

Which Countries Hold The Most US Debt?

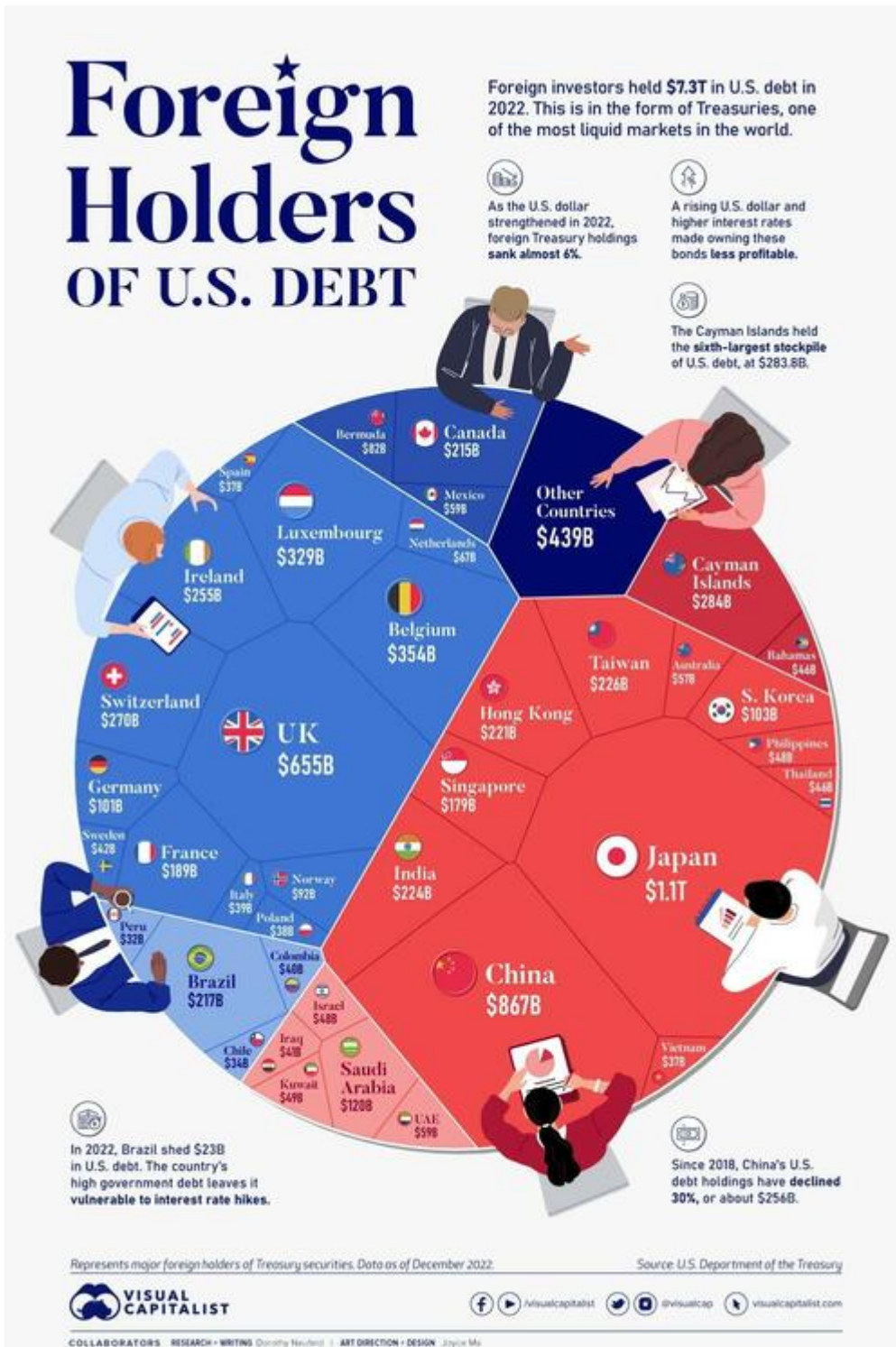
Description

Today, America owes foreign investors of its national debt **\$7.3 trillion**.

These are in the form of Treasury securities, some of the most liquid assets worldwide. Central banks use them for foreign exchange reserves and private investors flock to them during flights to safety thanks to their perceived low default risk.

Beyond these reasons, foreign investors may buy Treasuries as a store of value. They are often used as collateral during certain international trade transactions, or countries can use them to help manage exchange rate policy. For example, countries may buy Treasuries to protect their currency's exchange rate from speculation.

In the graphic below, Visual Capitalist's Dorothy Neufeld and Joyce Ma show the foreign holders of the U.S. national debt using data from the U.S. Department of the Treasury.



Top Foreign Holders of U.S. Debt

With **\$1.1 trillion** in Treasury holdings, Japan is the largest foreign holder of U.S. debt.

Japan surpassed China as the top holder in 2019 as China shed over \$250 billion, or 30% of its

holdings in four years.

This bond offloading by **China** is the one way the country can manage the yuan's exchange rate. This is because if it sells dollars, it can buy the yuan when the currency falls. At the same time, China doesn't solely use the dollar to manage its currency—it now uses a basket of currencies.

