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# At a Glance

The Congressional Budget Office regularly publishes reports presenting its baseline projections of what the federal budget and the economy would look like in the current year and over the next 10 years if current laws governing taxes and spending generally remained unchanged. This report is the latest in that series.

**The Budget.** CBO projects a federal budget deficit of \$1.4 trillion for 2023. (Deficits and spending have been adjusted to exclude the effects of shifts that occur in the timing of certain payments when October 1 falls on a weekend.) In the agency's projections, deficits generally increase over the coming years; the shortfall in 2033 is \$2.7 trillion. The deficit amounts to 5.3 percent of gross domestic product (GDP) in 2023, swells to 6.1 percent of GDP in 2024 and 2025, and then declines in the two years that follow. After 2027, deficits increase again, reaching 6.9 percent of GDP in 2033—a level exceeded only five times since 1946 (see Chapter 1).

In CBO's projections, outlays and revenues measured as a percentage of GDP equal or exceed their 50-year averages through 2033. Outlays increase from 23.7 percent of GDP in 2023 (a high level by historical standards) to 24.9 percent in 2033, largely because of rising interest costs and greater spending on programs that provide benefits to elderly people. Revenues amount to 18.3 percent of GDP in 2023. They then decline over the next two years before increasing after 2025, when certain provisions of the 2017 tax act expire. Revenues are roughly stable after 2027; they total 18.1 percent of GDP in 2033.

Debt held by the public is projected to rise in relation to the size of the economy each year, reaching 118 percent of GDP by 2033—which would be the highest level ever recorded. Debt would continue to grow beyond 2033 if current laws generally remained unchanged.

**Changes in CBO's Budget Projections.** CBO's projection of the deficit for 2023 is now \$0.4 trillion more than it was in May 2022; the projection of the cumulative deficit over the 2023–2032 period is now \$3.1 trillion (or about 20 percent) more, largely because of newly enacted legislation and changes in CBO's economic forecast, including higher projected inflation and interest rates (see Appendix A).

**The Economy.** To combat high inflation, the Federal Reserve sharply increased the target range for the federal funds rate in 2022. In CBO's projections, inflation gradually slows in 2023 as pressures ease from factors that, since mid-2020, have caused demand to grow more rapidly than supply. Output stagnates and unemployment rises in 2023, partially as a result of tighter monetary policy. After that, inflation slowly returns to the Federal Reserve's long-run goal of 2 percent, and output grows at a more robust pace as interest rates decrease (see Chapter 2).

**Changes in CBO's Economic Projections.** The agency projects much weaker growth of real GDP for 2023 than it did last May, stronger growth during the 2024–2026 period, and similar rates of growth over the remainder of the projection period. CBO now projects higher inflation for 2023 and 2024 than it did last May, mainly for two reasons: Recent data suggest that inflation has been more persistent across many sectors of the economy than CBO anticipated, and supply-side disruptions have remained greater than the agency previously forecast. CBO now expects both short- and long-term interest rates to be higher, on average, over the next five years than forecast last May, mostly because of higher projected inflation.

