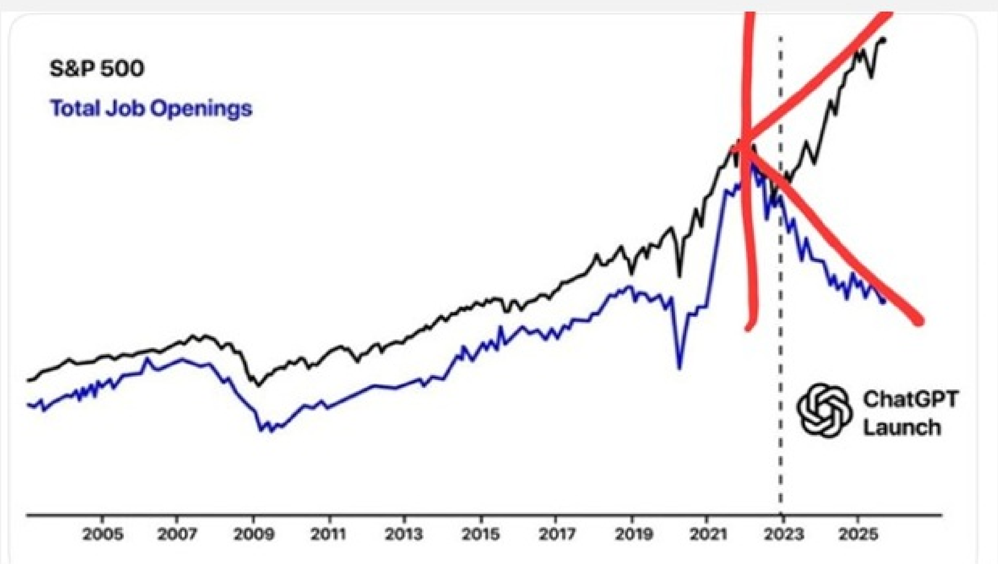
# The K Shape

The first references to a *K-shaped economy* or *K-shaped recovery* emerged after the 2020 pandemic. This year, the term has resurfaced as one of the defining structural features not only of the US economy, but also of many parts of the global economy.

## Definition

The "K-shaped" economy refers to a pattern of economic growth in which high-income individuals and asset owners experience substantial gains, while lower- and middle-income groups, typically with limited asset ownership, struggle or experience decline.

This divergence can be illustrated in many ways. In the chart below, it is shown by the ongoing growth of the stock market, specifically the S&P 500, juxtaposed against a sharp decline in job openings.




Source/s : Marko Kolonovic

## 5 Key Drivers of the 2025 K-Shaped Economy

**1)** Post 2020 Fiscal Stimulus
**2)** Persistent conasumer inflation pressures
**3)** AI and Technology Capex Boom
**4)** Weakening labour market
**5)** Above trend asset price inflation

## Winners and Losers

The top 10% of wealth owners now account for nearly 50% of all U.S. consumer spending - up from about one-third in the early 1990s. Meanwhile, the bottom 80% are being squeezed by persistently high inflation and sluggish wage growth, leading to record levels of credit card debt.

Big Tech and AI-driven companies continue to post strong earnings on high valuations, while consumer discretionary and defensive sectors struggle.

Investment wealth has compounded for property and equity owners, whereas many in the middle class face increasing barriers to homeownership, with affordability levels at record lows.

In the labour market, high-end and highly skilled jobs remain relatively secure (for now), while lower-skilled roles face rising pressure as corporations continue to announce widespread layoffs.

## Conclusion

As long as this type of global economy persists, it will continue to have wide ranging, mostly adverse, consequences for large portions of the population. We are already witnessing how rising inequality fuels resentment and heightens political volatility across the world.

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If you have any questions, Ian and our team would love to hear from you on global@seedinvestments.co.za.

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