

# Bloomberg

## White House Says U.S. Could See Zero Growth This Quarter With Shutdown

By Jeff Kearns and Emma Kinery

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White House Council of Economic Advisers Chairman Kevin Hassett said that if the partial government shutdown extends through March, there's a chance of zero economic expansion this quarter, though "humongous" growth would follow once federal agencies reopen.

Asked in a CNN interview Wednesday if the U.S. could see zero growth with the shutdown, Hassett responded, "Yes, we could, if it extended for the whole quarter."

"It is true that if we get a typically weak first quarter and extended shutdown that we could end up with a number that is very low," or "very close to zero," Hassett said. He added that he sees the chance of a recession in 2020 as "very, very close to zero."

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Analysts surveyed by Bloomberg News last week said that if the shutdown lasts through the end of March, it would subtract 0.8 percentage point from first-quarter growth, which would end up at 1.5 percent, based on median responses. Estimates for GDP, based on an annualized pace, ranged from a contraction of 2 percent to growth of 3.3 percent.

The White House last week doubled its estimate of the cost of the shutdown on the economy. Hasset said the new estimate of the cost to output is a reduction of 0.13 percentage point every week of closure.

One economist disputed Hasset’s estimate of the potential second-quarter rebound. Such a projection “looks more like a full-throated prayer than a realistic forecast,” according to **Bernard Baumohl, chief global economist at the Economic Outlook Group LLC**, though he agreed first-quarter growth could edge close to zero if the shutdown endures through March.

“What apparently the CEA missed or grossly underestimated is the extent households will work in the second quarter to rebalance their finances after ramping up their credit card debt and depleting savings during the first three months of the year,” Baumohl wrote in a note. “Credit card usage by the 800,000 unpaid government workers and contractors will climb sharply in Q1 to pay for essentials. Others will dig deep into their savings.”

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