

# U.S. GDP Flash

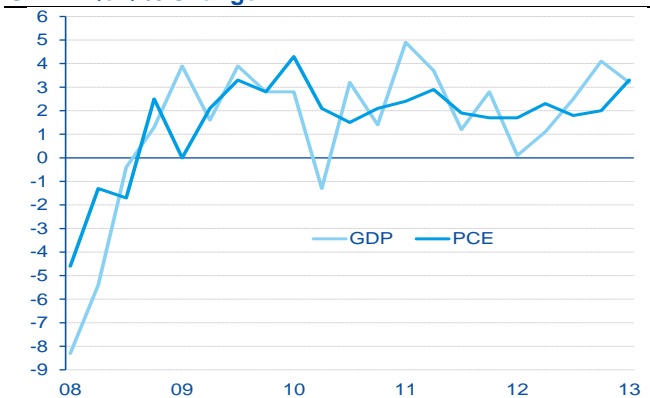
## U.S. Economy Grows 3.2% in Final Quarter of 2013

- Increase in GDP driven by strongest quarterly consumption figure in three years
- Net exports surge, reaching highest contribution since 2009 behind energy boom
- Growth expected to speed-up in 2014 to 2.5% from 2013's 1.9% pace

The BEA's advanced estimate of 4Q13 real GDP showed that the economy increased at rate of 3.2% on a QoQ seasonally-adjusted annualized basis (SAAR). Assuming there are no revisions to the 4Q13 GDP figure, this pace brings annual growth to 1.9% in 2013, significantly lower than 2012, but in general higher than consensus estimates for the year. Personal consumption, which accounts for roughly two-thirds of the economy, grew a solid 3.3% SAAR, which is its highest growth rate since 4Q10 and points to an increase in confidence as consumers are spending more freely. Gross private domestic investment did not accelerate as rapidly as it did in 3Q13, but still remained positive, increasing by 3.4% SAAR. Although companies did not increase private inventories as much as in 3Q13, the overall gain in the category is a possible sign that businesses are forecasting an increase in demand as we exit the holiday season and enter the new year. Unfortunately, for the first time since 2010, residential investment was down for the quarter, a movement which is likely attributed to a combination of higher home prices, increasing interest rates, and extreme weather conditions, particularly during November and December. Nonresidential structures also declined in 4Q13, down -1.2% SAAR, but this followed two quarters of significant growth. In regards to trade, net exports were significantly higher for the quarter and are steadily becoming a reliable source for growth in the economy, fueled by the increase in domestic drilling of shale gas and petroleum products. Shifting to federal spending, government consumption expenditures were down to the lowest levels of the year, possibly due in-part to the brief government shutdown.

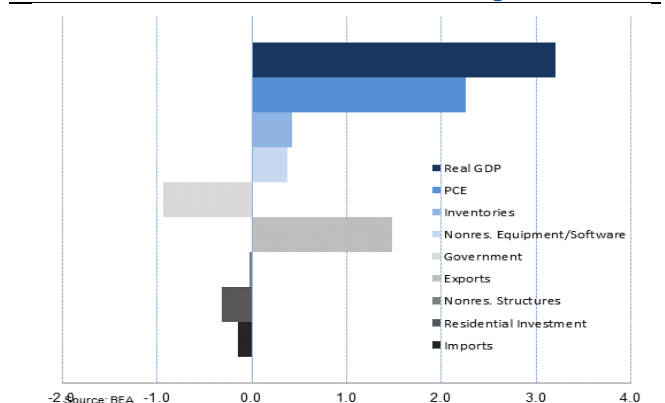
Overall, the growth in consumption spending is encouraging and is a positive sign of confidence in the economic recovery as we enter the new year. After a slow start to the year raised questions about the strength of the economy, the 3.2% growth estimate for 4Q13 is a relief that the economy is accelerating upwards. Furthermore, the decision of the Fed to begin tapering in 2014 appears to be validated as the economy begins to stand on its own feet. Previous spurts of economic growth have dissipated in the past, so GDP in the first quarter will be crucial in determining whether the growth is able to steadily roll over into 2014. Looking ahead, we expect that the momentum from the final quarter of 2013 will carry forward into 2014, with our annual growth projection at 2.5% for the coming year.

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 4Q13 Advanced Estimate, SAAR Percentage Points**



Source: Bureau of Economic Analysis & BBVA Research

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