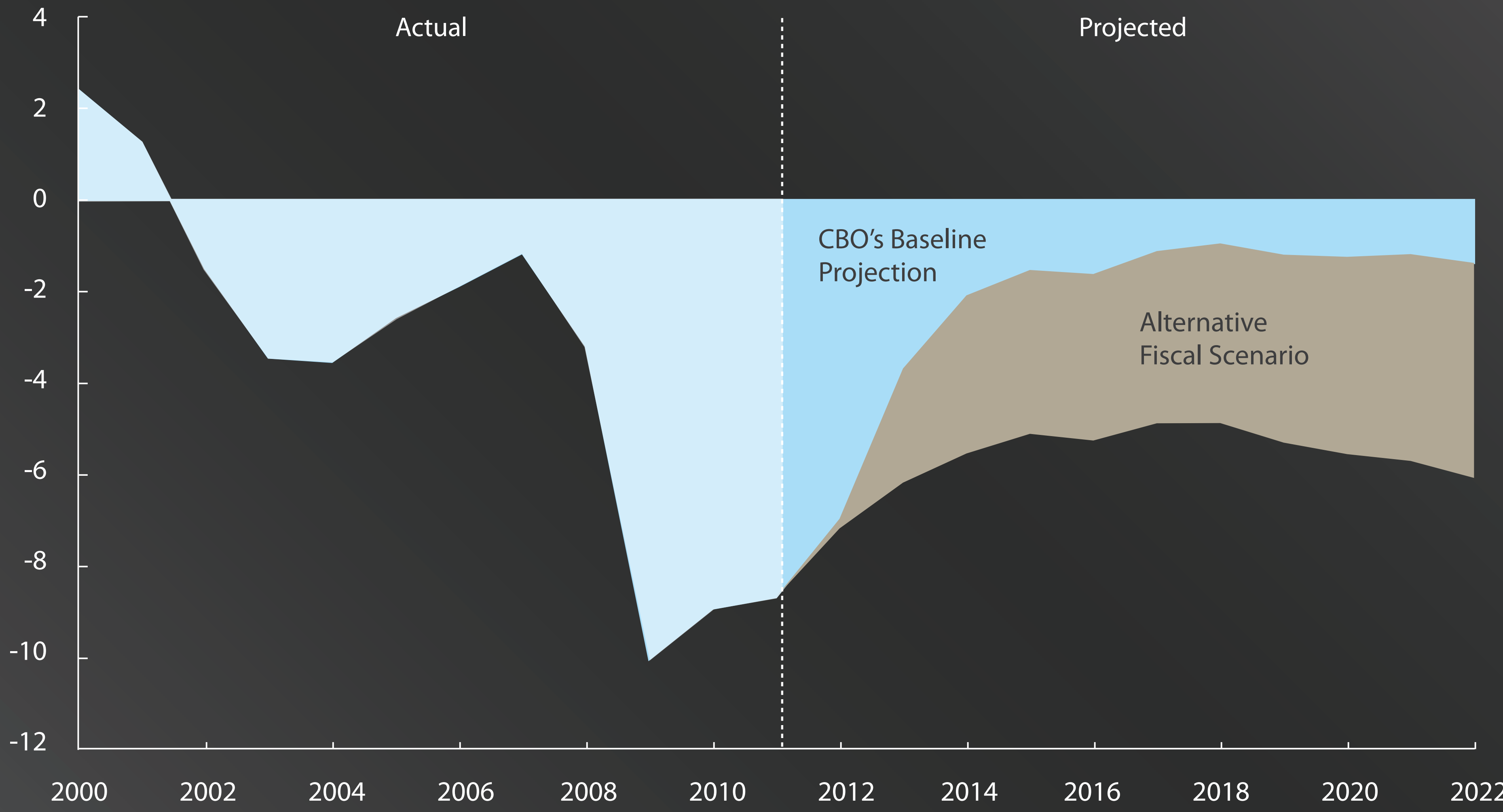
Deficits or Surpluses

(Percentage of GDP)

January 2012
http://go.usa.gov/nPi



Congressional Budget Office

Congressional Budget Office

The Budget and Economic Outlook

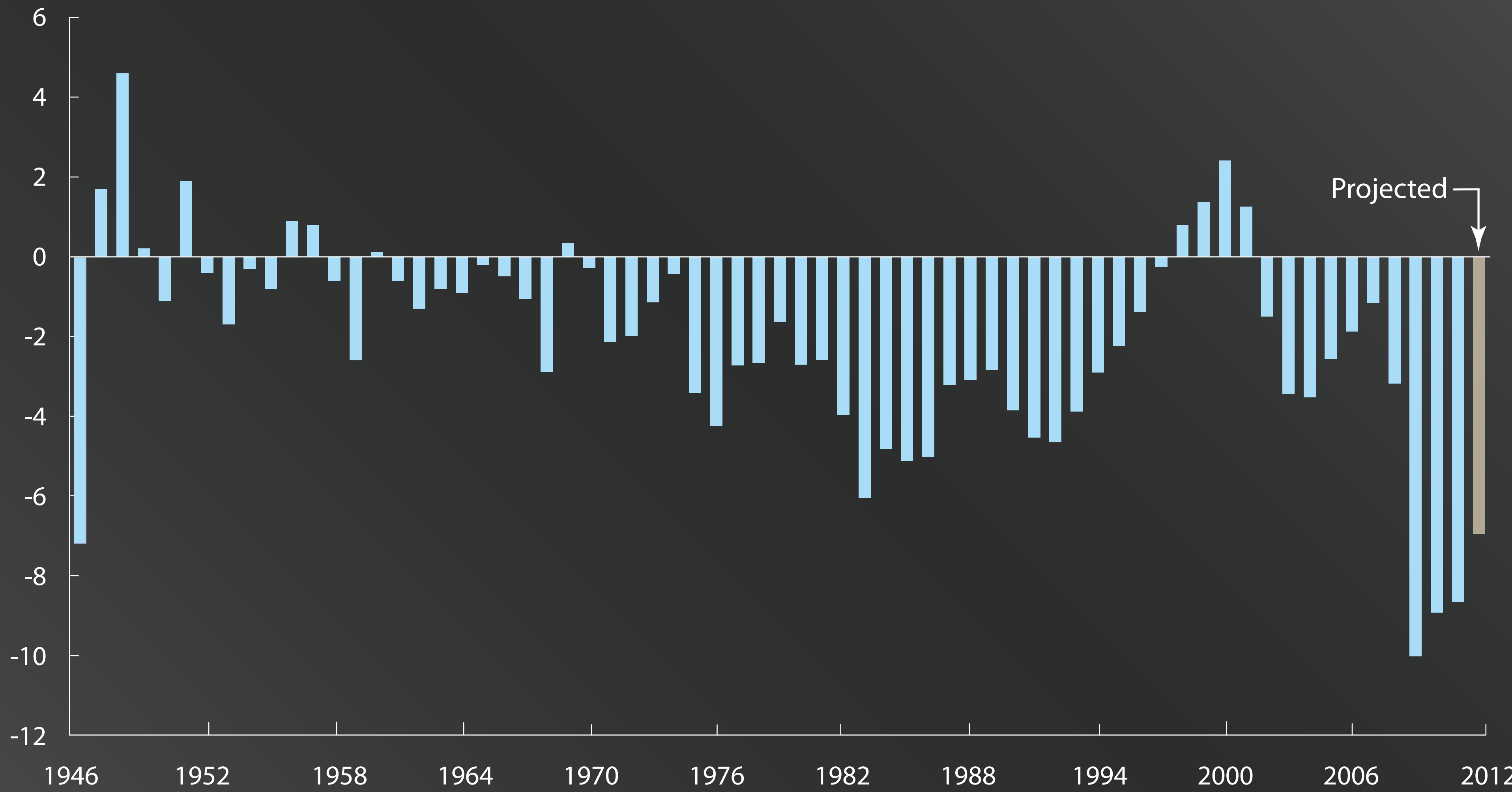
January 2012

The Budget Outlook

Deficits or Surpluses Since 1946

(Percentage of GDP)

January 2012
http://go.usa.gov/nPi



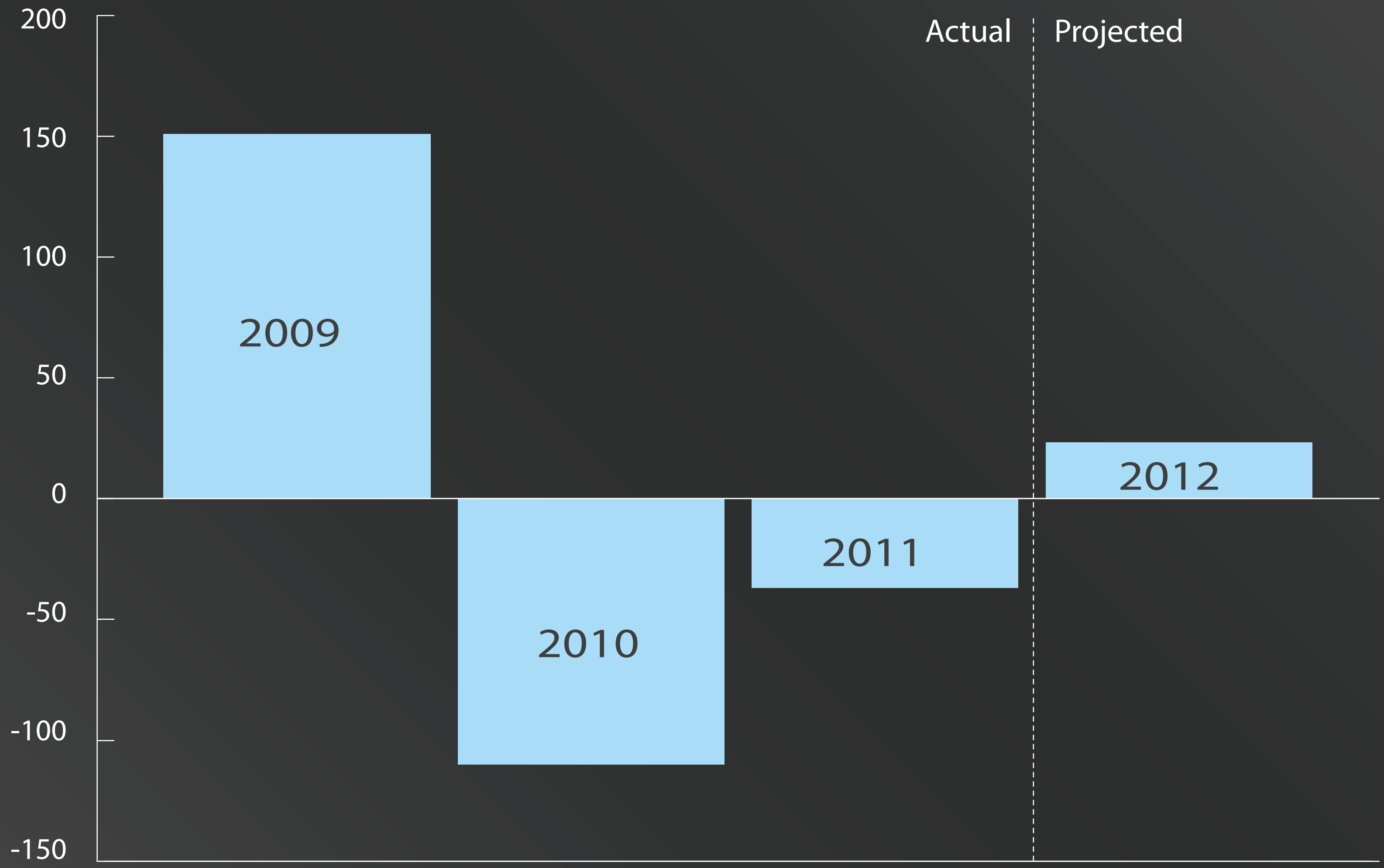
As a percentage of GDP, the federal budget will show a deficit of 7.0 percent in 2012, according to CBO's current-law baseline, nearly 2 percentage points below the shortfall recorded last year but still higher (in percentage terms) than any deficit between 1947 and 2008.

