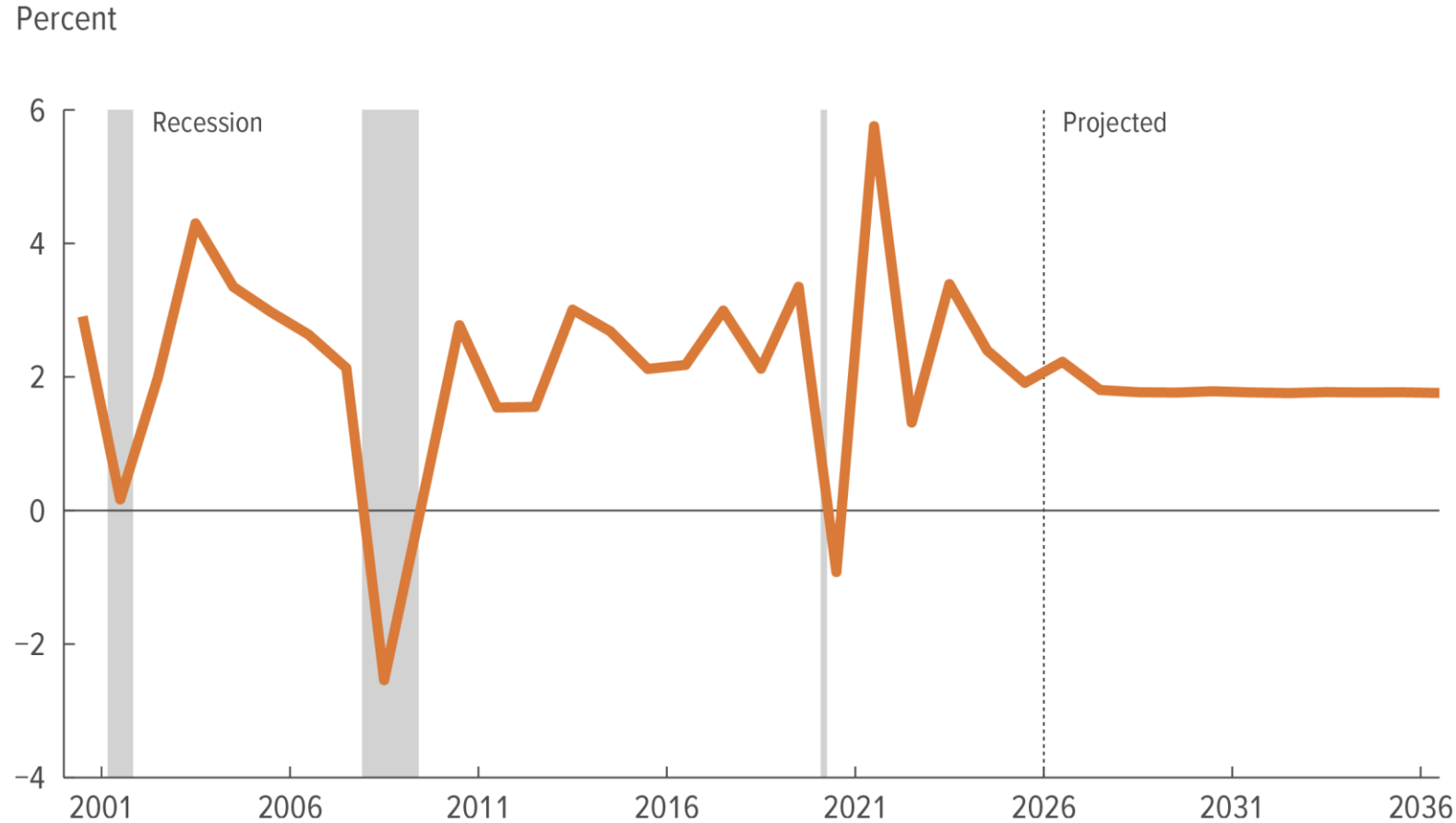


The Economic Outlook for 2026 to 2036 in 17 Slides

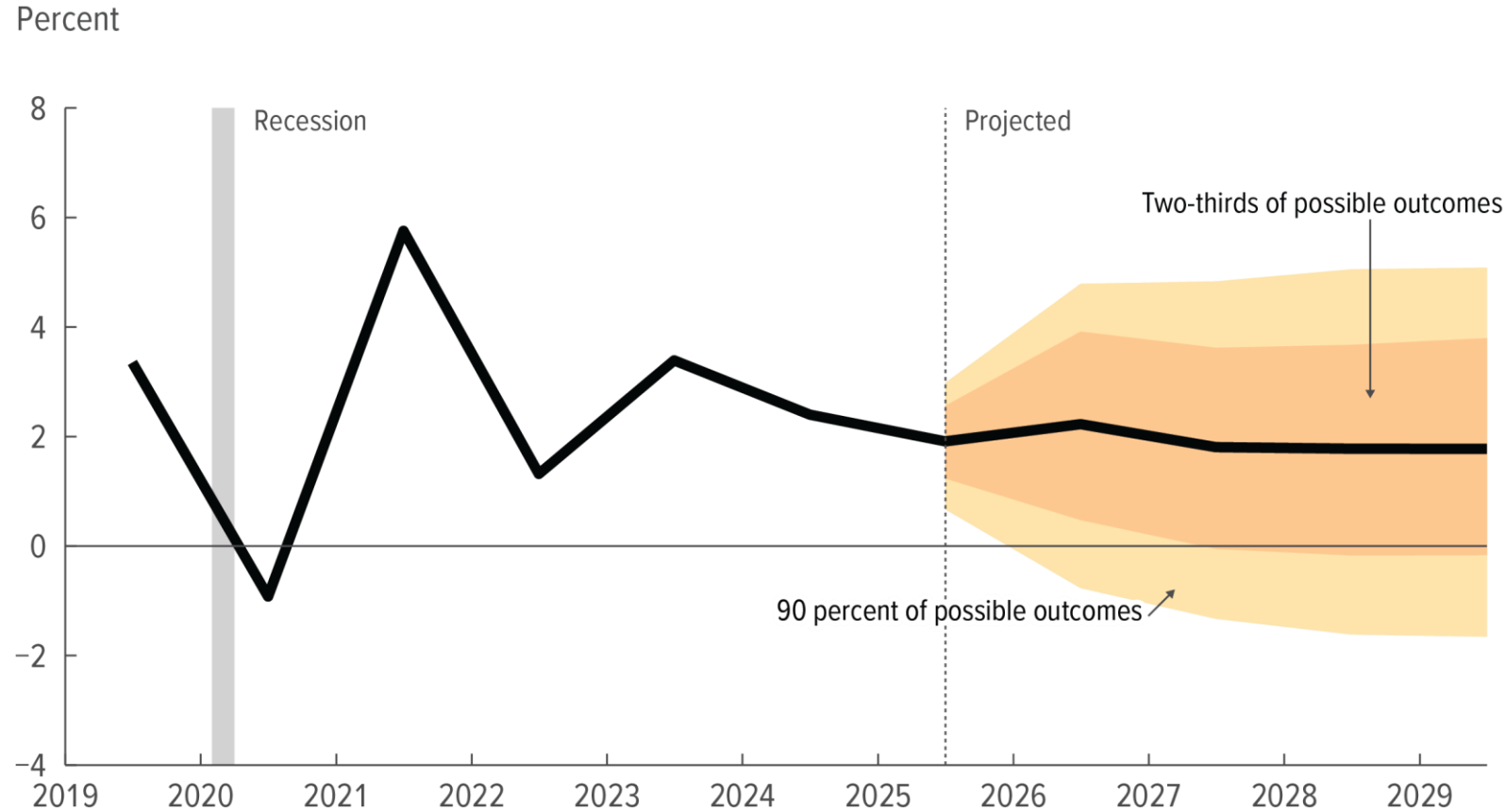
February 2026

Growth of Real GDP



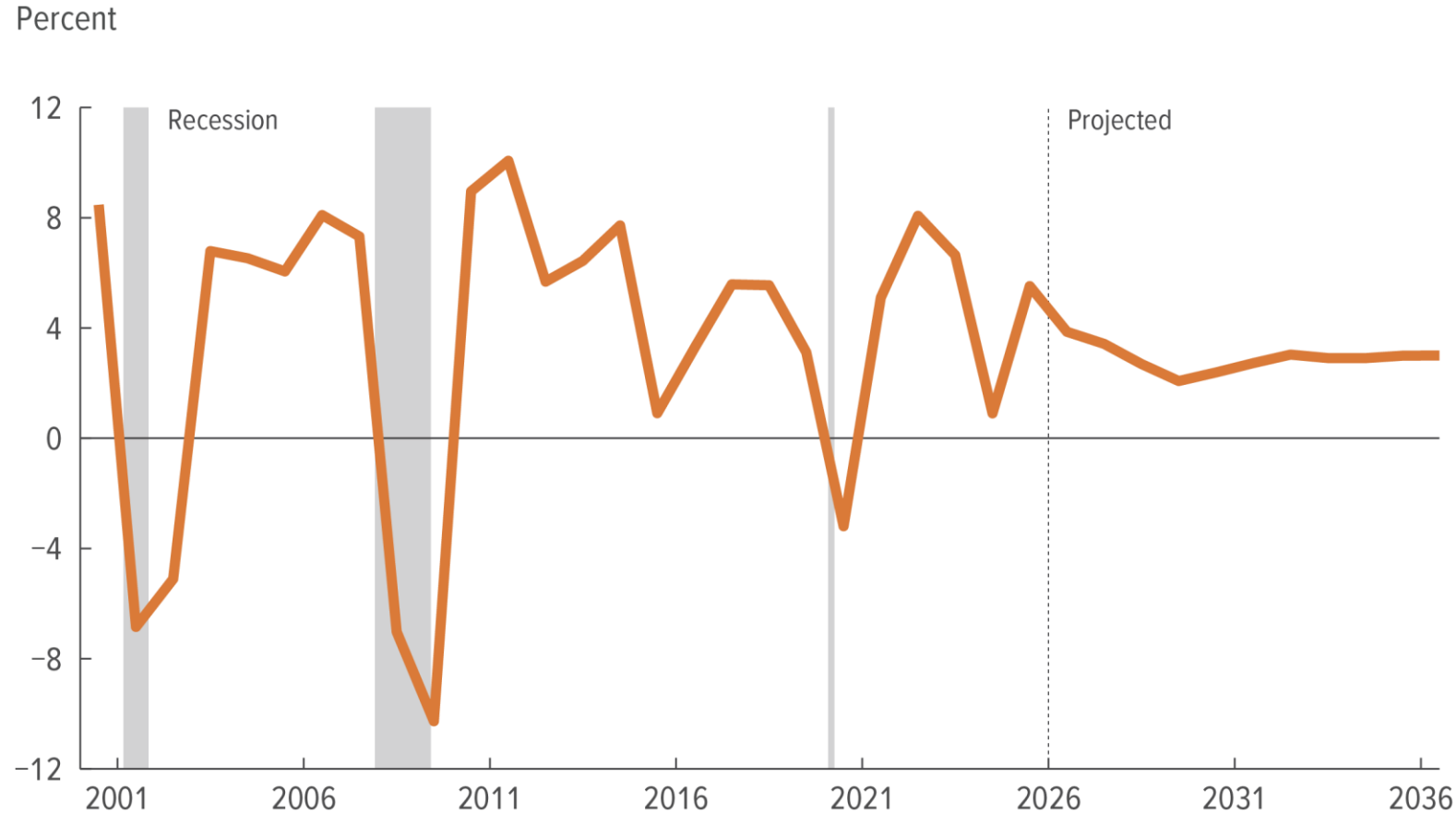
The growth of economic output increases in 2026 in CBO's projections as the 2025 reconciliation act boosts consumer spending and private investment and as economic activity rebounds following the lapse in discretionary appropriations in the fourth quarter of 2025. Economic growth then slows, averaging 1.8 percent per year from 2027 to 2036.

Uncertainty of CBO's Projections of Real GDP Growth



