

Table 2-1.**CBO's Economic Projections for Calendar Years 2011 to 2021**

	Forecast		Projected Annual Average	
	2011	2012	2013-2016	2017-2021
Fourth Quarter to Fourth Quarter (Percentage change)				
Gross Domestic Product				
Real	2.3	2.7	3.6	2.4
Nominal	3.8	4.0	5.2	4.5
Inflation				
PCE price index	2.4	1.3	1.6	2.0
Core PCE price index ^a	1.7	1.4	1.6	2.0
Consumer price index ^b	2.8	1.3	1.7	2.3
Core consumer price index ^a	1.7	1.3	1.7	2.2
GDP price index	1.4	1.3	1.6	2.0
Employment Cost Index ^c	2.2	2.9	3.4	3.5
Fourth-Quarter Level (Percent)				
Unemployment Rate	8.9	8.5	5.3 ^d	5.2 ^e
Year to Year (Percentage change)				
Gross Domestic Product				
Real	2.4	2.6	3.6	2.5
Nominal	3.9	3.8	5.1	4.5
Inflation				
PCE price index	2.2	1.4	1.5	2.0
Core PCE price index ^a	1.3	1.4	1.5	2.0
Consumer price index ^b	2.9	1.5	1.6	2.3
Core consumer price index ^a	1.5	1.4	1.6	2.2
GDP price index	1.5	1.2	1.5	2.0
Employment Cost Index ^c	1.9	2.8	3.3	3.5
Calendar Year Average				
Unemployment Rate (Percent)	8.9	8.7	7.0	5.2
Interest Rates (Percent)				
Three-month Treasury bills	0.1	0.1	1.5	4.0
Ten-year Treasury notes	3.3	3.2	4.1	5.3
Tax Bases (Percentage of GDP)				
Wages and salaries	43.5	44.1	44.5	45.2
Domestic economic profits	8.6	8.5	8.3	7.3

Source: Congressional Budget Office.

Notes: Economic projections for each year from 2011 to 2021 appear in Appendix B.

PCE = personal consumption expenditures; GDP = gross domestic product.

- a. Excludes prices for food and energy.
- b. The consumer price index for all urban consumers.
- c. The employment cost index for wages and salaries of workers in private industry.
- d. Value for 2016.
- e. Value for 2021.

Table 2-2.

Economic Effects of the Continuation of Certain Policies Not Included in CBO's Baseline

(Selected calendar years)

	2012	2013	2021
Real GDP (Percentage difference from baseline)	0.1 to 0.3	0.6 to 2.3	-1.9 to -0.3
Growth in Real GDP (Percentage change from fourth quarter to fourth quarter)			
Baseline	2.7	1.5	2.3
Continuation of certain policies	2.8 to 3.0	2.0 to 3.5	2.0 to 2.2
Difference (Percentage points)	0.1 to 0.3	0.5 to 1.9	-0.3 to -0.1
Unemployment Rate (Fourth-quarter level, in percent)			
Baseline	8.5	8.7	5.2
Continuation of certain policies	8.4 to 8.5	7.6 to 8.4	5.2 ^a
Difference (Percentage points)	-0.1 to 0	-1.1 to -0.3	0 ^a
Interest Rate on Three-Month Treasury Bills (Fourth-quarter level, in percent)			
Baseline	0.2	0.3	4.0
Continuation of certain policies	0.2 ^a	0.3 ^a	4.4 to 4.5
Difference (Percentage points)	0 ^a	0 ^a	0.4 to 0.5
Interest Rate on Ten-Year Treasury Notes (Fourth-quarter level, in percent)			
Baseline	3.3	3.4	5.3
Continuation of certain policies	3.3 ^a	3.7 ^a	5.6 to 5.8
Difference (Percentage points)	0 ^a	0.2 to 0.3	0.4 to 0.5

Source: Congressional Budget Office.

Notes: The projections with the continuation of certain policies are based on several assumptions: first, that most of the provisions of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (Public Law 111-312) that originally were enacted in 2001, 2003, 2009, and 2010 do not expire on December 31, 2012, but instead continue; second, that the alternative minimum tax is indexed for inflation after 2011; and third, that Medicare's payment rates for physicians are held constant at their 2011 level.

Ranges of estimated effects are shown for the continued policies to reflect the uncertainty that exists about many of the economic relationships that are important in the models used to calculate those effects.

a. The span of the range of estimates is less than 0.1 percentage point and disappears with rounding.