Congressional Budget Office

Outlays Recorded for the Troubled Asset Relief Program

(Billions of dollars)

January 2012
http://go.usa.gov/nPi



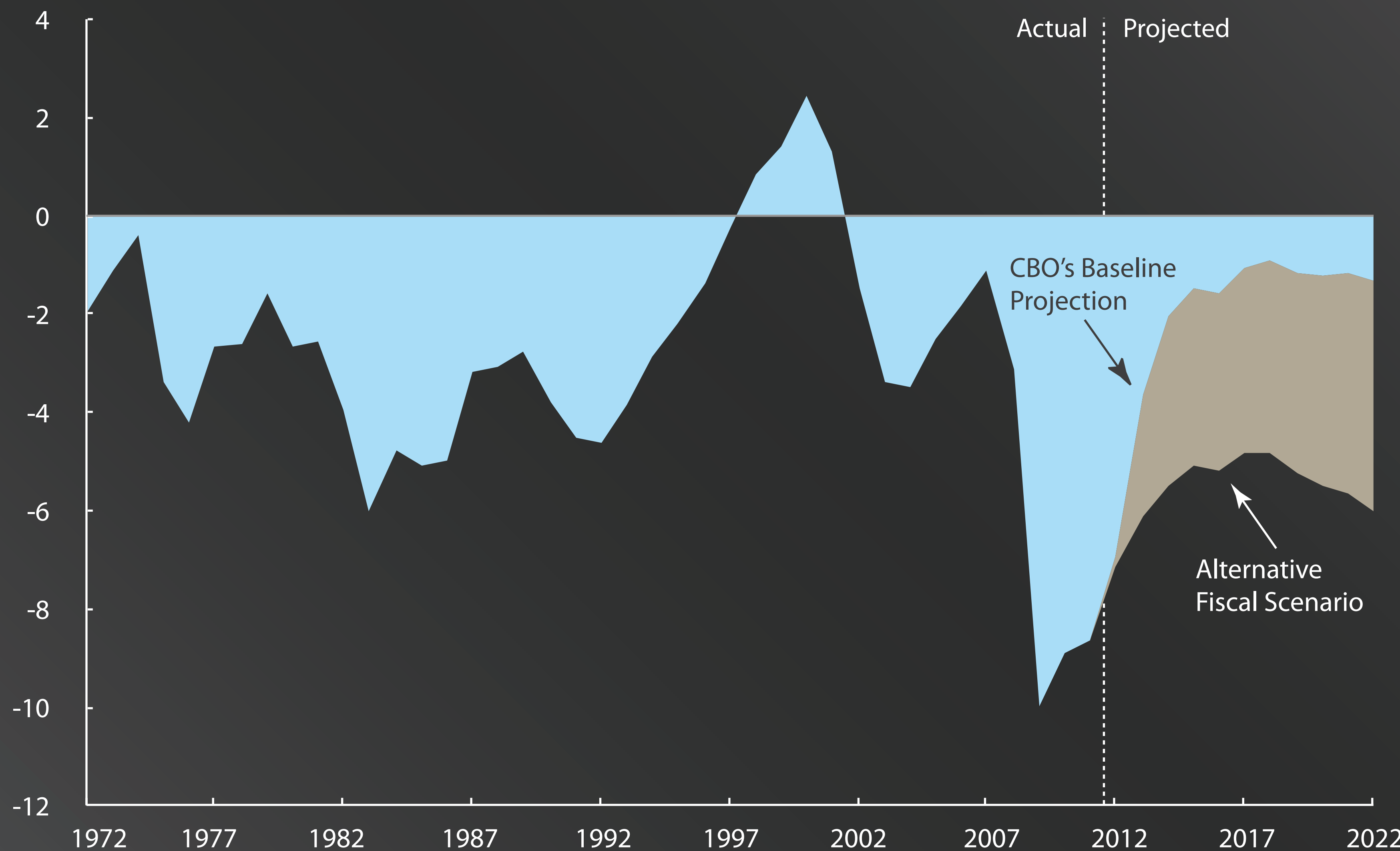
Adjustments to the estimated costs of the TARP have had a significant impact on budget deficits since 2009. Initial estimates of the cost of transactions in 2009 under the program turned out to be too high and were reduced in both 2010 and 2011. Adjustments recorded in 2012 will increase the deficit by $23 billion, CBO estimates.

Congressional Budget Office

Deficits or Surpluses, Historically and As Projected in CBO's Baseline and Under an Alternative Fiscal Scenario

(Percentage of GDP)

January 2012
http://go.usa.gov/nPi



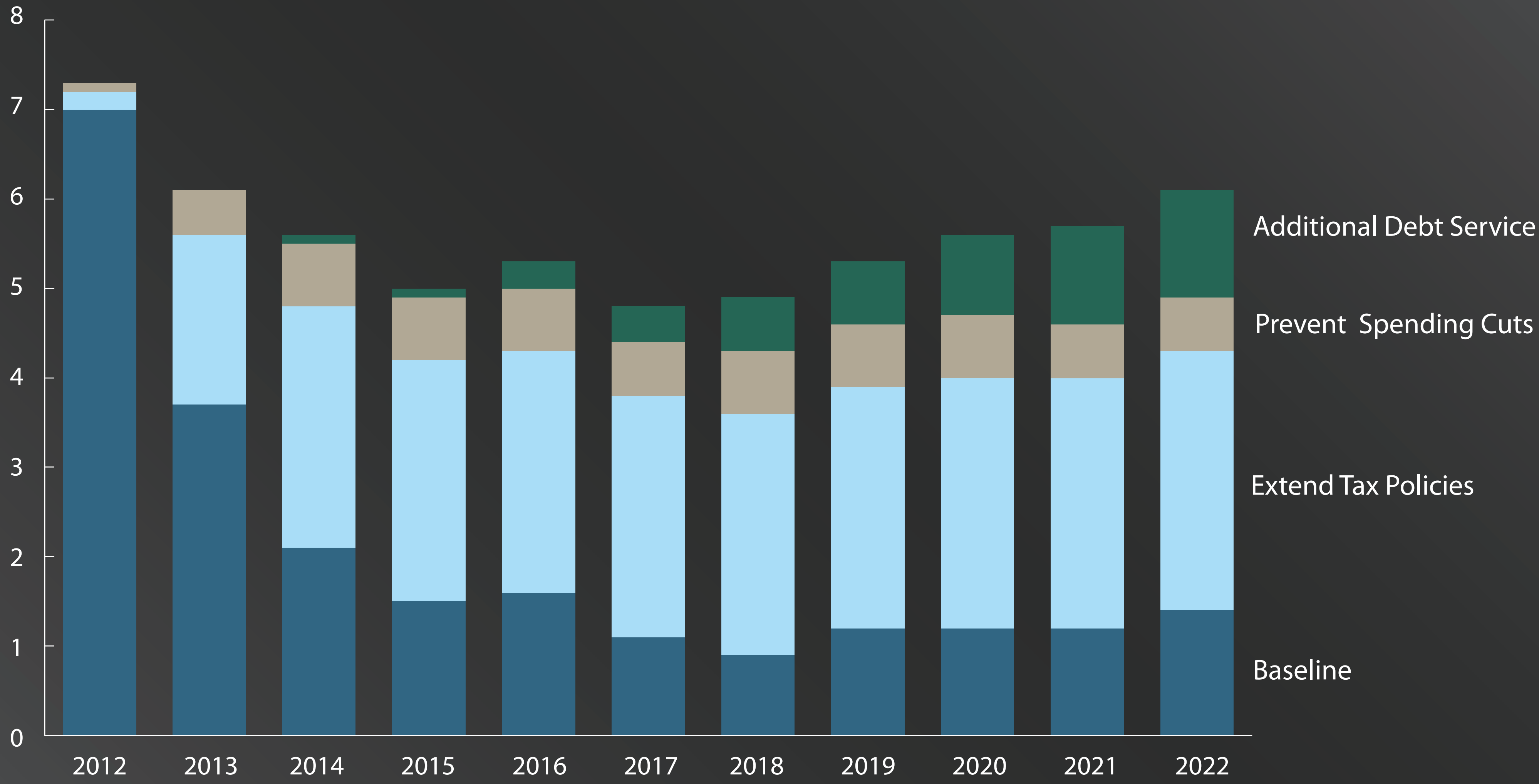
Under current law, CBO projects that deficits will drop markedly, averaging only 1.5 percent of GDP over the 2013-2022 period. But under an alternative fiscal scenario, in which some changes specified in current law would not occur and certain current policies would continue instead, annual deficits from 2013 through 2022 would be much higher—averaging 5.4 percent of GDP.

Congressional Budget Office

Deficits Projected in CBO's Baseline and Under an Alternative Fiscal Scenario

January 2012
http://go.usa.gov/nPi

(Percentage of GDP)



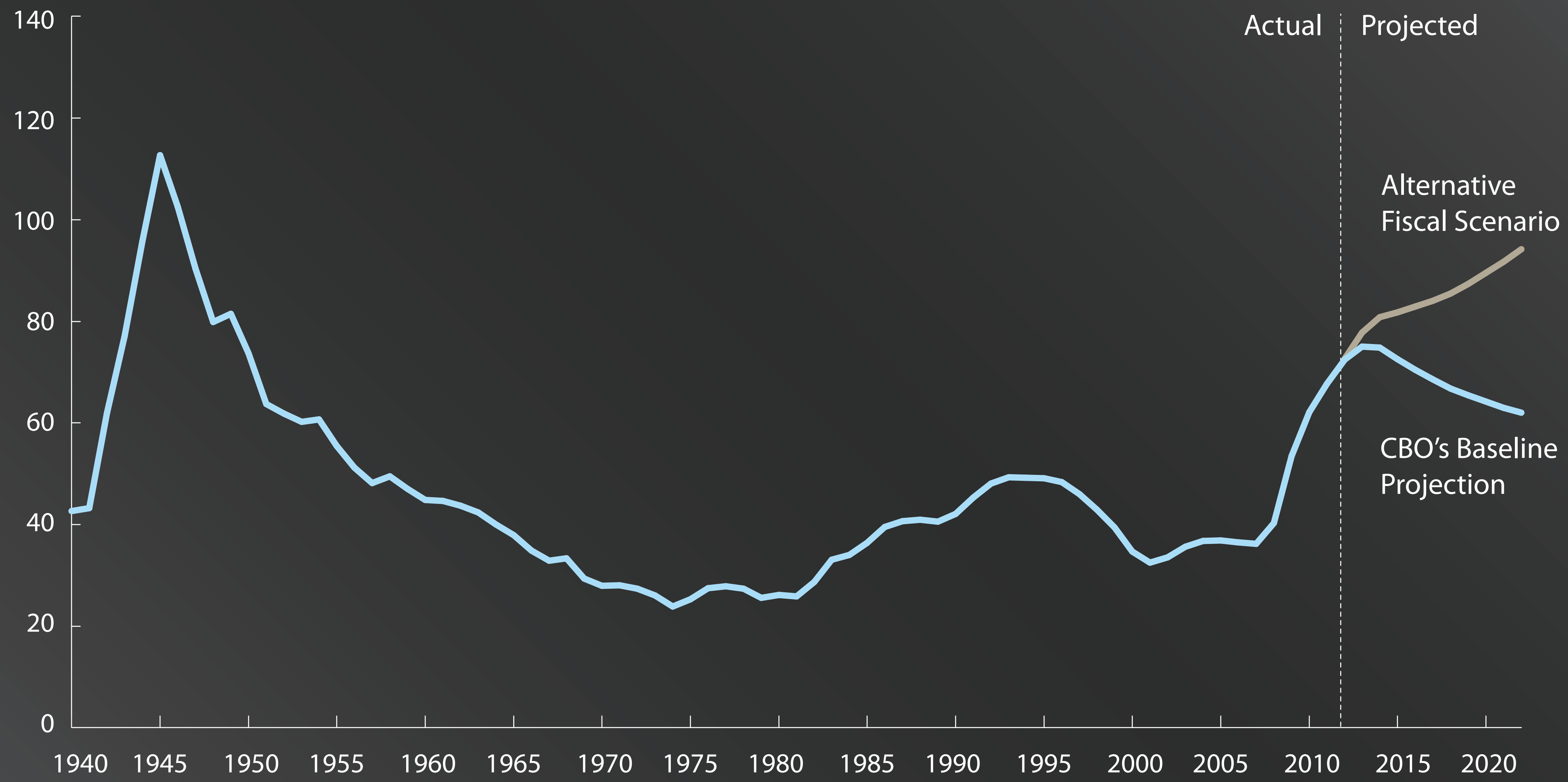
Preventing certain spending cuts scheduled under current law (the automatic spending reductions scheduled for 2013 and reductions in Medicare's payment rates for physicians) and extending certain expiring or recently expired tax provisions would boost deficits substantially relative to the baseline.

Congressional Budget Office

Federal Debt Held by the Public, Historically and As Projected in CBO's Baseline and Under an Alternative Fiscal Scenario

(Percentage of GDP)

January 2012
http://go.usa.gov/nPi



With modest deficits anticipated for much of the 10-year projection period of CBO's current-law baseline, debt held by the public recedes as a percentage of GDP. However, if some of the changes specified in current law did not occur and certain current policies were continued instead, debt held by the public would rise to 94 percent of GDP by the end of 2022, the highest figure since just after World War II.