CBO estimates there is roughly a two-thirds chance that in 2026, the annual rate of real GDP growth will be between 0.5 and 3.9 percent.

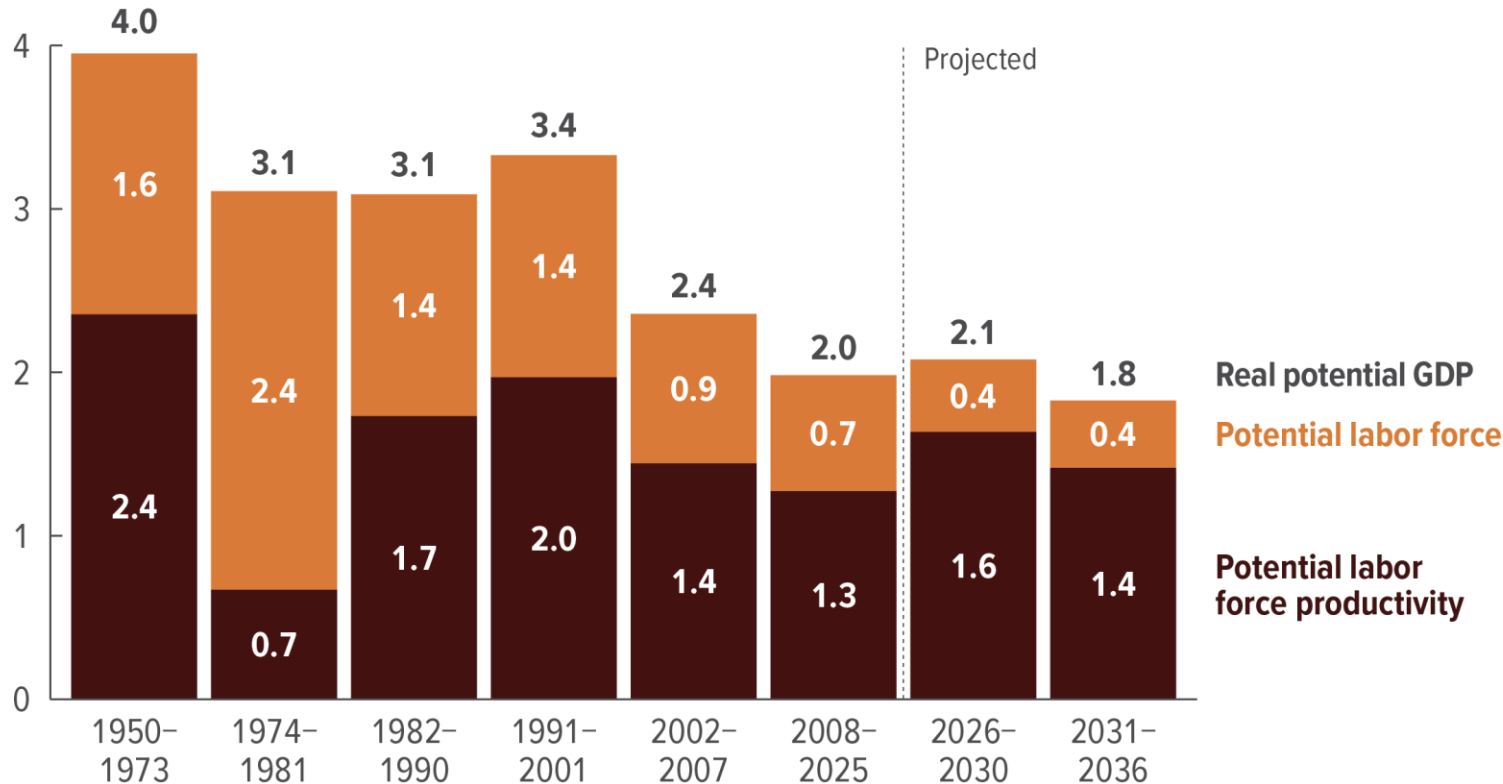
Growth of Real Business Fixed Investment



After accelerating in 2025, the growth of real business fixed investment slows through 2029 in CBO's projections before beginning to pick back up in 2030. Growth in such investment outpaces the growth of real potential GDP throughout the projection period.

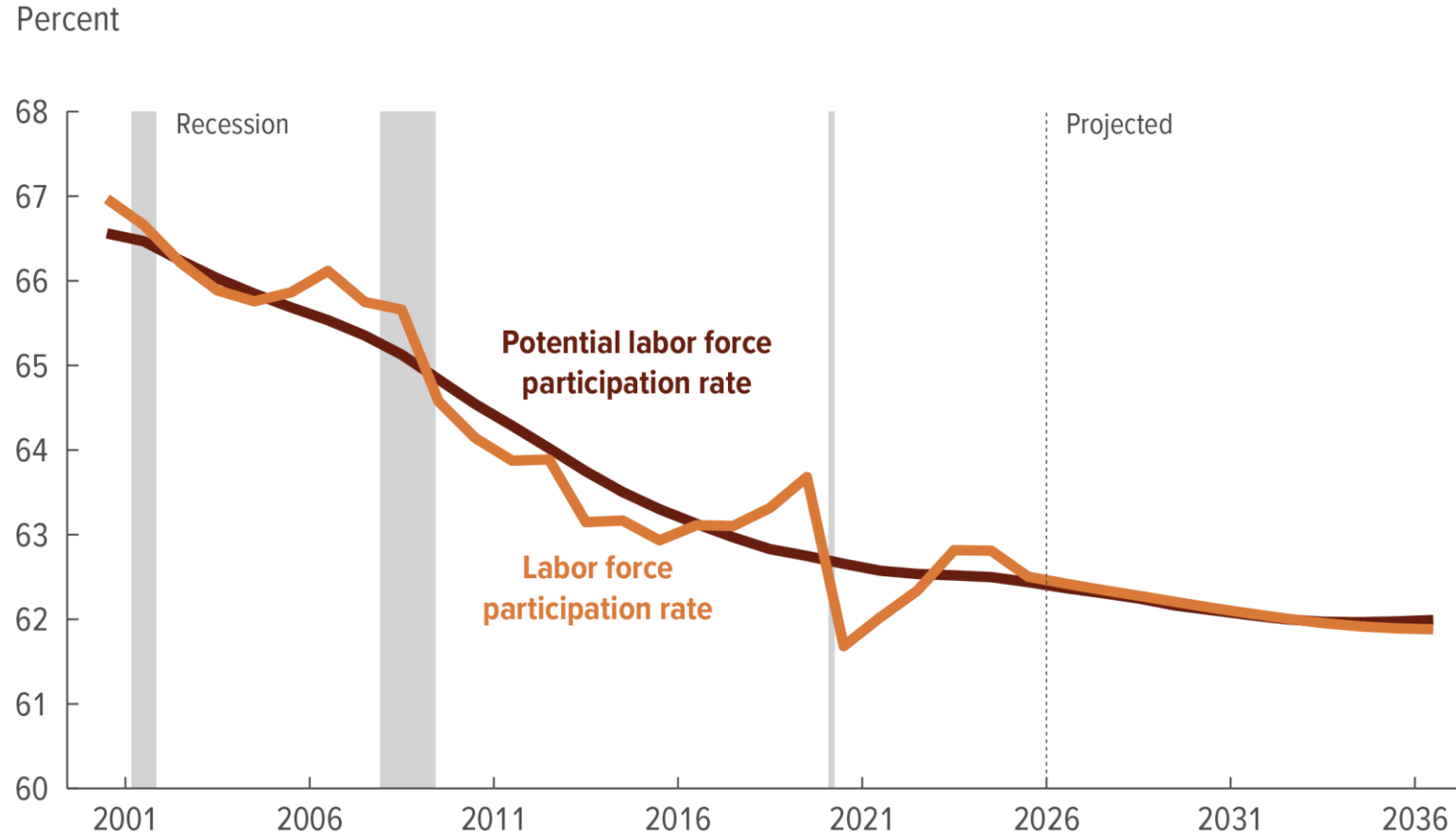
Average Annual Growth of Real Potential GDP and Its Components

