbean, emerging and developing Europe, and emerging and developing Asia. However, they declined in the Caucasus and Central Asia and sub-Saharan Africa country groups.

The observed patterns in emerging market capital flows in 2024 could be attributed to both global and local factors. Easing of global financial conditions has likely contributed to the recovery of gross portfolio inflows in emerging markets.
Sustained geopolitical fragmentation pressures continued to restrain gross FDI flows (2024 *External Sector Report,* Box 1.1). Diverging growth prospects could have contributed to the heterogeneity in capital flows between China and other emerging markets, and across other regions.

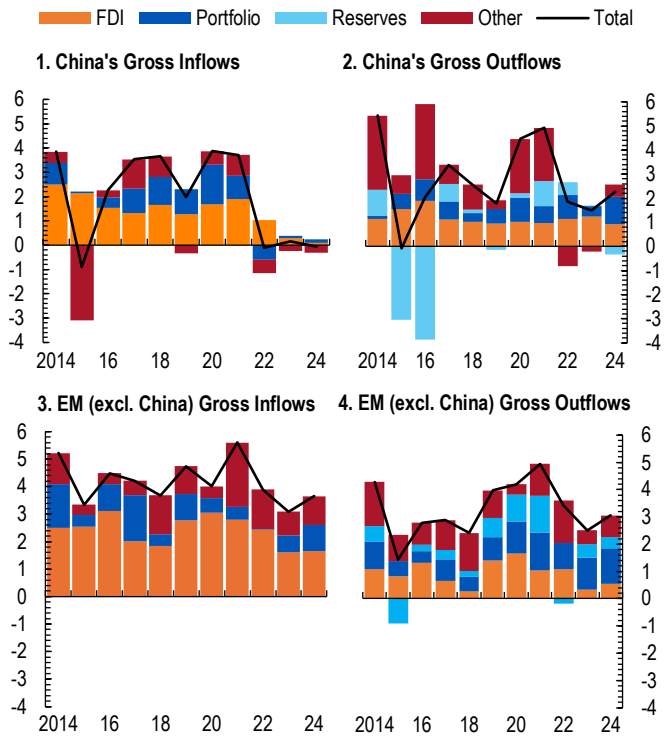
In the first quarter of 2025, higher frequency data signal a potential recovery in gross portfolio inflows to China and continued inflows to other emerging market economies (Figure 1.13). The renewed gross portfolio inflows into China were driven primarily by debt flows, with inflows increasing in February and March. Inflows to other emerging markets remained positive, increasing for the Latin America and the Caribbean group and decreasing in emerging and developing Asia. These patterns were also driven mainly by debt flows, while gross portfolio equity inflows remained small.

Figure 1.11. Aggregate Net and Gross Capital Inflows to Emerging Markets, 2014–2024
(Percent of GDP)



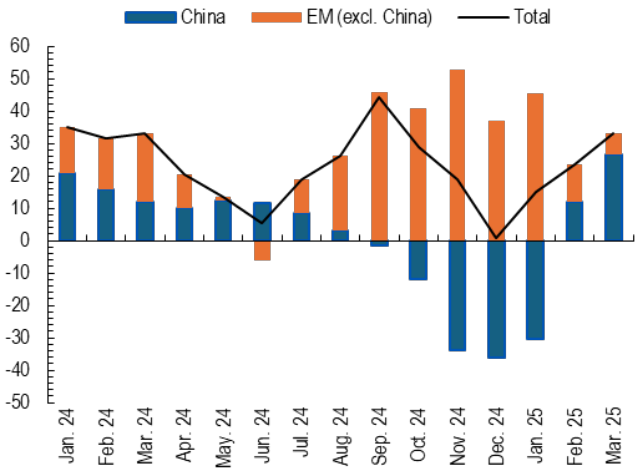
Sources: Haver Analytics; IMF, International Financial Statistics database; and IMF staff calculations.
Note: Sample includes emerging market economies, subject to data availability. Reserve accumulation is included in outflows; derivatives are excluded.

Figure 1.12. Gross Capital Flows to Emerging Markets by Component, 2014–24
(Percent of GDP)



Sources: IMF, Balance of Payments database; and IMF staff calculations.
Note: Sample includes emerging market economies, subject to data availability. Derivatives are excluded. EM = emerging market; FDI = foreign direct investment.

Figure 1.13. High-Frequency Gross Portfolio Inflows to Emerging Markets, January 2024 – March 2025
(Three month moving average, billions of US dollars)



Sources: Institute of International Finance and IMF staff calculations.
Note: EM = emerging market.

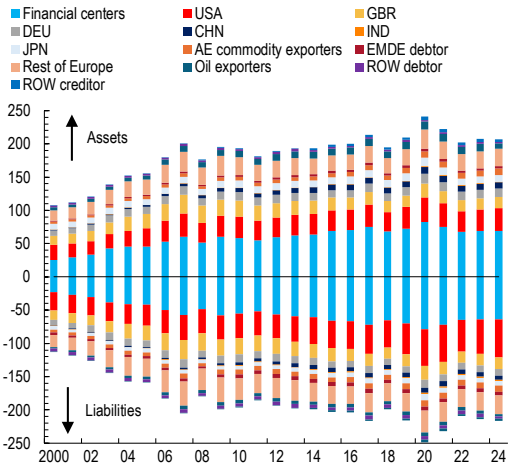
Global Balance Sheets

External balance sheets remained broadly stable in gross terms. External assets and liabilities in percent of world GDP were slightly larger in 2024 than at the end of 2023 (Figure 1.14). Following a rapid expansion during 2000–07, gross cross-border asset holdings as a share of global GDP have remained broadly unchanged over the past decade. Financial centers[5] continued to play an outsized role in global cross-border balance sheets, representing 31 percent of global foreign assets and liabilities but only 5 percent of world GDP.

Within outwardly stable gross positions, net external creditor and debtor positions reached a new high. The expansion of the external debtor side is entirely accounted for by the United States. Its net international investment position (NIIP) in 2024, relative to 2023, decreased by 3.6 percentage points of world GDP (Figure 1.15). All other major economies and country groups—creditors and debtors—reported an increase in their NIIP positions amounting to 2.0 percentage points.[6] The discrepancy between the debtor and credit sides also widened to a new high, amounting to one-quarter of the global net external creditor position (Table 1.2). These NIIP developments in 2024 are representative of the past decade, during which the NIIP gradually decreased in the United States, while that of other debtors and creditors increased.

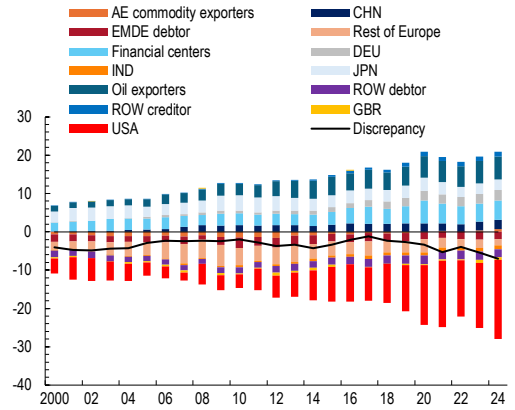
Valuation changes and widening current account balances both contributed to the expansion of global net creditor and debtor positions. Valuation losses were particularly large for the United States with the outperformance of its stock markets and the stronger US dollar magnifying the negative contribution of the current account deficit to its NIIP position (Figure 1.16).[7] It is part of a decade-long trend, with the United States accumulating valuation losses that can be partly explained by the strong performance of US equities, of which foreigners hold a sizable share (Chapter 2, Figure 2.14, panel 1). The role of valuation changes has likely reversed in the first quarter of 2025, with US equity markets significantly underperforming a global benchmark (Figure 1.17). China also reported a small valuation loss in 2024. In all other larger creditor countries, including Germany, Canada, and Japan, valuation gains increased their net creditor positions. As expected, current accounts were also tightly linked to the expansion of net creditor and debtor positions (Figure 1.16.2), accounting for 43 percent of the expansion of net external creditor and debtor positions in 2024, relative to 2023.

Figure 1.14. Gross Assets and Liabilities, 2000–24
(Percent of world GDP)



Sources: External Wealth of Nations database; IMF, April 2024 *World Economic Outlook*; and IMF staff calculations.
Note: Liabilities are shown on a reverse scale. Data labels in the figure use International Organization for Standardization country codes. AE commodity exporters include Australia, Canada, and New Zealand. EMDE debtors include Brazil, Chile, Indonesia, Mexico, Peru, South Africa, and Türkiye. Financial centers include Belgium, Bermuda, Bahrain, The Bahamas, Barbados, British Virgin Islands, Cayman Islands, Curaçao, Cyprus, Guernsey, Hong Kong SAR, Ireland, Isle of Man, Jersey, Luxembourg, Malta, Mauritius, The Netherlands Antilles, Panama, Singapore, Switzerland, Taiwan Province of China, and Turks and Caicos. Oil exporters include Algeria, Angola, Azerbaijan, Bahrain, Brunei, Chad, Republic of Congo, Ecuador, Equatorial Guinea, Gabon, Iran, Iraq, Kazakhstan, Kuwait, Libya, Nigeria, Norway, Oman, Qatar, Russian Federation, Saudi Arabia, South Sudan, Timor-Leste, Trinidad and Tobago, Turkmenistan, United Arab Emirates, Venezuela, and Yemen. AE = advanced economy; EMDE = emerging market and developing economy; ROW = rest of the world.

Figure 1.15. Net International Investment Positions, 2000–24
(Percent of world GDP)



Sources: External Wealth of Nations database; IMF, April 2024 World Economic Outlook; and IMF staff calculations.
Note: Liabilities are shown on a reverse scale. Data labels in the figure use International Organization for Standardization (ISO) country codes. AE commodity exporters include Australia, Canada, and New Zealand. EMDE debtors include Brazil, Chile, Indonesia, Mexico, Peru, South Africa, and Türkiye. Financial centers include Belgium, Bermuda, Bahrain, The Bahamas, Barbados, British Virgin Islands, Cayman Islands, Curaçao, Cyprus, Guernsey, Hong Kong SAR, Ireland, Isle of Man, Jersey, Luxembourg, Malta, Mauritius, The Netherlands Antilles, Panama, Singapore, Switzerland, Taiwan Province of China, and Turks and Caicos. Oil exporters include Algeria, Angola, Azerbaijan, Bahrain, Brunei, Chad, Republic of Congo, Ecuador, Equatorial Guinea, Gabon, Iran, Iraq, Kazakhstan, Kuwait, Libya, Nigeria, Norway, Oman, Qatar, Russian Federation, Saudi Arabia, South Sudan, Timor-Leste, Trinidad and Tobago, Turkmenistan, United Arab Emirates, Venezuela, and Yemen. AE = advanced economy; EMDE = emerging market and developing economy; ROW = rest of the world.

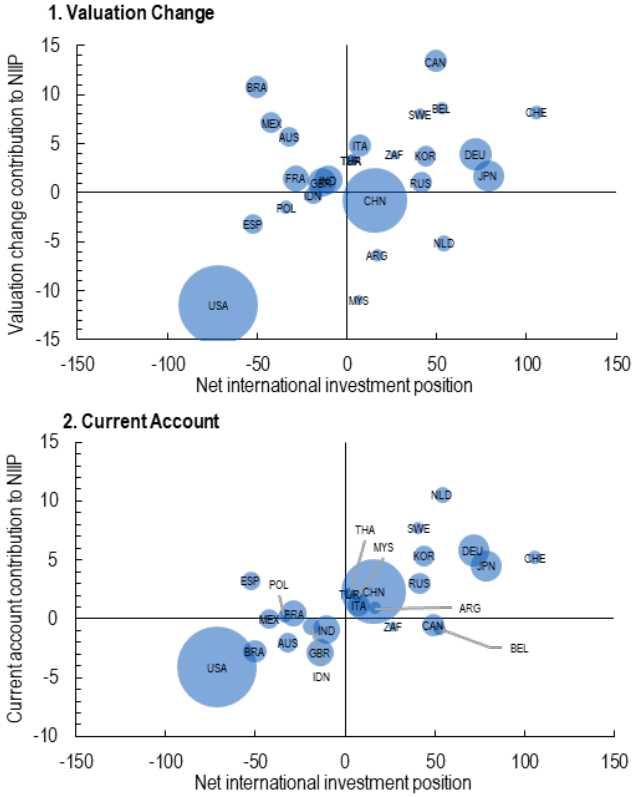
[5] For a list of countries included in financial centers see the note to Figure 1.14.

[6] The oil exporters country group was an exception; its NIIP was unchanged in 2024.

[7] For the US NIIP in 2024, asset price changes accounted for 66 percent of the valuation loss, while the exchange rate accounted for 20 percent, with other statistical changes contributing the rest (data are from US Bureau of Economic Analysis, "Table 1.3. Change in the US Net International Investment Position").

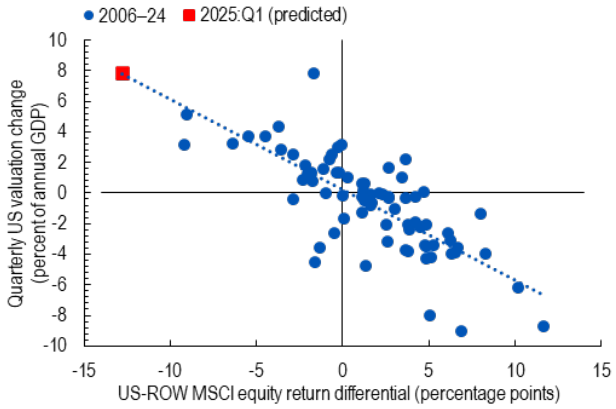
Figure 1.16. Contributions of Valuation Changes and Current Account to Net International Investment Position, 2024

(Percent of GDP)



Sources: IMF, International Financial Statistics database; and IMF staff calculations.
Note: Valuation changes are calculated as the difference between the change in net international investment position over the 2023:Q4–2024:Q4 period and current account balance, in percent of GDP. Sample includes economies covered in the External Balance Assessment regression model, subject to data availability. Bubble sizes are proportional US dollar GDP. Data labels in the figure use International Organization for Standardization country codes. NIIP = net international investment position.

Figure 1.17. Equity Relative Performance and US Valuation Changes



Sources: MSCI; IMF, International Financial Statistics Database; and IMF staff calculations.
Note: Valuation changes are calculated as the difference between the quarterly change in net international investment position and quarterly current account balance, in percent of annual GDP. ROW = rest of the world.

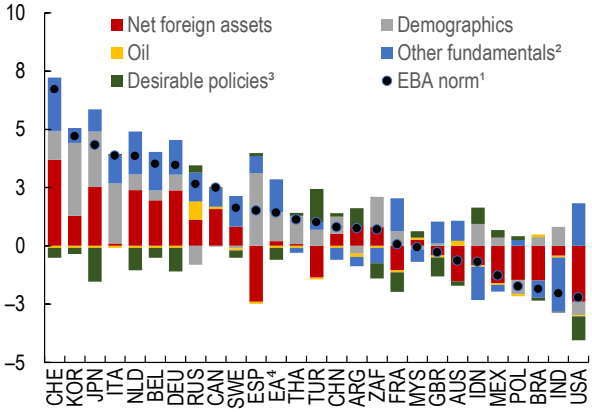
Assessment of External Positions in 2024

This report represents multilaterally consistent individual assessments of external positions for 30 of the world's largest economies, representing 88 percent of global GDP.[8] Annex Tables 1.1.2, 1.1.3, 1.1.4, and 1.1.5 summarize the IMF staff–assessed current account and real effective exchange rate (REER) gaps and external sector assessments for these economies.

Methodology

The models in the External Balance Assessment (EBA) methodology produce medium-term current account and real exchange rate benchmarks (called norms) that are consistent with country fundamentals and desirable policies (Figure 1.18).[9] The norms are compared with realized current account and real exchange rate levels after adjusting for cyclical and other short-term factors, to derive gaps. These gaps are a measure of excess external balances, with greater weight given to the current account model, because real exchange rates tend to be more volatile and difficult to explain econometrically. The model inputs are then combined with other external indicators, analytically grounded adjustments, and country-specific insights to reach a holistic IMF staff assessment of external sectors.

Figure 1.18. External Balance Assessment Current Account Norms, 2024
(Percent of GDP)



Source: IMF, External Balance Assessment estimates.
Note: Figure excludes Hong Kong SAR, Saudi Arabia, and Singapore, because they are not included in the EBA regression model. Data labels use International Organization for Standardization country codes. EA = euro area; EBA = External Balance Assessment.
[1]The EBA current account norm is multilaterally consistent and cyclically adjusted.
[2]Other fundamentals include output per worker, expected GDP growth, and International Country Risk Guide.
[3]Desirable policies include desirable credit gap, desirable fiscal balance, desirable foreign exchange intervention, desirable health, and constant and multilaterally consistent adjustment.
[4]The current account norm is corrected for reporting discrepancies in intra-area transactions, because the current account of the entire euro area is about 0.84 percent of GDP less than the sum of the individual 11 countries' balances (for which no such correction is available).

