Insight

Debt and Deficit (Lack of) Progress Report: October 2026

JORDAN HARING | NOVEMBER 13, 2026

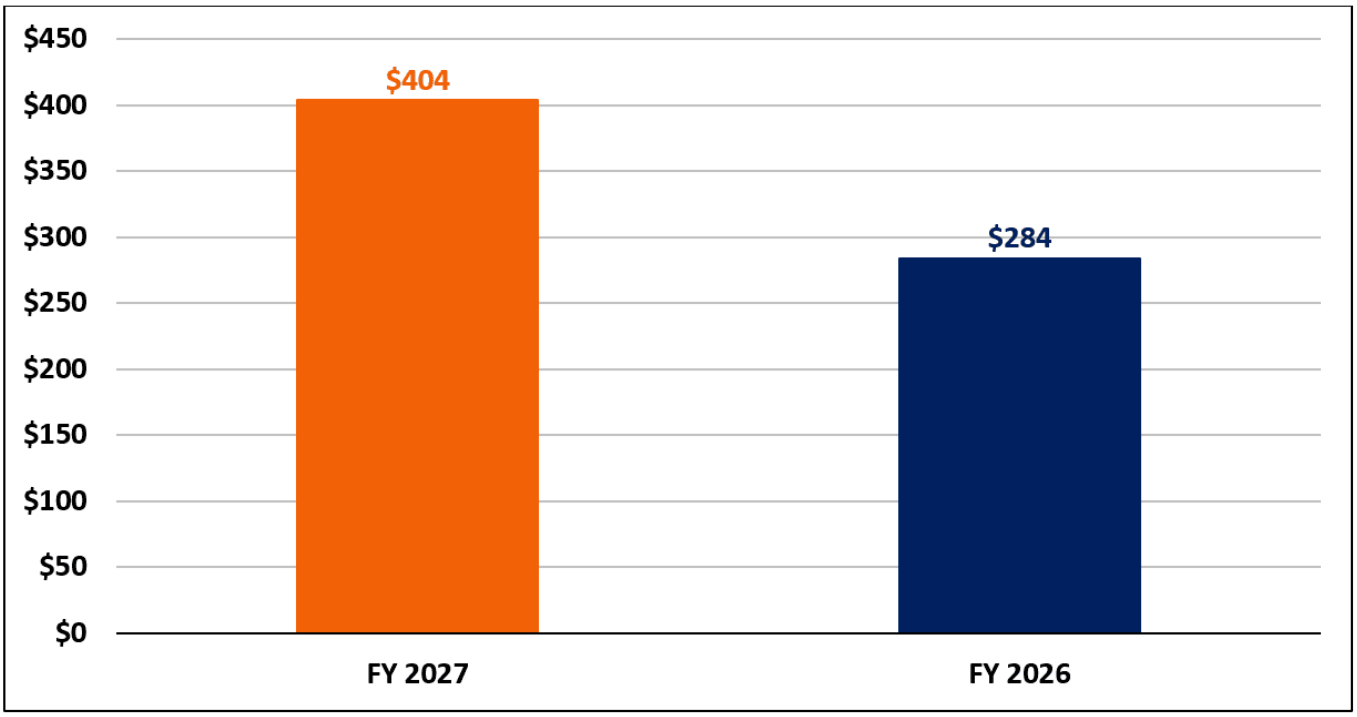
Executive Summary

- The U.S. Department of the Treasury's October 2026 Monthly Treasury Statement shows the federal budget deficit totaled $404 billion during the first month (October) of fiscal year (FY) 2027 – $120 billion higher than the corresponding period in FY 2026; the FY 2027 deficit was the net effect of $773 billion of spending and $369 billion of revenue collections.
- Revenue fell by $35 billion in the first month of FY 2027, driven by lower individual income and customs duties; spending is up by $84 billion over the same period, driven by higher entitlement spending and larger interest payments on the national debt.
- Federal debt held by the public totaled $32.7 trillion at the end of October 2026 – $2.2 trillion higher than the debt at the end of October 2025.

