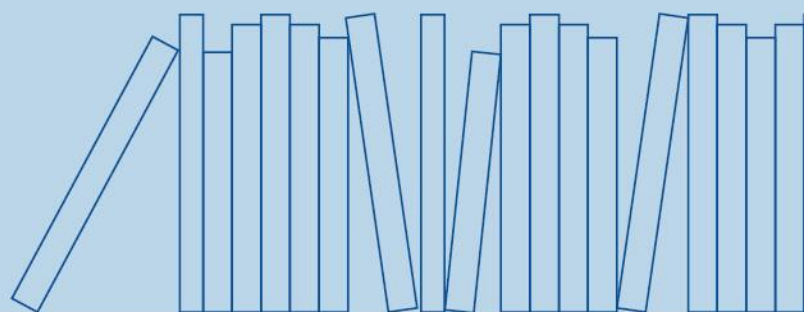


Economic Commission for Latin America and the Caribbean
ECLAC OFFICE IN WASHINGTON, D.C.



Trends and major holders

of U.S. federal debt



UNITED NATIONS



Washington, D.C., 25 April 2019

Thank you for your interest in this ECLAC publication



Please register if you would like to receive information on our editorial products and activities. When you register, you may specify your particular areas of interest and you will gain access to our products in other formats.



www.cepal.org/en/publications



www.cepal.org/apps

This document was prepared by Helvia Velloso, Economic Affairs Officer, with the collaboration of Daniel Perrotti, Economic Affairs Assistant, under the supervision of Inés Bustillo, Director, of ECLAC Office in Washington, D.C. It updates and expands the report LC/WAS/R.62 “United States debt: major foreign holders” of March 2012, which was prepared for internal circulation.

The views expressed in this document, which has been reproduced without formal editing, are those of the authors and do not necessarily reflect the views of the Organization.

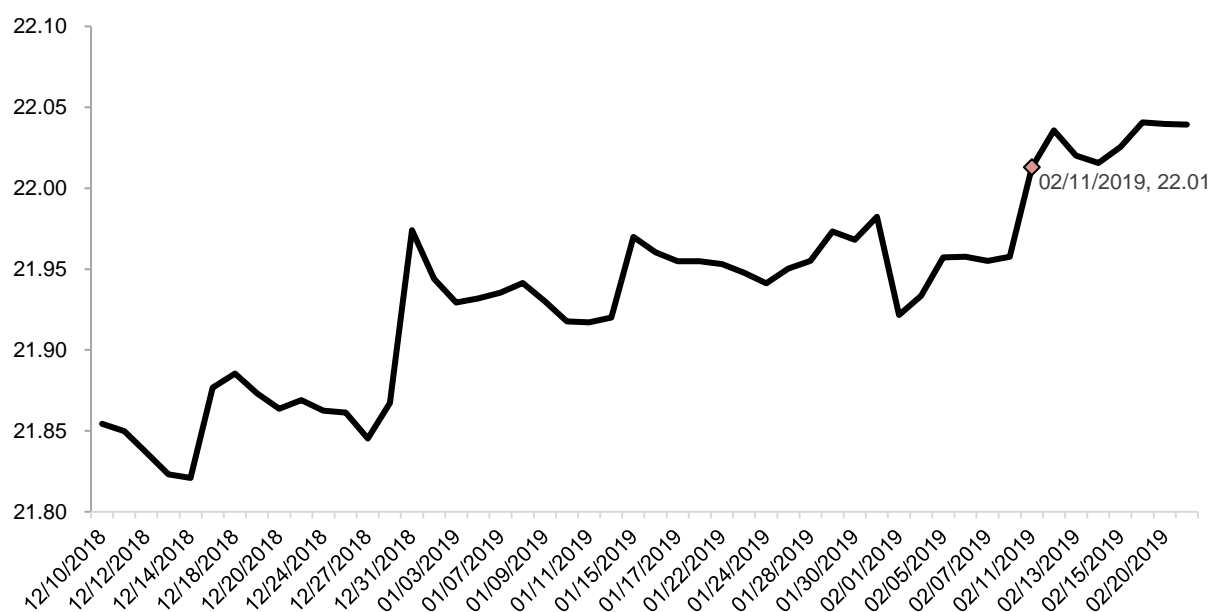
Contents

Overview	5
I. Federal debt	7
A. Debt held by the public	10
B. Intragovernmental holdings	12
C. Interest expense.....	12
II. Major foreign holders of U.S. debt	15
A. Foreign demand for U.S. Treasury debt.....	17
B. LAC holders of U.S. Treasury debt	18
III. Looking ahead.....	23
Appendix.....	25

Overview

The U.S. federal debt surpassed US\$ 22 trillion on February 11, 2019, reaching a record despite continued economic growth (chart 1). Total U.S. public federal debt as a share of gross domestic output (GDP) has climbed from 54% at the end of Fiscal Year (FY) 2001 to 104% at the end of FY 2018, according to economic data from the Federal Reserve Bank of St. Louis.

CHART 1:
U.S. TOTAL PUBLIC DEBT OUTSTANDING
(US\$ Trillion)



Source: ECLAC Washington Office, based on data from the U.S. Treasury: "The Debt to the Penny and Who Holds It." Link: <https://www.treasurydirect.gov/govt/reports/pd/debttothepenny.htm>

In January, the Treasury Borrowing Advisory Committee (TBAC) of the Securities Industry and Financial Markets Association (SIFMA) warned that the increasing debt trend could cause a significant financing gap. According to TBAC calculations, the U.S. will need to sell over US\$ 12 trillion of bonds in the coming decade, sharply more than it did in the past 10 years.¹

The chair of the advisory group said in a letter to the U.S. Treasury Secretary that these borrowing needs “will pose a unique challenge for Treasury over the coming decade,” even “without factoring in the possibility of a recession.” She warns that “a stagnation in international reserves” means there is likely to be “an increased need of the debt to be financed domestically.” The proportion of U.S. debt held by foreign entities and international holders slid to 36% in 2018, well below the nearly 45% of a decade ago. The TBAC expects this downward trend to continue.²

There was roughly a US\$ 10 trillion rise in world foreign exchange reserves between 1999 and 2014, which resulted in the purchasing of U.S. Treasury securities. Foreign central banks owned just 13% of the U.S. Treasury market in 1995 but held a third of it by 2014. Since then, foreign exchange reserves have stopped climbing and foreign central bank ownership of U.S. Treasury securities has fallen. Other savers may be needed to make up the difference and to also buy the Treasury securities now being sold by the Federal Reserve, which is in the process of “normalizing” its balance sheet. The Fed began to shrink its balance sheet in 2017 by allowing limited amounts of Treasury and mortgage securities to mature without replacing them. The portfolio has fallen to about US\$ 4 trillion from about US\$ 4.5 trillion at its peak in January 2015 (chart 2).³

CHART 2:
TOTAL ASSETS OF THE FEDERAL RESERVE
(US\$ Million)



Source: U.S. Federal Reserve, Credit and Liquidity Programs and the Balance Sheet, Recent balance sheet trends. Link: https://www.federalreserve.gov/monetarypolicy/bst_recenttrends.htm

This structural shift in demand for Treasury securities comes as supply is boosted by the current U.S. fiscal policy. Declining foreign demand for Treasuries has come into focus given the increasing issuance of debt from the U.S. government, raising concerns that the reduced number of overseas buyers could put upward pressure on U.S. interest rates.

¹ The Treasury Borrowing Advisory Committee (“Borrowing Committee”) of the Securities Industry and Financial Markets Association (SIFMA) is an advisory committee governed by federal statute that meets quarterly with the Treasury Department. The Borrowing Committee’s membership is comprised of senior representatives from investment funds and banks.