Congressional Budget Office

Congressional Budget Office

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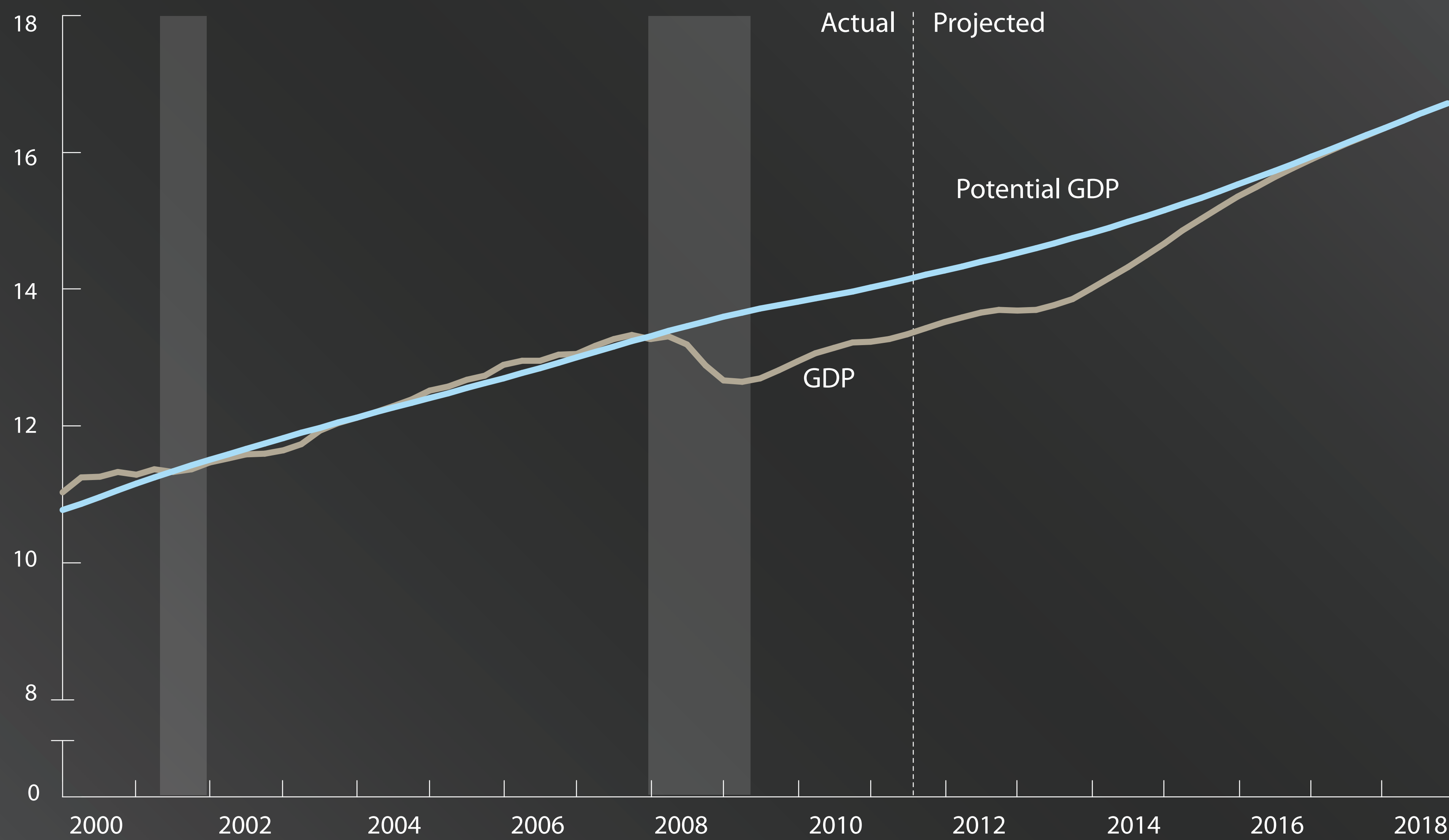
Real Gross Domestic Product

(Trillions of 2005 dollars)

January 2012
http://go.usa.gov/nPi



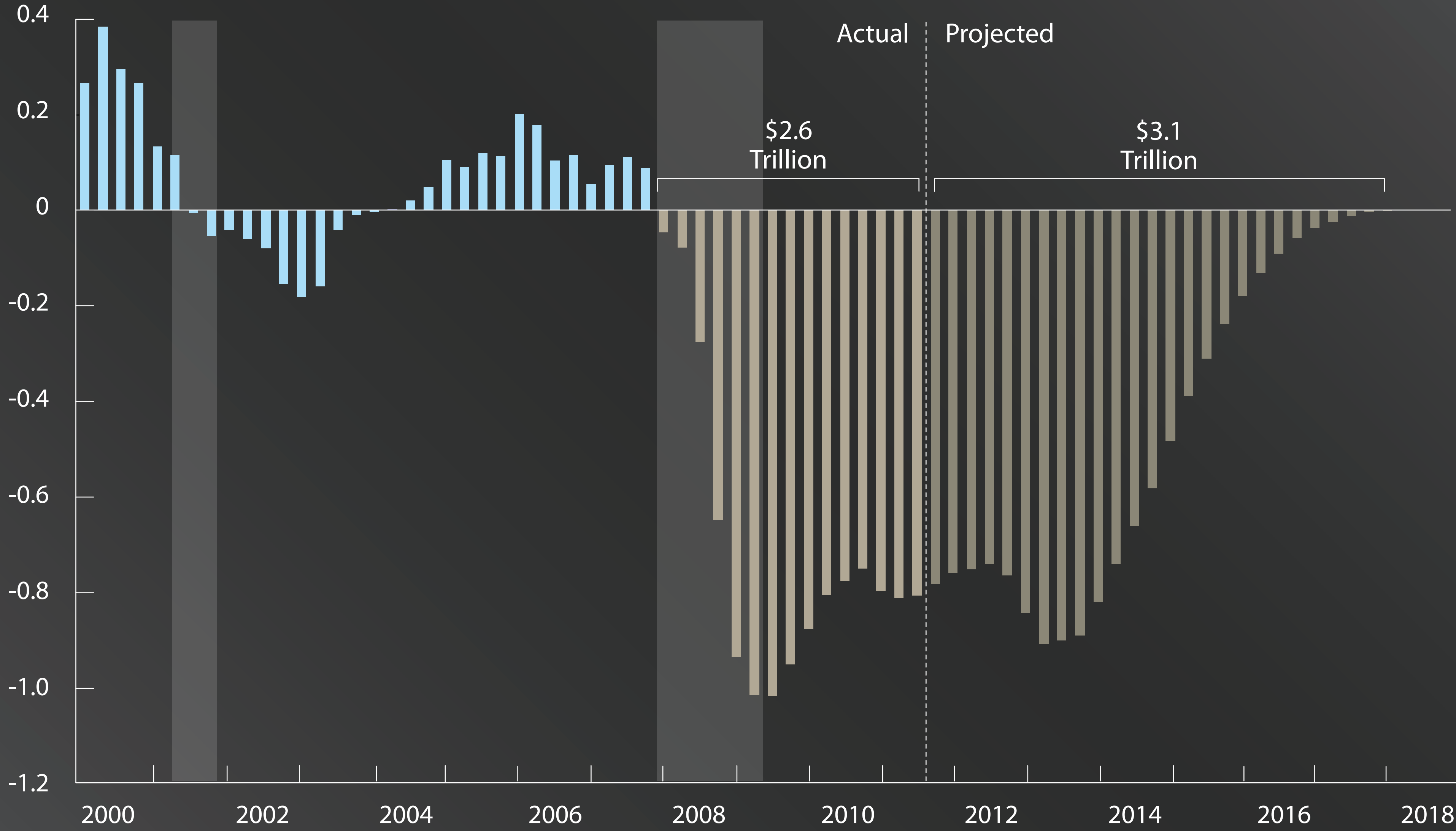
Although CBO projects the growth in real (inflation-adjusted) GDP to pick up after 2013, the agency expects that the economy's output will remain below its potential—a level that corresponds to a high rate of use of labor and capital—until the first half of 2018.

Congressional Budget Office

Gap Between GDP and Potential GDP

(Trillions of 2005 dollars)

January 2012
http://go.usa.gov/nPi



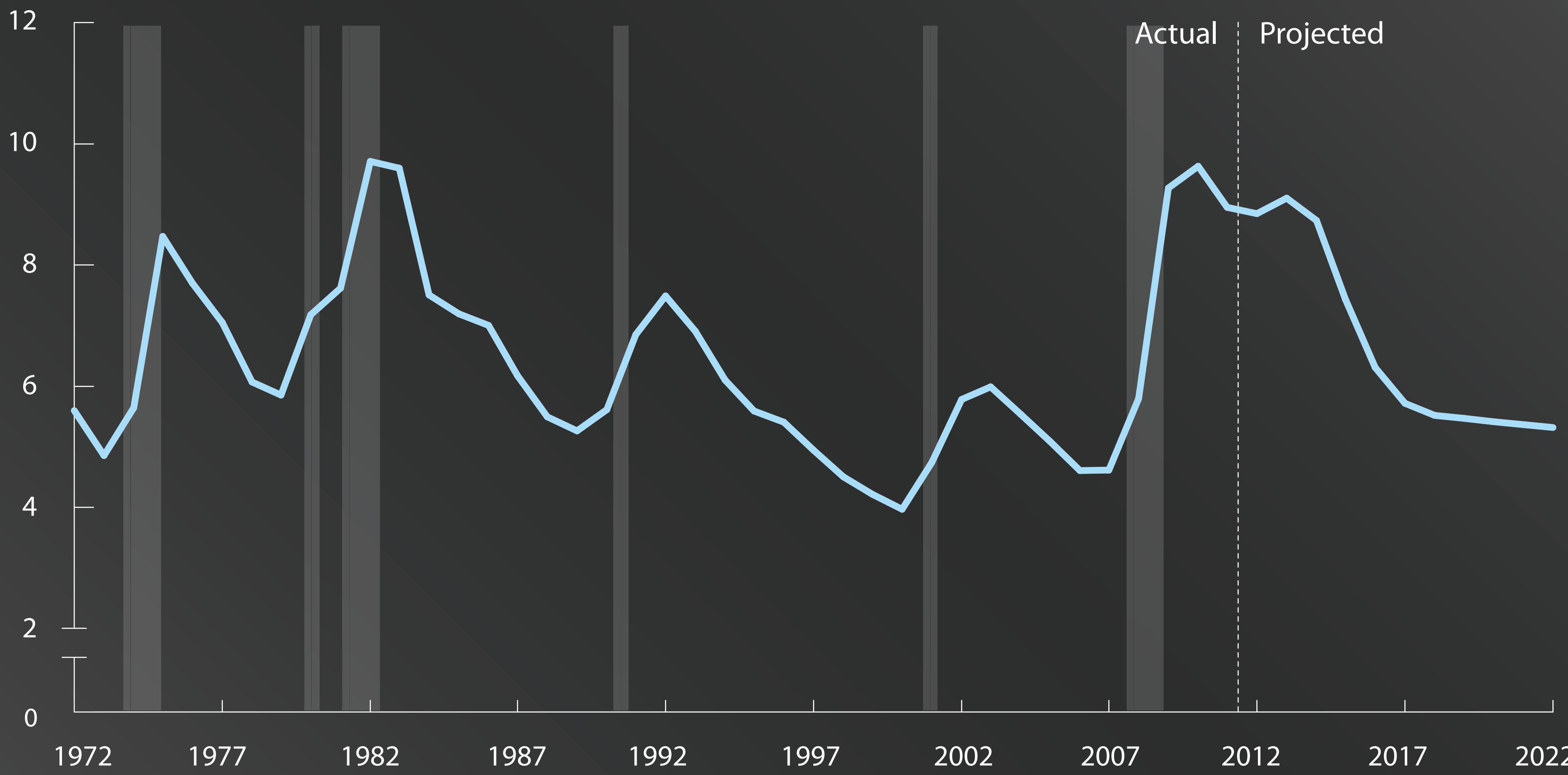
A large portion of the economic and human costs of the recession and slow recovery remains ahead. From the first quarter of the recession through the third quarter of 2011, the cumulative difference between GDP and estimated potential GDP amounted to $2.6 trillion; by the time the nation's output rises back to its potential level, the cumulative shortfall is expected to equal $5.7 trillion (the tan-shaded areas in the chart).

