



Congressional Budget Office

The Budget and Economic Outlook: An Update

August 23, 2007



CBO's Baseline Projection of the Deficit for 2007 and Changes in That Projection Since March

Billions of Dollars

Current Projection of Deficit	158
March 2007 Projection	177
Changes	
Increase in outlays	16
Increase in revenues	35
Net Reduction in the Deficit	19

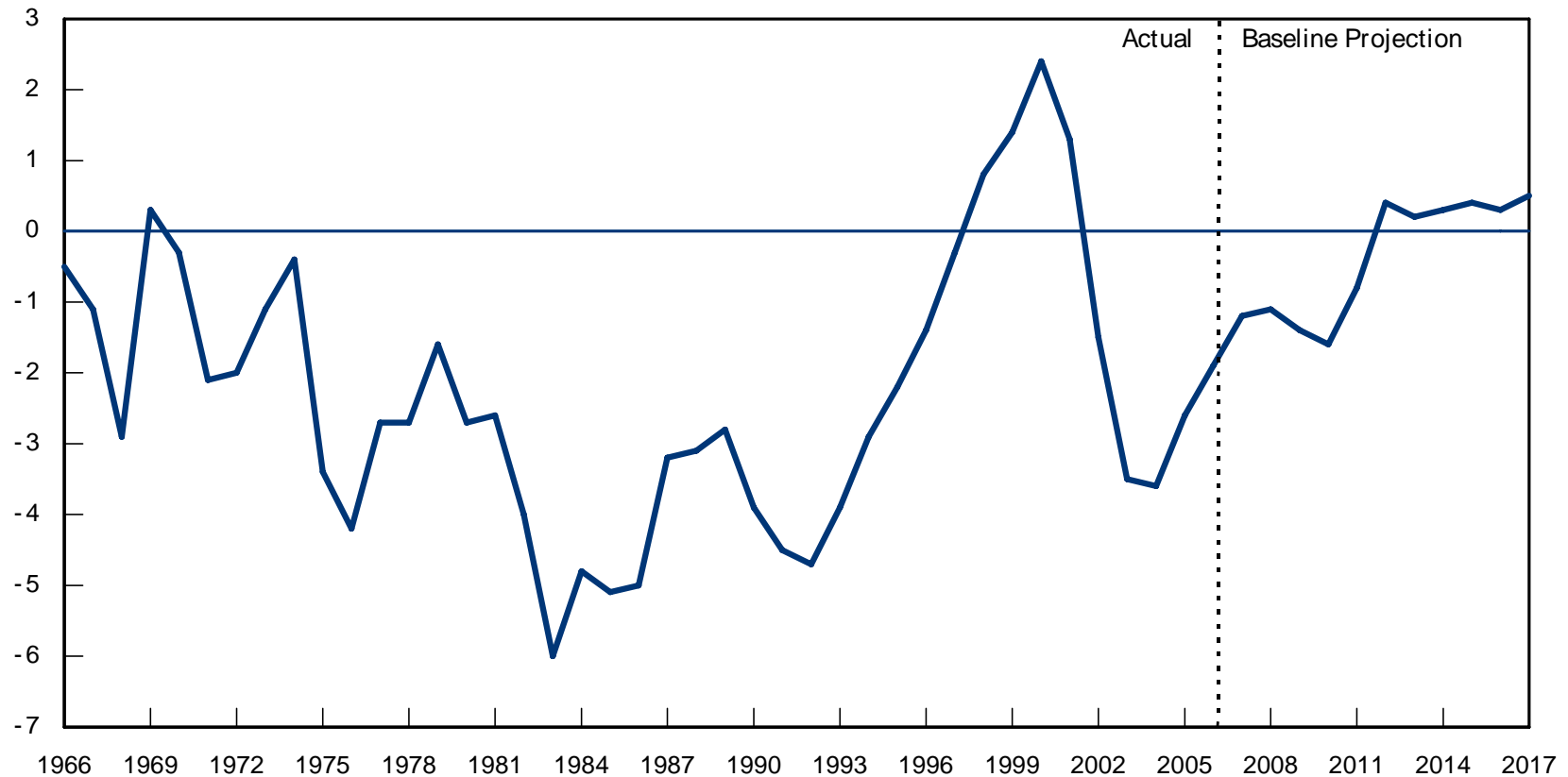


Budget Outcomes for 2003 and 2006 and CBO's Baseline Budget Projections for 2007

	2003	2006	2007	Changes	
				2003- 2006	2006- 2007
Deficit					
Billions of dollars	-378	-248	-158	129	90
Percentage of GDP	-3.5	-1.9	-1.2	1.6	0.7
Outlays (Percentage of GDP)	20.0	20.3	19.9	0.3	-0.4
Discretionary	7.6	7.8	7.6	0.1	-0.2
Mandatory	10.9	10.8	10.6	-0.1	-0.2
Revenues (Percentage of GDP)	16.5	18.4	18.8	1.9	0.4
Individual income taxes	7.3	8.0	8.5	0.6	0.5
Corporate Income taxes	1.2	2.7	2.7	1.5	0
Social insurance and other taxes	7.9	7.7	7.5	-0.2	-0.2

