

The Economic Outlook for 2024 to 2034 in 19 Slides

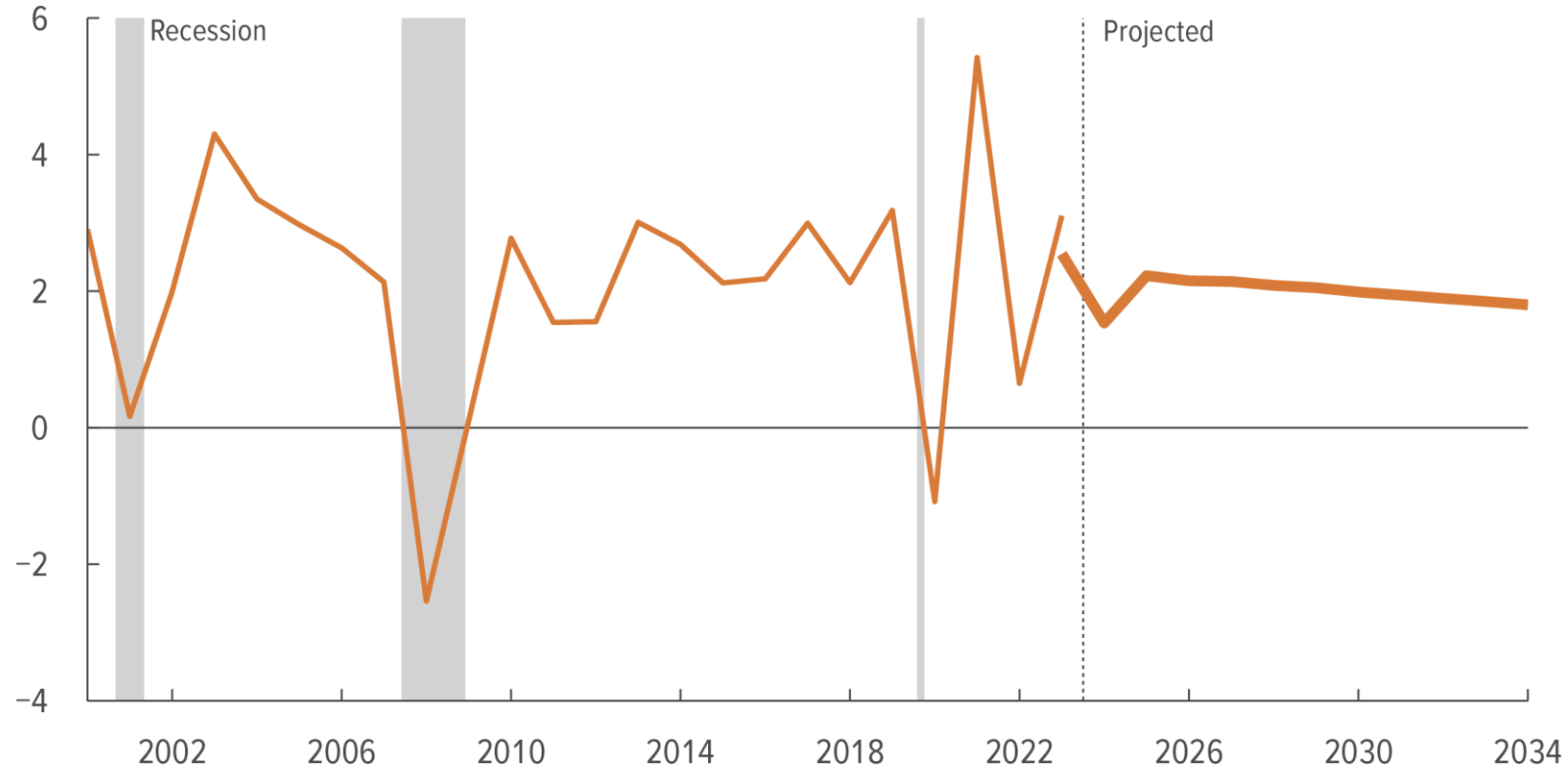
February 2024

These slides reprise graphics presented in Congressional Budget Office, *The Budget and Economic Outlook: 2024 to 2034* (February 2024), www.cbo.gov/publication/59710. For additional details, see the notes to the corresponding figures in Chapter 2 of that report. Definitions of terms used in this slide deck appear at the end of the document. Years referred to in these figures are calendar years.



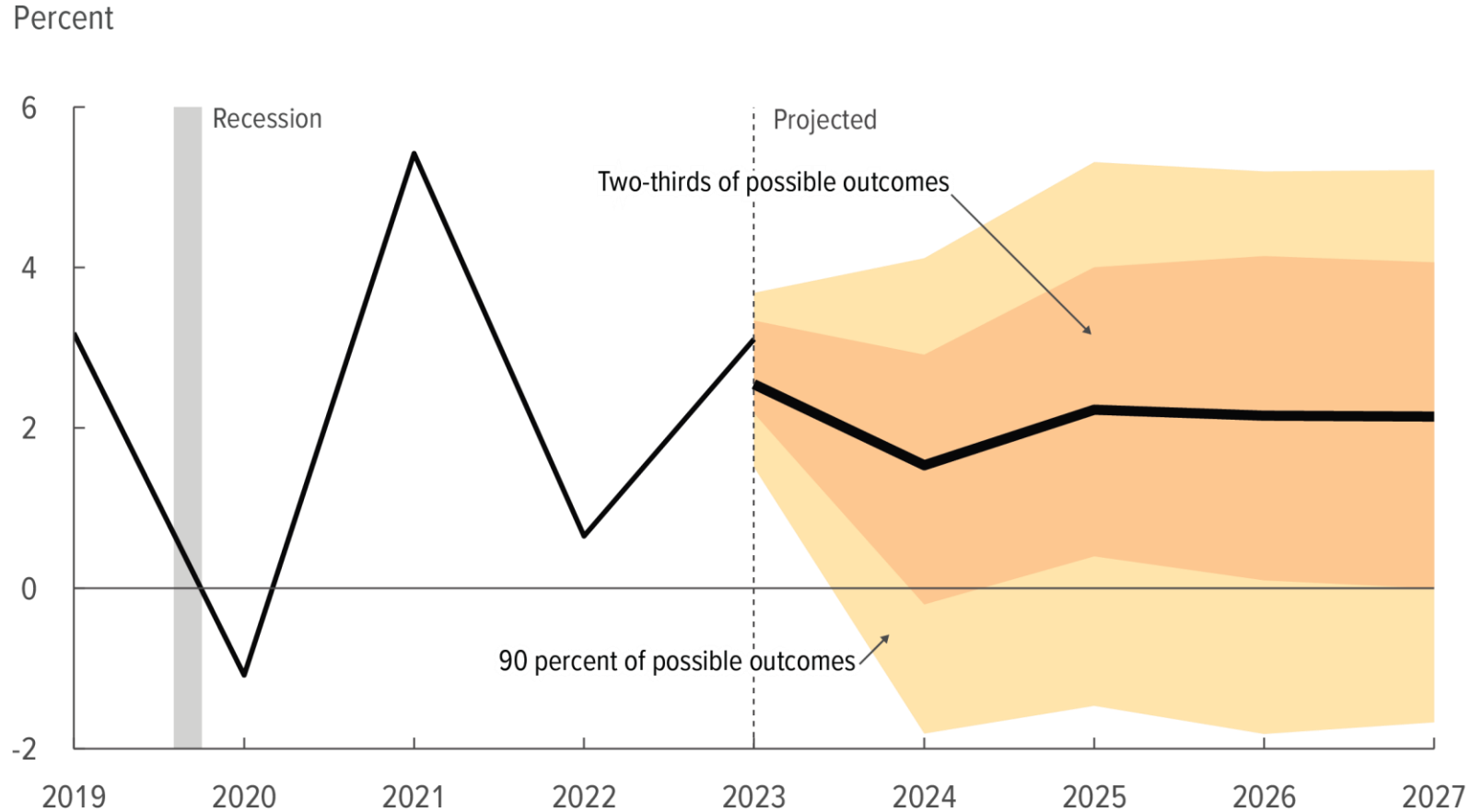
Growth of Real GDP

Percent



The growth of economic output is projected to slow in 2024 as the growth of consumer spending slows and as business investment in nonresidential structures declines. Economic growth is projected to increase in 2025 after the Federal Reserve responds to weaker economic conditions in 2024 by lowering interest rates.

