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

A Presentation on *The Budget and Economic Outlook: 2023 to 2033*

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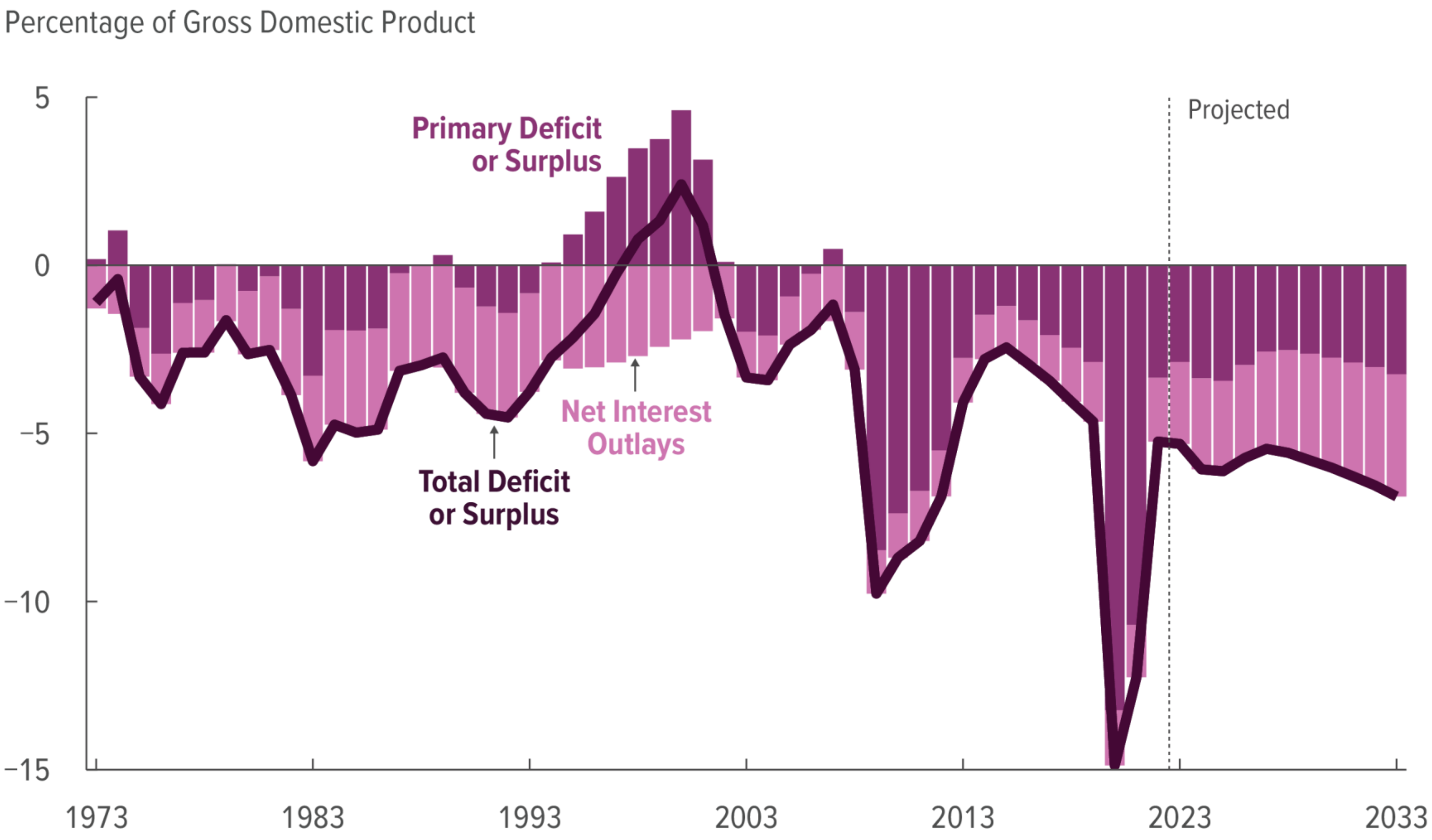
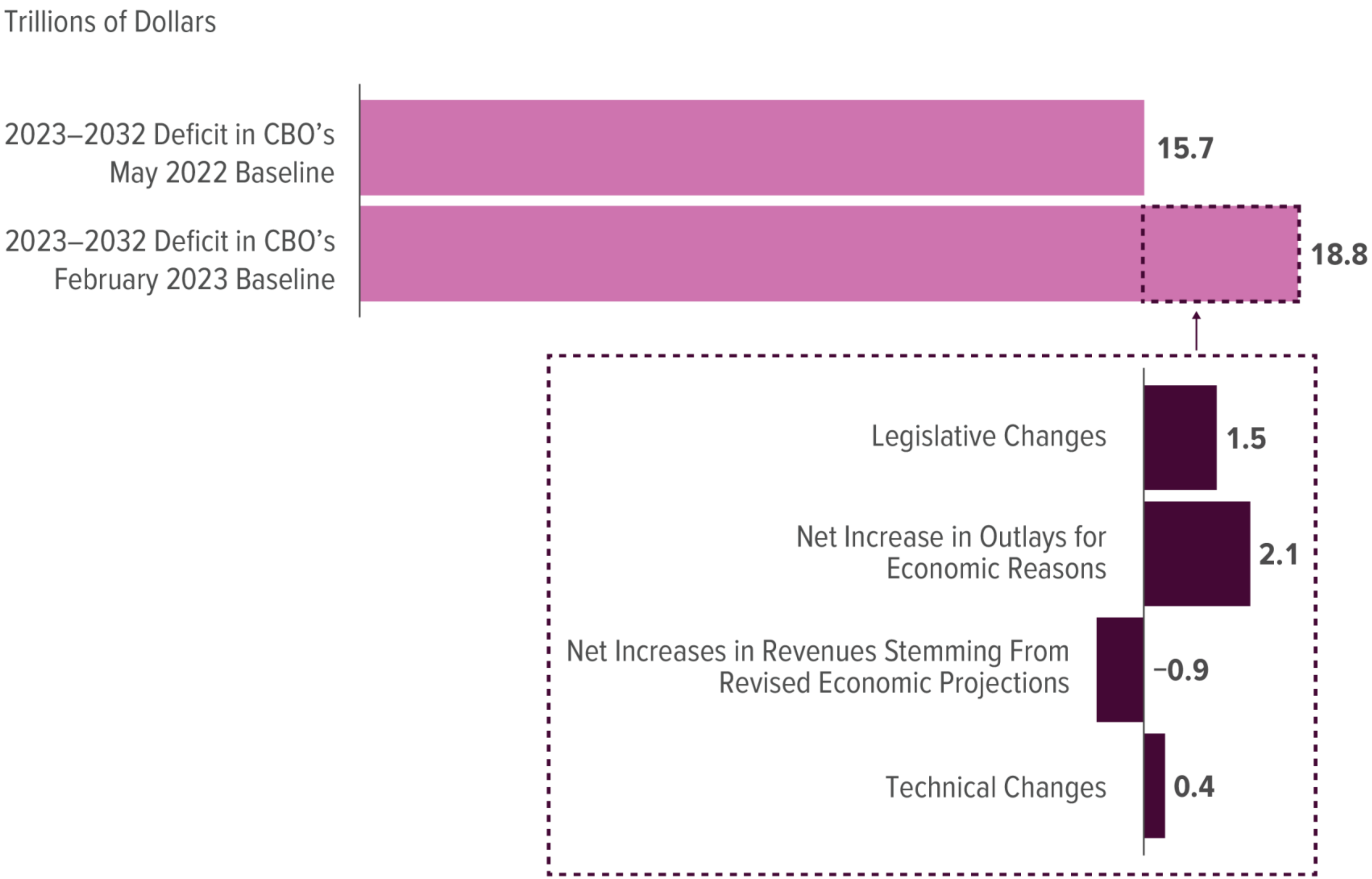
The Budget

