

## Economic Analysis

## U.S. Real GDP Growth Nowcast: 1.49% for 3Q15

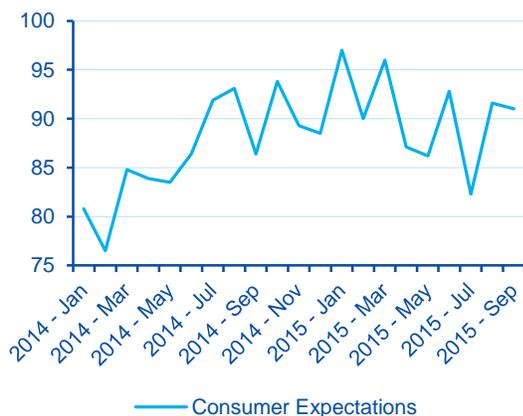
Kan Chen

- **MIFUS model nowcasts 1.49% for 3Q15 real GDP growth**
- **Consumer expectations rebound to a higher level after July's 16-month low**
- **However, inventory buildup may imply uncertainty in the demand**

Our most recent estimate based on the Mixed-Frequency Model for the U.S. ([MIFUS](#)) suggests a real GDP growth rate of 1.49% QoQ SAAR for 3Q15, up from our previously estimated 1.14% for 2Q15.<sup>1</sup> The forecast incorporates data updates for September, and is our last nowcast for 3Q15.

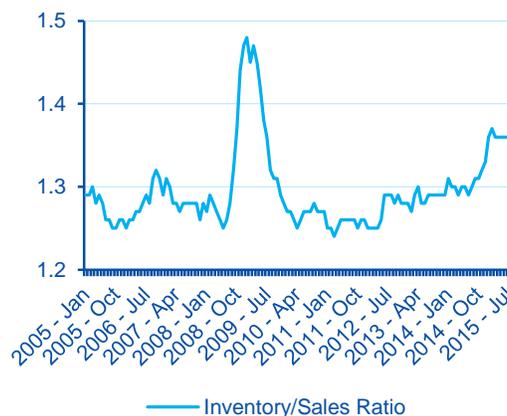
Nowcasting models have recently gained increasing popularity among economists and policymakers, the Atlanta Federal Reserve's GDPNow model being the most notable one. The idea of nowcasting in economic forecast is to continuously revise a quarter forecast (e.g. real GDP growth rate), using the information extracted from monthly variables (e.g. payroll data). Since the goal of nowcasting models is to track the economy as timely as possible, forecasts made on different dates on the same quarter can be very different due to the volatility of high frequency data. It is important to remember that this estimate only incorporates data for the third quarter thus far, and as such, is lower than our official forecast for the quarter.

Chart 1  
**Consumer Expectations Index**



Source: The Conference Board &amp; BBVA Research

Chart 2  
**Monthly Inventory/Sales Ratio: Total Business SA**



Source: BEA &amp; BBVA Research

Besides the data on consumption and employment, other factors influencing the 3Q15 MIFUS estimate include consumer expectations, which sharply rebounded to 91.6 in August and stayed at 91.0 in September, following its 16-month low of 82.3 in July (Chart 1). The rebound in consumer expectations may signal that consumer confidence is restoring, especially under the environment of low energy price. On the other hand, the inventory to sales ratio has been quickly increasing this year, which implies that the growth of demand is slower than expected.

<sup>1</sup> <https://www.bbvarresearch.com/en/publicaciones/u-s-real-gdp-growth-nowcast-1-14-for-3q15/>

Currently, our forecast is higher than the Atlanta Federal Reserve's GDPNow model, which predicts a modest growth rate of 0.9% for 3Q15 (October 20th).

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