

The Outlook for the Budget and the Economy

May 13, 2024

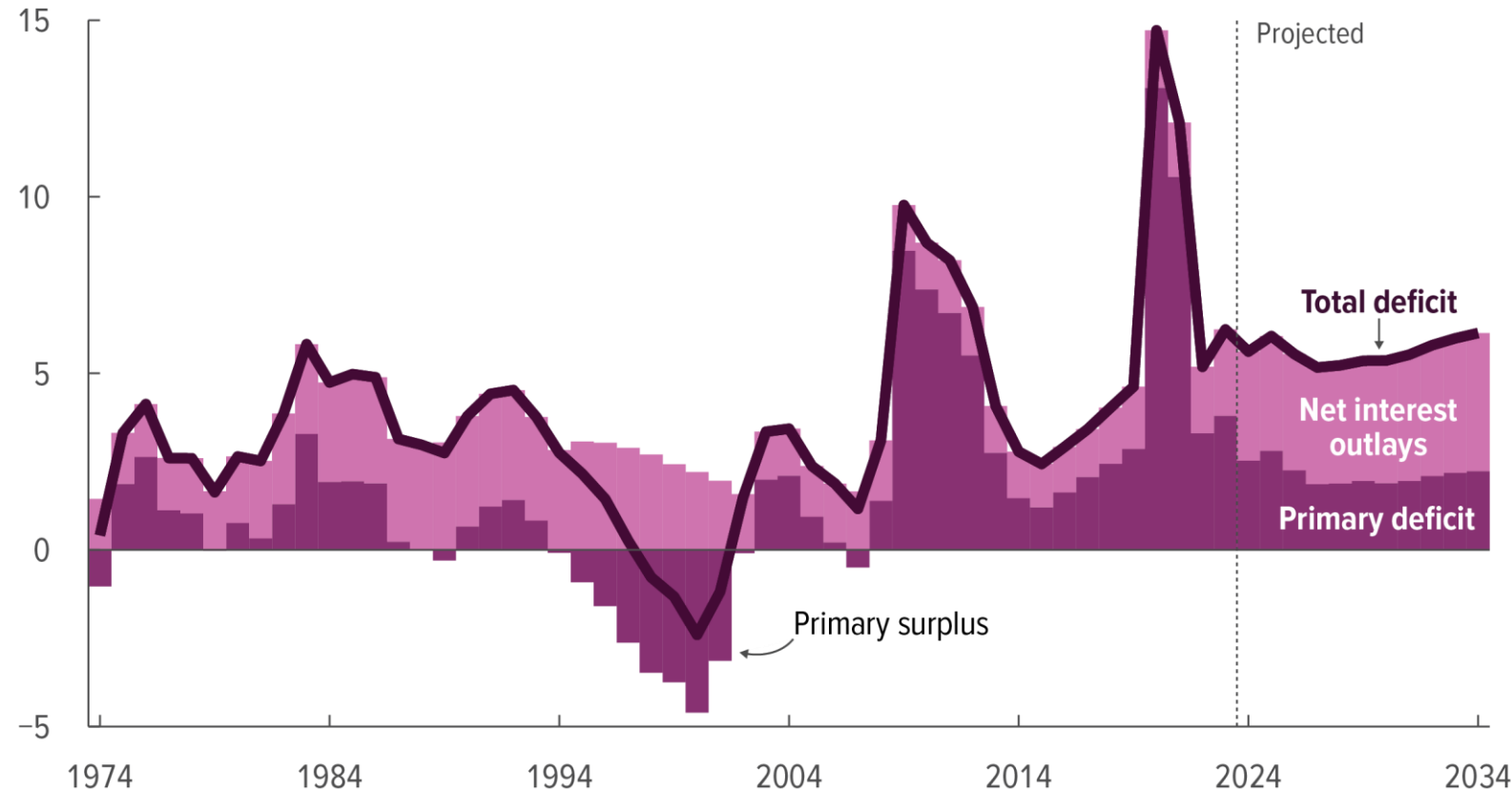
Presentation at the American Enterprise Institute

