

ECONOMIC ANALYSIS

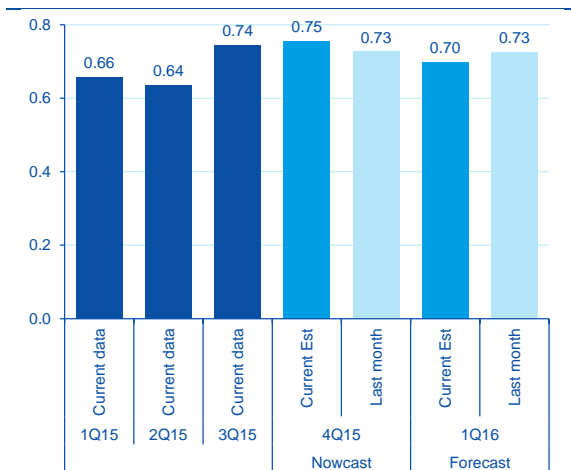
Global | Upward Growth revision in 2H 2015 outshined by latest monthly data

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The January update of our BBVA-GAIN index notably improves the world GDP growth estimate for the second half of 2015, but last monthly indicators shed doubts about the outlook for the start of 2016 (0.70% QoQ) in a context of increasing uncertainty and financial instability.

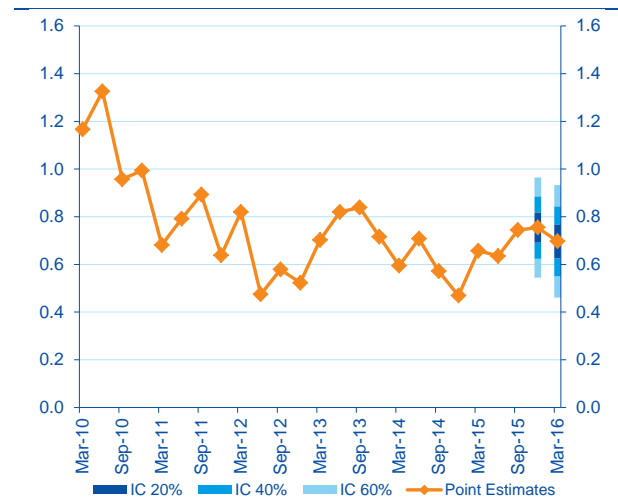
3Q15 GDP growth came in better than expected, reinforcing our previous estimation for 4Q (0.75% QoQ). 3Q ended at 0.74% QoQ due to incoming data from a group of Asian economies (especially India, Korea and Indonesia). The nowcast for 4Q benefited from this improved dynamics and also from the confidence data across the quarter in Developed economies that should be confirmed by hard economic indicators.

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

(*) 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).

Industrial production and trade figures, though still only available for October, suggest a weak but sustained growth across the board. On a quarterly basis, both Developed and Emerging economies have managed to keep up the pace exhibited during 3Q. **However**, one should be cautious when looking at these figures on a yearly basis, since **there is a remarkable slowdown affecting both areas and signaling risks across US** (maybe due to the impact of adjustment in energy sector and dollar appreciation), **emerging Asia** (led by China) **and LatAm** (ballasted by Brazil).

The lack of solid ground lies behind the current manufacturing sentiment figures, with Global PMI flirting around the expansionary area (50.9 points in December). **The maintenance of global financial volatility at high levels, particularly in Emerging Markets, could be starting to affect the private sector mood.**

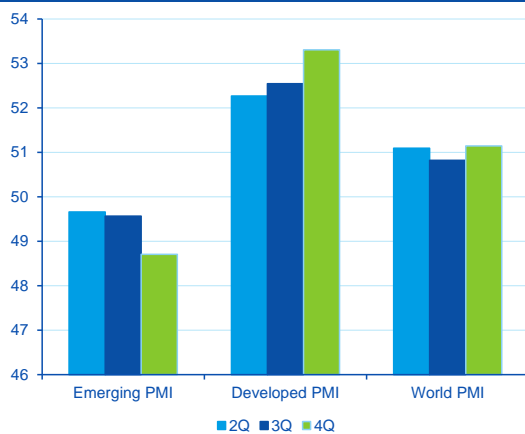
On the risk field, **the same old concerns are likely to persist throughout 2016, with the Emerging economic cycle and commodity prices -both risks closely intertwined- on top.** Monetary policy divergence in Developed Markets after the Fed's lift off in December is also a factor of uncertainty to be monitored. **Our first estimation for 1Q16 world GDP growth, therefore, could already be responding to this cluster of risks showed by the last string of data.**

Table 1
Global data summary

	2015											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dic
Global PMI	51.7	52.0	51.8	51.0	51.2	51.0	51.0	50.7	50.6	51.3	51.2	50.9
Employment	51.1	51.1	50.7	50.7	51.0	50.9	50.7	50.2	49.7	50.7	50.6	50.8
New Export Orders	51.2	50.9	50.8	50.1	49.8	50.8	49.9	49.9	49.1	51.2	51.0	50.6
Global Industrial Production (m/m)	-0.5	0.6	-0.1	-0.2	-0.2	0.4	0.3	-0.3	0.3	0.30		
BBVA Global Volatility Index	-0.38	0.21	-0.03	-0.55	-0.70	-0.50	0.09	0.47	1.46	1.40	0.59	0.49

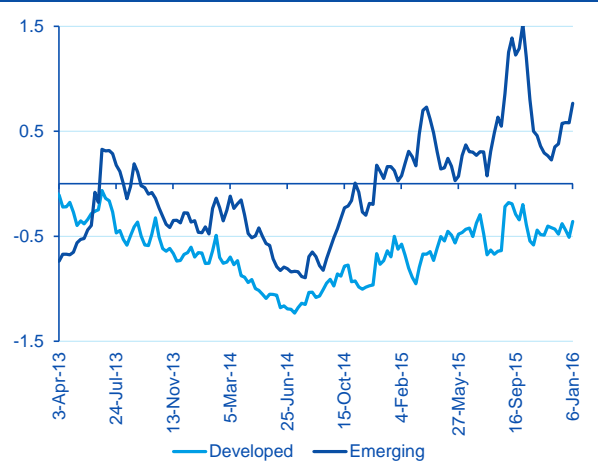
Index = 50 means no change in manufacturing activity.
The Global Volatility Index leads one period in the model. Source: JP Morgan, Markit Economics, CPB Netherlands and BBVA Research

Figure 3
Manufacturing PMI by regions



Source: BBVA Research, Markit

Figure 4
BBVA Financial Volatility index



Source: BBVA Research, Haver, Bloomberg

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