

Economic Analysis

2Q15 Real GDP Hits 2.3% as BEA Revisions Attempt to Tackle 1Q Weakness

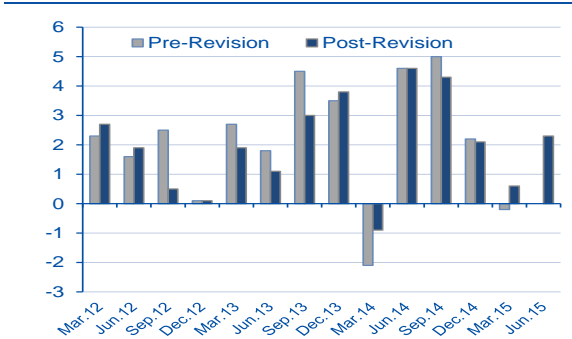
Kim Chase

- Real GDP growth increased 2.3% QoQ SAAR in 2Q15, following a revised 0.6% in 1Q15
- BEA’s annual and seasonal adjustment revisions mostly impacted growth in 2013
- Strong consumption will continue in 2015, offsetting weak investment in the energy sector

The BEA’s advance estimate for 2Q15 real GDP growth fell right in line with our expectations, up 2.3% on a QoQ seasonally adjusted annualized basis and marking the fastest pace since 3Q14. As expected, personal consumption expenditures were a strong driver of growth at 2.9%, reflecting a healthy rebound from the modest 1.8% pace in the first quarter. Residential investment was also a positive contributor, up 6.6% following 10.0% growth in both 4Q14 and 1Q15. Net exports surprised to the upside, with export growth at 5.3% beating out import growth at 3.5%. On the downside, nonresidential investment remained weak, falling 0.6% in 2Q15, dragged down by both equipment and structures (-4.1% and -1.6%, respectively). For the most part, this represents the ongoing decline in energy investment, which we expect to continue throughout the rest of 2015.

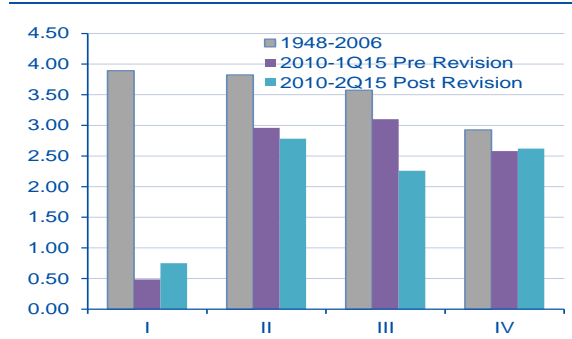
Benchmark and seasonal adjustment revisions were not as significant as expected. The BEA made some effort to fix the seasonality concerns regarding the notoriously weak first quarter rates seen since the crisis. However, the quarterly averages remain unbalanced compared to pre-crisis historical trends, even when excluding the contractions in 2008 and 2009. First quarter growth was revised back to 2012 – from 2.3% to 2.7% in 1Q12, 2.7% to 1.9% in 1Q13, -2.1% to -0.9% in 1Q14, and -0.2% to 0.6% in 1Q15. For 2012 and 2014, where 1Q rates were revised up, there were additional adjustments to subsequent quarters in order to balance out annual growth. The seasonality fixes on top of the usual benchmark revisions had the biggest impact on 2013, where annual growth was revised down from 2.2% to 1.5% due to large downward revisions to PCE, state and local government spending, and residential fixed investment during the first, second, and third quarters. Overall, these revisions do not impact our forecasts for 2015 GDP growth near 2.5%.

Chart 1
Real GDP Growth, Pre vs Post Revisions (QoQ SAAR % Change)



Source: BEA & BBVA Research

Chart 2
Real GDP Growth, Quarterly Averages (QoQ SAAR % Change)



Source: BEA & BBVA Research

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