



# WEEKLY ECONOMIC DIGEST

## JOINT ECONOMIC COMMITTEE

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October 29, 2013

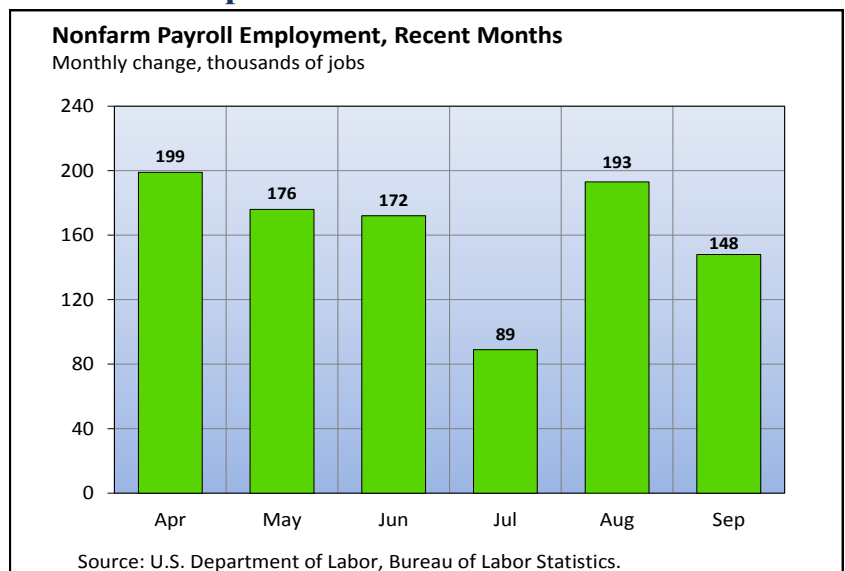
## Government Shutdown, Brinksmanship Have Harmed the Economy

### Early signs of the economic costs are emerging

- The federal government shutdown lasted through the first 16 days of October, and some early data are already suggesting how the gridlock has adversely affected the economy.
- Consumer sentiment fell to its lowest level this year, according to a Thomson Reuters/University of Michigan survey. In addition, the Conference Board announced this morning that “consumer confidence deteriorated considerably as the federal government shutdown and debt-ceiling crisis took a particularly large toll on consumers’ expectations.”
- In a study released last week, the President’s Council of Economic Advisers concluded – based on preliminary data – that annualized GDP growth in the fourth quarter will be reduced by .25 percentage point due to the shutdown. Some analysts estimate the cost to be even higher: Standard & Poor’s estimates that fourth-quarter growth will be reduced by 0.6 percentage point.
- The economic costs of brinksmanship and the resulting uncertainty have been very high. In a recent JEC hearing, Dr. Kevin Hassett (Senior Fellow at the American Enterprise Institute) suggested that U.S. GDP is probably more than 3 percent lower than it would have been without the brinksmanship of recent years and that more than 2 million jobs have been lost.

### Employment growth was below expectations in September

- Total nonfarm employment rose by 148,000 jobs in September after rising by 193,000 jobs in August (see chart).
- Leading forecasters had expected job gains of about 185,000 last month.
- Employment growth in September reflected gains in both private-sector payrolls (up 126,000 jobs) and government payrolls (up 22,000 jobs). But federal government employment dropped by 6,000 jobs last month (before the furloughs).



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- So far this year, the economy has added nearly 1.6 million jobs, about the same number it had added at this point last year.
- During the downturn, the economy lost 8.8 million private-sector jobs and, through September, it has created 7.6 million jobs since February 2010 when the employment recovery began.
- While employment in service industries during the recovery has already grown by about two million more jobs than were lost in the downturn, employment in manufacturing and construction remains significantly below the levels that prevailed before the recession.

### Unemployment edged down in September

- The unemployment rate decreased slightly to 7.2 percent of the civilian labor force in September and has declined 0.6 percentage point since the start of the year.
- Long-term unemployment (27 weeks or more) notched down to 2.7 percent of the labor force last month. The long-term jobless rate has fallen from its peak after the downturn (4.3 percent), but remains higher than it was just prior to the recession (0.8 percent).

### Job openings increased in August while hiring edged down

- Job openings increased 2.0 percent over August, according to the latest available survey data from the Labor Department.
- Hiring declined 0.2 percent in August, after increasing 4.2 percent in July.
- On average, there were 2.9 unemployed workers and 5.6 underemployed workers for every job opening in August. Those rates have improved considerably since the depths of the downturn, when there were 6.7 unemployed workers and 11.9 underemployed workers per job opening.

### THE WEEK AHEAD

| DAY                       | SELECTED UPCOMING DATA RELEASES & EVENTS   |
|---------------------------|--|
| <b>Tuesday, Oct. 29</b>   | Advance Monthly Sales for Retail and Food Services (September)<br>Manufacturing and Trade Inventories and Sales (August) |
| <b>Wednesday, Oct. 30</b> | Consumer Price Index (September)<br>Federal Open Market Committee announcement on monetary policy                        |
| <b>Thursday, Oct. 31</b>  | Personal Income and Outlays (September)  |
| <b>Friday, Nov. 1</b>     | Construction Spending (September)  |