FACT SHEET: Are Deficits in Decline?  
February 14, 2022

Last month, the federal government ran a surplus of $119 billion, the first monthly surplus since September 2019. The Fiscal Year 2022 deficit is slated to decline dramatically relative to 2021, and debt-to-GDP is likely to fall by the end of the fiscal year as well.

However, January’s surplus was largely the result of timing shifts and one-time events. Moreover, while deficits and debt-to-GDP are likely to fall in the near term due to waning COVID relief and rapid inflation, debt remains at a near-record level, and both are on course to grow rapidly in the near future.

Some helpful context:

1. **Deficits will fall as temporary COVID relief ends, but debt will continue to grow**
   - Annual deficits averaged nearly $3 trillion per year in 2020 and 2021, twice the previous record
   - *More than $2 trillion per year of this borrowing was from temporary COVID relief,* and CBO projects deficits will return to $1.15 trillion in 2022 as this relief expires
   - While deficits will fall, the national debt will continue to rise by well over $1 trillion this year and nearly $13 trillion over the next decade

2. **January’s $119 billion surplus was largely a mirage**
   - January is often a surplus month, as taxpayers pay quarterly estimated tax payments
   - Excluding timing shifts and one-time payments, the *January surplus was just $14 billion,* in line with the average over the decade before the COVID pandemic began
   - $81 billion of the official surplus was due to a one-time spectrum auction, while $24 billion was due to timing of payments that were scheduled to occur on a weekend or holiday

3. **High inflation eroded current debt but not long-term fiscal challenges**
   - High inflation reduced the value of outstanding debt – debt-to-GDP fell from 104 percent of GDP at the end of calendar year 2020 to 101 percent at the end of 2021
   - High inflation also increases future spending on programs like Social Security and interest on the debt – a one-point increase in annual inflation will *increase debt by $1.7 trillion* by 2031
   - High inflation will also lead the Federal Reserve to react more aggressively – a one-point increase in projected interest rates will *increase debt by $2.1 trillion* by 2031
   - Debt is expected to remain far above its historical average of 46 percent and will *reach a new record* as a result of population aging, rising health care costs, and rising interest rates