

## BBVA Research Flash

U.S.

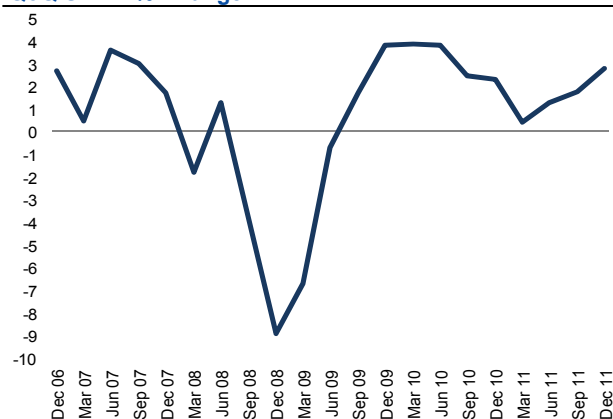
## Real GDP Growth in 4Q Strongest of 2011

- The US economy grew 2.8% QoQ annualized in 4Q11 due in large part to strength in private inventories and personal consumption expenditures
- Negative contributions from government spending and imports influenced the lower-than-expected figure
- The advance estimate brings 2011 real GDP growth to 1.7%

Real GDP growth for 4Q11 came in at 2.8% QoQ annualized on a seasonally-adjusted basis, slightly lower than expected but still in line with our projections for stronger fourth quarter activity. Compared to the final estimate for 3Q11 of 1.8%, today's figure reflects a positive contribution from the change in private inventories and a stronger contribution from personal consumption expenditures. PCE grew 2.0% in 4Q11, up from 1.7% in 3Q11 and 0.7% in 2Q11, showing significant strength in durable goods. The data also indicate a larger negative contribution from imports, which was expected given the acceleration in import growth in November. Government also subtracted from GDP growth, mostly due to a decline in national defense spending. Pending further revisions to this GDP figure, 2011 growth stands at 1.7%.

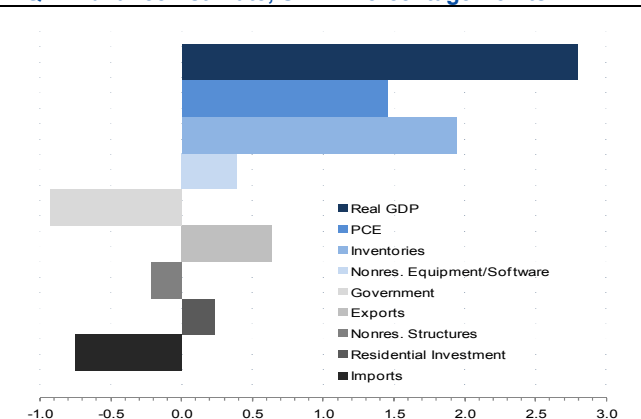
Looking ahead to the second and final estimates, we await trade and inventories data for December to provide a clearer picture. While we do not expect the upcoming data to influence a significant downward revision to GDP growth, we remain cautious in our outlook. Imports grew at a faster pace in November while exports declined for the second consecutive month, highlighting the trade impact from the slowdown in Europe and suggesting that this trend will likely continue in December. However, inventory growth should remain strong through the end of 2011. The lower-than-expected estimate for 4Q11 is in line with Bernanke's view that the growth outlook is mixed and the recovery not "self-sustaining", prompting the Fed to revise down their growth projections for 2012 and 2013. The looming crisis in Europe remains the most immediate concern in terms of downside risks to growth, in addition to continued weakness in the housing market.

Chart 1  
US Real GDP Growth  
QoQ SAAR % Change



Source: Bureau of Economic Analysis

Chart 2  
Contributions to Real GDP Growth  
4Q11 Advance Estimate, SAAR Percentage Points



Source: Bureau of Economic Analysis

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