Congressional Budget Office

Unemployment Rate

(Percent)

January 2012
http://go.usa.gov/nPi



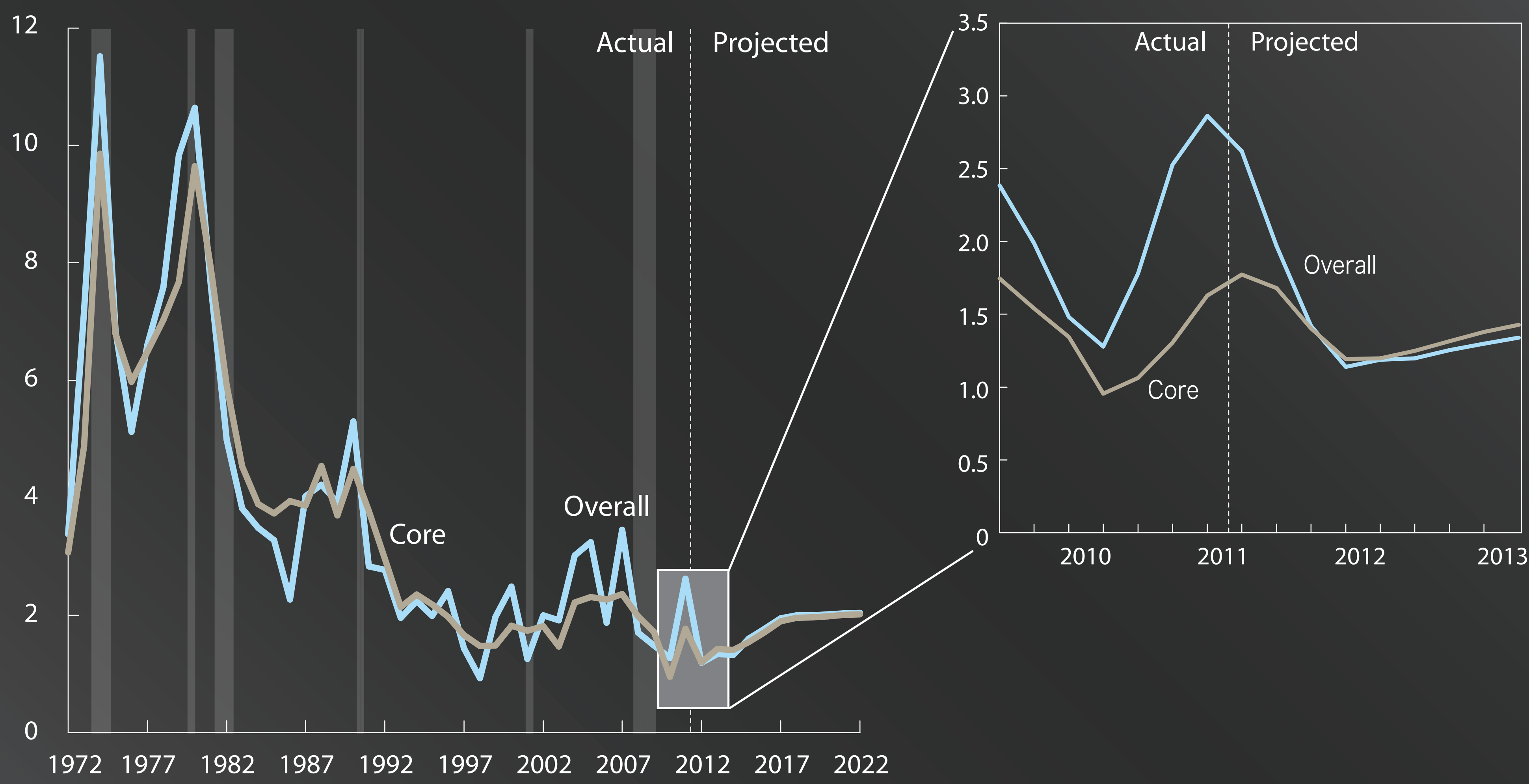
In CBO's forecast, the unemployment rate in 2012 and 2013 remains largely unchanged from its value last year. However, in the forecast, as growth picks up after 2013, the unemployment rate falls to 6.9 percent by the end of 2015 and 5.6 percent by the end of 2017.

Congressional Budget Office

Inflation

(Percentage change in prices from previous year)

January 2012
http://go.usa.gov/nPi



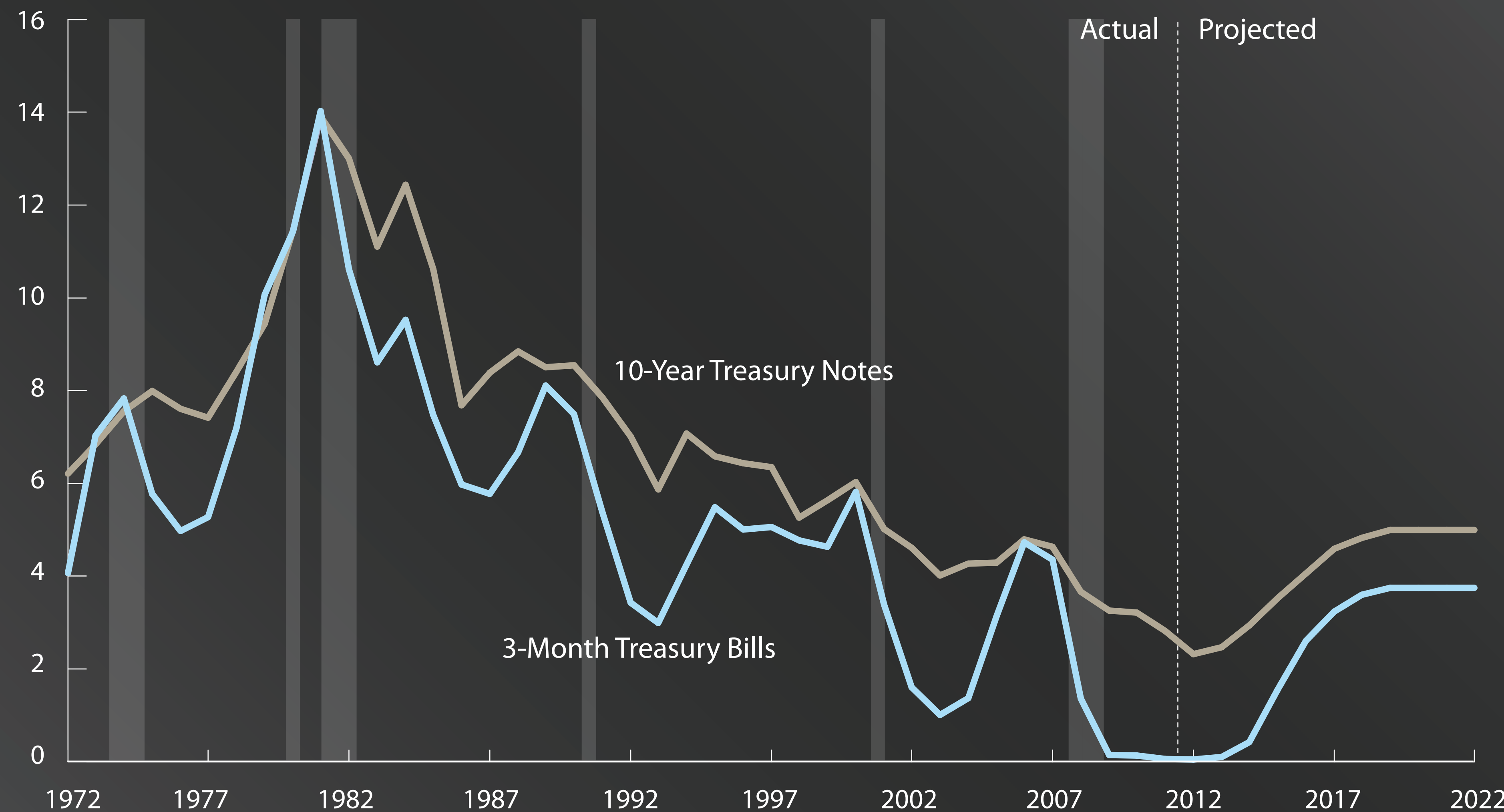
According to the agency's projections, the price index for personal consumption expenditures (PCE) will increase by 1.2 percent in 2012 (as measured by the change from the fourth quarter of the previous year) and by 1.3 percent in 2013. The core PCE price index—which excludes prices for food and energy—is projected to increase by a similar amount.

Congressional Budget Office

Interest Rates

(Percent)

January 2012
http://go.usa.gov/nPi



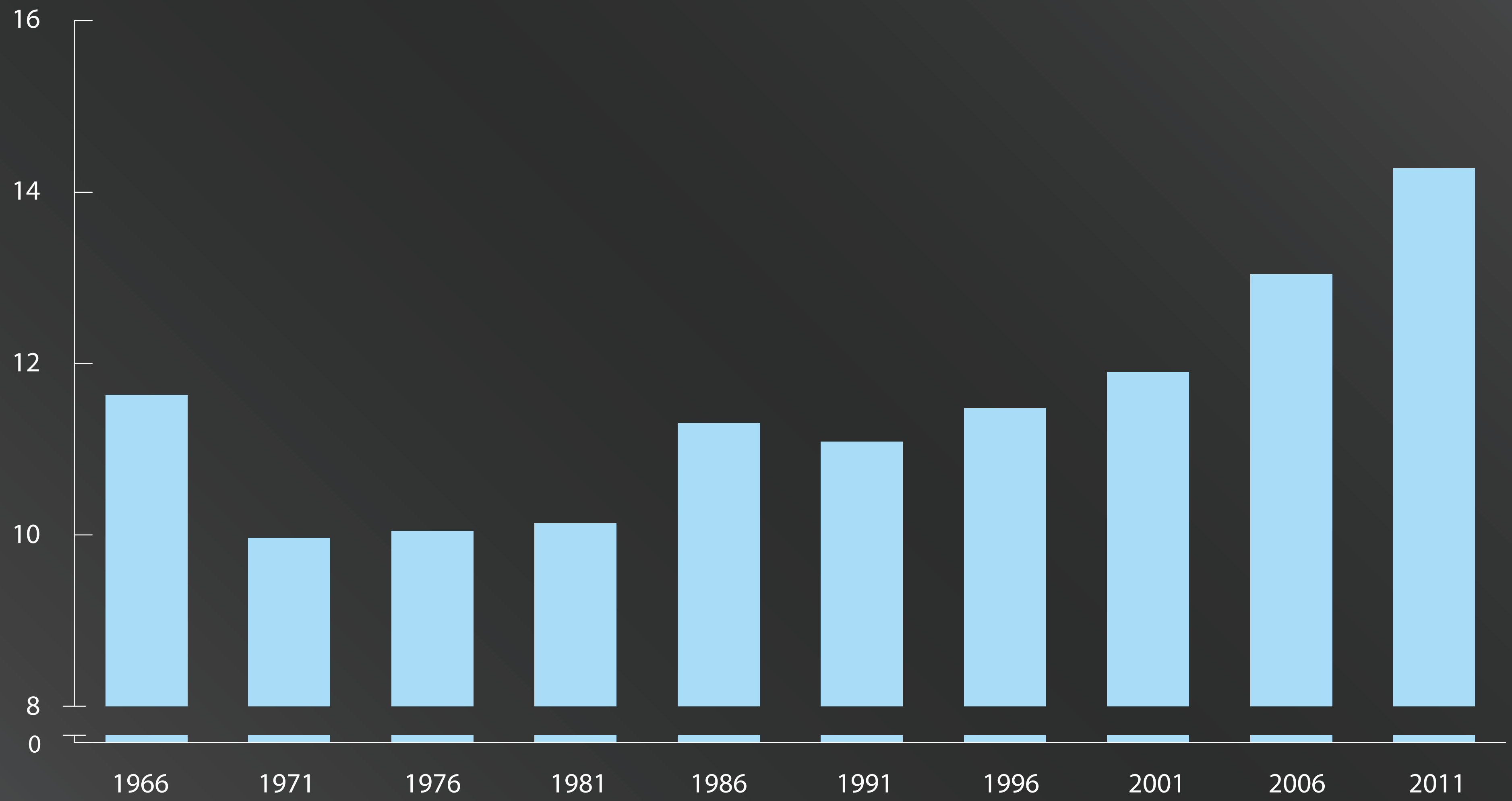
CBO projects that interest rates will remain very low for the next several years and then will rise to more-normal levels as output approaches its potential.

Congressional Budget Office

Vacant Housing Units

(Percentage of total units)

January 2012
http://go.usa.gov/nPi



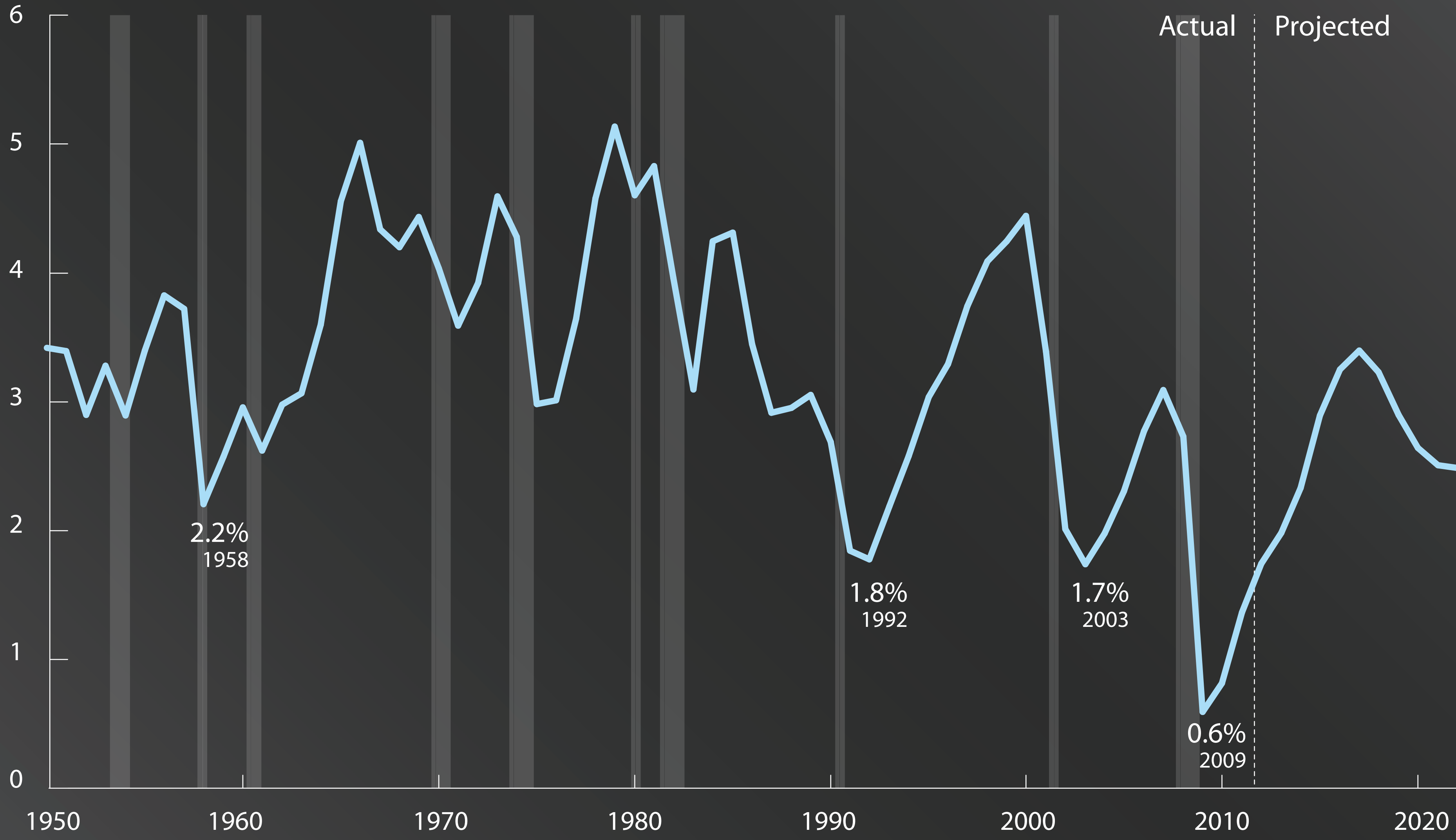
The number of vacancies remains very high. For that reason, among others, CBO projects weak near-term growth in residential investment.

