

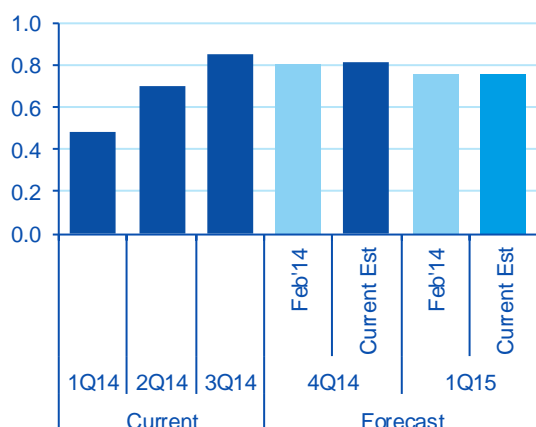
ECONOMIC ANALYSIS

World GDP: Slight slowdown remains driven by industrial output and financial volatility

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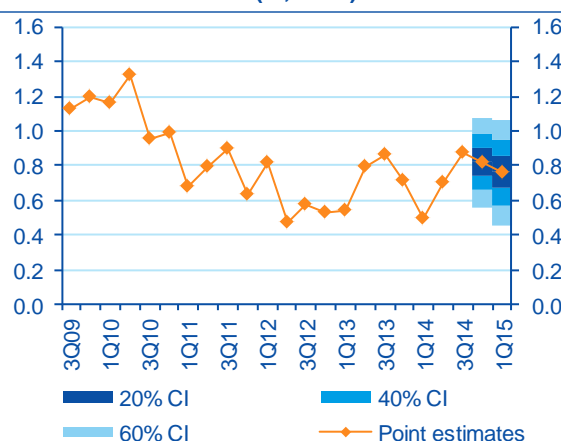
The March update of our BBVA GAIN indicator has not brought any remarkable changes in the real time estimation of World GDP growth. After the inclusion of the information for a small set of countries obtained from the latest data on National Accounts, the estimation of the quarterly global growth for 2014Q4 remains anchored at 0.8%, 0.1 pp lower than actual growth for 3Q14. Moreover, we have our second estimate for 2015Q1 which, as well as the first, points to a growth in the threshold between 0.8% and 0.7% (see Figure 1 and Table 1). The World GDP nowcasting shapes a minor slowdown at the beginning 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)

	Apr	May	Jun	Jul	Ago	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Q314	0.74	0.79	0.81	0.79	0.76	0.78	0.78	0.72	0.80	0.79	0.85	0.87
Q414	-	-	-	0.84	0.83	0.85	0.80	0.74	0.80	0.79	0.81	0.82
Q115	-	-	-	-	-	-	-	-	-	-	0.76	0.76

(*) 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

The **Global Purchasing Managers' Index** fell to 51.8, back to what was observed at the beginning of the year; Besides, the monthly variation in **industrial output** in January was negative (-0.5%), due to a moderation in the pace of production of certain relevant goods in the United States and (mostly) emerging markets.

Going through components of the PMI included in the BBVA GAIN, the pace of growth in employment has moderated slightly for the first time in the last 6 months, coming back to its value in August. The exports indicator, usually subject to greater variability than the rest of confidence indicators included in our model, indicates no significant change in trade dynamics from Feb-15 to March-15.

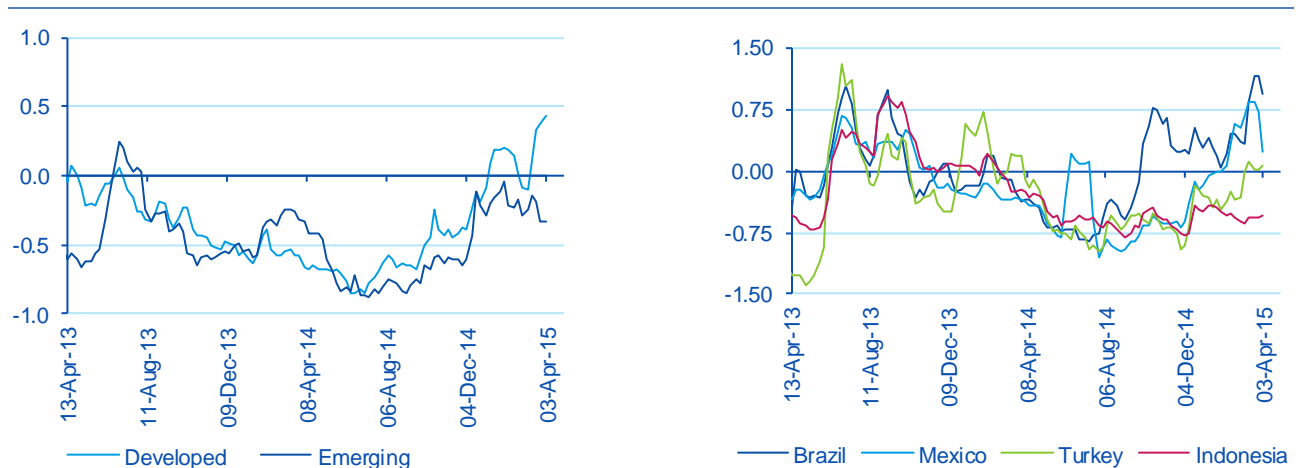
As for the financial dimension, the **BBVA Global Volatility Index** has stabilized in March after a protracted increase since last summer. The rebound of financial stress is mainly due to the uncertainties about the final impact of the increased divergences in global monetary policies (i.e. incoming Fed's tightening). Additionally, geopolitical risks stress too the global financial volatility. **The vanishing of uncertainties about global monetary policies, i.e. the moment and intensity of Fed's incoming tightening, is needed to reach the expected cyclical improvement during 2015; especially regarding the very different exposures to them across EM and their different cyclical strength** (Figure 3).

Table 2
Global data summary

	2014											2015		
	Apr	May	Jun	Jul	Ago	Sep	Oct	Nov	Dec	Jan	Feb	Mar		
BBVA-GAIN	0.7	0.7	1.3	1.4	1.6	1.9	1.0	0.5	0.4	0.3	0.6	0.5		
Global PMI	52.4	51.9	52.1	52.6	52.5	52.2	52.2	51.8	51.5	51.7	52.0	51.8		
Employment	51.6	51.5	50.8	51.0	50.7	51.2	51.2	51.2	51.1	51.1	51.1	50.7		
New Export Orders	51.9	51.2	51.9	51.1	52.3	52.2	51.0	50.3	50.9	51.2	50.9	50.8		
Global Industrial Production (m/m)	0.5	-0.2	0.1	0.5	-0.6	0.8	0.0	0.5	0.3	-0.5	-	-		
BBVA Global Volatility Index	-1.86	-2.70	-3.47	-4.03	-3.87	-3.81	-2.55	-1.63	-0.76	-0.38	0.21	0.23		

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 Research Financial Stress Index (Normalized Index)



Source: BBVA Research

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