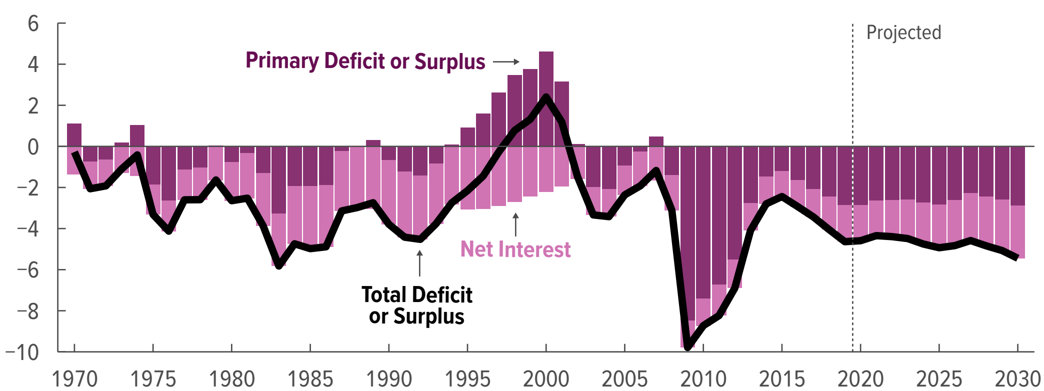
Visual Summary

In this report, the Congressional Budget Office provides detailed projections of the federal budget and the U.S. economy under current law for this year and the decade that follows as well as projections for the following two decades. The cumulative deficit currently projected for the next 10 years is slightly larger than what CBO projected last August because deficit increases resulting from new legislation and other changes are greater than the deficit-reducing effects of revisions to CBO's economic forecast. Beyond 2030, projected deficits have increased substantially. As a result, debt held by the public as a percentage of gross domestic product (GDP) in 2049 is now projected to be 30 percentage points higher than it was in CBO's previous long-term projections.

Deficits and Debt

CBO estimates a 2020 deficit of $1.0 trillion, or 4.6 percent of GDP. The projected gap between spending and revenues increases to 5.4 percent of GDP in 2030. Federal debt held by the public is projected to rise over the coming decade, from 81 percent of GDP in 2020 to 98 percent of GDP in 2030. It continues to grow thereafter in CBO's projections, reaching 180 percent of GDP in 2050, well above the highest level ever recorded in the United States.

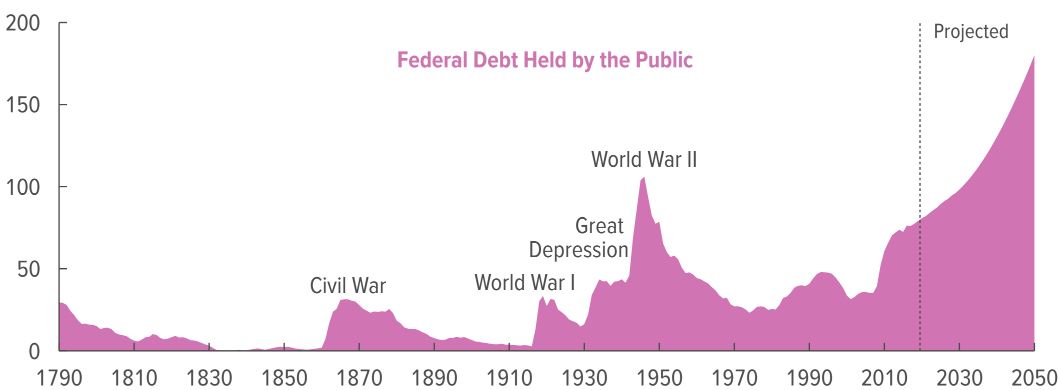
Percentage of Gross Domestic Product



Over the 2020–2030 period, primary deficits—that is, deficits excluding net outlays for interest—are projected to average 2.6 percent of GDP. Over the same period, federal debt and interest rates are both projected to rise, causing net outlays for interest to increase steadily, from 1.7 percent of GDP in 2020 to 2.6 percent of GDP in 2030.

