

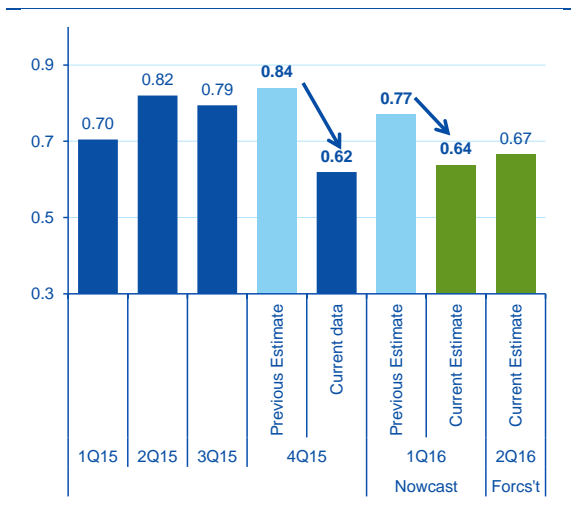
ECONOMIC ANALYSIS

Global | Updated GDP data and recent indicators lower global growth to 2.6% SAAR in 1Q16

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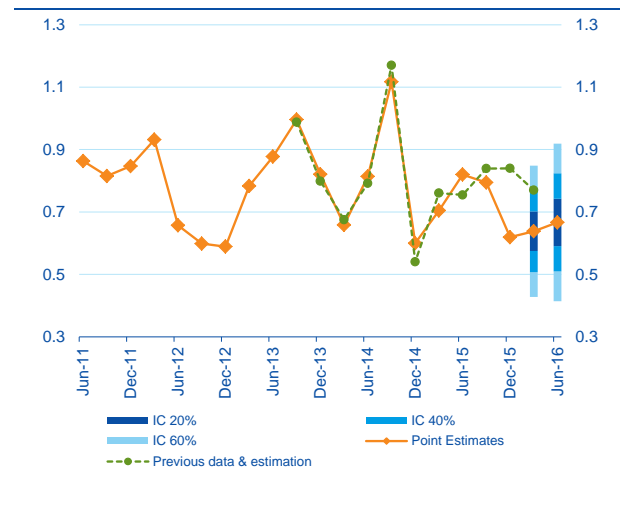
The March update of our BBVA-GAIN index points out lower rhythm of global growth in 1Q16 due to the coincidence of updated 2015 GDP time series from a vast number of countries and the flow of incoming indicators. According to the calendar of data availability, we have incorporated GDP data as of 4Q15 instead of BBVA GAIN nowcasting estimations that we have used until now. This adjustment, together with the update of GDP time series, presents a downward revision of World GDP QoQ from 0.84% to 0.62% in 4Q15 (from 3.4% to 2.6% at annualized rate). Nowcast for 1Q16 stands at 0.64% QoQ (2.6% SAAR) vs 0.77% previously.

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 aggregation of quarterly growth rates (QNA) of 69 economies weighting 92% with respect to world GDP ppp (average, 1980-2012).

Table 1
Global data summary

	2015												2016	
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dic	Jan	Feb	
Global PMI	52,0	51,8	51,0	51,2	51,0	51,0	50,7	50,6	51,3	51,2	50,7	50,9	50,0	
Employment	51,1	50,7	50,7	51,0	50,9	50,7	50,2	49,7	50,7	50,6	50,6	50,4	49,5	
New Export Orders	50,9	50,8	50,1	49,8	50,8	49,9	49,9	49,1	51,2	51,0	50,4	50,4	49,4	
Global Industrial Production (m/m)	0,6	-0,1	-0,2	-0,2	0,4	0,3	-0,3	0,3	0,5	-0,3	-0,2			
BBVA Global Volatility Index	0,21	-0,03	-0,55	-0,70	-0,50	0,09	0,47	1,46	1,40	0,60	-0,41	-0,29	1,0	

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

The update of National Accounts as of 4Q15 shows a soft patch of growth from 3Q15 in some of the big economies such as US, Japan, India or South Korea. Europe and China, on the other side, have managed somehow to keep up their pace (see Table 2).

However, incoming data from February (falling industrial activity as of Dec-15) diminished confidence and increased financial volatility (Table 1). The heightened and non-transitory stress in financial markets might start taking its toll firstly in terms of confidence and eventually in real activity data, such as manufacturing indicators.

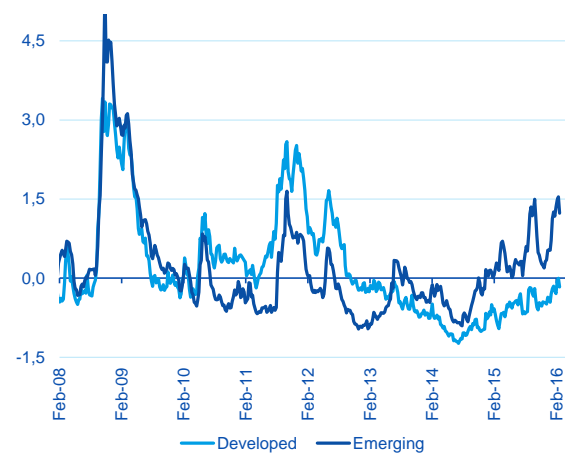
All in all, this background is prone to have a blue mood for the next monthly nowcasting updates of World GDP growth.

Table 2
GDP growth, %, QoQ, SA

	2Q15	3Q15	4Q15
USA	1,0	0,5	0,3
China	1,8	1,7	1,6
Japan	-0,3	0,3	-0,4
India	2,6	2,0	1,1
Germany	0,4	0,3	0,3
South Korea	0,3	1,3	0,6
Brazil	-2,1	-1,7	
Russia	-1,3	-0,6	
United Kingdom	0,6	0,4	0,5
France	0,0	0,3	0,3
Italy	0,3	0,2	0,1
Spain	1,0	0,8	0,8
Mexico	0,6	0,8	0,5
Canada	-0,1	0,6	0,2

Source: BBVA Research, Haver

Figure 4
BBVA Research Financial Stress Index
(normalized index)



Source: BBVA Research, Bloomberg

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