The 2025 (FY2026) Government Shutdown: Economic Effects

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The FY2026 Government Shutdown: Economic Effects

SUMMARY

The federal government experienced a funding gap beginning on October 1, 2025—the start of FY2026—and ending when the Continuing Appropriations, Agriculture, Legislative Branch, Military Construction and Veterans Affairs, and Extensions Act, 2026 (P.L. 119-37), was signed into law on November 12, 2025. This funding gap resulted in a "government shutdown" and the furlough of federal employees who were not excepted.

The effect of a federal shutdown on the economy depends on its scope and duration. The scope depends on two factors—the proportion of appropriated programs and agencies whose funding has lapsed and the extent that the President "excepts" programs or agencies from the shutdown. Both factors will vary between historical shutdowns, making economic comparisons difficult. In the 2025 shutdown, funding lapsed for all appropriated programs and agencies—CRS could not locate any authoritative information on the total number of programs and agencies that were excepted—and the shutdown lasted for six weeks. P.L. 119-37 provided for all federal employees to be retroactively paid as if they had been at work for the shutdown period.

The 2025 shutdown reduced both total supply (production) and total demand (spending). It reduced total supply because furloughed government workers could not contribute to the production of government output, and it reduced total demand because certain government purchases of private sector goods and services could not be made. Because federal workers were paid retroactively and government purchases resumed once the shutdown ended, the reduction in demand was temporary and will be reversed once delayed purchases are made. The reduction in supply was mostly unrecoverable (as lost working hours cannot be made up), but it was a one-time effect that ended when work resumed. Because the shutdown occurred in the first half of the fourth quarter, with roughly seven weeks remaining in the quarter for agencies to catch up, the fall and subsequent rise in government spending may largely cancel out within the fourth quarter of 2025. For that reason, the combined direct and indirect effects of the shutdown on gross domestic product (GDP) are not expected to have a large long-term impact on the economy. The Congressional Budget Office estimated that by the first quarter of FY2027, the cumulative effects of real GDP of a six-week shutdown would be a loss of $11 billion—less than 1% of GDP. Similarly, various outside estimates project a modest effect. For example, the Federal Reserve expects GDP growth to be one percentage point lower in the fourth quarter of 2025 and one percentage point higher in the first quarter of 2026.

Federal government employment fell by 162,000 in October and by 6,000 in November, although furloughed employees who are retroactively paid are counted in the data as employed. The decline in October was largely as a result of federal employees who had accepted deferred resignation offers coming off payrolls and unrelated to the shutdown. An alternative measure of employment and unemployment that would likely have counted furloughed workers as unemployed for the period of furlough was not conducted in October as a result of the shutdown.

The shutdown resulted in the delayed release or permanent cancellation (such as the unemployment rate for October) of key economic data, making it more difficult to assess the economic effects of the shutdown.

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Introduction

The federal government experienced a funding gap beginning on October 1, 2025—the start of FY2026—and ending when the Continuing Appropriations, Agriculture, Legislative Branch, Military Construction and Veterans Affairs, and Extensions Act, 2026 (P.L. 119-37), was signed into law on November 12, 2025. Hereafter, this report refers to the shutdown as the "2025 shutdown."[1] This funding gap resulted in a "government shutdown" and the furlough of federal employees who were not excepted.[2] P.L. 119-37 provided for all federal employees to be retroactively paid as if they had been at work for the shutdown period. This report discusses the effects of the 2025 shutdown on economic output. Gross domestic product (GDP) measures the value of goods and services produced in the economy. The shutdown could have potentially affected all components of GDP—government spending directly and private consumption, capital investment, and net exports indirectly.

The effect of the shutdown on the economy depends on its scope and duration. The scope depends on two factors—the proportion of appropriated programs and agencies whose funding has lapsed and the extent that the President "excepts" programs or agencies from the shutdown. Both factors will vary between historical shutdowns, making economic comparisons difficult. In the 2025 shutdown, funding lapsed for all appropriated programs and agencies—CRS could not locate any authoritative information on the total number of programs and agencies that were excepted— and the shutdown lasted for six weeks.