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Total Deficit, Net Interest Outlays, and Primary Deficit

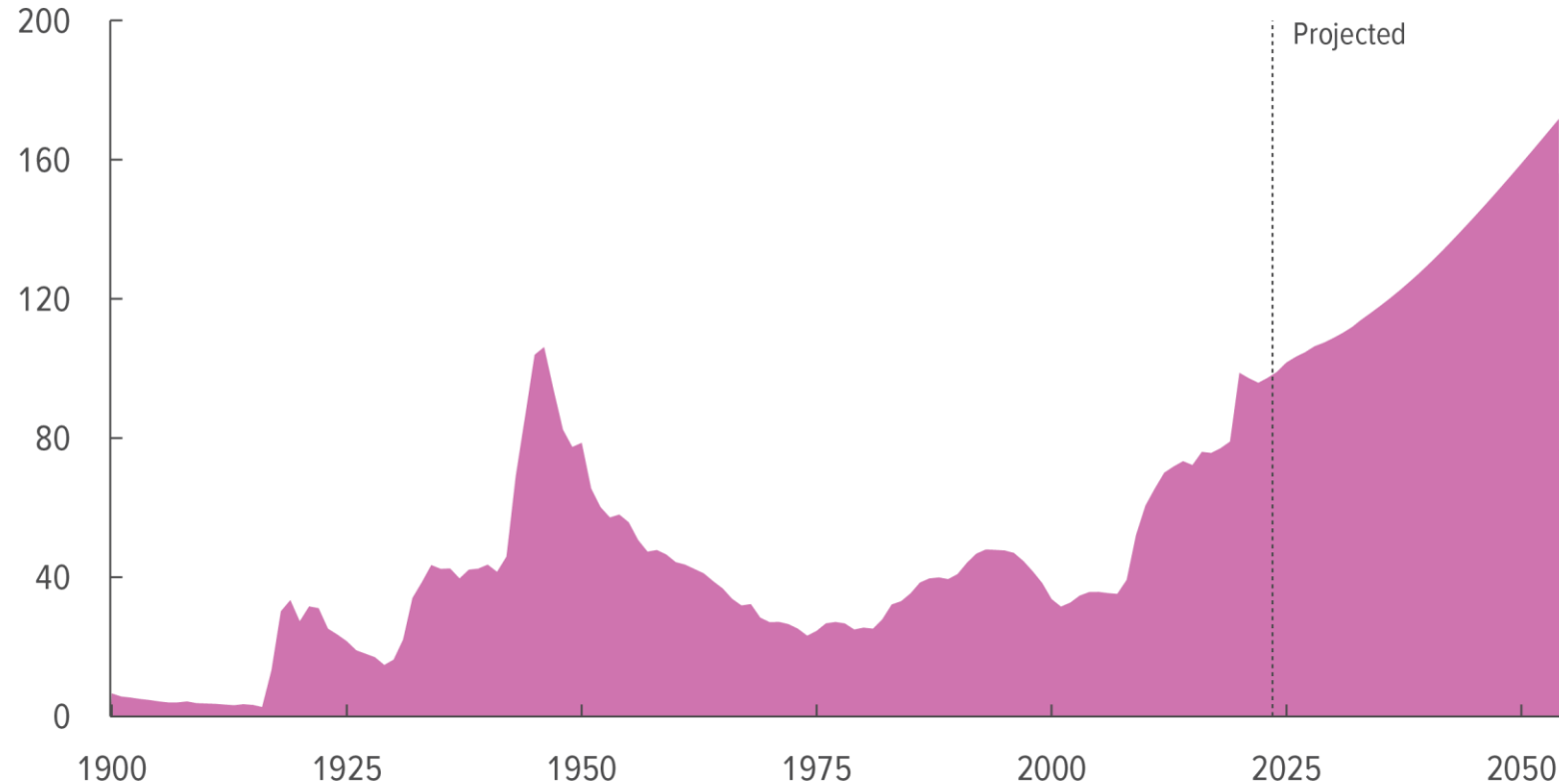
Percentage of GDP



In CBO's projections, the total budget deficit—the amount by which outlays exceed revenues—equals 6.1 percent of GDP in 2034. Net interest payments grow in relation to GDP, reaching 3.9 percent of GDP in 2034. Primary deficits increase in 2025, decline over the next few years, and then increase again.