Table 2-3.**Key Assumptions in CBO's Projection of Potential Output**

(By calendar year, in percent)

	Average Annual Growth						Projected Average Annual Growth		
	1950-1973	1974-1981	1982-1990	1991-2001	2002-2010	Total, 1950-2010	2011-2016	2017-2021	Total, 2011-2021
Overall Economy									
Potential Output	3.9	3.2	3.1	3.2	2.4	3.3	2.3	2.4	2.3
Potential Labor Force	1.6	2.5	1.6	1.2	0.9	1.5	0.7	0.6	0.7
Potential Labor Productivity ^a	2.3	0.7	1.5	1.9	1.5	1.8	1.5	1.8	1.7
Nonfarm Business Sector									
Potential Output	4.0	3.5	3.3	3.5	2.7	3.6	2.7	2.8	2.8
Potential Hours Worked	1.4	2.2	1.7	1.2	0.5	1.4	0.6	0.6	0.6
Capital Services	3.8	4.3	4.1	4.7	2.6	3.9	3.5	3.8	3.6
Potential TFP	1.9	0.6	0.9	1.3	1.5	1.4	1.2	1.3	1.2
Potential TFP excluding adjustments	1.9	0.6	0.9	1.3	1.3	1.4	1.3	1.3	1.3
Total adjustments (Percentage points)	0	0	0	*	0.2	*	-0.1	0	**
Effects of the recession ^b	0	0	0	0	**	**	-0.1	0	**
Temporary adjustment ^c	0	0	0	*	0.2	*	0	0	0
Contributions to the Growth of Potential Output (Percentage points)									
Potential hours worked	0.9	1.6	1.2	0.8	0.4	0.9	0.4	0.4	0.4
Capital input	1.2	1.3	1.2	1.4	0.8	1.2	1.0	1.1	1.1
Potential TFP	1.9	0.6	0.9	1.3	1.5	1.4	1.2	1.3	1.2
Total Contributions	4.0	3.5	3.3	3.5	2.6	3.5	2.7	2.8	2.8
Potential Labor Productivity ^d	2.6	1.2	1.6	2.4	2.2	2.2	2.0	2.2	2.1

Source: Congressional Budget Office.

Notes: Actual and projected values for potential output and capital services do not reflect the July 2011 revisions to the national income and product accounts.

TFP = total factor productivity; * = between zero and 0.05 percentage points; ** = between -0.05 percentage points and zero.

- The ratio of potential output to the potential labor force.
- An adjustment to reflect the recession's effects on potential output beyond its impact on capital accumulation and labor supply.
- An adjustment for the unusually rapid growth of TFP between 2001 and 2003.
- The ratio of potential output to potential hours worked in the nonfarm business sector.

Table 2-4.**Comparison of CBO's Current and Previous Economic Projections for Calendar Years 2011 to 2021**

	Forecast		Projected Annual Average	
	2011	2012	2013-2016	2017-2021
Fourth Quarter to Fourth Quarter (Percentage change)				
Real GDP				
August 2011	2.3	2.7	3.6	2.4
January 2011	3.1	2.8	3.4	2.4
Nominal GDP				
August 2011	3.8	4.0	5.2	4.5
January 2011	4.1	4.3	5.2	4.4
PCE Price Index				
August 2011	2.4	1.3	1.6	2.0
January 2011	1.2	1.3	1.7	2.0
Consumer Price Index ^a				
August 2011	2.8	1.3	1.7	2.3
January 2011	1.3	1.3	2.0	2.3
GDP Price Index				
August 2011	1.4	1.3	1.6	2.0
January 2011	0.9	1.4	1.8	2.0
Employment Cost Index ^b				
August 2011	2.2	2.9	3.4	3.5
January 2011	1.7	2.4	3.0	3.4
Real Potential GDP				
August 2011	2.0	2.0	2.5	2.4
January 2011	2.0	2.0	2.4	2.4
Calendar Year Average				
Unemployment Rate (Percent)				
August 2011	8.9	8.7	7.0	5.2
January 2011	9.4	8.4	6.4	5.2
Interest Rates (Percent)				
Three-month Treasury bills				
August 2011	0.1	0.1	1.5	4.0
January 2011	0.3	1.1	3.6	4.4
Ten-year Treasury notes				
August 2011	3.3	3.2	4.1	5.3
January 2011	3.4	3.8	4.7	5.4
Tax Bases (Percentage of GDP)				
Wages and salaries				
August 2011	43.5	44.1	44.5	45.2
January 2011	44.1	44.6	44.8	45.1
Domestic economic profits				
August 2011	8.6	8.5	8.3	7.3
January 2011	8.6	8.5	8.1	7.1

Source: Congressional Budget Office.

Note: GDP = gross domestic product; PCE = personal consumption expenditures.

a. The consumer price index for all urban consumers.

b. The employment cost index for wages and salaries of workers in private industry.

