

ECONOMIC ANALYSIS

# Global | GDP growth remains stuck at 2.6% YoY in Q1. Less cloudy outlook but the same risks

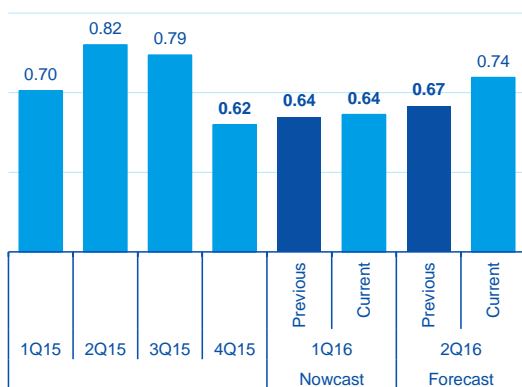
Sara Baliña / Jorge Redondo

The April update of our BBVA-GAIN index paints a somewhat similar picture to the one presented last month. **Our nowcast for 1Q16 continues to point out that world GDP growth stood at 0.64% QoQ (2.6% annualized rate), slightly above the Q415 print but still quite below the average rate growth observed in 2010-13 (close to 0.90% QoQ).**

The recent flow of data suggests some signs of rebound in global activity, which is behind the **upward revision for world growth in 2Q16 up to 0.74% QoQ (3.0% annual)**. However, our estimation is very conditioned to the evolution of confidence surveys available up to March. **A sustainable improvement of financial tensions (mainly, in Emerging Economies), along with the stabilization of commodity prices and the resilience of US activity, will be key for global economy to gain some ground.**

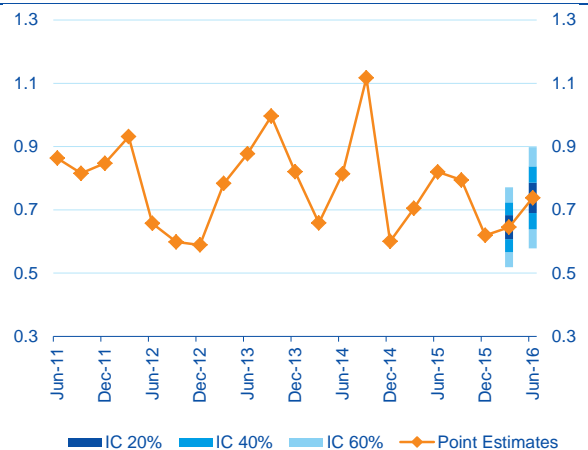
So far, **industrial production (IP) and trade figures**, both only available up to January, **continue to depict a gloomy picture (Figure 3) albeit they seem to have bottomed out after the sharp deterioration observed in 4Q15**. World trade and IP, on a yearly basis, remain well below its medium-term trend (2010-2015) and partial data for 1Q16 has proved incapable of reversing it. Geographically speaking, **the US (cutbacks in investment energy sector, ongoing pressure from the strong dollar) and Japan ballast DM overall performance**, whereas EMU has somewhat managed to keep up the pace. On the EM block, **EM Asia -and LatAm to a lesser extent- stand out as the worst performers**, with exports and IP data at anemic levels.

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).

Global manufacturing confidence indicators (Table 1) remain subdued and further gains need to be achieved in order to get global industry back to its trend levels. EM managed to escape from the contraction territory mainly driven by Brazil, China and India. **Overall, Global March PMI's remained relative soft but the upward move points to improvements heading into 2Q16, which could be already taking place in our forecast for that period.**

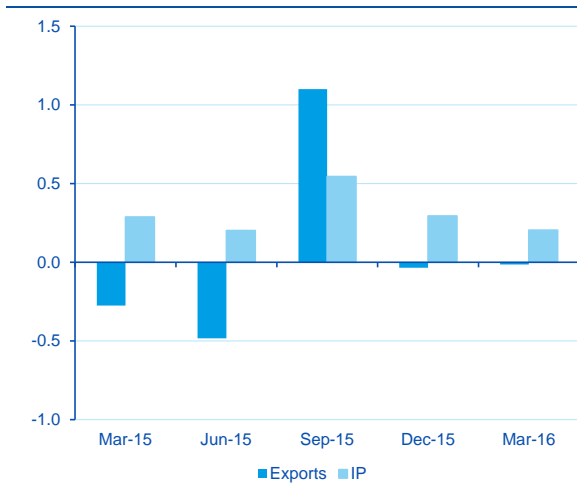
All in all, **the economic outlook seems less cloudy than in previous months but the core sources of systemic risk** (EM growth relapse, led by Chinese slowdown and exacerbated by the effect of commodity prices fall on net exporters) **remain scanning the horizon**, even in a context of DM central banks renewed dovish tone. **The response of Chinese activity to bursts of policy support** (combination of monetary easing and fiscal stimulus) **will determine, in part, the pace of growth in the Emerging block and the sustainability of capital inflows to the region.**

Table 1  
Global data summary

	2015												2016		
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dic	Jan	Feb	Mar	
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	50.5	
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	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	51.2	
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	0.9			
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	1.01	1.3	

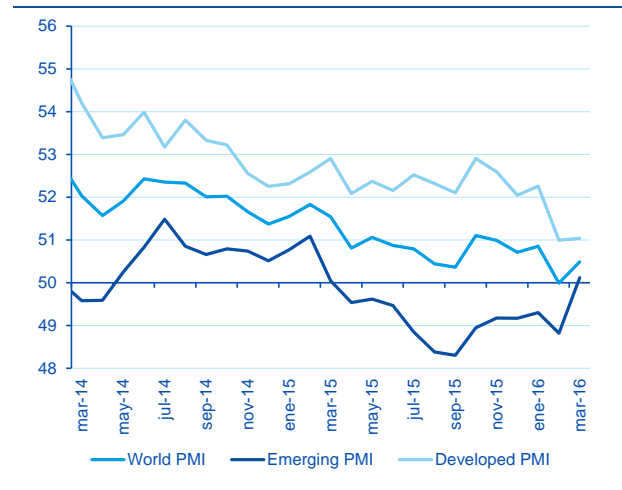
Index = 50 means no change in manufacturing activity.  
The Global Volatility Index leads one period in the model. Source: JP Morgan, Markit Economics, CPB Netherlands and BBVA Research

Figure 3  
World trade and Industrial Production (% QoQ).  
Last month available: January



Source: BBVA Research, CPB

Figure 4  
Manufacturing PMI (points)



Source: BBVA Research, Markit

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