

Economic Watch

Global

November 2016



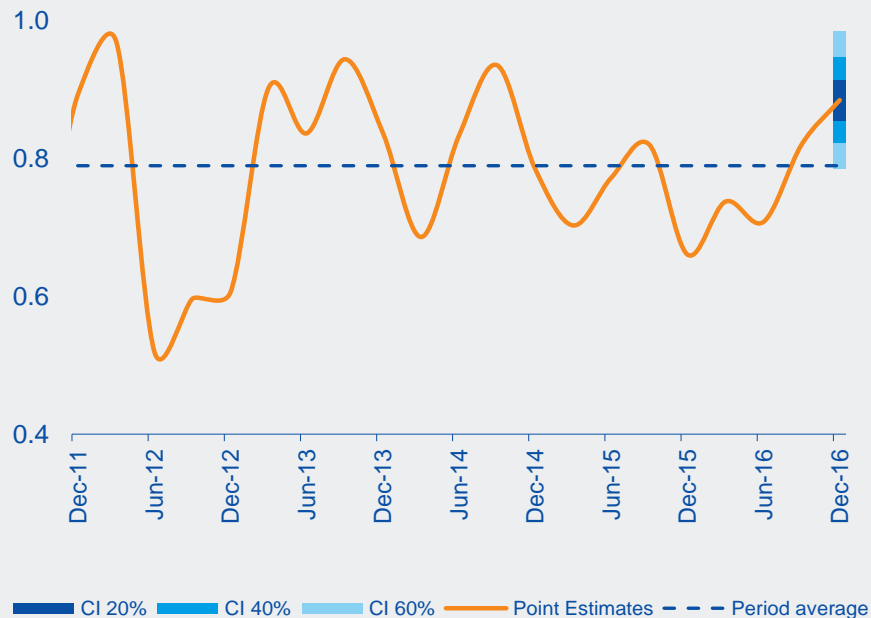
Summary: slight improvement amid high uncertainty

- Global GDP growth accelerated to 0.8% QoQ in 3Q driven by the rebound in US and the resilience in both EZ and Asia, while the recession in Latam eased
- Our GAIN-model estimates quarterly GDP growth at close to 0.9% QoQ in 4Q, although data is sparse and still does not reflect the uncertainty after US elections
- Strengthening recovery in emerging Asia, mainly supported by domestic demand but also by improving trade and China's stabilization
- Slow exit from recession in Latam on the back of weak confidence and political uncertainty (both domestic and external, interest rates or currency performance) which could be putting a brake on private spending
- Positive signs in developed markets, with the strengthening of industrial recovery driven by improving new export orders
- Improving confidence over 4Q. Strong increase in both manufacturing and services PMIs in developed markets. In emerging markets, service PMI's flattened
- Global inflation stabilized in October driven by a more moderate increase in inflation in advanced economies along with slowing inflation in emerging markets

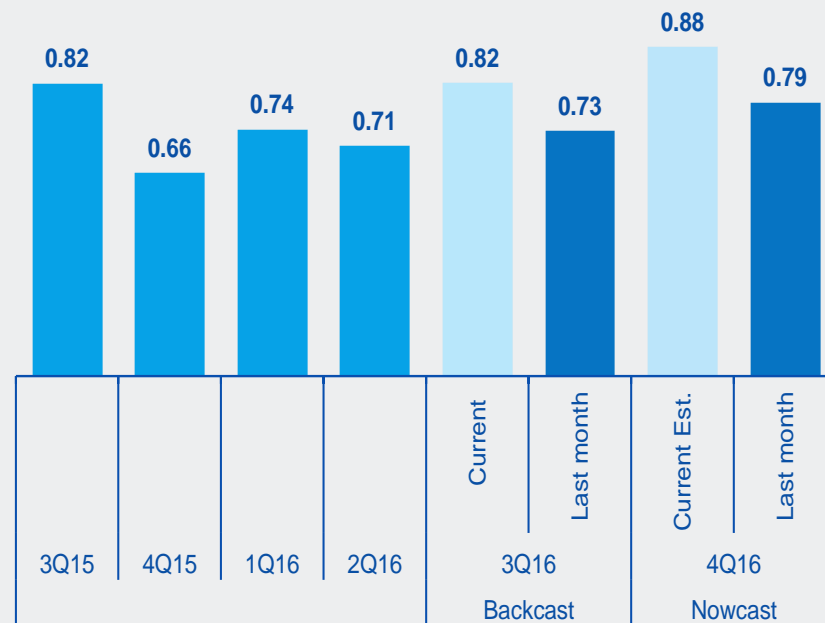
GLOBAL GDP

Global growth is expected to gain some traction in 2H16

World GDP growth
forecasts based on BBVA-GAIN (% , QoQ)



