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

The Long-Term Budget Outlook: 2025 to 2055
Executive Summary

MARCH | 2025

Each year, the Congressional Budget Office publishes a report presenting its projections of what the federal budget and the economy would look like over the next 30 years if current laws generally remained unchanged. This report is the latest in that series. The long-term projections presented here are based on the demographic, economic, and 10-year budget projections that CBO published in January 2025. The demographic projections reflect information, laws, and policies as of November 15, 2024. The economic projections reflect laws, policies, and economic developments as of December 4, 2024. The budget projections include the effects of legislation enacted as of January 6, 2025. The projections do not reflect the effects of administrative actions taken or judicial decisions made after those respective dates, including actions and decisions affecting immigration, tariffs, and other policy areas.

The Long-Term Budget Outlook

Debt

In CBO's projections, federal debt held by the public, measured as a percentage of gross domestic product (GDP), increases in every year of the 2025–2055 period. By 2029, that debt climbs to 107 percent of GDP, exceeding the historical peak it reached immediately after World War II. In 2055, it reaches 156 percent of GDP and remains on track to increase thereafter. Such large and growing debt would slow economic growth, push up interest payments to foreign holders of U.S. debt, and pose significant risks to the fiscal and economic outlook; it could also cause lawmakers to feel constrained in their policy choices.

Deficits

The total federal budget deficit remains large by historical standards over the next 30 years, averaging 6.3 percent of GDP—more than one and a half times its average over the past 50 years—and reaching 7.3 percent of GDP in 2055. Those amounts are the result of rising interest costs and sustained primary deficits, which exclude net outlays for interest. Primary deficits average 2.0 percent of GDP over the 30-year period; over the past 50 years, they averaged 1.7 percent of GDP.

Outlays and Revenues

Federal outlays rise over the next 30 years, reaching 26.6 percent of GDP in 2055. They have exceeded that level only twice: during World War II and during the coronavirus pandemic. Growth in net interest costs; spending for federal health care programs, particularly Medicare; and spending for Social Security, especially over the next decade, drive that increase. Measured as a percentage of GDP, revenues increase over the next few years, largely because of the scheduled expiration of certain provisions of the 2017 tax act. Revenues generally continue to rise thereafter, reaching 19.3 percent of GDP in 2055, mainly because growth in real income (that is, income adjusted to remove the effects of changes in prices) boosts receipts from individual income taxes.

Changes in CBO's Budget Projections

Federal debt held by the public in 2054 is now projected to be 12 percent of GDP less than it was projected to be in last year's report, and the deficit is now projected to be 1.3 percent of GDP less. Lower spending, particularly for net interest costs and Medicare, and higher revenues in CBO's current projections result in smaller debt and deficits.

Projections for **2055**

Debt held by the public: **156%** of GDP

Budget deficit: **7.3%** of GDP

Outlays: **26.6%** of GDP

Revenues: **19.3%** of GDP

Outlook for **Debt and Deficits**

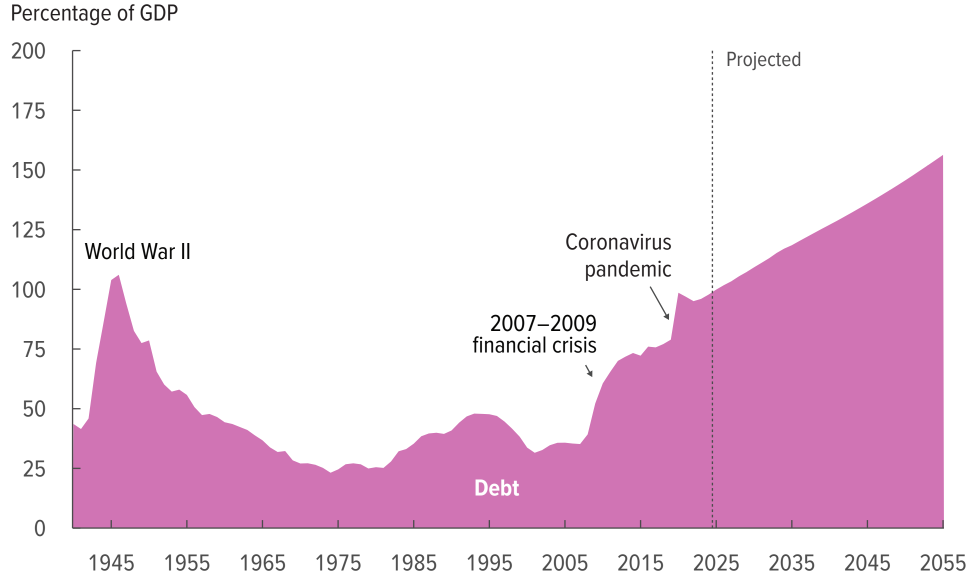
Debt held by the public reaches **107%** of GDP in 2029, exceeding the historical peak reached just after World War II, and its growth continues through 2055.

