

U.S. GDP Flash

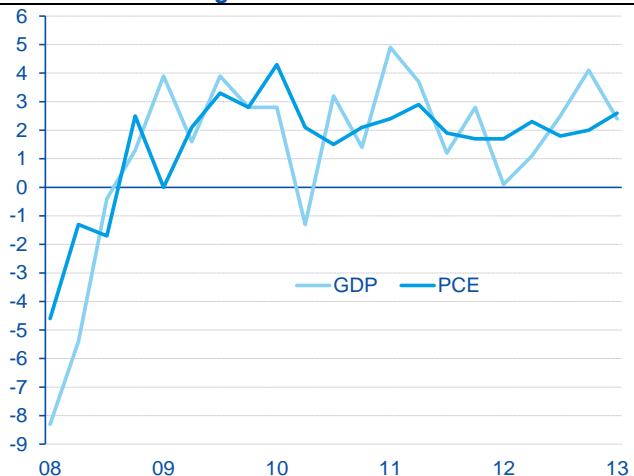
4Q13 Economic Growth Revised to 2.4% from 3.2%

- Downward revision largely attributed to lower consumption expenditures and exports
- Private investment increases at slowest pace in a year following a strong 3Q13
- 2013 GDP growth remains at 1.9%; forecast for 2014 unchanged at 2.5%

The BEA's preliminary estimate of 4Q13 real GDP indicated that the economy expanded at a substantially slower rate than previously thought for the quarter. The advanced estimate showed the economy expanding 3.2% on a QoQ seasonally-adjusted annualized rate but was revised down to 2.4%. Bad weather may have been a driver in dragging down economic activity, but we do not believe it was a significant factor, as the majority of data were already released prior to the initial GDP estimate. The downward revision was primarily driven by a decrease in consumer spending, which has been the backbone of the economic recovery. Initial estimates showed personal consumption expenditures up 3.3% for 4Q13, but the preliminary readings scaled spending down to 2.6%. Along with the downward revision in consumption, exports were slightly weaker than originally estimated, still rising a healthy 9.4% instead of 11.4%. Private investment, which picked up through most of 2013, increased by 1.55% QoQ, the slowest pace since 4Q12. Although not as high as initially anticipated, the growth in consumption signals that consumers are spending at a healthy clip which is vital in propelling the economy moving forward.

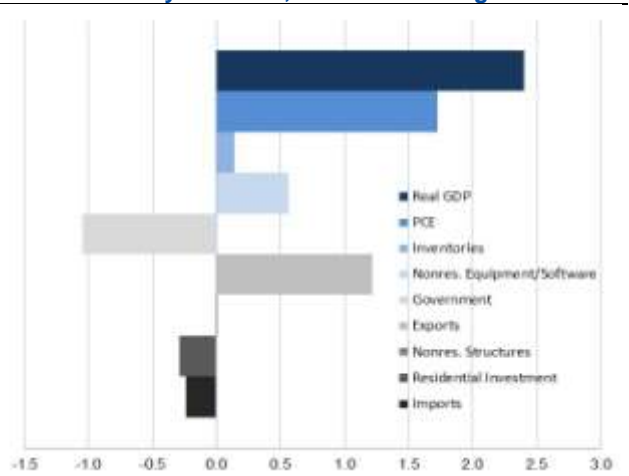
After a strong 3Q13 where the economy expanded at 4.1%, the advanced estimate of 3.2% seemed to be fairly plausible. Even though this downward revision is likely to be pointed at as an example of the economy expanding at a slower pace, we do not believe the drop to 2.4% warrants the need to worry about an impending economic slowdown. Furthermore, we continue to see growth across all components of the GDP figure and do not see any glaring weaknesses in any major components. The initial estimate for GDP certainly would have been welcoming, but the downward revision should not cause spectators to write-off the economic recovery. Moving forward, we expect slowing momentum for GDP in 1Q14 at slightly less than 2%, but maintain our forecast of 2.5% for annual GDP growth in 2014.

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 Preliminary Estimate, SAAR Percentage Points



Source: Bureau of Economic Analysis & BBVA Research

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