

Budget Gap Seen Flat Now, Later Ballooning

BY RICHARD RUBIN

WASHINGTON—The U.S. budget deficit will remain roughly flat for the next two years and then widen over the next decade as interest costs consume an increasing share of spending, the Congressional Budget Office said Wednesday in a forecast that highlighted the country's long-run fiscal challenges. *Note*

The U.S. is projected to run a deficit of \$1.85 trillion, or 5.8% of gross domestic product, in the year that ends Sept. 30, and then stay about level at 5.7% of GDP in fiscal 2027. For every \$1 the U.S. collects in taxes and tariffs, it will spend \$1.33 this year. That continues a trend of high and persistent deficits that is historically rare outside of emergencies, wars and recessions. *Note*

The budget gap is forecast to increase over the course of the next decade as the costs of the country's debt load, aging population and healthcare obligations outpace tax collections. Debt held by the public is forecast to cross the 100% of GDP threshold this year and surpass the post-World War II record by 2030. *Note*

By 2036, the annual deficit will exceed \$3 trillion, or 6.7% of GDP, according to the CBO. After World War II, that is a level that the country exceeded only in the aftermath of the 2008 financial crisis and during the Covid-19 pandemic.

The primary deficit—the difference between revenue and spending without considering interest costs—is projected to decline to 2.1% of GDP from 2.7% over the decade. But the interest overhang from past borrowing overwhelms that effect and pushes total deficits upward.

"Our budget projections continue to indicate that the fiscal trajectory is not sustainable," CBO Director Phillip Swagel said.

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