A Visual Summary of
An Update to the Budget and Economic Outlook: 2019 to 2029

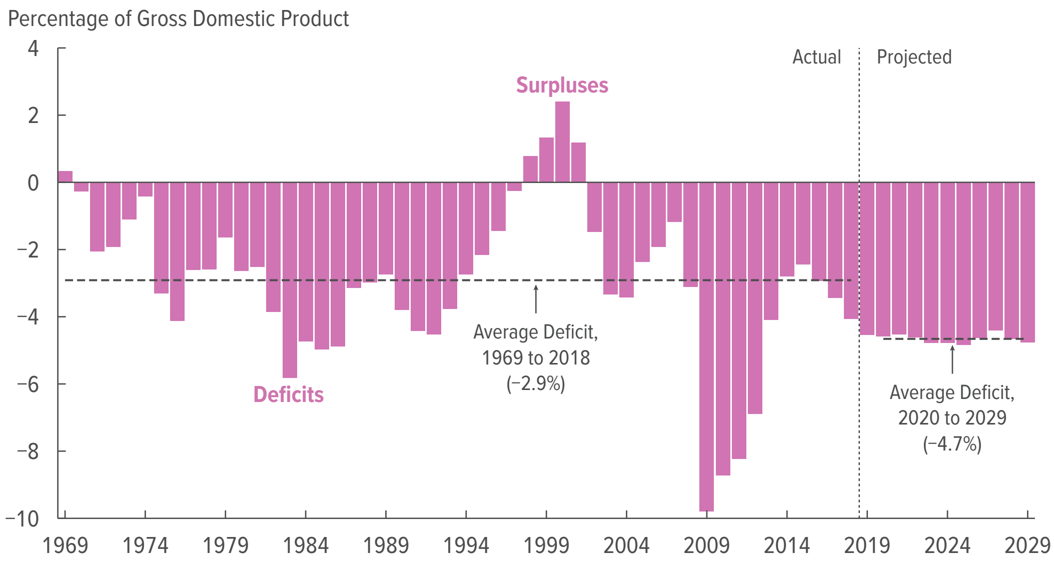
Congressional Budget Office
Nonpartisan Analysis for the U.S. Congress

August 2019

In this report, the Congressional Budget Office provides projections of the federal budget and the U.S. economy under current law for this year and the decade that follows. Deficits in the current projections are larger than those in the projections that CBO published in May, primarily because recently enacted legislation raised the caps on discretionary funding for fiscal years 2020 and 2021. The budgetary effects of new legislation were partially offset by revisions that the agency has made to its economic forecast since it was last updated in January 2019. In particular, markedly lower projected interest rates reduced the agency's projections of borrowing costs. CBO also raised its projections of economic growth in the near term.

Deficits

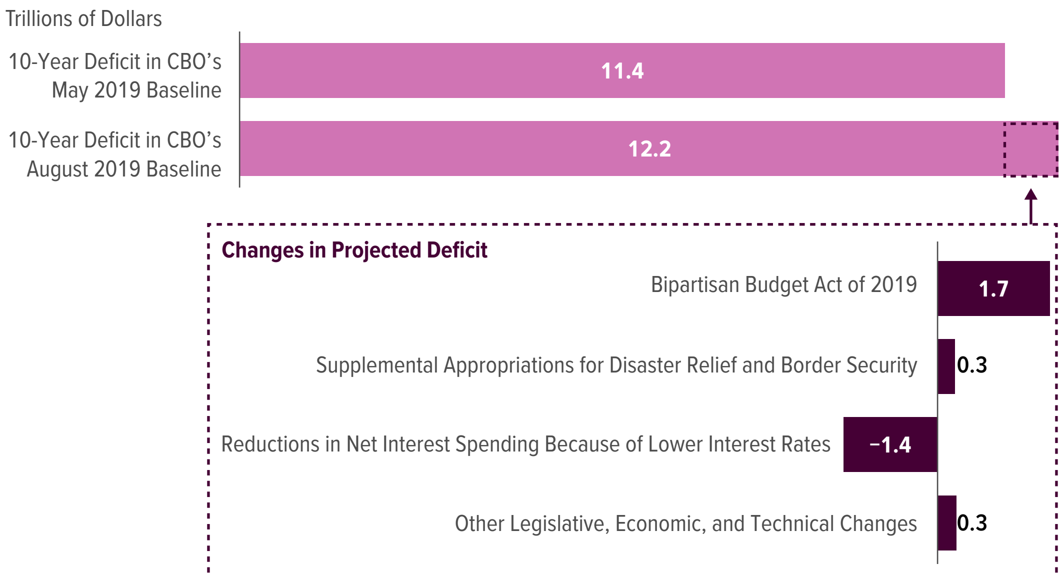
CBO estimates a 2019 deficit of $960 billion, or 4.5 percent of gross domestic product (GDP). The projected shortfall (adjusted to exclude the effects of shifts in the timing of certain payments) rises to 4.8 percent of GDP in 2029.



