CAPITAL GROUP™

**Investment Insights**
Q4 2025

**FOR PROFESSIONAL INVESTORS ONLY | Marketing communication**

SUMMARY

# The Great Global Restructuring

## Understanding the new global axis

In our previous paper, *Can American exceptionalism continue?*, we examined the structural and strategic foundations underpinning the United States' long-term economic growth. We identified a compelling formula for enduring success driven by superior productivity, a culture of innovation and risk taking, and a stable, predictable regulatory framework.

Building on those findings, we examine whether the US can maintain its economic edge in a more contested and volatile global environment. As geopolitical tensions rise, technological disruption accelerates and trade policy negotiations intensify, we examine four drivers of change:

1 AI-driven productivity gains

2 Trade and investment flows

3 Debt sustainability and the US dollar

4 Unlocking shareholder value in a changing regulatory landscape

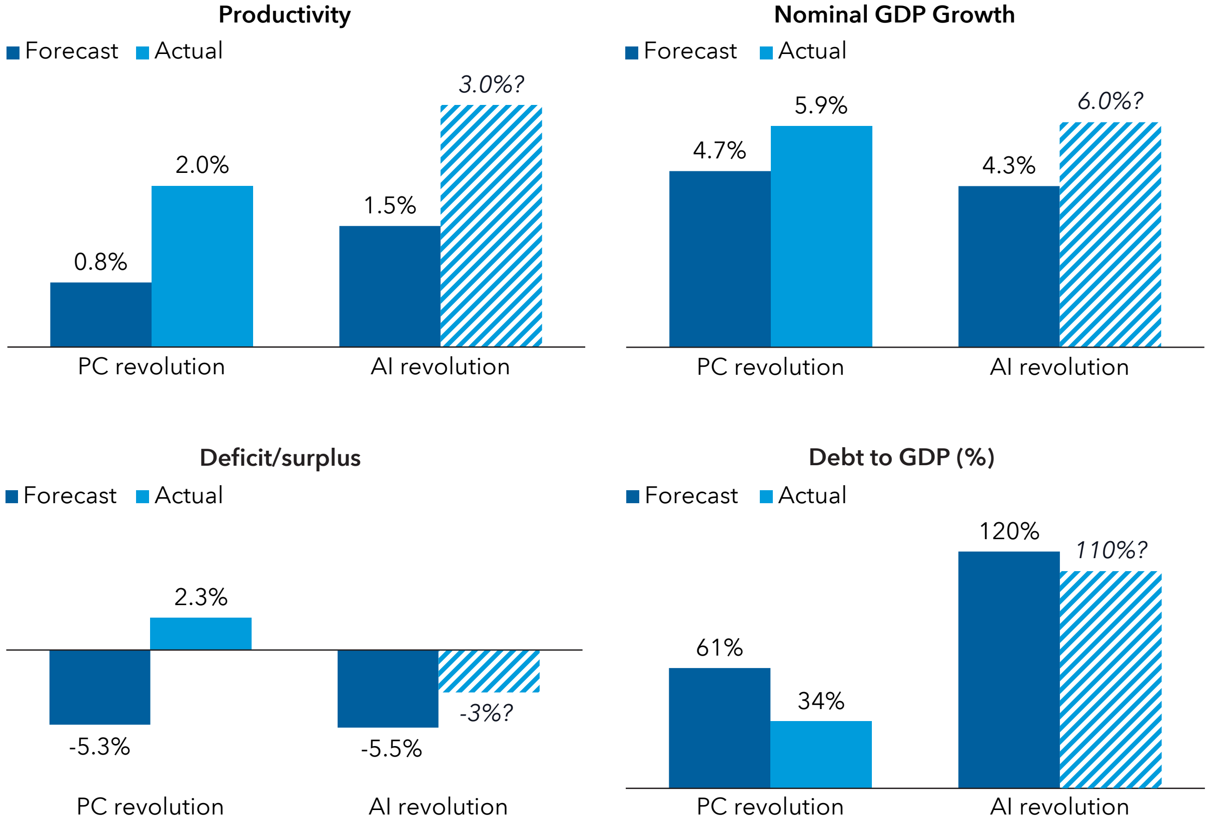
Read the full report
**Scan or click the QR code**

## 1. AI-driven productivity gains

Artificial intelligence (AI) has the potential to become transformative, reshaping industries and redefining productivity. But are we underestimating the long-term gains? Early estimates for the personal computer (PC) revolution were modest compared to the results that ultimately materialised. Similarly, the full extent of AI's benefits may only become clear over time.

