FINANCIAL MARKETS VIEWS&ANALYSIS

KASIKORNTHAI

ธนาคารกสิกรไทย 开泰银行 KASIKORNBANK

FX, Fixed income, Econ, Facts & Fallacies

8 October 2025

Dr.Kobsidthi Silpachai, CFA
kobsidthi.s@kasikornbank.com

Kittika Boonsrang
Kittika.bo@kasikornbank.com

The Weight of Debt: How Global Fiscal Imbalances Are Repricing the Dollar

Global financial markets are currently gripped by concerns over the rapid rise in public debt worldwide, following aggressive fiscal spending by many countries to stimulate their economies during the COVID crisis. The United States, in particular, has seen its 5-year CDS surge to levels higher than those of developed European economies — and even above Thailand's CDS.

Such concerns have been one of the key factors behind the sharp depreciation of the US dollar this year. However, the dollar still holds a trump card over other currencies — its status as the world's most preferred reserve currency. Although the share of the US dollar in global reserves has declined significantly, while demand for safe-haven assets such as gold has increased, this remains a long-term game that warrants close attention.

Global financial markets are currently clouded by mounting concerns over surging public debt worldwide. Following massive fiscal stimulus during the COVID crisis, many countries accumulated a huge amount of debt in a short period of time — a burden that has been compounded by higher interest rates as central banks raised policy rates to combat post-pandemic inflation and the effects of the Russia–Ukraine war. Consequently, market anxiety has shifted from fears of COVID, to inflation, and has now circled back to concerns over escalating debt levels — a lingering aftershock of the pandemic.

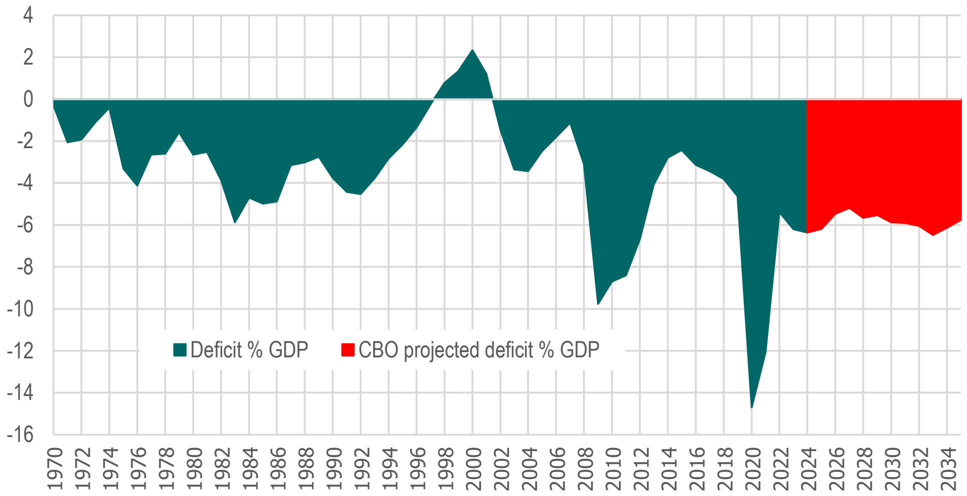
Public debt has also become a major driver behind the global trend of de-dollarisation, which is exerting downward pressure on the US dollar. This concern has deepened particularly after the approval of the United States' "One Big Beautiful Bill (OBBBA)" — a budget plan worth around 4 trillion US dollars, while projected revenues from import taxes may reach only about 2 trillion US dollars. This wide fiscal gap will significantly worsen the US deficit, which is already expected to run at around 6–7% of GDP (Figure 2).

