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

Effects of Automatic Stabilizers on the Federal Budget: 2026 to 2036

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Automatic stabilizers are the components of federal revenues and outlays that automatically increase or decrease with cyclical changes in the economy to help strengthen a weakening economy or cool an overheating one. Automatic stabilizers are at work when, during a downturn, income tax payments decline as incomes fall, and unemployment insurance spending increases as more people claim unemployment benefits—or when tax payments increase and unemployment insurance spending falls during an expansion. Those changes, which occur without any legislated changes in tax or spending policies, help stabilize the economy by boosting or restraining private spending.

Estimating the effects of automatic stabilizers on the federal budget sheds light on the extent to which actual and projected changes in budget deficits occur automatically in response to economic fluctuations and the extent to which they are driven by other factors. Those other factors include changes in policy—such as legislated changes in tax and spending policies and executive actions—and demographic trends.

In this report, the Congressional Budget Office provides estimates of the budgetary effects of automatic stabilizers—as well as the size of federal budget deficits without them—over the past 50 years and in CBO's current economic forecast from 2026 to 2036. Effects are measured in nominal dollars (that is, not adjusted for inflation) and in relation to CBO's estimate of potential gross domestic product (GDP), which is the economic output that can be produced if labor and capital are employed at their maximum sustainable rates. Key takeaways include the following:

- In CBO's projections, automatic stabilizers decrease federal deficits by an average of 0.2 percent of potential GDP from 2026 to 2029 and increase federal deficits by an average of 0.1 percent of potential GDP from 2030 to 2036.
- On average, over the 2026–2036 period, automatic stabilizers decrease federal deficits by less than 0.05 percent of potential GDP per year, in CBO's projections. From 1976 to 2025, automatic stabilizers increased federal deficits by an estimated average of 0.3 percent of potential GDP per year.
- In CBO's projections, deficits with the effects of automatic stabilizers removed (that is, deficits without the automatic effects of cyclical changes in the economy) average 6.1 percent of potential GDP from 2026 to 2036, about the same percentage of potential GDP for deficits with those effects included and markedly higher than the 50-year average of 3.7 percent for those cyclically adjusted deficits.

Those and other estimates in this report are based on historical data and CBO's baseline projections from its February 2026 report on the budget and economic outlook, which reflect what the federal budget and the economy would look like in the current year and over the next 10 years if laws governing taxes and spending generally remained unchanged.[1] Like that February report, this report reflects trade policy as of November 20, 2025, and economic developments and laws in place as of December 3, 2025. Unlike the February report, this report presents estimated deficits as a percentage of potential GDP.

1. For those projections, see Congressional Budget Office, *The Budget and Economic Outlook: 2026 to 2036* (February 2026), www.cbo.gov/publication/61882. Data going back to 1965 are available at www.cbo.gov/data/budget-economic-data#8, as are the agency's previous estimates of the effects of automatic stabilizers.

Notes: Unless this report indicates otherwise, all years referred to are federal fiscal years, which run from October 1 to September 30 and are designated by the calendar year in which they end. Numbers in the text, tables, and figures may not add up to totals because of rounding.

How Automatic Stabilizers Work and Their Effects Are Estimated

Certain changes in federal revenues and outlays occur automatically in response to cyclical changes in the size of the economy and unemployment. When unemployment is relatively high (above the noncyclical rate of unemployment), federal outlays for unemployment insurance benefits, Medicaid benefits, and Supplemental Nutrition Assistance Program (SNAP) benefits are greater than they otherwise would be because more people qualify for benefits.[2] The increased outlays for those transfer programs automatically help stabilize the economy by supporting household income and thus private spending.[3]

Meanwhile, when GDP is below potential GDP, tax revenues are typically smaller than they otherwise would be because wages and salaries, corporate profits, and other tax bases are smaller than they otherwise would be. Those reductions in revenues reflect reductions in individuals' and companies' tax payments, which also support private spending.

By contrast, when the economy is operating above its sustainable capacity (that is, when GDP exceeds potential GDP), spending on transfer programs typically decreases and tax payments typically increase in relation to what they otherwise would be, thus restraining private spending.

The changes in federal revenues and outlays that stem from cyclical changes in GDP and the unemployment rate are what CBO measures when it estimates the effects of automatic stabilizers.[4] Specifically, the agency estimates the relationship of revenues to the output gap, which is the difference between GDP and potential GDP, and the relationship of outlays to the unemployment gap, which is the percentage-point difference between the rate of unemployment and the noncyclical rate of unemployment. When the economy is operating at its sustainable capacity, the magnitude of automatic stabilizers is zero because the output and unemployment gaps are zero. By contrast, the size of automatic stabilizers is nonzero both when the economy is above its sustainable capacity (when the output gap is positive and the unemployment gap is negative) and when the economy is below capacity (when the output gap is negative and the unemployment gap is positive).

