

Economic Analysis

Final 1Q15 GDP Estimate Subject to Change with Upcoming Annual Revisions from the BEA

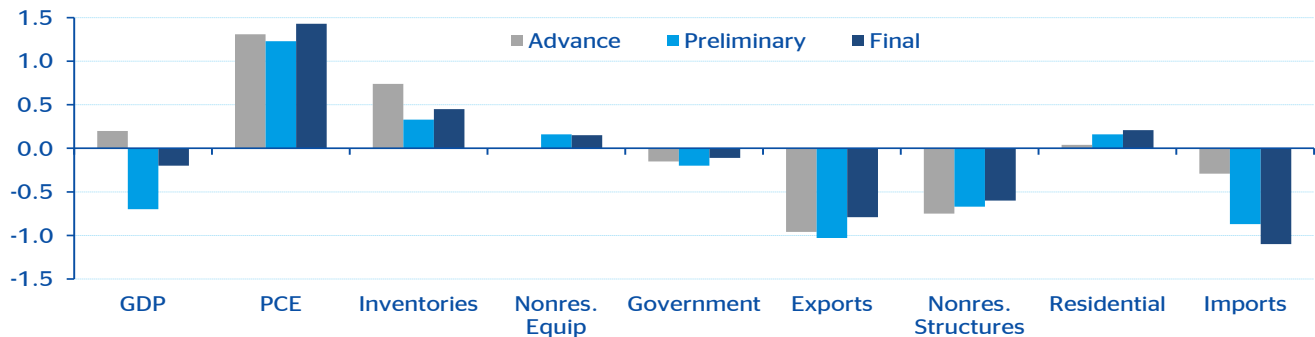
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- **Real GDP growth revised down from -0.7% to -0.2% QoQ SAAR in 1Q15**
- **Data likely to change due to BEA’s annual revisions and adjustments to seasonal factors**
- **Negative 1Q and slow 2Q rebound could force a downward revision to our 2015 forecast**

The final estimate for real GDP growth met our expectations for a minor contraction of -0.2% QoQ SAAR in the first quarter. Growth was revised upward for almost all components, including personal consumption expenditures (from 1.8% to 2.1%), gross private domestic investment (from 0.7% to 2.4%), and exports (from -7.6% to -5.9%). Exports have been a key weakness in first quarter data throughout the past few years, though based on trends in previous years we can expect to see a positive rebound for this component in 2Q15.

Despite this being the “final” estimate for 1Q15 GDP, the data are subject to change again with the BEA’s annual revisions, to be released on July 30th. These revisions tend to impact at least the past three years of data, but according to the BEA, “the overall pattern of change in GDP over time is little changed by the revisions.” For instance, the 2014 revisions pushed down real GDP growth in 2012 from 2.8% to 2.3%, but in turn led to a faster pace for 2013 (from 1.9% to 2.2%). However, this year’s revisions could be more significant. The BEA has been criticized as of late for their seasonal adjustment process and the resulting volatility in GDP growth each year, particularly the consistent weakness seen in first quarter data throughout the recovery period. The upcoming release is expected to incorporate some adjustments to their seasonal factors, with the potential to dramatically shift post-crisis growth trends on a quarterly basis. With this in mind, we are taking the minor 1Q15 contraction with a grain of salt, for now. The current figure puts downward pressure on our annual forecast, but we will have a better picture once the annual revisions are released next month. Second quarter growth is also looking a bit slower than initially expected, with our Nowcast model pointing to near 2.0% growth instead of something closer to 3.0% (see [Another Strong Rebound in GDP for 2Q15? Maybe Not as Strong as in 2014](#)). Therefore, we are likely to revise down our 2015 forecast, pending revisions to the BEA’s seasonal adjustment process.

Chart 1
Contributions to Real GDP Growth (1Q15, SAAR Percentage Points)



Source: BEA & BBVA Research

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