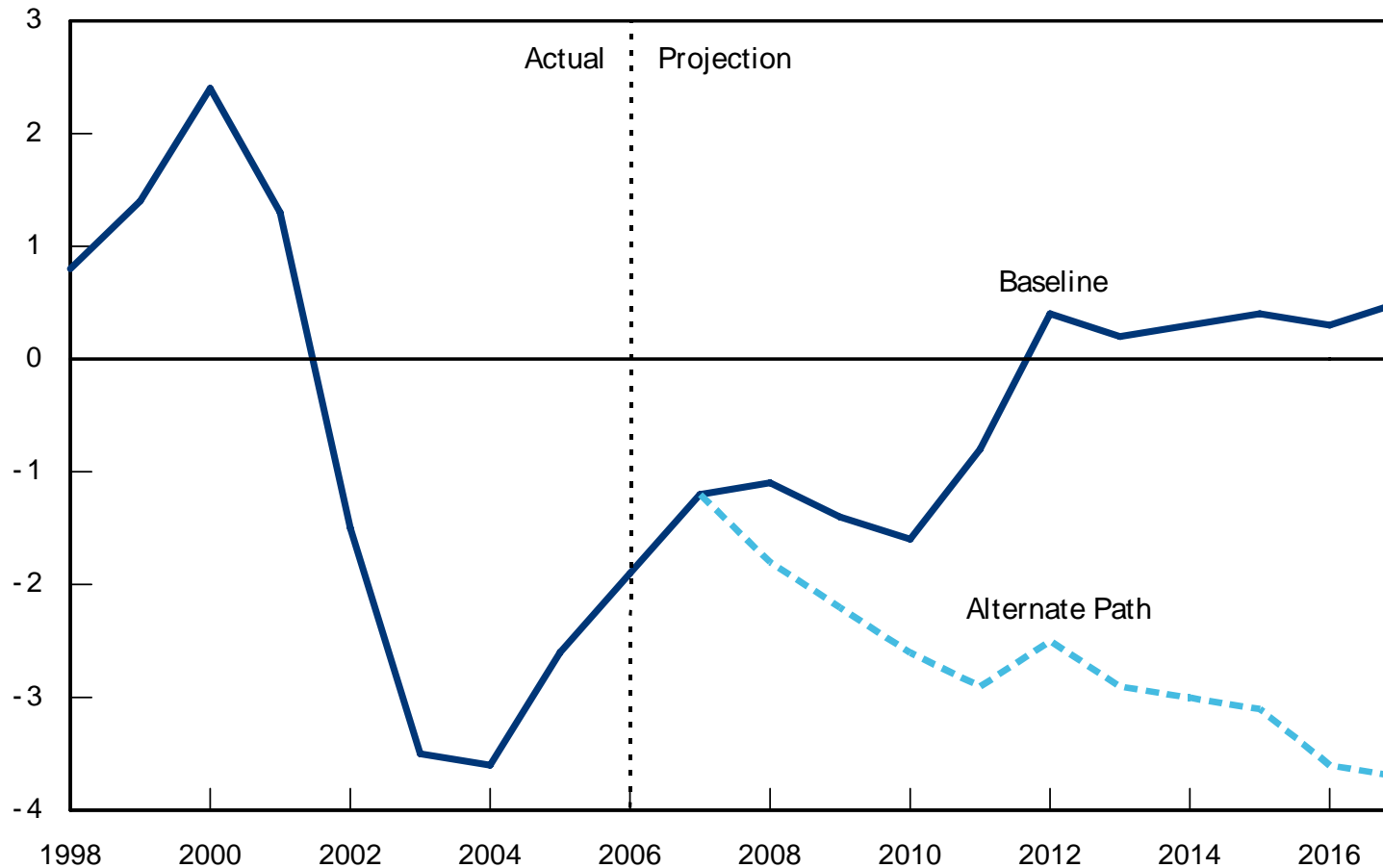


Total Deficit or Surplus as a Percentage of GDP, 1966 to 2017





Projected Deficit or Surplus as a Percentage of GDP in CBO's Baseline and for an Alternate Path



Note: Alternate path extends expiring