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TESTIMONY

CBO's Demographic Projections

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Before the United States Joint Economic Committee

NOVEMBER 15 | 2023

Chairman Heinrich, Vice Chairman Schweikert, and Members of the Committee, I appreciate the opportunity to appear before you today to discuss the demographic outlook for the United States.

Projected changes in the size of the U.S. population, as well as its age and sex composition, significantly affect the outlook for the economy and the federal budget. For example, projections of the number of people who are employed and paying taxes on their wages depend on projections of the size of the working-age population, and projections of the number of beneficiaries of some federal programs (including Social Security and Medicare) depend on projections of the size of the population age 65 or older.

In this testimony, I will discuss the Congressional Budget Office's demographic projections currently under development. These projections are preliminary. The finalized projections will underlie the agency's economic and budget projections next year.¹

The Size of the Population

In CBO's preliminary projections, the population increases from 342 million people in 2024 to 386 million people in 2054, growing by 0.4 percent per year, on average, which is about one-half the pace experienced from 1984 to 2024 (0.9 percent). Over the next decade, immigration accounts for about 70 percent of the overall increase in the size of the population, and the greater number of births than deaths accounts for the remaining 30 percent. After 2034, population growth is increasingly driven by net immigration (the number of people who migrate to the United States in a given year minus the number who leave in that year), which accounts for all population growth beginning in 2042.²

1. For CBO's most recent published projections, see Congressional Budget Office, *The Demographic Outlook: 2023 to 2053* (January 2023), www.cbo.gov/publication/58612. CBO expects to publish its next comprehensive demographic projections in January 2024.
2. In this testimony, population refers to the Social Security area population, which includes all residents of the 50 states and of the District of Columbia, as well as civilian residents of U.S. territories. It also includes federal civilian employees and members of the U.S. armed forces living abroad and their dependents, U.S. citizens living abroad, and noncitizens living abroad who are eligible for Social Security benefits on the basis of their earnings while in the United States. CBO's estimate of the Social Security area population on January 1 of a given year is based on the population on January 1 of the previous year and the projected numbers of people who are born in or immigrate to the United States and who die in or emigrate from the United States during that year.

The population is about 3 percent larger in 2053 in the agency's preliminary projections than the agency projected in January of this year. (Comparisons are made for 2053 because that was the final year of the projections that CBO released in January of this year.) That increase is largely driven by upward revisions to the agency's estimates of net immigration among foreign-born people without legal status.³

Components of Total Population Growth

Population growth is determined by births, deaths, and net immigration (see Figure 1). In CBO's preliminary projections, fertility rates remain lower than the replacement rate (the fertility rate required for a generation to exactly replace itself in the absence of immigration), mortality rates generally continue to decline, and immigration becomes an increasingly important part of overall population growth.

CBO's projections of the population over the 2024–2054 period are highly uncertain. If rates of fertility, mortality, or net immigration were higher or lower than in the agency's projections, then the resulting population would differ from the amounts discussed here. The effects would be larger in later years of the projection period than in the earlier years because differences in those rates compound over time.

Fertility

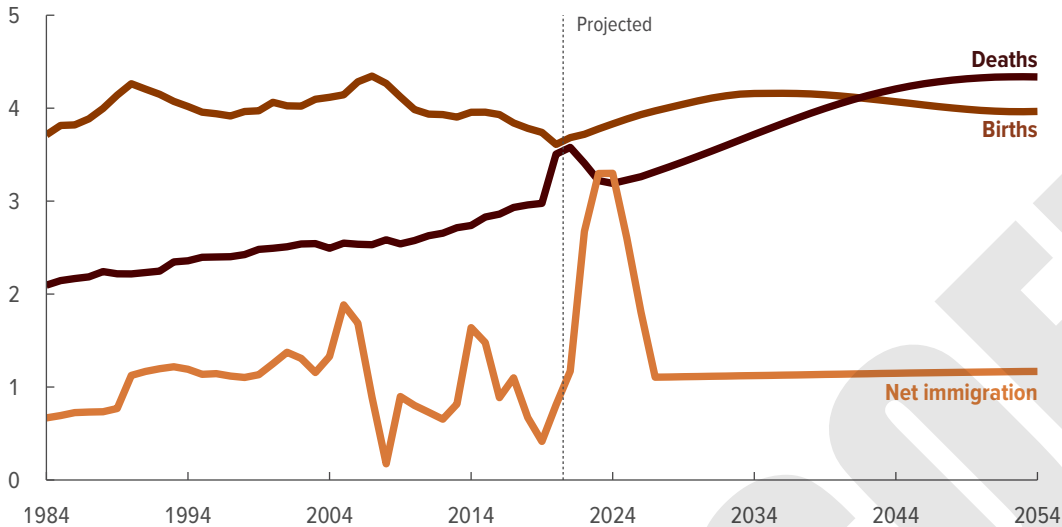
CBO's projections of fertility are based on historical trends and other factors. For the 20 years before the 2007–2009 recession, the total fertility rate for women of childbearing age—ages 14 to 49—averaged 2.02 children per woman.⁴ After peaking at 2.12 in 2007, the total fertility rate generally fell (largely because of lower fertility rates among women age 24 or younger),

