

Special Edition: Economic Insight
A Closer Look at the U.S. Debt Burden

May 2026



STIFEL

Executive Summary

The U.S. debt burden has grown to \$39 trillion, surpassing another grim milestone only five months after passing \$38 trillion. The massive growth in the U.S. government's debt load – which is adding \$1 trillion every 163 days, running annual budget deficits of near \$2 trillion, and a deficit to GDP ratio of 6.0% – appears to be unsustainable.

Despite those ominous stats, someone could conjecture “*do deficits and debt really matter?*” The answer is an unequivocal “Yes.” Eventually, the debt burden will reshape domestic and global market expectations for longer-term rates and further complicate the Federal Reserve's ability to reinstate price stability.

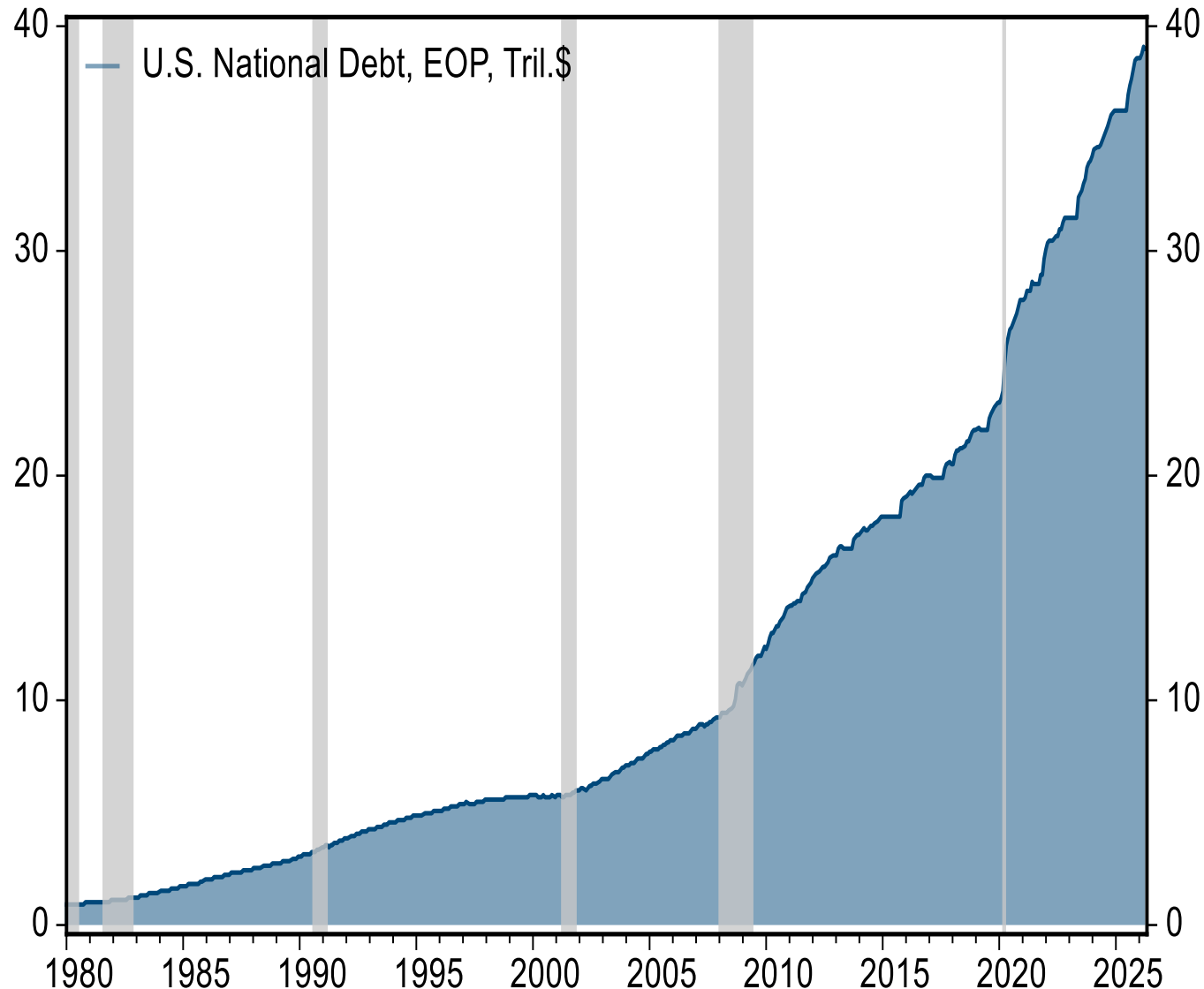
This week, we take an in-depth look at the state of the federal government's balance sheet, the runup in liabilities, the buyers of U.S. Treasuries, and the potential consequences of rising U.S. debt.

Former Treasury Secretary Hank Paulson Sounds the Alarm on U.S. Debt

Former Treasury Secretary Hank Paulson, who served under President George W. Bush, recently sounded the alarm on U.S. debt and suggested the government should have a backup plan in case international demand for dollar assets falters.

