

U.S. GDP Flash

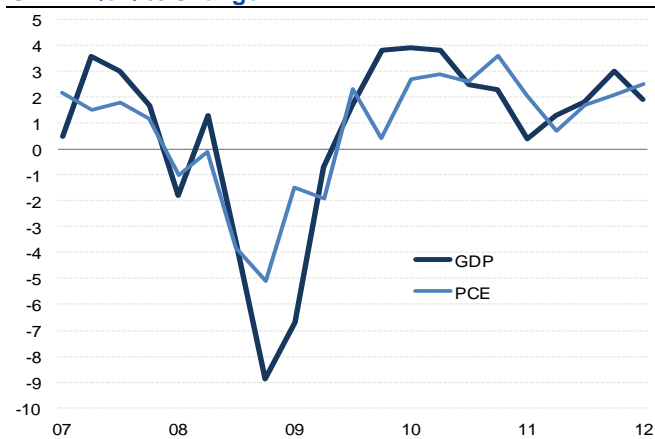
1Q12 Real GDP Growth Stands at 1.9%

- The final estimate for 1Q12 real GDP growth was unchanged at 1.9%
- Upward revisions to nonresidential fixed investment and net exports offset downward revisions to consumption and inventory investment
- Downward bias to our growth estimate for 2012, which currently stands at 2.3%

Real GDP growth for the first quarter arrived at 1.9% QoQ annualized on a seasonally-adjusted basis, unchanged from the second estimate and in line with consensus expectations. The final figure reflected downward revisions to personal consumption expenditures and inventory investment which were offset by upward revisions to nonresidential fixed investment, residential investment, and net exports. Nonresidential fixed investment was revised up significantly, from 1.9% to 3.1%, mostly due to a boost in structures to 1.9% from the second estimate of -3.3%. Although export growth was lower than previously expected, the downward revision to import growth was larger. Demand conditions were relatively unchanged from the second estimate, with final sales of domestic product up slightly to 1.8% while final sales to domestic purchasers dropped to 1.6%. The government sector contributed negatively to growth, as expected.

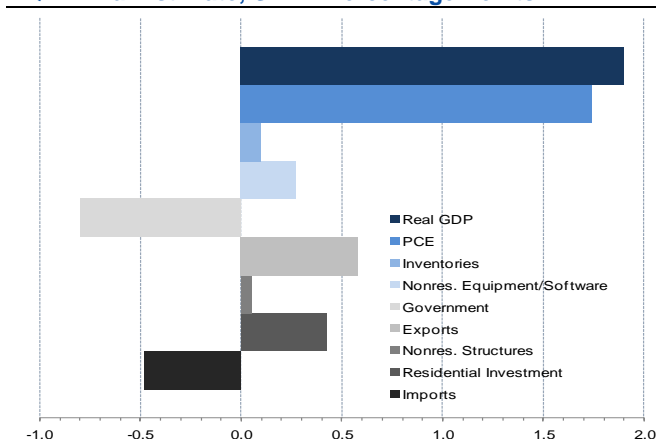
Looking ahead to the coming quarters, we expect that growth will be slightly stronger than in 1Q12, averaging at least 2.0% QoQ SAAR for 2Q12 and 3Q12. Despite some slowing in economic activity in the current quarter, industrial production has shown some strength over 1Q12. Compared to the modest 0.2% monthly average increase in the first quarter, output has increased 0.5% on average thus far in 2Q12. Furthermore, the ISM Manufacturing and Services Indices continue to indicate expansion in the respective sectors. Real PCE has also been growing at a healthy pace, in large part due to the sharp decline in consumer prices. Ultimately, these trends point to modest economic growth in 2Q12, although we remain wary of developments in Europe and increasing fiscal uncertainty in the U.S. that could jeopardize the sustainability of the recovery. The latest data influenced the Federal Reserve to downgrade their GDP forecast for the next three years, with the bulk of the revision in the short-term. Our forecast for growth in 2012 remains at 2.3%, with downward bias.

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 Final Estimate, SAAR Percentage Points



Source: Bureau of Economic Analysis & BBVA Research

Kim Fraser
kim.fraser@bbvacompass.com
+1 713 831 7345

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