Estimates of the Effects of Automatic Stabilizers

In CBO's estimates, which reflect the assumption that current laws generally remain unchanged, automatic stabilizers decrease deficits on net by an average of $55 billion (or 0.2 percent of potential GDP) from 2026 to 2029 and increase deficits by an average of $39 billion (or 0.1 percent of potential GDP) from 2030 to 2036. Those effects (which, over the entire projection period, average out to an annual decrease of less than 0.05 percent of potential GDP) are smaller than the historical average effect from 1976 to 2025, when automatic stabilizers increased deficits by an average of 0.3 percent of potential GDP per year, mainly driven by six recessions (see Figure 1). (For effects in billions of dollars, see Table 1 on page 4; for effects measured as a percentage of potential GDP, see Table 2 on page 6.)

The estimate that automatic stabilizers decrease deficits by 0.2 percent of potential GDP per year from 2026 to 2029 derives from offsetting cyclical factors in CBO's economic forecast. In that forecast, GDP is greater than potential GDP from 2026 to 2029; as a result, tax revenues are larger than they otherwise would be, thus decreasing deficits.[5] Over the same period, the unemployment rate is slightly above the noncyclical rate; as a result, outlays for unemployment insurance, Medicaid, and SNAP are larger than they otherwise would be,

2. The noncyclical rate of unemployment is the unemployment rate resulting from the normal turnover of jobs, mismatches between skills of available workers and skills necessary to fill vacant positions, and other sources except changes in aggregate demand.

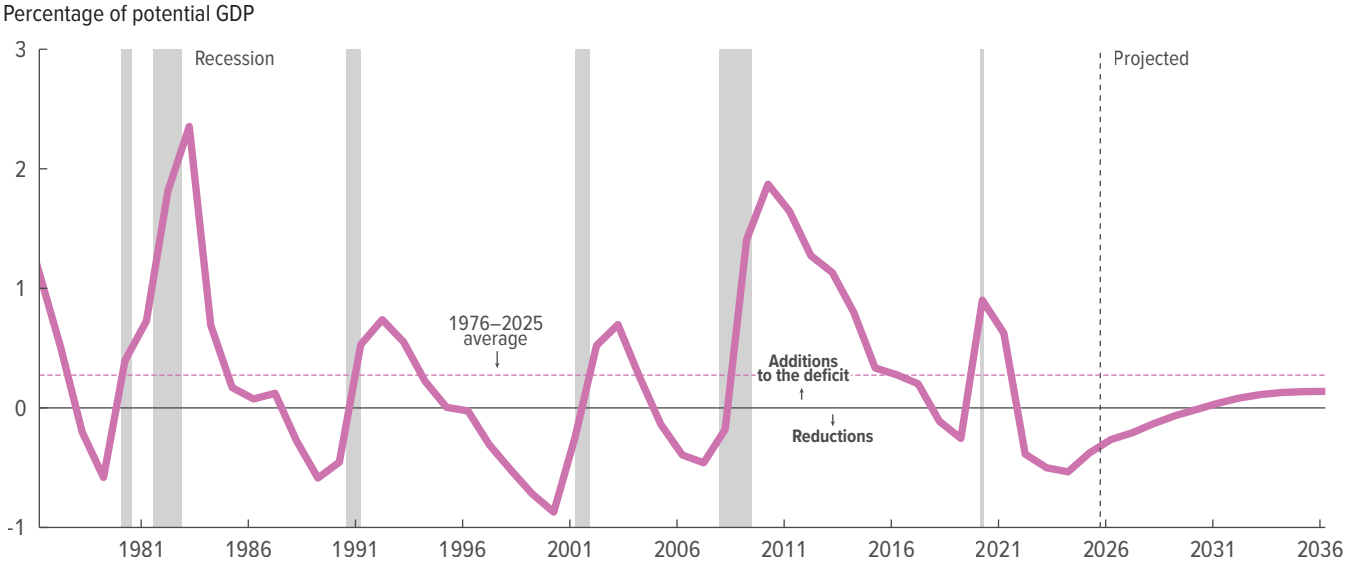
3. Transfer programs are government programs that make benefit payments to people or organizations (payments for which no current or future goods or services are required in return). Transfer programs other than unemployment insurance, Medicaid, and SNAP, such as Social Security, are not included in CBO's estimates of the effects of automatic stabilizers, because they do not appear to CBO to be sufficiently cyclical. See Frank Russek and Kim Kowalewski, *How CBO Estimates Automatic Stabilizers*, Working Paper 2015-07 (Congressional Budget Office, November 2015), www.cbo.gov/publication/51005.

4. CBO's estimates of the effects of automatic stabilizers reflect the assumption that discretionary spending and interest payments do not respond automatically to cyclical developments in the economy. For a description of the methods that CBO uses to estimate the effects of automatic stabilizers, see Frank Russek and Kim Kowalewski, *How CBO Estimates Automatic Stabilizers*, Working Paper 2015-07 (Congressional Budget Office, November 2015), www.cbo.gov/publication/51005.

5. GDP exceeds potential GDP in CBO's projections for that period in large part because total factor productivity is expected to exceed its potential in 2026 and 2027.

Figure 1.

How Much Automatic Stabilizers Change the Federal Budget Deficit or Surplus



Data source: Congressional Budget Office. See www.cbo.gov/publication/62568#data.