Federal Debt Held by the Public

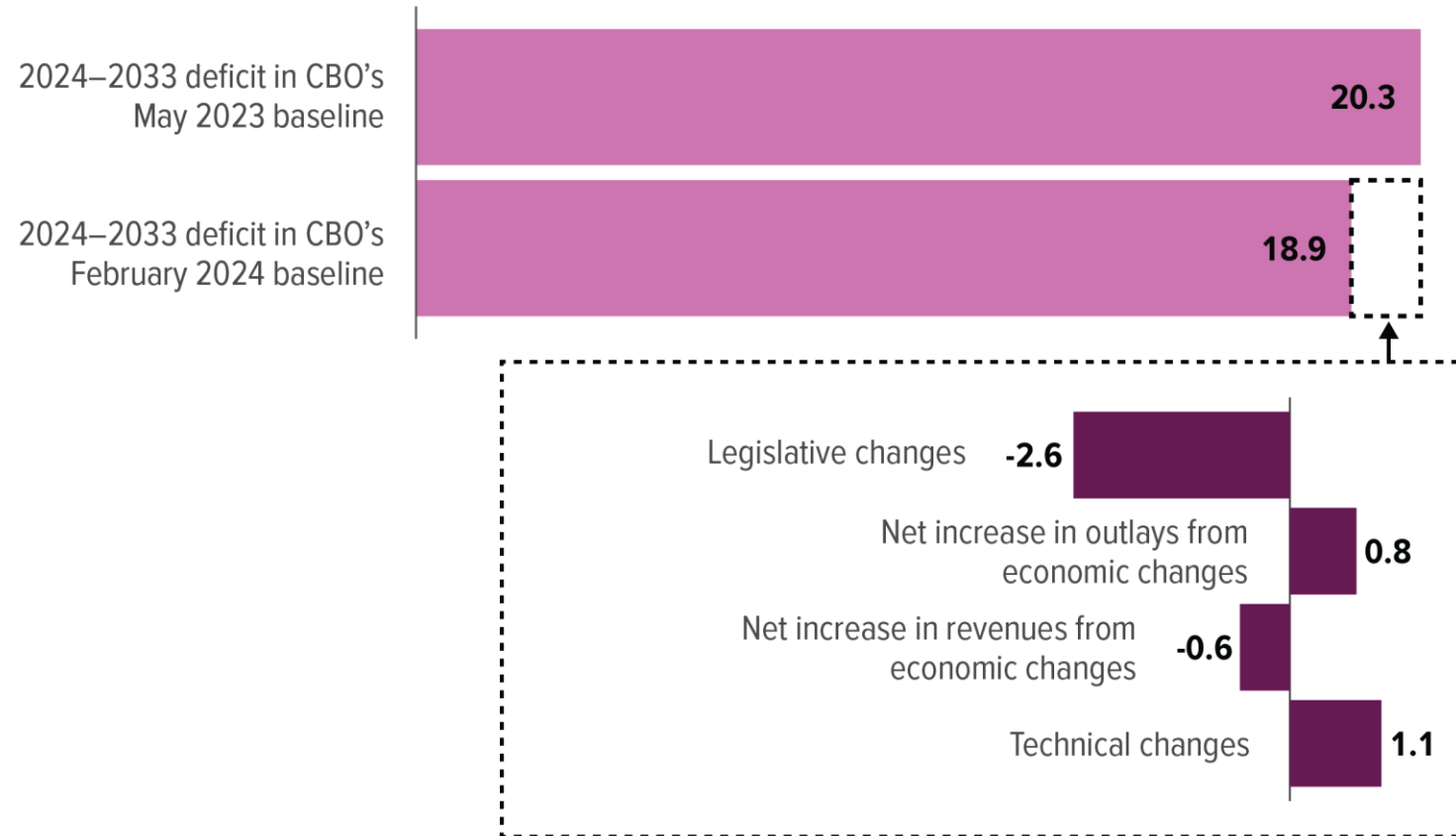
Percentage of GDP



Federal debt held by the public increases each year in CBO's projections, swelling to an all-time record of 116 percent of GDP in 2034. In the two decades that follow, growing deficits are projected to cause federal debt to soar to 172 percent of GDP by 2054.

