

BBVA

RESEARCH

SEPTEMBER
2016



Global

Economic Watch

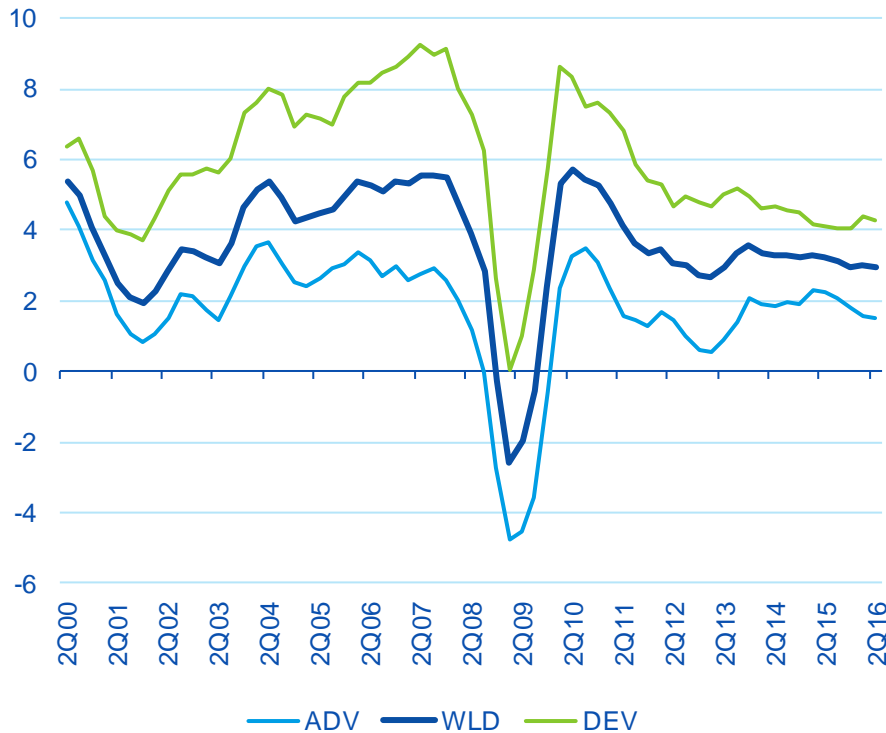
Recent global trends: An improvement is not yet clear

- Downward pressures on global growth seem to have diminished in Q3, but incoming data so far has failed to show a strengthening recovery
- Our GAIN-model estimates quarterly GDP growth at around 0.7% QoQ, broadly stable since late 2014
- Consumption remains the main driver of growth, with incipient signs of improvement in trade that need to be confirmed, while the industrial recovery fails to gain momentum
- Manufacturing sector confidence (PMI's) has increased over the third quarter, while services confidence has improved in emerging markets
- Global inflation declined in August due to more moderate increase in prices in emerging markets (EM) after the sharp currency depreciation last year

World GDP growth was stable in 2Q16...

World GDP

YoY,%



World GDP growth stable at around 3% YoY in 1H16, around 0.2pp below the previous two years

EM gained some momentum (+0.2pp to 4.3% YoY), but failed to offset more moderate growth in DM (-0.2pp to 1.5% YoY)

Doubts remain both in DM and EM, especially in Asia (excluding China) and Latam

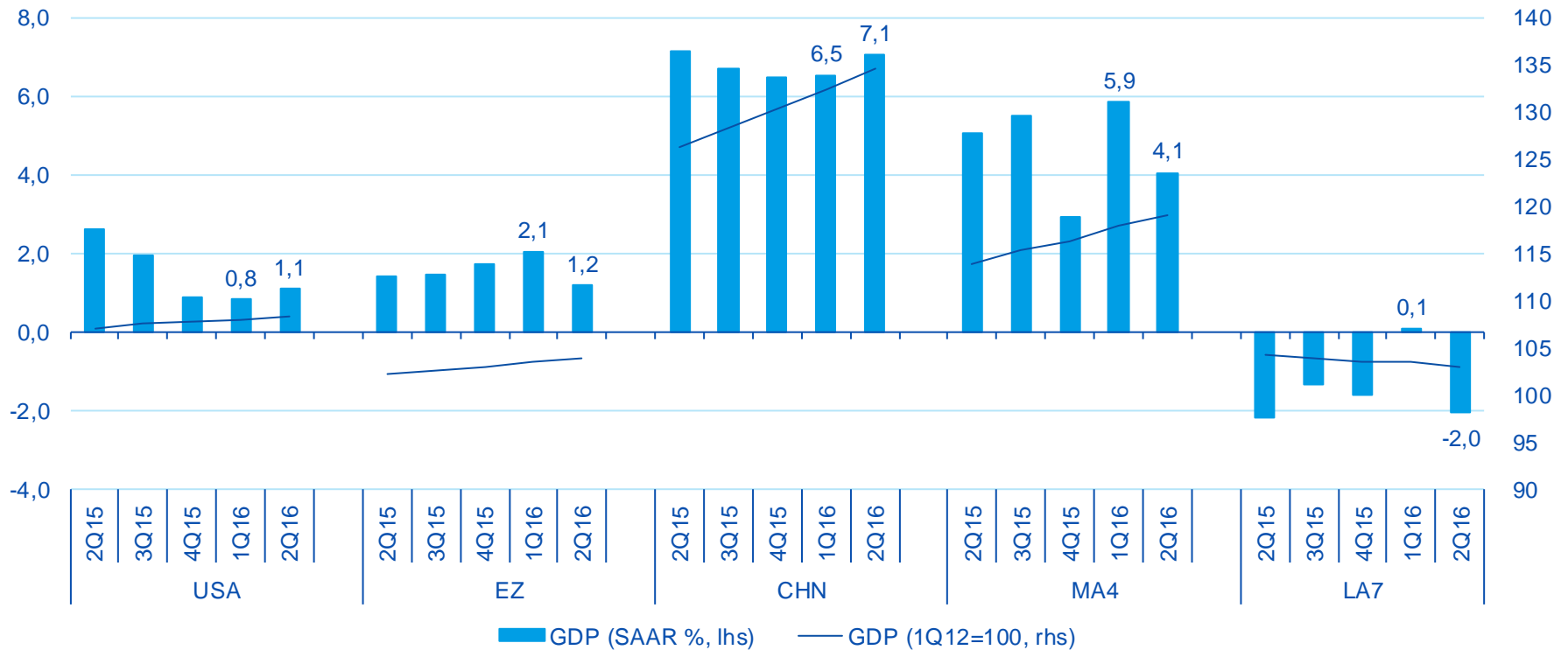
(*) Actual figure of the Global GDP is based on the aggregate of national quarterly growth rates (QNA) of 69 countries, and has a weighting of 92% with respect to world GDP PPP (on average, 1980-2012).

Source: IMF and BBVA Research

... supported by the improvement in China and despite the weakness in the US and Europe

GDP: selected regions

SAAR, %



MA4 (Major Asian 5 ex China): India, Indonesia, Japan, South Korea.

