



November 9, 2019

CBO's 10-Year Budget and Economic Projections

Foundation for Teaching Economics
Budgets, Debts, and Deficits: Policy and Practice

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CBO's Role and Products

CBO's Role

CBO was created by the Congressional Budget and Impoundment Control Act of 1974.

It supports the Congressional budget process by providing the Congress with **objective, nonpartisan, and timely** analyses of legislative proposals and of budgetary and economic issues.

The **Director** is appointed jointly by the Speaker of the House and president pro tempore of the Senate.

CBO has about **250 employees**, who are hired solely on the basis of professional competence, without regard to political affiliation. Most have advanced degrees.

CBO's Products

CBO's products include the following:

- **Baseline budget projections and economic forecasts** covering the 10-year period used in the Congressional budget process;
- **Long-term budget projections** covering a 30-year period and Social Security projections covering a 75-year period;
- **Cost estimates** of legislation, including analyses of federal mandates (see www.cbo.gov/cost-estimates);
- An **analysis of the President's budget**;
- **Scorekeeping** for enacted legislation; and
- **Analytic reports** examining specific federal programs, aspects of the tax code, and budgetary and economic challenges.

Outside Advisers

A **Panel of Economic Advisers** improves CBO's understanding of economic research, macroeconomic developments, and economic policy.

A **Panel of Health Advisers** improves CBO's understanding of health research and of developments in health care delivery and financing.

Most reports and working papers are subject to **external review** by subject matter experts.

Transparency

CBO aims to make its analysis transparent in many ways, including these:

- It explains the **basis** of and the **revisions** to its major economic and budget projections.
- It describes the **uncertainty** of its projections and **quantifies** that uncertainty when appropriate.
- It **compares** its own estimates with those of other organizations.
- It **evaluates** its own projections—for example, in these reports:
 - *CBO’s Revenue Forecasting Record*,
 - *An Evaluation of CBO’s Past Outlay Projections*,
 - *CBO’s Economic Forecasting Record: 2019 Update*, and
 - *An Evaluation of CBO’s Past Deficit and Debt Projections*.

CBO's 10-Year Budget and Economic Projections

Background About the Projections

The projections are required by the Congressional Budget Act.

They incorporate the assumption that current laws about federal spending and revenues generally remain in place.

The regular schedule is as follows:

- January—first baseline budget and economic projections.
- March—update to baseline budget projections.
- August—update to baseline budget and economic projections.

Special circumstances sometimes lead to schedule changes (for example, in April 2018 and May 2019).

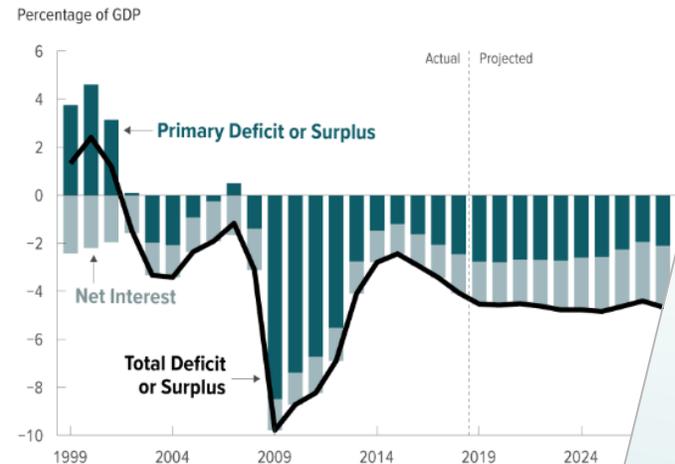
Where the Projections Are Published

An Update to the Budget and Economic Outlook: 2019 to 2029

August 21, 2019 | Report

In CBO's projections, federal budget deficits remain large by historical standards, and federal debt grows to equal 95 percent of GDP by 2029. Economic growth is expected to slow from 2.3 percent in 2019 to a rate that is below its long-run historical average.

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2.26 MB
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Summary

CBO regularly publishes reports that present projections of what federal deficits, debt, revenues, and spending would be for the current year and for the next 10 years if existing laws governing tax and spending generally remained unchanged. This report is the latest in that series.

Deficits. In CBO's projections, the federal budget deficit is \$960 billion in 2019 and averages \$1.2 trillion between 2020 and 2029. Over the coming decade, deficits (after adjustments to exclude the effects of shifts in the timing of certain payments) fluctuate between 4.4 percent and 4.8 percent of gross domestic product (GDP), well above the average over the past 50 years. Although both revenues and outlays grow faster than GDP over the next 10 years in CBO's baseline projections, the gap between the two persists.



Where Previous Projections Can Be Found


Congressional Budget Office
Nonpartisan Analysis for the U.S. Congress

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ABOUT CBO

10 Things to Know

▼ Products

- Major Recurring Reports
- Budget and Economic Data**
- Baseline Projections for Selected Programs

▶ Processes

Transparency

▶ Objectivity

Organization and Staffing

History

▶ Work at CBO

Business Opportunities

Contact Information

Budget and Economic Data

CBO regularly publishes data to accompany some of its key reports. These data have been published in the [Budget and Economic Outlook and Updates](#) and in their associated supplemental material, except for that from the [Long-Term Budget Outlook](#).

BUDGET

- 10-Year Budget Projections
- Long-Term Budget Projections
- Historical Budget Data
- 10-Year Trust Fund Projections
- Revenue Projections, by Category
- Spending Projections, by Budget Account
- Estimates of Automatic Stabilizers
- Tax Parameters and Effective Marginal Tax Rates

ECONOMIC

- 10-Year Economic Projections
- Potential GDP and Underlying Inputs
- Historical Data and Economic Projections

10-Year Budget Projections

Projections of spending and revenues by category and of deficits and debt held by the public.

Aug 2019	May 2019	Jan 2019	Apr 2018	Jun 2017	Jan 2017	Aug 2016
Mar 2016	Jan 2016	Aug 2015	Mar 2015	Jan 2015	Aug 2014	Apr 2014
Feb 2014	May 2013	Feb 2013	Aug 2012	Mar 2012	Jan 2012	Aug 2011
Jan 2011	Aug 2010	Jan 2010	Aug 2009	Mar 2009	Jan 2009	Sep 2008
Jan 2008	Aug 2007	Jan 2007				

Long-Term Budget Projections

The Economic Projections

Behind the Economic Projections

The economic projections are usually published in January and in August.

