

U.S. Government Partial Shutdown Appears Likely

September 28, 2023

Funding for federal agencies is set to expire at midnight on September 30. If a resolution is not reached and signed by President Biden before this deadline, many federal workers will be furloughed. If the shutdown is prolonged, this could affect the collection and release of certain economic data. The Federal Reserve (Fed) is an appropriated agency and therefore should not be impacted by any furloughs.

These shutdowns have occurred several times in the past with the most recent in December 2018, which lasted 35 days (the longest on record). Importantly, this is not a debt ceiling debate which could potentially have more impact. Historically, these shutdowns have had minimal impact on the economy as they are typically resolved quickly. However, a prolonged shutdown could weigh on economic growth and jobs as furloughed workers go longer without pay.

Our View:

While headline grabbing and impactful for some on the margin, in the aggregate, we expect a minimal impact if the shutdown lasts for a couple weeks. We believe extending beyond that opens the door to further uncertainty as it would materially delay key economic data points that could impact monetary policy and the Fed at its November meeting.

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