The report also reviews third-party estimates of the effects of the shutdown on the economy. CRS does not plan to provide an independent estimate of the economic impact of the shutdown.

Direct Macroeconomic Effects of the Government Shutdown

A government shutdown directly affects GDP because government spending is a component of GDP. Economic output, as measured by GDP, is based on the equilibrium between total supply (production) and total demand (spending). The 2025 shutdown reduced both—it reduced total supply because furloughed government workers could not contribute to the production of government output, and it reduced total demand because certain government purchases of private sector goods and services could not be made. The reduction in demand was temporary and will be reversed once delayed purchases are made. The reduction in supply was mostly unrecoverable (as lost working hours cannot be made up), but it was a one-time effect that ended when work resumed. In past shutdowns, the Bureau of Economic Analysis (BEA) reported that it could isolate the effects of the shutdown only on hours worked by federal employees, which led to a small reduction in its measure of GDP growth.[3]

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[1] Other sources may refer to this as the "FY2026 shutdown."

[2] For information about government shutdowns, see CRS Report R41723, *Funding Gaps and Government Shutdowns: CRS Experts*, coordinated by Dominick A. Fiorentino and Clinton T. Brass; and CRS Report R47693, *Government Shutdowns and Executive Branch Operations: Frequently Asked Questions (FAQ)*, coordinated by Taylor N. Riccard.

[3] For example, in 2014, BEA estimated that the reduction in hours worked reduced real GDP growth for the fourth quarter by 0.3 percentage points. This estimate can now be found at Jason Furman, "Advance Estimate of GDP for the Fourth Quarter of 2013," *President Barack Obama White House Archives*, January 30, 2014, https://obamawhitehouse.archives.gov/blog/2014/01/30/advance-estimate-gdp-fourth-quarter-2013. Government (continued...)

How the shutdown materializes in the GDP data from quarter to quarter also depends on timing. Government spending is directly reduced for at least the length of the shutdown (perhaps longer, as some agencies might face a spending backlog) and then boosted by a similar amount (assuming funding levels enacted are the same as would have occurred absent a shutdown[4]) after the shutdown ends. For example, under P.L. 119-37 and laws ending previous shutdowns, all affected federal employees were paid in full for the length of the shutdown, albeit later than usual. Because the shutdown occurred in the first half of the fourth quarter, with roughly seven weeks remaining in the quarter for agencies to catch up, the fall and subsequent rise in government spending may largely cancel out within the fourth quarter.

Another factor in the size of the effects of a government shutdown is how much of federal government spending is affected. CRS was unable to locate information on how much of total federal spending was delayed by the shutdown. Discretionary spending was mainly affected, as no agency was funded through appropriations, but some "excepted" operations continued. Total discretionary spending is around 6% of GDP, of which only a fraction was affected, so the overall effect on GDP was limited. Nevertheless, the shutdown reportedly created hardships for some of those directly affected by it. In particular, the economic impact of the shutdown was not distributed evenly across the country—the Washington, DC, metropolitan area and other localities dependent on federal funds (e.g., the tourism industry near national parks that were shut down or areas with high concentrations of Supplemental Nutrition Assistance Program usage) were disproportionately affected.[5]

A caveat when examining effects on GDP is that GDP measures only the value of output. It does not capture any costs associated with greater spending by state governments, lost federal user fees (e.g., entrance fees at national parks), changes in the value of financial securities, or private inconvenience costs associated with the unavailability of government services during the shutdown.

spending's contribution to GDP is calculated based on inputs, unlike private sector output, which is based on value added. Nominal government spending is based partly on federal employee pay, so the decision to pay furloughed workers results in the shutdown having no effect on nominal GDP. In contrast, real (i.e., inflation-adjusted) government spending is based partly on federal employee hours worked, so real GDP is reduced during the shutdown. Thus, the loss in real government spending due to reduced hours worked was mostly not made up after the shutdown ended. This also means that the disparate measurement of furloughed workers in nominal and real GDP was reconciled by a temporary rise in the price index for government spending. For an explanation, see Macroeconomic Advisers, "Showdown over a Shutdown," September 25, 2013, p. 2.