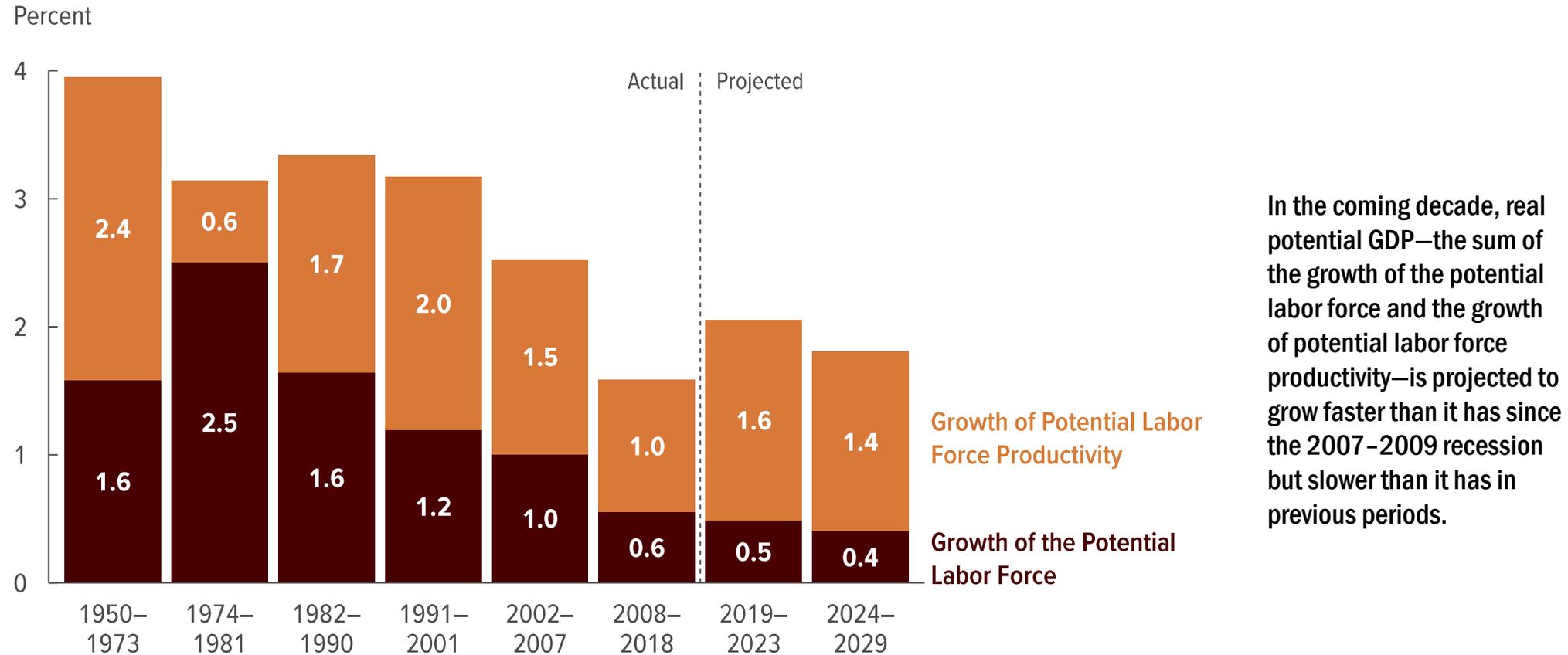
Major factors shaping them include:

- Fiscal policies under current law,
- Background analysis by CBO's experts,
- A macroeconomic model, and
- Internal and external review (including input from CBO's Panel of Economic Advisers).

Key economic projections that affect CBO's budget projections include:

- Real GDP and income,
- Inflation, and
- Interest rates.

Factors Underlying the Growth of Potential GDP



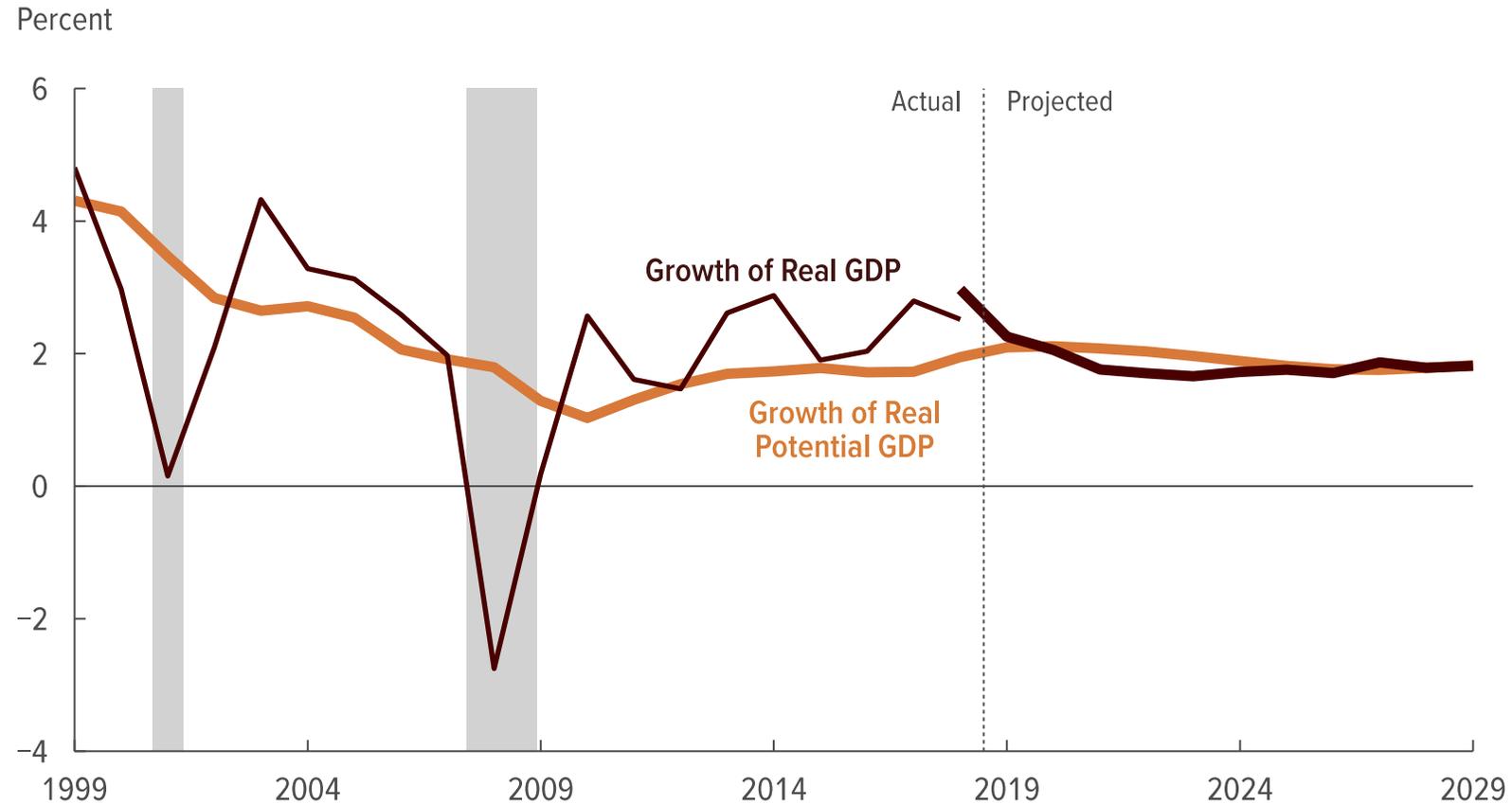
In the coming decade, real potential GDP—the sum of the growth of the potential labor force and the growth of potential labor force productivity—is projected to grow faster than it has since the 2007–2009 recession but slower than it has in previous periods.