Percent



Real potential GDP grows by an average of 2.1 percent per year from 2026 to 2030 and by an average of 1.8 percent per year from 2031 to 2036 in CBO's projections. Growth slows in the second half of the projection period because potential labor force productivity grows more slowly in those years.

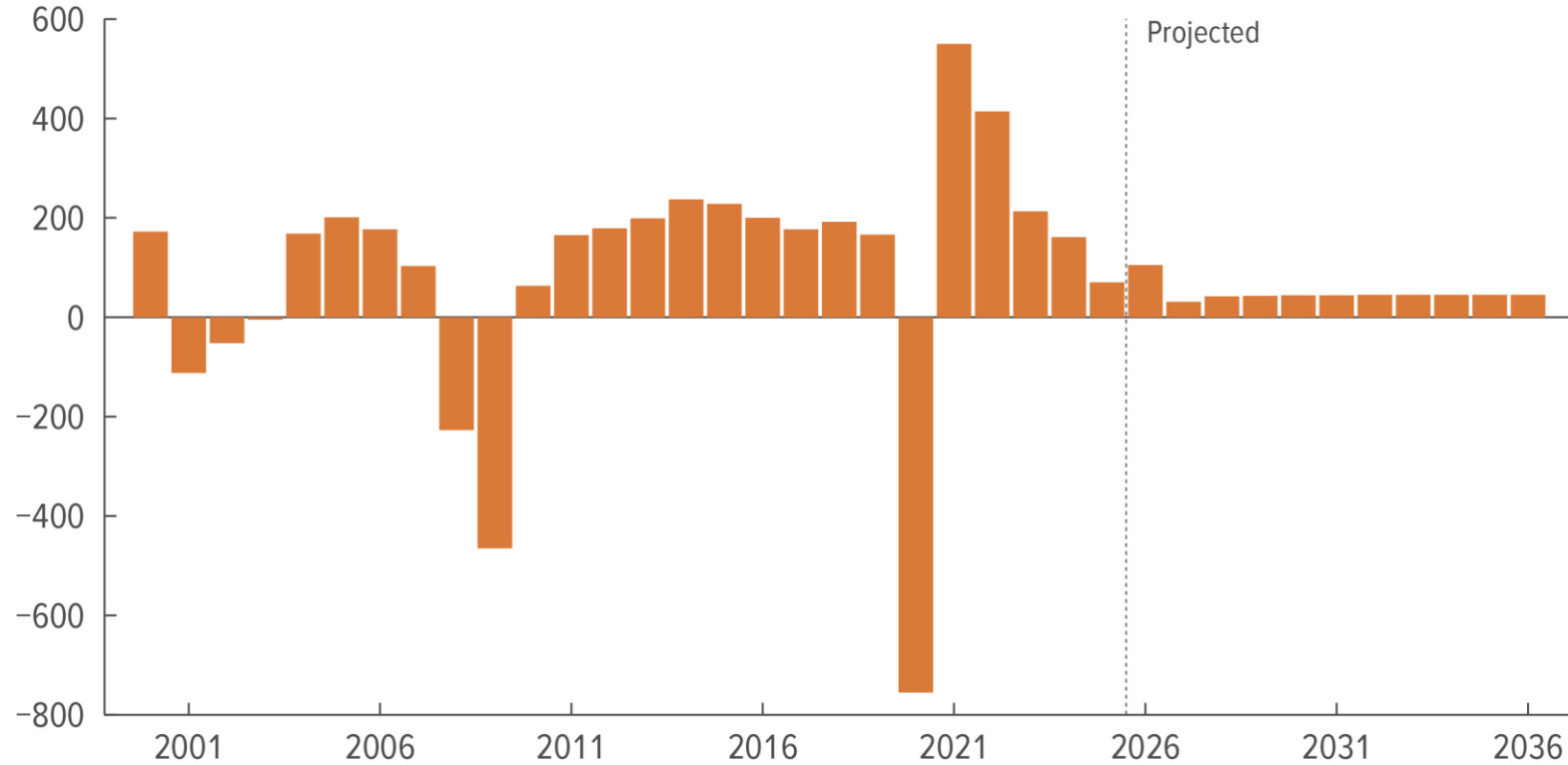
Labor Force Participation



The overall labor force participation rate declines from 62.5 percent in 2025 to 61.9 percent in 2036 in CBO's projections. Trends in the composition of the population are responsible for that gradual decline.

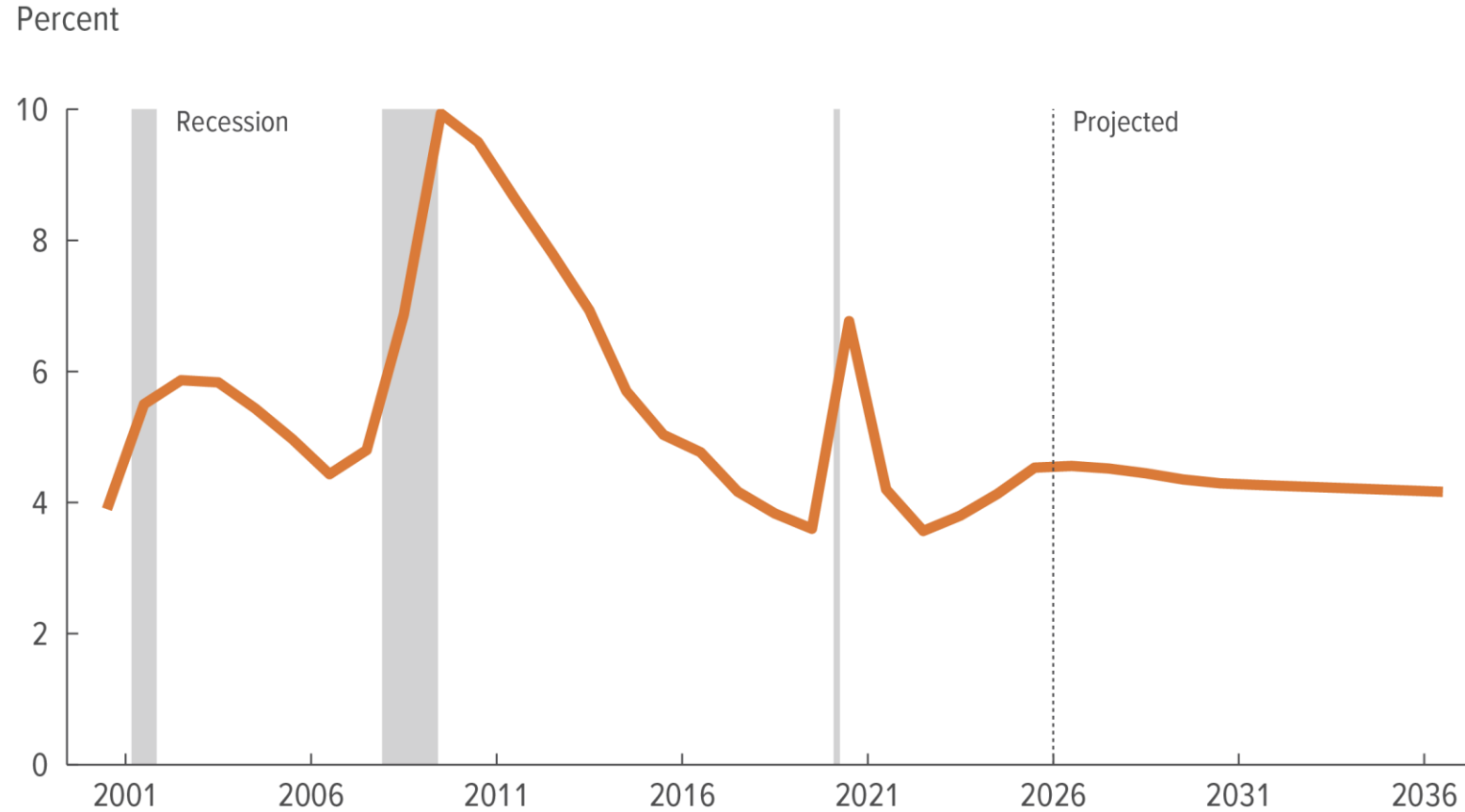
Payroll Employment, Average Monthly Change

Thousands of jobs



In CBO's projections, the average net number of jobs added to payrolls each month rebounds in 2026, but throughout the projection period, that number remains less than it was from 2021 to 2024.