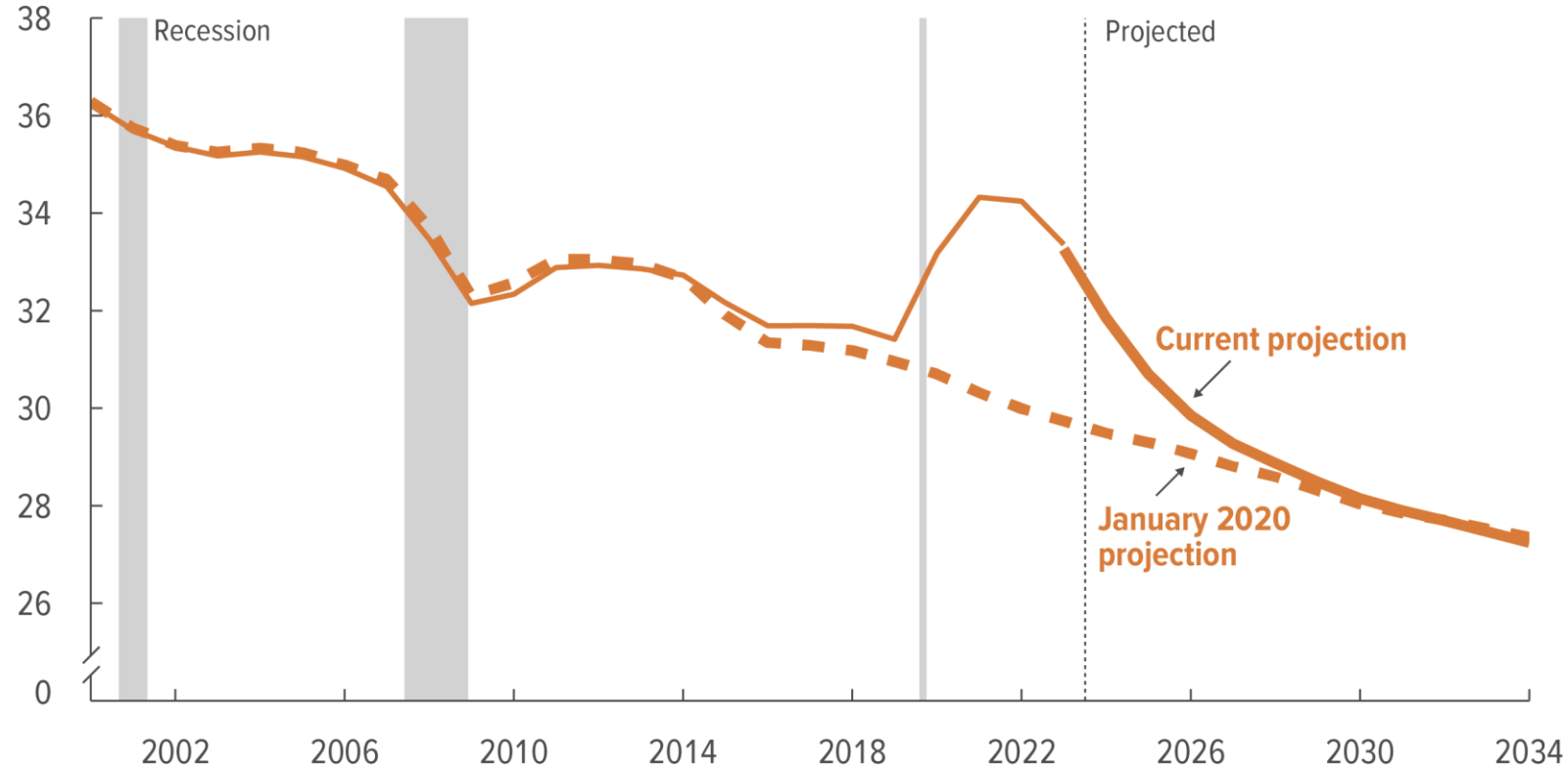
Uncertainty of CBO's Projections of Real GDP Growth



CBO estimates that there is approximately a two-thirds chance that the annual growth rate of real GDP will be between -0.2 percent and 2.9 percent in 2024 and between zero and 4.0 percent in 2027.

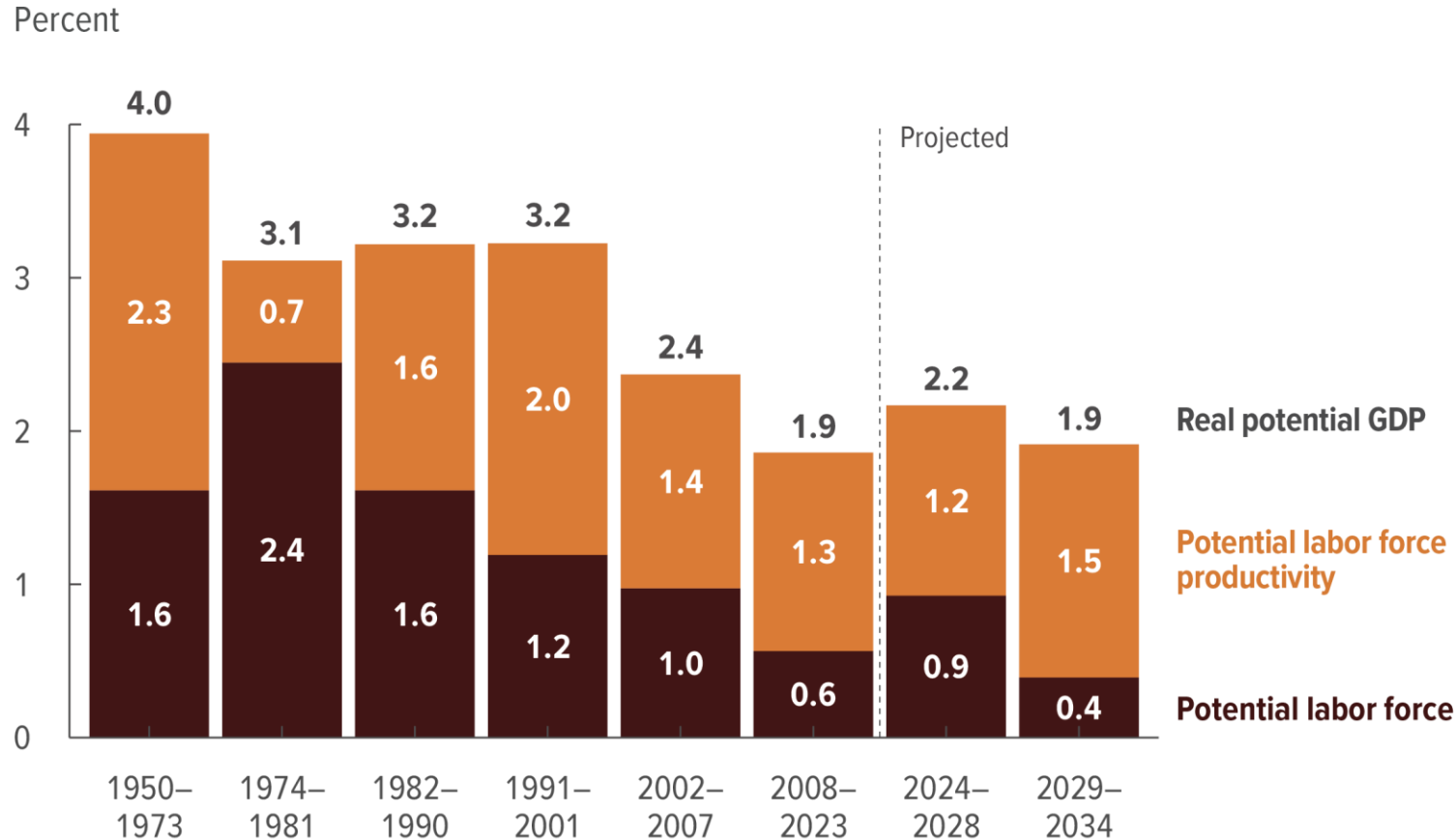
Spending on Consumer Goods as a Share of Nominal Consumer Spending

Percent



CBO expects the share of consumer spending on goods to decline in the coming years as people gradually return to their prepandemic patterns of consumption.

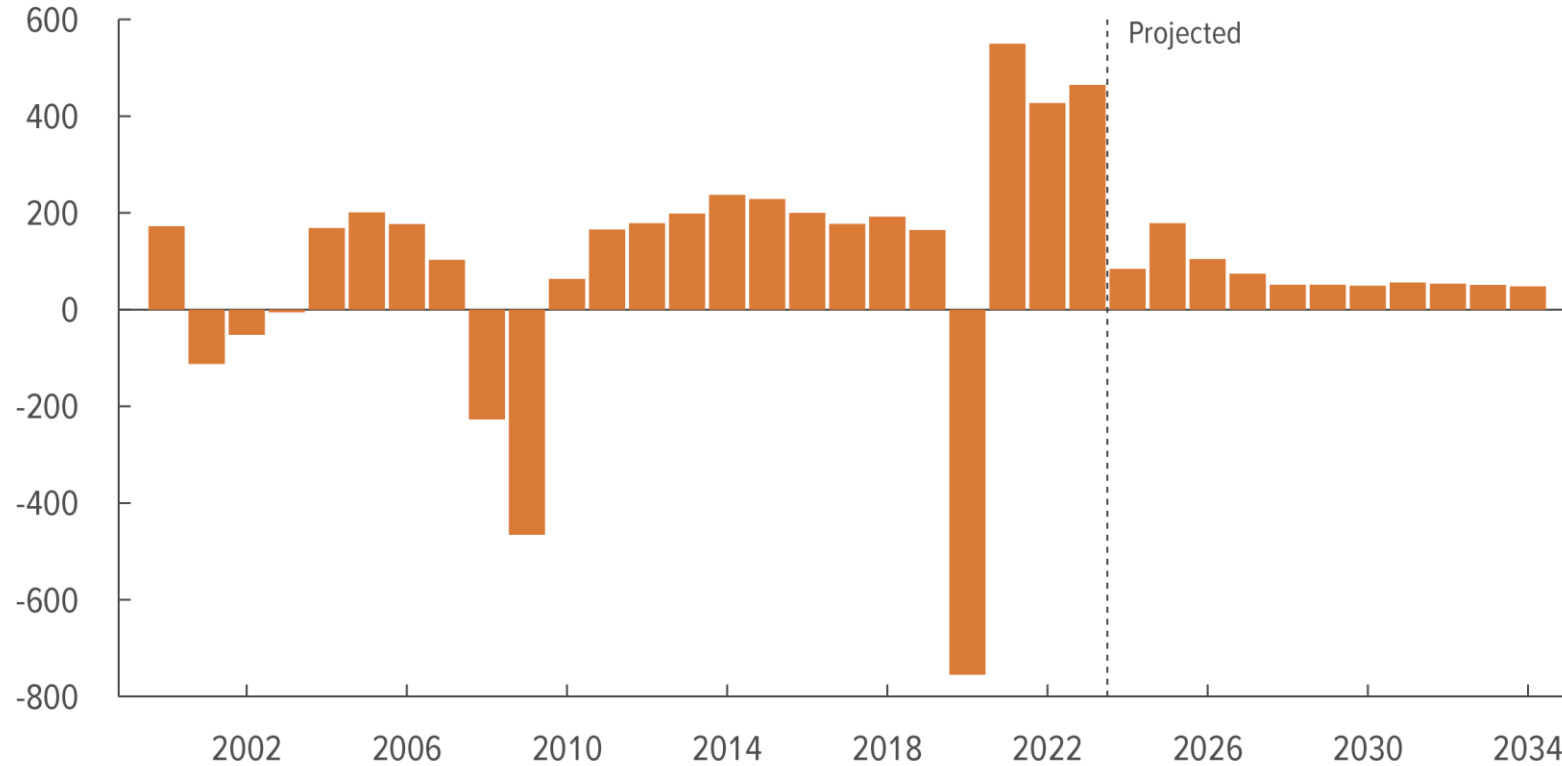
Average Annual Growth of Real Potential GDP and Its Components



Real potential GDP is projected to grow at an average annual rate of 2.2 percent over the next five years, faster than it has since the recession of 2007 to 2009. That faster growth of potential GDP stems mainly from CBO's projection of a surge in net immigration from 2022 to 2026, which increases the projected growth of the labor force.

