

# U.S. GDP Flash

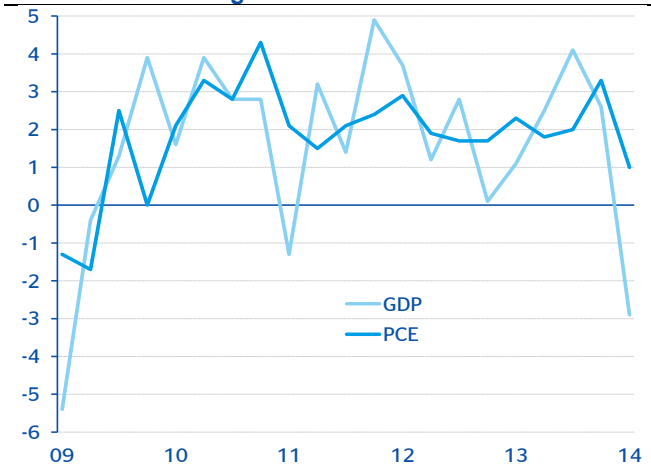
## Final 1Q14 GDP Estimate Revised Down to -2.9%

- Real GDP decline marks largest contraction since the recession
- Personal consumption revised down from 3.1% to 1.0% QoQ SAAR
- Upcoming BEA revisions in July may influence future forecast revisions

The final estimate for 1Q14 GDP growth came in at a surprising -2.9% QoQ SAAR, the biggest economic contraction seen since the recession. This figure is certainly frightening at face value, but when considering some of the underlying details and the subsequent rebound in 2Q14 data thus far, it is easier to accept that this is likely a one-off contraction. The negative contribution from the change in private inventories was larger than previously reported at -1.7 SAAR percentage points. Exports were also revised down again, this time to -8.9% and almost completely offsetting the growth seen in 4Q13. Residential investment remained weak but was revised up slightly to -4.2% QoQ SAAR. Personal consumption expenditures were the only positive contribution to real GDP growth in 1Q14, although the figure was revised down from 3.1% to 1.0% for the quarter in large part due to lower spending on healthcare services.

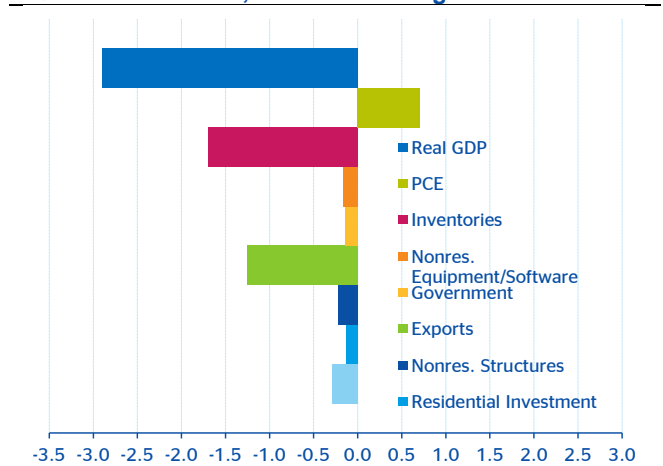
The biggest issue this data presents is that it puts downward pressure on our annual GDP forecast for 2014. After the preliminary estimate, consensus expectations shifted down to around 2.2% growth for the year, but today's report makes this an optimistic bet. At the end of July, the BEA will release their annual revisions along with the initial 2Q14 GDP estimate, both of which could significantly influence our forecast for the year. Regardless, we continue to see gradual improvements in the economy as activity recovers from a severe winter, so growth in the second quarter should be stronger by comparison. Furthermore, we maintain our expectations for increased momentum and a better second half of 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 1Q14 Final Estimate, SAAR Percentage Points**



Source: Bureau of Economic Analysis & BBVA Research

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