



Congressional Budget Office

September 8, 2015

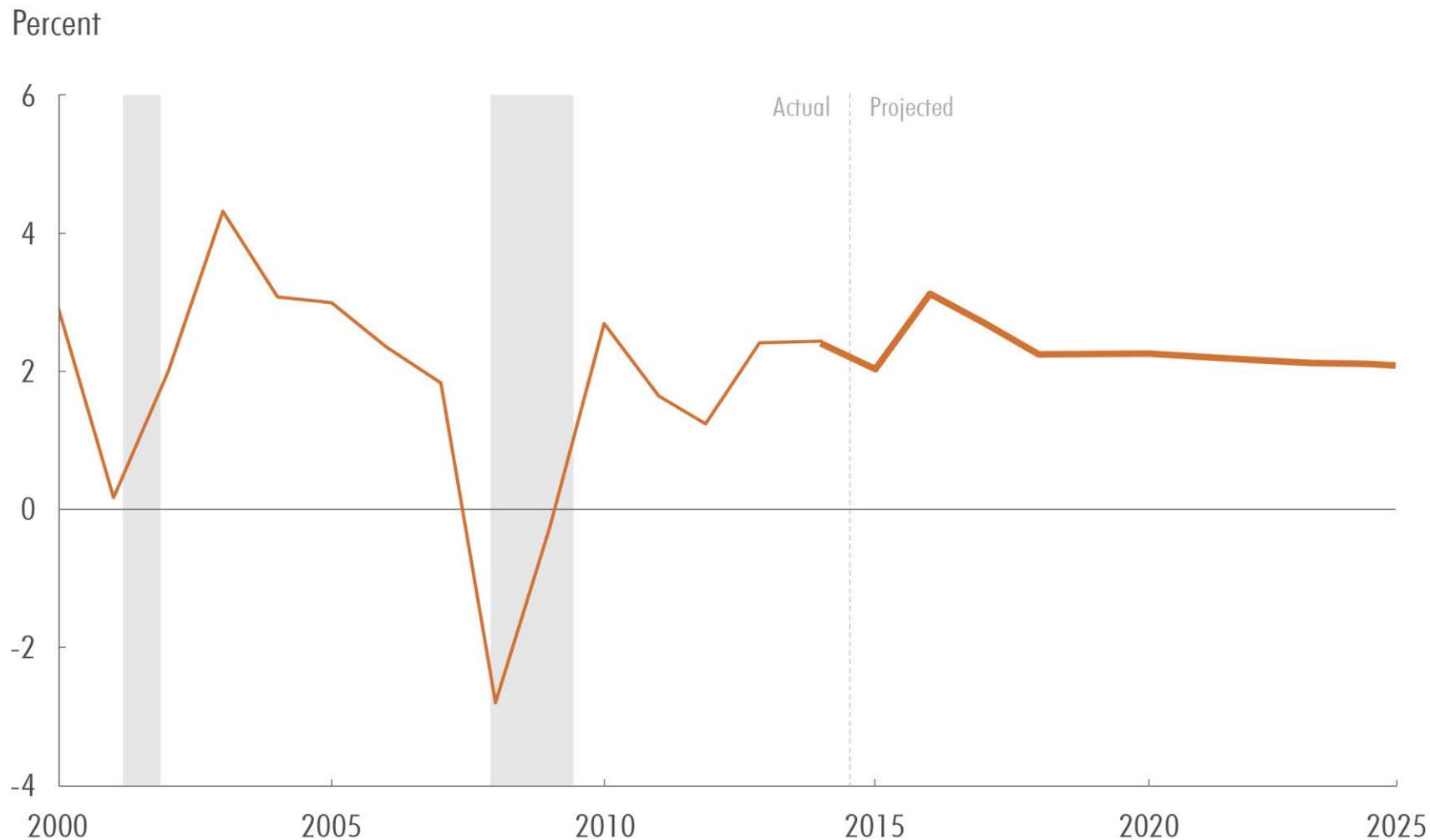
CBO's Economic Projections

**Presentation at the NYU Stern Economic Outlook Forum
New York City, New York**

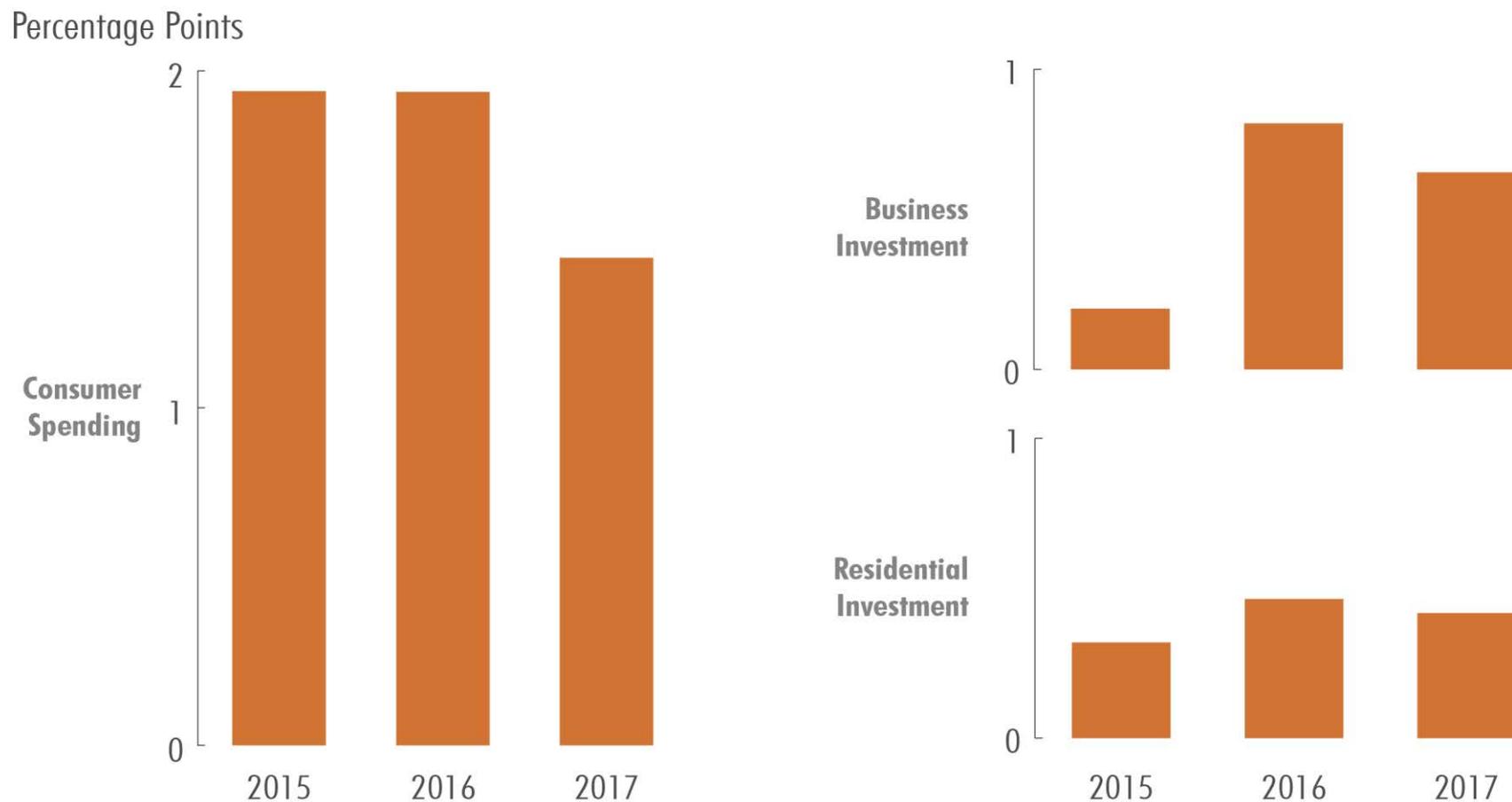
Wendy Edelberg
Assistant Director, Macroeconomic Analysis

Under current law, CBO expects **economic activity to expand modestly this year, to grow at a more solid pace in 2016 and 2017, and then to moderate in subsequent years.**

