



April 22, 2019

## **The 2019 Budget and Economic Outlook**

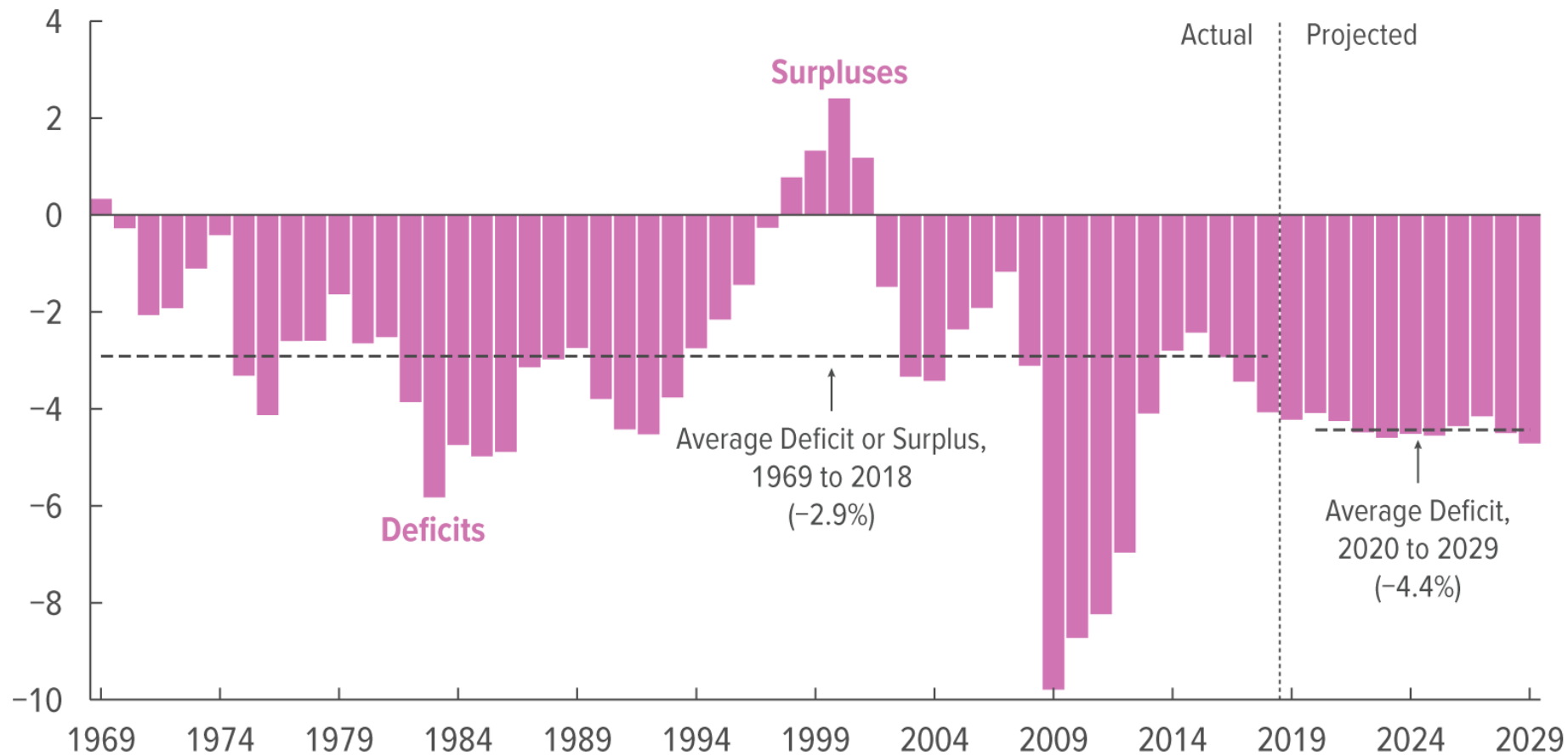
Presentation at the University of Oregon

Lundquist College of Business, College of Arts and Sciences, and  
Wayne Morse Center for Law and Politics

