

Economic Analysis

4Q15 GDP Unexpectedly Revised Upward to 1.0%

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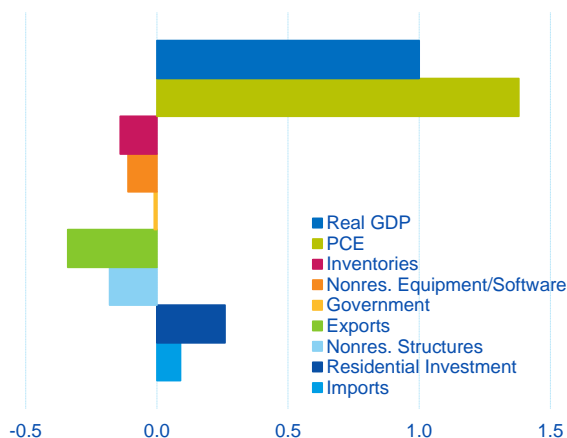
- **Real GDP growth for 4Q15 was revised upward from 0.7% to 1.0%**
- **Inventories were higher than previously estimated, but PCE was downgraded slightly**
- **Expectations remain for 2.5% growth in 2016**

The second estimate for 4Q15 real GDP growth came in at 1.0% QoQ SAAR, a surprise upward revision from the preliminary 0.7%. The revision was mostly driven by a higher-than-previously estimated change in inventories, which came in at \$81.7 billion versus \$68.6 billion, in addition to a higher contribution of net exports mainly due to a downward adjustment to imports from 1.1% to -0.6%. Personal consumption expenditures were downgraded to 2.0% versus the initial estimate of 2.2% while government spending was also revised down from 0.7% to -0.1%. Other readings held more or less steady with the advance estimate, with mining and energy continuing to drag down nonresidential fixed investment. Nevertheless, real GDP annual growth remained the same at 2.4%.

Despite the downward revision to PCE in 4Q15, for the entire year, it exhibited the fastest growth rate (3.1%) in a decade. Similarly, for 2016, we expect consumer spending to remain solid supported by employment growth, low interest rates and low energy prices. In fact, the personal income and outlays report, also released today, indicated that both variables jumped 0.5% MoM in January, with an especially strong showing from wages.

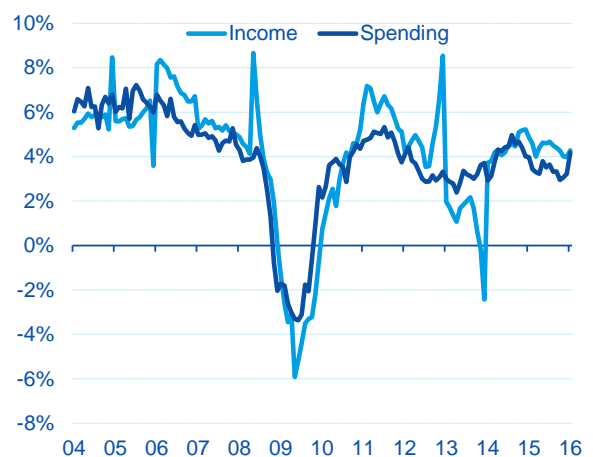
These revisions do not imply a change in our baseline, thus we maintain our expectations for 2.5% growth in 2016. As indicated by early 1Q16 economic indicators, domestic consumption should continue to lead growth in the upcoming years, although risk factors such as weaker global demand and stronger USD remain.

Chart 1
**Contributions to Real GDP Growth
SAAR Percentage Points**



Source: BEA & BBVA Research

Chart 2
**Personal Income and Expenditures
YoY % Change**



Source: BEA & BBVA Research



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U.S. GDP Flash
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