



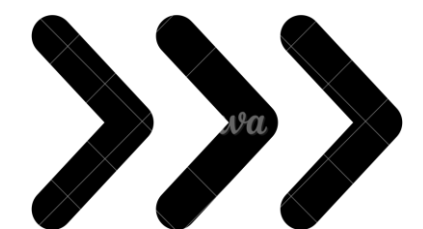
# IS THE WORLD ECONOMY GOING TO COLLAPSE?



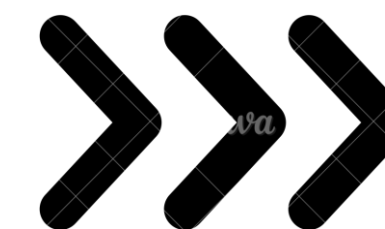
# 01.06.2023



United States will collapse if  
it does not repay it's debt or  
increase it's **debt ceiling**

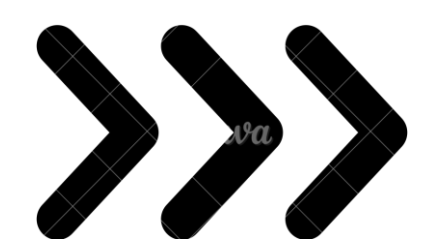


**What is**  
**DEBT CEILING?**



**Debt ceiling** refers to the maximum amount of money United States is legally allowed to borrow to fund its expenditure.

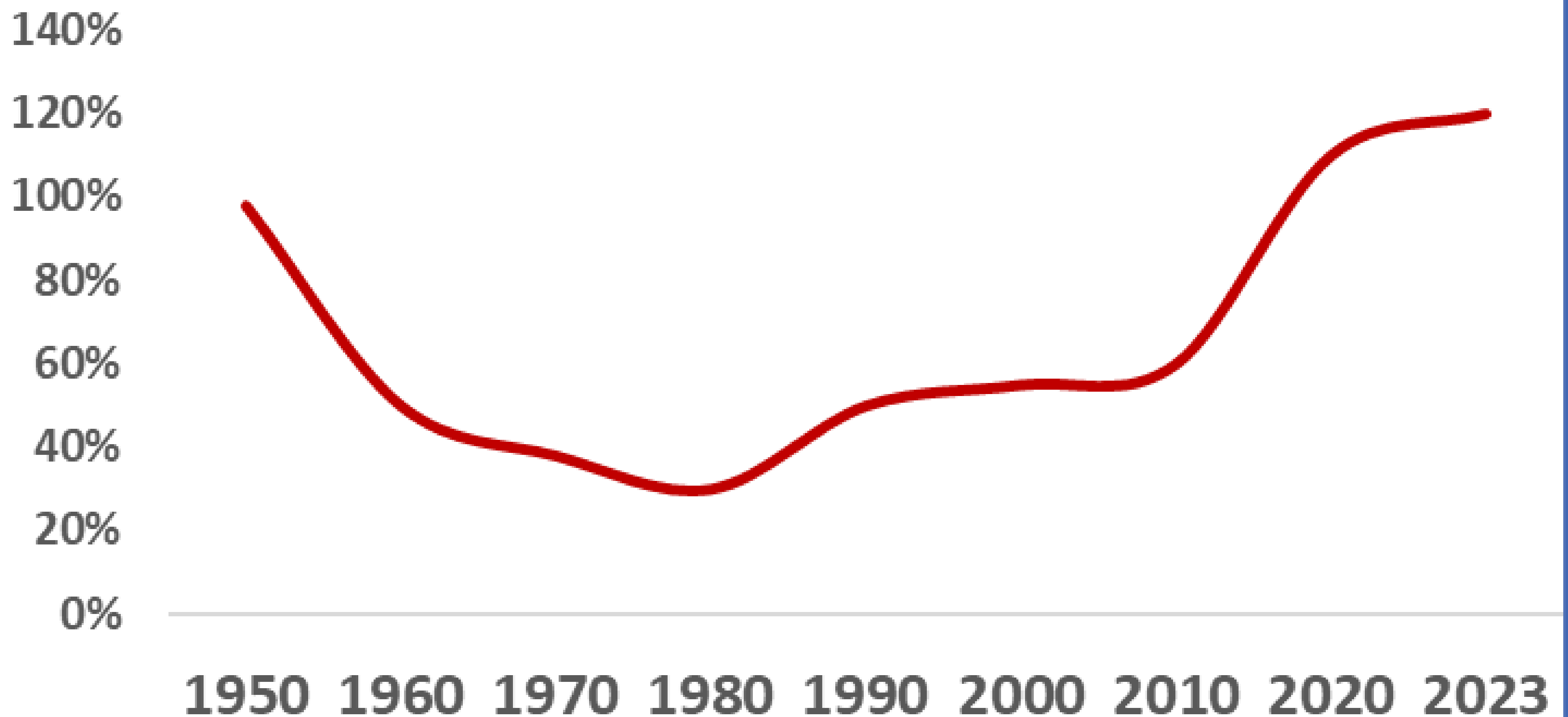
US has a debt ceiling of **\$31 trillion** which it has hit. This means that it **cannot** borrow more to fund its expenses unless this limit increases



