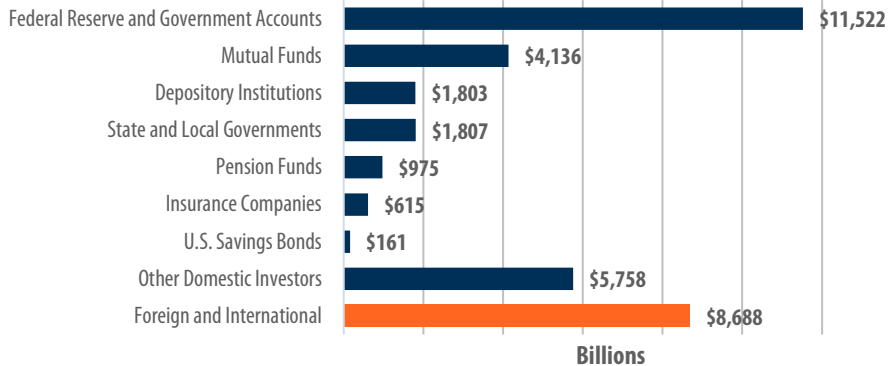


Who Really Owns America's \$36 Trillion Debt?

As trade tensions have escalated in recent weeks, some fear that Japan and China are “dumping” U.S. Treasuries in an effort to pressure the U.S. by driving up interest rates. We believe that concern is overstated. In this week's edition of Three on Thursday, we dig into the details of U.S. federal debt ownership. As of the end of March, total federal debt stood at \$36.2 trillion—an increase of 4.7% from a year ago. But who actually owns all this debt? Many assume it's mostly foreign governments, but is that the case? To provide a more comprehensive understanding, we have included three charts below.

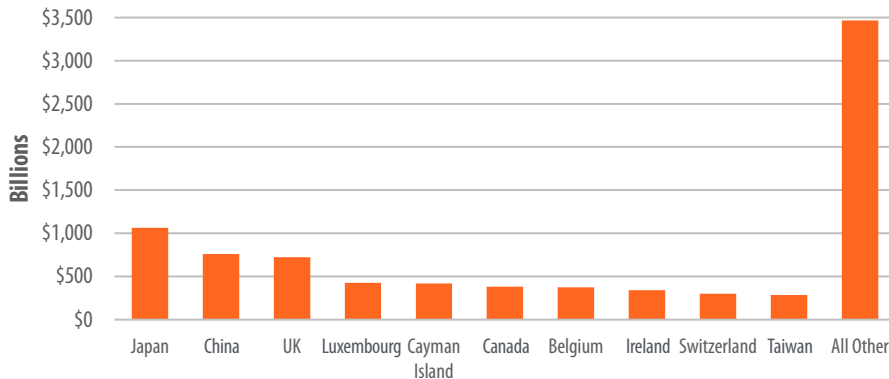
U.S. Federal Debt Ownership by Category



Source: Treasury Department, First Trust Advisors. Data as of Q3 2024. Other domestic investors include individuals, government-sponsored enterprises, brokers and dealers, bank personal trusts and estates, corporate and non-corporate businesses, and other investors.

As of the end of the third quarter 2024—the latest period with complete data—the largest holder of U.S. federal debt is, perhaps surprising to many, the U.S. government itself, which owns roughly one-third of the total. This is broken down into debt owned by the Federal Reserve and intragovernmental holdings, which is debt that one part of the government owes to another. This happens when the Treasury borrows from government trust funds (like Social Security) and then issues an IOU (which owes interest like a real bond) to the trust fund recipients. This is a responsibility of the government, and is counted as government debt, even though the government never issues a real bond to the public. Close behind are a broad array of domestic entities that together account for over 40% of outstanding debt. These include mutual funds, banks, state and local governments, pension funds, and insurance companies. Foreign holders, often the focus of political debate, make up just under a quarter of the total—far less than many assume.

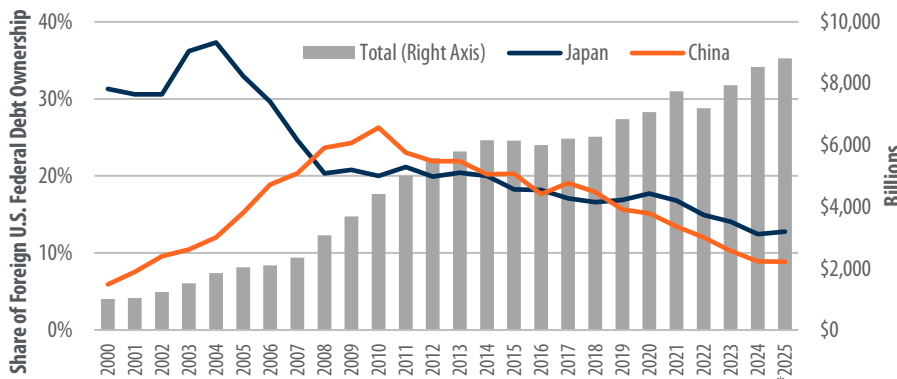
Major Foreign Holders of U.S. Federal Debt



Source: Treasury Department, First Trust Advisors. Data through end of 2024.

Drilling into the roughly 24% of U.S. federal debt held by foreign investors at the end of 2024 reveals that Japan remains the largest holder, with \$1.06 trillion in U.S. Treasuries, followed by China at \$759 billion. Together, the top ten foreign holders added \$231 billion in 2024, accounting for a total of \$5.06 trillion—roughly 59% of all foreign-owned U.S. debt. Meanwhile, countries outside the top 10 added \$357 billion in 2024, indicating a broadening of foreign participation in U.S. debt markets, a positive trend that has persisted over the past decade.

Foreign Ownership of U.S. Treasuries Hits Record High



Source: Treasury Department, First Trust Advisors. Annual end of period data from 2000–2024. *2025 data through the end of February.

As of February 2025, foreign holdings of U.S. debt—including both sovereign and private investors—reached a record \$8.8 trillion. This milestone comes even as Japan, the largest foreign holder of U.S. Treasuries, was a net seller over the past year—fueling speculation about waning demand. But the data tell a different story: total foreign holdings rose by \$818 billion year-over-year. China's position remained essentially flat, increasing by just \$9.3 billion, while Japan's holdings declined by \$21.7 billion. For context, Japan once held over 35% of all foreign-owned U.S. debt in the early 2000s; by early 2025, that share had shrunk to 12.8%—just 3.1% of total U.S. federal debt. China, which peaked at over 25% of foreign holdings in 2010, now accounts for just 8.9%, or 2.2% of total outstanding federal debt.