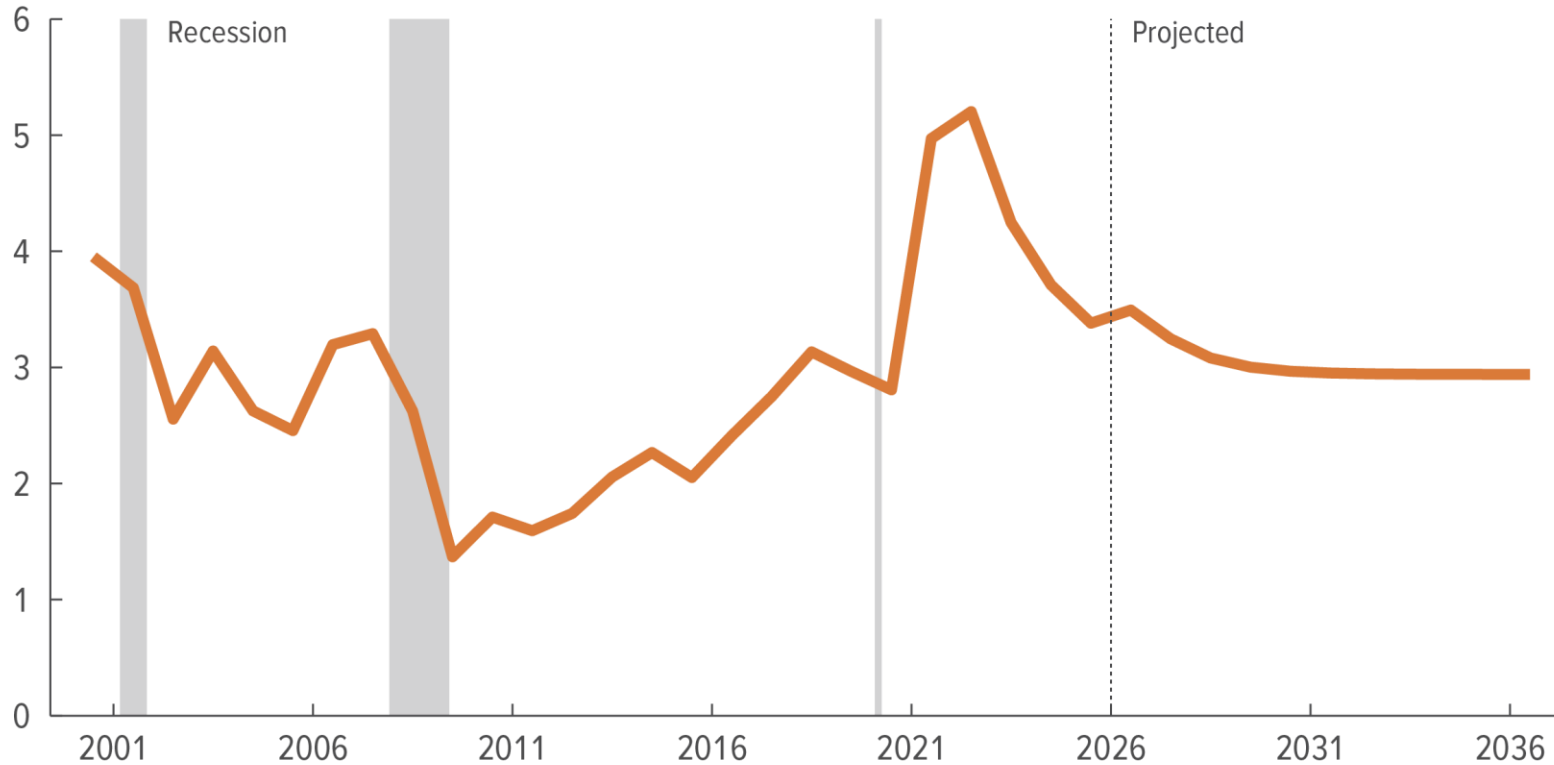
Unemployment Rate



The unemployment rate reaches 4.6 percent in 2026 before falling to 4.5 percent in 2027 and to 4.4 percent in 2028. It reverts to its noncyclical rate of 4.2 percent in 2032.

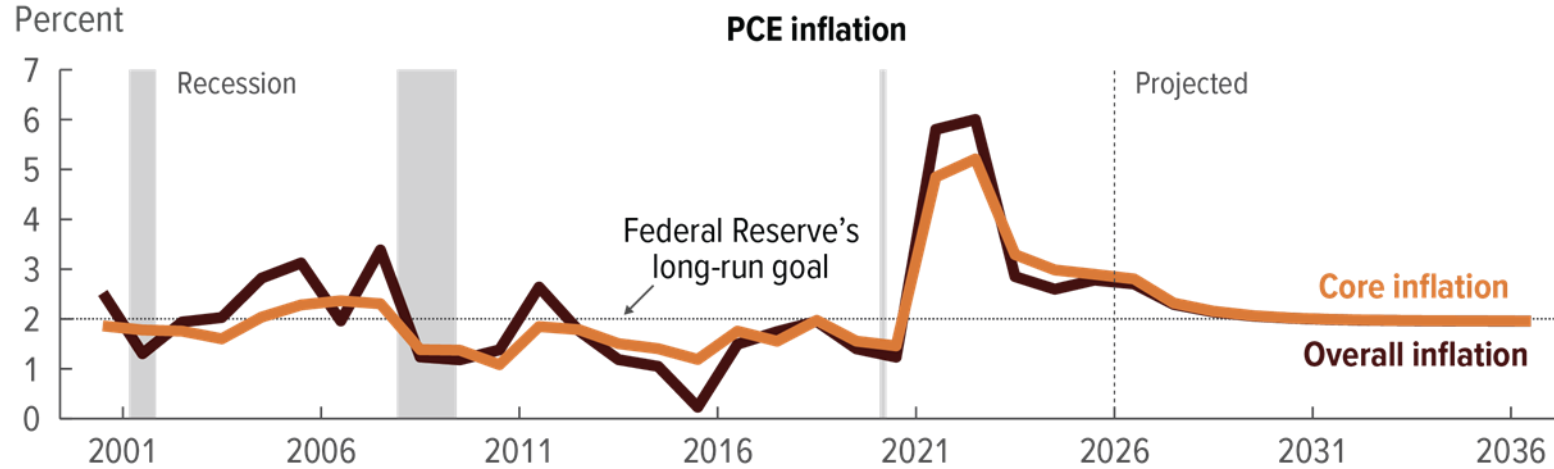
Wage Growth as Measured by the Employment Cost Index for Wages and Salaries of Workers in Private Industry

Percent

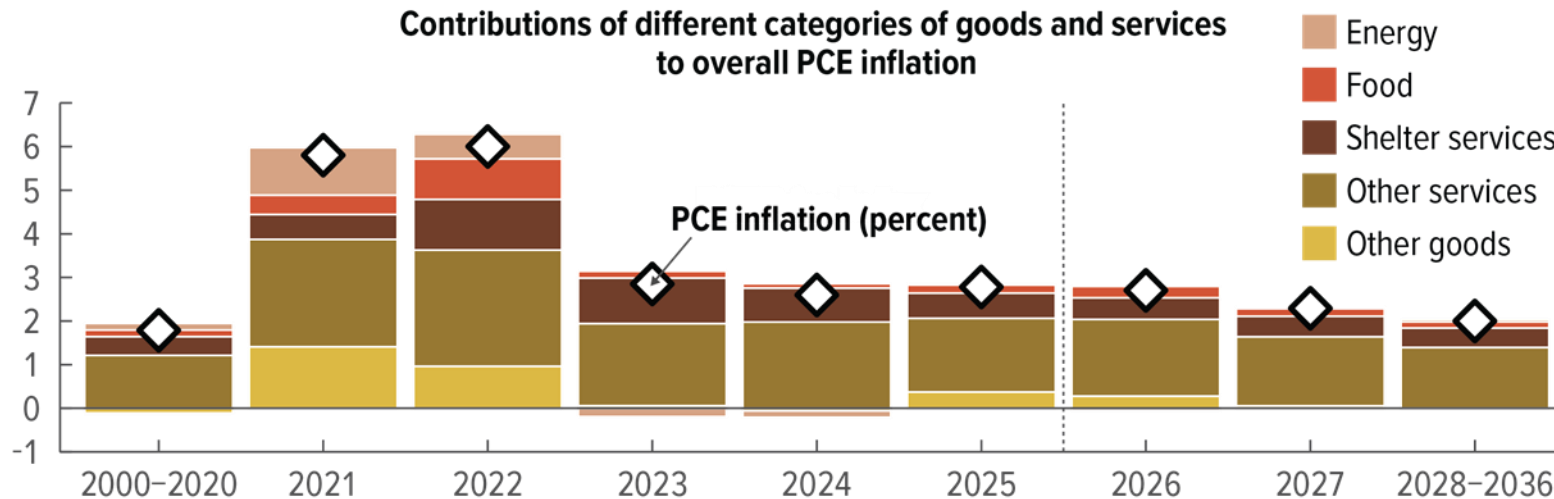


Nominal wage growth accelerates in 2026 but slows thereafter as labor market conditions tighten and inflation eases.

Inflation



In CBO's projections, overall inflation, as measured by the price index for personal consumption expenditures (PCE), remains elevated in 2026 because of the new tariffs imposed in 2025.