Deficits average **6.3%** of GDP over the 30-year period, which is **2.5** percentage points more than they averaged over the past 50 years.

The Budget Outlook in Five Figures

Federal Debt Held by the Public

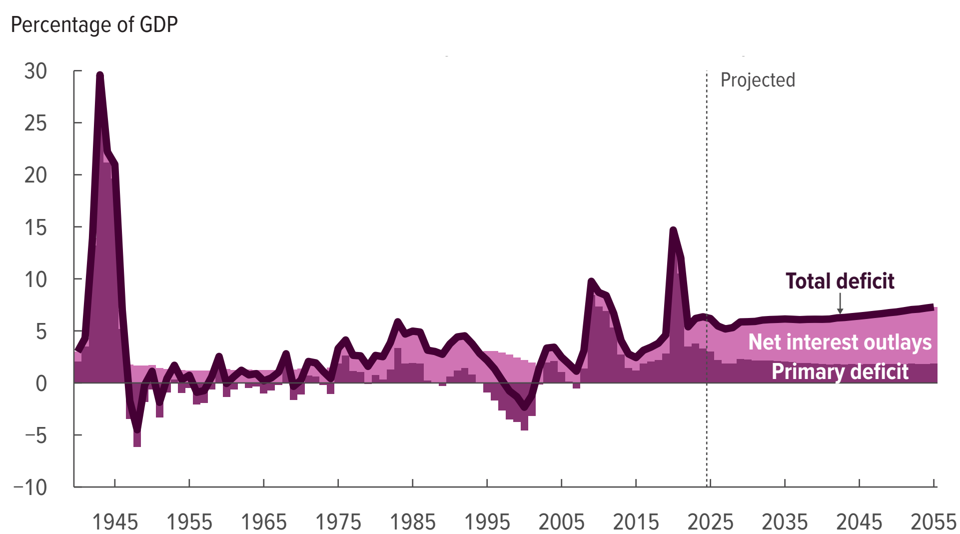
Debt increases in relation to GDP, exceeding any previously recorded level in 2029 and continuing to soar through 2055. It is on track to increase even more thereafter.



See Figure 1-1.

Total Deficits, Primary Deficits, and Net Interest Outlays

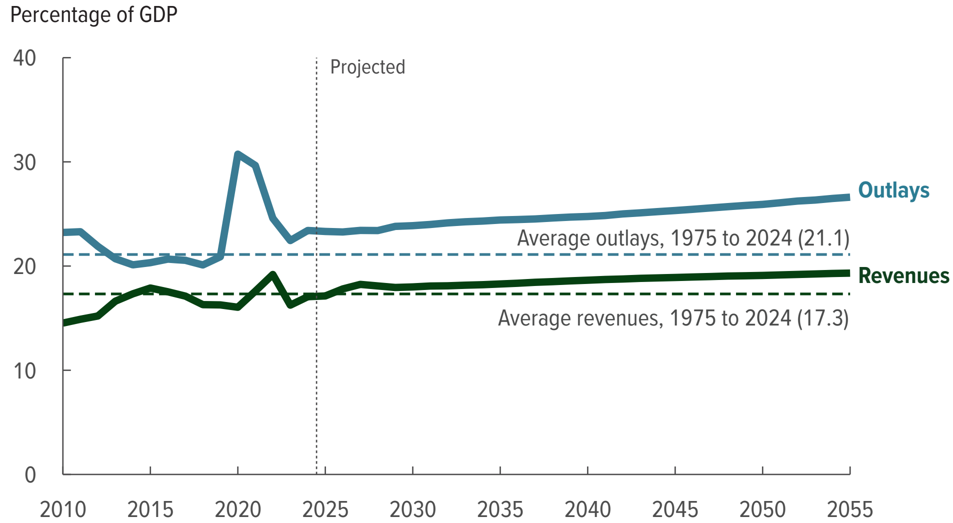
In CBO's projections, sustained primary deficits (which exclude net interest costs), combined with the growing federal debt held by the public and the rising average interest rate on that debt, cause net outlays for interest measured as a percentage of GDP to increase more than one and a half times by 2055. That year, the total deficit is 7.3 percent of GDP.



