

Economic Analysis

# Weekly Focus: GDP, Consumption, and Housing

Kim Chase

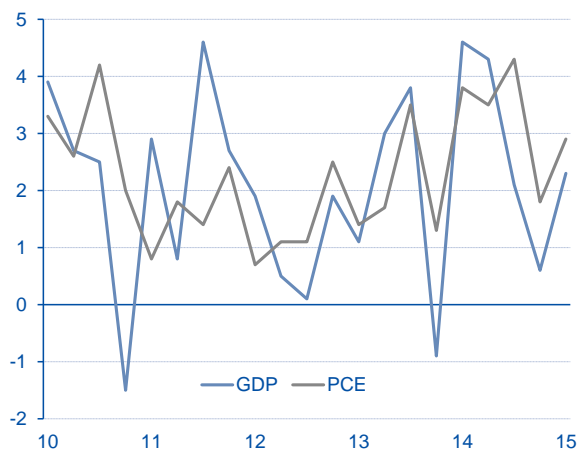
## Upward Revision Expected for 2Q15 GDP Growth Ahead of Jackson Hole

Important economic indicators this week are expected to show signs of further improvement as we continue through the third quarter. **Personal income and outlays (Friday)** will continue the run of positive reports, emphasizing the importance of the consumer to our ongoing recovery in the U.S. Despite the fact that consumption has been volatile on a month-to-month basis, the underlying trends are strong – particularly in this favorable, low-inflation environment. The **second estimate for 2Q15 real GDP (Thursday)** will highlight continued strength in consumption as well as upward revisions to the trade balance and construction spending. On the downside, **durable goods orders (Wednesday)** are likely to reflect continued weakness in business investment and in the manufacturing sector as a whole. The Fed’s Jackson Hole Symposium at the end of the week will likely address the latest evolution of economic data but won’t give us enough detail to confirm without a doubt that the rate hike will come in September.

## New Home Sales on the Rebound, but Still Far from Reaching Pre-Crisis Levels

Housing data are expected to build on the momentum seen in recent weeks – most notably, July’s gain in existing home sales to the highest level of the recovery thus far. **New home sales (Tuesday)** are likely to follow suit, with the Home Builder Housing Market Index hinting at improvement in single family sales as well as increased confidence for the next six months. Furthermore, consumer confidence indicators suggest an increase in those planning to buy a home within six months, though the majority of people expect to buy an existing house rather than enter into the new home market. This can be attributed to lower affordability in new homes as well as a limited supply, and unfortunately we do not see many signs that this trend will change anytime soon. New home sales will increase gradually but will struggle to reach pre-crisis levels, having rebounded only 17% since the depths of the recession.

Graph 1  
Real GDP and Consumption  
(QoQ SAAR % Change)



Source: BEA & BBVA Research

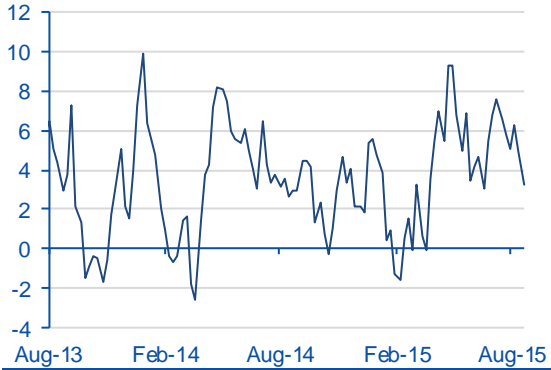
Graph 2  
New Home Sales and Housing Market Index  
(YoY % Change and SA Index, All Good=100)



