

ECONOMIC ANALYSIS

U.S. Real GDP Growth Nowcast: 0.55% for 1Q16

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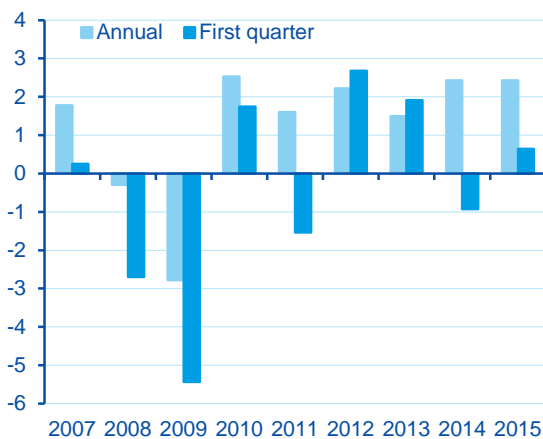
- **Nowcast model predicts 0.55% for 1Q16 real GDP growth**
- **The modest forecast may be affected by residual seasonality**

Our most recent estimate based on the Mixed-Frequency Model for the U.S. ([MIFUS](#)) suggests a real GDP growth rate of 0.55% QoQ SAAR for 1Q16. This forecast incorporates all monthly indicators tracked by the model for the first quarter of 2016, as well as the BEA's third estimate of 4Q15 real GDP growth (1.4%).

Residual seasonality is again one of the usual suspects contributing to the first quarter's modest economic performance. Since 2007, the observation of consistently weaker economic performance during the first quarter has puzzled investors, economists and policymakers, with some economists suspecting that there is "residual seasonality" in the seasonally-adjusted data series.¹ Although the BEA has committed to tackling the residual seasonality issue,² it is still unclear how much of the modest forecast of GDP growth in 1Q16 is affected by this residual seasonality.

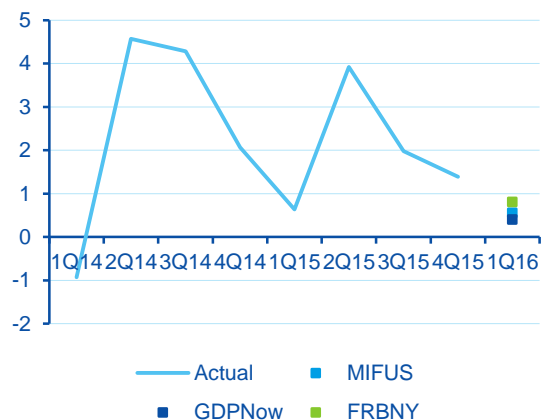
This month, the Federal Reserve Bank of New York introduced their nowcast model for GDP growth, with a forecast of 0.8% growth in 1Q16. The FRBNY Nowcast model adopts a dynamic factor model framework, which theoretically differs from our MIFUS model and the GDPNow model from the Federal Reserve Bank of Atlanta. Nevertheless, all three nowcast models predict modest GDP growth for 1Q16.

Chart 1
Real GDP growth: annual vs. first quarter
%



Source: BEA & BBVA Research

Chart 2
Real GDP growth forecasts by nowcast models
%



Source: BLS & BBVA Research

¹ More details on the residual seasonality issue can be found on our analysis published in last June: <https://www.bbvarsearch.com/en/publicaciones/u-s-another-strong-rebound-in-gdp-for-2q15-maybe-not-as-strong-as-in-2014/>.

² For details about BEA's announcement, please refer to: <https://blog.bea.gov/2015/05/22/residual-seasonality-gdp/>

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