Automatic stabilizers are changes in federal revenues and outlays that occur automatically in response to cyclical movements in gross domestic product (GDP) and unemployment, helping stabilize the economy.

Potential GDP is CBO's estimate of the maximum sustainable output of the economy.

Recessions, which begin just after a peak in economic activity and run through the subsequent trough, are plotted using monthly data; all other data are annual and are plotted at the midpoint (April 1) of each fiscal year.

increasing deficits. Because the increase in revenues resulting from the output gap is larger than the increase in outlays resulting from the unemployment gap, the net result is a decrease in deficits. For example, in 2026, when the projected output gap is 1.1 percent and the projected unemployment gap is 0.2 percentage points, automatic stabilizers decrease the deficit by $84 billion, or 0.3 percent of potential GDP, in CBO's estimates.

From 2030 to 2036, automatic stabilizers increase deficits by an estimated average of 0.1 percent of potential GDP per year, also because of cyclical factors in CBO's economic forecast. Specifically, GDP is lower than potential GDP, on average, from 2030 to 2036, and the unemployment rate is close to the noncyclical rate over that period. As a result of those factors, outlays for the three transfer programs are larger and tax revenues are smaller than they otherwise would be, increasing deficits. For example, from 2034 to 2036, when the projected output gap is –0.5 percent and the projected unemployment gap is roughly zero, automatic stabilizers increase annual deficits by an average of 0.1 percent of potential GDP, in CBO's estimates.[6]

By 2036, the effect of automatic stabilizers on the deficit settles at a small but positive value. That is because, in CBO's projections, economic output settles at a level just below its potential and unemployment at a level close to the noncyclical rate by 2036.

Projected Deficits Without the Effects of Automatic Stabilizers

Removing CBO's estimate of the effect of automatic stabilizers from projected federal budget deficits yields an estimate of what deficits would be absent any cyclical fluctuations in GDP and the unemployment rate—that is, if GDP was at its potential, the unemployment rate

6. For further discussion of CBO's estimate of the average output gap, see Congressional Budget Office, *Why CBO Projects That Actual Output Will Be Below Potential Output on Average* (February 2015), www.cbo.gov/publication/49890. CBO's estimate of the average unemployment gap is consistent with its estimate of the average output gap.

Table 1.

Federal Budget Deficit or Surplus With and Without CBO's Estimate of Automatic Stabilizers, in Billions of Dollars

	With automatic stabilizers			Without automatic stabilizers			Effects of automatic stabilizers				
