The shutdown has ended – but this economist isn't rejoicing quite yet

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After 43 days, the U.S. government shutdown finally came to an end late on Nov. 12, 2025, when Congress voted through a long-overdue funding bill, which President Donald Trump promptly signed.

But the prolonged gap in government-as-usual has come at a cost to the economy.

The Conversation spoke with RIT economist Amitrajeet A. Batabyal on the short- and long-term impact that the shutdown may have had on consumers, on the gross domestic product and on international trust in U.S. stewardship of the global economy.

What is the short-term economic impact of the shutdown?

Having some 700,000 government workers furloughed has hit consumer spending. And a subset of those workers believed they may not have a job to come back to amid efforts by the Trump administration to lay them off permanently.

In fact, the University of Michigan's monthly index on consumer sentiment tumbled to a near record low in November – a level not seen since the depth of the pandemic. Because lower consumer sentiment is related to reduced spending, that has a short-term impact on retailers, too.

And because parks and monuments have been closed throughout the shutdown, tourism activity has been down – a decline no doubt worsened by the reduction in flights enforced due to shortages in air traffic controllers.

The effect was particularly pronounced in places like Washington D.C. – one of the most popular destination for tourists – and Hawaii. This short-term effect will likely extend to secondary businesses, such as hotels. Indeed, prior to the shutdown, the U.S. Travel Association warned that such an event would cost the total travel industry around US$1 billion a week.

And the longer-term impact?

Estimates range, but the nonpartisan Congressional Budget Office has said that the cost to America's gross domestic product in lost productivity is in the range of $7 billion to $14 billion – and that is a cost from a self-imposed wound that will never be recovered.

And from an international macroeconomic point of view, trust in the U.S. has been hit. Even before the shutdown, political dysfunction in Washington contributed to a downgrade in the U.S. credit rating – something that could result in higher borrowing costs.

The shutdown further erodes the United States' standing as the global leader of the free market and rules-based international order. Accompanied by the economic rise of China, this shutdown further erodes international investors' impression of the U.S. as an arbiter and purveyor of the established trade and finance system – and that can only hurt Washington's global economic standing.

Has the economic pain been felt evenly?

Certainly not. Large numbers of Americans have been hit, but the shutdown affected regions and demographics differently.

Those on the lower end of the income distribution have been hit harder. This is in large part due to the impact the shutdown has had on the Supplemental Nutrition Assistance Program, also known as food stamps. Some 92% of SNAP benefits go to American households below the federal poverty line.

More than 42 million Americans rely on SNAP payments. And they were caught up in the political maelstrom – left not knowing if their SNAP payments will come, if they will be fully funded and when they will appear.

There is also research that shows Black Americans are affected more by shutdowns than other racial groups. This is because traditionally, Black workers have made up a higher percentage of the federal workforce than they do the private sector workforce.

Geographically, too, the impact of this shutdown has been patchy.

California, Washington D.C. and Virginia have the highest proportion of federal employees, so that means a larger chunk of the workers in those regions were furloughed. Hawaii has also been disproportionately hit due to the large number of military there. One analysis found that with 5.6% of people in the state federally employed, and a further 12% in nonprofit jobs supported by federal funding, Hawaii was the second-hardest-hit state during the shutdown.

How easy is it for the US to recover from a shutdown?

Because shutdowns are always temporary, recovery depends on how long it has gone on for. Traditionally, the long-term economic trend is not badly affected by the short-term pain of shutdowns.

But it may be slightly different this time around. This shutdown went on longer than any other shutdown in U.S. history.

Also, the nature of this shutdown raises some concerns. This was the first shutdown in which a president said that backpay was not a sure thing for all furloughed federal employees. And the uncertainty over those threatened with layoffs again broke from past precedent. Both matters seemed to have been settled with the deal ending the shutdown, but even so, the ongoing uncertainly may have affected the spending patterns of many affected.

And we also do not know what the economic impact of the reduction of domestic flights will be.

Have other economic factors exacerbated the shutdown affect?

While the shutdowns in Trump’s first administration did take place while tariffs were being used as a foreign policy and economic tool, this year is different.

Trump’s tariff war this time around is across the board, hitting both adversaries and allies. As a result, the U.S. economy has been more tentative, resulting in greater uncertainty on inflation.

Related to that is the rising grocery prices that have contributed to an upward tick in inflation.

This all makes the job of the Federal Reserve harder when it is trying to fine-tune monetary policy to meets its dual mandates of full employment and price stability. Add to that the lack of government data for over a month, and it means the Fed is grasping in the dark a little when it comes to charting the U.S. economy.

Amitrajeet A. Batabyal does not work for, consult, own shares in or receive funding from any company or organization that would benefit from this article, and has disclosed no relevant affiliations beyond their academic appointment.