Figure 1: US Government Revenue

	7/2024	8/2024	9/2024	10/2024	11/2024	12/2024	1/2025	2/2025	3/2025	4/2025	5/2025	6/2025	7/2025
Federal Government Receipts, USD bn	330.4	306.5	527.6	326.8	301.8	454.4	513.3	296.4	367.6	850.2	371.2	526.4	338.5
Individual Income Taxes	153.6	136.6	250.1	168.0	138.5	211.7	305.1	135.4	185.1	537.0	142.3	236.2	145.1
Corporation Income Taxes	19.8	8.8	108.6	12.9	9.3	87.3	24.4	9.9	17.8	93.6	43.0	68.1	20.8
Social Insurance & Retirement	127.8	130.6	142.7	122.3	131.5	137.3	163.0	134.0	145.7	184.4	148.0	183.2	131.0
Excise Taxes	17.0	7.9	12.3	10.5	9.6	6.4	8.5	5.0	7.1	12.4	8.4	7.6	9.6
Estate and Gift Taxes	1.4	3.5	2.2	2.8	2.2	1.6	2.4	2.3	1.5	3.7	3.2	2.5	1.8
Customs Duties	7.1	7.0	7.2	7.3	6.7	6.8	7.3	7.2	8.2	15.6	22.2	26.6	27.7
Miscellaneous Receipts	3.7	12.0	4.6	3.0	3.9	3.3	2.5	2.7	2.2	3.4	4.2	2.3	2.5
Federal Government Outlays, USD bn	574.1	686.6	463.4	584.2	668.5	541.1	641.9	603.4	528.2	591.8	686.9	499.4	629.6
National Defense	71.1	83.2	76.2	103.5	75.6	83.0	72.1	64.6	67.4	70.1	76.6	69.5	75.5
Commerce & Housing Credit	-3.2	2.8	-7.8	1.7	0.8	-5.6	1.6	0.6	-3.3	0.4	1.7	-3.9	-18.6
Transportation	11.5	12.6	19.1	11.4	11.2	13.3	10.5	9.7	10.2	10.6	10.8	11.0	13.5
Community & Regional Development	4.8	5.1	4.7	6.9	7.1	9.1	8.0	8.9	4.0	8.5	7.1	7.0	5.3
Education, Training, Empl & Social Serv	12.3	42.0	20.1	26.1	12.3	13.7	23.3	12.0	11.7	10.4	9.8	10.8	33.3
Health	73.3	80.8	87.4	85.0	79.6	81.3	75.5	77.4	79.7	76.3	80.3	80.4	90.0
Medicare	92.2	128.7	24.3	77.1	128.8	26.8	135.0	75.0	25.9	81.9	149.0	23.9	100.0
Income Security	58.7	67.1	37.8	45.2	63.3	54.0	55.6	105.3	59.9	64.8	68.5	37.8	54.1
Social Security	123.2	124.1	124.2	124.9	124.8	124.3	128.1	128.6	144.6	132.1	132.4	141.2	132.7
Veterans Benefits & Services	28.7	45.3	15.6	31.0	44.3	30.0	33.5	30.9	15.8	28.0	46.5	18.3	31.7
General Government	3.5	1.9	4.3	3.3	3.2	2.6	2.8	3.9	1.4	3.2	1.8	2.7	2.6
Interest	80.8	80.2	38.3	80.3	79.4	81.8	80.8	74.2	92.9	89.4	86.0	84.3	92.0
Undistributed Offsetting Receipts	-9.8	-10.2	-11.6	-43.1	-8.8	-9.0	-10.4	-9.2	-9.8	-9.5	-9.2	-9.4	-9.5
Others	20.1	16.7	21.7	25.3	40.6	27.9	17.8	14.8	19.4	18.9	19.5	19.3	20.5
Receipts less Outlays	**-243.7**	**-380.1**	**64.3**	**-257.5**	**-366.8**	**-86.7**	**-128.6**	**-307.0**	**-160.5**	**258.4**	**-315.7**	**27.0**	**-291.1**
Financing													
Borrowing from the Public	319.4	236.3	143.7	262.2	221.3	48.3	70.5	2.6	2.0	-57.0	98.6	3.2	572.8
Reduction of Operating Cash	-76.2	144.5	-176.2	-35.3	164.2	35.0	-71.1	233.4	153.8	-271.9	326.2	-105.5	-40.6
By Other Means	0.6	-0.7	-31.8	30.6	-18.7	3.5	129.3	71.0	4.7	70.5	-108.8	75.3	-241.0

