US Daily: Government Shutdown: Much Closer to the End Than to the Beginning

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- The partial shutdown of the federal government looks likely to last longer than any prior shutdown, mainly because there is little political pressure to end it. A greater share of the public holds Republicans and President Trump responsible for the shutdown, putting little pressure on Senate Democrats to support a "clean" continuing resolution to end the shutdown, which they have so far opposed. The Trump administration has also gone beyond typical shutdown procedures to avoid some disruptions that might have forced an earlier agreement, like missed military pay.
- However, signs are emerging that the end of the shutdown might be approaching. Missed air traffic controller and airport screener pay on Oct. 28 raises the odds of air travel delays, particularly ahead of a second pay date Nov. 10. The failure to pay food stamp benefits on time from Nov. 1 might pressure lawmakers to reach a solution, though a recent court ruling looks likely to lead to a partial resumption. Passing political milestones—the Nov. 1 opening of enrollment in ACA plans for 2026 and the Nov. 4 elections in several states—might also open a window for political compromise that doesn't yet exist. The congressional recess that begins after Nov. 7 might also provide lawmakers with motivation to reach a deal. While unpredictable, our current expectation is that the shutdown is most likely to end around the second week of November.
- Assuming the shutdown ends in mid-November, we expect the release of the September employment report a few days after reopening, but we would not expect the November employment report until early December, either on schedule Dec. 5 or possibly delayed one week. The November CPI release might also face a delay, potentially pushing the next release from the currently scheduled date of Dec. 10 to the following week. In both cases, it is not yet clear how BLS will address the missing October data, but if the agency makes the decision to release figures for October, we would expect them in December along with the November data.
- The current shutdown looks likely to have the greatest economic impact of any shutdown on record. Not only is it likely to run longer than the 35-day partial shutdown in 2018-2019, it is much broader than prior lengthy shutdowns, which affected only a few agencies. While the impact of a shorter shutdown—lasting 2-3 weeks, for example—would be largely confined to the lost work of furloughed federal employees, a longer shutdown could have a greater effect on federal purchases and investment, and potentially a spillover into private sector activity. Assuming the shutdown lasts around 6 weeks, we estimate it will reduce

quarter-on-quarter annualized growth in 2025Q4 by 1.15pp, with a slightly larger boost of 1.3pp to growth in 2026Q1 as some federal purchases and investment spills over from Q4 to Q1. We now forecast quarterly annualized real GDP growth of +1.0% in 2025Q4 and +3.1% in 2026Q1.

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Government Shutdown: Much Closer to the End Than to the Beginning

The shutdown has lasted longer than most observers expected because there has been little political pressure to end it. In most prior shutdowns, the party opposing a "clean" extension of spending authority has faced mounting political pressure as the consequences of the shutdown build and, in each case, that party has ultimately relented and supported a temporary spending patch without other policy concessions attached. This shutdown has been different thus far, for two reasons:

First, public opinion has put little pressure on Democrats to support reopening the government without winning concessions on health care. Although nearly every Senate Republican has supported a "clean" extension of spending authority and nearly every Senate Democrat has opposed it, polling has consistently shown that a greater share of voters hold Republicans and President Trump responsible for the shutdown than Democrats, by an average of 43% to 35% since the shutdown started. Views among independent voters are even more lopsided in their blame of Republicans. Notably, support for Democrats among Democratic voters has increased since the shutdown began: 58% of Democratic voters approve of the way Democrats in Congress are handling their job, up from with 39% in July. Democrats continue to have an edge in "generic ballot" polling, as well.

Second, the Trump administration has stretched to make certain payments that would normally be disallowed during shutdowns, eliminating potential pressure points. Even before the shutdown began, this had seemed likely to an extent, as the fiscal package enacted in July included multi-year funding in areas like defense, immigration enforcement, and even air traffic control, which did not expire Sep. 30 and might be used to bridge a funding gap. However, the Trump administration appears to have gone further, for example by paying troops out of unspent funds that Congress appropriated last year for other purposes.

