

At a Glance

The Congressional Budget Office regularly publishes reports that present projections of what federal deficits, debt, revenues, and spending—and the economic path underlying them—would be for the current year and for the following 10 years and beyond if existing laws governing taxes and spending generally remained unchanged. This report is the latest in that series—and it shows a cumulative 10-year deficit that is slightly larger and a cumulative 30-year deficit that is notably larger than those in CBO’s previous projections.

- **The Budget.** In CBO’s projections, the federal budget deficit is \$1.0 trillion in 2020 and averages \$1.3 trillion between 2021 and 2030. Projected deficits rise from 4.6 percent of gross domestic product (GDP) in 2020 to 5.4 percent in 2030.

Other than a six-year period during and immediately after World War II, the deficit over the past century has not exceeded 4.0 percent for more than five consecutive years. And during the past 50 years, deficits have averaged 1.5 percent of GDP when the economy was relatively strong (as it is now).

Because of the large deficits, federal debt held by the public is projected to grow, from 81 percent of GDP in 2020 to 98 percent in 2030 (its highest percentage since 1946). By 2050, debt would be 180 percent of GDP—far higher than it has ever been (see Chapter 1).

- **The Economy.** In 2020, inflation-adjusted GDP is projected to grow by 2.2 percent, largely because of continued strength in consumer spending and a rebound in business fixed investment. Output is projected to be higher than the economy’s maximum sustainable output this year to a greater degree than it has been in recent years, leading to higher inflation and interest rates after a period in which both were low, on average. Continued strength in the demand for labor keeps the unemployment rate low and drives employment and wages higher.

After 2020, economic growth is projected to slow. From 2021 to 2030, output is projected to grow at an average annual rate of 1.7 percent, roughly the same rate as potential growth. That average growth rate of output is less than its long-term historical average, primarily because the labor force is expected to grow more slowly than it has in the past. Over that same period, the interest rate on 10-year Treasury notes is projected to rise gradually, reaching 3.1 percent in 2030 (see Chapter 2).

- **Changes Since CBO’s Previous Projections.** CBO’s estimate of the deficit for 2020 is now \$8 billion more—and its projection of the cumulative deficit over the 2020–2029 period, \$160 billion more—than the agency projected in August 2019. That 10-year increase is the net result of changes that go in opposite directions. Lower projected interest rates and higher estimates of wages, salaries, and proprietors’ income reduced projected deficits, but a combination of recent legislation and other changes increased them (see Appendix A).

Relative to the projections in CBO’s long-term budget outlook, last published in June 2019, debt held by the public as a percentage of GDP in 2049 is now projected to be 30 percentage points higher. That increase is largely the result of legislation enacted since June—which decreased revenues and increased discretionary outlays—and of lower projected GDP (see Box 1-1).