

Economic Analysis

# 2Q14 Real GDP Growth Revised up to 4.2%

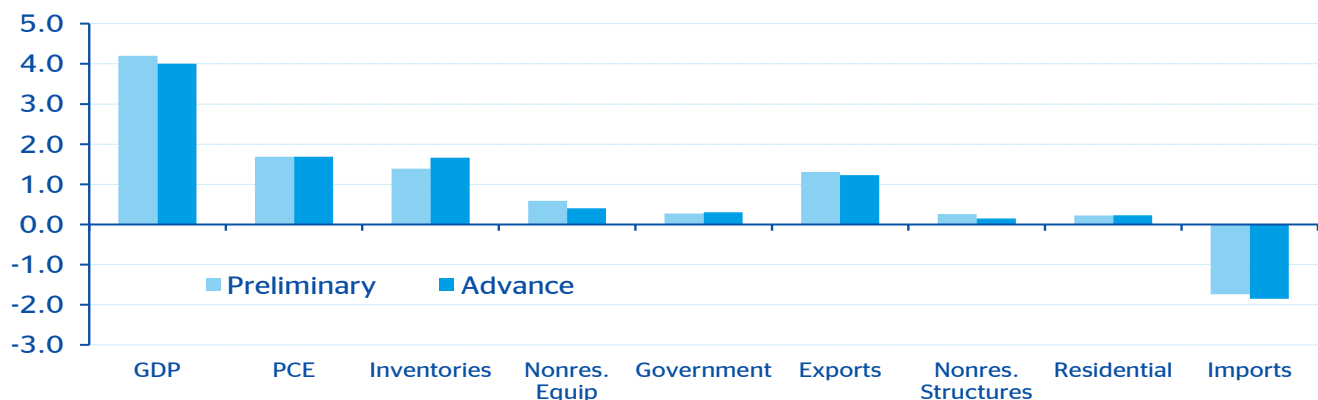
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- Slight upward revision to 2Q GDP growth driven by nonresidential investment and exports
- Minor revisions to residential and government spending, while PCE unchanged
- Revised data support our baseline scenario for 2.0% growth in 2014

Real GDP growth was revised slightly for 2Q14, with the preliminary data reporting 4.2% QoQ SAAR compared to the advance estimate of 4.0%. Most of the revision stemmed from nonresidential investment, with slightly higher contributions coming from equipment and structures. Export growth was also revised up, from 9.5% to 10.1%, marking the strongest pace since 4Q10. Personal consumption was unchanged at 2.5%, holding slightly above the post-recession average. Residential investment and government spending were revised down slightly to 7.2%, and 1.4%, respectively.

Despite our expectations for a downward revision to the advance figure, the preliminary data remain in line with our baseline scenario. This rebound from the 1Q contraction primarily reflects an improvement in private investment, with residential activity finally crossing back into positive territory. Even still, investment is not expanding as robustly as we had previously expected. This is somewhat surprising given reduced policy uncertainty, but it may be the case that businesses are diversifying and investing abroad rather than in the U.S. Personal consumption remains healthy but average growth remains low compared to the pre-crisis 2000s. While we do expect consumption to remain one of the strongest contributors to growth, we could very well see another component taking the spotlight over the coming years. In particular, exports are poised to become a larger share of total GDP growth in the mid- to long-term, especially given the increasingly optimistic energy-producing outlook for the U.S. (i.e. improvements in the petroleum trade balance). For the short-term, we expect that economic activity in the third and fourth quarters will expand at a modest pace (2.0-3.0%), bringing us to an annual average of 2.0% for 2014. Our expectation for real GDP growth in 2015 remains unchanged at 2.5%.

Chart 1  
**Contributions to Real GDP Growth**  
 (2Q14 Advance vs Preliminary, SAAR Percentage Points)



Source: Bureau of Economic Analysis & BBVA Research

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