While it has run longer than most observers including ourselves had expected, we think the end of the shutdown is starting to come into sight. The American Federation of Government Employees (AFGE), the largest federal workers' union, on Oct. 27 called on Congress to pass a clean continuing resolution to reopen the government. As public sector unions are an important Democratic constituency, this could add pressure on Senate Democrats to support the continuing resolution they have thus far opposed. And while the Trump administration has taken steps to avoid some shutdown-related disruptions, it looks less likely to intervene to prevent others from occurring:

- **Air traffic controller and airport security screener pay (Oct. 28 and Nov. 10):** Air traffic controllers and airport security screeners missed their first full paycheck on Oct. 28. In the 2018-2019 shutdown, air traffic controller absences at key airports were blamed on missed paychecks, and air travel delays created pressure to reopen the government. While the fiscal package enacted this summer included multi-year funding for air traffic control modernization, the administration has indicated that it cannot pay air traffic controllers. In the 2018-2019 experience, controllers had already missed one full paycheck and were a few days from missing a second when travel delays pressured Republicans to end the shutdown (this year, the equivalent date would be around Nov. 6)

- **Congressional staff and support pay (Oct. 28, Oct. 31, Nov. 5, and Nov. 11):** House staff are paid monthly and will miss their first full paycheck Oct. 31, while Senate staff are paid biweekly and will miss a second full paycheck Nov. 5. Support staff will miss a full paycheck Oct. 28 and again Nov. 10 unless the government reopens. Financial difficulties among lawmakers' own staff and support personnel (e.g., the Capitol Police) could create pressure on lawmakers to compromise.
- **Military pay (Oct. 31 and Nov. 15):** The Trump administration paid troops on Oct. 15 out of $8bn in unspent Research, Development, Testing and Evaluation (RDT&E) funding that carried over from FY2025, and the Pentagon looks likely to find other unspent funds to fund the next payment on Oct. 31. Treasury Secretary Bessent has indicated that, while the Oct. 31 payment is likely to be made, the Nov. 15 payment is in doubt.
- **Supplemental Nutrition Assistance Program payments to states (Nov. 1):** While most entitlement programs (e.g., Medicare) are funded outside the annual appropriations process, a few including SNAP rely on congressional appropriations. SNAP benefits have not been impacted by prior shutdowns and the Dept. of Agriculture (USDA) contingency plan released Sep. 30 indicated it would make contingency funds available to pay benefits during the shutdown, but USDA announced Oct. 24 that it would not pay November benefits due to the shutdown. Most states transfer benefits to electronic cards on a rolling basis over the first several days of the month, so that nearly all benefits would normally be paid by around Nov. 10. Two federal district courts ruled Oct. 31 that the administration must use contingency funds to pay at least partial benefits, with a response from the Dept. of Agriculture due by Nov. 3. President Trump indicated Nov. 1 that he would instruct USDA to seek legal guidance on how to fund the program legally. This implies that the administration will either use around $5bn in contingency funds to pay roughly 60% of normal benefits due, or possibly use those funds plus transferred funds from other Dept. of Agriculture accounts to make full benefit payments. In either case most SNAP recipients are likely to receive benefits with a delay.

Beyond missed payments, two other events are likely to influence the timing of government reopening:

- **Affordable Care Act (ACA) enrollment period (Nov. 1 to Dec. 15):** Congressional Democrats' primary demand an extension of enhanced premium subsidies enacted in 2021, which made them more generous for low- and middle-income earners and expanded eligibility for higher-income earners. Enrollment for 2026 plans begins Nov. 1, at which point potential enrollees are likely to encounter substantially increased premiums, with much less of that premium subsidized than had been in 2025. While it seems clear that congressional Democrats have an incentive to continue to insist on extending subsidies before enrollment begins, it is less clear when they will believe it is acceptable to reopen the government without a compromise on these susbsidies. Enrollment for insurance starting Jan. 1 does not end until Dec. 15.
- **Election Day (Nov. 4):** New Jersey and Virginia elect governors Nov. 4, and other states and localities will hold elections including the New York mayoral contest and

congressional redistricting in California. While there is no direct relationship to the shutdown, it seems unlikely that either party will want to concede until after Election Day.

