

Economic Analysis

U.S. Real GDP Growth Nowcast: 1.96% for 4Q15

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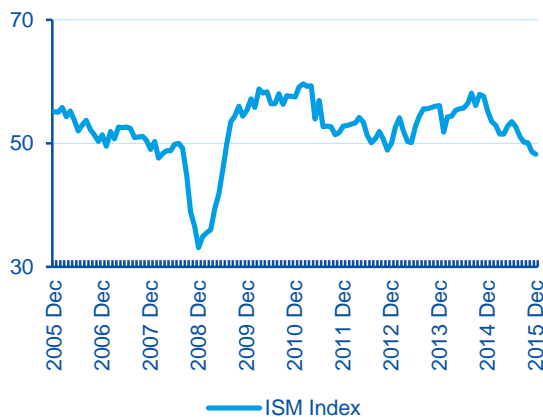
- **Nowcast model predicts 1.96% for 4Q15 real GDP growth**
- **The U.S. economy mildly expanded in the fourth quarter**
- **Yet the supply side showed signs of weakness**

Our most recent estimate based on the Mixed-Frequency Model for the U.S. ([MIFUS](#)) suggests a real GDP growth rate of 1.96% QoQ SAAR for 4Q15. This forecast incorporates all monthly indicators tracked by the model for the fourth quarter of 2015, as well as the BEA's third estimate of 3Q15 real GDP growth (2.0%).

According to our forecast, the U.S. economy mildly expanded during the fourth quarter, especially as consumers benefited from lower energy prices which boosted their disposable income. On the other hand, the forecast suffers from weakening indicators on the supply side. For example, one key indicator for the struggling manufacturing sector, the ISM Manufacturing Index, dropped below 50 for two months in a row, marking the first such occurrence since the Great Recession. In addition, despite ongoing labor market improvements and the strong job growth seen in 4Q15, some leading employment indicators hinted at possible concerns. For instance, initial unemployment insurance claims increased in November and December. Although these gains in unemployment were minor and may not reflect material deterioration of the labor market, they could be a worrying sign, especially considering that jobless claims rose to a six-month high in January.

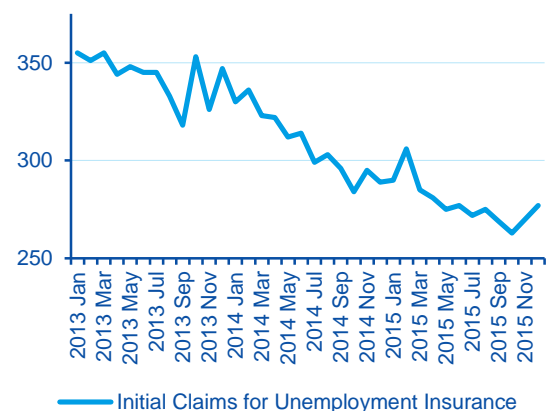
Plunging energy prices have been providing an extra boost to the economy since mid-2014 by raising consumers' disposable income and encouraging automobile purchases. Yet with oil prices likely reaching bottom in this year, weakening indicators on the supply side signal concerns over the U.S. economy in 2016.

Chart 1
ISM Manufacturing Index
SA, 50+ = Expansion



Source: ISM, Haver & BBVA Research

Chart 2
Initial Claims for Unemployment Insurance
SA, Thousands, Weekly Avg.



Source: BLS & BBVA Research

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