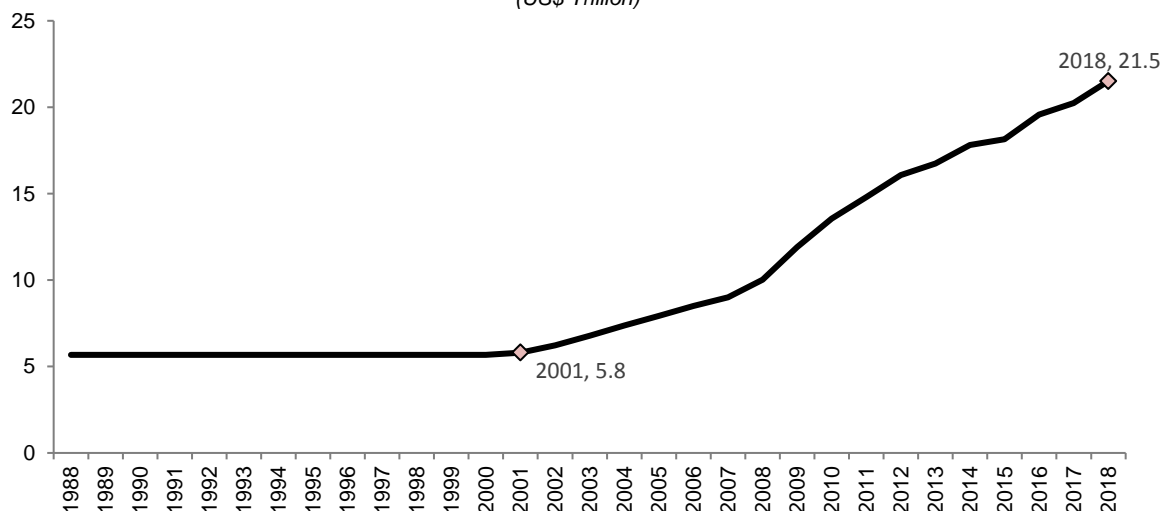
² The TBAC report is available at https://www.treasury.gov/press-center/press-releases/Pages/current_TBACReportPressRelease.aspx

³ The current level of U.S. debt has occurred just twice in the past 120 years, first during World War II and then during the 2008 financial crisis. The first time, the U.S. government compelled domestic savers to buy its debt through financial controls and a campaign that appealed to a sense of patriotism. The second time it relied on its central bank’s balance sheet via quantitative easing. The Fed is now normalizing its balance sheet in a process that has been called “quantitative tightening.”

I. Federal debt

The United States federal debt⁴ has been on an increasing trend, but it did not begin its ascent to present levels until World War II. Between 1942 and 1943, U.S. spending experienced its first big jump from US\$ 72 billion to US\$ 136 billion, an 89% increase. In the 1980s this debt trajectory continued due to tax cuts and spending increases. Between 1981 and 1989 debt rose from roughly US\$ 997 billion to US\$ 2.6 trillion, a 161% increase. While in the 1990s this pace slowed – from 1991 to 1999 the U.S. debt rose from US\$ 3.7 to US\$ 5.7 trillion, a 54% increase – from 2001 to 2009 the pace accelerated, with debt increasing 105%, from US\$ 5.8 trillion to US\$ 11.9 trillion. At the end of the fiscal year in September 2018 the U.S. debt was at US\$ 21.5 trillion (chart 3).

CHART 3:
ANNUAL U.S. HISTORICAL DEBT OUTSTANDING
(US\$ Trillion)

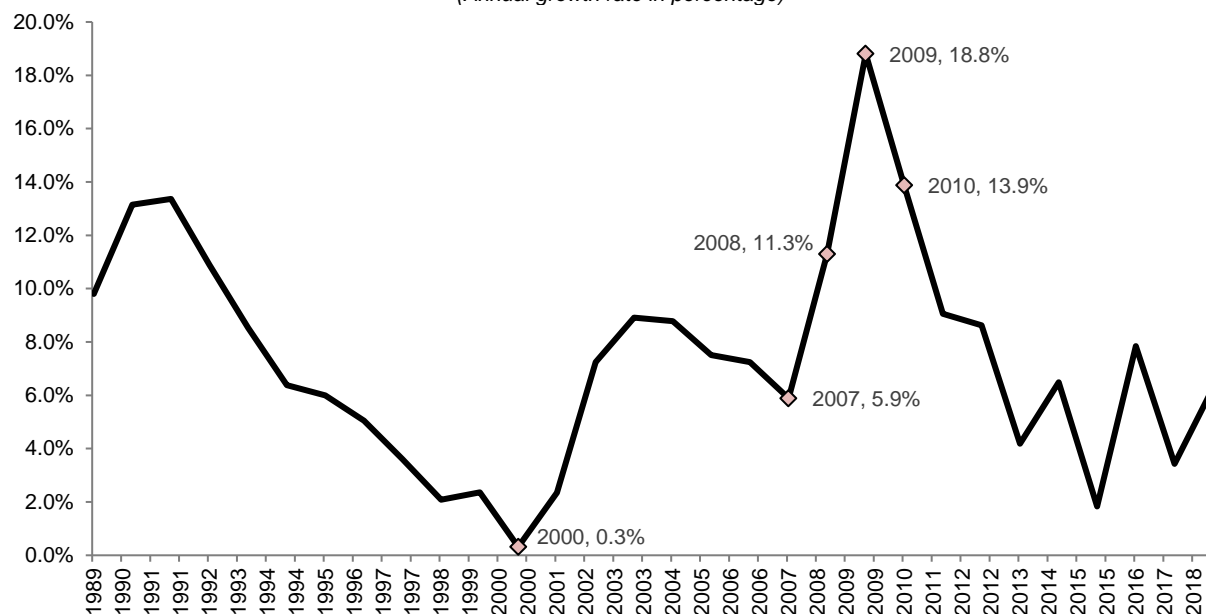


Source: ECLAC Washington Office, based on data from the U.S. Treasury, Historical Debt Outstanding, values at the end of the fiscal year (September 30th). Link: https://www.treasurydirect.gov/govt/reports/pd/histdebt/histdebt_histo5.htm

⁴ The debt carried by the federal government is measured as the face value of the currently outstanding Treasury securities that have been issued by the Treasury and other federal government agencies.

The largest recent annual increases took place in 2009 and 2010, when debt rose 19% and 14%, respectively (chart 4). During the last five years (2013-2018), the U.S. debt increased at an average annual rate of 5.7%, from US\$ 16.7 trillion in 2013 to US\$ 21.5 trillion in 2018, figures that exceeded a statutory limit known as the “debt ceiling” in several occasions.⁵ The federal debt of the United States is expected to continue to increase in 2019.⁶

CHART 4:
U.S. HISTORICAL DEBT OUTSTANDING: ANNUAL GROWTH
(Annual growth rate in percentage)



Source: ECLAC Washington Office, based on data from the U.S. Treasury, Historical Debt Outstanding. Annual growth rates calculated on the basis of fiscal year. Link: https://www.treasurydirect.gov/govt/reports/pd/histdebt/histdebt_histo5.htm

The U.S. debt carried by the federal government, also called the national debt, can be divided between publicly held debt and intragovernmental debt (total federal debt = debt held by the public + intragovernmental holdings). The breakdown of the US\$ 21.50 trillion national debt at the end of FY 2018 was US\$ 15.76 trillion held by the public and US\$ 5.75 in intragovernmental holdings.

In February 2019, the national debt reached a record, surpassing the US\$ 22 trillion mark. Debt held by the public increased faster (2.5%) than intragovernmental holdings (1.9%) since the end of the FY 2018. The breakdown of the US\$ 22.01 trillion debt reached on 11 February 2019, was US\$ 16.16 trillion held by the public and US\$ 5.86 trillion in intragovernmental holdings (chart 5).

About 29% of the total U.S. national debt is held by foreign entities, while 71% is held by domestic government, institutions, investors and the Federal Reserve. Of the debt held by the public, as of end of FY 2018 (September 30th), about 36% was held by foreign entities, with the rest being held domestically.

