J.P.Morgan

13 Apr 2016
North America Economic Research

# Atlanta vs. New York

The NY Fed yesterday published its first "nowcast" for Q1 GDP, a product it will refresh every Friday. Its initial estimate of annualized growth last quarter is 1.1%. The Atlanta Fed's GDPNow model estimates growth last quarter at 0.3%, which is much closer to our estimate of 0.2%. The way some reports have treated this disparity you'd think this was the biggest clash between the two cities since the 1999 NLCS. However, there is a much less sensationalist reason the two numbers diverge, as they take fundamentally different approaches to the problem.

The Atlanta Fed approach is a "tracking" exercise, which largely mimics the approach used by the BEA to construct the official GDP estimate. Namely, it estimates each component of C+I+G+NX by using, for example, the monthly real consumer spending report, durable goods report, etc. For data that are not yet available (right now that would include the March durable goods report, among others), it uses statistical models to guess at what the missing data will be.

The NY Fed approach is a purely statistical nowcaster. It is not looking to mimic the BEA's approach in building up each subcomponent of GDP, but rather it folds in all available data that have some statistical relationship with top-line GDP. For example, the ADP jobs report or the ISM prices paid number has no direct bearing on how GDP is constructed, but since they have tended to co-move with GDP in the past, the NY Fed model incorporates the signal from these indicators.

While we have no problem taking the 7 train, our forecast for 1Q growth is much closer to the “nowcast” provided by the Atlanta Fed than the NY Fed; this is not surprising because both our forecast and the Atlanta Fed estimate are efforts to estimate the growth figure that will eventually be reported by the BEA.

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