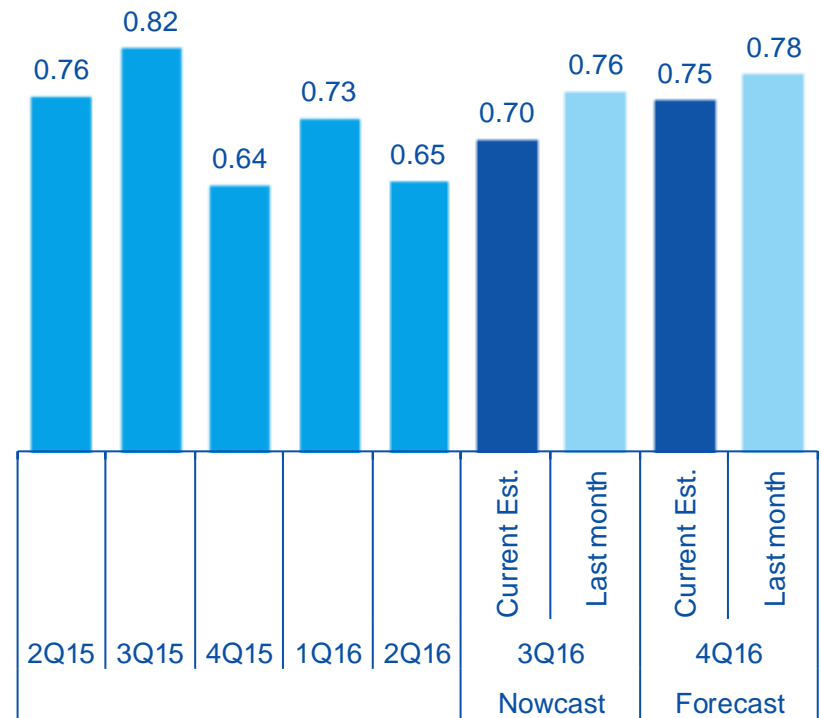
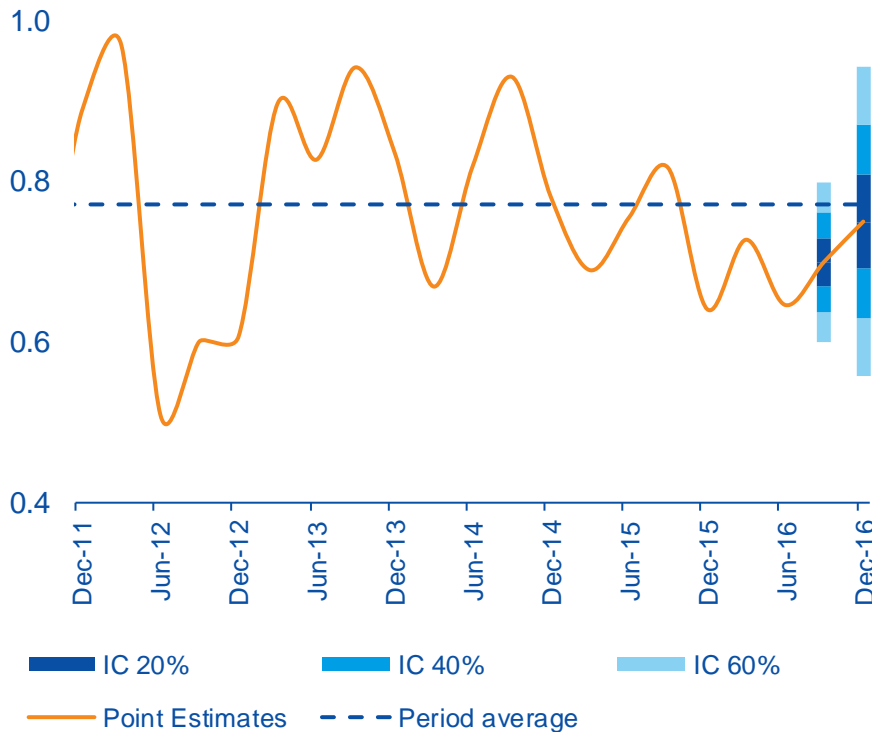
LA7: Argentina, Brazil, Chile, Colombia, Mexico, Peru, Venezuela.

Source: IMF and BBVA Research

Global growth is expected to improve in 3Q16, but incoming data lowered our previous forecast

World GDP: nowcast and forecast

QoQ, %



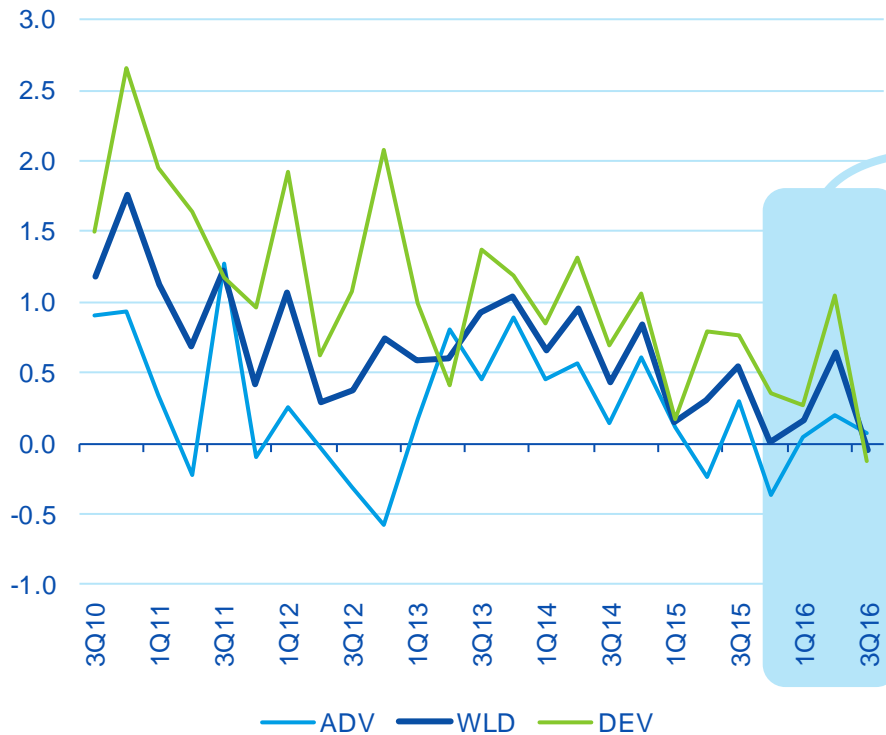
(*) Nowcast and forecast based on BBVA-GAIN