See Figure 1-1.

Total Outlays and Revenues

From 2025 to 2055, federal spending continues to exceed revenues. Spending and revenues each represent a larger percentage of GDP over that period than they did, on average, over the past 50 years.



See Figure 2-1.

Outlook for **Spending**

Net outlays for interest increase more than one and a half times, reaching **5.4%** of GDP in 2055.

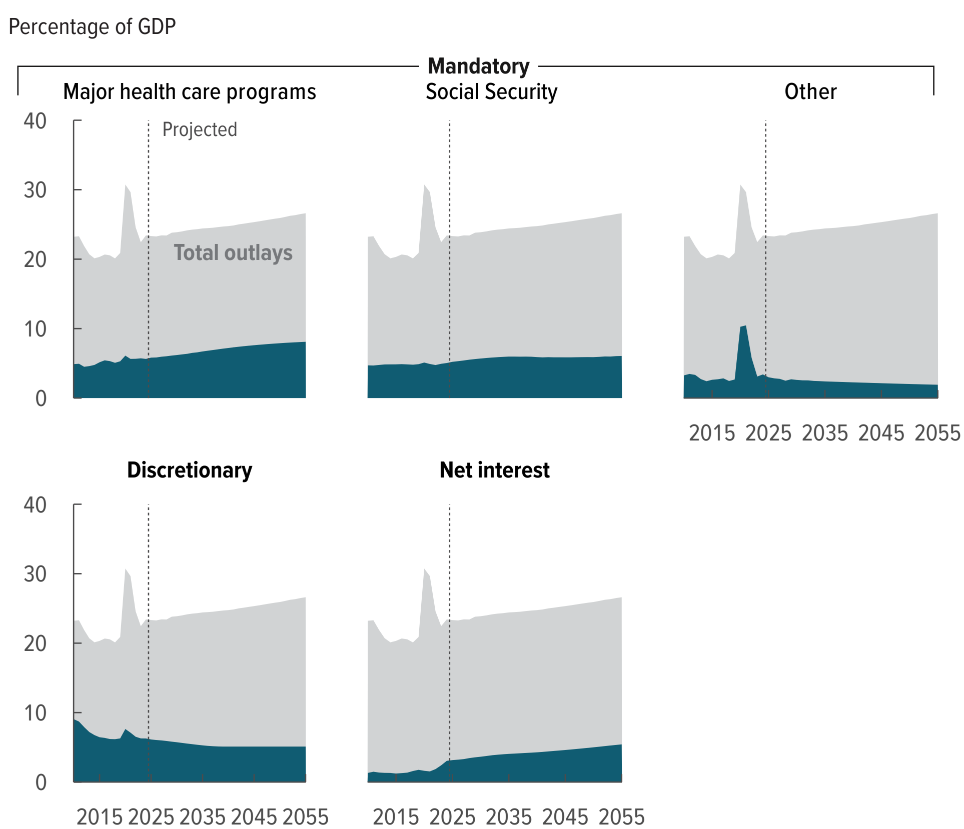
Outlays for the major health care programs climb to **8.1%** of GDP in 2055.

Outlays, by Category

Total outlays grow by 3.3 percent of GDP from 2025 to 2055. Driven by increases in the average interest rate on federal debt and mounting debt, net outlays for interest measured in relation to the size of the economy increase more than one and a half times over the period, reaching 5.4 percent of GDP in 2055.

As the population ages and health care costs grow, outlays for the major health care programs measured in relation to the economy also rise over the next three decades, by 2.3 percentage points between 2025 and 2055. That year, outlays for Social Security, Medicare, and Medicaid for people age 65 or older account for more than 50 percent of all noninterest spending.

