***Editor’s Note:*** *Due to significant uncertainty about the effect of the COVID-19 pandemic on the outlook for GDP and federal legislation, we are temporarily suspending the near-term forecast of the FIM. It will be resume in coming months.*

**TAKEAWAYS FROM THE FIRST QUARTER OF 2020**  
**By** *Manuel Alcalá, Kadija Yilla, and Louise Sheiner*

Local, state, and federal spending and tax policies boosted growth in inflation-adjusted Gross Domestic Product (GDP) [ ] percentage point relative to its longer-run potential in the first quarter of 2020, according to the Hutchins Center Fiscal Impact Measure. Reflecting the onset of the COVID pandemic, GDP fell at an inflation-adjusted annual rate of x percent, according to the latest government estimate.

Real federal purchases rose at an annual rate of [x] percent in the fourth quarter, driven primarily by [ ].Real state and local government purchases rose [2.0] percent in the fourth quarter. Investment spending, which had been strong at the beginning of the year but fell last quarter, rose at a 5.4 percent pace in the fourth quarter. State and local government employment posted modest gains in the fourth quarter, continuing the slow but steady recovery from its post-2010 lows. And tax and transfer policies added to the pace of growth during 2019, driven mostly by increases in federal social welfare and tax credit payments.

COVID is likely to change the trajectory of the FIM substantially *as the government offsets some of the decline in economic activity resulting from the shutting of large parts of the economy to protect the public health. The FIM is a gauge of how much deeper the Covid-19 recession would be if not for local, state and federal fiscal policy.*

The pandemic had only small effects *on the FIM*  in the first quarter, [mainly the result of an increase in unemployment insurance benefits and Medicaid spending, a small fall in tax collections in March, and a step up in state and local spending, likely on public health activities]. The FIM will increase sharply in the second quarter, reflecting both the automatic stabilizers (taxes that automatically fall and spending that automatically increases when economic activity declines) as well as the large fiscal packages enacted by Congress, including $268 billion in expanded unemployment insurance benefits, $700 billion in forgivable loans to smaller businesses, $293 billion in in checks to taxpayers, and $250 in help for public health and hospitals. (Will double check these #s).

The Fiscal Impact Measure goes back to 2000. It traces the significant federal fiscal stimulus during and after the Great Recession, the subsequent tightening of federal spending in the 2012-14 period, the smaller effects that local, state, and federal fiscal policies had on the pace of economic growth in the last year.

*On July 26, the Hutchins Center updated the methodology for the FIM. In particular, the FIM now reflects contributions of fiscal policy beyond those that would occur if government purchases, taxes, and transfers were growing with the longer-run potential path of the economy. For more on these changes, see our updated methodology ». You can also read our Guide to the FIM ».*