

# U.S. GDP Flash

## Final 4Q13 GDP Estimate Revised Up Slightly to 2.6%

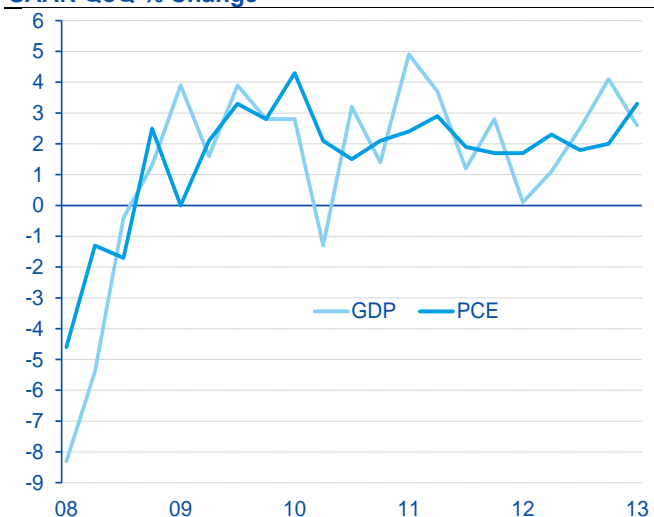
- Real GDP revised up to 2.6% from the preliminary estimate of 2.4%
- Upward revision in consumption is key factor in the improved estimate
- 2013 GDP growth holds at 1.9%; forecast for 2014 unaffected at 2.5%

The BEA's final estimate of 4Q13 real GDP showed that the economy expanded at a slightly higher rate than as told by the preliminary report. Overall, the final figure showed little significant change, up to 2.6% on a QoQ seasonally-adjusted annualized rate after the preliminary estimate revised GDP growth downward from 3.2% to 2.4%. The key drivers were personal consumption, residential investment, and inventories. Initial estimates showed personal consumption expenditures up 3.3% for 4Q13, and after the preliminary readings scaled spending down to 2.6%, the final estimate once again revised consumption back up to 3.3% on a QoQ SAAR basis. The increase in consumption signals that consumers continue to spend at a healthy clip and is the most vital indicator in boosting economic growth moving forward. Residential investment, which turned negative in 4Q13 for the first time in more than three years, was revised up slightly to reflect less of a drag. For 2014, we do expect residential activity to pick up and contribute positively to growth, particularly once the temporary impacts from an extremely cold winter fade away. The only other significant mover was nonresidential investment, though this was revised downward from 7.3% to 5.7%; still, the downward revision was not enough to neutralize the jump in the final GDP estimate.

Overall, the upward final GDP estimate for 4Q13 indicates little overall change and is largely in line with our projections. Looking at the bigger picture, annual growth for 2013 remains unchanged at 1.9%. After a year filled with fiscal and political uncertainty, we expect that 2014 will be a brighter year for the economy, as reduced uncertainty and personal consumption expenditures will serve as the backbone behind economic expansion. Looking forward, the report does not shift our future estimates, and we reaffirm our 2014 forecast of 2.5% GDP growth.

Chart 1

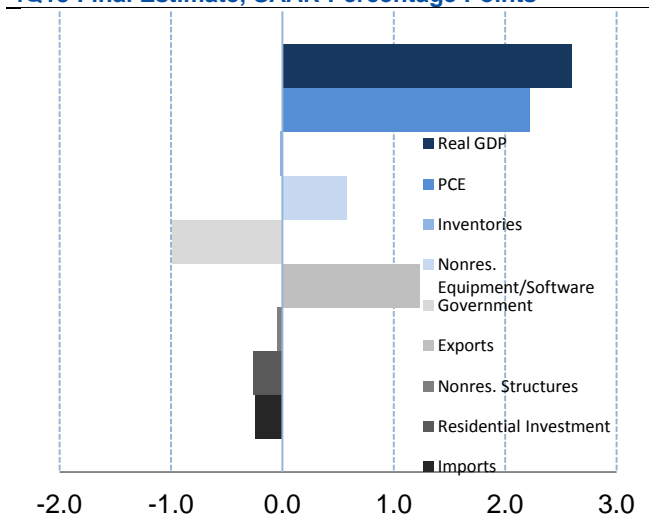
### U.S. Real GDP and Personal Consumption Expenditures SAAR QoQ % Change



Source: Bureau of Economic Analysis &amp; BBVA Research

Chart 2

### Contributions to Real GDP Growth 4Q13 Final Estimate, SAAR Percentage Points



Source: Bureau of Economic Analysis &amp; BBVA Research

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