CONGRESSIONAL BUDGET OFFICE

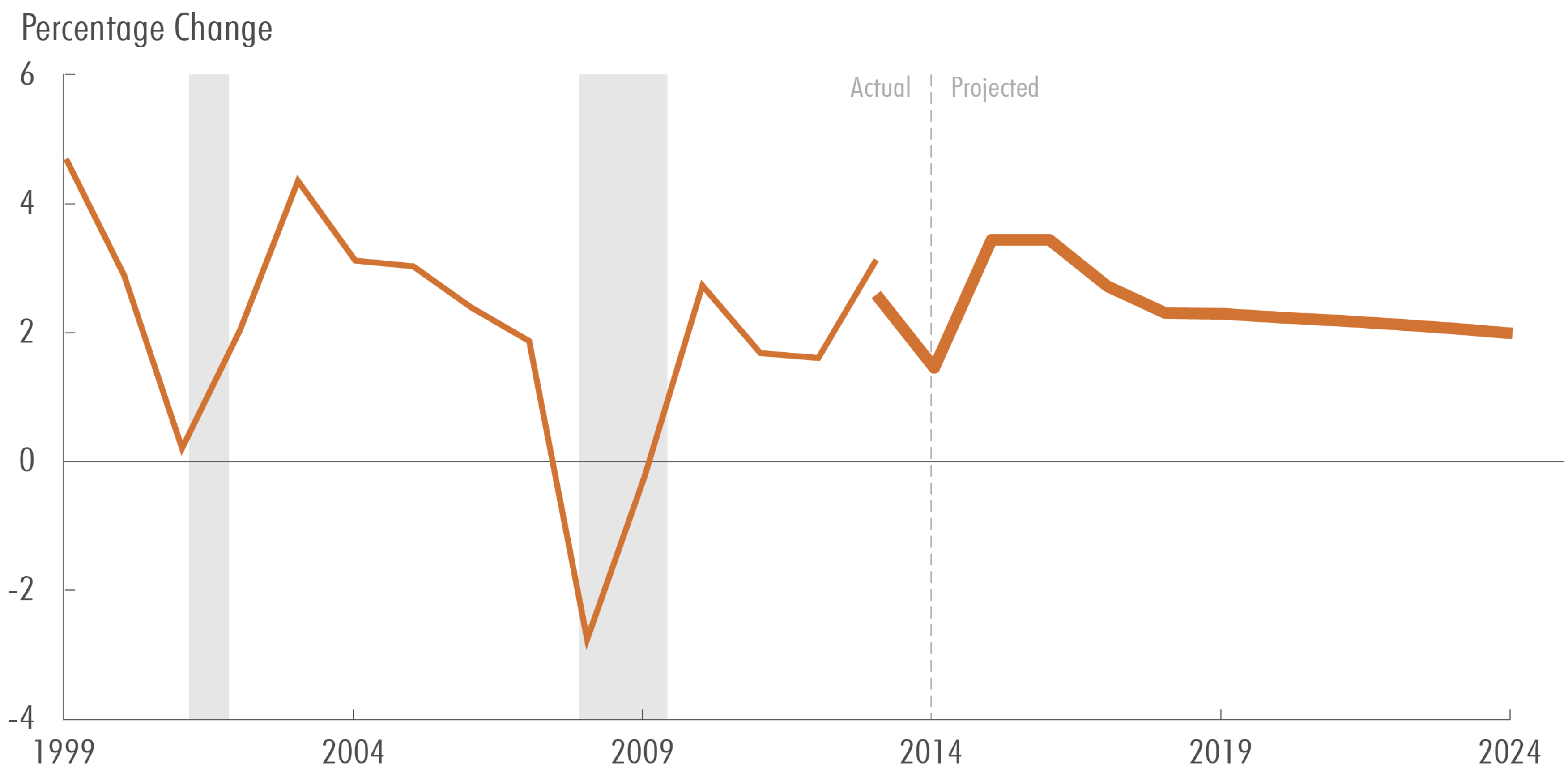
The Economic Outlook for 2014 to 2024 in 15 Slides

August 2014

For more details, see www.cbo.gov/publication/45653.