Table 2-5.**Comparison of Economic Projections by CBO, the *Blue Chip* Consensus, and the Federal Reserve**

(By calendar year)

	2011	2012	2013	Longer Run ^a
	Fourth Quarter to Fourth Quarter (Percentage change)			
Real GDP				
CBO	2.3	2.7	1.5	2.3
<i>Blue Chip</i>	1.6	2.7	n.a.	n.a.
Federal Reserve				
Range	2.5 to 3.0	2.2 to 4.0	3.0 to 4.5	2.4 to 3.0
Central tendency	2.7 to 2.9	3.3 to 3.7	3.5 to 4.2	2.5 to 2.8
PCE Price Index				
CBO	2.4	1.3	1.3	2.0
Federal Reserve				
Range	2.1 to 3.5	1.2 to 2.8	1.3 to 2.5	1.5 to 2.0
Central tendency	2.3 to 2.5	1.5 to 2.0	1.5 to 2.0	1.7 to 2.0
Core PCE Price Index ^b				
CBO	1.7	1.4	1.4	2.0
Federal Reserve				
Range	1.5 to 2.3	1.2 to 2.5	1.3 to 2.5	n.a.
Central tendency	1.5 to 1.8	1.4 to 2.0	1.4 to 2.0	n.a.
Consumer Price Index ^c				
CBO	2.8	1.3	1.3	2.3
<i>Blue Chip</i>	3.2	2.2	n.a.	n.a.
GDP Price Index				
CBO	1.4	1.3	1.4	2.0
<i>Blue Chip</i>	2.1	1.9	n.a.	n.a.

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Table 2-5.

Continued

Comparison of Economic Projections by CBO, the *Blue Chip* Consensus, and the Federal Reserve

(By calendar year)

	2011	2012	2013	Longer Run ^a
	Fourth-Quarter Level (Percent)			
Unemployment Rate				
CBO	8.9	8.5	8.7	5.2
<i>Blue Chip</i>	9.0	8.5	n.a.	n.a.
Federal Reserve				
Range	8.4 to 9.1	7.5 to 8.7	6.5 to 8.3	5.0 to 6.0
Central tendency	8.6 to 8.9	7.8 to 8.2	7.0 to 7.5	5.2 to 5.6
Interest Rates				
Three-month Treasury bills				
CBO	0.1	0.2	0.3	4.0
<i>Blue Chip</i>	0.1	0.8	n.a.	n.a.
Ten-year Treasury notes				
CBO	3.2	3.3	3.4	5.3
<i>Blue Chip</i>	3.1	3.8	n.a.	n.a.

Sources: Congressional Budget Office; Aspen Publishers, *Blue Chip Economic Indicators* (August 10, 2011); Board of Governors of the Federal Reserve System, "Economic Projections of Federal Reserve Board Members and Federal Reserve Bank Presidents, June 2011" (June 22, 2011), www.federalreserve.gov/monetarypolicy/files/fomcproptabl20110622.pdf.

Note: The *Blue Chip* consensus is the average of about 50 forecasts by private-sector economists. The range of estimates from the Federal Reserve reflects the forecasts of the members of the Board of Governors and the presidents of the Federal Reserve Banks. The central tendency is that range with the three highest and three lowest projections omitted.

The *Blue Chip* consensus does not provide forecasts of the PCE or core PCE price index. The Federal Reserve does not provide forecasts of the consumer price index, the GDP price index, or interest rates.

GDP = gross domestic product; n.a = not applicable; PCE = personal consumption expenditures.

- a. For CBO, values are for 2021. For the Federal Reserve, values represent assessments of the rate that each variable would be expected to converge on under appropriate monetary policy and in the absence of further shocks to the economy.
- b. Excludes prices for food and energy.
- c. The consumer price index for all urban consumers.

