

Economic Analysis

Weekly Focus: Final 4Q15 GDP & Housing

Kim Chase / Filip Blazheski

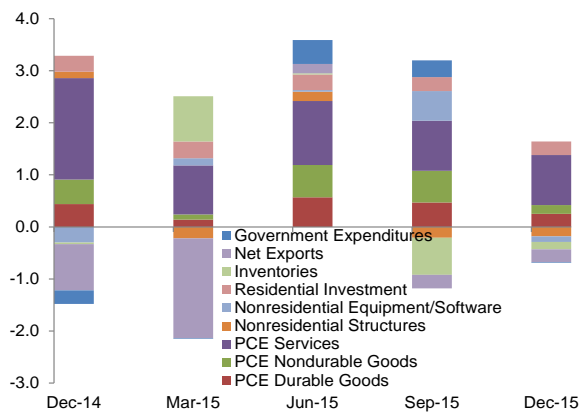
Minor Downward Revision Expected for 4Q15 Real GDP Growth

The **final estimate for 4Q15 real GDP (Friday)** is expected to show only a small downward revision from the 1.0% QoQ SAAR figure releases last month. Data revisions for December suggest a wider-than-expected trade balance as well as slower business inventory growth than previously reported. However, these drags may at least be partially offset by minor upward revisions to personal consumption expenditures and construction spending – two components that remain important drivers of economic growth moving forward. Average growth for 2015 is expected to hold at 2.4%, the same pace as in 2014 and about what we expect to see in 2016 as well. The first quarter of this year has brought along heightened economic uncertainty but we continue to see increasing momentum for the coming quarters.

Gains in Home Sales and Price Appreciation Lead Strength in Housing Market

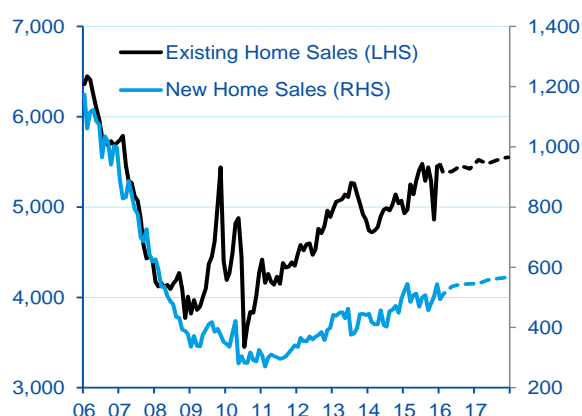
It is a big week for housing, with **existing home sales (Monday)** are expected to post another strong showing in February following the healthy 0.4% boost in January to 5.47 million. Pending home sales, which tend to be a leading indicator for the existing home market, declined 2.5% in January, likely as a result of the recent acceleration in home prices and low inventory. However, we continue to see underlying strength in homebuyer demand that should drive sales for the month, particularly in the South and West regions that were the weakest to start the year. Low inventory of existing homes – four months' supply, compared to the six months threshold that represents a balanced market between buyers and sellers – should help lift **January's FHFA house price index (Tuesday)**, following the likes of other house price indicators that have already published data for the month, such as the CoreLogic Index. Finally, **February's new home sales (Wednesday)** should increase following a disappointing 9.2% decline in January (the first since September). February's jump in housing starts is a good sign that new home sales will continue to rise in the coming months. However, home sales growth and home price appreciation will likely be slowing as buyers react to the recent fast appreciation in home prices.

Graph 1
Contributions to Real GDP Growth (SAAR, Percentage Points)



Source: Bloomberg & BBVA Research

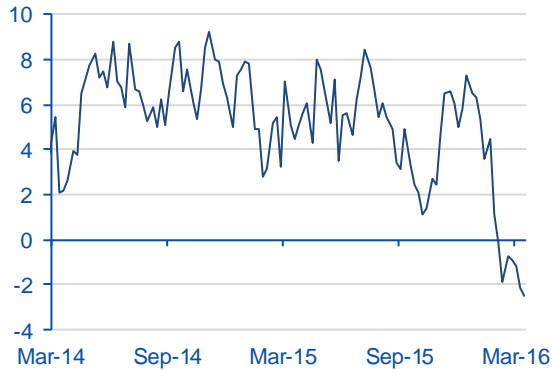
Graph 2
New and Existing Home Sales (SAAR, Thousands)