Here are the countries that hold the most U.S. debt:

Rank	Country	U.S. Treasury Holdings	Share of Total
1	?? Japan	\$1,076B	14.7%
2	?? China	\$867B	11.9%
3	?? United Kingdom	\$655B	8.9%
4	?? Belgium	\$354B	4.8%
5	?? Luxembourg	\$329B	4.5%
6	?? Cayman Islands	\$284B	3.9%
7	?? Switzerland	\$270B	3.7%
8	?? Ireland	\$255B	3.5%
9	?? Taiwan	\$226B	3.1%
10	?? India	\$224B	3.1%
11	?? Hong Kong	\$221B	3.0%
12	?? Brazil	\$217B	3.0%
13	?? Canada	\$215B	2.9%
14	?? France	\$189B	2.6%
15	?? Singapore	\$179B	2.4%
16	?? Saudi Arabia	\$120B	1.6%
17	?? South Korea	\$103B	1.4%
18	?? Germany	\$101B	1.4%
19	?? Norway	\$92B	1.3%
20	?? Bermuda	\$82B	1.1%
21	?? Netherlands	\$67B	0.9%
22	?? Mexico	\$59B	0.8%
23	?? UAE	\$59B	0.8%
24	?? Australia	\$57B	0.8%
25	?? Kuwait	\$49B	0.7%
26	?? Philippines	\$48B	0.7%
27	?? Israel	\$48B	0.7%
28	?? Bahamas	\$46B	0.6%
29	?? Thailand	\$46B	0.6%
30	?? Sweden	\$42B	0.6%
31	?? Iraq	\$41B	0.6%

32	?? Colombia	\$40B	0.5%
33	?? Italy	\$39B	0.5%
34	?? Poland	\$38B	0.5%
35	?? Spain	\$37B	0.5%
36	?? Vietnam	\$37B	0.5%
37	?? Chile	\$34B	0.5%
38	?? Peru	\$32B	0.4%
	All Other	\$439B	6.0%

As the above table shows, the **United Kingdom** is the third highest holder, at over \$655 billion in Treasuries. Across Europe, 13 countries are notable holders of these securities, the highest in any region, followed by Asia-Pacific at 11 different holders.

A handful of small nations own a surprising amount of U.S. debt. With a population of 70,000, the **Cayman Islands** own a towering amount of Treasury bonds to the tune of **\$284 billion**. There are more hedge funds domiciled in the Cayman Islands per capita than any other nation worldwide.

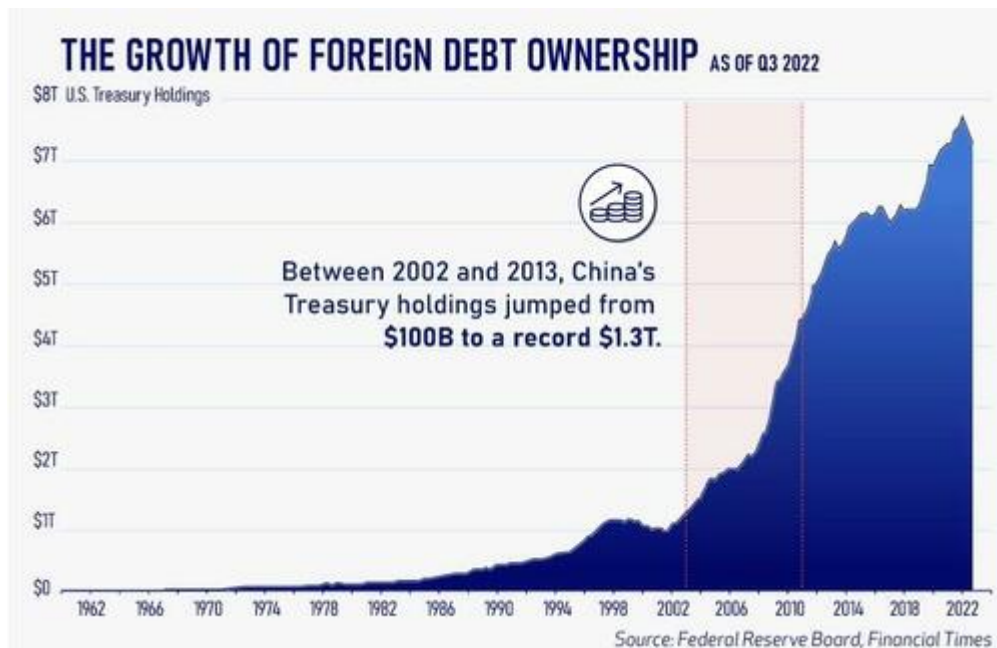
In fact, the four smallest nations in the visualization above—Cayman Islands, Bermuda, Bahamas, and Luxembourg—have a combined population of just 1.2 million people, but own a staggering \$741 billion in Treasuries.

Interest Rates and Treasury Market Dynamics

Over 2022, foreign demand for Treasuries **sank 6%** as higher interest rates and a strong U.S. dollar made owning these bonds less profitable.

This is because rising interest rates on U.S. debt makes the present value of their future income payments lower. Meanwhile, their prices also fall.

As the chart below shows, this drop in demand is a sharp reversal from 2018-2020, when demand jumped as interest rates hovered at historic lows. A similar trend took place in the decade after the 2008-09 financial crisis when U.S. debt holdings effectively tripled from \$2 to \$6 trillion.



Driving this trend was China's rapid purchase of Treasuries, which ballooned from \$100 billion in 2002 to a peak of \$1.3 trillion in 2013. As the country's exports and output expanded, it sold yuan and bought dollars to help alleviate exchange rate pressure on its currency.

Fast-forward to today, and global interest-rate uncertainty—which in turn can impact national currency valuations and therefore demand for Treasuries—continues to be a factor impacting the future direction of foreign U.S. debt holdings.

by Tyler Durden

Category

1. Economy-Business-Fin/Invest
2. Main

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