



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

Phillip L. Swagel, Director

October 29, 2025

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

*Re: A Quantitative Analysis of the Effects of the Government Shutdown on
the Economy Under Three Scenarios, as of October 29, 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. This letter presents estimates of the effects under three scenarios: a shutdown that ends after four weeks (on October 29), one that ends after six weeks (on November 12), and one that ends after eight weeks (on November 26).¹

In CBO's assessment, the shutdown will delay federal spending and have a negative effect on the economy that will mostly, but not entirely, reverse once the shutdown ends. The agency estimates that real gross domestic product (GDP), which has been adjusted to remove the effects of inflation, will be lower in the fourth quarter of 2025 than it would have been in the absence of a shutdown.² Depending on its length, the government shutdown will reduce annualized real GDP growth in that quarter by 1.0 to 2.0 percentage points. After the shutdown, real GDP will be temporarily higher than it would have been otherwise. Although most of the decline in real GDP will be recovered eventually, CBO estimates that between \$7 billion and \$14 billion (in 2025 dollars) will not be.

¹ CBO previously provided qualitative information about the effects of the government shutdown. See Congressional Budget Office, letter to the Honorable Jodey Arrington providing a qualitative analysis of the effects of the government shutdown on the economy as of October 17, 2025 (October 17, 2025), www.cbo.gov/publication/61822.

² Unless otherwise noted, all years referred to in this letter are calendar years.

The effects of the shutdown on the economy are uncertain. Those effects depend on decisions made by the Administration throughout the shutdown. In addition, how federal employees and contractors respond to the delay in compensation is uncertain.

Effects on Federal Spending

During the shutdown, federal outlays will be lower than they would have been otherwise: by \$33 billion in the four-week shutdown scenario, \$54 billion in the six-week shutdown scenario, and \$74 billion in the eight-week shutdown scenario, CBO estimates (see Table 1). Those amounts include delayed spending for employee compensation, goods and services, and the Supplemental Nutrition Assistance Program (SNAP). CBO expects that when appropriations resume, the spending that did not occur during the shutdown will be made up.

Table 1.

Near-Term Delays in Federal Spending Attributable to the Government Shutdown Under Three Scenarios

Billions of dollars			
	Four-week shutdown	Six-week shutdown	Eight-week shutdown
Delayed compensation for federal employees			
Furloughed employees	4	8	12
Excepted employees	<u>5</u>	<u>8</u>	<u>11</u>
Subtotal, delayed compensation	9	16	23
Delayed spending on goods and services	24	36	48
Delayed spending on SNAP ^a	<u>0</u>	<u>2</u>	<u>4</u>
Total delayed spending	33	54	74

Data source: Congressional Budget Office.

SNAP = Supplemental Nutrition Assistance Program.

Furloughed employees are those who are not working and not getting paid during the shutdown; excepted employees are those who are working and not getting paid during the shutdown.

Numbers may not add up to totals because of rounding.

a. CBO's analysis incorporates a 50 percent probability that SNAP benefits will not be paid after October 31, 2025, if the shutdown continues beyond that date.

Spending on Employee Compensation. The Antideficiency Act generally prevents federal agencies and employees from obligating or expending federal funds in advance of or in excess of an appropriation as well as from accepting voluntary services.³ Specifically, that law requires federal employees whose salaries depend on annual appropriations to stop working

³ See the Antideficiency Act, 31 U.S.C. §§ 1341-1342, 1517.

during a lapse in appropriations unless they are considered excepted. (Excepted workers are those who are required to perform specific tasks, such as emergency work protecting life and property.) Federal outlays for employee compensation will be temporarily reduced during the shutdown from what they would have been otherwise for both furloughed employees and excepted employees.

Using information from federal agencies' contingency plans and the Office of Personnel Management (OPM), CBO estimates that under the lapse in appropriations, about 600,000 employees will be considered excepted and continue to work each week, and 650,000 employees will be furloughed, on average. CBO's estimates incorporate the assumption that active-duty military and certain law enforcement personnel will continue to be paid as scheduled. The agency's analysis also 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.

Spending on Goods and Services. CBO estimates that federal spending on goods and services—such as equipment, research and development contracts, and advisory services—will be lower during the shutdown than it would have been otherwise. CBO expects that with the resumption of funding, all the spending on goods and services that did not occur during the shutdown will be made up.

Spending on SNAP. According to guidance from the Department of Agriculture (USDA) and its contingency plan, benefits for SNAP will be fully paid in October. As a result, a government shutdown lasting four weeks would not affect federal spending for SNAP benefits. How a longer shutdown would affect SNAP benefits is uncertain. USDA's website, as of October 28, states that the federal government will not issue benefits on November 1. Some states have indicated they will pay benefits using other funds. Because of the uncertainty, CBO's analysis incorporates a 50 percent probability that SNAP benefits will be paid after October 31 if the shutdown continues beyond that date.⁴ CBO's analysis also incorporates the expectation that when the lapse in funding is over, missed SNAP benefits will be paid.

