



The Long-Term Budget Outlook: 2024 to 2054 Executive Summary

MARCH | 2024

Each year, the Congressional Budget Office publishes a report presenting its projections of what the federal budget and the economy would look like over the next 30 years if current laws generally remained unchanged. This report is the latest in that series.

The Long-Term Budget Outlook

Deficits

In CBO's projections, the total federal budget deficit increases significantly in relation to gross domestic product (GDP) over the next 30 years, reaching 8.5 percent of GDP in 2054. Since the Great Depression, that level has been exceeded only during and shortly after World War II and during the 2007–2009 financial crisis and the coronavirus pandemic. That growth results from rising interest costs and large and sustained primary deficits, which exclude net outlays for interest. Those deficits average 2.2 percent of GDP over the 30-year period; over the past 50 years, they averaged 1.6 percent of GDP. Projected primary deficits are especially large given the forecast of low unemployment rates.

Debt

Federal debt held by the public, measured as a percentage of GDP, increases in every year of the 2024–2054 period. By 2029, that debt climbs to 107 percent of GDP, exceeding the historical peak it reached immediately after World War II. In 2054, it reaches 166 percent of GDP and remains on track to increase thereafter. Such large and growing debt would slow economic growth, push up interest payments to foreign holders of U.S. debt, and pose significant risks to the fiscal and economic outlook; it could also cause lawmakers to feel more constrained in their policy choices.

Outlays and Revenues

Measured as a percentage of GDP, federal outlays are large by historical standards and, beginning in 2028, increase in each year, reaching 27.3 percent of GDP in 2054. Growth in net interest costs and in spending for federal health care programs, particularly Medicare, drives those increases. Revenues, also measured as a percentage of GDP, fluctuate over the next decade and increase thereafter, reaching 18.8 percent of GDP in 2054. That later growth in revenues occurs mainly because growth in income boosts receipts from the individual income tax.

Changes in CBO's Budget Projections

Measured as a percentage of GDP, federal debt in 2053 is now projected to be 17 percentage points smaller, and the total deficit in 2053 is now projected to be 1.6 percentage points smaller, than in last year's report. A key factor contributing to smaller projected deficits is a reduction in discretionary spending stemming from the annual funding limits under the Fiscal Responsibility Act of 2023 and from the Further Continuing Appropriations and Other Extensions Act, 2024. Overall, CBO's projections of debt have generally increased through 2031 and decreased in later years.

Projections
for **2054**

Budget deficit:
8.5% of GDP

Debt held by
the public:
166% of GDP

Outlays:
27.3% of GDP

Revenues:
18.8% of GDP

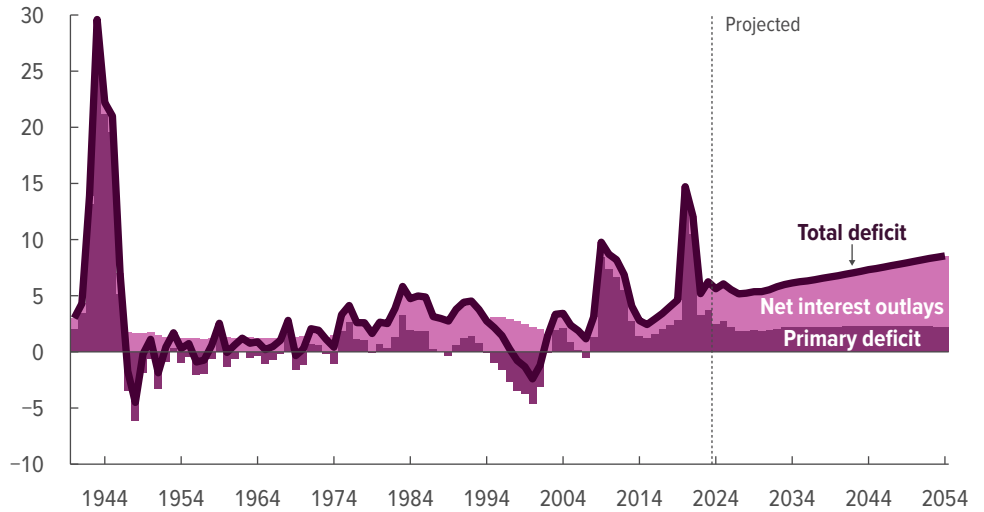
The Budget Outlook in Five Figures

Total Deficits, Primary Deficits, and Net Interest Outlays

In CBO’s projections, large and sustained primary deficits (which exclude net interest costs) combine with rising interest rates and the growing debt to cause net outlays for interest to more than double in relation to GDP by 2054. Those factors push the total deficit up to 8.5 percent of GDP in that year.

