



The CBO Budget Projections

Today, the Congressional Budget Office (CBO) released their budget projections for fiscal years (FY) 2023-2033. The updated budget and economic portion of the *Budget and Economic Outlook* (commonly referred to as the “baseline”). CBO’s annual report helps Congress understand the fiscal and economic challenges facing the country.

CBO calculates that...

FY 2023 Deficit: This year’s deficit is projected to be \$1.4 trillion, making it the fourth highest figure in American history. The FY 2023 deficit is equivalent to 5.4 percent of GDP, well above the 50-year average of 3.6 percent.

Deficit Projections: The deficit grows over the baseline, doubling within ten years. The deficit is \$2.9 trillion (7.3 percent of GDP) in 2033, at the end of the budget window. The deficit is projected to total \$20.3 trillion over the next ten years.

Debt Projections: Debt held by the public is projected to increase from \$24.3 trillion (97.0 percent of GDP) in 2022 to \$46.4 trillion (118.2 percent of GDP) in 2033. Gross federal debt is projected to increase from \$30.8 trillion (123.3 percent of GDP) in 2022 to \$52.0 trillion (132.3 percent of GDP) in 2033.

Spending Projections: Spending is projected to be \$6.2 trillion (23.7 percent of GDP) in 2023. Spending is projected to grow to \$9.9 trillion (25.3 percent of GDP) in 2033. Over the 2024-2033 period, spending is projected to total \$80.0 trillion. Within overall spending:

- Mandatory spending is projected to increase from \$3.8 trillion (14.6 percent of GDP) in 2023 to \$6.1 trillion (15.6 percent of GDP) in 2033. Over ten years, mandatory spending is projected to amount to \$48.2 trillion.
- Net interest spending is projected to increase from \$640 billion (2.4 percent of GDP) in 2023 to \$1.4 trillion (3.6 percent of GDP) in 2033. Over ten years, net interest spending is projected to amount to \$10.5 trillion.
- Discretionary spending is projected to increase from \$1.7 trillion (6.6 percent of GDP) in 2023 to \$2.4 trillion (6.1 percent of GDP) in 2033. Over ten years, discretionary spending is projected to amount to \$21.3 trillion.

CBO projects mandatory and net interest spending will increase from 72 percent of the budget in 2023 to 76 percent of the budget in 2033.

Revenue Projections: Revenue is projected to be \$4.8 trillion (18.3 percent of GDP) in 2023. Revenue is projected to grow to \$7.1 trillion (18.1 percent of GDP) in 2033. Over the 2024-2033 period, revenue is projected to amount to \$59.7 trillion.

Economic Growth: Real GDP growth is projected to be 0.1 percent in 2023. Real GDP increased by 1.0 percent in 2022. In 2024, CBO projects real GDP to grow by 2.5 percent, and then to average 2.0 percent over the remainder of the budgetary window.

Inflation: The Consumer Price Index (CPI) is projected to increase by 4.0 percent in 2023, 2.4 percent in 2024, and about 2.0 percent each year thereafter.

Interest Rates: The projected interest rate on 10-year Treasury notes for 2023 has increased from 1.5 percent when President Biden took office to 3.9 percent in CBO's latest projection, compared to 3.0 percent in 2022. The 10-year average interest rate projection is 3.8 percent.

The Tax Cuts and Jobs Act (TCJA) continues to yield historic revenues: Revenue is above the 50-year average of 17.4 percent of GDP throughout the budget window, leading to \$2.0 trillion more revenue over the baseline. Since the TCJA was enacted, revenue has increased by \$1.6 trillion or 48.0 percent. By 2033, CBO projects revenue to be \$3.8 trillion or 114.0 percent higher than pre-TCJA levels.

The budget is on an unsustainable path, primarily driven by increases in mandatory spending. This is the case despite CBO assuming no further interest rate growth, which we cannot rely on indefinitely. If interest rates return to levels that are more in line with the historical average, the outlook will become even more dire as borrowing costs will significantly increase.