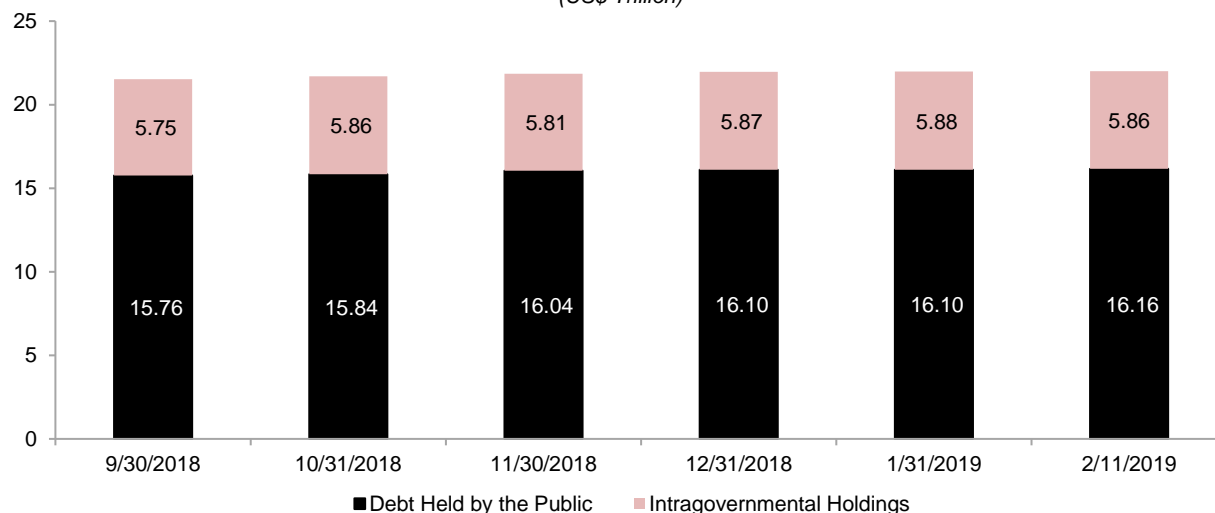
⁵ The United States debt ceiling or debt limit is a legislative limit on the amount of national debt that can be incurred by the U.S. Treasury, thus limiting how much money the federal government may borrow. The debt ceiling is an aggregate figure which applies to the gross debt, which includes debt in the hands of the public and in intragovernmental accounts.

⁶ For the first four months of FY 2019 the U.S. federal budget deficit grew 77% compared with the same period one year before, according to the U.S. Treasury Department. The total deficit for the four-month period was US\$ 310 billion, up from US\$ 176 billion for the same period one year earlier. Tax revenue for October 2018 through January 2019 fell US\$ 19 billion, or 2%. The Treasury notes a major reduction in corporate tax payments over the period, which fell close to 25%, or US\$ 17 billion (as part of the Tax Cuts and Jobs Act passed in 2017, the tax rate paid by corporations was lowered from 35% to 21%). Spending, meanwhile, increased 9% over the same period. A deficit year increases the debt, as more money is spent than received, and the Congressional Budget Office has projected that the federal budget deficit in 2019 will reach close to US\$ 900 billion, which means that the U.S. national debt will increase further.

Overall, there are four major categories of debt holders: the private nonfinancial sector, which consists of households and nonfinancial corporations; the financial sector, which includes chartered banks, insurance companies, retirement funds, pension funds and mutual funds, among other institutions; the government, which consists of Federal Reserve banks and state and local governments; and the rest of the world.⁷

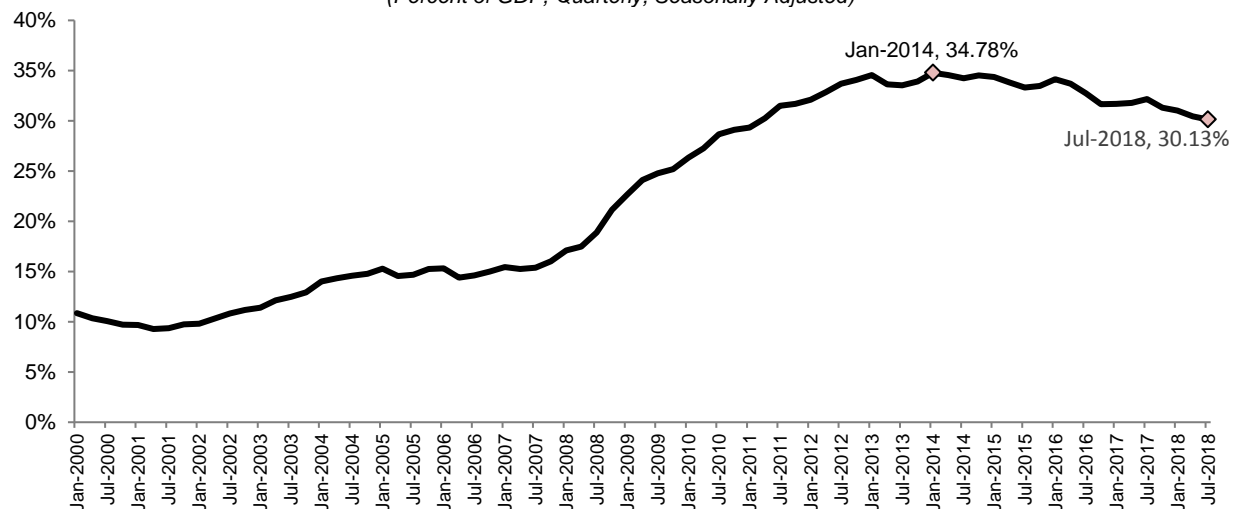
As a percentage of GDP, the federal debt held by foreign and international investors was at 30% at the end of July 2018, a decline from the peak of 35% reached in January 2014 (chart 6).

CHART 5:
TOTAL U.S. FEDERAL DEBT AND ITS COMPONENTS
(US\$ Trillion)



Source: ECLAC Washington Office, based on data from the Monthly Statement of the Public Debt of the United States, compiled and published by the Bureau of the Fiscal Service. Link: <https://www.treasurydirect.gov/govt/reports/pd/mspd/mspd.htm>

CHART 6:
U.S. FEDERAL DEBT HELD BY FOREIGN AND INTERNATIONAL INVESTORS AS PERCENT OF GDP
(Percent of GDP, Quarterly, Seasonally Adjusted)



Source: ECLAC Washington Office, based on data from the Federal Reserve Bank of St. Louis FRED Graph Observations, Link: <https://fred.stlouisfed.org>

⁷ Martin, Fernando (2015), "Who Holds the U.S. Public Debt?" Federal Reserve Bank of St. Louis, May 2015. Link: <https://www.stlouisfed.org/on-the-economy/2015/2015/may/who-holds-the-us-public-debt>

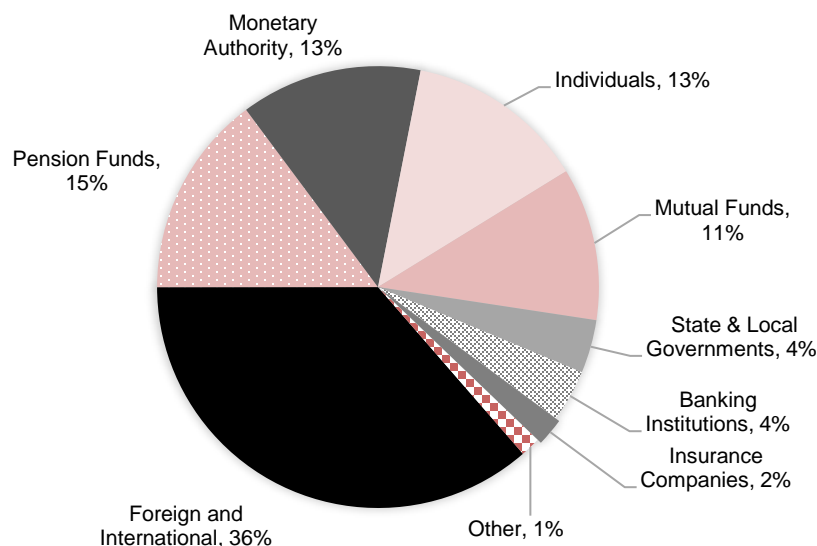
A. Debt held by the public

Debt held by the public consists of Treasury securities held by investors outside the federal government, including those held by individuals, corporations, the Federal Reserve System, and foreign, state and local governments. It represents the amount of money the federal government has borrowed from external sources to finance cumulative cash deficits. The interest paid on this debt may reduce budget flexibility because it adds to government spending and, unlike most of the budget, cannot be controlled directly.