See Figure 1-3 on page 9

Percentage of Gross Domestic Product



High and rising federal debt would reduce national saving and income, boost the government's interest payments, limit policymakers' ability to respond to unforeseen events, and increase the likelihood of a fiscal crisis.

See Figure 1-4 on page 11

Revenues

In CBO's baseline projections, revenues total $3.6 trillion in 2020, or 16.4 percent of GDP, and rise to 18.0 percent of GDP in 2030.

Percentage of Gross Domestic Product

	Revenues 2020	Revenues 2030	Change (Percentage points)
Individual Income Taxes	8.1	9.5	1.4
Payroll Taxes	5.9	5.9	*
Corporate Income Taxes	1.1	1.3	0.2
Other Taxes	1.4	1.2	−0.1

Total revenues as a share of GDP are projected to rise, primarily because of increases in individual income taxes. Driving those increases are the expiration of certain provisions of the 2017 tax act (at the end of calendar year 2025) and real bracket creep—the process in which, as income rises faster than inflation, a larger proportion of income becomes subject to higher tax rates.

*See Figure 1-8 on page 24; * = between zero and 0.05 percentage points*

Outlays

In 2020, CBO estimates, outlays will total $4.6 trillion, or 21.0 percent of GDP. In the agency's baseline projections, they rise to 23.4 percent of GDP in 2030.

Percentage of Gross Domestic Product

	Outlays 2020	Outlays 2030	Change (Percentage points)
Social Security	4.9	6.0	1.1
Major Health Care Programs	5.4	7.0	1.6
Other Mandatory Spending	2.6	2.2	−0.4
Discretionary Spending	6.4	5.6	−0.8
Net Interest	1.7	2.6	0.8

The aging of the population and the rising costs of health care boost mandatory outlays, particularly for Social Security and Medicare.

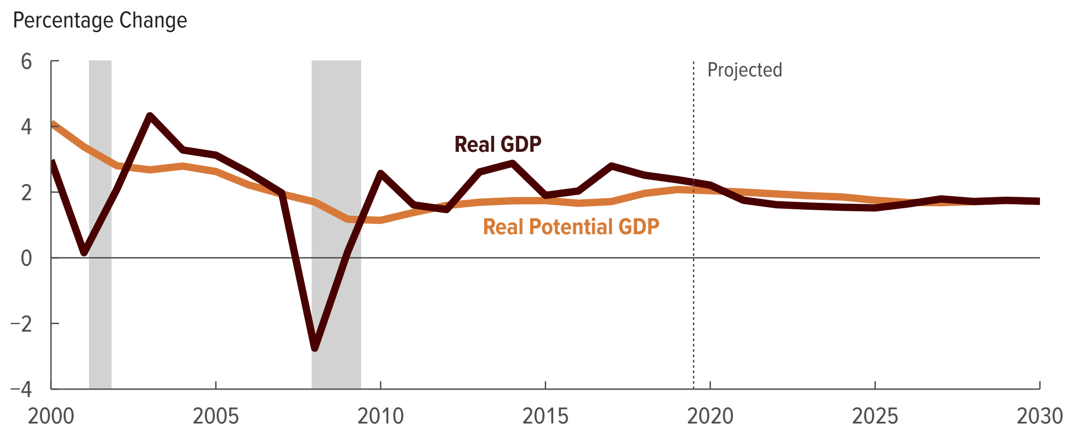
Outlays for discretionary programs fall in relation to GDP because of caps on funding and because rates of inflation, which are used to project future funding, are lower than the rate of economic growth.

