

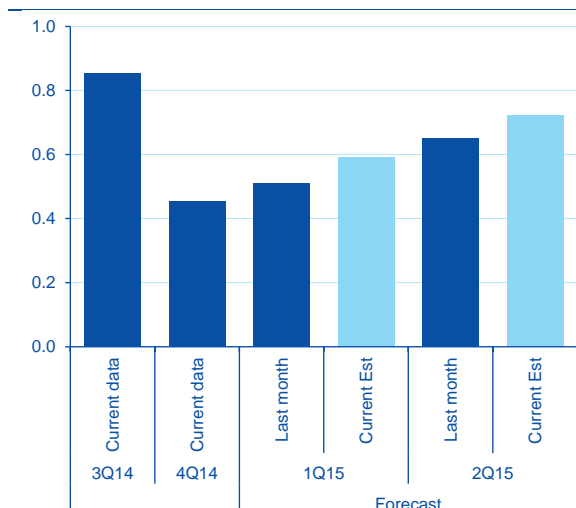
ECONOMIC ANALYSIS

# The estimate of the world's GDP benefits from the review of US data in spite of global momentum slowness

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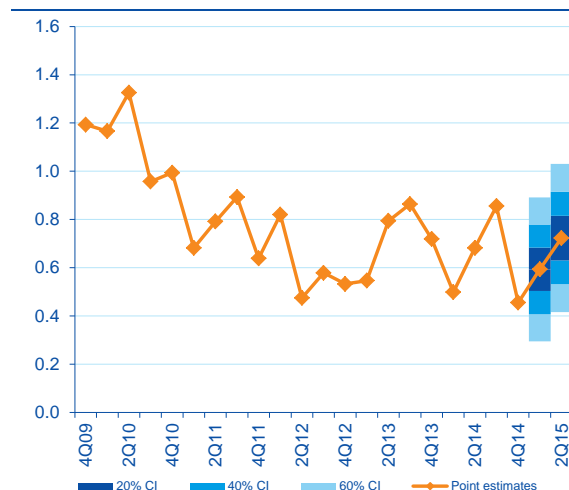
The July update of our BBVA-GAIN results in an upward revision of our 1H15 estimate of world GDP, which is mainly due to the revision of US GDP data<sup>1</sup>. Moreover as regards 2Q15, the stabilisation of China's GDP, the positive expectations for the EMU and the improved performance of the US economy should together boost world economic growth to 0.7% QoQ vs. 0.6% QoQ in the 1Q15. However, **no major changes have been shown in the main indicators of global momentum in recent months (Table 2) and downwards risks are present, as the increased financial stress and lower commodity prices are demonstrating.**

Figure 1  
World GDP: change in GDP nowcast 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	Jul
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	0.45
Q115	-	-	-	-	-	-	-	0.76	0.68	0.64	0.63	0.51	0.59
Q215	-	-	-	-	-	-	-	-	0.74	0.70	0.71	0.65	0.72

(\*) Actual figure of the Global GDP is based on the aggregate 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

1 The current estimation of the US GDP for the 1Q15 is 0.6% QoQ SAAR vs -0.2% previously.

**Juncture indicators reported mixed evolution (Table 2):** Global PMI and industrial production figures remained mainly unchanged, whereas global employment and new exports orders decreased slightly compared to last month. The quarterly activity balance continues to be concerned by the industrial sector and world trade, highlighting that the main sources of the cyclical recovery are likely to be households' consumption and services activities.

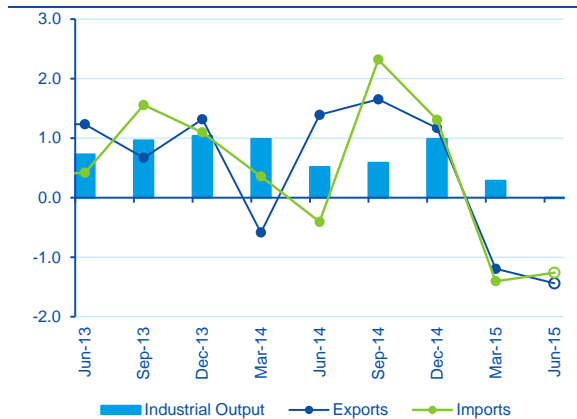
Turning to financial uncertainty, the **BBVA Global Volatility Index increased during July, mainly in emerging economies, which was due to the financial volatility triggered by falling commodity prices (Figure 4) and Chinese growth concerns amidst the Fed's lift-off that will most probably occur in September 2015.** The deterioration of the financial conditions in China, driven by the massive sell-off on the domestic stock exchange, has come to the fore as a source of uncertainty for all emerging markets.

Table 2  
Global data summary

	2014						2015						
	Jul	Ago	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
<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	-0.5	-0.4
<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	51.0	51.0
<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	50.9	50.7
<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	50.8	49.9
<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	-0.2	-0.2	-	-
<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	-0.50	0.09

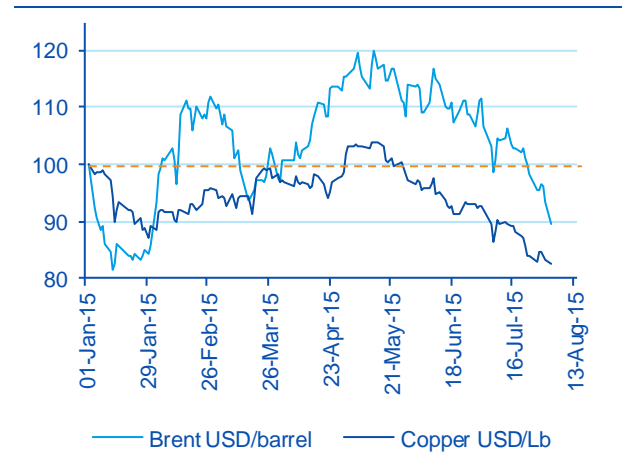
Index = 50 means no change in manufacturing activity.  
The Global Volatility Index leads one period in the model.  
Source: JP Morgan, Markit Economics, CPB Netherlands and BBVA Research

Figure 3  
Merchandise world trade and industrial production, QoQ, % (last available data: May-15)



Source: CPB Netherlands and BBVA Research

Figure 4  
Commodity prices, 2 Jan-15=100



Source: BBVA Research

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