Congressional Budget Office

Net Business Fixed Investment

(Percentage of GDP)

January 2012
http://go.usa.gov/nPi

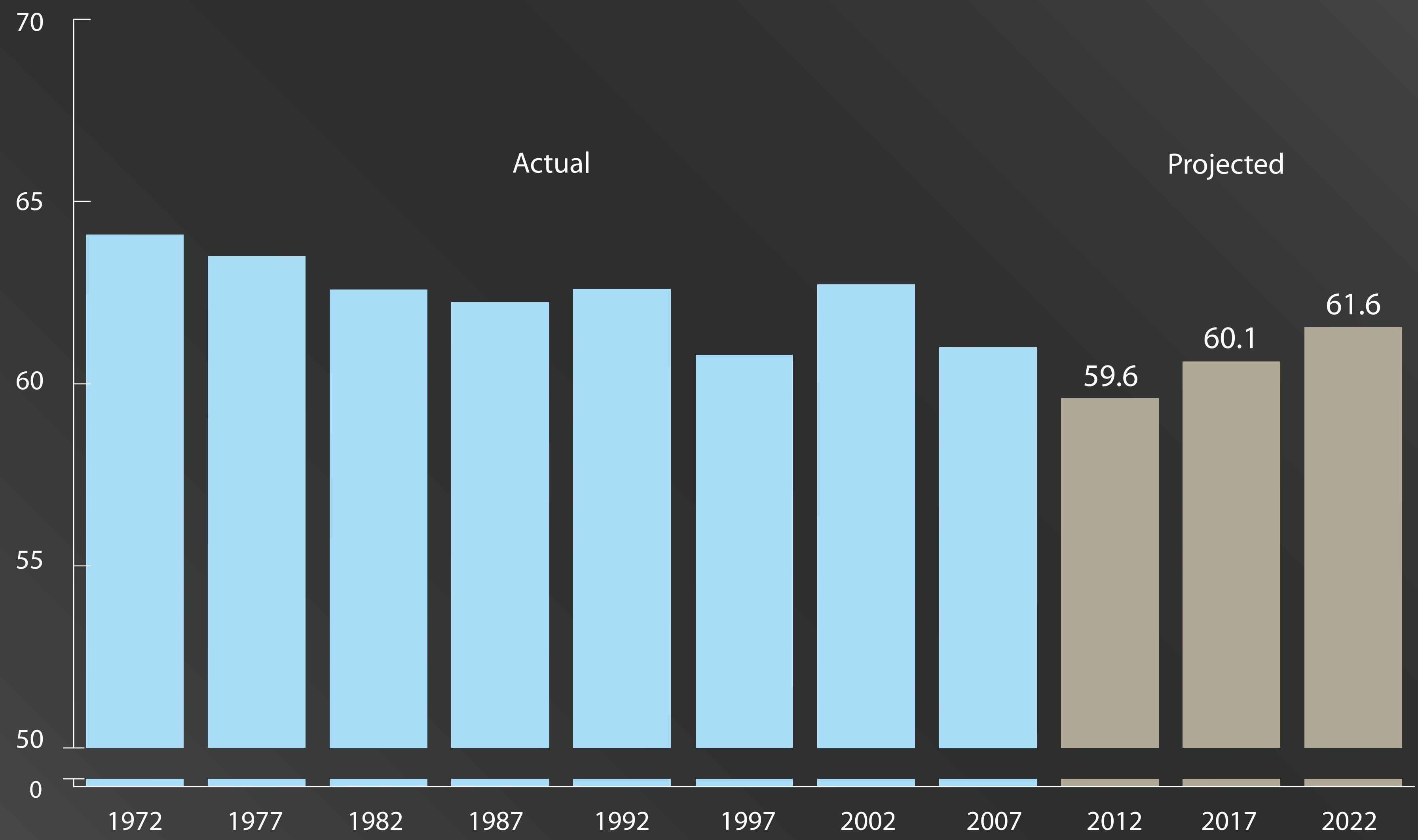


CBO's forecast of solid growth in business investment in structures, equipment, and software, especially after 2013, reflects the very low level of net investment (gross investment minus depreciation) in those items relative to GDP.

Congressional Budget Office

Labor Income

(Percentage of gross domestic income)

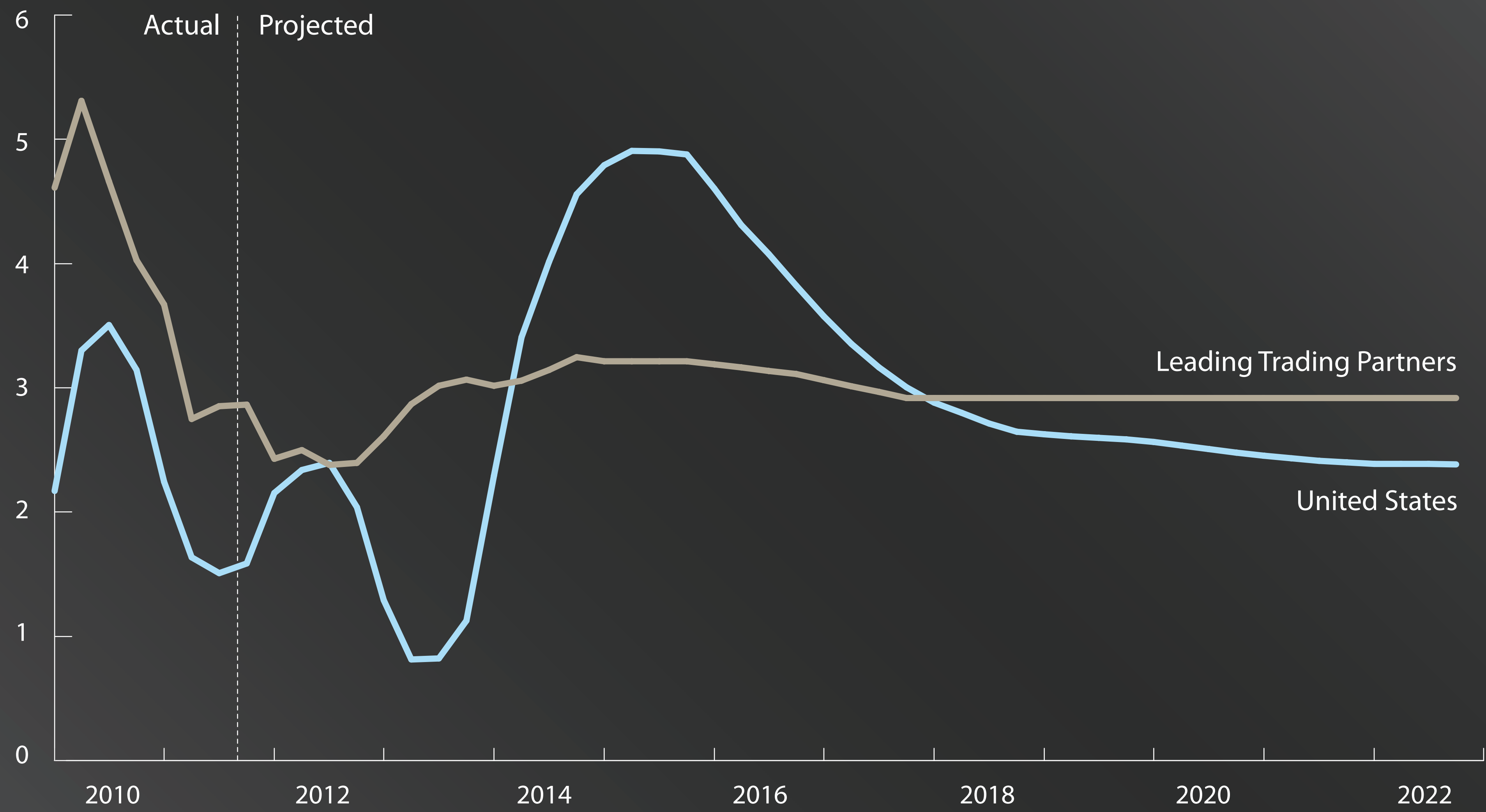


Labor income has fallen sharply as a share of gross domestic income (GDI) since 2009. In CBO's projections, labor income grows faster than GDI over the next decade, bringing its share from about 59 percent of GDI in late 2011 to about 62 percent by 2022, approaching its historical average since 1980.

Economic Growth in the United States and Among Its Leading Trading Partners

(Percentage change from same quarter of previous year)

January 2012
http://go.usa.gov/nPi



CBO expects that an increase in real net exports will make a small contribution to the growth of real GDP this year and next, on average. A primary reason for that projection is that average growth among the nation's leading trading partners will probably be stronger than that in the United States over the period.

Congressional Budget Office

Congressional Budget Office

The Budget and Economic Outlook

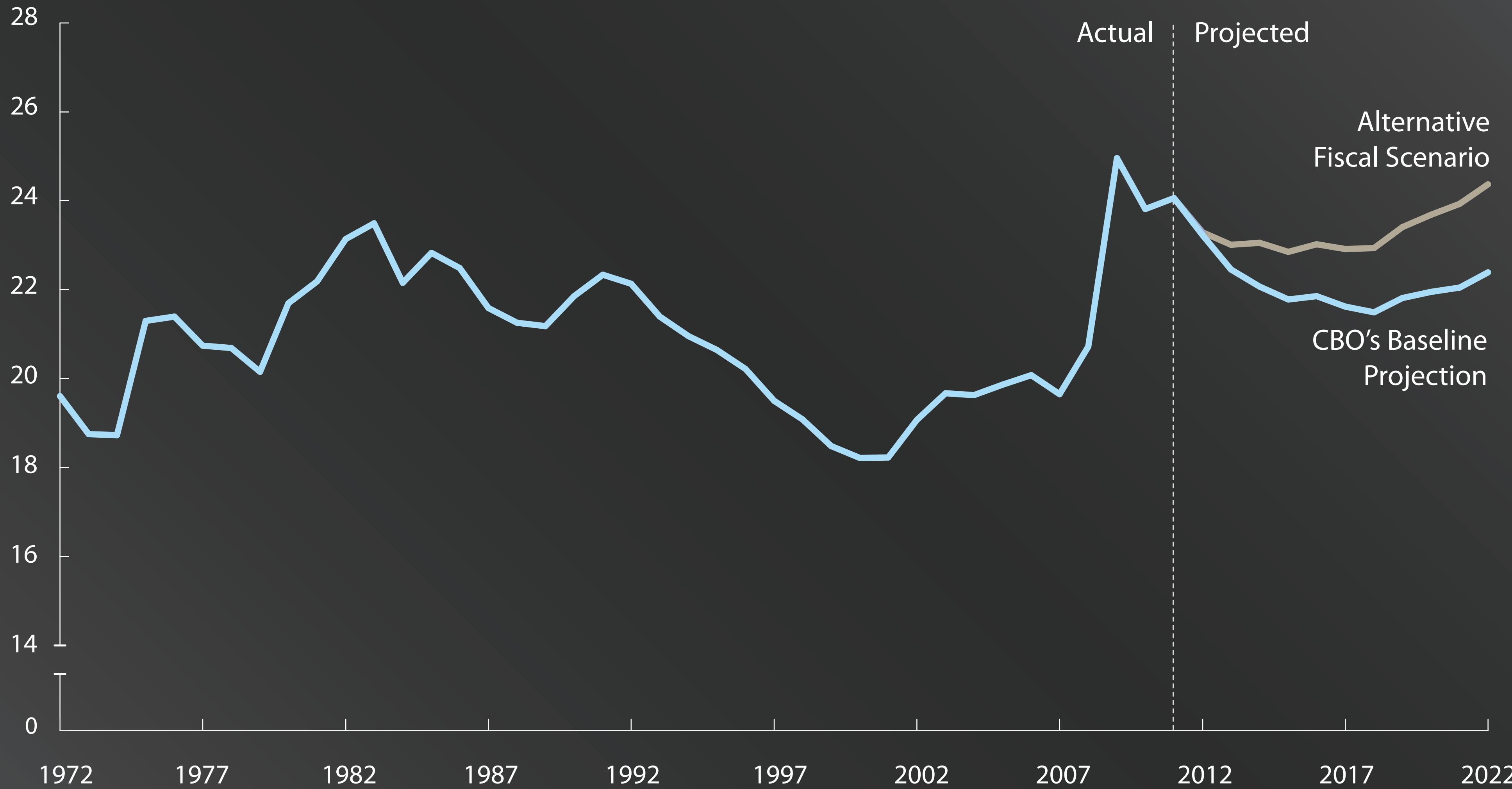
January 2012

The Spending Outlook

Outlays Projected in CBO's Baseline and Under an Alternative Fiscal Scenario

(Percentage of GDP)