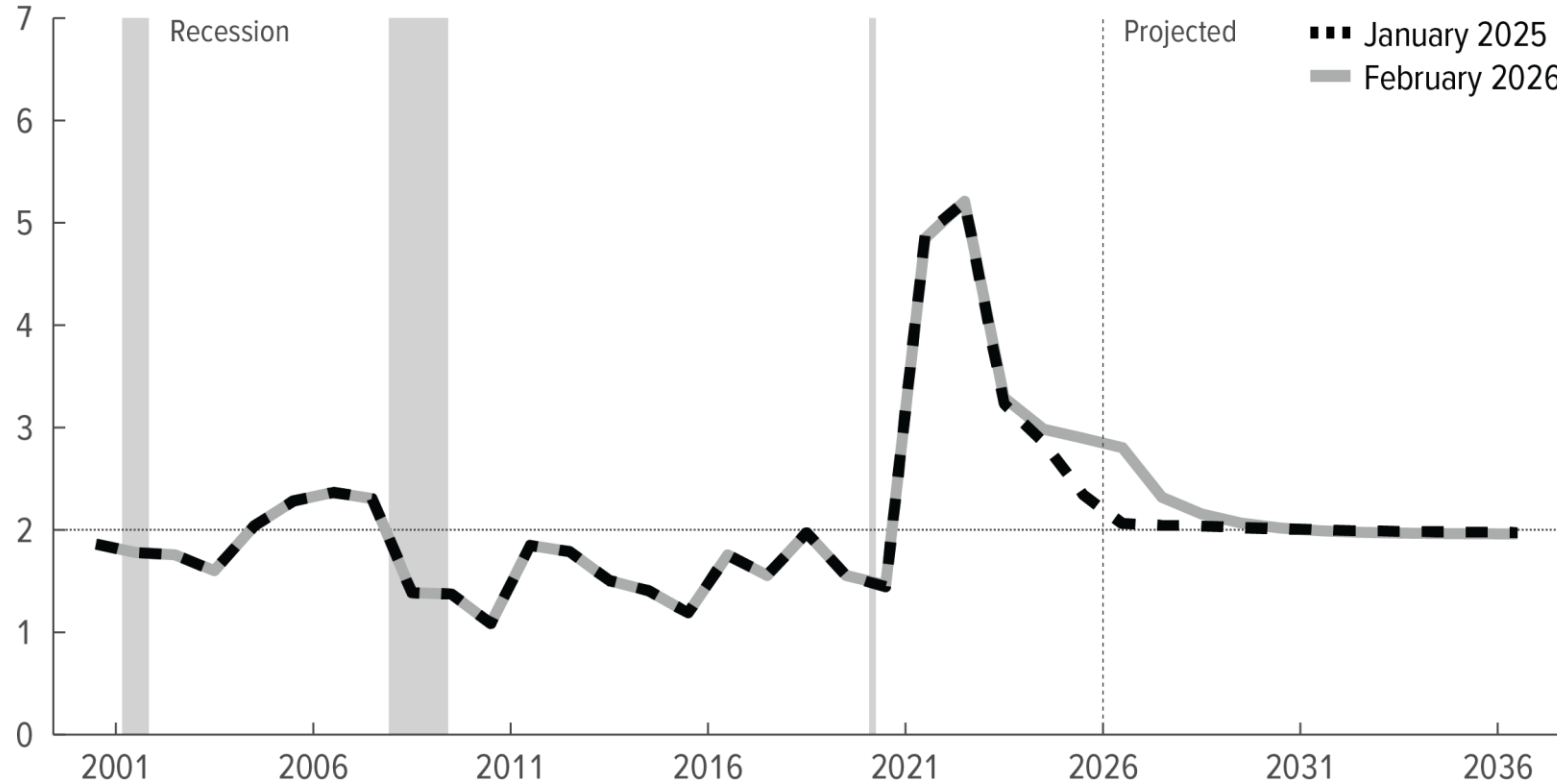


Prices for other goods (all goods other than food and energy products), which, on average, fell from year to year over the 2000–2020 period, continue to rise in 2026, reflecting the higher tariffs on imported goods and intermediate inputs.

In the bottom panel, bar segments represent CBO's estimates of the contributions, in percentage points, of each category of goods and services to the growth rate of the PCE price index. The sum of those estimates approximates the overall growth of that index. Values for 2000 to 2020 and for 2028 to 2036 are annual averages over those periods.

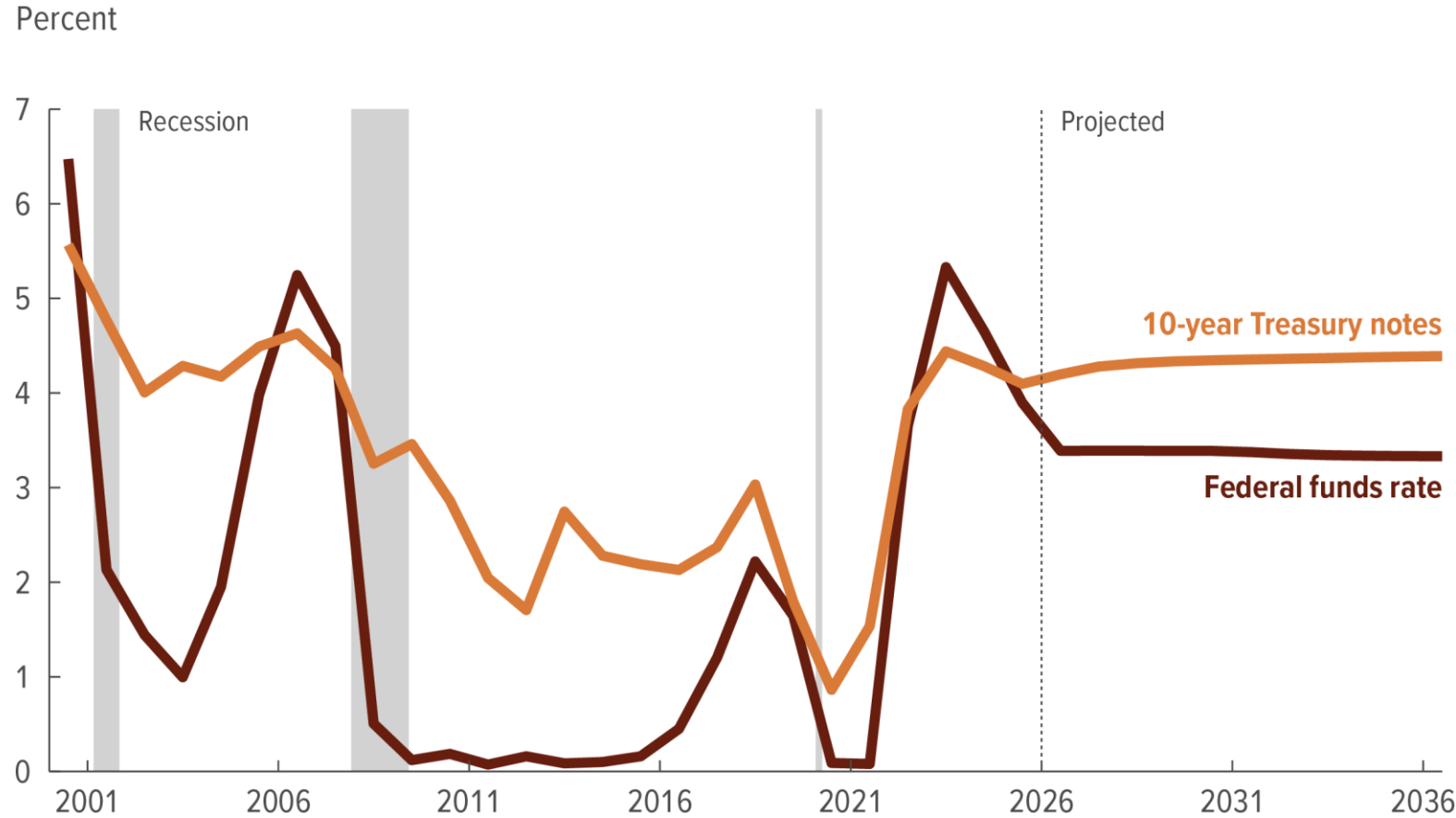
Comparison of CBO's January 2025 and February 2026 Projections of Core PCE Inflation