See Figure 1-1.

Percentage of GDP



Outlook for 2024–2054

Deficits average **6.7%** of GDP over the 30-year period, which is **3.0** percentage points more than they averaged over the past 50 years.

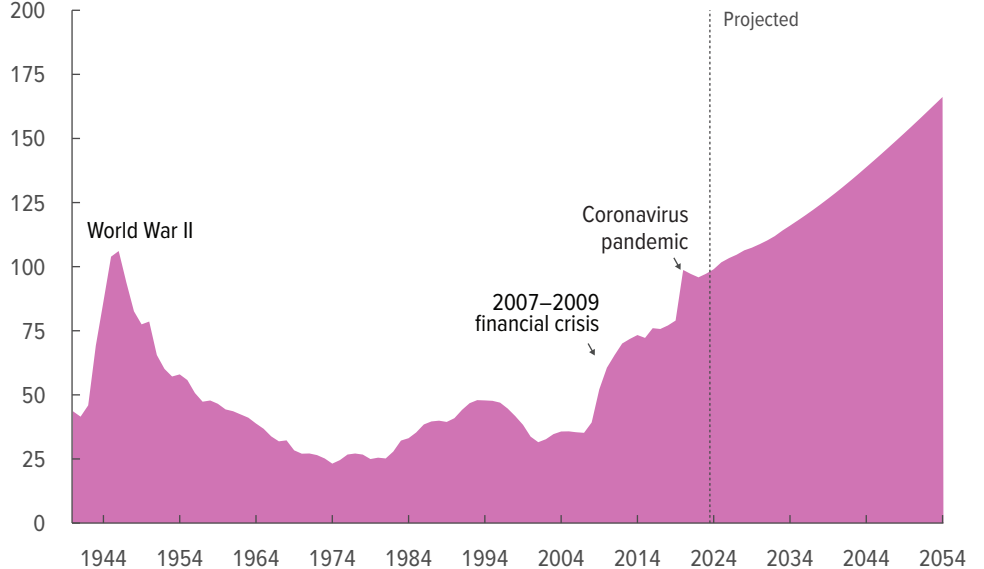
Debt held by the public reaches **107%** of GDP in 2029, exceeding the historical peak reached just after World War II, and its growth continues to accelerate through 2054.

Federal Debt Held by the Public

Debt increases in relation to GDP, exceeding any previously recorded level in 2029 and continuing to soar through 2054. It is on track to increase even more thereafter.

See Figure 1-1.