Source: Bloomberg, KBank

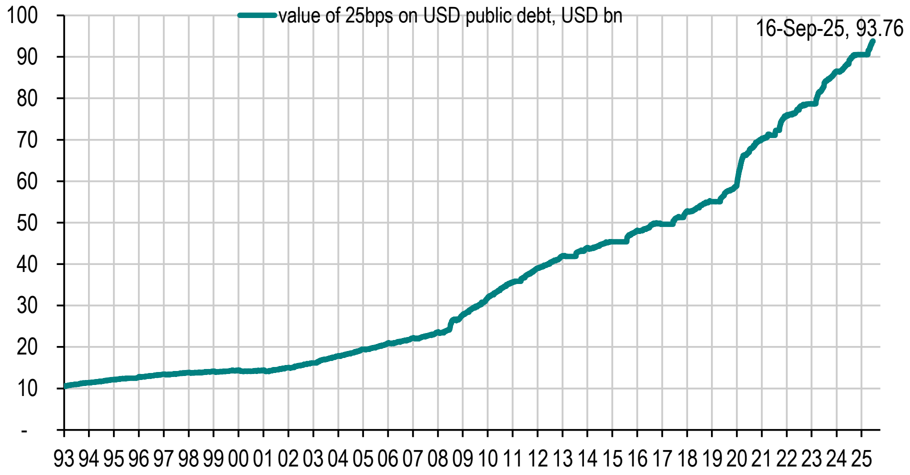
Figure 2: US deficit



Source: Bloomberg, KBank

Moreover, the Fed's high interest rate level continues to exacerbate the US debt burden. Every 25bps increase in the policy rate translates into an additional 93.76 billion US dollars in interest costs — rising in tandem with the ballooning public debt.