Growth of Real GDP

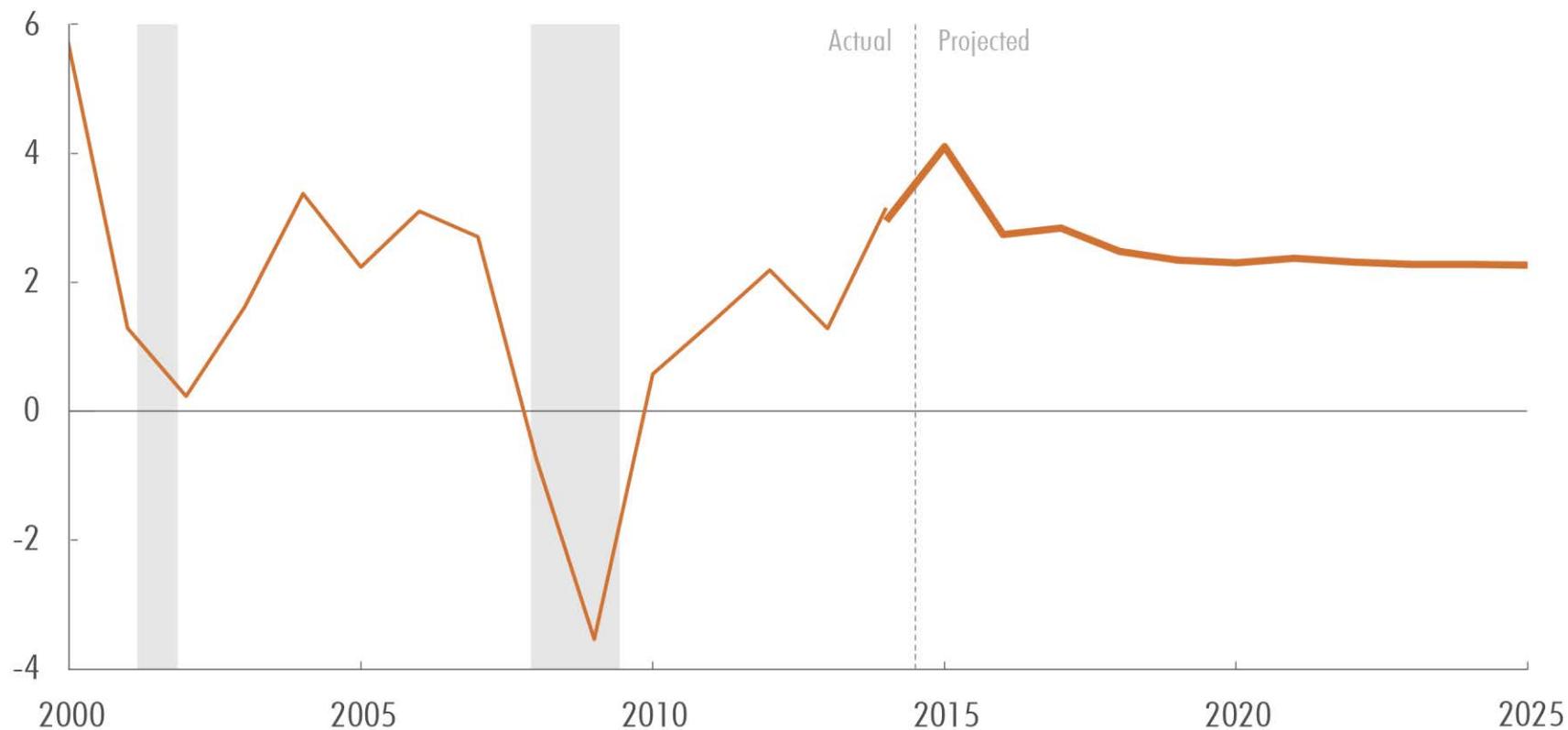


Contributions to the Growth of Real GDP



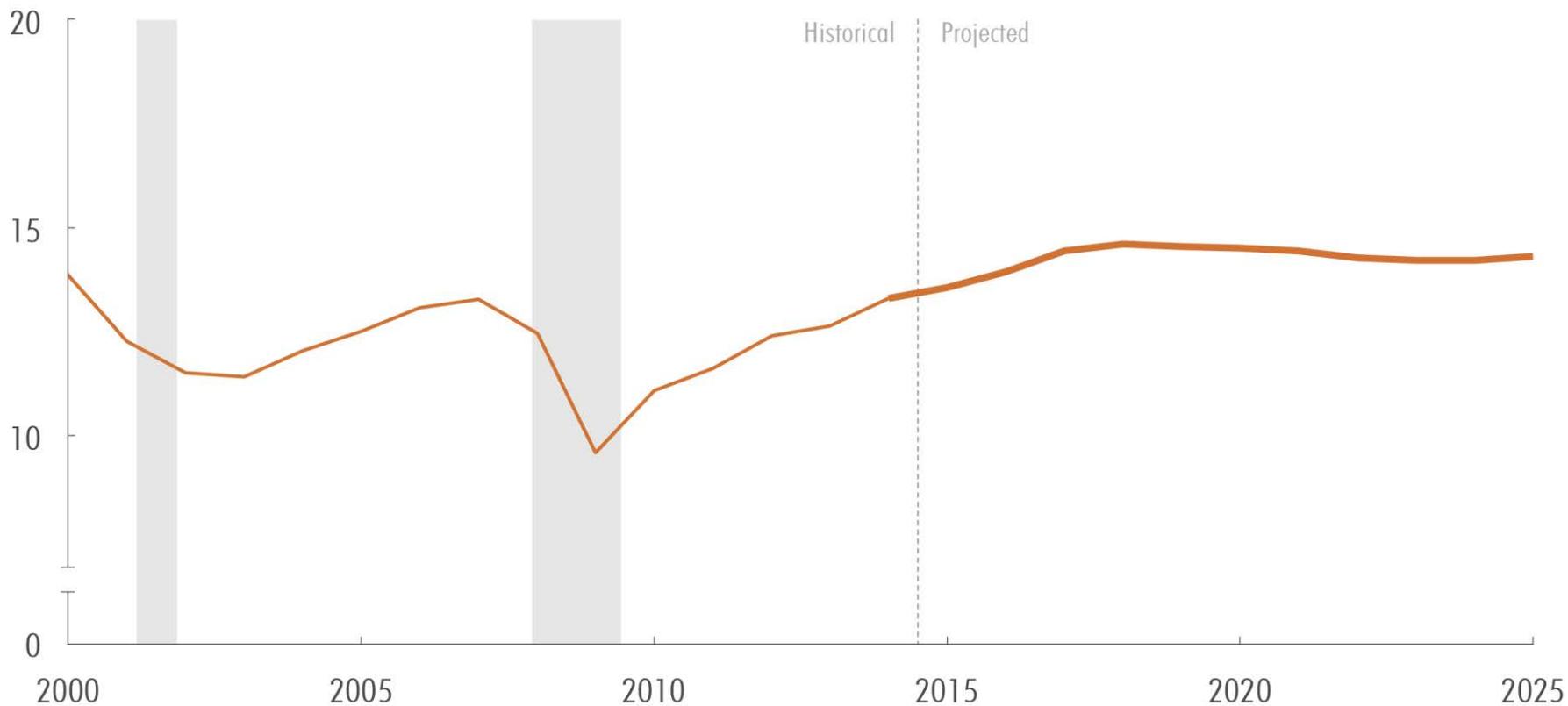
Real Total Compensation of Employees

Percentage Change