Keith Hall, Director

# Deficits

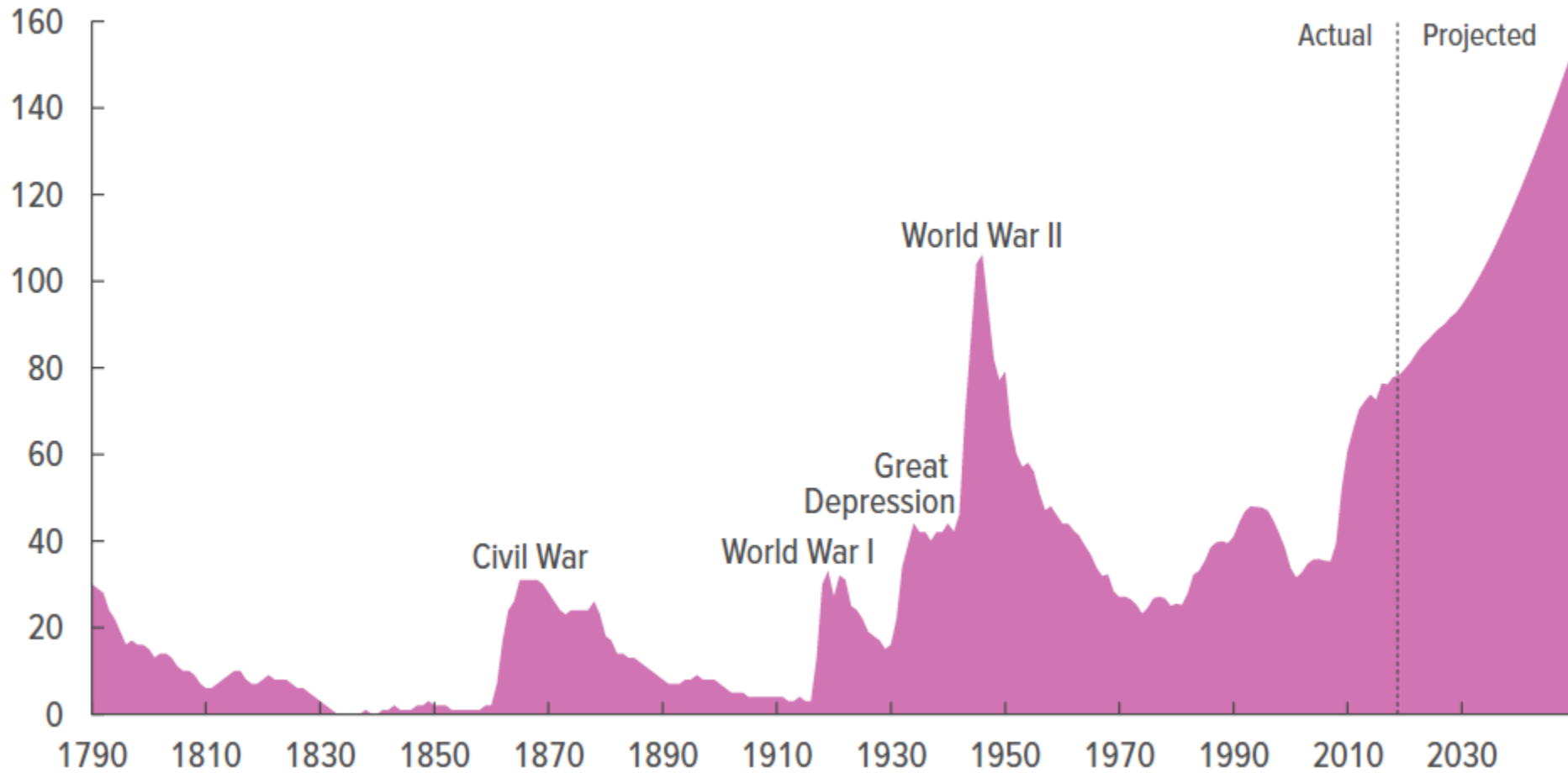
Percentage of Gross Domestic Product



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

Percentage of Gross Domestic Product

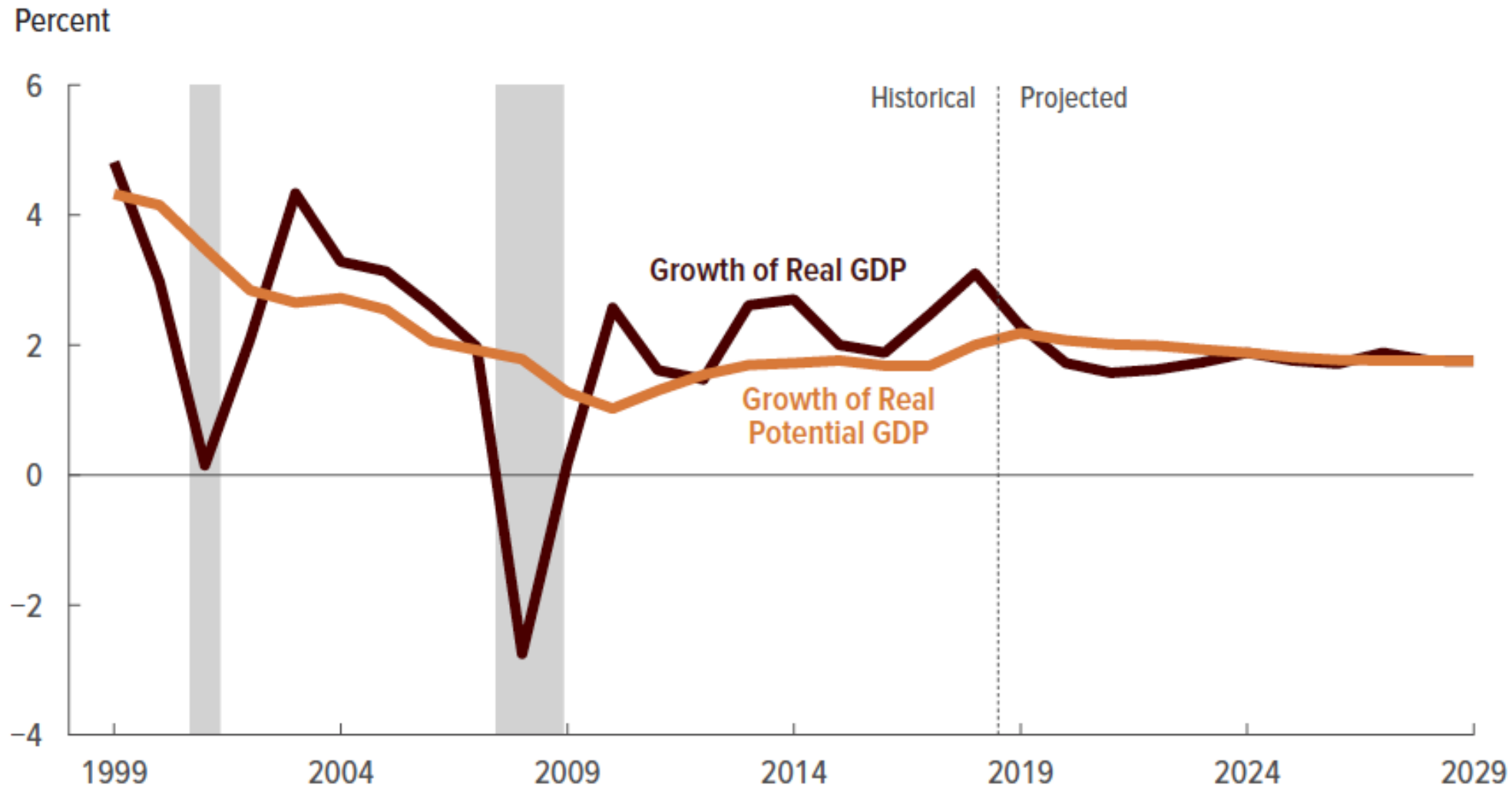


# **Economic Projections**

# Growth of Real GDP

Percent	2019	2020
Middle Two-Thirds of the Range of Estimates From the January 2019 <i>Blue Chip</i> Survey of Private-Sector Forecasters	2.4–2.8	1.5–2.3
CBO	2.7	1.9

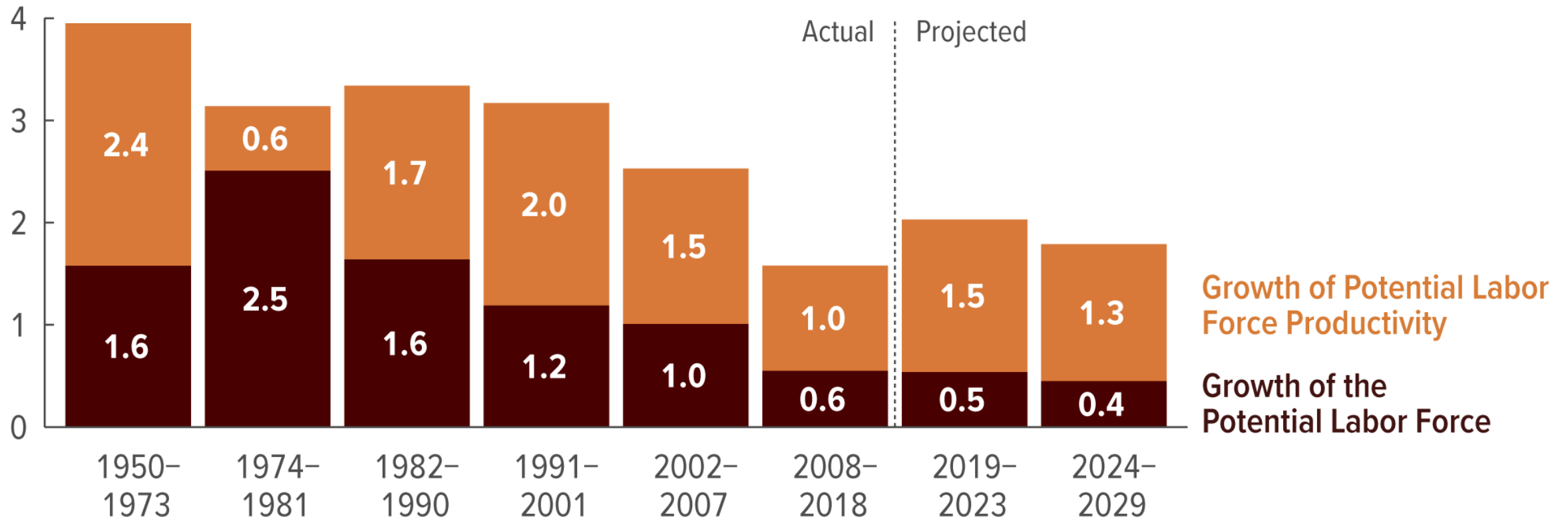
# Real GDP and Potential Real GDP



Shaded vertical bars indicate periods of recession. GDP = gross domestic product.