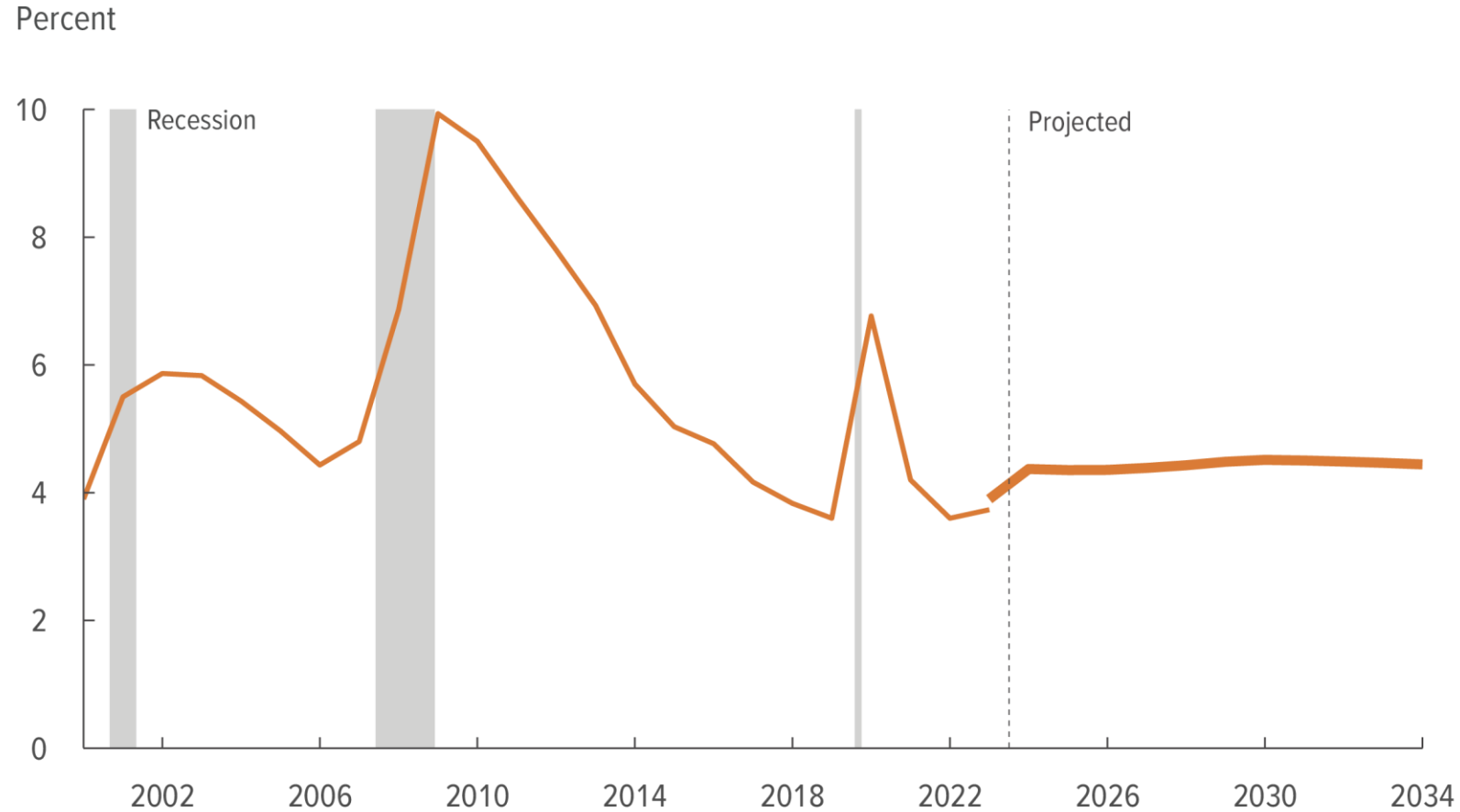
Payroll Employment: Average Net Monthly Change

Thousands of jobs



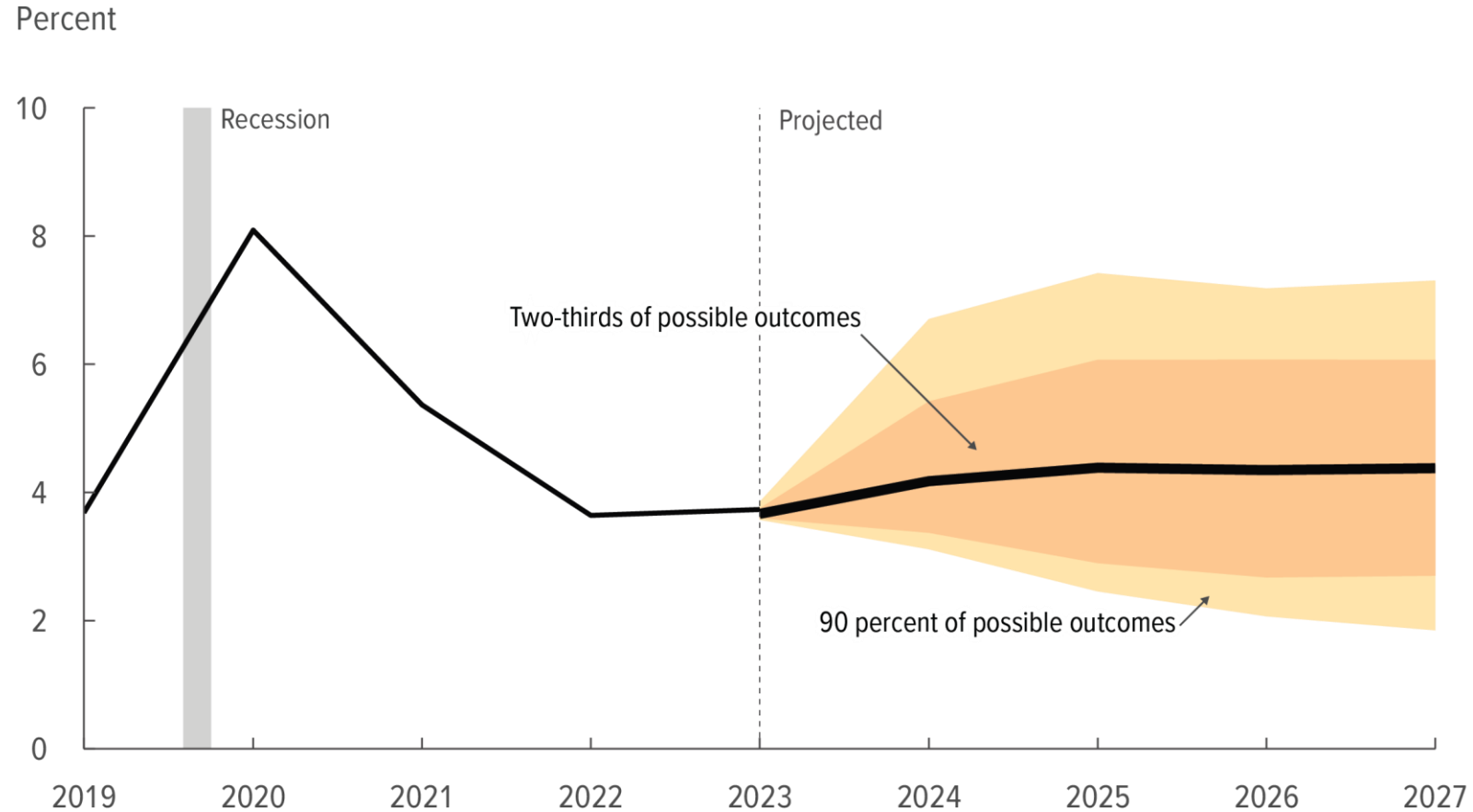
The number of payroll employees is projected to grow more slowly in 2024 than it has in recent years as the expected slowdown in economic growth dampens the demand for workers.