Changes in CBO's Baseline Projections of the 10-Year Deficit Since May 2023

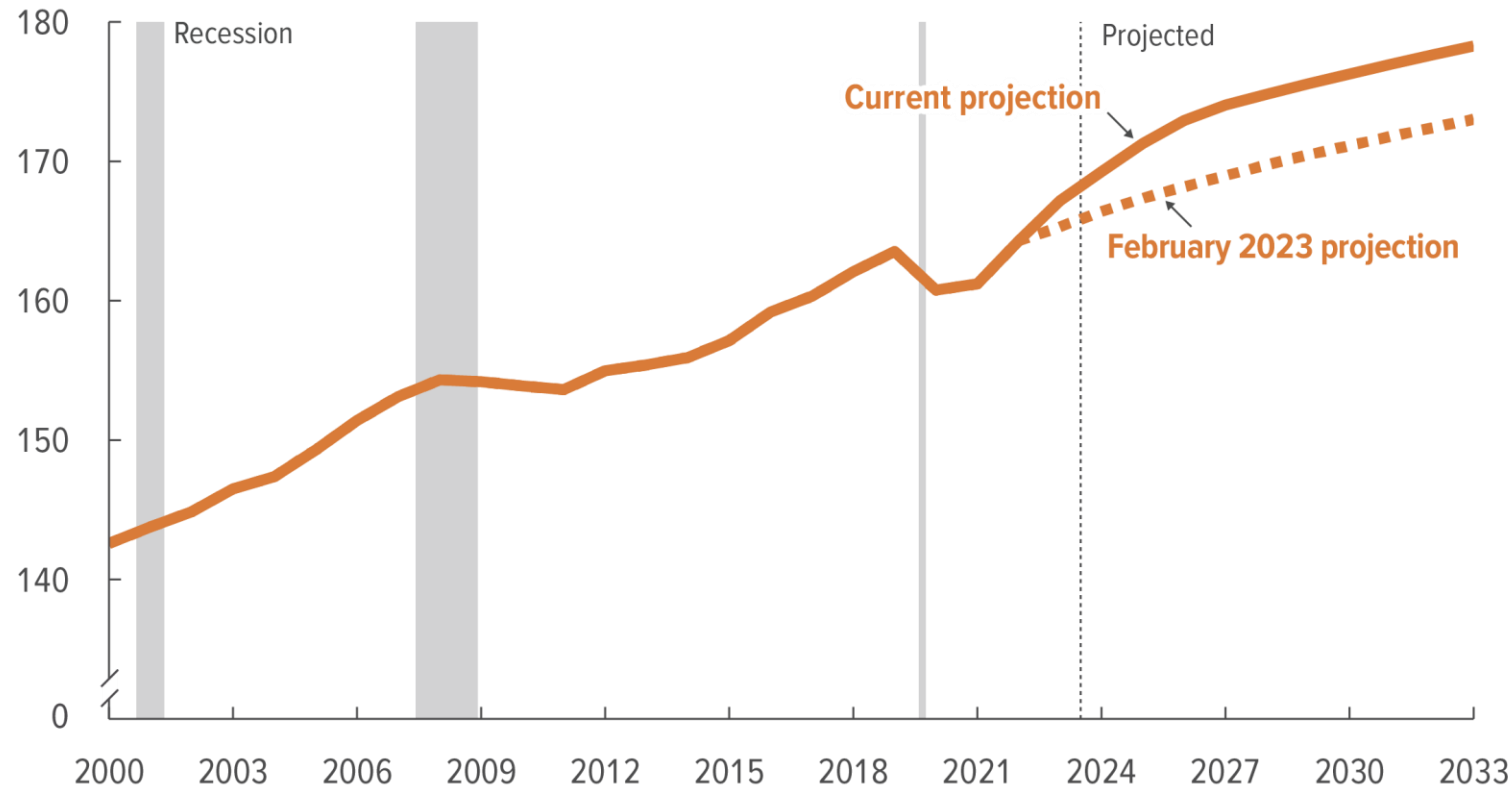
Trillions of dollars



The cumulative deficit over the 2024–2033 period is \$1.4 trillion smaller in CBO's current baseline projections than it was in the agency's May 2023 projections, mainly because of newly enacted legislation that reduced discretionary outlays.