January 2012
http://go.usa.gov/nPi



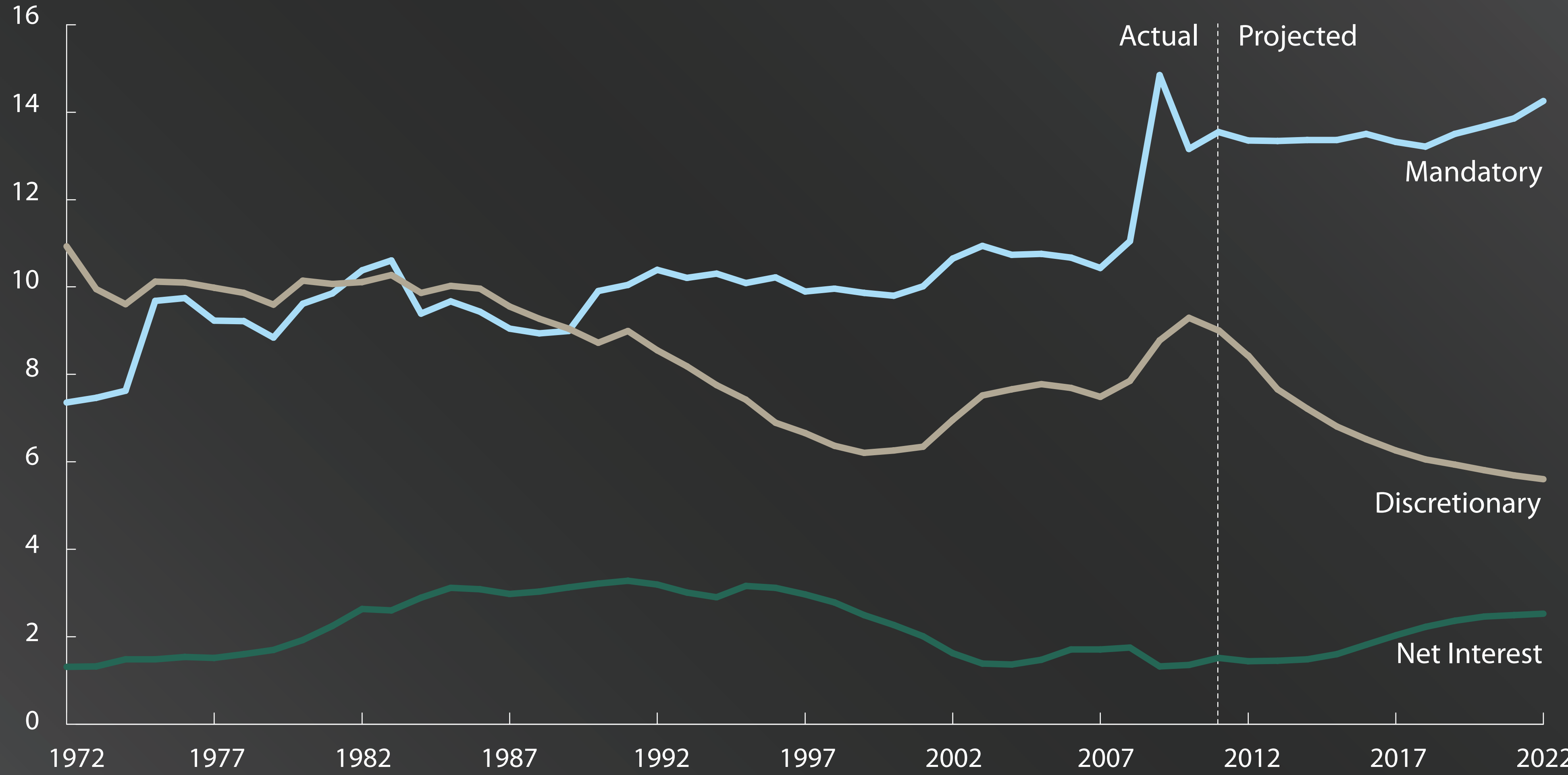
In CBO's baseline, annual spending averages 21.9 percent of GDP from 2013 through 2022, a percentage that is elevated by historical standards. Under an alternative fiscal scenario, in which some changes specified in current law would not occur and certain current policies would continue instead, outlays between 2013 and 2022 would be higher by 1.4 percent, or $2.9 trillion, than those presented in the baseline.

Congressional Budget Office

Outlays, by Category

(Percentage of GDP)

January 2012
http://go.usa.gov/nPi



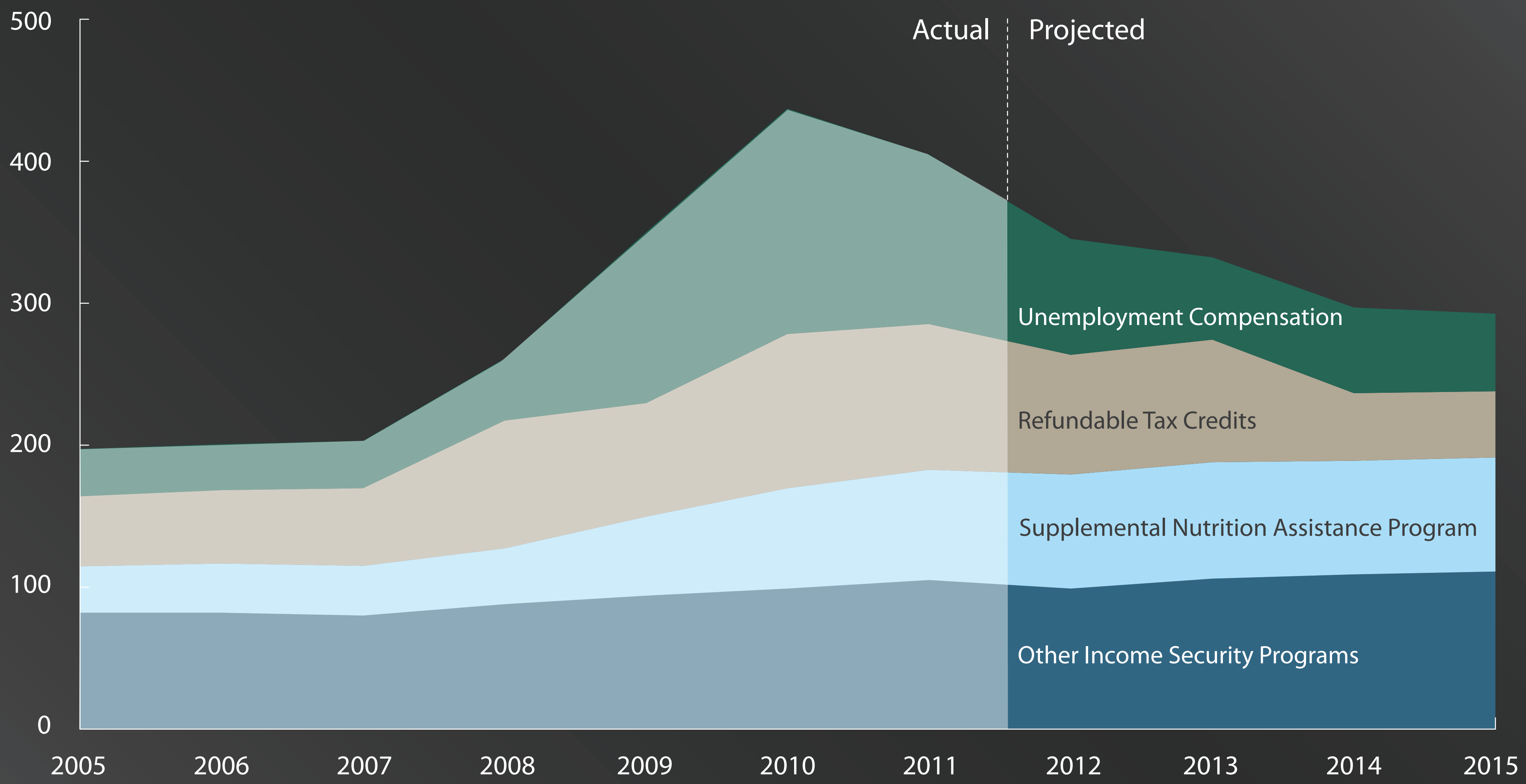
In CBO's baseline projections, the biggest difference in federal spending relative to GDP in the coming decade—as compared with outlays over the past 40 years—will be the widening gap between mandatory and discretionary spending.

Congressional Budget Office

Outlays for Income Security Programs

(Billions of dollars)

January 2012
http://go.usa.gov/nPi

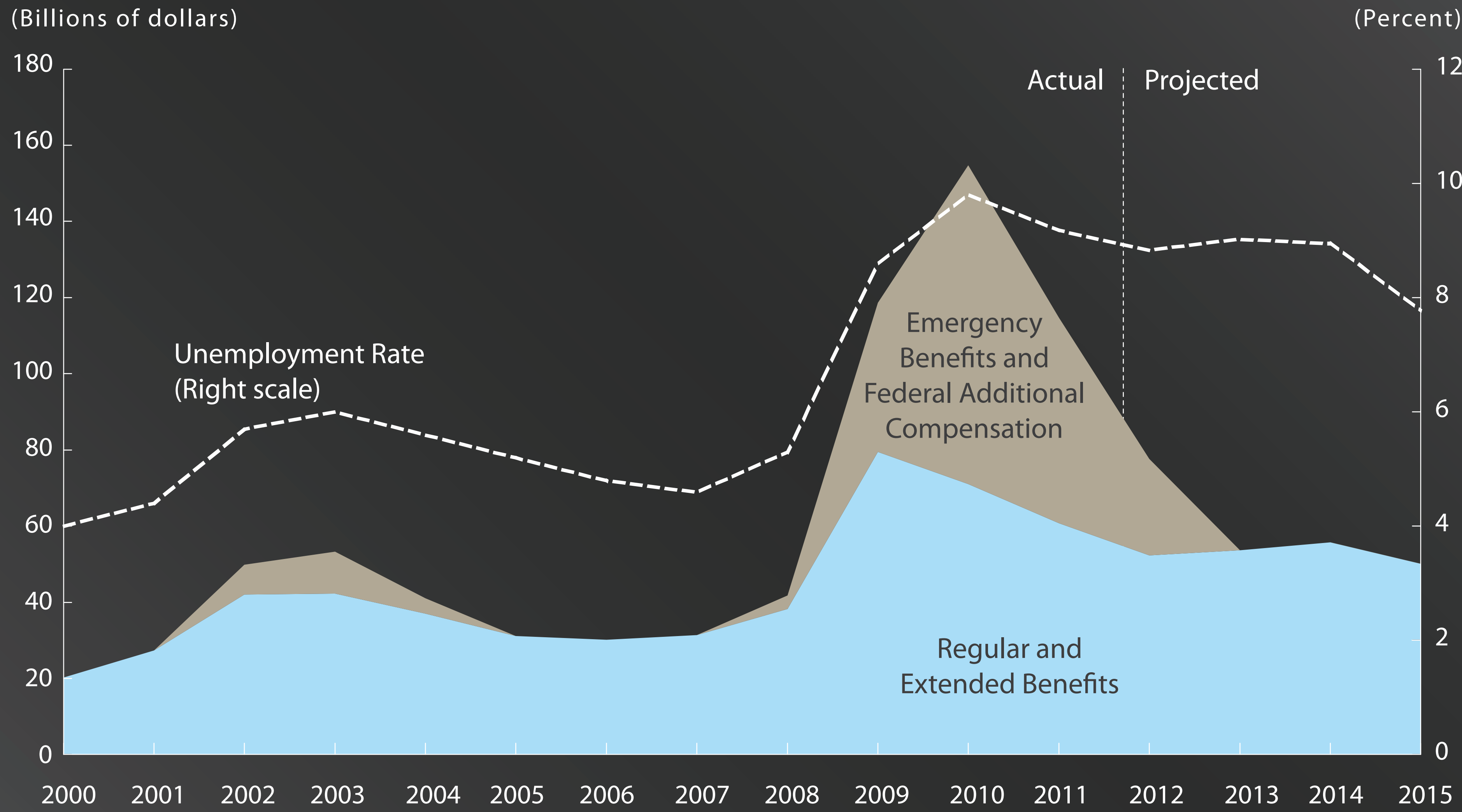


Federal spending for income security programs peaked in 2010 at $438 billion; in contrast, such spending totaled $202 billion in 2007, before the economic downturn. The surge in spending occurred partly because outlays for many of those programs tend to rise automatically when the economy falters (and ebb later as the economy recovers) and partly because lawmakers enacted temporary measures to augment payments to needy populations.

