

The Long-Term Federal Budget Outlook

- Congressional Budget Office's (CBO) annual long-run fiscal update published in September 2013
 - Improvement in long-term fiscal outlook since 2012...
 - ... but it's not enough
- Even with optimistic assumptions about the economy, interest rates, and future fiscal policy choices, federal debt eventually will rise to overwhelm the economy.
- For more details, see our April 8 *Dialogue with the Fed* session or the *Take Five* summary (details to follow).

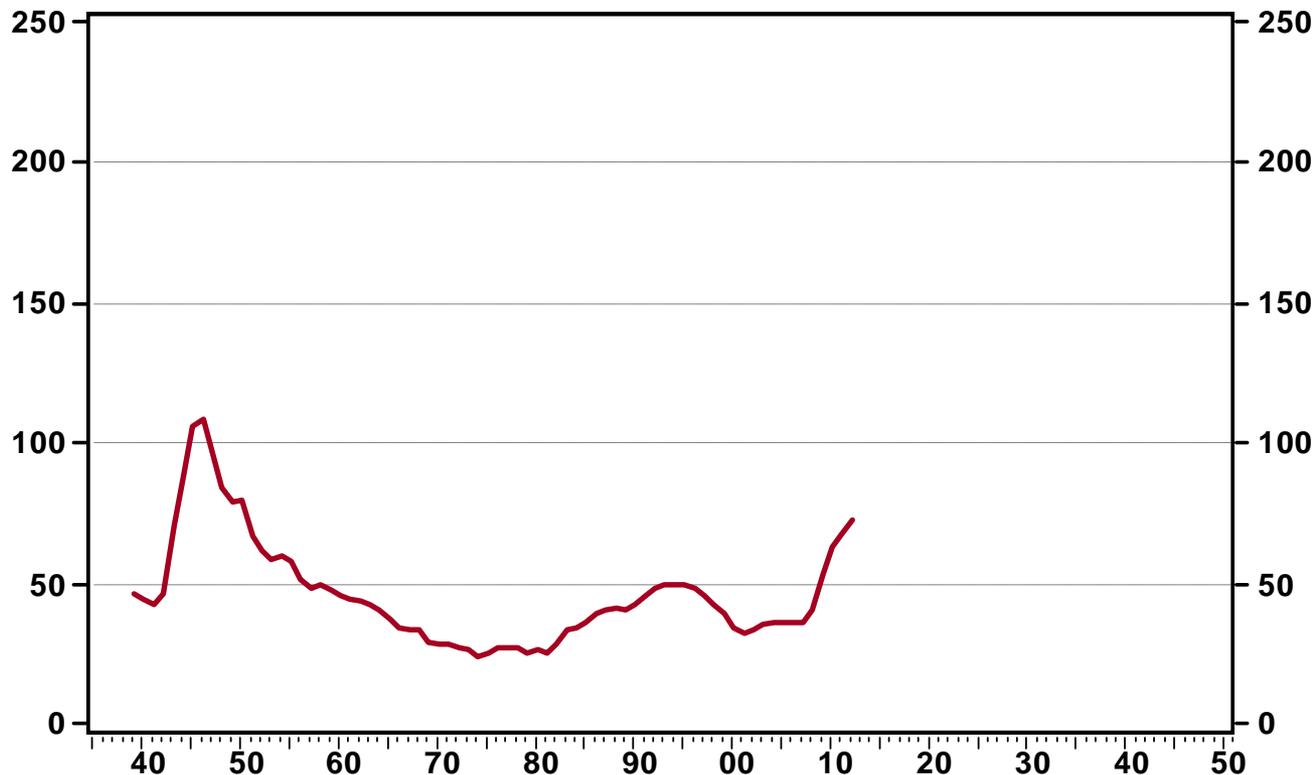