Unemployment Rate



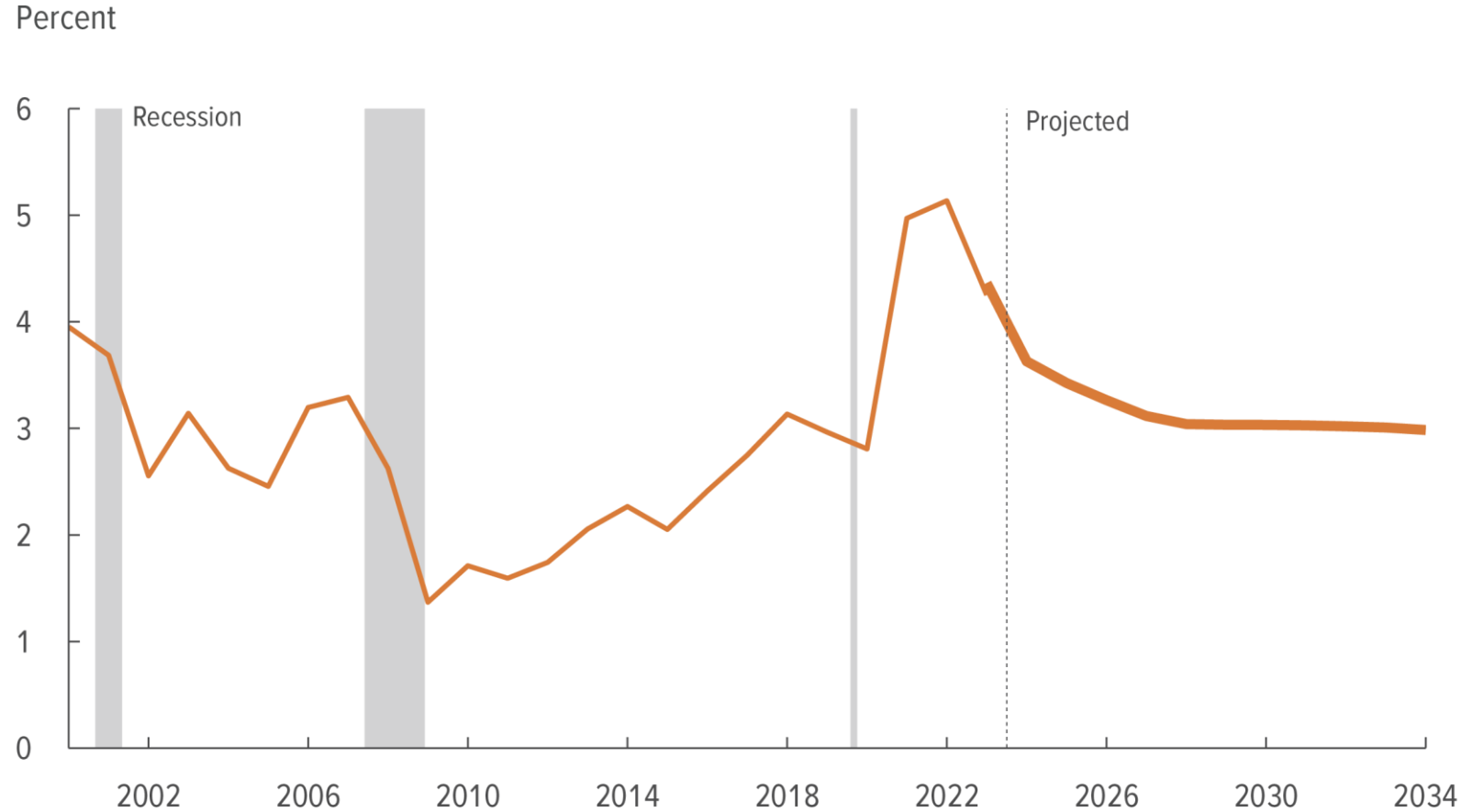
The slowdown in economic growth is expected to raise the unemployment rate through early 2025.

Uncertainty of CBO's Projections of the Unemployment Rate



CBO estimates that there is roughly a two-thirds chance that in 2024, the average unemployment rate will be between 3.1 percent and 5.4 percent.

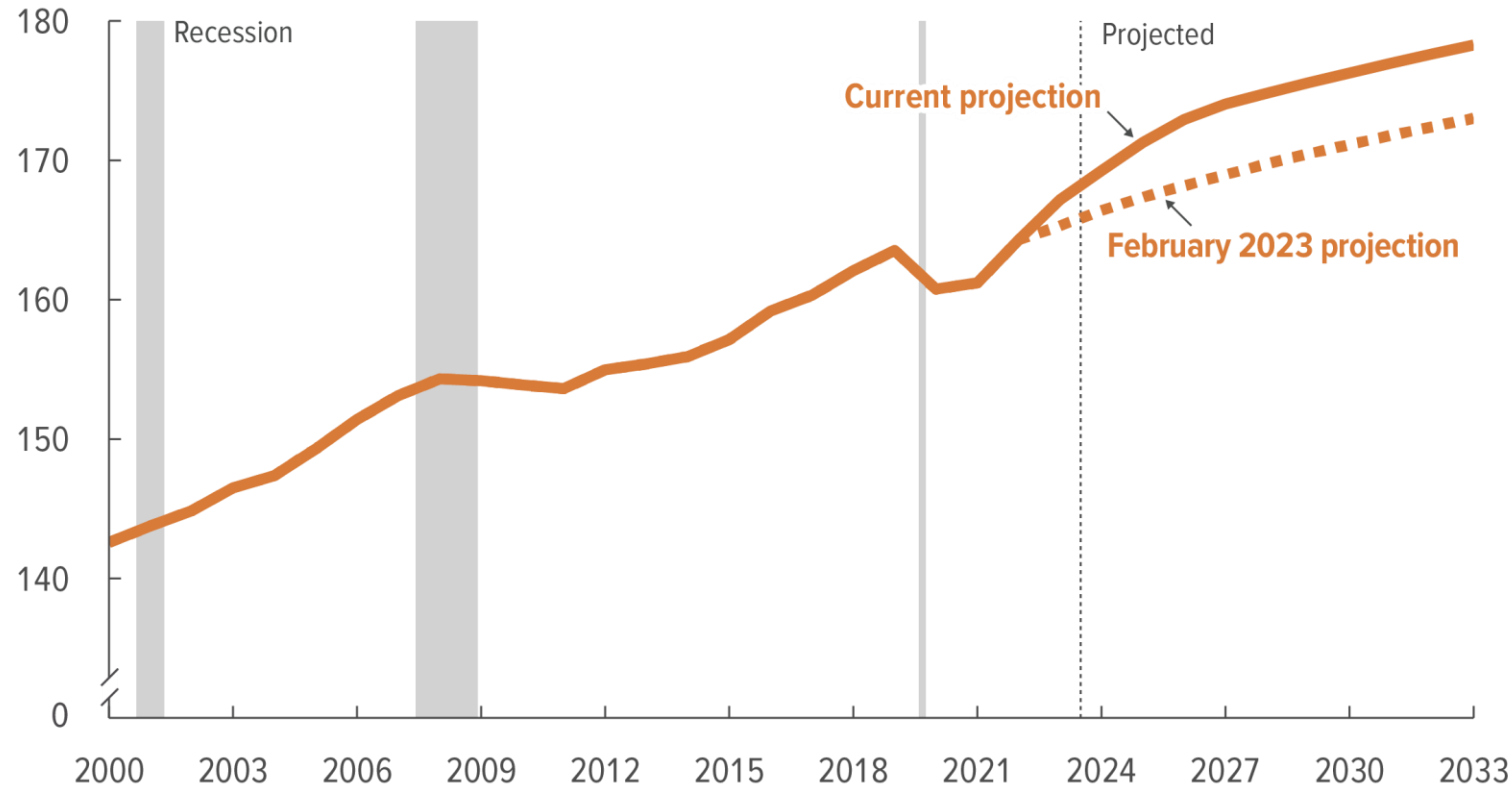
Wage Growth



Less demand for labor and falling inflation are projected to slow the growth of nominal wages over the next year. Wage growth is projected to keep declining gradually after 2024 but to remain above its prepandemic 2015–2019 average through 2034.