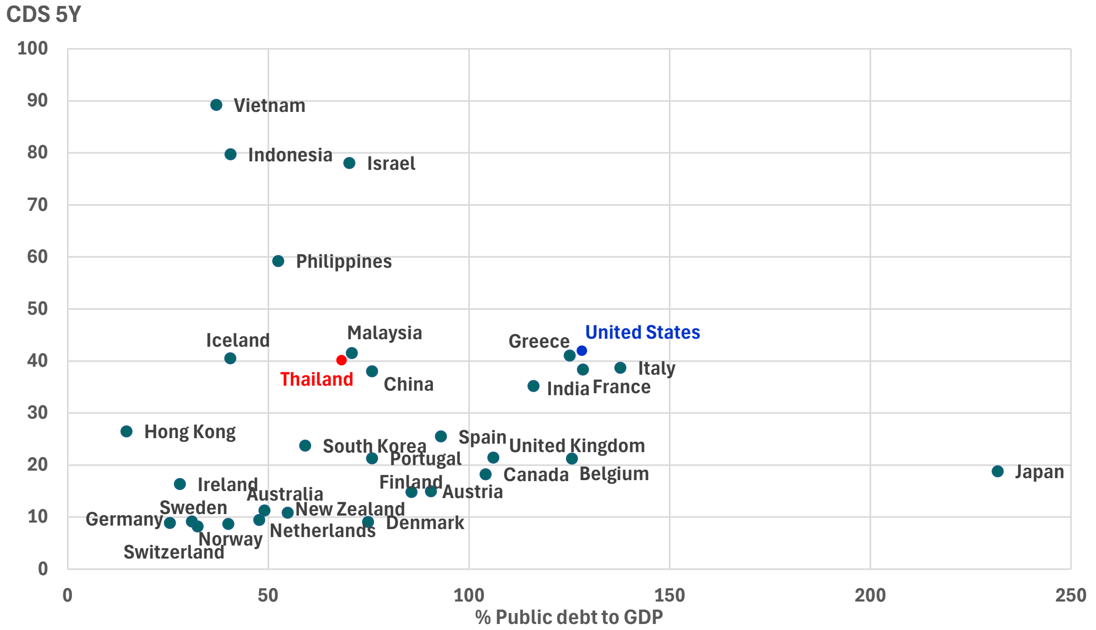
Figure 3: Value of 25bps Fed to US debt



Source: Bloomberg, KBank

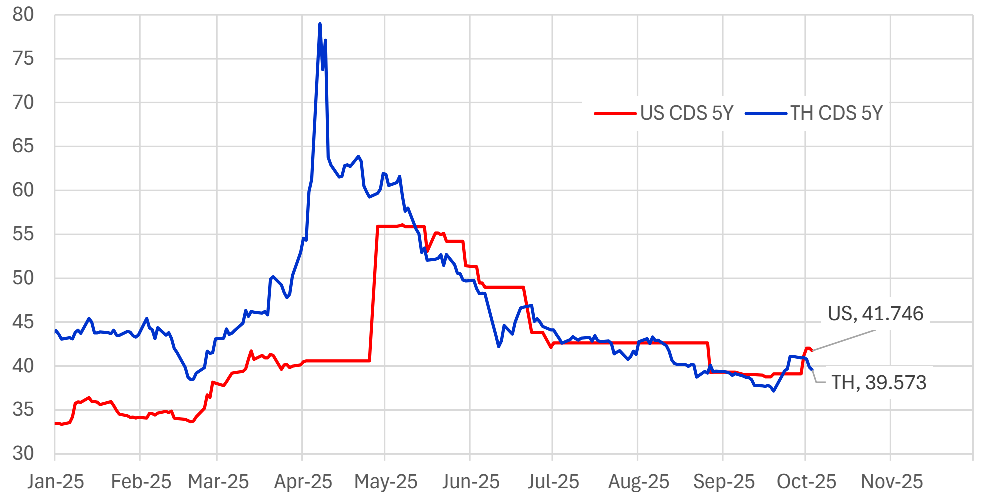
Compared with other countries, US debt concerns have intensified notably, as reflected in the sharp rise of the 5-year Credit Default Swap (CDS), which has climbed above the levels seen in developed European economies and is now approaching those of emerging markets (Figure 4). The US 5-year CDS has even risen above Thailand's (Figure 5), following Moody's downgrade of the US credit rating and the announcement of higher import tariffs — both underscoring the growing unease over US economic stability and default risks.

Figure 4: Public debt and CDS 5Y



Source: Bloomberg, KBank

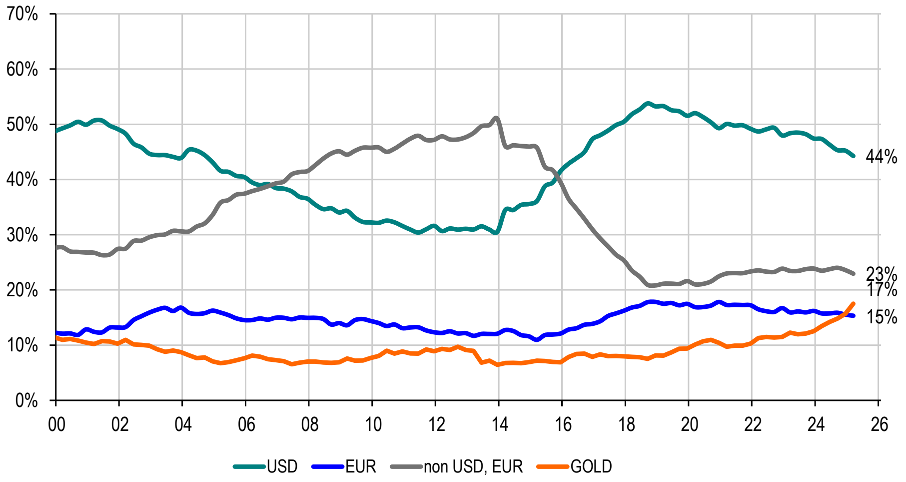
Figure 5: Thai and US Public debts and CDS 5Y



Source: Bloomberg, KBank

These factors have contributed to a significant weakening of the US dollar this year, which now hovers near its lowest level in three years. Nevertheless, the dollar still holds a strategic advantage over other currencies — its dominant role as the world's most preferred reserve currency, accounting for about 44% of global reserves. However, this share has been declining steadily since the US–China trade war under Trump 1.0, as central banks increasingly diversify their reserves towards gold. In fact, global gold holdings have now surpassed US Treasury holdings, with gold's share in international reserves rising to 17% amid growing demand for safe-haven assets.

