

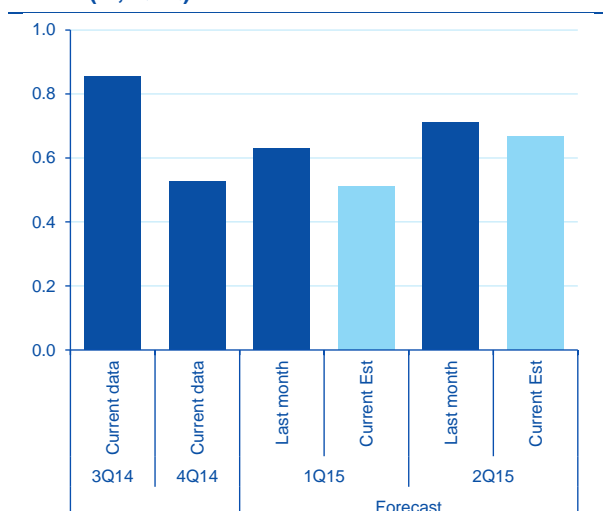
ECONOMIC ANALYSIS

# World GDP: Q215 improvement but lower figures and higher uncertainty

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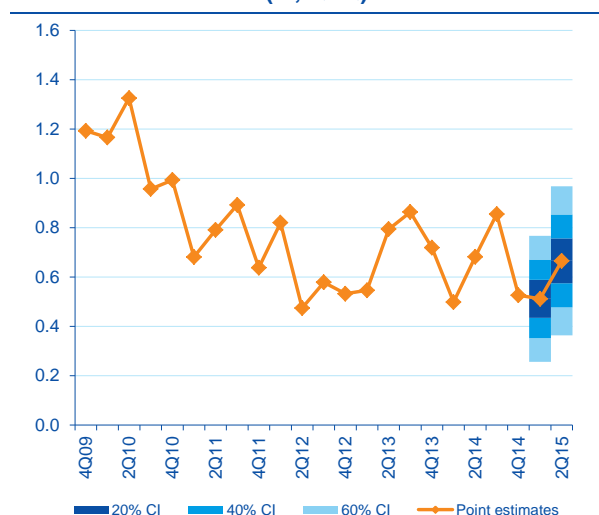
The June update of our BBVA-GAIN outcomes a downward revision for 1H15 estimation of the World GDP mainly due to final end-of-quarter information available for 1Q GDP growth, which turned out to be worse than expected in key economies as US. After the relapse observed in previous quarter, the Asian rebound, EMU robustness and the better relative performance of US should boost world economic growth in 2Q15 according to our estimations, with a quarterly advance of GDP close to 0.65%. However, industrial production figures, together with global exports, slightly dragged World growth from its previous estimates, suggesting a feebler global outlook.

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						2015					
	Jul	Ago	Sep	Oct	Nov	Dec	Jan	Feb	Mar**	Apr	May	Jun
Q414	0.84	0.83	0.85	0.80	0.74	0.80	0.79	0.81	0.63	0.62	0.60	0.53
Q115	-	-	-	-	-	-	-	0.76	0.68	0.64	0.63	0.51
Q215	-	-	-	-	-	-	-	-	0.74	0.70	0.71	0.65

(\*) 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).

(\*\*) GDP estimates for March have been updated with unexpected new National Accounts information

Source: BBVA Research

**Juncture indicators reported mixed data during June (Table 2):** new exports orders indicator increased 2.0% MoM, whereas the rest of PMI indicators remained roughly stable. Industrial production (Figure 3) decreased by 0.2% MoM in April led by the weakness of the registers coming from the US and LatAm. The quarterly activity balance continues to be concerned by the industrial sector and the world trade, confirming that the private consumption and the services should be the main sources of the cyclical recovery.

Turning to financial uncertainty, the **BBVA Global Volatility Index reversed its previous path and increased during June, mainly on developed economies due to financial volatility triggered by instability in Greece and the FOMC release** (Figure 4). The deterioration of the financial conditions in China has come to fore as point of uncertainty for the whole of emerging markets.

