



The U.S.'s Exorbitant Privilege

Andrew Lees

10 August 2026

Introduction

The U.S. net national savings rate – (household savings rate + government deficit) - has averaged minus 3.13% of GDP since January 2021, deteriorating now to minus 3.7% of GDP.

Compounding the data over time, the cumulative net national savings rate since 1968 peaked in Q4 2003, plateauing until 2009, before falling 18.5%, with most of that fall happening since COVID. As a result, the U.S. net international liabilities increased to 67.4% of GDP as of the end of last year.

While imports are subtracted from the GDP calculation the associated capital flows need to be serviced and eventually repaid. Adjusting for this, 60% of all U.S. GDP growth since Q2 2008 has been borrowed or purchased from abroad, and just over 100% since the end of 2020. U.S. domestically owned GDP has started to fall.

The deteriorating net national savings rate is despite a similarly large drop in the net domestic investment rate. Rather than the current account deficit funding U.S. investment, as it had in the past, it is increasingly funding consumption, making it less sustainable.

How long can the foreigner continue to finance this, and at what cost, both in terms of U.S. cost of capital, but also in terms of the foreigners' own GDP growth?

Julien Garran

+44 (0)2076270635

julien@macrostrategy.co.uk

Andrew Lees

+44 (0)1403218883

andy.lees@macrostrategy.co.uk

James Ferguson

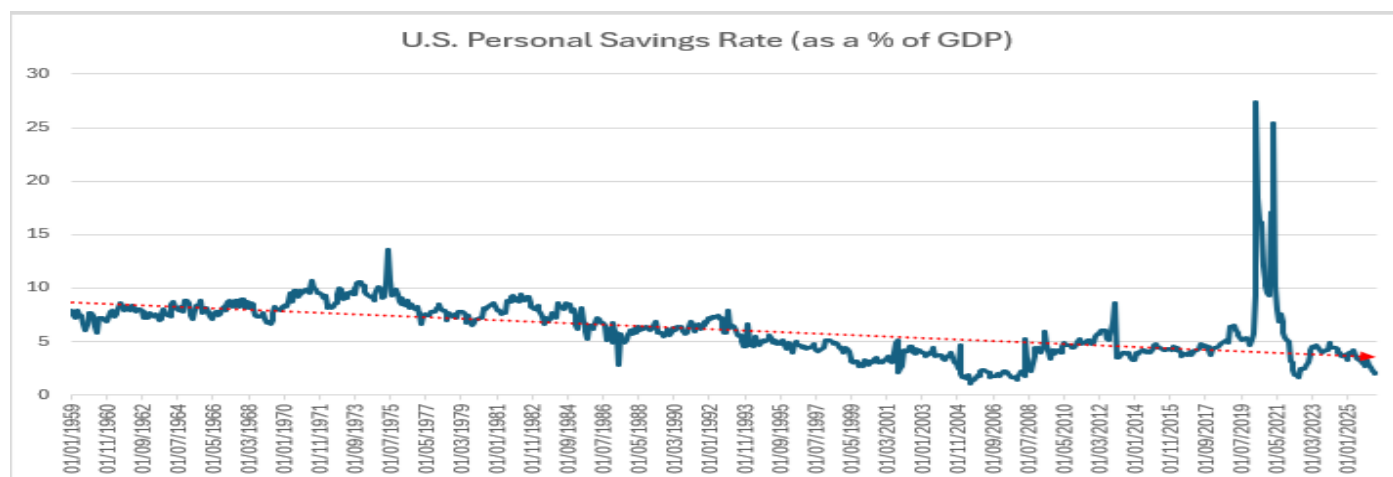
+44(0)2070303980

james.ferguson@macrostrategy.co.uk

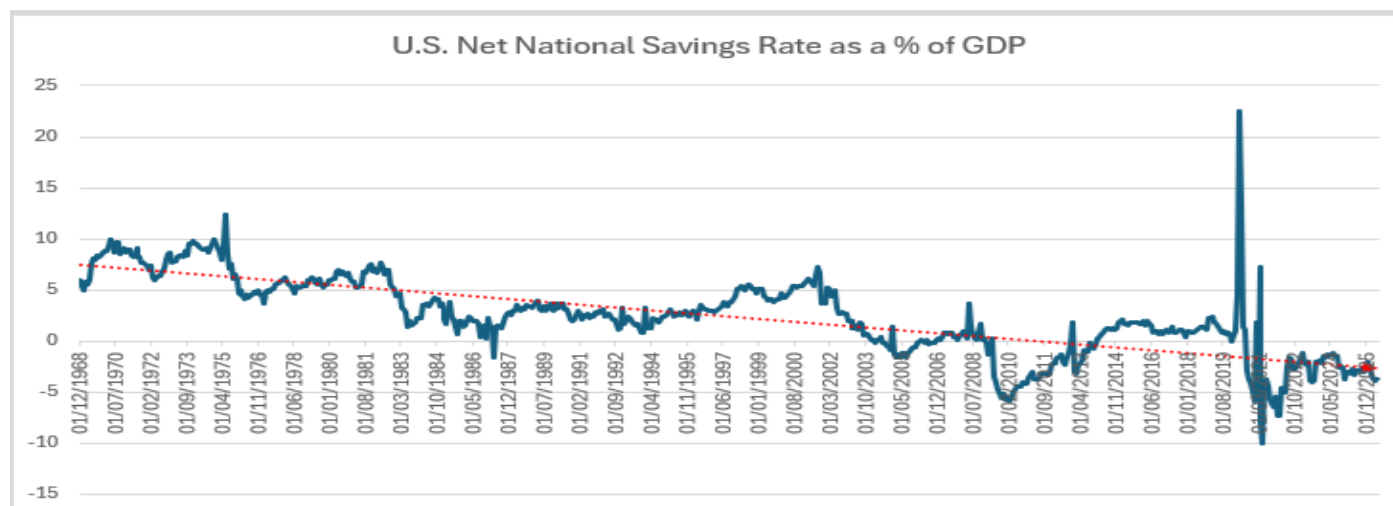
www.macrostrategy.co.uk

Recommendations

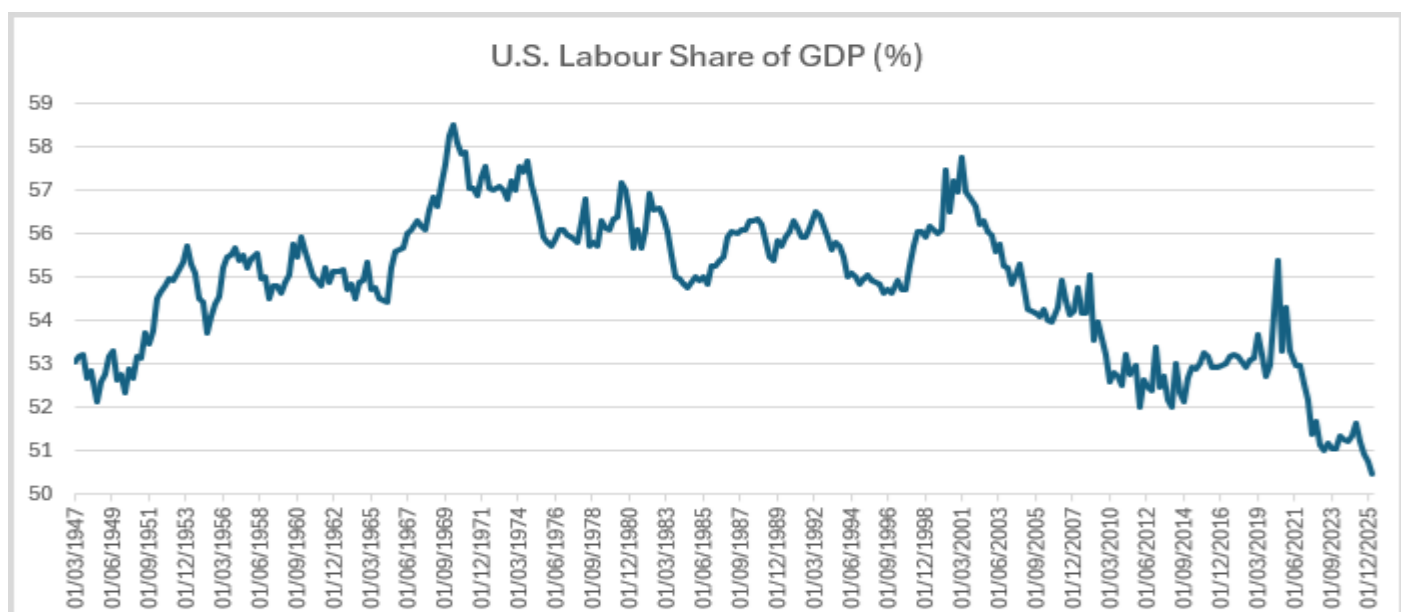
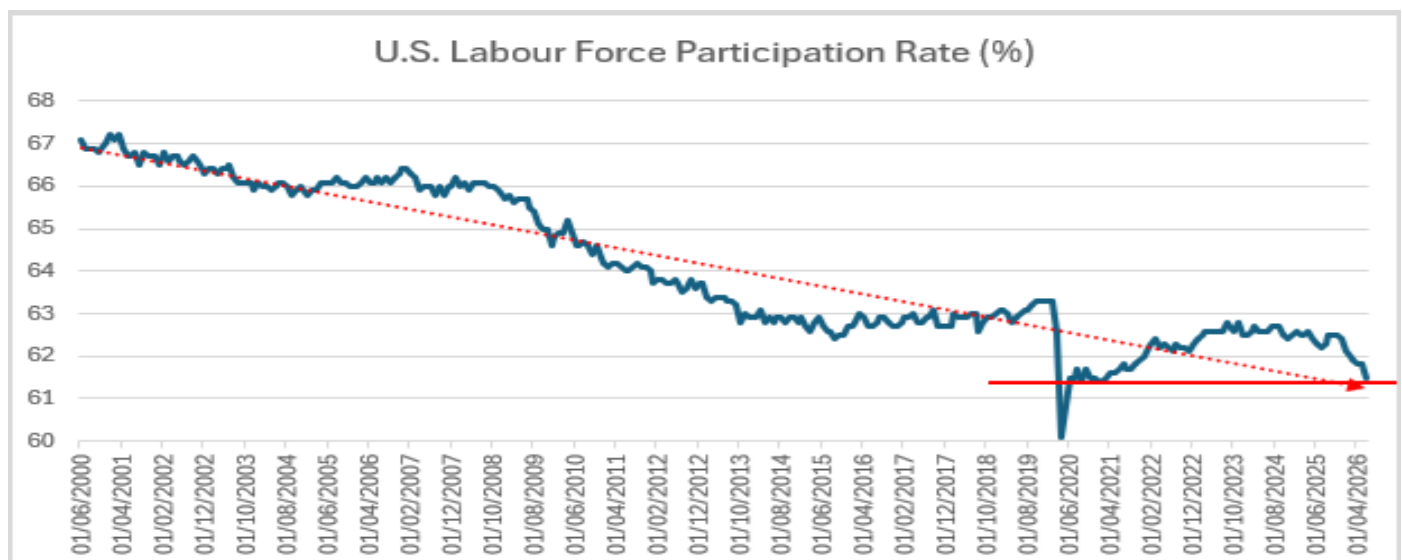
The U.S. personal savings rate fell to 2.7% of disposable income in June or 1.97% of GDP. Whilst not yet at the low of July 2005 when it fell to 1.0% of GDP, it has been trending down since the mid-1970s. With a less productive allocation of capital, there is less capital to allocate and save, slowing potential GDP growth.



