

NABE Webinar: Economic Impact of Federal Government Shutdown

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A shutdown for the record books

History of Government Shutdowns			
Fiscal Year	Start Date	End Date	Length
1977	October 1, 1976	October 11, 1976	10
	October 1, 1977	October 13, 1977	12
1978	November 1, 1977	November 9, 1977	8
	December 1, 1977	December 9, 1977	8
1979	October 1, 1978	October 18, 1978	17
1980	October 1, 1979	October 12, 1979	11
1982	November 21, 1981	November 23, 1981	2
1983	October 1, 1982	October 2, 1982	1
	December 18, 1982	December 21, 1982	3
1984	November 11, 1983	November 14, 1983	3
1985	October 1, 1984	October 3, 1984	2
	October 4, 1984	October 5, 1984	1
1987	October 17, 1986	October 18, 1986	1
1988	December 19, 1987	December 20, 1987	1
1991	October 6, 1990	October 9, 1990	3
1996	November 14, 1995	November 19, 1995	5
	December 16, 1995	January 6, 1996	21
2014	October 1, 2013	October 17, 2013	16
2019	December 22, 2018	?	33
Source: Congressional Research Service		Average length:	8

Still only a “partial” government shutdown

- The shutdown is affecting about 800,000 federal workers – that’s about a third of the federal workforce and 0.5% of the non-farm civilian workforce
- About 350,000 to 375,000 of affected workers were furloughed – at least at the start – with the rest required to work without pay
- Federal employees set to miss their second pay check on January 25
- Average weekly pay of federal workers is about \$1,600

The incredible shrinking shutdown

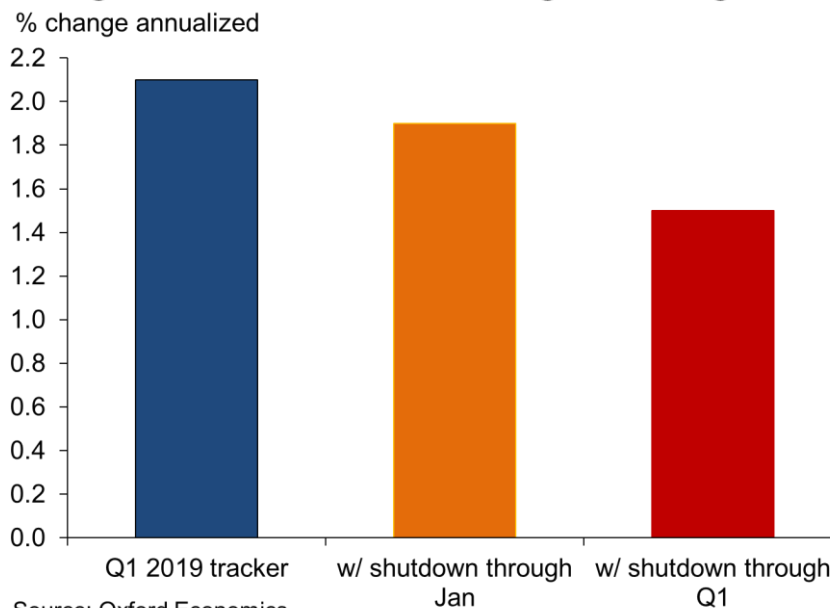
The Trump Administration has taken a broad view when it comes to recalling furloughed workers

- About 36,000 IRS workers have been recalled so that mortgage applications and tax refunds can be processed
- The State Department has recalled about 10,000 workers, many of whom will be paid, at least for a time
- Workers have been recalled by other agencies including the Departments of Transportation, Interior and Agriculture
 - We estimate about 50,000 workers have been recalled

Shutdown represents triple threat to economy

1. Direct loss of output from government workers and affiliated parties – each week of shutdown > 0.05% per week of shutdown
2. Other impacts: reduced spending, impact on federal contractors, confidence shocks and & reduced aid to low-income families – non-linear and would worsen over time
3. Blindfold on private-sector and Fed economists when economy is slowing

The government shutdown drag on GDP growth



Low-income households especially at risk

Low-income households are especially vulnerable if the shutdown drags on

- Households aren't receive housing assistance
- Funding for food stamps assured through February but not beyond
- A “normal” tax refund season is not guaranteed