Economic Growth and Its Sources

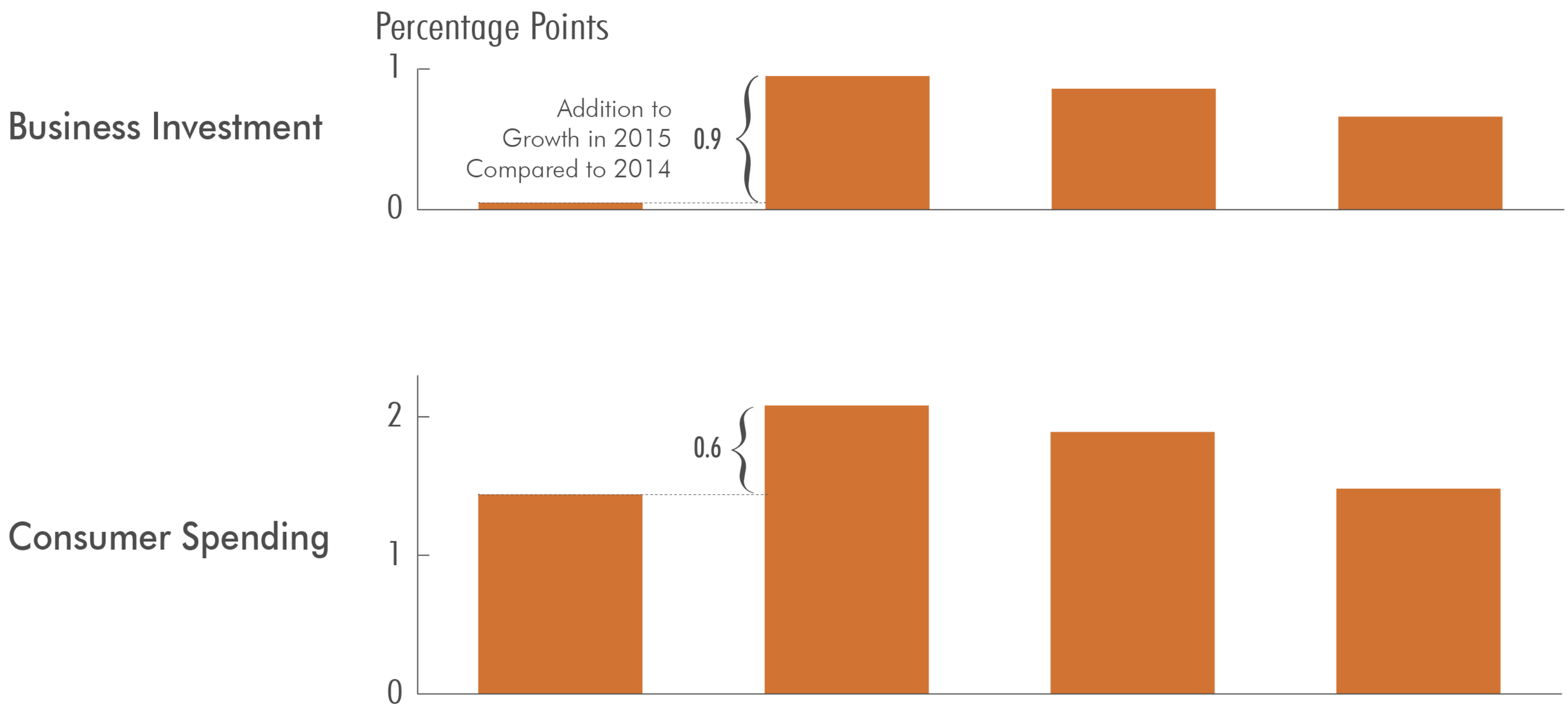
Real GDP



CBO projects that the growth of real (inflation-adjusted) GDP will increase after this year, to an annual average rate of 3.4 percent from the fourth quarter of 2014 through the fourth quarter of 2016, before moderating in subsequent years.

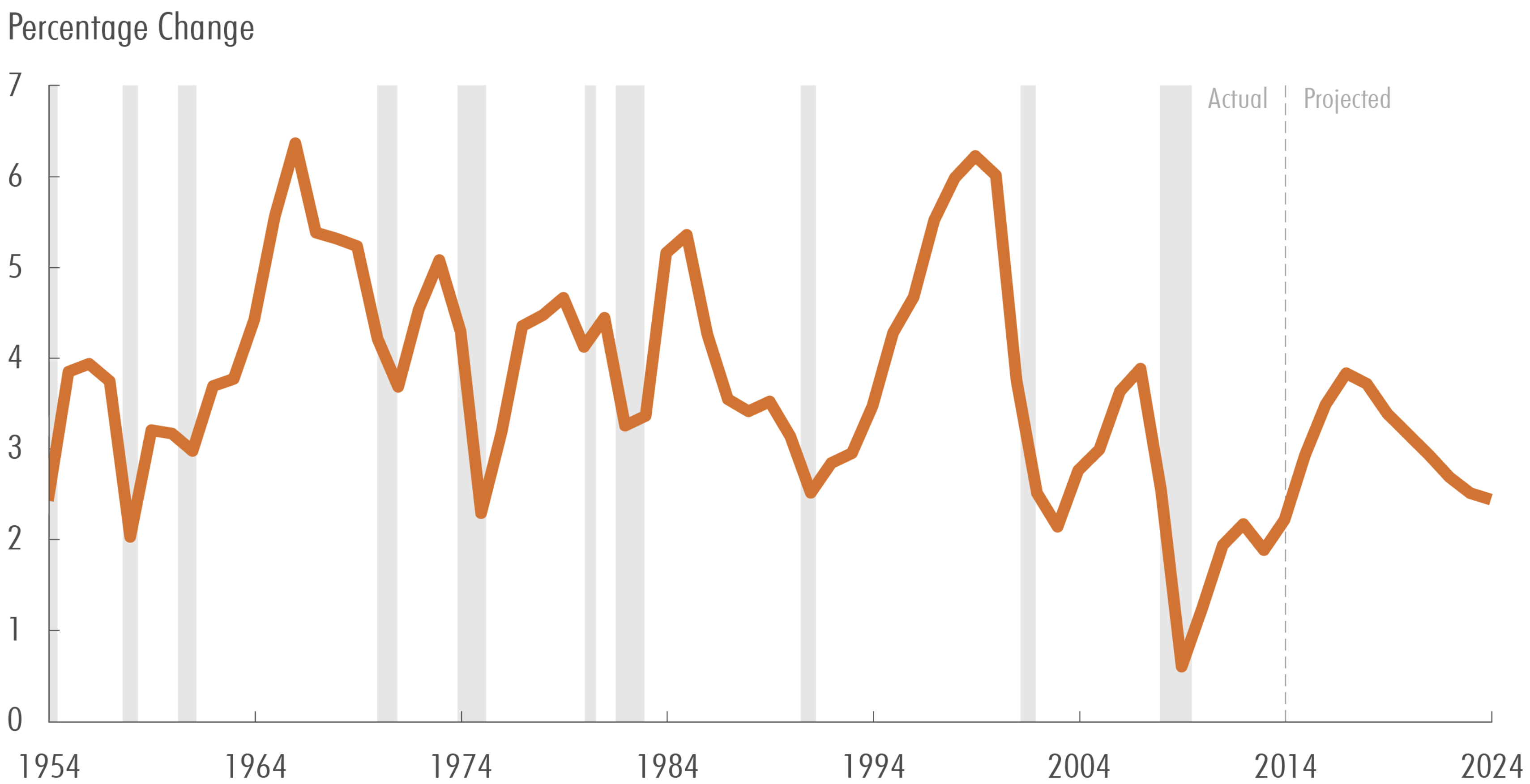
Note: Values from 1999 through 2013—the thin line—reflect revisions to the national income and product accounts that the Bureau of Economic Analysis made on July 30, 2014. Values from 2013 through 2024—the thick line—reflect the data available and projections made before July 30.