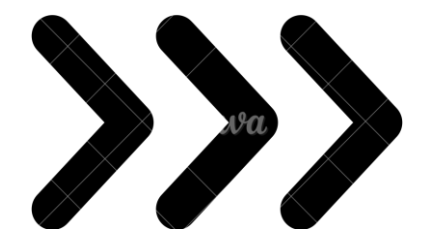
US has been borrowing more debt than the value it creates annually.

It stands at **127%\*** right now

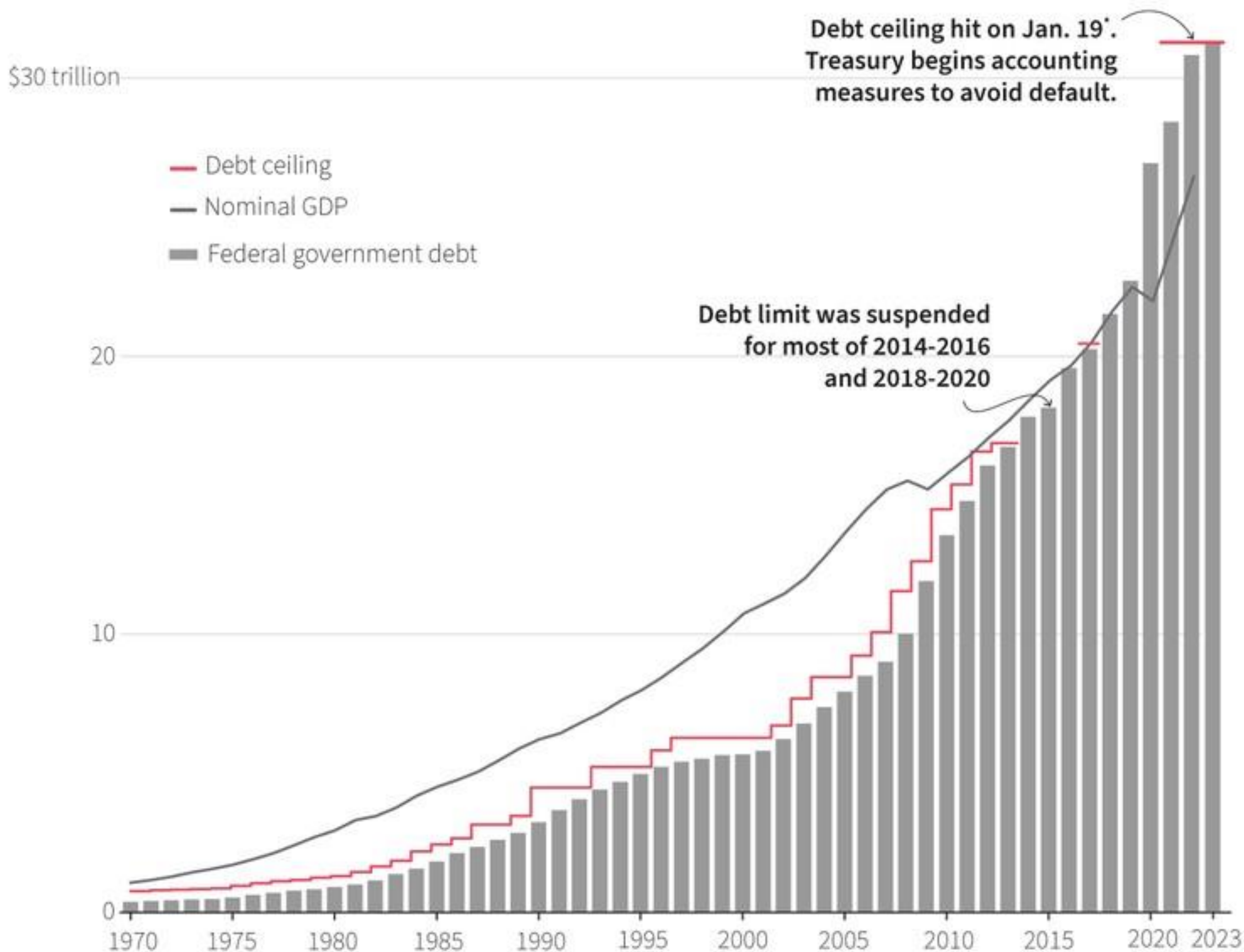
## Debt to GDP ratio



\*India is at 86%. Source : Bureau of economic analysis

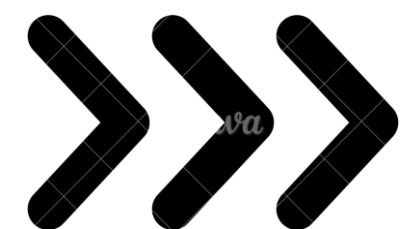


# US has increased its debt ceiling **78** times since 1960



Source : US Department of Treasury

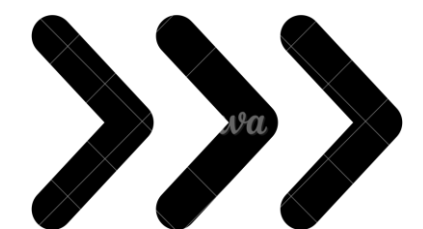
**But,** if the debt ceiling has increased in the past, what's the issue now?



For the debt ceiling to increase, it needs support from the House of Representatives or in other words the Lok Sabha of the United States

