**TAKEAWAYS FROM THE FIRST QUARTER UPDATE, 04/27/18**  
*By Louise Sheiner and Sage Belz*

Federal, state and local fiscal policies had little effect on the pace of economic growth in the first quarter of 2018. According to the latest reading on the Hutchins’ Fiscal Impact Measure, spending at all levels of government added less than 1/10th of a percentage point to first quarter GDP growth. Fiscal policy’s contribution to growth has trended upwards over the last year, but its effects remain small compared to those witnessed between 2008 and 2013. Overall GDP grew at an inflation-adjusted rate of 2.3 percent in the first quarter.

Growth in state and local spending on construction turned downwards in the first months of the year, after rising briefly at the end of 2017. The trending slowdown in state and local investment has prevented the sector from contributing significantly to GDP for some time. Growth in state and local government employment has remained weak as well, suggesting states and localities continue to face fiscal constraints.

Federal government spending growth slowed at the beginning of 2018 and contributed little to GDP growth. Total federal spending increased at an annual rate of 1.7 percent this quarter, due primarily to growth in defense outlays (which are highly variable quarter-to-quarter). As the funds from the $1.3 trillion omnibus spending bill get disbursed to the economy over the remainder of the current fiscal year, the FIM will help gauge the size of the bill’s stimulus effect.

Tax and transfer policies detracted slightly from GDP growth this quarter, as any effects of the recently enacted tax bill have yet to show through in broader measures of the economy. While the government’s first quarter estimate suggests personal taxes declined as a result of the Tax Cuts and Jobs Act, the FIM will provide a measure of how those tax cuts translate into economic growth over the coming quarters.