Contributions to the Growth of Real GDP



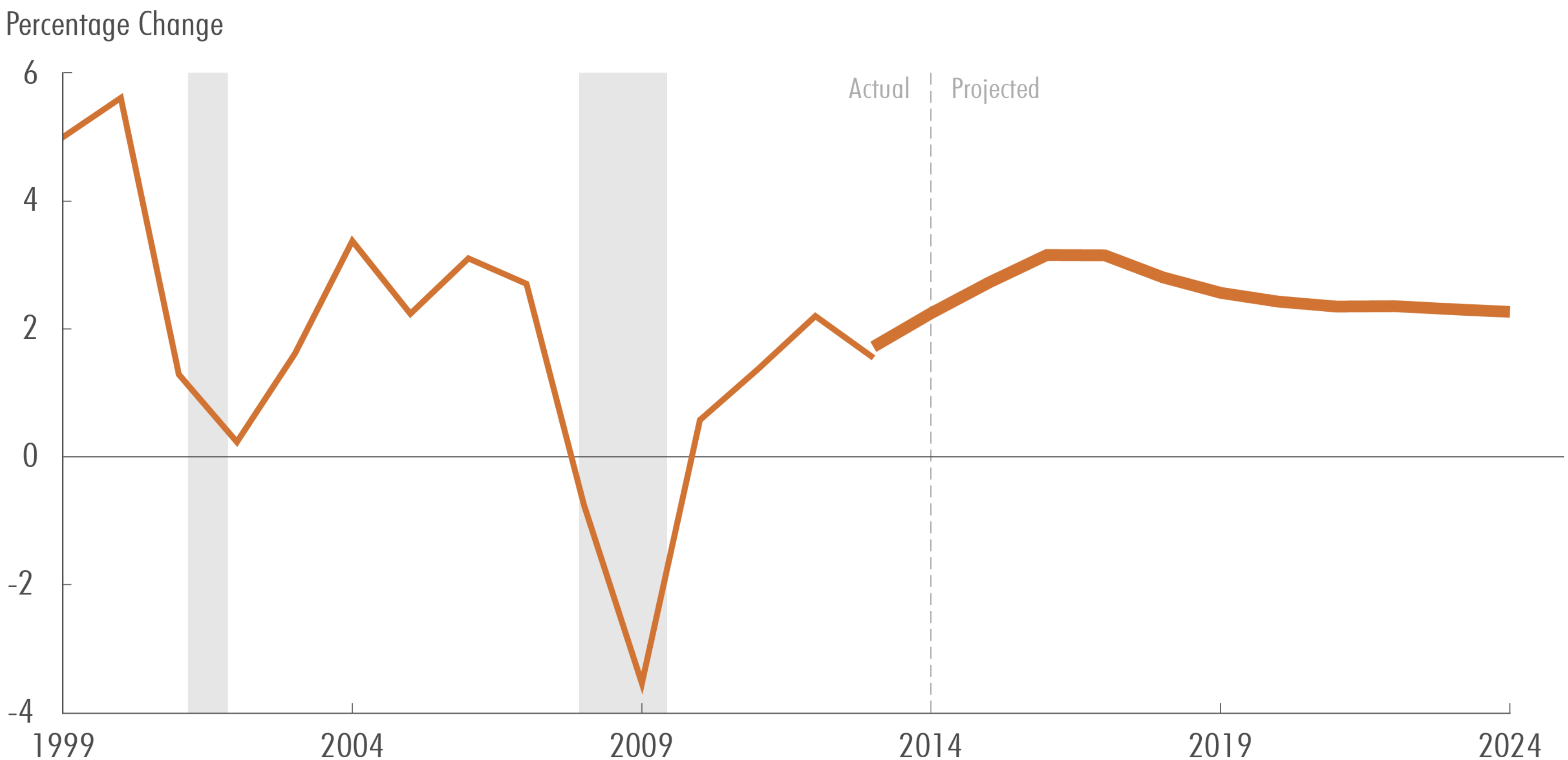
More rapid growth in business investment and consumer spending will significantly boost economic growth in 2015, CBO projects.

Capital Services



Over the next few years, business investment is likely to grow more rapidly as the effects of weak demand for goods and services fade, boosting businesses' incentive to increase capital services.