tax provisions, reduces troops for the war on terrorism to 75,000 by 2013, and has other discretionary spending grow at the rate of nominal GDP.



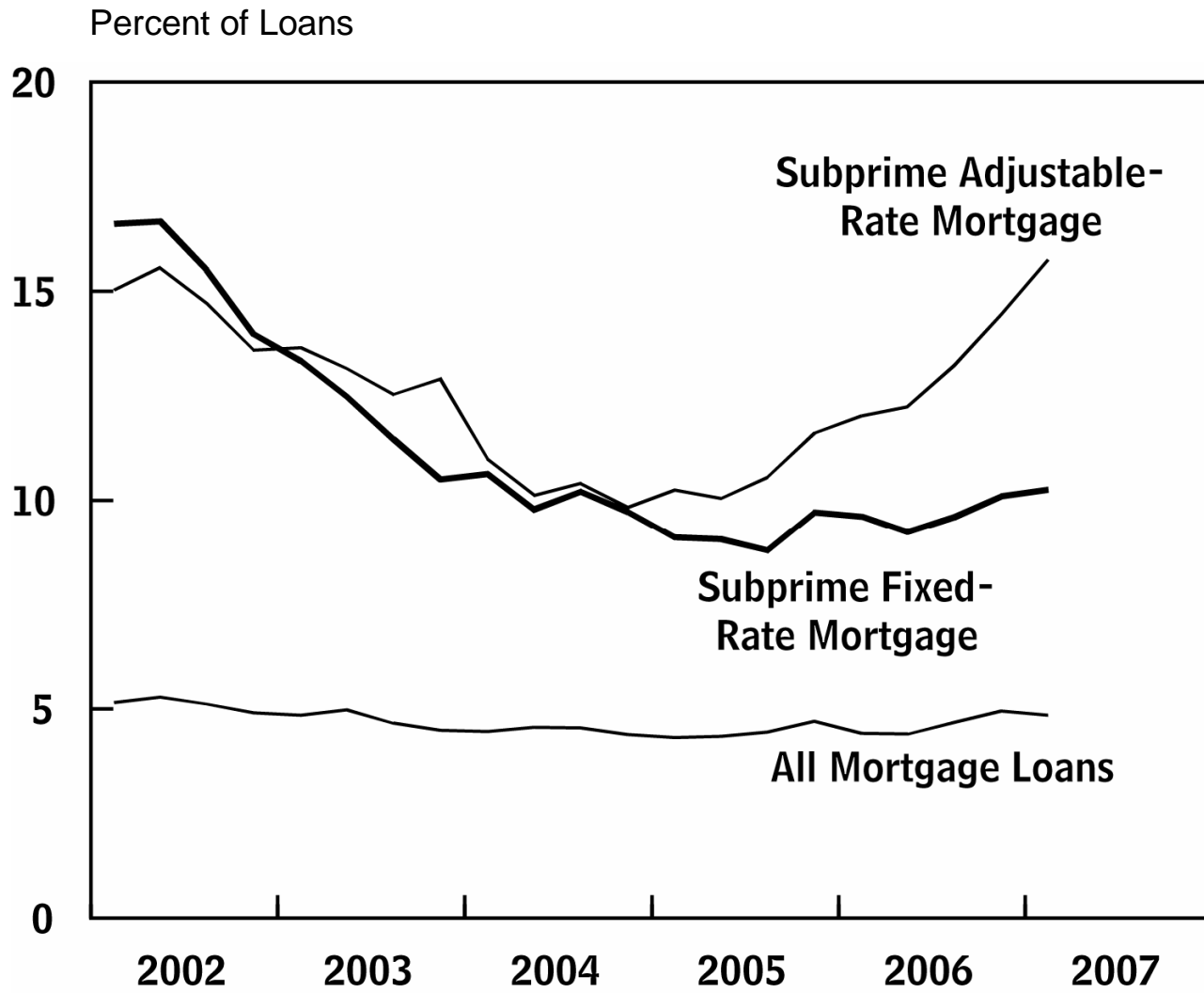
CBO's Economic Projections for Calendar Years 2007 to 2017

