

The FEDERAL BUDGET IN 2013

The federal budget deficit grew during the 2008–2009 recession and began to shrink soon afterward. However, at \$680 billion, it was still larger in 2013 than in 2008. As a percentage of gross domestic product (GDP), the deficit in 2013 was also larger than the average of the past 40 years.

Federal outlays amounted to 20.8% of GDP in 2013, slightly higher than the 40-year average. Revenues were 16.7% of GDP, the highest percentage since 2008 but still below the 40-year average.

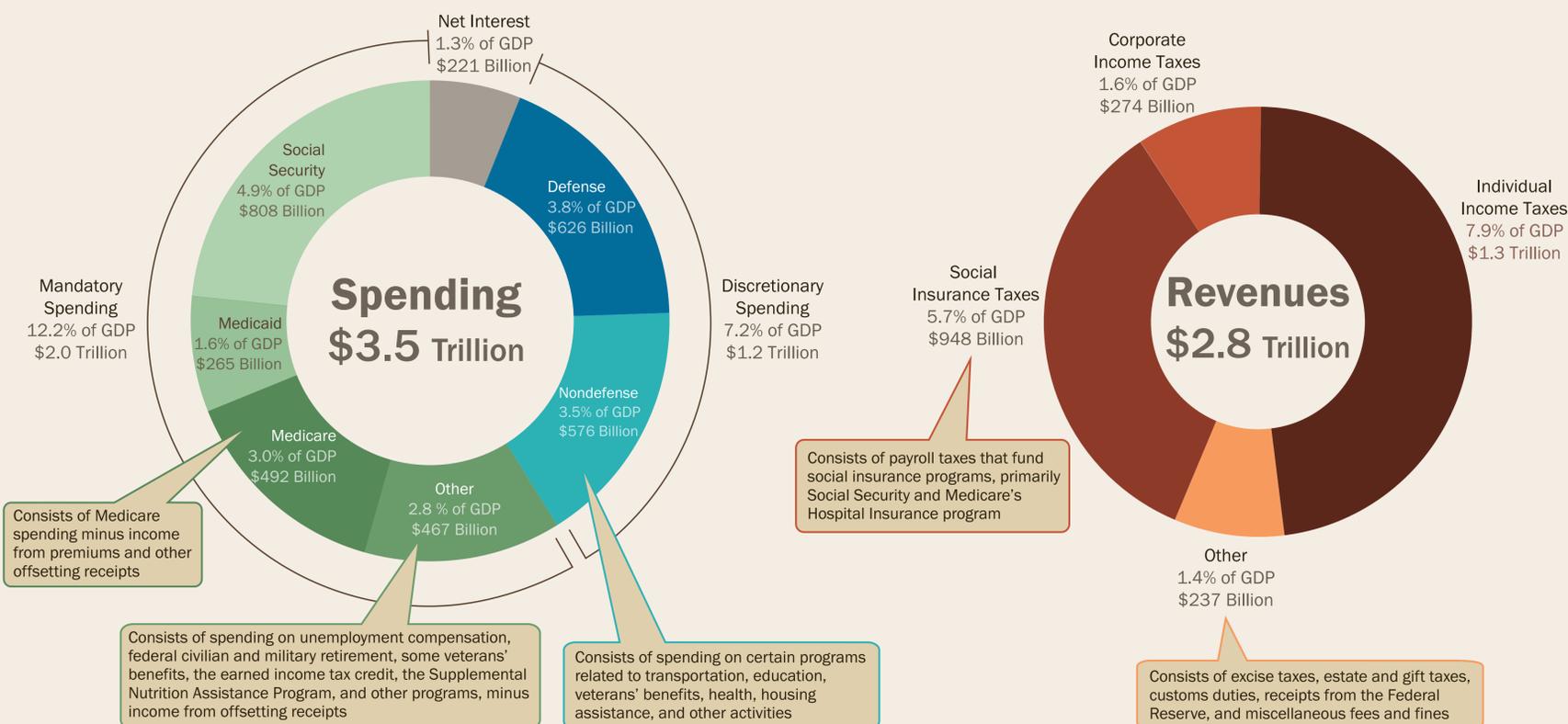
The large budget deficits recorded in recent years substantially increased federal debt, and the amount of debt relative to the size of the economy is now very high by historical standards. In 2013, federal debt reached 72% of GDP, the highest level in more than 60 years. Such debt could have serious negative consequences, including restraining long-term economic growth, giving policymakers less flexibility to respond to unexpected challenges, and eventually increasing the risk of a fiscal crisis.