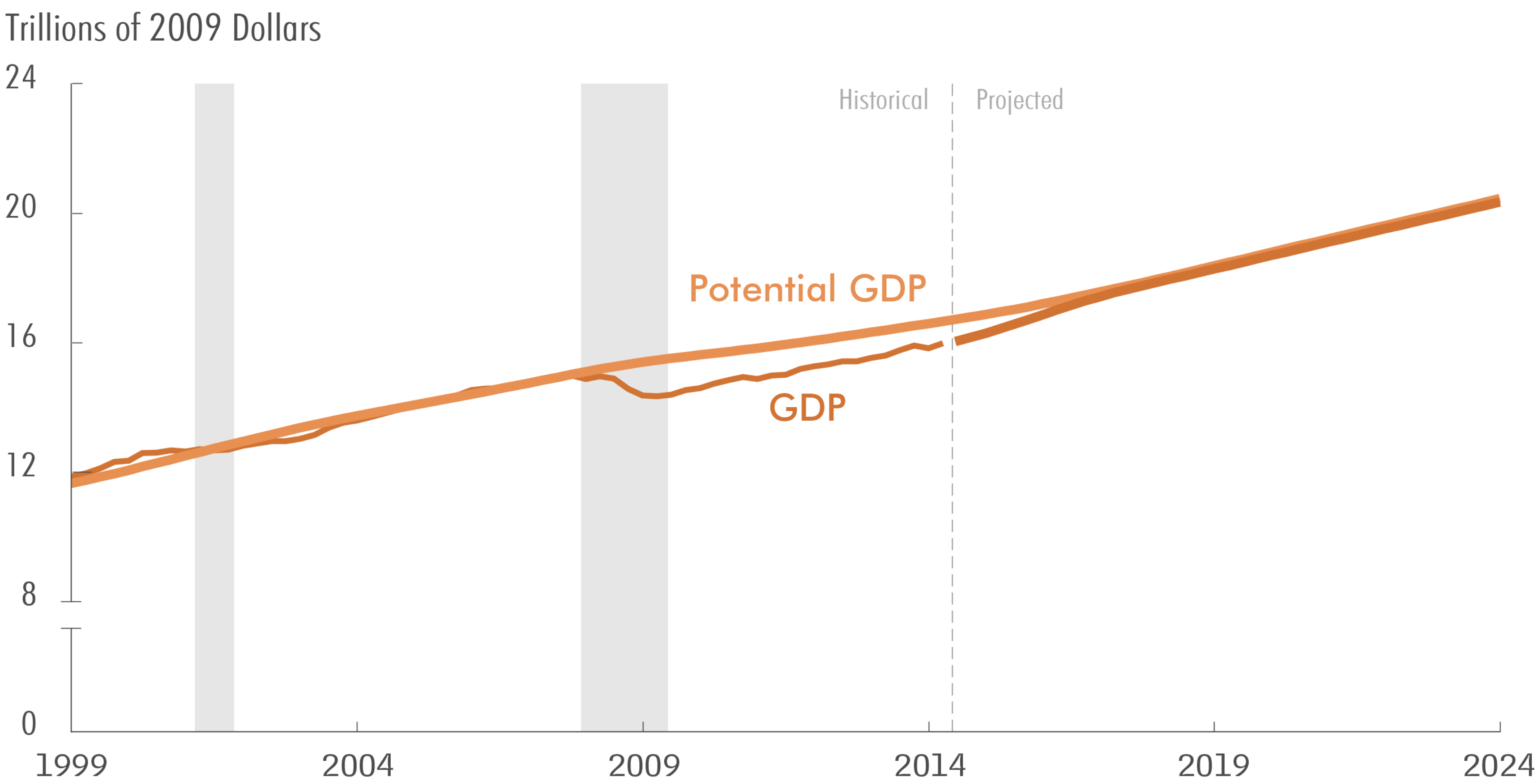
Real Compensation of Employees



Faster growth in the compensation of employees will support faster growth in consumer spending in the next few years.

Note: Values from 1999 through 2013—the thin line—reflect revisions to the national income and product accounts that the Bureau of Economic Analysis made on July 30, 2014. Values from 2013 through 2024—the thick line—reflect the data available and projections made before July 30.

GDP and Potential GDP

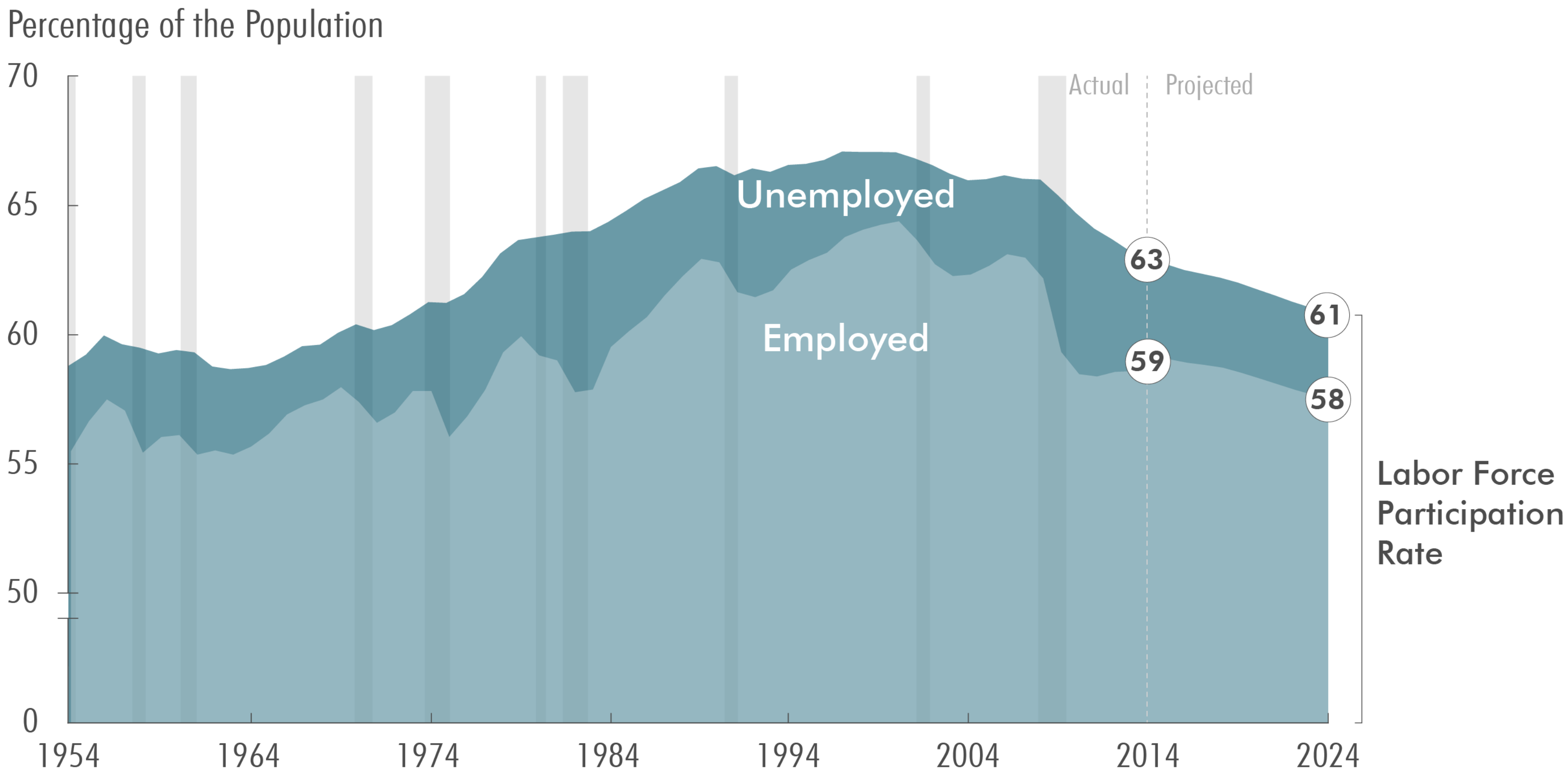


The gap between the economy's actual and potential output narrows to its historical average by the end of 2017 in CBO's projection.

Note: Historical data for GDP reflect revisions to the national income and product accounts that the Bureau of Economic Analysis made on July 30, 2014. Historical values for potential GDP and all projected values reflect the data available before July 30.