- **Congressional recess (Nov. 10-14, Nov. 24-28):** The Senate is scheduled to be in recess Nov. 10-14, which means that senators will be able to leave Washington Nov. 7 if there is no pending business. The prospect of cancelling the planned recess could add to lawmakers' incentives to reach a deal by Nov. 7, or possibly over the few days that follow. The next recess is scheduled for Nov. 24-28, for Thanksgiving, and could be a forcing event for a compromise if one has not yet been reached.

Previous shutdowns have all ended with passage of a "clean" continuing resolution (CR) that reopens the government and temporarily funds the government for several weeks or a few months, providing time for full-year spending bills to pass. The CR the Senate has repeatedly failed to pass would extend spending authority until Nov. 21. Republican leaders have begun to eye an early 2026 end date instead, but this would require passage in the House, which has been in recess since September.

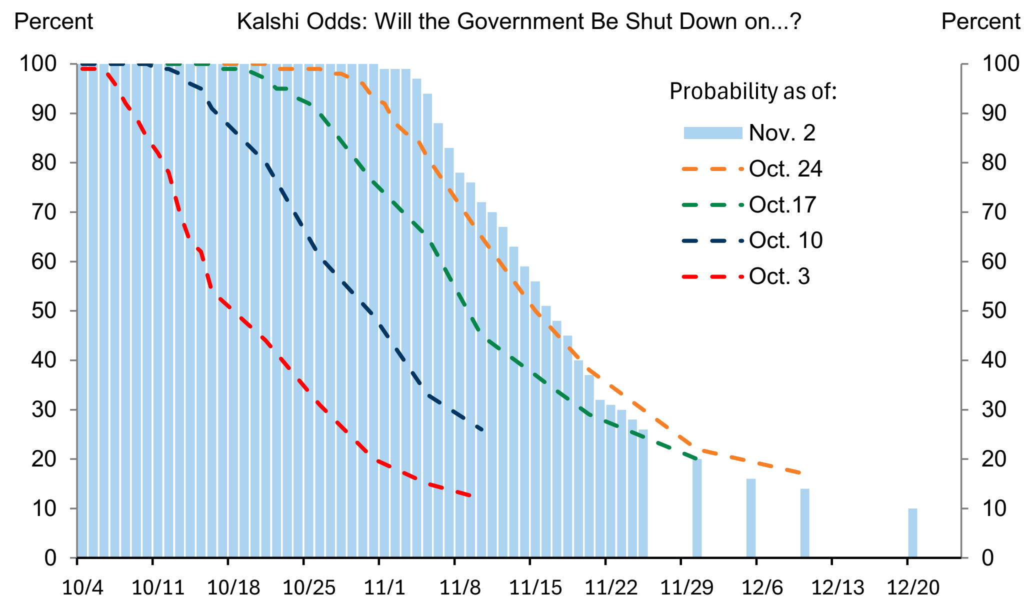
The path to reopening seems likely to follow one of two general routes. First, a few more Democratic Senators might break from Democratic leaders and vote for the pending CR. With 52 Republican senators likely supporting a clean CR—Sen. Paul never votes for spending bills—8 Democrats would need to support the CR to reach the 60-voted threshold. Thus far, 3 Democrats (Sens. Cortez Masto, Fetterman, and King, who is an independent but caucuses with Democrats) have voted for the CR, while two others (Sens. Ossoff and Warnock) voted for Republican-sponsored legislation to pay federal employees working during the shutdown, but have voted against the CR thus far. At this stage, there are few signs that any other Democrats are considering supporting the CR absent a broader deal, but this could change.

