Dear Colleague,

Today, alongside our regular update of the Hutchins Center Fiscal Impact Measure (FIM), we begin publishing a two-year forecast The FIM estimates the effect of local, state and federal fiscal policies on GDP growth. The latest data show that government spending and tax policies added [0.5] of a percentage point to growth in inflation-adjusted Gross Domestic Product (GDP) in the second quarter of 2019, relative to potential. We expect these policies will continue to support growth through the end of the year.

[**View the updated FIM**](https://na01.safelinks.protection.outlook.com/?url=https%3A%2F%2Fconnect.brookings.edu%2Fe2t%2Fc%2F*W3m7zS762Y59ZW3PKW3w4kf0p30%2F*W5H3HzF3xqskfN2MYcK9d0pFH0%2F5%2Ff18dQhb0Sq5G93BlP4W8SMVYk6ghkRDVWs4R0580j8qW5r8vwP3mm44rN5y5LkQQc8B5W3Q0gwy8CZlf6W8zw4Yk5_MRglN5xKmK5Sc_K4W5vf5HC8p-PpCW66wzpL7KKkcfVKnrlQ4b_DmRW4fNngL54SnQsW8_dDry4bJ02hW4LxS8p4s7W_hW5K57Wq2z94dxW3LLK525DF3vbW5ZpycS57-ZBTW83C5JP37RhtbW7NrMZs3ndf-_W5LzkJg6NZvVdN2zP36grX3l1W6VzDtY1fnkPtW24X5S42BHNMlVj8tbN480Y-xW5Nq0rF7SFP1SW8qb3Y-5FL_2PW7hlJ_d5qzZppW1R18_75bbDYKN4Pv86f5X_1yf13Dr_T02&data=01%7C01%7Ctkelly%40brookings.edu%7C674b371065de4c96643308d63da7b91f%7C0a02388e617845139b8288b9dc6bf457%7C1&sdata=x9YDpI2vtI6N4Z8iPTYF1UhaGzdg8i4VcgWZdLUfem0%3D&reserved=0)

Investment by state and local governments has continued to add to the pace of GDP growth in 2019 even as the waning effects of federal legislation and the partial government shutdown in January 2019 weighed on some components of the FIM.



We estimate that under the spending deal reached by congressional leadership and White House officials last week, federal spending will add about [0.2] percentage points to GDP in the fiscal year that begins October 1st. We project that federal social benefits and tax policies, which gave an unexpected boost to consumption in the first quarter of 2019, will continue to encourage household spending through the end of the year. Meanwhile, spending at the state and local level is projected to slow and have a smaller effect on growth.

Want to know more about the FIM? [Read an explainer on the methodology](https://na01.safelinks.protection.outlook.com/?url=https%3A%2F%2Fconnect.brookings.edu%2Fe2t%2Fc%2F*W3m7zS762Y59ZW3PKW3w4kf0p30%2F*W5BBs1d2cRhSSW8pWj_Z9jTrnw0%2F5%2Ff18dQhb0Sq5B9445H-W8lqkn63crMGWN1PVNf7VJ_YHW1td_cl6HLbb3W1L5BTZ1zrmg7W7z1B717RRg5GW7PF32J2TvLJWW7z3bDG2GKkm2W1GmjsC7sSJXQW2Vv0mL1G6qpLW7qVlZx7v6N-0W1GlHwR7GZFjfW1D9fZR7QHDdkN7mHF3-7-wNHW8tsL0-1ZVl9ZW23wqk34LP-3DW2N33B53_t0gLW32Gf2Q4dnWJcW69NG1w6PqSXLW38T3j05Vw66zN3kRmbTfTlLHV1KsWw1JVKVlN7Nw0vqh41_PW2M0HRd8mhg5wW7z2G-P2h8Nh3W1-s76J15PLYkW972QhN4mmVfnW701-9b2zH0hrW4Q-5SV4HzlY5f1TTH1y01&data=01%7C01%7Ctkelly%40brookings.edu%7C674b371065de4c96643308d63da7b91f%7C0a02388e617845139b8288b9dc6bf457%7C1&sdata=OZW7ASAPfgYF4elds7LDRcxm8kb3qdgsmaC%2F3C5o94c%3D&reserved=0).

Sincerely,

David Wessel

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