Criteria for Long-Term Fiscal Health

- 1) Stable debt-to-GDP ratio, 2) Less than 100%

Federal Debt Held by the Public Relative to GDP

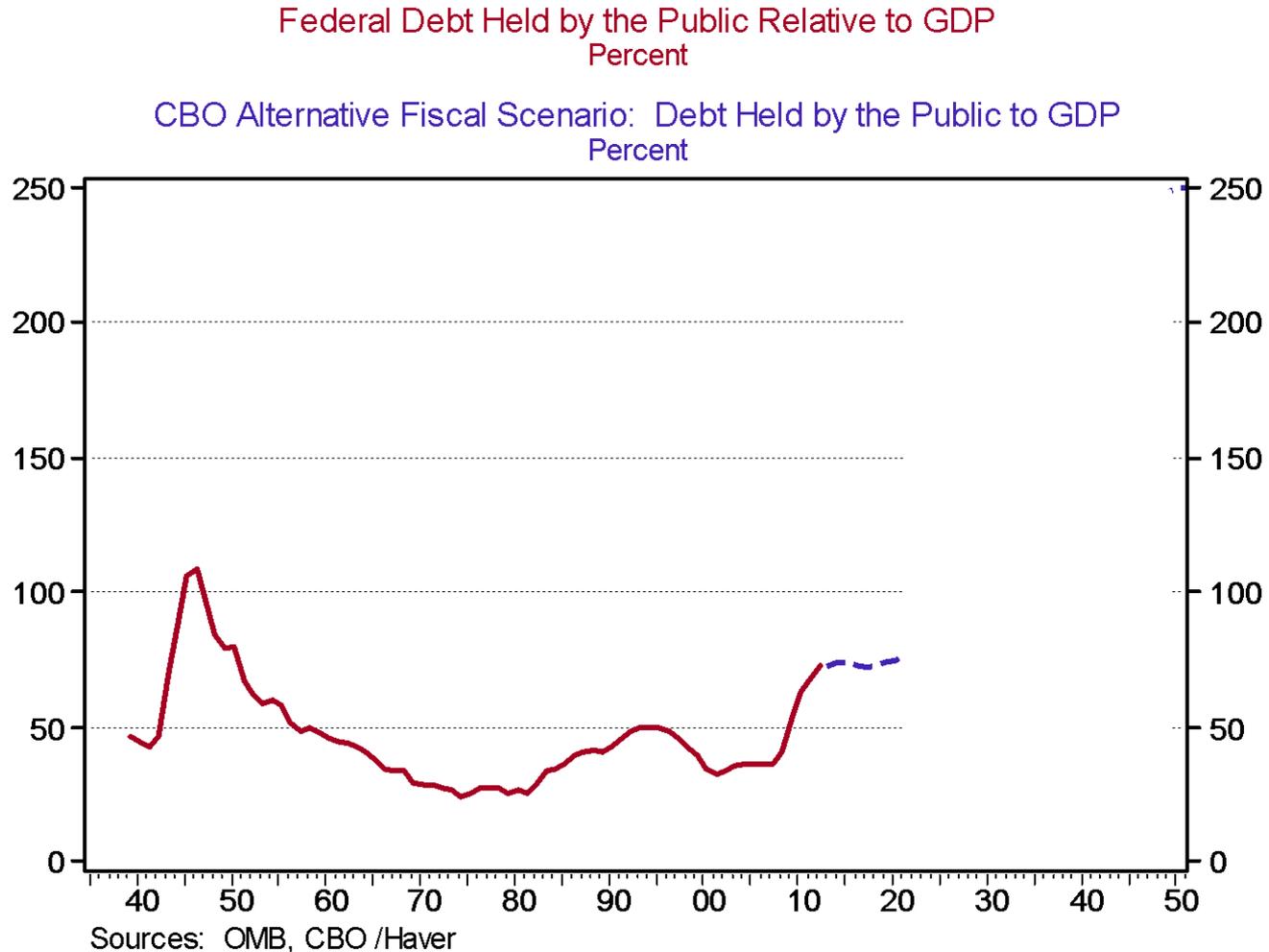
Percent



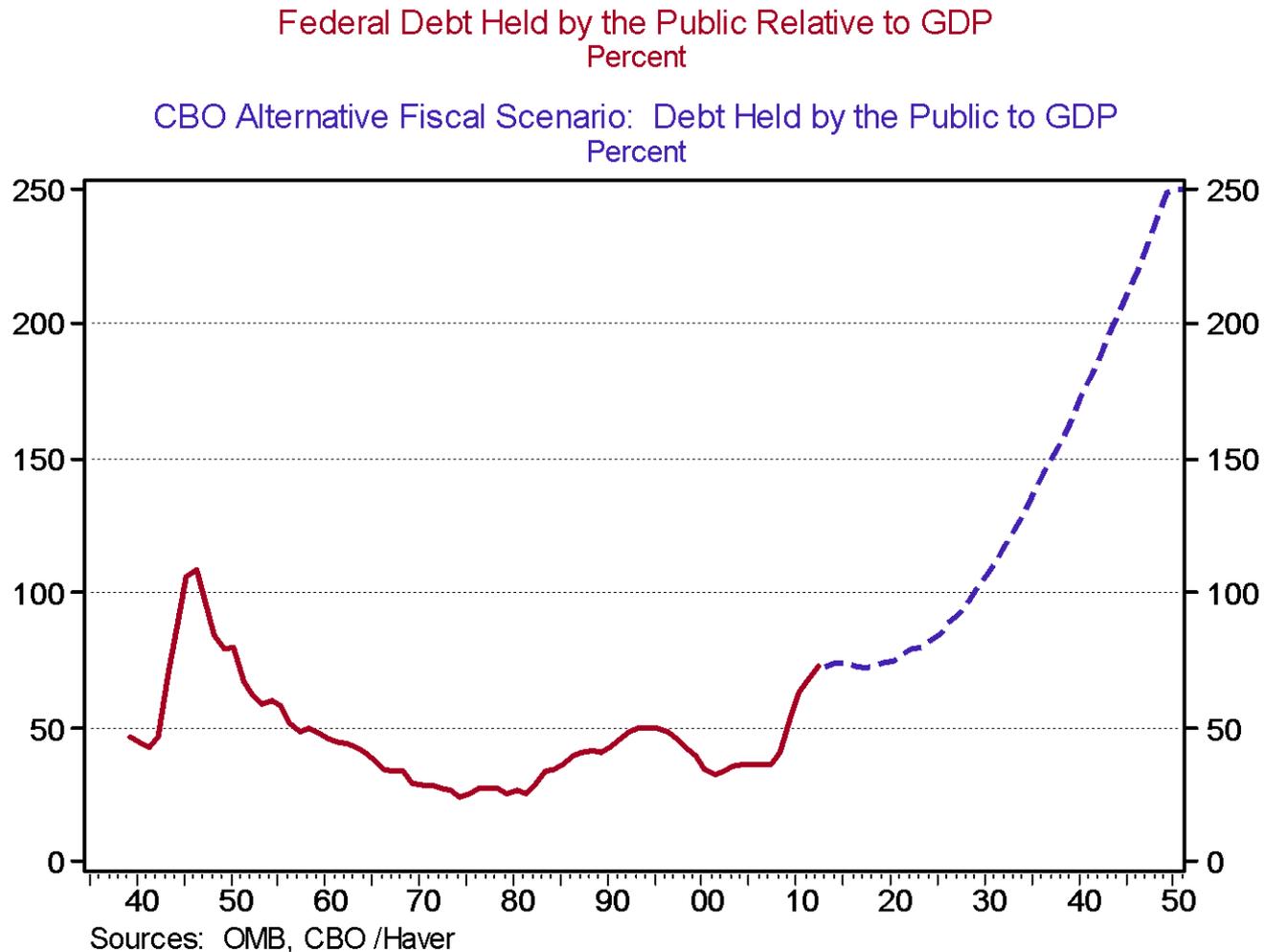
Source: Office of Management and Budget /Haver Analytics



