



## Insight

# Highlights of the CBO Budget and Economic Outlook

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Today, the Congressional Budget Office (CBO) released its *Budget and Economic Outlook: 2019-2029*, which provides Congress with a 10-year baseline budget projection to evaluate the costs of potential legislation. Underpinning the budgetary estimate is CBO’s economic forecast for the next decade, which incorporates the assumed economic effects of federal laws currently in force.

### By the Numbers

|                |                    | 2018   | 2019   | 2020   | 2021   | 2022   | 2023   | 2024   | 2025   | 2026   | 2027   | 2028   | 2029   |
|----------------|--------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>Revenue</b> | <b>\$ Billions</b> | 3,329  | 3,515  | 3,686  | 3,841  | 4,012  | 4,208  | 4,448  | 4,647  | 4,956  | 5,254  | 5,446  | 5,672  |
|                | <b>% GDP</b>       | 16.4   | 16.5   | 16.7   | 16.7   | 16.9   | 17.1   | 17.3   | 17.4   | 17.9   | 18.3   | 18.2   | 18.3   |
| <b>Outlays</b> | <b>\$ Billions</b> | 4,108  | 4,412  | 4,589  | 4,814  | 5,140  | 5,347  | 5,539  | 5,859  | 6,160  | 6,446  | 6,881  | 7,042  |
|                | <b>% GDP</b>       | 20.3   | 20.8   | 20.7   | 21.0   | 21.6   | 21.7   | 21.6   | 22.0   | 22.3   | 22.4   | 23.0   | 22.7   |
| <b>Deficit</b> | <b>\$ Billions</b> | 779    | 897    | 903    | 974    | 1,128  | 1,139  | 1,091  | 1,212  | 1,204  | 1,192  | 1,435  | 1,370  |
|                | <b>% GDP</b>       | 3.8    | 4.2    | 4.1    | 4.2    | 4.7    | 4.6    | 4.3    | 4.5    | 4.4    | 4.1    | 4.8    | 4.4    |
| <b>Debt</b>    | <b>\$ Billions</b> | 15,751 | 16,636 | 17,601 | 18,626 | 19,795 | 20,976 | 22,112 | 23,372 | 24,625 | 25,866 | 27,338 | 28,739 |
|                | <b>% GDP</b>       | 77.8   | 78.3   | 79.6   | 81.2   | 83.2   | 85.0   | 86.2   | 87.7   | 89.0   | 90.0   | 91.5   | 92.7   |

**Taxes:** By the end of the 10-year budget window, tax revenues will amount to 18.3 percent of gross domestic product (GDP). Tax revenues will average 17.5 percent of GDP over the next 10 years, which is equal to the 10-year average projected in CBO’s [April update](#), and is slightly above the 17.4 percent historical average. It is important to note that significant

elements of the Tax Cuts and Jobs Act sunset in 2025, helping to drive up revenue as a share of the economy in the budget window's last four years.

**Spending:** CBO estimates that, by the end of the budget window, overall spending will total 23.0 percent of GDP, amounting to \$57.8 trillion over the period 2020-2029. Note that this projection also assumes that discretionary spending will reset to lower levels unless Congress enacts another budget compromise, as has been the practice since 2013. Entitlement, or mandatory, spending will continue to grow as a share of the federal budget, comprising 65 percent of federal expenditures in 2029, up from 61 percent in 2019 and 29 percent in 1969.

**Deficits:** Projected budget deficits will grow substantially over the budget window, reaching over \$1 trillion in 2022. Adjusted for timing shifts of certain large federal outlays, the deficit will nearly reach \$1 trillion in 2021. The deficit will average 4.4 percent of GDP over the 2020-2029 period, exceeding average economic growth over the same period by about 0.6 percentage points. Accordingly, debt accumulation will continue to grow as a share of the U.S. economy over the next 10 years.

**Interest Payments:** Interest payments on the debt will reach \$928 billion in 2029. This figure reflects a more than tripling of debt service costs of \$325 billion in FY2018. By 2025, interest payments on the debt will be the federal government's third-largest spending program - exceeding defense spending, Medicaid, and the Disability Insurance component of Social Security.

**Debt Held by the Public:** Borrowing from the public is projected to increase as a share of the economy under current law, reaching 91.5 percent of GDP in 2029. Only in 1945 and 1946 was the debt held by the public higher.

## **Economic Projections**

|                                       | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
|---------------------------------------|------|------|------|------|------|------|------|------|------|------|------|------|
| <b>Real GDP Growth (%)</b>            | 2.9  | 2.7  | 1.9  | 1.6  | 1.6  | 1.7  | 1.8  | 1.8  | 1.7  | 1.8  | 1.8  | 1.8  |
| <b>Unemployment Rate (%)</b>          | 4.0  | 3.6  | 3.6  | 4.0  | 4.5  | 4.8  | 4.8  | 4.8  | 4.8  | 4.8  | 4.8  | 4.7  |
| <b>10-Year Treasury Note Rate (%)</b> | 2.7  | 3.3  | 3.6  | 3.7  | 3.7  | 3.8  | 3.7  | 3.7  | 3.7  | 3.7  | 3.7  | 3.7  |

CBO’s economic outlook is broadly similar to its [August 2018 update](#). Indeed, for many economic indicators, the annual averages for the period 2018-2028 are identical. The 10-year economic forecast from CBO therefore reflects the agency’s somewhat consistent view that the U.S. economy will continue to enjoy solid, albeit moderating, real GDP growth in the near-term, followed by persistent real growth of below 2 percent per year. This outlook is generally consistent with those of the *Blue Chip* forecast and those published by members of the Federal Reserve.