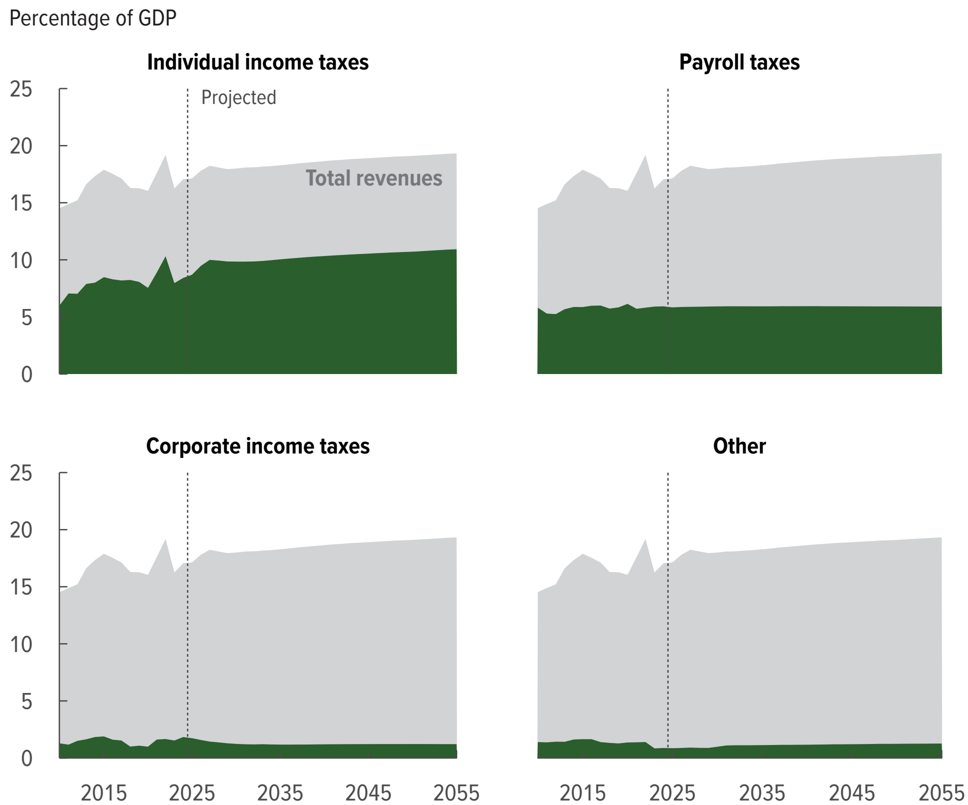
See Figure 2-2.



Revenues, by Source

Total revenues grow by 2.2 percent of GDP from 2025 to 2055. Receipts from individual income taxes account for nearly all of that growth because increases in real income (income that is adjusted to remove the effects of changes in prices) mean that a larger share of income becomes subject to higher tax rates.

See Figure 2-6.



The Long-Term Budget Outlook, by Fiscal Year

Percentage of GDP	Average, 1995–2024	Actual, 2024	2025	2035	2045	2055
Revenues	**17.2**	**17.1**	**17.1**	**18.3**	**18.9**	**19.3**
Individual income taxes	8.1	8.4	8.7	10.0	10.5	10.9
Payroll taxes	6.0	5.9	5.8	5.9	5.9	5.9
Corporate income taxes	1.7	1.8	1.7	1.2	1.2	1.2
Other	1.4	0.9	0.9	1.1	1.2	1.3
Outlays	**21.1**	**23.4**	**23.3**	**24.4**	**25.3**	**26.6**
Mandatory	12.3	14.1	14.0	15.1	15.6	16.1
Social Security	4.5	5.0	5.2	6.0	5.9	6.1
Major health care programs	4.4	5.6	5.8	6.7	7.6	8.1
Medicare	2.6	3.0	3.1	4.0	4.8	5.2
Medicaid, CHIP, and premium tax credits and related spending	1.8	2.6	2.7	2.7	2.8	2.9
Other mandatory	3.3	3.4	3.0	2.4	2.1	1.9
Discretionary	7.0	6.3	6.1	5.3	5.1	5.1
Net interest	1.8	3.1	3.2	4.1	4.6	5.4
Total deficit (-)	**-3.9**	**-6.4**	**-6.2**	**-6.1**	**-6.4**	**-7.3**
Primary deficit (-)	-2.1	-3.3	-3.0	-2.1	-1.8	-1.9
Debt held by the public at the end of each period	60	98	100	118	136	156

See Chapter 1 and Chapter 2. When October 1 (the first day of the fiscal year) falls on a weekend, certain payments that would have ordinarily been made on that day are instead made at the end of September and thus are shifted into the previous fiscal year. Outlays and deficits have been adjusted to remove the effects of those timing shifts.

