THE WALL STREET JOURNAL.

Economists See Little Shutdown Impact, For Now

By Ben Leubsdorf Jan. 22, 2018

For now, economic forecasters aren't too worried about the federal government's shutdown.

Closing down government offices and operations should weigh on the economy as the government spends less, as would federal workers sent home or kept on the job in essential roles without pay. In past shutdowns, federal workers were later paid in full, and much spending was delayed but not lost. An extended shutdown also has the potential to rattle consumer confidence more broadly.

Economists at Bank of America Merrill Lynch estimated Monday that for every week the government is closed, the first quarter's growth rate for gross domestic product will be reduced by 0.1 to 0.3 percentage points. But, they said in a note to clients, "there will be a payback" in the second quarter.

That's in line with other estimates that the shutdown shouldn't derail the economy as a whole, even if it hurts the Washington region and other areas with many federal workers. A report Monday from Moody's Investors Service said that "although the shutdown will be credit negative for the sovereign to the extent that it disrupts the U.S. economy, it will not have any immediate implications for the U.S. government's credit rating."

But some forecasters warned the calculus could change if the deadlock drags on for many weeks.

"A shutdown lasting a week or two will certainly unnerve investors and CEOs, but it is unlikely to do serious long term damage to the stock market or put the brakes on economic activity," said **Bernard Baumohl of the Economic Outlook Group** LLC in a note Monday morning.

But, he added, a "prolonged series of shutdowns" would have more serious consequences and set "in motion a series of events that could take the steam out of the stock market, dramatically slow economic growth and effectively neutralize all the benefits of the recently passed tax cuts."

###