3. CBO uses the term foreign-born people without legal status to refer to foreign-born people who entered the United States illegally or who entered legally with a temporary status and then remained after that legal status expired; generally, such people are not authorized to work in the United States. Foreign-born people without legal status also include beneficiaries under Temporary Protected Status, beneficiaries under policies whereby the executive branch does not seek their immediate deportation (such as Deferred Action for Childhood Arrivals), and people who are paroled and allowed into the country while awaiting deportation proceedings in immigration courts. Many of those people are authorized to work in the United States.
4. The total fertility rate represents the average number of children that a woman would have if, in each year of her life, she experienced the birth rates observed or assumed for that year and if she survived her entire childbearing period.

Figure 1.

Births, Deaths, and Net Immigration

Millions of people



Data source: Congressional Budget Office. See www.cbo.gov/publication/59683#data.

reaching a low of 1.64 births per woman in 2020 and then increasing to 1.67 births per woman in 2023.⁵

In CBO's projections, the total fertility rate equals 1.67 births per woman in 2024 and then rises as fertility rates among women ages 30 to 49 increase. By 2034, the total fertility rate is 1.75 births per woman and remains so through 2054. That rate is below the replacement rate of 2.1 births per woman. In CBO's projections, fertility rates rise for women of relatively older childbearing ages and fall for women of relatively younger childbearing ages. That pattern is consistent with the trends of delayed childbearing and the rising average age of mothers at first birth.

CBO's projections of trends in fertility are a source of uncertainty. If trends in fertility, such as the rising average age of mothers at first birth, differed from CBO's expectations, then the agency's projections of fertility rates and the age distribution of mothers would change.

Mortality

CBO projects mortality rates on the basis of historical trends. The agency then takes into account the effects of COVID-19.

Since at least the early 20th century, mortality rates in the United States have generally decreased (meaning that life expectancy has generally risen) and have decreased more quickly for younger people than for older people. Since about 2010, though, the overall rate of decline has slowed, and mortality rates have increased for some groups, particularly younger people. To account for those changes, CBO estimates that mortality rates from 2021 to 2025 will decrease at roughly the same average rate as they did from 2010 to 2019. After 2025, mortality rates are projected to return to longer-term trends and decline at a faster average rate than they did between 2010 and 2019. In CBO's projections, after 2025, mortality rates decline at the average rate that they declined between 1950 and 2019.

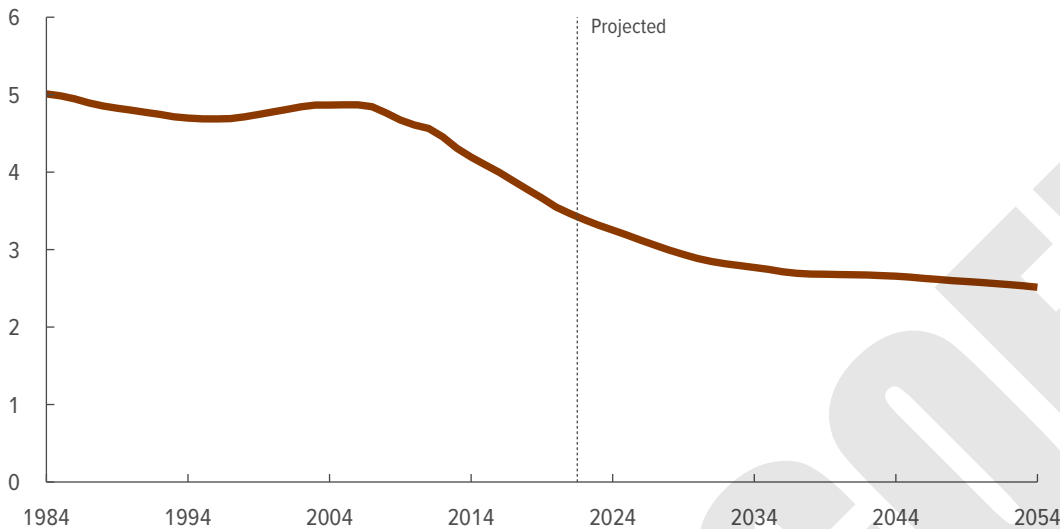
After projecting mortality rates on the basis of historical trends, CBO incorporated the effects of COVID-19 on mortality rates through 2025 by increasing those rates, especially for older people (who are more likely to die from that illness). Although COVID-19 was a leading cause of death in recent years, in CBO's projections, the long-term trend of declining mortality rates

5. Brady E. Hamilton, Joyce A. Martin, and Michelle J. K. Osterman, *Births: Provisional Data for 2022*, Vital Statistics Rapid Release 28 (National Center for Health Statistics, June 2023), www.cdc.gov/nchs/data/vsrr/vsrr028.pdf; and Congressional Budget Office, *The Demographic Outlook: 2023 to 2053* (January 2023), www.cbo.gov/publication/58612.

Figure 2.