And clearly, that is not happening

**But, why?**



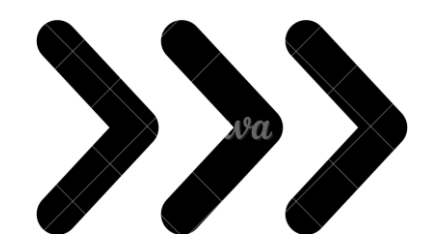


The demand is :

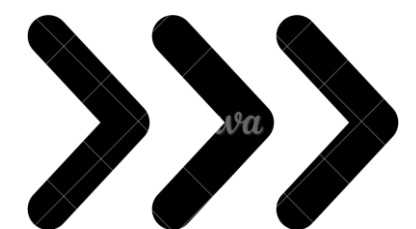
1. To make steep cuts in government spending and capping incremental annual spends at 1%.

This would mean pulling back COVID 19 support policies, clean energy tax credits, student debt forgiveness plans and other initiatives such as meal on wheels.

2. **Not** increase taxes for corporates and wealthy individuals to make up for the deficit.



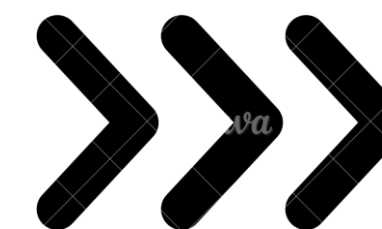
The federal government is not looking to *agree* and the opposition is not looking to *budge*.



So?