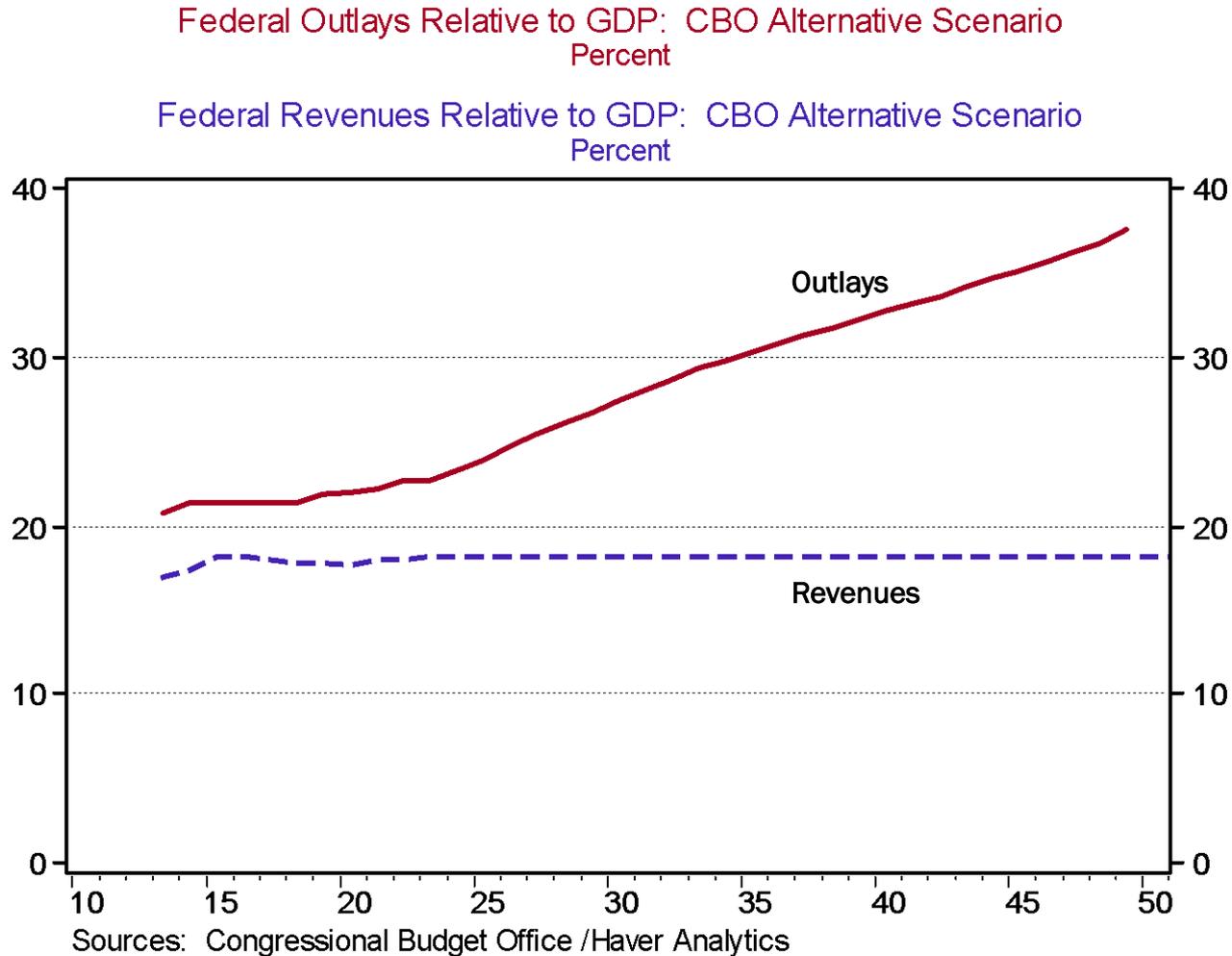
Fiscal Outlook Appears Stable for a Decade...



... but the Long-Run Situation is Untenable.

