

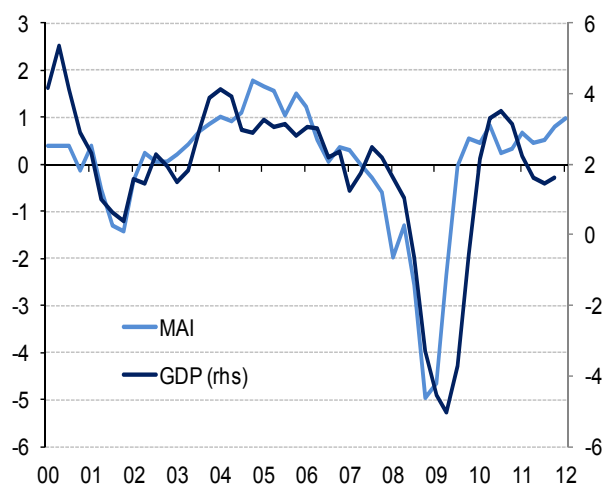
# U.S. GDP Flash

## Expectations for 1Q12 GDP Growth

- Real GDP growth is expected to be slightly slower than 4Q11, at 2.4% QoQ annualized
- Improving PCE and trade data point to stronger activity than previously predicted
- Slowing activity to start 2Q12 may limit employment gains for the coming months

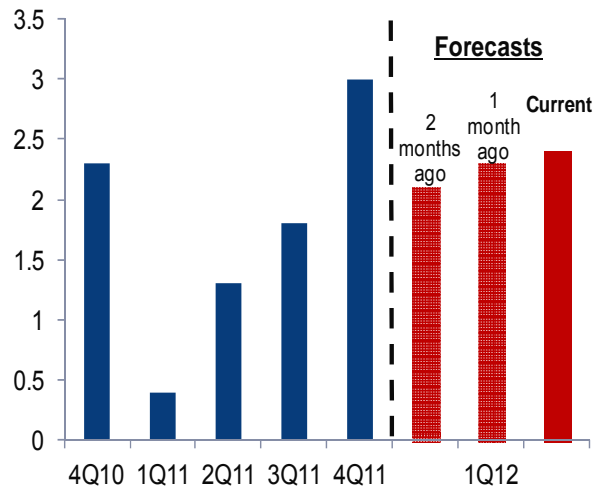
The first estimate for 1Q12 real GDP growth will be released Friday, with consensus expectations near 2.5% QoQ annualized. While some of the momentum gained in 4Q11 appears to have carried over to 2012, we have seen activity slowing in some areas. At this rate, growth will be slightly slower than in 4Q11 but still stronger compared to earlier in 2011. Our monthly activity index, which we use to forecast short-term GDP, encompasses nearly 100 macroeconomic variables in order to provide an overall view of economic activity. Throughout the past few months, our forecast for 1Q12 GDP has increased in conjunction with steady gains for many short-term indicators, from 2.1% two months ago to our current projection of 2.4% growth. In particular, data from the manufacturing sector has been strong despite flat production elsewhere. In general, our estimates are somewhat biased to the upside, particularly given the latest upward revisions to real personal consumption expenditures and the better-than-expected trade balance improvement in February. Furthermore, inventory growth in January and February has surpassed the 4Q11 average, suggesting that the contribution to 1Q12 growth will be similar or even slightly larger than last quarter. While weakness in the housing sector remains a downside risk to growth, activity was more positive in 1Q12 compared to previous quarters. Although construction spending has declined thus far in the first quarter, the level remains above that in October. On the downside, improvements in the job market appear to be decelerating, and the most recent signs of slowing activity moving into 2Q12 may limit further employment gains in the coming months.

Chart 1  
**BBVA U.S. Monthly Activity Index % Real GDP**  
4Q % Change



Source: Bureau of Economic Analysis & BBVA Research

Chart 2  
**Real GDP Growth**  
SAAR QoQ % Change



Source: Bureau of Economic Analysis & BBVA Research

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