How these gains are distributed globally will be critical. Will AI provide a broad-based boost to productivity, or will it serve as a strategic advantage concentrated in certain countries? The most successful at harnessing the productivity gains from AI and other tech will define the ultimate winners.

**Are we underestimating the impact of AI like we did in the PC era?**



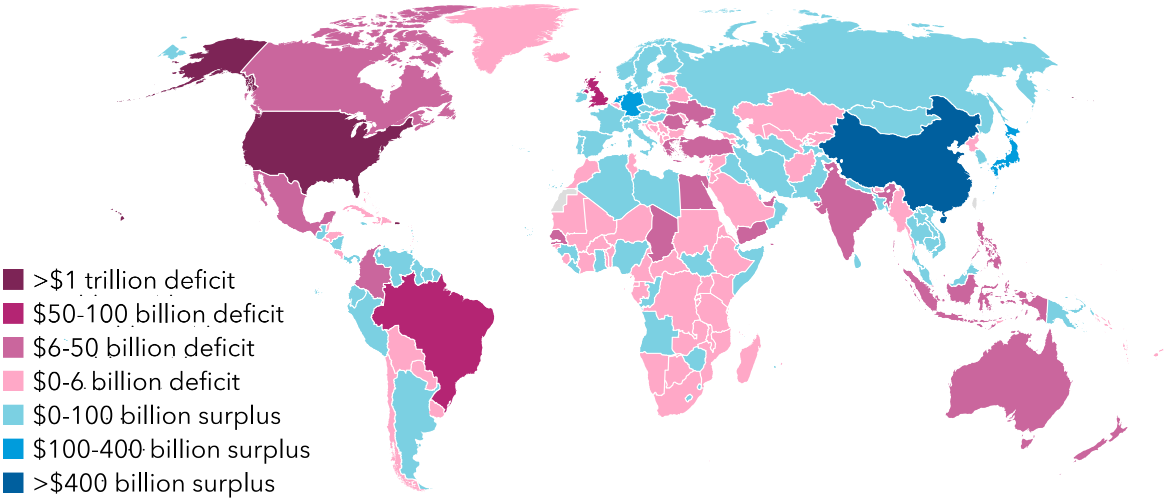

**Past results are not a guarantee of future results. Forecasts are for illustrative purposes only.**
For PC revolution: Forecasts refer to those made in 1993 for 2000 vs actual outcomes in 2000.
For AI: Forecasts are those made in 2025 for 2032. AI 'actual?' figures calculated by applying the same margin of error from the PC era.
Data is as at June 2025 and US only. Sources: Philip Laffont, CBO, OMB, Capital Group

## 2. Trade and investment flows

Historical attempts to address US trade imbalances have largely fallen short, often weakening the dollar while prompting structural reforms abroad. Today's rebalancing efforts are already reshaping global capital flows.

In the short term, repatriation of portfolio investments has sparked regional equity rallies. Longer term, foreign direct investment (FDI) may be driven by geopolitical alignment rather than economic rationale, fostering deeper ties among non-US economies and potentially redrawing the global investment map.