Source: BBVA Research

Industrial production has worsened in 3Q16, especially in emerging markets

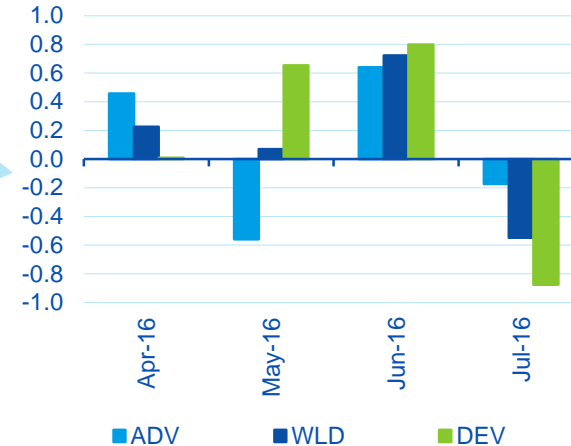
World Industrial Production

QoQ, %



World Industrial Production

MoM, %



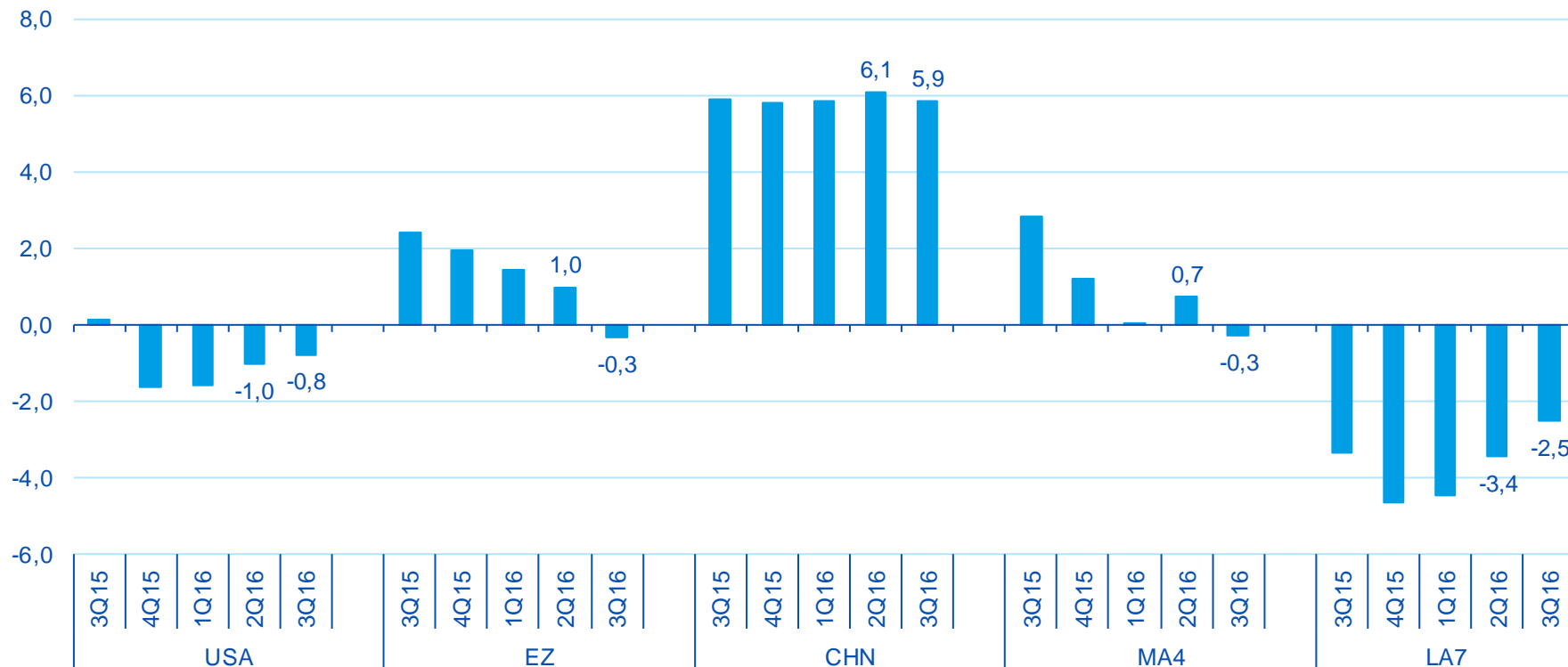
Industrial production in July disappointed...

... but soft data point to a more upbeat outlook in coming months

Industrial production continues to be weak across the board (except in China)

Industrial Production: selected regions

YoY, %



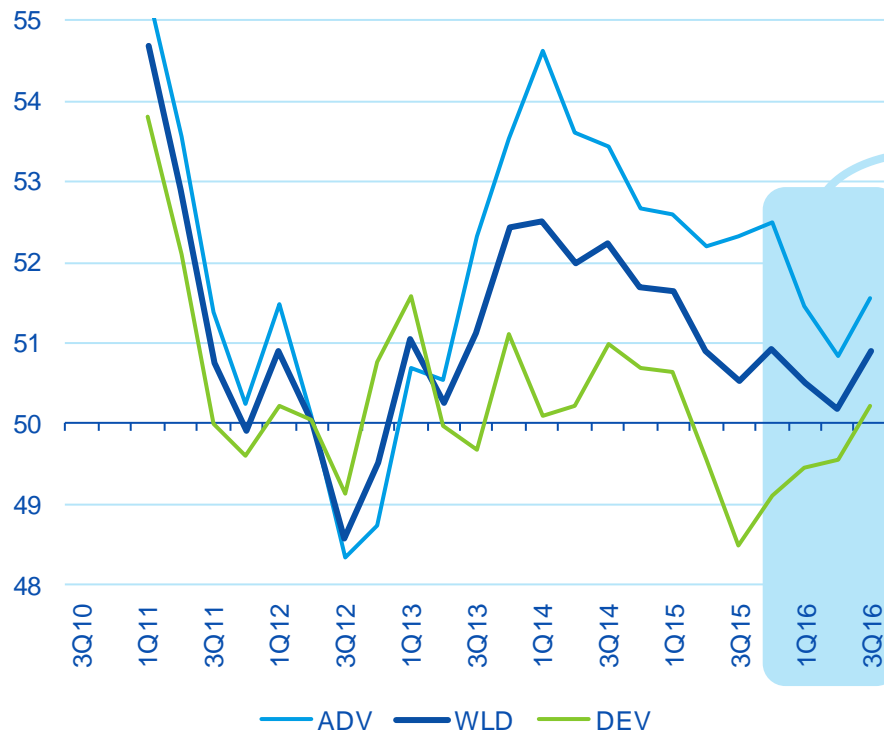
*3Q16 calculated using data for July for EZ, MA4 and LA7; July and August for USA and CHN

Source: Haver and BBVA Research

Manufacturing confidence paint a more upbeat outlook especially in advanced economies...

