

Macro Roundup Article

Headline: [Net Interest Payments On External US Debt](#)

Article Link: https://twitter.com/Brad_Setser/status/1679237052267634688

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Tweet: [@Brad_Setser](#) argues that net interest payments will top their pre-crisis level of 1.5% of GDP.

Summary: The US is the world's big net debtor -- with net external debt of around 50% of its GDP. The US is now getting 4% on average on its loans, while only paying 3% on its borrowing (mostly bonds) the implied net interest rate on US external debt works out to be 2.4% -- well below any current US interest rate. And as a result, net interest payments as a share of US GDP are only up 15 bps of US GDP or so (not much really). These predictable dynamics slow the adjustment in the U.S. balance of payments to higher interest rates, but they don't eliminate it. Net interest payments have a lot further to rise. They certainly will top their pre-GFC peak as a share of US GDP (1.5% or so). Related: Interest Costs Will Grow The Fastest Over The Next 30 Years and American Gothic

Primary Topic: Fiscal Deficits

Topics: Database, Fiscal Deficits, Fiscal Policy, Government Spending, Op-Ed/Blog Post, Weekly

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