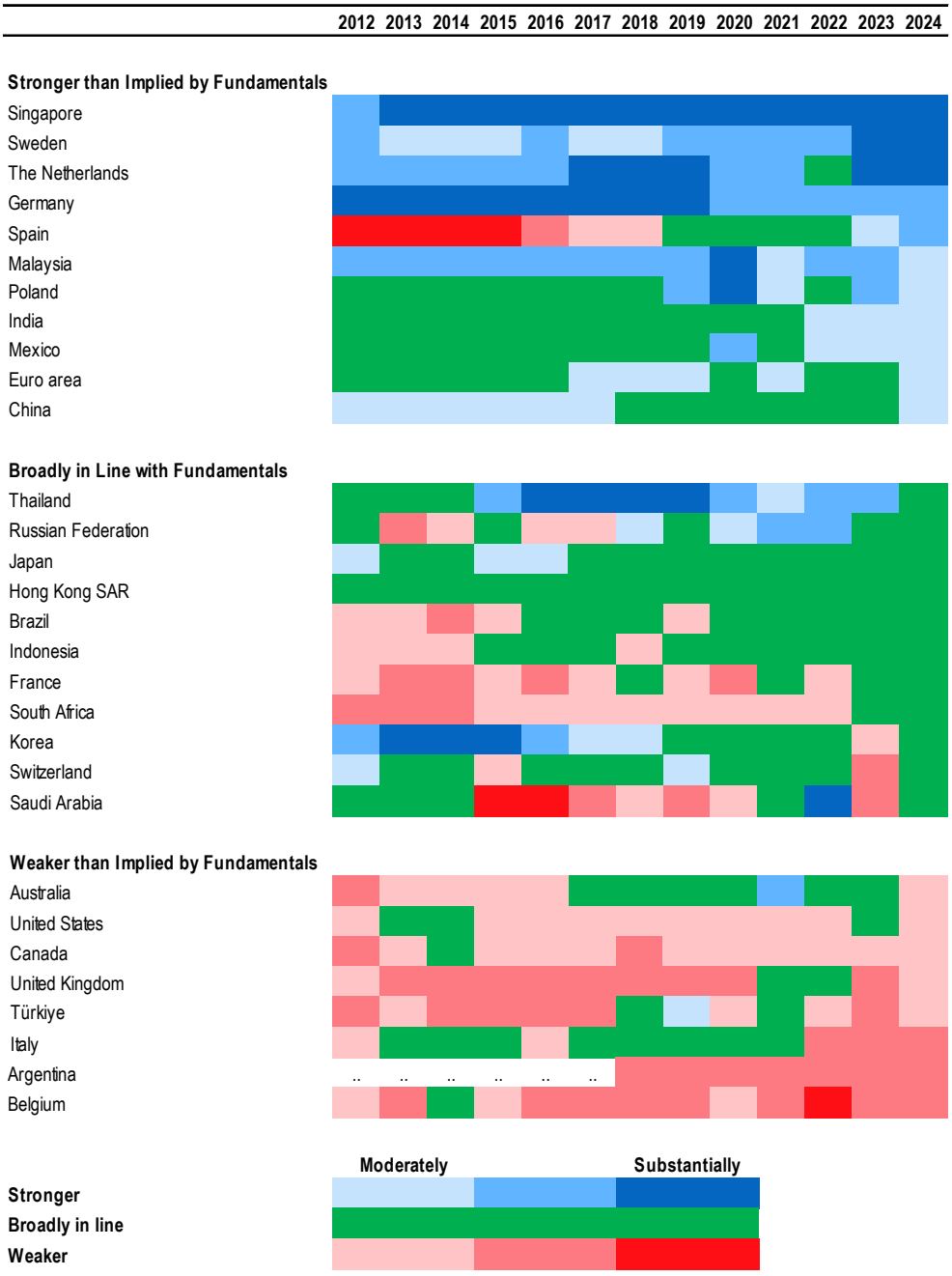
IMF staff judgment plays a critical role in the assessment as the models may not capture all relevant country characteristics and potential policy distortions, as well as being subject to statistical uncertainty.[10] Adjustors for country-specific factors, such as measurement issues, demographic factors, and net international investment position considerations, have been included. The number of adjustors decreased when compared to 2023. Annex Table 1.1.3 reports the overall set of IMF staff adjustments.

[8] Although the *External Sector Report* (ESR) presents assessments for 30 systemic economies, IMF staff conduct an assessment of the external sector of all members as part of bilateral surveillance.

[9] The External Balance Assessment (EBA) current account norms reflect fundamental features affecting the saving and investment decisions of economies. Economies with higher incomes, older populations, and lower growth prospects tend to have positive norms, while economies that have younger populations and are expected to import capital to invest and exploit their higher growth potential, have negative norms. Norms also depend on desirable medium-term policies—that is, policies deemed appropriate by IMF staff once cyclical factors are accounted for. For instance, economies for which IMF staff recommend a fiscal policy that is loose relative to the average for the ESR sample, will have lower norms than those evaluated as needing relatively tighter fiscal policy.

[10] Allen and others (2023) include details on the current vintage of the EBA methodology. References therein contain working papers that document earlier methodologies, chronicling periodic updates of the methodology which are a routine element of the ESA work stream. A succinct description of the external assessment process can also be found in Obstfeld (2017).

Figure 1.19. Evolution of External Sector Assessments, 2012–24



Source: IMF staff assessments.
Note: Grouping and ordering are based on economies' excess imbalance during 2024. Coverage of Argentina in the *External Sector Report* started in 2018.

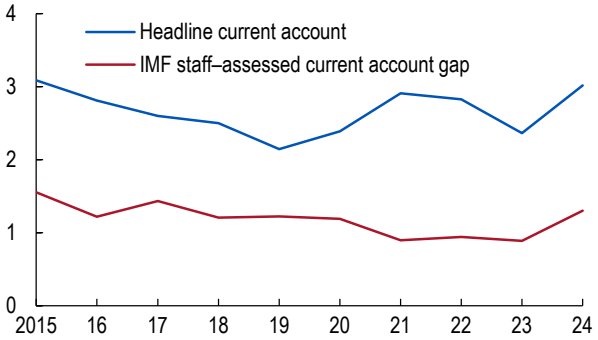
Assessment Results for 2024

Assessments changed for 13 of the 30 ESR economies in 2024, with the three largest economies moving farther away from the "broadly in line" category. Figure 1.19 summarizes each country's assessment since 2012. In 2024, the assessment changed from broadly in line to moderately weaker for the United States and to moderately stronger for China and the euro area. While the assessments for two other countries (Australia, Spain) also moved farther away from broadly in line, the assessments for eight countries switched to broadly in line (Korea, Saudi Arabia, Switzerland, Thailand) or moved closer to it (Malaysia, Poland, Türkiye, the United Kingdom).

Changes in the headline current accounts drove up excess current account balances by the largest amount in a decade. Measured as the sum of the absolute values of IMF staff–assessed current account gaps, excess current account balances increased in 2024 to 1.3 percent of ESR economy GDP, by about 0.4 percentage point relative to 2023 (Figure 1.20). Meanwhile, the sum of the absolute value of headline current account balances (the same concept as the global current account balance, but for the ESR sample) increased to 3.0 percent of the ESR group GDP in 2024, up 0.6 percentage point from 2023.[11] Therefore, the estimated excess CA balances account for about two-thirds of the increase in global headline current account balances. Changes in CA norms also contributed, with the summed absolute value of CA norms increasing by 0.1 percent of ESR group GDP. A reduction in the applied adjustments accounted for another 0.1 percentage point increase in global current account balances. The estimated contribution of cyclical factors remained broadly unchanged relative to 2023.

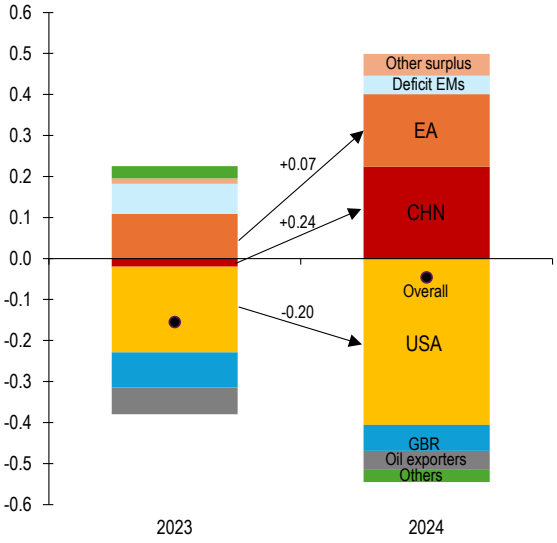
China, the United States, and the euro area drove the significant increase in excess current account balances. Figure 1.21 reports main country-level contributions to global excess current account balances. The largest change in the excess current account in 2024 was in China, increasing by 0.24 percentage point of ESR group

Figure 1.20. Current Account Balance of ESR Countries and IMF Staff Current Account Gaps
(Percent of ESR economy GDP)



Source: IMF staff calculations.
Note: "IMF staff–assessed current account gaps" is a measure of excess current account balances for ESR countries, calculated as the sum of the absolute values of IMF staff–assessed current account gaps. ESR = *External Sector Report*.

Figure 1.21. Excess Current Account Balances
(Percent of ESR GDP)

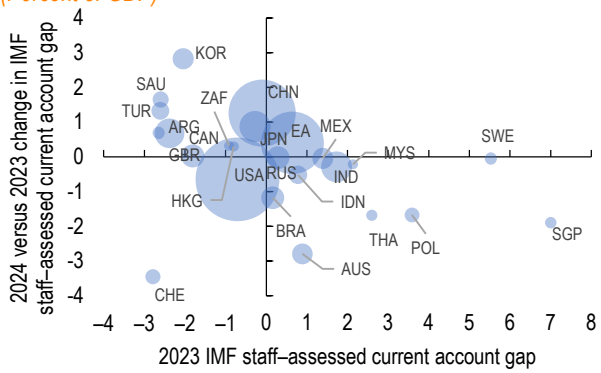


Sources: IMF, World Economic Outlook database; and IMF staff calculations.
Note: Data labels in the figure use International Organization for Standardization country codes. Deficit EMs: Brazil, India, Indonesia, Mexico, South Africa, and Türkiye; oil exporters: Canada, Russian Federation, and Saudi Arabia; others: Argentina, Australia, and Poland; other surplus: Hong Kong SAR, Japan, Korea, Malaysia, Singapore, Sweden, Switzerland, and Thailand. EA = euro area; EM = emerging market.

[11] The increase is close to the global increase reported in Figure 1.1, panel 2, indicating that the ESR country sample was representative of changes in global current account balances in 2024.

GDP, from an excess current account deficit of 0.02 percent in 2023 to an excess surplus of 0.22 percent in 2024. In the United States, the assessed excess current account deficit increased by 0.2 percentage point, approximately doubling in size. In the euro area, the excess surplus increased by 0.07 percentage point. In other smaller ESR countries, the contribution to global excess current account surpluses and deficits remained broadly unchanged.[12] However, their excess current account balances narrowed when expressed relative to own GDP (Figure 1.22).

Figure 1.22. Change in IMF Staff Current Account Gaps, 2024 versus 2023
(Percent of GDP)[1]



Source: IMF staff calculations.
Note: Data labels in the figure use International Organization for Standardization country codes. EA = euro area; ESR = *External Sector Report*.
[1]Bubble sizes are proportional to 2024 GDP in US dollars.

The globally sizable and excessively large increase in CA balances in major economies, as estimated for 2024, can generate significant negative cross-border spillovers (Box 1.2). Globally sizable deficits can fuel financial crises with costly global consequences. Extensive literature has studied causes and consequences of large deficits (Blanchard and Milesi-Ferretti 2011; Gourinchas and Obstfeld 2012; Obstfeld 2012a, 2012b). Negative spillovers from globally sizable surpluses are equally concerning, contributing to the buildup of systemic macrofinancial risks, but have been studied less. On the policy side, excess current account surpluses alter policy trade-offs in partner countries, with potentially negative implications for economic activity. On the real side, the rapid increase in globally sizable excess current account surpluses, as opposed to a more gradual adjustment, can magnify the negative impact on employment and incomes in more exposed regions or sectors. On the financial side, large and persistent surpluses can depress real interest rates, leading to a buildup of vulnerabilities as investors tilt toward riskier assets and increase leverage. For all these reasons, excessive current account surpluses (especially if persistent) can create inefficiencies and risks.

In sum, global current account balances have widened sizably in 2024, in part due to assessed increase in excess balances in China, the United States, and the euro area. The underlying drivers of the observed changes in saving and investment reveal a configuration, whereby factors driving excess saving in China and the euro area were broadly offset by factors driving dissaving in the United States, leaving the global real interest rate stable. The next section examines risks to these three major economies. The motivation for this focus is twofold. First, these economies account for the bulk of the increase in excess balances in 2024 and thus are central to efforts to rebalance the global economy. Second, each of these economies is large enough to create systemic risks. If they postpone adjustments, global imbalances and resulting negative cross-border spillovers could continue to accumulate.

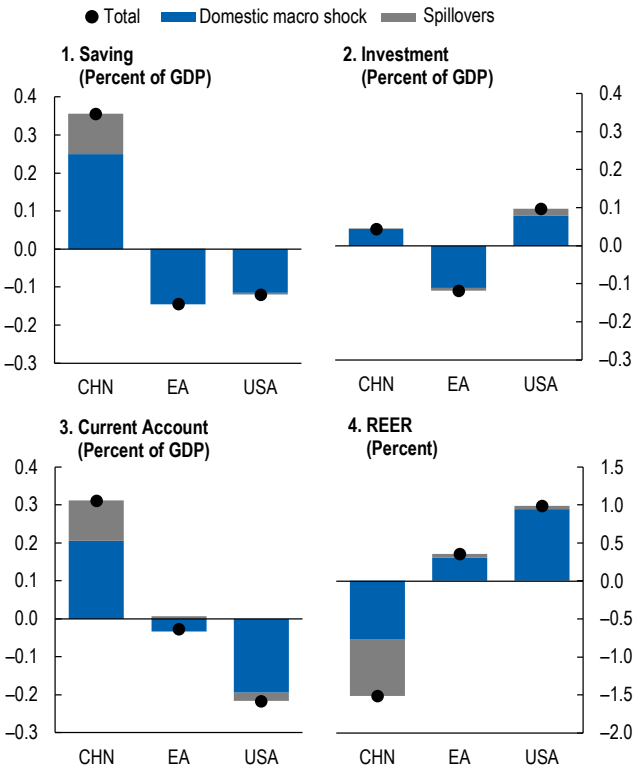
[12] The sum of excess surpluses for ESR countries in 2024 broadly matched the sum of excess deficits. They do not add to zero, because the exercise is implemented for a broader EBA sample, and current accounts for EBA countries can have a discrepancy.

Outlook and Risk Scenarios[13]

Global current account balances are projected to narrow in 2025 in the reference forecast of the April 2025 *World Economic Outlook* (Table 1.1) but are subject to unusually high uncertainty. It is driven by reduced current account balances in key surplus countries, including China, Japan and Germany. While this reference forecast implies the possibility that the 2024 widening of global balances could be reversed, the projection comes with unusually large uncertainty, reflecting the fluid prospects for the trade and economic relationship among major economies.[14] Importantly, the analysis presented in this report do not draw on this highly uncertain external sector outlook. To better analyze the effects that different paths of policy and economic shocks would have on external sector developments, several risk scenarios are considered. These scenarios, presented next, focus on deviations from the model baseline, anchored in observed outcomes for 2024.

Four types of risks, examined through model-based scenarios, can be summarized as follows: (i) lack of needed domestic macroeconomic adjustment in key surplus and deficit economies could lead to a further divergence of current account balances, widening global current account balances; (ii) conversely, a coordinated effort to address the domestic imbalances could set the global economy on a path of narrowing global current account balances; (iii) increase in trade barriers and intensifying fragmentation could have significant negative macroeconomic effects but a more limited impact on imbalances in key economies, only modestly narrowing global current account balances; (iv) prolonged high policy uncertainty would also be detrimental to global economic prospects, with sizable cross-country variation in uncertainty heightening external sector risks in the most affected economies. Persistent current account imbalances increase further imbalances in NIIPs, with attendant macro-financial risks.

Figure 1.23. Medium-Term Impact of Widening Domestic Imbalances
(Deviations from baseline)



Source: IMF staff calculations.
Note: The figure shows medium-term responses for selected macro variables, captured in the model at the five-year horizon. All responses are reported as percentage point deviations from baseline. For each country, "domestic macro shock" reports the response to domestic shock: weaker domestic demand for China, fiscal expansion for the United States, and lower productivity for the euro area. "Spillovers" shows total domestic impact from foreign shocks. Reported model responses are for three countries/regions: (1) China, (2) the euro area, and (3) the United States. Other countries/regions included in the model are not shown. Data labels in the figure use International Organization for Standardization country codes. REER = real effective exchange rate, with a decrease representing a depreciation.

Growing Domestic Imbalances

Growing domestic imbalances in key countries would propel continued current account divergence.[15] With the United States, China, and the euro area accounting for 80 percent of the increase in global CA balances in 2024, if domestic macroeconomic adjustments were delayed, current accounts might diverge further. This risk is examined by a model-based scenario with continued widening of domestic imbalances

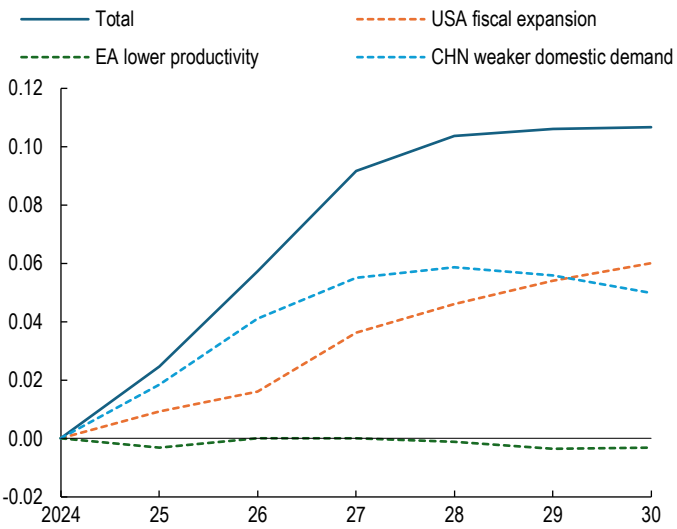
[13] This subsection's discussion of risks does not affect the external sector assessment of this report, which is based on actual current account balances in 2024, not on the projected balances in 2025.