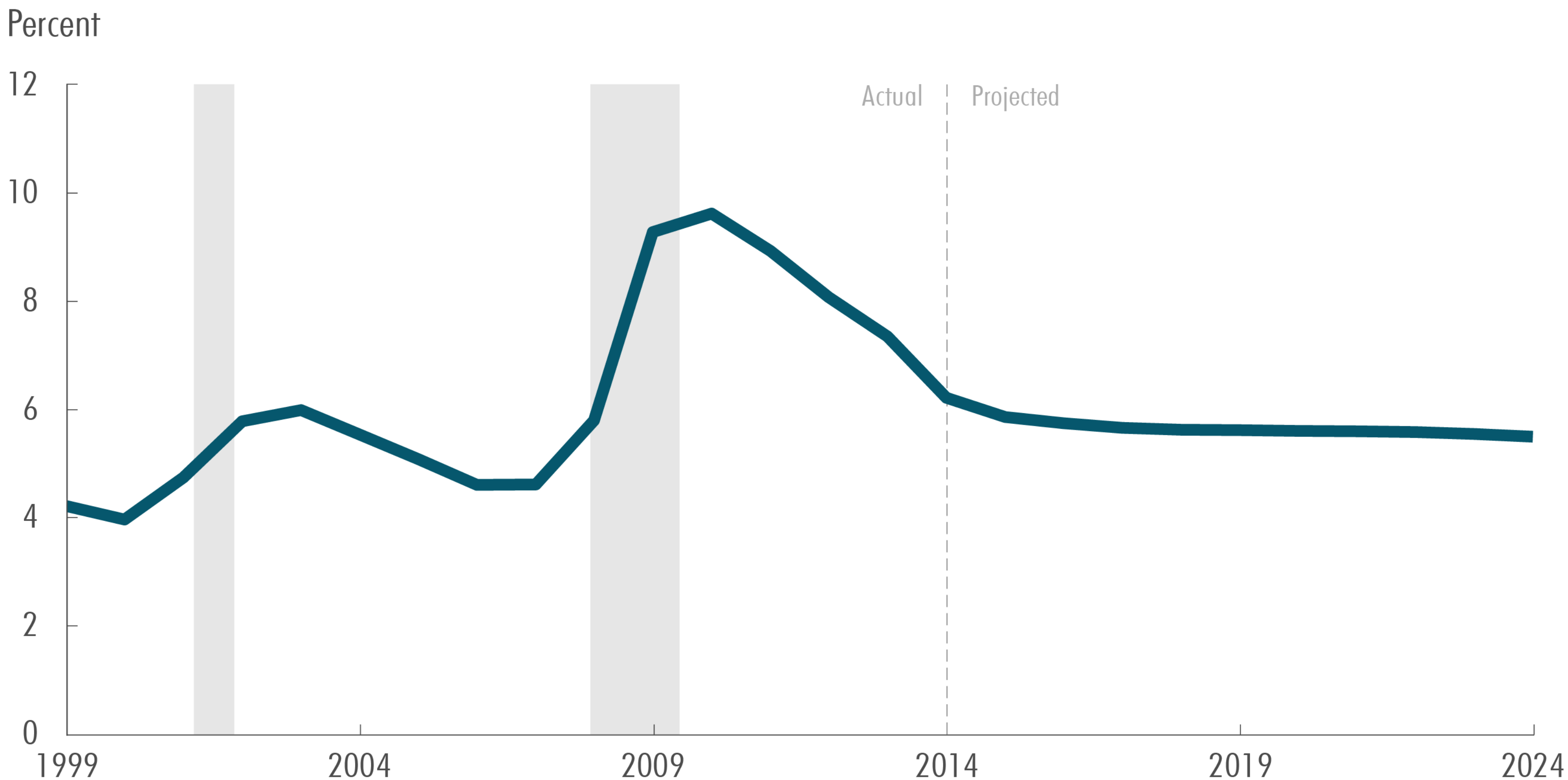
The Labor Market

The Labor Force, Employment, and Unemployment



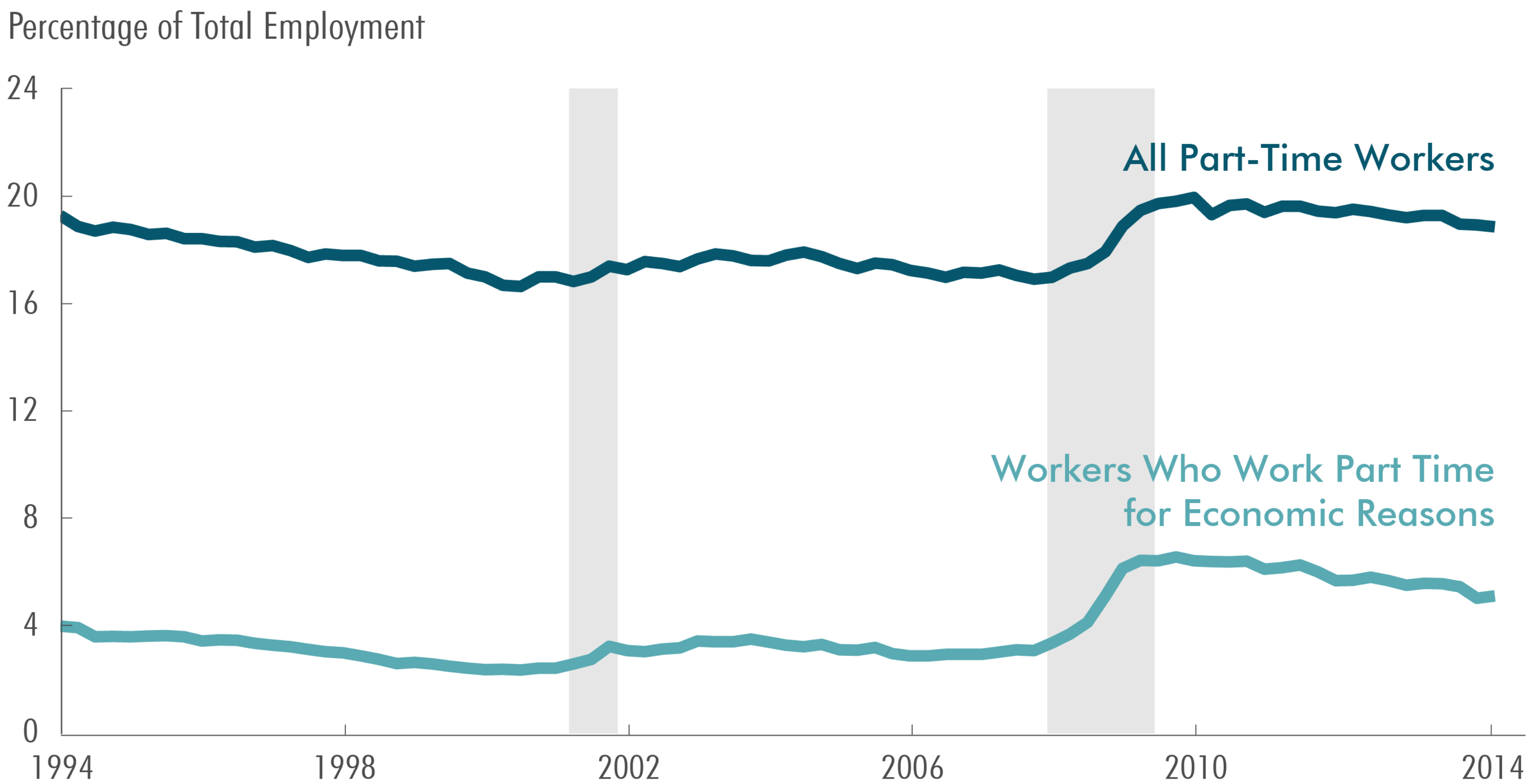
The labor force and employment are projected to grow more slowly than the population after 2015, primarily reflecting the retirement of members of the baby-boom generation.