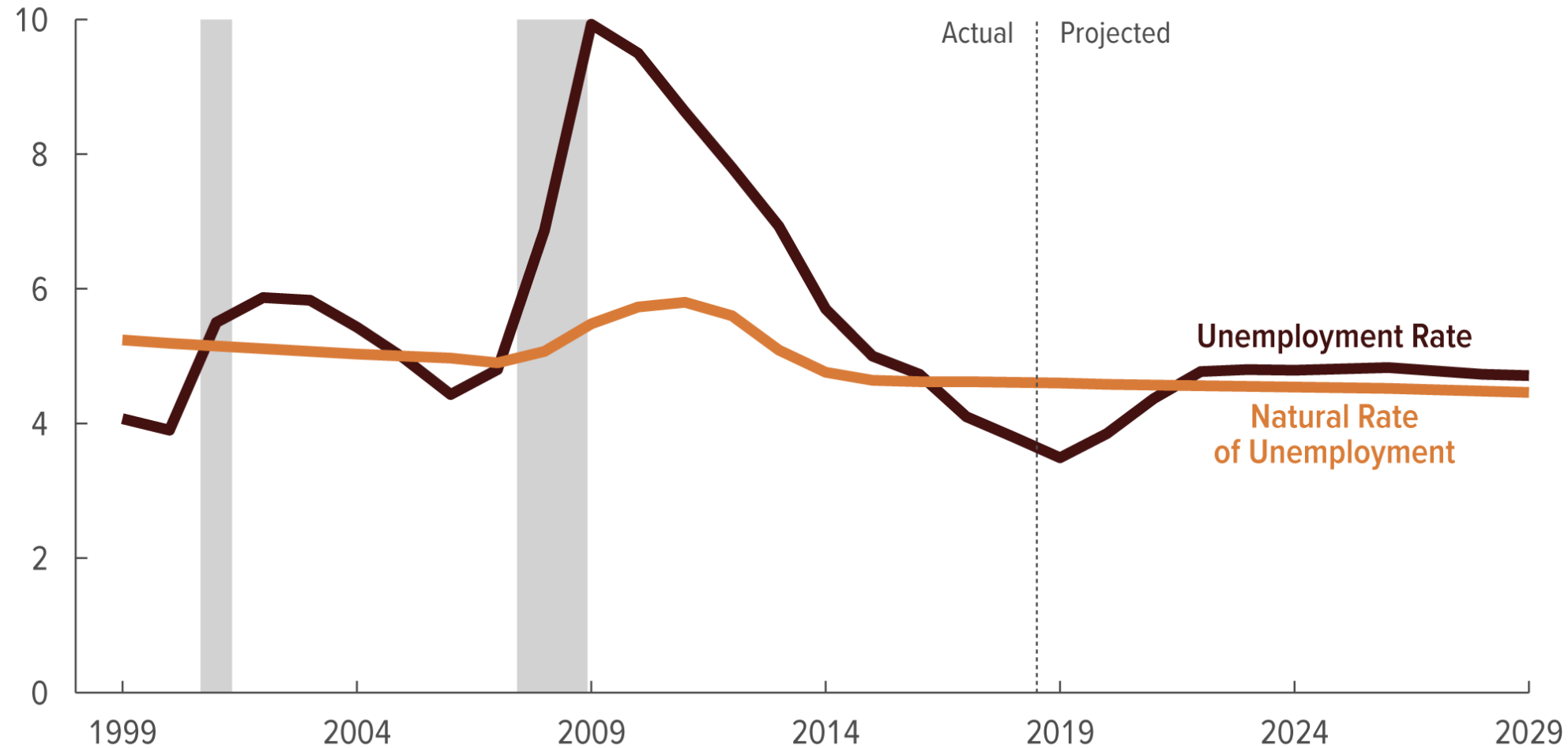
# Factors Underlying the Growth of Potential GDP

Percent



# The Unemployment Rate and the Natural Rate of Unemployment

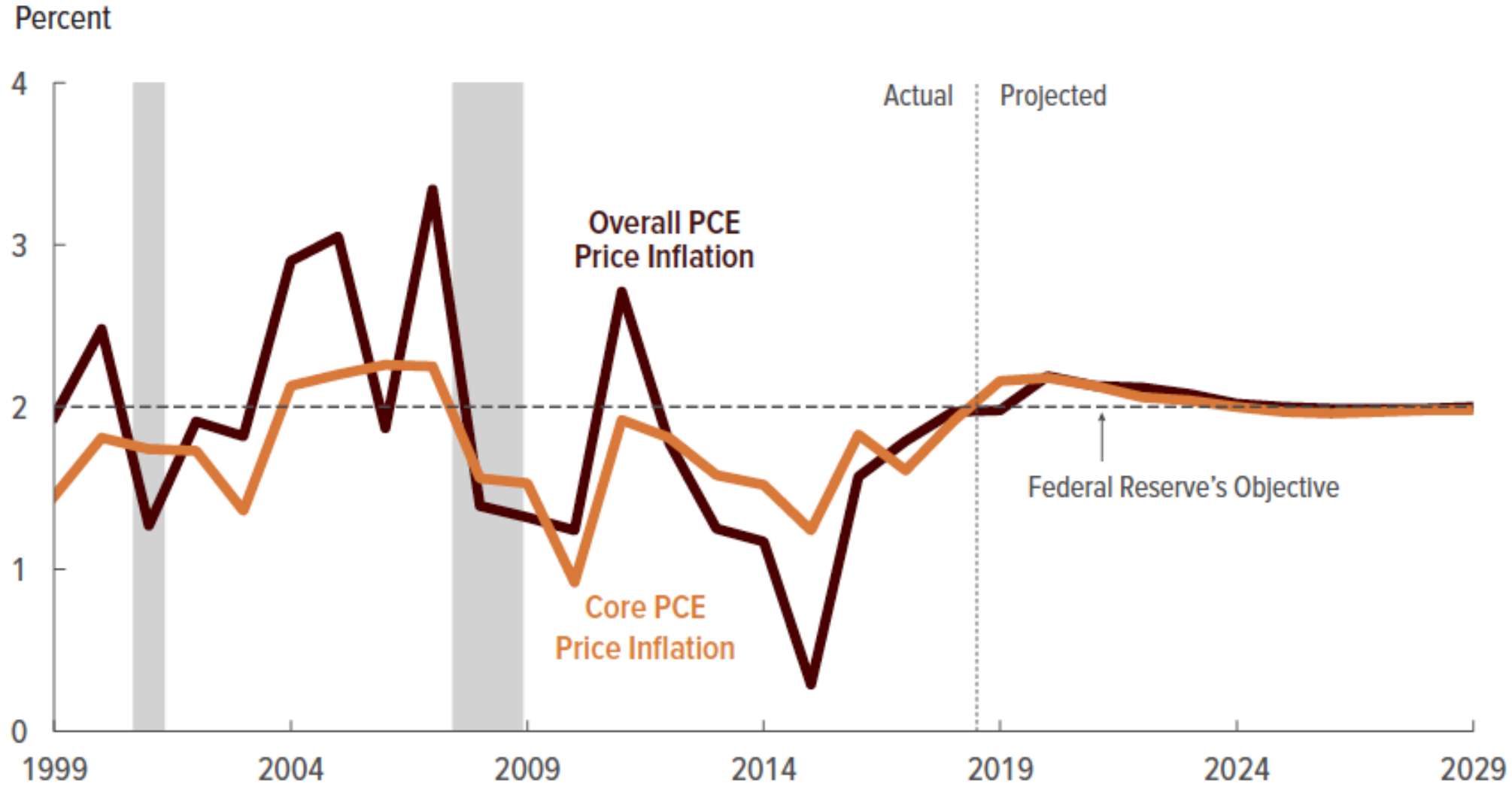
Percent



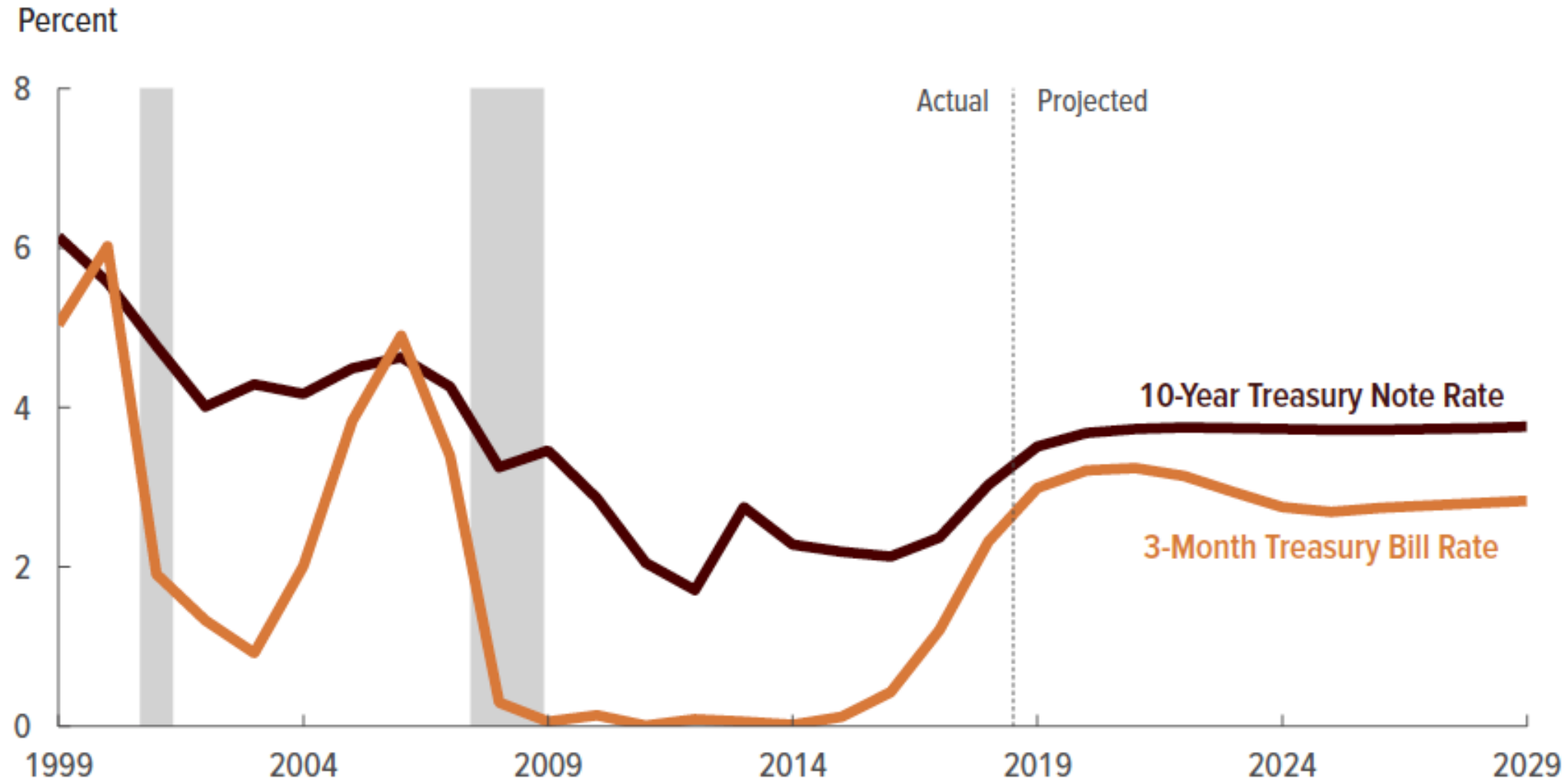
Shaded vertical bars indicate periods of recession.