	Revenues	Outlays	Deficit (-) or surplus	Revenues	Outlays	Deficit (-) or surplus	Revenues	Outlays	Deficit (-) or surplus	GDP gap[a]	Unemployment gap (percentage points)[b]
1976	304.0	389.3	-85.3	318.5	382.0	-63.6	-14.5	7.2	-21.8	-49.8	1.8
1977	352.3	427.3	-75.1	358.0	422.7	-64.7	-5.7	4.7	-10.4	-22.9	1.1
1978	404.5	473.9	-69.4	399.8	473.7	-73.9	4.7	0.2	4.5	11.6	**
1979	474.5	520.6	-46.1	461.8	522.7	-60.8	12.7	-2.0	14.7	35.0	-0.4
1980	518.8	598.0	-79.2	527.5	595.4	-67.9	-8.7	2.6	-11.3	-42.4	0.6
1981	606.0	688.8	-82.8	621.0	680.7	-59.7	-15.0	8.1	-23.1	-48.5	1.2
1982	620.6	763.5	-142.9	664.8	744.3	-79.5	-44.2	19.2	-63.4	-182.5	3.0
1983	633.7	844.2	-210.5	691.6	813.7	-122.0	-57.9	30.5	-88.4	-220.3	4.0
1984	694.2	886.6	-192.5	708.7	873.4	-164.8	-14.5	13.2	-27.7	-65.1	1.7
1985	760.2	961.8	-201.6	759.3	953.5	-194.2	1.0	8.3	-7.3	-26.5	1.2
1986	804.7	1,022.3	-217.7	800.4	1,014.7	-214.3	4.2	7.6	-3.4	-12.7	1.1
1987	879.9	1,053.4	-173.5	881.2	1,048.9	-167.7	-1.4	4.4	-5.8	-24.3	0.5
1988	945.8	1,106.9	-161.1	933.3	1,108.4	-175.2	12.5	-1.5	14.0	34.5	-0.3
1989	1,025.3	1,182.4	-157.1	997.8	1,187.0	-189.2	27.6	-4.5	32.1	89.3	-0.6
1990	1,074.7	1,268.8	-194.1	1,051.8	1,272.3	-220.6	23.0	-3.5	26.4	71.0	-0.3
1991	1,104.7	1,332.3	-227.6	1,130.2	1,325.1	-194.8	-25.5	7.3	-32.8	-103.2	0.9
1992	1,139.6	1,461.7	-322.1	1,170.7	1,444.7	-274.0	-31.1	17.0	-48.1	-100.7	1.8
1993	1,205.8	1,531.9	-326.2	1,226.3	1,514.7	-288.4	-20.6	17.2	-37.8	-75.3	1.5
1994	1,309.1	1,572.5	-263.4	1,314.4	1,561.7	-247.3	-5.3	10.8	-16.1	-22.8	0.9
1995	1,398.2	1,648.8	-250.6	1,395.5	1,645.7	-250.2	2.7	3.1	-0.4	-6.5	0.2
1996	1,498.4	1,698.3	-199.9	1,494.1	1,696.0	-201.9	4.3	2.3	2.0	6.1	0.2
1997	1,637.4	1,746.4	-109.0	1,612.6	1,747.5	-134.9	24.8	-1.0	25.9	77.3	-0.1
1998	1,759.3	1,781.5	-22.2	1,722.6	1,790.7	-68.0	36.7	-9.2	45.8	110.1	-0.6
1999	1,873.8	1,821.7	52.1	1,821.5	1,836.3	-14.8	52.3	-14.6	67.0	163.5	-0.8
2000	2,034.6	1,892.2	142.4	1,969.2	1,913.3	55.9	65.4	-21.1	86.5	201.5	-1.1
2001	2,053.5	1,990.7	62.8	2,047.2	2,010.0	37.2	6.3	-19.3	25.6	-5.4	-0.7
2002	1,904.0	2,103.9	-199.9	1,955.4	2,097.9	-142.5	-51.4	6.0	-57.4	-179.4	0.6
2003	1,880.7	2,253.6	-372.9	1,941.9	2,234.8	-292.9	-61.2	18.8	-80.1	-207.2	0.9
2004	1,990.1	2,388.6	-398.6	2,003.4	2,370.5	-367.1	-13.4	18.1	-31.5	-29.1	0.6
2005	2,231.4	2,555.0	-323.6	2,205.7	2,546.9	-341.2	25.6	8.1	17.6	94.0	0.2
2006	2,487.9	2,725.7	-237.8	2,439.5	2,730.4	-290.9	48.4	-4.7	53.1	159.5	-0.3
2007	2,647.8	2,877.5	-229.7	2,596.6	2,891.3	-294.7	51.2	-13.8	65.0	165.6	-0.5
2008	2,626.9	3,156.7	-529.9	2,601.4	3,157.7	-556.3	25.4	-1.0	26.5	66.3	0.2
2009	2,291.4	3,393.3	-1,102.0	2,427.5	3,316.6	-889.1	-136.1	76.7	-212.8	-660.4	3.5
2010	2,391.7	3,702.3	-1,310.7	2,542.3	3,563.9	-1,021.6	-150.6	138.5	-289.1	-569.0	4.7
2011	2,555.6	3,813.6	-1,258.0	2,677.6	3,672.5	-994.9	-122.0	141.1	-263.1	-520.1	4.1