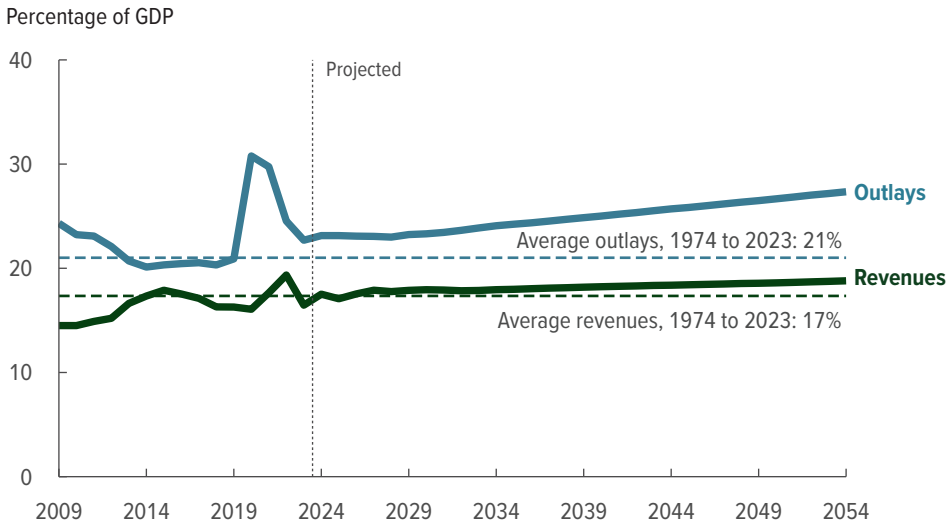
Percentage of GDP



Total Outlays and Revenues

From 2024 to 2054, federal spending is larger and rising faster, on average, than revenues are. Spending and revenues each represent a larger percentage of GDP over that period than they did, on average, over the past 50 years.

See Figure 2-1.



Outlook for 2024–2054

Net outlays for interest more than double, reaching **6.3%** of GDP in 2054.

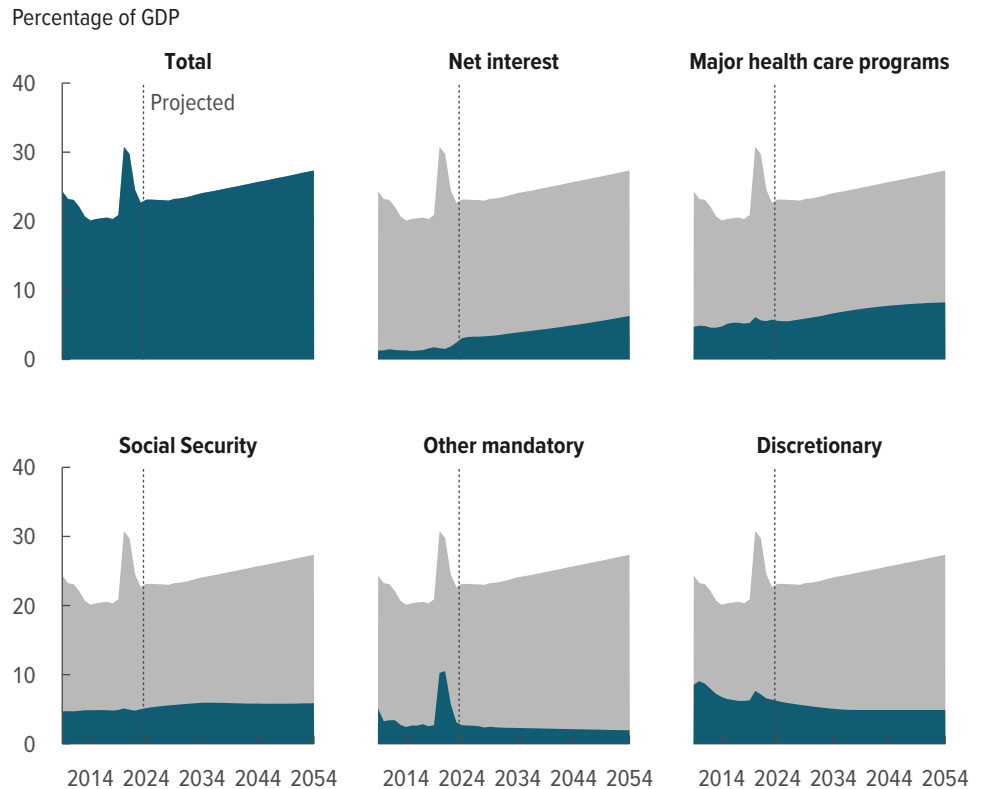
Outlays for the major health care programs climb to **8.3%** of GDP in 2054.

Outlays, by Category

Increases in net interest costs and in spending for major health care programs largely drive the increase in spending over the 2024–2054 period. Driven by rising interest rates and mounting debt, net outlays for interest more than double, relative to GDP, during the period, reaching 6.3 percent of GDP in 2054.

As the population ages and health care costs grow, outlays for the major health care programs also rise over the next three decades, reaching 8.3 percent of GDP in 2054. In that year, for people age 65 or older, outlays for Social Security, Medicare, and Medicaid amount to more than 50 percent of all non-interest spending.