# Inflation



# Interest Rates

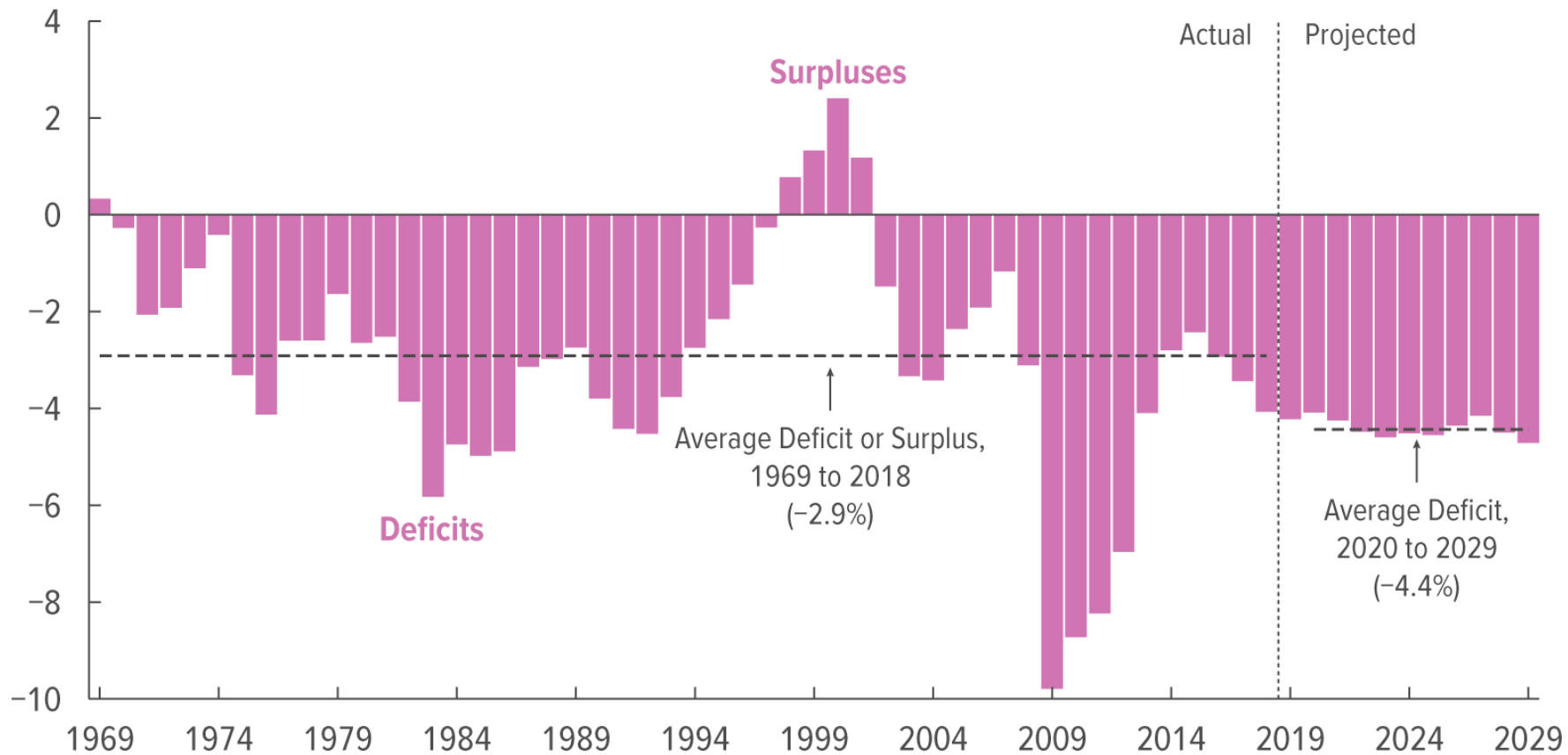


Shaded vertical bars indicate periods of recession.

