

ECONOMIC ANALYSIS

# Global GDP: no change in the last month, 2Q14 and 3Q14 estimates are stronger than 1Q14 data

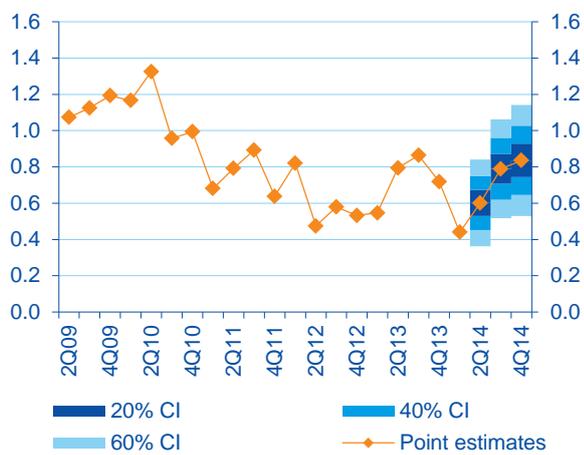
Julián Cubero / Alejandro Buesa

**The BBVA GAIN<sup>1</sup> is coherent with a resumed improvement in global economic growth after the adjustment in 1Q14.** The backcast for 2Q14 and the nowcast for 3Q14 remain at around 0.6% and 0.8% QoQ respectively, well above the current estimate for 1Q14 (0.4%). The unexpected and temporary fall in GDP in the US in the 1Q14 weighed on the deceleration in global GDP; however, the continuing confidence in the global manufacturing cycle and the anchored low levels of global volatility account for the sustained recovery in the middle of the current year.

**No major changes in the last month in the estimate of global GDP growth.** It is worth noting that the previous improvements have come to an end, and the only improving trend is in the financial volatility index.

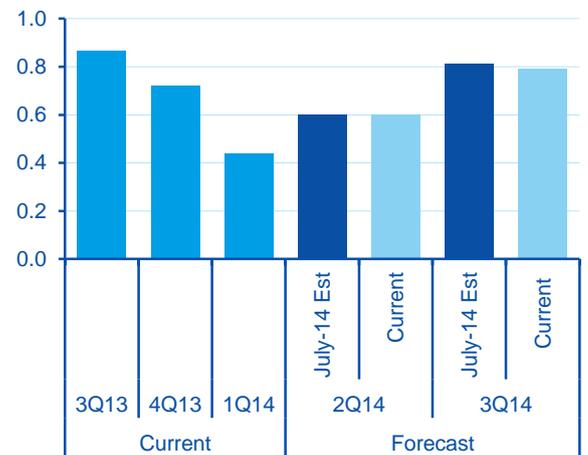
**The uncertainty of global growth is biased to the downside given the risks sparking around the world,** from geopolitical events to financial “accidents” in the eurozone or South America. For the time being, financial volatility is at historically low levels, since the dominating factor is the Fed, which is carefully managing a very gradual exit from the exceptional monetary measures implemented in the last few years helped by moderate growth in the US economic cycle and well-anchored inflationary expectations.

Figure 1  
World GDP: Observed GDP growth and forecasts based on BBVA-GAIN (% QoQ)



Source: BBVA Research

Figure 2  
World GDP: change in GDP forecast in the last month (% QoQ)



Source: BBVA Research

1: For methodological issues, please refer to our Economic Watch, published on 6 March, 2013: <http://bit.ly/1nI5Rln>.

Table 1

**Global data summary**

	2013					2014						
	Ago	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
<b>BBVA-GAIN</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>0.7</b>	<b>0.7</b>	<b>1.3</b>	<b>1.4</b>
Global PMI	51.5	51.6	51.9	52.9	52.9	53.0	53.2	52.4	51.9	52.1	52.7	52.5
Employment	50.3	50.2	50.7	50.6	51.2	51.0	51.3	51.6	51.5	50.8	51.0	50.4
New Export Orders	50.5	51.1	52.0	52.5	52.0	51.4	51.7	51.9	51.2	51.9	51.1	51.5
Global Industrial Production (MoM)	0.29	0.48	0.26	0.75	0.10	0.07	0.31	0.05	0.47	-0.28	-	-
BBVA Global Volatility Index	0.54	0.74	0.03	-0.97	-1.43	-2.42	-2.50	-2.24	-1.86	-1.99	-2.83	-3.55
<b>Global GDP, 1Q14 growth, current monthly estimate</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>0.44</b>	<b>0.44</b>
<b>Global GDP, 2Q14 growth, current monthly estimate</b>	-	-	-	-	-	<b>0.83</b>	<b>0.88</b>	<b>0.81</b>	<b>0.80</b>	<b>0.80</b>	<b>0.60</b>	<b>0.60</b>
<b>Global GDP, 3Q14 growth, current monthly estimate</b>	-	-	-	-	-	-	-	-	<b>0.74</b>	<b>0.79</b>	<b>0.81</b>	<b>0.79</b>

Index = 50 means no change in manufacturing activity.

The Global Volatility Index leads one period in the model.

(\*) Actual figure of the Global GDP is based on the aggregation of national quarterly growth rates (QNA) of 69 countries and has a weighting of 92% with respect to world GDP ppp (on average, 1980-2012).

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

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