Chart of the Day

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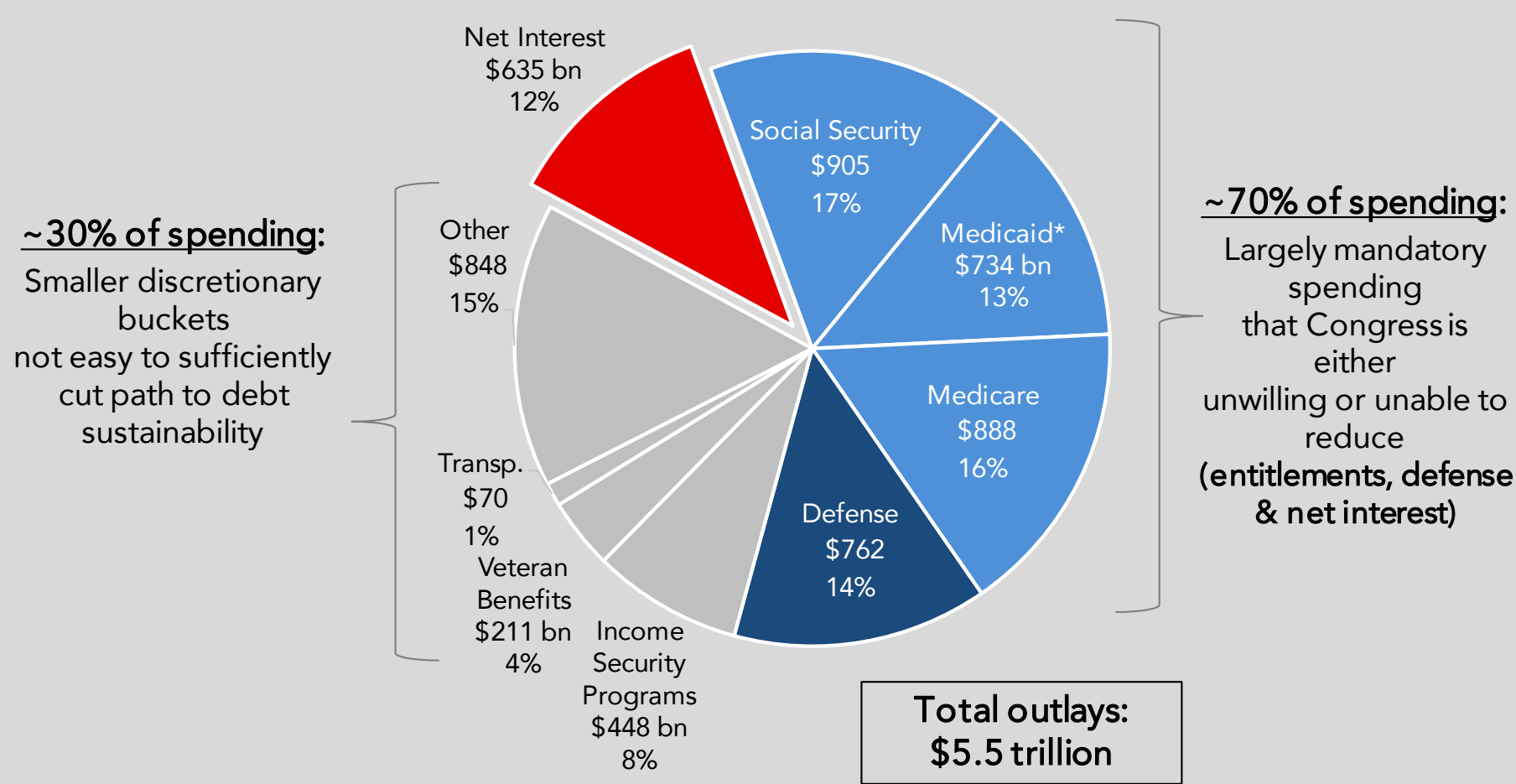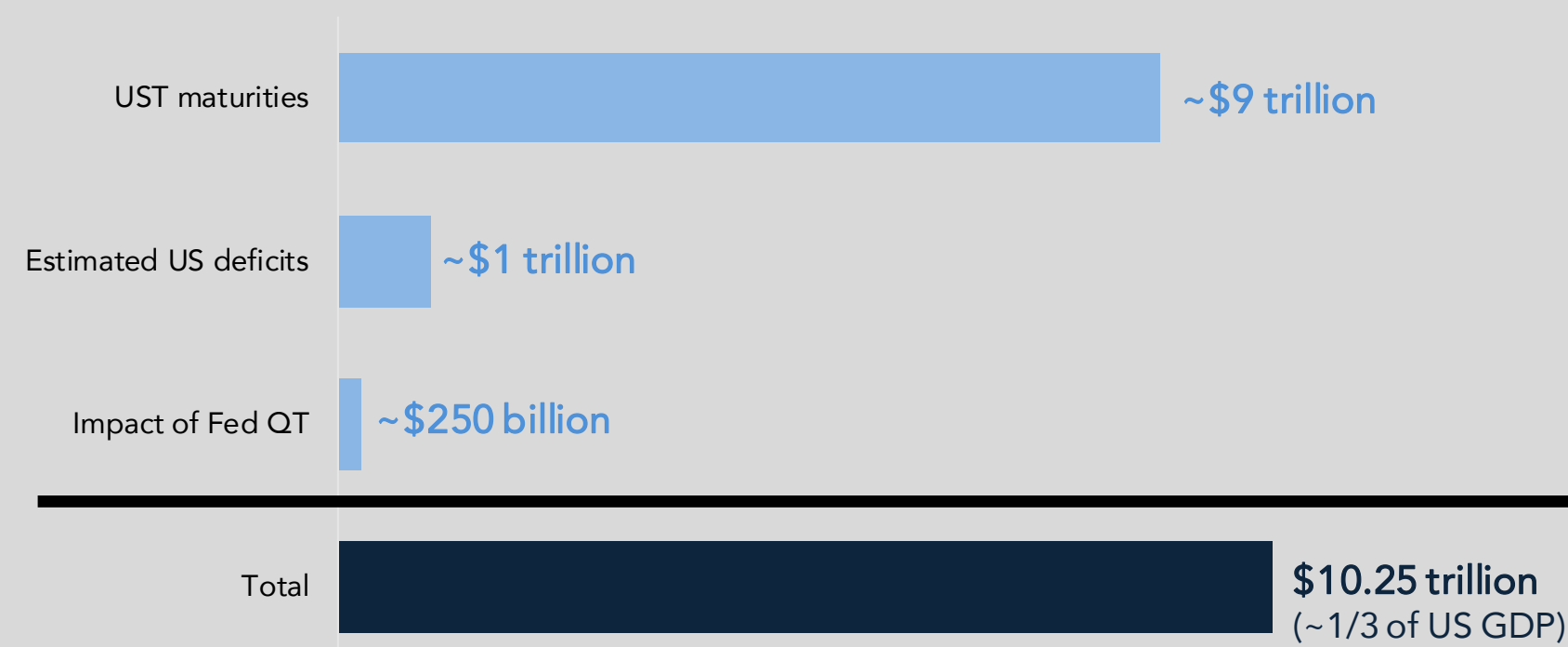
Approximately 70% of US gov't spending is effectively "mandatory" insofar as Congress is "politically" either unwilling or unable to reduce. The three major entitlement programs - Social Security, Medicare and Medicaid – have become a "political 3rd rail" and account for 45% of total outlays. Defense spending, which Congress is unlikely to reduce amidst heightened geopolitical risk, accounts for an additional 15%. In the years ahead, net interest expense on gov't debt is expected to rise from 12% of total spending to become the US government's largest individual outlay.