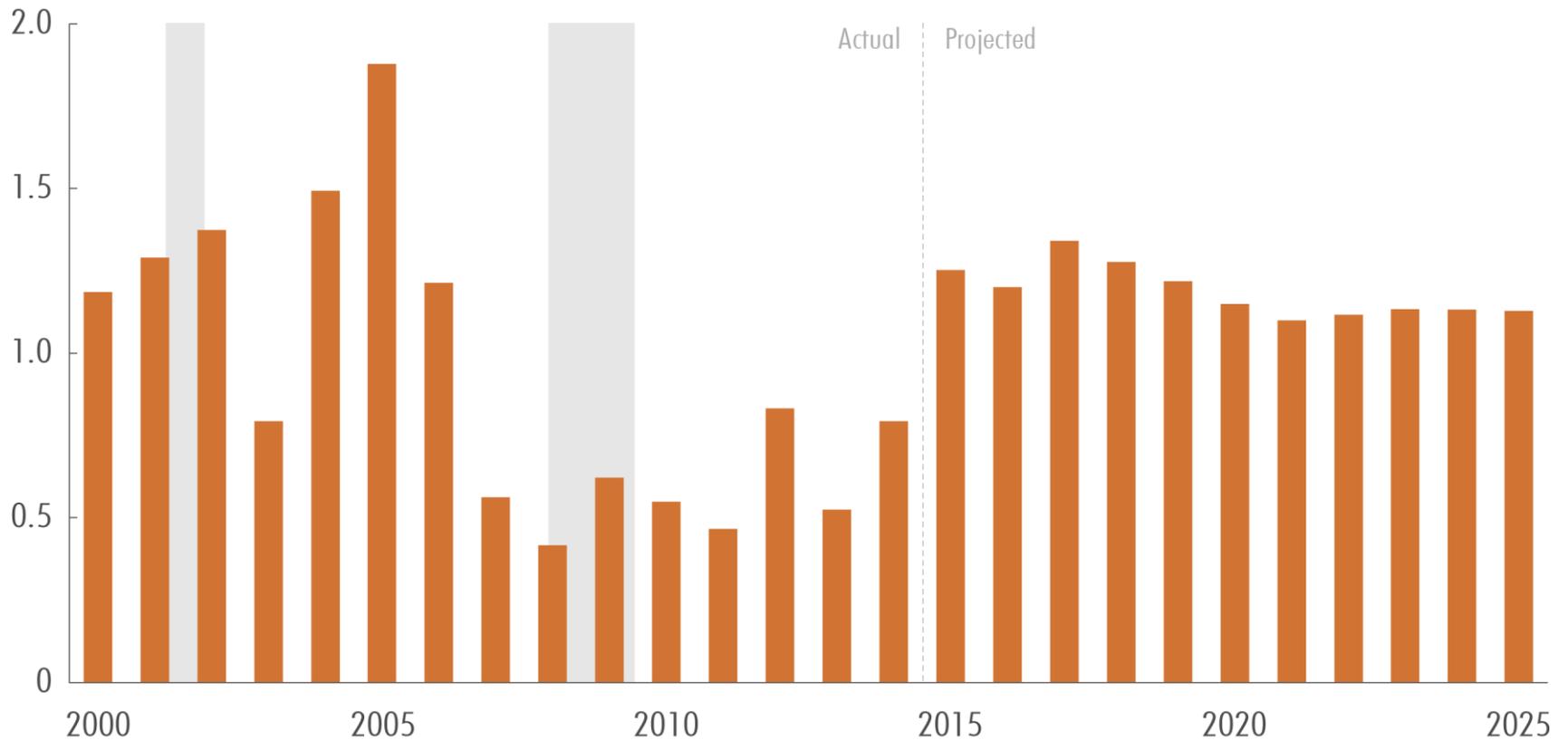
Business Investment

Percentage of Potential GDP

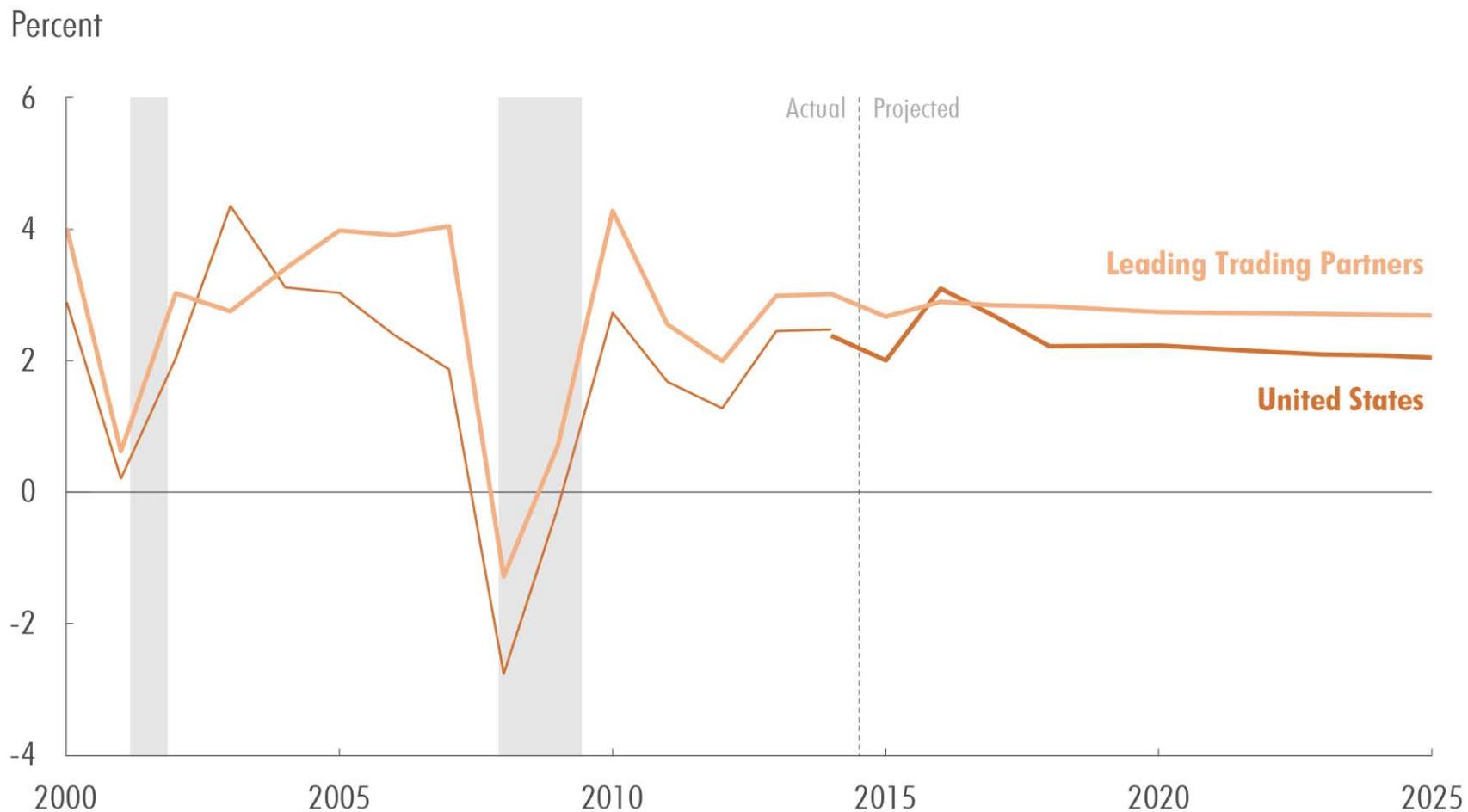


Household Formation

Annual Change in the Number of Households, in Millions