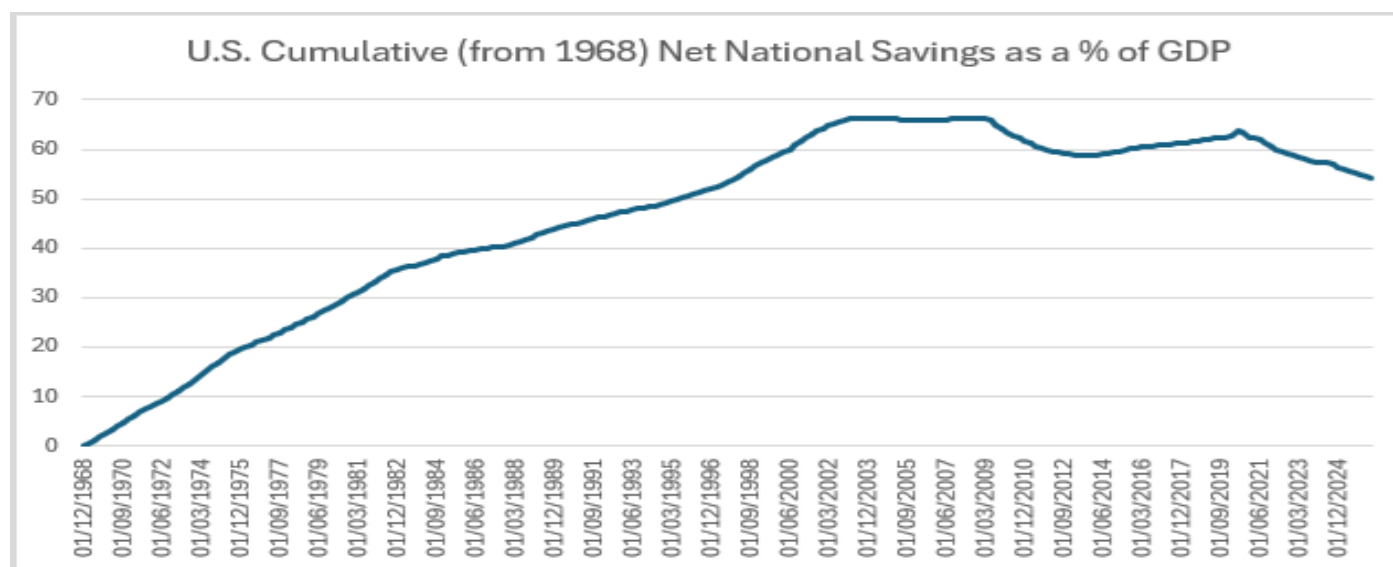
Adjusting for the government's net borrowing requirement, the net national savings rate has fallen to -3.7% of GDP. The U.S. net national savings rate as a percentage of GDP has been trending down since the very early 1970s after the US abandoned Bretton Woods. **Other than a single month decline in April 1987, it first started going negative on a regular basis in 2004 and then during the GFC. It has now been continuously negative since January 2021, averaging -3.13% a year ever since.** The trend line has declined about 0.18 percentage points per year on average, so based on the present trajectory, the trend net national savings rate will be about -4.5% within the next 5 years which seems perfectly reasonable, and perhaps even conservative, given projections of budget deficits, the aging population and increasing dependency ratio.



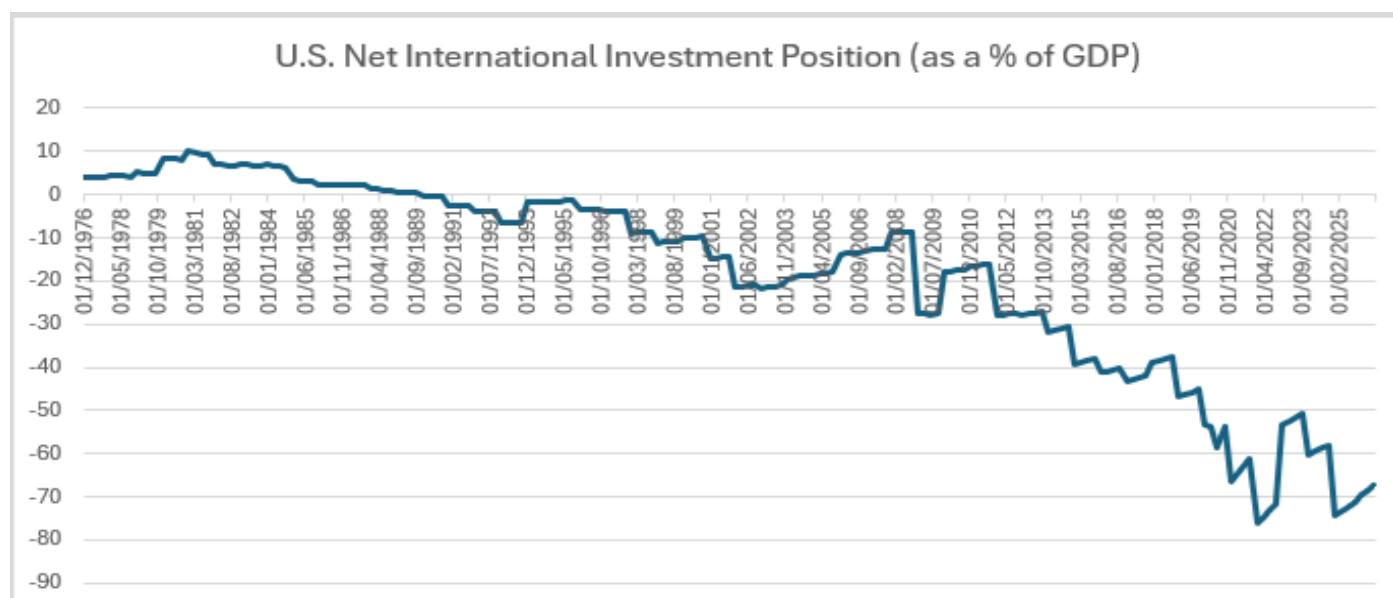
The declining savings rate clearly reflects an unproductive allocation of capital, leaving less available to invest and grow. Ultimately, this comes down to constructivist government allocating capital other than in accordance with the utility it creates. In doing so, it destroys or consumes capital, reducing potential growth and eventually causing economic decline. The falling savings rate is just a path through which the cost of such unproductive government has materialised. One area you can see the cost of this is the declining labour force participation rate and consequent declining labour share of GDP, which is now at a record low going back to 1947. **With such waste, the economy does not have the ability to save. This is why AI will not work if the humans it replaces, do not find new productive jobs from which to afford the AI. If those that are laid off have to rely on taxing the AI to survive, then the AI itself will be starved of the capital needed to sustain itself.**