Source: NAR, Census, & BBVA Research

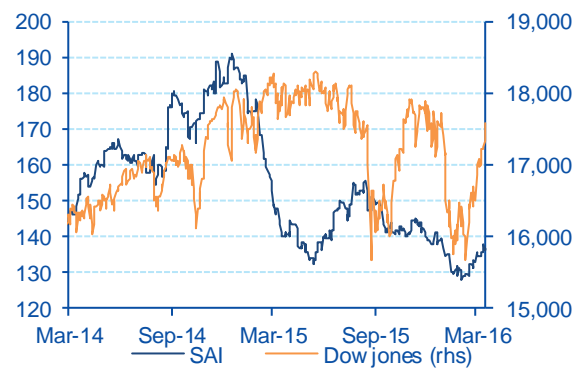
Economic Trends

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



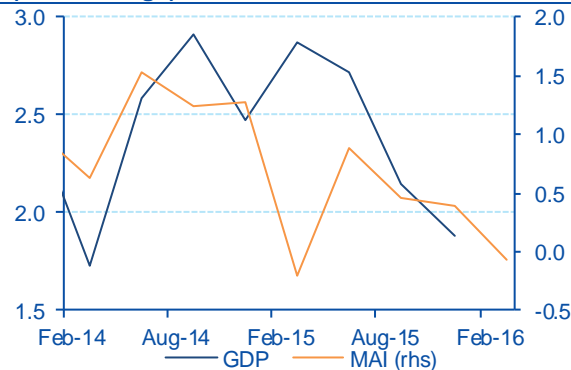
Source: BBVA Research

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



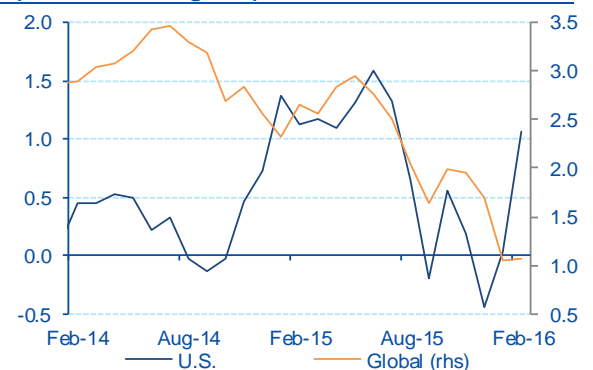
Source: Bloomberg & BBVA Research

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



Source: BBVA Research & BEA

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



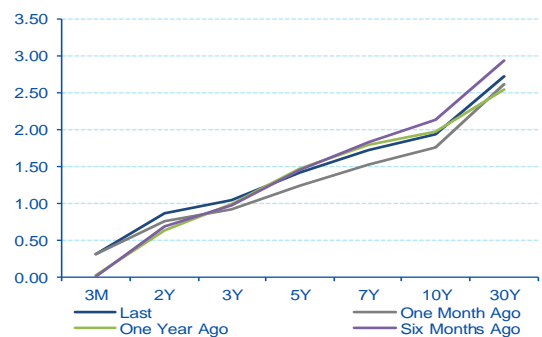
Source: BBVA Research

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
21-Mar	Chicago Fed National Activity Index	FEB	0.31	0.25	0.28
21-Mar	US Existing Homes Sales SAAR	FEB	5.53	5.31	5.47
21-Mar	US Existing Homes Sales MoMSA	FEB	1.04	-2.93	0.37
23-Mar	US New One Family Houses Sold Annual Total SAAR	FEB	513.00	510.00	494.00
23-Mar	US New One Family Houses Sold Annual Total MoMSA	FEB	3.85	3.24	-9.20
24-Mar	US Initial Jobless Claims SA	MAR 19	261.00	268.00	265.00
24-Mar	US Continuing Jobless Claims SA	MAR 12	2230.00	2229.50	2235.00
24-Mar	US Durable Goods New Orders Industries MoM SA	FEB P	-0.90	-3.00	4.70
24-Mar	US Durable Goods New Orders Total ex Transportation MoM SA	FEB P	-0.50	-0.30	1.70
25-Mar	GDP US Chained 2009 Dollars QoQ SAAR	4Q T	0.90	1.00	1.00
25-Mar	GDP US Personal Consumption Chained 2009 Dirs % Change from Previous Period SAAR	4Q T	2.00	2.00	2.00
25-Mar	US GDP Price Index QoQ SAAR	4Q T	0.90	0.90	0.90
25-Mar	US GDP Personal Consumption Core Price Index QoQ % SAAR	4Q T	1.30	1.30	1.30

Economic Outlook

	2015		2016		2014	2015	2016	2017
	3Q	4Q	1Q	2Q				
Real GDP (% SAAR)	2.0	1.0	1.7	3.3	2.4	2.4	2.5	2.4
CPI (YoY %)	0.1	0.5	1.1	1.1	1.6	0.1	1.3	1.9
CPI Core (YoY %)	1.8	2.0	2.2	2.1	1.7	1.8	2.0	1.9
Unemployment Rate (%)	5.2	5.0	4.9	4.9	6.2	5.3	4.8	4.6
Fed Target Rate (eop, %)	0.25	0.50	0.50	0.75	0.25	0.50	1.00	2.00
10Yr Treasury (eop, % Yield)	2.17	2.24	2.09	2.17	2.21	2.24	2.32	2.88
US Dollar/ Euro (eop)	1.12	1.09	1.09	1.05	1.23	1.09	1.10	1.16
Core Logic Home Prices (YoY %)	5.01	5.31	5.53	4.84	7.70	4.98	4.79	4.22

Fun Fact

It's easier to win back-to-back Mega Millions jackpots than it is to fill out a perfect bracket, where the odds are 1 in 9.2 quintillion. (WalletHub, March 2016)

Recent Publications

[JOLTS Report Portrays a Solid Labor Market](#) (March 17, 2016)

[FOMC Statement: Committee Revises Down Expected Policy Path to Two Rate Hikes in 2016](#) (March 16, 2016)

[February's Housing Starts Grow Strongly, but Permits Fall](#) (March 16, 2016)

[Manufacturing Production Continues Upward Trend in February](#) (March 16, 2016)

[Core CPI Continues Upward Trend in February](#) (March 16, 2016)

[Gasoline Drags Down Retail Sales in February](#) (March 15, 2016)

[FOMC Preview: Communication is the Key to the Fed's Success](#) (March 15, 2016)

[FDIC Quarterly Banking Profile 4Q15](#) (March 14, 2016)

[Not all Booms are Created Equal: Home Prices vs Fundamentals](#) (March 11, 2016)

[Import and Export Prices Fall Again in February](#) (March 11, 2016)

[Initial Claims Decrease, Adding to Positive February Employment News](#) (March 10, 2016)

[Mortgage Applications Rise in Early March](#) (March 9, 2016)

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