Labor Force

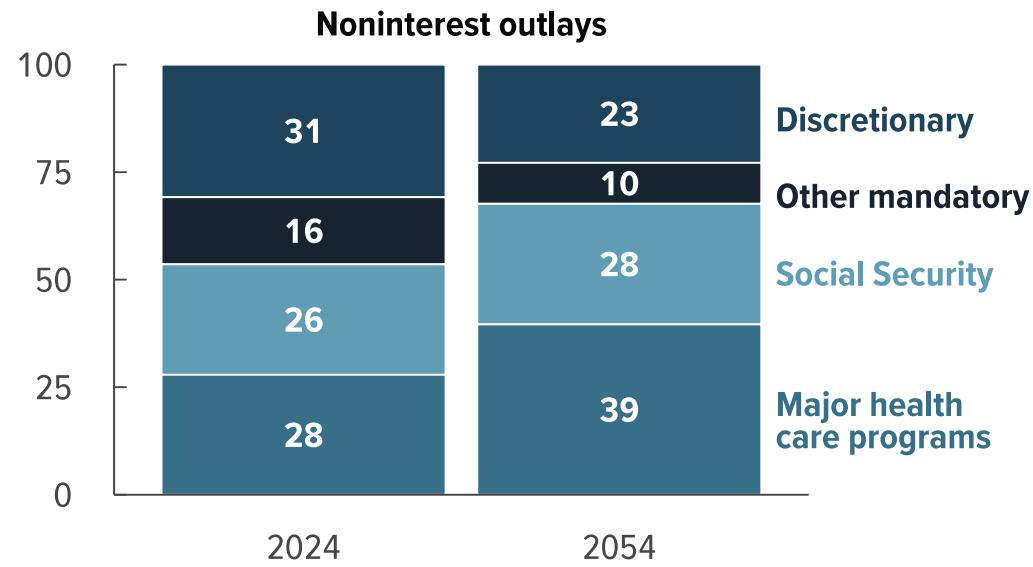
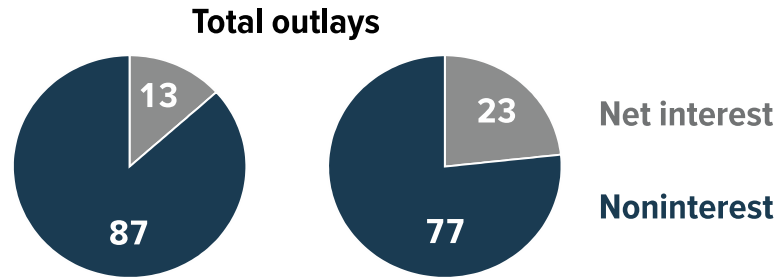
Millions of people



Since last year, CBO has increased its projection of the size of the labor force in 2033 by 5.2 million people. Most of that increase results from higher projected net immigration.