Unemployment Rate



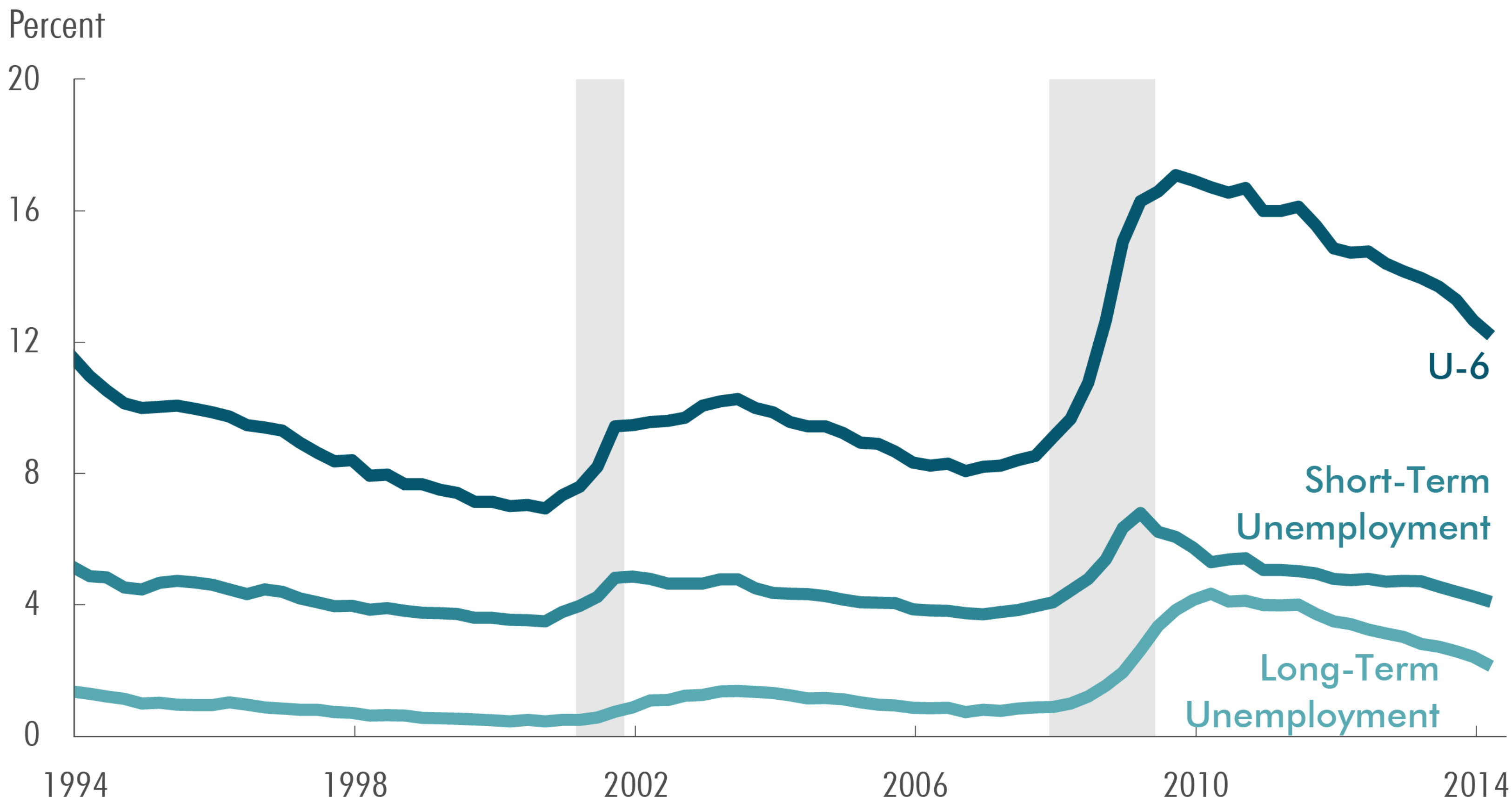
The underutilization of resources—or "slack"—in the labor market, partly reflected in an elevated unemployment rate, is expected to largely disappear by the end of 2017.

Workers Who Are Employed Part Time



The incidence of part-time employment for economic reasons remains much higher than it was before the 2007–2009 recession.

