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

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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 and employment are projected to grow more slowly than the population after 2015, primarily reflecting the retirement of members of the baby-boom generation.
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.
The incidence of part-time employment for economic reasons remains much higher than it was before the 2007–2009 recession.
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.
Despite the decline in the unemployment rate in recent years, wages and salaries paid to employees continue to grow slowly.
Inflation and Interest Rates
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.
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.