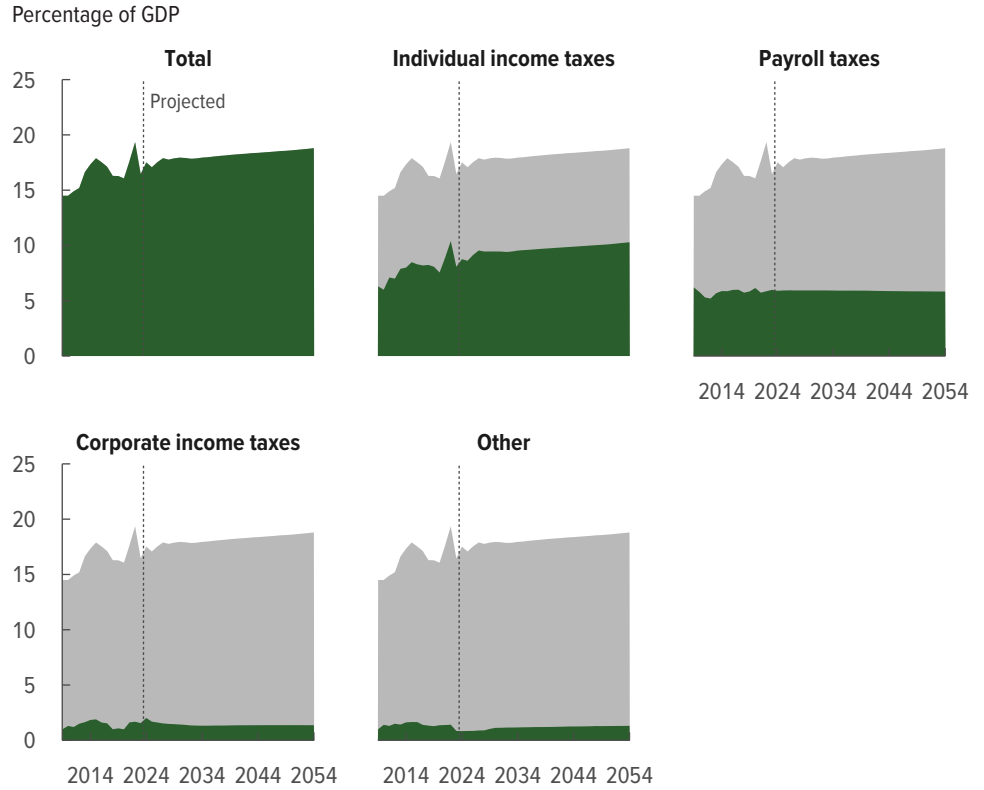
See Figure 2-2.



Revenues, by Source

Total revenues, measured as a percentage of GDP, grow by 1.3 percentage points from 2024 to 2054. Receipts from individual income taxes account for nearly all of that growth because increases in real income mean that a larger share of income becomes subject to higher tax rates. Receipts from other sources remain largely unchanged, on net.

See Figure 2-6.



The Long-Term Budget Outlook, by Fiscal Year

Percentage of GDP	Average,	Actual,	2024	2034	2044	2054
	1994–2023	2023				
Revenues	17.2	16.5	17.5	17.9	18.4	18.8
Individual income taxes	8.0	8.1	8.8	9.5	9.9	10.3
Payroll taxes	6.1	6.0	5.9	5.9	5.9	5.8
Corporate income taxes	1.7	1.6	2.0	1.3	1.4	1.4
Other	1.4	0.8	0.8	1.2	1.2	1.3
Outlays	21.0	22.7	23.1	24.1	25.7	27.3
Mandatory	12.1	13.9	13.9	15.1	15.8	16.2
Social Security	4.5	5.0	5.2	5.9	5.8	5.9
Major health care programs	4.3	5.8	5.6	6.7	7.8	8.3
Medicare	2.6	3.1	3.2	4.2	5.1	5.4
Medicaid, CHIP, and premium tax credits and related spending	1.7	2.7	2.4	2.5	2.7	2.8
Other mandatory	3.3	3.1	3.1	2.5	2.3	2.0
Discretionary	7.0	6.4	6.2	5.1	4.9	4.9
Net interest	1.8	2.4	3.1	3.9	5.0	6.3
Total deficit (-)	-3.8	-6.2	-5.6	-6.1	-7.3	-8.5
Primary deficit (-)	-2.0	-3.8	-2.5	-2.2	-2.4	-2.2
Debt held by the public at the end of each period	58	97	99	116	139	166

See Chapter 1 and Chapter 2. When October 1 (the first day of the fiscal year) 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. Outlays and deficits have been adjusted to remove the effects of those timing shifts.