Total Deficits, Primary Deficits, and Net Interest Outlays



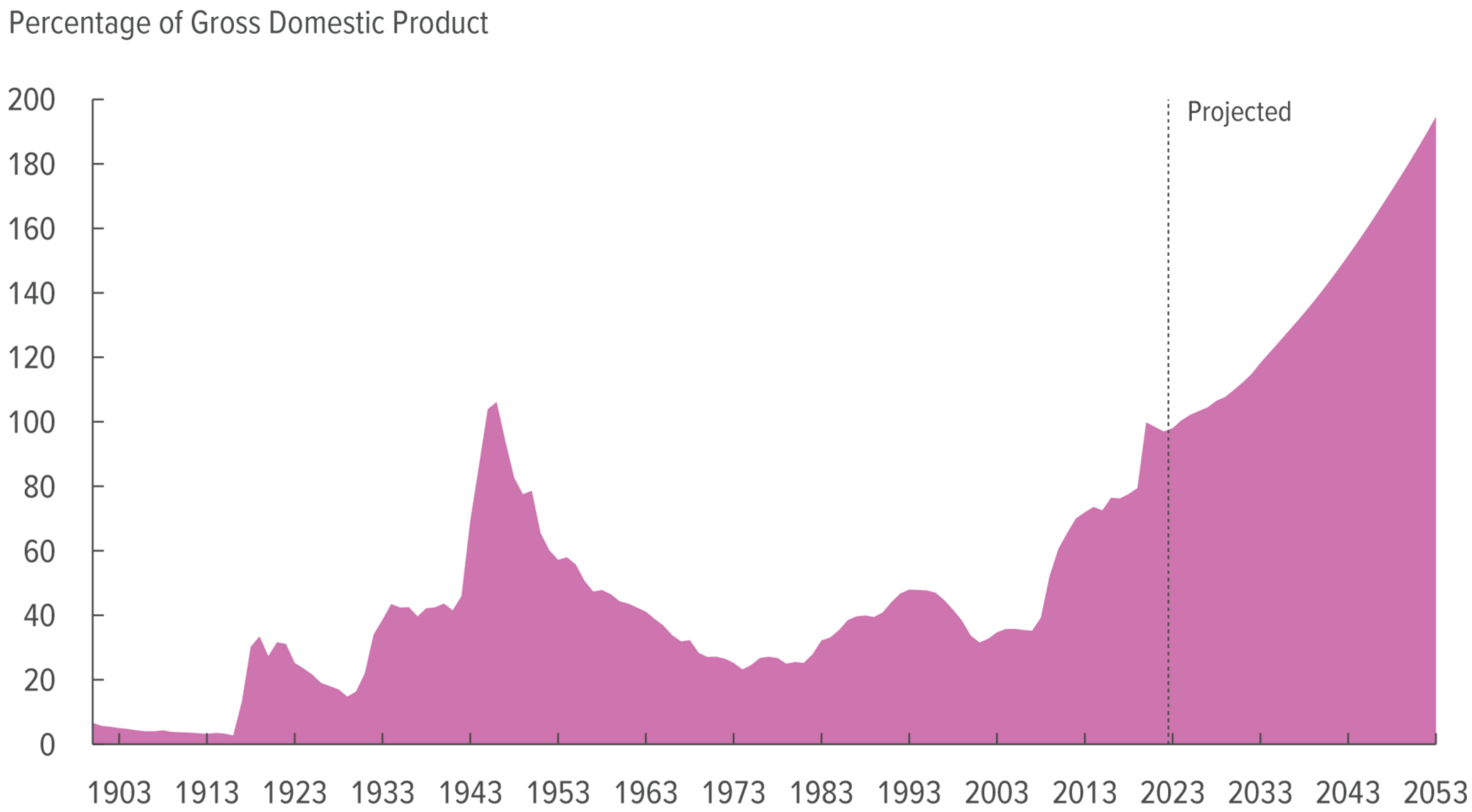
In CBO's projections, net interest outlays increase by 1.2 percent of GDP from 2023 to 2033 and are a major contributor to the growth of total deficits. Primary deficits increase by 0.4 percent of GDP over that period.