Continued

equaled its noncyclical rate, and all other factors were the same as in CBO's baseline projections. Estimates of those cyclically adjusted deficits help analysts evaluate the extent to which actual and projected changes in deficits are caused by factors such as past or scheduled changes in policy and long-run demographic trends rather than by automatic responses of federal spending and revenues to cyclical changes in the economy. Historical and projected budget deficits (or surpluses) track relatively closely with cyclically adjusted deficits, especially in the projection period ending in 2036 (see Figure 2 on page 8).

(For estimated deficits and surpluses with and without automatic stabilizers in billions of dollars, see Table 1; for those deficits and surpluses measured as a percentage of potential GDP, see Table 2 on page 6.)

Table 1. Continued

Federal Budget Deficit or Surplus With and Without CBO's Estimate of Automatic Stabilizers, in Billions of Dollars

	With automatic stabilizers			Without automatic stabilizers			Effects of automatic stabilizers				
	Revenues	Outlays	Deficit (-) or surplus	Revenues	Outlays	Deficit (-) or surplus	Revenues	Outlays	Deficit (-) or surplus	GDP gap[a]	Unemployment gap (percentage points)[b]
2012	2,655.4	3,777.8	-1,122.4	2,743.6	3,655.5	-911.8	-88.3	122.3	-210.6	-430.8	3.3
2013	3,017.1	3,769.5	-752.4	3,109.1	3,667.5	-558.4	-91.9	102.1	-194.0	-446.8	2.7
2014	3,277.0	3,849.9	-572.9	3,347.2	3,778.1	-430.9	-70.2	71.8	-141.9	-338.0	1.6
2015	3,399.7	3,974.9	-575.2	3,423.2	3,937.2	-514.0	-23.5	37.6	-61.1	-153.8	0.7
2016	3,467.8	4,096.7	-628.9	3,504.5	4,081.2	-576.7	-36.6	15.6	-52.2	-204.3	0.3
2017	3,485.9	4,204.3	-718.5	3,523.5	4,202.4	-679.0	-37.6	1.9	-39.5	-168.9	-0.1
2018	3,563.1	4,421.2	-858.2	3,556.8	4,438.1	-881.3	6.2	-16.9	23.1	54.1	-0.6
2019	3,668.4	4,697.4	-1,029.1	3,644.2	4,727.3	-1,083.2	24.2	-29.9	54.1	93.2	-0.8
2020	3,725.1	6,432.1	-2,707.0	3,850.0	6,359.7	-2,509.7	-124.9	72.4	-197.4	-567.2	2.8
2021	4,242.7	7,206.1	-2,963.5	4,291.9	7,111.0	-2,819.1	-49.2	95.2	-144.4	-39.5	1.6
2022	5,012.1	6,125.3	-1,113.2	4,910.8	6,121.8	-1,211.0	101.3	3.5	97.8	296.1	-0.6
2023	4,864.9	6,450.6	-1,585.6	4,771.3	6,492.9	-1,721.6	93.6	-42.4	136.0	279.9	-0.9
2024	5,082.2	6,908.5	-1,826.3	4,965.6	6,944.5	-1,978.9	116.6	-36.0	152.6	395.2	-0.5
2025	5,529.3	7,358.4	-1,829.0	5,435.7	7,377.6	-1,941.9	93.6	-19.2	112.8	305.4	-0.2
2026	5,896.9	7,712.3	-1,815.4	5,809.9	7,708.9	-1,899.0	87.0	3.4	83.6	332.7	0.2
2027	6,199.4	8,049.5	-1,850.1	6,120.5	8,039.3	-1,918.8	78.9	10.2	68.7	284.2	0.2
2028	6,399.8	8,411.1	-2,011.3	6,344.0	8,400.6	-2,056.6	55.8	10.5	45.3	194.1	0.1
2029	6,668.6	8,798.4	-2,129.8	6,638.1	8,791.4	-2,153.3	30.5	7.0	23.5	96.5	0.1
2030	6,962.1	9,192.6	-2,230.6	6,955.1	9,190.5	-2,235.4	7.0	2.1	4.9	10.5	**
2031	7,261.1	9,605.1	-2,344.1	7,275.9	9,604.8	-2,328.9	-14.8	0.3	-15.1	-68.3	**
2032	7,555.0	10,057.7	-2,502.8	7,588.4	10,057.8	-2,469.4	-33.4	*	-33.4	-133.2	**
2033	7,862.0	10,523.9	-2,661.9	7,909.1	10,523.9	-2,614.8	-47.1	*	-47.1	-178.7	**
2034	8,169.0	11,019.6	-2,850.5	8,225.2	11,019.6	-2,794.4	-56.2	*	-56.2	-208.8	**
2035	8,495.3	11,495.8	-3,000.4	8,556.8	11,495.7	-2,938.9	-61.5	*	-61.5	-224.9	**
2036	8,841.5	11,992.7	-3,151.2	8,906.2	11,992.6	-3,086.5	-64.7	*	-64.7	-234.6	**

Data sources: Congressional Budget Office; Office of Management and Budget (OMB). See www.cbo.gov/publication/62568#data.

Automatic stabilizers are changes in federal revenues and outlays that occur automatically in response to cyclical movements in gross domestic product (GDP) and unemployment, helping stabilize the economy.

Shaded values are actual amounts, as reported by OMB.

Projected revenues, outlays, and deficits with automatic stabilizers are CBO's current baseline projections, as presented in Congressional Budget Office, *The Budget and Economic Outlook: 2026 to 2036* (February 2026), www.cbo.gov/publication/61882.

* = between -$50 million and $50 million; ** = between -0.05 percentage points and 0.05 percentage points.

a. The GDP gap equals actual or projected GDP minus CBO's estimate of potential GDP (the maximum sustainable output of the economy).

b. The unemployment gap equals the actual or projected rate of unemployment minus CBO's estimate of the noncyclical rate of unemployment (the rate resulting from the normal turnover of jobs, mismatches between skills of available workers and skills necessary to fill vacant positions, and other sources except changes in aggregate demand).

In CBO's estimates, with current laws generally remaining unchanged, deficits without automatic stabilizers average 6.1 percent of potential GDP from 2026 to 2036—markedly greater than the 3.7 percent of potential GDP that cyclically adjusted deficits averaged in the 50 years from 1976 to 2025. Deficits with automatic stabilizers also average 6.1 percent of potential GDP from 2026 to 2029, up from an average of 4.0 percent over the previous 50 years.

Budget deficits without automatic stabilizers hold steady at roughly 6.0 percent of potential GDP in the first part of the projection period, from 2026 to 2031, before increasing in the second part of the projection

Table 2.

Federal Budget Deficit or Surplus With and Without CBO's Estimate of Automatic Stabilizers, as a Percentage of Potential GDP