Percent



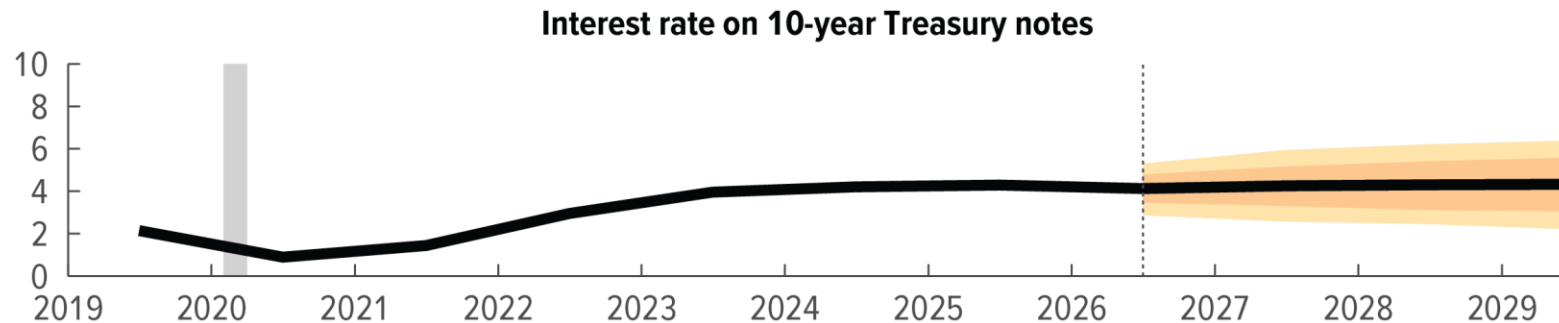
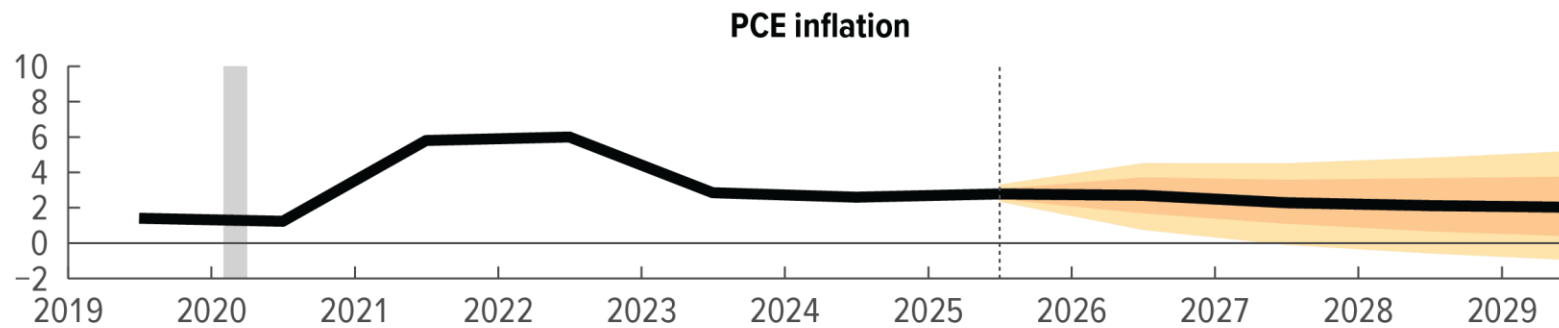
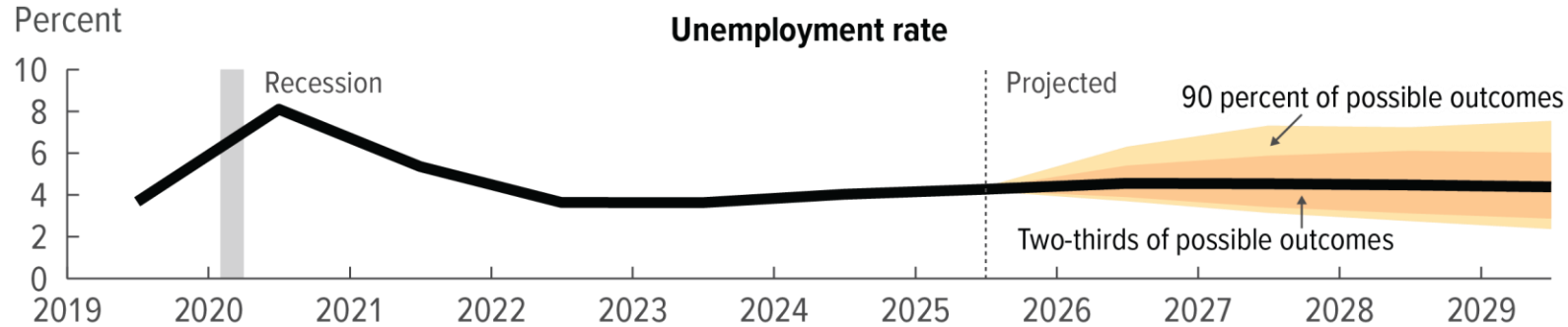
CBO now projects inflation to be higher through 2029 than it projected in January 2025. After the higher tariffs' effects on price growth phase out, inflation gradually declines until it reaches the Federal Reserve's target rate of 2 percent in 2030—later than the agency projected last January.

Interest Rates



In CBO's projections, the Federal Reserve continues lowering the federal funds rate, to 3.4 percent in the fourth quarter of 2026. Throughout the projection period, both short- and long-term interest rates remain above their averages over the past decade as the federal debt exceeds the amounts recorded over the past 10 years and as productivity rises more rapidly than it did in those years.

Uncertainty of CBO's Projections of Unemployment, Inflation, and Interest Rates

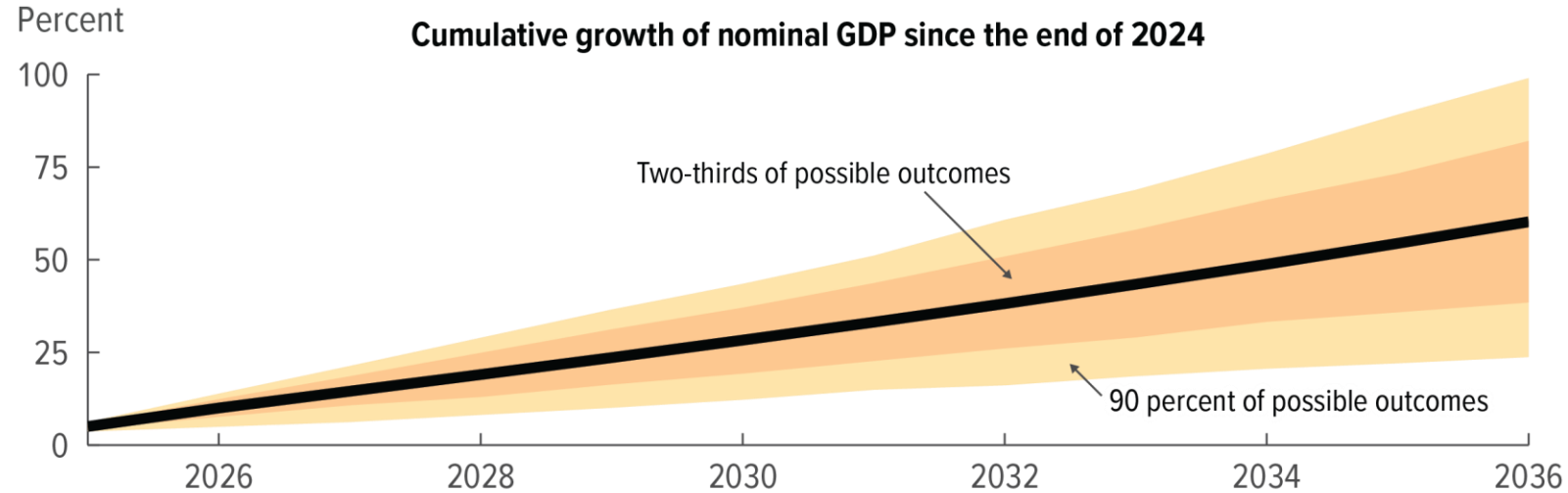


CBO estimates there is roughly a two-thirds chance that in 2026, the unemployment rate will be between 3.9 and 5.4 percent,

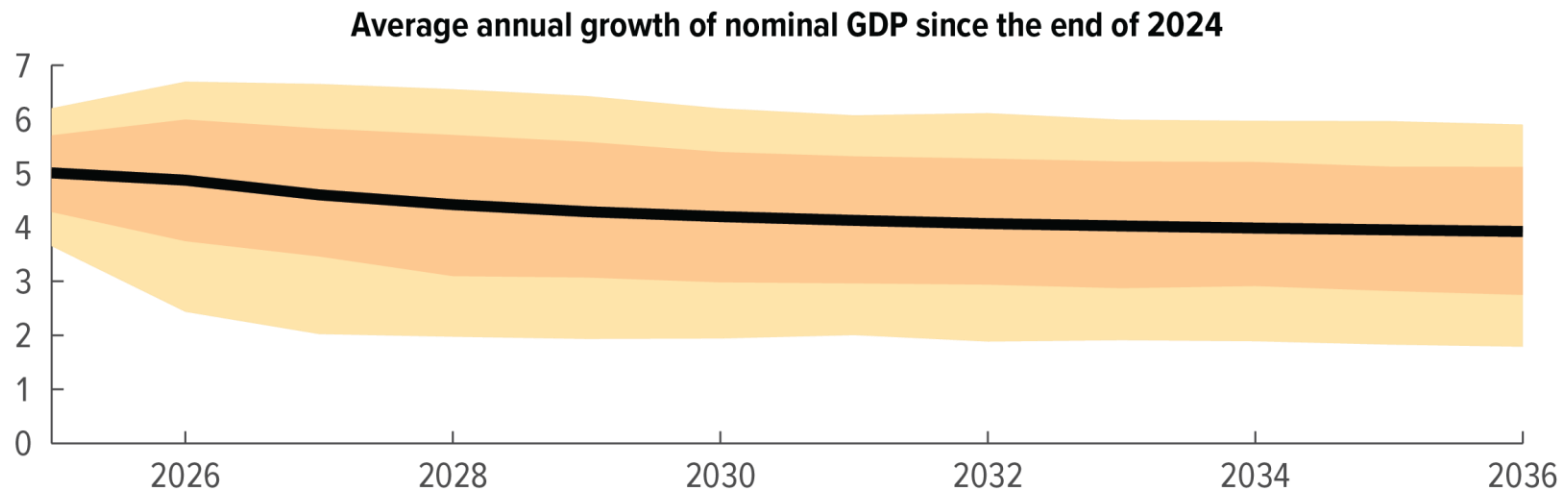
... the rate of PCE inflation will be between 1.7 and 3.7 percent, and

... the interest rate on 10-year Treasury notes will be between 3.5 and 4.8 percent.