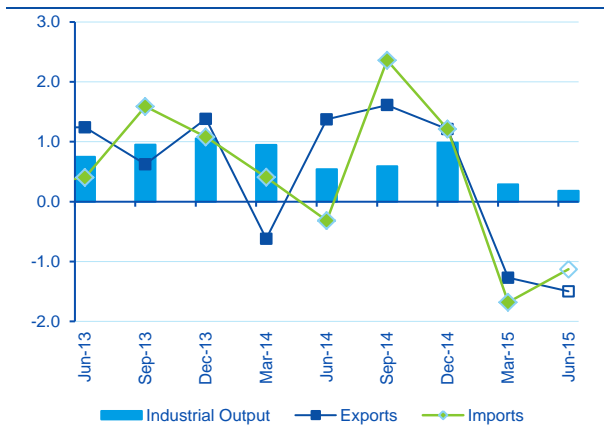
In sum, the World GDP growth has been revised to the downside for the first half of 2015, mainly dragged by industrial production and trade figures, although it still presents an upward trend which will have to be confirmed with final data for Q2. **Higher financial volatility triggered by Greek crisis and Chinese equity markets evolution are relevant uncertainties that could weight on global environment.**

Table 2  
**Global data summary**

	2014						2015					
	Jul	Ago	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
<b>BBVA-GAIN</b>	1.4	1.6	1.9	1.0	0.5	0.4	0.3	0.6	0.5	-0.3	-0.3	<b>-0.3</b>
<b>Global PMI</b>	52.6	52.5	52.2	52.2	51.8	51.5	51.7	52.0	51.8	51.0	51.2	<b>51.0</b>
<b>Employment</b>	51.0	50.7	51.2	51.2	51.2	51.1	51.1	51.1	50.7	50.7	51.0	<b>50.9</b>
<b>New Export Orders</b>	51.1	52.3	52.2	51.0	50.3	50.9	51.2	50.9	50.8	50.1	49.8	<b>50.8</b>
<b>Global Industrial Production (m/m)</b>	0.5	-0.6	0.8	0.0	0.5	0.3	-0.5	0.6	-0.1	<b>-0.2</b>	-	-
<b>BBVA Global Volatility Index</b>	-4.03	-3.87	-3.81	-2.55	-1.63	-0.76	-0.38	0.21	-0.03	-0.55	-0.70	<b>-0.50</b>

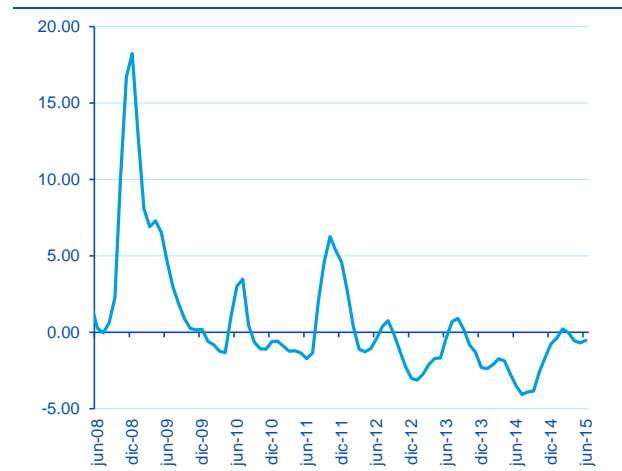
Index = 50 means no change in manufacturing activity.  
The Global Volatility Index leads one period in the model.  
Source: JP Morgan, Markit Economics, CPB Netherlands and BBVA Research

Figure 3  
**Merchandise world trade and industrial production, QoQ, % (May, last available data)**



Source: CPB Netherlands and BBVA Research

Figure 4  
**BBVA Global Volatility Index (02 July, last available data)**



Source: BBVA Research

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