This type of debt can be further subdivided into the following categories of holders of U.S. Treasury securities, which are based on the Federal Reserve's Financial Accounts of the United States (chart 7):

- Individuals (household sector)
- Mutual Funds (includes mutual funds, money market funds, close-end funds and exchange-traded funds)
- Banking Institutions (includes commercial banks, savings institutions, credit unions, broker dealers and holding companies).
- Insurance Companies (includes property-casualty and life insurance companies)
- Monetary Authority
- State and Local Governments
- Foreign and International (including foreign banking offices in the U.S.)
- Pension Funds (includes private pension funds, state and local government and federal government retirement funds)
- Other (includes nonfinancial corporate institutions, nonfinancial noncorporate institutions, government-sponsored enterprises, asset-backed security issuers)

**CHART 7:
HOLDERS OF U.S. TREASURY SECURITIES, END OF FY 2018⁸**
(Percentage Points)

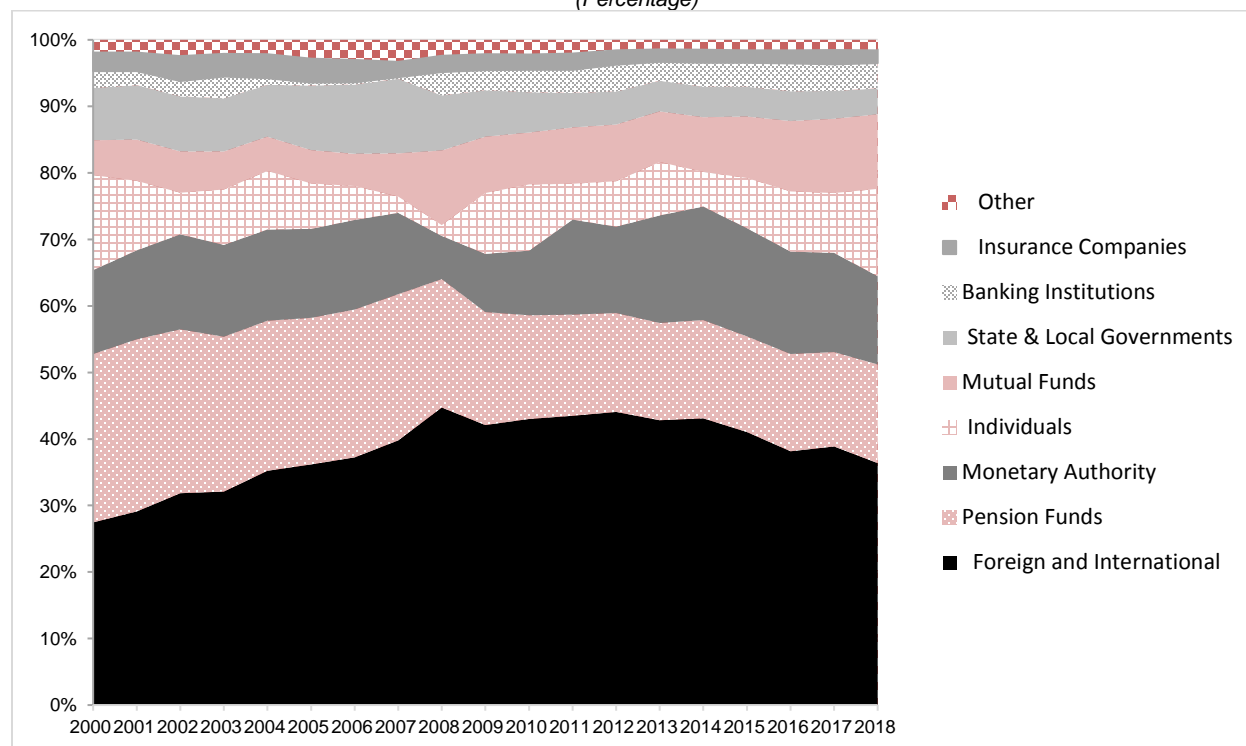


Source: ECLAC Washington Office, based on data from Sifma (Securities Industry and Financial Markets Association) <https://www.sifma.org/resources/research/us-treasury-securities-holders/> and the Federal Reserve, Financial Accounts of the United States - Z.1, L.210 Treasury Securities, December 6, 2018 Link: <https://www.federalreserve.gov/releases/z1/current/>

⁸ Includes all public debt securities except for savings bonds and state and local government series.

As of end of FY 2018, 36% of the U.S. Treasury securities held by the public were held by foreign and international entities, a decline from the peak of 45% reached in 2008 (chart 8). Pension funds and the monetary authority (the Federal Reserve) are the second and third largest holders, at 15% and 13%, respectively.

CHART 8:
BREAKDOWN OF U.S. DEBT HELD BY THE PUBLIC, 2000-2018
(Percentage)



Source: ECLAC Washington Office, based on data from Sifma (Securities Industry and Financial Markets Association) Link: <https://www.sifma.org/resources/research/us-treasury-securities-holders/> and the Federal Reserve, Financial Accounts of the United States - Z.1, L.210 Treasury Securities, December 6, 2018. Link: <https://www.federalreserve.gov/releases/z1/current/>

In the past ten years, from 2008 to 2018, there was a decline in the share of foreign holders (from 45% to 36%), pension funds (from 19% to 15%), state and local governments (8% to 4%), insurance companies (3% to 2%) and others (2% to 1%). On the other hand, the household sector (individuals) and the monetary authority increased their share from 2% to 13%, and from 6% to 13%, respectively. The Fed embarked on rounds of “quantitative easing” – large-scale asset purchases – to respond to the financial crisis, expanding its holdings from 2008 to 2014 to provide more support to the economy.

According to the Congressional Budget Office (CBO)’s projections as of January 2019, federal debt held by the public is projected to reach US\$ 16.6 trillion at the end of 2019. Relative to the size of the economy, that amount – at 78% of GDP – would be nearly twice its average over the past 50 years. By 2029, debt is estimated to reach US\$ 28.7 trillion, or 93% of GDP – a higher level than at any time since just after World War II. It would continue to grow after 2029, reaching about 150% of GDP by 2049.⁹

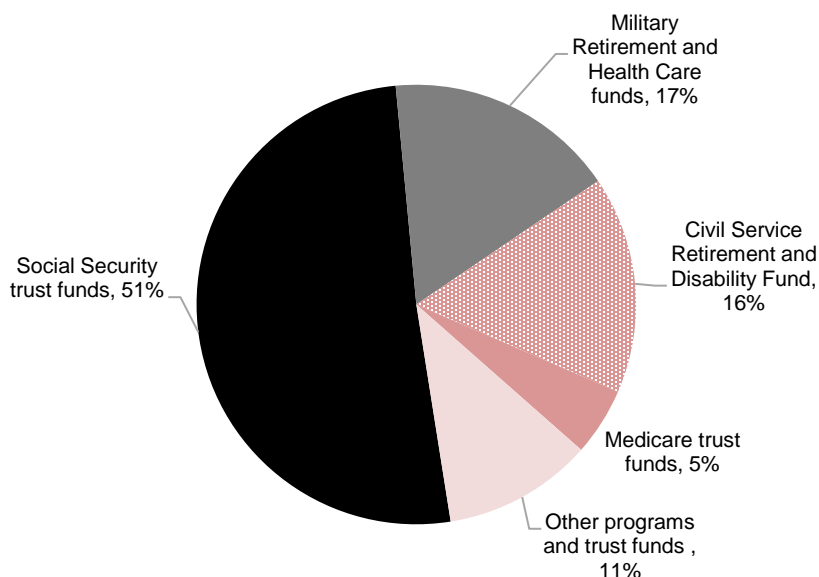
⁹ CBO, “The Budget and Economic Outlook: 2019 to 2029” January 2019. Link: <https://www.cbo.gov/publication/54918>

B. Intragovernmental holdings

Debt held by government accounts or intragovernmental debt, are non-marketable Treasury securities held in accounts of programs administered by the federal government. Intragovernmental debt holdings primarily consist of balances in the Social Security trust funds, Military Retirement and Health Care funds, Civil Service Retirement and Disability Fund (CSRDF), and Medicare trust funds. Debt held by government accounts represents the cumulative surpluses, including interest earnings, of the various government programs that have been invested in Treasury securities. The special Treasury securities held in these government accounts represent legal obligations of the Treasury and are guaranteed by the full faith and credit of the U.S. government.

As of end of FY 2018, the largest share of intragovernmental debt was due to social security trust funds (more than 50% of the total), followed by military retirement and health care funds, and civil service retirement and disability funds, with 17% and 16% of the total, respectively (chart 9).

CHART 9:
COMPONENTS OF INTRAGOVERNMENTAL DEBT HOLDINGS AS OF 30 SEPTEMBER 2018
(Share of total in percentage)



Source: ECLAC Washington Office, based on data from the GAO Report to the Secretary of the Treasury: "Financial Audit: Bureau of the Fiscal Service's Fiscal Years 2018 and 2017 Schedules of Federal Debt," GAO-19-113 p.23, November 2018.