Over the 2020–2029 period, deficits are projected to average 4.7 percent of GDP, totaling $12.2 trillion. Such deficits would be significantly larger than the 2.9 percent of GDP that deficits averaged over the past 50 years.

See Figure 1-1

Deficits (Continued)

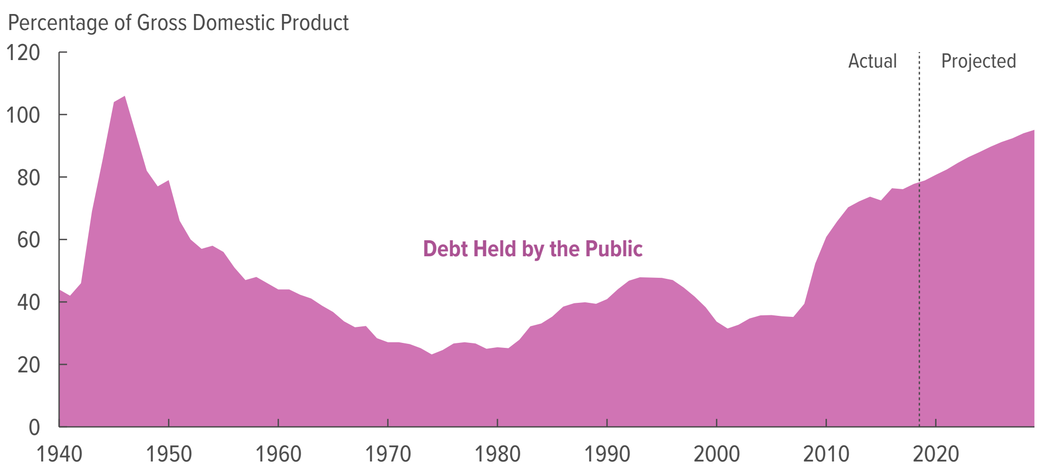


Since May 2019, CBO has increased its projection of the 10-year deficit by a total of $0.8 trillion. The largest factor in that revision was the Bipartisan Budget Act of 2019, which increased projected deficits for the 2020–2029 period by $1.7 trillion (including debt-service costs). A reduction in projected net interest outlays, which stemmed from lower projected interest rates than those in CBO's January 2019 forecast, offset much of that increase.

See *Figure A-1*

Debt

Federal debt held by the public is projected to rise steadily over the coming decade, from 79 percent of GDP in 2019 to 95 percent of GDP in 2029. It would continue to grow after 2029.



Relative to the size of the economy, federal debt in 2019 is projected to be nearly twice its average over the past 50 years. At the end of 2029, debt is projected to reach a higher level than it has at any point since just after World War II.

See *Figure 1-4*

Revenues

In CBO's baseline projections, revenues total $3.5 trillion in 2019, or 16.3 percent of GDP, and rise to 18.2 percent of GDP in 2029. Over the past 50 years, revenues averaged 17.4 percent of GDP.

Percentage of Gross Domestic Product

	Revenues 2019	Revenues 2029	Change (Percentage points)
Individual Income Taxes	8.0	9.6	1.6
Payroll Taxes	5.9	5.9	*
Corporate Income Taxes	1.1	1.3	0.3
Other Sources of Revenue	1.3	1.3	*

Total revenues as a share of GDP are projected to rise over the next decade, primarily because of increases in individual income taxes. The largest of those increases stem from the expiration of certain provisions of the 2017 tax act at the end of 2025 and from real bracket creep.

*See Figure 1-7; * = between zero and 0.05 percent of GDP*

Outlays

In 2019, CBO estimates, outlays will total $4.4 trillion, or 20.8 percent of GDP. In the agency's baseline projections, they rise to 23.0 percent of GDP in 2029 (after an adjustment to exclude the effects of certain timing shifts). Over the past 50 years, outlays averaged 20.3 percent of GDP.

Percentage of Gross Domestic Product

	Outlays 2019	Outlays 2029	Change (Percentage points)
Social Security	4.9	5.9	1.0
Major Health Care Programs	5.3	6.6	1.3
Other Mandatory Spending	2.6	2.3	–0.4
Discretionary Spending	6.3	5.6	–0.7
Net Interest	1.8	2.6	0.9