Paulson warned of a “*doom loop*” in which investors seek higher Treasury yields due to burgeoning government debt, which in turn, increases the government’s interest payments, widening the deficit further, and so on.

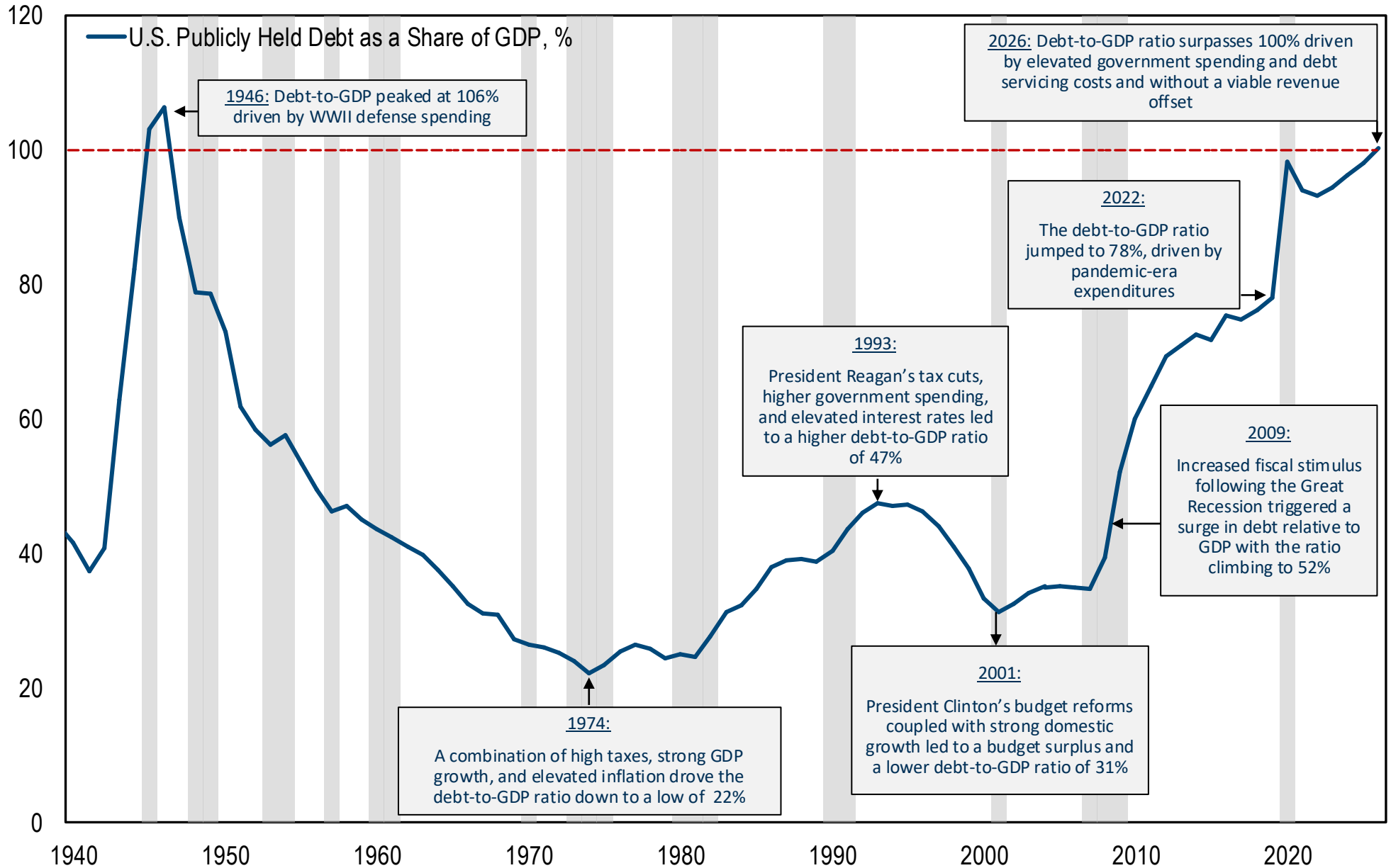
As such, Paulson proposed the need for a “*break-the-glass plan*” if there were to be a breakdown in the U.S. government debt market. He didn’t lay out the specifics of a plan.



Source: U.S. Treasury/Haver Analytics

*Note: U.S. National debt consists of debt held by the public (individuals, foreign governments, Federal Reserve and intragovernmental holdings (money owed to government trust funds like Social Security)).