Changes in CBO's Baseline Projections of the 10-Year Deficit Since May 2022



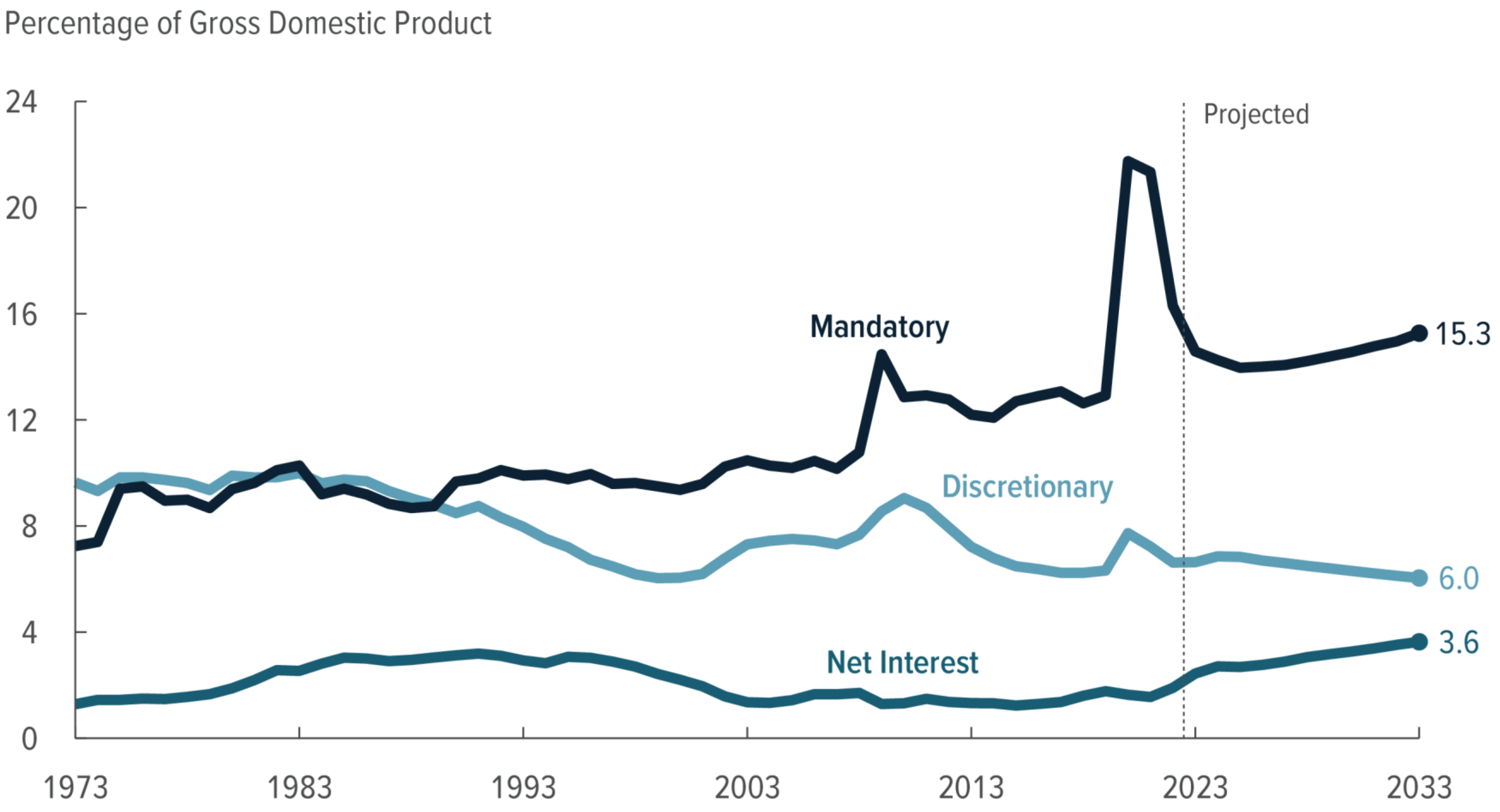
The cumulative deficit over the 2023–2032 period is $3.1 trillion larger in CBO's current baseline projections than it was in the agency's May 2022 projections, mainly because of newly enacted legislation and changes to the economic forecast that boost projected net interest outlays and spending on mandatory programs, such as Social Security.