For more information, see these CBO publications:

Updated Budget Projections: 2014 to 2024
<http://go.usa.gov/k2TA>

The Budget and Economic Outlook: 2014 to 2024
<http://go.usa.gov/KZKT>

The 2013 Long-Term Budget Outlook
<http://go.usa.gov/KZK9>



CATEGORIES of the BUDGET

Mandatory Spending
 Consists primarily of benefit programs for which laws set eligibility rules and benefit formulas

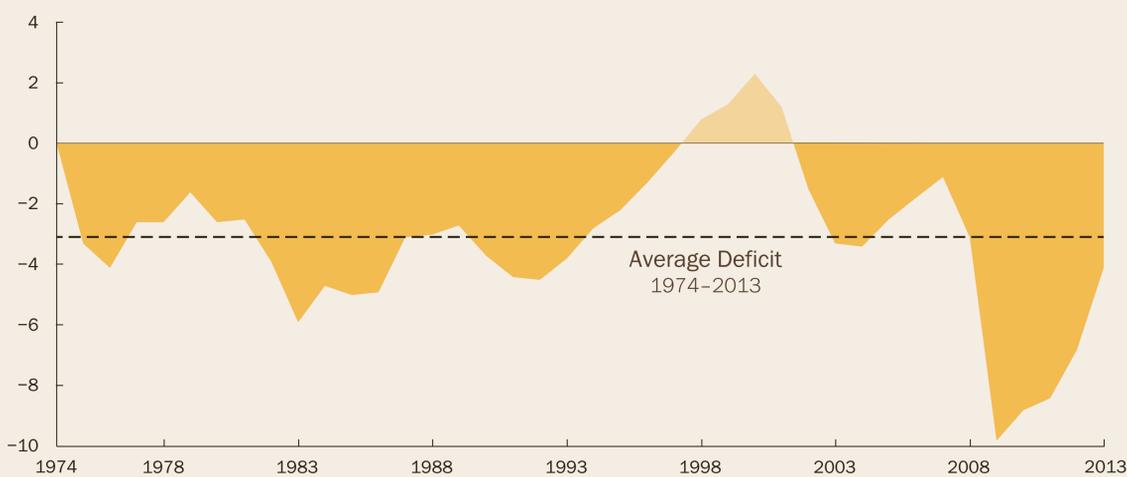
Discretionary Spending
 Consists of spending that lawmakers control through annual appropriation acts

Net Interest
 Consists of the government's interest payments on debt held by the public, offset by interest income the government receives

Revenues
 Funds collected from the public that arise from the government's exercise of its sovereign powers

Federal Deficits, 1974–2013

Percentage of gross domestic product



Annual Deficit or Surplus = Revenues – Outlays

To fund government spending in years of deficits, the government borrows from individuals, businesses, or other countries by selling them Treasury securities.

DEFICITS and the DEBT

3.1%
 Deficits as a percentage of GDP, on average, over the past 40 years

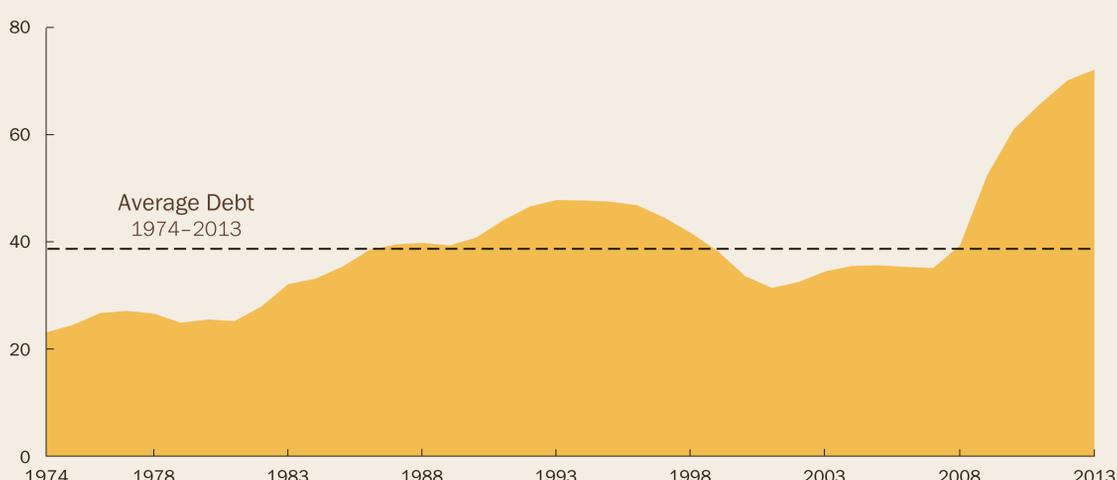
4.1%
 Deficit in 2013 as a percentage of GDP

39%
 Debt held by the public as a percentage of GDP, on average, over the past 40 years

72%
 Debt held by the public as a percentage of GDP at the end of 2013

Federal Debt, 1974–2013

Percentage of gross domestic product



Debt

Debt held by the public is roughly equal to the sum of annual deficits and surpluses. Other factors, such as borrowing to fund student loans and other federal credit programs, can also affect debt held by the public.