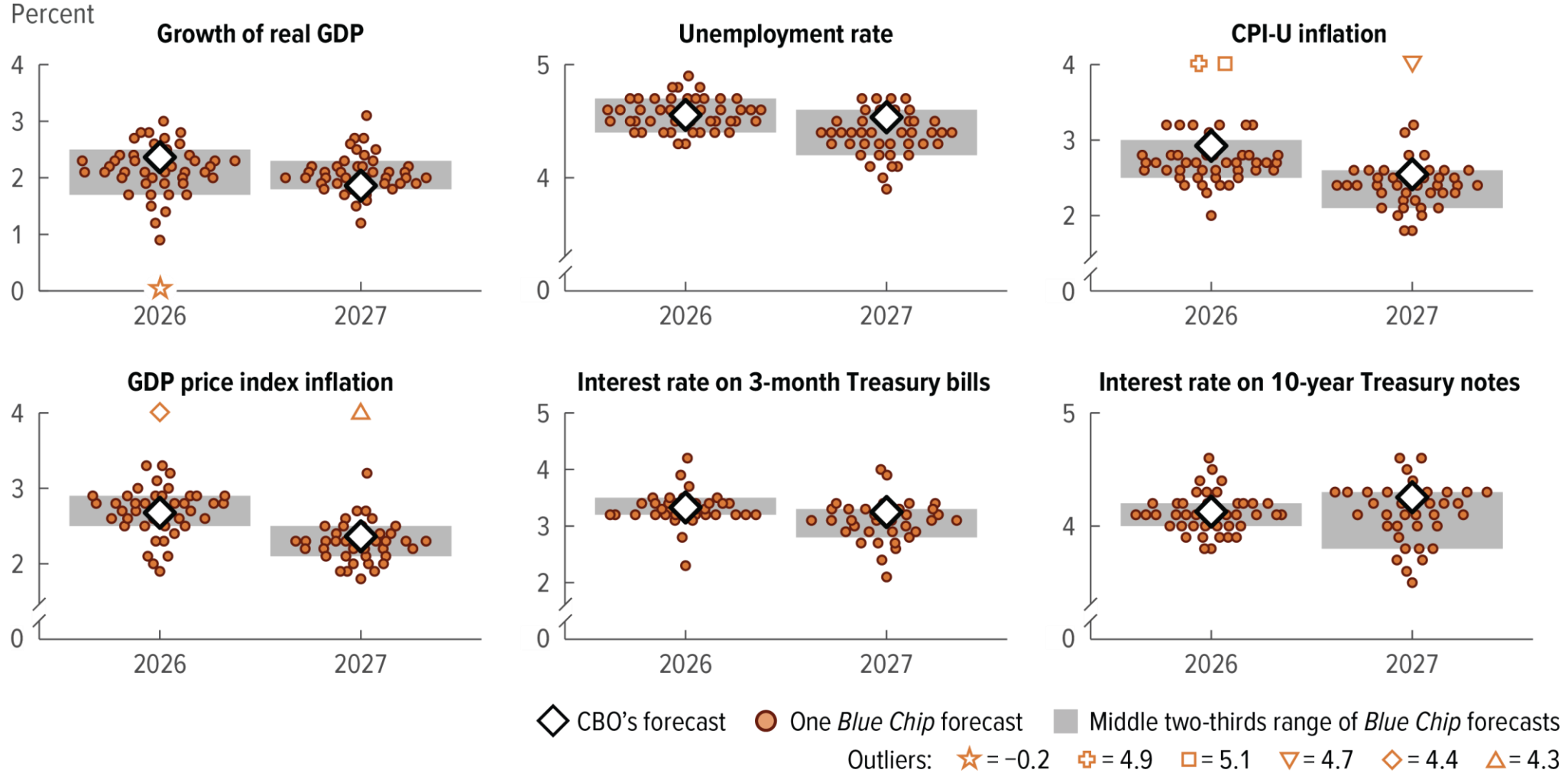
Uncertainty of CBO's Projections of Nominal GDP



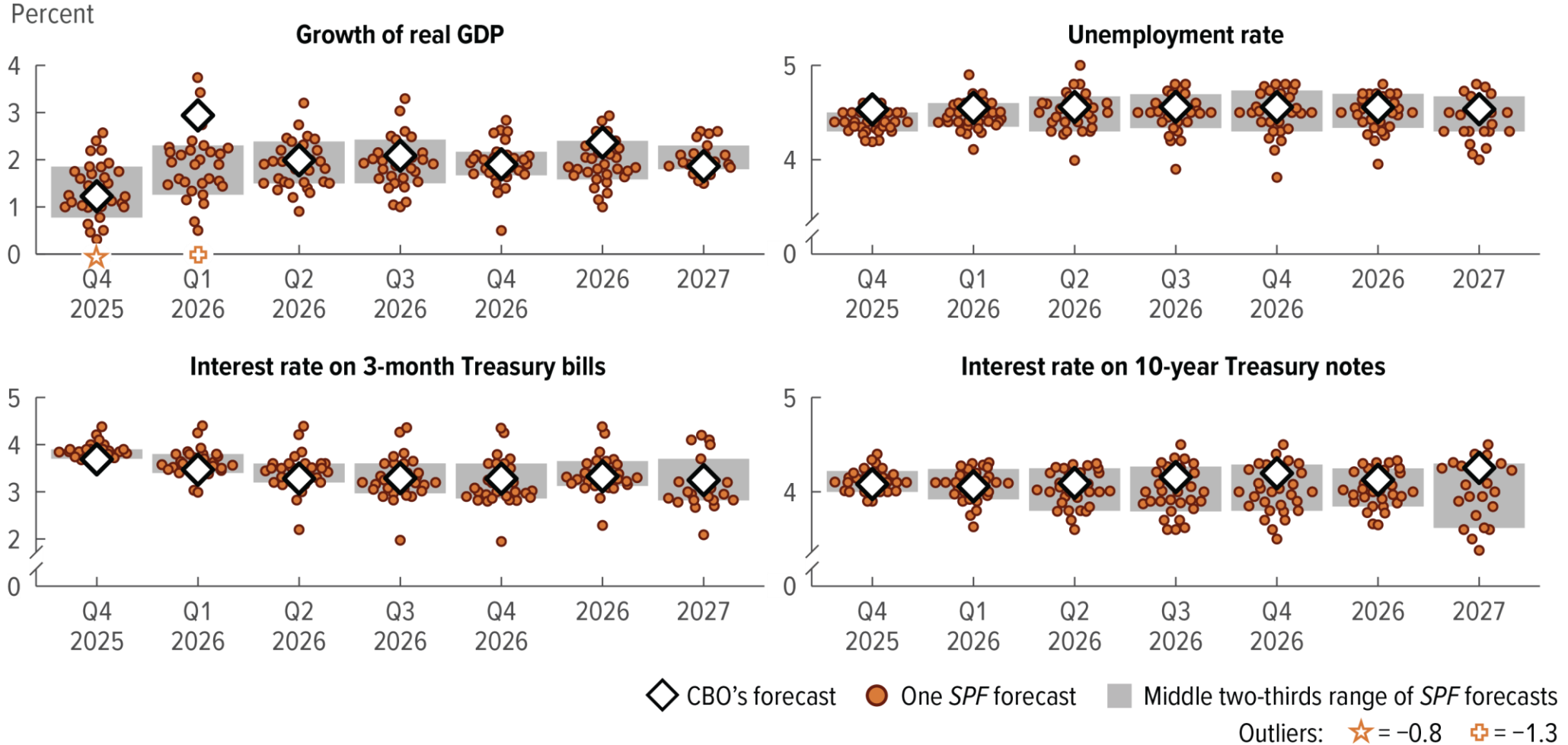
CBO estimates that there is approximately a two-thirds chance that the average annual rate of nominal GDP growth measured from the end of 2024 will be between 3.7 and 6.0 percent at the end of 2026 and between 2.7 and 5.1 percent at the end of 2036.



