**TAKEAWAYS FROM THE FIRST QUARTER UPDATE, 06/28/18**  
*By Louise Sheiner and Sage Belz*

According to the latest reading from the Hutchins’ Fiscal Impact Measure, federal, state and local fiscal policies had little effect on the pace of economic activity in the first quarter of 2018, adding less than two-tenths of a percentage point to first quarter GDP growth. Overall GDP rose at an inflation-adjusted rate of 2 percent in the first quarter.

State and local spending rose only modestly in the first quarter, reflecting sluggish hiring and a downturn in spending on construction. The sector has shown persistent weakness in the last two years, and has yet to recover to pre-recession spending levels. Real state and local construction has declined by almost 9 percent since 2016, and remains about 25 percent lower than its level in 2008. Employment in the sector has grown by less than one percent in the last two years, and continues to sit below its pre-recession levels.

Total federal spending increased at an annual rate of 1.7 percent this quarter, about in line with its trend growth over the last year. As the funds from the $1.3 trillion omnibus spending bill are disbursed over the coming quarters, the FIM will help gauge the size of the bill’s stimulus effect on the economy.

Tax and transfer policies had a small negative effect on GDP growth this quarter. While the government’s first quarter estimate suggests personal taxes declined as a result of the recently enacted tax legislation, the FIM assumes that these declines translate only gradually to changes in spending and GDP growth.