So, US will be doomed

And so will be the world economy



8.3 mn

will lose their jobs  
in US alone

-20%

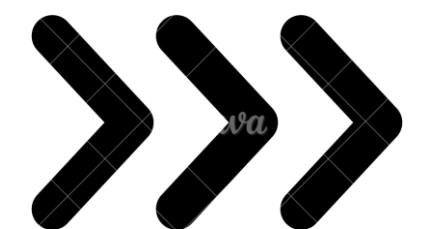
S&P 500 could  
crash

66mn

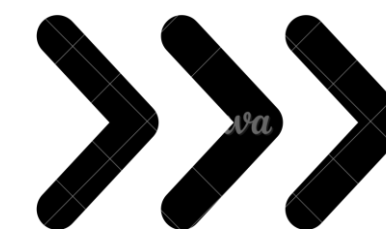
people will not  
get their social  
security money in  
time

-6%

US GDP growth



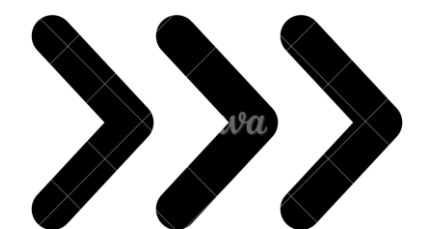
How will India be  
impacted?



1

US defaulting on its debt will downgrade its rating and will weaken the USD

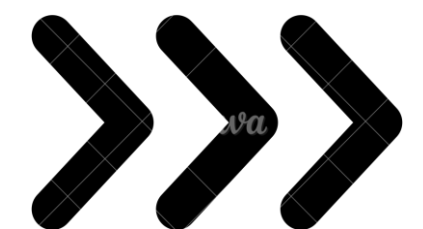
~ **40%** of India's forex reserves are held in US dollars and bonds, US defaulting on its debt will result in a massive blow to India's economic cushion.



2

**Oil prices** will rise. India being a major importer of oil will see its current account deficit widening more and inflation over the roof.

India currently is at a CAD of -\$25bn, much widened from -\$15bn when the Ukraine-Russia war began.

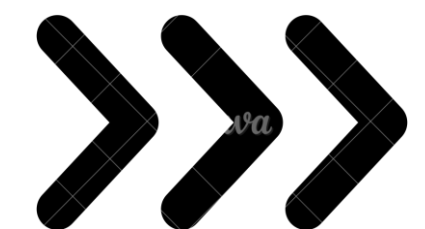


3

India's export sector will see a major impact.

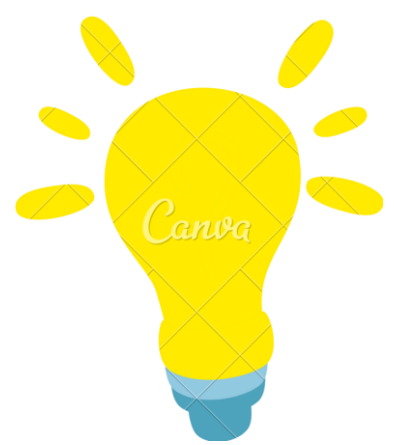
Ripple effect could be notably seen in pharma and IT sectors with a total employment of 7mn.

Inflation, and unemployment – both will rise.