Compounding the data over time, the cumulative net national savings rate since 1968 peaked in Q4 2003, plateauing until 2009, before falling 18.5%. Having initially fallen during the GFC, the cumulative savings started to recover until 2019 but has since fallen heavily as the large government deficits seen during COVID became normalised under Biden and then Trump.

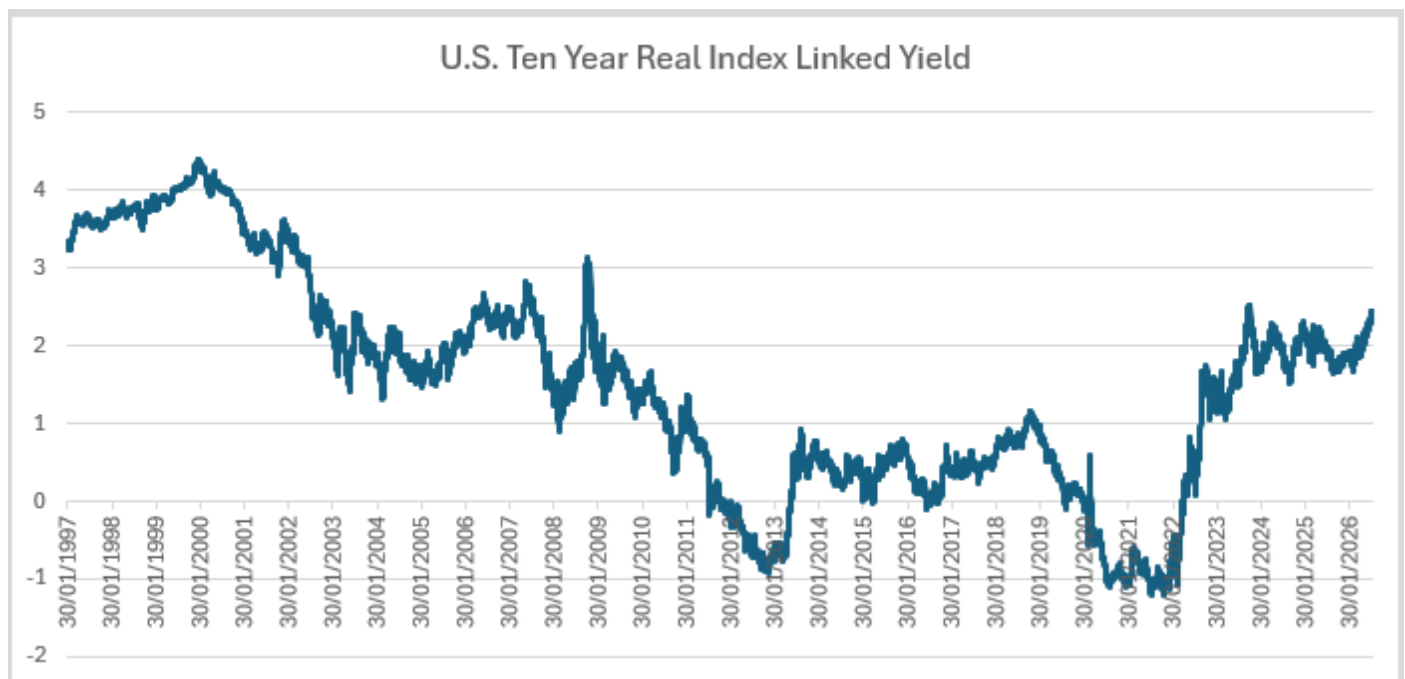


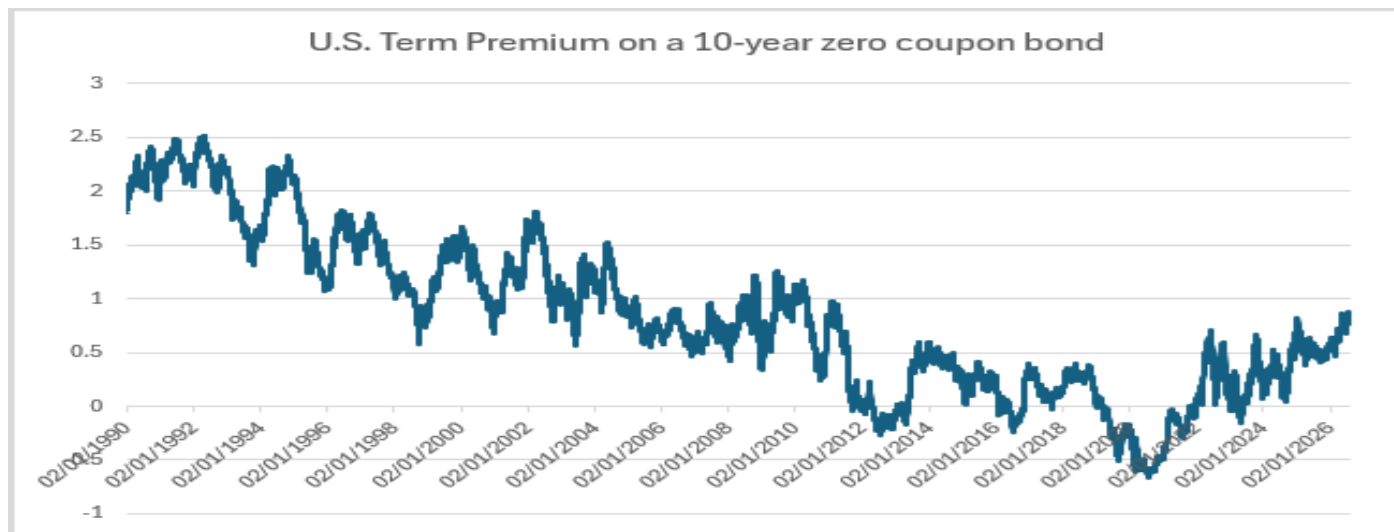
The consequence has been that the U.S. net international investment position started to go negative in the 1990's and then collapse post the GFC. As of the end of last year, the U.S. net international investment position, or rather its net international liabilities, rose to USD21.8trn or 67.4% of GDP. That was made up of USD43.37trn of gross foreign assets less USD64.64trn of gross foreign liabilities.



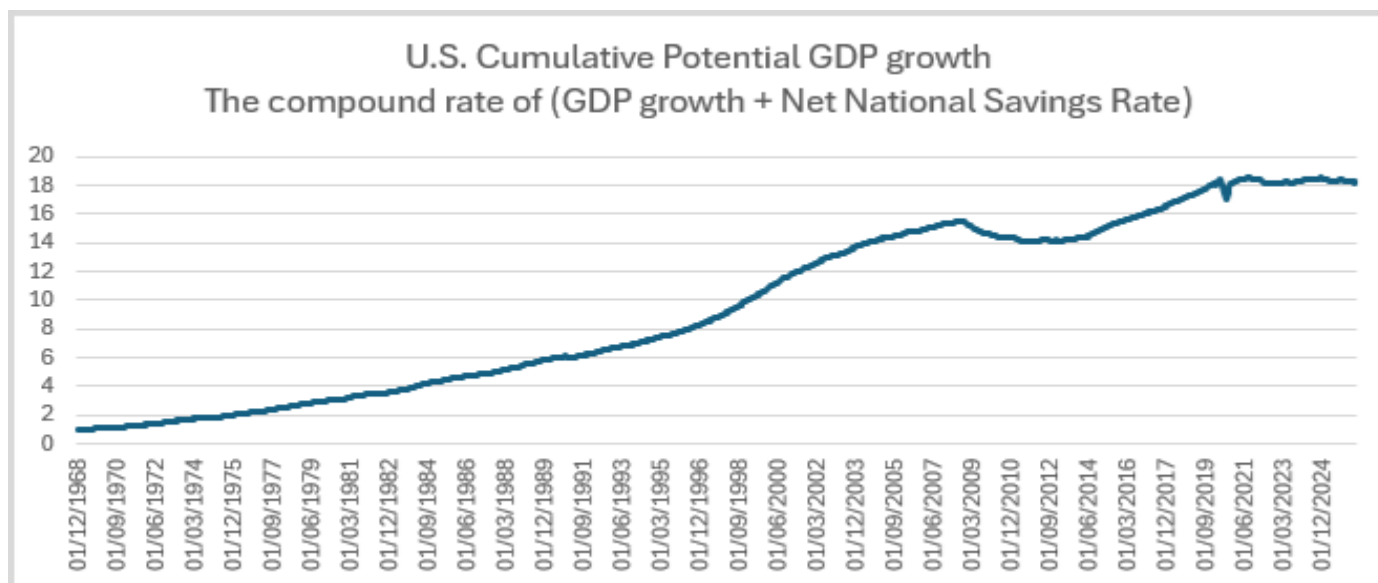
In the 1990's, people used to play down the deficit by saying that the US was earning a higher return on those foreign assets than it was paying on its liabilities. That is no longer the case. **The U.S. is running both a primary and secondary income deficit. Any superior return on foreign assets has been overwhelmed by the weight of borrowing which is now requiring a higher cost of capital to compensate.** As these income balances deteriorate, they will add to the net international liabilities rather than subtract from them.

Central banks are also favouring gold for their reserve assets, leaving private investment to make up the balance. **This suggests a growing distrust from foreign central banks of the U.S. government's ability to service its debt other than in devalued dollars. As U.S. finances deteriorate, its ability to project power externally, or even to maintain order domestically, such as protecting its own borders, will also fail as we are seeing.** Such economic, social, political and geopolitical ruptures will further deter international investors and raise the cost of capital. The preference for gold by the central banks, and the increased competition for funds from AI, has lifted U.S. real yields – (breakeven yields have been falling) - and pushed up term premiums.