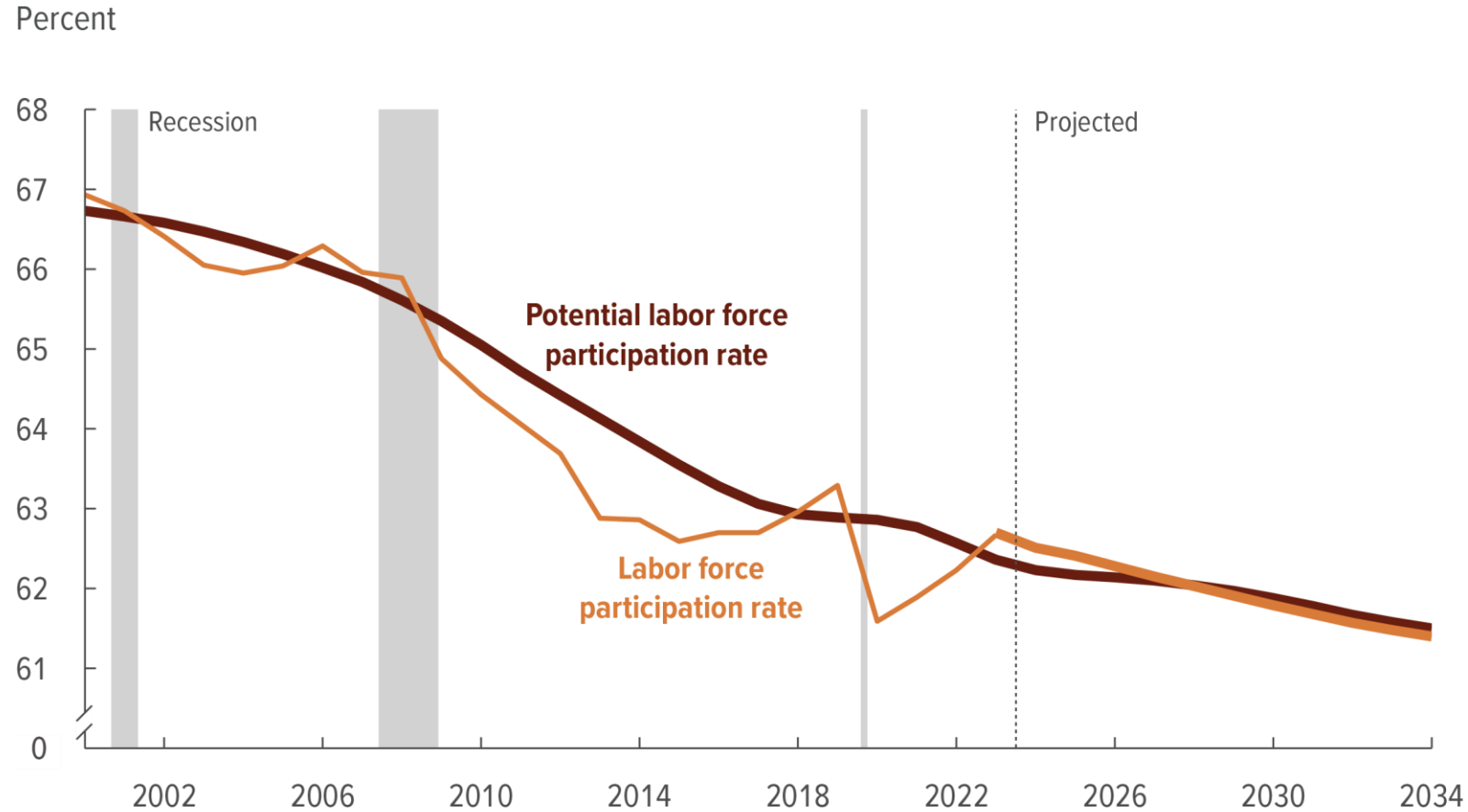
Labor Force

Millions of people



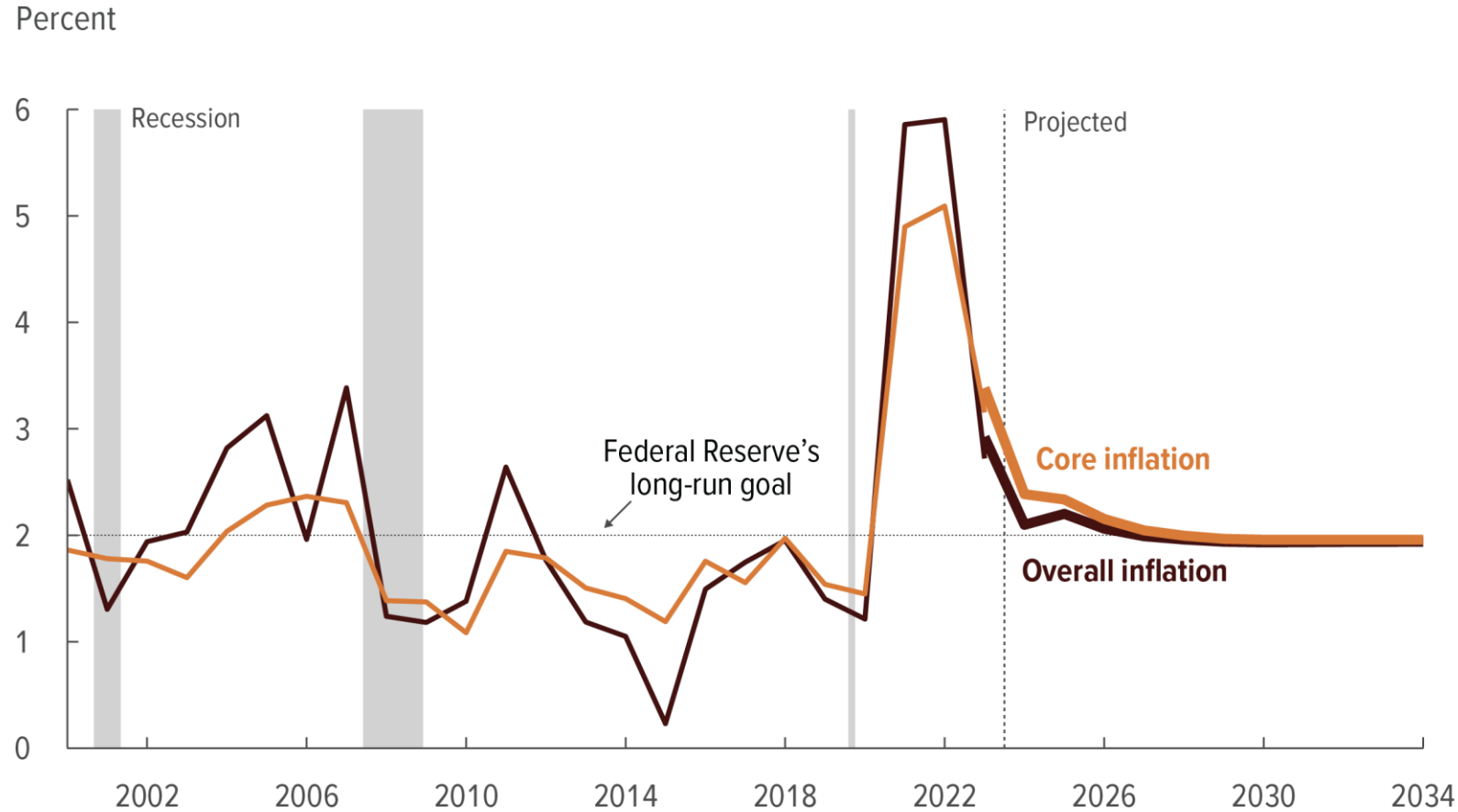
Since last year, CBO has increased its projection of the size of the labor force in 2033 by 5.2 million people. Most of that increase results from higher projected net immigration.

Labor Force Participation



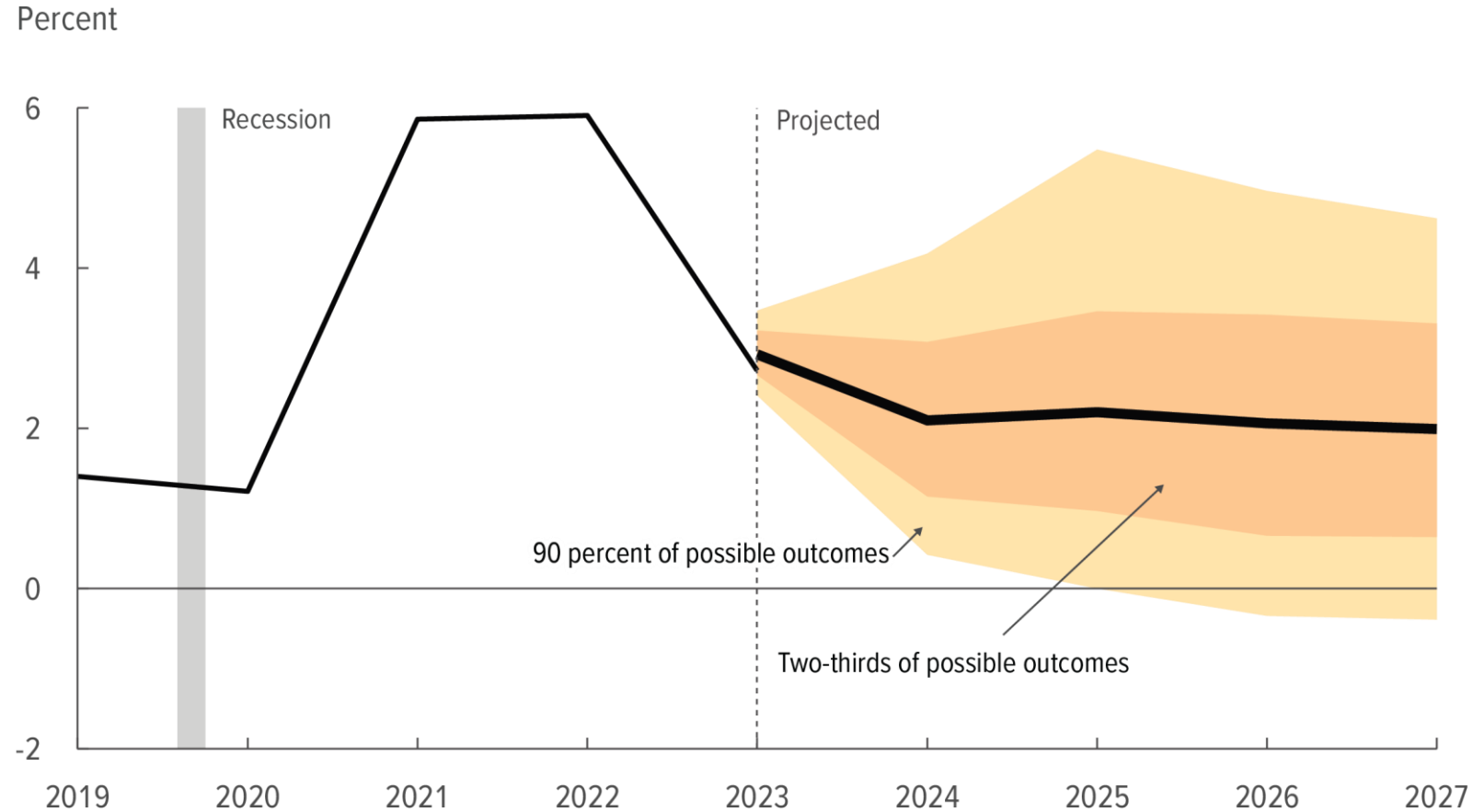
Despite relatively high participation rates among recent and projected immigrants, CBO expects the effects of the aging of the population to reduce the overall labor force participation rate from 62.7 percent in 2023 to 62.2 percent in 2027.

