

U.S. GDP Flash

3Q13 Real GDP Surprises to the Upside at 2.8%

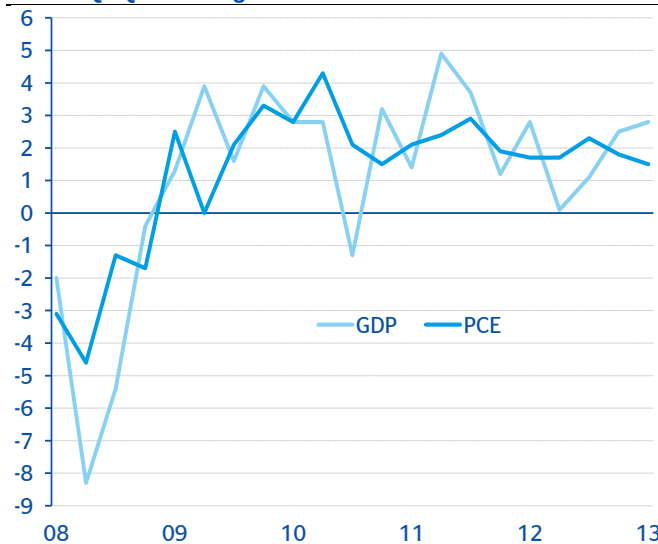
- Real GDP growth in 3Q13 increased 2.8%, but consumption growth decelerated
- Growth in nonresidential structures and residential investment held strong
- Government spending increased slightly for the first time in a year

The delayed 3Q13 GDP report has finally seen the light of day after the prolonged government shutdown set back analysis at the BEA. Today's advance report is a positive surprise given that expectations were relatively low as the first of 3Q data were released. Following a 2.5% gain in the second quarter, real GDP growth in the third increased 2.8% on a QoQ seasonally-adjusted annualized basis. Most of this gain was due to continued strength in domestic investment, with residential holding steady just above 14% growth and nonresidential structures only slightly slower than 2Q13 at 12.3%. However, personal consumption growth decelerated to 1.5% from 1.8% in the second quarter. Export and import growth also slowed in 3Q13, though the contribution from net exports was positive for the first time in three quarters. Finally, government spending increased a mere 0.2% SAAR for the first time since 3Q12, though we expect this to decline again in 4Q13 as a result of the shutdown.

Overall, the advance 3Q GDP report came in only slightly higher than our expectations for 2.3% growth and is therefore still in line with our 2013 forecast for 1.6%. With the government shutdown delaying many significant economic reports for the third quarter, it is possible that this advance report was less complete than usual, so we won't hold our breath for minimal changes in the second and third releases. Furthermore, expectations for 4Q13 are not as strong given the government shutdown and the related uncertainty in business and consumer confidence.

Chart 1

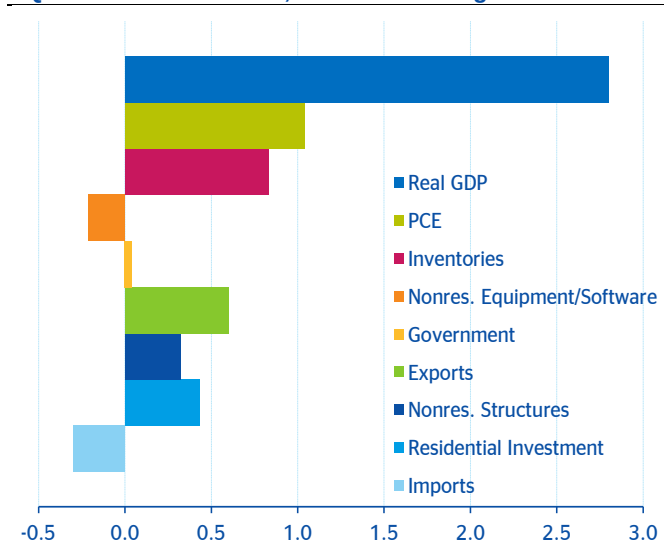
U.S. Real GDP and Personal Consumption Expenditures SAAR QoQ % Change



Source: Bureau of Economic Analysis & BBVA Research

Chart 2

Contributions to Real GDP Growth 3Q13 Advance Estimate, SAAR Percentage Points



Source: Bureau of Economic Analysis & BBVA Research

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