CBO’s Current Economic Projections and a Preliminary Look at Federal Deficits and Debt for 2020 and 2021

A Presentation to the House Budget Committee

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CBO expects the unemployment rate to average 15 percent in the second and third quarters of 2020, higher than at any point since the early 1930s.

The unemployment rate is the number of jobless people who are available for and seeking work, expressed as a percentage of the labor force.
The labor force is the number of people in the civilian noninstitutionalized population who are either working or seeking work.

**Labor Force in the Third Quarter of 2020**

By the third quarter of this year, about 28 million fewer people will be employed and about 9 million fewer people will be in the labor force than CBO projected in January.

The labor force is the number of people in the civilian noninstitutionalized population who are either working or seeking work.
### CBO’s Economic Projections for 2020 and 2021

<table>
<thead>
<tr>
<th></th>
<th>2020 Q1</th>
<th>2020 Q2</th>
<th>2020 Q3</th>
<th>2020 Q4</th>
<th>Annual 2020</th>
<th>Annual 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real GDP (Percentage change from preceding quarter)*</td>
<td>-0.9</td>
<td>-11.8</td>
<td>5.4</td>
<td>2.5</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>Real GDP (Percentage change, annual rate)*</td>
<td>-3.5</td>
<td>-39.6</td>
<td>23.5</td>
<td>10.5</td>
<td>-5.6</td>
<td>2.8</td>
</tr>
<tr>
<td>GDP (Trillions of dollars)</td>
<td>21.6</td>
<td>19.1</td>
<td>20.1</td>
<td>20.7</td>
<td>20.4</td>
<td>21.3</td>
</tr>
<tr>
<td>Unemployment Rate (Percent)</td>
<td>3.8</td>
<td>14.0</td>
<td>16.0</td>
<td>11.7</td>
<td>11.4</td>
<td>10.1</td>
</tr>
<tr>
<td>Interest Rate on Three-Month Treasury Bills (Percent)</td>
<td>1.1</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td>0.4</td>
<td>0.1</td>
</tr>
<tr>
<td>Interest Rate on Ten-Year Treasury Notes (Percent)</td>
<td>1.4</td>
<td>0.6</td>
<td>0.7</td>
<td>0.7</td>
<td>0.8</td>
<td>0.7</td>
</tr>
</tbody>
</table>

The nation’s output is projected to decline sharply in the second quarter of this year and to begin rising thereafter.

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GDP = gross domestic product; n.a. = not applicable.

a. Real values are nominal values that have been adjusted to remove the effects of changes in prices.

b. Data are shown on a fourth-quarter-to-fourth-quarter basis.
Real GDP Relative to CBO’s January 2020 Projection

Output at the end of 2021 would be more than 6 percent lower than CBO projected in January.

Real values are nominal values that have been adjusted to remove the effects of changes in prices. GDP = gross domestic product.
CBO projects that if current laws generally did not change, the federal deficit would be roughly $3.7 trillion in fiscal year 2020 and $2.1 trillion in fiscal year 2021. At 17.9 percent of GDP, the 2020 deficit would be the largest since 1945.
Federal Debt Held by the Public

CBO projects that federal debt held by the public would grow to 108 percent of GDP by the end of fiscal year 2021, up from 79 percent at the end of fiscal year 2019—again, if current laws generally did not change. That percentage in 2021 would be the highest in U.S. history.
CBO is working to inform the Congress about the economic and budgetary consequences of the coronavirus pandemic, providing analysis that supports the Congress as it continues to respond to the crisis.

To find other work by CBO related to the pandemic, see www.cbo.gov/topics/covid-19.