The Long-Term Demographic and Economic Outlook

Population Growth

Demographic trends are a key determinant of the long-term budget and economic outlook. In CBO's projections, the population grows more slowly over the next 30 years than it did over the past 30 years. Without immigration, the population would begin to shrink in 2040, in part because fertility rates remain below the rate that would be required for a generation to replace itself.

Economic Growth

In CBO's projections, real (inflation-adjusted) GDP grows at an average rate of 1.7 percent per year from 2024 to 2054, slightly slower than the growth of real potential GDP—the maximum sustainable output of the economy—over that period. Real potential GDP is projected to increase at an average rate of 1.8 percent per year over the next 30 years, slower than such growth over the past 30 years, when it averaged 2.4 percent. That decline is attributable to slowing growth in the potential labor force (an estimate of what the size of the labor force would be if economic output and other key variables were at their maximum sustainable amounts) and in potential labor force productivity (the ratio of real potential GDP to the potential labor force) over the 2024–2054 period.

Potential Labor Force

The potential labor force grows at an average rate of 0.4 percent over the next 30 years—much more slowly than the average growth rate of 0.8 percent over the past 30 years. Slowing population growth and the aging of the population account for most of that slowdown in growth.

Potential Labor Force Productivity

The growth of potential labor force productivity slows over the next 30 years because of two key factors: the slower accumulation of capital (mainly attributable to increased federal borrowing) and slower growth in total factor productivity (that is, the average real output per unit of combined labor and capital services) in the nonfarm business sector.

Inflation and Interest Rates

Inflation slows through 2026 to a rate that is consistent with the Federal Reserve's long-term goal of 2 percent, and interest rates rise over the next three decades. The rise in interest rates largely stems from projected increases in federal borrowing and in capital income as a share of total income.

Changes in CBO's Economic Projections

In CBO's current projections, the average annual growth of real GDP is faster over the 2024–2053 period than it was in the long-term projections that the agency published in June 2023. In CBO's current projections, real potential GDP grows faster, the labor force is larger, and interest rates are generally higher than in last year's projections. Faster growth in real potential GDP is driven, in part, by faster growth in the potential labor force. The potential labor force grows faster over the next 10 years primarily because of significant upward revisions to the agency's projections of net immigration.

Outlook for 2024– 2054

The growth of real (inflation-adjusted) GDP averaged **2.5%** per year over the past 30 years. Over the next 30 years, real GDP growth averages **1.7%** per year.

The Demographic and Economic Outlook in Four Figures

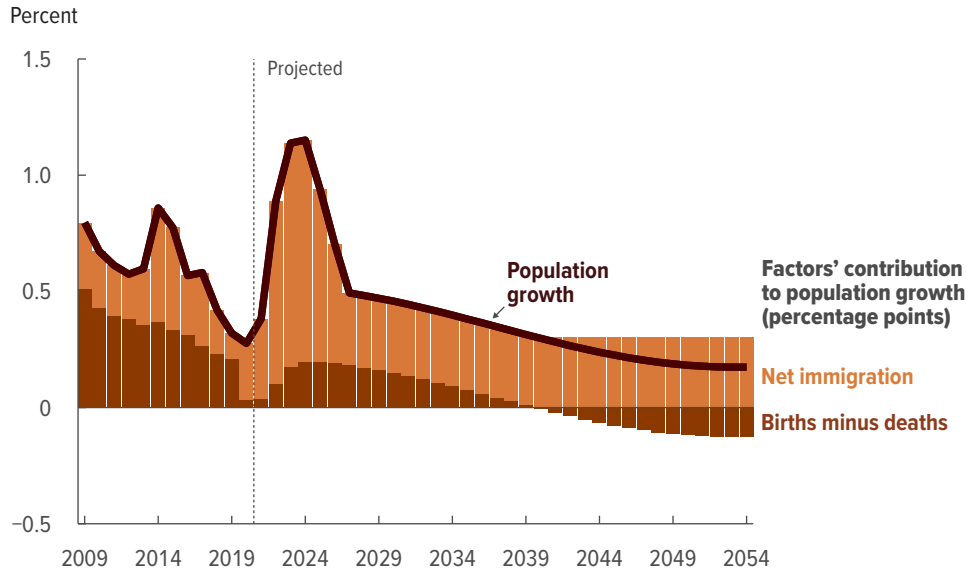
Population Growth and the Factors That Contribute to It

