FROM THE DESK OF:

New York Life Investments' Global Market Strategy team

Back to business: end to the longest-ever U.S. government shutdown is imminent

Lauren Goodwin | Julia Hermann | Sarah Hirsch | Michael LoGalbo

New York Life Investments

November 12, 2025

From the desk of: New York Life Investments'
Global Market Strategy team
Lauren Goodwin · Julia Hermann · Sarah Hirsch · Michael LoGalbo

Back to business: end to the longest-ever U.S. government shutdown is imminent

As of 8:30am, 12 November 2025

Takeaways

- Holiday travelers and government workers, rejoice! On Wednesday, the longest U.S. government shutdown in history – a record 43 days – is expected to end.
- We anticipate a hole in government data for October, including jobs and CPI reports. November data should remain intact, though potential delays to surveys and publishing may mean the Fed will be without both October and November jobs data ahead of its December 9-10th meeting.
- On balance, the lack of data may encourage the Fed towards a December cut. We do not believe a December cut would mark a shift toward a more dovish Fed, and continue to expect the Fed will cut only 50-75 basis points more in the coming 12 months.

The U.S. Senate reached an agreement on Monday, passing a resolution that funds the government through January 30, 2026, and includes three full-year funding bills for some parts of the government, in exchange for a promised future vote on extending health-care subsidies. The House is expected to pass the bill on Wednesday, ending the shutdown.

Assessing the economic impact of the shutdown

As we noted at the outset, the ultimate economic impact of a shutdown depends largely on its length. Historically, each week of the government shutdown reduces real GDP growth between 0.1 and 0.2 percentage points on an annualized basis, with much of that activity made up in the following quarter. Congressional Budget Office recently estimated that a six-week shutdown could lower fourth-quarter real GDP by 1.5 percentage points annualized, with the majority of lost output recovered in subsequent quarters.

Similarly, longer shutdowns have been associated with deeper damage to consumer sentiment. The University of Michigan's preliminary November index saw consumer sentiment drop by 6.2%, to a three-year low – close to the lowest point ever recorded and matching the deterioration seen during the 35-day 2018-2019 shutdown.

When will we get the government data we missed?

It's been a tough 43 days for data nerds. The Department of Labor has postponed nearly all major economic releases – including the September and October employment reports, October CPI, September PPI, and the advance estimate of Q3 GDP, among others. (One exception: September CPI was released on October 24, as the surveys for that release had already been conducted and those figures were needed to calculate Social Security cost-of-living adjustments.)

Some data, like the September jobs report, were finalized before the shutdown and can likely be published quickly once the government reopens. But **surveys for the October jobs and CPI reports were never collected**, creating potentially permanent gaps in the economic record. Releasing this data would require BLS to conduct post-dated surveys, throwing the validity of the data into question. In sum: **we're writing off the October jobs and CPI reports either way**.

Lauren Goodwin · Julia Hermann · Sarah Hirsch · Michael LoGalbo

With the shutdown ending, the government will likely begin collecting source data for the November releases. This may cause a slight delay in reporting – during the 2013 shutdown, which lasted two weeks, subsequent data releases were delayed. This could leave the Fed, which is meeting on December 9-10, without access to the November jobs report in addition to the data hole from October.

Without the full data picture, the Fed may be more inclined to cut

Chair Powell was clear at the October press conference: a cut in December is not a done deal. Without access to government jobs and CPI data, the Fed must decide whether to act based on incomplete information. Without access to government data, the Fed may focus less on the exact timing of cuts and more on maintaining its overall policy glidepath. A December move would represent another step toward its stated goal of returning to a neutral policy rate – our best guess is around 3.25%-3.50% – in 2026.

Our base case for the Fed already calls for 50-75bps of easing by year-end 2026 – more hawkish than market expectations. Within that context, the government shutdown's impact on the market via Fed timing, whether the next cut occurs in December, January, or March, will be limited.

What this means for the markets

The end of the government shutdown removes another brick from the market's wall of worry. The resumption of federal spending – including paychecks for government employees and the reinstatement of SNAP benefits – lifts a key source of pressure on the economy and investor sentiment. Government funding is now secured through the end of January.

This is all happening on the back of the Fed easing into a non-recessionary economy, healthy market liquidity supported by the end of the Fed's QT policy on December 1, and important fiscal benefits (via higher tax returns for many households) coming in H1. We believe this combination of factors will support animal spirits, creating a constructive backdrop for risk assets as we head into year-end.

More from the GMS team:

*Our **November/December Macro Pulse: Outlook for 2026** will be available at the end of November!*

For those interested in the global forces shaping markets, please register for our upcoming webinar with geopolitical strategist John Sitilides on Monday, November 17 at 11am Eastern.