Percentage Change

	2006	Forecast		Projected Annual Average	
		2007	2008	2009-2012	2013-2017
Nominal GDP					
Billions of dollars	13,247	13,893	14,575	17,595	21,829
Growth rate	6.3	4.9	4.9	4.8	4.4
Real GDP	3.3	2.1	2.9	3.0	2.6
Core PCE Price Index	2.2	2.0	1.9	1.9	1.8
Unemployment Rate (Percent)	4.6	4.5	4.7	4.8	4.8

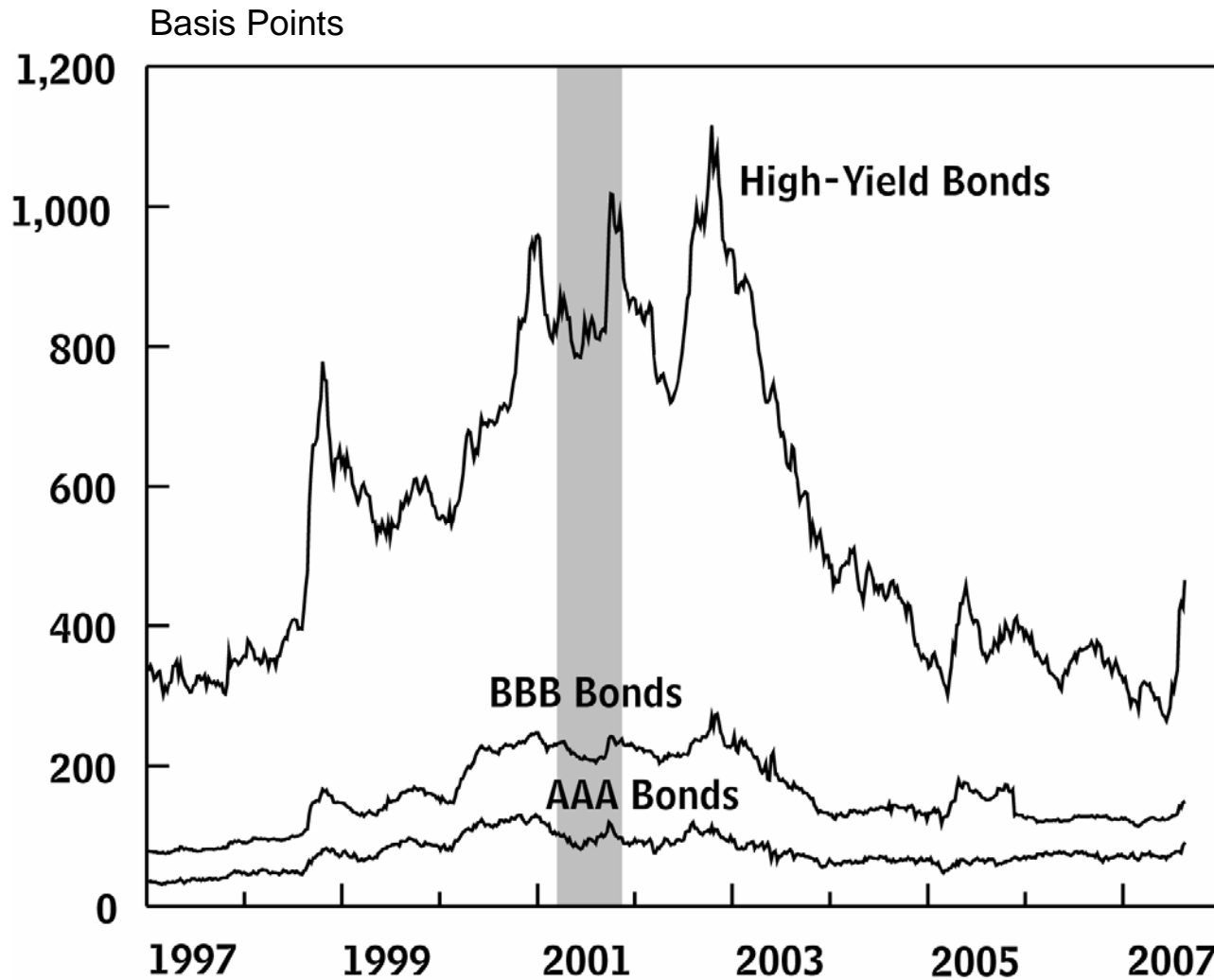


Mortgage Delinquencies



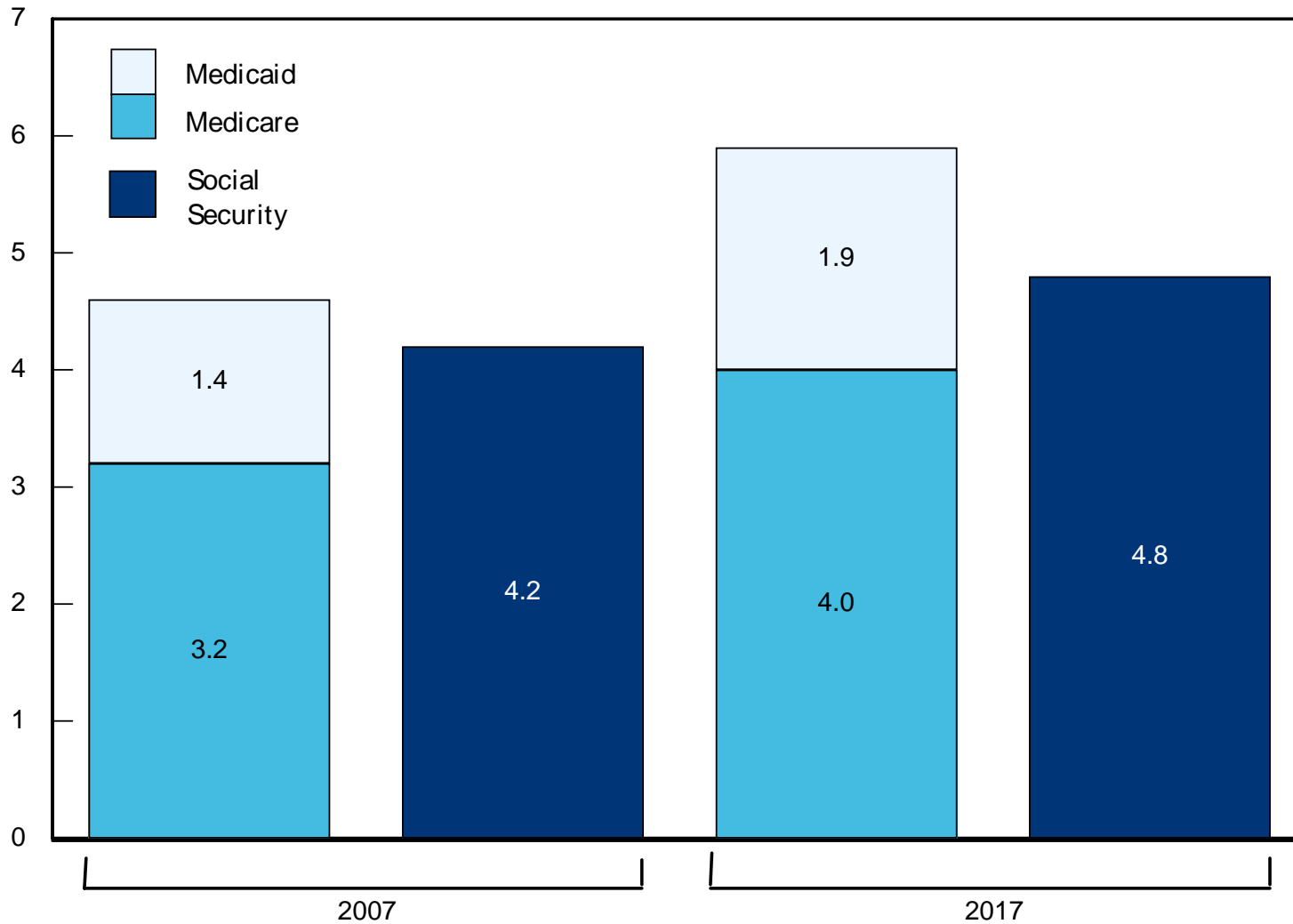


