

Economic Consequences of a Government Shutdown

The Council of Economic Advisers

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Background

A government shutdown occurs when Congress fails to pass appropriations bills or continuing resolutions to fund federal government operations by the fiscal year deadline (October 1) or when current funding expires. CEA analysis indicates that the shutdown may have wide-ranging economic effects that reduce American prospects through lower growth, higher unemployment, as well as disruptions to social security, air travel, and nutritional support to women with infant children. These effects will intensify the longer the shutdown lasts.

Legislative History

- Continuing Resolutions (CRs) are a routine and traditionally bipartisan legislative mechanism that allow Congress to fund the government between final passage of appropriations packages. During the Biden Administration, Republicans and Democrats worked together to pass 13 CRs to keep the government open, ranging from four days to 84 days in length. Between 98% and 100% of voting Democrats in both chambers supported each of these CRs.*

Continuing Resolutions Signed By President Biden	House Democrat Votes	Senate Democrat Votes
H.R. 5305 - Extending Government Funding and Delivering Emergency Assistance Act	220 (100%)	50 (100%)
H.R. 6119 - Further Extending Government Funding Act	220 (100%)	50 (100%)
H.R. 6617 - Further Additional Extending Government Funding Act	221 (99%)	46 (100%)
H.J.Res. 75 - Extension of Continuing Appropriations Act, 2022	Voice Vote (100%)	Voice Vote (100%)
H.R. 6833 - Continuing Appropriations and Ukraine Supplemental Appropriations Act, 2023	220 (100%)	50 (100%)
H.R. 1437 - Further Continuing Appropriations and Extensions Act, 2023	215 (100%)	49 (100%)
H.R. 4373 - Further Additional Continuing Appropriations and Extensions Act, 2023	217 (99%)	Voice Vote (100%)
H.R. 5860 - Continuing Appropriations Act, 2024 and Other Extensions Act	209 (99%)	49 (100%)
H.R. 6363 - Further Continuing Appropriations and Other Extensions Act, 2024	209 (99%)	50 (98%)
H.R. 2872 - Making further continuing appropriations for the fiscal year ending September 30, 2024, and for other purposes.	207 (99%)	51 (100%)
H.R. 7463 - Extension of Continuing Appropriations and Other Matters Act, 2024	207 (99%)	50 (100%)



H.R. 9747 – Continuing Appropriations and Extensions Act, 2025	209 (100%)	50 (100%)
H.R. 10545 – American Relief Act, 2025	196 (99%)	48 (98%)

**Includes Independent Senators that caucus with the Democratic Party.*

- As the preceding record indicates, CRs are a routine legislative function. This is in part because of the serious, deleterious macroeconomic impacts of a government shutdown.

Macroeconomic Impact

- Goldman Sachs estimates that government shutdowns reduce annualized quarterly GDP by approximately [0.2 percentage points](#) for each week the shutdown extends. [The Federal Reserve](#) arrived at similar conclusions.
- If applied to current GDP levels, that implies an economic loss of approximately \$15 billion per week (0.2 percent times GDP of [\\$30.4 trillion](#) divided by 4).
- The Goldman Sachs estimates imply that a month-long shutdown would lead to 43,000 additional unemployed people during the shutdown.
- Historically, [Fiserv estimates](#) that the economy in the D.C. area suffered a significantly larger contraction than other regions, with a substantial reduction in personal consumer expenditures (PCE) of 5 percent during the 2013 shutdown.
- A government shutdown leads to [pauses and delays](#) in the collection of economic data. This has implications for the Federal Reserve, as they would need to make their next interest rate decision with greater uncertainty if data is unavailable. It also has implications for decision-making by businesses, as uncertainty tends to lead to [lower business investment](#) and [higher volatility in financial markets](#).

Delays in Benefit Programs

- Federal funding for the Women, Infants, and Children (WIC) program—serving nearly 7 million women and their young children— will run out of money in October. No new mothers or children will be allowed to join the program and those already on are at risk of losing their benefits as states run out of funds. Unlike past situations, the program’s carryover and contingency fund are not enough to sustain the program.
- SNAP benefits continue for the month of October, before the program funds, including contingency, are spent. This ending of benefits would be for 40+ million recipients, almost 16 million being children.



- Social Security benefits [will continue](#), but beneficiaries may experience longer customer service wait times because of the panic created by a lapse. Only activities not related to direct-service operations and those needed to ensure accurate and timely payment of benefits, will cease, including benefit verifications, and issuing of replacement Medicare cards.
- Medicare customer service faces extended wait times as [nearly half of CMS](#) staff would be furloughed under a government shutdown, meaning people who need help from a Medicare representative could encounter longer wait times.
- Veteran career counseling, GI Bill Hotline, VA benefits regional offices, public affairs outreach, headstone placement, pre-need burial applications, and presidential memorial certificates [will be impacted](#).
- Head Start programs that come up for their annual review, and subsequent funding, will not receive federal dollars to be able to continue their programs, putting the care of low-income children in jeopardy.

Federal Workforce Disruption

- Over [1.9 million federal civilian employees](#) face either furloughs or working without timely pay during typical shutdowns. 80% of the federal civilian workforce works outside of the Washington D.C. area.
- Similarly, TSA workers at airport security and air traffic controllers are required to work without concurrent pay. In past shutdowns, this temporary break in pay tripled worker absenteeism from 3 percent to 10 percent. Even if this causes only a small number of delays at a small number of airports, those can cascade to a greater number of delays in airports relying on the same aircrafts.
- [Border Patrol](#) agents (19,000+) and CBP officers (25,000+) continue working without timely pay, while TSA officers screen 2 to 2.5 million daily passengers without guaranteed compensation.
- 49,000 Coast Guard members went unpaid during a prior shutdown when Department of Homeland Security funding lapsed. Federal law enforcement, including FBI and DEA agents, continue operations without concurrent pay.
- [Federal firefighters](#) continue working without timely pay during active fire seasons, while winter training programs to prepare new recruits for future emergencies are cancelled.
- Unlike federal employees, federal contractors are [not entitled to backpay](#) after the conclusion of a shutdown, resulting in persistent wage losses for these workers, who number in the millions.
- Calculations based on the number of federal employees and federal contractors not being paid imply that a month-long shutdown would reduce consumer spending by \$30 billion, approximately half of which is directly due to federal employees and contractors and half due to spillover effects on other sectors.



Impacts on Private Business

- Small businesses are likely to encounter [delays](#) in receiving federal loans. [The Consumer Bankers Association](#) estimated \$2 billion in loans were delayed during a prior shutdown.
- A shutdown would likely reduce exports as federal agencies are unable to process export licenses and certifications. [During the 2013 shutdown](#), over 2 million liters of American-made alcohol for export could not be certified and \$3 billion in approvals for loans, guarantees, and insurance from the Export-Import Bank could not be processed.
- Mortgage applications are likely to decline due to federal systems that process mortgages being put on hold. During the 2013 shutdown, mortgage applications declined by [7 percent](#).
- Approximately [\\$15 billion per week](#) in federal contracts are awarded to businesses throughout the country, more than \$3 billion of which are awarded to small businesses. These companies would lose funds due to lack of available contract work, [not be reimbursed](#) for completed projects, and have to [lay off](#) workers.