The 2019 Budget and Economic Outlook

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This presentation draws on The Budget and Economic Outlook: 2019 to 2029 (January 2019), www.cbo.gov/publication/54918.
Values are adjusted to exclude the effects of shifts in the timing of payments that occur when October 1 (the first day of the fiscal year) falls on a weekend. Shaded vertical bars indicate periods of recession.
Debt Held by the Public
Economic Projections
## Growth of Real GDP

<table>
<thead>
<tr>
<th>Percent</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Middle Two-Thirds of the Range of Estimates From the January 2019 <em>Blue Chip</em> Survey of Private-Sector Forecasters</td>
<td>2.4–2.8</td>
<td>1.5–2.3</td>
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<tr>
<td>CBO</td>
<td>2.7</td>
<td>1.9</td>
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</tbody>
</table>

Growth is measured from the average of one calendar year to the next. GDP = gross domestic product.
Real GDP and Potential Real GDP

Shaded vertical bars indicate periods of recession. GDP = gross domestic product.
Factors Underlying the Growth of Potential GDP

GDP = gross domestic product.
The Unemployment Rate and the Natural Rate of Unemployment

Shaded vertical bars indicate periods of recession.
Inflation

Shaded vertical bars indicate periods of recession. PCE = personal consumption expenditures.
Interest Rates

Shaded vertical bars indicate periods of recession.
Budget Projections
Values are adjusted to exclude the effects of shifts in the timing of payments that occur when October 1 (the first day of the fiscal year) falls on a weekend.
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Federal Outlays, by Category

Values are adjusted to exclude the effects of shifts in the timing of payments that occur when October 1 (the first day of the fiscal year) falls on a weekend.
Major Changes in Projected Outlays From 2019 to 2029

Values are adjusted to exclude the effects of shifts in the timing of payments that occur when October 1 (the first day of the fiscal year) falls on a weekend.
Outlays for People Age 65 or Older as a Share of Total Noninterest Outlays

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Total Revenues

Percentage of Gross Domestic Product

Average, 1969 to 2018 (17.4%)
Other revenue sources consist of excise taxes, remittances from the Federal Reserve System, customs duties, estate and gift taxes, and miscellaneous fees and fines.
Debt Held by the Public

Percentage of Gross Domestic Product

- Civil War
- World War I
- World War II
- Great Depression

Actual vs. Projected
If productivity growth turned out to be half a percentage point higher from 2020 to 2029 than CBO projects, deficits would average 3.7 percent of GDP instead of 4.4 percent.

If interest rates on 10-year Treasury notes were 3.0 percent (rather than averaging 3.7 percent as in CBO’s 10-year forecast), deficits would average 4.0 percent of GDP (instead of 4.4 percent).
On net, in CBO’s baseline, the 2017 tax act increases the deficit by $1.9 trillion from 2018 to 2028, including debt-service costs. That estimate includes the effects of economic changes resulting from the act, which offset

- 30 percent of the impact on the primary deficit and
- 20 percent of the total impact on the deficit including debt-service costs.
Growth in Individual Income Tax Receipts in CBO’s Baseline Projections

Percentage of Gross Domestic Product

Real bracket creep is the process in which, as income rises faster than inflation, an ever-larger proportion of income becomes subject to higher tax rates.
Projected Deficits, 2020 to 2029

Trillions of Dollars

Current-Law Projection

11.6

Effects of the Alternative Fiscal Scenario

3.8

- Extend Other Expiring Revenue Provisions

1.8

- Increase Discretionary Appropriations at the Rate of Inflation

1.0

- Extend Certain Provisions of the 2017 Tax Act

0.2

- Repeal Certain Postponed Health Care Taxes

0.1

- Extend Provisions Allowing Businesses to Immediately Deduct the Full Expense of Investment in Equipment and Certain Other Assets

0.4

- Added Debt-Service Costs

0.4
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