

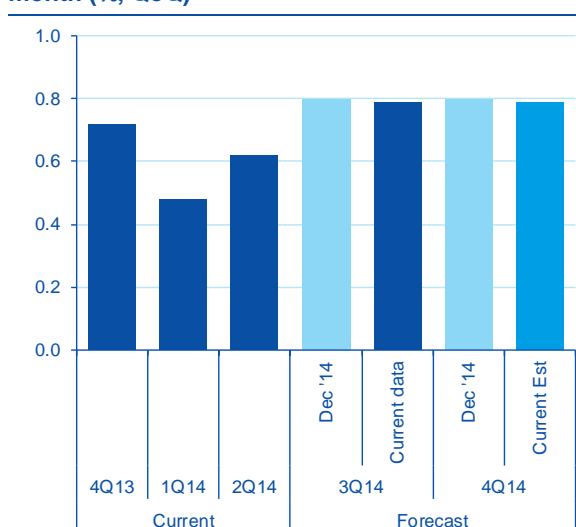
ECONOMIC ANALYSIS

# Global GDP: Unchanged growth estimation, higher financial tensions are not depressing global confidence

Julián Cubero / Alejandro Buesa

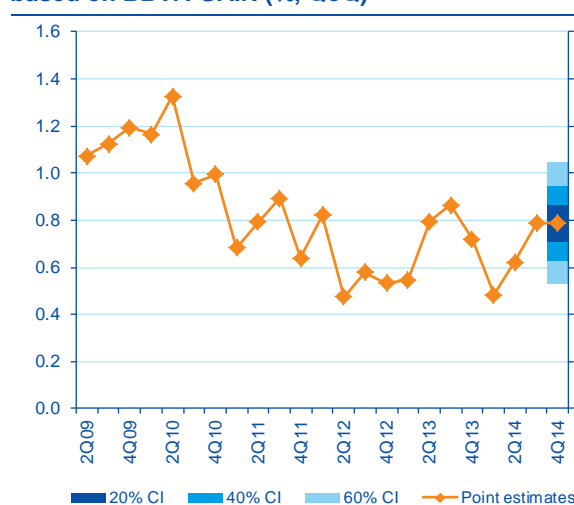
The BBVA GAIN<sup>1</sup> update in January has yielded no particularly strong revisions of global activity, as most of the monitored variables (with the exception of financial stress) have experienced no significant shift with respect to the information available in December. The figure for global growth in 2014Q3 remains definitely anchored to a quarterly value of 0.80%, in line with *nowcasts* from the previous months, while the forecast for Q4 also consolidates at 0.8% waiting for a few remaining countries to publish National Accounts data for the end of last year. **All in all, the latest information is a sign of solid growth at an approximate level of 3% YoY in 2014 and suggests that the protracted path of recovery is to be continued in 2015, despite recent geopolitical and financial events that shall be taken under consideration in our next update.**

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)

	Feb	Mar	Apr	May	2014								2015
					Jun	Jul	Ago	Sep	Oct	Nov	Dec	Jan	
Q214	0.88	0.81	0.80	0.80	0.60	0.60	0.56	0.60	0.63	0.62	0.62	0.62	
Q314	-	-	0.74	0.79	0.81	0.79	0.76	0.78	0.78	0.72	0.80	0.79	
Q414	-	-	-	-	-	0.84	0.83	0.85	0.80	0.74	0.80	0.79	

(\*) 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>.

**Overall, confidence indicators improve with respect to December 2014:** Employment has apparently stabilized around a positive growth rate; moreover, the global Purchasing Managers' Index has been growing roughly at the same rate since November; last but not least, industrial production improved to a value of 0.2% month-over-month. This latter value, though suggesting a recovery of industrial output, has been below 1% for more than one year and must increase in the following months for industrial output to be strengthened in the long run.