[4] P.L. 119-37 provides full FY2026 funding for certain programs and agencies and continuing appropriations at FY2025 levels through January 31, 2026, for most other programs and activities. It does not reduce levels of budget authority to account for the period when the government was shut down. The shutdown would lead to a permanently lower level of government spending only if it caused Congress to enact lower spending levels than they otherwise would have (or than forecasters had previously projected).

[5] Estimates on which states were most affected by the shutdown can be found in Adam McCann, "2025 Government Shutdown Report: Most and Least Affected States," WalletHub, October 15, 2025, https://wallethub.com/edu/government-shutdown-report/1111; and Gary Fields and Fatima Hussein, "Washington's Struggling Economy Takes Another Hit from the Government Shutdown," Associated Press, November 8, 2025, https://apnews.com/article/government-shutdown-washington-economy-trump-food-bank-0f54be181fcaca70161a12b869cb619b.

Indirect Macroeconomic Effects of the Government Shutdown

A shutdown could also have indirect effects on GDP. First, lower government spending is believed to have "multiplier effects" that make a decline in GDP greater than the associated decline in government spending. For example, if federal employees reduced consumption in response to delayed pay, or federal contractors reduced investment in response to delayed payments, then those categories of GDP could also fall. For example, the Council of Economic Advisers estimated that a monthlong shutdown would reduce consumer spending by $30 billion as a result of impacts to federal employees and spillover effects on other sectors.[6]

Multiplier effects are temporary by nature and, as with the direct effects on government spending, the limited duration of the shutdown may mean that multiplier effects mostly resulted in delayed (rather than permanently reduced) private spending, with negative effects being offset by lagged spending in the same or next quarter.[7]

Second, a shutdown could create economic and financial dislocations for some individuals or markets that have broader effects on the economy. For example, the U.S. Small Business Administration reported that the shutdown prevented the delivery of $5.3 billion of loans to 10,000 small businesses, and the U.S. Travel Association estimated that the shutdown cost $1 billion per week to the travel economy.[8] In addition, the delay in salary to workers and payments to contractors could cause an uptick in delinquencies that would affect the creditworthiness of those individuals and firms going forward. If a shutdown caused a decline in the value of certain financial assets, it could have a wealth effect on household and business spending. It is not certain that financial markets were much affected by the shutdown. For example, the S&P 500 stock index rose during the period of the shutdown.[9] The U.S. dollar index initially weakened in foreign exchange markets in the first week of the shutdown but then reversed trend during the second week, strengthening overall during the shutdown.[10]

Third, if the 2025 shutdown caused a decline in consumer, business, or investor confidence, it could have led consumers and businesses to postpone or cancel spending decisions, particularly large orders for consumer durables or capital investment. Various private groups produce confidence indices based on surveys. The University of Michigan's consumer sentiment index fell

[6] The White House, "Economic Consequences of a Government Shutdown," October 1, 2025, https://www.whitehouse.gov/research/2025/10/economic-consequences-of-a-government-shutdown/.

[7] Several members of the Board of Governors of the Federal Reserve echoed this idea in speeches given during the shutdown. For example, Governor Lisa D. Cook commented that "spillover effects to the private to the private sector are worth considering. Potential delays in government payments, permits, inspections, insurance provision and other functions could slow certain spending and investment activities, and some small business contractors with very little cushion may never be paid and may ultimately close their businesses. I see [the effects] as being largely temporary. It is anticipated that they would unwind in the following quarter after the shutdown ends" (Governor Lisa D. Cook, "The Economic Outlook and Monetary Policy," Federal Reserve, speech, November 3, 2025, https://www.federalreserve.gov/newsevents/speech/cook20251103a.htm).