U.S. Debt Held by the Public Tops 100% of GDP

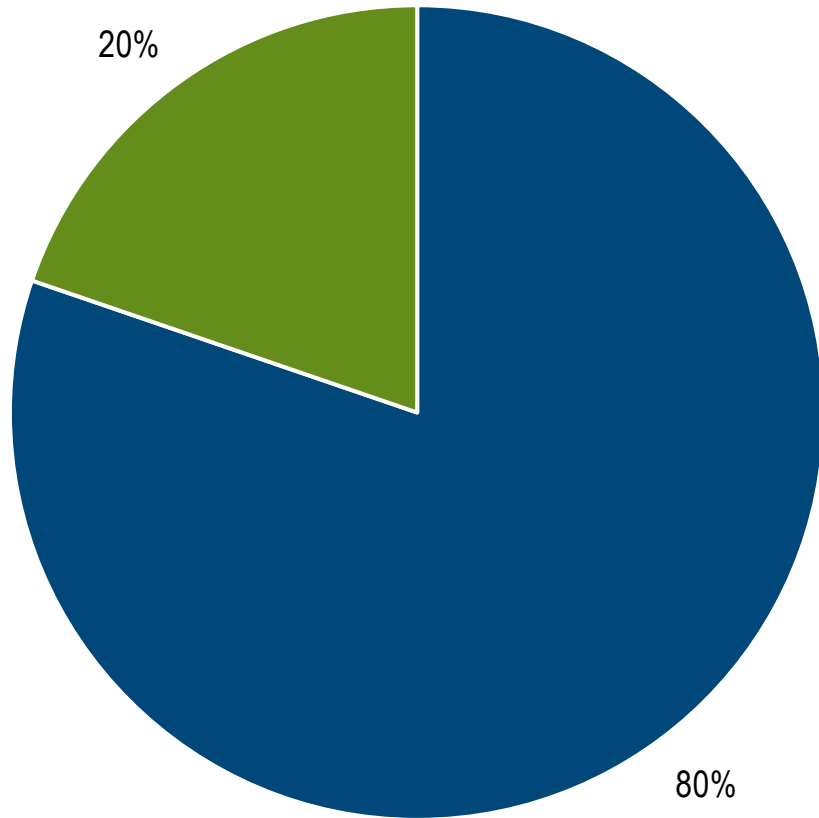


Source: Office of Management and Budget

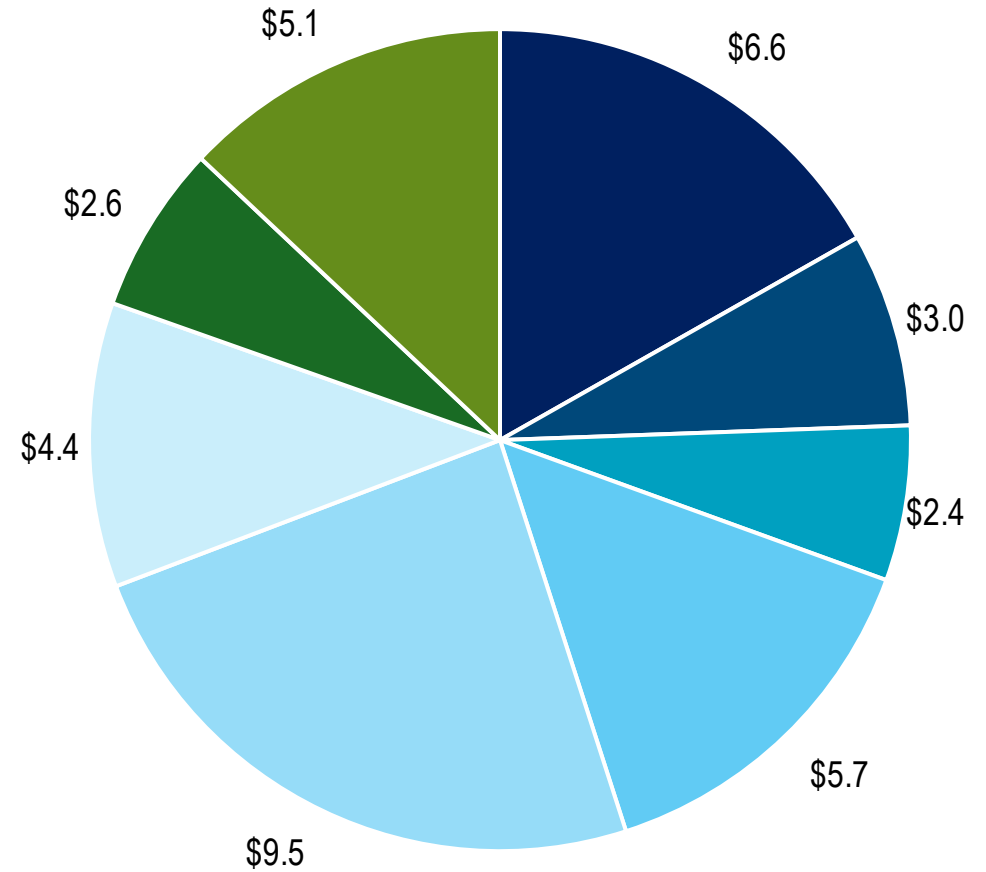
*Note figures are for fiscal years ending September 30 except 2026 which is as of March 31

