

Global Imbalances and Europe: A schrödinger's déjà vu?

Peterson Institute - International
Imbalances, again? Still? Forever?

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Disclaimer: The views expressed are solely the responsibility of the author and should not necessarily be interpreted as reflecting the views of the European Central Bank, or any other person associated the Eurosystem.

My main points

1. Déjà vu in global policy debates

- large imbalances in a highly financially integrated world

2. Is it also a déjà vu for the euro area?

- The focus has shifted from deficits to surpluses

3. Euro area: an important contributor, but not at the "epicenter".

- Surplus already declining; policies go in the right direction. This is less evident elsewhere.

4. Europe can — and should — do

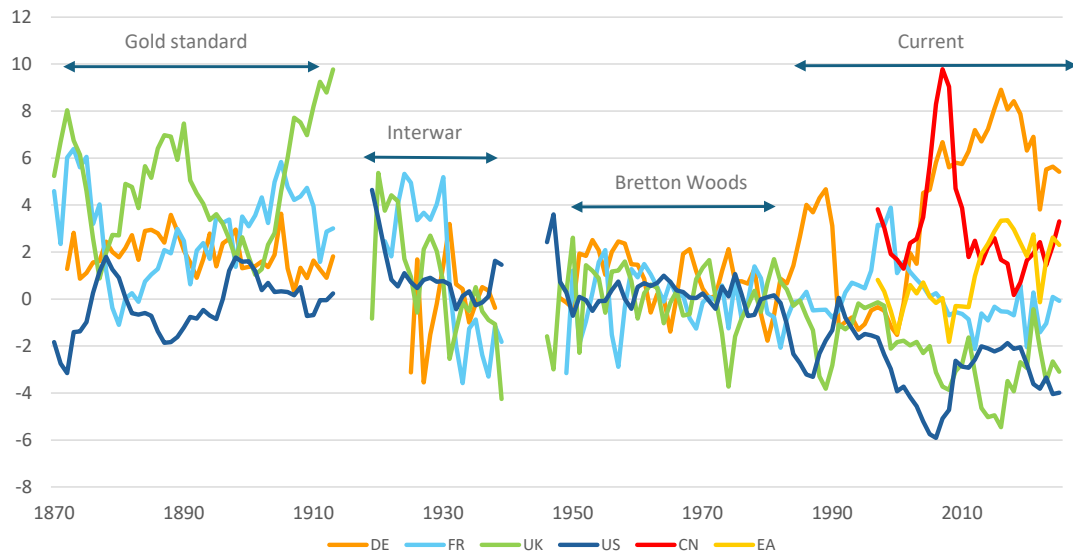
- Rebalancing policies would also support near-term growth. No trade-off for Europe, unlike other regions.

5. When thinking about imbalances, need to consider the risk of a disorderly unwinding

- So perhaps a **déjà vu for the euro area after all...** via NBFIs this time?

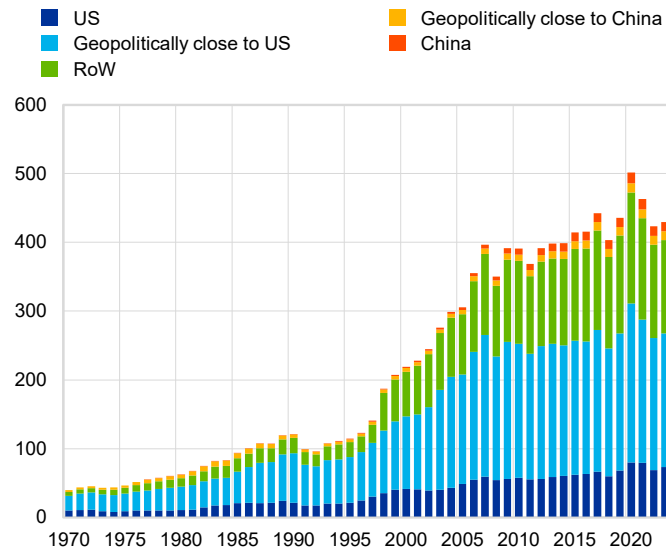
Global imbalances back on the global policy agenda... for good reasons

Current account (%)



Sources: Jorda, Schularick, Taylor and Haver Analytics.
Last observation: 2024.

