

A shaky economy risks 'flying blind'

Government shutdown could cut off flow of data at a time of rising peril

BY BEN CASSELMAN

The monthly U.S. jobs report on Friday is expected to provide crucial evidence to economists, policymakers and investors who are trying to determine whether a slowdown in hiring over the summer continued into the fall and whether deeper cracks are forming in the foundation of the country's labor market.

If, that is, there is a jobs report on Friday at all.

The U.S. Bureau of Labor Statistics, which produces the monthly jobs data, will "suspend all operations" if Congress and the president fail to reach a deal to extend funding for the federal government before a Tuesday midnight deadline, according to a contingency plan released by the Department of Labor. Data releases scheduled during a government shutdown "will not be released," and data collection for future reports will cease, the memo said.

That means a shutdown could delay not only the jobs report on Friday but also other data, including key inflation figures that were set to come out in mid-October. Reports from other agencies, including the Census Bureau and Bureau of Economic Analysis — which are part of the U.S. Commerce Department — would also be affected.

This lapse in data would come at a particularly critical moment for economists and policymakers, who have been struggling to make sense of conflicting signals about the health of the U.S. labor market and the country's broader economy. Job growth has slowed significantly in recent months, but the unemployment rate has remained low. Measures of consumer spending and some other economic activity have likewise stayed relatively strong.

"We are currently seeing an economy that may or may not be at a turning point, particularly for the labor market," said Martha Gimbel, who worked at the White House Council of Economic Advisers during the Biden administration and is now executive director of the Budget Lab at Yale University in Connecticut. Such turning points are always difficult to recognize in real time, she said, which makes it even more important to have as much high-quality data

as possible.

"Less data is not going to make understanding the economy at such a pivotal time easier," Ms. Gimbel said.

An extended government shutdown would add yet another complication for officials at the U.S. Federal Reserve, who are trying to weigh the risks of a weakening labor market against the threat posed by stubborn inflation. Without reliable data, the chances are greater that they will make an error in one direction or the other, allowing either unemployment or inflation to worsen.

"Flying blind amidst heavy fog is a dangerous proposition," said Gregory Daco, chief economist at the consulting firm EY-Parthenon.

How long that fog persists would depend on the length of any shutdown.

A brief lapse in funding might have only a limited impact. Data collection for the September jobs report has already been completed, and the report itself — which includes dozens of tables alongside charts and other materials — is mostly finished. As a result, even in the event of a shutdown, the government should be able to release the report quickly, once the government reopens, said William Beach, who was commissioner of the Bureau of Labor Statistics from 2019 to 2023.

Data on consumer prices for September has also been collected, meaning that the next Consumer Price Index report, scheduled for Oct. 15, should be ready quickly.

But if a shutdown lasts more than a couple weeks, it could disrupt the process of collecting data for future reports, which could have more lasting consequences. Labor force statistics, for example, are based on a survey conducted in the middle of each month. If the survey is delayed, people could struggle to recall what they were doing weeks earlier, which could make the data less reliable.

The U.S. Department of Labor, in its planning document, warned that "a reduction in quality of data collected might impact the quality of future estimates produced."

It would not be the first time that a government shutdown has disrupted the United States' economic data. A 16-day lapse in funding in 2013 delayed dozens of releases, including the September jobs report. A longer but less extensive shutdown during President Trump's first term spared the Bureau of Labor

Statistics but held up reports from the Commerce Department, including data on gross domestic product.

This disruption, however, would coincide with a particularly tumultuous period for the Bureau of Labor Statistics. In August, Mr. Trump fired the head of the agency following an unexpectedly weak jobs report, then nominated E.J. Antoni, a conservative economist, to replace her. Mr. Antoni is still awaiting Senate confirmation.

The agency has also been grappling with staffing shortages, which have forced it to scale back data collection in some areas. The bureau recently posted job openings for more than two dozen part-time employees to help fill those gaps, but a government shutdown could delay the hiring process.

"It's another obstacle being thrown in their path," said Erica Groshen, who led the statistics agency the last time it had to shut down because of a lapse in funding in 2013.

In the absence of most government data, economists and policymakers will be looking to alternative sources. The Fed, which does not rely on federal funding, will continue to produce data on manufacturing output, consumer credit and other topics. Private companies such as Indeed, the career website, and ADP, the payroll processor, also release data on job openings, hiring and wages.

But none of those private sources are as comprehensive or authoritative as the official government statistics — and many of them are based on government data to some degree. No private sources can fully replace data from the Bureau of Labor Statistics and other agencies, said Kathy Jones, chief fixed-income strategist at Charles Schwab.

"The B.L.S. figures are the gold standard for evaluating trends in the labor market," she said. "So setting policy without those numbers, especially at a time when the Fed is very much focused on the labor market, would be difficult."



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If Congress and the president don't reach a deal, the agency that produces monthly jobs reports will suspend operations.



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