Congressional Budget Office

Outlays for Unemployment Benefits

January 2012
http://go.usa.gov/nPi



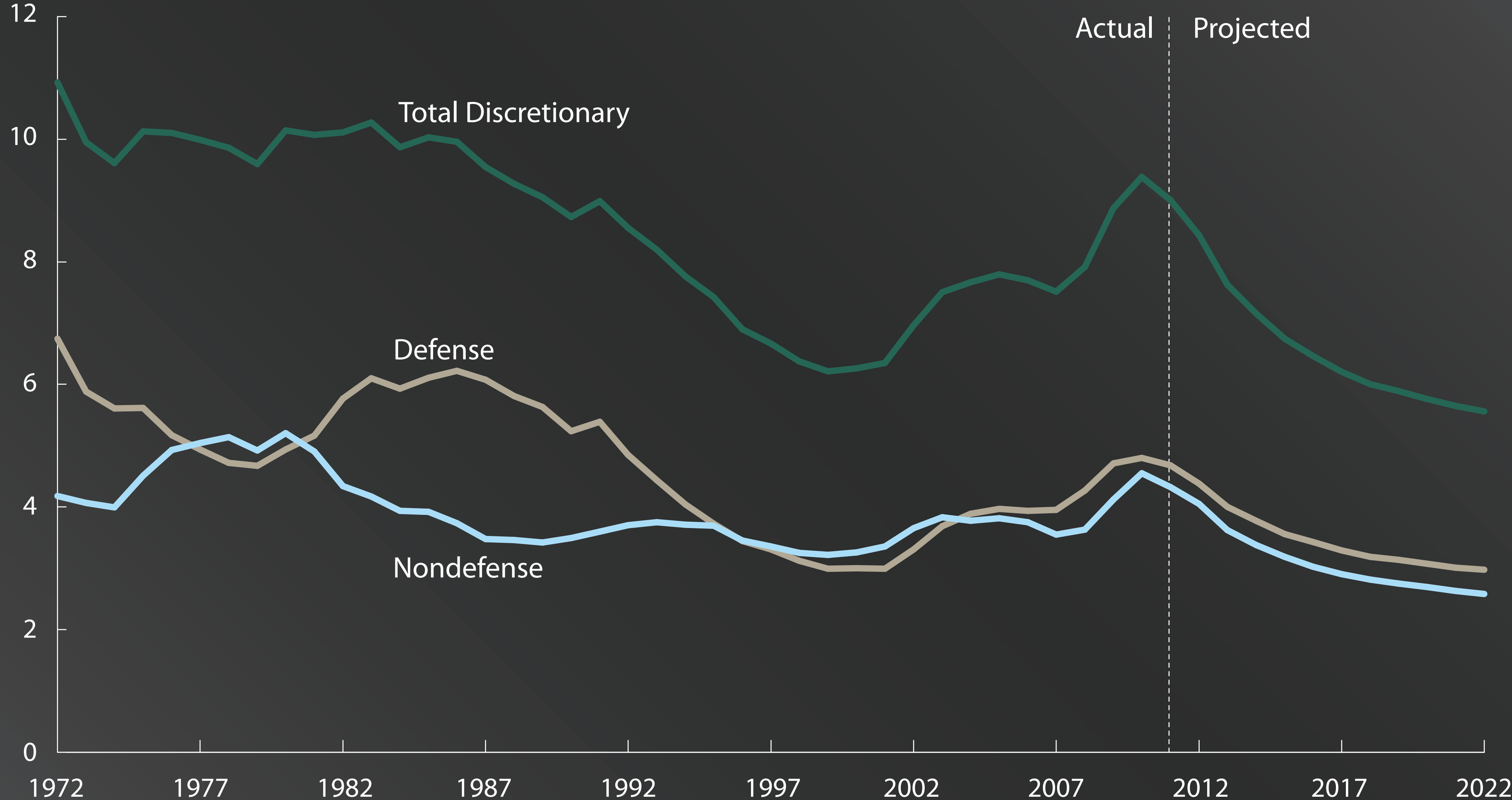
Since late 2008, spending for unemployment compensation has been boosted significantly by changes in law that temporarily provide additional benefits to people who have been out of work for more than 26 weeks. Payments for those temporary programs will start to phase out in March 2012 under current law.

Congressional Budget Office

Discretionary Outlays, by Category

(Percentage of GDP)

January 2012
http://go.usa.gov/nPi



Discretionary outlays declined from about 10 percent of GDP during much of the 1970s and 1980s to 6.2 percent in 1999. Those outlays then began to increase again relative to the size of the economy, reaching 7.0 percent of GDP in 2002 and 7.9 percent in 2008. In 2009, 2010, and 2011, such outlays were 8.8, 9.3, and 9.0 percent of GDP, respectively. By 2022, under current law, those outlays will have fallen to 5.6 percent of GDP, CBO projects.

Congressional Budget Office

Congressional Budget Office

The Budget and Economic Outlook

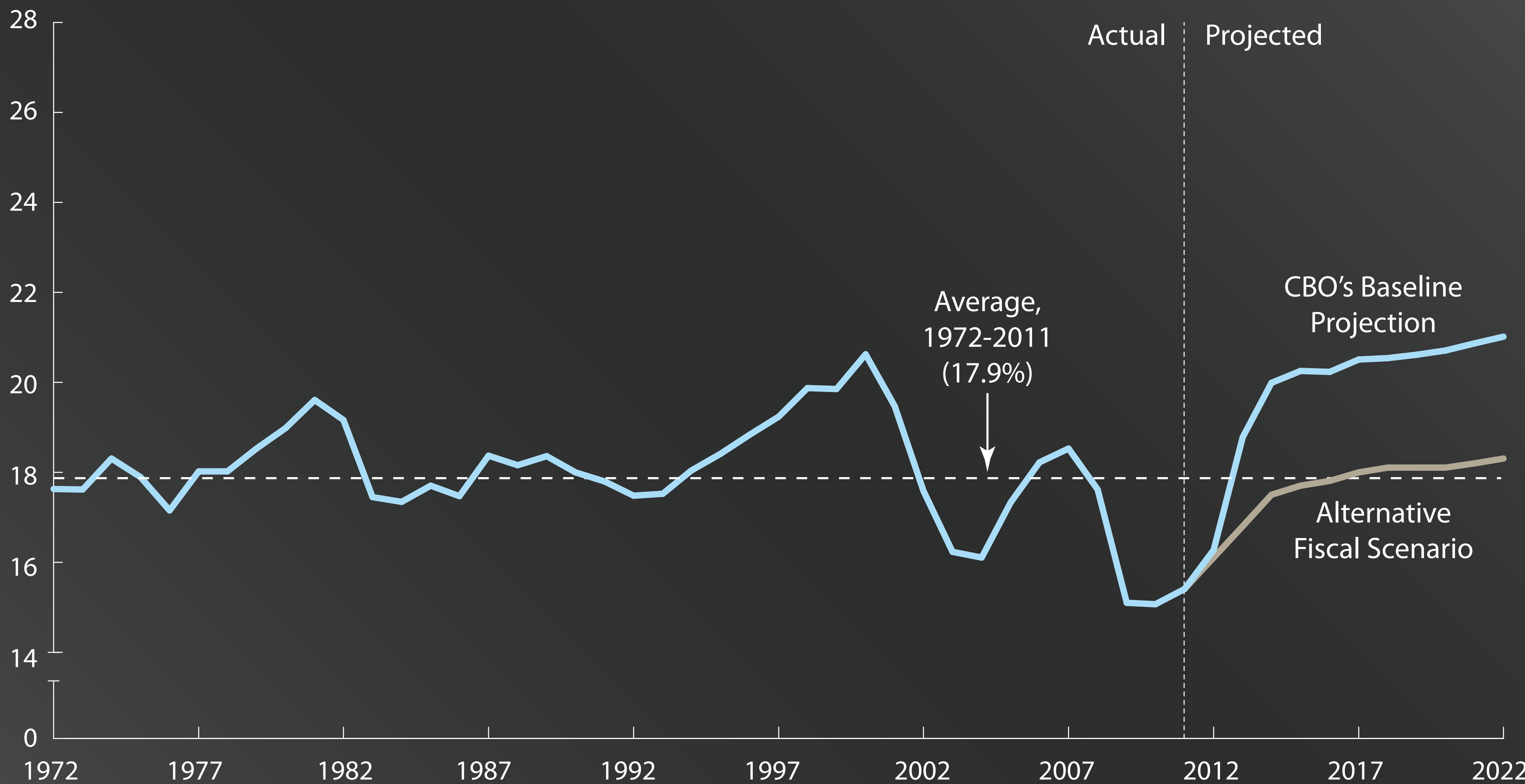
January 2012

The Revenue Outlook

Revenues Projected in CBO's Baseline and Under an Alternative Fiscal Scenario

(Percentage of GDP)

January 2012
http://go.usa.gov/nPi



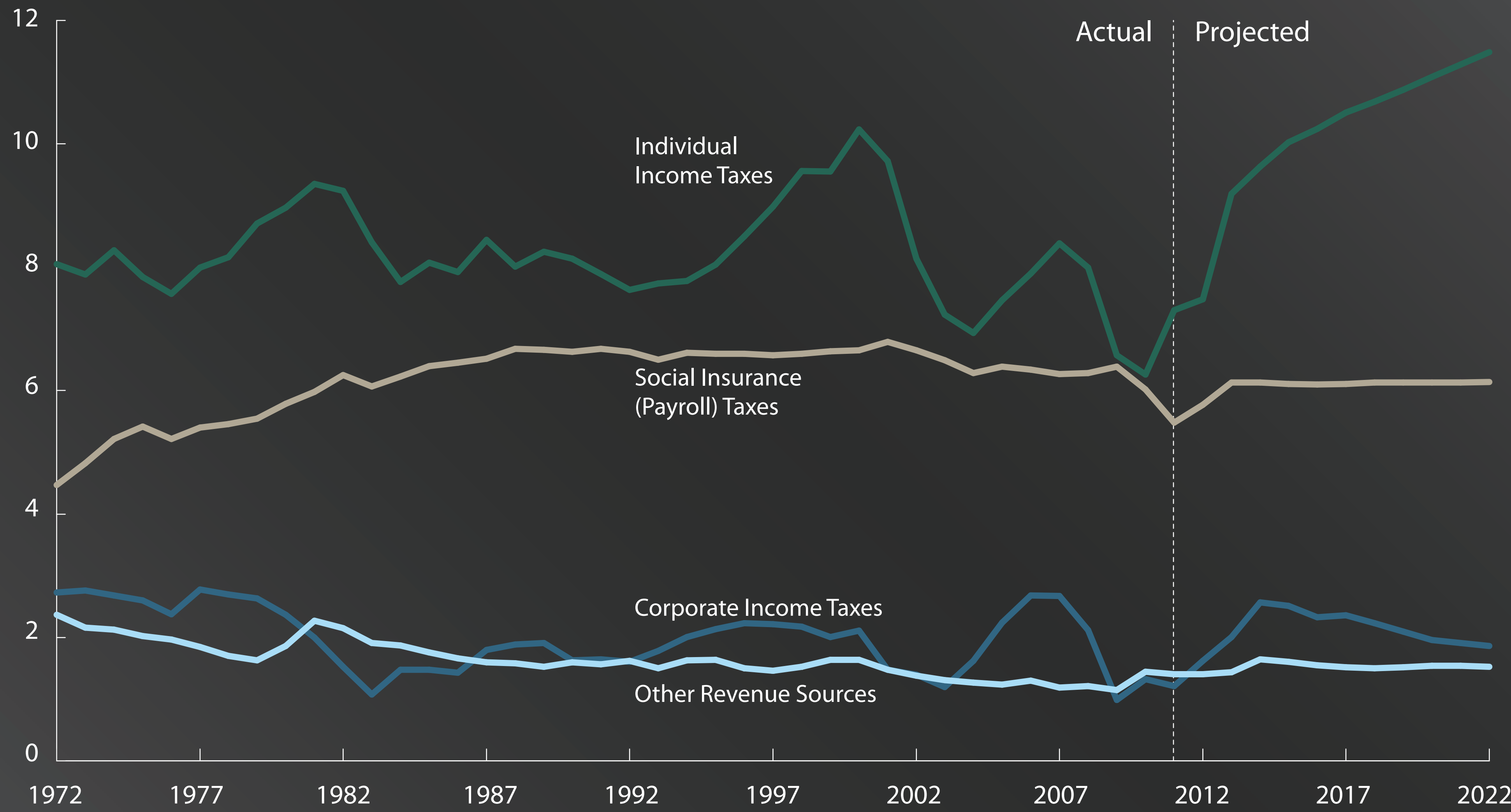
CBO projects that under current law, total revenues as a percentage of GDP will rise from their recent unusually low levels to well above their historical average of about 18 percent of GDP. Under an alternative fiscal scenario, in which some changes specified in current law would not occur and certain current policies would continue instead, projected revenues would be near their historical average.