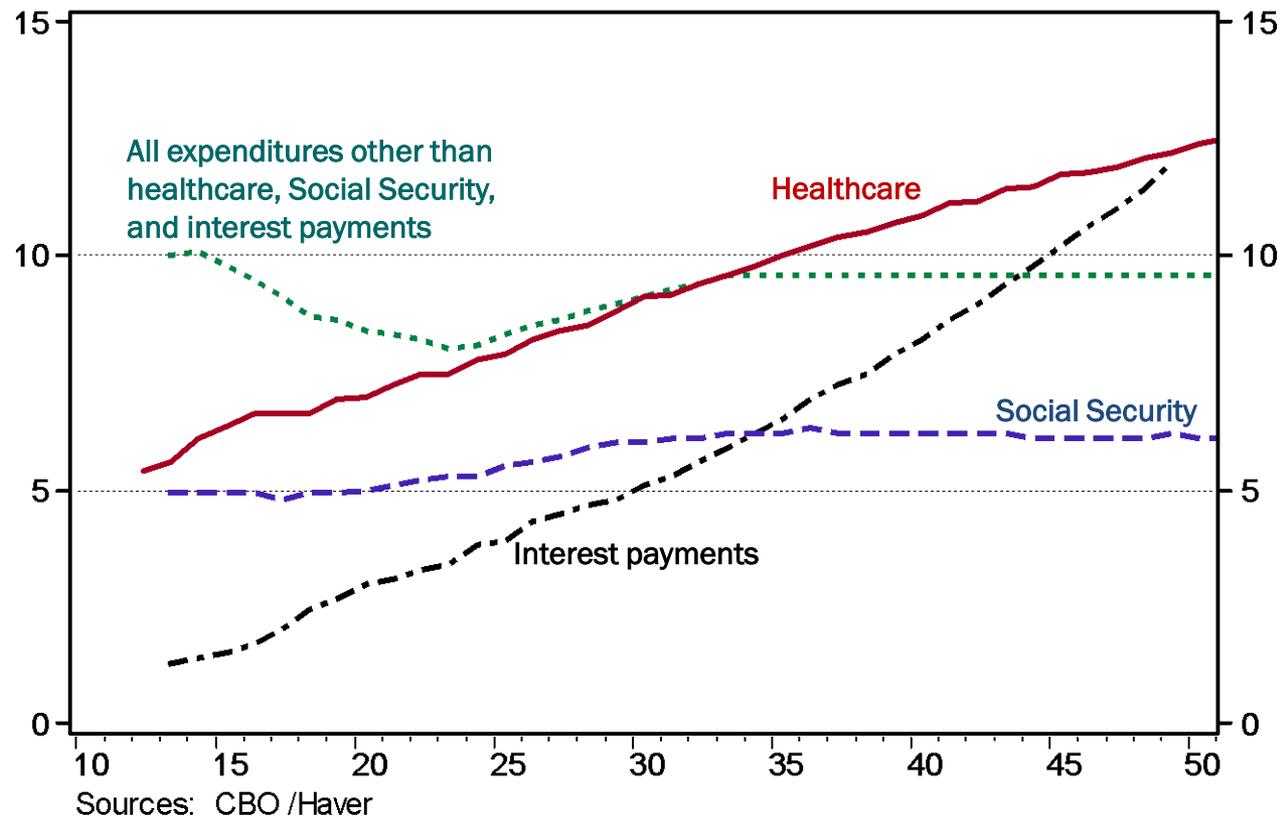


Federal Outlays are on Track to Grow Much Faster than Federal Revenues or GDP Itself



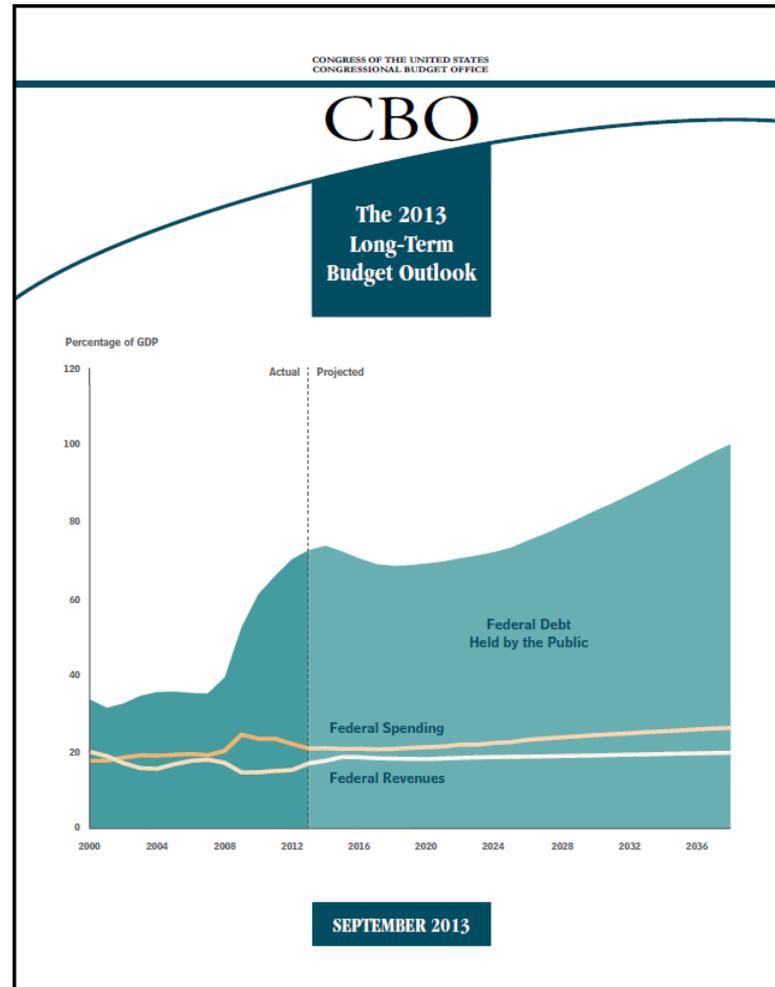
Rising Healthcare Outlays and Chronic Budget Deficits Lead to Ever-Rising Debt

Major Federal Healthcare Programs (Medicare, Medicaid, CHIP, ACA) (% of GDP)
Social Security (% of GDP)
All Other Non-Interest Spending (% of GDP)
Net Interest Payments (% of GDP)

