

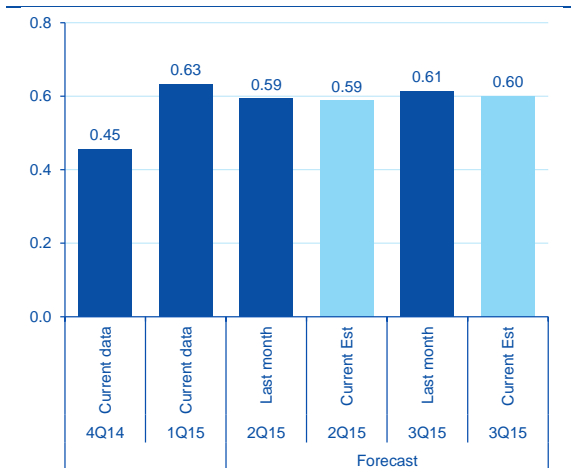
ECONOMIC ANALYSIS

# World GDP growth remains at 0.6% QoQ in 2Q and 3Q but uncertainty heightens

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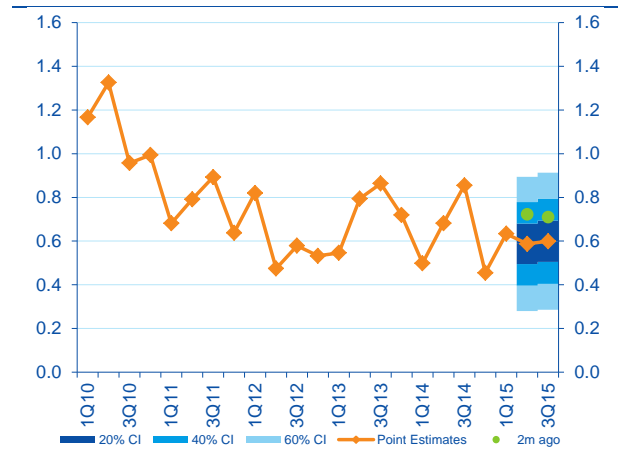
The September update of our BBVA-GAIN confirms last month estimations, with global GDP growing in 3Q at the same rate than in 2Q (+0.6% QoQ). The recent stability of the estimations is coherent with: i) the deterioration of manufacturing confidence index (especially in Asia); ii) the surge of financial volatility related with the uncertainty about China's growth and the Fed's lift-off calendar; iii) and finally, the supportive impact of industrial activity (as of July) and GDP growth final data (as of 1Q15).

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											
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep			
Q115	-	-	-	-	-	0.76	0.68	0.64	0.63	0.51	0.59	0.59	0.63			
Q215	-	-	-	-	-	-	0.74	0.70	0.71	0.65	0.72	0.59	0.59			
Q315	-	-	-	-	-	-	-	-	-	-	-	0.61	0.60			

(\*) 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

Global economic activity continues to be dampened by the on-going slowdown in the main emerging countries and the rebound of financial tensions across the board. What is more, juncture indicators are growing at a slower pace (Global PMI) and some of them are even decreasing (e.g. Employment, new exports orders). Manufacturing confidence data continues to provide clear signs of divergence between developed and emerging market (Figure 3), with Asia particularly damaged. With regards to Global Industrial Production, data from July provides a minor recovery although it does not fully capture the recent turmoil in financial markets and thus it will be key to track its evolution in the upcoming months.

Turning to financial uncertainty, volatility skyrocketed across the board in September (Figure 4) with two clear sources of instability: (1) concerns on China's growth are still palpable across the markets and the policies conducted by its governments still fail to regain their credibility and (2) the Fed's decision of keeping the benchmark interest rate unchanged in its September highlights the great risk that is coming from the emerging markets.

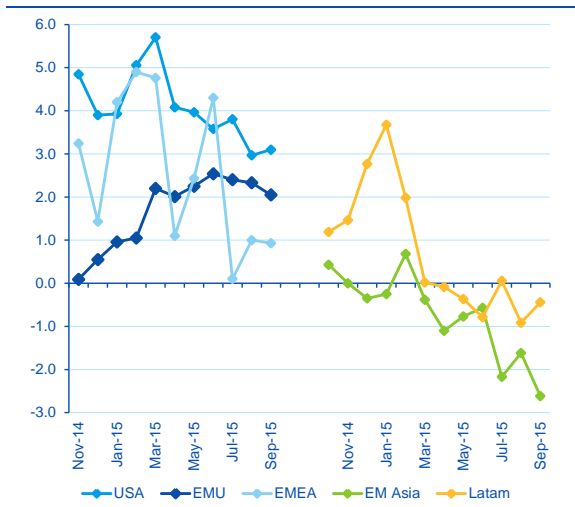
All in all, the growth concerns linger across the board tightening financial conditions, mainly in EM. Then, positive surprises in growth expectations in that area, and especially in China, are needed to diminish uncertainty and break up the current vicious circle.

Table 2  
Global data summary

	2014				2015								
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Global PMI	52.2	52.2	51.8	51.5	51.7	52.0	51.8	51.0	51.2	51.0	51.0	50.7	50.6
Employment	51.2	51.2	51.2	51.1	51.1	51.1	50.7	50.7	51.0	50.9	50.7	50.2	49.7
New Export Orders	52.2	51.0	50.3	50.9	51.2	50.9	50.8	50.1	49.8	50.8	49.9	49.9	49.1
Global Industrial Production (m/m)	0.8	0.0	0.5	0.3	-0.5	0.6	-0.1	-0.2	-0.2	0.4	0.3		
BBVA Global Volatility Index	-3.81	-2.55	-1.63	-0.76	-0.38	0.21	-0.03	-0.55	-0.70	-0.50	0.09	0.47	1.46

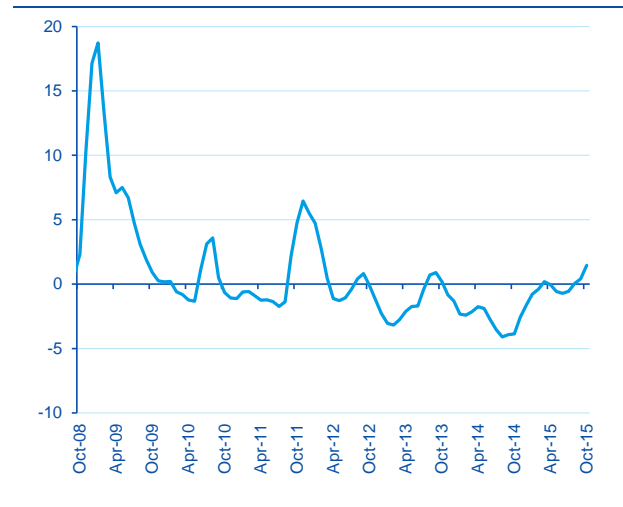
Index = 50 means no change in manufacturing activity.  
The Global Volatility Index leads one period in the model.  
Source: JP Morgan, Markit Economics, CPB Netherlands and BBVA Research

Figure 3  
Manufacturing PMI (last available data: Sept-15)



Source: BBVA Research, Markit

Figure 4  
BBVA Global Volatility Index



Source: BBVA Research

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