



CONGRESSIONAL BUDGET OFFICE  
U.S. Congress  
Washington, DC 20515

*Phillip L. Swagel, Director*

October 17, 2025

Honorable Jodey Arrington  
Chairman  
Committee on the Budget  
U.S. House of Representatives  
Washington, DC 20515

*Re: A Qualitative Analysis of the Effects of the Government Shutdown on  
the Economy as of October 17, 2025*

Dear Mr. Chairman:

You have asked the Congressional Budget Office for information about the effects on the economy of the lapse in discretionary appropriations (often called a government shutdown) that began on October 1, 2025. The analysis in this letter is based largely on the framework CBO developed in 2019 after the five-week partial shutdown that lasted from December 22, 2018, to January 25, 2019.<sup>1</sup> CBO will continue to analyze the budget and economic effects of the government shutdown and will publish additional information when it is available.

The magnitude of the effects described below will depend on the Administration's decisions regarding which executive branch activities continue and which are halted. The Administration has paid active-duty members of the military (including the Coast Guard) this week, and it has stated it will pay certain federal law-enforcement officers. Some agencies, such as the Internal Revenue Service, were able to continue to pay workers during the initial days of the shutdown. In addition, any federal employment that ends because of a reduction in force that would not have occurred in the absence of a shutdown would reduce outlays for federal employees' compensation beyond the shutdown period.

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<sup>1</sup> Congressional Budget Office, *The Effects of the Partial Shutdown Ending in January 2019* (January 2019), [www.cbo.gov/publication/54937](http://www.cbo.gov/publication/54937).

The magnitude of the effects of the shutdown will also depend on its duration. In CBO's assessment, the negative effects of the shutdown on the economy will grow the longer the shutdown is in effect. In addition, the economic effects will vary slightly each week, in part because many federal employees are paid every two weeks.

### **Effects on Federal Employment**

The Antideficiency Act generally prevents federal agencies and employees from obligating or expending federal funds in advance of or in excess of an appropriation or apportionment as well as from accepting voluntary services.<sup>2</sup> Specifically, that law requires federal employees to stop working during a lapse in appropriations that funds their activities unless they are considered excepted. (Excepted workers are those who are required to perform specific tasks, such as carrying out emergency work protecting life and property or overseeing the orderly suspension of agency operations.) The number of furloughed employees will vary over the course of the shutdown because some additional employees will be furloughed the longer a shutdown persists and some previously furloughed employees will be recalled.

Outlays for federal employees' compensation will be reduced during the shutdown from what they would have been otherwise. Those reductions will include missed compensation for furloughed employees and excepted employees. CBO's analysis incorporates the expectation that when the lapse in appropriations is over, furloughed and excepted employees will be paid retroactively at their regular rate of pay.

### **Effects on the Overall Economy**

In CBO's assessment, the government shutdown will have negative effects on the economy, although many of those effects will be temporary. The effects will increase with a longer shutdown.

**Effects on Real GDP.** CBO estimates that the government shutdown will temporarily reduce the level of real GDP (that is, gross domestic product adjusted to remove the effects of inflation). The decrease will be driven by three factors: Fewer services will be provided by federal workers, federal spending on goods and services will be temporarily lower, and a temporary reduction in aggregate demand will lower output in the private sector. GDP will rebound when funding resumes, but some forgone GDP stemming

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<sup>2</sup> See the Antideficiency Act, 31 U.S.C. §§ 1341-1342, 1517.

from time federal employees did not work will not be recovered in the future.

**Effects on the Labor Market.** The shutdown will increase the unemployment rate because the Bureau of Labor Statistics counts most furloughed workers as unemployed (on temporary layoff) as long as those workers report that they are furloughed federal employees and are not otherwise temporarily employed. Excepted employees themselves have no effect on the unemployment rate as long as they report that they worked for pay during the previous week. (They do contribute to the temporary reduction in aggregate demand.) Any people who lose their jobs because of reductions in force that would not have occurred in the absence of a shutdown and who do not find other jobs will increase the unemployment rate.

In addition, the temporary reduction in aggregate demand that lowers output in the private sector will temporarily slow hiring and increase layoffs in the private sector. Those effects will translate to a higher unemployment rate and lower employment during the shutdown. In CBO's assessment, those effects will wane quickly once funding resumes.

**Effects on Business Activity and Income.** CBO estimates that in the near term, the shutdown will reduce aggregate demand in the private sector for goods and services. The delay in federal compensation will lower consumer spending during the shutdown by federal workers who do not receive paychecks that they would have received otherwise. In addition, the delay in federal spending on goods and services will lead to a loss of private-sector income that will further lower demand for other goods and services in the economy. Those effects will reverse once workers receive back pay and federal agencies resume making purchases and providing services.

**Effects on Tourism.** The shutdown will affect tourism because some sites administered by the National Park Service—such as the Washington Monument, Independence Hall, and the Gateway Arch—are closed. Such disruptions will cause economic losses to leisure travelers and the entities providing the affected services. To some extent, losses in tourism activity due to closures of national parks and museums may be offset if tourists choose alternative destinations or activities or may be recovered if tourists reschedule their visits.

**Other Effects on the Economy.** The shutdown could have other effects on the economy. For example, delays or cancellations of data collection by federal statistical agencies increases uncertainty about the economy among

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investors, households, and policymakers. In the absence of certain data, the Federal Reserve would have to make monetary policy decisions with less information.

Heightened uncertainty and the absence of funding for agencies that help mitigate various risks would reduce investors' confidence and affect firms' plans to invest and hire. In addition, some businesses may be unable to obtain federal permits and certifications, and some would face interruptions to their access to subsidies and loans provided by the federal government.

I hope this information is useful to you. Please contact me if you have further questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Phillip L. Swagel", with a long, sweeping flourish extending to the right.

Phillip L. Swagel  
Director

cc: Honorable Brendan F. Boyle  
Ranking Member