

Economic Analysis

Real GDP Growth Rebounds 4.0% in 2Q14

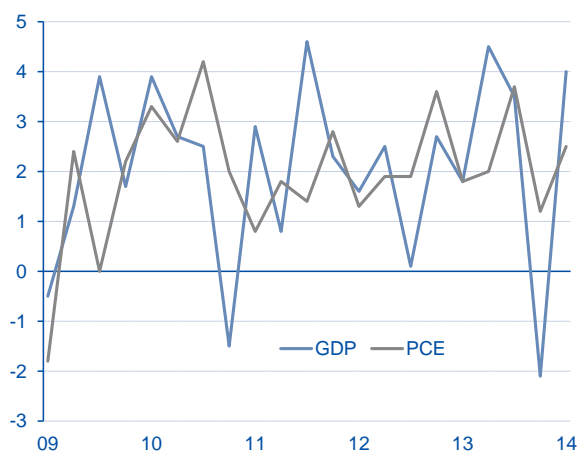
Kim Fraser

- **Strong growth in 2Q led by private investment and consumption**
- **Annual growth in 2013 revised up to 2.2%, but downward revisions for 2011 and 2012**
- **Our updated baseline scenario assumes 2.0% growth in 2014, with our 2015 forecast unchanged at 2.5%**

The advance estimate for 2Q14 GDP growth was slightly higher than expected, coming in at 4.0% on a QoQ seasonally-adjusted annualized basis. Gross private domestic investment was the primary driver in the recovery from the first quarter's contraction, jumping 17% QoQ SAAR in 2Q14. In particular, residential investment rebounded 7.5% following two consecutive quarters of decline. Export growth was also strong at 9.5%, although the contribution from net exports remained negative. As expected, personal consumption growth remained healthy at 2.5%, while government spending increased 1.6%.

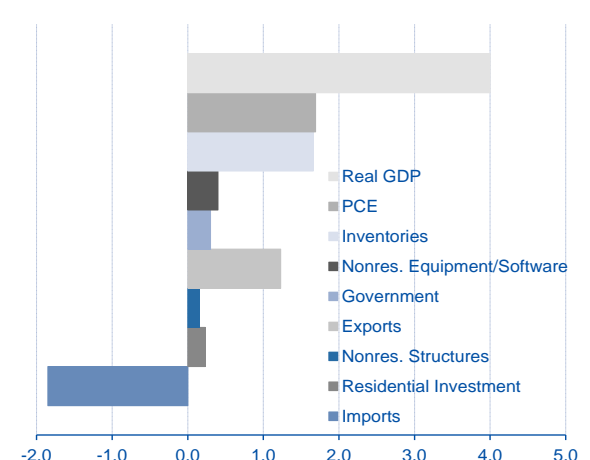
Annual revisions to the historical GDP series impacted growth estimates from the past few years. Data for all four quarters in 2011 were revised down, with the annual average adjusted from 1.8% to 1.6%. For 2012, the first quarter was revised down significantly and pushed annual growth down from 2.8% to 2.3%. On the bright side, 2013 data were revised up for the first, third, and fourth quarters, bringing the annual average up from 1.9% to 2.2%. Finally, the contraction in 1Q14 was slightly less severe, with growth falling only 2.1% compared to the 2.9% drop reported in last month's BEA release. This 1Q revision, along with the 4.0% advance estimate for 2Q14, supports our newly revised baseline scenario for the year. Looking forward, we expect that economic activity in the third and fourth quarters will expand at a similar pace as in 2Q, bringing us to an annual average of 2.0% for 2014. Our expectation for 2015 real GDP growth remains unchanged at 2.5%.

Chart 1
U.S. Real GDP and Personal Consumption Expenditures (SAAR QoQ % Change)



Source: Bureau of Economic Analysis & BBVA Research

Chart 2
Contributions to Real GDP Growth (2Q14 Advance, SAAR Percentage Points)



Source: Bureau of Economic Analysis & BBVA Research

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