Federal Debt Held by the Public



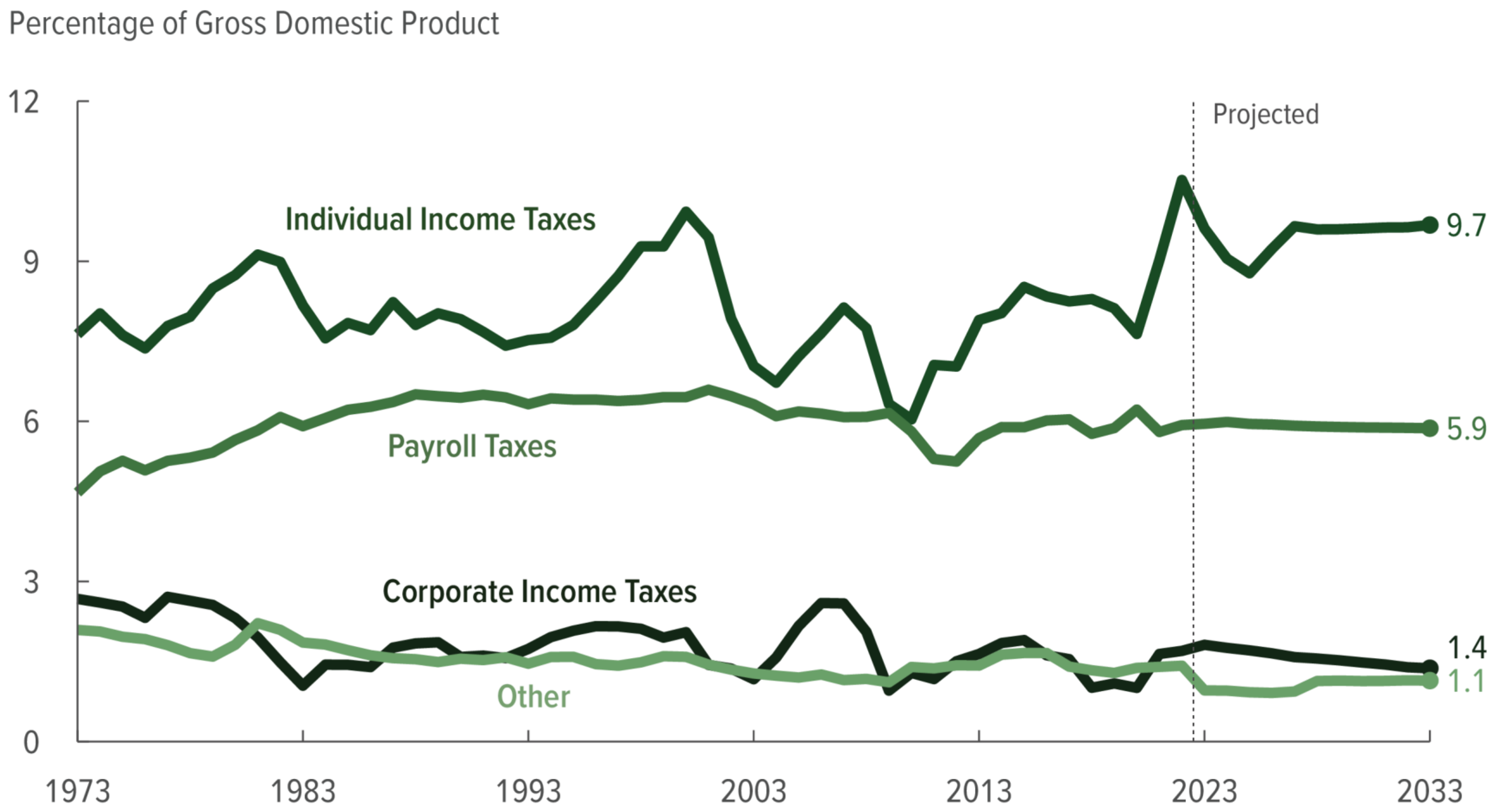
Federal debt held by the public is projected to increase in each year of the projection period and to reach 118 percent of GDP in 2033—higher than it has ever been. In the two decades that follow, growing deficits are projected to push federal debt higher still, to 195 percent of GDP in 2053.

