

BBVA Research Flash

U.S.

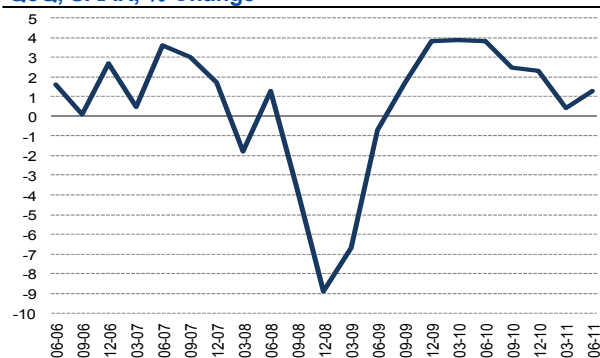
GDP growth better-than-expected but still signaling a slow recovery

- **Real GDP growth for 2Q11 was revised up to 1.3% from the preliminary estimate of 1.0%**
- **The upward revision primarily reflects increases in nonresidential structures, personal consumption expenditures, and net exports**

The final estimate for 2Q11 GDP growth came in better than expected at 1.3% annualized, up from the preliminary estimate of 1.0% and matching the first estimate released in July. The upward revision reflects an increase in nonresidential structures, personal consumption expenditures, and net exports. Also, final sales of domestic product increased from 1.2% to 1.6% and final sales of domestic purchasers increased from 1.1% to 1.3%. The GDP price index was revised up from 2.4% to 2.5%, matching the advance estimate, however inflation concerns are minimal due to excess resource slack.

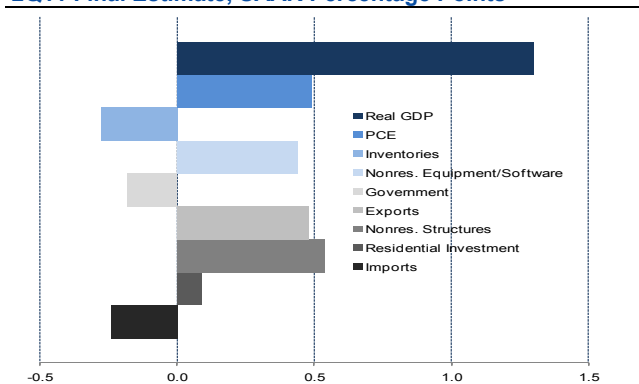
Today's better-than-expected data is somewhat reassuring after a shocking downward revision to first quarter growth, although the economic recovery is still weak. Increased downside risks, including political brinkmanship, deeper contagion from the European sovereign debt crisis, and further increased deleveraging, will continue to weigh on the recovery in the coming months. Although the US economy faces a higher probability of recession compared to last year, our baseline scenario does not assume that we will fall back into recession. We continue to expect stronger economic growth in 2H11 and 2012.

Chart 1
US Real GDP Growth
QoQ, SAAR, % Change



Source: Bureau of Economic Analysis

Chart 2
Contributions to Real GDP Growth
2Q11 Final Estimate, SAAR Percentage Points



Source: Bureau of Economic Analysis

Nathaniel Karp
Nathaniel.Karp@bbvacompass.com

Ignacio San Martin
Ignacio.Sanmartin@bbvacompass.com

Marcial Nava
Marcial.Nava@bbvacompass.com

Jeffrey Owen Herzog
Jeff.Herzog@bbvacompass.com

Hakan Danis
Hakan.Danis@bbvacompass.com

Jason Frederick
Jason.Frederick@bbvacompass.com

Boyd Stacey
Boyd.Stacey@bbvacompass.com

Kim Fraser
Kim.Fraser@bbvacompass.com