

ECONOMIC ANALYSIS

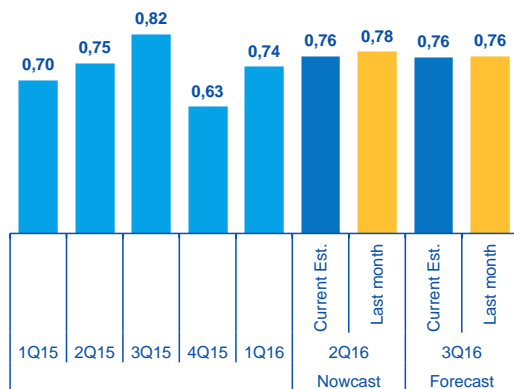
Global | GDP growth stuck at 3.1% in Q2 amid hopeful confidence and lingering uncertainty

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No major changes in July-16 in terms of World GDP growth according to BBVA Research GAIN estimates, which remain anchored at 0.8% QoQ (3.1% SAAR) in 2Q16 (Figure 1 and Figure 2). The lack of relevant revisions of World GDP data up to 1Q16 and the balance between slightly better confidence indicators in July vs. worsening financial volatility (Table 1) are the factors behind the minor changes in GDP growth forecasts for 2Q16.

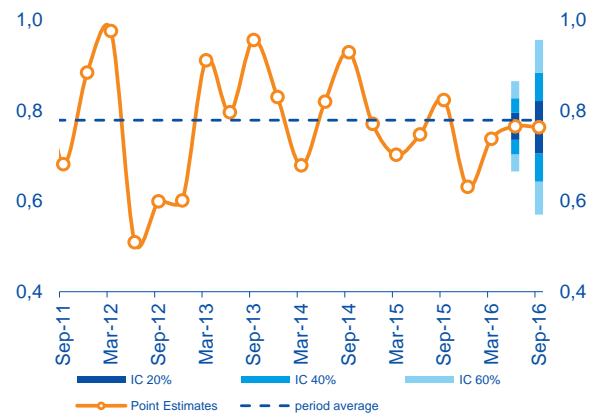
‘Brexit’ has not been a global disruptive event so far. As expected, it triggered a spike of financial volatility, but its impact on financial markets has been less severe and it hasn’t entailed a major disruption in the previous trend of global confidence indicators, such as PMI. Differentiation remains between geographical areas, with improvements in China, US and some LatAm countries and deterioration in Emerging Europe (Figure 3) and the UK (Brexit spillovers).

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).

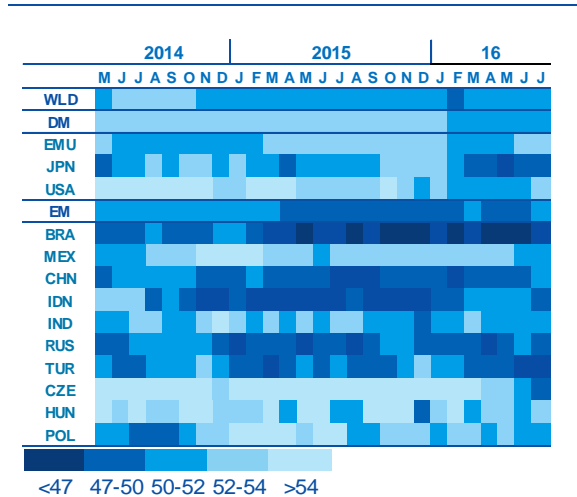
Regarding hard economic data (Figure 4), both industrial output and global trade showed a recent upward trend in Q2 on a YoY basis, but this short-lived improvement seems too feeble and geographically uneven to change the general outlook of anaemic growth. It is worth noting that industrial production improved only in Asian economies, which is coherent with the additional push for economic growth China. At the same time, industrial production across the main developed economies remains muted. Additionally: i) **a Brexit-like global risk event cannot be ruled out yet;** a lot of uncertainties about the disconnection process of the UK from the EU remain ahead; ii) **Complex global geopolitics** remain, and **political uncertainty** comes to the fore in the US; iii) last but not least, **China’s rebalancing** towards a more sustainable mix, stands as the **main uncertainty down the road.**

Table 1
Global data summary

| | 2105 | | | | | 2016 | | | | | | |
|---|------|------|------|------|-------|-------|------|------|------|------------|--------------|-------------|
| | Aug | Sep | Oct | Nov | Dic | Jan | Feb | Mar | Apr | May | Jun | Jul |
| Global PMI | 50,7 | 50,6 | 51,3 | 51,2 | 50,7 | 50,9 | 50,0 | 50,6 | 50,1 | 50,0 | 50,4 | 51,0 |
| Employment | 50,2 | 49,7 | 50,7 | 50,6 | 50,6 | 50,4 | 49,5 | 49,6 | 49,4 | 49,7 | 49,9 | 50,2 |
| New Orders | 49,9 | 49,1 | 51,2 | 51,0 | 50,4 | 50,4 | 49,4 | 51,4 | 50,4 | 50,3 | 50,7 | 51,4 |
| Global Industrial Production (m/m) | 0,0 | 0,3 | 0,3 | -0,2 | -0,1 | 0,6 | -0,4 | 0,2 | 0,5 | 0,2 | | |
| BBVA Global Volatility Index | 0,47 | 1,46 | 1,40 | 0,60 | -0,41 | -0,29 | 1,01 | 1,28 | 0,80 | -0,34 | -0,40 | 1,16 |

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

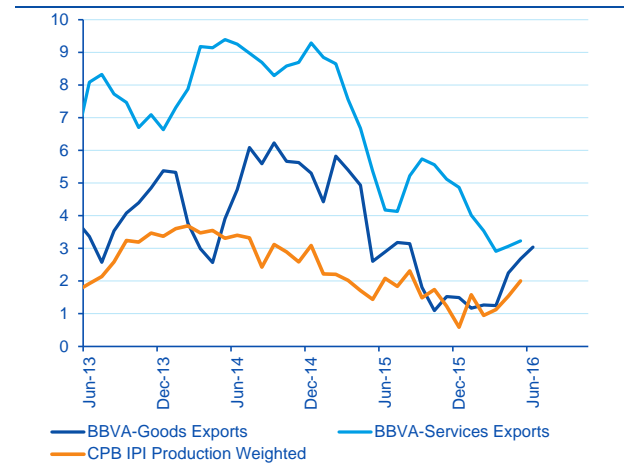
Figure 3
Manufacturing PMI (points)



Source: BBVA Research, Markit

Figure 4
World trade, goods and services, and Industrial Production (% YoY)

Latest data: May-16



Source: BBVA Research, CPB

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