Outlays



In CBO’s projections, rising spending on Social Security and Medicare boosts mandatory outlays, but total discretionary spending falls in relation to GDP. As the cost of financing the nation’s debt grows, net outlays for interest increase substantially and, beginning in 2030, exceed their previous peak.

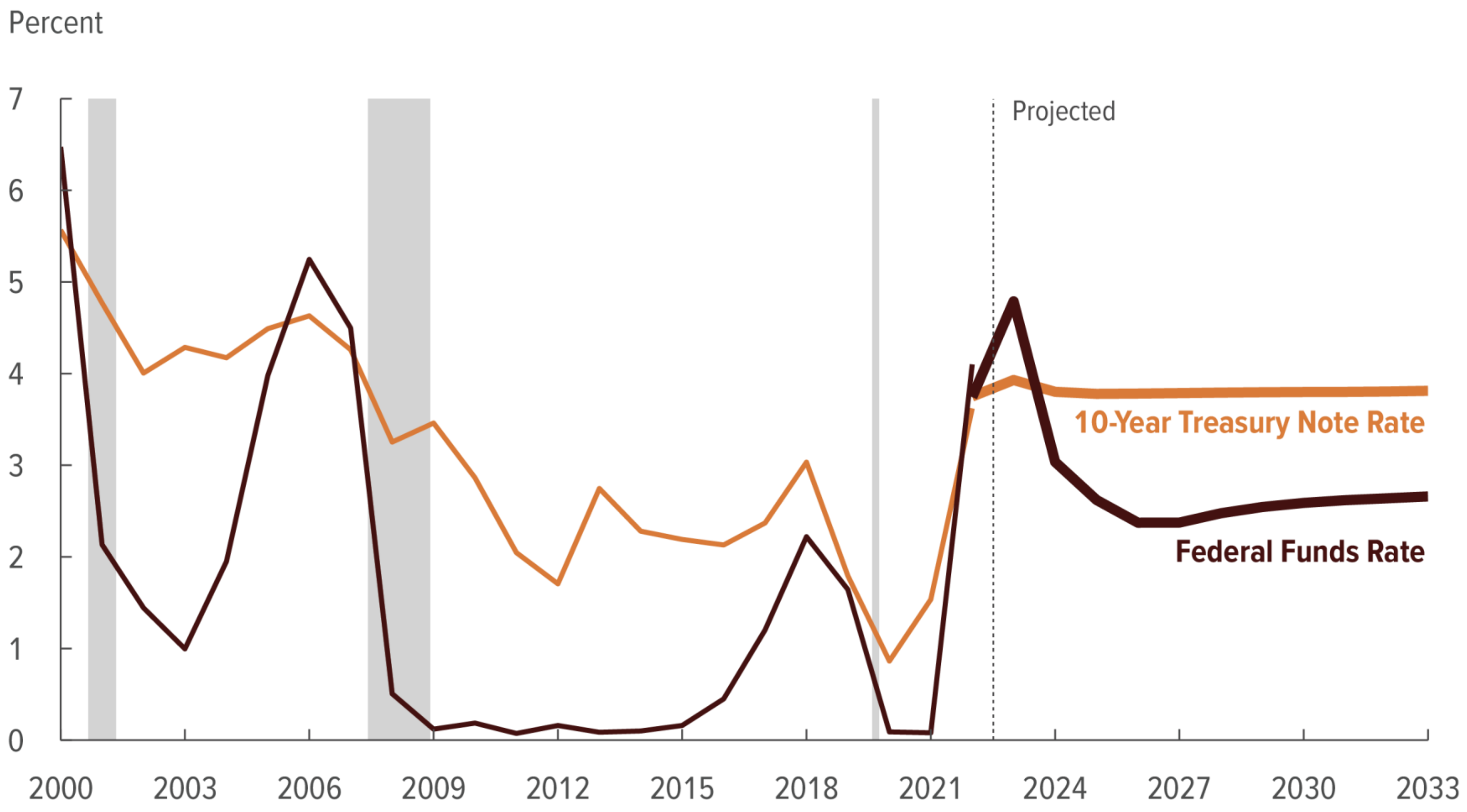
Revenues



After reaching a historic high in 2022, receipts from individual income taxes are projected to fall in 2023 because collections from taxes on capital gains realizations and other sources, which have been strong in recent years, fall in CBO's projections. Receipts are projected to rise again after 2025 because of the scheduled expiration of certain provisions of the 2017 tax act.