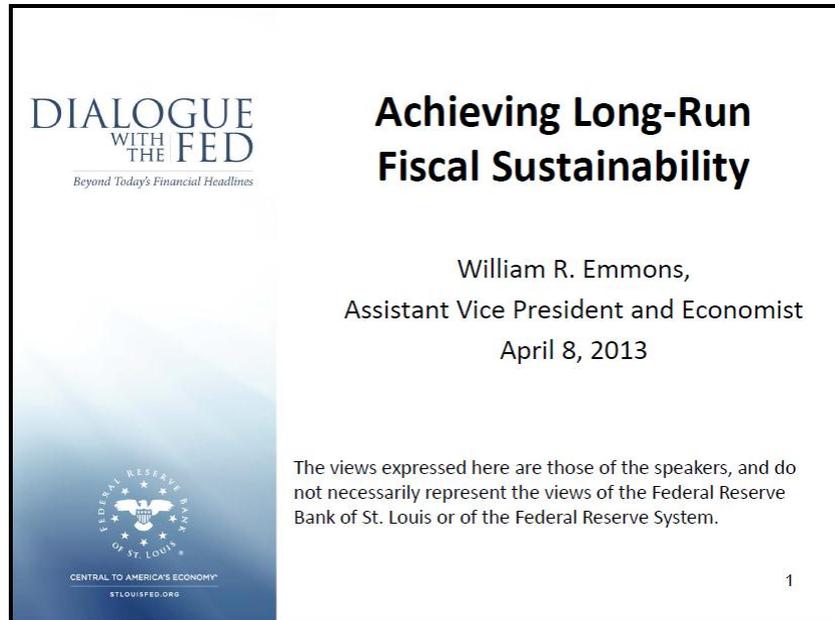


CBO's Latest Long-Term Fiscal Outlook

www.cbo.gov/publication/44521



For More Discussion of the Long-Term Outlook



DIALOGUE WITH THE FED
Beyond Today's Financial Headlines

Achieving Long-Run Fiscal Sustainability

William R. Emmons,
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April 8, 2013

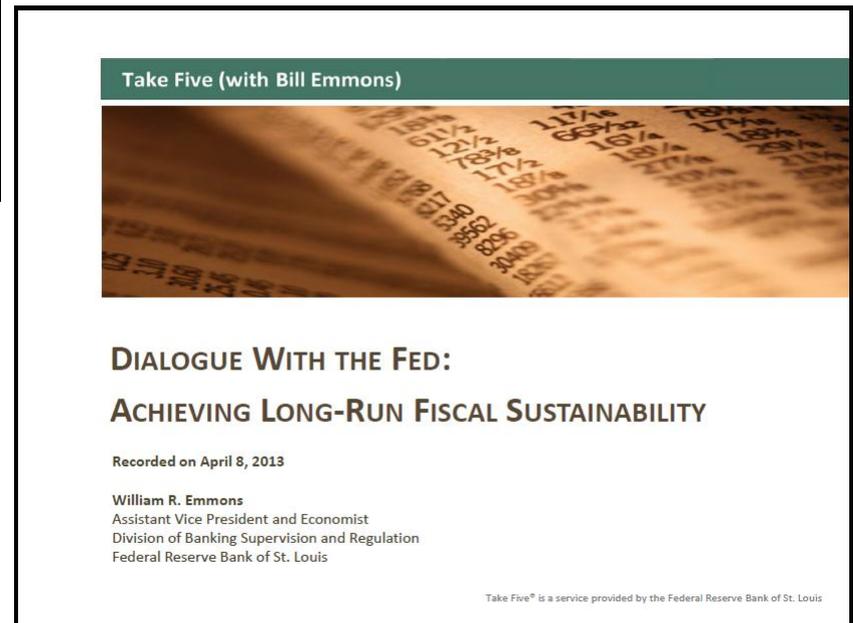
The views expressed here are those of the speakers, and do not necessarily represent the views of the Federal Reserve Bank of St. Louis or of the Federal Reserve System.


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www.stlouisfed.org/banking/pdf/DWTF-4-8-2013.pdf

www.stlouisfed.org/BSR/takefive/Resource/ShowImage/42



Take Five (with Bill Emmons)



**DIALOGUE WITH THE FED:
ACHIEVING LONG-RUN FISCAL SUSTAINABILITY**

Recorded on April 8, 2013

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