

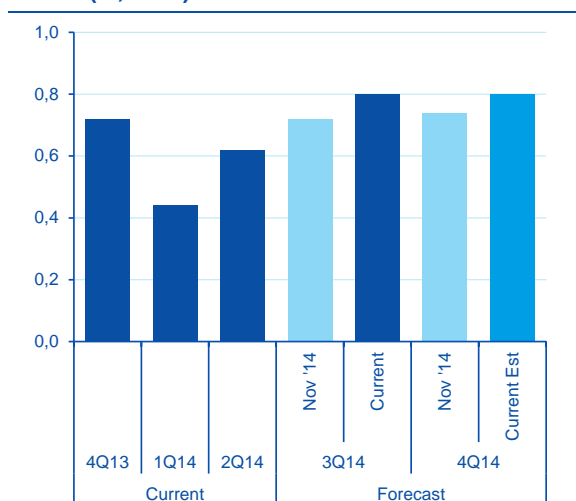
ECONOMIC ANALYSIS

# Global GDP: End-of-year information improves estimates for 2<sup>nd</sup> half of 2014

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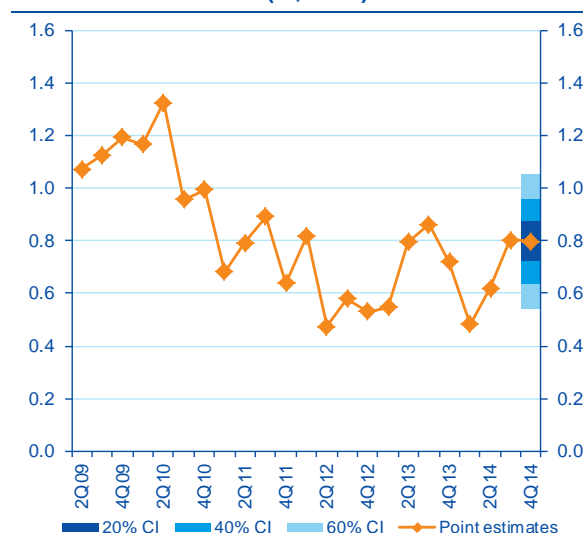
The BBVA GAIN<sup>1</sup> update in December has benefited from incoming information on global economic activity, particularly due to the upward revisions of National Accounts on many large economies (e.g. US third estimate of 3Q14 GDP). As a consequence, our forecast for Q4 has improved to 0.8% QoQ from its previous value of 0.7% in November. The data for Q3 is already complete and also yields a figure of 0.8%, in line with our *nowcasts* from the recent months but still more positive. **In a nutshell, the path of recovery observed in the 2<sup>nd</sup> half of 2014 has proved to be resilient, though financial tensions, geopolitical events and their impact on soft and hard economic indicators will prove its endurance along the first quarter of 2015.**

Figure 1  
World GDP: change in GDP forecast in the last month (% QoQ)



Source: BBVA Research

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



Source: BBVA Research

Table 1  
World GDP, monthly estimates, % QoQ

|      | 2014 |      |      |      |      |      |      |      |      |      |      |             |
|------|------|------|------|------|------|------|------|------|------|------|------|-------------|
|      | Jan  | Feb  | Mar  | Apr  | May  | Jun  | Jul  | Ago  | Sep  | Oct  | Nov  | Dec         |
| Q214 | 0.83 | 0.88 | 0.81 | 0.80 | 0.80 | 0.60 | 0.60 | 0.56 | 0.60 | 0.63 | 0.62 | <b>0.62</b> |
| Q314 | -    | -    | -    | 0.74 | 0.79 | 0.81 | 0.79 | 0.76 | 0.78 | 0.78 | 0.72 | <b>0.80</b> |
| Q414 | -    | -    | -    | -    | -    | -    | 0.84 | 0.83 | 0.85 | 0.80 | 0.74 | <b>0.80</b> |

(\*) 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: BBVA Research

<sup>1</sup> The BBVA GAIN Model is our dynamic common factor model for real time estimation of World GDP growth. The model takes advantage of the incoming information from daily and monthly global indicators of industrial production, confidence surveys and financial volatility. For methodological issues, please refer to our Economic Watch, published on 6 March, 2013: <http://bit.ly/1nI5RIn>.

**The confidence indicators exhibit different paths in December:** an improvement in export orders, employment keeping pace and a minor deterioration of the global manufacturing PMI; although the latter remains in a region of positive growth, it is not reaching its previous peaks in 2014.