Some effects will be reversed; some will not

Temporary Disruptions

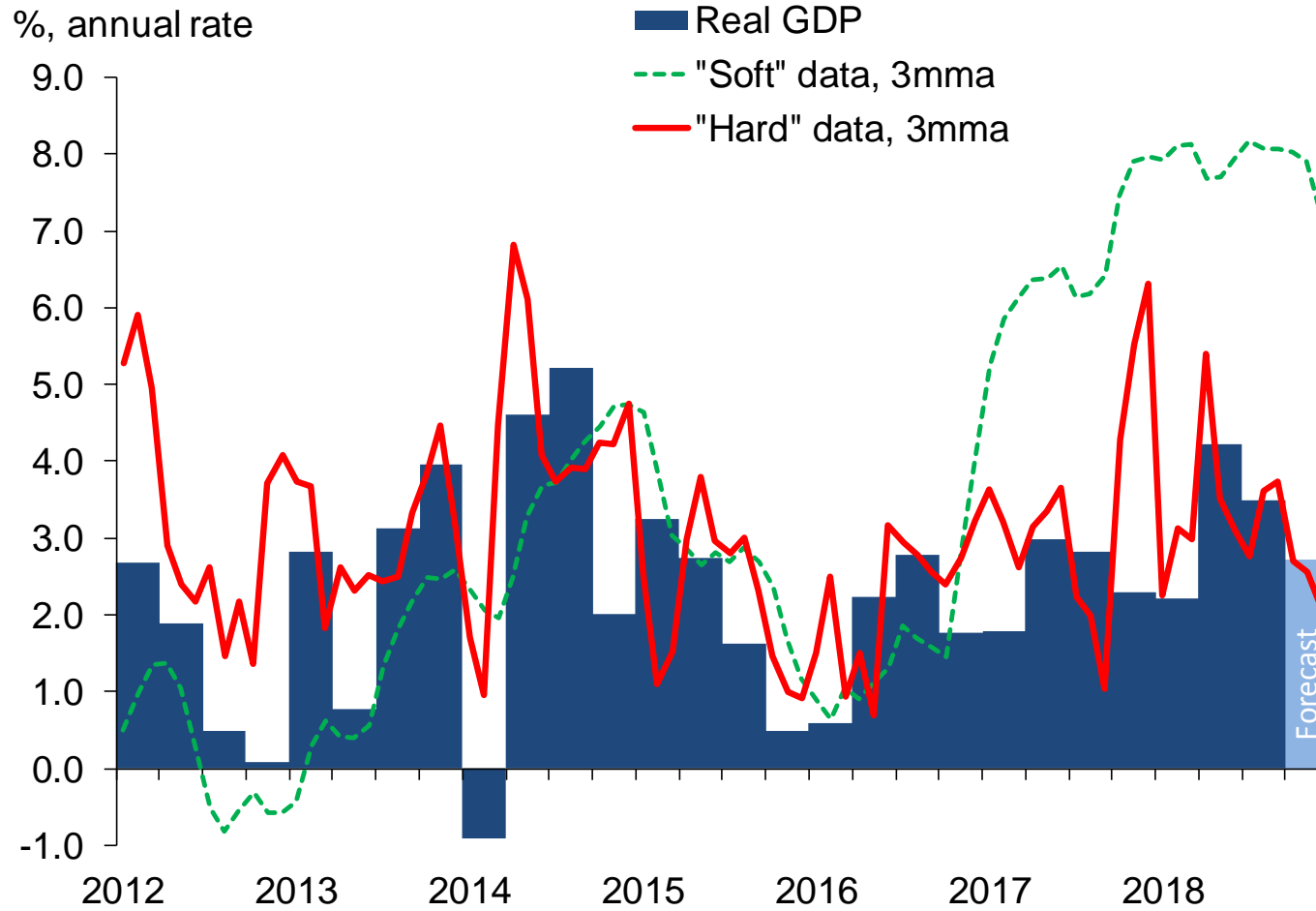
- Declines in consumer spending should be at least partly reversed after workers get retroactive pay
- Some services have probably just been delayed, such as approvals of federally-backed mortgages, small business loans, IPOs

Permanent, or long-lasting impacts

- Lost output of furloughed government workers
- Damage to confidence if it drags on much longer – lost faith in government to perform even the most basic functions
- Government “brain drain”

Timing is everything...