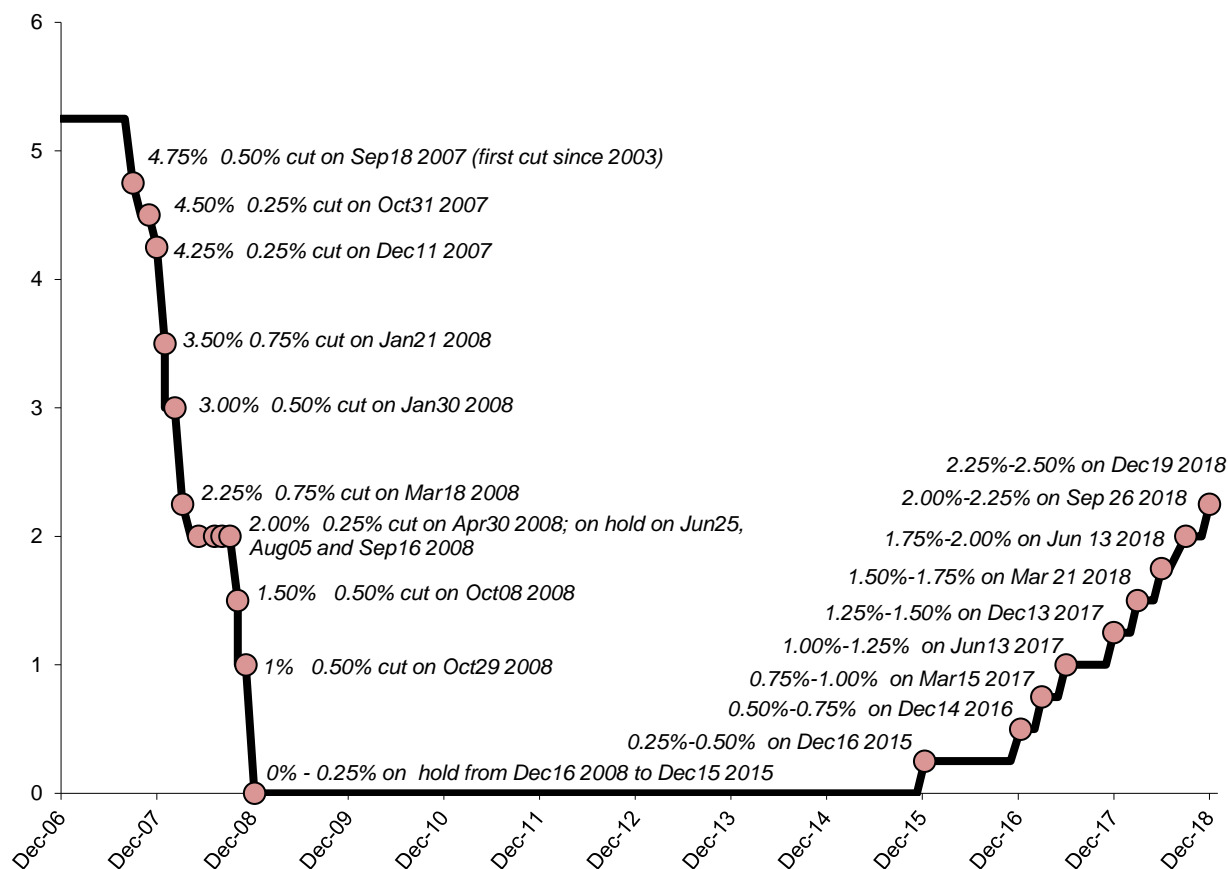
C. Interest expense

Total interest expense on the U.S. federal debt increased US\$ 103 billion between 2013 and 2018 due to the rise in the debt's stock. When looking at interest expense by components of the U.S. federal debt in this five-year period, the largest share corresponds to interest payments on the debt held by the public (63%), while interest payments on intragovernmental debt represented 37% of the total.

Total interest cost was attenuated by the Federal Reserve's accommodative monetary policy put in place since the housing crisis in the second half of 2007 and the 2008 financial crisis. The Fed lowered interest rates from 5.25% in August 2007 to zero in December 2008 and kept interest rates at this level for seven years, until its first increase in December 2015.

The Fed is currently in the process of normalizing its monetary policy. Monetary policy normalization started in December 2015 with the first interest rate hike in eight years, followed by eight more increases up to December 2018 (chart 10), which have had an impact on U.S. interest expense.

CHART 10:
U.S. FEDERAL FUNDS TARGET RATE
(Percentage)

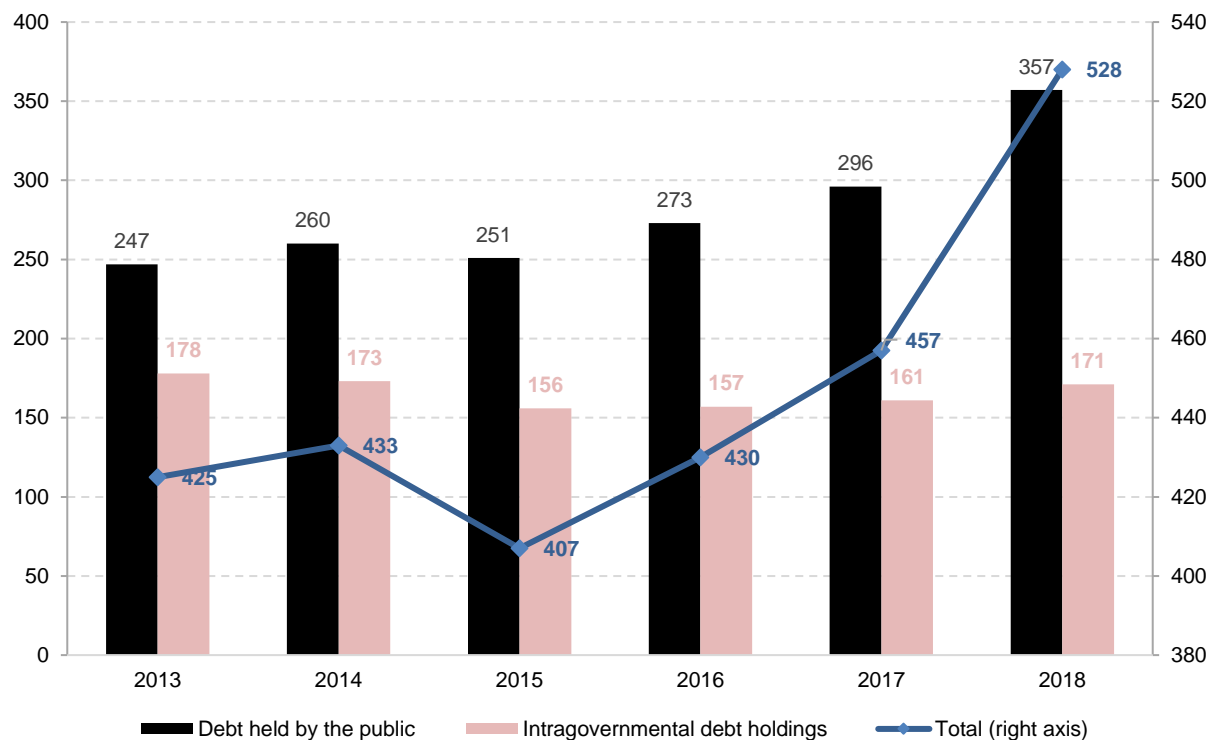


Source: ECLAC Washington Office, based on data from the U.S. Federal Reserve.