# **Budget Projections**

# Deficits

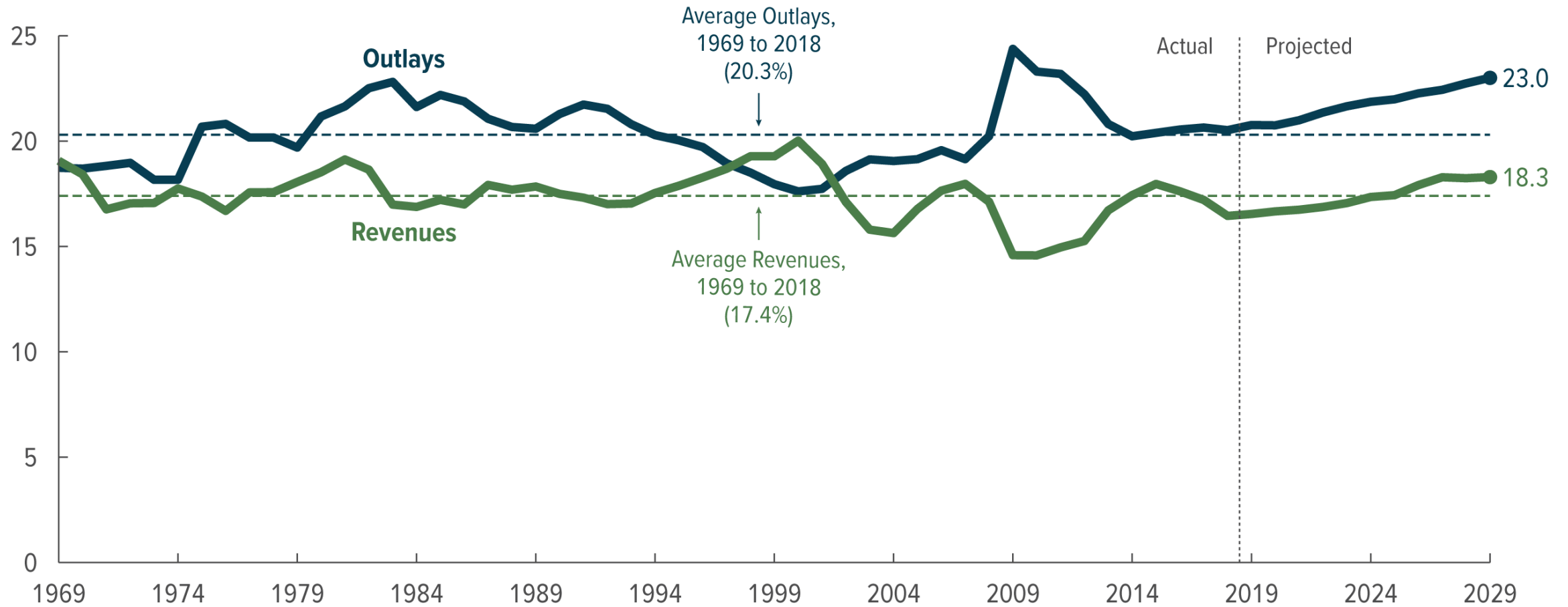
Percentage of Gross Domestic Product



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# Revenues and Outlays

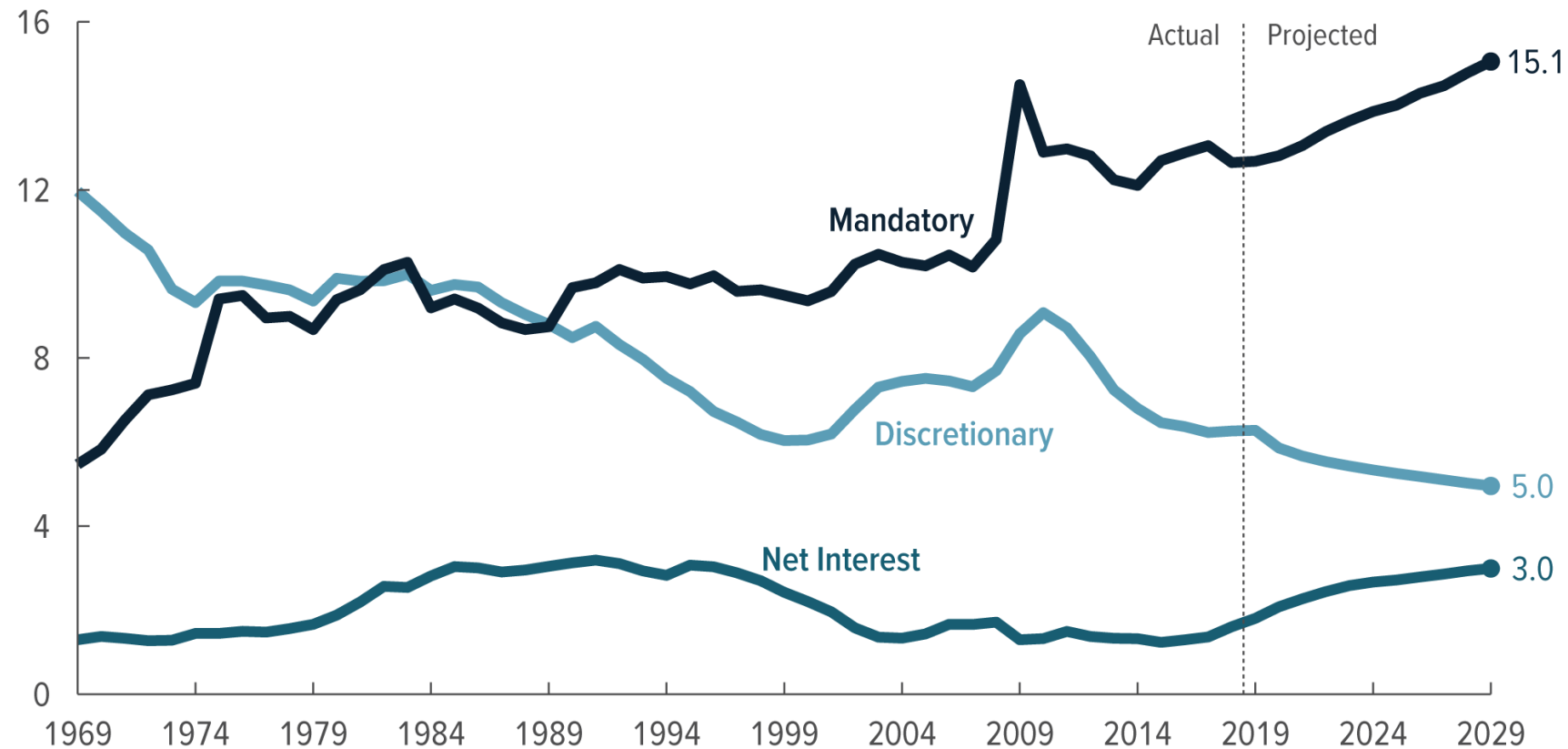
Percentage of Gross Domestic Product



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# Federal Outlays, by Category

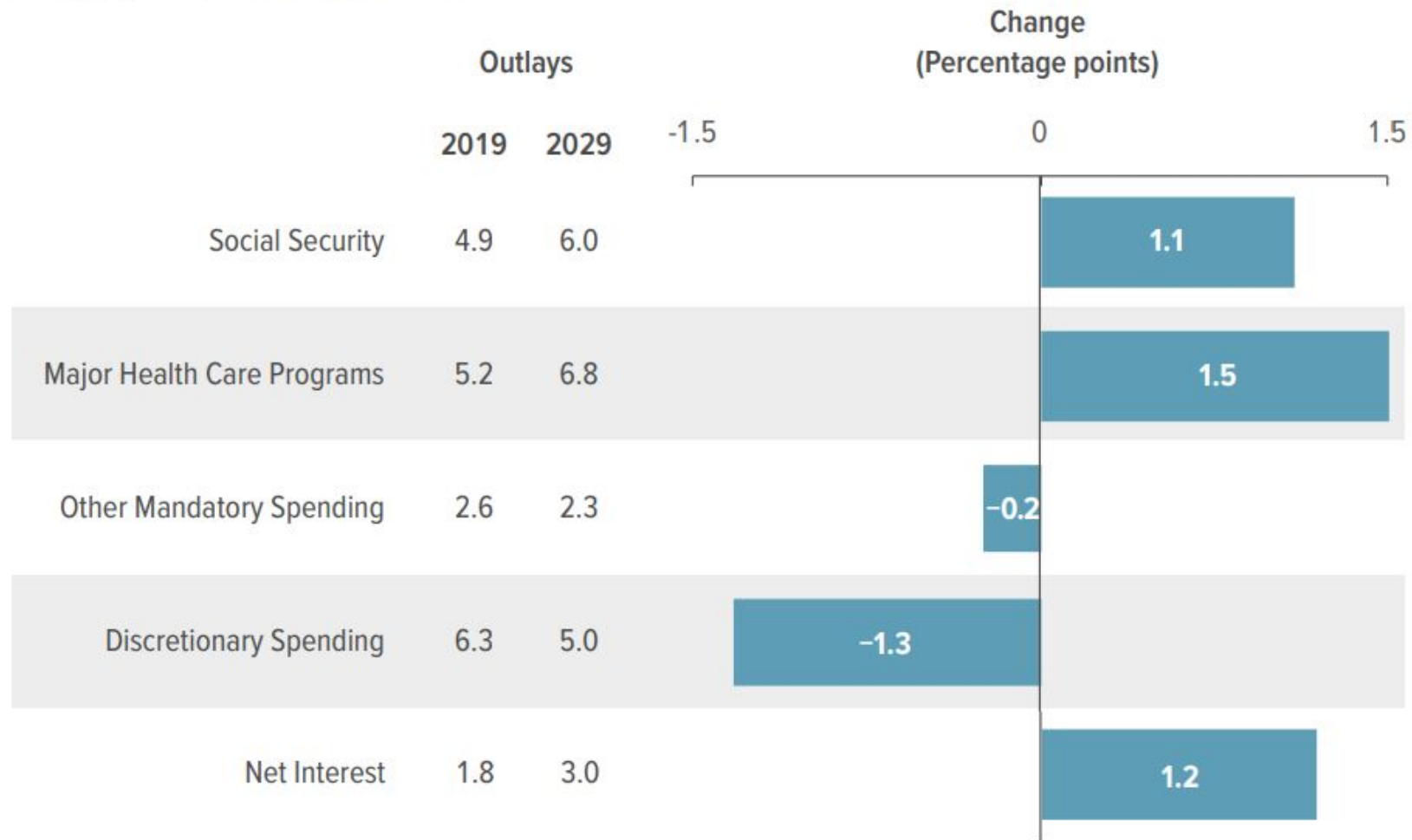
Percentage of Gross Domestic Product



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# Major Changes in Projected Outlays From 2019 to 2029