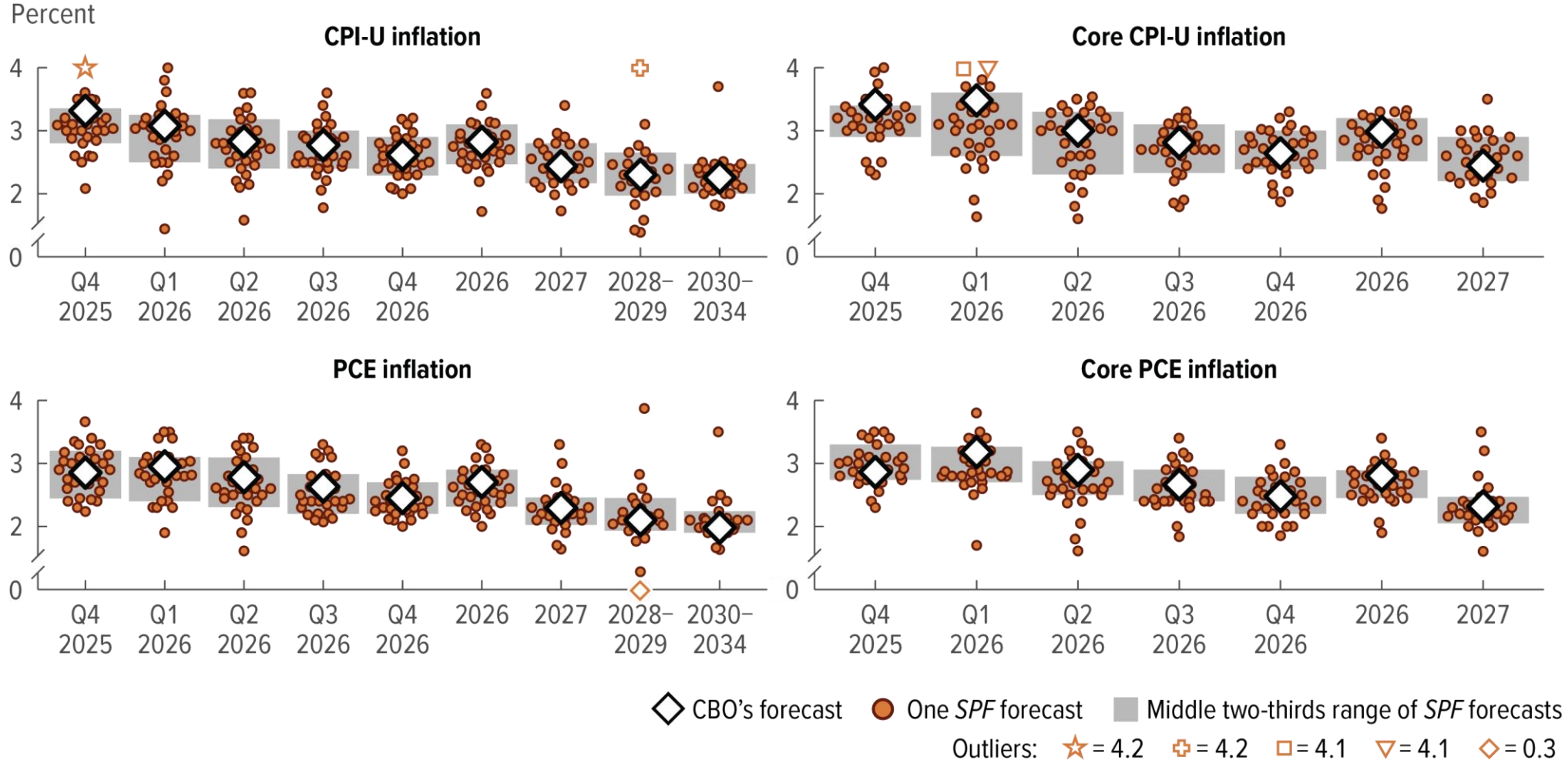
Comparison of CBO's Economic Forecasts With Those of the *Blue Chip* Forecasters



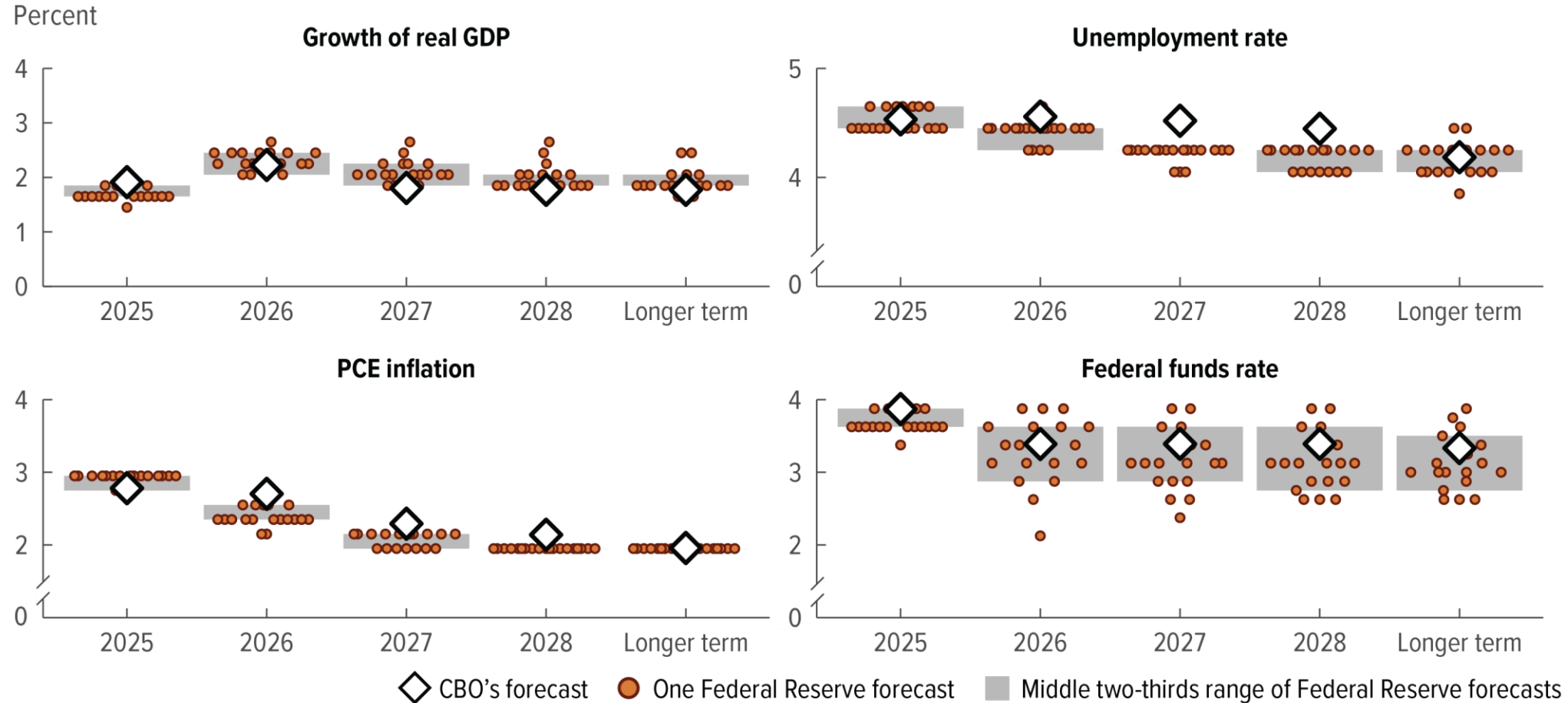
Comparison of CBO's Economic Forecasts With Those in the *Survey of Professional Forecasters*



Comparison of CBO's Inflation Forecasts With Those in the Survey of Professional Forecasters



Comparison of CBO's Economic Forecasts With Those of the Federal Reserve



Notes

CBO's current economic projections reflect trade policy as of November 20, 2025; the agency's latest demographic projections, which are based on laws and policies in place as of September 30, 2025; and economic developments and laws in place as of December 3, 2025.

All years referred to in these figures are calendar years. Annual growth rates are measured from the fourth quarter of one calendar year to the fourth quarter of the next year.

Some of the figures use shaded vertical bars to indicate periods of recession. A recession begins just after a peak in economic activity and runs through the subsequent trough.

Values for 2000 to 2025 reflect data available from the Bureau of Economic Analysis and the Bureau of Labor Statistics as of early December 2025.

The definitions on the next four slides are presented in the order in which the terms appear in the figures.

Definitions

real gross domestic product (GDP). The nation's economic output, adjusted to remove the effects of changes in prices.

business fixed investment. Purchases of new equipment, nonresidential structures, and intellectual property products (such as software) by private companies and nonprofit institutions. Such investment is labeled fixed to distinguish it from inventory investment.

real potential GDP. The maximum sustainable output of the economy—that is, an estimate of the amount of real GDP that could be produced if labor and capital were employed at their maximum sustainable rates.

labor force. The number of people age 16 or older in the civilian noninstitutionalized population who have jobs or are unemployed (available for work and either seeking work or expecting to be recalled from a temporary layoff). (The civilian noninstitutionalized population excludes members of the armed forces on active duty and people in penal or mental institutions, detention facilities, or homes for the elderly or infirm.)

Definitions (Continued)

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.

potential labor force productivity. A measure of the maximum sustainable output per worker, calculated by dividing real potential GDP by the potential labor force.

labor force participation rate. The percentage of the civilian noninstitutionalized population age 16 or older that is in the labor force.

potential labor force participation rate. CBO's estimate of what the labor force participation rate would be if economic output and other key variables were at their maximum sustainable amounts.

unemployment rate. The percentage of people in the labor force who are not working but are available for work and are either seeking work or expecting to be recalled from a temporary layoff.

Definitions (Continued)

employment cost index for wages and salaries of workers in private industry. An index of the cost of labor to employers, produced by the Bureau of Labor Statistics. It measures the weighted-average cost of an hour of labor, which consists of the cost to an employer of wage and salary payments, employee benefits, and payroll taxes for social insurance programs, such as Social Security.

price index for personal consumption expenditures (PCE). A summary measure of the prices of all goods and services that make up personal consumption expenditures.

core inflation. A measure of the rate of inflation that excludes changes in the prices of food and energy.

federal funds rate. Refers to the effective federal funds rate—the median interest rate that financial institutions charge each other for overnight loans of their monetary reserves, weighted by loan volume.

Definitions (Continued)

consumer price index for all urban consumers (CPI-U). An index of consumer prices based on a typical market basket of goods and services consumed by all urban consumers.

Blue Chip. Refers to *Blue Chip Economic Indicators*, a monthly publication that includes more than 40 forecasts by private-sector economists.