Dear Colleague,

Today we began publishing a forecast of the Hutchins Center Fiscal Impact Measure (FIM), which provides a view of how fiscal policies are expected to affect the economy over the next two years. The latest data show that government spending and tax policies added 0.9 percentage point to growth in inflation-adjusted Gross Domestic Product (GDP) beyond its longer-run potential in the second quarter of 2019, and 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" \t "_blank)**

Federal spending on non-defense programs rose significantly in the quarter and added about 0.5 percentage point to GDP growth, after growing slowly for the past year. Strong investment by state and local governments and federal transfer payments also continue to the pace of GDP growth.

We estimate that under the spending deal reached by congressional leadership and White House officials last week, federal spending will add about 0.25 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 our updates to the FIM? [Read a new 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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