

U.S. GDP Flash

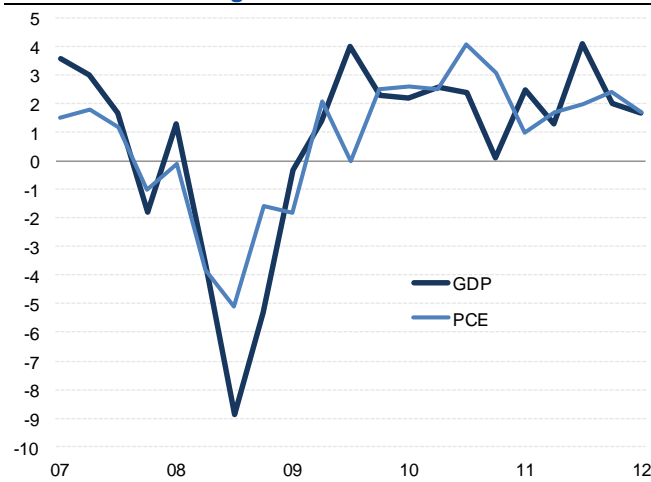
Revisions to Real PCE and Net Exports Boost 2Q12 GDP

- Real GDP growth for 2Q12 was revised up to 1.7%, mostly due to PCE and net exports
- Despite 2H12 slowing, we maintain our baseline scenario of 2.1% annual growth

The second estimate for real GDP growth in 2Q12 came in at 1.7% on a QoQ seasonally-adjusted annualized basis, slightly higher than the initial figure of 1.5% released last month. Improvements in the underlying data mostly reflected upward revisions to personal consumption expenditures (PCE) and net exports. Offsetting these gains were downward revisions to private inventory investment and nonresidential fixed investment. The negative contribution from government spending was slightly less than previously estimated.

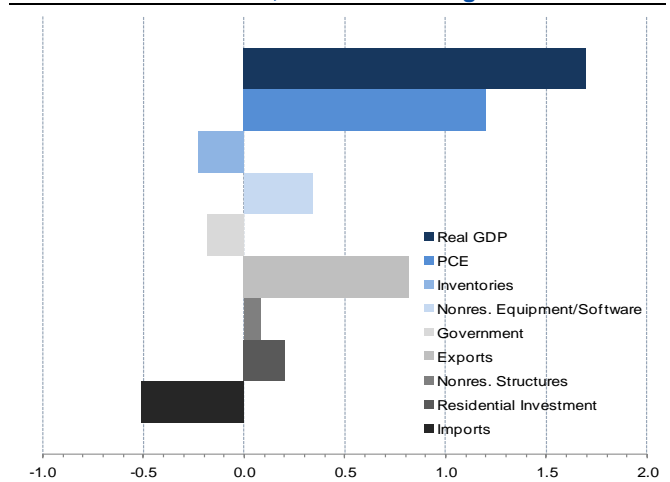
Overall, the revised data are mostly positive and keep us on track to reach our baseline scenario of 2.1% growth for the year, even with the slowing momentum in 2H12. Personal consumption is expected to be similar in 3Q12, particularly with expectations for stronger growth in July. The upward revision to net exports was mostly due to reduced imports, a sign that businesses remain highly uncertain regarding future demand conditions. However, exports continue to grow despite expected slowing in demand from Europe and China. Looking forward, we need to see real GDP growth near 1.4%, on average, for the third and fourth quarters in order to reach 2.1% growth for the year.

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
2Q12 Second Estimate, SAAR Percentage Points



Source: Bureau of Economic Analysis & BBVA Research

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

DISCLAIMER

This document was prepared by Banco Bilbao Vizcaya Argentaria's (BBVA) BBVA Research U.S. on behalf of itself and its affiliated companies (each BBVA Group Company) for distribution in the United States and the rest of the world and is provided for information purposes only. Within the US, BBVA operates primarily through its subsidiary Compass Bank. The information, opinions, estimates and forecasts contained herein refer to the specific date and are subject to changes without notice due to market fluctuations. The information, opinions, estimates and forecasts contained in this document have been gathered or obtained from public sources, believed to be correct by the Company concerning their accuracy, completeness, and/or correctness. This document is not an offer to sell or a solicitation to acquire or dispose of an interest in securities.