

GLOBAL BALANCES WIDEN

Wider external gaps in key economies point to the need for policy adjustment at home

GLOBAL CURRENT ACCOUNT

balances—the surpluses and deficits arising from cross-border trade, income flows, and current transfers—are widening again after narrowing in recent years. They fell to a postpandemic low of 3 percent of world GDP in 2023, but widened to 3.6 percent last year. Adjusting for volatility from the pandemic and Russia's war in Ukraine reveals a notable reversal of the narrowing since the global financial crisis. This may signal a significant structural shift.

As the table on this page shows, several major economies have seen their surpluses or deficits expand, contributing to the growing divergence in current account balances.

Excessive deficits and surpluses can be sources of risks. Large, persistent imbalances often signal vulnerabilities. They typically reflect distortions—for example, a mismatch between a nation's saving and investment—that leave economies more exposed to shocks.

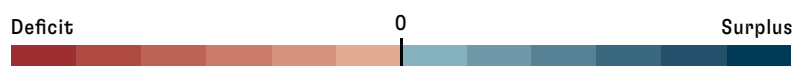
The IMF's external assessment shows that current account balances were out of line with fundamentals in several major economies in 2024, underscoring the need for adjustment. History demonstrates that global imbalances can unwind abruptly and painfully. To avoid such a scenario, a gradual correction is needed through concerted domestic macroeconomic policies.

Deficit countries should curb excess spending and improve competitiveness to narrow their external gaps, while surplus countries should boost domestic demand and investment to better absorb their output. Such steps would gradually shrink imbalances and foster more balanced, resilient global growth. **F&D**

This article draws on the IMF's 2025 External Sector Report.

Balance check

Current account balances, expressed as a percent of GDP, reveal that surpluses and deficits widened in 2024 for several major economies, pushing global balances further apart.



Advanced economies	2022	2023	2024
SINGAPORE	18.4	17.7	17.5
HONG KONG SAR	10.2	8.5	12.9
THE NETHERLANDS	6.6	9.9	9.9
SWEDEN	4.7	7.0	7.4
GERMANY	3.8	5.6	5.7
KOREA	1.4	1.8	5.3
SWITZERLAND	8.7	5.2	5.1
JAPAN	2.1	3.8	4.8
SPAIN	0.4	2.7	3.0
ITALY	-1.7	0.1	1.1
FRANCE	-1.2	-1.0	0.4
CANADA	-0.3	-0.6	-0.5
BELGIUM	-1.3	-0.7	-0.9
AUSTRALIA	0.4	-0.3	-1.9
UNITED KINGDOM	-2.1	-3.5	-2.7
UNITED STATES	-3.9	-3.3	-3.9

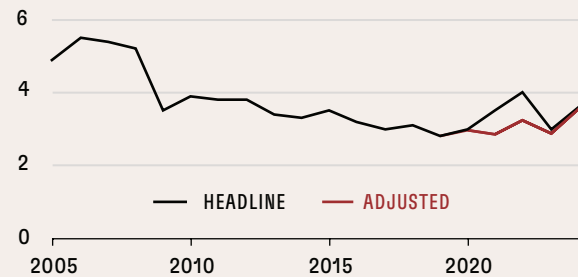
Emerging market and developing economies	2022	2023	2024
RUSSIA	10.4	2.4	2.9
CHINA	2.4	1.4	2.3
THAILAND	-3.5	1.4	2.1
MALAYSIA	3.2	1.5	1.4
ARGENTINA	-0.6	-3.4	1.0
POLAND	-2.3	1.8	0.2
MEXICO	-1.2	-0.3	-0.3
SAUDI ARABIA	12.1	2.9	-0.5
INDONESIA	1.0	-0.1	-0.6
SOUTH AFRICA	-0.5	-1.6	-0.6
TÜRKIYE	-5.1	-3.5	-0.8
INDIA	-2.0	-0.7	-0.8
BRAZIL	-2.2	-1.3	-2.8

SOURCE: IMF, 2025 External Sector Report. NOTE: For India, data are presented on a fiscal year basis.

External snapshot

Global current account balances widened to 3.6 percent of world GDP in 2024, reversing recent narrowing and raising concerns about a structural shift. Persistent surpluses and deficits can signal vulnerabilities and the need for policy adjustment. External sector assessments, which use a wide range of indicators to evaluate each economy's external position, show that several major economies are out of line with underlying fundamentals.

Global balances, percent of GDP



2015 2016 2017 2018 2019 2020 2021 2022 2023 2024

Stronger than implied by fundamentals

SINGAPORE										
SWEDEN										
THE NETHERLANDS										
GERMANY										
SPAIN										
MALAYSIA										
POLAND										
INDIA										
MEXICO										
EURO AREA										
CHINA										

Broadly in line with fundamentals

THAILAND										
RUSSIA										
JAPAN										
HONG KONG SAR										
BRAZIL										
INDONESIA										
FRANCE										
SOUTH AFRICA										
KOREA										
SWITZERLAND										
SAUDI ARABIA										

Weaker than implied by fundamentals

AUSTRALIA										
UNITED STATES										
CANADA										
UNITED KINGDOM										
TÜRKİYE										
ITALY										
ARGENTINA										
BELGIUM										

SOURCE: IMF, 2025 *External Sector Report*. NOTE: Order based on economies' excess imbalance during 2024. Coverage of Argentina started in 2018. Global current account balances are the sum of the absolute values of current account surpluses and deficits.