U.S. Debt Breakdown: Debt Held by the Public Makes Up 80% of Gross Debt

Total U.S. Debt, %



Total U.S. Debt, Trillion \$



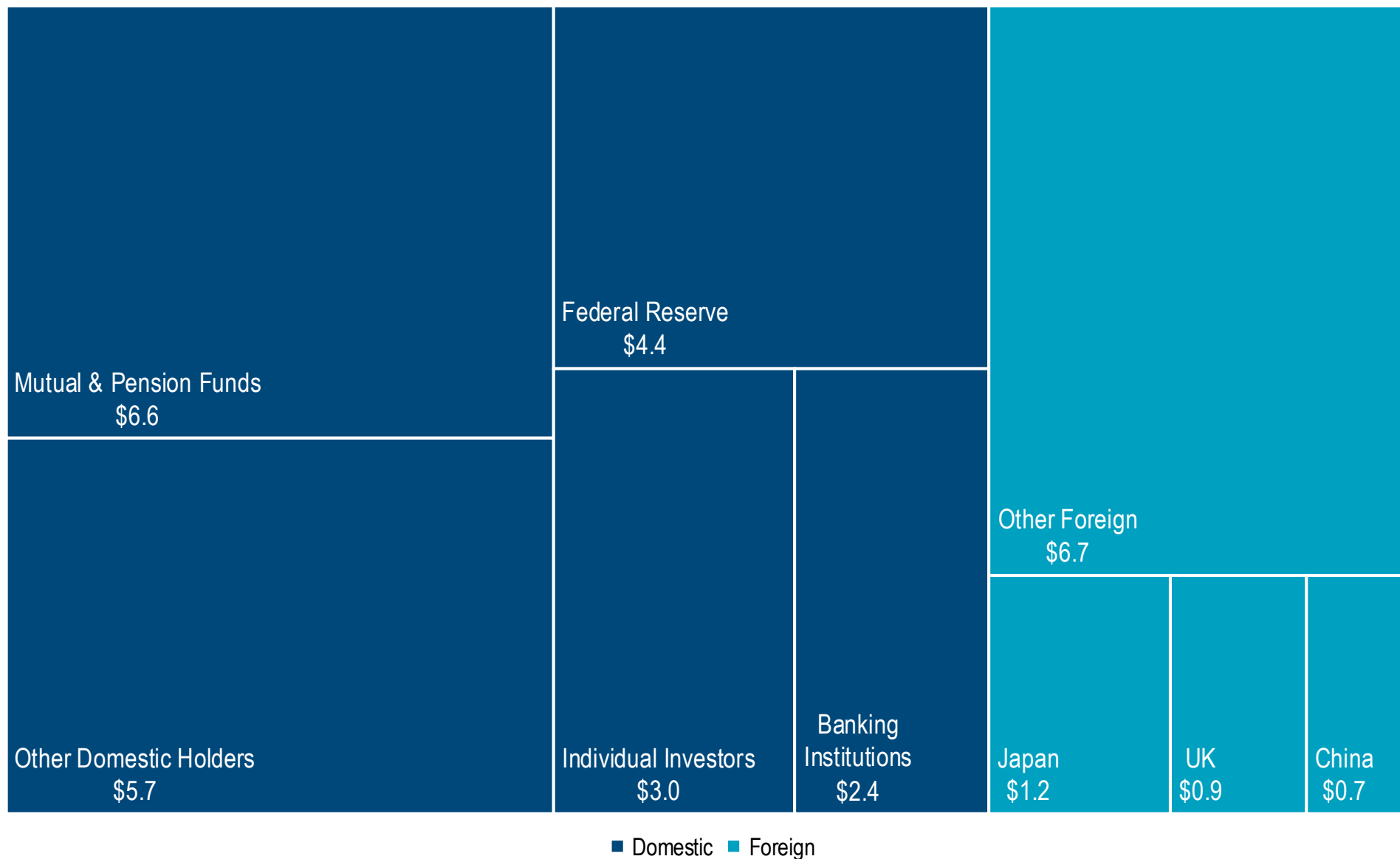
■ Debt Held by the Public, % ■ Intragovernmental Debt, %

■ Mutual & Pension Funds ■ Individual Investors
 ■ Banking Institutions ■ Other Domestic Holders
 ■ Foreign Holders ■ Federal Reserve
 ■ Social Security Trust Fund ■ Other Government Trust Funds