U.S. interest expense on the federal debt is on an upward trend since 2015, when interest rates began to rise (chart 11). From FY 2017 to FY 2018, total interest expense increased from US\$ 457 billion to US\$ 528 billion. This increase resulted from a rise in interest expense on debt held by the public and intragovernmental debt holdings of US\$ 61 billion and US\$ 10 billion, respectively. The US\$ 61 billion increase in interest expense on debt held by the public resulted from (1) an increase in the outstanding debt held by the public, (2) an increase in inflation adjustments, and (3) an increase in average interest rates. The US\$ 10 billion increase in interest rate expense on intragovernmental holdings primarily resulted from an increase in inflation adjustments.¹⁰

¹⁰ GAO Report to the Secretary of the Treasury: "Financial Audit: Bureau of the Fiscal Service's Fiscal Years 2018 and 2017 Schedules of Federal Debt," GAO-19-113 p.20, November 2018

CHART 11:
INTEREST EXPENSE ON U.S. FEDERAL DEBT
(US\$ Billion)

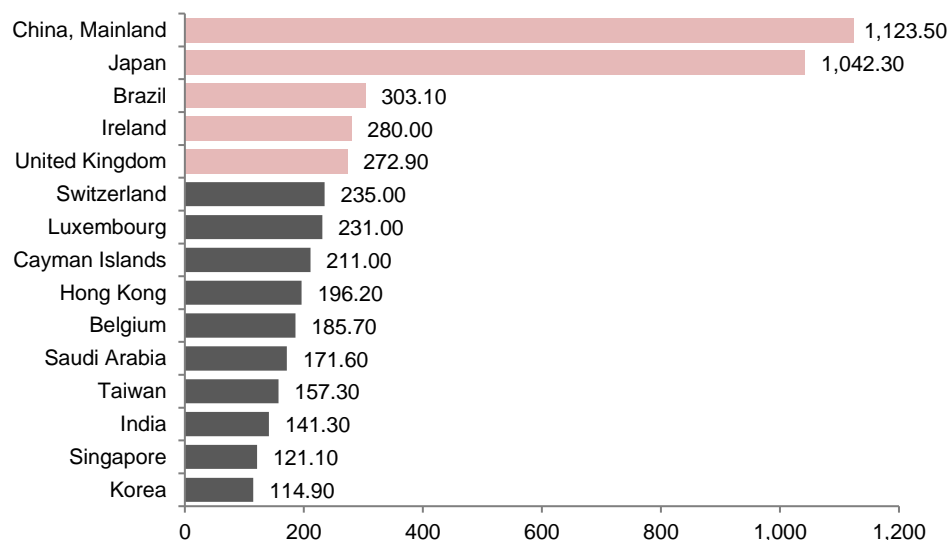


Source: ECLAC Washington Office, based on data from the GAO Report to the Secretary of the Treasury: "Financial Audit: Bureau of the Fiscal Service's Fiscal Years 2018 and 2017 Schedules of Federal Debt," GAO-19-113 p.20, November 2018.

II. Major foreign holders of U.S. debt

A breakdown of foreign purchases reveals that the five largest foreign holders of U.S. Treasury securities as of December 2018 were China, Japan, Brazil, Ireland, and the United Kingdom (chart 12). Together these five foreign entities held close to half of total foreign holdings, almost 1/5 of total debt held by the public, and 14% of the total U.S. debt. China and Japan combined holdings represented 35% of all foreign holdings of U.S. Treasury securities (table 1).

CHART 12:
TOP 15 FOREIGN HOLDERS OF U.S. TREASURY SECURITIES (AS OF 31 DECEMBER 2018)
(US\$ Billion)



Source: ECLAC Washington Office, based on data from the U.S. Department of Treasury, Resource Center, Securities (B): Portfolio Holdings of U.S. and Foreign Securities. Link: <https://www.treasury.gov/resource-center/data-chart-center/tic/Pages/ticsec2.aspx>

TABLE 1:
MAJOR FOREIGN HOLDERS OF TREASURY SECURITIES AS OF 31 DECEMBER 2018
(US\$ Billion)

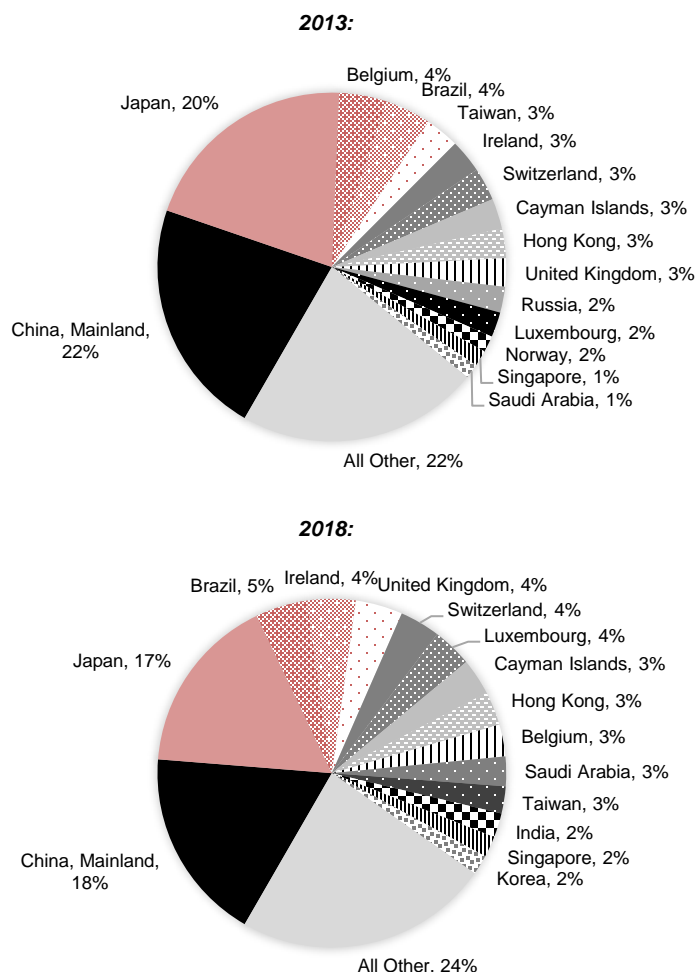
Rank	Country	Amount	% of Total
1	China, Mainland	1,123.50	18%
2	Japan	1,042.30	17%
3	Brazil	303.10	5%
4	Ireland	280.00	4%
5	United Kingdom	272.90	4%
6	Switzerland	235.00	4%
7	Luxembourg	231.00	4%
8	Cayman Islands	211.00	3%
9	Hong Kong	196.20	3%
10	Belgium	185.70	3%
11	Saudi Arabia	171.60	3%
12	Taiwan	157.30	3%
13	India	141.30	2%
14	Singapore	121.10	2%
15	Korea	114.90	2%
16	France	110.90	2%
17	Canada	109.90	2%
18	Norway	84.90	1%
19	Thailand	72.00	1%
20	Germany	69.80	1%
21	Bermuda	65.40	1%
22	United Arab Emirates	56.80	1%
23	Mexico	46.80	1%
24	Sweden	43.80	1%
25	Netherlands	43.60	1%
26	Kuwait	41.30	1%
27	Italy	40.30	1%
28	Australia	39.70	1%
29	Poland	39.60	1%
30	Spain	34.70	1%
31	Iraq	34.60	1%
32	All Other	544.10	9%
Grand Total		6,265.20	100%

Source: ECLAC Washington Office, based on data from the U.S. Department of Treasury, Resource Center, Securities (B): Portfolio Holdings of U.S. and Foreign Securities <https://www.treasury.gov/resource-center/data-chart-center/tic/Pages/ticsec2.aspx>

A. Foreign demand for U.S. Treasury debt

The foreign share of holders of U.S. Treasury securities has fallen from 43% at the end of FY 2013 to 36% at the end of FY 2018. Two countries explain most of this decline: China and Japan. From December 2013 to December 2018 China's share of total foreign and international ownership of U.S. Treasury securities fell to 18% from 22%, while Japan's share fell to 17% from 20% (charts 13 and 14).

