

Economic Analysis

U.S. Real GDP Growth Nowcast: 2.66% for 4Q15

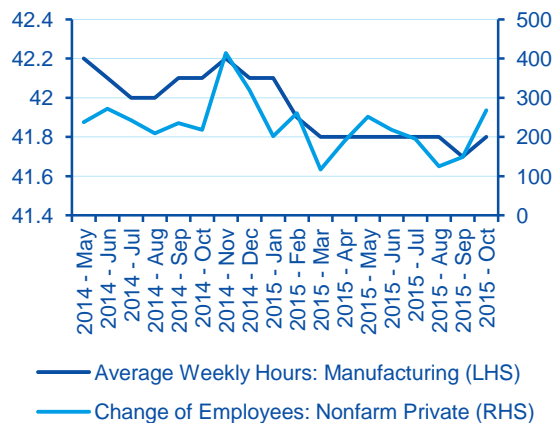
Kan Chen

- **Nowcast model predicts 2.66% for 4Q15 real GDP growth**
- **Labor market's robust improvements contribute to economic growth**
- **Manufacturing productivity shows signs of pick-up due to increase in weekly hours**

Our most recent estimate based on the Mixed-Frequency Model for the U.S. ([MIFUS](#)) suggests a real GDP growth rate of 2.66% QoQ SAAR for 4Q15. This forecast incorporates various monthly indicators for October, as well as the second release of 3Q15 GDP data on November 24.

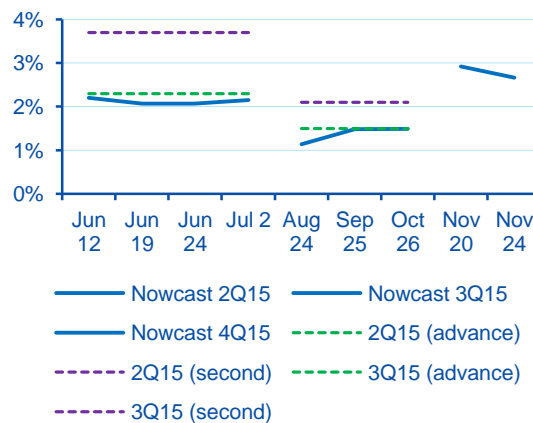
The standout for October was the improvement in the labor market following relatively weak reports in August and September. In particular, there were signs of improvement in the struggling manufacturing sector. Weekly hours in manufacturing, which are a useful measure of productivity, ticked back up in October after following a downward trend since November 2014. Therefore, the rebound of weekly hours in October, along with a strong increase of payrolls, may finally be an encouraging sign showing the pick-up of productivity, the concern over which has inspired extensive discussions.¹

Chart 1
Labor Market Statistics
SA, Hours (LHS); SA, Thousands (RHS)



Source: BLS & BBVA Research

Chart 2
Nowcast (MIFUS) vs. Official Releases
SAAR, %



Source: BEA & BBVA Research

For the last two quarters, our Nowcast model has been a useful tool for forecasting the official real GDP growth rate, especially on the advance release. The idea of a nowcast is to use high-frequency (monthly) series to project the movement of low-frequency (quarterly) series, and therefore we expect to obtain a more accurate forecast for 4Q15 when November's data is available.

¹ For example, we discussed the U.S. productivity in detail on one of our previous article at <https://www.bbva.com/en/publicaciones/u-s-productivity-deceleration-evidence-from-state-level-data-of-the-u-s/>

DISCLAIMER

This document was prepared by Banco Bilbao Vizcaya Argentaria's (BBVA) BBVA Research U.S. on behalf of itself and its affiliated companies (each BBVA Group Company) for distribution in the United States and the rest of the world and is provided for information purposes only. Within the US, BBVA operates primarily through its subsidiary Compass Bank. The information, opinions, estimates and forecasts contained herein refer to the specific date and are subject to changes without notice due to market fluctuations. The information, opinions, estimates and forecasts contained in this document have been gathered or obtained from public sources, believed to be correct by the Company concerning their accuracy, completeness, and/or correctness. This document is not an offer to sell or a solicitation to acquire or dispose of an interest in securities.