

ECONOMIC ANALYSIS

# Global GDP 2Q14 nowcast remains in May at 0.8% q/q

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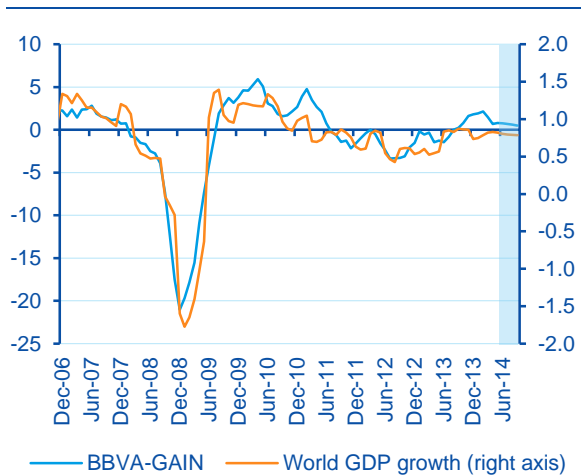
**Our Global Activity Index (BBVA-GAIN) holds broadly steady in May** due to the upturn of Global industrial production (as of March). Global PMI also ticked higher what may have offset the slight tightening of our global financial volatility index (GVI), the third component of our composite indicator.

With regard to soft indicators, Global PMI rose for the nineteenth month running in May, fostered by further growth in new export orders. The effects of the upturn are still being felt in the labor market, with job creation registered for the tenth successive month (Table 1).

**All in all, BBVA-GAIN expanded by 0.8 in May from 0.9 in April** (Chart 1) and our **nowcast and forecast for 1Q14 and 2Q14 remain firm at broadly unchanged expansion rates (0.8% QoQ)**. As indicated in our previous estimate, higher confidence in Japan reinforced our view that the post-VAT hike payback is relatively short-lived, while in the euro area, the pace of expansion softened, in line with a still-moderate, yet fragile, recovery. The US and the UK registered the steepest confidence rates and pointed to a solid pace of expansion in Q2.

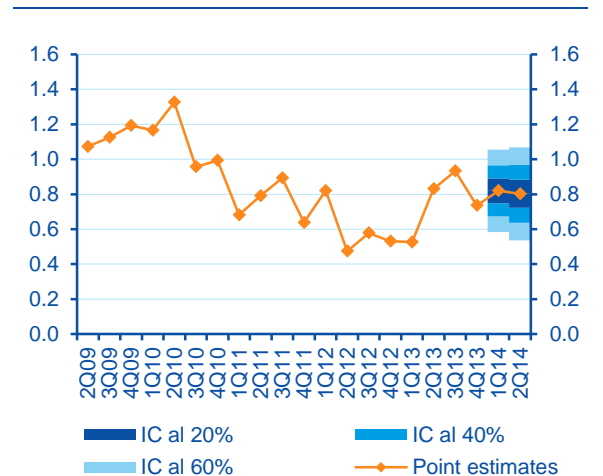
To wrap up, the global cycle holds at firm expansion rates, indicating more upside news are tentatively underway. Nonetheless, although currently more balanced, there are still some global risks that may drag the business cycle down, such as a tighter than needed monetary policy on the part of the Fed, struggling growth of the global demand stemming from economic slowdown in China or geopolitical risks derived from Eastern Europe.

Figure 1  
**BBVA-GAIN and world GDP (% QoQ) on a monthly basis**



Source: BBVA Research

Figure 2  
**Global: Observed GDP growth and forecasts based on BBVA-GAIN (% QoQ)**



Source: BBVA Research

Table 1

**Global Date Summary**

	2014											
	Jun	Jul	Ago	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
<b>BBVA-GAIN</b>	<b>-1.2</b>	<b>-0.7</b>	<b>0.0</b>	<b>0.4</b>	<b>1.0</b>	<b>1.9</b>	<b>2.3</b>	<b>1.9</b>	<b>2.2</b>	<b>1.5</b>	<b>0.9</b>	<b>0.8</b>
Global PMI	50.4	50.6	51.5	51.6	51.9	52.9	52.9	53.0	53.2	52.4	51.9	52.2
Employment	49.4	49.9	50.3	50.2	50.7	50.6	51.2	51.0	51.3	51.6	51.5	50.9
New Export Orders	48.2	50.3	50.3	50.9	51.8	52.3	51.8	51.2	51.5	51.7	51.0	51.8
Global Industrial Production (m/m)	0.16	0.48	0.26	0.49	0.35	0.78	0.06	0.11	-0.13	0.51	-	-
BBVA Global Volatility Index	-182	-0.52	0.52	0.71	0.01	-0.99	-146	-2.45	-2.53	-2.27	-188	-2.02
<b>Global GDP, 2013q4 growth, current monthly estimate</b>	<b>-</b>	<b>0.65</b>	<b>0.75</b>	<b>0.78</b>	<b>0.82</b>	<b>0.83</b>	<b>0.93</b>	<b>0.93</b>	<b>0.98</b>	<b>0.69</b>	<b>0.73</b>	<b>0.74</b>
<b>Global GDP, 2014q1 growth, current monthly estimate</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.84</b>	<b>0.91</b>	<b>0.93</b>	<b>0.89</b>	<b>0.91</b>	<b>0.78</b>	<b>0.80</b>	<b>0.82</b>
<b>Global GDP, 2014q2 growth, current monthly estimate</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.83</b>	<b>0.88</b>	<b>0.81</b>	<b>0.80</b>	<b>0.80</b>

Index=50 means no change on previous month

Source: JP Morgan, Markit Economics, CPB Netherlands and BBVA Research

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