

BBVA Research Flash

U.S.

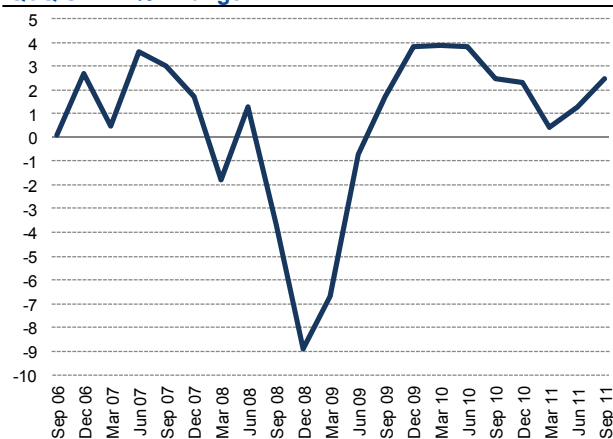
2H11 Growth off to a Better Start than Early 2011

- Real GDP growth increased 2.5% annualized in 3Q11, in line with consensus expectations
- Much of the gain was driven by a better-than-expected jump in personal consumption expenditures and final sales of domestic purchases
- In regards to government spending, a 2% rise at the federal level offset a 1.3% decline in state and local spending

The advance GDP estimate for 3Q11 suggests a stronger 2H11, with real growth coming in at 2.5% annualized compared to 1.3% in 2Q and 0.4% in 1Q. Personal consumption expenditures were the largest contribution to the acceleration in growth, up 2.4% from 0.7% in the previous quarter. Specifically, durable goods jumped 4.1% following a 5.3% decrease in 2Q11. Other positive contributions stemmed from nonresidential equipment and software, net exports, and nonresidential structures. In general, the GDP figure for 3Q11 represents a much-needed pickup in demand, with final sales of domestic purchases up 3.6%. Business fixed investment also increased significantly from the first half of 2011. Government spending was flat for the quarter, as a 2% rise in federal spending (mostly defense-related) offset a 1.3% decline at the state and local level. On the downside, changes in real private inventories and imports dragged down overall growth in the quarter. In regards to inflation, the GDP price index remained steady at 2.5% for the third consecutive quarter.

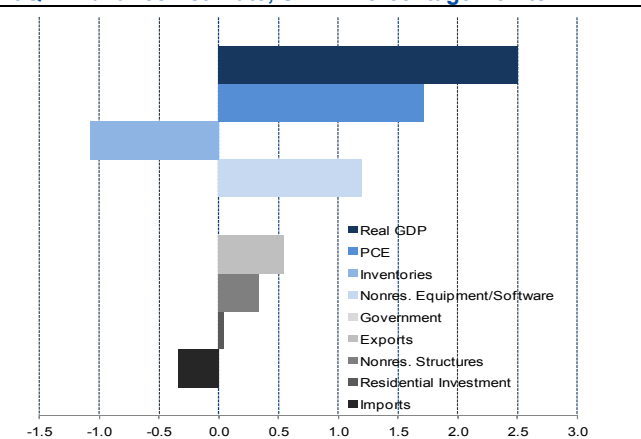
Overall, today's data are in line with our baseline scenario for stronger growth in 2H11 and should diminish most fears of a double-dip recession for the time being. We expect that the fourth quarter will be slightly weaker than the third. Weak employment growth and other downside risks (political brinkmanship, slowdowns in Europe, and further deleveraging) will limit significant acceleration in 4Q11.

Chart 1
US Real GDP Growth
QoQ SAAR % Change



Source: Bureau of Economic Analysis

Chart 1
Contributions to Real GDP Growth
3Q11 Advance Estimate, SAAR Percentage Points



Source: Bureau of Economic Analysis

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