Macro Roundup Artcile

Headline: Fiscal Monitor: Fiscal Policy in the Great Election Year

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Summary: In 2023, the United States experienced remarkably large fiscal slippages, with the general government fiscal deficit [including state and local] rising to 8.8% of GDP from 4.1% of GDP in 2022, despite strong growth. Income tax revenues fell sharply, by 3.1 percentage points of GDP, owing to lower capital gains taxes in 2023 and delayed tax payment deadlines. Spending, in turn, increased by 1.3 percentage points of GDP. The overall fiscal deficit is projected to persist at more than 6% of GDP over the medium term. Financing costs have increased substantially in recent years. Nominal yields on 10-year US Treasury bonds surged from below 1% in 2020 to 5% in October 2023, the highest level in 16 years, before receding to about 4% more recently. Loose US fiscal policy could make the last mile of disinflation harder to achieve while exacerbating the debt burden. Further, global interest rate spillovers could contribute to tighter financial conditions, increasing risks elsewhere. Related: The Long Term Budget Outlook: 2024 to 2054 and The Deteriorating US Fiscal Situation and From Riches to Rags: Causes of Fiscal Deterioration Since 2001

Primary Topic: Fiscal Deficits

Topics: Business Cycle, Fiscal Deficits, Government/NGO

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