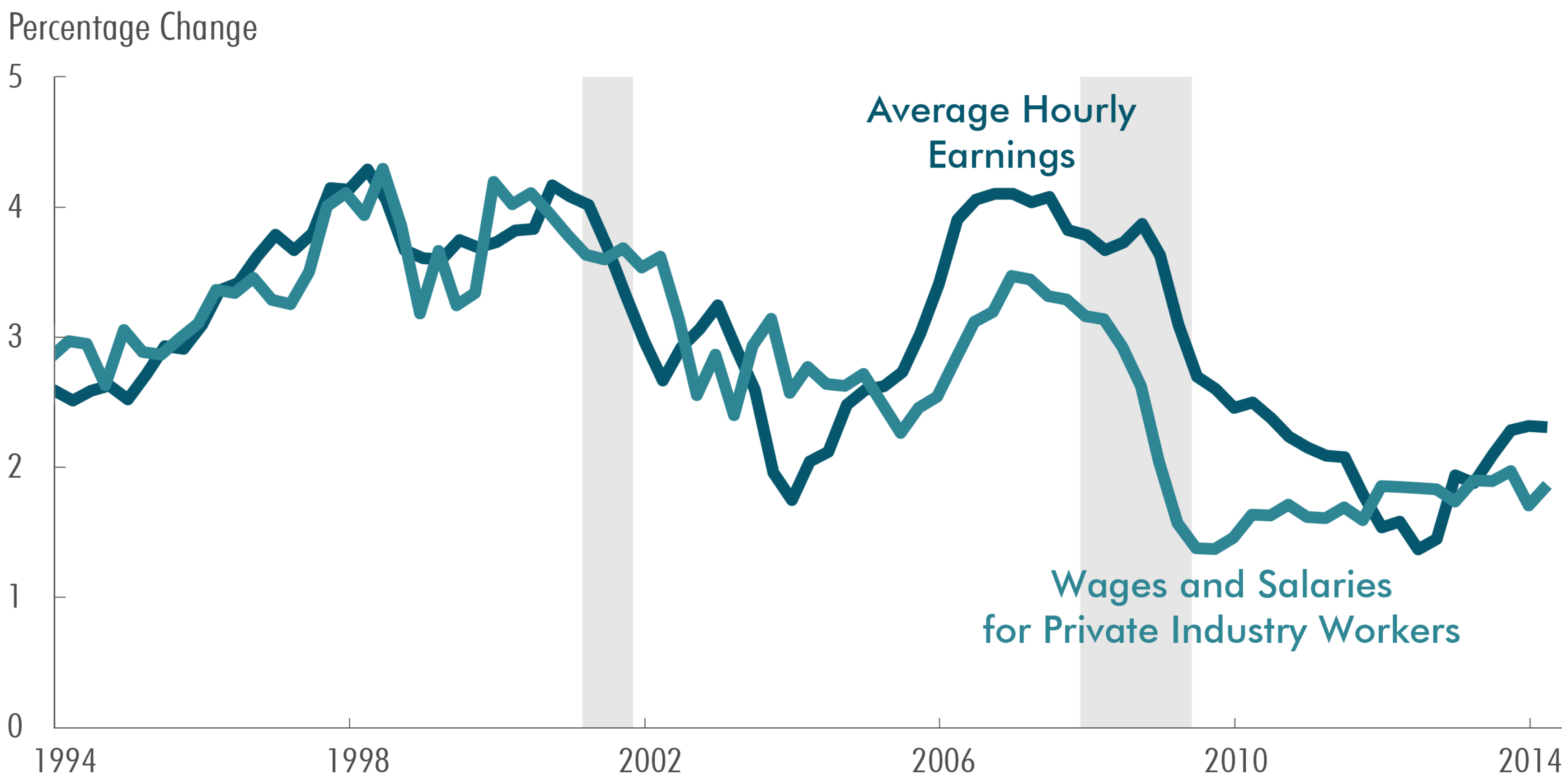
Measures of the Underutilization of Labor



By some measures, the underutilization of labor remains quite high, but the rate of short-term unemployment is close to its average over the 2001–2007 business cycle.

Note: The U-6 measure of the underutilization of labor combines the number of people who are unemployed, the number of people who are marginally attached to the labor force, and the number of people who work part time for economic reasons.

