U.S. GDP Flash

2Q13 Real GDP Rises to 2.5% On Stronger Net Exports

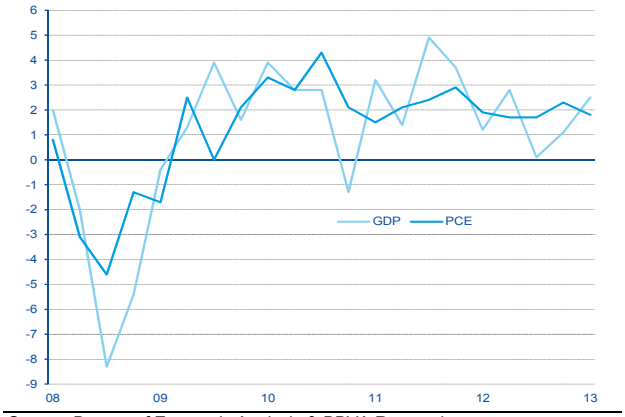
- **Real GDP growth for 2Q13 advances from 1.7% to 2.5%**
- **Gross private domestic investment rises from 9.0% to 9.9%**
- **Net exports gained as exports rose to 8.6% and imports fell to 7.0%**

In line with our forecast for the revision to 2Q13, the BEA's preliminary report on real GDP SAAR showed the economy grew by 2.5%, up from the advanced report of 1.7%. Data released between the two reports showed much stronger gains in the net exports as the export market seemed to have become augmented by strong capital goods demand from Europe and Asia while the domestically, imports saw slower demand. Leaders in the upward revision include private domestic investment which rose 0.9pp to 9.9%. This is due primarily to nonresidential structures which rose from 6.8% in the advanced report but was revised upward to 16.1% in the preliminary. Residential investment was actually revised downward by 0.5pp which is in line with what we have been seeing in the housing market over the past quarter as rising mortgage rates and continually slim supply constrain the market. In addition, the new component to investment, intellectual property, declined dramatically from the advanced report of 3.8% to a decline of 0.9%. This is a heavy decline in a component of investments that is still difficult to asses given the complexity of patents and intellectual property rights.

However the key driver in the revision upward was net exports which contributed most of the increase to real GDP. Exports rose to 8.6%, far higher than originally estimated and the highest rate since 4Q10. Imports also declined which helped drive the net figure, falling to 7.0%. Net exports contribution to GDP rose from -0.8pp to 0.0pp which is a significant increase for one quarter's data. Government expenditures continued to be a drag but the overall component remained stable at -0.9% SAAR. However, delving further into the data we see that state and local expenditures, which had risen for the first time in a year, was revised downward from 0.3% to -0.5%

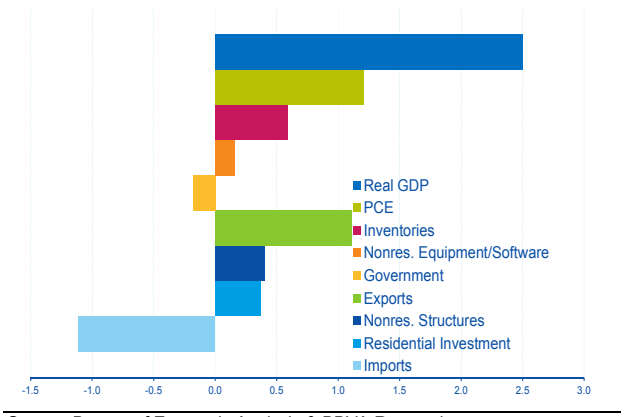
With little to no new data being released between now and the final revision, we expect 2Q13 GDP to remain close to the 2.5% released as of the preliminary report. Revisions to net exports and private domestic investment have already been factored in and we expect their impact to remain unchanged. Overall 2Q13 real GDP growth is in line with our forecast for 2013 and we expect the 2H13 to exhibit continued strength given our expectations for stronger personal consumption and a continued upward trend for manufacturing.

Chart 1
U.S. Real GDP and Personal Consumption Expenditures
SAAR QoQ % Change



Source: Bureau of Economic Analysis & BBVA Research

Chart 2
Contributions to Real GDP Growth
2Q13 Preliminary Estimate, SAAR Percentage Points



Source: Bureau of Economic Analysis & BBVA Research

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