Composition of Outlays, 2024 and 2054

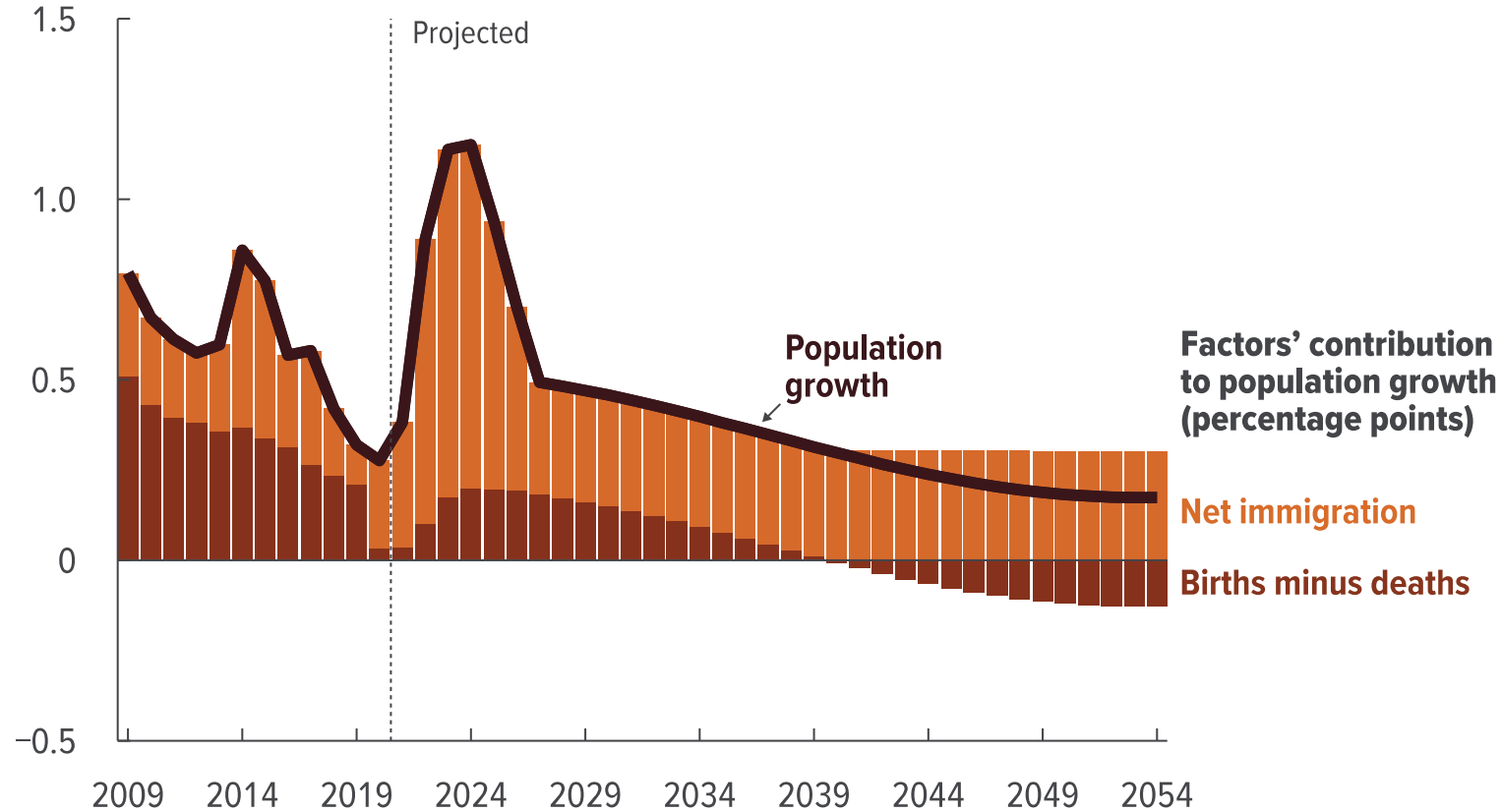
Percent



In CBO's projections for 2054, net interest costs account for nearly a quarter of all federal outlays, and spending for the major health care programs accounts for two-fifths of noninterest outlays, both of which represent significant increases from 2024.