	With automatic stabilizers			Without automatic stabilizers			Effects of automatic stabilizers				
	Revenues	Outlays	Deficit (-) or surplus	Revenues	Outlays	Deficit (-) or surplus	Revenues	Outlays	Deficit (-) or surplus	GDP gap[a]	Unemployment gap (percentage points)[b]
1976	16.6	21.2	-4.6	17.3	20.8	-3.5	-0.8	0.4	-1.2	-2.7	1.8
1977	17.2	20.9	-3.7	17.5	20.6	-3.2	-0.3	0.2	-0.5	-1.1	1.1
1978	17.9	21.0	-3.1	17.7	20.9	-3.3	0.2	*	0.2	0.5	**
1979	18.8	20.6	-1.8	18.3	20.7	-2.4	0.5	-0.1	0.6	1.4	-0.4
1980	18.3	21.1	-2.8	18.6	21.0	-2.4	-0.3	0.1	-0.4	-1.5	0.6
1981	19.0	21.7	-2.6	19.5	21.4	-1.9	-0.5	0.3	-0.7	-1.5	1.2
1982	17.8	21.8	-4.1	19.0	21.3	-2.3	-1.3	0.5	-1.8	-5.2	3.0
1983	16.9	22.5	-5.6	18.4	21.7	-3.2	-1.5	0.8	-2.4	-5.9	4.0
1984	17.3	22.1	-4.8	17.7	21.8	-4.1	-0.4	0.3	-0.7	-1.6	1.7
1985	17.7	22.4	-4.7	17.7	22.2	-4.5	*	0.2	-0.2	-0.6	1.2
1986	17.7	22.5	-4.8	17.6	22.4	-4.7	0.1	0.2	-0.1	-0.3	1.1
1987	18.4	22.0	-3.6	18.4	21.9	-3.5	*	0.1	-0.1	-0.5	0.5
1988	18.5	21.7	-3.2	18.3	21.7	-3.4	0.2	*	0.3	0.7	-0.3
1989	18.8	21.6	-2.9	18.3	21.7	-3.5	0.5	-0.1	0.6	1.6	-0.6
1990	18.4	21.8	-3.3	18.0	21.8	-3.8	0.4	-0.1	0.5	1.2	-0.3
1991	17.8	21.5	-3.7	18.2	21.4	-3.1	-0.4	0.1	-0.5	-1.7	0.9
1992	17.5	22.4	-4.9	18.0	22.2	-4.2	-0.5	0.3	-0.7	-1.5	1.8
1993	17.6	22.4	-4.8	17.9	22.1	-4.2	-0.3	0.3	-0.6	-1.1	1.5
1994	18.2	21.8	-3.7	18.3	21.7	-3.4	-0.1	0.2	-0.2	-0.3	0.9
1995	18.5	21.8	-3.3	18.4	21.7	-3.3	*	*	*	-0.1	0.2
1996	18.9	21.4	-2.5	18.8	21.3	-2.5	0.1	*	*	0.1	0.2
1997	19.6	20.9	-1.3	19.3	20.9	-1.6	0.3	*	0.3	0.9	-0.1
1998	19.9	20.2	-0.3	19.5	20.3	-0.8	0.4	-0.1	0.5	1.2	-0.6
1999	20.1	19.6	0.6	19.6	19.7	-0.2	0.6	-0.2	0.7	1.8	-0.8
2000	20.5	19.1	1.4	19.9	19.3	0.6	0.7	-0.2	0.9	2.0	-1.1
2001	19.5	18.9	0.6	19.4	19.1	0.4	0.1	-0.2	0.2	-0.1	-0.7
2002	17.3	19.1	-1.8	17.8	19.1	-1.3	-0.5	0.1	-0.5	-1.6	0.6
2003	16.4	19.6	-3.2	16.9	19.5	-2.6	-0.5	0.2	-0.7	-1.8	0.9
2004	16.5	19.8	-3.3	16.6	19.7	-3.0	-0.1	0.2	-0.3	-0.2	0.6
2005	17.5	20.0	-2.5	17.3	20.0	-2.7	0.2	0.1	0.1	0.7	0.2
2006	18.5	20.2	-1.8	18.1	20.3	-2.2	0.4	*	0.4	1.2	-0.3
2007	18.7	20.4	-1.6	18.4	20.4	-2.1	0.4	-0.1	0.5	1.2	-0.5
2008	17.8	21.4	-3.6	17.7	21.4	-3.8	0.2	*	0.2	0.5	0.2
2009	15.1	22.4	-7.3	16.0	21.9	-5.9	-0.9	0.5	-1.4	-4.4	3.5
2010	15.5	24.0	-8.5	16.5	23.1	-6.6	-1.0	0.9	-1.9	-3.7	4.7
2011	16.0	23.9	-7.9	16.7	23.0	-6.2	-0.8	0.9	-1.6	-3.3	4.1

Continued

period—to 6.6 percent of potential GDP in 2036. The budget deficit without automatic stabilizers as a percentage of potential GDP in 2036 is 0.1 percentage point lower than the deficit with automatic stabilizers.

Some of the year-to-year variation of estimated budget deficits without automatic stabilizers in the projection period can be attributed to timing shifts. When October 1 (the first day of the fiscal year) falls on a weekend, certain monthly payments that the government would ordinarily have made on that day are instead made at the end of September and thus are shifted into the previous fiscal year, reducing the number of payments in the fiscal year beginning in October.[7] If not for those

7. October 1 will fall on a weekend in calendar years 2028, 2033, and 2034, causing certain payments due on those days to be made at the end of September and thus to be recorded in the previous fiscal year. Those timing shifts will boost federal outlays and deficits in fiscal years 2028, 2033, and 2034; they will reduce federal outlays and deficits in fiscal years 2029 and 2035.