Yield Spread Between Corporate Bonds of Various Ratings and the 10-Year Treasury Note



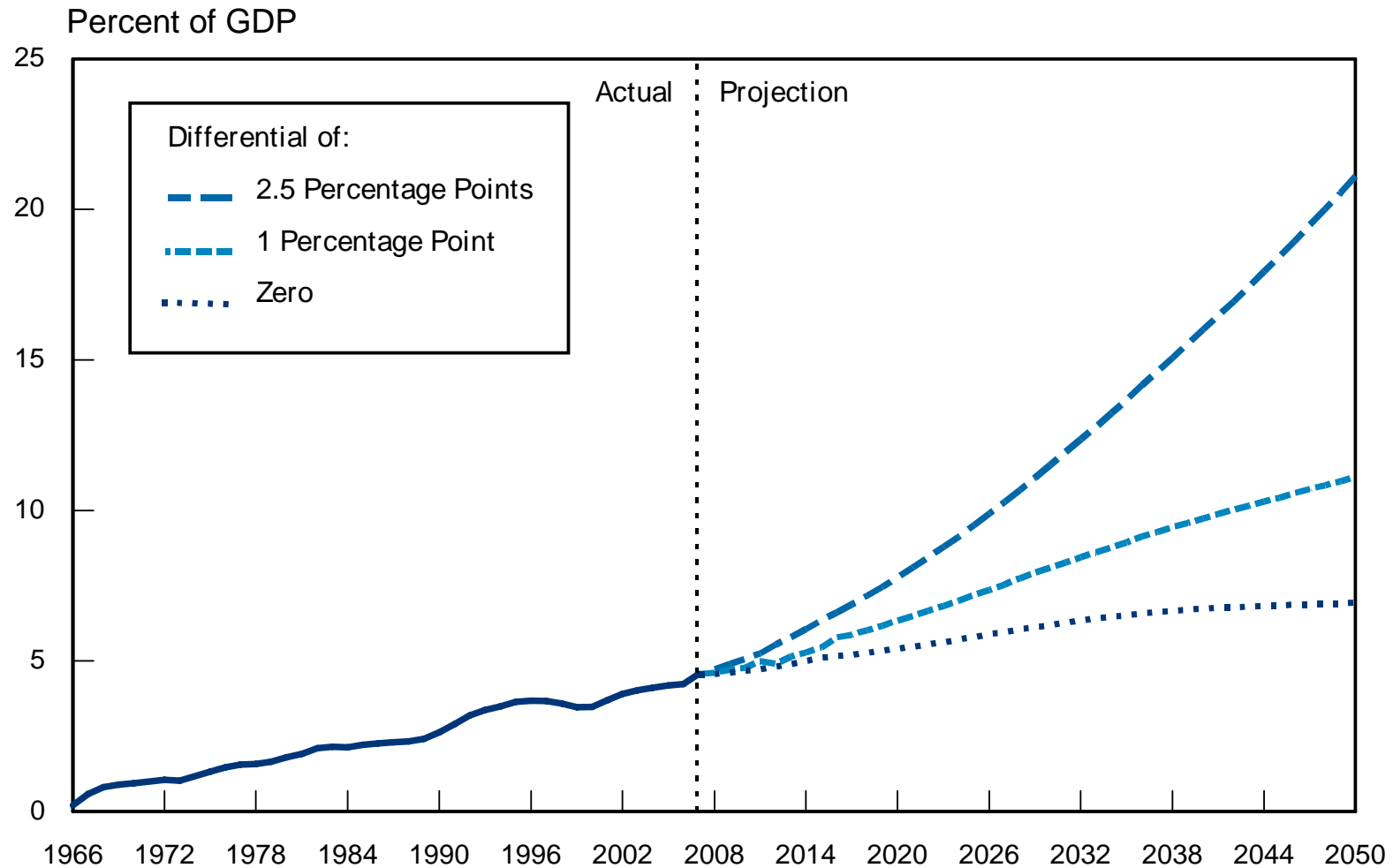


Spending on Medicare and Medicaid and on Social Security as a Percentage of GDP, 2007 and 2017