Overall Inflation and Core Inflation



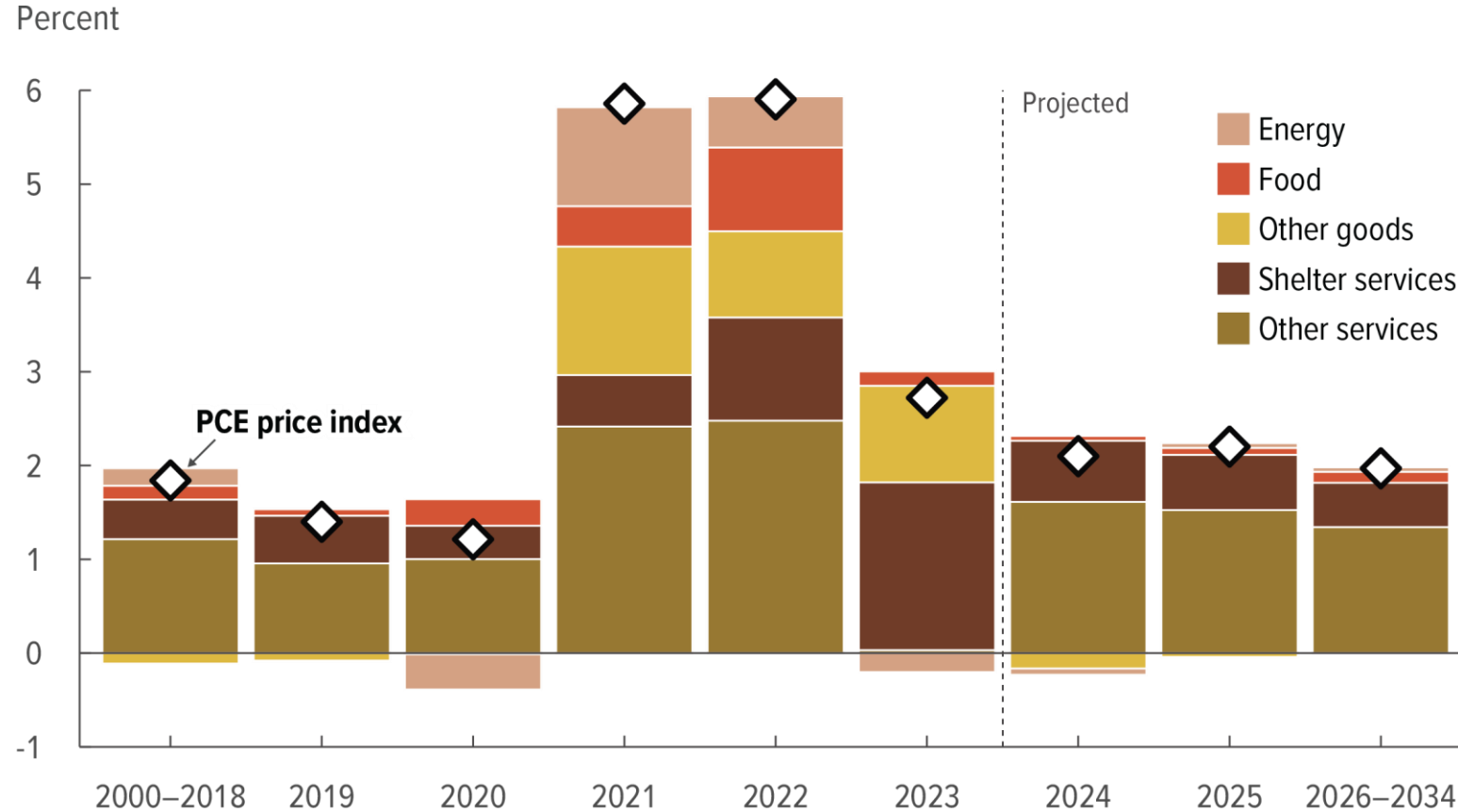
In CBO's projections, overall prices, as measured by the PCE price index, increase less in 2024 and 2025 than they did last year, although the overall rate of inflation remains higher than before the pandemic.

Uncertainty of CBO's Projections of Overall Inflation



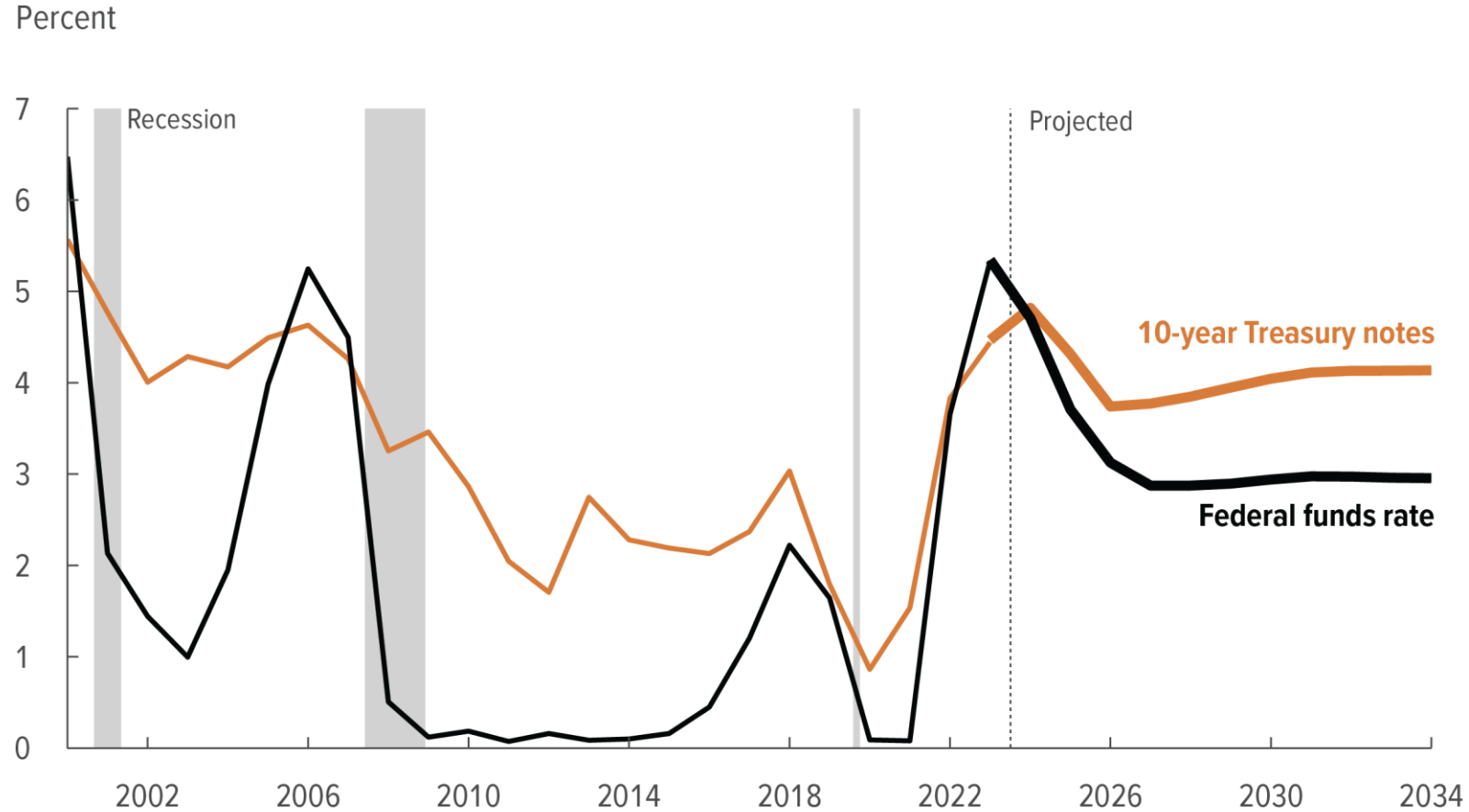
There is approximately a two-thirds chance that the inflation rate as measured by the PCE price index will be between 1.1 percent and 3.1 percent in 2024, CBO estimates.

