**TAKEAWAYS FROM THE FOURTH QUARTER UPDATE, 03/28/18**  
*By Louise Sheiner and Sage Belz*

Federal, state and local fiscal policies added to the pace of economic growth in the final quarter of 2017 after several quarters in which they neither added nor subtracted much.

According to the latest reading on the Hutchins’ Fiscal Impact Measure, spending at all levels of government boosted 4th quarter GDP growth almost ½ percentage point—the largest contribution since the beginning of 2015. The effects of fiscal policy on growth, however, remain low compared to those witnessed between 2008 and 2013. Overall GDP grew at an inflation-adjusted rate of 2.9 percent in the fourth quarter.

Growth in state and local spending on construction—which has been persistently weak or negative for the past two years—turned up in the quarter and helped lift the FIM. Rebuilding efforts following a year of natural disasters in Texas, Florida, Puerto Rico, and California may 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 3.2 percent this quarter, due primarily to growth in defense outlays (which are highly variable quarter-to-quarter). Over the remainder of the current fiscal year, the FIM will help gauge the impacts of the $1.3 trillion omnibus spending bill that Congress passed in March.

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 enacted tax bill and increases in federal spending take 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 greater in 2017 than in 2016, according to the FIM.