Size of the Population Ages 20 to 64 in Relation to the Population Age 65 or Older

Ratio



Data source: Congressional Budget Office. See www.cbo.gov/publication/59683#data.

continues and more than offsets the projected effects of COVID-19 in the surviving and future population. As a net result, mortality rates continue to decline in CBO’s projections, and life expectancy at age 65 increases.

Mortality rates in the long term are uncertain because factors such as the evolution of medical technology and environmental conditions may have different effects in the future than they have had in the past. In addition, how long the recent slowdown in the decline of the mortality rate will continue is a source of uncertainty.

Net Immigration

For the first two decades of the projection period (from 2024 to 2044), CBO’s estimates of net immigration are based on the agency’s assessment of recent trends in immigration. From 2045 to 2054, net immigration in a given year is projected to grow at roughly the same rate as projected overall population growth in the previous year—0.2 percent per year, on average.

CBO estimates that net immigration to the United States was 2.7 million in 2022 and will amount to 3.3 million in 2023. The agency projects net immigration to the United States of 3.3 million in 2024, 2.6 million in 2025, 1.8 million in 2026, and an average of 1.1 million

people per year over the 2027–2054 period. The larger numbers in the next three years primarily stem from CBO’s projection that the net number of foreign-born people without legal status entering the United States in 2024 will be similar to CBO’s estimate for 2023 and then will become smaller in 2025 and 2026—as the immigration system adjusts (without new legislation) to the influx of new immigrants. In 2027 and later years, the number of foreign-born people without legal status returns to a number that is more typical of historical experience.

Several key factors contribute to the uncertainty of CBO’s projections of net immigration. Changing conditions in immigrants’ countries of origin, for example, could affect outcomes significantly. In addition, estimates and projections of the net immigration of foreign-born people without legal status are particularly uncertain, as information for that group can be difficult to come by and difficult to assess when available.

The Age Composition of the Population

The population is projected to become older, on average, over the 2024–2054 period. In CBO’s preliminary projections, the number of people ages 20 to 64 measured in

relation to the number of people age 65 or older declines (see Figure 2). In particular, the number of people in the younger age group—who are more likely to work and who generally pay more in taxes—grows more slowly than the number of people in the older age group—who are less likely to work, generally pay less in taxes, and are generally eligible for Social Security and Medicare.

In CBO's most recent long-term projections, the aging of the population pushes up projected outlays for Social Security and the major health care programs, both of which grow faster than the economy. Combined, they grow faster than other federal noninterest spending. In the agency's projections, outlays for Social Security increase from 5.1 percent of gross domestic product (GDP) in 2023 to 6.2 percent in 2053. Outlays for the major health care programs rise from 5.8 percent of GDP to 8.6 percent over that period as the average age of the population increases and health care costs grow. In 2023, outlays for Social Security, Medicare, and Medicaid, for people age 65 or older, amount to less than 30 percent of all federal noninterest spending; but in 2053, such outlays amount to more than 40 percent of all noninterest spending.⁶

Changes in CBO's Population Projections Since January 2023

Changes to projected rates of fertility, mortality, and, in particular, net immigration mean that CBO now anticipates that the population will be larger and grow faster, on average, than the agency projected in January of this year. In 2053 (the final year covered in January's demographic report), the population is projected to be 3.1 percent larger (comprising 11.6 million more people) in the preliminary projections than in its projections published in January 2023.

The changes to projected rates of fertility and mortality are small compared with those to net immigration, so this testimony focuses on the changes to net immigration. In January 2024, CBO will release a new demographic report with more detailed information on the

changes, including those to projections of fertility, mortality, and immigration by people with and without legal status.

In the projections discussed here, net immigration is larger than January's projected amounts by 2.1 million people in 2024, primarily because net immigration of foreign-born people without legal status is greater. In CBO's assessment, that increase is mostly driven by two factors:

- Officials of the U.S. Customs and Border Protection (CBP) are encountering more people attempting to enter the country at the southwest border and are releasing more of them into the United States with humanitarian parole or with a notice to appear before an immigration judge; and
- More people are illegally entering the country without encountering CBP officials.

Data from the Department of Homeland Security indicate that increases in net immigration of foreign-born people without legal status stemming from those factors occurred in recent years. Also, data from the Current Population Survey show increases in the foreign-born share of the population in 2022 and 2023 that are broadly consistent with the increases in net immigration of foreign-born people without legal status, although those data do not provide information about the legal status of people or about the underlying factors. In CBO's projections, net immigration of foreign-born people without legal status remains elevated from 2024 through 2026; by 2027, that net flow returns to a number that is more typical of historical experience.

Daniel Crown, Xinzhe Cheng, Molly Dahl, Mark Doms, Madeleine Fischer, Jeffrey Kling, David Newman, David Rafferty, and Sam Papenfuss prepared this testimony. Caitlin Verboon edited it, and R. L. Rebach created the figures and prepared the text for publication. The testimony is available at www.cbo.gov/publication/59683.



6. Congressional Budget Office, *The 2023 Long-Term Budget Outlook* (June 2023), www.cbo.gov/publication/59014.