[14] One symptom of such uncertainty is the implied decline in the global current account discrepancy in 2025, which indicates that the counterparts for the narrowing current account surpluses have not been fully accounted for.

[15] Policies in model-based risk scenarios are illustrative and should not be interpreted as comprehensive policy advice for individual countries or regions.

in key economies—weaker domestic demand in China, fiscal expansion in the United States and lower productivity in Europe (see Scenario A in Box 1.1 of the April 2025 *World Economic Outlook* for details).[16] In China, compression of demand and the resulting policy response leads to the depreciation of its REER and the increase in the saving rate (Figure 1.23).[17] The relative price adjustment supports export growth and reduces import demand, increasing China's current account surplus. Reverse forces drive external sector outcomes in the United States. Strong domestic demand, underpinned by continued fiscal expansion, decreases saving. Through tax cuts, including for businesses, fiscal expansion stimulates business activity, increasing investment and imports. The domestic demand boom appreciates the REER, leading to a fall in exports. The current account deficit in the United States widens. For the euro area, a decline in productivity lowers investment, but also saving, resulting in a slight decrease in the current account and subdued REER appreciation. Macroeconomic adjustments in this scenario are a continuation of recent macroeconomic trends (Figure 1.3). Assessed external sector effects are limited in economic terms, but postponing the adjustments could magnify the effects. The scenario increases global current account balances by 0.11 percentage point of world GDP by 2030, with comparable contributions from China and the United States and a limited contribution from the euro area (Figure 1.24).

Figure 1.24. Impact of Widening Domestic Imbalances on Global Current Account Balance
(Percent of world GDP)



Sources: IMF, World Economic Outlook database; and IMF staff estimates (Global Integrated Monetary and Fiscal Model).
Note: "Total" is the sum of the individual components "USA fiscal expansion;" "EA lower productivity," and "CHN weaker domestic demand." The figure shows the results from simulations using the IMF's Global Integrated Monetary and Fiscal model. The global current account balance is calculated as the sum of absolute values of current accounts across countries. Data labels in the figure use International Organization for Standardization country codes. EA = euro area.

Domestic macro forces drive external imbalances in each country, with a muted effect on the global interest rate. A decomposition into country contributions reveals that two-thirds of the expansion in the medium-term current account surplus in China is the result of weaker domestic demand. For the United States and the euro area, domestic macro forces explain an even larger share of the change in the current account (Figure 1.23).[18] Globally, domestic imbalances in China and the United States have offsetting effects on global interest rates—China's increased saving reduces interest rates, while in the United States public dissaving increases them. The overall effect is a muted rise in global interest rates by 0.04 percentage point. This contrasts starkly with the pre-global financial crisis era of saving glut and depressed global interest rates. Finally, there is the heterogeneous impact on trade openness. While in China, REER depreciation and the surge in exports increases its trade exposure to the rest of the global economy, reverse forces are at work in the United States, with exports declining and the economy becoming less open.

Beyond the examined risk scenario, prolonged domestic imbalances could increase external sector vulnerabilities and risks. A delay of fiscal consolidation efforts and fiscal policy uncertainty could deteriorate global risk sentiment and elevate global financial stress, with negative implications for both debtor

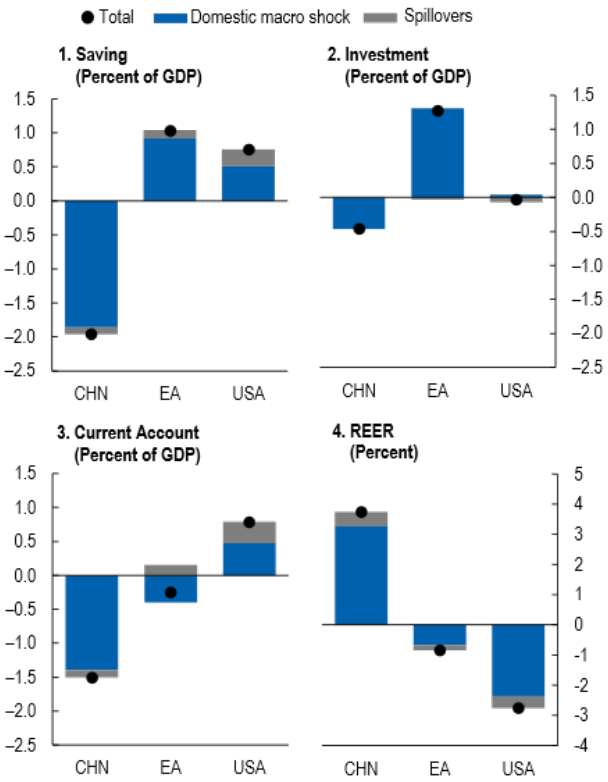
[16] Further quantitative details about the shocks hitting each economy as well as broader short-term and longer-term macroeconomic effects of the shocks for each country and the global economy are presented in Box 1.1 in the April 2025 *World Economic Outlook*.

[17] Saving is private saving less government dissaving and investment is the sum of private and public investment.

[18] The reported sum of spillover effects in Figure 1.23 understates the impact of individual foreign factors, as positive and negative effects can partly cancel out.

and creditor countries, with creditor countries experiencing substantial valuation losses. Given the centrality of the United States in the international monetary system (IMS), a sustained erosion of confidence in its fiscal capacity could trigger significant ripple effects (Chapter 2). Similarly, persistent reliance on a current account surplus to accommodate domestic imbalances poses risks of additional backlash from countries absorbing global imbalances and perceiving to be exposed to beggar-thy-neighbor policies. A further spiral of retaliation and escalation could splinter the world economy, with profound effects on cross-border trade, financial flows, and the IMS.

Figure 1.25. Medium-Term Impact of Narrowing Domestic Imbalances
(Deviations from baseline)



Source: IMF staff calculations.
Note: The figure shows medium-term responses for selected macro variables, captured in the model at the five-year horizon. All responses are reported as percentage point deviations from baseline. For each country "domestic macro shock" reports the response to domestic shock: rebalancing and productivity gains for China, fiscal consolidation for the United States, and higher public spending for the euro area. "Spillovers" shows total domestic impact from foreign shocks. Reported model responses are for three countries/regions: (1) China, (2) the euro area, and (3) the United States. Other countries/regions included in the model are not shown. Data labels in the figure use International Organization for Standardization country codes. REER = real effective exchange rate, with a decrease representing a depreciation.

Narrowing Domestic Imbalances

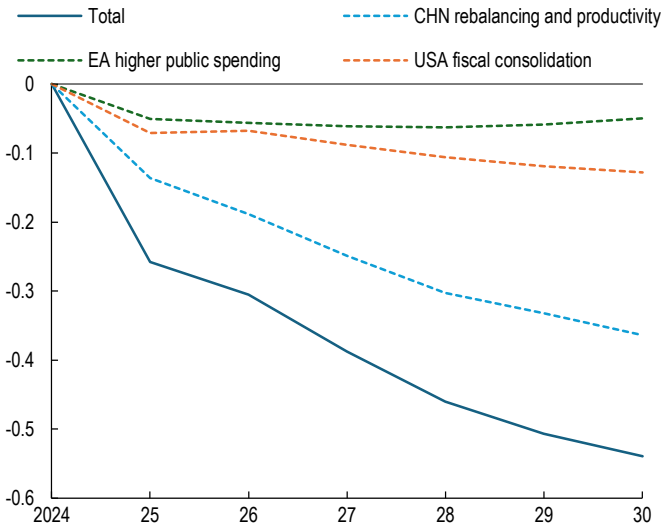
Homegrown surpluses and deficits can be met with homegrown solutions. To discuss external sector implications of such an event, a scenario with an alternative set of policies—rebalancing and productivity gains in China, lower US government debt, and higher public spending in the euro area—is examined (April 2025 *World Economic Outlook,* Box 1.1, scenario B).

Addressing domestic imbalances would lead to a convergence of current account balances (Figure 1.25). In China, structural reforms and strengthening of social safety nets lead to increased market dynamism and productivity gains, boosting demand at short and medium horizons. As a result, private consumption booms and the saving rate falls significantly in the medium term. Economic activity shifts from the public sector to the private sector, with the investment rate of the public sector declining. The demand boom appreciates China's REER, supporting import growth and dampening exports. China's current account surplus decreases substantially, reflecting the reduction in the saving rate. In the United States, a sustained revenue-neutral fiscal consolidation leads to a substantial reduction in government dissaving, increasing the domestic saving rate in the medium term. The growth-friendly nature of the fiscal consolidation ensures that negative effects on output are avoided, with the medium-term investment rate broadly unchanged, following an initial decline. Fiscal consolidation depreciates the REER, supporting exports and constraining imports. Reflecting the higher saving rate, the current account increases in the medium term. The euro area implements a sustained increase in public investment on infrastructure and spending on defense, which widens the government deficit and increases debt. Higher public spending is financed partially through reallocation of existing spending, and partially through a higher government deficit. This pushes up aggregate demand in the short term and increases interest rates. The higher rates induce higher private saving, and the domestic saving rate goes up. The resulting higher stock of public capital raises the

economy's productivity and potential output permanently. Public investment crowds out private investment in the short term, but the aggregate investment rate increases in the medium term. REER appreciation pressure from the stimulus is contained, leaving the medium-term REER broadly unchanged. The public stimulus boosts imports and reduces the current account surplus.

Domestic macro forces remain the largest contributors to external sector adjustments in each economy, along with sizable spillovers. The large and sustained decline in saving and current account surplus in China, induced by domestic rebalancing and productivity gains, increases current account balances in the euro area and the United States, accounting for 30 percent of the increase for the latter. In contrast to the previous scenario of diverging domestic imbalances, the convergence scenario significantly reduces medium term global current account balances by about ½ percentage point of world GDP. The large decline in the saving rate in China contributes 68 percent to the overall decline by 2030, with the US and euro area fiscal policies providing significant additional contributions (Figure 1.26).

Figure 1.26. Impact of Narrowing Domestic Imbalances on Global Current Account Balance
(Percent of world GDP)

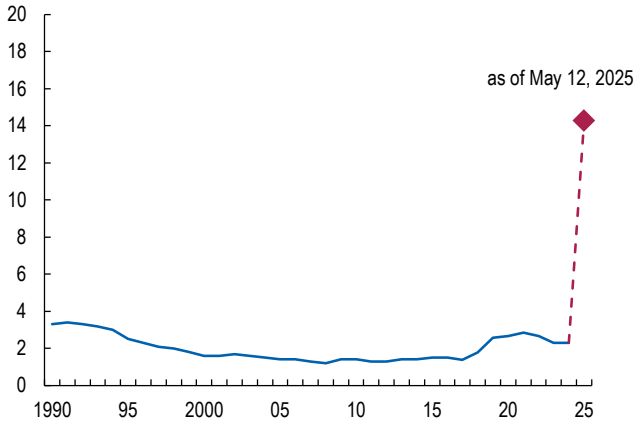


Sources: IMF, World Economic Outlook database; and IMF staff estimates (Global Integrated Monetary and Fiscal Model).
Note: "Total" is the sum of the individual components "USA fiscal consolidation;" "EA higher public spending," and "CHN rebalancing and productivity gains." The figure shows the results from simulations using the IMF's Global Integrated Monetary and Fiscal model. The global current account balance is calculated as the sum of absolute values of current accounts across countries. Data labels in the figure use International Organization for Standardization country codes. EA = euro area.

Rising Trade Barriers and Geopolitical Tensions

Tariff surges through the first five months of 2025 or a further escalation of the trade war would have significant negative macroeconomic effects (Figure 1.27).[19] In the short term, tariffs would reduce global demand, lead to a negative supply shock (especially for the imposing countries), and add to inflationary pressures through rising import prices. Discriminatory tariffs are expected to divert trade away from the tariff-imposing countries and toward third markets, potentially prompting further protectionist responses (Rotunno and Ruta, forthcoming). Depending on the breadth of the rising tariffs and retaliatory dynamics, there could be scope for trade diversion, with some regions temporarily benefiting (Schulze and Xin, forthcoming). However, such positive effects would be short-lived. Over time, the impact on economic activity would become uniformly negative across countries, as rising trade costs lead to reduced capital accumulation, resource misallocation, and loss of efficiency and knowledge hubs (Aiyar and others 2023; Campos and others 2023; Gopinath and others 2024). Rising

Figure 1.27. US Effective Tariff Rates on All Imports
(Percentage points)



Sources: US International Trade Commission; and IMF staff calculations.
Note: The figure shows the US effective tariffs, defined as government import duties over total Imports. For the year 2025, tariffs are calculated as traded weighted tariffs for each product-country pair, based on announcements until May 12.

[19] For a more detailed illustration of the macroeconomic effects of rising import tariffs, see the discussion of the tariff war layer in the April 2025 *World Economic Outlook,* Box 1.1.

geopolitical tensions could open up the possibility of changes in the IMS, with potential implications for macro-financial stability (Chapter 2).

The impact of tariffs on the current account is likely limited. Tariffs can discourage imports, which, taken in isolation, would increase the trade balance and the current account. However, this direct trade effect is only part of the complex effects that tariffs can have on the external balance. Their full effects on current account ultimately work through aggregate saving and investment. Box 1.3 illustrates the effects using a model-based scenario calibrated to the April 2025 escalatory tariff episode between the United States and China. The box finds that import tariffs do not have a robust impact on the gap between aggregate saving and investment, with varying short-term and longer-term current account responses in major economies. Furthermore, even for very large tariffs, the response of the current account is limited in economic terms.[20] Consistent with the model-based findings, existing empirical research finds that tariffs have had a limited impact on external balances in recent decades (Furceri and others 2022; Boz, Li, and Zhang 2019; April 2019 *World Economic Outlook,* Chapter 4).[21] Nor did the tariffs in the United States in 2018 have a major impact on the US current account balance. During this period, the current account was instead impacted by US fiscal policy, highlighting the role of domestic macro policies in driving external balances (2021 *External Sector Report,* Chapter 2).

Import tariffs are likely to have a limited impact on global imbalances. Illustrative results from a tariff scenario in Box 1.3 reveal that a major escalation in tariffs between the United States and China would widen the global current account balances in the short term and narrow them modestly in the medium term. Quantitative model results suggest that the April 2025 tariff hikes between the United States and China would reduce medium-term global balances by 0.12 percent of world GDP. Furthermore, this reduction in global balances is accompanied by significant negative macroeconomic effects (April 2025 *World Economic Outlook,* Box 1.1).

[20] Beyond a model scenario, responses of aggregate saving and investment can be sensitive to the exact nature of the rising trade costs, including their breadth, perceived permanence, accompanying uncertainty, speed of implementation, and retaliation or escalation, including through non-market policies. Another key complication stems from the responses of macroeconomic policies, in particular fiscal and monetary policies, which can significantly influence external sector outcomes.

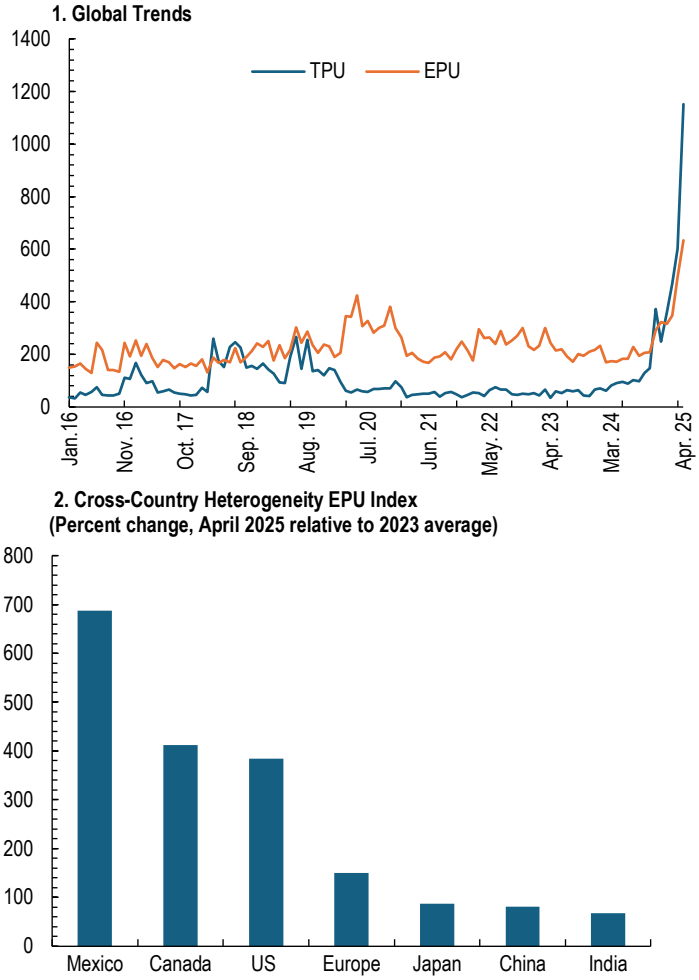
[21] Several recent model-based examinations of the topic reach similar conclusions. Costinot and Werning (2025) argue that the effect of tariffs on the current account balance is likely moderate. Quantitatively, Barattieri, Cacciatore, and Ghironi (2021) and Kalemli-Özcan, Soylu, and Yildirim (2025) find small effects of tariffs on the current account in the presence of retaliation.