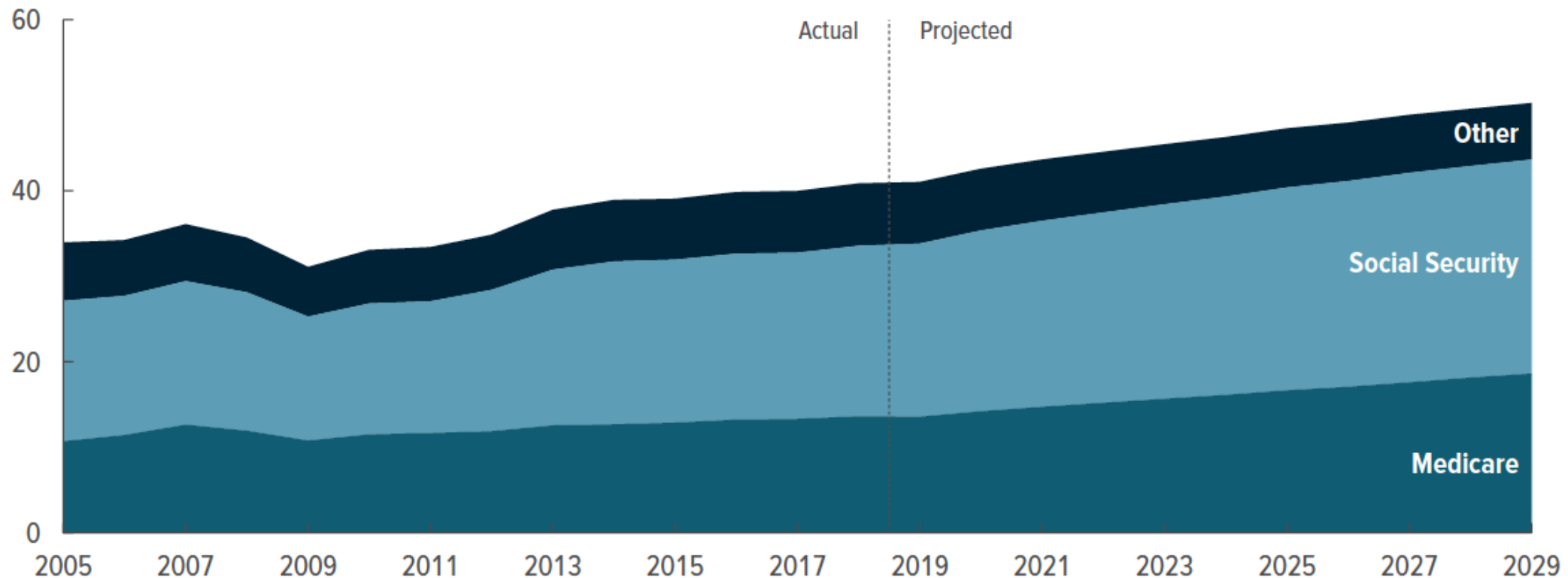
Percentage of Gross Domestic Product



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# Outlays for People Age 65 or Older as a Share of Total Noninterest Outlays

Percentage of Federal Noninterest Outlays

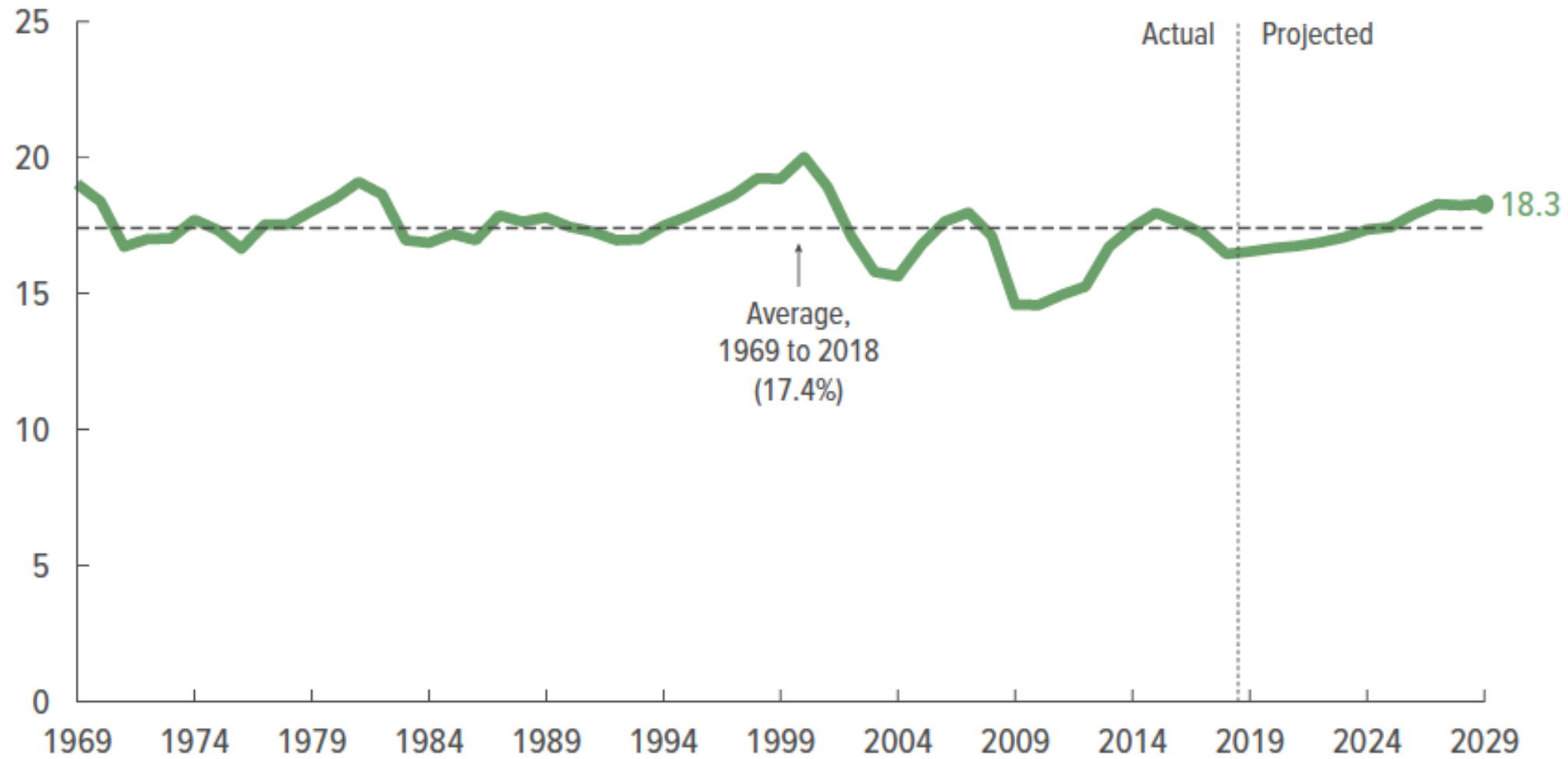


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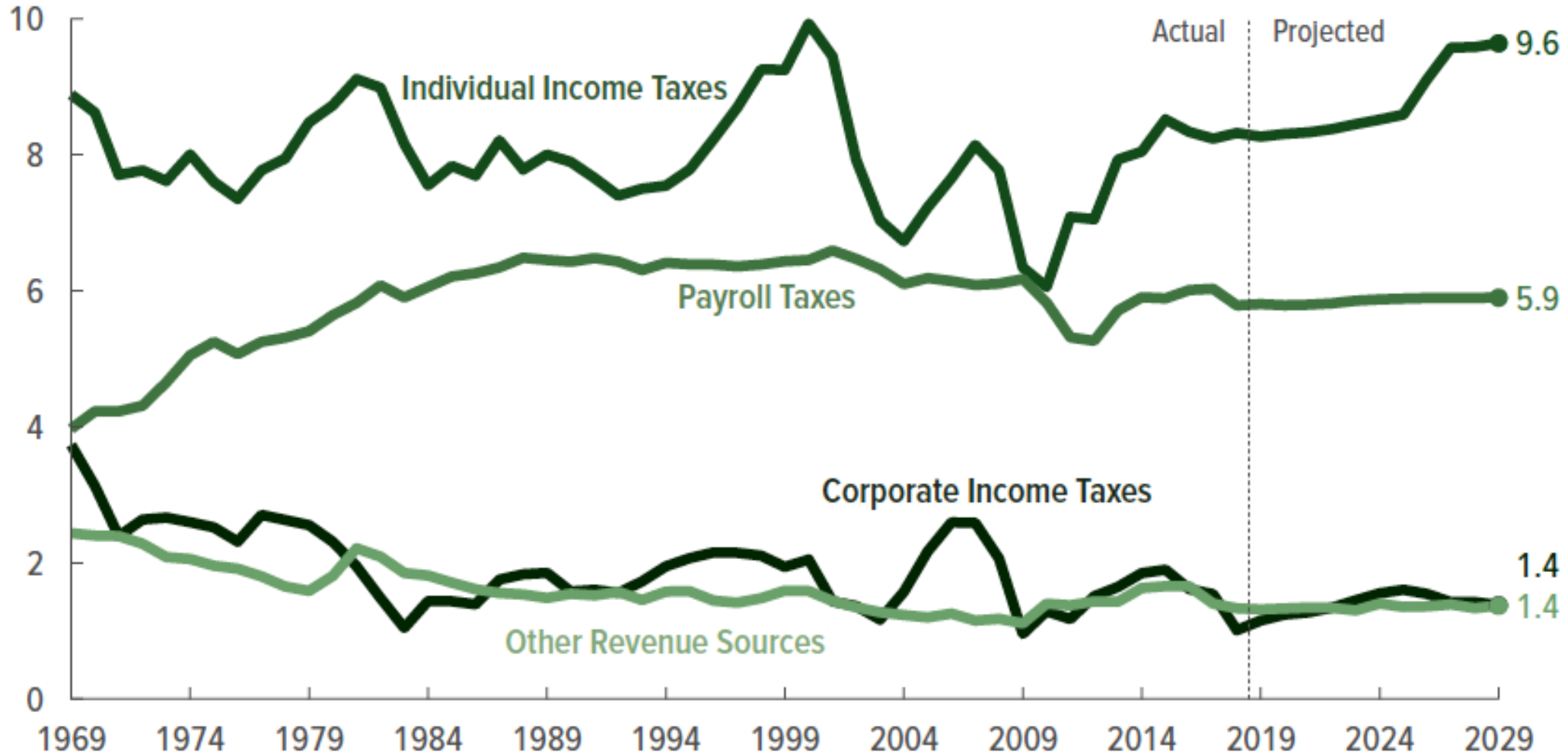
# Total Revenues