[8] U.S. Small Business Administration, "Shutdown Blocks SBA from Delivering $5 Billion to Small Businesses Amid Trump Economic Comeback," press release, November 13, 2025, https://www.sba.gov/article/2025/11/13/shutdown-blocks-sba-delivering-5-billion-small-businesses-amid-trump-economic-comeback; and U.S. Travel Association, "$1 Billion Lost Every Week: Impact of a Government Shutdown on Travel," press release, September 25, 2025, https://www.ustravel.org/press/1-billion-lost-every-week-impact-government-shutdown-travel.

[9] S&P Global, "S&P 500," https://www.spglobal.com/spdji/en/indices/equity/sp-500/#overview.

[10] Michael Feroli, "U.S. Government Shutdown: What's the Impact on the Economy and Markets?," J. P. Morgan, November 19, 2025, https://www.jpmorgan.com/insights/global-research/current-events/government-shutdown.

in both October and November, with the November index level at its lowest point since 2022.[11] The Conference Board's consumer confidence index fell slightly in October 2025, similar to levels since June but still largely lower than levels since 2022. The index fell more notably in November 2025, hitting its lowest point since April.[12] While consumers did cite the shutdown as a reason for November confidence levels, they also cited other factors, such as inflation and tariffs/trade.[13]

In sum, the combined direct and indirect effects of the shutdown on GDP are not expected to have a large long-term impact on the economy. The Congressional Budget Office (CBO) estimated that by the first quarter of FY2027, the cumulative effects of real GDP of a six-week shutdown would be a loss of $11 billion—less than 1% of GDP.[14] This is consistent with experience in the previous longer shutdowns (occurring in December 1995 to January 1996, October 2013, and December 2018 to January 2019), none of which led to recessions. As of the date of this report, any effect is difficult to discern because fourth quarter GDP data has not yet been released. (It has been delayed because of the shutdown.)

Employment Effects

The 2025 shutdown directly affected the labor force through the furlough of non-excepted federal employees.[15] Although there is no official data, estimates suggest that around 670,000 or more federal employees were furloughed at some point during the shutdown.[16] These figures compare with total nonfarm employment of 160 million (in September), making the 670,000 estimate equivalent to about 0.4% of total employment. In addition to federal workers, the Administration estimates that around 60,000 private sector jobs were lost as a result of the shutdown.[17]

BLS releases data on employment and unemployment. Labor force data are based on two surveys conducted once a month—one given to households and one given to businesses. BLS produces unemployment estimates in the "household" survey (the Current Population Survey, or CPS) and two different estimates of employment—one from the household survey and a more frequently cited one from the "establishment" survey (the Current Employment Statistics, or CES). As a result of the shutdown, the Current Population Survey was not conducted in October, and therefore the unemployment rate for October remains unknown.

The CES, which was available for October, considered furloughed workers as employed during October and November, as they were paid retroactively. Thus, employment data from the CES

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[11] A chart of historical data can be found at https://www.sca.isr.umich.edu/charts.html.

[12] Conference Board, "Consumer Confidence Fell Sharply in November," press release, November 25, 2025, https://www.conference-board.org/topics/consumer-confidence/; and Conference Board, "The State of the Economy for October 2025," October 28, 2025, https://www.conference-board.org/podcasts/c-suite-perspectives/The-State-of-the-Economy-for-October-2025.

[13] Conference Board, "Consumer Confidence Fell Sharply in November."

[14] CBO, *A Quantitative Analysis of the Effects of the Government Shutdown on the Economy Under Three Scenarios, as of October 29, 2025*, October 29, 2025, https://www.cbo.gov/publication/61823. Unlike how BEA presents GDP data, CBO does not annualize these estimates.

[15] Title 5, Section 7511, of the *U.S. Code* defines *furlough* as "the placing of an employee in a temporary status without duties and pay because of lack of work or funds or other nondisciplinary reasons."