Source: U.S. Treasury

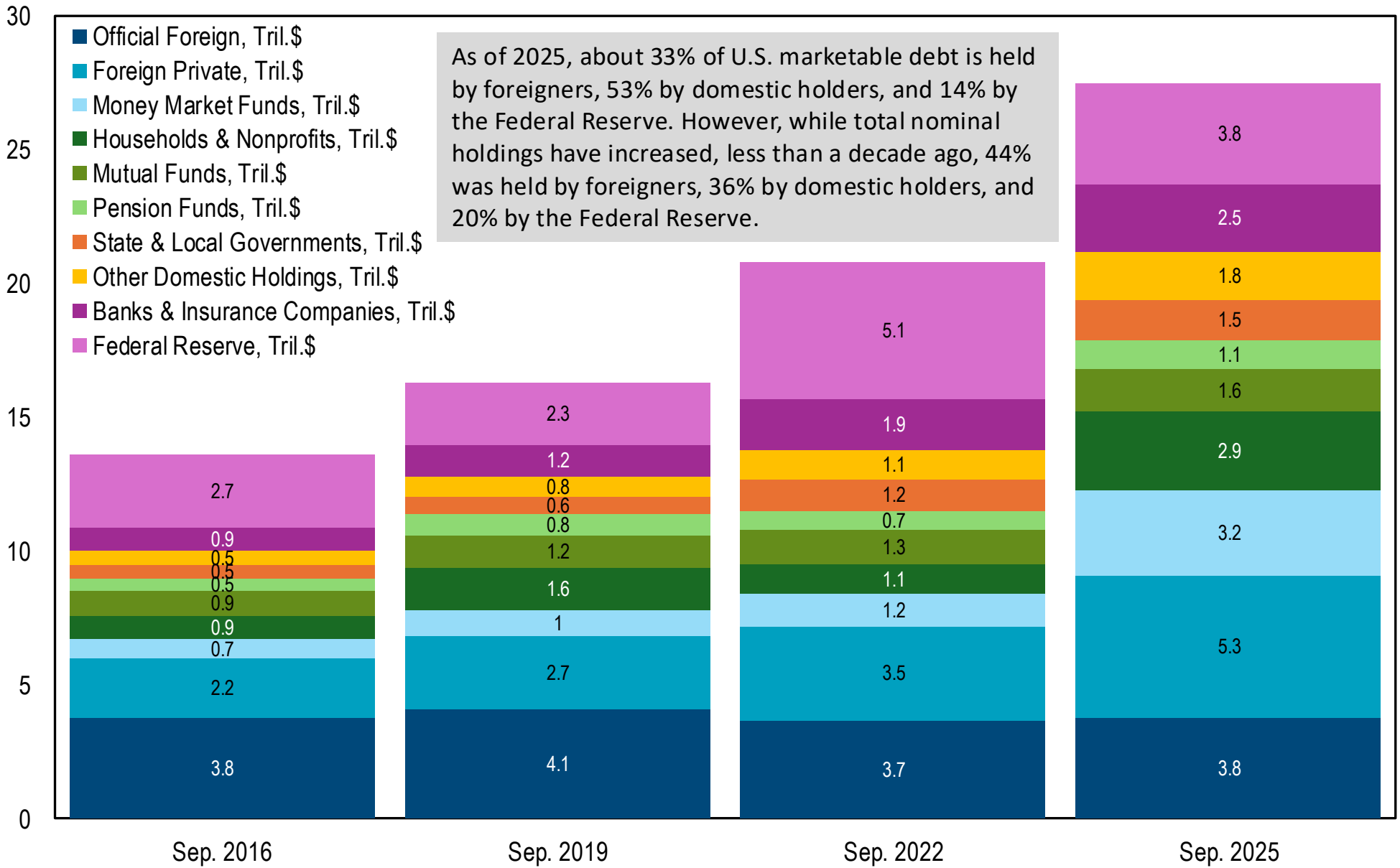
Most Public Debt is Held by Domestic Holders, but Foreign Holders Still Hold \$9.5 trillion