Introduction

The U.S. Department of the Treasury's October 2026 Monthly Treasury Statement shows the federal budget deficit totaled $404 billion during the first month (October) of fiscal year (FY) 2027. The $404 deficit was the net effect of $773 billion of spending and $369 billion of revenue collections. The FY 2027 deficit was $120 billion (42 percent) above the FY 2026 deficit over the same period. The change was the net effect of $84 billion of higher spending and $35 billion of lover revenue (numbers may not sum due to rounding).

Federal Budget Deficit During the First Month of FY 2027 and FY 2026 (billions of dollars)

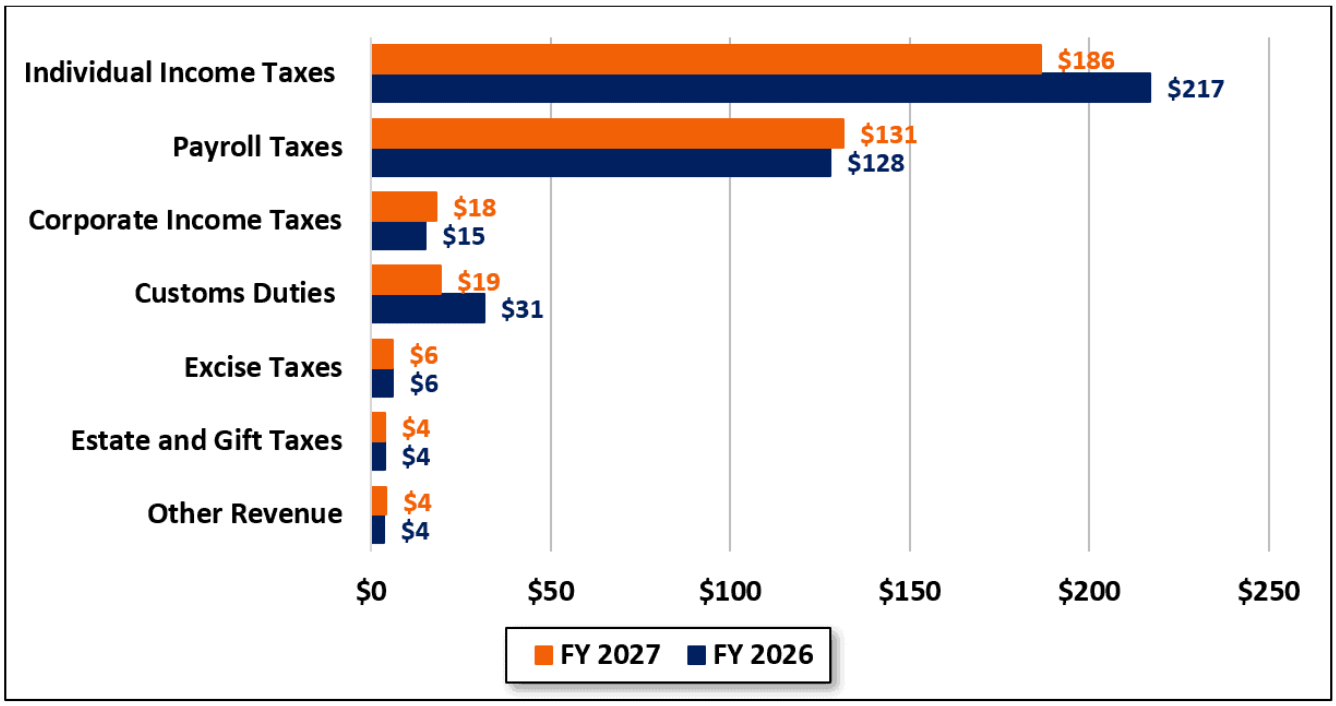


Source: U.S. Department of the Treasury.

Revenue Fell During the First Month of FY 2027

Federal revenue collections fell by $35 billion (9 percent) during the first month of FY 2027 compared to last year. Individual income tax receipts decreased by $31 billion (14 percent) while payroll tax collections rose by $4 billion (3 percent). Corporate income tax receipts increased by $3 billion (20 percent). Customs duties fell by $12 billion (39 percent) due to tariff changes made through executive action. Notably, customs duties have declined since May as the federal government issued tariff refunds to businesses that paid tariffs imposed under the International Emergency Economic Powers Act, which the Supreme Court ruled illegal. Estate and gift taxes remained flat at $4 billion, excise tax collections held steady at $6 billion, and other sources of revenue increased by $1 billion (18 percent).