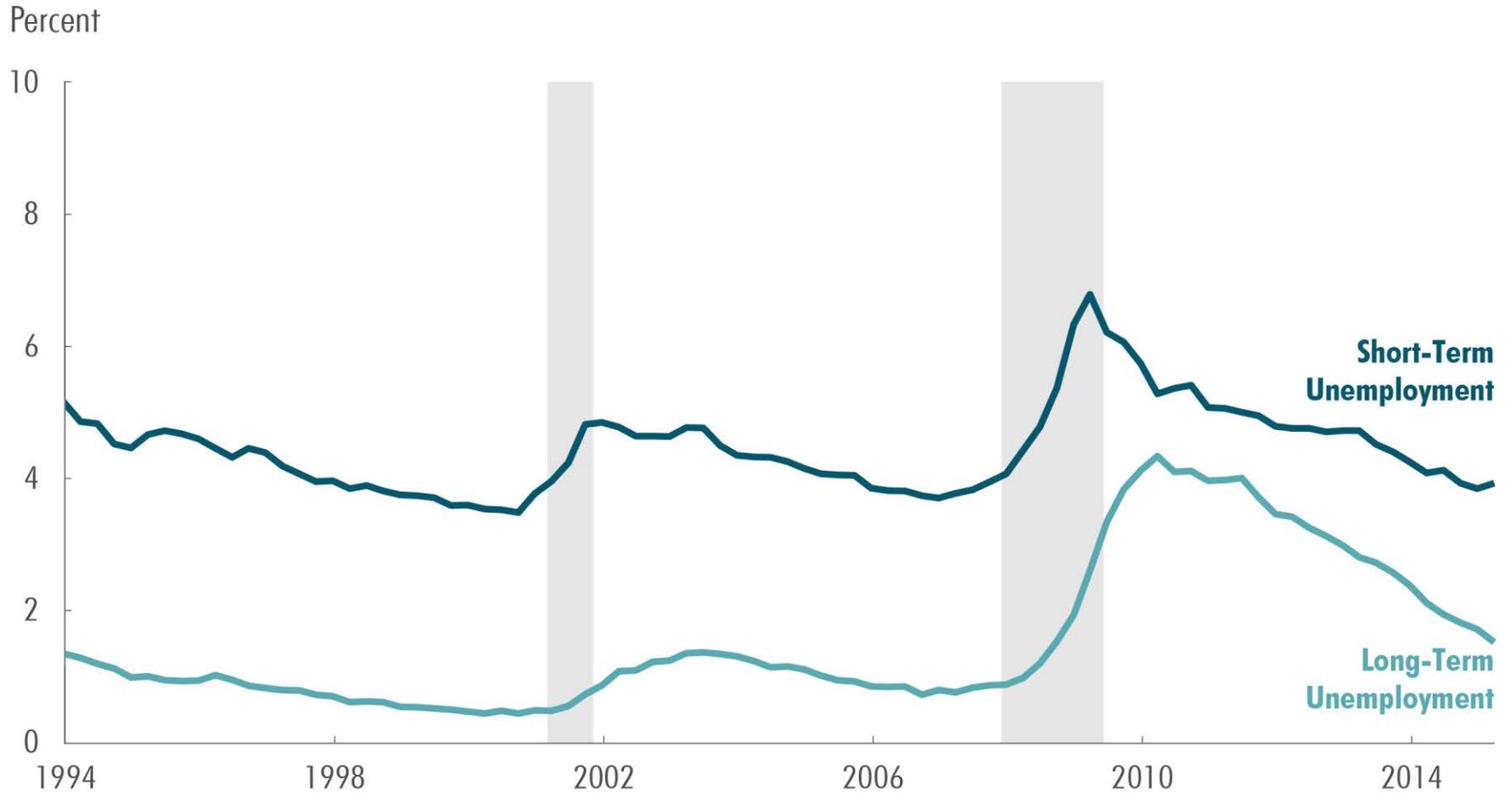


Growth of Trade



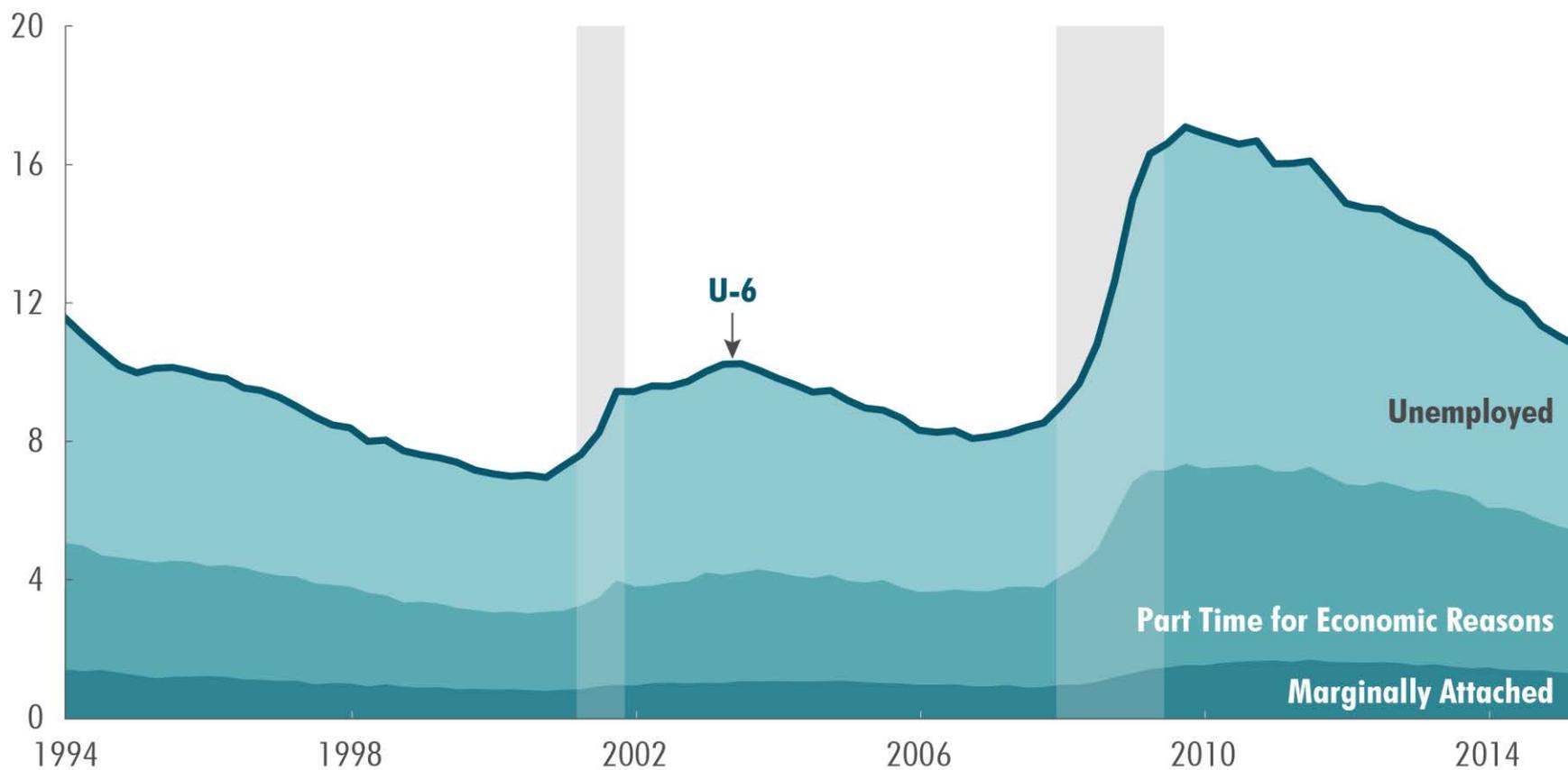
As the slack in the economy lessens over the next few years, slack in the labor market will also dissipate, CBO estimates.