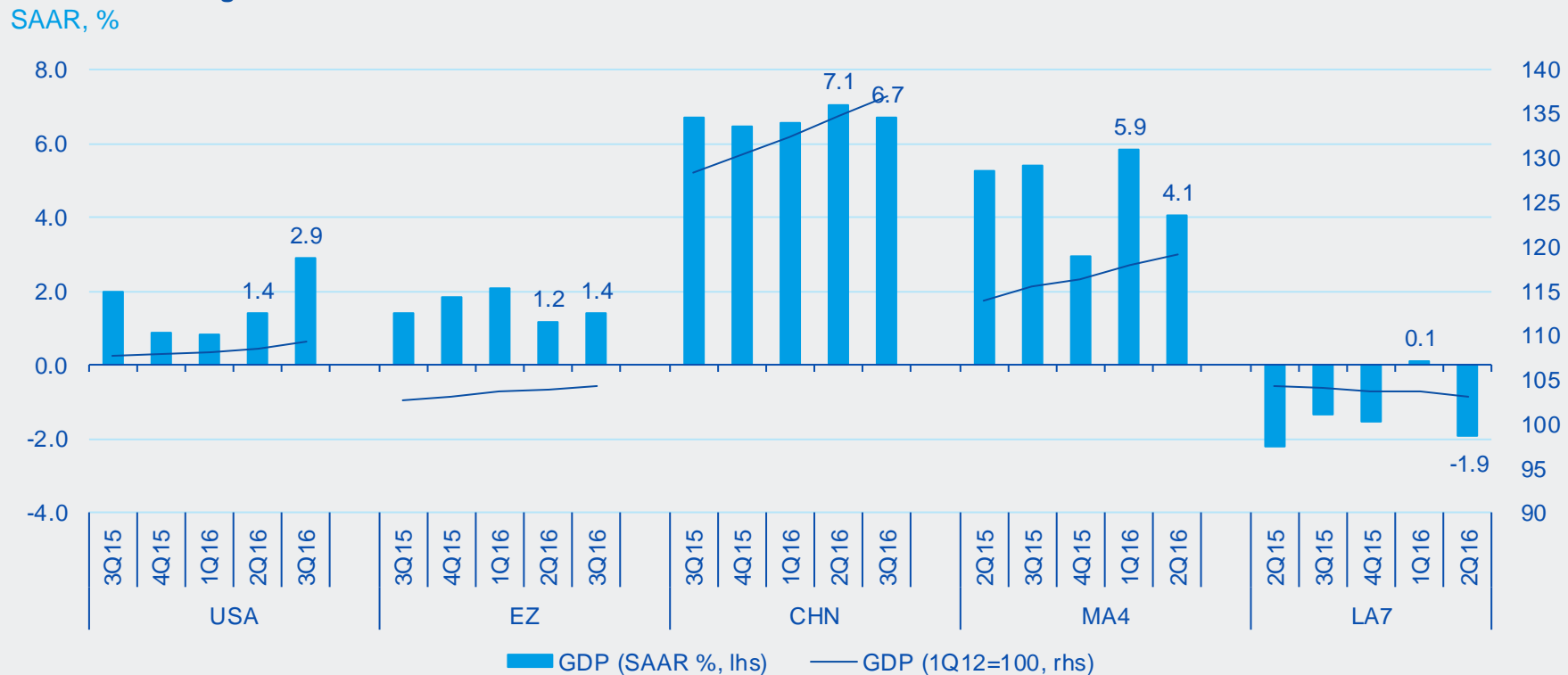
World GDP growth: change in forecasts
QoQ %



GLOBAL GDP

Rebound in the US and stability in the EZ in Q3, while Asia could have stabilized and the downturn in Latam should have eased