Federal Revenue Collections During the First Month of FY 2027 and FY 2026 (billions of dollars)



Source: U.S. Department of the Treasury.

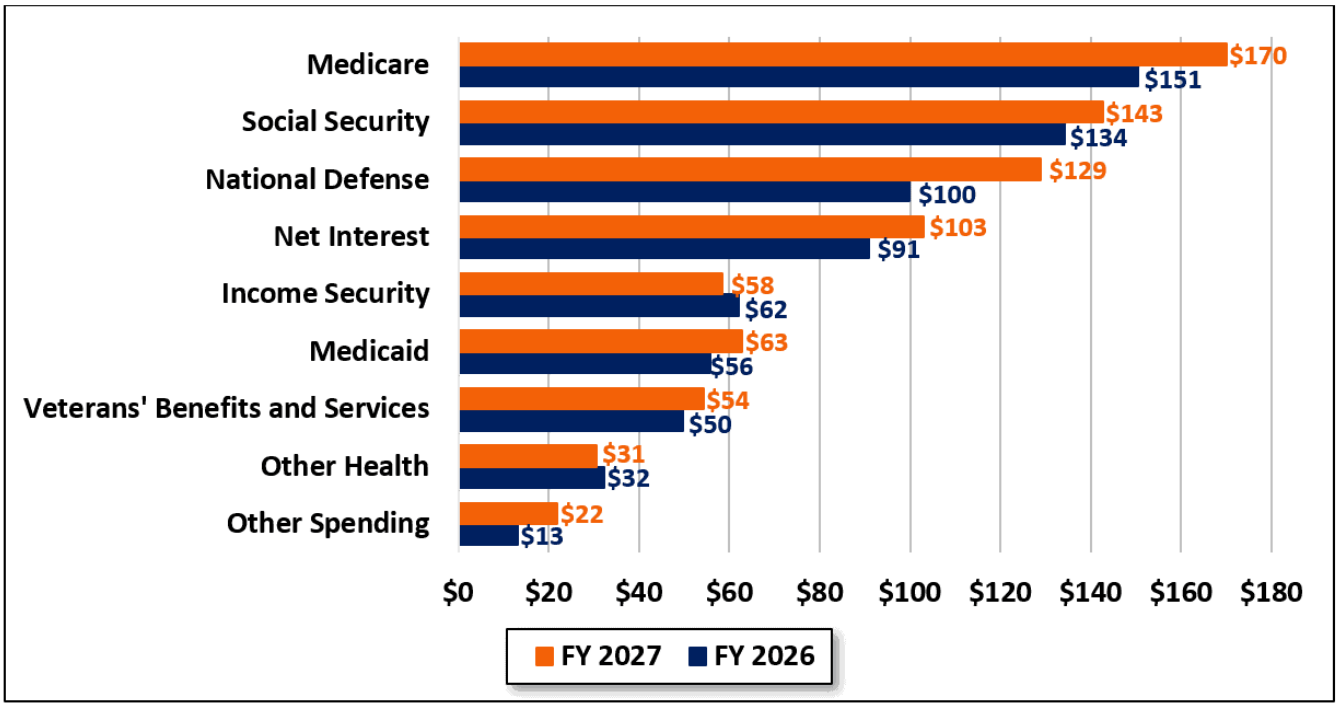
Spending Rose During the First Month of FY 2027

Federal spending rose by $84 billion (12 percent) during the first month of FY 2027 compared to the corresponding period last year. Social Security spending increased by $9 billion (6 percent) due to increases in average monthly benefits and the number of beneficiaries enrolled in the program. Medicare spending rose by $19 billion (13 percent) due to higher enrollment and payment rates for services, and Medicaid spending increased by $7 billion (13 percent) because of higher per-enrollee costs. Other health spending, including on the Children's Health Insurance Program and Affordable Care Act premium tax credits, declined by $2 billion (5 percent).