Source: NAHB, Census, & BBVA Research

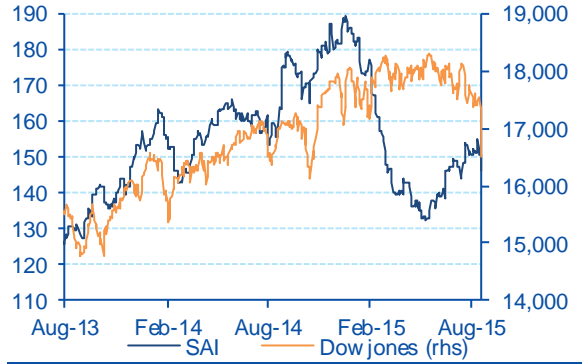
**Economic Trends**

Graph 3  
**BBVA USA Weekly Activity Index (3 month % change)**



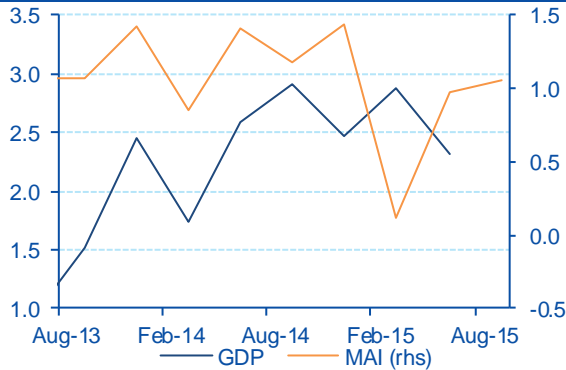
Source: BBVA Research

Graph 4  
**BBVA USA Surprise Activity Index & Dow Jones (Index 2009=100 & eop)**