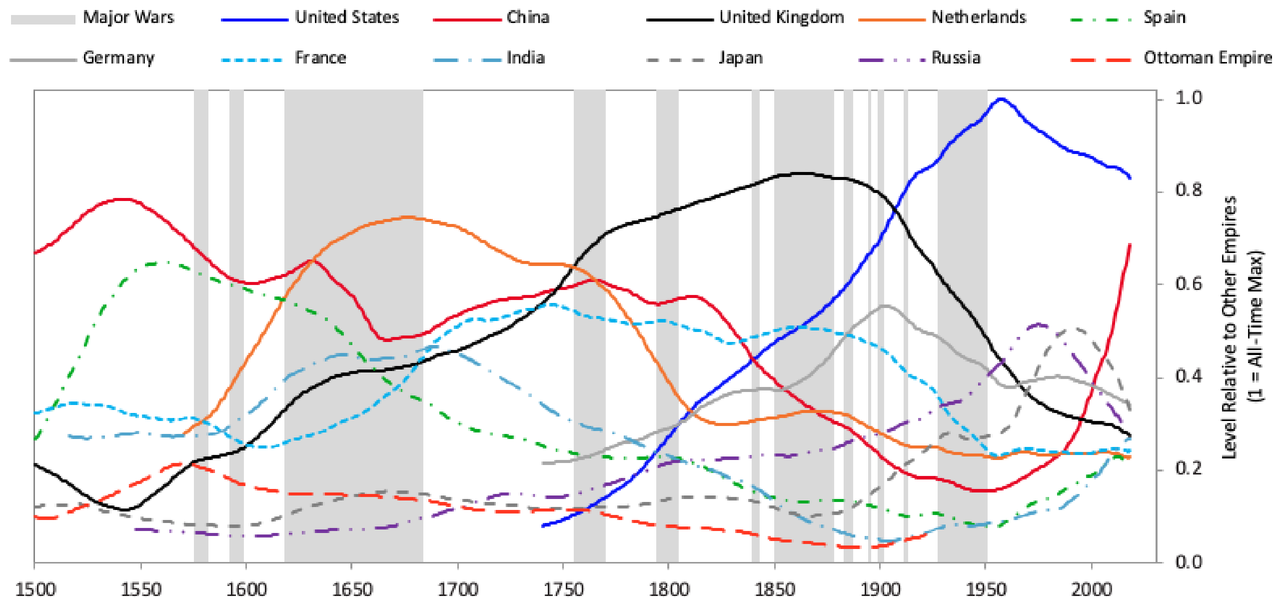
Figure 6: Global reserve



Source: Bloomberg, KBank

Additionally, the US dollar faces further pressure from the BRICS bloc, which has reportedly been working to develop a common currency, backed by rising gold accumulation, as geopolitical tensions continue to intensify. Hence, this remains a long-term game — one that warrants close and ongoing observation.

Figure 7: Relative standing of great empires



Source: Ray Dalio, KBank

Disclaimer

"This document is intended to provide material information relating to investment or product in discussion, presentation or seminar only. It does not represent or constitute an advice, offer, recommendation or solicitation by KBank and should not be relied on as such. In preparation of this document, KASIKORNBANK Public Company Limited ("**KBank**") has made assumptions on the financial and other information from public sources, and KBank makes no warranty of the accuracy and/or completeness of the information described herein.

In the case of derivative products, where the recipient of the information (the "**Recipient**") provides incomplete or inaccurate information to KBank, KBank may not be capable of delivering information relating to investment or derivative products in conformity with the genuine need of the Recipient. The Recipient also acknowledges and understands that the information provided by KBank does not indicate the expected profit, yield or positive return in the future. Furthermore the Recipient acknowledges that such investment involves a high degree of risk as the market conditions are unpredictable and there may be inadequate regulations and safeguards for the Recipient.

Before making your own independent decision to invest or enter into transaction, the Recipient must review information relating to services or products of KBank including economic and market situation and other factors pertaining to the transaction as posted in KBank's website at URL https://www.kasikornbank.com and/or in other websites including all other information, documents prepared by other institutions and consult with your financial, legal or tax advisors before making any investment decision. The Recipient understands and acknowledges that the investment or transaction hereunder is the low liquidity transaction and KBank shall not be responsible for any loss or damage arising from such investment or any transaction made by the Recipient. The Recipient including its employee, officer or other person who receives information from this document or its copy on the behalf of Recipient, represent and agree not to make any copy, reproduce or distribute any information hereunder whether in whole or in part to any other person and shall keep confidential of all information contained therein.The Recipient acknowledges that there may be conflict of interest under the KBank's services, whether directly or indirectly and should further consider the character, risk and investment return of each product by reading details from relevant documents provided by KBank and the Recipient shall review KBank Foreign Exchange Disclosure at https://www.kasikornbank.com/th/business/derivative-investments/Documents/KASIKORNBANK-Foreign-Exchange-Disclosure.pdf

Where there is any inquiry, the Recipient may seek further information from KBank or in case of making complaint, the Recipient can contact KBank at (662) 888-8822."