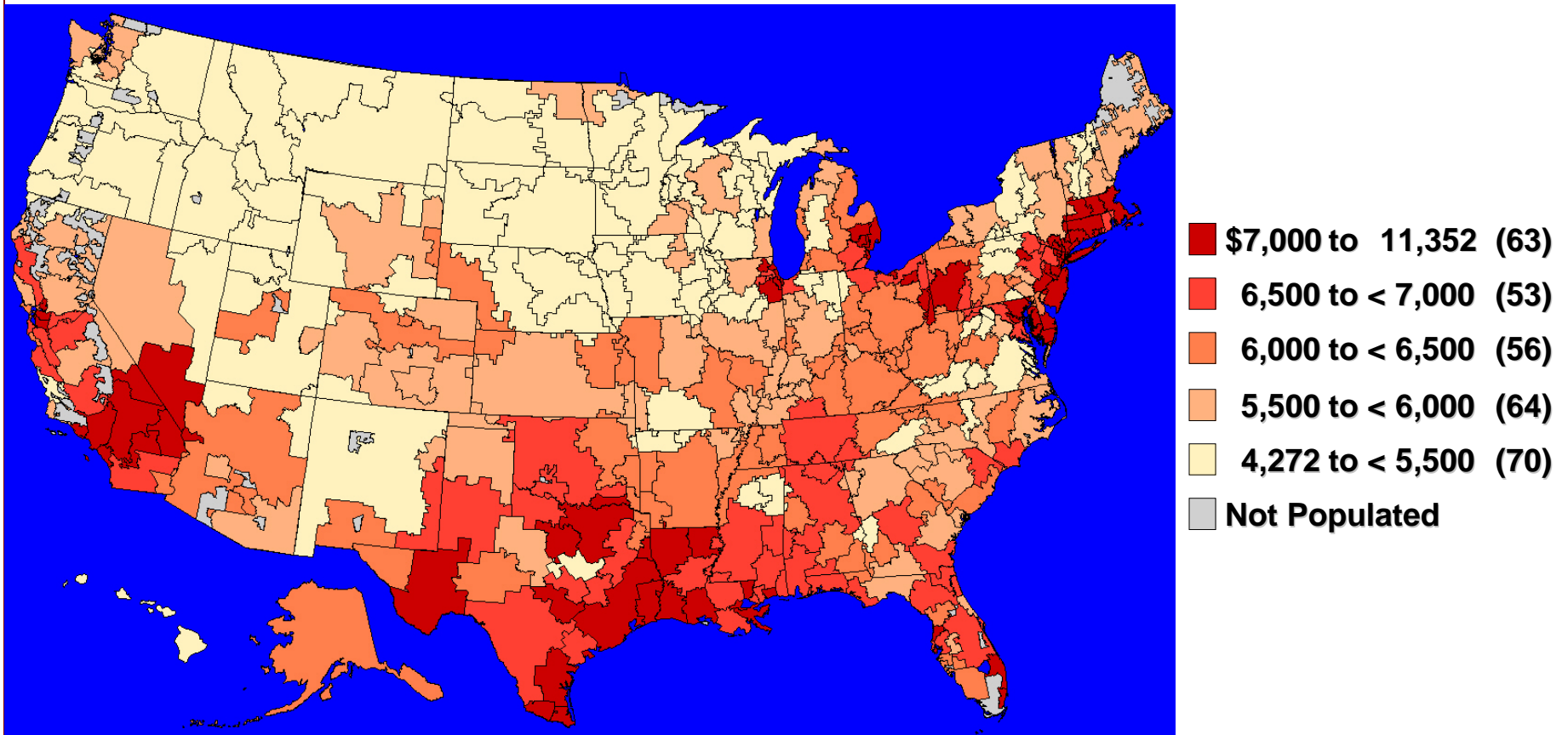


Total Federal Spending for Medicare and Medicaid Under Assumptions About the Health Cost Growth Differential