In CBO’s projections, deaths exceed births beginning in 2040. As a result, without immigration the population would shrink thereafter.

See Figure 3-1.

Outlook for 2024–2054

Without immigration, the population would begin to shrink in 2040.

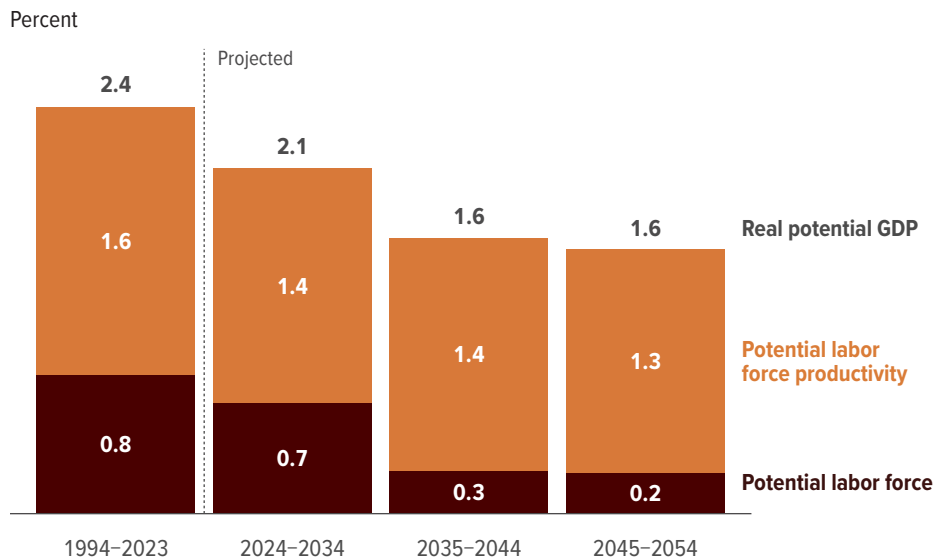


Growth in real potential GDP is slower over the next 30 years than over the past 30 years.

Average Annual Growth of Real Potential GDP and Its Components

Real potential GDP grows more slowly from 2024 to 2054 than it has, on average, over the past 30 years. That decline is explained by slower growth in the potential labor force and in potential labor force productivity.

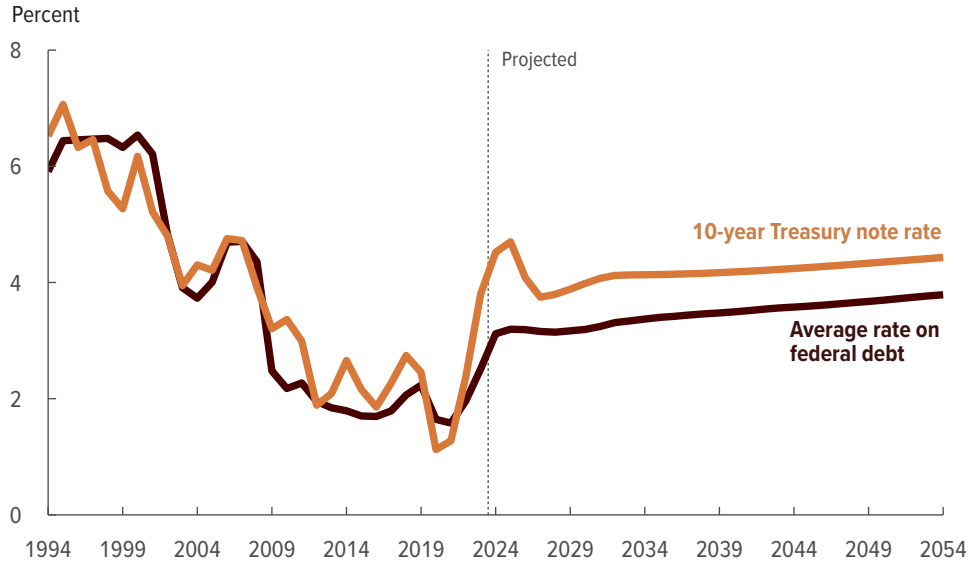
See Figure 3-3.