Contributions to Overall Inflation



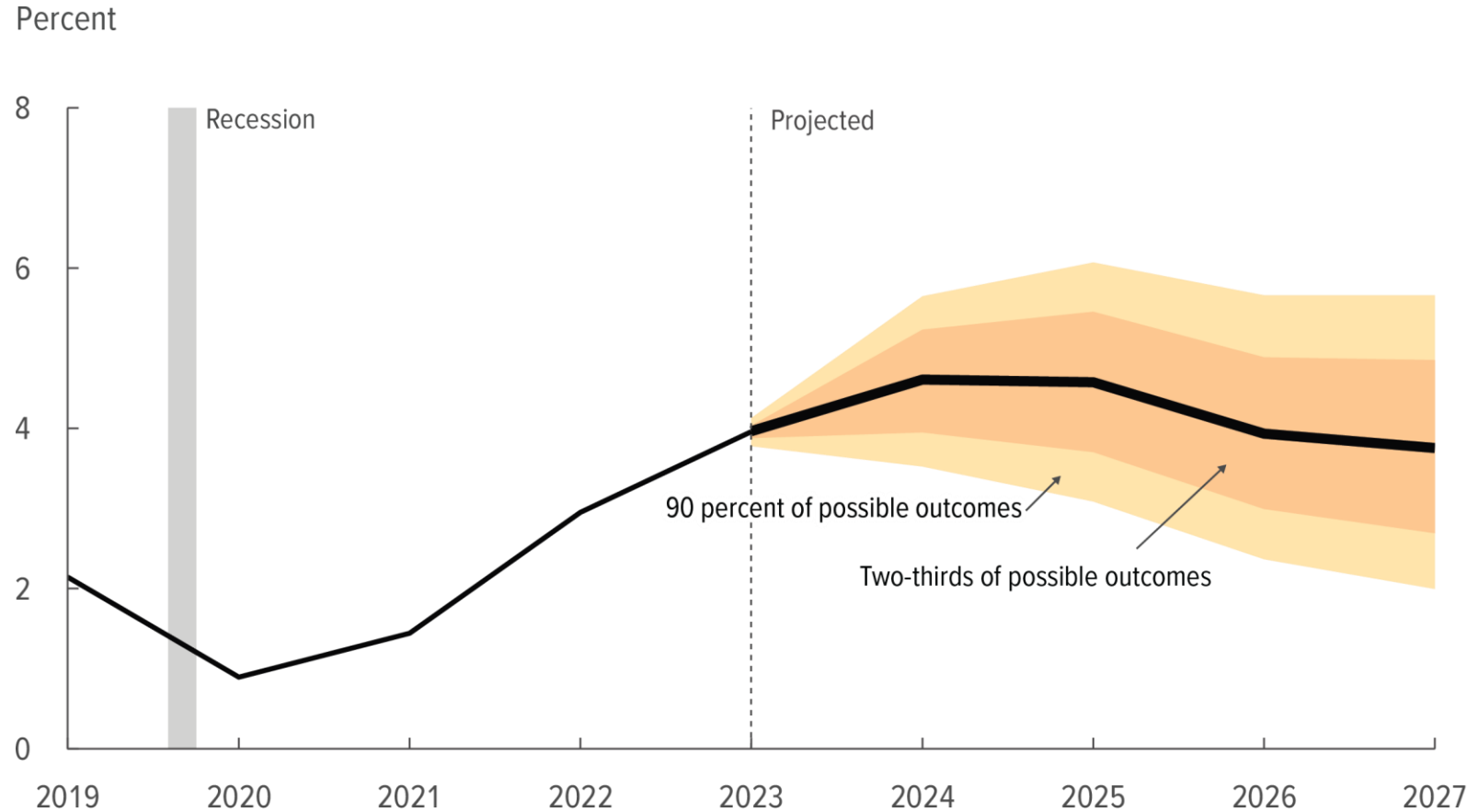
Key reasons that inflation is projected to be lower in 2024 and 2025 than in recent years include the easing of upward pressures on the prices of food, energy, and other goods and slower growth in the price of shelter services (because of elevated interest rates).

Interest Rates



In CBO's projections, the Federal Reserve begins lowering the federal funds rate in the second quarter of 2024 in response to slowing inflation and rising unemployment. Starting this year, the spread between the federal funds rate and the interest rate on 10-year Treasury notes is projected to gradually revert to its long-run average.

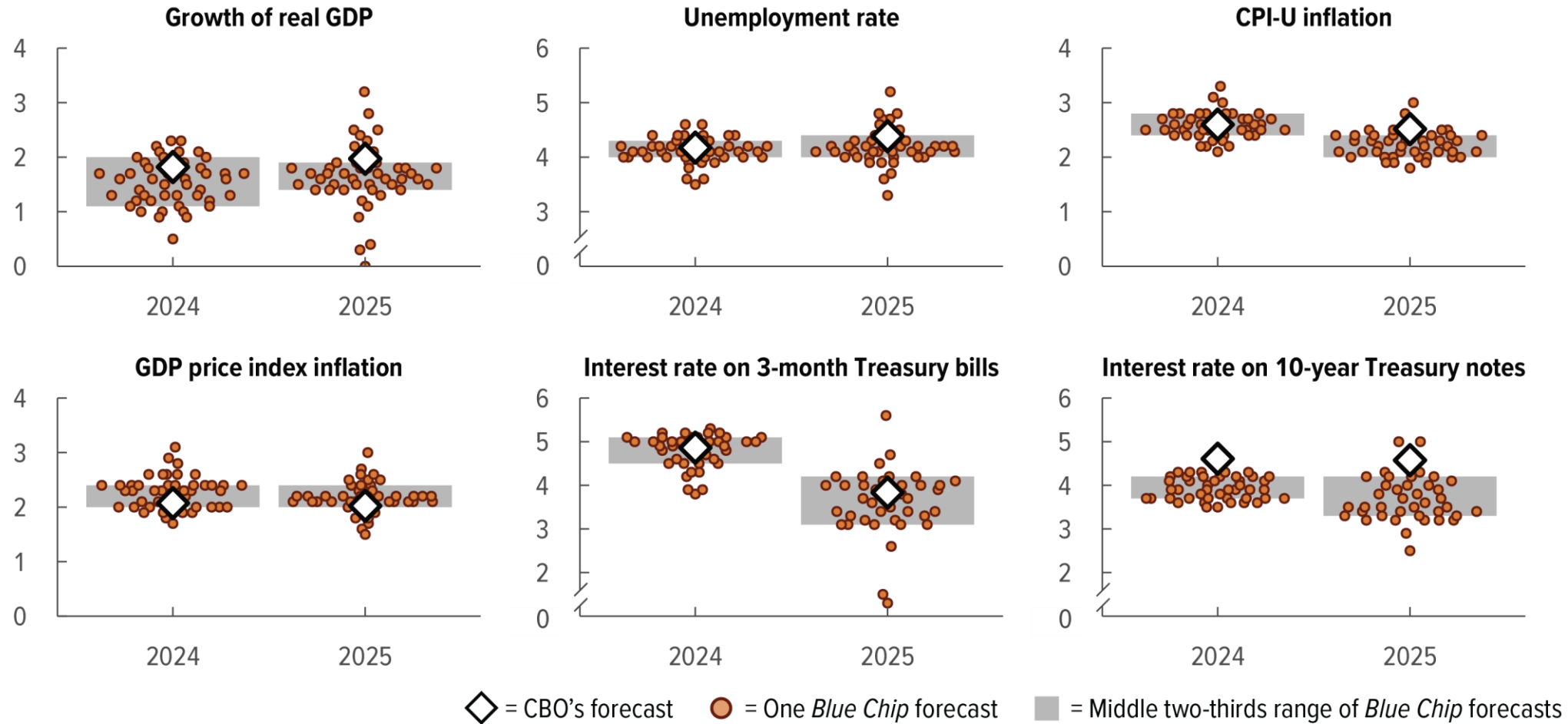
Uncertainty of CBO's Projections of 10-Year Treasury Note Rates



CBO estimates that there is approximately a two-thirds chance that the average interest rate on 10-year Treasury notes will be between 3.9 percent and 5.2 percent in 2024.

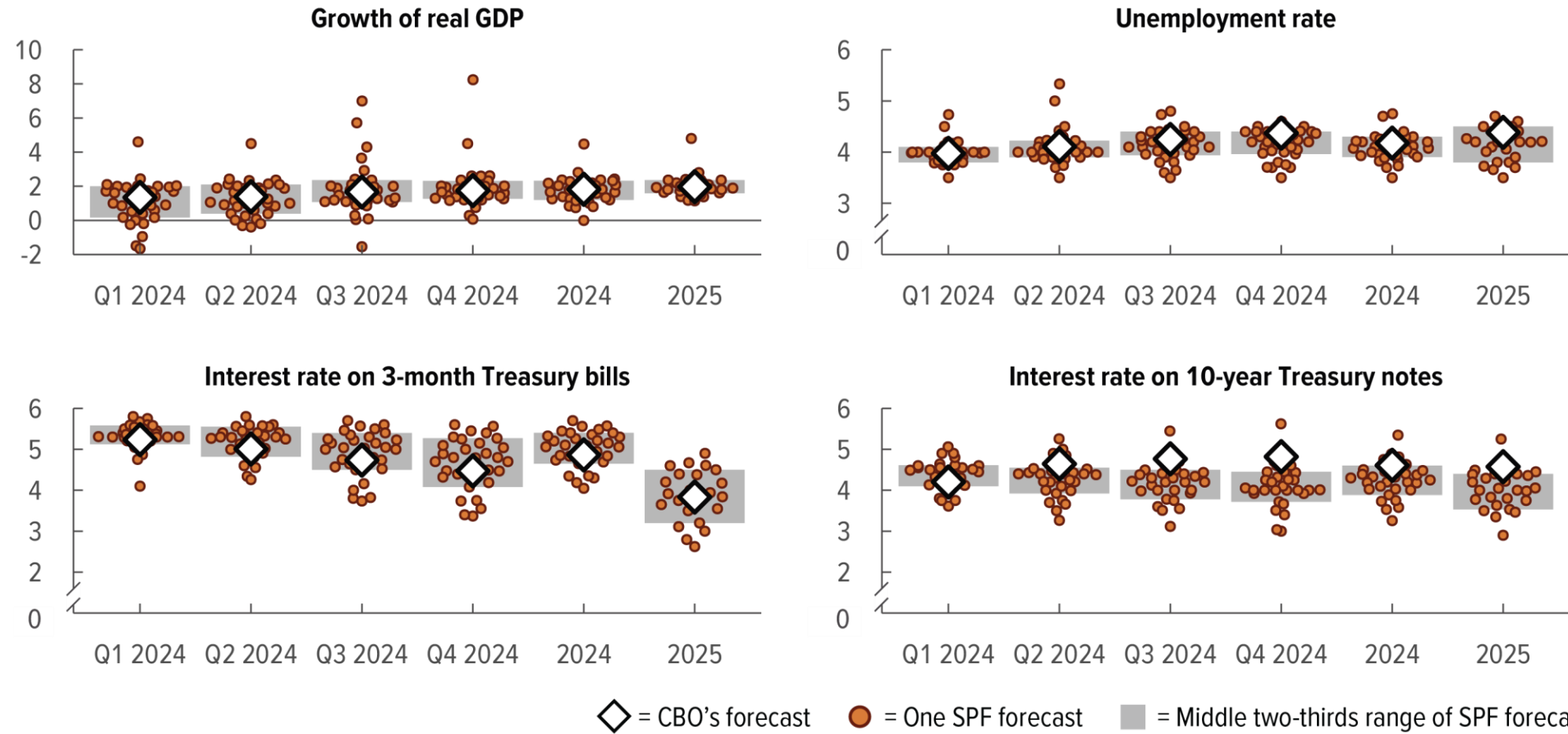
Comparison of CBO's Economic Forecasts With Those of the *Blue Chip* Forecasters