⁴ That approach differs from what CBO uses for its baseline projections and cost estimates of legislation. Consistent with section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985, baseline projections and cost estimates incorporate the assumption that SNAP benefits continue to be paid as scheduled. See 2 U.S.C. § 907.

Macroeconomic Effects

In CBO's assessment, the government shutdown will have negative effects on the economy, although many of those effects will be temporary. Those effects will intensify the longer the shutdown lasts.

Effects on Real GDP. Economic activity at the end of 2025 will be lower as a result of the shutdown. That decline will be driven by three factors: Fewer services will be provided by federal workers, federal spending on goods and services and SNAP benefits will be temporarily lower, and a temporary reduction in aggregate demand will lower output in the private sector. Real GDP will rebound when federal funding resumes, with most of the forgone output made up in the future. The reduction in output stemming from the time furloughed employees did not work will not be recovered.

In all three scenarios that the agency analyzed, the shutdown leads to a temporary economic slowdown. Real GDP is lower in the fourth quarter of 2025 than it otherwise would have been; the reduction in economic activity will intensify the longer the shutdown persists. The rebound in federal spending for employee compensation, the purchases of goods and services, and SNAP benefits that occurs after the shutdown ends reverses most of the reduction in economic activity. The uptick in economic activity stems mainly from the higher federal spending on goods and services and the associated increase in aggregate demand as households and businesses boost their spending in response to the restoration of their income following the shutdown.

The agency estimates that the annualized quarterly growth rate of real GDP in the fourth quarter of 2025 would be lower by 1.0 percentage point in the four-week shutdown scenario, 1.5 percentage points in the six-week scenario, and 2.0 percentage points in the eight-week scenario (see Table 2). 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 1.4 percentage points, 2.2 percentage points, and 3.1 percentage points in the three scenarios, respectively. The effect on the annualized quarterly growth rate of real GDP (that is, how fast real GDP increased compared with how fast it would have grown in the absence of a shutdown) would be larger after federal funding resumed because output would be temporarily higher than it would have been otherwise. After the first quarter of 2026, the temporary boost to the level of real GDP would diminish as output returns toward the level it would have been in the absence of the shutdown, causing the effect on the growth rate to temporarily turn negative.

Table 2.

Estimated Economic Effects of the Government Shutdown Under Three Scenarios

	Q4 2025	Q1 2026	Q2 2026	Q3 2026	Q4 2026
Four-week shutdown					
Effect on the annualized quarterly growth rate of real GDP (percentage points)	-1.0	1.4	-0.3	-0.1	*
Effect on real GDP (billions of 2025 dollars)	-18	9	2	1	**
Cumulative effect on real GDP (billions of 2025 dollars)	-18	-10	-7	-7	-7
Six-week shutdown					
Effect on the annualized quarterly growth rate of real GDP (percentage points)	-1.5	2.2	-0.5	-0.1	-0.1
Effect on real GDP (billions of 2025 dollars)	-28	13	4	1	**
Cumulative effect on real GDP (billions of 2025 dollars)	-28	-15	-11	-10	-11
Eight-week shutdown					
Effect on the annualized quarterly growth rate of real GDP (percentage points)	-2.0	3.1	-0.7	-0.2	-0.1
Effect on real GDP (billions of 2025 dollars)	-39	19	5	1	-1
Cumulative effect on real GDP (billions of 2025 dollars)	-39	-20	-15	-14	-14

Data source: Congressional Budget Office.

Real values have been adjusted to remove the effects of changes in prices and are shown at a (nonannualized) quarterly rate. The cumulative effect of the shutdown on real GDP is measured as the sum of the quarterly difference between each scenario's estimate of real GDP and what real GDP would have been in the absence of the shutdown.

GDP = gross domestic product; * = between zero and -0.05 percentage points; ** = between -\$500 million (2025 dollars) and zero.

Take the shutdown scenario that lasts four weeks, for example. Under that scenario, real GDP in the fourth quarter of 2025 would be \$18 billion (in 2025 dollars), or 0.24 percent, lower than it would have been in the absence of a shutdown.⁵ That translates to an effect on the annualized quarterly growth rate of -1.0 percentage point for that quarter. (Note that the effects on the annualized quarterly growth rates of real GDP are approximately four times the size of the change in the percentage effect on the level of real GDP from quarter to quarter.)

In the first quarter of 2026, the effect on the growth rate would turn positive, meaning that GDP would grow faster than it would have in the absence of a shutdown: Real GDP would be \$9 billion, or about 0.11 percent, higher than it would have been otherwise. That translates to an effect on the annualized quarterly growth rate of approximately 1.4 percentage points (calculated as the difference between the 0.11 percent

⁵ That percentage is calculated using the level of real GDP, measured at a (nonannualized) quarterly rate, that would have occurred in the absence of the shutdown in the denominator.

effect in that quarter and the -0.24 percent effect in the fourth quarter of 2025, multiplied by four).