# By the Numbers

## Budget Outlook, by Fiscal Year

|   | Percentage of Gross Domestic Product |              |             |             |             | Billions of Dollars |               |               |               |
|---|--------------------------------------|--------------|-------------|-------------|-------------|---------------------|---------------|---------------|---------------|
|   | Average, 1973–2022                   | Actual, 2022 | 2023        | 2024        | 2033        | Actual, 2022        | 2023          | 2024          | 2033          |
| <b>Revenues, Total</b>                    | <b>17.4</b>                          | <b>19.6</b>  | <b>18.3</b> | <b>17.7</b> | <b>18.1</b> | <b>4,896</b>        | <b>4,812</b>  | <b>4,838</b>  | <b>7,098</b>  |
| Individual income taxes                   | 8.0                                  | 10.5         | 9.6         | 9.0         | 9.7         | 2,632               | 2,523         | 2,467         | 3,803         |
| Payroll taxes                             | 6.0                                  | 5.9          | 6.0         | 6.0         | 5.9         | 1,484               | 1,562         | 1,633         | 2,307         |
| Corporate income taxes                    | 1.8                                  | 1.7          | 1.8         | 1.8         | 1.4         | 425                 | 475           | 479           | 539           |
| Other                                     | 1.6                                  | 1.4          | 1.0         | 1.0         | 1.1         | 356                 | 251           | 260           | 449           |
| <b>Outlays, Total</b>                     | <b>21.0</b>                          | <b>24.8</b>  | <b>23.7</b> | <b>23.8</b> | <b>24.9</b> | <b>6,208</b>        | <b>6,206</b>  | <b>6,493</b>  | <b>9,799</b>  |
| Mandatory, subtotal                       | 10.9                                 | 16.3         | 14.6        | 14.3        | 15.3        | 4,076               | 3,825         | 3,885         | 5,997         |
| Social Security                           | 4.4                                  | 4.8          | 5.1         | 5.3         | 6.0         | 1,213               | 1,336         | 1,450         | 2,355         |
| Major health care programs                | 3.3                                  | 5.6          | 5.7         | 5.6         | 6.7         | 1,404               | 1,508         | 1,528         | 2,629         |
| Medicare, net of offsetting receipts      | 2.0                                  | 2.8          | 3.1         | 3.3         | 4.1         | 710                 | 820           | 894           | 1,623         |
| Medicaid, CHIP, and marketplace subsidies | 1.2                                  | 2.8          | 2.6         | 2.3         | 2.6         | 695                 | 688           | 634           | 1,005         |
| Other                                     | 3.2                                  | 5.8          | 3.7         | 3.3         | 2.6         | 1,459               | 981           | 908           | 1,014         |
| Discretionary, subtotal                   | 8.0                                  | 6.6          | 6.6         | 6.9         | 6.0         | 1,657               | 1,741         | 1,869         | 2,373         |
| Defense                                   | 4.3                                  | 3.0          | 3.1         | 3.1         | 2.8         | 746                 | 800           | 848           | 1,105         |
| Nondefense                                | 3.8                                  | 3.6          | 3.6         | 3.7         | 3.2         | 910                 | 941           | 1,022         | 1,269         |
| Net interest                              | 2.0                                  | 1.9          | 2.4         | 2.7         | 3.6         | 475                 | 640           | 739           | 1,429         |
| <b>Deficit, Total</b>                     | <b>-3.6</b>                          | <b>-5.2</b>  | <b>-5.3</b> | <b>-6.1</b> | <b>-6.9</b> | <b>-1,312</b>       | <b>-1,394</b> | <b>-1,655</b> | <b>-2,702</b> |
| Deficit, Primary                          | -1.5                                 | -3.3         | -2.9        | -3.4        | -3.2        | -837                | -755          | -916          | -1,273        |
| Debt Held by the Public                   | 46.9                                 | 97.0         | 98.0        | 100.4       | 118.2       | 24,257              | 25,716        | 27,370        | 46,445        |

See Chapter 1. When October 1 falls on a weekend, certain payments that would have ordinarily been made on that day are instead made at the end of September and thus are shifted into the previous fiscal year. Mandatory outlays, discretionary outlays, and deficits have been adjusted to exclude the effects of those timing shifts.

## Economic Outlook, by Calendar Year

Percent

|   | Actual, 2022 | 2023 | 2024 | 2025 | Annual Average                  |           |
|---|--------------|------|------|------|---------------------------------|-----------|
|   |              |      |      |      | 2026–2027                       | 2028–2033 |
|   |              |      |      |      | <b>Change From Year to Year</b> |           |
| Real (Inflation-adjusted) GDP                         | 2.1          | 0.3  | 1.8  | 2.7  | 2.4                             | 1.8       |
| Inflation   |              |      |      |      |                                 |           |
| PCE price index                                       | 6.2          | 3.8  | 2.7  | 2.2  | 2.1                             | 2.0       |
| Consumer price index                                  | 8.0          | 4.8  | 3.0  | 2.2  | 2.1                             | 2.3       |
|   |              |      |      |      | <b>Annual Average</b>           |           |
| Unemployment Rate                                     | 3.6          | 4.7  | 4.9  | 4.7  | 4.5                             | 4.5       |
| Payroll Employment (Monthly change, in thousands)     | 427          | 9    | 66   | 97   | 80                              | 67        |
| Interest Rates  |              |      |      |      |                                 |           |
| 3-month Treasury bills                                | 2.0          | 4.5  | 3.2  | 2.5  | 2.2                             | 2.3       |
| 10-year Treasury notes                                | 3.0          | 3.9  | 3.8  | 3.8  | 3.8                             | 3.8       |
| Tax Bases (Percentage of GDP)                         |              |      |      |      |                                 |           |
| Wages and salaries                                    | 43.8         | 44.3 | 44.5 | 44.5 | 44.3                            | 44.0      |
| Domestic corporate profits (Estimated value for 2022) | 9.7          | 7.9  | 7.5  | 7.9  | 8.2                             | 8.0       |

See Table 2-1 on page 35. Actual values for 2022 reflect data available from the Bureau of Economic Analysis and the Bureau of Labor Statistics in early February 2023. The data contain values for the fourth quarter of 2022, which were not available when CBO developed its current projections.