CHART 13:
COUNTRY SHARES OF TOTAL U.S. TREASURY DEBT OWNED BY FOREIGNERS (2013 AND 2018)
(Percentage)



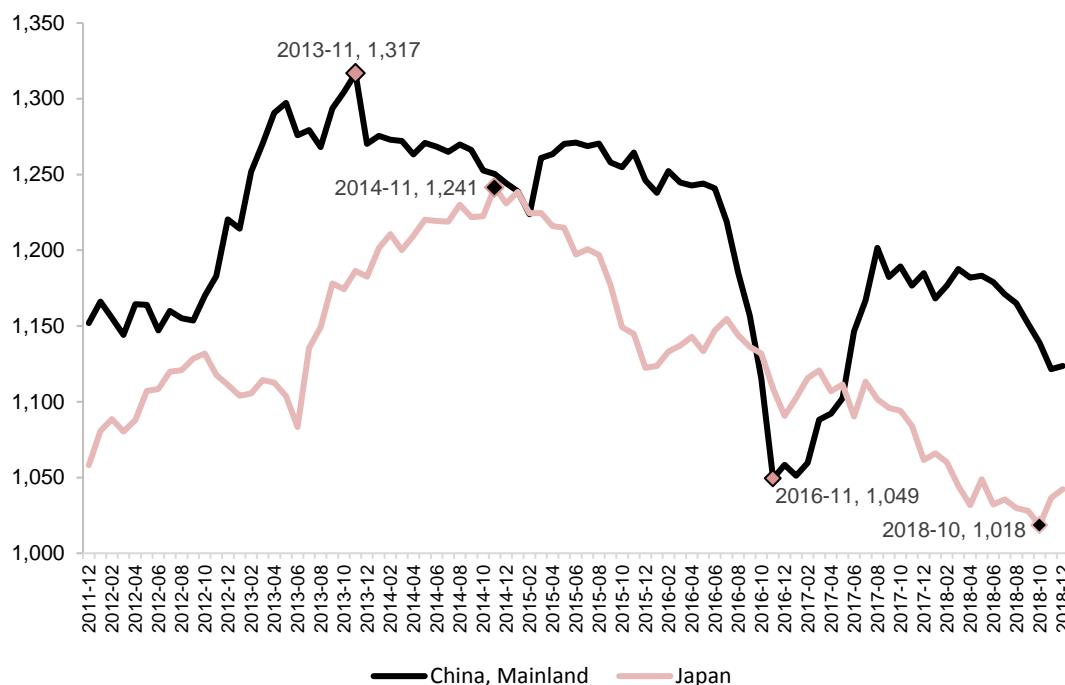
Source: ECLAC Washington Office, based on data from the U.S. Department of Treasury, Resource Center, Securities (B): Portfolio Holdings of U.S. and Foreign Securities. Link: <https://www.treasury.gov/resource-center/data-chart-center/tic/Pages/ticsec2.aspx>

China remains the largest foreign holder of U.S. Treasury securities, but its purchases have declined in recent years. Between May and November last year, China's holdings of U.S. Treasury securities shrank from US\$ 1.18 to US\$ 1.12 trillion, the lowest total since May 2017. In December, China's U.S. Treasury holdings marginally increased by US\$ 2.1 billion, temporarily stopping the string of declines.

In recent decades, China has been a significant source of demand for U.S. debt, as the country accumulated vast foreign exchange reserves. China is no longer accumulating reserves at the same pace as before because of slowing exports and increased pressure from a stronger U.S. dollar, among other

factors. Chinese holdings of U.S. Treasury securities are still up from a recent low of US\$ 1.05 trillion at the end of 2016 but are also well down from their late 2013 peak of US\$ 1.32 trillion (chart 14).

CHART 14:
CHINA AND JAPAN'S HOLDINGS OF U.S. TREASURY SECURITIES
(US\$ Billion)



Source: ECLAC Washington Office, based on data from the U.S. Department of Treasury, Resource Center, Securities (B): Portfolio Holdings of U.S. and Foreign Securities. b. More holders of Treasury long-term and short-term securities since September 2011. Link: <https://www.treasury.gov/resource-center/data-chart-center/tic/Pages/ticsec2.aspx>

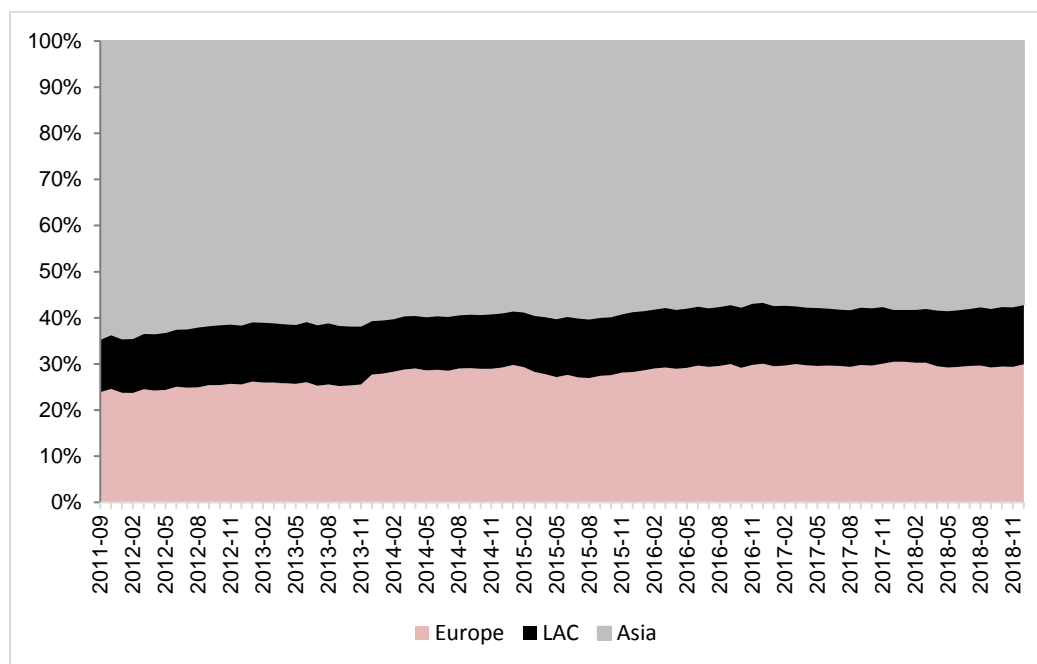
Japan's Treasury holdings, meanwhile, have dropped about US\$ 223 billion from a peak of US\$ 1.2 trillion in November 2014 to a low of US\$ 1.0 trillion in October 2018. Two factors account for this fall, according to Benn Steil and Benjamin Della Rocca. First, Japanese investors have replaced more than half this sum with long-term U.S. agency debt (most prominently, Fannie Mae and Freddie Mac securities). Second, the rising cost of holding U.S. assets has tempered Japan's Treasury demand.¹¹

B. LAC holders of U.S. Treasury debt

At the end of 2018, Latin America and the Caribbean (LAC) held 12.5% (US\$ 783 billion) of the total U.S. debt securities held by foreign residents. Asia held the biggest share with 55%, as the top two foreign holders of U.S. debt are China and Japan, followed by Europe with 29% (chart 15).

¹¹ When investing abroad, most Japanese institutions hedge against the foreign-exchange risk with currency future contracts, which require them to pay foreign-currency borrowing costs. U.S. Federal Reserve rate hikes have made borrowing dollars more expensive. See "Is the Fall in Foreign Treasury Holdings a Trump Dump?" Blog Post by Benn Steil and Benjamin Della Rocca, *Council on Foreign Relations*, June 25, 2018. Link: <https://www.cfr.org/blog/fall-foreign-treasury-holdings-trump-dump>

CHART 15:
FOREIGN HOLDINGS OF U.S. TREASURY SECURITIES BY REGION
(Percentage)



Source: ECLAC Washington Office, based on data from the U.S. Department of Treasury, Resource Center, Securities (B): Portfolio Holdings of U.S. and Foreign Securities. Link: <https://www.treasury.gov/resource-center/data-chart-center/tic/Pages/ticsec2.aspx>

Of the LAC total at the end of December 2018, Caribbean Banking Centers¹² held the largest share, 41.5% (table 2). In terms of individual countries, Brazil was the third top holder overall of U.S. Treasury securities at the end of 2018, and the top Latin American holder with a 39% share (chart 16).

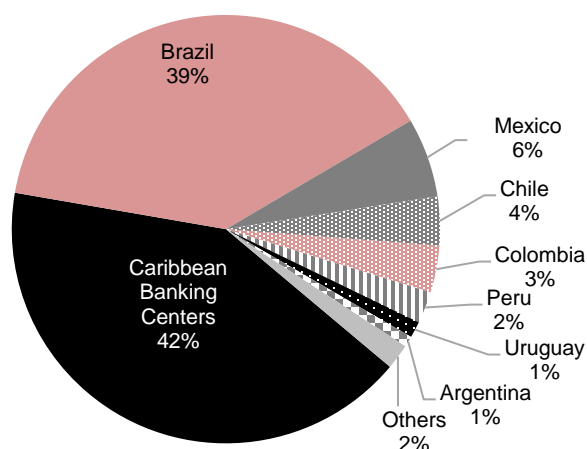
TABLE 2:
LAC HOLDINGS OF U.S. TREASURY SECURITIES
(As of 31 December 2018)

	US\$ Billion	Share of LAC Total
Caribbean Banking Centers	325	41.5%
Brazil	303	38.8%
Mexico	47	6.0%
Chile	29	3.7%
Colombia	28	3.5%
Peru	19	2.4%
Uruguay	10	1.2%
Argentina	6	0.8%
Others	15	1.9%
Total	783	100%

Source: ECLAC Washington Office, based on data from the U.S. Department of Treasury.