Key Inputs in CBO's Projections of Real Potential GDP

Percent

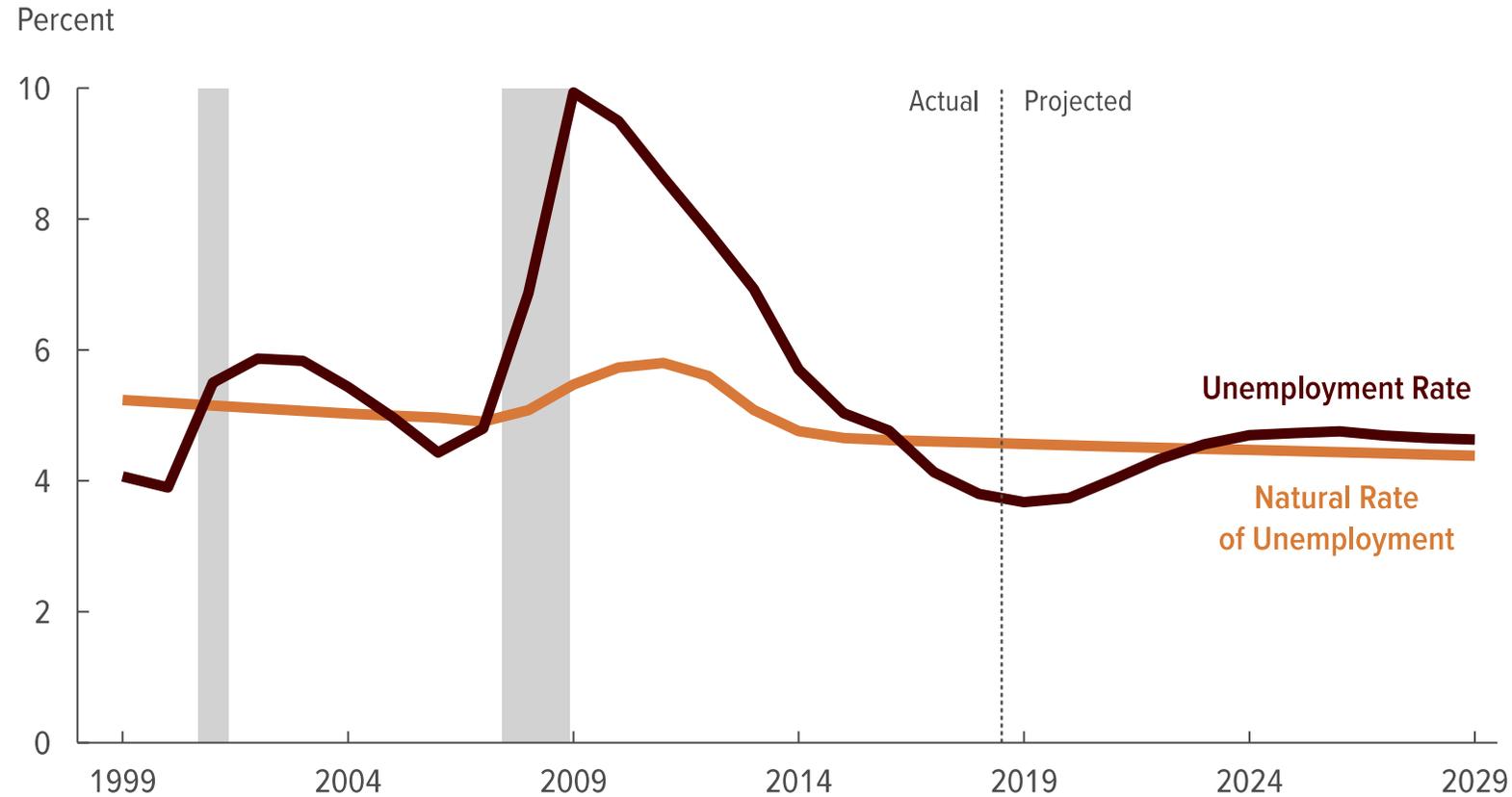
	Average Annual Growth						Projected Average Annual Growth			
	1950– 1973	1974– 1981	1982– 1990	1991– 2001	2002– 2007	2008– 2018	Total, 1950– 2018	2019– 2023	2024– 2029	Total, 2019– 2029
Overall Economy										
Real Potential GDP	4.0	3.2	3.4	3.2	2.5	1.6	3.2	2.1	1.8	1.9
Potential Labor Force	1.6	2.5	1.6	1.2	1.0	0.6	1.4	0.5	0.4	0.4
Potential Labor Force Productivity	2.4	0.6	1.7	2.0	1.5	1.0	1.7	1.6	1.4	1.5
Nonfarm Business Sector										
Real Potential Output	4.1	3.5	3.6	3.6	2.8	1.8	3.4	2.4	2.1	2.2
Potential Hours Worked	1.4	2.3	1.8	1.2	0.4	0.5	1.3	0.6	0.3	0.4
Capital Services ¹	3.7	3.8	3.5	3.8	2.9	2.3	3.4	2.7	2.2	2.4
Potential Total Factor Productivity	1.9	1.0	1.3	1.5	1.6	0.7	1.4	1.0	1.1	1.1
Contributions to the Growth of Real Potential Output (Percentage points)										
Potential hours worked	1.0	1.6	1.2	0.8	0.2	0.3	0.9	0.4	0.2	0.3
Capital input	1.2	0.9	1.1	1.3	0.9	0.8	1.1	1.0	0.7	0.8
Potential total factor productivity	1.9	1.0	1.3	1.5	1.6	0.7	1.4	1.0	1.1	1.1
Total Contributions	4.0	3.5	3.6	3.6	2.8	1.8	3.4	2.4	2.1	2.2
Potential Labor Productivity	2.7	1.2	1.8	2.3	2.4	1.3	2.1	1.8	1.8	1.8

The Growth of GDP and Potential GDP



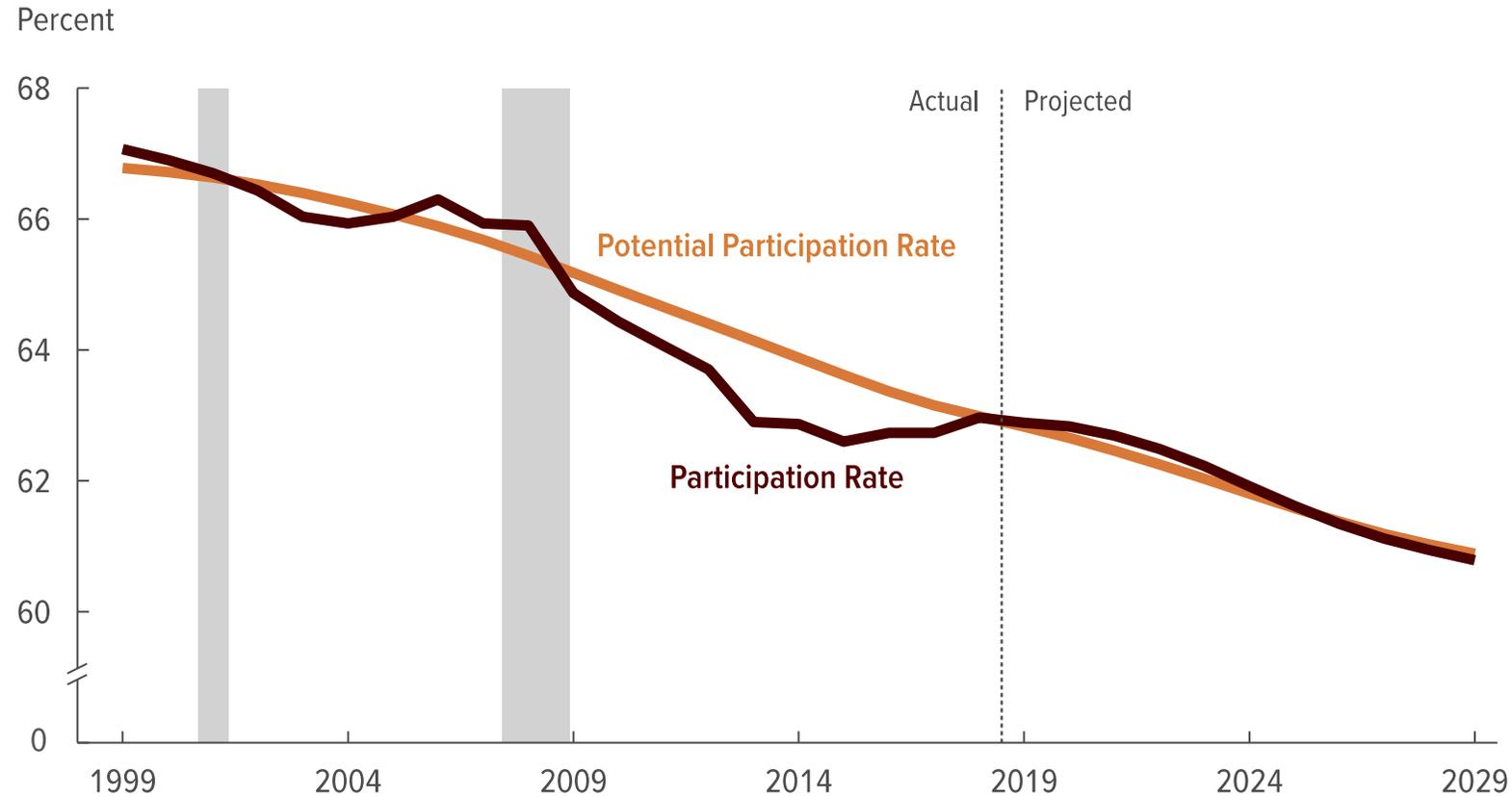
In CBO's projections, the growth of real GDP slows over the next few years, largely because of slower growth in consumer spending. The growth of real potential GDP is faster than its average rate since the end of 2007, mostly because of accelerated productivity growth.