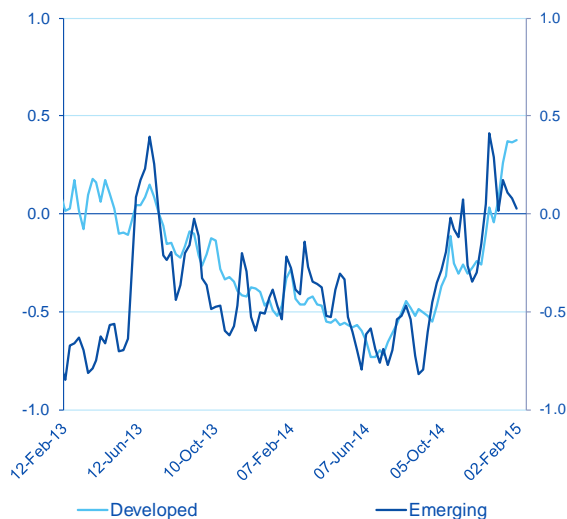
Regarding the financial markets, the Global volatility index is on the rise for the 6<sup>th</sup> consecutive month, fuelled by persistent geopolitical tensions in Eastern and Mediterranean Europe, prolonged uncertainty about the final impact on oil-dependent economies of the current path of oil prices and the surrounding uncertainty about the final impact of the coming normalization in the US and simultaneously easing in the Euro Area. All in all, we guess that **financial tensions still have not reached the threshold where they spread around and they impact to global confidence and activity indicators, though they are consistent enough to drive our BBVA-GAIN activity index slightly down.**

Table 2  
Global data summary

	2014												2015
	Feb	Mar	Apr	May	Jun	Jul	Ago	Sep	Oct	Nov	Dec	Jan	
BBVA-GAIN	2.2	1.5	0.7	0.7	1.3	1.4	1.6	1.9	1.0	0.5	0.4	0.3	
Global PMI	53.0	53.2	52.4	51.9	52.1	52.6	52.5	52.2	52.2	51.8	51.5	51.7	
Employment	51.0	51.3	51.6	51.5	50.8	51.0	50.7	51.2	51.2	51.2	51.1	51.1	
New Export Orders	51.4	51.7	51.9	51.2	51.9	51.1	52.3	52.2	51.0	50.3	50.9	51.2	
Global Industrial Production (m/m)	0.3	0.0	0.5	-0.2	0.1	0.5	-0.6	0.9	0.1	0.2			
BBVA Global Volatility Index	-2.12	-1.73	-1.86	-2.70	-3.47	-4.03	-3.87	-3.81	-2.55	-1.63	-0.76	-0.38	

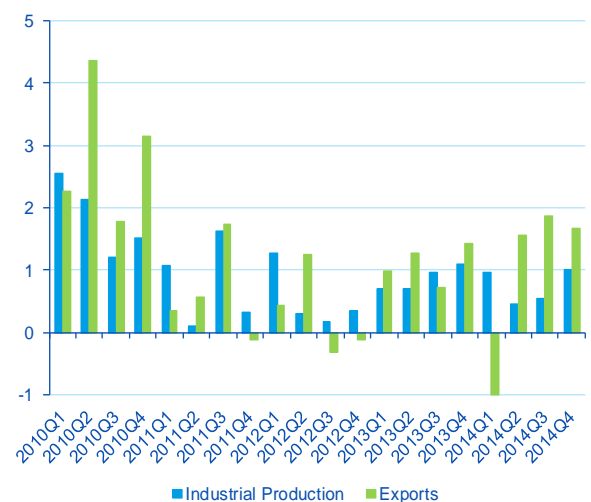
Index = 50 means no change in manufacturing activity.  
The Global Volatility Index leads one period in the model.  
Source: JP Morgan, Markit Economics, CPB Netherlands and BBVA Research

Figure 3  
BBVA Financial Tension Index (normalized)



Source: BBVA Research

Figure 4  
Global exports and industrial output (% QoQ, latest data Nov'14)



Source: CPB and BBVA Research

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