

Economic Analysis

4Q15 GDP Growth Revised Upward Again to 1.4%

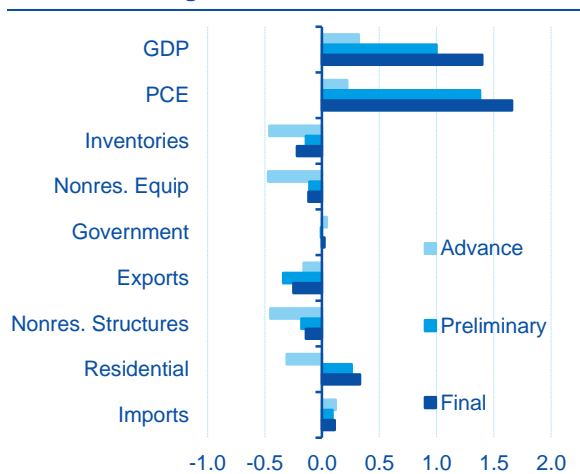
Filip Blazheski / Kim Chase

- **Third and final GDP estimate for 4Q15 real GDP growth revised upward from 1.0% to 1.4%**
- **Main positives were the gains in personal consumption and residential structures**
- **Despite weak 1Q16, momentum should pick up in 2Q to hit 2.5% growth for the year**

Fourth quarter growth does not appear to be as slow as previously thought, even though it is still slower than in the previous quarter. According to the BEA's latest report, the third and final estimate puts real GDP growth in 4Q at a seasonally-adjusted annualized rate of 1.4%, compared to 1.0% in the preliminary estimate. The reason for the revision was primarily a larger increase in personal consumption expenditures (PCE) than previously thought (Chart 1). Overall, the increase in real GDP in the fourth quarter reflected positive contributions from PCE, residential fixed investment, federal government spending, and lower imports. They were partly offset by negative contributions from nonresidential fixed investment (i.e. energy investment), lower exports, private inventories, and state and local government spending. Annual GDP growth for 2015 remained at 2.4%.

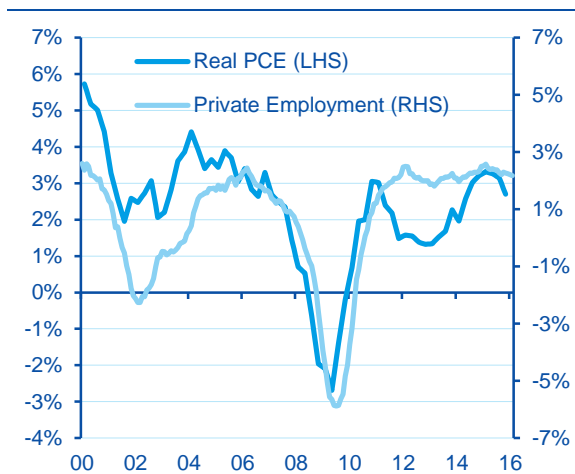
These upward revisions to 4Q15 growth should boost momentum for the first half of 2016, especially now that the financial market volatility which was so pronounced in January and February has subsided. The continued solid performance of the labor market in 2016 (Chart 2) and low interest rates should support personal spending, as well as private residential investment. The downside risks, though, are the downward pressure on business investment and net exports due to the uncertainty about the global economy, which could lead to weaker overall demand. We maintain our expectations for 2.5% growth in 2016, assuming a weak 1Q with a rebound in 2Q and beyond.

Chart 1
Contributions to Real GDP Growth
SAAR Percentage Points



Source: Bureau of Economic Analysis and BBVA Research

Chart 2
Personal Consumption and Employment
YoY %



Source: Bureau of Economic Analysis and BBVA Research

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