US federal budget in fiscal year 2024, USD bn

~30% of spending:
Smaller discretionary buckets
not easy to sufficiently
cut path to debt
sustainability

Net Interest
$635 bn
12%

Other
$848
15%

Social Security
$905
17%

Medicaid*
$734 bn
13%

Medicare
$888
16%

Defense
$762
14%

Transp.
$70
1%

Veteran
Benefits
$211 bn
4%

Income
Security
Programs
$448 bn
8%

~70% of spending:
Largely mandatory
spending
that Congress is
either
unwilling or unable to
reduce
(entitlements, defense & net interest)

Total outlays:
$5.5 trillion

With nearly $9 trillion of maturities and more than $1 trillion of deficits to finance in the year ahead, the US Treasury will have to issue approximately $10 trillion of securities (1/3 of GDP) during a period of economic and policy transition. At the same time, the investor profile for USTs has shifted markedly in recent years. Domestic buyers now account for approximately 70% of UST purchases. Among foreign buyers, private sector purchases currently outpace public sector demand by a wide margin.

UST issuance over the next 12 months

UST maturities	~$9 trillion
Estimated US deficits	~$1 trillion
Impact of Fed QT	~$250 billion
Total	$10.25 trillion (~1/3 of US GDP)

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"Macro stability isn't everything, but without it, you have nothing."