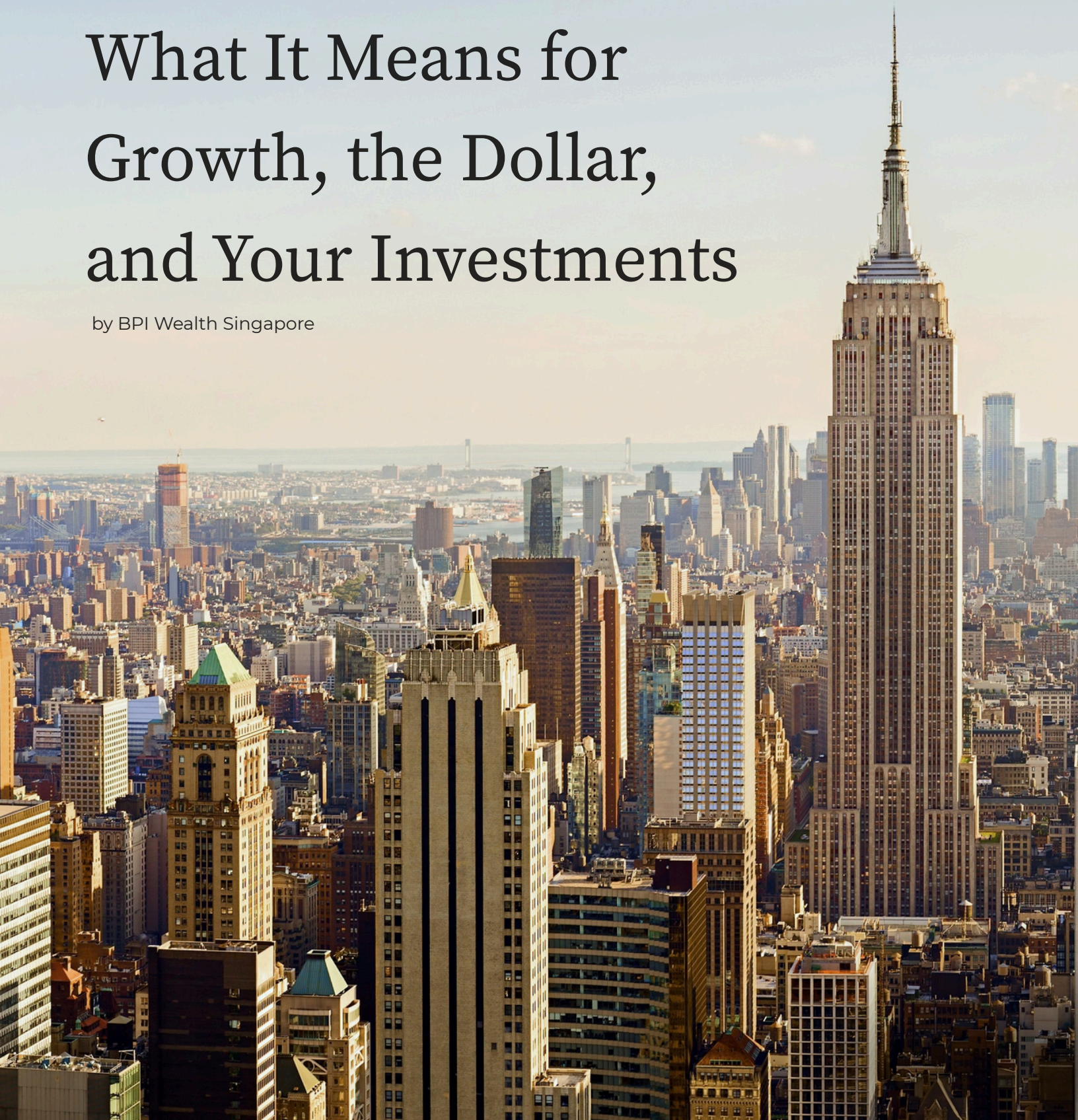


America's \$40 Trillion Debt

What It Means for Growth, the Dollar, and Your Investments

by BPI Wealth Singapore

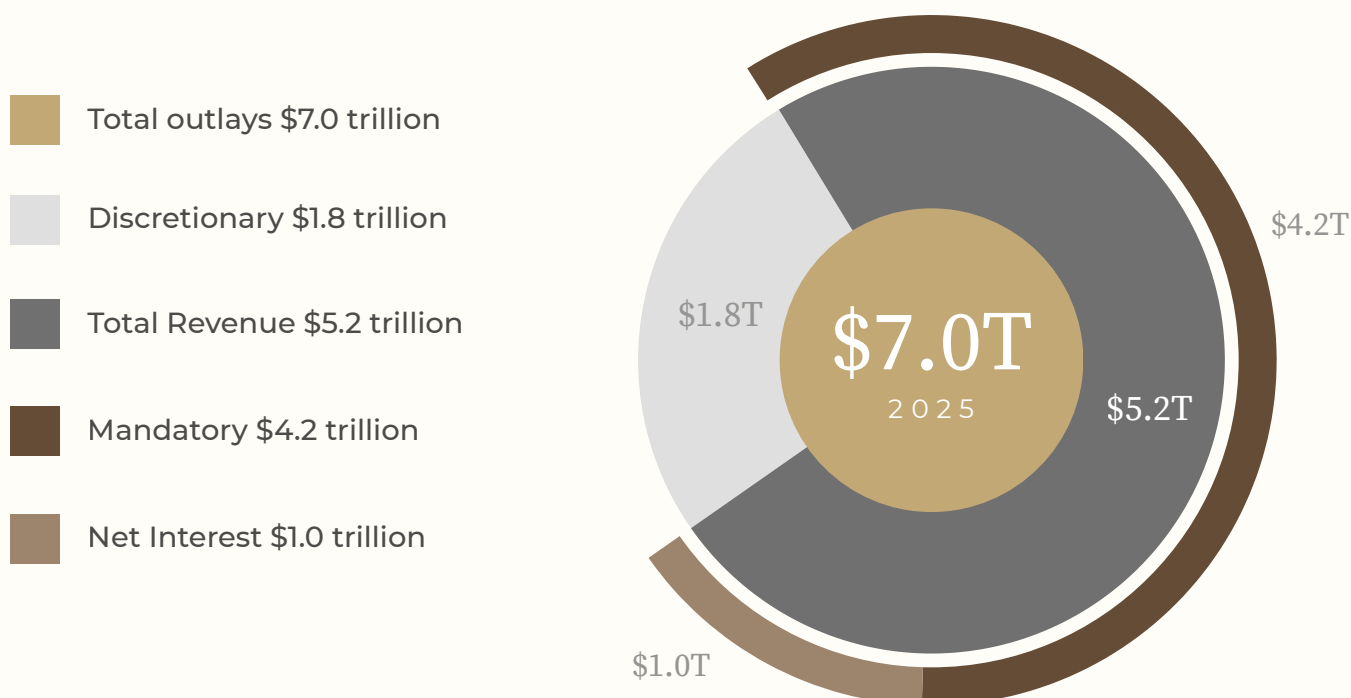


How The U.S. National Debt Reached \$40 Trillion

The U.S. gross national debt surpassed \$40 trillion in August, nearly double its level in 2016 and the highest recorded level in history. The increase reflects an ongoing fiscal cycle that extends across multiple administrations. The federal government borrowed repeatedly to absorb major economic shocks from the 2017 tax cuts, emergency spending packages during the COVID-19 pandemic, and post-pandemic infrastructure and industrial policy spending bills. While these interventions were designed to stabilize the economy, they increased the national debt to its current level.