Unemployment



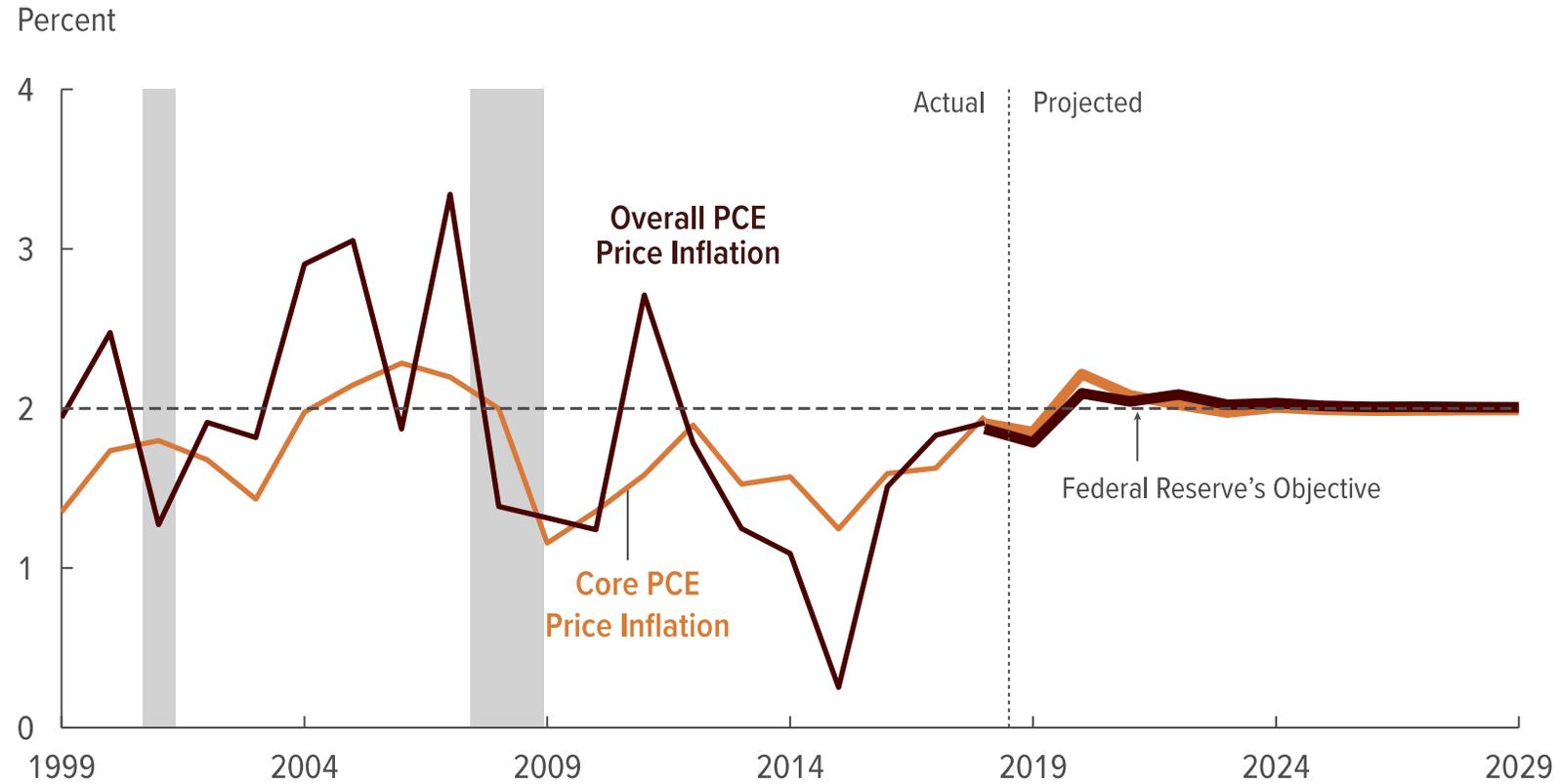
The unemployment rate is expected to rise steadily, reaching and surpassing its natural rate of 4.5 percent in 2023 before settling into its long-term trend in later years.