[16] For example, see Aaron Till and Fredrick Hernandez, "Who Is Missing Paychecks in the 2025 Shutdown—When and Where?," Bipartisan Policy Center, November 21, 2025, https://bipartisanpolicy.org/explainer/who-is-missing-paychecks-in-the-2025-shutdown-when-and-where/.

[17] Cory Smith, "60k Private-Sector Jobs Lost During Shutdown, White House Economic Adviser Says," *ABC News*, November 14, 2025, https://abc3340.com/news/nation-world/60k-private-sector-jobs-lost-during-shutdown-white-house-economic-adviser-says-economy-labor-market-government-business.

does not provide information on furloughed federal employees. (There was a large decline in federal government employment in October, but it was unrelated to the shutdown. CES data showed federal government employment fell by 179,000 in October. According to BEA, the decline in October was largely as a result of federal employees who had accepted deferred resignation offers coming off payrolls.)

The CPS would, in theory, have counted furloughed workers as unemployed in October had the October survey taken place. In November, the reference week for the CPS included days after the 12th, when the government was reopened, so CPS included those previously furloughed as employed given that they worked for pay or profit during the survey reference week. As a result, no official count exists for the number of workers furloughed in October and November.

Data for initial unemployment insurance also has limitations for counting furloughed federal employees. Not all furloughed workers would be eligible for unemployment insurance, and not all those eligible will have filed.[18] Initial claims by federal employees rose from 588 in the week ending September 27, 2025, to 10,064 in the week ending October 18, 2025, before falling to 1,724 in the week ending November 15, 2025.[19]

Beyond federal furloughs, lower demand would be expected to slow the pace of overall employment growth temporarily. To the extent that output fell in the federal government sector, lower employment growth may also be concentrated there because of furloughs and lags in hiring. Private sector employment would be expected to be most directly affected by the shutdown for certain types of jobs, notably federal contractors, which may have seen funding delayed or cancelled. Nonetheless, the demand effects could result in impacts to other private sector jobs as well. Total private employment rose by 1,000 in October and 50,000 in November (preliminary estimate). These increases are significantly lower than the average monthly private jobs gain of roughly 72,000 per month from January through September. BLS does not comment on the extent to which the shutdown might have impacted private sector employment. Total employment and the unemployment rate were little changed from September in November.[20]

Except where noted, most of the economic estimates summarized in the next section did not include numerical estimates of employment effects.

A Summary of Estimates

Various economic forecasters predicted how much the shutdown would reduce economic growth. Many predictions were made before the shutdown had ended and were based on some assumptions about how long it would last. In most cases, a detailed description of how quantitative estimates were produced was not provided. Generally speaking, forecasters would use their proprietary macroeconomic models to project GDP under a base scenario and a shutdown scenario and compare the difference. Economic models are subject to error and uncertainty, particularly in relation to some less directly observable effects of the shutdown, such as its effects on confidence and how changes in confidence translate to economic activity. The following list is not all inclusive.

[18] The unemployment rate is not based on unemployment claims data.

[19] Based on weekly claims data for the Unemployment Compensation for Federal Employees program. Historical raw data are available at https://oui.doleta.gov/unemploy/DataDownloads.asp.

[20] BLS, "The Employment Situation—November 2025," December 16, 2025, https://www.bls.gov/news.release/empsit.nr0.htm. For employment data, see https://www.bls.gov/ces/data/.