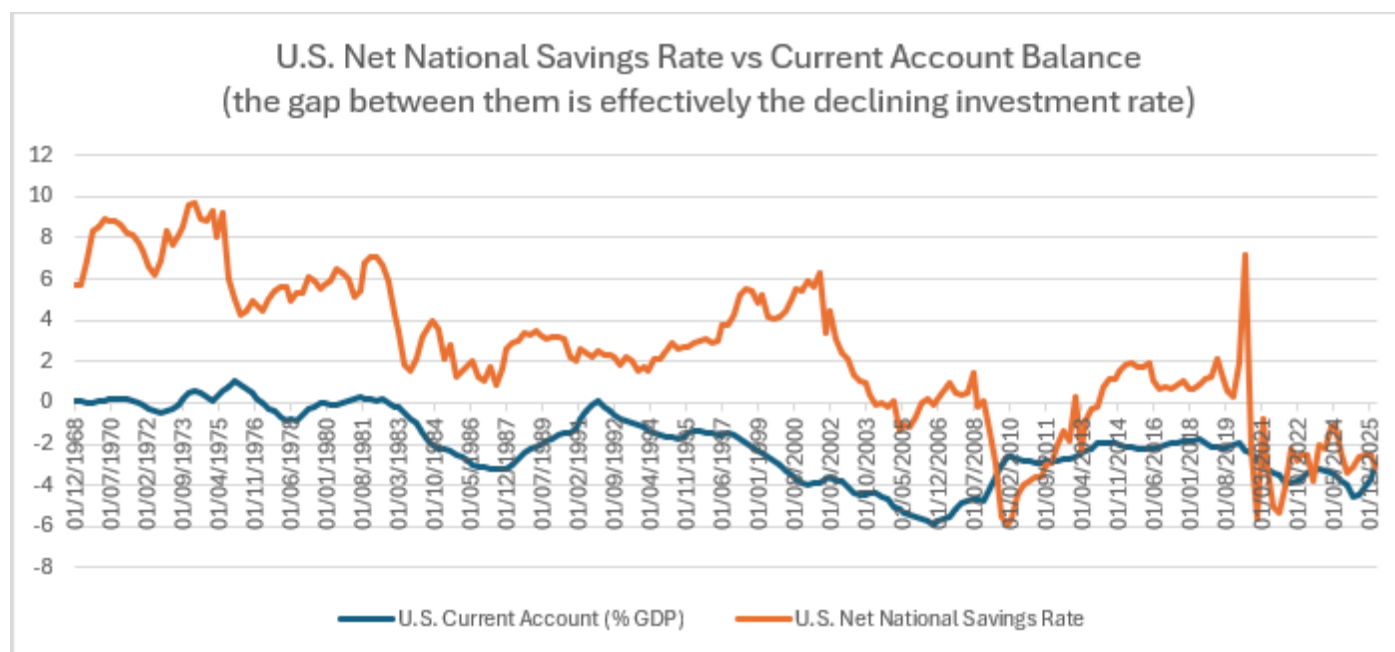


While imports are subtracted from the GDP calculation – ($GDP = \text{Consumption} + \text{Investment} + \text{Government Spending} + (\text{Exports} - \text{Imports})$) – the associated capital flows either represent the sale of an asset, and its associated revenues, or a new international liability that needs to be serviced and eventually repaid. **Less of U.S. output will be owned by American citizens. Adjusting for these foreign owned assets, U.S. domestically owned GDP – (the compound rate of GDP growth plus net national savings rate) – has flatlined since COVID and only risen 17%, or 0.89% per annum compound, since Q2 2008, falling in each of the last two quarters.** Sixty percent of all U.S. GDP growth since Q2 2008 has been borrowed or purchased from abroad, financed with debt or asset sales, and just over 100% since the end of 2020. The more the U.S. net international liabilities increase relative to GDP, the lower the U.S. owned share of domestically produced output, and therefore the lower potential capital accumulation and growth.



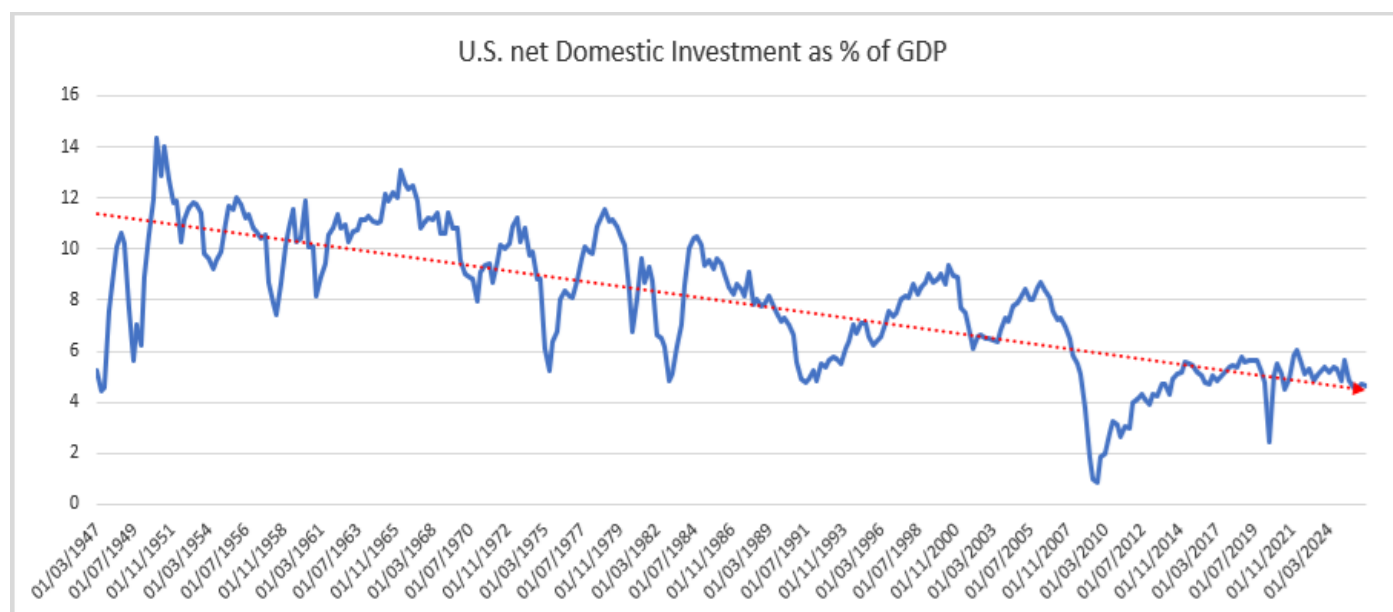
With the net national savings rate -3.7% and averaging -3.13% since January 2021, compared with real GDP up just 2.1% y/y and averaging 2.85% per annum over the period, the U.S. is not going to be able to grow out of this unless the economy can deliver much higher returns than we have seen for many years. Instead, sustaining the economy and servicing the debt will become increasingly dependent on more international borrowing. The U.S., like all Western economies, needs to restructure, the one thing politicians refuse to do.