GDP: selected regions

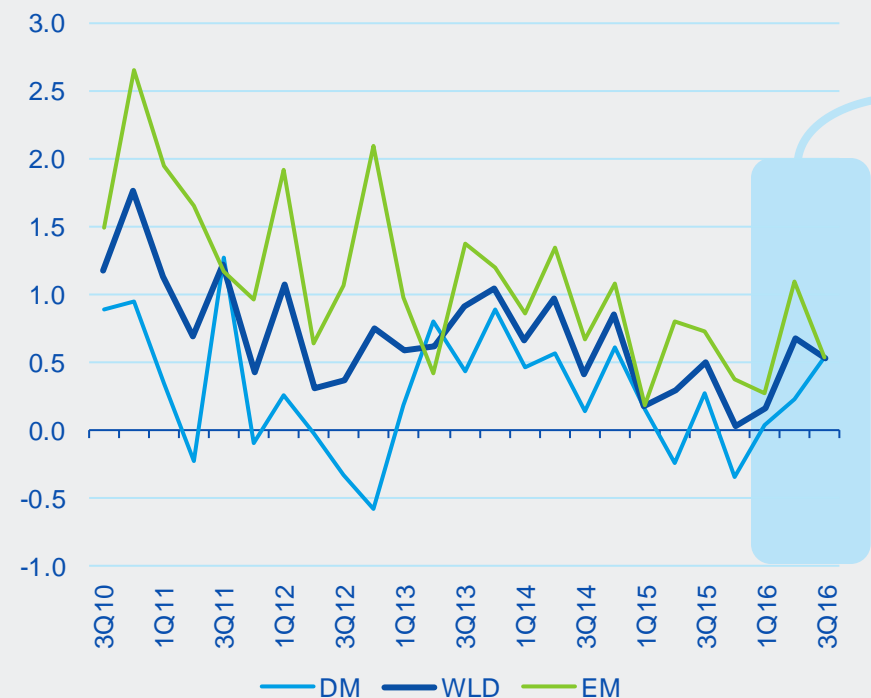


INDUSTRIAL PRODUCTION

Industrial production recovered at a moderate pace in 3Q

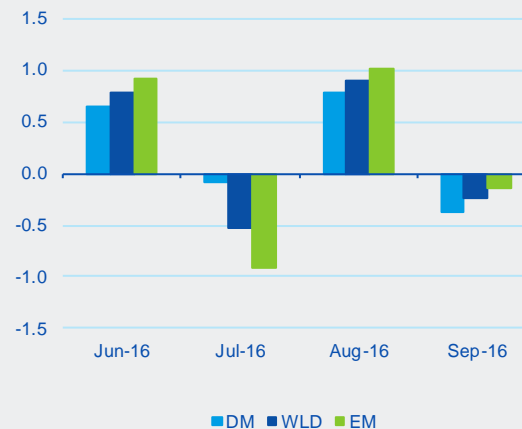
World Industrial Production

QoQ, %



World Industrial Production

MoM, %



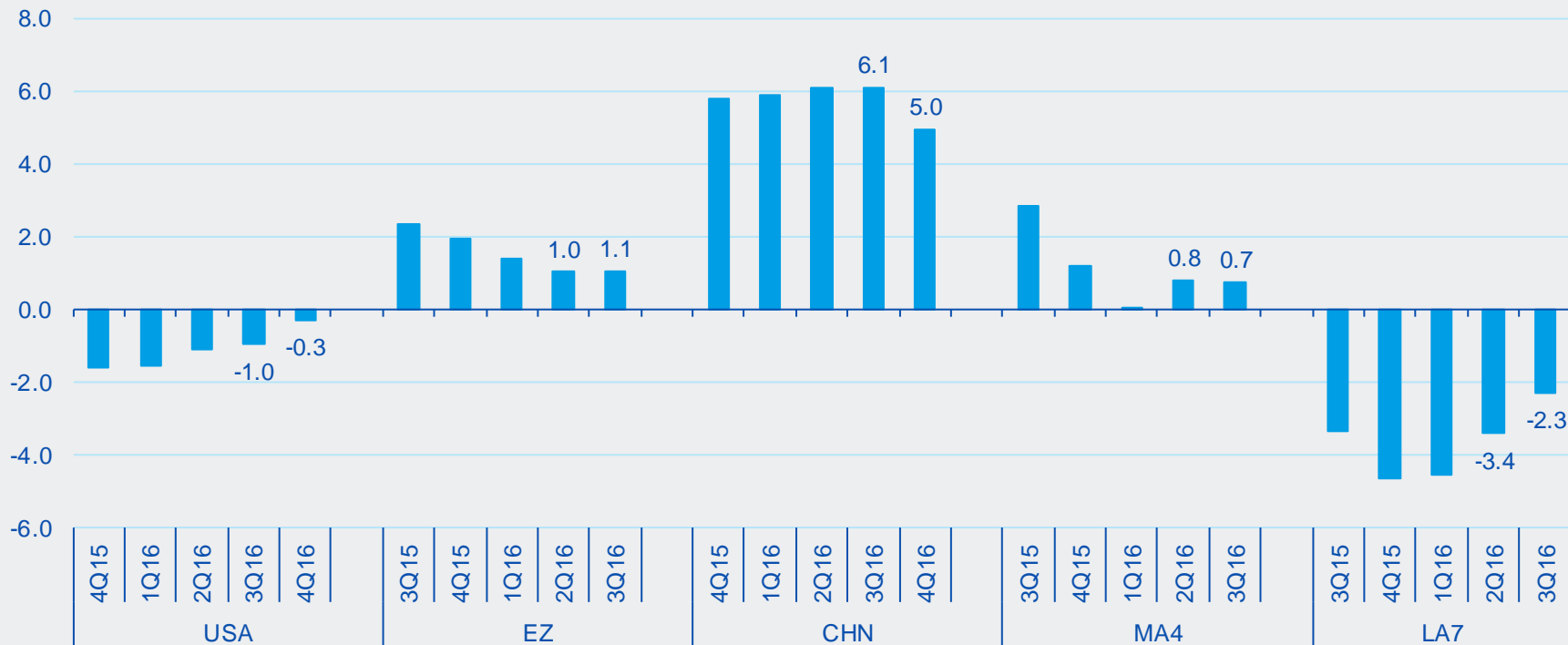
- Despite disappointing figures in September, the industrial recovery in DM gathers momentum in 2016 so far...
- ... while in EM, beyond high volatility, the mild industrial recovery does not entirely dispel worrying signs since early this year