Prolonged High Trade Policy Uncertainty

Beyond the risk of higher trade barriers, policy uncertainty—especially that related to trade policy—continues to surge to unprecedented levels (Figure 1.28.1). Unpredictability about tariffs poses risks to global investment and growth, separate from the level of tariffs (April 2025 *World Economic Outlook,* Box 1.1; Caldara and others 2020). It can diminish domestic demand by undermining consumer and business confidence, increase financial market volatility, and lead to persistent appreciations of the US dollar, with negative spillovers to economic activity in emerging markets (Handley and Limão 2017; Allen and others 2025; Albrizio and others, forthcoming). Prolonging the policy uncertainty will magnify these effects.

The degree of increase in uncertainty varies significantly across economies, potentially affecting current account balances. Cross-economy variation will depend on the exposure to protectionist measures through trade and financial linkages as well as broader geopolitical linkages (Figure 1.28.2). This variation in policy uncertainty could pose distinct external sector risks, with domestic demand and investment rates falling disproportionately, and current accounts increasing in countries that are more exposed and decreasing in economies that are relatively less exposed (Box 1.4). With its effective tariff rates increasing the most, if the United States is disproportionately exposed to the prolonged trade policy uncertainty, the result would be a somewhat narrower US current account deficit, temporarily mitigating global imbalances. On the other hand, if current account surplus economies are disproportionately affected, the prolonged uncertainty would temporarily increase the surpluses, which could be an added headwind for efforts to rebalance the global economy. However, the quantitative findings in Box 1.4 indicate that even for a large and heterogeneous surge in uncertainty, the impacts on external balances are limited.

Figure 1.28. Surging Policy Uncertainty



Sources: Baker, Bloom and Davis (2016); Davis (2016); Zalla (2016), Hardouvelis, and others (2018); Arbatli, and others (2019); Davis, Liu, and Sheng (2019); Ghirelli, Perez, and Urtasun (2019); and IMF staff calculations.
Note: The global EPU is calculated as the GDP-weighted average of the 15 national EPU index values for which there is information until April 2025, using GDP data of 2023 from the IMF World Economic Outlook database. EPU = economic policy uncertainty; TPU = trade policy uncertainty.

Table 1.1. Selected Economies: Current Account Balance, 2022–25

	Billions of US Dollars				Percent of World GDP				Percent of GDP			
	2022	2023	2024	2025 Reference Scenario	2022	2023	2024	2025 Reference Scenario	2022	2023	2024	2025 Reference Scenario
Advanced Economies												
Australia	6	-5	-35	*-54*	0.01	0.00	-0.03	*-0.05*	0.4	-0.3	-1.9	*-3.1*
Belgium	-8	-4	-6	*-7*	-0.01	0.00	-0.01	*-0.01*	-1.3	-0.7	-0.9	*-1.1*
Canada	-7	-14	-11	*-3*	-0.01	-0.01	-0.01	*0.00*	-0.3	-0.6	-0.5	*-0.1*
France	-33	-30	12	*6*	-0.03	-0.03	0.01	*0.01*	-1.2	-1.0	0.4	*0.2*
Germany	160	252	267	*249*	0.16	0.24	0.24	*0.22*	3.8	5.6	5.7	*5.2*
Hong Kong SAR	37	32	53	*48*	0.04	0.03	0.05	*0.04*	10.2	8.5	12.9	*11.4*
Italy	-36	3	27	*22*	-0.04	0.00	0.02	*0.02*	-1.7	0.1	1.1	*0.9*
Japan	90	159	193	*142*	0.09	0.15	0.17	*0.13*	2.1	3.8	4.8	*3.4*
Korea	26	33	99	*63*	0.03	0.03	0.09	*0.06*	1.4	1.8	5.3	*3.5*
The Netherlands	69	114	122	*130*	0.07	0.11	0.11	*0.11*	6.6	9.9	9.9	*10.2*
Singapore	94	89	96	*96*	0.09	0.08	0.09	*0.09*	18.4	17.7	17.5	*17.1*
Spain	5	43	52	*44*	0.00	0.04	0.05	*0.04*	0.4	2.7	3.0	*2.4*
Sweden	27	41	45	*42*	0.03	0.04	0.04	*0.04*	4.7	7.0	7.4	*6.8*
Switzerland	72	47	47	*48*	0.07	0.04	0.04	*0.04*	8.7	5.2	5.1	*5.0*
United Kingdom	-66	-118	-97	*-141*	-0.06	-0.11	-0.09	*-0.12*	-2.1	-3.5	-2.7	*-3.7*
United States	-1012	-905	-1134	*-1138*	-0.99	-0.85	-1.03	*-1.01*	-3.9	-3.3	-3.9	*-3.7*
Emerging Market and Developing Economies												
Argentina	-4	-22	6	*-3*	0.00	-0.02	0.01	*0.00*	-0.6	-3.4	1.0	*-0.4*
Brazil	-42	-28	-61	*-49*	-0.04	-0.03	-0.06	*-0.04*	-2.2	-1.3	-2.8	*-2.3*
China	443	263	424	*363*	0.44	0.25	0.38	*0.32*	2.4	1.4	2.3	*1.9*
India[1]	-67	-26	-31	*-40*	-0.07	-0.02	-0.03	*-0.03*	-2.0	-0.7	-0.8	*-0.9*
Indonesia	13	-2	-9	*-21*	0.01	0.00	-0.01	*-0.02*	1.0	-0.1	-0.6	*-1.5*
Malaysia	13	6	6	*7*	0.01	0.01	0.01	*0.01*	3.2	1.5	1.4	*1.6*
Mexico	-18	-6	-6	*-8*	-0.02	-0.01	-0.01	*-0.01*	-1.2	-0.3	-0.3	*-0.5*
Poland	-16	14	2	*-3*	-0.02	0.01	0.00	*0.00*	-2.3	1.8	0.2	*-0.3*
Russian Federation	238	49	62	*33*	0.23	0.05	0.06	*0.03*	10.4	2.4	2.9	*1.6*
Saudi Arabia	150	35	-5	*-38*	0.15	0.03	0.00	*-0.03*	12.1	2.9	-0.5	*-3.1*
South Africa	-2	-6	-2	*-5*	0.00	-0.01	0.00	*0.00*	-0.5	-1.6	-0.6	*-1.2*
Thailand	-17	7	11	*6*	-0.02	0.01	0.01	*0.01*	-3.5	1.4	2.1	*1.2*
Türkiye	-46	-40	-10	*-17*	-0.05	-0.04	-0.01	*-0.02*	-5.1	-3.5	-0.8	*-1.2*
Memorandum items:[2]												
Euro Area	-15	263	461	*384*	0.0	0.2	0.4	*0.3*	-0.1	1.7	2.8	*2.3*
Global Current Account Balance	4,039	3,250	3928	*3734*	4.0	3.1	3.6	*3.3*	…	…	…	…
Statistical Discrepancy	425	312	532	*46*	0.4	0.3	0.5	*0.0*	…	…	…	…
Overall Surpluses	2,232	1,781	2215	*1883*	2.2	1.7	2.0	*1.7*	…	…	…	…
Of which: Advanced Economies	985	1,130	1437	*1294*	1.0	1.1	1.3	*1.1*	…	…	…	…
Overall Deficits	-1,807	-1,469	-1684	*-1837*	-1.8	-1.4	-1.5	*-1.6*	…	…	…	…
Of which: Advanced Economies	-1,260	-1,121	-1324	*-1384*	-1.2	-1.1	-1.2	*-1.2*	…	…	…	…

Sources: IMF, April 2025 *World Economic Outlook;* and IMF staff calculations.

Note: "…" indicates that data are not available or not applicable; SAR = Special Administrative Region.

[1]For India, data are presented on a fiscal year basis.

[2]The global current account balance is the sum of absolute deficits and surpluses. Overall surpluses and deficits (and the "of which" advanced economies) include non–*External Sector Report* economies.

Table 1.2. Selected Economies: Net International Investment Position, 2021–24

	Billions of US Dollars				Percent of World GDP				Percent of GDP			
	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024
Advanced Economies												
Australia	-613	-644	-544	-431	-0.6	-0.6	-0.5	-0.4	-37.0	-37.3	-31.2	-24.0
Belgium	402	334	332	400	0.4	0.3	0.3	0.4	67.2	56.2	51.5	60.1
Canada	1,086	776	1,074	1,388	1.1	0.8	1.0	1.3	53.7	35.4	49.4	61.9
France	-951	-698	-865	-643	-1.0	-0.7	-0.8	-0.6	-32.0	-25.0	-28.3	-20.3
Germany	2,922	2,932	3,169	3,668	3.0	2.9	3.0	3.3	67.2	70.4	70.0	78.7
Hong Kong SAR	2,111	1,769	1,759	2,044	2.2	1.7	1.7	1.8	574.0	491.8	460.5	499.9
Italy	132	89	168	363	0.1	0.1	0.2	0.3	6.0	4.2	7.3	15.3
Japan	3,678	3,101	3,257	3,589	3.8	3.0	3.1	3.2	75.6	74.9	79.6	89.8
Korea	685	801	810	1,102	0.7	0.8	0.8	1.0	35.3	44.5	44.1	59.0
The Netherlands	714	562	611	731	0.7	0.6	0.6	0.7	67.7	53.7	52.9	59.6
Singapore	1,004	871	906	804	1.0	0.9	0.9	0.7	229.9	171.0	179.3	146.9
Spain	-969	-840	-838	-758	-1.0	-0.8	-0.8	-0.7	-66.3	-58.0	-51.7	-44.0
Sweden	126	197	233	403	0.1	0.2	0.2	0.4	19.8	34.0	39.8	66.0
Switzerland	867	787	918	1,180	0.9	0.8	0.9	1.1	106.5	95.0	102.6	126.0
United Kingdom	-391	-369	-461	-357	-0.4	-0.4	-0.4	-0.3	-12.4	-11.8	-13.7	-9.8
United States	-18,833	-16,264	-19,853	-26,232	-19.3	-16.0	-18.7	-23.8	-79.5	-62.5	-71.6	-89.9
Emerging Market and Developing Economies												
Argentina	124	123	108	67	0.1	0.1	0.1	0.1	25.6	19.5	16.8	10.6
Brazil	-601	-825	-1,102	-751	-0.6	-0.8	-1.0	-0.7	-36.0	-42.3	-50.3	-34.6
China	2,186	2,422	2,851	3,296	2.2	2.4	2.7	3.0	12.0	13.2	15.6	17.6
India	-377	-376	-370	-369	-0.4	-0.4	-0.3	-0.3	-12.2	-11.2	-10.5	-9.6
Indonesia	-277	-250	-258	-245	-0.3	-0.2	-0.2	-0.2	-23.4	-19.0	-18.8	-17.6
Malaysia	22	12	22	-3	0.0	0.0	0.0	0.0	5.8	3.0	5.4	-0.6
Mexico	-552	-614	-758	-590	-0.6	-0.6	-0.7	-0.5	-41.9	-41.9	-42.3	-31.8
Poland	-266	-244	-275	-258	-0.3	-0.2	-0.3	-0.2	-38.6	-35.1	-33.8	-28.2
Russian Federation	487	768	856	949	0.5	0.8	0.8	0.9	26.6	33.5	41.6	43.6
Saudi Arabia	704	778	765	735	0.7	0.8	0.7	0.7	71.6	62.8	62.8	59.4
South Africa	102	82	102	115	0.1	0.1	0.1	0.1	24.3	20.3	26.7	28.8
Thailand	40	-24	13	43	0.0	0.0	0.0	0.0	7.9	-4.9	2.5	8.2
Türkiye	-238	-358	-311	-295	-0.2	-0.4	-0.3	-0.3	-29.4	-39.5	-27.5	-22.3
Memorandum items:												
Euro Area	-66	308	483	1,736	-0.1	0.3	0.5	1.2	-0.4	2.1	3.1	10.9
Statistical Discrepancy	-6,999	-5,433	-7,645	-9,225	-7.2	-5.3	-7.2	-8.4	…	…		
Overall Creditors[1]	20,942	19,883	21,895	25,485	21.5	19.5	20.6	23.1	…	…		
Of which: Advanced Economies	16,996	15,405	16,883	19,952	17.4	15.1	15.9	18.1	…	…		
Overall Debtors[1]	-27,941	-25,316	-29,540	-34,711	-28.6	-24.9	-27.8	-31.4	…	…		
Of which: Advanced Economies	-23,248	-20,265	-23,988	-29,674	-23.8	-19.9	-22.6	-26.9	…	…		

Sources: IMF, April 2025 *World Economic Outlook;* US Bureau of Economic Analysis; and IMF staff calculations.
Note: "…" indicates that data are not available or not applicable; SAR = Special Administrative Region.
[1]Overall creditors and debtors (and the "of which" advanced economies) include non–*External Sector Report* economies.

Policy Priorities for Promoting External Rebalancing

Intensifying trade tensions have brought to light one of the risks that excessive global balances pose. Current account deficits and surpluses are not in themselves undesirable, but those in excess of what is warranted by country fundamentals and desirable policies carry risks. Excess current account balances could reflect the inefficient allocation of resources, exacerbate the risk of sudden stops and reversals in capital inflows where the NIIP is negative, contribute to exacerbating geoeconomic fragmentation, or increase trade tensions.

Promoting external rebalancing requires both excess current account surplus and deficit economies to act collectively. As emphasized in the April 2025 *World Economic Outlook*, domestic macroeconomic policies are key to addressing excessive external balances. Durable market-oriented structural reforms can boost insufficient domestic demand and lift medium-term growth prospects, promoting investment. Fiscal consolidation, where warranted, can help rebuild fiscal buffers and increase saving. While trade policies have a limited direct effect on external rebalancing, underlying trade tensions should be resolved, to promote clarity and transparency, and deepen economic integration through nondiscriminatory reductions in trade barriers or by pursuing comprehensive free trade agreements at the regional, plurilateral or multilateral level. Industrial policies should be limited to specific objectives in sectors where externalities or market failures prevent effective market solutions and should undergo comprehensive cost-benefit analyses in the context of limited fiscal space. Industrial policies must also be consistent with international obligations. Pragmatic international cooperation remains vital in sustaining global growth and mitigating cross-country spillovers. This is best pursued through multilateral initiatives on challenges facing the global commons, while seeking flexible plurilateral or regional solutions to address trade issues, modernizing trade rules where necessary, and avoiding unilateral trade restrictions.

Sustaining liquidity in the global financial system will be essential in navigating a global economy with heightened uncertainty and the associated increase in risks. Monetary policy needs to be carefully calibrated as uncertainty intensifies the trade-offs faced by central banks. A well-functioning IMS needs to keep providing global public goods, including the global financial safety net, that underline balanced growth and financial stability. Disruptive financial volatility and foreign exchange movements should be mitigated, and the IMF's Integrated Policy Framework provides guidance on policy responses based on country-specific factors. The approval of the 16th General Review of Quotas further fortifies liquidity in the global financial system and needs to be followed up by members consenting to their respective quota increase.

Policies to promote external rebalancing are tailored for the external position and needs of individual economies. These policies are detailed in the individual economy assessments in Chapter 3 (and summarized in Annex Table 1.1.6).

- ***Economies with stronger than warranted external positions*** **should focus on policies that promote investment and limit excess saving.** In China, expansionary fiscal policy, to support consumption by scaling up social spending, and market-oriented structural reforms, including a scale-back of industrial policies, would help reduce excess saving. Structural policies that promote investment, for example by improving the business environment, liberalizing the FDI regime (India) and easing regulatory hurdles (Poland) can help external rebalancing. In some cases, expansionary fiscal policy is needed to invest in transportation and energy (Germany), and to spend on health care and human capital (Singapore). Improving social safety nets where needed would promote private consumption and help decrease the need for excess saving.

- ***Economies with weaker than warranted external positions*** **should focus on policies that boost saving and competitiveness.** In the United States, fiscal consolidation, that together with growth-enhancing easing of regulatory burden puts the debt-to-GDP ratio on a downward path, would increase public saving, supporting rebalancing. Structural policies that boost competitiveness and can help

external rebalancing include promoting and investing in research and development (Australia, Canada, Italy) and reforming labor and product markets (Belgium).

- ***Economies with external positions broadly in line with fundamentals* should continue to address domestic imbalances to head off excessive external imbalances.** In many cases, fiscal consolidation is needed to maintain external balance (Brazil, France, Hong Kong SAR, Japan, Saudi Arabia, South Africa) along with structural reforms to improve productivity and increase investment (France), increase competitiveness (Brazil, South Africa), and diversify the economy (Saudi Arabia). Over the medium term, increasing the fiscal space would help address the needs of an aging population (Korea).

Box 1.1. Measuring Current Account Balance

This box discusses two challenges in measuring current account data, which is essential for monitoring and assessing external sector developments in a multilaterally consistent manner. Measurement and consistency challenges have increased with the deepening of cross-border transactions in both trade and finance, including via the operation of multinational enterprises (MNEs), and the implementation in full of the Balance of Payments (BoP) change-of-ownership principle in some countries.