The Long-Term Demographic and Economic Outlook

Demographic trends are key determinants of the long-term budget and economic outlook. In CBO's projections, the U.S. population grows more slowly over the next 30 years than it did over the past 30 years. Without immigration, the population would begin to shrink in 2033, in part because fertility rates remain below the rate that would be required for a generation to replace itself.

Economic Growth

In CBO's projections, real GDP grows at an average rate of 1.6 percent per year from 2025 to 2055, slightly slower than the growth of real potential GDP—the maximum sustainable output of the economy—over that period. Real potential GDP is projected to increase at an average rate of 1.7 percent per year over the next 30 years, slower than the 2.4 percent average growth seen over the past 30 years. That slowdown is attributable to slower growth over the 2025–2055 period in the potential labor force (an estimate of how big the labor force would be if economic output and other key variables were at their maximum sustainable amounts) and of potential labor force productivity (the ratio of real potential GDP to the potential labor force).

Potential Labor Force

The potential labor force grows by an average of 0.3 percent per year over the next 30 years—much more slowly than the average annual growth of 0.8 percent seen over the past 30 years. Most of that slowdown stems from slower population growth and increases in the average age of the population.

Potential Labor Force Productivity

The growth of potential labor force productivity slows over the next 30 years because of two key factors: the slower accumulation of capital (mainly attributable to increased federal borrowing) and slower growth of total factor productivity (the average real output per unit of combined labor and capital services) in the nonfarm business sector.

Inflation and Interest Rates

Inflation slows through 2027 to a rate that is consistent with the Federal Reserve's long-term goal of 2 percent. Over that period, interest rates on 10-year Treasury notes stay close to their average over the past 30 years. Interest rates are projected to face upward pressure from increases in federal borrowing and downward pressure from slowdowns in the growth of the labor force.

Changes in CBO's Economic Projections

Compared with last year's long-term economic projections, CBO's current projections include slower average annual growth of real GDP, slower growth of real potential GDP over the latter part of the projection period, a smaller labor force at the end of the period, little change in the outlook for inflation, and generally lower interest rates. The slower growth of real GDP in this year's projections stems mainly from slower growth of private investment and consumer spending over the next decade and slower growth of real potential GDP over the last decade of the projection period. The slower growth of real potential GDP reflects a reduction in CBO's projections of population growth. Changes to population projections also reduce the projected growth of the labor force over the last 10 years of the projection period. The interest rate on 10-year Treasury notes is lower than CBO projected last year because of changes to CBO's method for forecasting interest rates on Treasury securities; those changes account for projections of inflation that are lower in the future than historical averages.

Outlook for **Economic Growth**

The growth of real GDP averaged **2.5%** per year over the past 30 years. Over the next 30 years, real GDP growth averages **1.6%** per year.