U.S. Public Debt Holders, Trillion \$



Source: U.S. Treasury

The Holders of U.S. Debt Have Shifted in the Past Decade

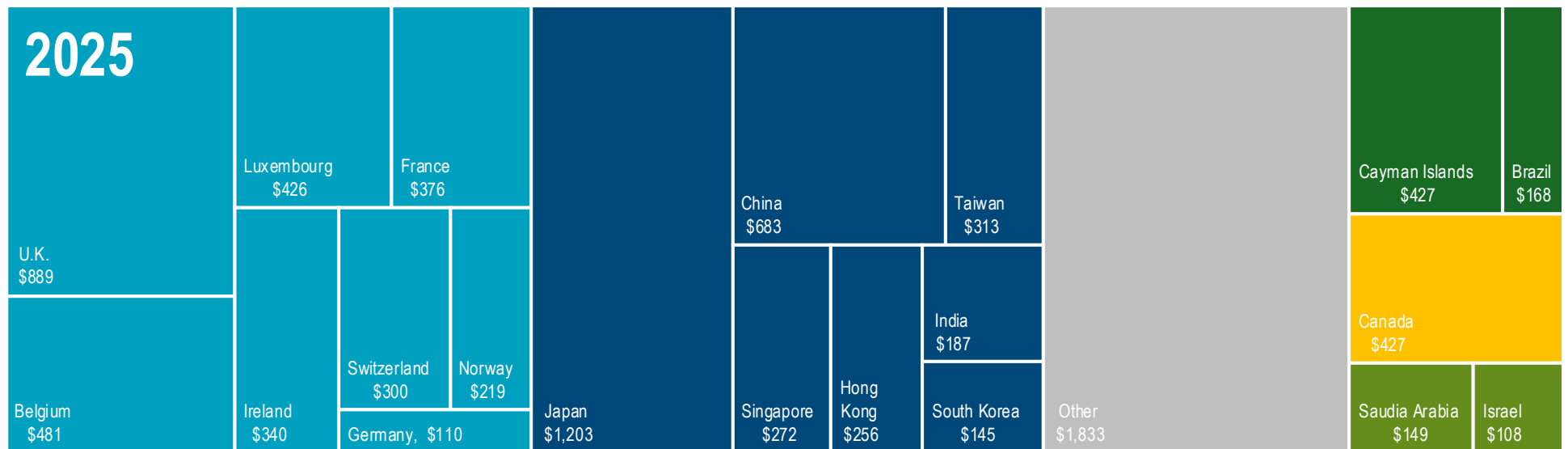
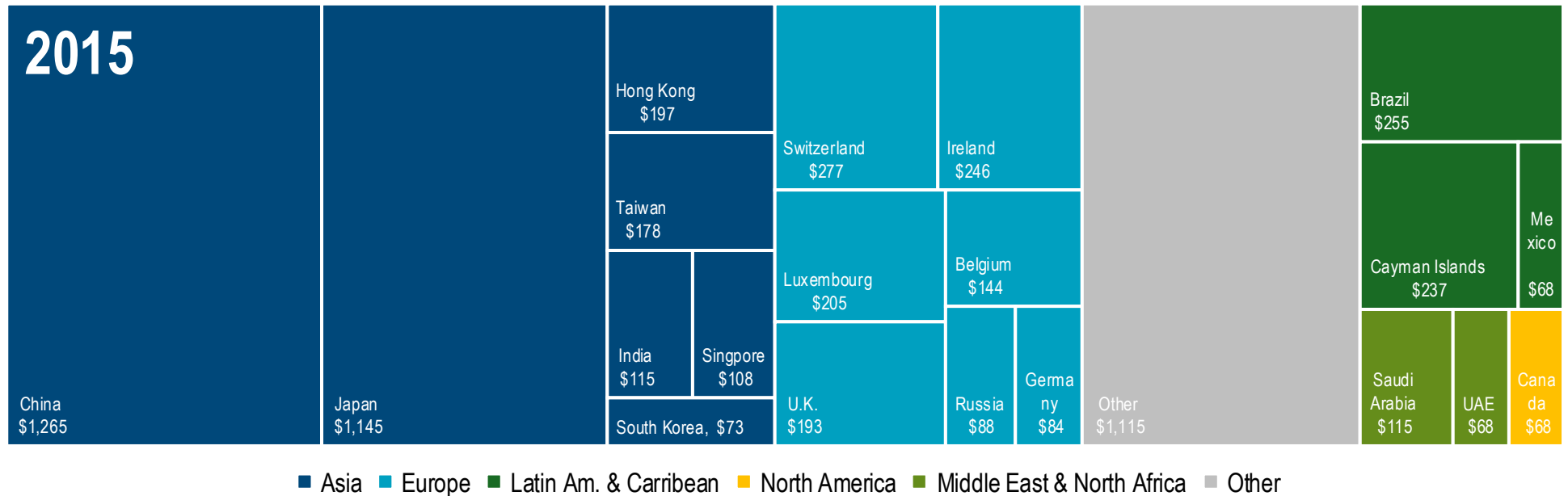


Source: Committee for a Responsible Federal Budget/Federal Reserve/U.S. Treasury

Note: Table includes marketable Treasury securities held by the public. Data current as of January 2026. Figures may not sum due to rounding.