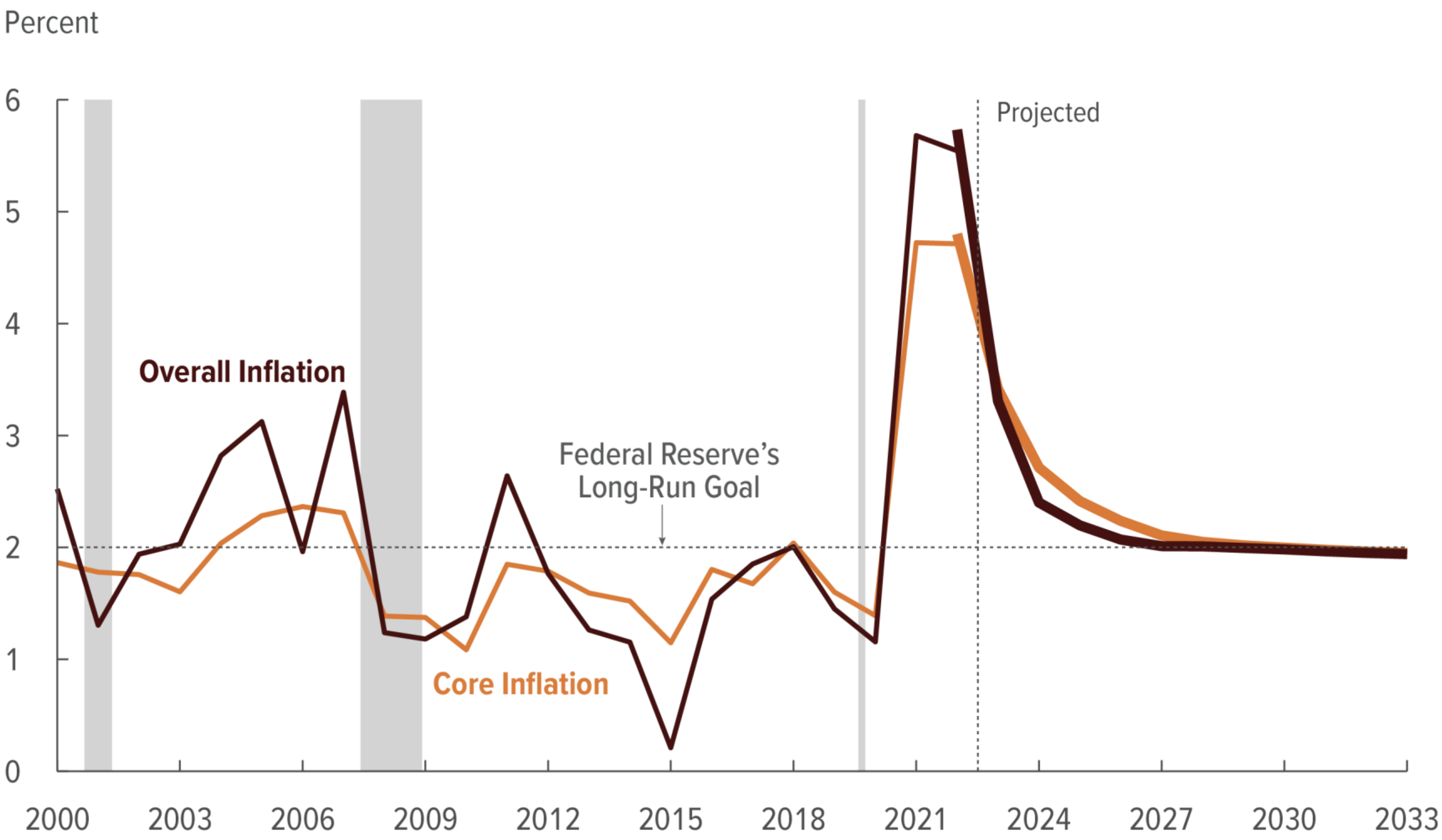
The Economy

Interest Rates



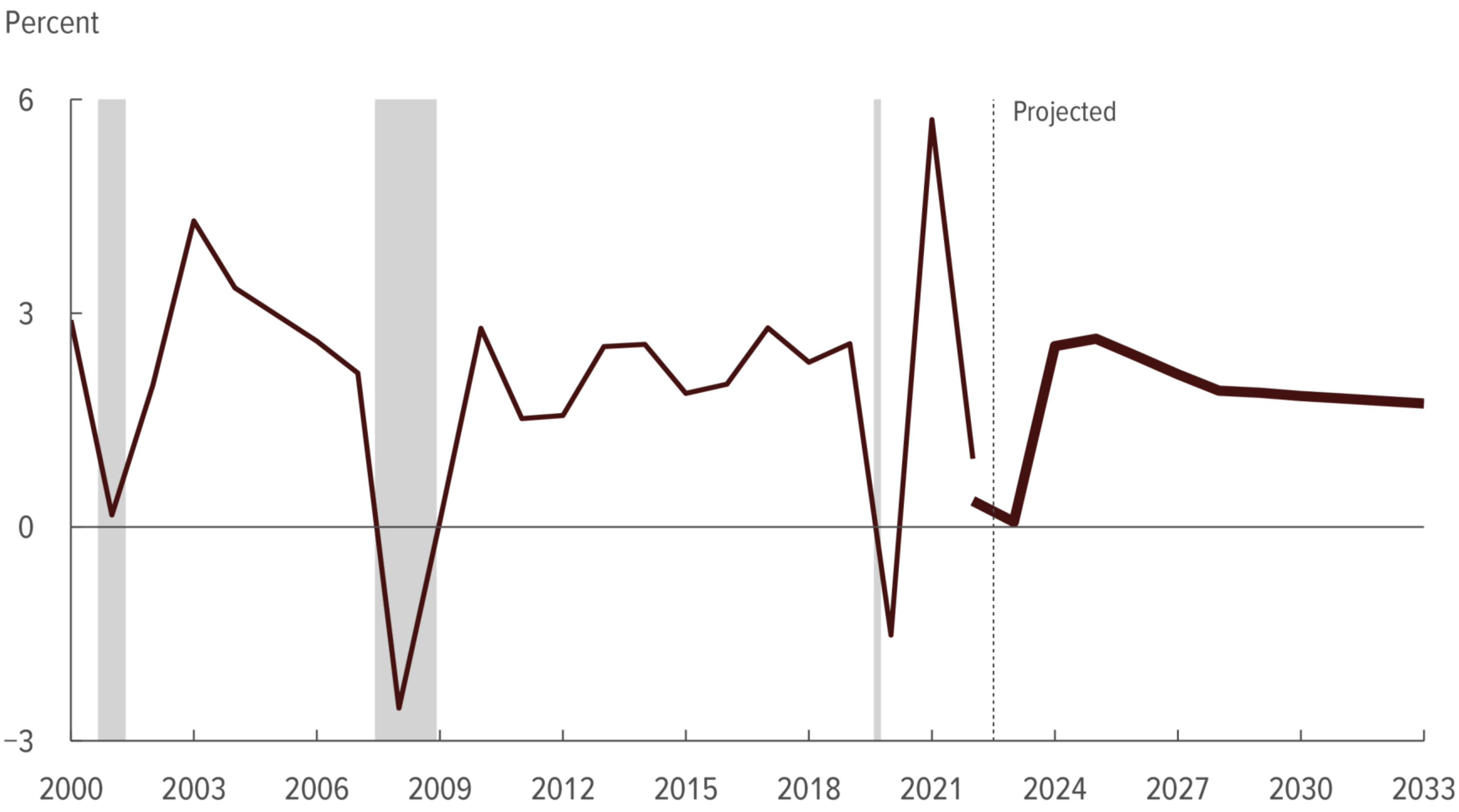
In CBO's projections, the Federal Reserve further increases the target range for the federal funds rate in early 2023 to reduce inflationary pressures in the economy. That rate is projected to fall in 2024, as inflation slows and unemployment rises. The interest rate on 10-year Treasury notes, however, remains at 3.8 percent from 2024 to the end of the projection period.