Rates of Short- and Long-Term Unemployment

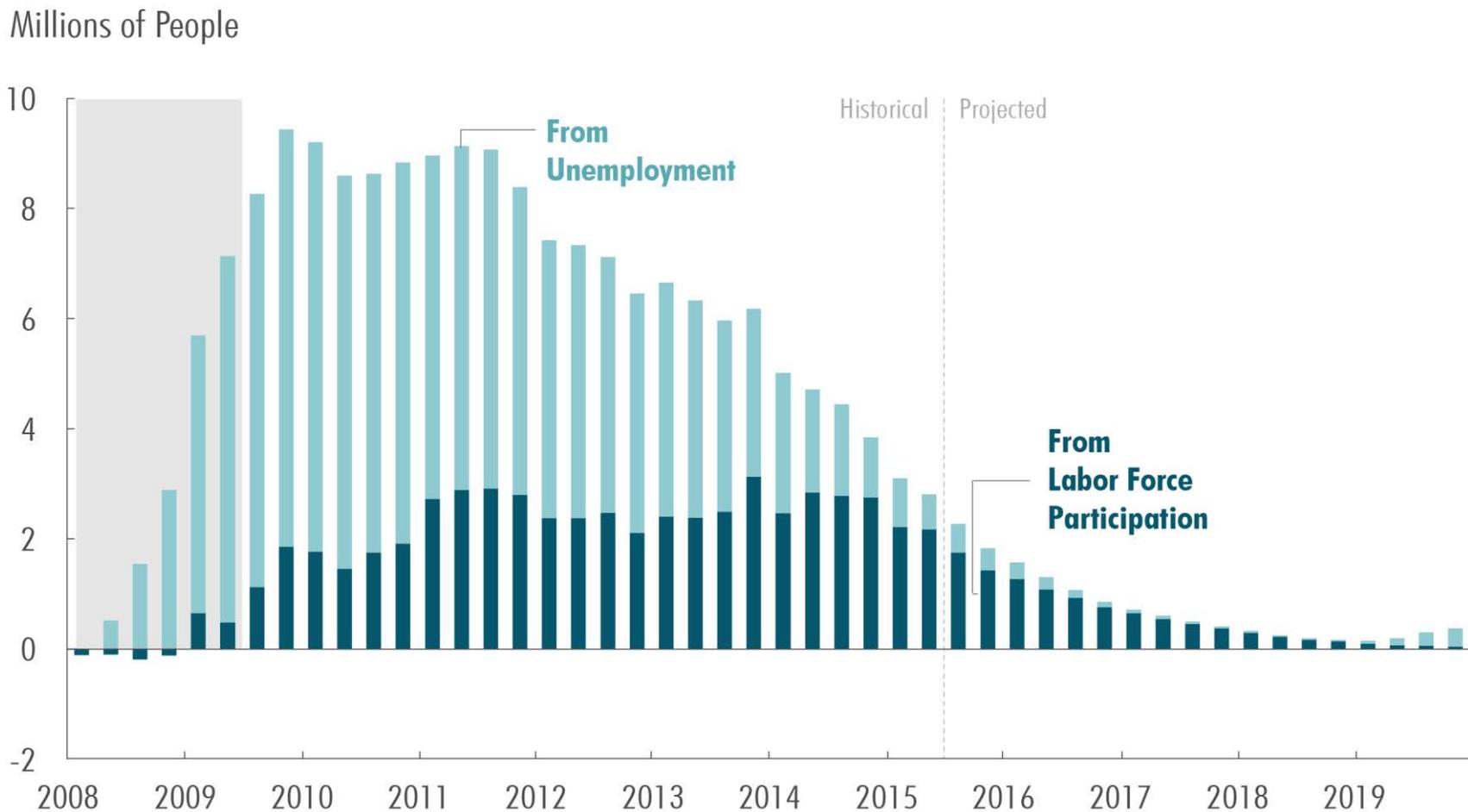


Underuse of Labor

Percentage of the Labor Force Plus Marginally Attached Workers

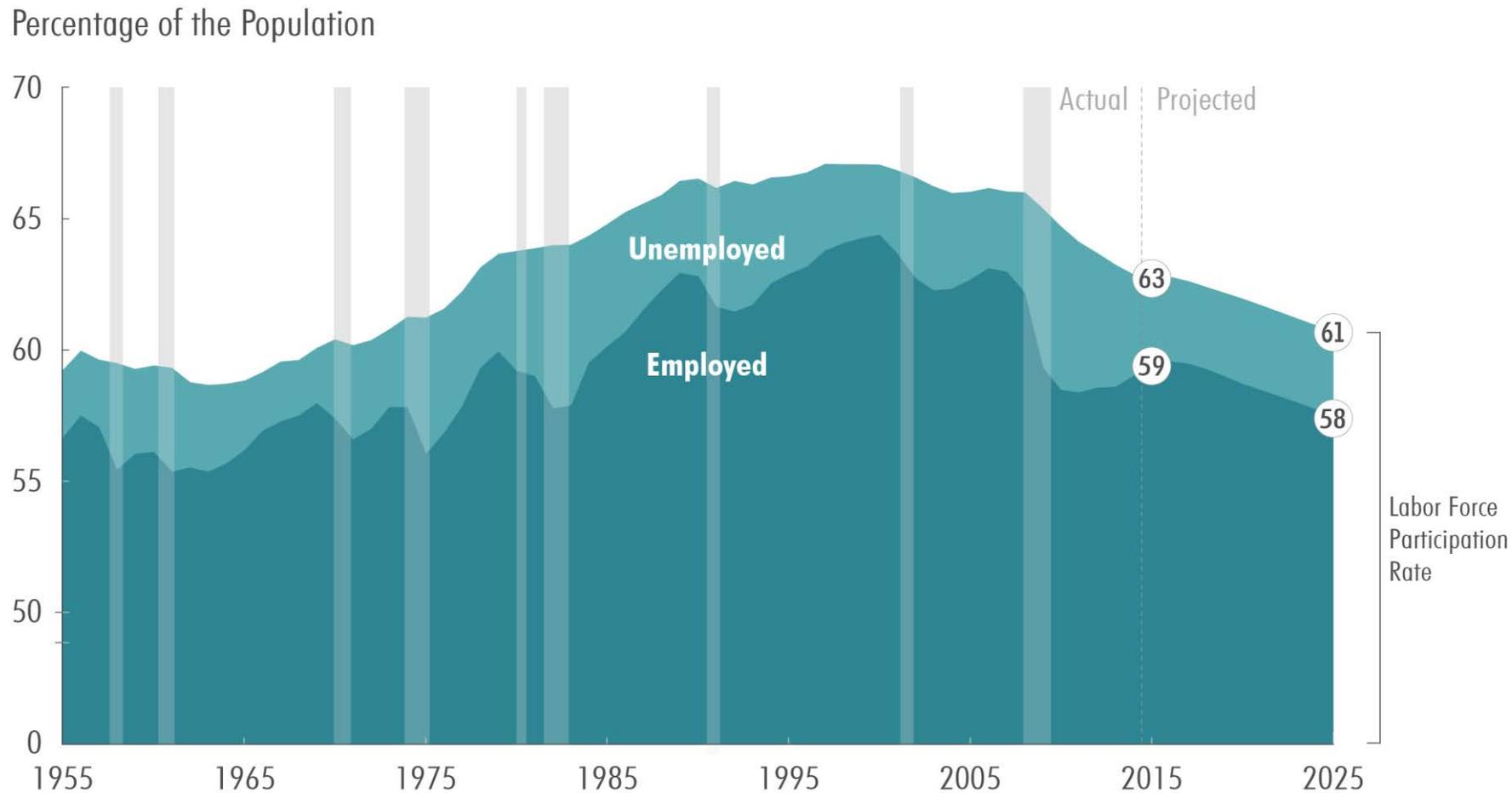


Employment Shortfall

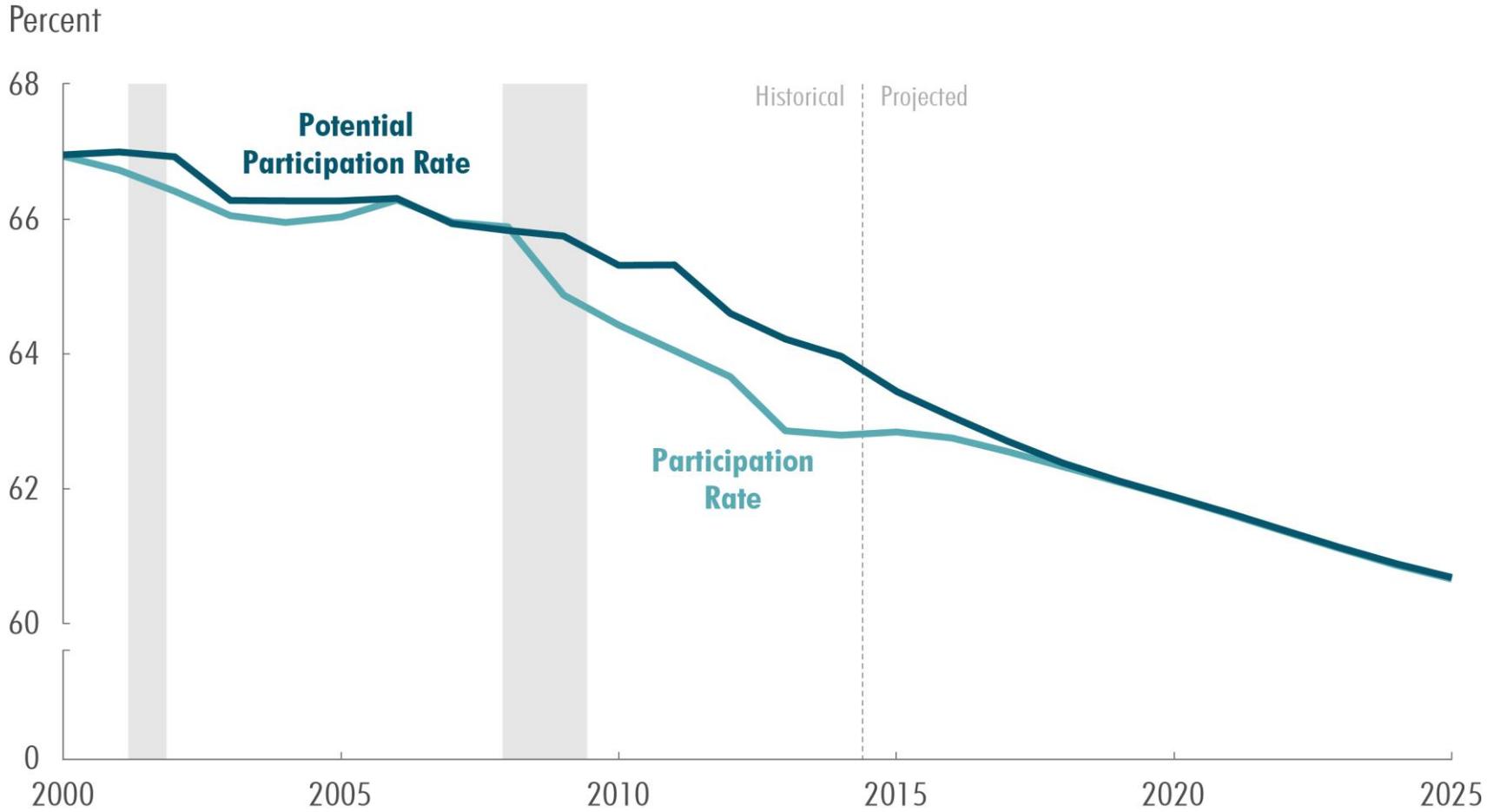


The employment shortfall is the number of people who would be employed if the unemployment rate equaled its rate in December 2007 (the light blue bars) and if the labor force participation rate equaled its potential rate (the dark blue bars).