A second path to reopening might involve a commitment from Democrats to support the CR if Republicans commit to negotiate and allow a vote on health subsidies once the government has reopened. The pending CR's Nov. 21 expiration date might become a new deadline for passage of an extension of health subsidies, as Democrats could withhold their votes for a further extension. This appears to us the more likely scenario, as it would allow Democrats to retain some leverage in negotiations on health care after reopening without requiring Republicans to negotiate a compromise during the shutdown.

In theory, a third scenario would be for Senate Republicans to change Senate rules to abolish the legislative filibuster (it was ended in 2013 for most nominations, and in 2017 for Supreme Court nominations). While counterintuitive, it takes only 51 votes in the Senate to override the current Senate rule requiring 60 votes to end debate and vote on a measure. On Oct. 30, President Trump called on Senate Republicans to do this to pass the CR the Senate has repeatedly rejected over the last month. However, Senate Majority Leader Thune reiterated his opposition to the change on Oct. 31, and in any case at least four Senate Republicans look likely to object, which would deny Republican leaders a majority if they attempted a rules change.

After underestimating the duration of the shutdown, prediction markets have changed much less over the last week and currently imply roughly even odds that the shutdown ends by Nov. 15, and less than a 20% chance that the government remains shut down over Thanksgiving (Exhibit 1). While unpredictable, the pressure points noted earlier reinforce the signal from prediction markets that the shutdown is more likely than not to end around mid-November.

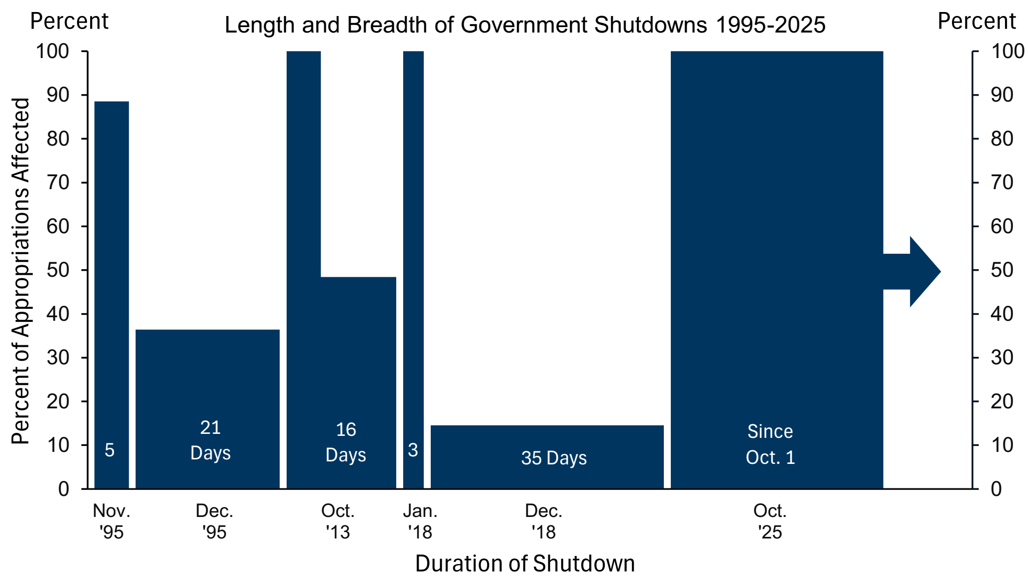
Exhibit 1: Prediction Market Implies Roughly Even Odds of Reopening by Mid-November



Source: Kalshi, Goldman Sachs Global Investment Research

Using the 2013 shutdown experience as a guide, if the government reopens around mid-November, we expect the Bureau of Labor Statistics (BLS) to release the September employment report a few days after reopening, but we would not expect the next report until early December. In light of the earlier than usual reference week in November, due to the Thanksgiving holiday, it is possible that the December report could be issued on schedule Dec. 5, though after prior shutdowns the following month's releases were delayed by roughly as week to allow time for processing. The CPI release might also face such a delay, potentially pushing the next release from the currently scheduled date of Dec. 10 to the following week. In both cases, it is not yet clear how BLS will address the missing October data, but if the agency makes the decision to publish October data, we expect it would be released in December along with the November figures.