Inflation



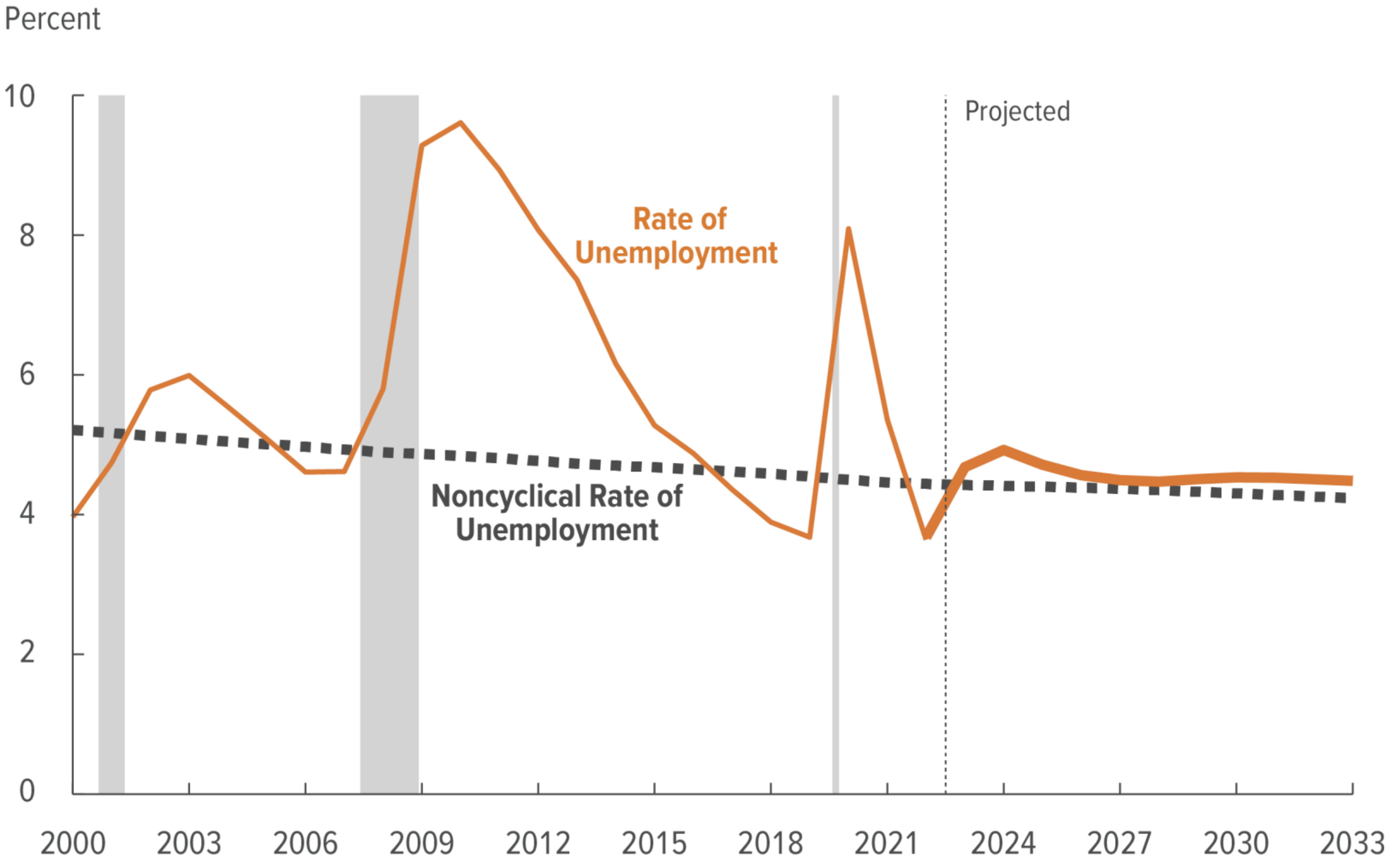
In CBO's projections, inflation declines in 2023 as pressures ease from factors that, since mid-2020, have caused demand to grow more rapidly than supply. That decline continues until 2027, when the rate of inflation reaches the Federal Reserve's long-run goal. (Inflation is measured by the price index for personal consumption expenditures.)

Growth of Real GDP



In CBO’s projections, output growth comes to a halt in 2023 in response to the sharp rise in interest rates during 2022. Then, as falling inflation allows the Federal Reserve to reduce the target range for the federal funds rate, the growth of real GDP rebounds, led by the interest-sensitive sectors of the economy.

Unemployment



The unemployment rate rises through early 2024, reflecting the slowdown in economic growth. The rate falls thereafter as output returns to its historical relationship with potential output.