

U.S. GDP Flash

Final GDP Revision Stronger than Previous Estimates

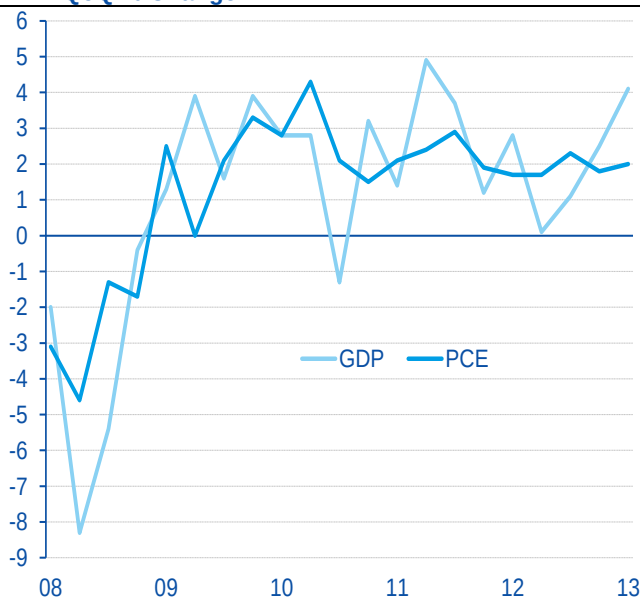
- Real GDP growth for 3Q13 was revised up to 4.1% from original estimate of 3.6%
- Increased estimate driven by revised consumer spending and private inventories

The BEA's final estimate showed an upward revision to 4.1% on a QoQ seasonally-adjusted annualized basis (SAAR). The figure is reasonably higher than the second estimate of 3.6% and is a leap from the initial report of a 2.8% increase in GDP. Larger-than-expected private inventories are a big driver for the increase in GDP growth. The upward revision also partially stems from a revision in consumption, which was reported to grow at 2% annual rate over the summer after previously being forecasted at 1.4%, as consumers spent more on almost all household items. Nonresidential fixed investment accelerated by 4.8% annual rate, noticeably higher than the original estimate of 3.5%, a sign that business spending is picking up. Exports growth was also revised up slightly from 3.7% to 3.9% annual rate. Local and state spending showed an increase of 1.7% during the quarter, the highest gain in spending since 2009. The increase in inventories can be a positive sign that businesses are anticipating increased demand in the future, though it is not a reliable measure for economic activity as it is naturally volatile and seasonal.

The growth in consumption is encouraging and is a sign that households are more liberally spending, which could be reflected in a higher indicator for consumer confidence. While the upwards revision of consumption and nonresidential investment numbers is encouraging, we believe their growth is still comparably weak to maintain desired levels of economic growth, as a significant portion of the final 2Q13 GDP estimate is vastly attributed to the buildup in private inventories. Growth over the next few quarters will be crucial in determining whether the economy is able to sustain this momentum, as previous bursts of growth have disappeared in the past.

Chart 1

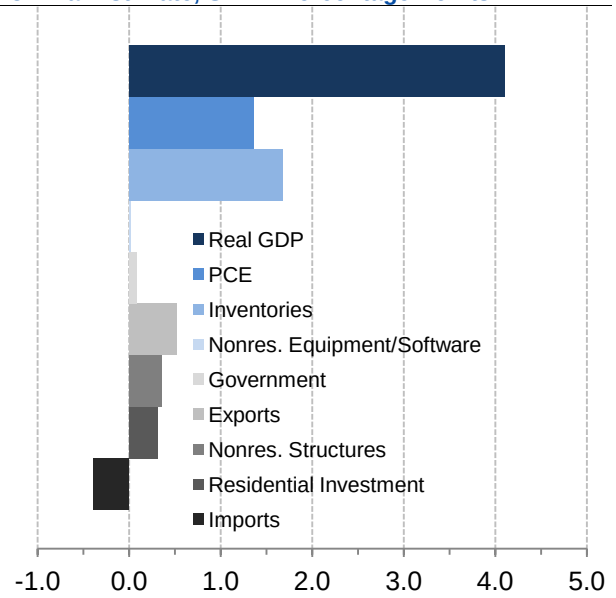
U.S. Real GDP and Personal Consumption Expenditures
SAAR QoQ % Change



Source: Bureau of Economic Analysis & BBVA Research

Chart 2

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



Source: Bureau of Economic Analysis & BBVA Research

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