

U.S. GDP Flash

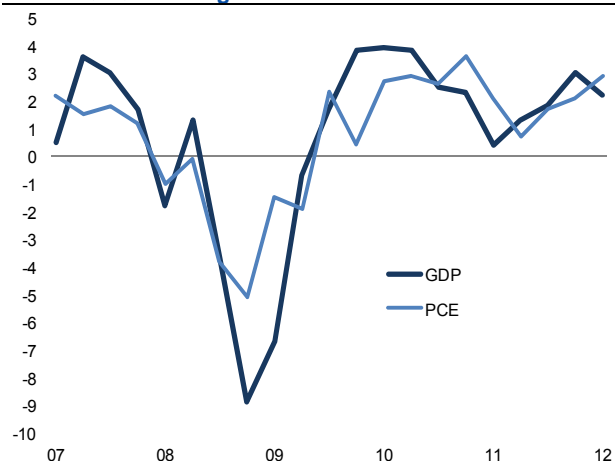
Real PCE Drives GDP Growth in 1Q12

- Real GDP growth increased 2.2% QoQ annualized in 1Q12, mostly driven by strong PCE
- Contributions from government spending and net exports were weaker than expected
- The advance estimate supports our outlook for stronger growth in 2012

The first estimate for 1Q12 real GDP growth came in at 2.2% QoQ annualized on a seasonally-adjusted basis, slightly lower than consensus expectations of 2.5%. However, real personal consumption expenditures (PCE) surprised to the upside at 2.9% growth, helping to offset weakness in other components. Growth in nondurable goods and service expenditures accelerated, while growth of durable goods slowed slightly. Demand also improved over the fourth quarter, with increases in final sales of domestic product and final sales to domestic purchasers. The lower-than-expected estimate was likely a result of contractions in government spending and nonresidential fixed investment, which declined 3.0% and 2.1%, respectively. As such, negative contributions to growth were led by these components. Compared to our expectations, the contribution from PCE was much stronger, while that from government was more negative. Also, we were expecting a positive contribution from net exports given the latest improvements in trade data, however, the actual contribution was negative. The positive contribution from the change in real private inventories was also much smaller compared to the fourth quarter. However, excluding inventories, which were a primary driver of the 3.0% growth in 4Q11, first quarter GDP is slightly stronger.

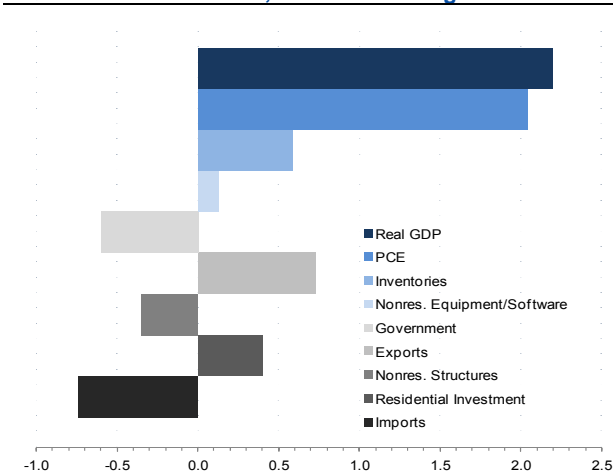
Overall, today's data are supportive of our economic outlook for the year and we do not expect that this news will have any immediate impact on the Federal Reserve's accommodative stance. The FOMC did upgrade their GDP forecast for 2012, however, they have clearly acknowledged that the downside risks to growth remain high. As always, we await the final trade, inventory, and PCE data to provide a better gauge for the second and third GDP revisions.

Chart 1
U.S. Real GDP and PCE Growth
SAAR QoQ % Change



Source: Bureau of Economic Analysis & BBVA Research

Chart 2
Contributions to Real GDP Growth
1Q12 Advance Estimate, SAAR Percentage Points



Source: Bureau of Economic Analysis & BBVA Research

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