(1) **Trade Balance Estimates under Complex Production Chains.** Exports and imports in the BoP should capture change in ownership of goods between residents and non-residents.[1] As production arrangements and corporate structures become increasingly complex, the BoP concept of trade increasingly diverges from the customs concept, as the latter only captures the physical movement of goods across borders rather than actual changes of ownership. This can potentially result in large gaps between trade in goods estimates from BoP statistics and Customs data**.** In particular, the adoption of the BoP statistical framework increases the number of adjustments to customs data needed to make it consistent with BoP principles, as adjustments for factors such as merchanting, goods-for-processing and factoryless goods production (outsourcing of physical manufacturing activities) are added to earlier adjustments for traditional items such as transport and insurance margins on imports. In principle, the sum of these adjustments—which typically require collecting the necessary information directly from company surveys—should be equivalent to the difference between the customs data and BOP data. The challenge is to correctly and consistently measure trade following the BOP principles when change in ownership can often occur without goods crossing borders.

(2) **Expanding Primary Income Flows.** International balance sheets have grown significantly and become more complex in recent decades. In addition, global primary income flows have expanded markedly following monetary policy normalization in 2022 and the associated rise in interest rates (Donato and Tille 2025). The expanded income flows should be correctly reflected in the current account data.

Customs-BoP Trade Flow Differences

The analysis compares customs-BoP trade flow differences for countries with available data over the last two decades. To examine the current account impact of customs-BoP trade flow differences, BoP-based current account identity is rearranged to identify the term of interest:

$$CA_{BOP} = TB^{G}_{BOP} + TB^{S}_{BOP} + IB_{BOP}$$

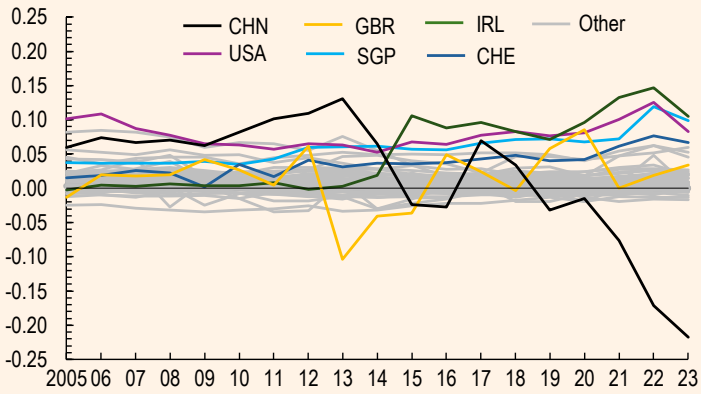
$$CA_{BOP} = \underbrace{TB^{G}_{BOP} - TB^{G}_{CUS}}_{\text{Customs-BOP difference}} + TB^{G}_{CUS} + TB^{S}_{BOP} + IB_{BOP}$$

where TB and IB denote trade and income balances, subscripts—BoP and CUS—denote BoP and customs as data sources, and superscripts G and S denote the goods and services components of the trade balance. To focus on globally significant cases, the difference in trade balances as measured in customs and BoP data is normalized by global GDP, $\left(TB^{G}_{BOP} - TB^{G}_{CUS}\right) / GDP^{Global}$.

Box 1.1 *(continued)*

Country-level customs-BoP differences – measured in percent of global GDP— exhibit a three-fold increase in their cross-country variance after 2020 (see Figure 1.1.1). This rise in variance follows relative stability in the prior period and has been driven by several countries, including China, Ireland, Singapore, Switzerland, the United Kingdom and the United States. The most globally sizable change since 2020 has been China.

Figure 1.1.1. Customs-BOP Trade Balance Adjustments
(Percent of global GDP)



Sources: IMF, International Financial Statistics database; WEO IMF: Haver Analytics.
Note: Based on a sample of 179 countries with available data. To address data coverage gaps, customs data from the IFS for Singapore, was suplemented with data from Haver Analytics.

The sources of these customs-BoP differences are complex. Both BoP statistical practices and the degree of global supply chain participation could affect these gaps. A gap does not necessarily imply a measurement error, nor does the absence of a gap imply no measurement error. For instance, a sizable gap between goods changing ownership versus goods crossing borders can be expected for a country that implements the change-of-ownership principle and is significantly engaged in global supply chains. For countries that are still resorting to adjusting customs data (rather than entity surveys) to measure trade by the change of ownership, the difference between customs and BoP data could be small because they are not fully capturing the change-of-ownership principle. Yet, absence of a gap in such a case need not be a sign of mismeasurement either, especially in the case of a limited global supply chain participation.

Steps should be taken by the authorities to improve the measurement of trade data in BoP statistics and to dispel concerns of potential measurement errors. All countries should aim to implement the latest international standards and measure trade in goods on a change-of-ownership basis in the BoP. For countries with large gaps between customs and BoP trade data, conducting further analysis on drivers of the gap (e.g. trends in factoryless goods production) can help improve transparency and dispel data concerns. While in some cases (e.g. Ireland), bilateral partner data are available and select countries report the contribution of merchanting to the overall adjustment, broader cross-country coverage from all countries is needed to validate the multilateral consistency of adjustments implemented by individual countries.[2] The absence of such information leaves open risks of mismeasuring current account data in globally systemic countries and thus mis-representing the evolution in global imbalances.

Rising Interest Rates and Primary Income Balance

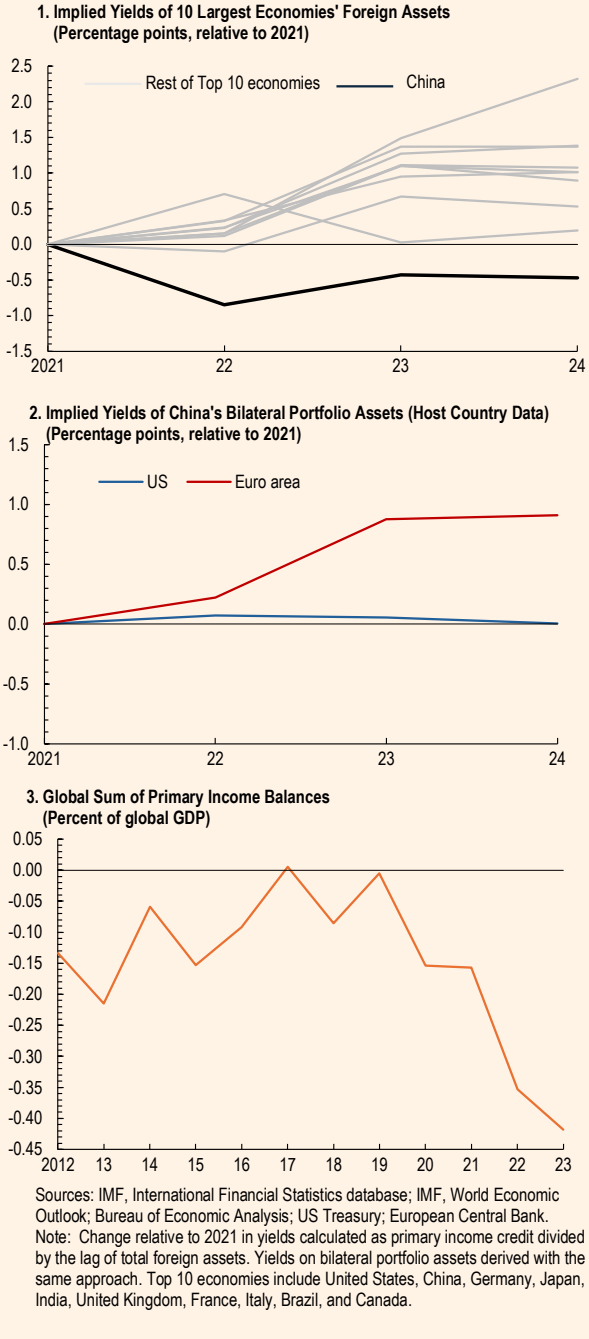
The issue is examined by comparing implied yields on foreign assets for the 10 largest economies and by examining the global adding-up constraint for primary income flows.

Box 1.1 *(continued)*

Consistent with the global rise in interest rates, implied yields from BoP primary income flows after 2021 increased in all major economies, except China. The top 10 largest economies saw implied yields on assets (and liabilities) increase significantly during 2022-24 relative to 2021, as expected. In contrast, China experienced a sizable decline in the implied yield on assets, which in 2024 is estimated to have remained below the 2021 level (Figure 1.1.2, panel 1). Further analysis of the decline in yields in China is hindered by the lack of detailed primary income flow data.[3]

An analysis of mirror bilateral primary income flow data and the global discrepancy in primary income flows does not support the recent declining yields in China. In the absence of detailed data for China, two alternative avenues are pursued. First, examination of bilateral implied yields from the United States and the euro area—two major partners that report detailed bilateral flows and account for 31 percent of China's foreign portfolio assets—jointly show increasing yields of China's portfolio assets, which does not support the decline implied by China's BoP data (Figure 1.1.2, panel 2). Second, the global discrepancy in primary income flows has widened
after 2021 beyond levels observed over the previous decade (Figure 1.1.2, panel 3). This widening discrepancy could be related to declining primary income yields in China but could also stem from measurement issues in the rest of the world. Overall, these findings reveal uncertainty about the size of China's primary income balance credit flows and, hence, its primary income balance and the current account. Steps should be taken by the authorities to address these data gaps.

Figure 1.1.2. Primary Income Yields and Global Discrepancy



Sources: IMF, International Financial Statistics database; IMF, World Economic Outlook; Bureau of Economic Analysis; US Treasury; European Central Bank.
Note: Change relative to 2021 in yields calculated as primary income credit divided by the lag of total foreign assets. Yields on bilateral portfolio assets derived with the same approach. Top 10 economies include United States, China, Germany, Japan, India, United Kingdom, France, Italy, Brazil, and Canada.

Box 1.1 *(continued)*

Implications for Global Current Account Balances and External Balance Assessment (EBA)

Current account mismeasurement in systemic countries could adversely impact the monitoring of global current account balances or the EBA assessment. In the current juncture, proper monitoring of external sector risks calls for improving the transparency and confidence in the data quality, especially for globally systemic countries.

[1] If a country compiles its BoP trade in goods statistics directly from customs data—reflecting the physical movement of goods—without adjusting for the change-of-ownership principle prescribed by the BoP Manual, the recorded transactions may not reflect actual cross-border ownership changes, ultimately causing discrepancy between the current and financial accounts that results in errors and omissions.

[2] For further details, see Central Statistics Office of Ireland, 2018.

[3] After 2004, China stopped reporting primary income flow credit and debit breakdowns into items of the BoP (such as FDI, portfolio or other investment).

Box 1.2. Spillovers from Large Current Account Surpluses and Deficits

This box discusses potential spillovers from current account balances that are large relative to the global economy. For both deficits and surpluses, such large imbalances have repercussions on the rest of the world, going beyond the effects on their own domestic economy.[1]

While large current account imbalances—both surpluses and deficits—can contribute to systemic macrofinancial risks, the implications are more straightforward for deficits than for surpluses (Blanchard and Milesi-Ferretti 2011; Gourinchas and Obstfeld 2012; Obstfeld 2012a). When large relative to an economy's size, the current account deficit is subject to market discipline, either gradually through a slow rise in spreads or rapidly through a balance of payments crisis. Foreign capital inflow often fuels excessive borrowing in these episodes, sowing the seeds of eventual fiscal or financial crises, which would have both national and global consequences when the host economy has a large weight in the global economy. For example, Morelli, Ottonello, and Perez (2022) identify a strong correlation between emerging market bond premiums and the net worth of global banks following the collapse of Lehman Brothers in the United States in 2008. However, few obvious countervailing market forces apply to large surpluses, be it large ones relative to the national or global economy. The 2017 *External Sector Report* and Edwards (2008) find that surplus adjustments are infrequent and tend to be more protracted than deficit adjustments. Similarly, Blanchard and Milesi-Ferretti (2011) argue that, while persistent current account surpluses may be undesirable, they are largely sustainable. As a result, large surpluses can have prolonged global consequences without mid-course corrections by market forces.

For the first set of consequences, large and persistent surpluses in some economies (by suppressing global real interest rates) can magnify deficits in others and generate spillovers that ultimately spill back to large surplus economies themselves. Excess savings from globally sizable surpluses depress the global interest rate (Bernanke 2005; Caballero, Farhi, and Gourinchas 2008), encouraging risk-taking (Chodorow-Reich 2014; Becker and Ivashina 2015; Dell'Ariccia, Laeven, and Suarez 2017) and excessive leverage in deficit countries (Rey 2015). While such conditions heighten the risk of external crises in deficit countries (Calvo, Izquierdo, and Mejía 2004; Cubeddu, Hannan, and Rabanal 2023), large surplus countries can also be exposed to crises in deficit countries, not only through net exposure but also (and more important) through gross exposure (Obstfeld 2012b). By creating indirect financial linkages among borrowing deficit countries, large surplus countries can inadvertently exacerbate financial contagion of such crises in deficit countries. For example, Kaminsky and Reinhart (2000) document sizable cross-country exposure among Asian countries through their largest common creditor, Japan, on the eve of the Asian financial crisis. They argue that the progression of the crisis in Thailand caused Japanese commercial banks to restrict credit to Indonesia, Korea, Malaysia, the Philippines, and Thailand, resulting in a broader reversal of capital flows. Acharya and Steffen (2015) and Frey and Weth (2019) document similar common creditor behavior in European periphery countries before the European debt crisis, noting that these creditors also markedly reduced their exposure to periphery sovereign bonds as the crisis unfolded. Large surpluses and the accumulation of external claims can also be the symptom of domestic distortions (such as financial repression at home that depresses real returns) or create new financial vulnerabilities when external positions grow too large to be effectively hedged, potentially increasing the risk of a domestic crisis that in turn would reverse external flows and add financial pressure to counterpart deficit countries.

Box 1.2 *(continued)*

Second, increasing current account surplus in large economies can alter policy trade-offs for trading partners, potentially generating negative spillovers on economic activity. Negative aggregate demand shocks in large surplus countries can have negative spillovers when trade partners are constrained by the effective lower bound and thus are unable to offset the shock by easing monetary policy (for example, Eggertsson, Mehrotra, and Summers 2016; Caballero, Farhi, and Gourinchas 2021). By contrast, terms-of-trade shocks arising from export promoting policies, such as subsidies or industrial policy, can have both positive and negative spillovers. While the resulting disinflationary effect can ease policy trade-offs in trade-partner countries facing domestic inflationary pressures, it may also exacerbate internal imbalances in countries where aggregate demand is weak or import-competing industries suffer. The potential beggar-thy-neighbor nature of these spillovers raises risks of trade retaliation, leading to outcomes in which all countries are worse off.

Lastly, a rapid increase in large surpluses can have unduly negative effects on bilateral trade partners or sectors, as the speed of adjustment interacts with existing frictions. Such surges, even if ultimately desirable, can materially impact employment and incomes in more trade-exposed industries and regions.[2] Empirical studies find asymmetric effects of trade liberalization, with regions that lose tariff protection experiencing more adverse outcomes than the rest (Topalova, 2010; Kovak, 2013; Dix-Carneiro and Kovak, 2017). Similar effects have been found for industries and regions more exposed to Chinese import competition following its WTO accession (Autor, Dorn and Hanson, 2013; Foliano and Riley, 2017; Donoso, Martín, and Minondo, 2015). When an economy faces large shocks and the adjustment becomes increasingly difficult, a gradual adjustment could be socially more efficient than a fast one. Lehr and Restrepo (2022) illustrate that the speed of adjustment is critical, with gradual adjustments generating less adverse distributional effects in the short term.

This box was prepared by Martin Caruso Bloeck and Ting Lan.

[1] Although the box discusses current accounts that are large relative to the global economy, the negative spillovers arise primarily from current account balances that exceed the levels consistent with medium-term fundamentals and desirable policies.

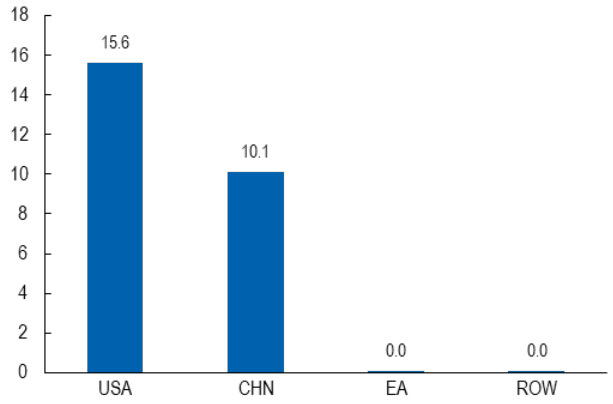
[2] The labor dislocations due to rapid increase in large surpluses come on top of large shocks due to rapid technological progress.

Box 1.3. Import Tariffs, Current Accounts, and Global Balances

This box discusses the impact of tariff increases on current account balances of major economies, using the IMF's Global Integrated Monetary and Fiscal model. It expands on the scenario analysis in Box 1.2 of the April 2025 *World Economic Outlook* that was motivated by tariff announcements in April 2025.

Tariff scenario. Tariff assumptions are based on a set of tariffs introduced during April 2–9, 2025. The United States imposes permanent tariffs including a baseline 10 percent tariff on most imports and an escalated 125 percent tariff on imports from China. China is the only country imposing retaliatory tariffs of 84 percent. As a result, effective import tariffs increase by 15.6 percent in the United States and by 10.1 percent in China, while remaining at zero for the rest of the world (Figure 1.3.1).

Figure 1.3.1. Effective Tariff Changes
(Percentage point deviation from baseline)



Source: IMF staff estimates.
Note: The figure shows the impact of April 2–9 tariffs on effective tariffs by 2030, based on the simulations using the IMF Global Integrated Monetary and Fiscal model. Effective tariffs are defined as government import duties over total imports. Data labels in the figure use International Organization for Standardization country codes. EA = euro area, ROW = rest of the world, excluding the euro area, China and the United States.