Labor Force Participation



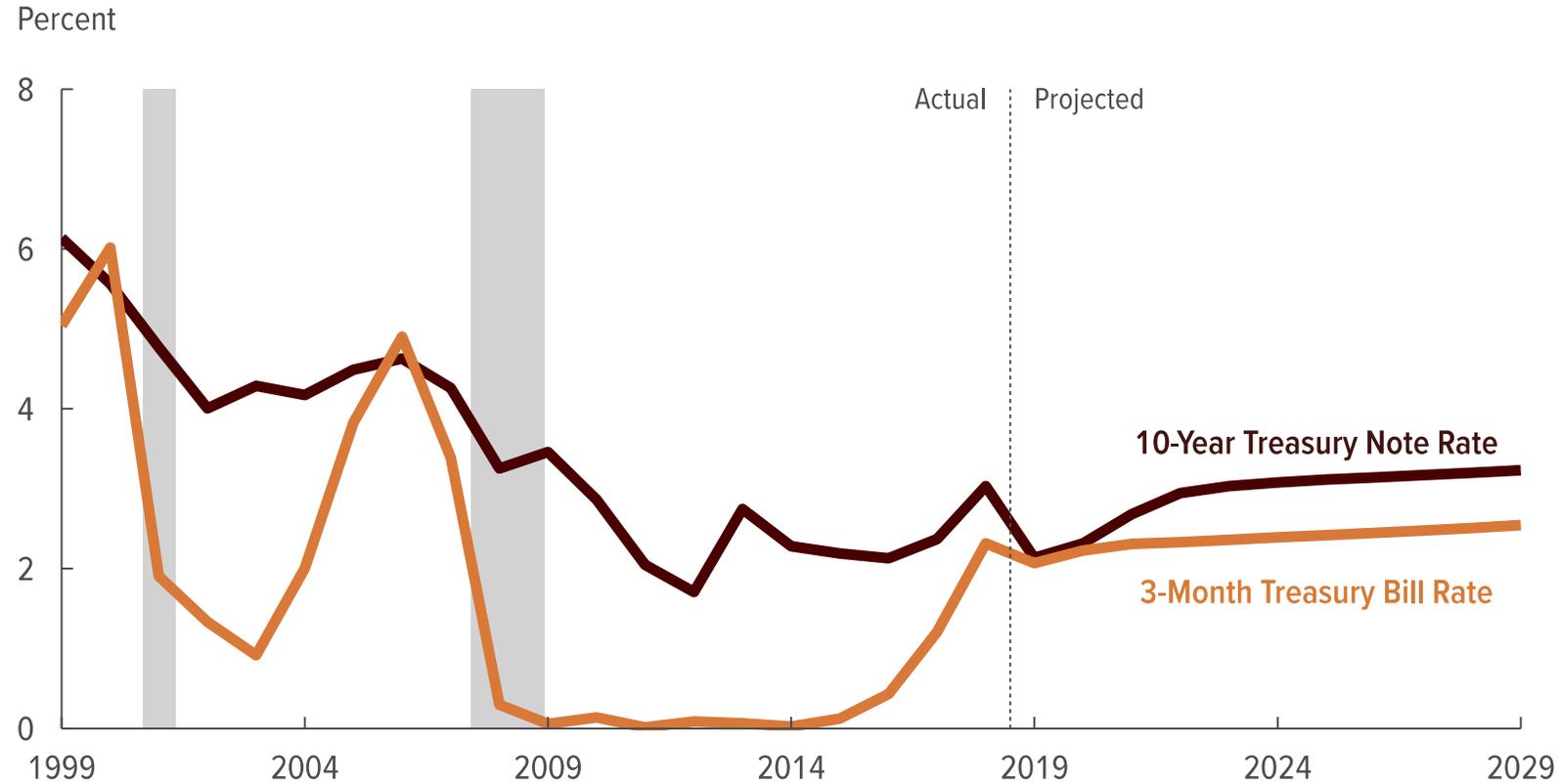
The labor force participation rate is expected to respond more slowly to the projected slowdown in output growth, remaining above its potential for the next five years.

Inflation



In CBO's projections, a number of factors, including strong labor market conditions, cause growth in the core PCE price index to rise from 1.9 percent in 2019 to 2.2 percent in 2020.

Interest Rates



CBO expects both short-term and long-term interest rates to remain near their current levels through most of 2020 and then to rise gradually as inflation stabilizes at 2 percent—the Federal Reserve’s long-run objective.

The Budget Projections

How the Baseline Budget Projections Are Constructed

The principles and rules mainly come from law, budget resolutions, House and Senate rules, and the 1967 *Report of the President's Commission on Budget Concepts*.

A key law is the Balanced Budget and Emergency Deficit Control Act, section 257.

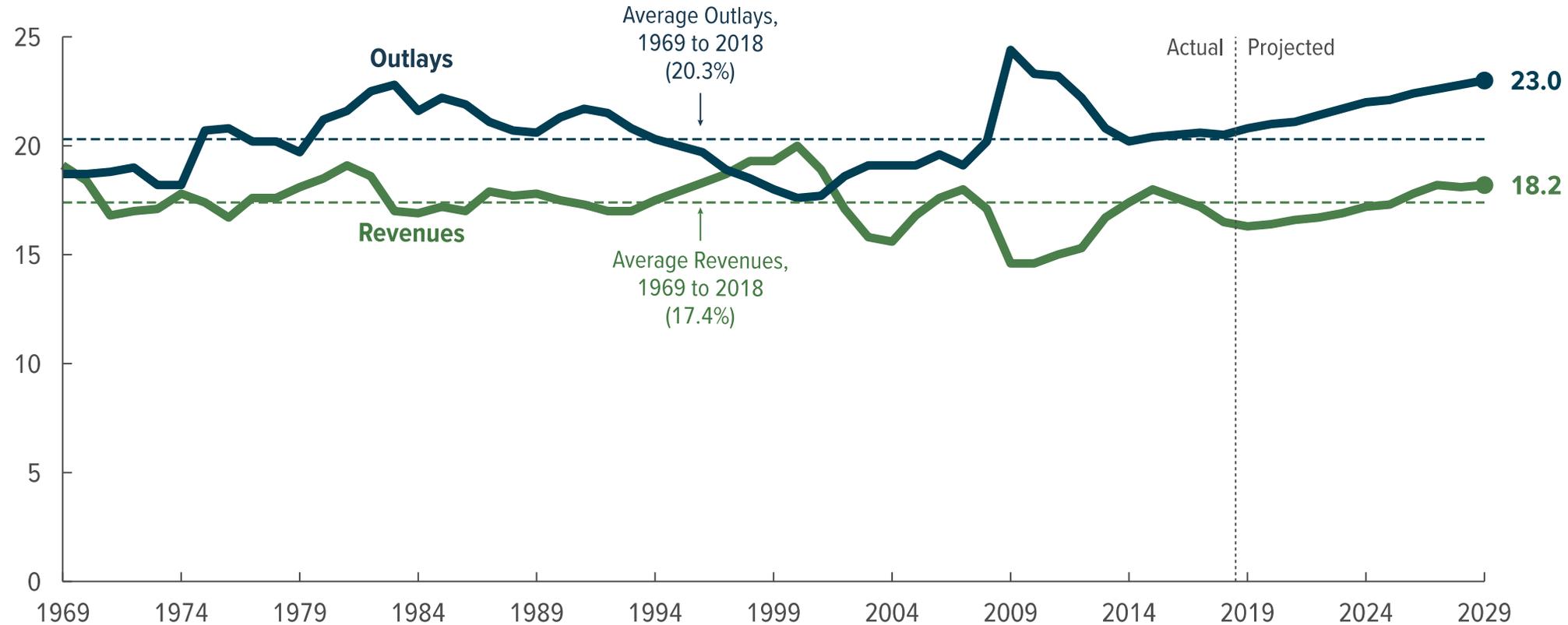
- It defines the baseline: “The baseline refers to a projection of current-year levels of new budget authority, outlays, revenues, and the surplus or deficit into the budget year and the outyears based on laws enacted through the applicable date.”
- It sets out rules for projecting spending and receipts.
- It requires an assumption of full funding for entitlements.
- It specifies the treatment of expiring programs and certain excise taxes.