Average Interest Rates on Federal Debt and on 10-Year Treasury Notes

In CBO’s projections for the 2024–2054 period, interest rates on government securities, such as 10-year Treasury notes, are higher than they were, on average, over the past 30 years. The rise in interest rates mainly stems from an increasing amount of federal debt and the growth of capital income as a share of total income.

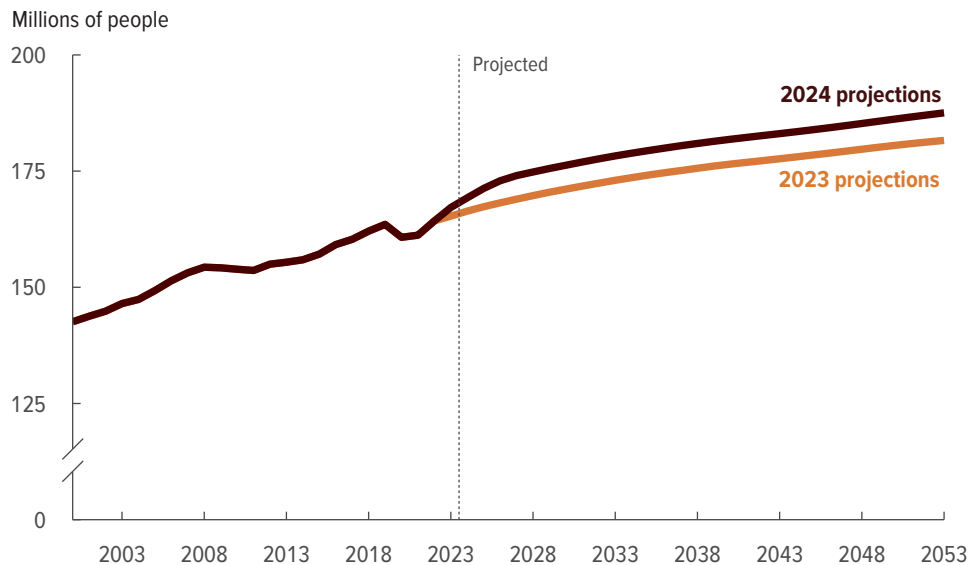
See Figure 3-4.



CBO’s 2023 and 2024 Projections of the Labor Force

In CBO’s current projections, the labor force is about 3 percent larger in 2053 than it was in last year’s projections. That change results from the agency’s increased projections of population growth, which mainly stem from upward revisions to its estimates of net immigration.

See Figure B-2.



The Long-Term Economic Outlook, by Calendar Year

Percent	Average, 1994–2023	Actual, 2023	2024	2034	2044	2054
Growth of real (inflation-adjusted) GDP	2.5	2.5	1.8	1.8	1.6	1.6
Inflation						
Growth of the PCE price index	2.1	3.7	2.2	1.9	1.9	1.9
Growth of the consumer price index for all urban consumers	2.5	4.1	2.6	2.3	2.2	2.2
Labor force participation rate	64.8	62.6	62.6	61.4	60.9	60.7
Unemployment rate	5.6	3.6	4.2	4.5	4.2	4.1
Interest rates						
On 10-year Treasury notes	3.8	4.0	4.6	4.1	4.2	4.4
On all federal debt held by the public (by fiscal year)	3.7	2.5	3.1	3.4	3.6	3.8

See Chapter 3 and Appendix C.