The impact on the current account depends on how tariffs affect the saving-investment balance with different effects in the short and medium terms.

Investment. Tariffs decrease investment rates (Figure 1.3.2, panel 1). On net, higher tariffs are a negative supply shock for the imposing countries, offsetting the underlying substitution effect from imports to domestic production. Tariffs reduce efficiency and expected investment returns, while simultaneously increasing investment costs by raising prices of imported capital goods (and imported inputs in production of domestic capital goods). Tariffs are also a negative demand shock for the tariffed countries. Economies that are more exposed to tariffs—particularly the United States and China—are more negatively affected. In those economies, the fall in the investment rate is gradual, partly because of short-term reallocations of capital induced by the permanently higher tariffs. Economies that are subject to tariffs and do not retaliate benefit from an accompanying real effective exchange rate depreciation, which attenuates the negative effect of tariffs on investment, leading to a marginal increase in medium-term investment rate in the euro area.[1]

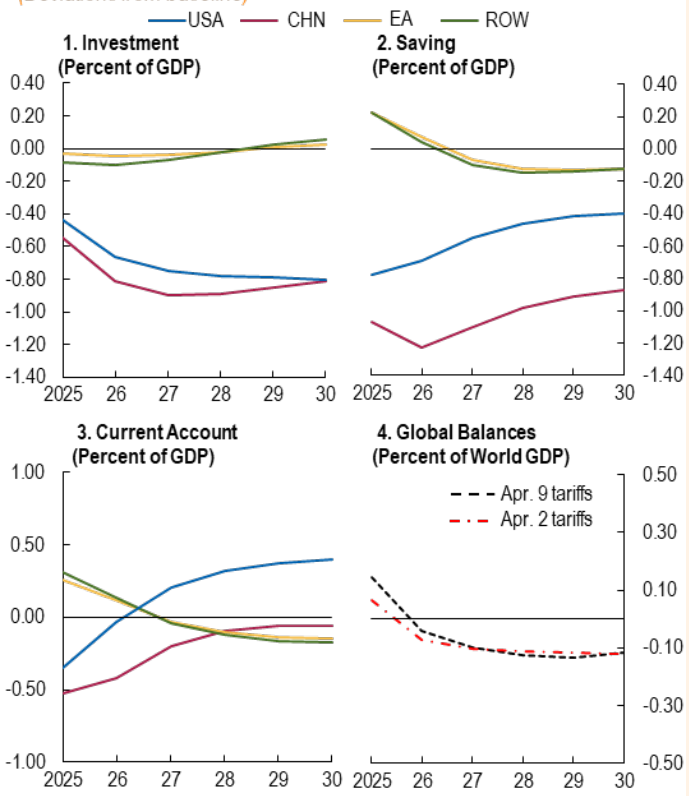
Saving. The response of saving rates to tariffs varies significantly across countries and is driven by private saving (Figure 1.3.2, panel 2). Impacts are front-loaded to accommodate tariff-induced short-term economic disruption in the most affected economies: the United States and China. Both see a large initial drop in saving rates because of larger short-term declines in output and income that lead consumers to save less. Subsequently, saving rates partially recover. By contrast, in the euro area the saving rate initially increases, as resources are channeled to the more affected economies, followed by a decline. Globally, saving rates and interest rates fall to align with the fall in investment.

Current account. The effect of tariffs on the current account mirrors the response of saving (Figure 1.3.2, panel 3). In the United States and China, where the decline in saving is front-loaded, current account initially falls, but in the medium term reverts toward zero (China) or increases (the United States). The reverse forces are at work in euro area, with an initial increase followed by a decrease. Despite sizable tariffs, quantitative impacts are limited, amounting to no more than one-tenth of reference current account balances.

Box 1.3. *(Continued)*

Global balances. Tariffs have a limited effect on global current account balances (Figure 1.3.2, panel 4). On impact, the model predicts that global current account balances, as a share of world GDP, will increase by 0.15 percentage point. This increase is driven by the larger initial current account deficit in the United States and higher current account surplus in the euro area, which more than offset a reduced surplus in China. In the medium term, all three major economies contribute to narrowing global current account balances, with the current account deficit in the United States declining and current account surpluses in China and the euro area also narrowing. However, despite the sizable tariffs, the magnitude of their narrowing effect on global balances is small at 0.12 percentage point. Figure 1.3.2, panel 4 also reports the effects of tariffs on global balances from an alternative scenario, capturing tariff announcements on April 2, 2025.[2] The results reveal essentially an identical impact on medium-term global balances. To put these model-based effects in context, in 2023–24 alone global balances increased by 0.6 percent of world GDP (Figure 1.1, panel 2), after declining by more than 2 percent of world GDP in the aftermath of the global financial crisis.

Figure 1.3.2. Impact of Tariffs on Investment, Saving, Current Account and Global Balances
(Deviations from baseline)



Source: IMF staff estimates.
Note: The figure shows results from tariff simulations using the IMF's Global Integrated Monetary and Fiscal model for the first five years by country. Baseline refers to the April 2025 *World Economic Outlook* projections. Panels 1–3 report results from the scenario with April 2–9 tariffs. Panel 4 compares the results of the April 2–9 tariff scenarios. Data labels in the figure use International Organization for Standardization country codes. EA = euro area, ROW = rest of the world, excluding the euro area, China, and the United States.

The assessment presented in this box may not capture all relevant channels through which tariffs can affect external balances. Some missing important factors include the degree of assumed tariff permanence, increased tariff uncertainty (Box 1.4), valuation effects on existing stocks of external assets and liabilities (Itskhoki and Mukhin 2025), and "tariff-jumping" through the cross-border reallocation of production. Nevertheless, the presented model scenario usefully conveys the complex general equilibrium effects which, through aggregate investment and saving rates, govern the effect of tariffs on current accounts.

This box was prepared by Roman Merga and Dirk Muir.

[1] See Box 1.2 in the April 2025 *World Economic Outlook* for more discussion on the effect of tariffs on exchange rates.

[2] Relative to the April 9 tariff scenario, the alternative excludes the United States-China tariff escalation, with bilateral import tariffs at 35 percent, and the pause on the tariffs on 57 countries. Effective import tariffs are reduced to 9.5 percent in the United States and to 3.3 percent in China.

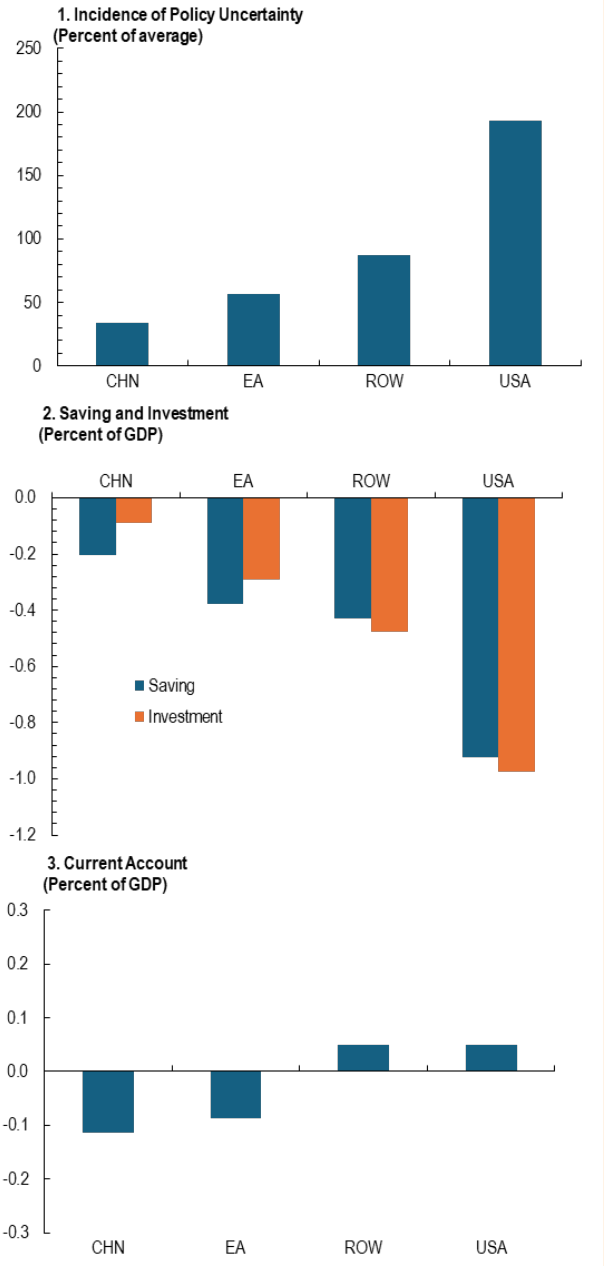
Box 1.4. Policy Uncertainty and External Balances

This box explores the effect of policy uncertainty on external balances in major economies using IMF's Global Integrated Monetary and Fiscal model scenario, building on scenario A in Box 1.1 of the April 2025 *World Economic Outlook*.[1]

Model scenario. Tariff shocks in April 2025 led to a large jump in global uncertainty—about 50 percent larger than the spike observed in 2018–19 and equivalent to a three-standard-deviation increase in the global economic policy uncertainty (EPU) measure in Davis (2016). The incidence of global uncertainty on US trading partners varies with the intensity of bilateral trade linkages with the United States. For the United States, the relevant trade linkage is that with the rest of the world. This country-specific exposure to trade policy uncertainty is very different across major economies, with uncertainty in the United States about six times higher than in China and three times higher than in the euro area (Figure 1.4.1, panel 1). Such differences are broadly consistent with the varying surge in uncertainty by April 2025, as captured by policy uncertainty indexes (Figure 1.28 and references therein).

The surge in global uncertainty has significant, negative global macroeconomic effects. In the short term, global investment falls by 3.3 percent at its trough in 2026, leading to a 0.9 percent decline in global output relative to the baseline.[2] Global consumption contracts accordingly and reduced global investment is matched by a decline in saving, accompanied by a fall in the global interest rate. Along with compressed economic activity, uncertainty has a negative effect on global trade flows, with trade openness falling in all economies.

Figure 1.4.1. Impact of Policy Uncertainty
(Deviations from baseline)

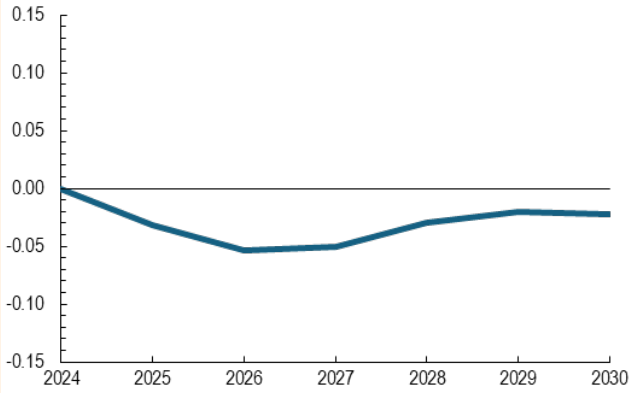


Sources: IMF, World Economic Outlook database; and IMF staff estimates (Global Integrated Monetary and Fiscal model simulations).
Note: The figure shows responses for selected macro variables, captured in the model at the two-year horizon. All responses are reported as percentage point deviations from baseline. Reported model responses are for four countries/regions: (1) China, (2) the euro area, (3) the United States, and (4) the rest of the world. Data labels in the figure use International Organization for Standardization country codes. EA = euro area.

Box 1.4. *(Continued)*

Model-based external sector outcomes of the policy uncertainty shock convey risk-sharing across countries. Figure 1.4.1, panel 2 reports the investment and saving responses, with countries ranked in ascending order by the incidence of the underlying uncertainty.[3] Investment falls in all economies, but more so in countries more exposed to the uncertainty, with global demand rebalancing toward less affected economies. Qualitatively, the same result holds for domestic income and saving. Consumption falls relatively less than income, also supported by lower interest rates, implying a lower saving rate in all regions. However, the fall in saving varies less across countries than the fall in investment because of the global risk sharing aspect of the shock response, as capital flows to equilibrate the global interest rate. The United States, being the most exposed to the uncertainty, exhibits the largest fall in investment rate, but a somewhat smaller fall in saving. At the other end of the spectrum, China is least exposed to the uncertainty, as its trade with the United States constitutes a smaller share of its GDP. Consequently, China sees the smallest fall in the investment rate, but saving falls by more than investment. A key implication is that current account temporarily increases in countries more affected by policy uncertainty and decreases in less-affected economies (Figure 1.4.1, panel 3). Quantitative effects on current accounts in major economies are limited. As a result of policy uncertainty, two years after the shock, the US current account increases by 0.05 percentage point of GDP, while in China it decreases by 0.11 percentage point and in the euro area it falls by 0.08 percentage point. Current account effects in smaller and more open economies with a disproportionate incidence of the uncertainty can be considerably larger. A larger or more persistent uncertainty shock would magnify these external sector findings.

Figure 1.4.2. Impact of Uncertainty Shock on Global Current Account Balance
(Percent of world GDP)



Sources: IMF, World Economic Outlook database; and IMF staff estimates (Global Integrated Monetary and Fiscal model simulations).
Note: The figure shows the results from simulations using the IMF's Global Integrated Monetary and Fiscal model. The global current account balance is calculated as the sum of absolute values of current accounts across countries.

The varying exposure to uncertainty contributes to narrowing the global current account balances, but its quantitative impact is limited (Figure 1.4.2). The deficit in the United States decreases, as do surpluses in China and the euro area, narrowing the dispersion of their current accounts. Quantitatively, global current account balances decline by 0.05 percentage point of world GDP by 2026. The limited effect is temporary, with global balances widening again as the uncertainty dissipates.

This box was prepared by Dirk Muir and Josef Platzer.

[1] The scenario is implemented in a Global Integrated Monetary and Fiscal model specification with 10 countries and regions, with results presented in this box further aggregated to three major economies (the United States, China, and the euro area) and the rest of the world. See Box 1.1 of the April 2025 *World Economic Outlook* for further discussion of the scenario.

[2] See Box 1.1 of the April 2025 *World Economic Outlook* for more details.

[3] Saving is private saving less government dissaving, and investment is the sum of private and public investment. In addition to the bilateral trade exposure to the United States, country-specific characteristics, such as relative size of the service sector or the size of fiscal multipliers, contribute to heterogeneity in investment and saving responses.

Annex Table 1.1.1. Selected Economies: Foreign Reserves, 2021–24[1]

	Gross Official Reserves[2] (Billions of US Dollars)				Gross Official Reserves[2] (Percent of GDP)				IMF Staff–Estimated Change in Official Reserves[3] (Percent of GDP)				Gross Official Reserves, 2024 (Percent of ARA metric)[4]	FXI Data Publication
	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024		
Advanced Economies														
Australia	58	57	62	54	3.5	3.3	3.5	3.0	1.0	-0.1	0.0	0.1	…	Yes, daily
Canada	107	107	118	124	5.3	4.9	5.4	5.5	1.0	0.5	0.3	0.2	…	Yes, monthly
Euro Area	1,196	1,185	1,267	1,448	8.0	8.2	8.0	8.8	1.1	0.3	-0.2	0.0	…	Yes, quarterly
Hong Kong SAR	497	424	426	422	135.1	117.8	111.4	103.5	-0.3	-13.1	-2.7	-2.8	…	Yes, daily
Japan	1,406	1,228	1,295	1,160	27.9	28.8	30.7	28.8	1.2	-1.1	0.7	-1.6	…	Yes, daily
Korea	463	423	420	416	23.9	23.5	22.8	22.2	0.4	-1.6	-0.4	-0.2	…	Yes, quarterly
Singapore	425	297	360	384	97.4	58.3	71.2	70.1	4.8	-25.7	10.6	5.6	…	Yes, semiannually
Sweden	62	64	61	64	9.7	11.1	10.4	10.5	0.9	1.3	-0.9	0.5	…	Yes, weekly
Switzerland	1,110	924	864	822	136.2	111.5	96.5	87.8	7.2	-1.8	-14.5	2.5	…	Yes, quarterly
United Kingdom	194	176	178	149	6.2	5.6	5.3	4.1	0.9	0.0	-0.1	0.1	…	Yes, monthly
United States	716	707	773	910	3.0	2.7	2.8	3.1	0.5	0.0	0.0	0.0	…	Yes, quarterly
Emerging Market and Developing Economies														
Argentina	40	45	23	24	8.2	7.1	3.6	3.9	0.7	-2.5	-4.8	1.2	43	Yes, daily
Brazil	362	325	355	330	21.7	16.6	16.2	15.2	-0.8	-1.2	0.9	-1.4	126	Yes, daily
China	3,428	3,307	3,450	3,265	18.8	18.1	18.9	17.4	1.0	0.5	0.0	-0.3	67	No
India	634	563	622	636	20.5	16.8	17.6	16.5	1.6	-1.6	1.6	0.1	107	Yes, monthly
Indonesia	145	137	146	156	12.2	10.4	10.7	11.2	1.3	-0.3	0.0	0.5	125	No
Malaysia	117	115	113	116	31.3	28.1	28.4	27.6	2.4	-1.7	-0.4	0.1	105	No
Mexico	208	201	214	232	15.8	13.7	11.9	12.5	0.8	-0.1	0.4	0.7	129	Yes, monthly
Poland	166	167	194	223	24.1	24.0	23.9	24.5	2.8	1.9	2.6	3.2	156	No
Russian Federation	631	582	599	609	34.5	25.3	29.1	28.2	3.6	-0.3	-0.5	-0.2	318	Yes, daily
Saudi Arabia	455	460	437	437	46.3	37.1	35.9	35.3	0.2	0.4	-1.9	0.0	…	No
South Africa	58	61	62	67	13.7	14.9	16.4	16.7	-0.1	-0.7	0.6	1.1	96	No
Thailand	246	217	224	237	48.6	43.7	43.5	45.0	-0.5	-2.9	0.7	1.6	208	No
Türkiye	111	129	141	155	13.8	14.2	12.5	11.7	2.7	0.4	-0.3	3.6	72	No
Memorandum items:														
Aggregate[5]	12,834	11,898	12,404	12,439	13.1	11.7	11.7	11.3	0.9	-0.2	0.0	0.0	…	…
AEs	6,234	5,591	5,822	5,952	6.4	5.5	5.5	5.4	0.5	-0.2	-0.1	0.0	…	…
EMDEs	6,600	6,306	6,581	6,486	6.7	6.2	6.2	5.9	0.4	0.0	0.0	0.0	…	…

Sources: IMF, Assessing Reserve Adequacy data set; IMF, *International Financial Statistics*; IMF, International Reserves and Foreign Currency Liquidity; IMF, *April 2024 World Economic Outlook*; and IMF staff calculations.