CBO's Baseline Budget Projections, by Category

	Actual, 2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total	
													2020– 2024	2020– 2029
In Billions of Dollars														
Revenues														
Individual income taxes	1,684	1,698	1,800	1,895	1,981	2,076	2,171	2,272	2,501	2,731	2,838	2,962	9,923	23,227
Payroll taxes	1,171	1,247	1,281	1,332	1,385	1,442	1,505	1,567	1,629	1,692	1,759	1,828	6,945	15,420
Corporate income taxes	205	228	245	268	298	335	371	400	409	398	407	415	1,517	3,547
Other	271	278	293	298	307	309	345	345	361	385	386	415	1,552	3,443
Total	3,330	3,451	3,620	3,792	3,971	4,163	4,392	4,585	4,900	5,206	5,390	5,619	19,937	45,637
On-budget	2,475	2,532	2,677	2,811	2,951	3,104	3,292	3,443	3,714	3,974	4,111	4,291	14,835	34,368
Off-budget	855	919	943	981	1,020	1,059	1,100	1,142	1,186	1,231	1,279	1,328	5,103	11,269
Outlays														
Mandatory	2,523	2,707	2,838	2,962	3,192	3,326	3,446	3,682	3,900	4,101	4,405	4,454	15,764	36,306
Discretionary	1,262	1,332	1,400	1,446	1,481	1,513	1,543	1,584	1,622	1,661	1,706	1,736	7,382	15,690
Net interest	325	372	390	418	456	506	554	602	653	704	758	807	2,325	5,848
Total	4,109	4,411	4,628	4,826	5,130	5,344	5,543	5,869	6,174	6,466	6,868	6,997	25,470	57,845
On-budget	3,261	3,505	3,661	3,794	4,027	4,166	4,287	4,533	4,763	4,969	5,277	5,309	19,935	44,785
Off-budget	849	906	967	1,032	1,102	1,179	1,256	1,336	1,412	1,497	1,591	1,689	5,536	13,059
Deficit (-) or Surplus														
On-budget	-785	-972	-984	-983	-1,076	-1,062	-995	-1,090	-1,048	-995	-1,167	-1,017	-5,100	-10,417
Off-budget	6	12	-24	-51	-83	-120	-156	-194	-226	-266	-312	-361	-433	-1,791
Debt Held by the Public	15,750	16,685	17,755	18,841	20,042	21,264	22,457	23,784	25,102	26,407	27,917	29,322	n.a.	n.a.
Memorandum:														
Gross Domestic Product	20,236	21,157	22,013	22,870	23,727	24,611	25,529	26,514	27,518	28,582	29,699	30,847	118,750	261,911