Congressional Budget Office

Revenues, by Major Source

(Percentage of GDP)

January 2012
http://go.usa.gov/nPi



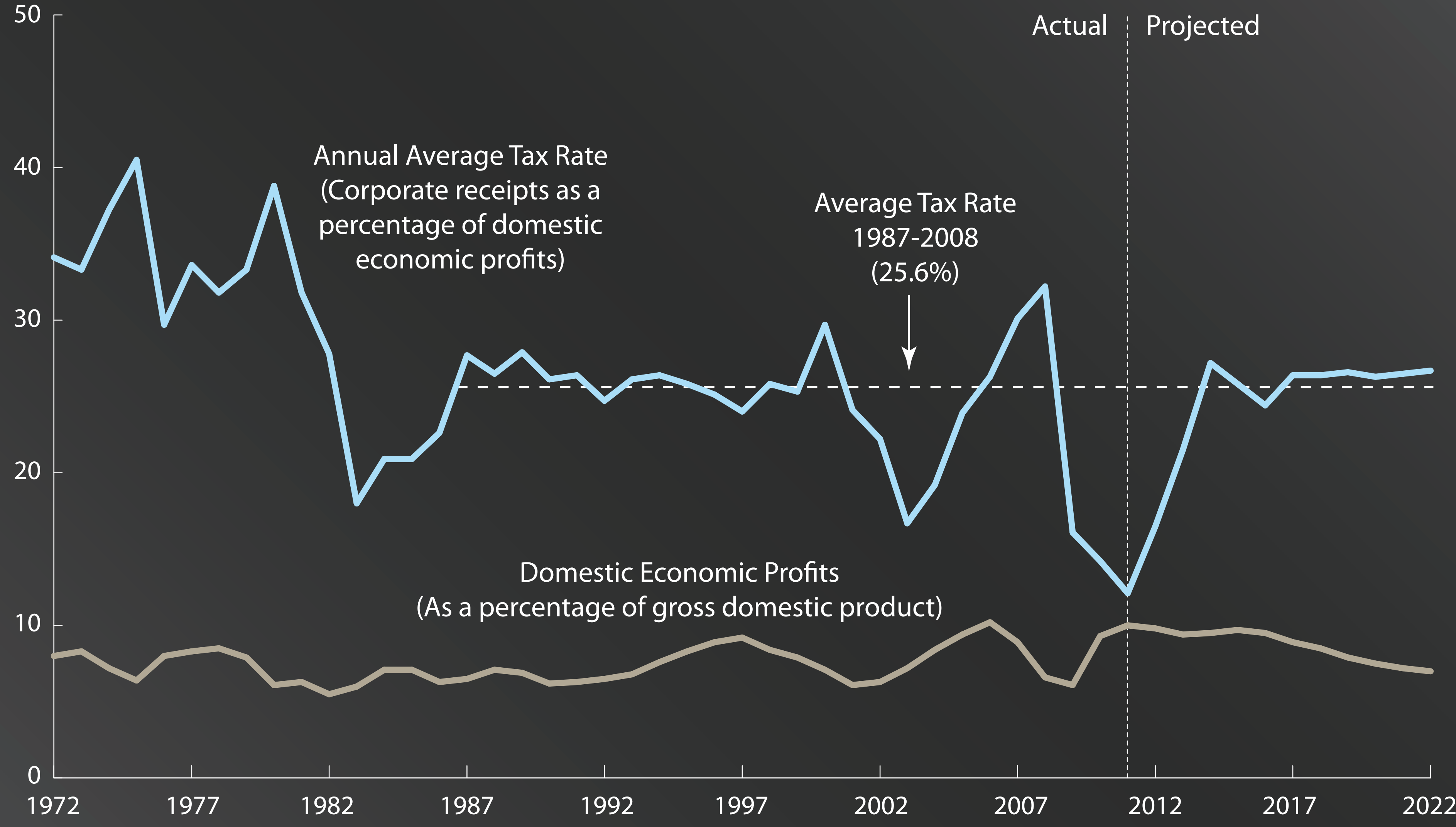
Individual income taxes have fluctuated more over the past 40 years than the other major revenue sources—ranging from 6.3 percent to 10.2 percent of GDP but showing no clear trend over that period.

Congressional Budget Office

Average Corporate Tax Rate and Corporations' Domestic Economic Profits

(Percent)

January 2012
http://go.usa.gov/nPi



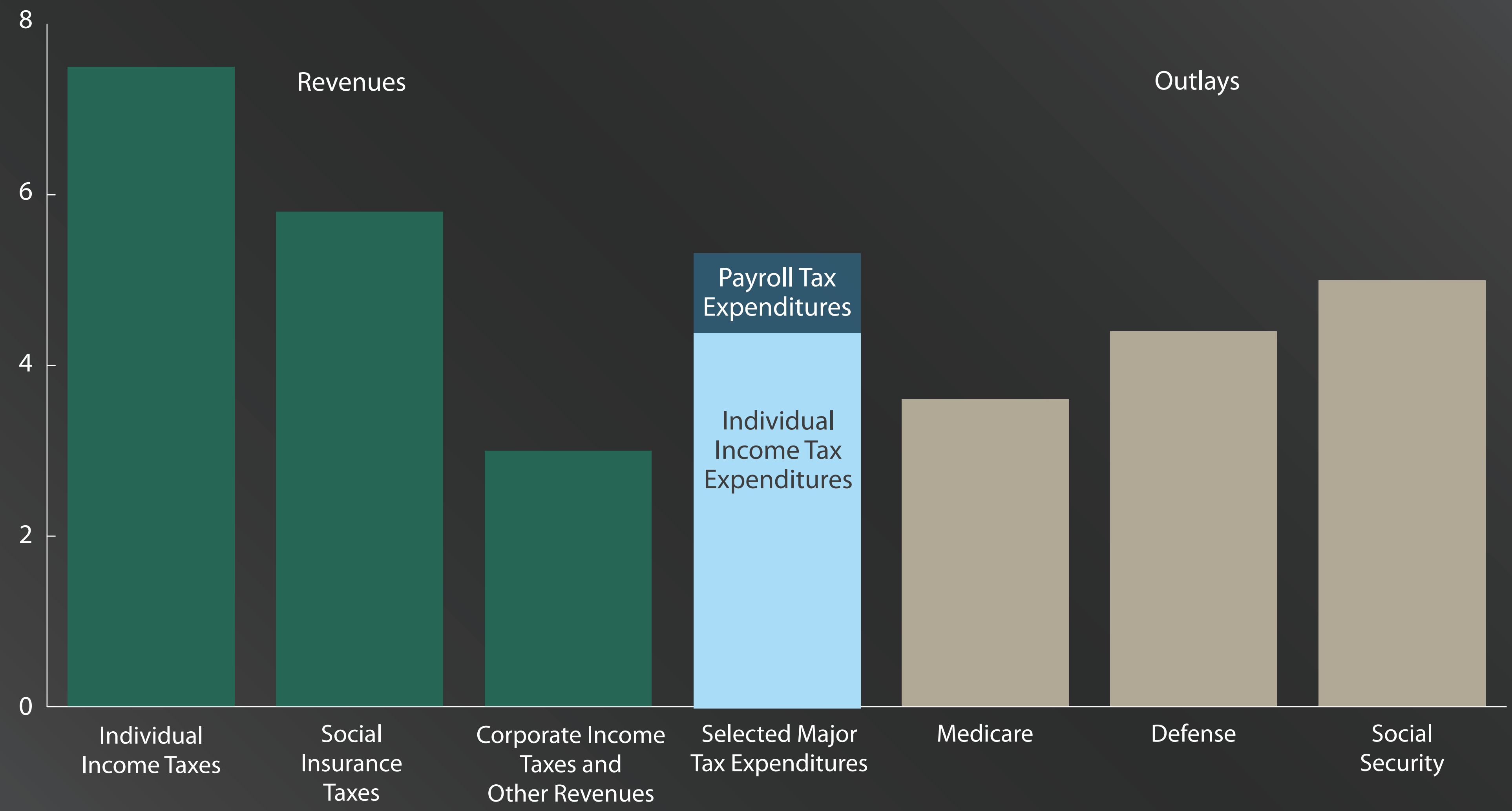
The average tax rate on corporations' domestic economic profits (taxes as a percentage of profits) has been unusually low in recent years. CBO expects that by 2014, that rate will rise to around the 25.6 percent average seen over the 1987–2008 period.

Congressional Budget Office

Selected Major Tax Expenditures in 2012, Compared with Other Categories of Revenues and Outlays

(Percentage of GDP)

January 2012
http://go.usa.gov/nPi

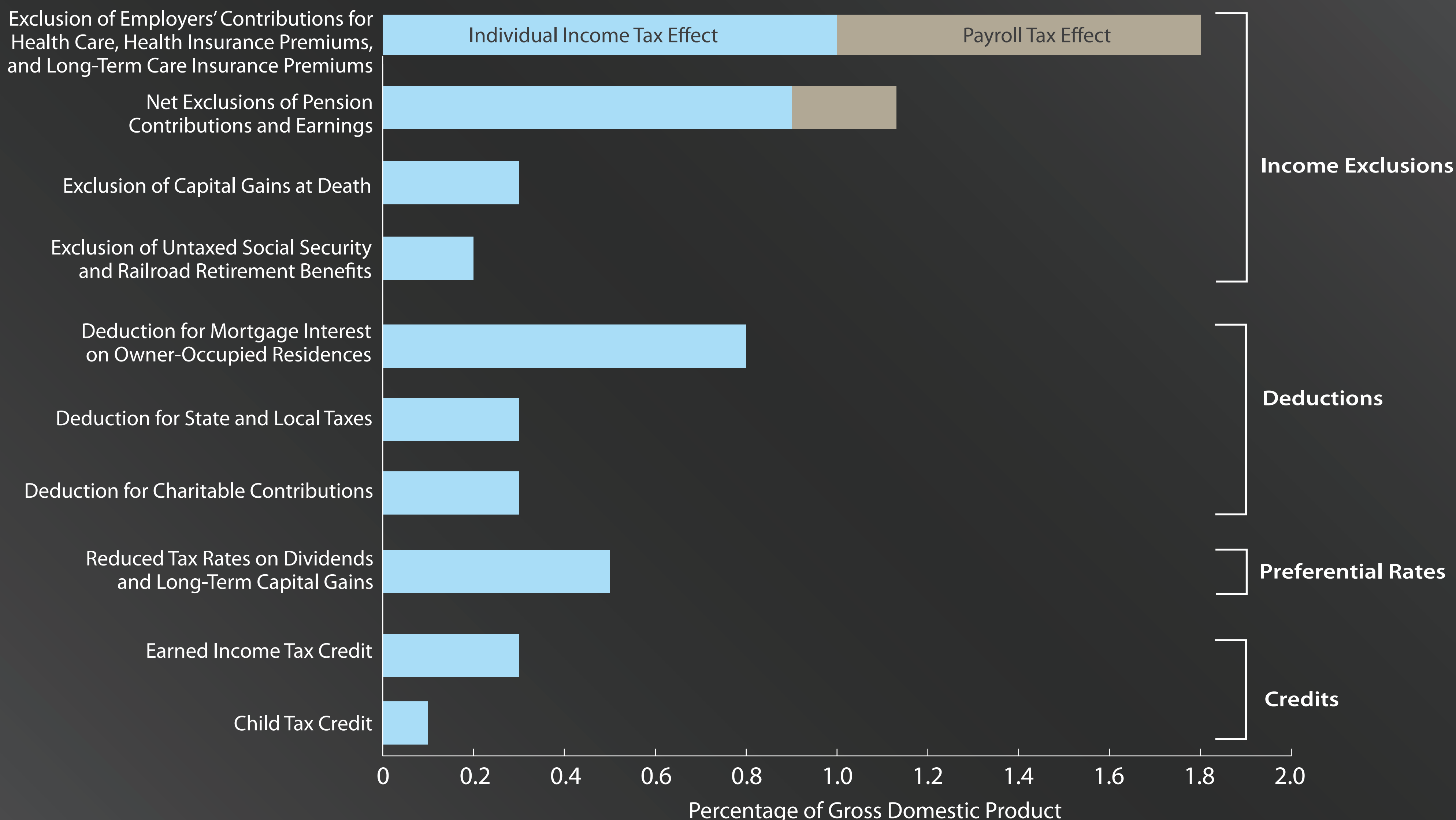


In 2012, major tax exclusions, deductions, and other tax expenditures will total 5.3 percent of GDP, CBO projects—equal to about one-third of projected revenues for the year and greater than projected spending on Social Security, defense, or Medicare.

Congressional Budget Office

Effects of Selected Major Tax Expenditures from 2013 to 2022

January 2012
http://go.usa.gov/nPi



The exclusion of employers' health insurance contributions is the single largest tax expenditure in the individual income tax code. Including effects on payroll taxes, it is projected to equal 1.8 percent of GDP between 2013 and 2022.

Congressional Budget Office