Note: "…" indicates that data are not available or not applicable. AE = advanced economy; ARA = assessment of reserve adequacy; EMDE= emerging market and developing economy; FX = foreign exchange; FXI = foreign exchange intervention; SAR = Special Administrative Region.

[1]Sample includes *External Sector Report* economies excluding individual euro area economies. Euro area is reported as aggregate.

[2]Total reserves from *International Financial Statistics;* includes gold reserves valued at market prices.

[3]This item is not necessarily equal to actual FXI, but it is used as an FXI proxy in External Balance Assessment model estimates. The estimated change in official reserves is equivalent to the change in reserve assets in the financial account series from the *World Economic Outlook* (which excludes valuation effects but includes interest income on official reserves) plus the change in off-balance-sheet holdings (short and long FX derivative positions and other memorandum items) from International Reserves and Foreign Currency Liquidity minus net credit and loans from the IMF.

[4]The ARA metric reflects potential balance of payments FX liquidity needs in adverse circumstances and is used to assess the adequacy of FX reserves against potential FX liquidity drains (see IMF 2015). The ARA metric is estimated for selected EMDEs and includes adjustments for capital controls for China.

[5]The aggregate is calculated as the sum of *External Sector Report* economies only. The percent of GDP is calculated relative to total world GDP.

Annex Table 1.1.2. External Sector Report Economies: Summary of External Assessment Indicators, 2024

Economy	Overall Assessment	Current Account (Percent of GDP)		IMF Staff CA Gap (Percent of GDP)		IMF Staff REER Gap (Percent)		International Investment Position (Percent of GDP)			CA NFA Stabilizing (Percent of GDP)	SE of CA Norm (Percent)
		Actual	Cycl. Adj.	Midpoint	Range	Midpoint	Range	Net	Liabilities	Assets		
Argentina	Weaker	1.0	-0.5	-2.0	±1	12.2	±6.3	11	71	81	0.6	0.5
Australia	Moderately weaker	-1.9	-2.5	-1.9	±0.5	10.7	±2.8	-24	185	161	-1.2	0.5
Belgium	Weaker	-0.9	-0.5	-4.0	±0.4	5.9	±0.6	60	352	412	2.2	0.4
Brazil	Broadly in line	-2.8	-2.9	-1.0	±0.5	7.6	±3.8	-35	82	47	-2.0	0.5
Canada	Moderately weaker	-0.5	-0.9	-1.8	±0.5	6.6	±1.7	62	261	322	3.1	0.5
China	Moderately stronger	2.3	2.0	1.2	±0.6	-8.5	±4.6	18	37	54	1.2	0.6
Euro area[1]	Moderately stronger	2.8	2.9	1.0	±0.8	-3.1	±2.4	11	249	260	0.5	0.6
France	Broadly in line	0.4	0.3	0.3	±0.4	-1.0	±1.4	-20	393	373	-0.8	0.4
Germany	Stronger	5.7	5.5	2.1	±0.5	-6.6	±1.6	79	233	312	3.2	0.5
Hong Kong SAR	Broadly in line	12.9	12.8	-0.5	±0.5	1.5	±1.6	500	1,154	1,654	…	…
India	Moderately stronger	-0.8	-0.6	1.4	±0.7	-7.9	±4	-10	38	28	-0.9	0.7
Indonesia	Broadly in line	-0.6	-0.9	0.3	±0.5	-1.6	±3.1	-18	55	37	-1.4	0.5
Italy	Weaker	1.1	1.3	-2.6	±0.7	10.4	±2.9	15	168	183	0.3	0.7
Japan	Broadly in line	4.8	4.9	0.6	±1.1	-3.3	±6.3	90	184	274	3.2	1.1
Korea	Broadly in line	5.3	5.5	0.8	±0.9	-2.4	±2.6	59	75	134	2.9	0.9
Malaysia	Moderately stronger	1.4	1.9	1.9	±0.5	-3.7	±1	-1	129	128	1.0	0.5
Mexico	Moderately stronger	-0.3	0.1	1.3	±0.4	-4.1	±1.2	-32	75	43	-2.1	0.4
The Netherlands	Substantially stronger	9.9	10.1	4.0	±0.5	-6.2	±0.8	60	829	889	2.5	0.5
Poland	Moderately stronger	0.2	0.2	1.9	±0.4	-4.8	±1.1	-28	88	60	-1.8	0.4
Russian Federation	Broadly in line	2.9	2.9	0.3	±0.8	-1.7	±5.1	44	28	71	1.8	0.8
Saudi Arabia	Broadly in line	-0.5	-0.4	-1.0	±2	4.7	±9.9	59	62	121	…	…
Singapore	Substantially stronger	17.5	18.0	5.1	±2	-10.2	±4	147	933	1,080	…	…
South Africa	Broadly in line	-0.6	-1.0	-0.6	±0.9	2.5	±3.6	29	98	127	1.4	0.9
Spain	Stronger	3.0	3.5	2.0	±0.9	-7.3	±3.1	-44	245	201	-2.0	0.9
Sweden	Substantially stronger	7.4	7.1	5.5	±0.4	-14.7	±6.8	66	280	346	3.0	0.4
Switzerland	Broadly in line	5.1	5.1	-6.2	±0.8	11.5	±1.4	126	512	638	5.3	0.8
Thailand	Broadly in line	2.1	2.0	0.9	±0.7	-1.8	±1.3	8	115	123	0.4	0.7
Türkiye	Moderately weaker	-0.8	-0.3	-1.3	±0.6	5.2	±2.4	-22	50	28	-1.5	0.6
United Kingdom	Moderately weaker	-2.7	-2.7	-1.7	±0.3	6.5	±1	-10	519	509	-0.6	0.3
United States	Moderately weaker	-3.9	-3.6	-1.4	±0.7	11.9	±5.8	-90	213	123	-4.6	0.7

Sources: IMF, *International Financial Statistics*; IMF, *April 2025 World Economic Outlook*; US Bureau of Economic Analysis; and IMF staff assessments.

Note: "…" indicates that data are not available or not applicable. CA = current account; Cycl. Adj. = cyclically adjusted; NFA = net foreign assets; REER = real effective exchange rate; SAR = Special Administrative Region; SE = standard error.

[1]The IMF staff–assessed euro area CA gap is calculated as the GDP-weighted average of IMF staff–assessed CA gaps for the 11 largest euro area economies.

Annex Table 1.1.3. External Sector Report Economies: Summary of IMF Staff–Assessed Current Account Gaps and IMF Staff Adjustments, 2024

(Percent of GDP)

Economy	Actual CA Balance [A]	Cycl. Adj. CA Balance [B]	EBA CA Norm [C]	EBA CA Gap[1] [D = B - C]	IMF Staff–Assessed CA Gap[2] [E = D + F]	IMF Staff Adjustments[3] Total [F = G - H]	IMF Staff Adjustments[3] Other CA [G]	IMF Staff Adjustments[3] Other Norm [H]	Comments on adjustments
Argentina	1.0	-0.5	0.7	-1.3	-2.0	-0.7	0.0	0.7	Weak reserves coverage/external sustainability (norm)
Australia	-1.9	-2.5	-0.6	-1.9	-1.9	0.0	0.0	0.0	
Belgium	-0.9	-0.5	3.5	-4.0	-4.0	0.0	0.0	0.0	
Brazil	-2.8	-2.9	-1.9	-1.0	-1.0	0.0	0.0	0.0	
Canada	-0.5	-0.9	2.5	-3.4	-1.8	1.6	1.6	0.0	Measurement biases
China	2.3	2.0	0.8	1.2	1.2	0.0	0.0	0.0	
Euro Area[4]	2.8	2.9	1.4	1.4	1.0	-0.4	-0.4	0.0	Measurement biases
France	0.4	0.3	0.1	0.3	0.3	0.0	0.0	0.0	
Germany	5.7	5.5	3.5	2.1	2.1	0.0	0.0	0.0	
India	-0.8	-0.6	-2.0	1.4	1.4	0.0	0.0	0.0	
Indonesia	-0.6	-0.9	-0.7	-0.2	0.3	0.5	0.0	-0.5	Demographics (high mortality rate, norm)
Italy	1.1	1.3	3.9	-2.6	-2.6	0.0	0.0	0.0	
Japan	4.8	4.9	4.3	0.6	0.6	0.0	0.0	0.0	
Korea	5.3	5.5	4.7	0.8	0.8	0.0	0.0	0.0	
Malaysia	1.4	1.9	-0.1	1.9	1.9	0.0	0.0	0.0	
Mexico	-0.3	0.1	-1.3	1.3	1.3	0.0	0.0	0.0	
The Netherlands	9.9	10.1	3.8	6.2	4.0	-2.2	-2.2	0.0	Measurement biases
Poland	0.2	0.2	-1.7	1.9	1.9	0.0	0.0	0.0	
Russian Federation	2.9	2.9	2.6	0.3	0.3	0.0	0.0	0.0	
South Africa	-0.6	-1.0	0.7	-1.7	-0.6	1.1	0.0	-1.1	Demographics (high mortality rate, norm)
Spain	3.0	3.5	1.5	2.0	2.0	0.0	0.0	0.0	
Sweden	7.4	7.1	1.6	5.5	5.5	0.0	0.0	0.0	
Switzerland	5.1	5.1	6.7	-1.6	-6.2	-4.6	-4.6	0.0	Measurement biases
Thailand	2.1	2.0	1.1	0.9	0.9	0.0	0.0	0.0	
Türkiye	-0.8	-0.3	1.0	-1.3	-1.3	0.0	0.0	0.0	
United Kingdom	-2.7	-2.7	-0.3	-2.4	-1.7	0.7	0.7	0.0	Mesurement biases
United States	-3.9	-3.6	-2.2	-1.4	-1.4	0.0	0.0	0.0	
Hong Kong SAR	12.9	12.8	…	…	-0.5	10.2	0.0	-10.2	NIIP and gold trade
Singapore	17.5	18.0	…	…	5.1	2.3	-2.1	-4.4	Measurement biases, NFA composition, health spending
Saudi Arabia	-0.5	-0.4	…	…	-1.0	0.0	0.0	0.0	
Absolute sum of excess surpluses and deficits[5]	…	…	…	1.3	1.3	…	…	…	
Discrepancy[6]	…	…	…	…	-0.05	…	…	…	

Source: IMF staff estimates.
Note: "…" indicates that data are not available or not applicable; CA = current account; Cycl. Adj. = cyclically adjusted; EBA = external balance assessment; ESR = *External Sector Report*; NIIP = net international investment position; SACU = Southern African Customs Union.
[1]Minor discrepancies between constituent figures and totals are due to rounding.
[2]Refers to the midpoint of the IMF staff–assessed CA gap.
[3]Total IMF staff adjustments include rounding in some cases. The last column explains country-specific adjustments to the CA and norm.
[4]The EBA euro area CA norm is calculated as the GDP-weighted average of norms for the 11 largest euro area economies, adjusted for reporting discrepancies in intra-area transactions. The IMF staff–assessed CA gap is calculated as the GDP-weighted average of IMF staff–assessed gaps for the 11 largest euro area economies.
[5]Sum of absolute value of IMF staff–assessed CA gaps in percent of aggregate GDP for economies included in the ESR exercise.
[6]Sum of IMF staff–assessed CA gaps in percent of aggregate GDP for economies included in the EBA and/or ESR exercise.

Annex Table 1.1.4. External Sector Report Economies: Summary of IMF Staff–Assessed Real Effective Exchange Rate and External Balance Assessment Model Gaps, 2024

Economy	IMF Staff–Assessed REER Gap[1]	REER Gap Implied by IMF Staff–Assessed CA Gap[2]	EBA REER-Level Gap	EBA REER-Index Gap	CA/REER Elasticity[3]	REER (Percent change)	
						Average 2024/ Average 2023	March 2025/ Average 2024
Argentina	12.2	12.2	8.7	18.9	0.16	1.5	10.3
Australia	10.7	10.7	19.8	-3.7	0.18	1.8	-3.6
Belgium	5.9	5.9	17.5	8.3	0.68	1.0	0.9
Brazil	7.6	7.6	-15.5	-31.2	0.13	-4.2	-4.3
Canada	6.6	6.6	-13.0	3.2	0.27	-0.9	-3.8
China	-8.5	-8.5	-0.7	-1.1	0.14	-2.6	-1.9
Euro Area	-3.1	-3.1	1.7	4.1	0.33	0.5	-0.1
France	-1.0	-1.0	0.0	-7.8	0.28	-0.1	-1.3
Germany	-6.6	-6.6	-11.4	5.8	0.32	0.3	-0.1
India	-7.9	-7.9	4.1	5.4	0.18	2.3	-2.7
Indonesia	-1.6	-1.6	-16.8	0.3	0.16	-2.2	-4.2
Italy	10.4	10.4	3.7	4.5	0.25	-1.1	0.0
Japan	-3.3	-3.3	-35.4	-38.9	0.18	-5.4	4.1
Korea	-2.4	-2.4	-7.2	-6.5	0.33	-2.2	-5.4
Malaysia	-3.7	-3.7	-30.6	-27.9	0.51	1.1	3.7
Mexico	-4.1	-4.1	24.3	5.7	0.33	0.2	-9.0
The Netherlands	-6.2	-6.2	6.2	19.1	0.65	1.2	1.2
Poland	-4.8	-4.8	-15.6	16.3	0.40	7.5	3.8
Russian Federation	-1.7	-1.7	-44.6	-23.8	0.16	1.3	7.6
South Africa	2.5	2.5	-7.8	-15.4	0.24	4.0	1.4
Spain	-7.3	-7.3	20.4	4.9	0.28	0.6	0.3
Sweden	-14.7	-14.1	-19.1	-15.3	0.39	1.3	3.0
Switzerland	11.5	11.5	22.5	16.9	0.54	1.4	-1.5
Thailand	-1.8	-1.8	-2.7	6.7	0.50	-0.1	2.8
Türkiye	5.2	5.2	-42.6	-29.0	0.25	12.0	10.2
United Kingdom	6.5	6.5	8.7	1.5	0.26	4.2	2.6
United States	11.9	11.9	20.9	10.9	0.11	2.4	2.8
Hong Kong SAR	1.5	1.5	…	…	0.32	2.4	1.3
Singapore	-10.2	-10.2	…	…	0.50	2.9	0.2
Saudi Arabia	4.7	4.7	…	…	0.20	0.6	1.2
Discrepancy[4]	1.7	…	…	…	…	…	…

Sources: IMF, Information Notice System; and IMF staff estimates.

Note: "…" indicates that data are not available or not applicable; CA = current account; EBA = External Balance Assessment; REER = real effective exchange rate.

[1]Refers to the midpoint of the IMF staff–assessed REER gap.

[2]Implied REER gap = –(IMF staff–assessed CA gap/CA-to-REER elasticity).

[3]CA-to-REER semielasticity used by IMF country teams.

[4]GDP-weighted average sum of IMF staff–assessed REER gaps.