Although the U.S. has been running a current account deficit for many years, giving people the impression that it can continue indefinitely, the current account doesn't look at what the money is being used for. Whilst the current account just looks at international flows, the net national savings rate measures the percentage of a nation's income that is saved after accounting for consumption and capital depreciation. **Although calculated differently, the current account is fundamentally equal to national savings minus national investment, while the net national savings rate does not subtract domestic investment. The decline of the net national savings rate relative to the current account deficit reflects the decline in the net domestic investment rate.**



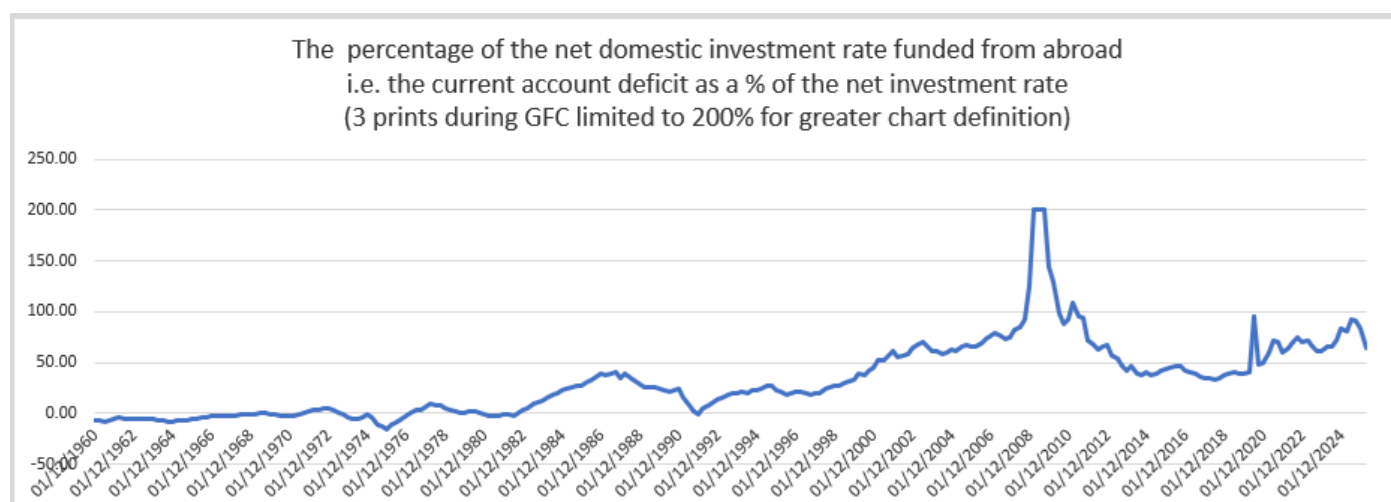
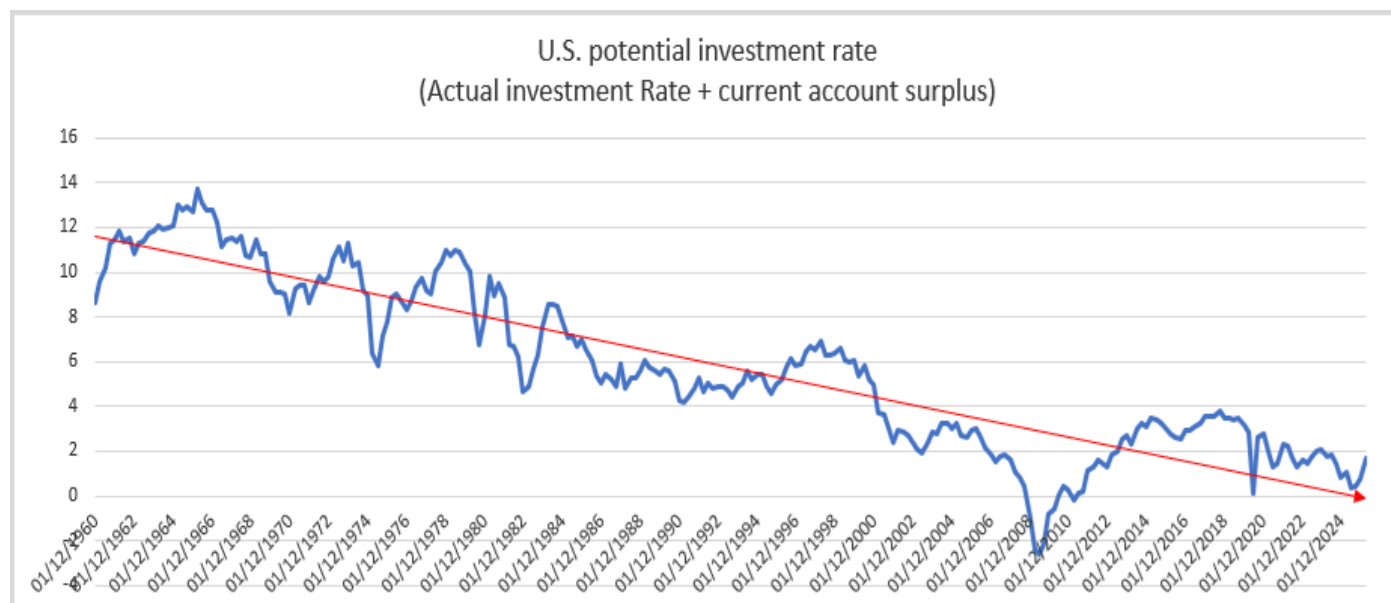
The net national savings deficit wouldn't be an issue if the U.S. was borrowing from abroad to finance investment, that could then service the debt, but it has not been. **The net domestic investment rate as a percentage of GDP has also been trending down for decades, hence the slower accumulation of capital and reduced growth rate. The current account deficit is reflecting excessive US consumption rather than investment.** Whilst the Artificial