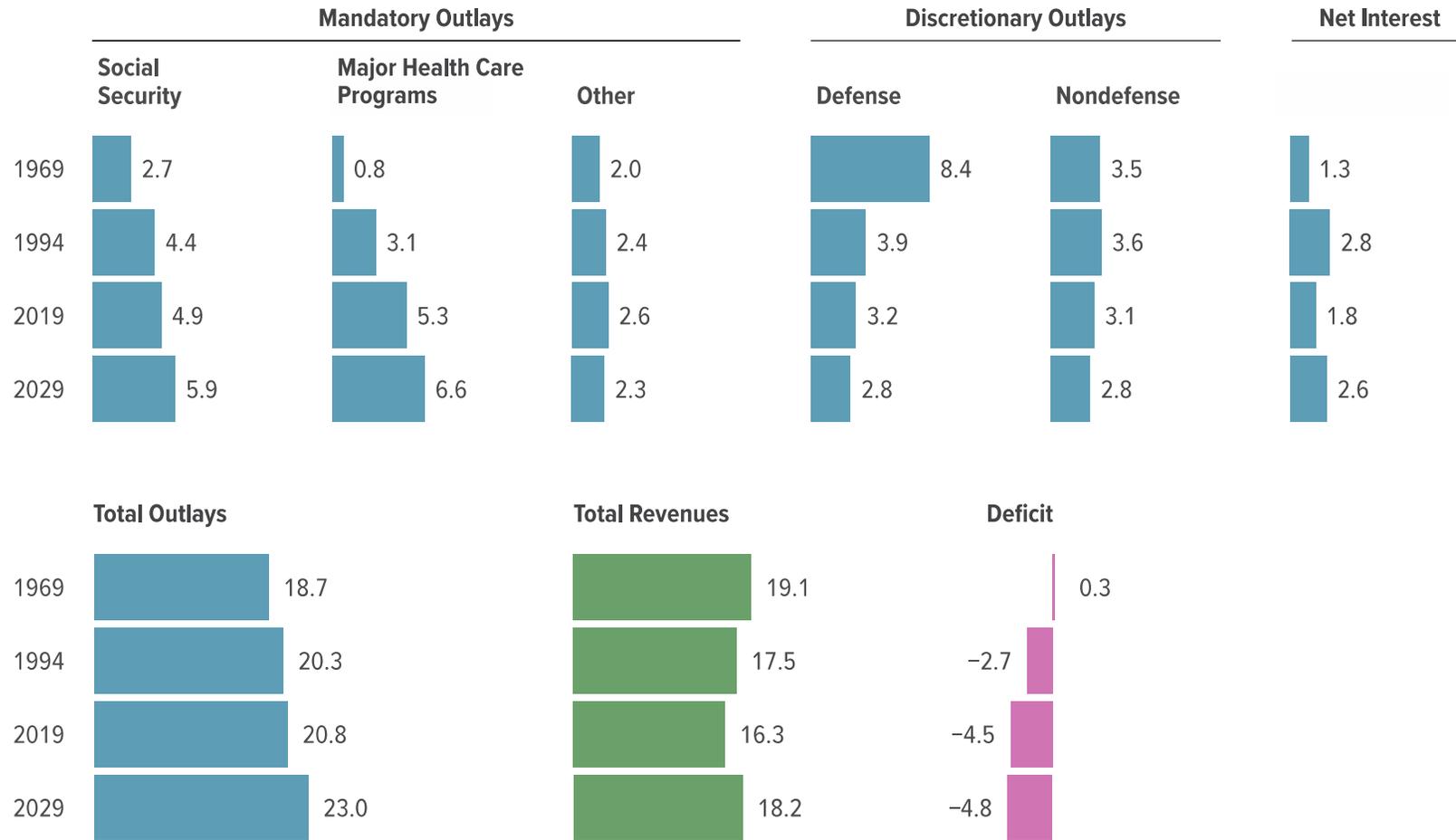
Federal Revenues and Spending

Percentage of Gross Domestic Product



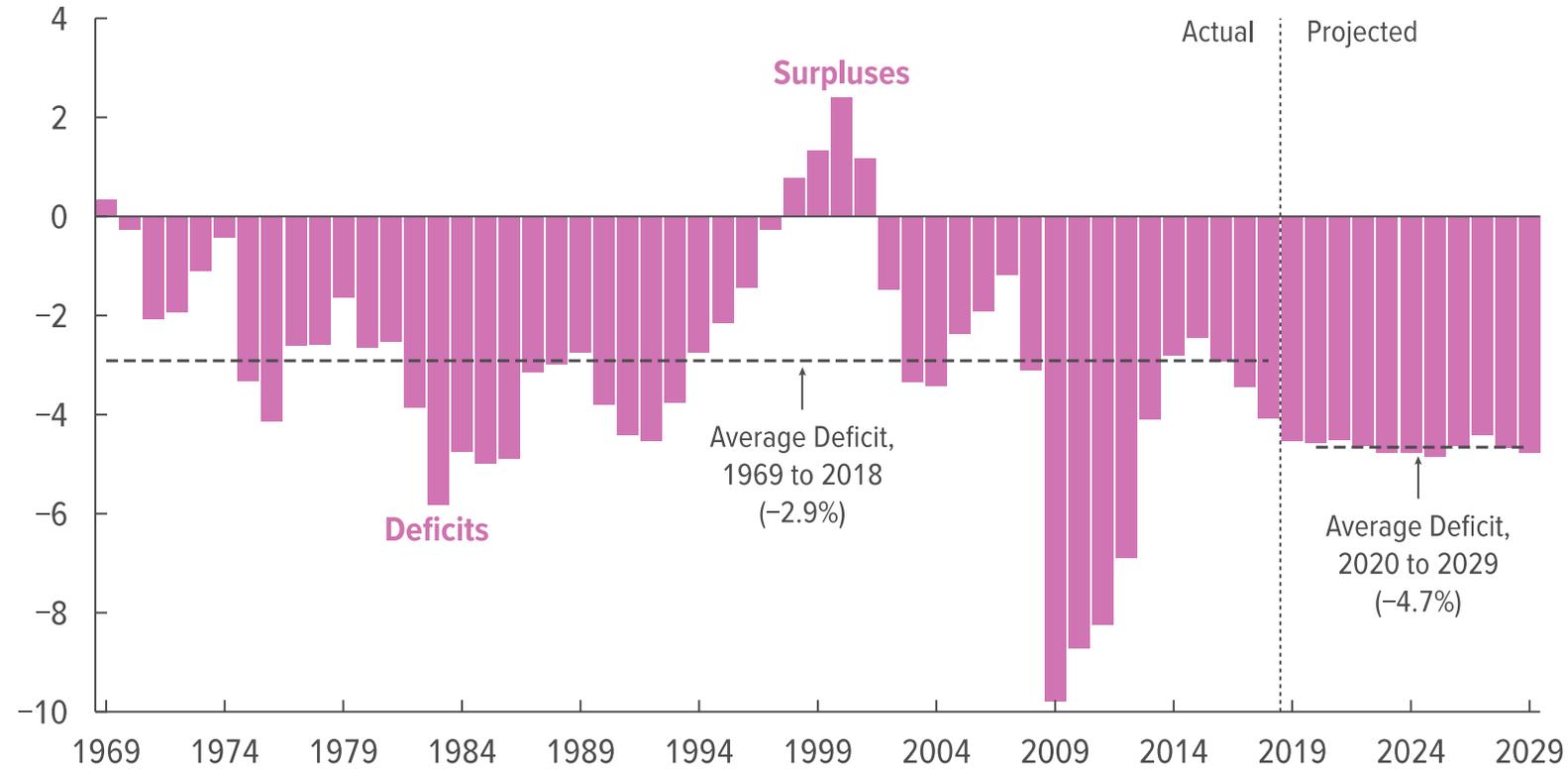
CBO's Baseline Budget Projections, Compared With Actual Values 25 and 50 Years Ago

Percentage of Gross Domestic Product



The Federal Budget Deficit

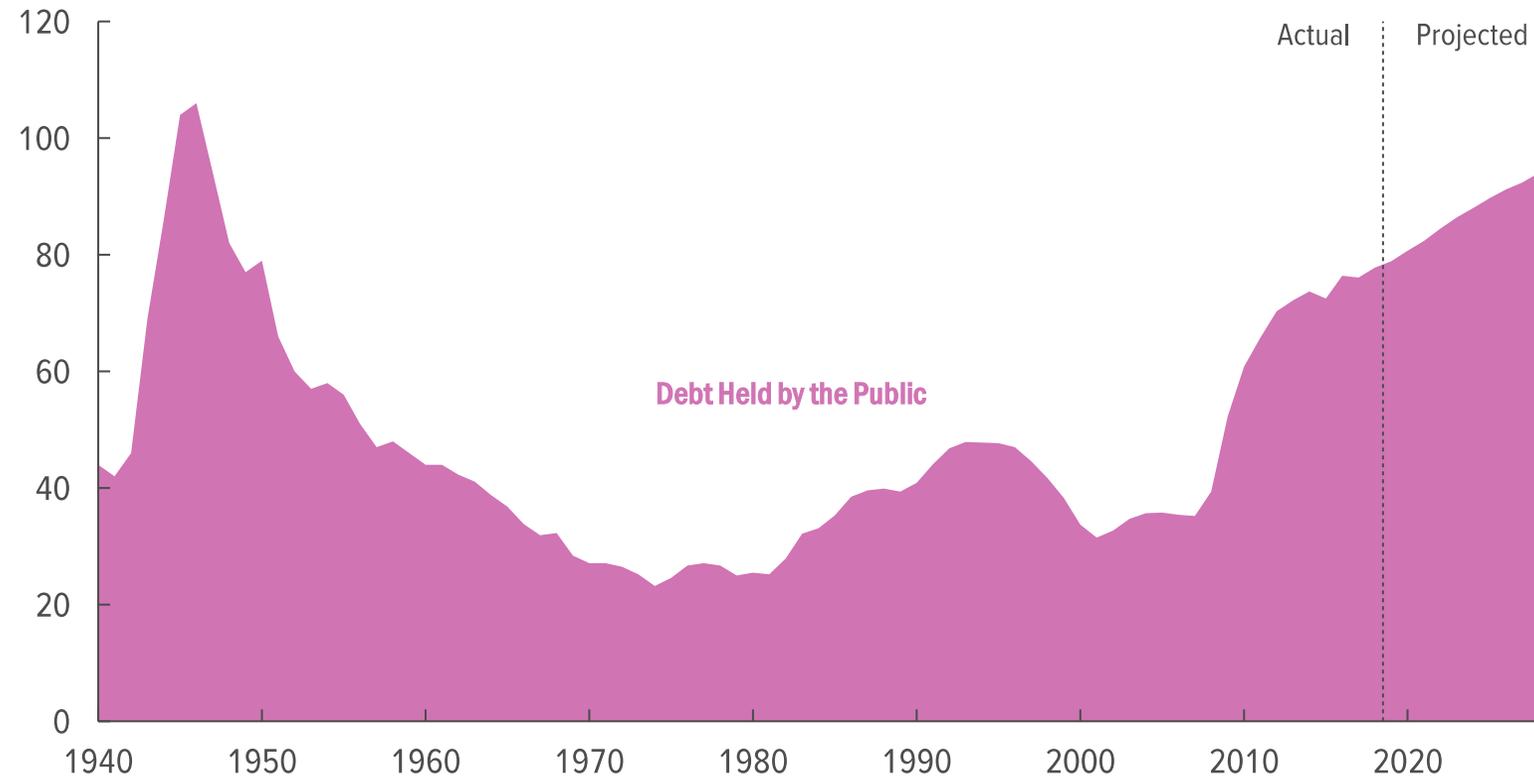
Percentage of Gross Domestic Product



Deficits as a percentage of gross domestic product are projected to remain relatively stable over the coming decade. They exceed their 50-year average throughout the 2020–2029 period.