Table 2. Continued

Federal Budget Deficit or Surplus With and Without CBO's Estimate of Automatic Stabilizers, as a Percentage of Potential GDP

	With automatic stabilizers			Without automatic stabilizers			Effects of automatic stabilizers				
	Revenues	Outlays	Deficit (-) or surplus	Revenues	Outlays	Deficit (-) or surplus	Revenues	Outlays	Deficit (-) or surplus	GDP gap[a]	Unemployment gap (percentage points)[b]
2012	16.1	22.8	-6.8	16.6	22.1	-5.5	-0.5	0.7	-1.3	-2.6	3.3
2013	17.6	22.0	-4.4	18.1	21.4	-3.3	-0.5	0.6	-1.1	-2.6	2.7
2014	18.4	21.7	-3.2	18.8	21.3	-2.4	-0.4	0.4	-0.8	-1.9	1.6
2015	18.6	21.7	-3.1	18.7	21.5	-2.8	-0.1	0.2	-0.3	-0.8	0.7
2016	18.4	21.7	-3.3	18.6	21.7	-3.1	-0.2	0.1	-0.3	-1.1	0.3
2017	17.8	21.5	-3.7	18.0	21.5	-3.5	-0.2	*	-0.2	-0.9	-0.1
2018	17.5	21.7	-4.2	17.5	21.8	-4.3	*	-0.1	0.1	0.3	-0.6
2019	17.3	22.2	-4.9	17.2	22.3	-5.1	0.1	-0.1	0.3	0.4	-0.8
2020	17.0	29.4	-12.4	17.6	29.0	-11.5	-0.6	0.3	-0.9	-2.6	2.8
2021	18.4	31.2	-12.8	18.6	30.8	-12.2	-0.2	0.4	-0.6	-0.2	1.6
2022	19.8	24.2	-4.4	19.4	24.2	-4.8	0.4	*	0.4	1.2	-0.6
2023	17.9	23.8	-5.8	17.6	23.9	-6.3	0.3	-0.2	0.5	1.0	-0.9
2024	17.8	24.2	-6.4	17.4	24.3	-6.9	0.4	-0.1	0.5	1.4	-0.5
2025	18.4	24.5	-6.1	18.1	24.6	-6.5	0.3	-0.1	0.4	1.0	-0.2
2026	18.7	24.4	-5.8	18.4	24.4	-6.0	0.3	*	0.3	1.1	0.2
2027	18.8	24.4	-5.6	18.5	24.3	-5.8	0.2	*	0.2	0.9	0.2
2028	18.6	24.4	-5.8	18.4	24.4	-6.0	0.2	*	0.1	0.6	0.1
2029	18.6	24.5	-5.9	18.5	24.5	-6.0	0.1	*	0.1	0.3	0.1
2030	18.6	24.6	-6.0	18.6	24.6	-6.0	*	*	*	*	**
2031	18.7	24.7	-6.0	18.7	24.7	-6.0	*	*	*	-0.2	**
2032	18.7	24.9	-6.2	18.8	24.9	-6.1	-0.1	*	-0.1	-0.3	**
2033	18.7	25.1	-6.3	18.8	25.1	-6.2	-0.1	*	-0.1	-0.4	**
2034	18.7	25.3	-6.5	18.9	25.3	-6.4	-0.1	*	-0.1	-0.5	**
2035	18.8	25.4	-6.6	18.9	25.4	-6.5	-0.1	*	-0.1	-0.5	**
2036	18.8	25.5	-6.7	19.0	25.5	-6.6	-0.1	*	-0.1	-0.5	**

Data sources: Congressional Budget Office; Office of Management and Budget (OMB). See www.cbo.gov/publication/62568#data.

Automatic stabilizers are changes in federal revenues and outlays that occur automatically in response to cyclical movements in gross domestic product (GDP) and unemployment, helping stabilize the economy.

Shaded values are actual amounts, as reported by OMB.

Projected revenues, outlays, and deficits with automatic stabilizers are CBO's current baseline projections, as presented in Congressional Budget Office, *The Budget and Economic Outlook: 2026 to 2036* (February 2026), www.cbo.gov/publication/61882.

* = between -0.05 percent and 0.05 percent; ** = between -0.05 percentage points and 0.05 percentage points.

a. The GDP gap equals actual or projected GDP minus CBO's estimate of potential GDP (the maximum sustainable output of the economy).