Annual Federal Spending and Breakdown

In 2025, the federal government spent \$7 trillion against \$5.2 trillion in tax receipts. Approximately 60%, or about \$4.2 trillion, of the federal budget consisted of mandatory, non-discretionary commitments, including Social Security (\$1.6+ trillion) and major healthcare programs such as Medicare and Medicaid (about \$2 trillion combined). As the federal debt accumulates in a higher interest rate environment, the annual debt-servicing costs have risen above \$1 trillion, exceeding the total national defense budget (\$946 billion). The remaining portion of the budget is allocated to discretionary spending, which covers defense, education, and infrastructure.



The Bipartisan Political Impasse and Inflationary Friction

Addressing the deficit requires structural adjustments through spending reductions, revenue increases, or a combination of both, all of which face significant political resistance. The spending issue is fundamentally bipartisan, as reducing entitlements or raising taxes carries electoral risks. Because these programs and debt-servicing obligations are automatic, federal spending has an inherent upward bias, which may contribute to inflationary pressures and challenge long-term price stability.

U.S. Debt Relative to the World: A G10 Comparison

To accurately evaluate sovereign risk, economists examine two critical metrics relative to the size of an economy: the gross debt-to-GDP ratio and the annual deficit-to-GDP ratio. These indicators provide a snapshot of a government’s financial health and fiscal prudence. In 2025, the total U.S. gross debt-to-GDP ratio was 121.5%, while its annual deficit-to-GDP ratio was 5.8%. For context, the country’s average deficit over the past 50 years was 3.8% of GDP. When compared with major G10 economies, the vulnerabilities of the U.S. fiscal position become clear.

Country	Gross Debt to GDP (%)	Deficit to GDP (%)
Japan	206.5%	2.0%
Italy	137.1%	3.1%
United States	121.5%	5.8%
France	116.0%	5.1%
Canada	110.7%	1.5%
Belgium	107.9%	5.2%
United Kingdom	103.6%	5.4%
Germany	63.5%	2.7%
Netherlands	44.4%	1.6%
Sweden	32.9%	0.5%
Switzerland	24.7%	0.2%

Sources: IMF World Economic Outlook Dataset (2025 actual/projections), Congressional Budget Office, U.S. Office of Management and Budget



Macroeconomic Growth Dynamics and Artificial Intelligence

To balance the budget without triggering a major economic slowdown, the U.S. must fundamentally outgrow its debt liabilities. A sustained productivity surge driven by the successful scaling and commercialization of artificial intelligence (AI) offers a viable path. If AI adoption drives aggregate economic expansion at a pace that exceeds the growth rate of new debt issuance, the debt-to-GDP ratio can naturally compress.



The Impact on the US Dollar

The U.S. retains structural advantages that distinguish it from many highly indebted developed economies. The country remains home to the world's deepest capital markets, maintains the dominant global reserve currency, and continues to lead in innovation, technology, and entrepreneurship. These strengths support persistent global demand for U.S. assets and provide policymakers with greater flexibility in managing fiscal challenges. However, if structural deficits persist alongside stagnant growth and productivity, global investors may demand higher risk premia for holding U.S. debt. Failure to manage these fiscal imbalances could also increase the long-term risk of U.S. dollar (USD) weakness as foreign institutions and central banks gradually diversify their reserves.

Investment and Portfolio Implications



For portfolios, these fiscal dynamics require strategic rethinking of asset allocations and investment exposures. Continuous heavy debt issuance and elevated inflation expectations are likely to heighten volatility in the long end of the U.S. Treasury curve. As a result, investors should expect greater price fluctuations in long-duration fixed income securities and demand a higher term premium.



Against this backdrop, gold has historically been used as a portfolio diversifier and store of value during periods of U.S. dollar weakness, elevated inflation, and fiscal uncertainty, although its performance has varied across market cycles. Within equities, companies with strong free cash flow, durable pricing power, and resilient balance sheets are better positioned to absorb higher input costs and sustain real earnings growth during inflationary periods.

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