Federal Debt Held by the Public

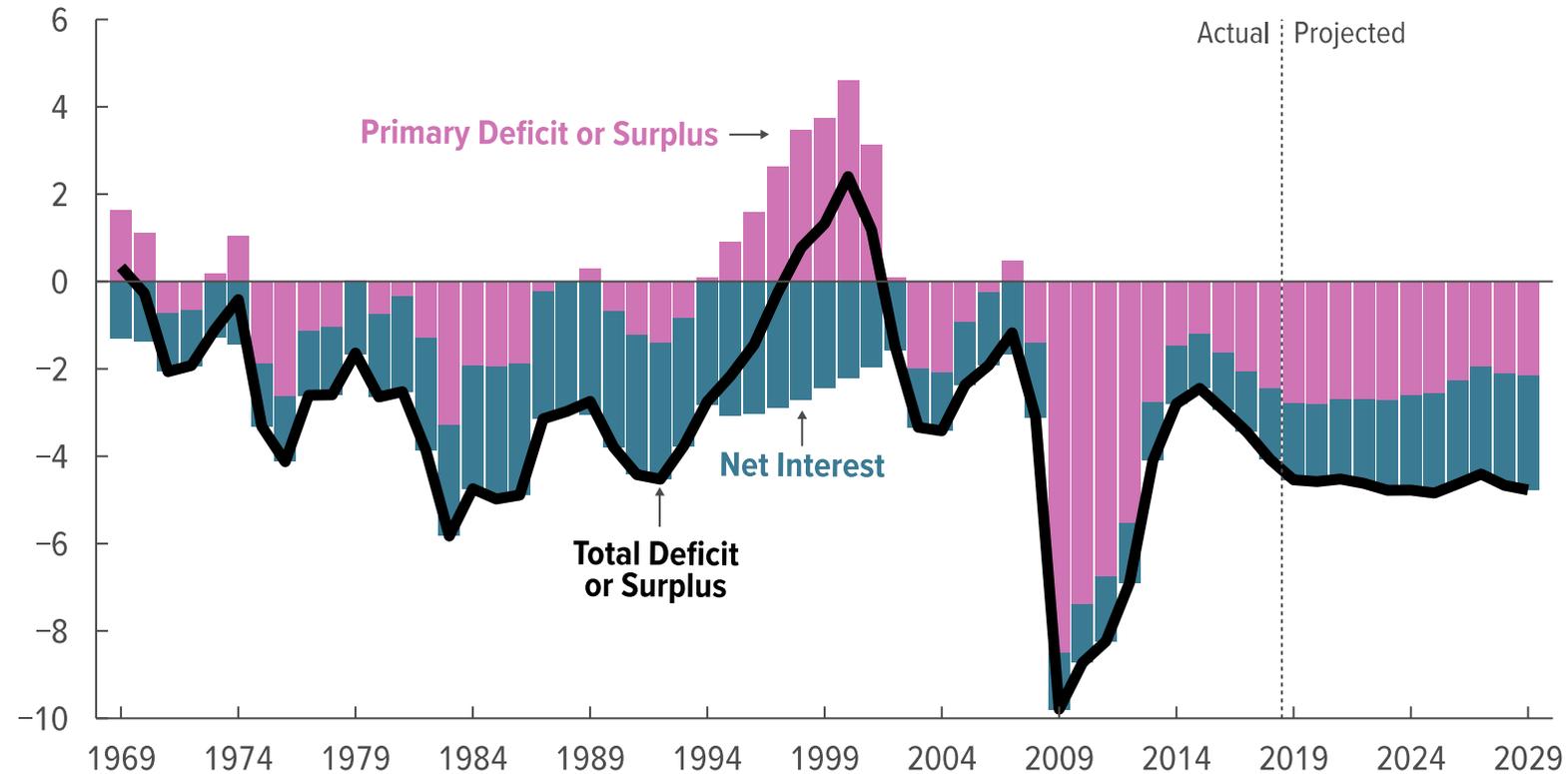
Percentage of Gross Domestic Product



As a percentage of gross domestic product, federal debt held by the public would increase from 79 percent in 2019 to 95 percent in 2029. At that point, such debt would be the largest since 1946 and more than twice the 50-year average.

Total Deficit, Primary Deficit, and Net Interest

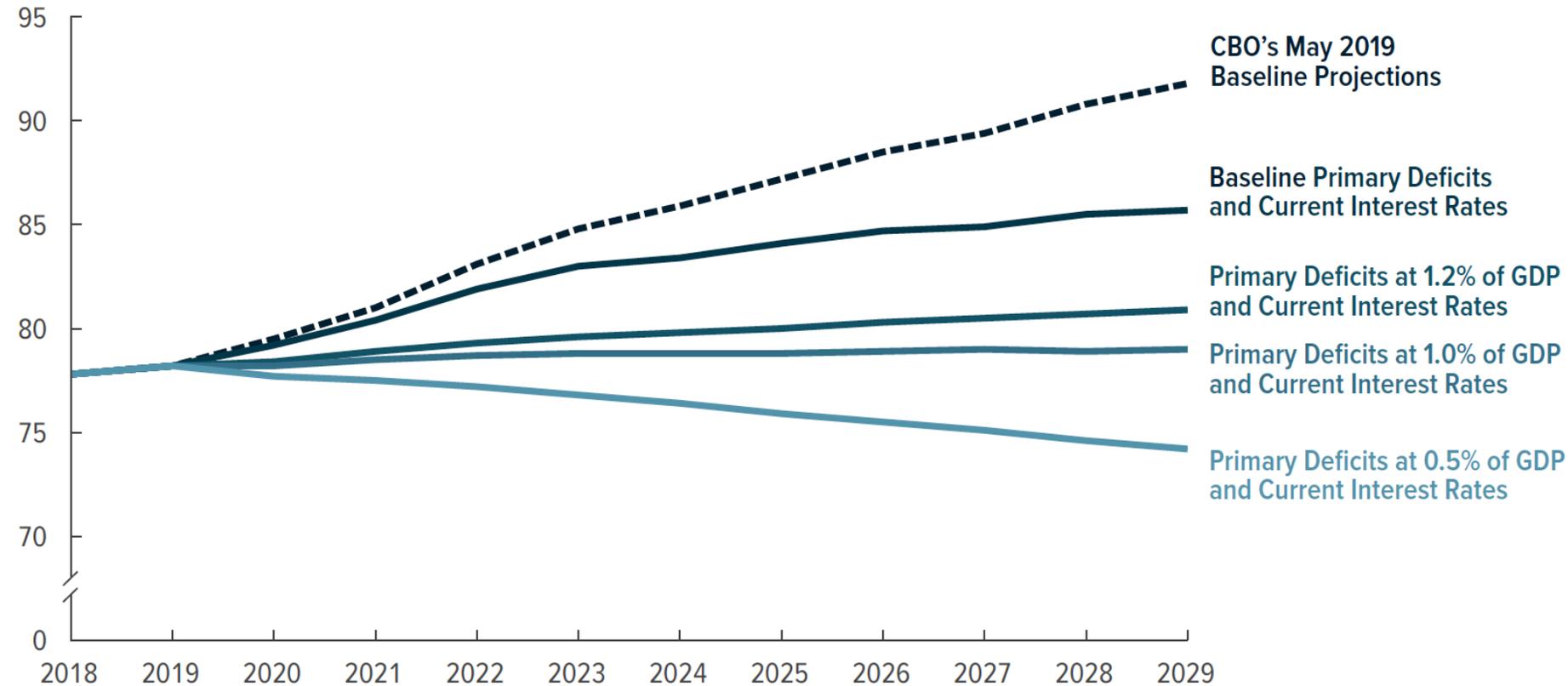
Percentage of Gross Domestic Product



In CBO's projections, primary deficits shrink as a percentage of gross domestic product, but total deficits grow because of rising interest costs.

Federal Debt Held by the Public Under Illustrative Paths for Primary Deficits and Interest Rates

Percentage of Gross Domestic Product



Selected Publications

Congressional Budget Office, *An Update to The Budget and Economic Outlook: 2019 to 2029* (August 2019), www.cbo.gov/publication/55551.

Congressional Budget Office, *Updated Budget Projections: 2019 to 2029* (May 2019), www.cbo.gov/publication/55151.

Congressional Budget Office, *Workbook for How Changes in Economic Conditions Might Affect the Federal Budget* (January 2019), www.cbo.gov/publication/54934.

Congressional Budget Office, *Transparency at CBO: Future Plans and a Review of 2018* (December 2018), www.cbo.gov/publication/54885.

Robert W. Arnold, *How CBO Produces Its 10-Year Economic Forecast*, Working Paper 2018-02 (Congressional Budget Office, February 2018), www.cbo.gov/publication/53537.

Congressional Budget Office, *How CBO Prepares Baseline Budget Projections* (February 2018), www.cbo.gov/publication/53532.