¹² According to the U.S. Treasury Department definition, Caribbean Banking Centers include the Bahamas, Bermuda, Cayman Islands, Netherlands Antilles, Panama, and British Virgin Islands.

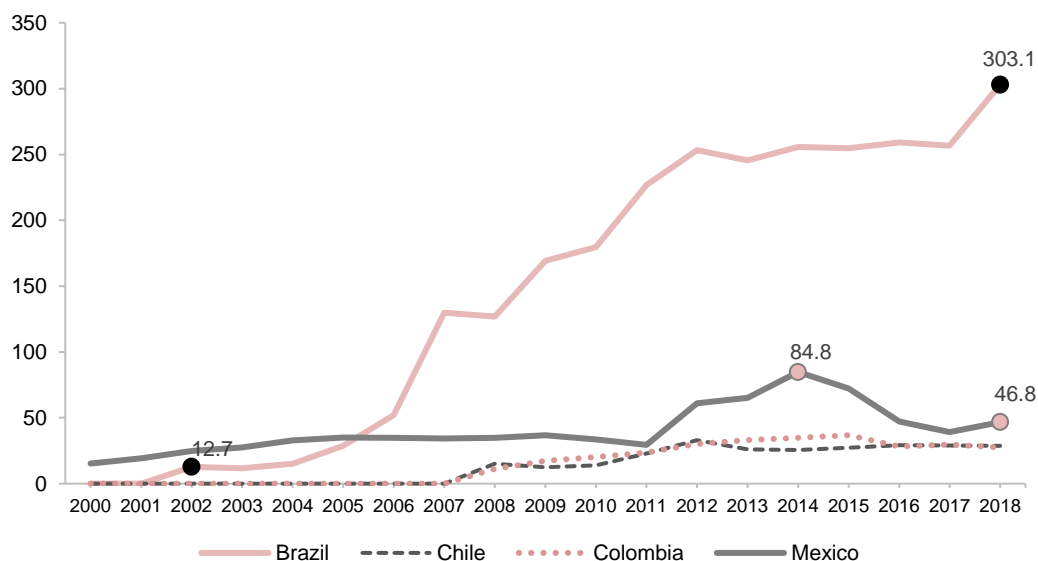
CHART 16:
LAC HOLDINGS OF U.S. DEBT: COUNTRY SHARES
(As of 31 December 2018)



Source: ECLAC Washington Office, based on data from the U.S. Department of Treasury.

Brazil, which was not considered a major foreign holder of Treasury securities in 2001, became the 15th largest foreign holder in 2005 and the fifth largest in 2009, as it increased foreign exchange reserves and kept roughly 60% in U.S. Treasury securities (chart 17). Since then Brazil has remained in the top five foreign holders of U.S. debt, and at the end of 2018 it was the third largest foreign holder, right after China and Japan. Between December 2002 and December 2018, Brazil increased its U.S. Treasury holdings by almost 2,300% from US\$ 12.7 billion to US\$ 303.1 billion, a 4.8% share of the total U.S. debt held by foreigners and 1.4% of total U.S. federal debt outstanding (table 3).

CHART 17:
OWNERSHIP OF U.S. TREASURY SECURITIES: BRAZIL, CHILE, COLOMBIA AND MEXICO
(US\$ Billion)



Source: ECLAC Washington Office, based on data from the U.S. Department of Treasury

Although Brazil and the Caribbean Banking Centers make up the majority of Latin American and Caribbean holdings, other South American countries have gained ground. Colombia and Chile are two Latin American countries that have increased their shares of U.S. debt, respectively rising from US\$ 11.2 and US\$ 15.2 billion in December 2008 to US\$ 27.6 and US\$ 28.7 billion in December 2018. Both Chile and Colombia held U.S. Treasury securities prior to 2008, but holdings were trivial and thus were included in the “All Other” category. Mexico (ranked 23th) has historically been a major holder of U.S. debt, but after reaching a peak of US\$ 85 billion in 2014, it has reduced holdings to US\$ 47 billion at the end of 2018 (see chart 17). Table 3 shows the breakdown of these numbers as of December 2018 and compares them to the other major holders of U.S. debt.

TABLE 3:
BREAKDOWN OF U.S. DEBT OWNERSHIP PER COUNTRY
(as of December 2018)

	Country	Amount held (US\$ Billion)	% of Total Foreign Owned Debt	% of Total Debt Held by the Public	% of Total U.S. Federal Debt
Top 5 Holders	China, Mainland	1,123.50	17.93%	6.98%	5.11%
	Japan	1,042.30	16.64%	6.47%	4.74%
	Brazil	303.10	4.84%	1.88%	1.38%
	Ireland	280.00	4.47%	1.74%	1.27%
	United Kingdom	272.90	4.36%	1.69%	1.24%
Other Major Latin American Holders	Chile	28.7	0.46%	0.18%	0.13%
	Colombia	27.6	0.44%	0.17%	0.13%
	Mexico	46.8	0.75%	0.29%	0.21%
All LAC holders*		783	12.50%	4.86%	3.56%
Total Foreign Owned Debt		6,265.20			
Total Debt Held by the Public		16,101.67			
Total U.S. Federal Debt		21,974.10			

Source: ECLAC Washington Office, based on data from the U.S. Department of Treasury, Resource Center, Securities (B): Portfolio Holdings of U.S. and Foreign Securities. Link: <https://www.treasury.gov/resource-center/data-chart-center/tic/Pages/ticsec2.aspx>

*For all LAC holders of U.S. Treasury securities see Appendix.

III. Looking ahead

The U.S. debt burden became heavier as a result of the unprecedented policy response to the global financial crisis and economic recession, and it has continued to grow. On March 11, the U.S. administration unveiled a US\$ 4.75 trillion budget proposal that projects debt held by the public will hit US\$ 22.8 trillion by 2025, more than 50% higher than in 2017, when debt held by the public was US\$ 14.7 trillion.

Official investors from China and Japan have reduced their Treasury holdings over the past five years, but these sales by foreign central banks were exceeded by the U.S. Federal Reserve's buying under its "quantitative easing (QE)" program. However, the Federal Reserve is trying to unwind QE while supply of Treasury securities has been boosted by the U.S. administration's fiscal policy, posing challenges for future government funding. Regarding short-term prospects, total U.S. debt is expected to reach a statutory limit known as the "debt ceiling" later this year, which will require a congressional vote to raise the ceiling.¹³

¹³ The federal debt ceiling was temporarily suspended through March 1, 2019 under the Bipartisan Budget Act of 2018, but it was reinstated on March 2, 2019 at US\$ 22.03 trillion. From now on the Treasury Department will begin using accounting tools at their disposal, called "extraordinary measures," to avoid defaulting on the government's obligations. However, the Congressional Budget Office (CBO) estimates that these measures will be exhausted near the end of this fiscal year or early next fiscal year (e.g., likely September or October 2019).

Appendix

APPENDIX:
LAC HOLDERS OF U.S. TREASURY SECURITIES
(As of 31 December 2018)

LAC Countries	US\$ Million	% of LAC Total
Brazil	303,147	38.71%
Cayman Islands	211,029	26.95%
Bermuda	65,425	8.35%
Mexico	46,834	5.98%
British Virgin Islands	35,904	4.58%
Chile	28,713	3.67%
Colombia	27,647	3.53%
Peru	18,707	2.39%
Uruguay	9,588	1.22%
Bahamas	7,532	0.96%
Argentina	6,358	0.81%
Guatemala	4,009	0.51%
Panama	3,251	0.42%
Trinidad & Tobago	2,507	0.32%
Dominican Republic	2,082	0.27%
Barbados	2,054	0.26%
Netherlands Antilles	1,772	0.23%
Costa Rica	1,467	0.19%
Honduras	759	0.10%
Bolivia	509	0.06%
Jamaica	489	0.06%
Ecuador	325	0.04%
Venezuela	313	0.04%
Paraguay	209	0.03%
Haiti	180	0.02%
Other	2,323	0.30%
TOTAL	783,133	100.00%



Comisión Económica para América Latina y el Caribe (CEPAL)
Economic Commission for Latin America and the Caribbean (ECLAC)
www.cepal.org