Estimates Produced Before the Shutdown Ended

- CBO produced three estimates:
  - On September 30, CBO stated that "the effects of a government shutdown on the economy would depend on its extent and duration."[21]
  - On October 17, CBO projected that "the government shutdown will temporarily reduce the level of real GDP" and "GDP will rebound when funding resumes, but some forgone GDP stemming from time federal employees did not work will not be recovered in the future."[22]
  - On October 29, CBO estimated that "the annualized quarterly growth rate of real GDP in the fourth quarter of 2025 would be lower by … 1.5 percentage points in the six-week [shutdown] scenario…. In the first quarter of 2026, as federal spending continued to rebound following the resumption of funding after the shutdown, real GDP growth would be boosted by … 2.2 percentage points." CBO estimated that, under the six-week scenario, $11 billion (in 2025 dollars) of real GDP would not be recovered.[23]
- The White House Council of Economic Advisers, using other government and outside estimates, projected "an economic loss of approximately $15 billion per week."[24]
- EY-Parthenon estimated that as of the first week of November, "the shutdown has shaved an estimated 0.8 percentage points off quarterly GDP growth—equivalent to roughly $55 billion in lost output. Each additional week costs about $7 billion (or 0.1 percentage points (ppt)) in GDP. If it extends for two months—with Supplemental Nutrition Assistance Program (SNAP) benefit disruptions and air-travel reductions—the cumulative drag could reach 1.8–2.0ppt, a material hit even after partial recovery once operations resume.… Each week of closure costs the economy roughly $7 billion in lost output, or about 0.13ppt of annualized GDP growth…. [T]otal federal compensation amounts to $85 billion annually, or $1.7 billion per week—meaning each additional week of furloughs weighs directly on output and household income, even if back pay is later restored. If the government reopens within the quarter, much of the lost activity will be recovered as spending and services resume. Still, around 20 percent of the cumulative drag will be permanent, reflecting activity that simply disappears—missed restaurant meals, canceled trips and deferred services that never occur."[25]

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[21] Phillip L. Swagel, Director, CBO, "Potential Effects of a Federal Government Shutdown," letter to Sen. Joni Ernst, September 30, 2025, https://www.cbo.gov/system/files/2025-09/61773-Government-Shutdown.pdf.

[22] Phillip L. Swagel, Director, CBO, "A Qualitative Analysis of the Effect of the Government Shutdown on the Economy as of October 17, 2025," letter to the Hon. Jodey Arrington, Chairman, House Budget Committee, October 17, 2025, https://www.cbo.gov/system/files/2025-10/61822-qualitative-effects-of-shutdown.pdf.

[23] Phillip L. Swagel, Director, CBO, "A Quantitative Analysis of the Effects of the Government Shutdown on the Economy Under Three Scenarios, as of October 29, 2025," letter to the Hon. Jodey Arrington, Chairman, House Budget Committee, October 29, 2025, https://www.cbo.gov/system/files/2025-10/61823-Shutdown.pdf.

[24] The White House, "Economic Consequences of a Government Shutdown," October 1, 2025, https://www.whitehouse.gov/research/2025/10/economic-consequences-of-a-government-shutdown/.

[25] Gregory Daco, "Record Shutdown Leaves Mark on the Economy," EY-Parthenon, November 7, 2025, https://www.ey.com/en_us/insights/strategy/macroeconomics/record-shutdown-leaves-mark-on-the-economy.

- S&P Global estimated, "The direct effect on fourth-quarter real GDP growth of a two-week shutdown beginning Oct. 1 would be 0.3 percentage point, reflected in GDP produced by the government sector."[26]
- Fitch Ratings commented, "The macroeconomic impact of a shutdown is limited in the near term. However, a protracted disruption, particularly if accompanied by significant funding withdrawals or workforce reductions, could slightly slow U.S. economic growth."[27]
- According to Goldman Sachs, "Assuming the shutdown lasts around 6 weeks, we estimate it will reduce quarter-on-quarter annualized growth in 2025Q4 by 1.15pp, with a slightly larger boost of 1.3pp to growth in 2026Q1 as some federal purchases and investment spills over from Q4 to Q1."[28]
- *Bloomberg Economics* estimated, "Assuming the shutdown lasts three weeks—our baseline, though one we hold with little conviction—the unemployment rate could spike to 4.6%-4.7% in October as furloughed workers are counted as temporarily unemployed…. If the shutdown and resolution happen within the same quarter, there will be no visible GDP impact…. If the proportion of furloughed workers is in line with past shutdowns—we estimate 640k federal workers will be furloughed—the unemployment rate could be rise by 0.4 ppt, reaching 4.7%."[29]
- Commerzbank estimated, "Because salaries will be paid retroactively, the overall economic impact of the shutdown is likely to be limited. We continue to expect the US economy to expand at a rate of around 2% due to favorable financing conditions."[30]