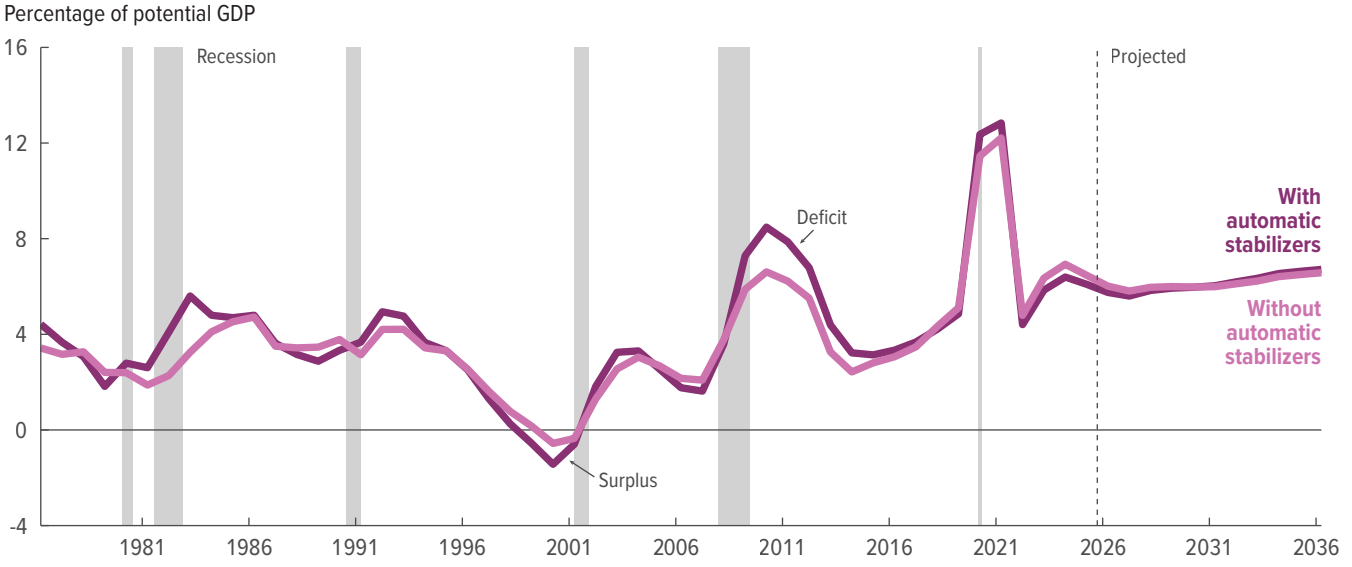
b. The unemployment gap equals the actual or projected rate of unemployment minus CBO's estimate of the noncyclical rate of unemployment (the rate resulting from the normal turnover of jobs, mismatches between skills of available workers and skills necessary to fill vacant positions, and other sources except changes in aggregate demand).

shifts, cyclically adjusted deficits would vary even less over the next decade.

In CBO's estimates, deficits without automatic stabilizers are correlated with cyclical changes in the economy. In particular, those adjusted deficits as a percentage of potential GDP tend to increase during recessions and in the early phases of recovery periods. How could estimated deficits that exclude the effects of cyclical movements in output and unemployment still correlate with those movements? One reason is legislative or executive actions: Often during times of recession or high unemployment, lawmakers seeking to support a weak economy have enacted measures—such as those cutting

Figure 2.

Federal Budget Deficit or Surplus With and Without Automatic Stabilizers



Data sources: Congressional Budget Office; Office of Management and Budget. See www.cbo.gov/publication/62568#data.

Automatic stabilizers are changes in federal revenues and outlays that occur automatically in response to cyclical movements in gross domestic product (GDP) and unemployment, helping stabilize the economy.

The projections used for this analysis come from CBO's current baseline projections of the federal budget deficit, as presented in Congressional Budget Office, *The Budget and Economic Outlook: 2026 to 2036* (February 2026), www.cbo.gov/publication/61882.

Potential GDP is CBO's estimate of the maximum sustainable output of the economy.

Recessions, which begin just after a peak in economic activity and run through the subsequent trough, are plotted using monthly data; all other data are annual and are plotted at the midpoint (April 1) of each fiscal year.

taxes or increasing government spending—that increase deficits. Because legislated changes and executive actions are not automatically built into existing law, their budgetary effects are not attributable to automatic stabilizers. Typically, after times of recession or high unemployment, deficits adjusted for automatic stabilizers have shrunk. That pattern was evident from 2010 to 2014, although cyclically adjusted deficits began to increase in 2015.

Another potential reason that deficits without automatic stabilizers are correlated with cyclical changes in the economy is CBO's methods for estimating the effects of automatic stabilizers: CBO's methods may only partially remove the effects of certain changes that have not been reliably estimated to have a sufficiently regular relationship with cyclical developments in the economy over time. For example, large fluctuations in the stock market, which are partially cyclical and have notable effects on federal revenues from capital gains taxes, are not estimated to be primarily cyclical in nature in CBO's analysis and thus are not reflected in the agency's estimates of automatic stabilizers.[8]

8. Frank Russek and Kim Kowalewski, *How CBO Estimates Automatic Stabilizers*, Working Paper 2015-07 (Congressional Budget Office, November 2015), www.cbo.gov/publication/51005.

This report supplements *The Budget and Economic Outlook: 2026 to 2036*, which is available on the Congressional Budget Office's website at www.cbo.gov/publication/61882. In keeping with CBO's mandate to provide objective, impartial analysis, the report makes no recommendations.

Matthew Wilson prepared the report with guidance from Devrim Demirel and Jaeger Nelson. Natalia Reyes fact-checked it.

Jeffrey Kling reviewed the report. Brett Kessler edited it, and Jorge Salazar created the graphics and prepared the text for publication. The report is available at www.cbo.gov/publication/62568.

CBO seeks feedback to make its work as useful as possible. Please send comments to communications@cbo.gov.

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