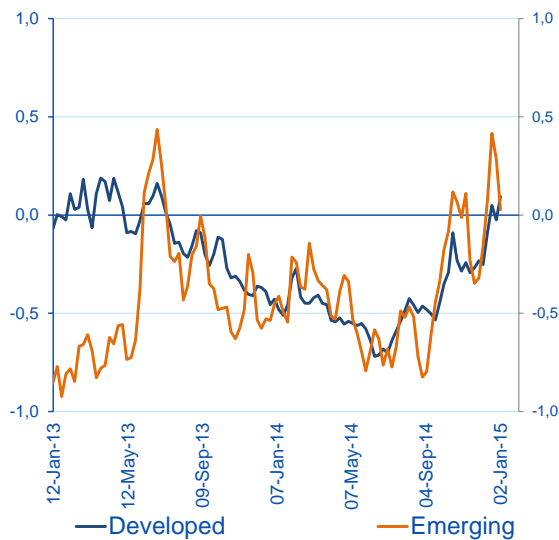
Regarding the financial markets, our Global volatility index increased for the 5<sup>th</sup> consecutive month, fuelled by persistent geopolitical tensions in Eastern Europe and the uncertainty about the final impact on oil-dependent economies of the current collapse of oil prices. All in all, we guess that **financial tensions have not reached the threshold where they spread around and they impact to global confidence and activity indicators.**

Table 2  
Global data summary

|                                    | 2014  |       |       |       |       |       |       |       |       |       |       |       |
|------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|                                    | Jan   | Feb   | Mar   | Apr   | May   | Jun   | Jul   | Ago   | Sep   | Oct   | Nov   | Dec   |
| BBVA-GAIN                          | 1.9   | 2.2   | 1.5   | 0.7   | 0.7   | 1.3   | 1.4   | 1.6   | 1.9   | 1.0   | 0.5   | 0.4   |
| Global PMI                         | 52.9  | 53.0  | 53.2  | 52.4  | 51.9  | 52.1  | 52.6  | 52.5  | 52.2  | 52.2  | 51.8  | 51.6  |
| Employment                         | 51.2  | 51.0  | 51.3  | 51.6  | 51.5  | 50.8  | 51.0  | 50.7  | 51.2  | 51.2  | 51.2  | 51.2  |
| New Export Orders                  | 52.0  | 51.4  | 51.7  | 51.9  | 51.2  | 51.9  | 51.1  | 52.3  | 52.2  | 51.0  | 50.3  | 51.0  |
| Global Industrial Production (m/m) | 0.1   | 0.3   | 0.0   | 0.5   | -0.2  | 0.1   | 0.5   | -0.6  | 0.8   | 0.1   | -     | -     |
| BBVA Global Volatility Index       | -2.50 | -2.12 | -1.73 | -1.86 | -2.70 | -3.47 | -4.03 | -3.87 | -3.81 | -2.55 | -1.63 | -0.76 |

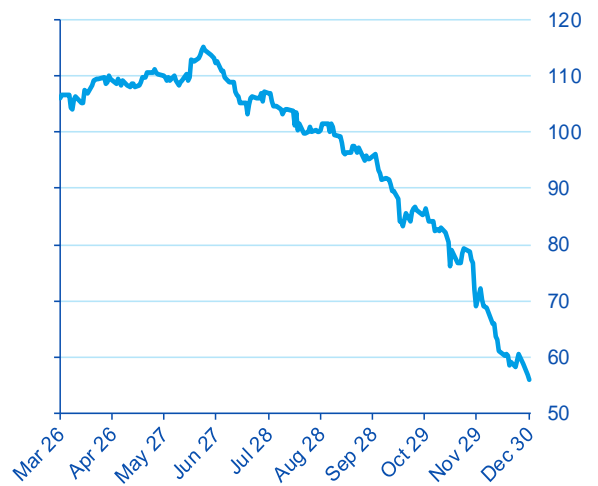
Index = 50 means no change in manufacturing activity.  
The Global Volatility Index leads one period in the model.  
Source: JP Morgan, Markit Economics, CPB Netherlands and BBVA Research

Figure 3  
**Tensions in the financial markets:**  
BBVA Research Financial Tension Index  
(normalized level)



Source: BBVA Research

Figure 4  
**Oil Prices, recent evolution, Brent, USD/barrel**



Source: BBVA Research

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