The Labor Force, Employment, and Unemployment

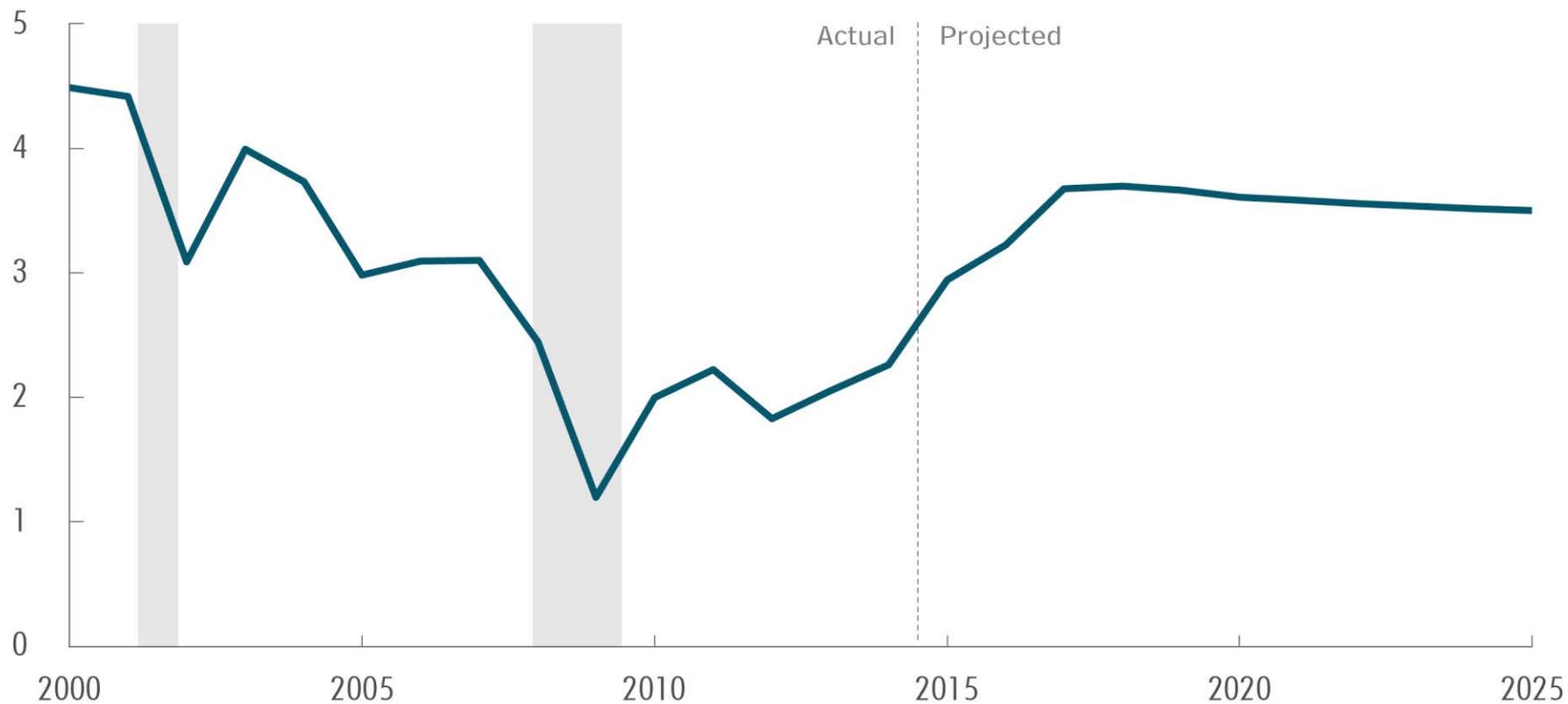


Labor Force Participation Rates



Hourly Labor Compensation

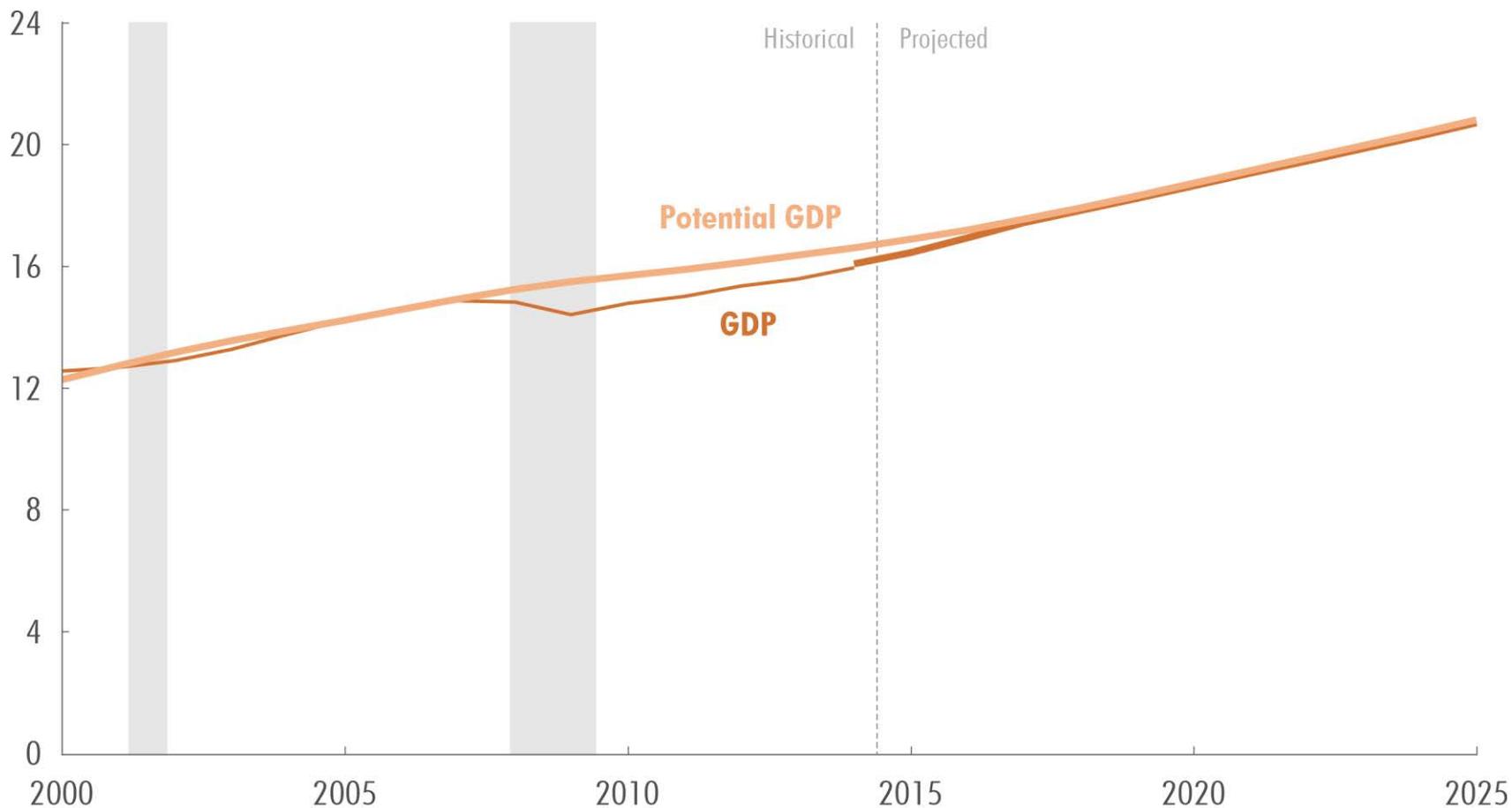
Percentage Change



Over the next few years, reduced slack in the economy—as evidenced by the narrowing gap between GDP and potential GDP—will put upward pressure on inflation and interest rates.