Percentage of Gross Domestic Product



# Revenues, by Major Source

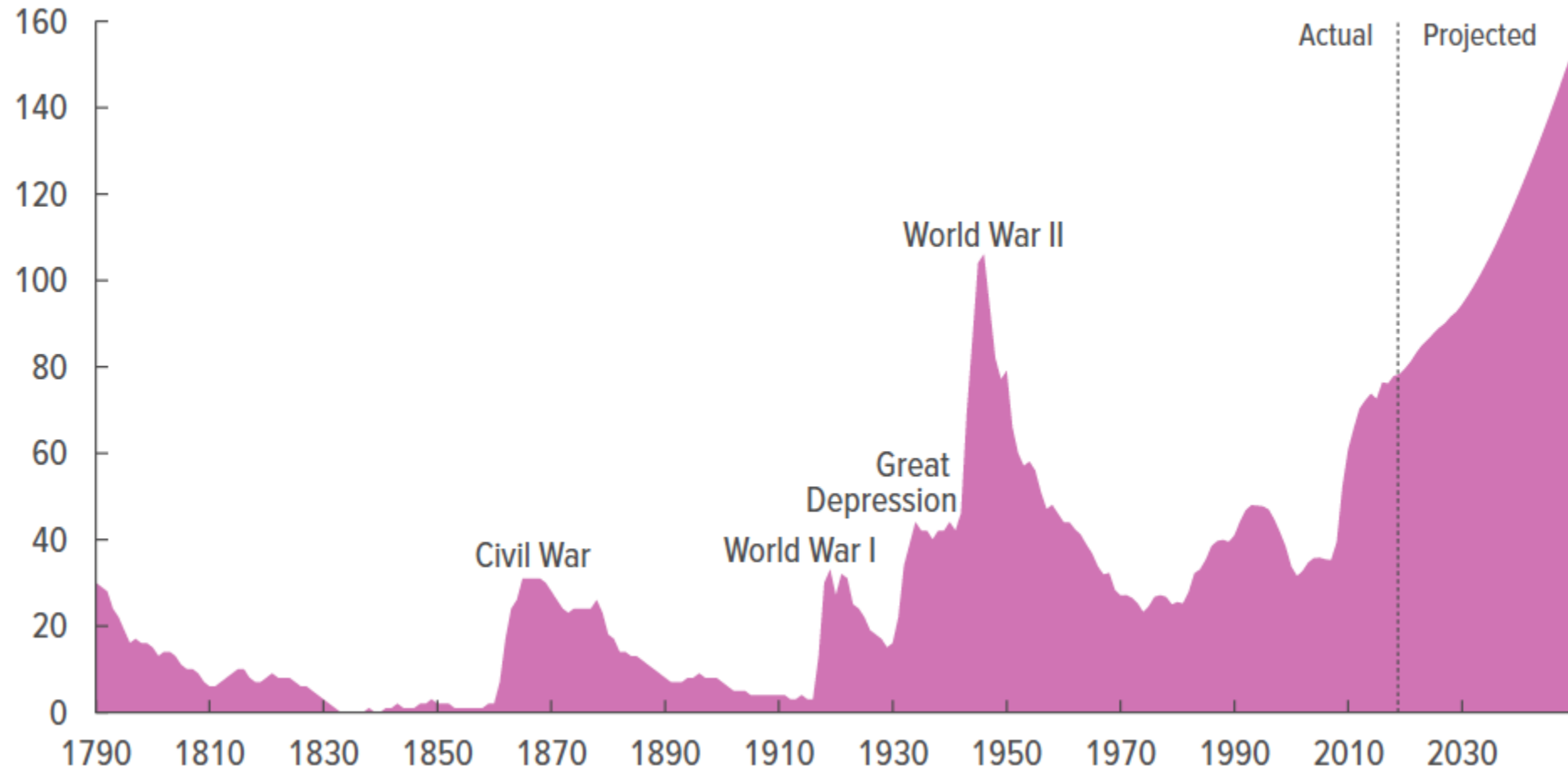
Percentage of Gross Domestic Product



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



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).

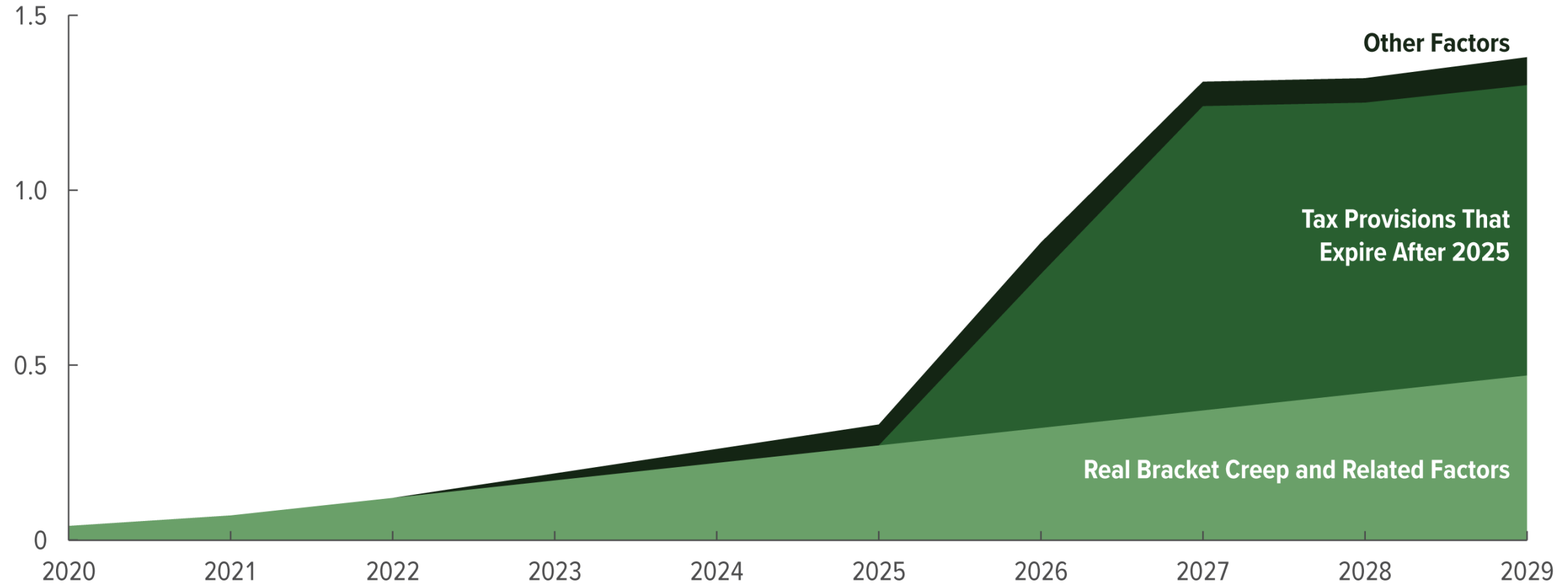
On net, in CBO's baseline, the 2017 tax act increases the deficit by \$1.9 trillion from 2018 to 2028, including debt-service costs.