Outlook for the
Population

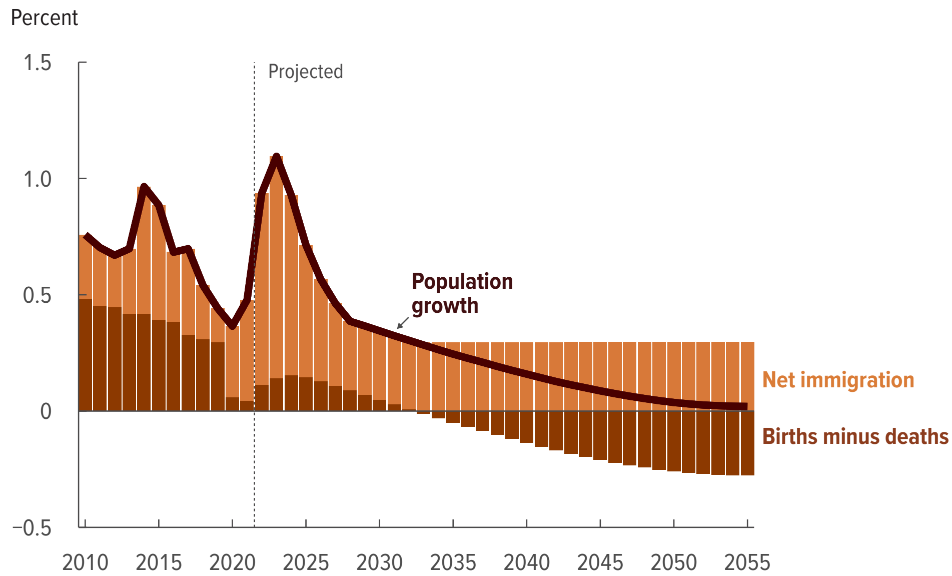
Without immigration, the U.S. population would start to shrink in 2033.

Slower growth of the population leads to slower growth in the labor force.

The Demographic and Economic Outlook in Four Figures

Population Growth and Contributing Factors

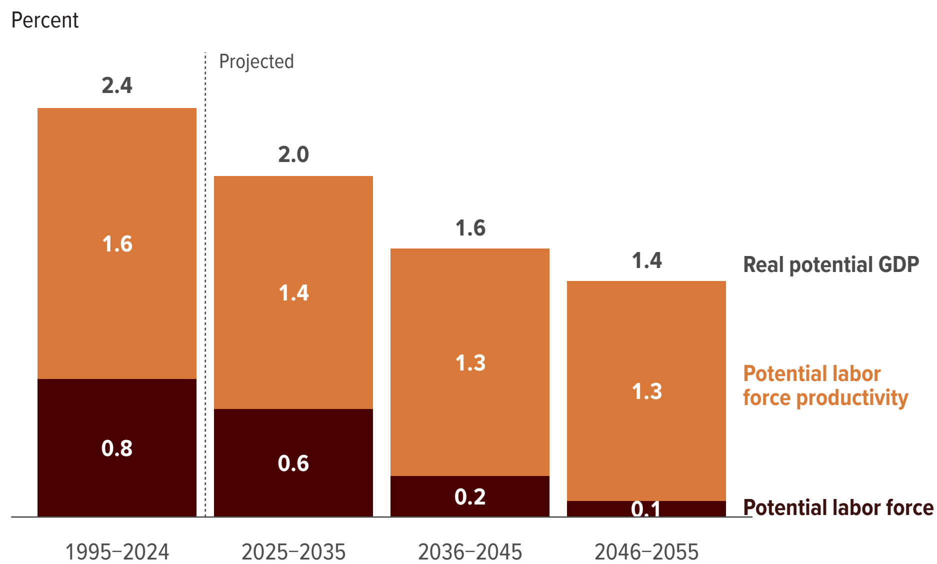
In CBO's projections, deaths exceed births beginning in 2033. Thereafter, without immigration, the U.S. population would shrink.



See Figure 3-1.

Average Annual Growth of Real Potential GDP and Its Components

Real potential GDP grows more slowly from 2025 to 2055 than it has, on average, over the past 30 years. That decline is explained by slower projected growth in the size and productivity of the potential labor force.