International financial integration by countries geopolitically close to the US and China

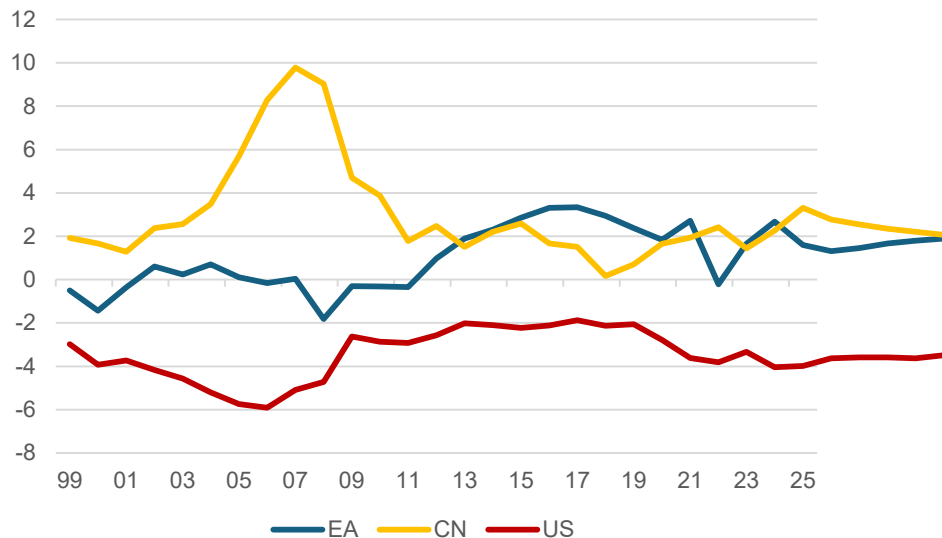


Sources: External Wealth of Nations and ECB staff calculations.
Notes: International financial integration ratio is the sum of stock of total gross external financial assets and liabilities.
Latest observation: 2023

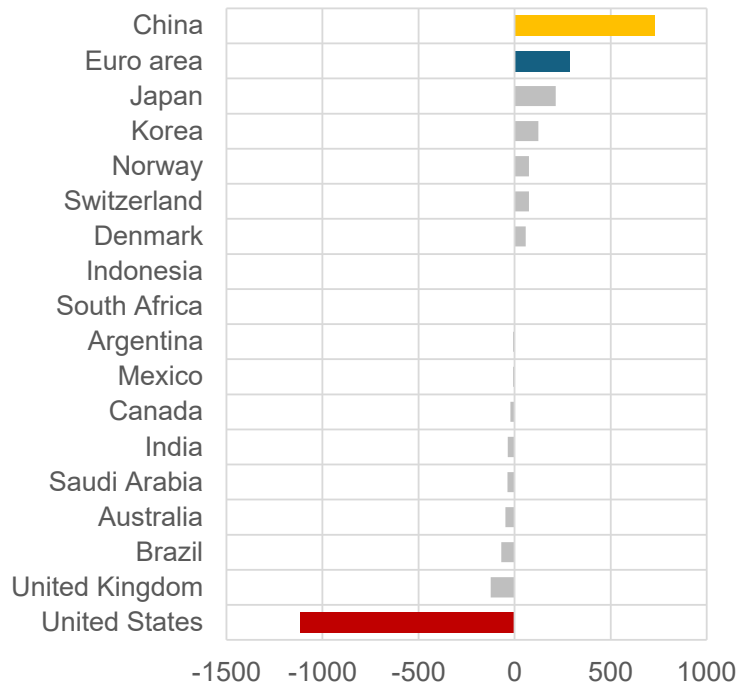
Euro area an important contributor

Current account balances by country (billion USD)

Current account balances by country (% of GDP)



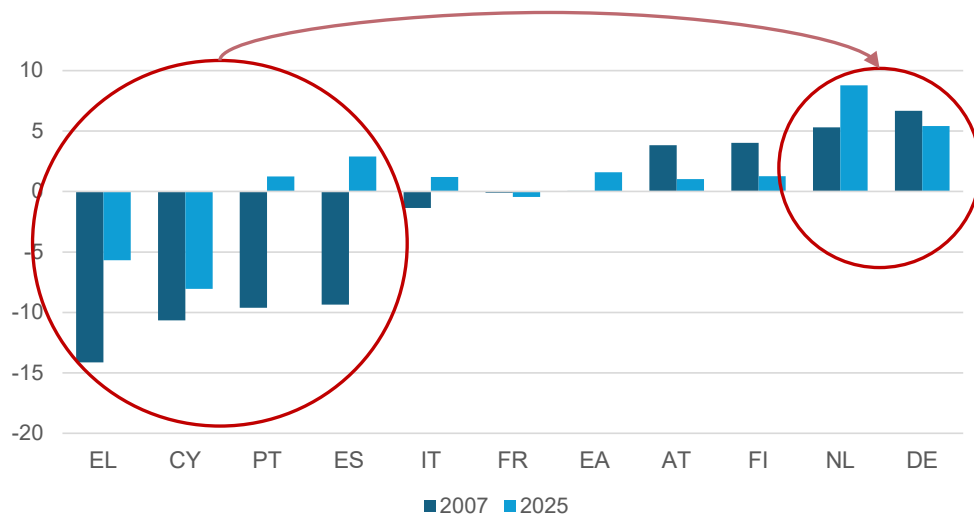
Sources: IMF, Eurostat, ECB, Haver Analytics.
Latest observation: 2025, IMF April 2026 WEO



Sources: IMF.
Latest observation: 2025 data, April 2026 WEO.