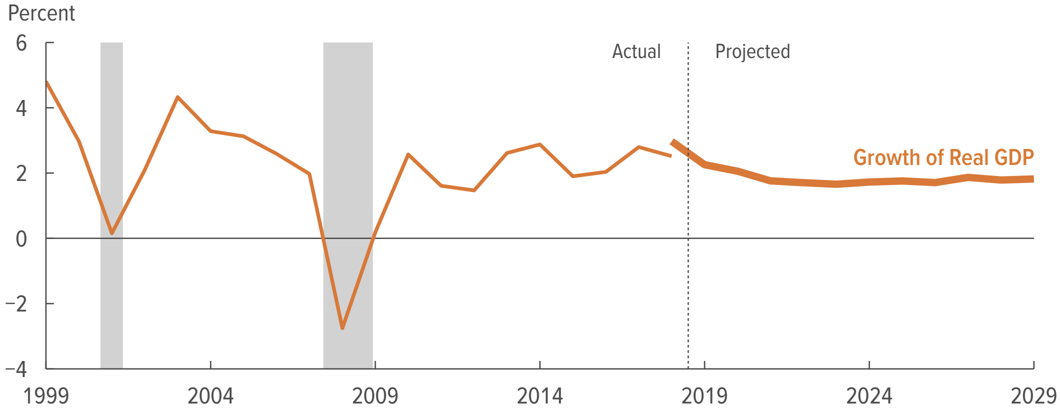
The aging of the population and the rising costs of health care drive an increase in mandatory outlays (particularly for Social Security and Medicare).

Outlays for discretionary programs fall in relation to GDP because rates of inflation, which are used to project future funding, are lower than the rate of economic growth.

Net interest costs rise because of accumulating debt and rising interest rates.

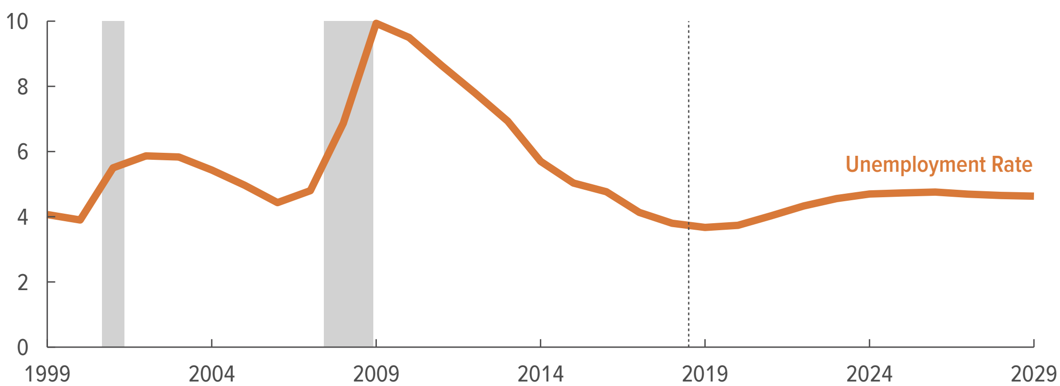
See Figure 1-5

The Economy The economy was strong in 2018 and the first half of 2019: Real (inflation-adjusted) GDP grew at an average annual rate of 2.5 percent, unemployment remained low, and wages rose. In CBO's forecast, the economy expands more slowly over the next decade than it did in 2018, growing at an annual rate of 1.8 percent, on average. That rate of output growth is below the long-run historical average, primarily because the labor force is expected to grow more slowly than it has in the past.



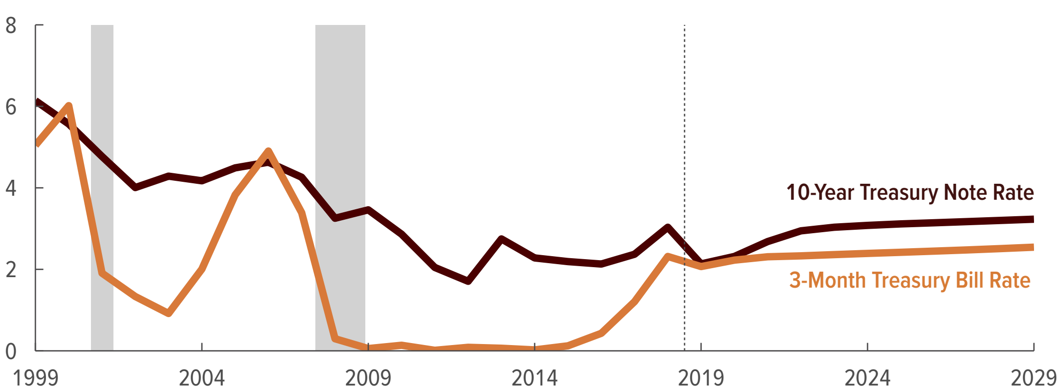
See *Figure 2-1*

Real GDP growth is projected to slow from 2.3 percent in 2019 to an average of 1.8 percent over the 2020–2023 period, reflecting slower growth in consumer spending and government purchases as well as the effect of trade policies on business investment.



See *Figure 2-3*

In CBO's projections, the unemployment rate remains close to its current level of 3.7 percent through the end of 2020 and then rises to 4.6 percent by the end of 2023 as output growth slows.



See *Figure 2-1*

CBO expects the Federal Reserve to keep the target range for the federal funds rate at its current level through most of 2020 and then increase it at the end of that year. That increase, along with other factors, would put upward pressure on short-term and long-term interest rates.