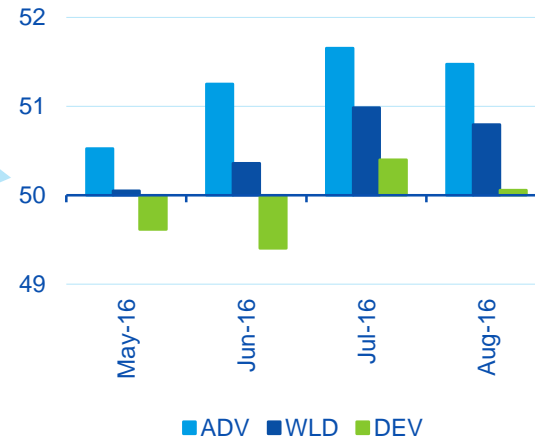
World Manufacturing PMI

Level ± 50



World Manufacturing PMI

Level ± 50



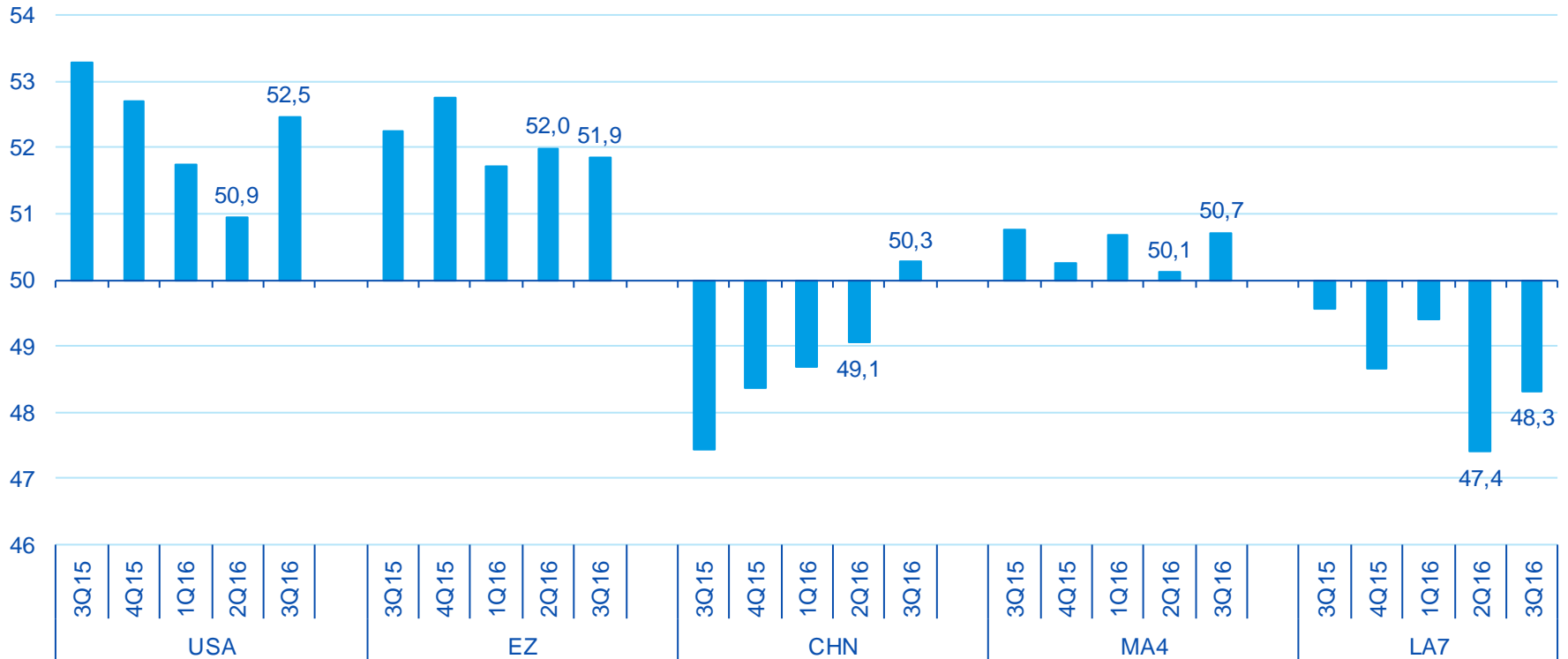
Manufacturing PMIs reverted to levels seen earlier this year...

... supported by some improvement in the global trade

... but remains below the 50 points threshold in Latam

Manufacturing PMI: selected regions

Level ± 50



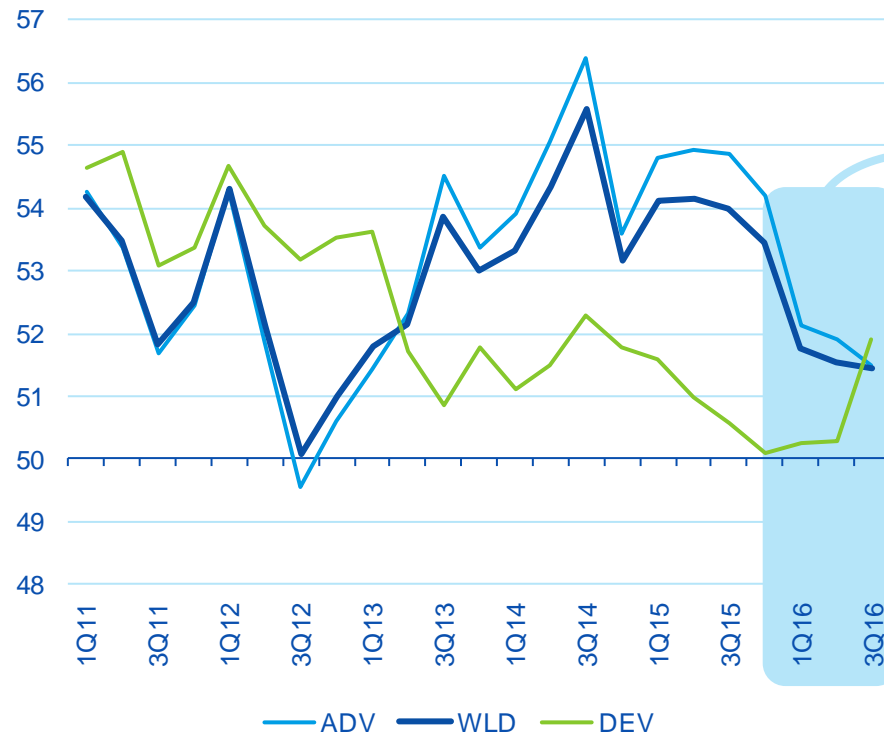
*3Q16 calculated using data for July and August