For Europe a very different debate this time around

Current account in selected euro area countries (%)



Sources: IMF WEO.
Latest observation: October 2025 WEO database.

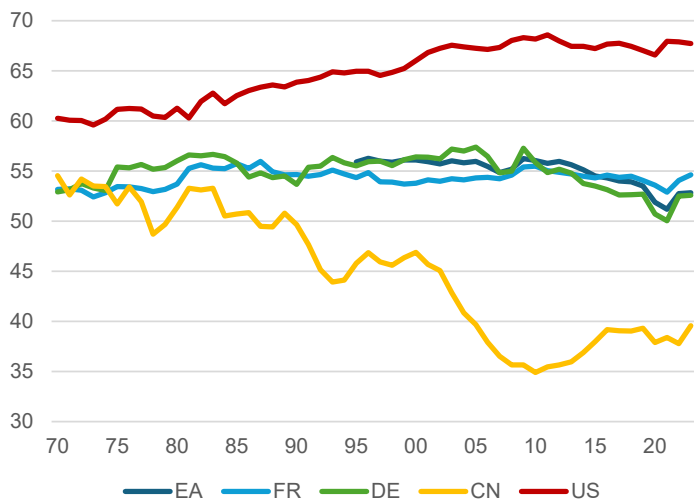
Euro area current account (%)



Sources: IMF WEO
Last observation: April 2026 WEO.

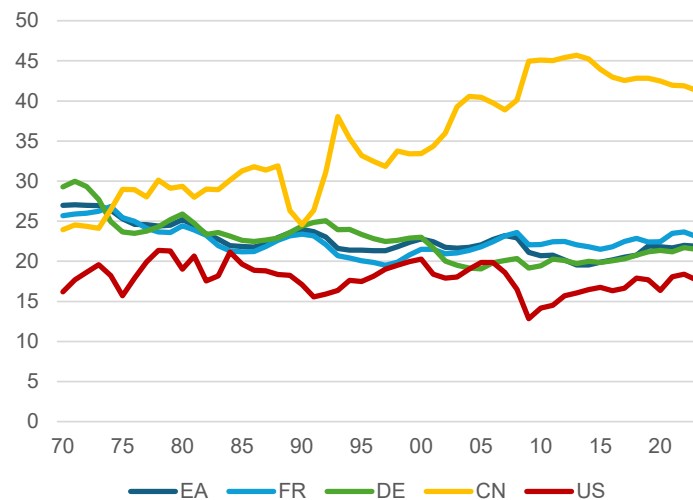
Europe not at the epicenter

Household consumption (% of GDP)



Sources: Haver and Global Financial Data
Last observation: 2024

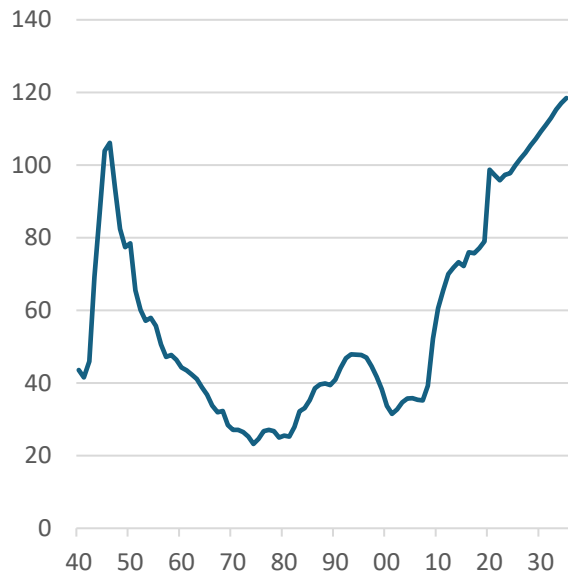
Gross fixed capital formation (% of GDP)