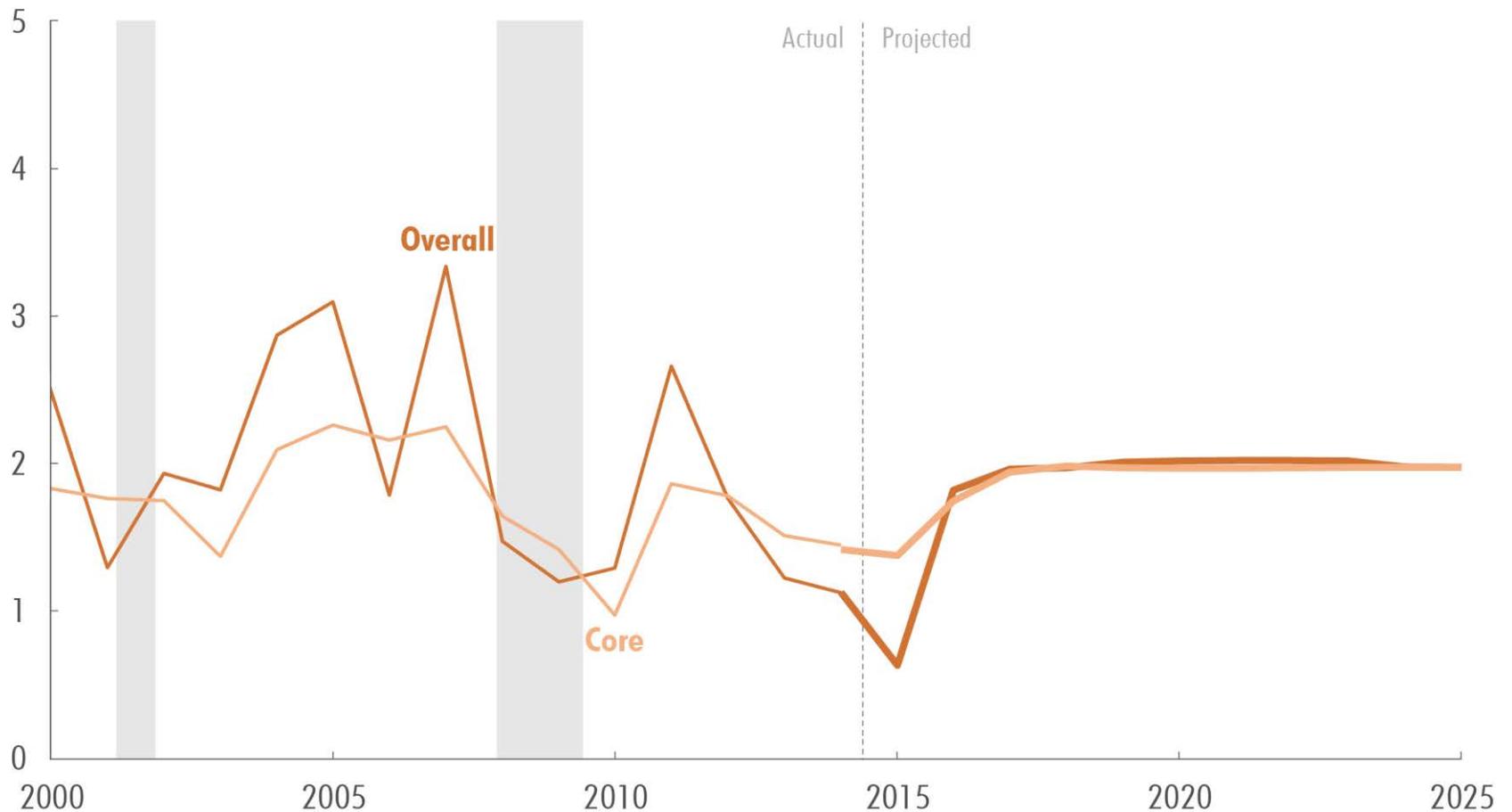
GDP and Potential GDP

Trillions of 2009 Dollars

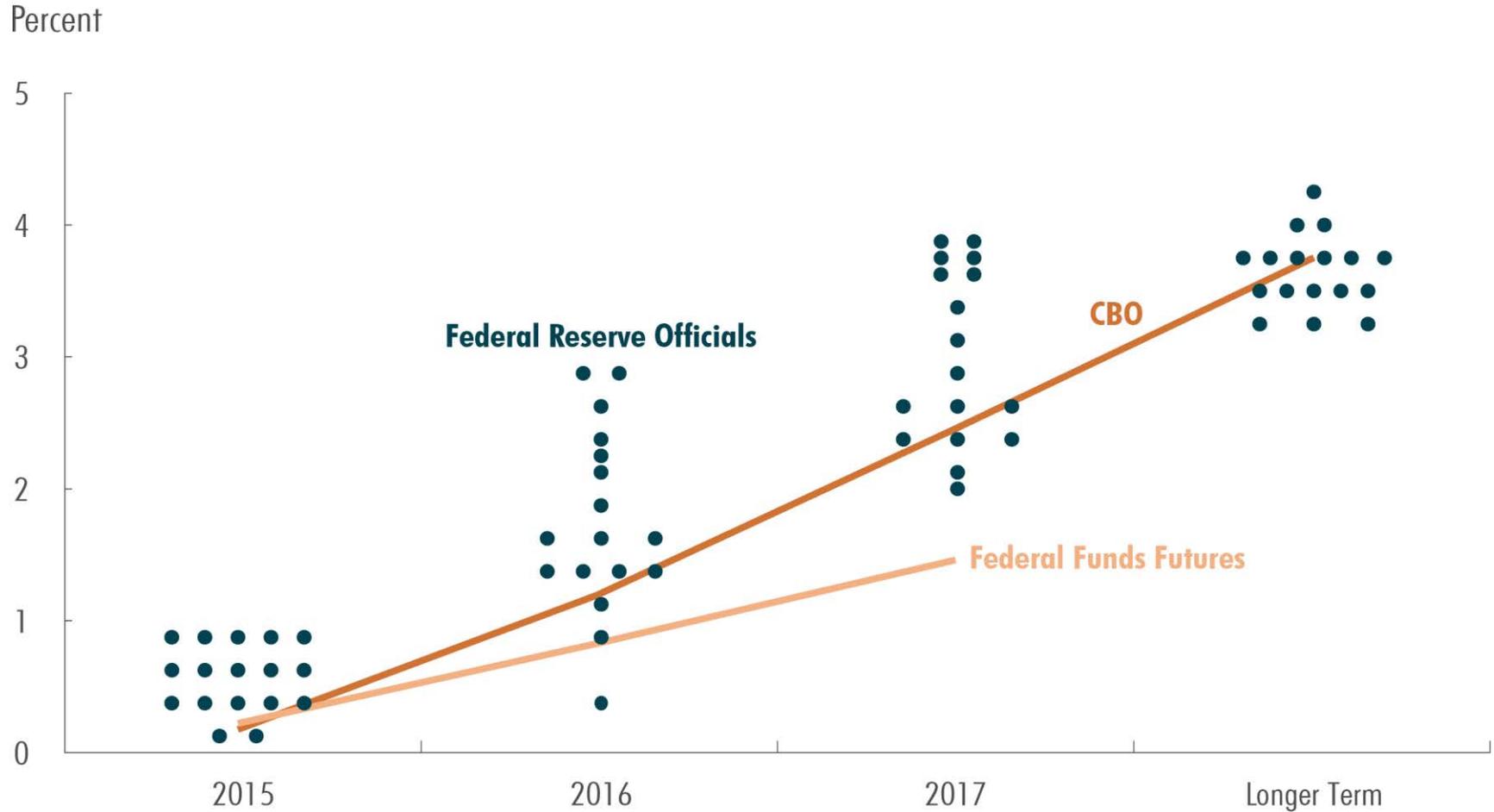


Inflation

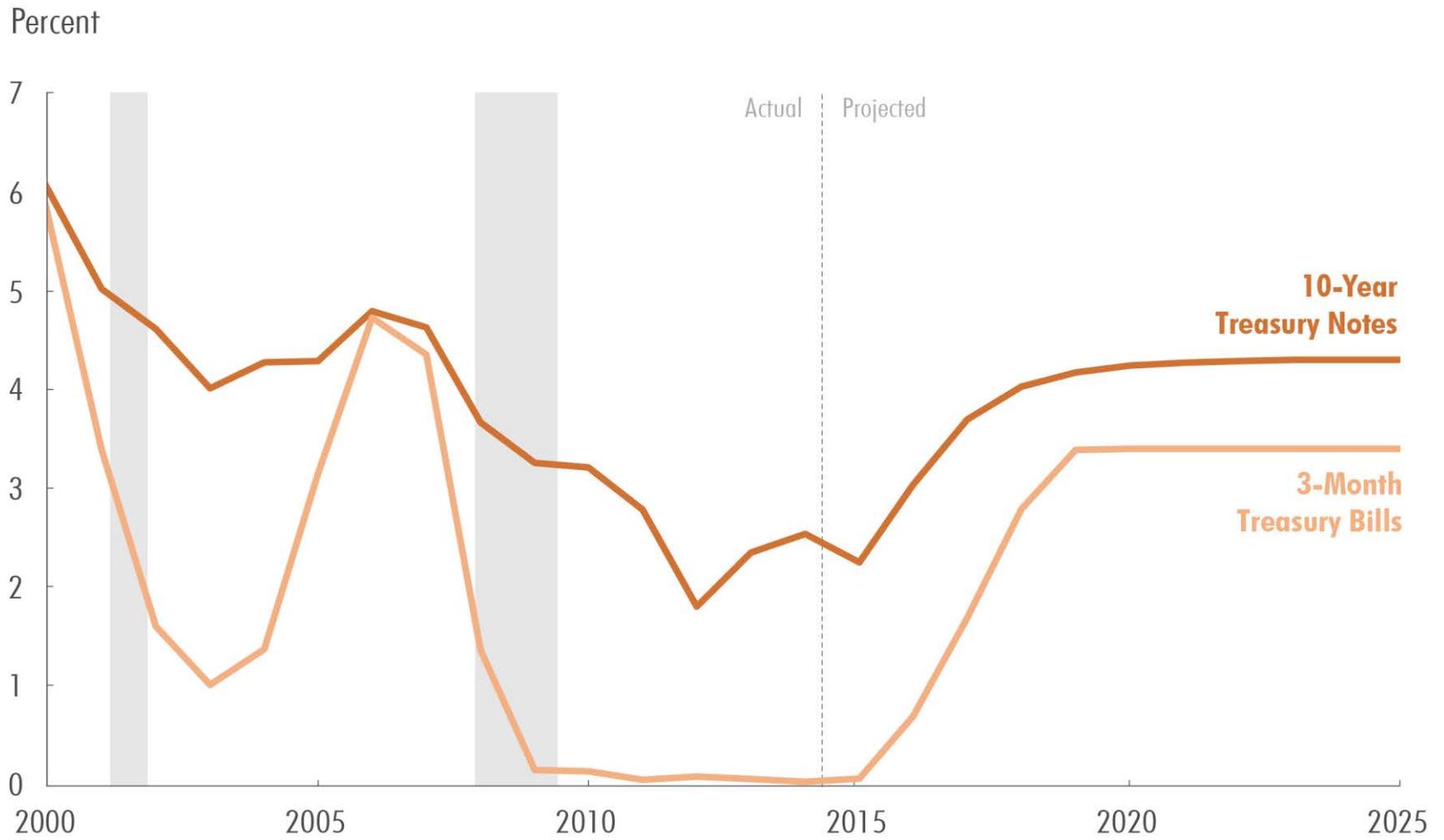
Percentage Change in Prices for Personal Consumption Expenditures