Source: Markit and BBVA Research

Significant improvement in services confidence in EM's

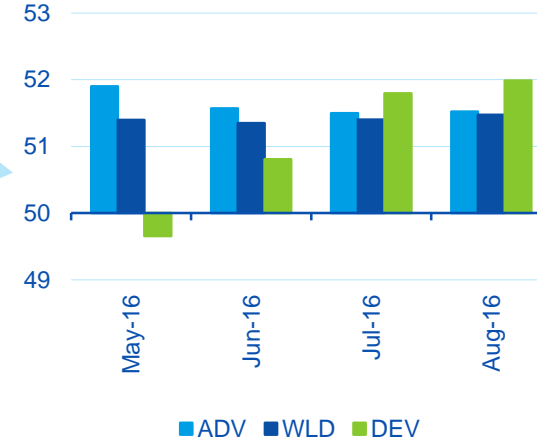
World Services PMI

Level ± 50



World Services PMI

Level ± 50

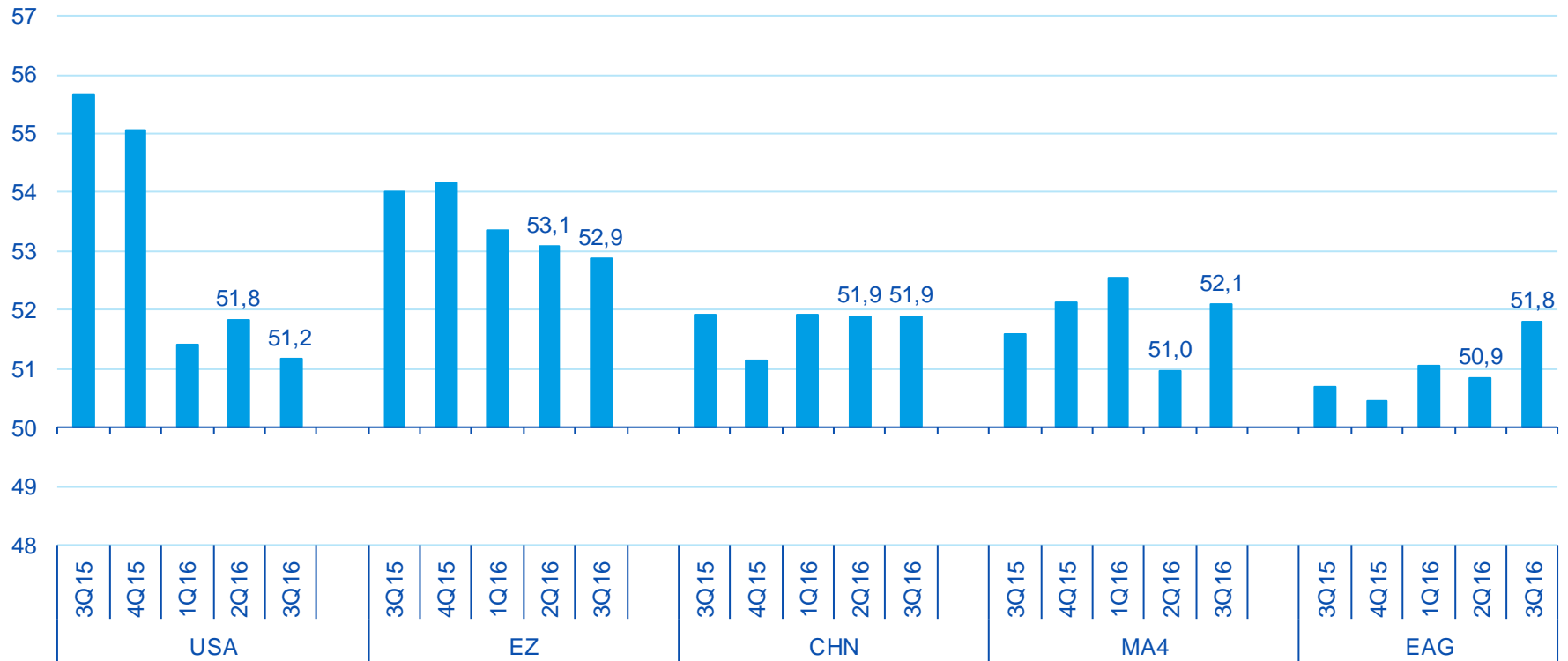


But the sharp improvement in EM's needs to be confirmed and contrasts with some weakness in DMs

Confidence in services unchanged in Europe and China, and declined in the US in Q3

Services PMI: selected regions

Level ± 50



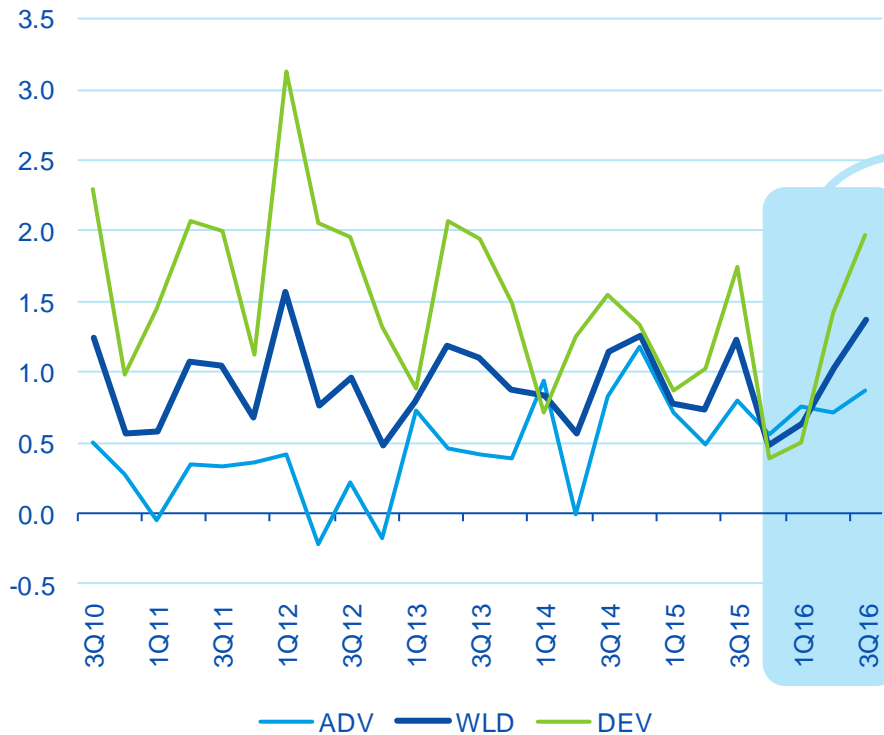
*3Q16 calculated using data for July and August