Table B-1.**CBO's Year-by-Year Economic Projections for Calendar Years 2011 to 2021**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	Year to Year (Percentage change)										
Real GDP	2.4	2.6	1.7	4.4	5.0	3.2	2.8	2.5	2.5	2.3	2.3
Nominal GDP	3.9	3.8	3.1	5.9	6.6	5.0	4.8	4.6	4.5	4.3	4.3
PCE Price Index	2.2	1.4	1.3	1.3	1.6	1.8	2.0	2.0	2.0	2.0	2.0
Core PCE Price Index ^a	1.3	1.4	1.4	1.4	1.5	1.7	1.9	2.0	2.0	2.0	2.0
Consumer Price Index ^b	2.9	1.5	1.3	1.3	1.8	2.1	2.3	2.3	2.3	2.3	2.3
Core Consumer Price Index ^a	1.5	1.4	1.4	1.4	1.7	2.0	2.2	2.2	2.2	2.2	2.2
GDP Price Index	1.5	1.2	1.4	1.4	1.6	1.8	1.9	2.0	2.0	2.0	2.0
Employment Cost Index ^c	1.9	2.8	3.0	3.3	3.6	3.5	3.5	3.7	3.6	3.5	3.3
	Calendar Year Average										
Unemployment Rate (Percent)	8.9	8.7	8.7	7.9	6.1	5.4	5.2	5.2	5.2	5.2	5.2
Interest Rates (Percent)											
Three-month Treasury bills	0.1	0.1	0.2	0.8	1.9	3.2	4.0	4.0	4.0	4.0	4.0
Ten-year Treasury notes	3.3	3.2	3.3	3.8	4.3	4.9	5.3	5.3	5.3	5.3	5.3
Tax Bases (Percentage of GDP)											
Wages and salaries	43.5	44.1	44	44.2	44.7	45.0	45.0	45.1	45.2	45.3	45.3
Domestic economic profits	8.6	8.5	8.1	8.5	8.5	8.0	7.6	7.4	7.4	7.2	7.0
Tax Bases (Billions of dollars) ^d											
Wages and salaries	6,633	6,981	7,178	7,637	8,222	8,697	9,127	9,563	10,010	10,463	10,918
Domestic economic profits	1,313	1,337	1,316	1,475	1,564	1,549	1,536	1,567	1,631	1,656	1,688
Nominal GDP (Billions of dollars) ^d	15,238	15,817	16,301	17,261	18,406	19,333	20,260	21,183	22,140	23,096	24,082

Source: Congressional Budget Office.

Note: GDP = gross domestic product; PCE = personal consumption expenditures.

a. Excludes prices for food and energy.

b. The consumer price index for all urban consumers.

c. The employment cost index for wages and salaries of workers in private industry.

d. These values do not incorporate the July 2011 revisions of the national income and product accounts.

Table B-2.**CBO's Year-by-Year Economic Projections for Fiscal Years 2011 to 2021**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	Year to Year (Percentage change)										
Real GDP	2.5	2.5	2.0	3.4	5.3	3.6	2.8	2.6	2.5	2.3	2.3
Nominal GDP	4.0	3.8	3.3	4.9	6.8	5.4	4.8	4.6	4.6	4.4	4.3
PCE Price Index	1.9	1.7	1.3	1.3	1.5	1.8	1.9	2.0	2.0	2.0	2.0
Core PCE Price Index ^a	1.1	1.5	1.4	1.4	1.5	1.7	1.9	2.0	2.0	2.0	2.0
Consumer Price Index ^b	2.5	1.8	1.3	1.3	1.6	2.0	2.2	2.3	2.3	2.3	2.3
Core Consumer Price Index ^a	1.2	1.5	1.4	1.4	1.6	1.9	2.1	2.2	2.2	2.2	2.2
GDP Price Index	1.5	1.2	1.3	1.4	1.5	1.7	1.9	2.0	2.0	2.0	2.0
Employment Cost Index ^c	1.7	2.7	2.9	3.2	3.5	3.6	3.5	3.7	3.6	3.5	3.3
	Fiscal Year Average										
Unemployment Rate (Percent)	9.1	8.8	8.6	8.3	6.5	5.4	5.2	5.2	5.2	5.2	5.2
Interest Rates (Percent)											
Three-month Treasury bills	0.1	0.1	0.2	0.6	1.6	2.9	3.9	4.0	4.0	4.0	4.0
Ten-year Treasury notes	3.2	3.2	3.3	3.6	4.2	4.8	5.2	5.3	5.3	5.3	5.3
Tax Bases (Percentage of GDP)											
Wages and salaries	43.5	43.9	44.2	44.2	44.5	45.0	45.0	45.1	45.2	45.3	45.3
Domestic economic profits	8.7	8.4	8.2	8.4	8.6	8.1	7.7	7.4	7.4	7.2	7.0
Tax Bases (Billions of dollars) ^d											
Wages and salaries	6,564	6,869	7,147	7,504	8,078	8,590	9,019	9,452	9,898	10,349	10,805
Domestic economic profits	1,314	1,321	1,325	1,430	1,552	1,552	1,537	1,554	1,615	1,654	1,676
Nominal GDP (Billions of dollars) ^d	15,095	15,663	16,182	16,974	18,132	19,110	20,028	20,948	21,901	22,856	23,830

Source: Congressional Budget Office.

Note: GDP = gross domestic product; PCE = personal consumption expenditures.

a. Excludes prices for food and energy.

b. The consumer price index for all urban consumers.

c. The employment cost index for wages and salaries of workers in private industry.

d. These values do not incorporate the July 2011 revisions of the national income and product accounts.