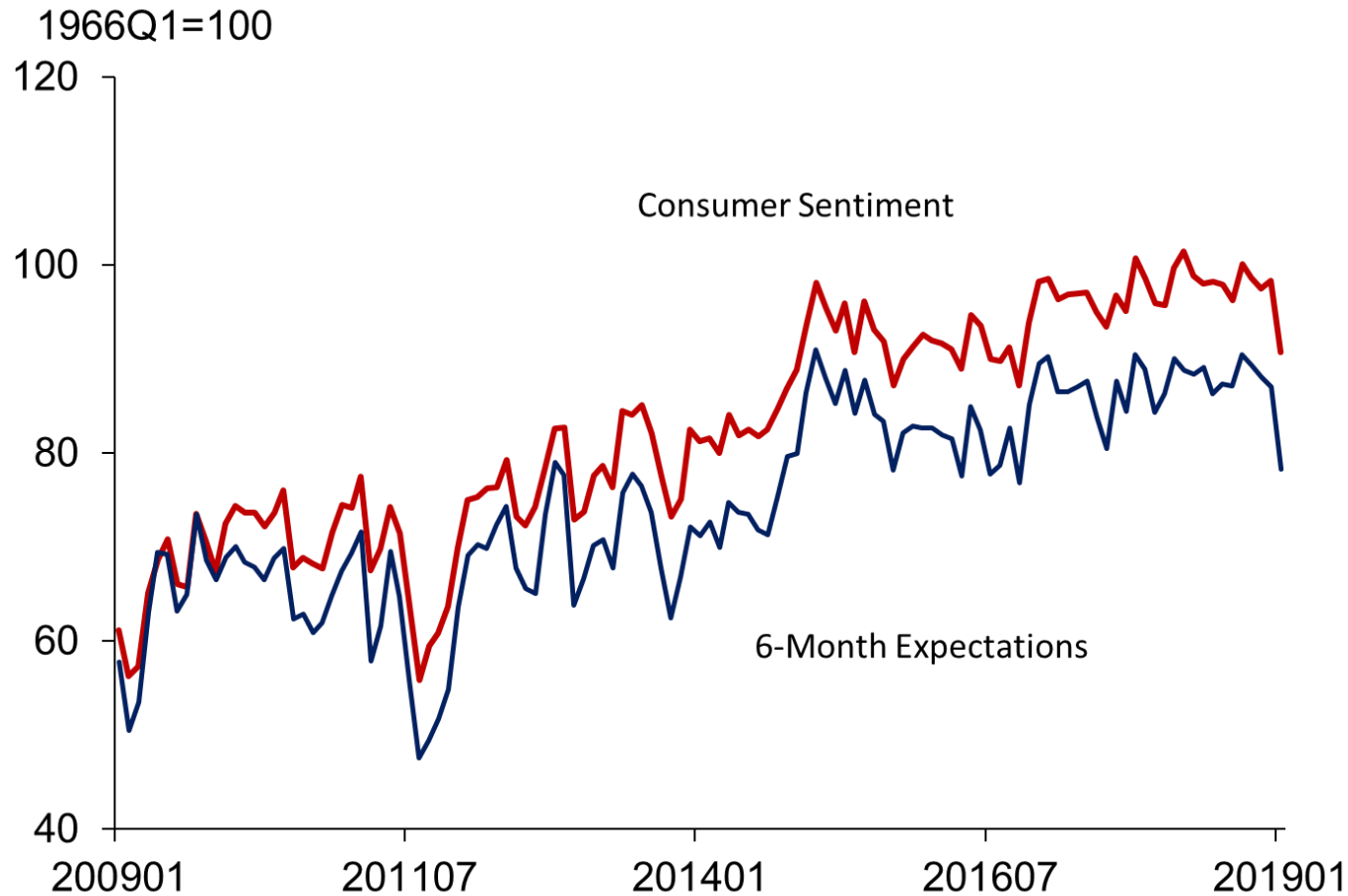
US: Economic Momentum Indicator



Source: Oxford Economics

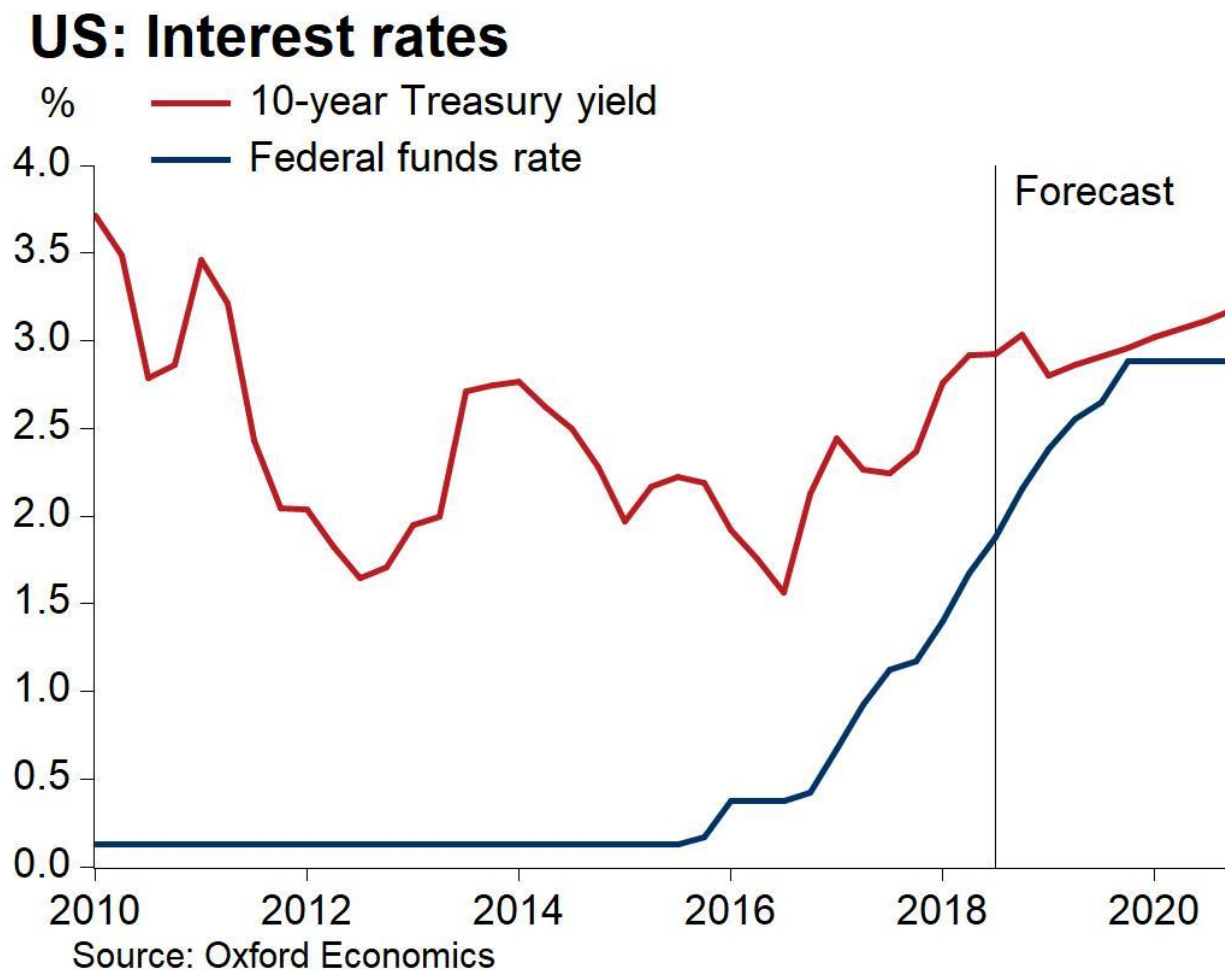
Shutdown, trade war rattling consumers

US Consumer Sentiment



Source: Oxford Economics/Haver Analytics

Fed to pause tightening in Q1, hike rates next on May 1



A backlog of data has piled up already

Data Releases Delayed or Likely to be Delayed Because of the Shutdown		
Indicator	Scheduled release date	Federal agency
New home sales	27-Dec-18	Census Bureau
US trade in goods	28-Dec-18	Census Bureau
Construction spending	3-Jan-19	Census Bureau
Factory orders	7-Jan-19	Census Bureau
US trade in goods and services	8-Jan-19	Census Bureau
Monthly Treasury Statement	11-Jan-19	US Treasury
Retail sales	16-Jan-19	Census Bureau
Business inventories	16-Jan-19	Census Bureau
TIC data	16-Jan-19	US Treasury
Housing starts	17-Jan-19	Census Bureau
Durable goods orders	25-Jan-19	Census Bureau
New home sales	25-Jan-19	Census Bureau
GDP	30-Jan-19	BEA
Personal income/PCE	31-Jan-19	BEA

The timing of some data releases isn't affected

Data released by the BLS, the Fed and private entities will come out as scheduled

- Impact on January employment data
 - Federal employees working without pay will be counted as employed
 - Furloughed workers will be counted as employed in the because their retroactive pay is guaranteed
- Household survey
 - Federal employees working without pay will be counted as employed
 - Furloughed workers will be counted as unemployed

It will take months, not weeks for the data calendar to normalize

Impact of the 2013 on the Census Bureau Data Release Calendar

Indicator	Month/Quarter	Original	
		date	Eventual date
Housing vacancies and homeownership	Q3:13	10/29/13	11/5/13
Retail sales	September	10/11/13	10/29/13
	October	11/14/13	11/20/13
Mfg and trade inventories & sales	August	10/11/13	10/29/13
	September	11/8/13	11/15/13
International Trade	August	10/8/13	10/24/13
	September	11/5/13	11/14/13
Housing starts, permits	September	10/17/19	11/26/13
	October	11/19/13	11/26/13
New home sales	September	10/24/13	12/4/13
	October	11/27/13	12/4/13
Construction spending	August	10/1/13	10/22/13
	September	11/1/13	12/2/13 <with October report
Factory orders	August	10/3/13	11/4/13 <with September report
Durable goods orders	September	10/25/13	10/25/13 <<no impact



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Thank you!

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