Source: Markit and BBVA Research

Retail sales suggest a strong momentum for consumption

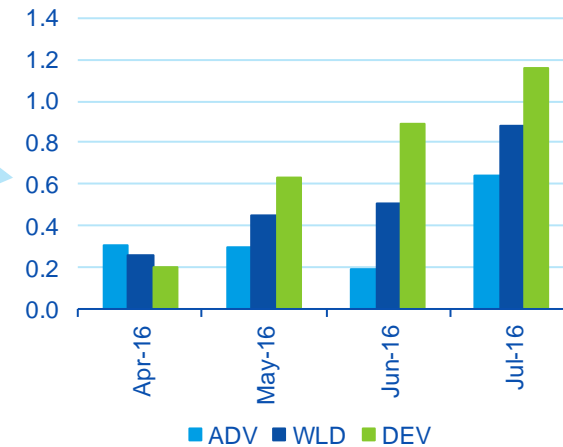
World Retail Sales

QoQ, %



World Retail Sales

MoM, %

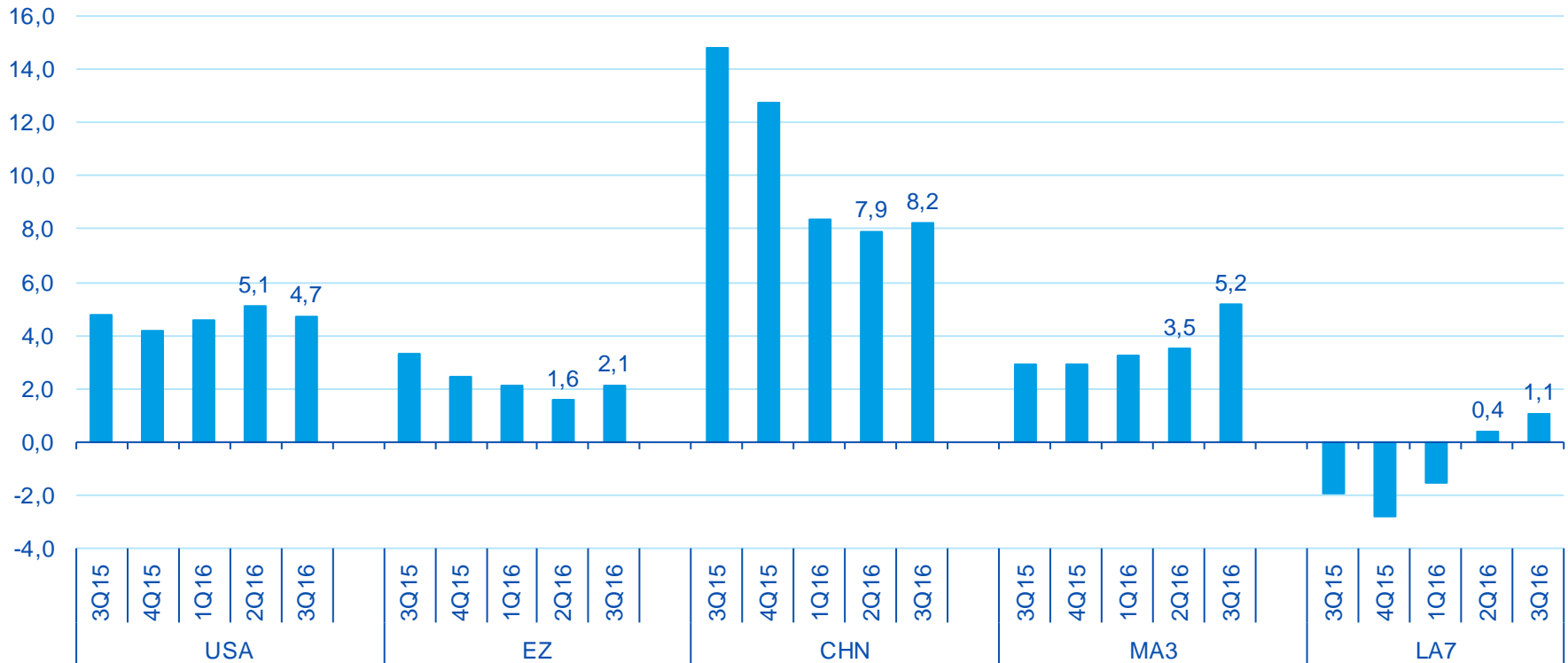


Recent sharp improvement in EM's, and more constant gains in DM's

Households' spending accelerated across the board in Q3, except in the US (but still with strong growth)

Retail Sales: selected regions

YoY, %



*3Q16 calculated using data for July for USA, EZ, MA4 and LA7; July and August for CHN

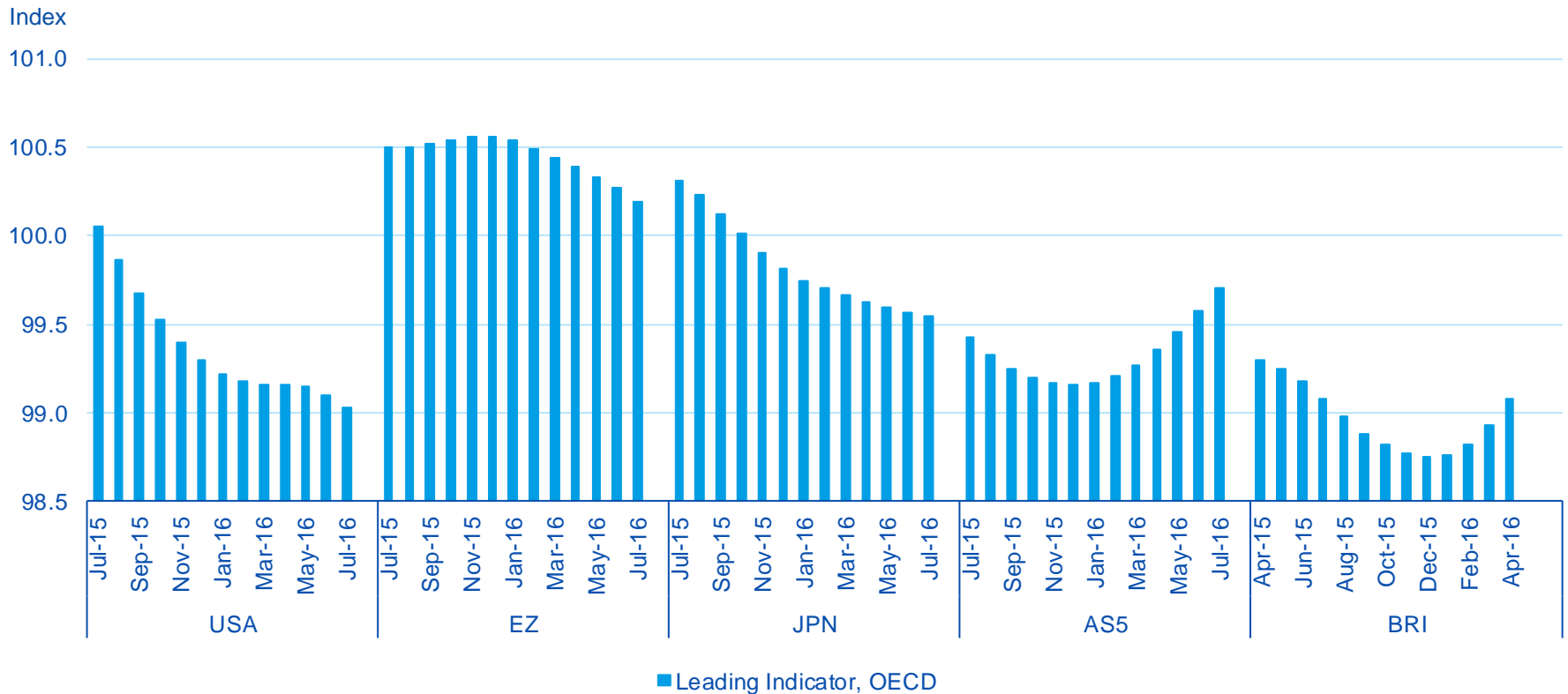
(*) LA7: Argentina, Brazil, Chile, Colombia, Mexico, Peru, Venezuela.

MA3 (Major Asian 5 ex China and India): Indonesia, Japan, South Korea.

Source: Haver and BBVA Research

OECD leading indicators point to a further moderation in DM's recovery and a recovery in EM's

OECD Leading indicator



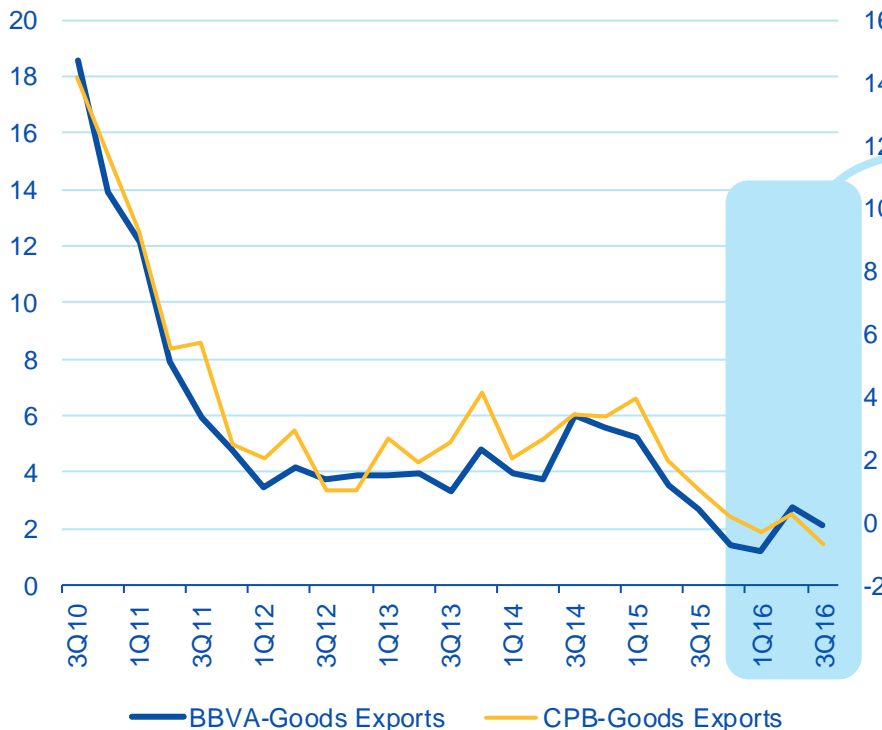
(*) **Brics**: Brasil, Rusia, India, China, Sudafrica
AS5 (Major Asia 5): China, India, Indonesia, Japan and Korea