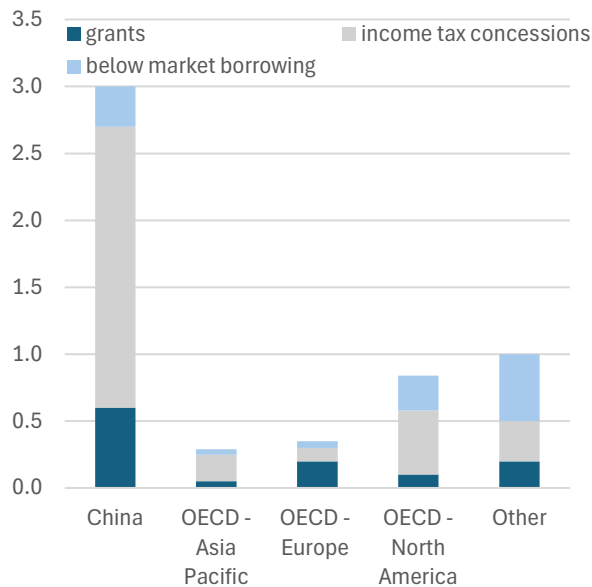
Sources: Haver and Global Financial Data.
Latest observation: 2024

Policies going in the right direction. Not obvious in other major contributors

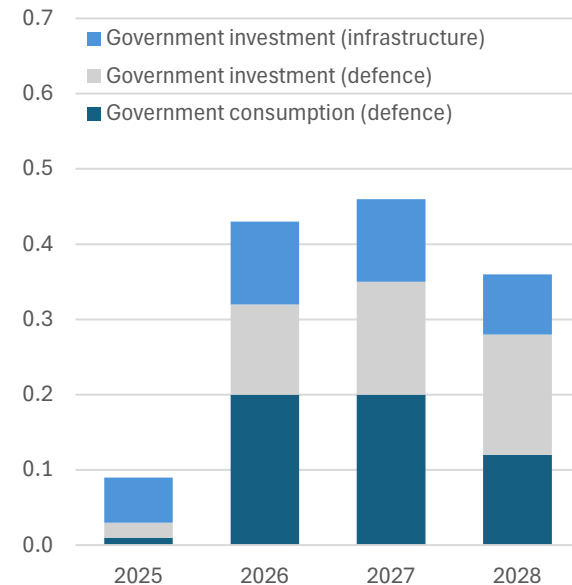
US: federal debt held by the public (% of GDP, including projections)



China: Industrial subsidies (% of GDP)



Germany: additional spending (effect on GDP in pp contribution)



Sources: CBO via Haver Analytics.
Latest observation: Projections until 2035.

Sources: OECD MAGIC database.
Latest observation: subsidies for 14 key industrial sectors. Average for 2005-2022.

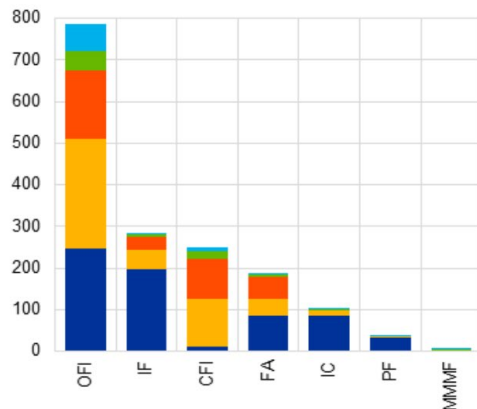
Sources: Deutsche Bundesbank, December 2025.

Déjà vu after all ...but now via NBFIs?

a) Bank credit exposures to NBFFI entities, by instrument type

(Q4 2024, € billions)

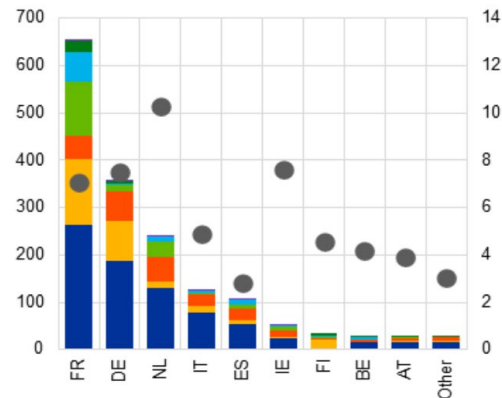
- Reverse repos
- Loans
- Credit lines
- Revolving credit
- Other deposits



b) Banks' credit exposures to NBFFI entities, by entity type

(Q4 2024; € billions, percentage share of total bank assets in each country)

- Other financial intermediaries
- Investment funds
- Captive financial institutions
- Financial auxiliaries
- Insurance corporations
- Pension funds
- Money market mutual funds
- Total assets



Source: ECB financial stability report.

For more information: https://www.ecb.europa.eu/press/financial-stability-publications/fsr/special/html/ecb.fsrart202511_02-e2f82a64bf.en.html

Thank you for your attention