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

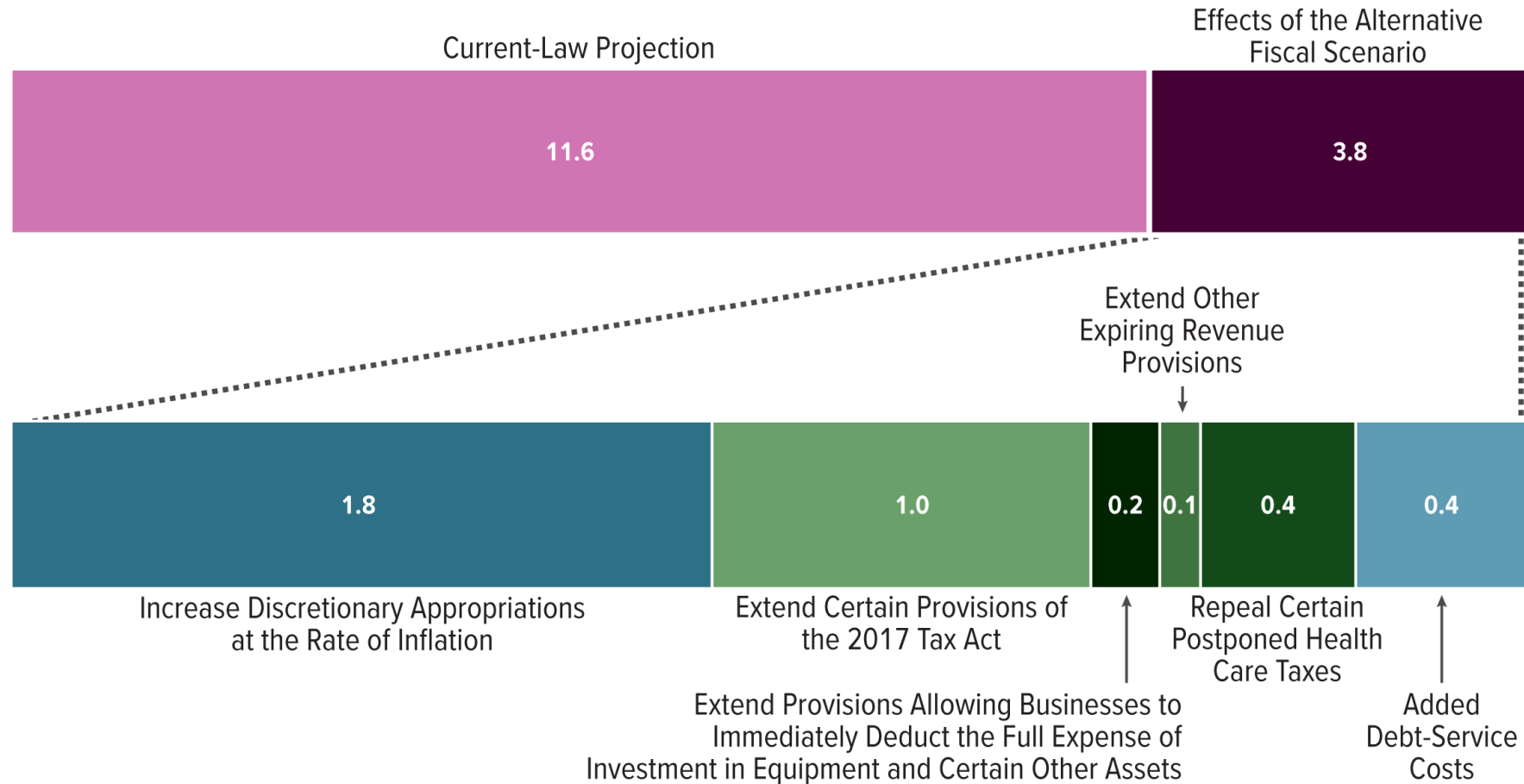
Percentage of Gross Domestic Product



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.

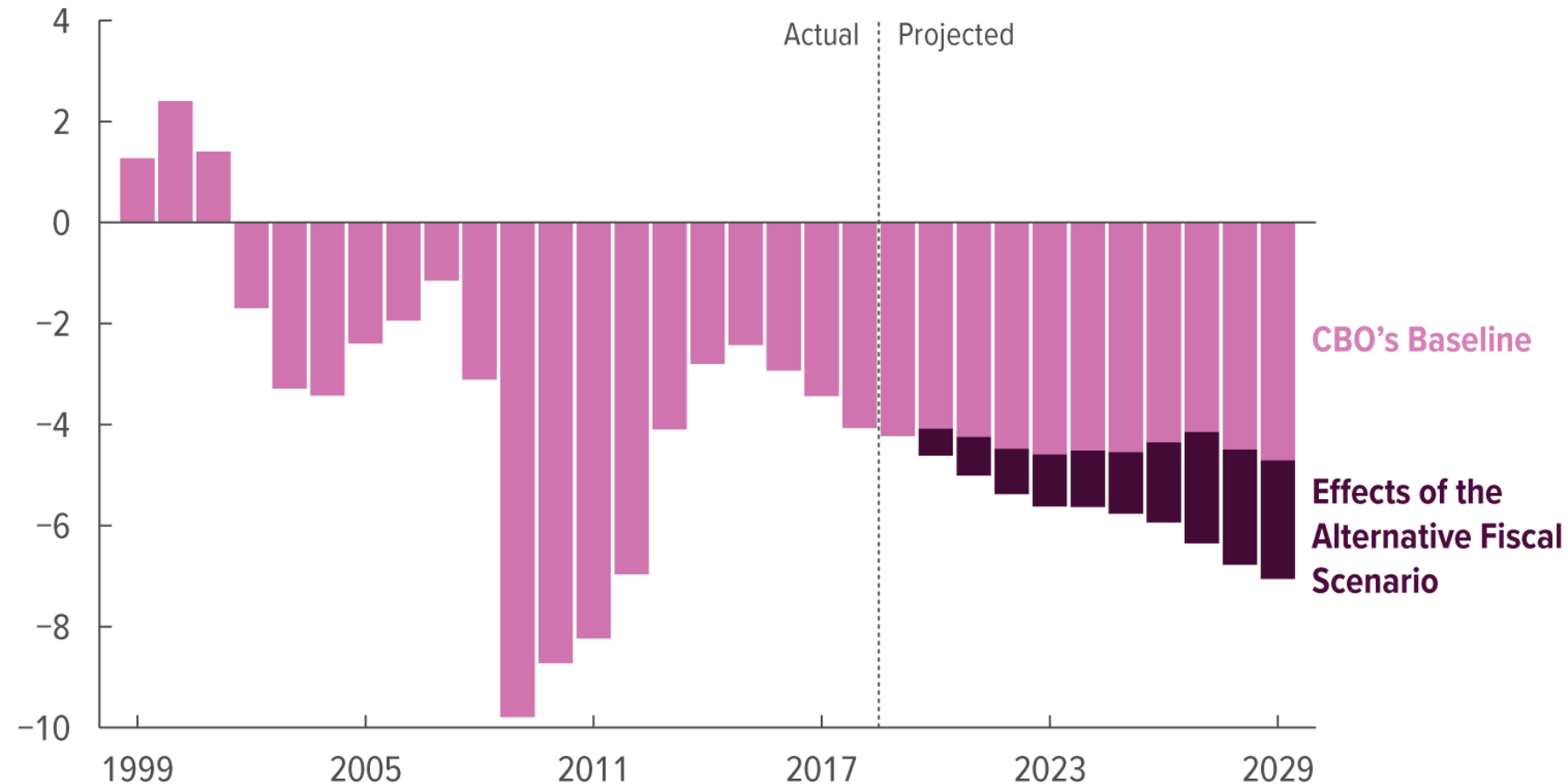
# Projected Deficits, 2020 to 2029

Trillions of Dollars



# Projected Deficits Under CBO's Baseline and an Alternative Fiscal Scenario

Percentage of Gross Domestic Product



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