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

See Figure 1-7 on page 20

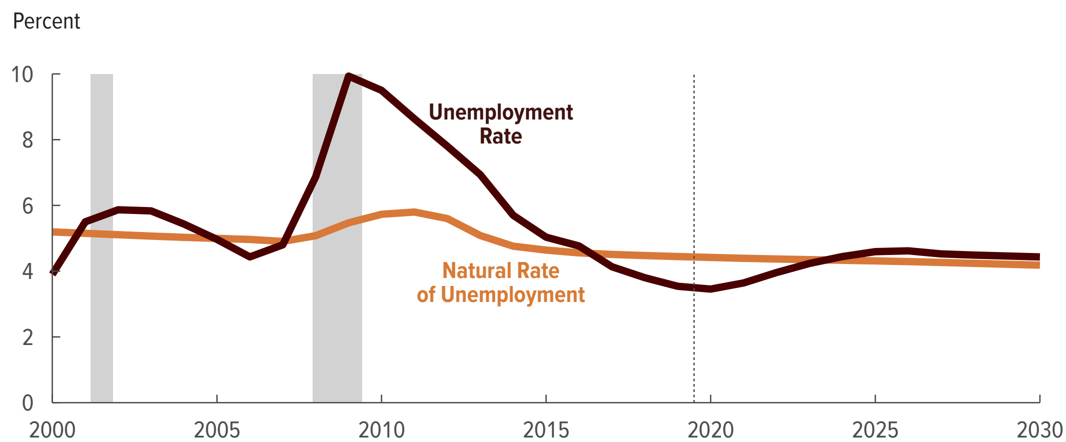
The Economy

Adjusted for inflation, GDP is projected to grow by 2.2 percent in 2020. From 2021 to 2030, output is projected to grow at an average annual rate of 1.7 percent, roughly the same rate as the economy's maximum sustainable output (or potential GDP), which is determined by factors such as the size of the labor force, the average number of hours worked, capital investment, and productivity growth.



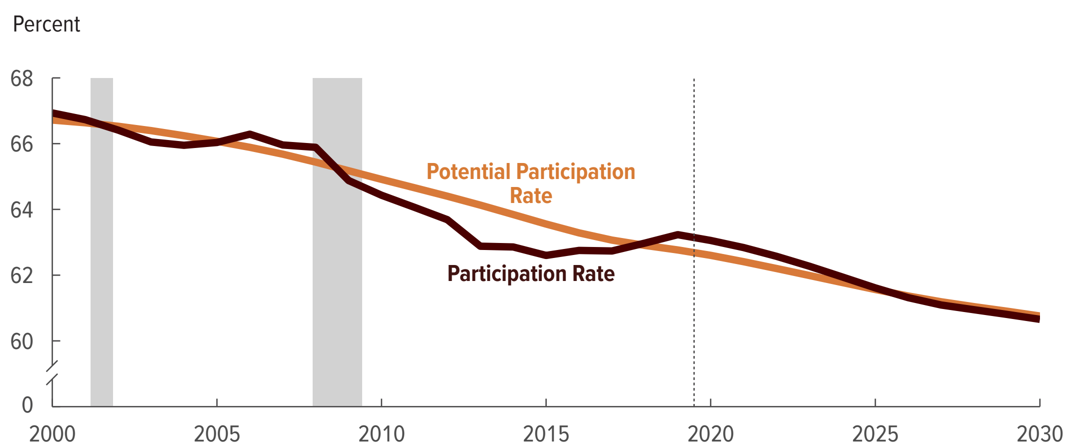
See Figure 2-1 on page 31

In CBO's projections, output grows faster than potential GDP in 2020, largely because of strong consumer spending and a rebound in business fixed investment. In later years, economic growth slows as growth in consumer spending and private investment moderates.



See Figure 2-2 on page 39

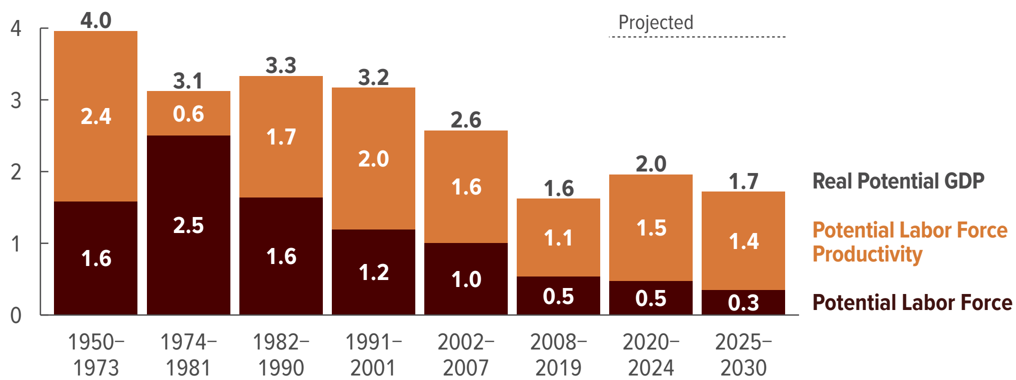
The unemployment rate remains near historic lows throughout 2020. It then rises steadily, mostly because of slower economic growth. In 2024, it surpasses the natural rate of unemployment (the rate arising from all sources other than fluctuations in the overall demand for goods and services).