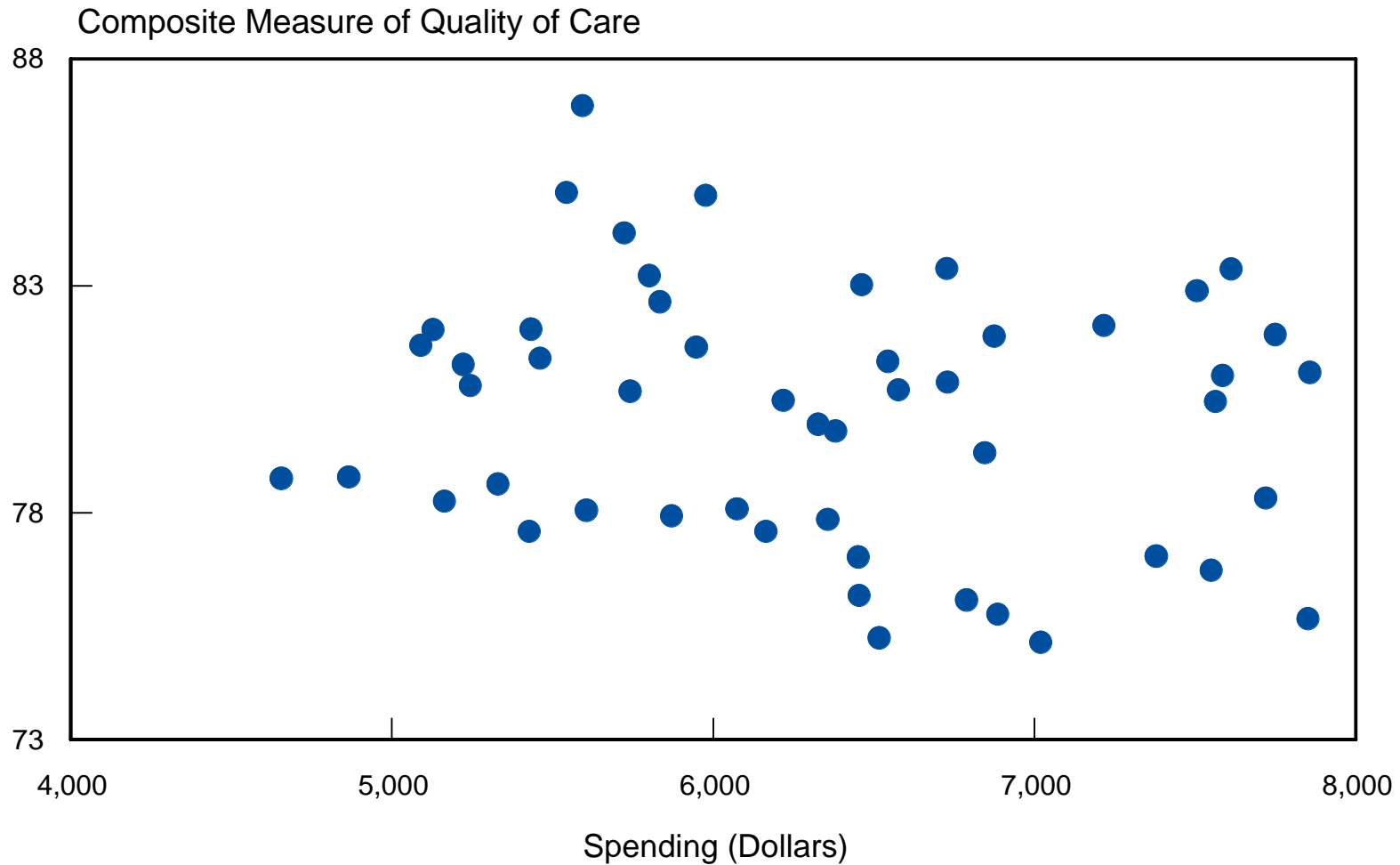
Medicare Spending per Capita in the United States, by Hospital Referral Region, 2003



Source: www.dartmouthatlas.org.



The Relationship Between Quality and Medicare Spending, by State, 2004



Source: Data from AHRQ and CMS.