Measures of Wages and Salaries Paid to Employees

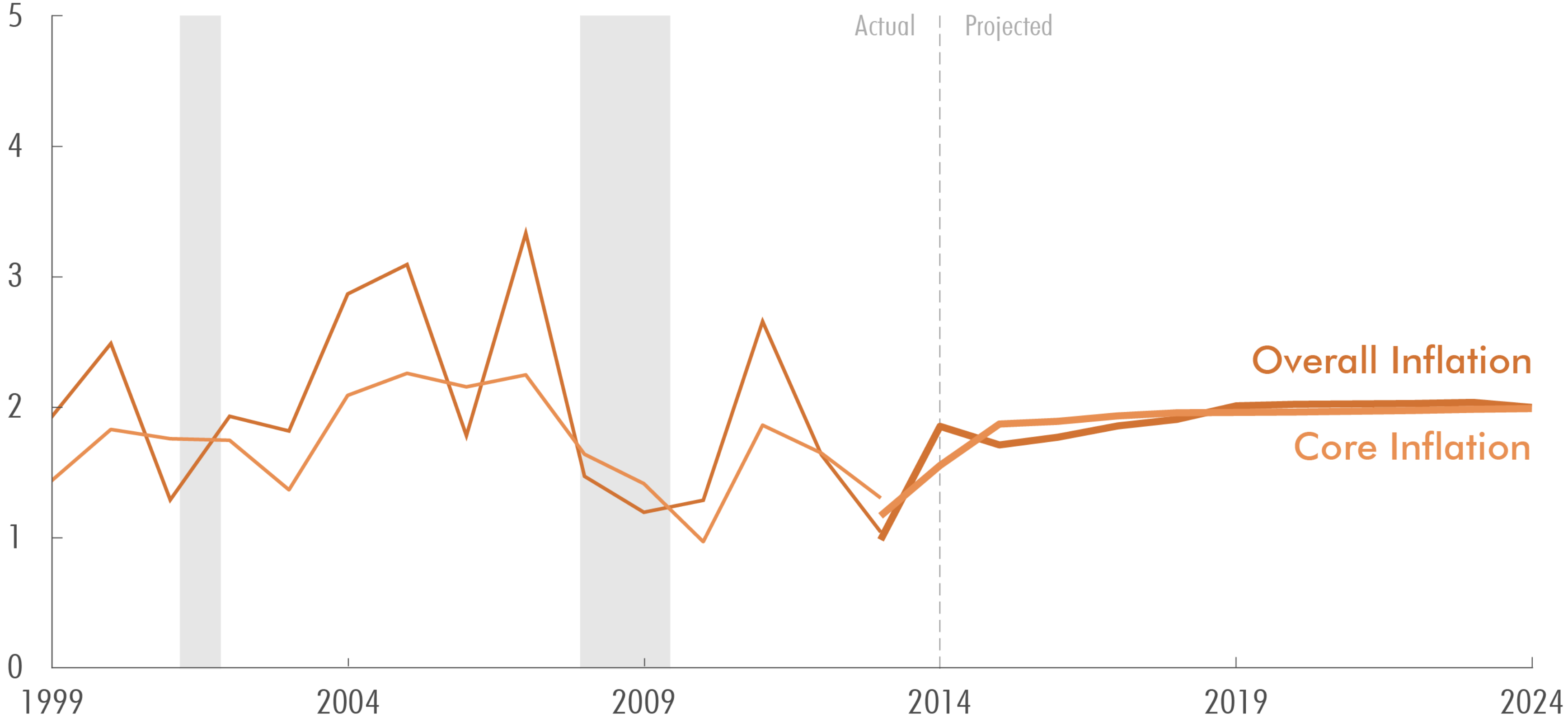


Despite the decline in the unemployment rate in recent years, wages and salaries paid to employees continue to grow slowly.

Inflation and Interest Rates

Inflation

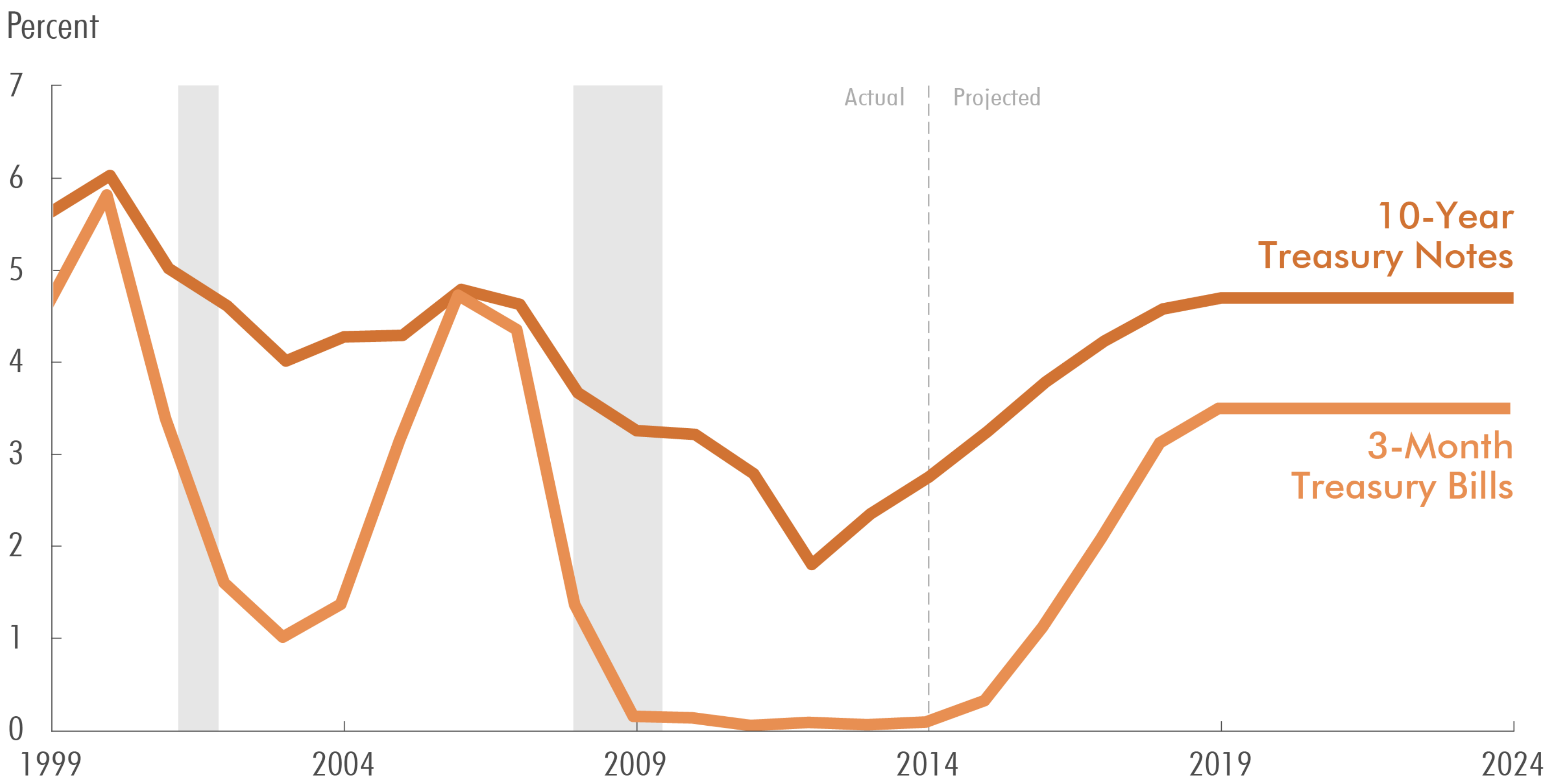
Percentage Change in PCE Prices



CBO anticipates that prices will rise at a modest pace over the next several years, reflecting the remaining slack in the economy and widely held expectations for low and stable inflation.

Note: Values from 1999 through 2013—the thin lines—reflect revisions to the national income and product accounts that the Bureau of Economic Analysis made on July 30, 2014. Values from 2013 through 2024—the thick lines—reflect the data available and projections made before July 30. PCE = personal consumption expenditures.

Interest Rates on Treasury Securities



From 2014 to 2019, interest rates will be pushed up by market participants' expectations of an improving economy and an end to the Federal Reserve's purchases of long-term Treasury securities and mortgage-backed securities, CBO anticipates.

About This Document

Alexander Arnon, Maureen Costantino, Kim Kowalewski, Mark Lasky, Leah Loversky, and Charles Whalen prepared these slides.

For more details about CBO's economic forecast as well as the agency's most recent budget projections, see *An Update to the Budget and Economic Outlook: 2014 to 2024* (August 2014), www.cbo.gov/publication/45653 That report is the result of work by many analysts at CBO.