See Figure 2-2 on page 39

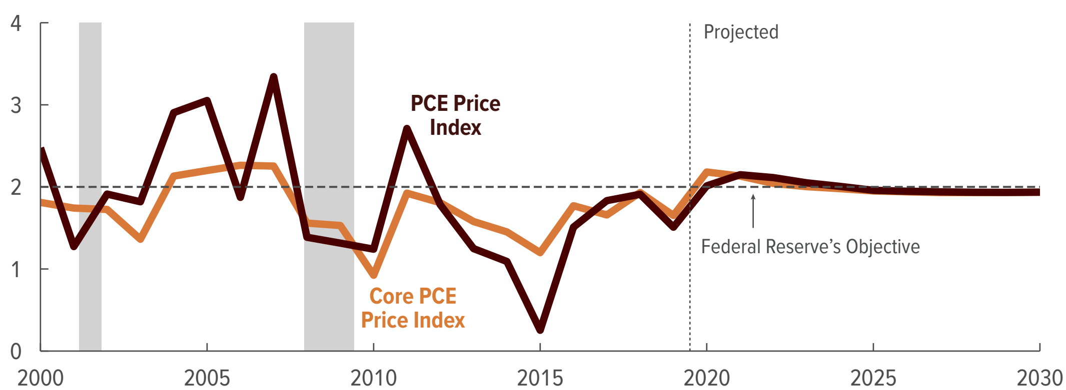
The strong labor market keeps the labor force participation rate elevated for much of 2020. Starting in 2021, as economic and job growth slows, participation falls toward its potential rate, which also decreases, largely because of the aging of the population.

The Economy (Continued)



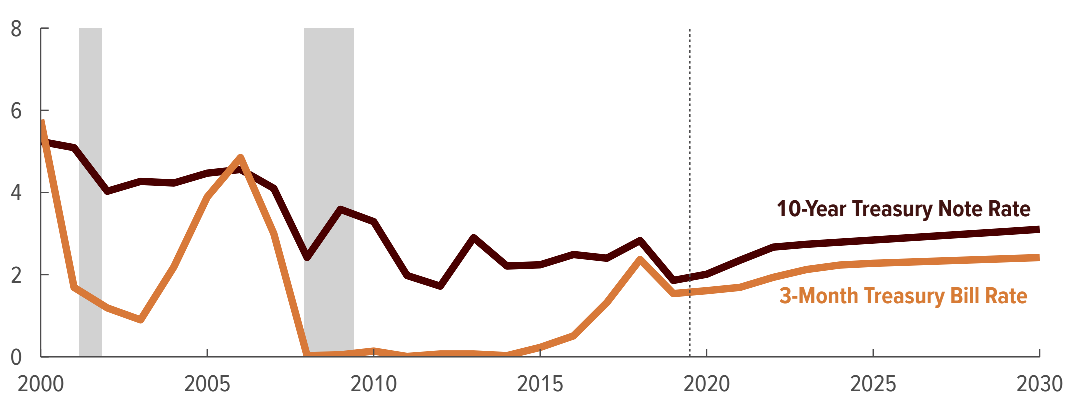
See Figure 2-6 on page 47

Over the next decade, real potential GDP is projected to grow more slowly than it did before 2008, primarily because the labor force is expected to grow more slowly than it has in the past.



See Figure 2-4 on page 42; PCE = personal consumption expenditures

In CBO's projections, a number of factors cause inflation to accelerate in 2020, including strong labor and product markets. After 2021, diminishing strength in those markets slows the rate of inflation.



See Figure 2-5 on page 43

Factors that push projected interest rates below their pre-2008 average include lower average expected inflation and slower growth of the labor force. Those factors are partially offset by others, such as a larger federal debt relative to GDP.