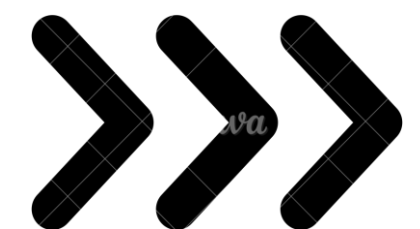




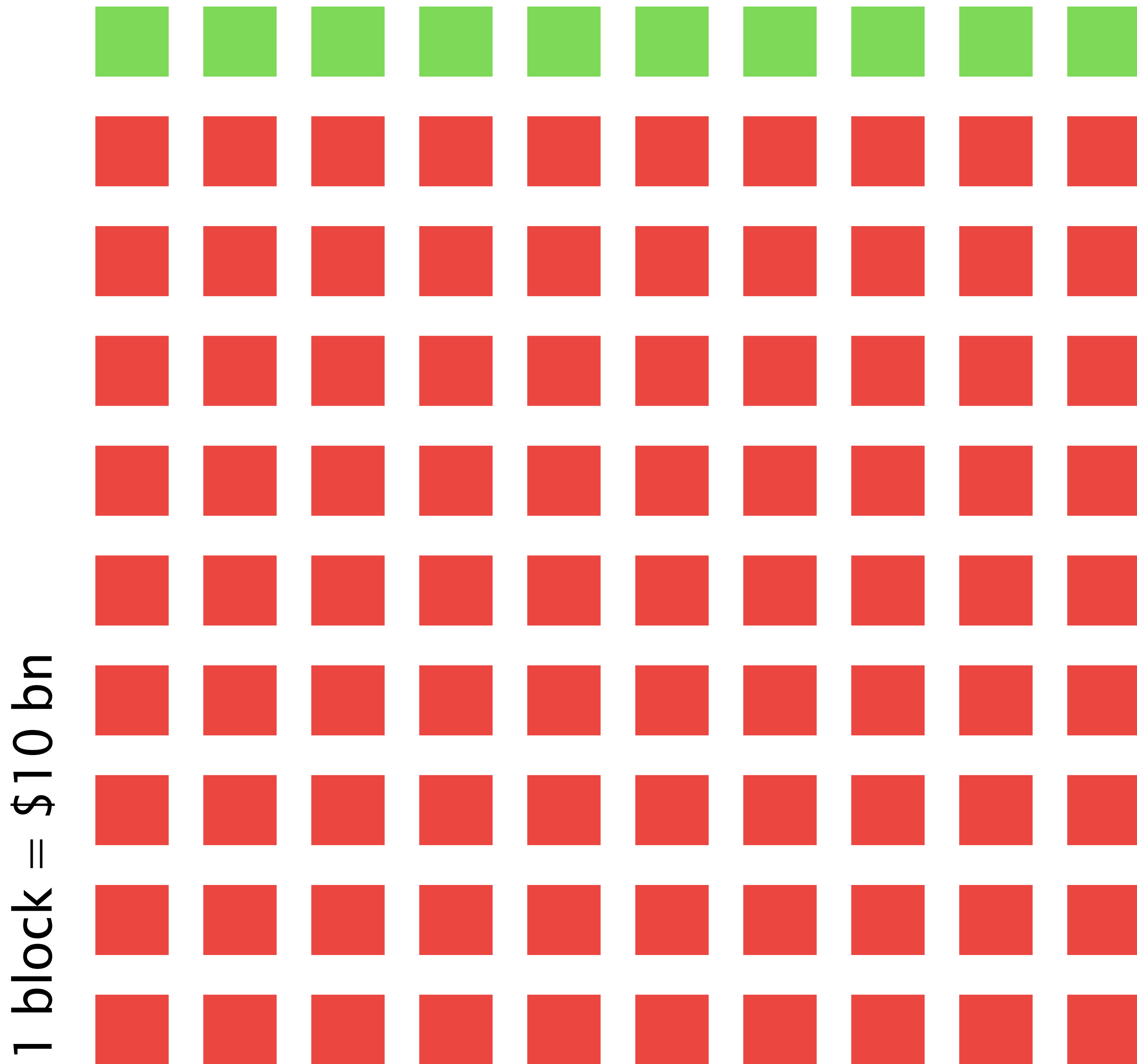
Unfortunately, the world runs on a dominant currency paradigm and India is trying to break this by persuading its trade partners to trade in Rupee and reduce its dependence on USD.



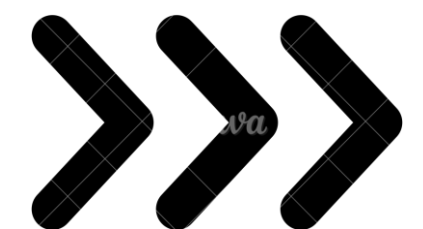
Over the last few months, India has opened 18 special rupee vostro accounts to promote this initiative



US has to pay **\$1 trillion** in the next 1 month  
and it just has **\$100 bn** in it's bank account



Source : NY Times

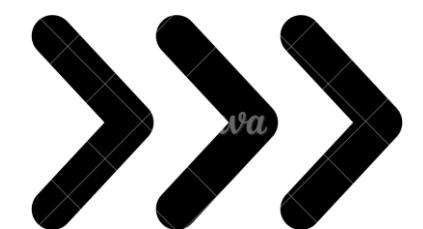


# The countdown has begun.



“Rather go to bed without dinner than to rise in debt.”

Benjamin Franklin



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