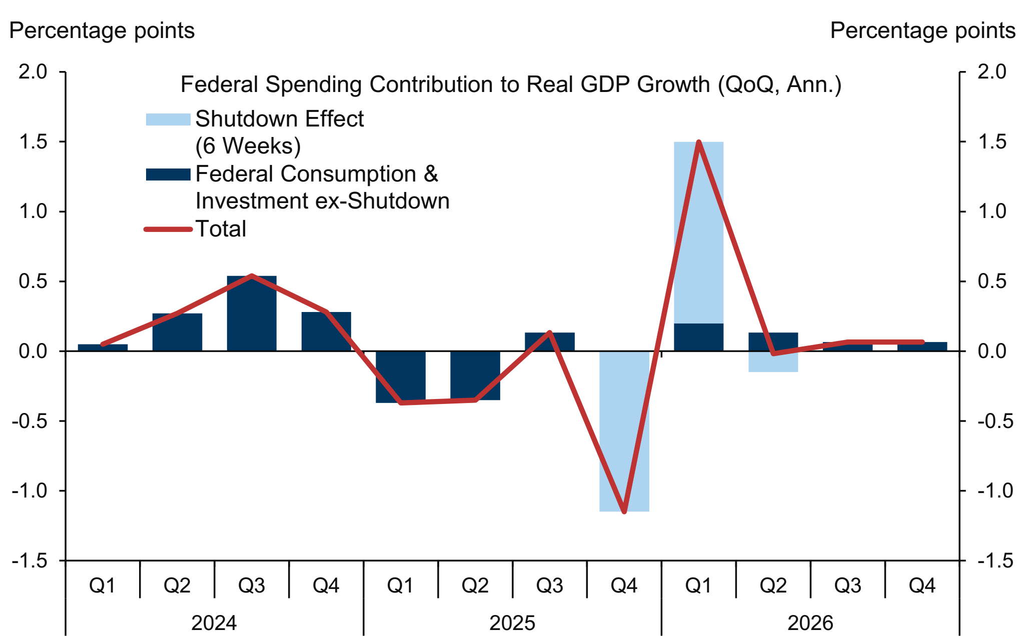
Exhibit 2: The Current Shutdown Will Have By Far the Greatest Economic Impact on Record



Source: Library of Congress, House and Senate Appropriations Committees, Goldman Sachs Global Investment Research

The current shutdown should result in a much greater hit to growth than any prior shutdown, not only because it looks likely to last longer but also because it represents a full lapse in congressional appropriations, whereas in prior shutdowns only a few agencies were affected (Exhibit 2).

Exhibit 3: A Hit to Q4 and a Slightly Larger Boost to Q1



Source: Department of Commerce, Goldman Sachs Global Investment Research

Assuming the shutdown lasts roughly six weeks, we expect it to reduce quarter-on-quarter annualized real GDP growth in 4Q2025 by 1.15pp, primarily as a result of federal employee furloughs, with a smaller negative effect on federal investment and government purchases (Exhibit 3). The effect would more than reverse in 1Q2026, adding 1.3pp, as a result of furloughed workers returning plus a temporary increase in federal investment and government purchases pushed from Q4 into Q1. The effect on growth in 2Q2026 would be slightly negative (-0.15pp), as federal investment and purchases step down to their normal level. We now forecast quarterly annualized real GDP growth of +1.0% in 2025Q4 and +3.1% in 2026Q1.

Alec Phillips

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