Annex Table 1.1.5. Selected External Sector Report Economies: External Balance Assessment Current Account Regression Policy Gap Contributions, 2024

(Percent of GDP)

	EBA Gap				Fiscal Gap					Public Health Expenditure Gap					Private Credit Gap					Foreign Exchange Intervention and Capital Controls Gap						
						Domestic					Domestic					Domestic					Domestic					
Economy	Total[1]	Identified	Dom[2]	Residual	Total[1]	Dom[3]	Coeff	P	P*	Total[1]	Dom[3]	Coeff	P	P*	Total[1]	Dom[3]	Coeff	P	P*	Total[1]	Dom[3]	Coeff	FXI P	FXI P*	KC P	KC P*
Argentina	-1.3	1.2	1.0	-2.4	1.6	0.6	0.3	2.5	0.5	0.0	0.1	-0.3	6.3	6.5	-0.7	0.0	-0.1	-0.5	0.0	0.3	0.3	0.6	1.2	1.5	0.7	0.3
Australia	-1.9	1.1	0.9	-3.0	0.4	-0.6	0.3	-2.9	-1.0	0.0	0.1	-0.3	7.0	7.2	0.7	1.4	-0.1	-14.6	0.0	0.0	0.0	0.6	0.1	0.0	0.1	0.1
Belgium	-4.0	1.5	1.3	-5.5	-0.1	-1.1	0.3	-4.7	-1.1	-0.2	-0.1	-0.3	8.2	7.9	1.8	2.6	-0.1	-26.7	0.0	-0.1	-0.1	0.6	-0.6	0.0	0.1	0.1
Brazil	-1.0	-1.5	-1.7	0.5	-0.1	-1.1	0.3	-7.0	-3.5	-0.1	0.0	-0.3	4.5	4.4	-1.0	-0.2	-0.1	2.4	0.0	-0.3	-0.3	0.6	-1.4	0.0	0.4	0.3
Canada	-3.4	0.9	0.8	-4.3	0.5	-0.5	0.3	-1.9	-0.4	-0.3	-0.3	-0.3	7.9	7.0	0.7	1.5	-0.1	-15.4	0.0	0.0	0.0	0.6	0.2	0.0	0.1	0.1
China	1.2	-0.6	-0.8	1.8	-0.3	-1.3	0.3	-7.0	-2.7	0.2	0.3	-0.3	3.3	4.3	-0.3	0.4	-0.1	-4.2	0.0	-0.2	-0.2	0.6	-0.3	0.0	0.7	0.3
Euro Area[4]	1.4	0.6	0.5	0.8	0.4	-0.6	0.3	-3.1	-1.1	-0.1	0.0	-0.3	8.3	8.3	0.3	1.1	-0.1	-11.6	-0.3	0.0	0.0	0.6	0.0	0.0	0.1	0.1
France	0.3	0.3	0.1	0.0	-0.3	-1.3	0.3	-5.4	-1.1	0.0	0.1	-0.3	8.9	9.3	0.6	1.3	-0.1	-13.5	0.0	0.0	0.0	0.6	0.0	0.0	0.1	0.1
Germany	2.1	-0.3	-0.4	2.3	0.7	-0.3	0.3	-2.2	-1.4	-0.2	-0.2	-0.3	10.1	9.6	-0.7	0.0	-0.1	0.1	0.0	0.0	0.0	0.6	0.0	0.0	0.3	0.3
India	1.4	-0.1	-0.2	1.5	0.5	-0.5	0.3	-7.4	-5.8	0.0	0.1	-0.3	1.4	1.8	-0.6	0.1	-0.1	-1.0	0.0	0.0	0.0	0.6	0.1	0.0	0.8	0.3
Indonesia	-0.2	1.0	0.8	-1.2	1.0	0.0	0.3	-2.2	-2.2	0.4	0.5	-0.3	1.5	3.0	-0.6	0.2	-0.1	-1.7	0.0	0.2	0.2	0.6	0.5	0.0	0.5	0.3
Italy	-2.6	1.1	0.9	-3.6	0.1	-0.9	0.3	-3.5	-0.5	0.1	0.2	-0.3	6.2	6.8	0.9	1.7	-0.1	-17.2	0.0	0.0	0.0	0.6	0.1	0.0	0.0	0.0
Japan	0.6	-0.4	-0.6	1.0	0.8	-0.2	0.3	-2.5	-2.0	-0.2	-0.1	-0.3	9.5	9.1	-0.9	-0.2	-0.1	6.1	4.0	-0.1	-0.1	0.6	-1.6	0.0	0.1	0.1
Korea	0.8	1.1	0.9	-0.3	0.8	-0.2	0.3	-0.6	0.0	0.6	0.7	-0.3	6.2	8.5	-0.4	0.4	-0.1	-3.9	0.0	0.0	0.0	0.6	-0.2	0.0	0.1	0.1
Malaysia	1.9	0.7	0.5	1.2	0.5	-0.5	0.3	-4.2	-2.5	0.4	0.5	-0.3	2.5	4.1	-0.2	0.5	-0.1	-5.1	0.0	0.0	0.0	0.6	0.1	0.0	0.6	0.3
Mexico	1.3	-0.1	-0.2	1.4	0.0	-1.0	0.3	-5.9	-2.7	0.2	0.3	-0.3	2.7	3.7	-0.5	0.2	-0.1	-2.3	0.0	0.2	0.2	0.6	0.7	0.0	0.4	0.3
The Netherlands	6.2	4.1	3.9	2.1	1.2	0.2	0.3	-1.4	-2.0	0.0	0.1	-0.3	8.5	8.8	2.9	3.6	-0.1	-37.9	0.0	0.0	0.0	0.6	-0.6	0.0	0.0	0.0
Poland	1.9	1.2	1.0	0.8	-0.3	-1.3	0.3	-6.1	-2.0	0.2	0.3	-0.3	5.7	6.6	0.4	1.1	-0.1	-16.7	-5.0	0.9	0.9	0.6	3.2	0.0	0.4	0.3
Russian Federation	0.3	0.7	0.6	-0.5	0.4	-0.6	0.3	-2.9	-1.0	0.0	0.1	-0.3	5.3	5.5	0.4	1.1	-0.1	-11.9	0.0	-0.1	-0.1	0.6	-0.2	0.0	0.6	0.3
South Africa	-1.7	0.7	0.6	-2.4	0.1	-0.9	0.3	-6.0	-3.1	0.7	0.7	-0.3	4.1	6.6	-0.5	0.3	-0.1	-2.9	0.0	0.4	0.4	0.6	1.1	0.0	0.6	0.3
Spain	2.0	-0.4	-0.5	2.4	0.0	-1.0	0.3	-4.1	-1.0	-0.3	-0.2	-0.3	7.2	6.5	-0.1	0.6	-0.1	-7.6	-1.0	0.0	0.0	0.6	0.1	0.0	0.2	0.2
Sweden	5.5	1.0	0.8	4.5	0.5	-0.5	0.3	-1.2	0.3	-0.8	-0.8	-0.3	11.5	9.0	1.2	2.0	-0.1	-20.6	0.0	0.1	0.1	0.6	0.5	0.0	0.2	0.2
Switzerland	-1.6	1.5	1.3	-3.1	1.5	0.5	0.3	0.7	-1.0	-0.1	-0.1	-0.3	8.2	8.0	-0.2	0.5	-0.1	-5.4	0.0	0.3	0.3	0.6	2.5	0.0	0.2	0.2
Thailand	0.9	1.2	1.0	-0.3	1.5	0.5	0.3	-1.1	-2.7	0.1	0.2	-0.3	3.9	4.4	-0.9	-0.2	-0.1	1.7	0.0	0.5	0.5	0.6	1.6	0.0	0.5	0.3
Türkiye	-1.3	1.8	1.6	-3.1	0.6	-0.4	0.3	-5.4	-4.0	0.0	0.1	-0.3	3.3	3.6	0.5	1.2	-0.1	-25.7	-12.8	0.7	0.7	0.6	3.6	1.2	0.4	0.3
United Kingdom	-2.4	0.5	0.3	-2.9	0.0	-1.0	0.3	-5.6	-2.4	-0.4	-0.3	-0.3	8.9	7.9	0.8	1.6	-0.1	-16.2	0.0	0.0	0.0	0.6	0.1	0.0	0.1	0.1
United States	-1.4	-0.5	-0.7	-0.8	-0.6	-1.6	0.3	-7.6	-2.5	-0.1	0.0	-0.3	8.4	8.4	0.1	0.9	-0.1	-9.1	0.0	0.0	0.0	0.6	0.0	0.0	0.2	0.2

Source: IMF staff estimates.

Note: Coeff = coefficient; Dom = domestic; EBA = External Balance Assessment; FXI = foreign exchange intervention; KC = capital controls; P = actual level; P* = desired level.

[1]Total contribution after adjusting for multilateral consistency. Total foreign exchange intervention and capital controls contribution = Coeff * [(FXI x KC) - (desirable FXI x desirable KC)].

[2]Includes the contribution of domestic policy gaps to the identified gap. The total foreign policy gap contribution is constant and equal to 0.2 percent for all countries. Foreign contributions are estimated as follows (in percent of GDP): fiscal = 1.0; public health = -0.1; private credit = -0.7; foreign exchange intervention = 0.0.

[3]Total domestic contribution is equivalent to coefficient * (P - P*).

[4]The euro area External Balance Assessment current account gap and policy gap contributions are calculated as the GDP-weighted averages of External Balance Assessment current account gaps and policy gap contributions for the 11 largest euro area economies.

Annex Table 1.1.6. 2024 Individual Economy Assessments: Summary of Policy Recommendations

Economy	Overall 2024 Assessment	Policy Recommendations
Argentina	Weaker	Implement the newly approved EFF program, which includes a strong fiscal anchor, more robust monetary and FX regime with active measures to rebuild international reserves, and competitiveness-enhancing reforms. Increase exchange rate flexiblity and gradually ease remaining FX restrictions, multiple currency practices (MCPs) and capital flow management measures (CFMs).
Australia	Moderately weaker	Implement the planned gradual medium-term fiscal consolidation. The commitment to structural policies that boost competitiveness, including via promoting R&D, reducing barriers to labor mobility, upgrading competition policies, and stimulating innovation, would help improve export quality, reduce unit labor costs, foster high-value industries, and contribute to medium-term external rebalancing.
Belgium	Weaker	Rebuild fiscal buffers through a credible, expenditure-led consolidation, while preserving or ideally increasing public investment. Strengthen competitiveness through significant structural reforms, including of the wage-setting mechanism, pension and social benefits, taxation, and the labor and product markets.
Brazil	Broadly in line	Implement efforts to raise national savings, providing room for a sustainable expansion in investment. Fiscal consolidation should continue contributing to increase net public savings. Structural reforms that improve efficiency and reduce the cost of doing business would help strengthen competitiveness.
Canada	Moderately weaker	Boost competitiveness in non-fuel and services exports by investing in R&D and physical capital including infrastructure and other measures to improve labor productivity, removing internal trade barriers, focusing on high multiplier public spending, and promoting FDI including outflows. Government support to ease adjustment costs to households and businesses should strike a balance with supporting external rebalancing and ensuring medium-term fiscal sustainability.
China	Moderately stronger	Boost domestic demand, and expand fiscal policy to support consumption and the property sector. Further ease monetary policy and increase exchange rate flexibility and accompany with a strong fiscal and structural package so as not to rely unduly on the exchange rate to close the domestic output gap. Implement structural reforms that reduce household savings, boost investment in the services sector, and scale back industrial policies.
Euro Area	Moderately stronger	Support productivity and lift investment, potential growth, and private domestic demand through reforms to boost energy security, enhance the EU budget for efficient public goods investment, and improve the business environment. Deepen the EU single market by lowering firms' regulatory burdens, reducing administrative barriers, streamlining trade procedures, enhancing labor mobility, and better integrating financial services to create a more productive and resilient domestic economy. See additional member country–specific recommendations on reducing internal and external imbalances.
France	Broadly in line	Implement sustained fiscal consolidation over the medium term to help maintain the external position in line with medium-term fundamentals, together with structural reforms to support productivity and attract higher private investment to facilitate the green and digital transitions.
Germany	Stronger	Implement planned policies aimed at promoting investment and diminishing excess saving, including through higher fiscal deficits in the medium term to increase public investment in defence, transportation, energy and digitization. Implement structural reforms to foster innovation and enhance employability of older workers, which could also extend working lives and reduce the need for excess saving.
Hong Kong SAR	Broadly in line	Implement a gradual fiscal consolidation to secure a balanced recovery and help ensure that the external position remains broadly in line with fundamentals by raising public savings to offset stronger private investment over the medium term; maintain policies that support wage and price flexibility that are crucial to ensure adjustment of the real exchange rate, and hence support the smooth functioning of the currency board arrangement; continue to implement reforms to create a vibrant and well-regulated financial ecosystem.
India	Moderately stronger	Further reduce import restrictions, especially on intermediate goods, while continuing to improve the business environment to boost private investment and liberalize the FDI regime. Develop trade infrastructure and expand trade networks.
Indonesia	Broadly in line	Enhance productivity and promote trade through structural reforms including higher infrastructure investment, higher social spending that fosters human capital development and strengthens the social safety net, reducing or eliminating restrictions on inward FDI and external trade, promoting greater labor market flexibility. Maintain flexibility of the exchange rate.
Italy	Weaker	Implement comprehensive reforms to encourage private investment to modernize the capital stock, boost productivity, competitiveness, and potential growth. Increase public sector saving, supported by continued strong fiscal adjustment efforts.
Japan	Broadly in line	Implement policies focused on structural reforms and fiscal sustainability through a credible and specific medium-term fiscal consolidation plan. Shift the drivers of the economy to one driven by the private sector and raise Japan's potential growth over the medium term. Implement labor market and fiscal reforms that support private demand, raise potential growth, and promote digital and green investment.
Korea	Broadly in line	Over the medium term, increase fiscal space to meet aging related needs, orderly deleverage private debt, boost innovation to maintain exports competitiveness, and diversify export destinations and supply chains. Exchange rate flexibility, with intervention limited to preventing disorderly market conditions, would help the economy absorb external shocks.

Annex Table 1.1.6 *(continued)*

Economy	Overall 2024 Assessment	Policy Recommendations
Malaysia	Moderately stronger	Preserve exchange rate flexibility to facilitate external adjustments that are driven by fundamentals. Over the medium term, implement policies to strengthen social safety nets and public healthcare, including through a reorientation of fiscal spending, to reduce precautionary household savings and shift toward private consumption. Implement structural policies to encourage private investment and improve productivity growth.
Mexico	Moderately stronger	Implement structural reforms to boost investment in the medium and long term and maintain external sustainability, including by tackling infrastructure and governance gaps, reducing informality, promoting financial deepening, and increasing private sector participation in the energy sector. Ensuring fiscal sustainability is also vital to buttress external stability. The floating exchange rate should continue to serve as a shock absorber. The IMF's Flexible Credit Line with Mexico continues to provide an added buffer against global tail risks.
The Netherlands	Substantially stronger	Boost public investment and foster private investment in infrastructure and housing. Address growth bottlenecks from nitrogen and electricity grid congestion.
Poland	Moderately stronger	Support private investment through gradual monetary policy normalization. Ease regulatory hurdles to private investments to help catalyze investment and financing additional to the Next Generation EU grants to address infrastructure gaps and support the climate transition.
Russian Federation	Broadly in line	…
Saudi Arabia	Broadly in line	Implement fiscal consolidation, including through enhanced revenue mobilization and energy price reforms, to help raise public saving. Implement the structural reform agenda to diversify the economy, which is expected to support private investment and stimulate domestic consumption.
Singapore	Substantially stronger	Execute planned major high-quality and resilient infrastructure projects and continue strengthening social safety nets to help reduce external imbalances in the near term. Higher public investment is also expected to catalyze private investment. Over the medium term, the government should increase public investment to address the structural transformation brought about by a rapidly aging population and a transition to a green and digital economy, including spending on health care, green and other physical infrastructures, and human capital.
South Africa	Broadly in line	Implement structural reforms supporting competitiveness, jobs, and growth, that address energy and logistics bottlenecks, and improve the business environment, governance, and the functioning of labor markets. Implement ambitious fiscal consolidation to put debt on a sustained downward path, while protecting vulnerable groups. The flexible exchange rate should remain the main shock absorber, and maintaining an adequate level of international reserves can further support resilience to shocks.
Spain	Stronger	Reduce the still sizable negative NIIP position. Implement sustained fiscal consolidation to rebuild fiscal space and raise aggregate savings. Accelerate domestic structural reforms that boost productivity and facilitate the diversification of export products and destinations, including further efforts to complete the single Spanish market, invest in innovation, enhance education outcomes and reduce energy dependence. Complement with policies to facilitate the reallocation of workers across sectors while providing an adequate social safety net.
Sweden	Substantially stronger	Enhance both private and public investment in productivity-enhancing projects, the green transition, and the health sector. These structural measures will boost domestic absorption and imports, reducing external imbalances, while enabling Sweden to maintain its high living standards amid demographic pressures and support meeting the country's ambitious climate goals.
Switzerland	Broadly in line	Support the ongoing economic recovery and address low inflation. Use substantial fiscal policy space to support growth if downside risks materialize. Over the medium-term implement a comprehensive medium-term plan to address increasing structural fiscal needs on aging, climate, and defense. Monetary policy should continue to pursue price stability and avoid the risk of inflation settling at very low or negative rates.
Thailand	Broadly in line	Implement policies that promote investment, diminish precautionary saving, liberalize the services sector, and minimize tax incentives and subsidies that distort competition. Fiscal policy should be prudent and parsimonious given the elevated public debt levels. Efforts to reform and expand social safety nets, notably the fragmented pension schemes, should continue, and measures to address widespread informality could help reduce precautionary saving and support consumption.
Türkiye	Moderately weaker	Strengthen the policy framework to underpin external sustainability going forward. Tighten both the monetary and fiscal policy stance to contain demand, bring down inflation, make medium-term growth more sustainable, and help pave the way for lower CA deficits over the medium-term. Remove discretionary credit allocation that favors exports to enhance competition. These policies would allow for a welcome accumulation of international reserves.
United Kingdom	Moderately weaker	Implement fiscal consolidation plans and the structural reform agenda to contain import growth and boost competitiveness. Progress in the net zero transition to help to mitigate risks of further energy-related ToT shocks.
United States	Moderately weaker	Implement fiscal consolidation aimed at achieving a general government primary surplus of about 1 percent of GDP to put the debt-to-GDP ratio on a downward path. Trade policies should seek to constructively resolve trade tensions, promote a clear, stable and predictable trade environment, and pursue pragmatic cooperation and deeper integration through regional/cross-regional trade agreements or nondiscriminatory reduction of trade barriers.

Source: IMF, 2024 Individual External Balance Assessments.

Note: "…" indicates that data are not available or not applicable. CFM = capital flow management measure; EU = European Union; FDI = foreign direct investment; FX = foreign exchange; MCP = macroprudential measure; R&D = research and development.

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