**TAKEAWAYS FROM THE FOURTH QUARTER UPDATE, 01/26/18**  
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After hovering near zero for most of the year, the contributions of federal, state and local fiscal policies to growth in Gross Domestic Product were positive in the final quarter of 2017. The latest reading on the Hutchins’ Fiscal Impact Measure shows modest contributions to GDP growth from spending at all levels of government--raising the FIM to its highest level since the beginning of 2015. The effects of fiscal policy on growth, however, remain low compared to those witnessed between 2008 and 2013.

Growth in state and local spending on construction—which has been persistently weak or negative for the past two years—turned upwards in the quarter and helped lift the FIM. Rebuilding efforts following a year of natural disasters in Texas, Florida, Puerto Rico, and California may help explain the moderate increase in state and local investment, but estimates of such spending are not yet available.

Federal government spending ticked up and contributed positively to GDP growth at the end of 2017. Total federal spending increased at an annual rate of 3.5 percent this quarter, due primarily to growth in national defense investment (which is highly variable quarter-to-quarter). Congress has yet to agree on a final spending bill for 2018, but the FIM will help gauge the impacts of new spending if future agreements raise caps on discretionary spending.

Meanwhile, tax and transfer policies had no impact on GDP growth this quarter, reflecting the lack of major legislative changes at either the federal or state and local levels in 2017. As the recently passed Republican tax bill takes effect in 2018 and beyond, however, the FIM will provide some measure of the law’s impact on the economy.

The combined effect of spending and tax policies on GDP growth was slightly higher in 2017 than in 2016, according to the FIM. According to the government’s first estimate, total economic growth was higher in 2017, too: GDP grew by 2.3 percent in 2017, up from 1.5 percent in 2016. In the fourth quarter alone, GDP increased at a 2.6 percent annual rate.