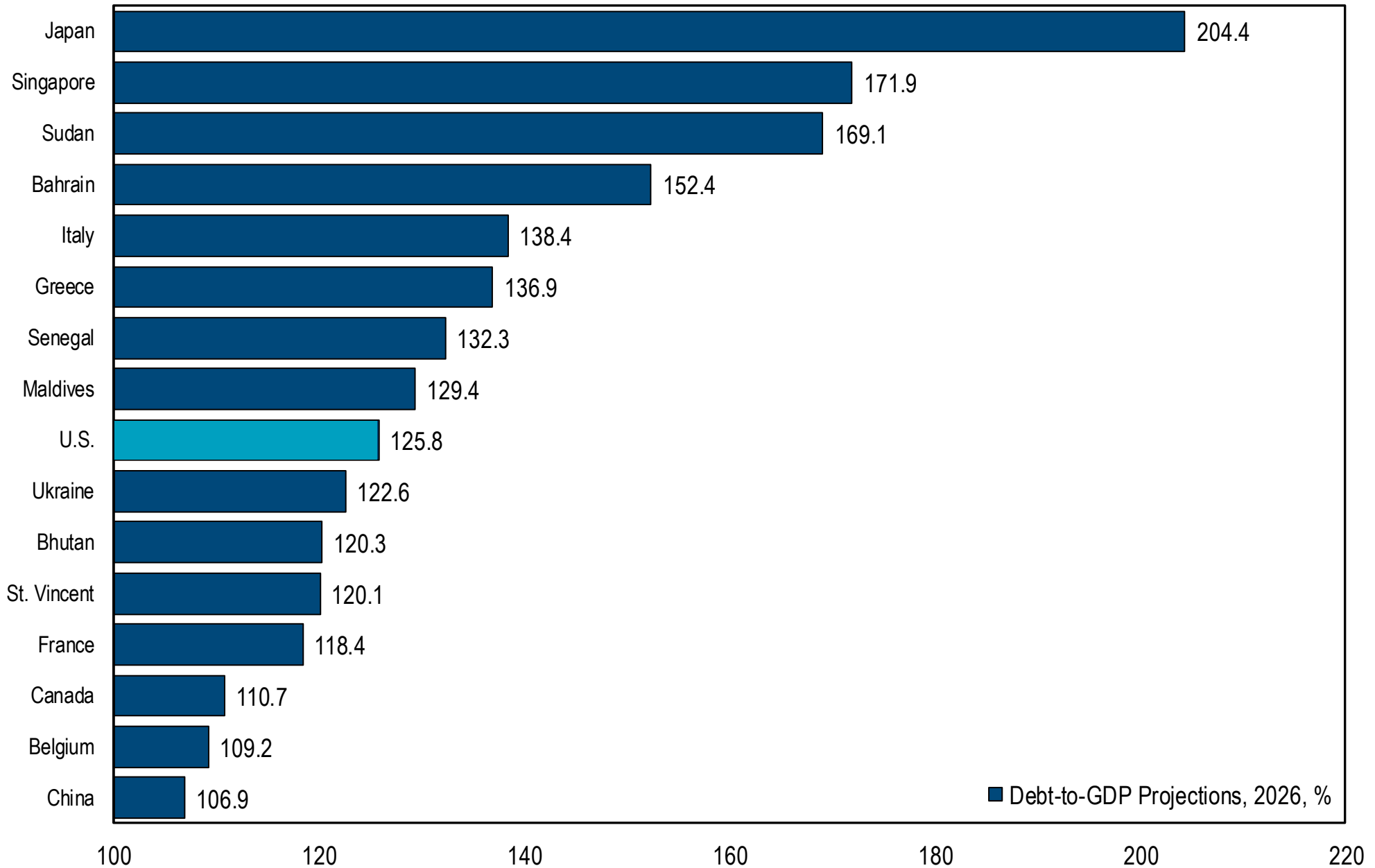
Foreign Ownership has Also Changed in the Last Decade