In the second quarter of 2026, the effect on real GDP would remain positive: Real GDP would be \$2 billion, or 0.03 percent, higher than it would have been otherwise. The corresponding effect on the annualized quarterly growth rate would be about -0.3 percentage points, calculated as the difference between the 0.03 percent effect in that quarter and the 0.11 percent effect in the first quarter of 2026, multiplied by four. The effect on the growth rate is negative because the boost to real GDP has diminished.

Under all three shutdown scenarios, after 2026, the level of output would return to what it would have been had there been no lapse in discretionary appropriations, but the cumulative effect of the shutdown on real GDP—measured as the sum of the quarterly differences between each scenario's estimate of real GDP and what real GDP would have been in the absence of a shutdown—would remain slightly negative. The output lost because furloughed employees worked fewer weeks during the shutdown would not be recovered. CBO estimates that, by the end of 2026, the reduction in hours worked by furloughed federal employees would result in a cumulative loss of real GDP of \$7 billion in the four-week shutdown scenario, \$11 billion in the six-week scenario, and \$14 billion in the eight-week scenario.

Effects on the Labor Market. The shutdown will increase the unemployment rate because the Bureau of Labor Statistics (BLS) counts most furloughed workers as unemployed (on temporary layoff) if those workers report that they are furloughed federal employees and are not otherwise temporarily employed. If all furloughed workers in October were counted as unemployed on temporary layoff, the measured unemployment rate would be boosted by 0.4 percentage points that month. Excepted employees themselves have no effect on the unemployment rate if they report that they worked for pay during the previous week. (They do contribute to the temporary reduction in aggregate demand.)

In addition, the temporary reduction in aggregate demand that lowers output in the private sector will temporarily reduce employment and increase unemployment. In CBO's assessment, those effects will wane quickly once funding resumes.

Analytical Methods

The agency's analysis builds on the framework CBO developed in

2019 following the five-week partial shutdown that lasted from December 22, 2018, to January 25, 2019.⁶ That framework relied mainly on two key components that have been updated for this analysis using recent data and information.

First, using reports on budget execution and budgetary resources from the previous fiscal year, along with data on awarded federal contracts, CBO now estimates that affected agencies will make up for the reduction in spending on goods and services over two quarters, with half occurring in the quarter the shutdown ends and the remaining half occurring in the following quarter. In CBO's 2019 analysis, agencies were estimated to make up for the reduction in spending on goods and services over three quarters. (In both analyses, CBO estimated that delayed employee compensation would be made up within the quarter the shutdown ended.)

Second, CBO updated its assessment of how changes in government spending affect aggregate demand and thus economic output in the near term. Specifically, CBO used an updated demand multiplier that affects economic activity over four quarters and results in a cumulative demand multiplier of 1.2. In the 2019 analysis, the 1.2 multiplier was applied within a single quarter. The demand multiplier reflects the economic effects of government spending on private-sector activity, including the effects on personal consumption expenditures and private investment.

In addition to those two key components, CBO modified its earlier framework to account for various changes in the effects of a shutdown over time. For example, CBO now accounts for the biweekly pay schedule of most federal employees.⁷ CBO's analysis also accounts for a possible pause in the payment of SNAP benefits in the six-week and eight-week shutdown scenarios, with more households affected in the longer scenario. (SNAP

⁶ Congressional Budget Office, *The Effects of the Partial Shutdown Ending in January 2019* (January 2019), www.cbo.gov/publication/54937.

⁷ In CBO's 2019 analysis, the compensation for federal workers at agencies without funding that was reported was the *accrued* amount of compensation rather than the delayed amount of compensation. The current analysis reflects the amount of delayed compensation, taking into account federal employees' biweekly pay schedule. In both analyses, the amount of accrued compensation was used to determine the hours furloughed workers did not work, but in the current analysis, the delayed amount of compensation was used to determine the effect on aggregate demand, as it affects the amount federal workers tend to spend within the period. For example, if the shutdown had lasted only one week, accrued compensation would still reflect the lost working hours of furloughed workers, but no delayed compensation would have occurred because paychecks would have been paid on schedule and federal workers would not have altered their spending behavior.

benefits continued to be paid as scheduled during the 2018–2019 partial shutdown.) In addition, CBO’s analysis includes the expectation that households further reduce their consumption as the shutdown persists (and compensation is further delayed) because CBO expects that the sensitivity of households’ consumption to changes in disposable income—often referred to as the marginal propensity to consume—would increase the longer the shutdown lasts.

Uncertainty

The estimated effects and their timing are subject to considerable uncertainty. The effects of the shutdown will depend on decisions made by the Administration throughout the shutdown, including decisions about which executive branch activities continue and which are halted. For example, if agencies changed their plans about how many employees to furlough, CBO’s estimates of the shutdown’s effects would change. In addition, any people who lost 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 would increase the unemployment rate beyond what is estimated here. CBO is also uncertain about how affected federal employees and contractors will adjust their spending in response to delayed compensation and how agencies will adjust their spending on goods and services when funding resumes.

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 horizontal line extending to the right.

Phillip L. Swagel
Director

cc: Honorable Brendan F. Boyle
Ranking Member