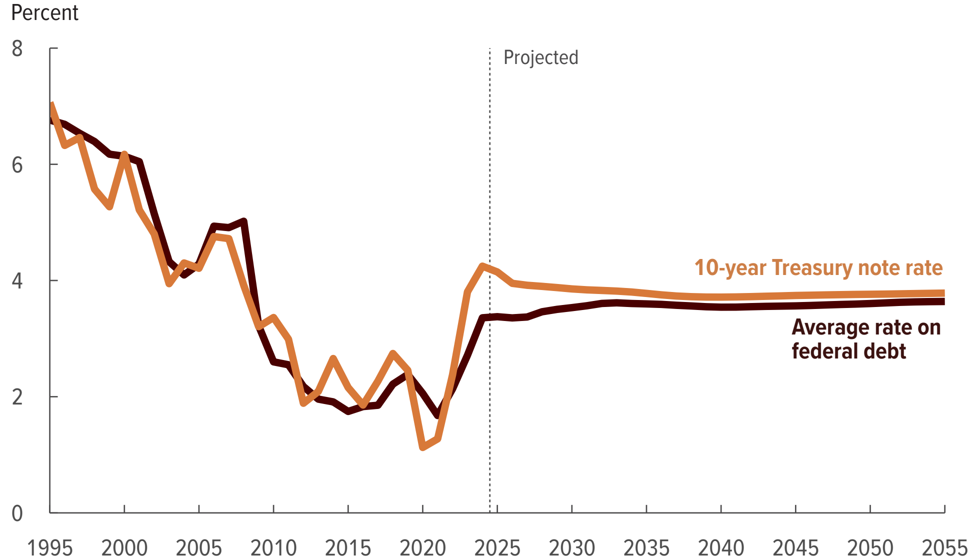


See Figure 3-3.

Average Interest Rates on Federal Debt and on 10-Year Treasury Notes

In CBO's projections, the interest rate on 10-year Treasury notes and the average rate on federal debt held by the public through 2025 are similar to what they were, on average, over the past 30 years. Interest rate projections reflect upward pressure from growing federal debt and downward pressure from slower growth of the labor force.

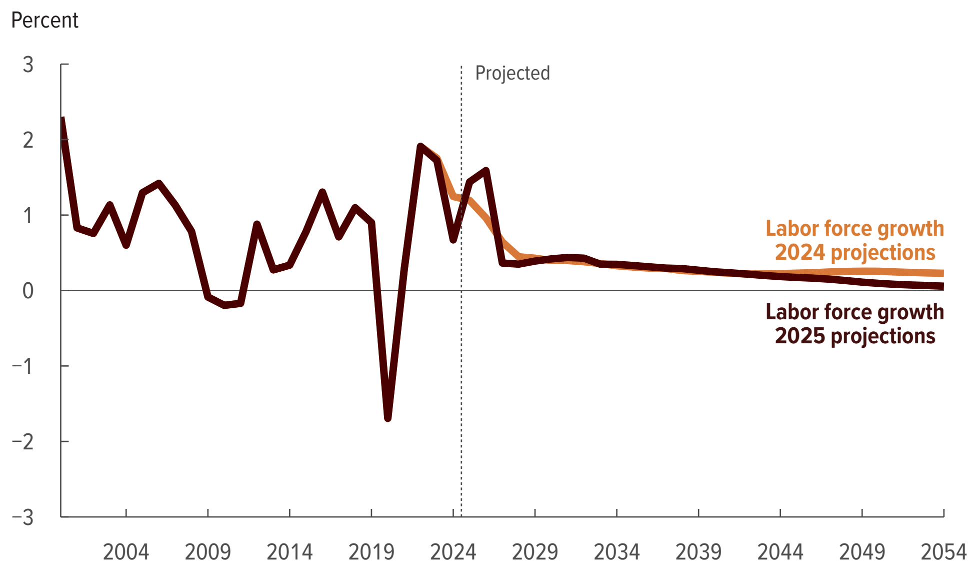
See Figure 3-4



CBO's 2024 and 2025 Projections of Labor Force Growth

In CBO's current projections, the labor force grows at roughly the same rate through 2044 as CBO projected last year. After that, the labor force grows more slowly in this year's projections than in last year's because of slower projected growth of the population.

See Figure B-2.



The Long-Term Economic Outlook, by Calendar Year

Percent

	Average, 1995–2024	Actual, 2024	2025	2035	2045	2055
Growth of real (inflation-adjusted) GDP	2.5	2.8	2.1	1.8	1.5	1.4
Inflation						
Growth of the PCE price index	2.1	2.5	2.2	2.0	2.0	2.0
Growth of the consumer price index for all urban consumers	2.5	3.0	2.2	2.3	2.3	2.3
Labor force participation rate	64.7	62.6	62.7	61.4	61.4	61.2
Unemployment rate	5.6	4.0	4.3	4.3	4.2	4.0
Interest rates						
On 10-year Treasury notes	3.7	4.2	4.1	3.8	3.7	3.8
On all federal debt held by the public (by fiscal year)	3.8	3.4	3.4	3.6	3.6	3.6

See Chapter 3 and Appendix C.