**Global current account balances**

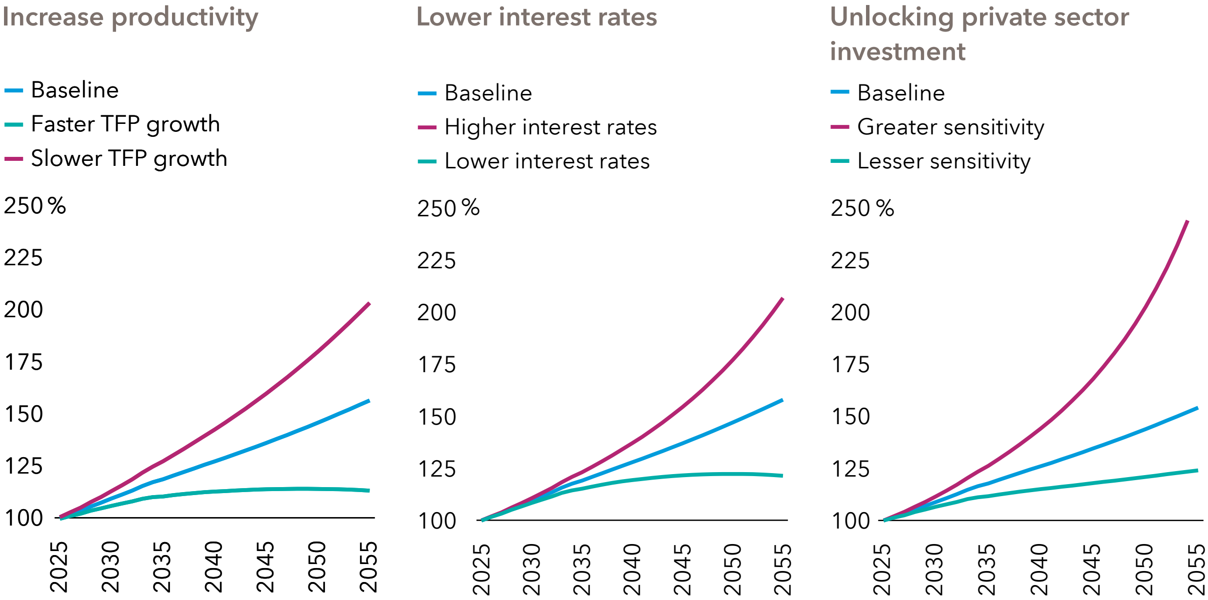



Source: The World Bank. Using data available as at December 2024.

## 3. Debt sustainability and the US dollar

Projections for US debt-to-GDP are contingent on a range of assumptions with even small deviations materially altering forecasts. Investors should keep an eye on the policy levers that could be implemented, including investments in digital infrastructure and AI adoption to boost productivity; forward guidance or quantitative easing to anchor long-term interest rates; and capital expenditure in strategic sectors to support long-term growth.

**Future path of debt-to-GDP is highly dependent on multiple assumptions**




**Forecasts for illustrative purposes only.**
Data reflects projections as at May 2025. Sources: Congressional Budget Office (CBO), Capital Group

1. TFP: Total Factor Productivity. Faster and slower TFP growth reflects TFP in the nonfarm business sector growing 0.5% quicker or slower than the baseline projections.
2. Higher interest rates reflect average interest rates on federal debt above the baseline rate by an amount that starts at 5 basis points in 2025 and increases by that same amount in each year thereafter. Lower interest rates reflect average interest rate on deferral debt being set below the baseline rate by an amount that starts at 5 basis points in 2025 and decreases by the same amount in each year thereafter.
3. Greater sensitivity reflects the scenario where every dollar of change in fiscal deficits reduces private investment by 66 cents. Lesser sensitivity reflects the scenario where government borrowing has no effect on private investment.

Depreciation in the US dollar may reflect a discount due to concerns over US fiscal sustainability, central bank independence, and policy unpredictability. However, the structural foundations of its dominance – liquidity, trust, and institutional depth – continue to anchor investor behaviour.

## 4. Unlocking shareholder value in a changing regulatory landscape

The US has set the benchmark in corporate governance, offering investors legal clarity, shareholder empowerment, and deep, liquid capital markets. But as certain elements evolve, can the US maintain this competitive edge? While strategic alignment has gained prominence, support for environmental and social proposals has declined. Lessons from past lapses highlight the US system's resilience and its ability to restore investor confidence.

**The pillars of the US's shareholder-friendly environment remain robust**

| Trusted legal infrastructure | High shareholder engagement | Deep, liquid capital markets |
|---|---|---|

Strong alignment between management and shareholders remains a core strength of US assets. Yet global peers are catching up. Japan and Korea are proving that governance can be a source of competitive advantage and a driver of equity returns.

These four drivers of change represent just a few of the forces shaping the future of American exceptionalism as well as the competitive landscape across developed and emerging markets.

The question is no longer whether change is coming, but how to navigate it.