Intelligence investment boom and Trump's agenda have been trying to reverse that, all it has done so far is to stop further investment decline. **With such a large percentage of the investment going into AI, the investment rates for other industries will have fallen substantially, increasing risk if the AI does not pay off.**



Back in 2017, the New York Fed's Liberty Street Economics report, *Low Productivity Growth: The Capital Formation Link*, found that when adjusted for the faster depreciation of new technology, there had been almost no investment in the preceding years. This will presumably be even worse with AI. Using used asset prices, Sheharyar Bokhari and David Geltner's 2019 study also found faster depreciation rates, especially for structures, which appears to have worsened in recent years in commercial real estate and office blocks. **With a declining investment rate, the ability to sustain growth will deteriorate, leaving consumption and the servicing of debt reliant on more debt or further asset sales.**

Putting the question over depreciation to one side, the net domestic investment rate financed domestically, i.e. the net domestic investment rate plus the current account balance, has dropped to 1.67% of GDP. The rest was funded from abroad. The percentage of the investment rate funded from abroad was 64.4%. It did get much higher during the GFC, but that was because the investment rate itself collapsed, i.e. it was mainly the effect of the denominator rather than the numerator. If foreign capital flows were to dry up, the U.S. domestic investment rate would be miniscule assuming traditional depreciation rates, and almost certainly negative assuming a more realistic depreciation rate.



To be fair to the U.S., it needs to run a current account deficit to ensure sufficient dollars are available for the rest of the world to trade on. The problem, however, is that without domestic investment, it just becomes a pyramid scheme. Without that borrowing creating the utility to pay for itself, it will simply tax the global economy, starving it of the capital needed to sustain itself.

The US is relying more than ever on international flows to fund itself, and they are increasingly going into equities rather than debt, a shift that could make the dollar riskier, Deutsche Bank recently warned. Geopolitical ruptures and deteriorating government finances are deterring investors from owning US debt while the AI boom means more capital is flowing into US equities, exposing the dollar to the lifecycle of the volatile technology sector. **With AI financing demands increasing, where will the funding come from? Unless it**

is going to come from an acceleration of growth, which looks highly unlikely, or a rotation within the domestic economy, pricing something else out, it will have to come from abroad. This means the net national savings rate looks set to deteriorate further. Can the rest of the world afford it?

Thirty-year mortgage rates are already 6.78%, squeezing household finances, while equity market margin leverage is extreme and private equity and credit is in a mess so further calls on related industries or assets could be problematic for the economy. **If domestic rotation is out of the question, therefore, can foreign funding increase? Whether directly or indirectly, through its USD1trn trade surplus, China accounts for most of the funding, but the cost has been much weaker domestic growth, and in particular, weaker consumption.** Whilst China justifies its high savings and investment rate as necessary to catch up, by investing in excess capacity for the export market, it is taking on huge risk.

APPENDIX 1 - NOTICE AND DISCLAIMER

This material has been prepared by The Macro Strategy Partnership LLP. The material should not be viewed either as sales material or as research. Opinions expressed herein are subject to change without notification. Any prices or quotations contained herein are indicative screen prices and are for reference only. They do not constitute an offer to buy or sell any securities at any given price. No representation or warranty, either express or implied, is provided in relation to the accuracy, completeness, reliability or appropriateness of the information, methodology and any derived price contained within this material. The securities and related financial instruments described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. The Macro Strategy Partnership, its directors, officers and employees or clients may have or have had interests or long or short positions in the securities or related financial instruments referred to herein, and may at any time make purchases and/or sales in them. Neither the Macro Strategy Partnership, its directors, employees nor agents accept any liability for any loss or damage arising out of the use of all or any part of these materials. Please note that The Macro Strategy Partnership LLP does not provide investment execution or dealing services and, as a result, we consider any free trial period of this service as a proof of quality and we do not consider it as constituting an inducement to trade. Our recommendations do not focus on individual securities, or issuers, and are intended to provide a macro level view of global markets. We have no agreements with any issuers and receive no commission or non-monetary benefit from any issuers. You are under no obligation to continue to use our service at the end of any trial period. The information contained herein does not apply to, and should not be relied upon by, private customers. All rights reserved. This material is strictly for specified recipients only and may not be reproduced, distributed or forwarded in any manner without the permission of The Macro Strategy Partnership LLP. © AML 2012. All rights reserved. The Macro Strategy Partnership LLP, Our Registered Address is 44 The Pantiles, Tunbridge Wells, Kent, TN2 5TN. Partnership Number: OC379812, VAT Reg No. 284 60 8870

Copyright © 2018 The Macro Strategy Partnership LLP, All rights reserved.