Source: OECD and BBVA Research

Global goods exports seem to have bottomed, but still provide mixed signals on global demand

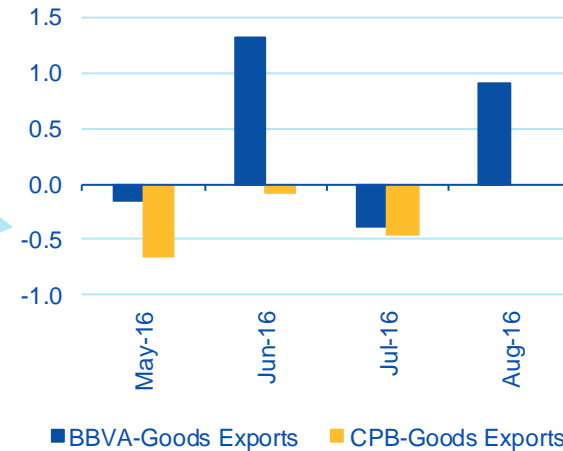
World Exports of goods (constant prices)

YoY, %



World Exports of goods (constant prices)

MoM, %



The trough should be behind us, after the exports decline by end-2014

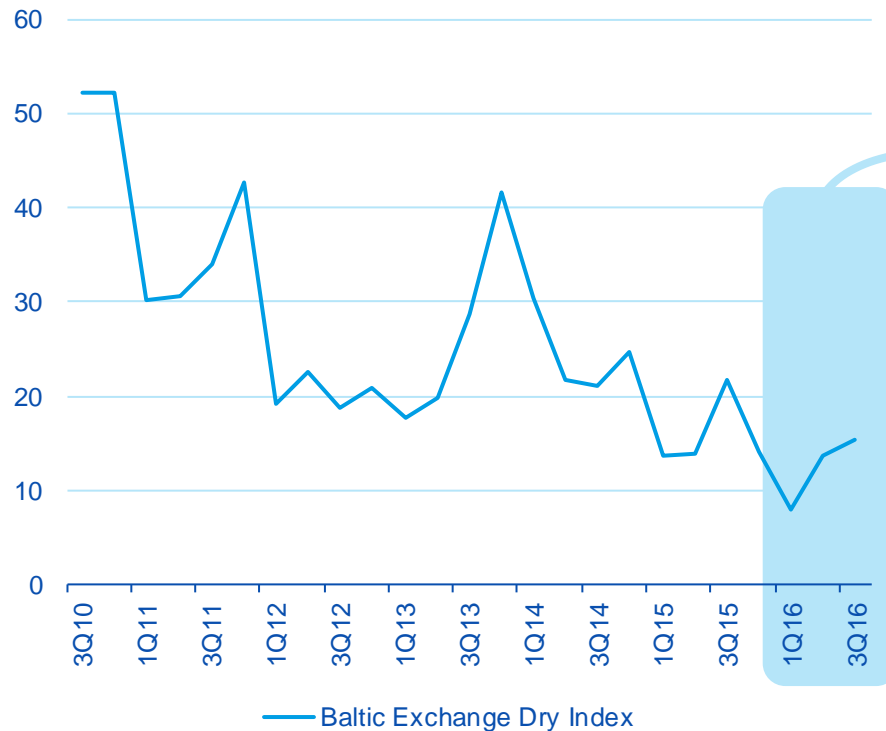
Too soon to tell if we are at a turning point in global trade

(*) Based on **BBVA-Trade Index**
Source: BBVA Research and CPB

More optimistic signs on global trade stem from freights prices

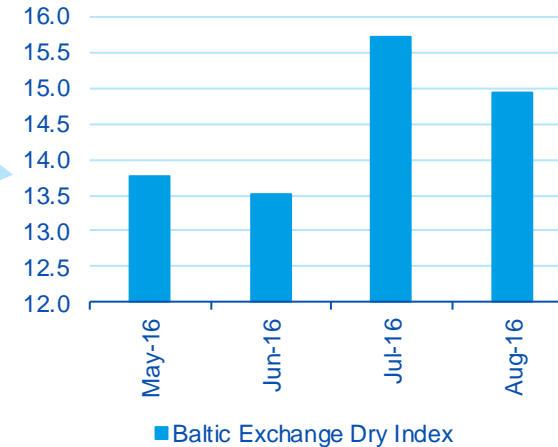
Baltic Exchange Dry Index

Index, Jan-05=100



Baltic Exchange Dry Index

Index, Jan-05=100



The Baltic index remains clearly below 2014 levels...

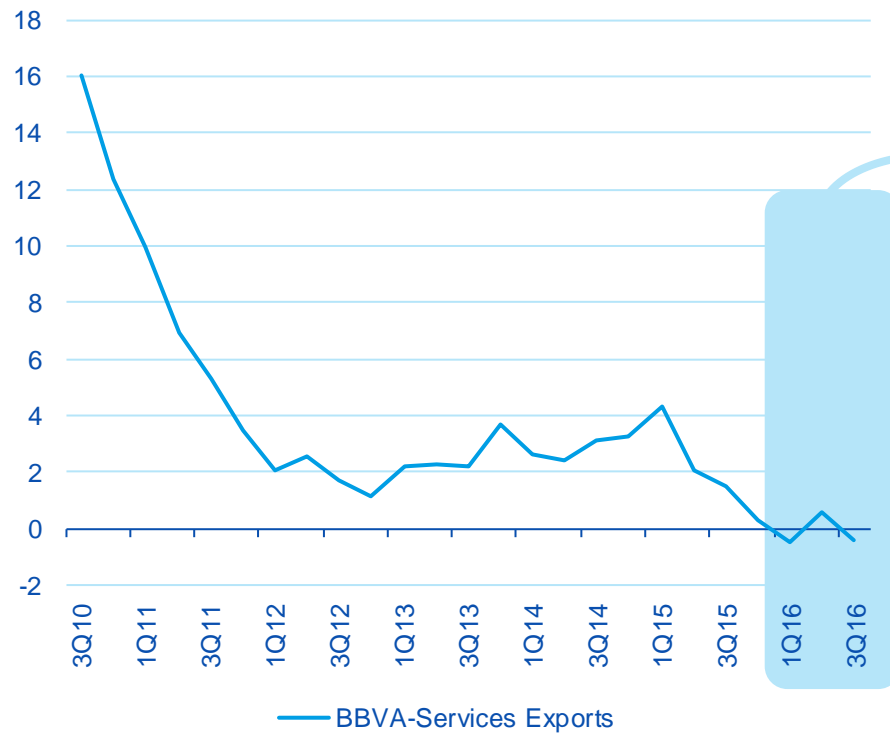
... and a sustained recovery has to be proved yet