Percent



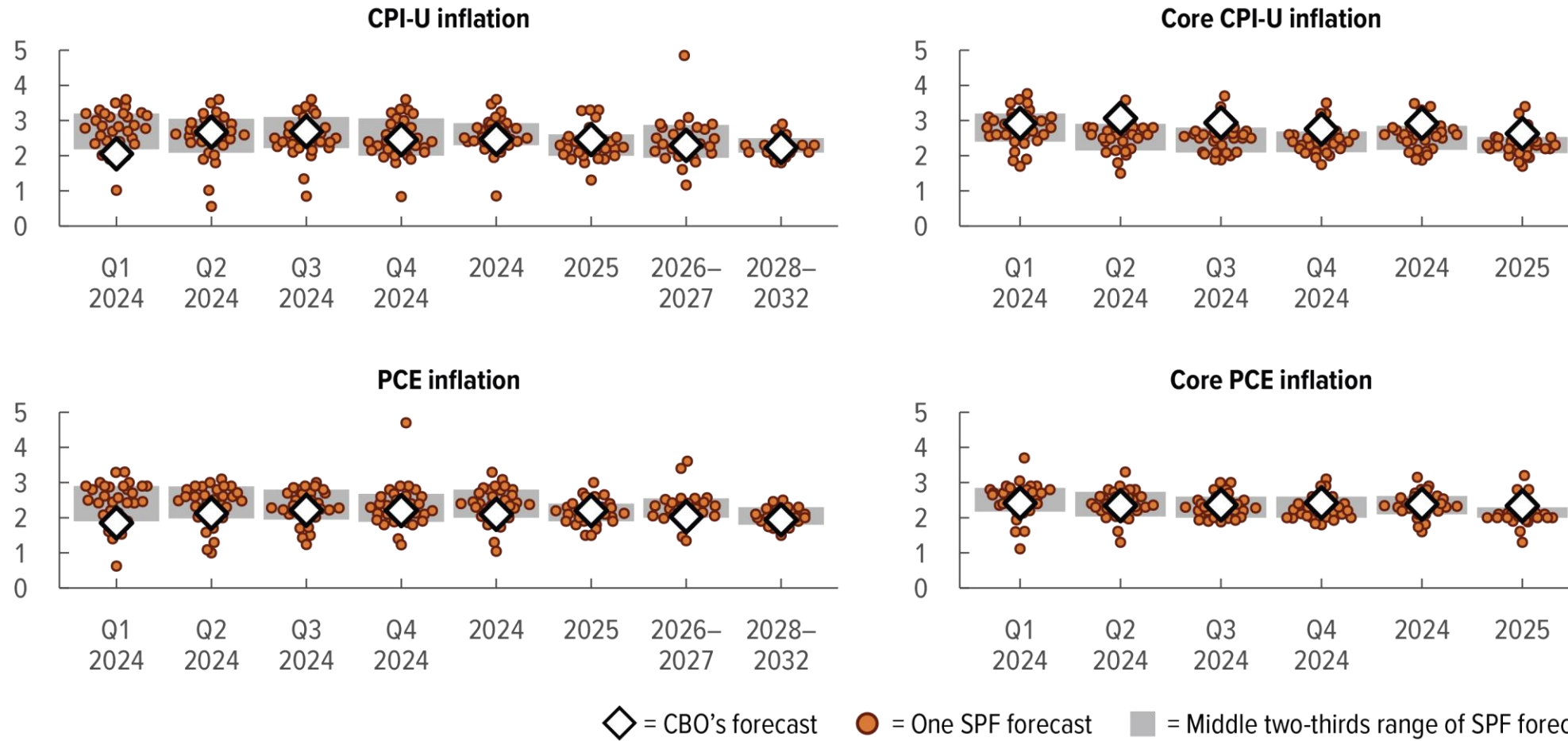
Comparison of CBO's Economic Forecasts With Those in the *Survey of Professional Forecasters*

Percent



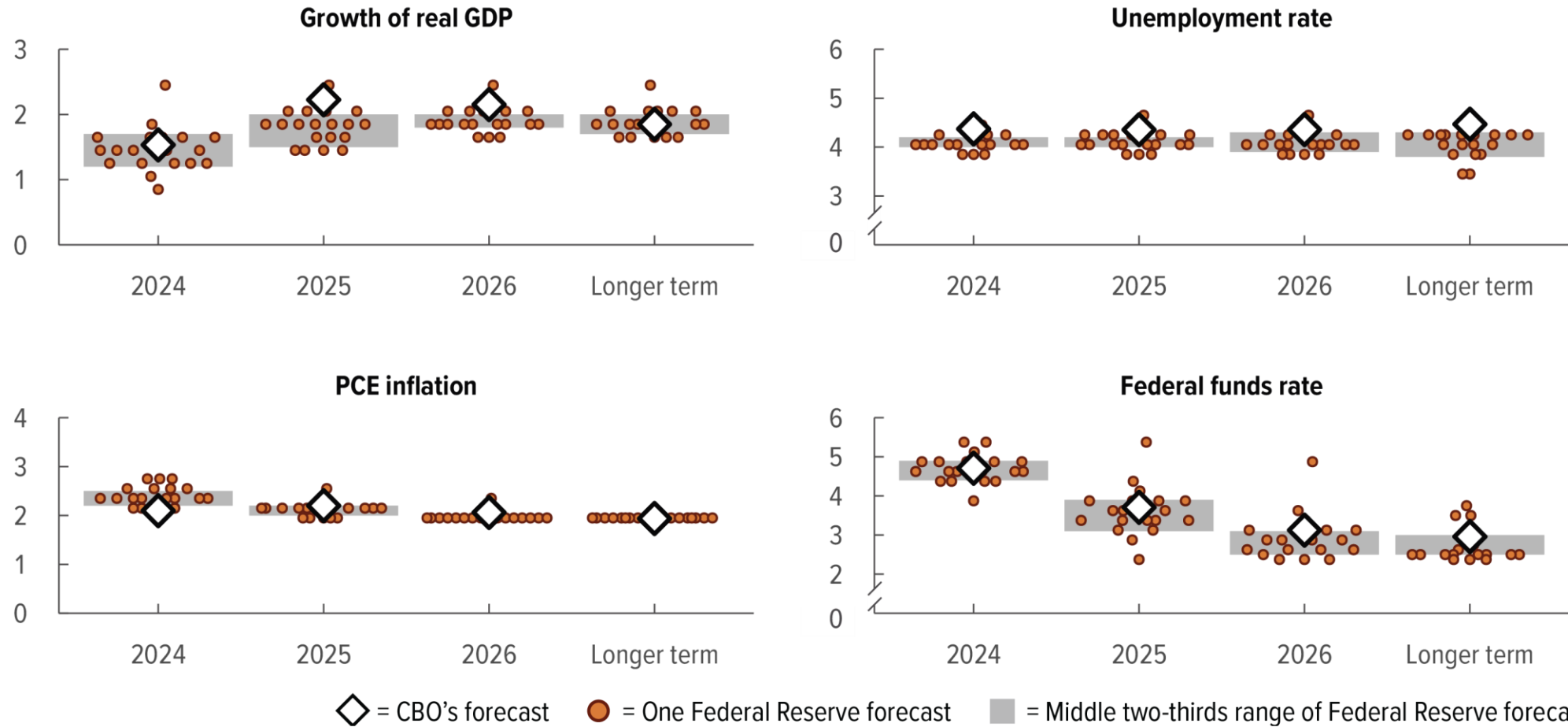
Comparison of CBO's Economic Forecasts With Those in the *Survey of Professional Forecasters*: Inflation

Percent



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

Percent



Definitions

- Real gross domestic product (GDP) is nominal GDP that has been adjusted to remove the effects of changes in prices. Growth of real GDP is measured from the fourth quarter of one calendar year to the fourth quarter of the next year.
- Real potential GDP is the amount of real GDP that can be produced if labor and capital are employed at their maximum sustainable rates.
- The labor force consists of people age 16 or older in the civilian noninstitutionalized population who have jobs or who are unemployed (available for work and either seeking work or expecting to be recalled from a temporary layoff).
- The unemployment rate is the percentage of the labor force that is unemployed.
- The labor force participation rate is the percentage of the civilian noninstitutionalized population age 16 or older that is in the labor force.

Definitions (continued)

- The inflation rate based on the price index for personal consumption expenditures (PCE price index) is measured from the fourth quarter of one calendar year to the fourth quarter of the next year.
- Core inflation—as measured by the PCE price index or the consumer price index for all urban consumers (CPI-U)—excludes prices for food and energy.
- The term “federal funds rate” refers to the effective federal funds rate—the median interest rate that financial institutions charge one another for overnight loans of their monetary reserves, weighted by loan volume.
- Values for 2000 to 2023 reflect data available from the Bureau of Economic Analysis and the Bureau of Labor Statistics as of late January 2024. Those data contain values for the fourth quarter of 2023, which were not available when CBO developed its current projections.