Population Growth and the Demographic Factors That Contribute to It

Percent

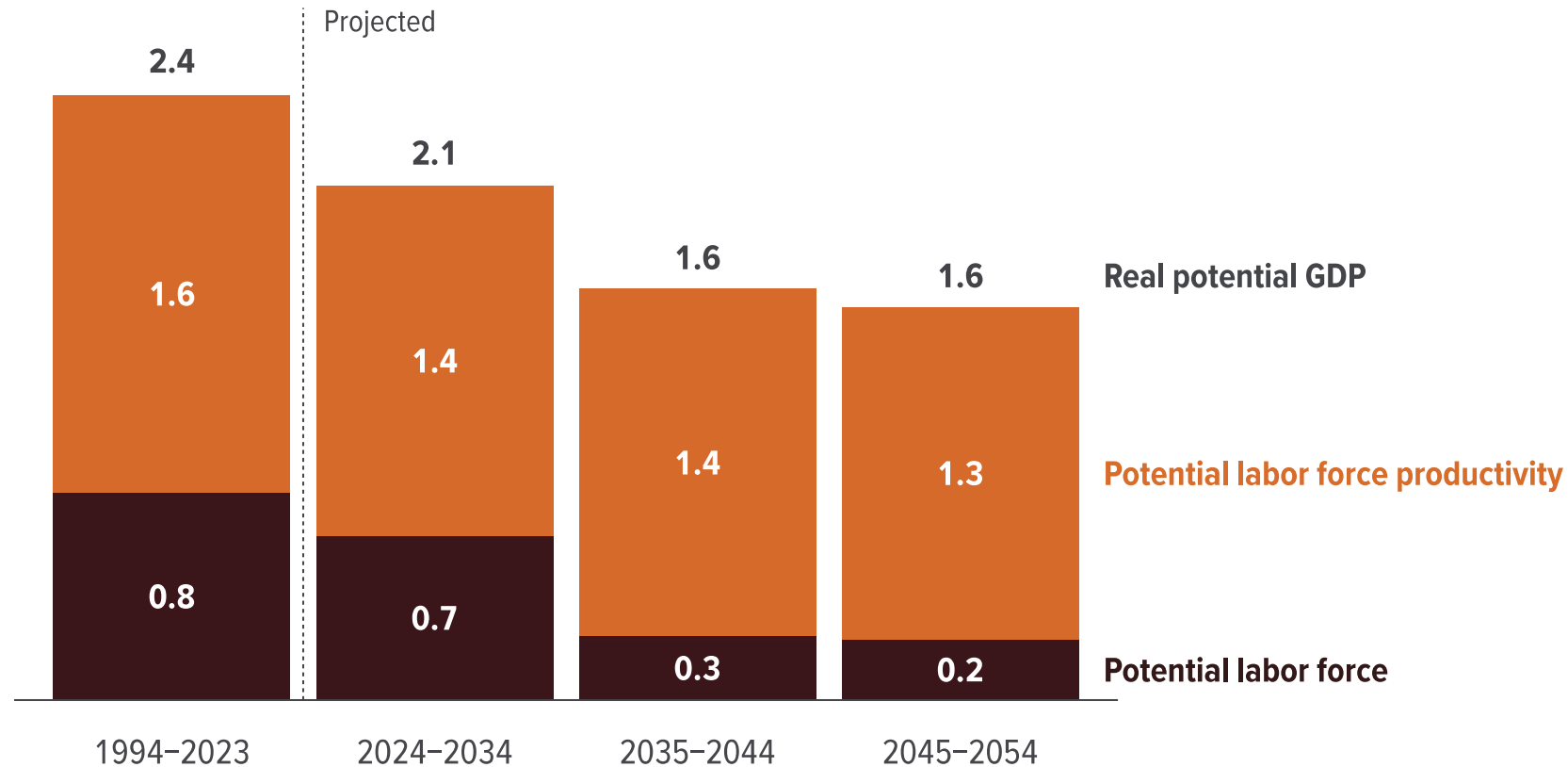


In CBO's projections, deaths exceed births beginning in 2040. As a result, without immigration the population would shrink thereafter.



Average Annual Growth of Real Potential GDP and Its Components

Percent



Real potential GDP is projected to grow more slowly from 2024 to 2054 than it has, on average, over the past 30 years. That decline is explained by slower growth in the potential labor force and in potential labor force productivity.