National defense spending increased by $29 billion (29 percent) due to higher spending on military personnel and research and development. Spending on veterans' benefits and services rose by $5 billion (9 percent) because more people received benefits and spending per beneficiary rose. Spending on income security programs, including the Supplemental Nutrition Assistance Program, Supplemental Security Income, and Temporary Assistance for Needy Families, fell by $4 billion (6 percent) in part because of the One Big Beautiful Bill's reforms to certain income security programs. Other programmatic spending rose by $9 billion (67 percent).

Federal Spending During the First Month of FY 2027 and FY 2026 (billions of

dollars)



Source: U.S. Department of the Treasury.

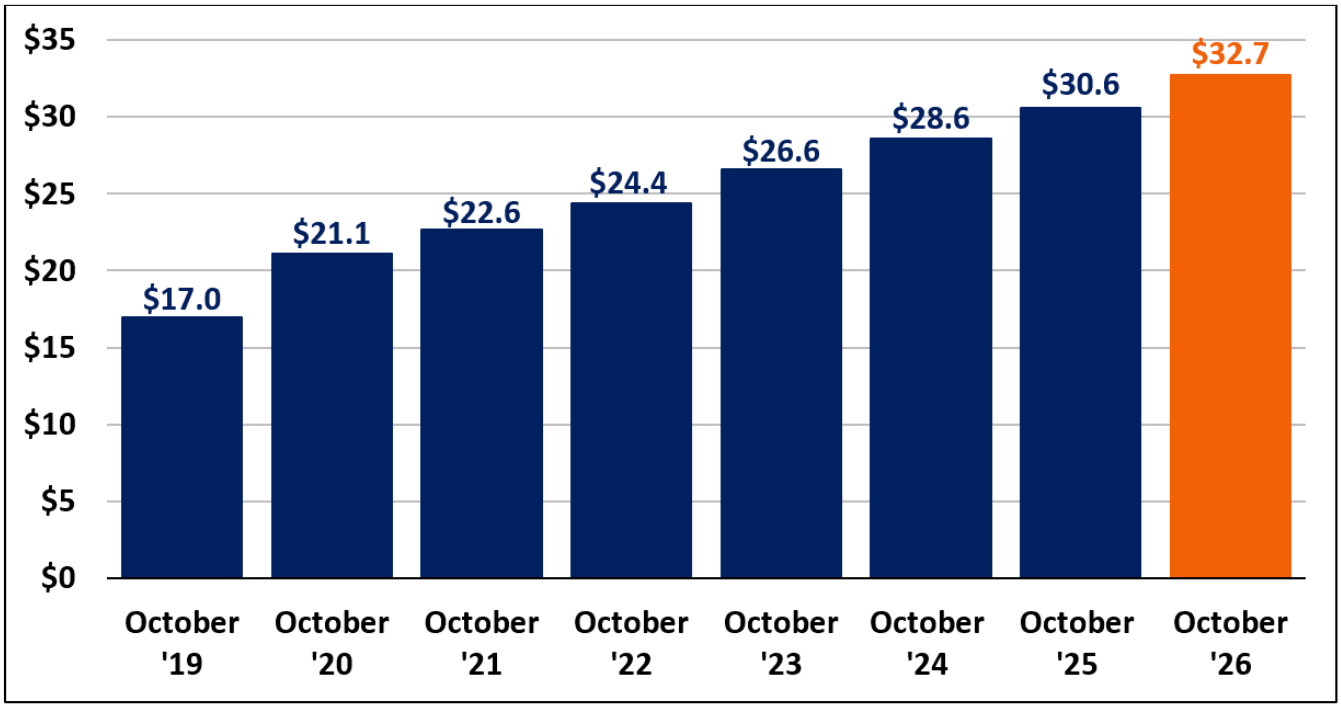
Interest payments on the national debt increased by $12 billion (13 percent) because the debt was larger and long-term interest rates were higher. A decline in short-term interest rates partially offset the increase in interest payments. During the first month of FY 2027, net interest was the fourth-largest government expenditure behind Medicare, Social Security, and national defense.

The National Debt Is Unsustainable

At the end of October 2026, federal debt held by the public totaled $32.7 trillion. This was $2.2 trillion higher than the $30.6 trillion of debt at the end of October 2025.

Since October of 2019, the national debt has nearly doubled and is projected to continue to rise over both the short- and long-term.

Federal Debt Held by the Public (trillions of dollars)



Source: U.S. Department of the Treasury.