Foreign Holdings of Public Debt, 2015 and 2025, Bil.\$



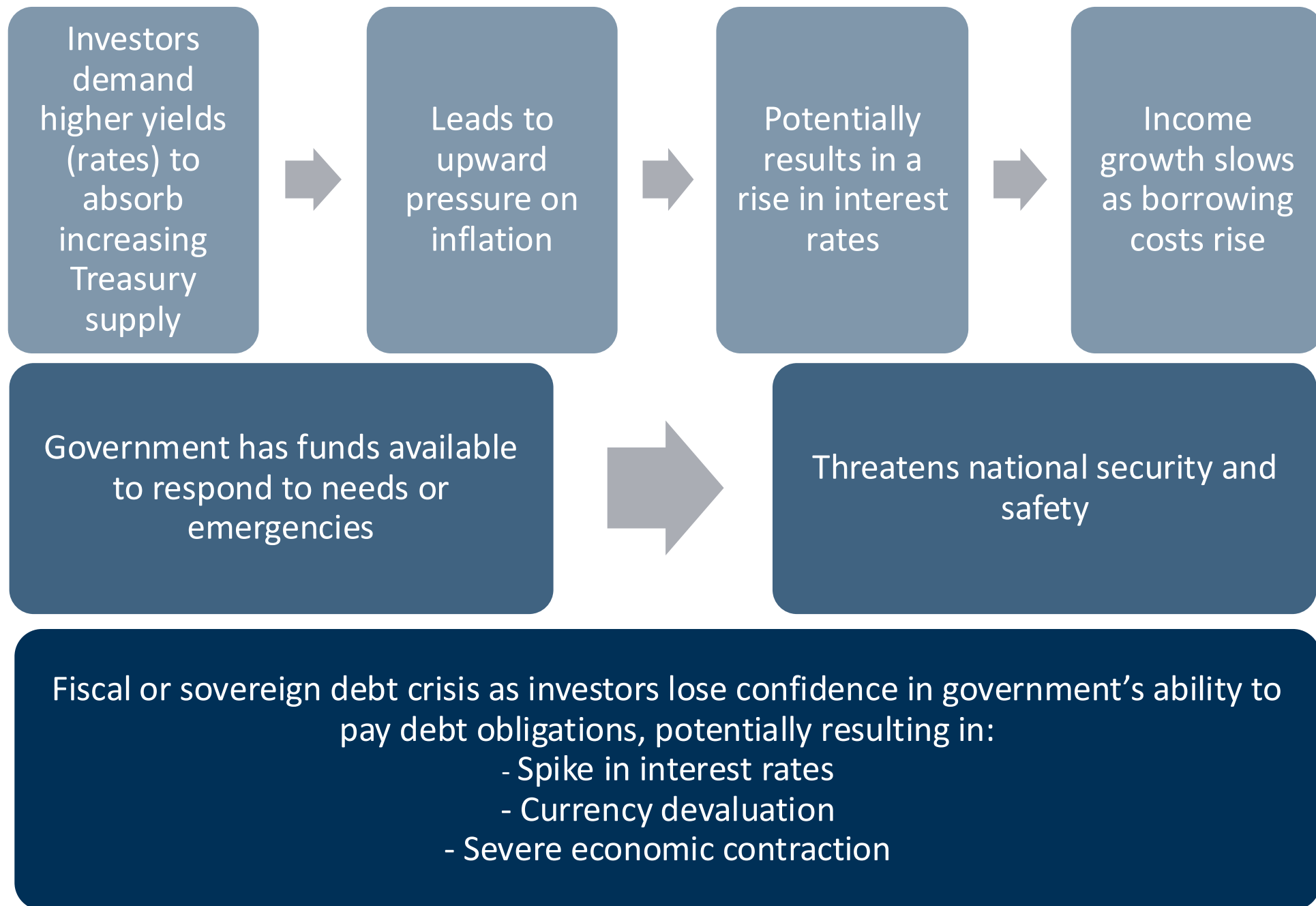
Source: U.S. Treasury

Global Debt-to-GDP Ratios Expected to Remain Elevated

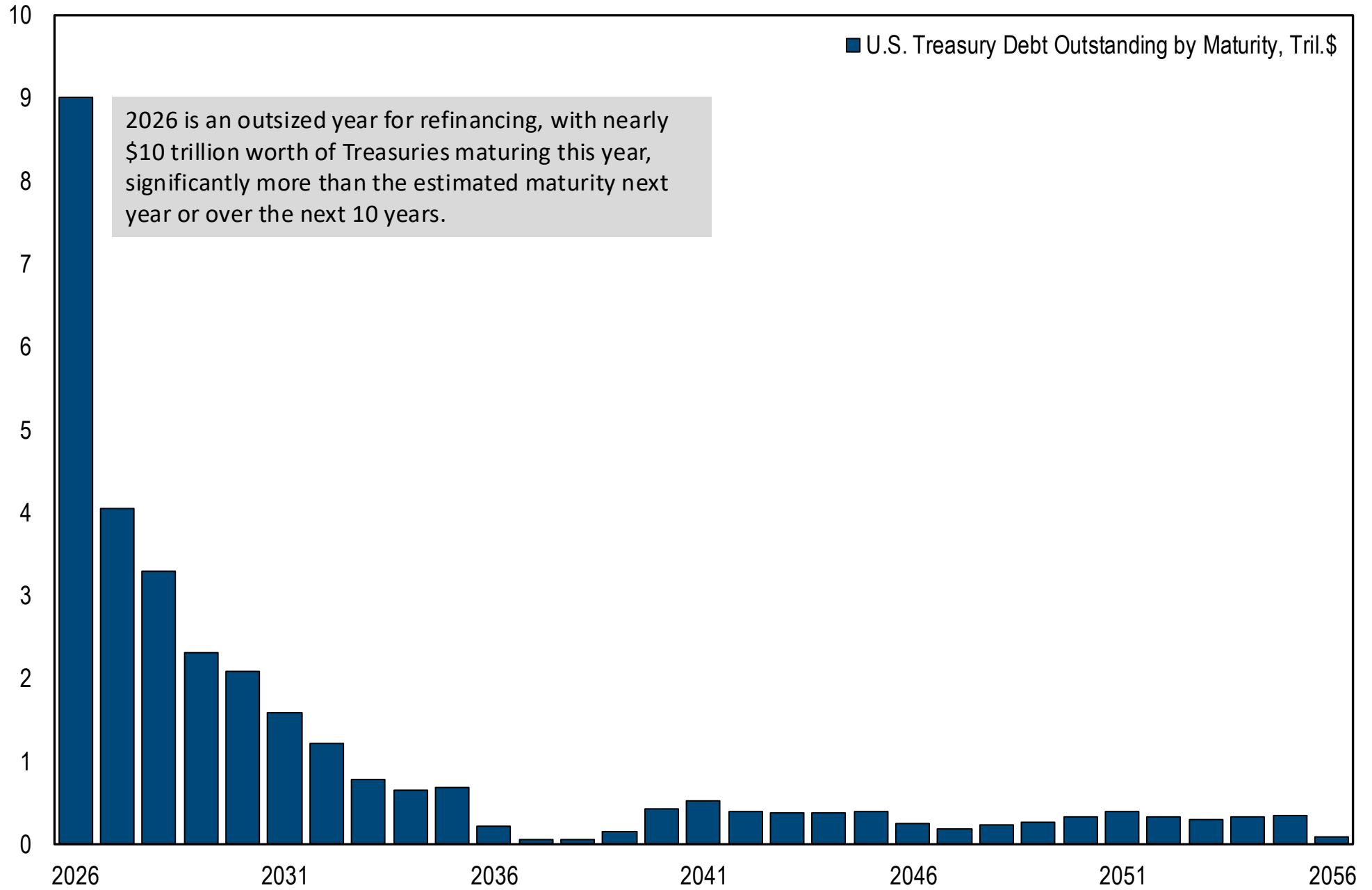


Source: International Monetary Fund

Consequences of Rising Deficits and Debt



2026 is an Outsized Year for Refinancing



Source: U.S. Treasury/Bloomberg

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