Estimates Produced After the Shutdown Ended

- According to *Bloomberg*, the shutdown "reduced economic activity by about $100 billion. That translates to a 1.3-ppt hit (on an annualized basis) to 4Q real GDP growth. Our baseline is that the economy will expand 0.5% in 4Q, compared to 1.8% that we expected in the absence of a shutdown. GDP growth would then be boosted in 1Q26—we estimate to 2.5%—returning GDP almost to the trajectory it would have followed without a shutdown. Losses from the shutdown will be mostly reversed by spring."[31]

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[26] John Raines and Michael Zdinak, "Economic Risks of a Prolonged US Government Shutdown," S&P Global, October 14, 2025, https://www.spglobal.com/market-intelligence/en/news-insights/research/2025/10/economic-risks-prolonged-us-government-shutdown.

[27] Fitch Ratings, "Prolonged US Government Shutdown Could Strain Public Finance Credits," October 1, 2025, https://www.fitchratings.com/research/us-public-finance/prolonged-us-government-shutdown-could-strain-public-finance-credits-01-10-2025.

[28] Alec Phillips, "US Daily: Government Shutdown: Much Closer to the End Than to the Beginning," Goldman Sachs, November 2, 2025.

[29] Anna Wong, "US Insight: Government Shutdown Could Push Unemployment to 4.7%," *Bloomberg Economics*, September 30, 2025.

[30] Bernd Weidensteiner and Christoph Balz, "Shutdown Update 5—The End, for Now," Commerzbank, November 13, 2025.

[31] Anna Wong, "US Insight: Shutdown Costs GDP 1.3 Ppt, Lasting Damage to Data," *Bloomberg Economics*, November 13, 2025.

- J. P. Morgan estimated, "Each week, a shutdown subtracts about 0.1% from annualized GDP growth via reduced government activity. We have not changed our first-quarter and fourth-quarter forecasts given the absence of data, but this situation could eventually necessitate a downward revision to the latter and an upward revision to the former.… With a shutdown that lasts this long, there's a growing risk that we're seeing something beyond just a temporary loss in activity growth. It may be difficult to recoup all the lost activity in the following quarter."[32]
- The Bipartisan Policy Center estimated, "At least 670,000 federal employees were furloughed, while roughly 730,000 continued to work without pay.… Based on BPC workforce estimates and the Treasury Department's Daily Treasury Statements, we estimate the average federal paycheck for fiscal year 2025 at roughly $4,700, meaning withheld federal wages reached approximately $14 billion during the shutdown. Data for differences in pay between funded and unfunded workers are unavailable, which would influence the exact total."[33]
- According to the December 2025 edition of Blue Chip, a survey of private forecasters, "Most panelists expect the government shutdown to dent near-term activity, though the 2026 GDP consensus has been lifted to 1.9%, 0.1pp higher than last month." Three-quarters of panelists answered yes to the question "Will the shutdown of the U.S. federal government generate a measurable slowdown in the pace of U.S. economic activity?"[34]
- According to the minutes from the Federal Reserve's Federal Open Market Committee meeting on December 9-10, "The federal government shutdown was expected to reduce real GDP growth around 1 percentage point in the fourth quarter, with a corresponding boost to output growth in the first quarter of 2026."[35]

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[32] Feroli, "U.S. Government Shutdown."

[33] Till and Hernandez, "Who Is Missing Paychecks in the 2025 Shutdown."

[34] Blue Chip, "Economic Indicators," December 10, 2025, pp. 5, 8. Before the shutdown, in September 2025, the consensus projection for GDP growth in the fourth quarter was 0.8%.

[35] Federal Reserve Board of Governors, "Minutes of the Federal Open Market Committee, December 9-10, 2025," December 30, 2025, https://www.federalreserve.gov/monetarypolicy/fomcminutes20251210.htm.

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