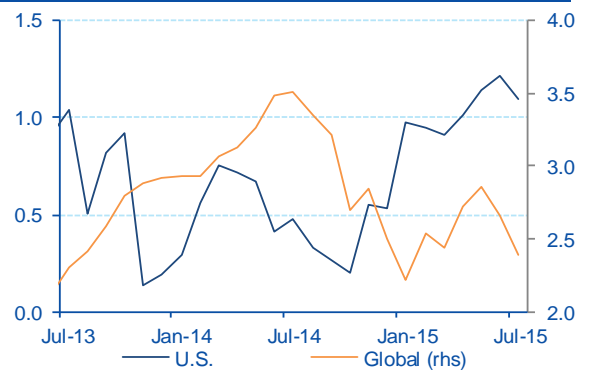
Source: Bloomberg & BBVA Research

Graph 5  
**BBVA USA Monthly Activity Index & Real GDP (4Q % change)**



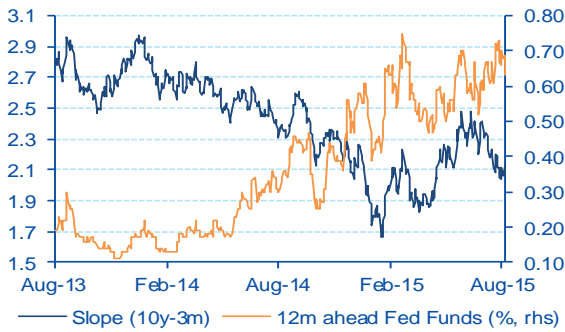
Source: BBVA Research & BEA

Graph 6  
**BBVA USA Risk Index (> 0 = increasing risk)**



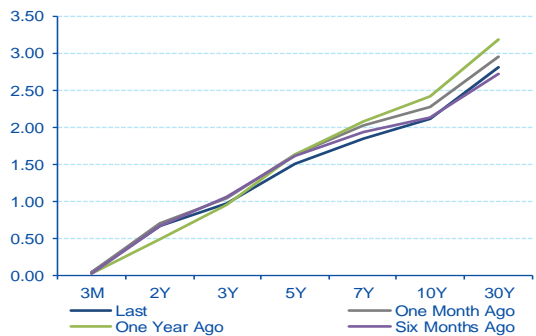
Source: BBVA Research

Graph 7  
**Fed Futures & Yield Curve Slope (% & 10year-3month)**



Source: Haver Analytics & BBVA Research

Graph 8  
**U.S. Treasury Yield Curve (% p.a.)**



Source: Haver Analytics & BBVA Research

## Week Ahead Economic Calendar

Date	Event	Period	BBVA	Consensus	Previous
24-Aug	Chicago Fed National Activity Index	JUL	0.15	0.20	0.08
25-Aug	S&P/Case-Shiller Composite-20 City Home Price Index SA MOM% Change	JUN	0.13	0.20	-0.18
25-Aug	S&P/Case-Shiller Composite-20 City Home Price Index YoY	JUN	5.22	5.10	4.94
25-Aug	Conference Board Consumer Confidence SA 1985=100	AUG	94.70	93.30	90.91
25-Aug	US New One Family Houses Sold Annual Total SAAR	JUL	509.00	510.00	482.00
25-Aug	US New One Family Houses Sold Annual Total MoM SA	JUL	5.60	5.81	-6.80
26-Aug	US Durable Goods New Orders Industries MoM SA	JUL	-0.90	-0.35	3.40
26-Aug	US Durable Goods New Orders Total ex Transportation MoM SA	JUL	0.70	0.35	0.60
27-Aug	US Initial Jobless Claims SA	AUG 22	271.00	275.00	277.00
27-Aug	US Continuing Jobless Claims SA	AUG 15	2239.00	2249.50	2254.00
27-Aug	GDP US Chained 2009 Dollars QoQ SAAR	2Q S	2.40	3.20	2.30
27-Aug	GDP US Personal Consumption Chained 2009 Dirs % Change from Previous Period SAAR	2Q S	2.90	3.10	2.90
27-Aug	US GDP Price Index QoQ SAAR	2Q S	2.00	2.00	2.00
27-Aug	US GDP Personal Consumption Core Price Index QoQ % SAAR	2Q S	1.80	1.80	1.80
27-Aug	US Pending Home Sales Index MoM SA	JUL	0.70	1.00	-1.78
28-Aug	US Personal Income MoM SA	JUL	0.30	0.40	0.40
28-Aug	US Personal Consumption Expenditures Nominal Dollars MoM SA	JUL	0.40	0.40	0.20
28-Aug	University of Michigan Consumer Sentiment Index	AUG F	93.00	93.10	92.90

## Economic Outlook

	2015				2014	2015	2016	2017
	1Q	2Q	3Q	4Q				
Real GDP (% SAAR)	0.6	2.3	<b>4.0</b>	<b>2.9</b>	2.4	<b>2.5</b>	<b>2.8</b>	<b>2.8</b>
CPI (YoY %)	-0.1	0.0	<b>0.6</b>	<b>1.4</b>	1.6	<b>0.5</b>	<b>1.8</b>	<b>2.1</b>
CPI Core (YoY %)	1.7	1.8	<b>1.7</b>	<b>1.8</b>	1.7	<b>1.7</b>	<b>1.8</b>	<b>2.0</b>
Unemployment Rate (%)	5.6	5.4	<b>5.2</b>	<b>5.1</b>	6.2	<b>5.3</b>	<b>4.9</b>	<b>4.6</b>
Fed Target Rate (eop, %)	0.25	0.25	<b>0.50</b>	<b>0.50</b>	0.25	<b>0.50</b>	<b>1.50</b>	<b>2.50</b>
10Yr Treasury (eop, % Yield)	2.04	2.36	<b>2.43</b>	<b>2.53</b>	2.21	<b>2.53</b>	<b>2.72</b>	<b>3.64</b>
US Dollar/ Euro (eop)	1.08	1.12	<b>1.05</b>	<b>1.07</b>	1.23	<b>1.07</b>	<b>1.13</b>	<b>1.20</b>
Core Logic Home Prices (YoY %)	4.96	5.80	<b>6.05</b>	<b>5.85</b>	7.55	<b>5.76</b>	<b>4.40</b>	<b>2.45</b>

## Fun Fact

The U.S. has 28,443,856 small businesses that employ 56,062,893 works, equivalent to more than one-third of the labor force. (Forbes, 19 August 2015)

## Recent Publications

[U.S. Economic Outlook 3Q15](#) (August 20, 2015)

[FOMC Minutes: Committee in Preparation Talks for Impending First Rate Hike](#) (August 19, 2015)

[CPI Continues Modest Upward Trend in July](#) (August 19, 2015)

[Employment Data Holds Steady, Wages on the Rise](#) (August 7, 2015)

[Changing the Climate Game](#) (August 6, 2015)

[Houston, We Have a Debt Problem](#) (August 4, 2015)

[State Monthly Activity Indexes: Acceleration Expected in 2H15](#) (July 30, 2015)

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