(* The **Baltic Dry Index** (BDI) is an economic indicator issued daily by the London-based Baltic Exchange

Exports of services grew at a moderate pace, but also failed to confirm a take off

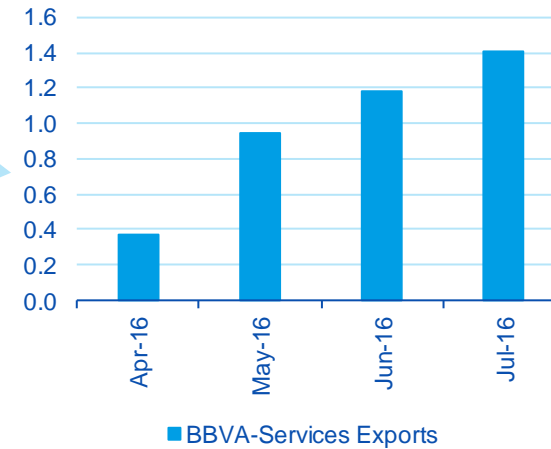
World Exports of services (constant price)

YoY, %



World Exports of services (constant price)

MoM, %

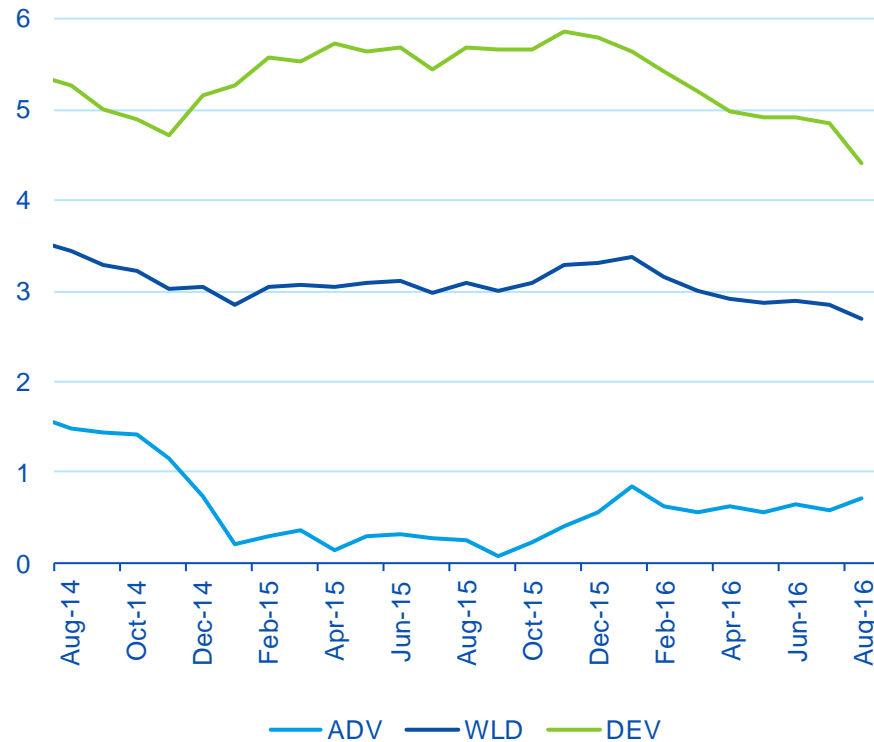


(*) Based on **BBVA-Trade Index**

Global inflation declined in August, mainly due to a more moderate increase in prices in EM...

World headline Inflation

YoY, %



Global inflation declined in recent months after being stable at around 3% in the last two years

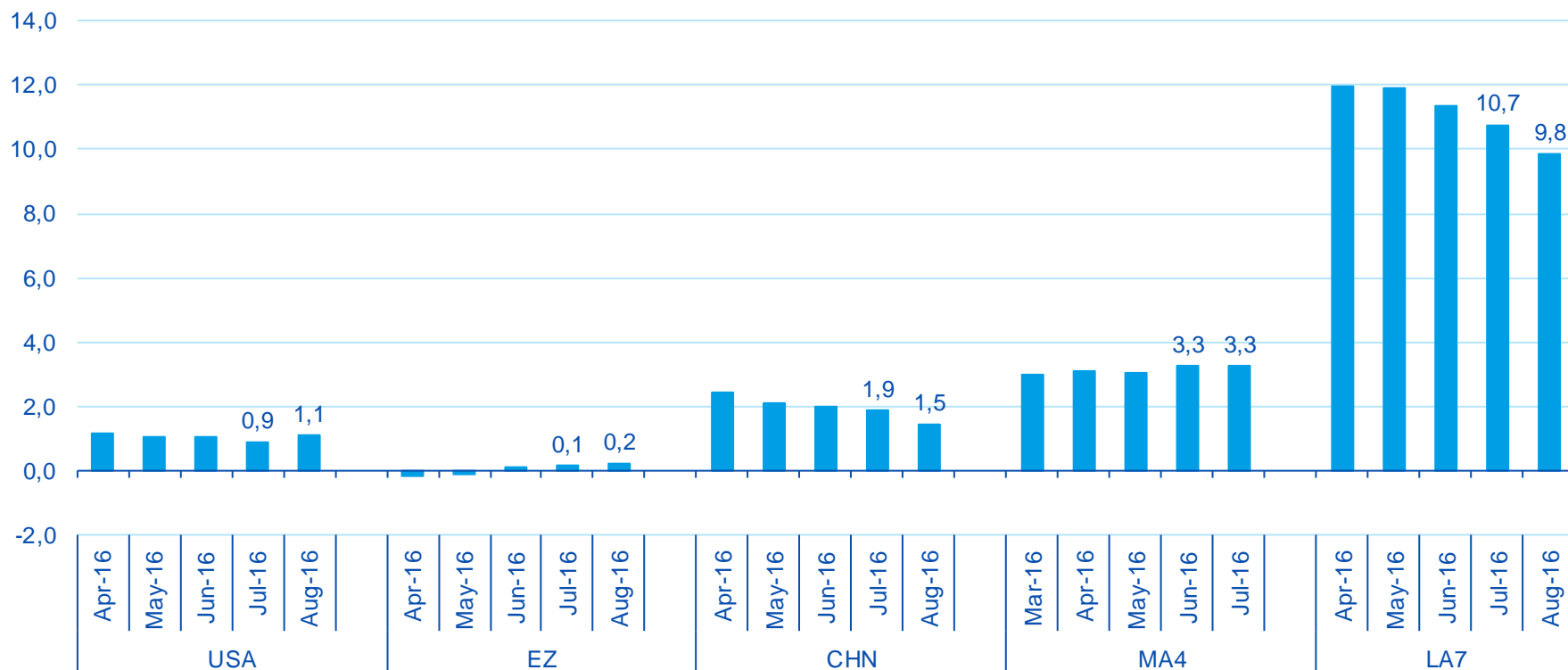
In EM's, recent currency appreciation is the main driving force

In DM's, recovering inflation reflects the base effects from energy prices that should step up during the rest of the year

... especially in China and Latam, while prices remain weak in Europe and the US

Headline Inflation: selected regions

YoY, %



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