

Businesses hurting

LI's economy is losing millions a week in spending by federal furloughed workers

DOW JONES

301.87 to 24,404.48

Over the past year:



CRUDE OIL

\$1.23 to \$52.57

Over the past year:



Key:
 ○ — Past year's low
 ○ — Past year's high

Close; color indicates up/down from previous close

STOCKS SINK ON SIGNS OF WEAKNESS

Stocks fell sharply Tuesday following new signs the global economy is weakening and reports of difficulties in U.S.-China trade talks. That broke a four-day winning streak for U.S. indexes.

Technology and internet companies skidded, and energy companies sank with oil prices. Industrial companies also fell, hurt by the slower growth forecast and trade concerns, as well as some weak fourth-quarter earnings. Bond prices climbed as investors looked for safer investments.

Home builders also sank after home sales cratered in December and price growth declined to the lowest level in more than six years. The National Association of Realtors said Tuesday that sales of already-built homes plunged 6.4 percent.

The S&P 500 index lost 1.4 percent, to close at 2,632.90. The Dow Jones Industrial Average slid 301.87 points to 24,404.48. The Nasdaq composite fell 1.9 percent to 7,020.36. The Russell 2000 index of smaller firms fell 1.69 percent to 1,457.45.

Bond prices rose. The yield on the 10-year Treasury note fell to 2.74 percent from 2.78 percent.

U.S. crude lost 2.3 percent to settle at \$52.57 a barrel in New York. Brent crude, used to price international oils, fell 2 percent to \$61.50 a barrel in London.

— AP

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The federal government shutdown is costing Long Island's economy millions of dollars per week in lost consumer spending by federal workers because many of them aren't receiving paychecks, according to an estimate from the region's largest business group.

The Long Island Association estimates the full weekly payroll of local residents who are employed by Uncle Sam is as much as \$28 million. It's not known how many have been furloughed or are working without pay under the partial shutdown.

Small businesses are being hit especially hard as federal personnel reduce their discretionary spending, said John A. Rizzo, the LIA's chief economist and a Stony Brook University professor. Firms of many kinds are seeing fewer customers, particularly if they are located near federal offices.

"There are ripple effects . . . diners, Laundromats, restaurants, retail stores are all getting less business. The same with federal contractors," Rizzo said.

At Anthony's Coal Fired Pizza in Bohemia, regular customers from the Federal Aviation Administration office and air traffic control tower a half mile away on Johnson Avenue in Ronkonkoma have cut back their spending, general manager Jessica Branis said Monday. "It's definitely affecting us," she said. Business is "taking a hit because a lot of people come here directly from work."

Branis said customers who came to the restaurant two or three times a week and spent \$50 or \$60 per visit have cut back to once every other week.

The LIA used the wages of all 26,000 federal employees who live in Nassau and Suffolk counties to create its \$28 million federal payroll estimate. The jobs carry an average salary of \$75,400, according to 2017 Census data.

The employee number, also based on Census data, includes people who live here but work in New York City and elsewhere. The Island is home to 16,000 federal jobs, according to separate data from



Hauppauge's IRS office remains shut. The furlough's effect ripples to small stores and U.S. contractors.

Working for Uncle Sam

26,000

Federal government workers on Long Island

\$75,400

Average salary of federal workers on Long Island

SOURCE: U.S. CENSUS DATA

the state Department of Labor.

Nationwide, 800,000 federal employees are going without a paycheck. In New York State, 16,000 of the 51,000 federal workers are on furlough, according to the office of Senate Minority Leader Chuck Schumer. The number of Long Island workers going unpaid is unknown.

Rizzo said the economic effects are likely to be temporary because federal employees will receive back pay once the shutdown ends. This could lead to a short-term burst of consumer spending, he said.

Economist Richard Vogel, dean of Farmingdale State College's business school, agreed.

Still, he and others said some federal personnel are finding it difficult to pay bills and buy groceries, even seeking help from area food banks.

"They are enduring hardships as their funds dry up,"

Vogel said. "They are being forced to make decisions about what to pay and what not to pay until such time that they are receiving their salaries again."

Last week, the White House Council of Economic Advisers doubled its estimate of the partial shutdown's negative impact on U.S. economic growth. Council chairman Kevin Hassett said the 2019 projected increase in the gross domestic product, the sum of all goods and services produced, has been cut by 0.13 percentage points per week or nearly 0.5 points since the shutdown began on Dec. 22. He had projected GDP growth would be reduced by 0.1 points every two weeks.

The council forecast in August the U.S. economy would expand 2.3 percent for all of 2019.

Moody's Analytics warned "the effect will be more pronounced if the shutdown continues into February and if it exacerbates recent softness in business and consumer confidence or triggers an adverse reaction by financial markets."

The Manhattan economic forecasting firm said the partial shutdown is disrupting key business activities, such as permitting and environmental reviews, import and export license processing, IPO application reviews and loans to small businesses and homeowners.

In East Islip, Nelson Guerra, manager of Isabella's Pizza,



Isabella's Pizza in East Islip reports it's making fewer pies and losing about \$130 a day.

said the shutdown has already lasted too long. The restaurant normally cooks 10 to 15 cheese pies a day for customers, including employees from the U.S. District Court in Central Islip, Guerra said. That number is now down to six or seven pies.

"We have more pizza left over these days," he said, adding that Isabella's is losing about \$130 a day, an amount that is hard for the small business to absorb.

President Donald Trump and Congress "should put a limit to this," Guerra said. "It's been too long now."

With Carrie Mason-Draffen and Ken Schachter

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