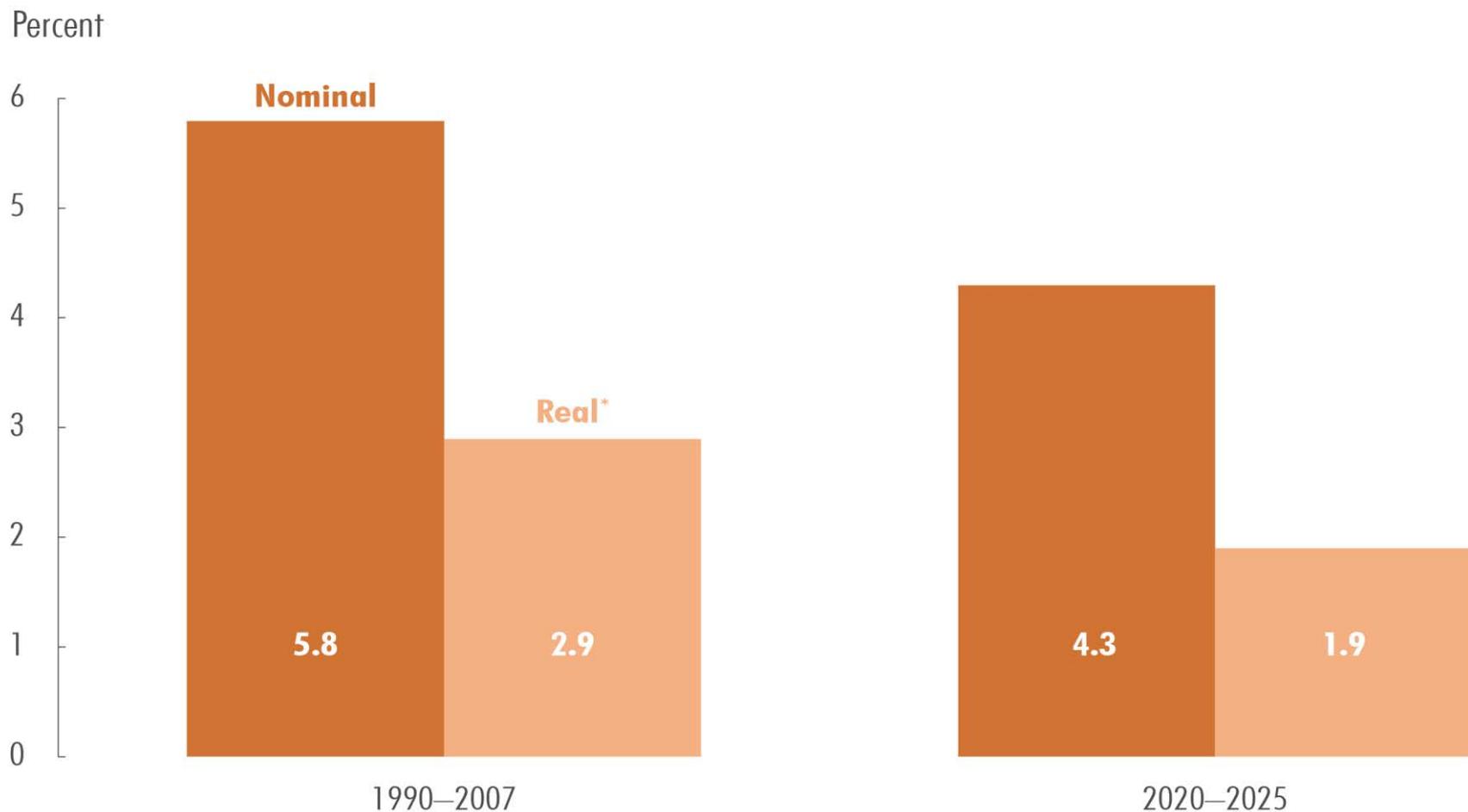
Forecasts of Interest Rates by CBO, the Federal Reserve, and Federal Funds Futures



Interest Rates

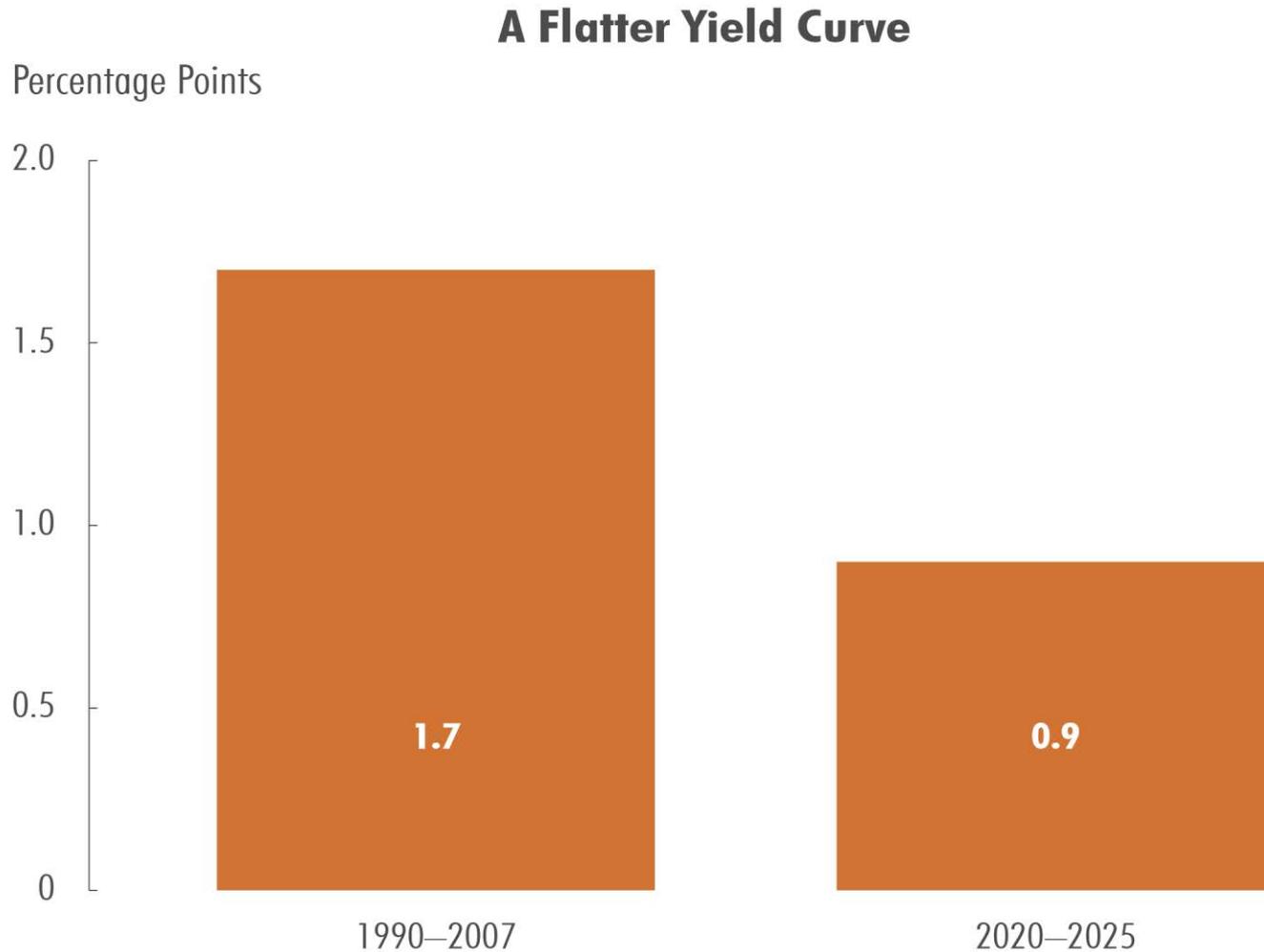


Nominal and Real 10-Year Treasury Notes



*Calculated using the consumer price index for all urban consumers.

Spread Between 10-Year Treasury Notes and 3-Month Treasury Bills



Interest Rates on 10-Year Treasury Notes