INDUSTRIAL PRODUCTION

The cooling of manufacturing in EM was widespread, but more so in emerging Asia, which remained virtually flat

Industrial Production: selected regions

YoY, %

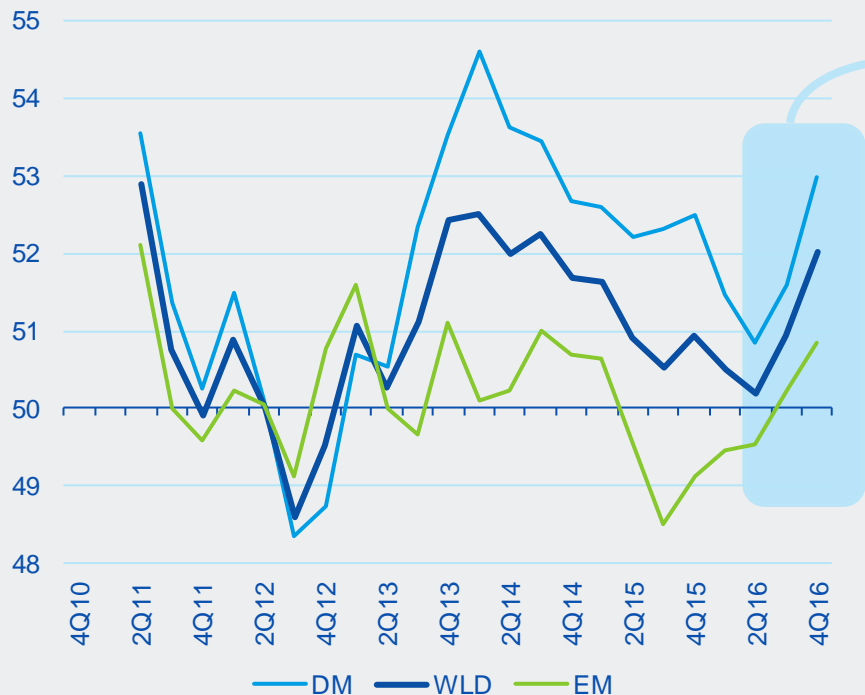


PMI: MANUFACTURING

The significant improvement in manufacturing confidence in 4Q so far should underpin the impulse of the industrial recovery...

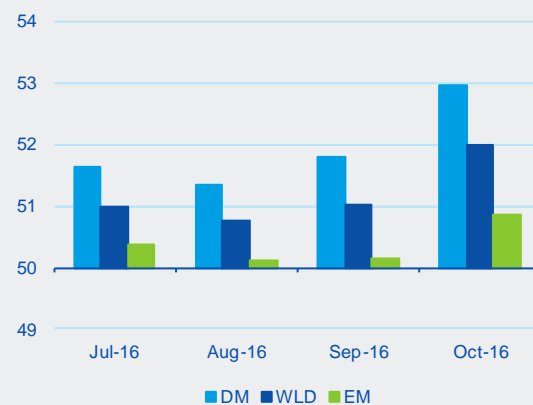
World Manufacturing PMI

Level ± 50



World Manufacturing PMI

Level ± 50



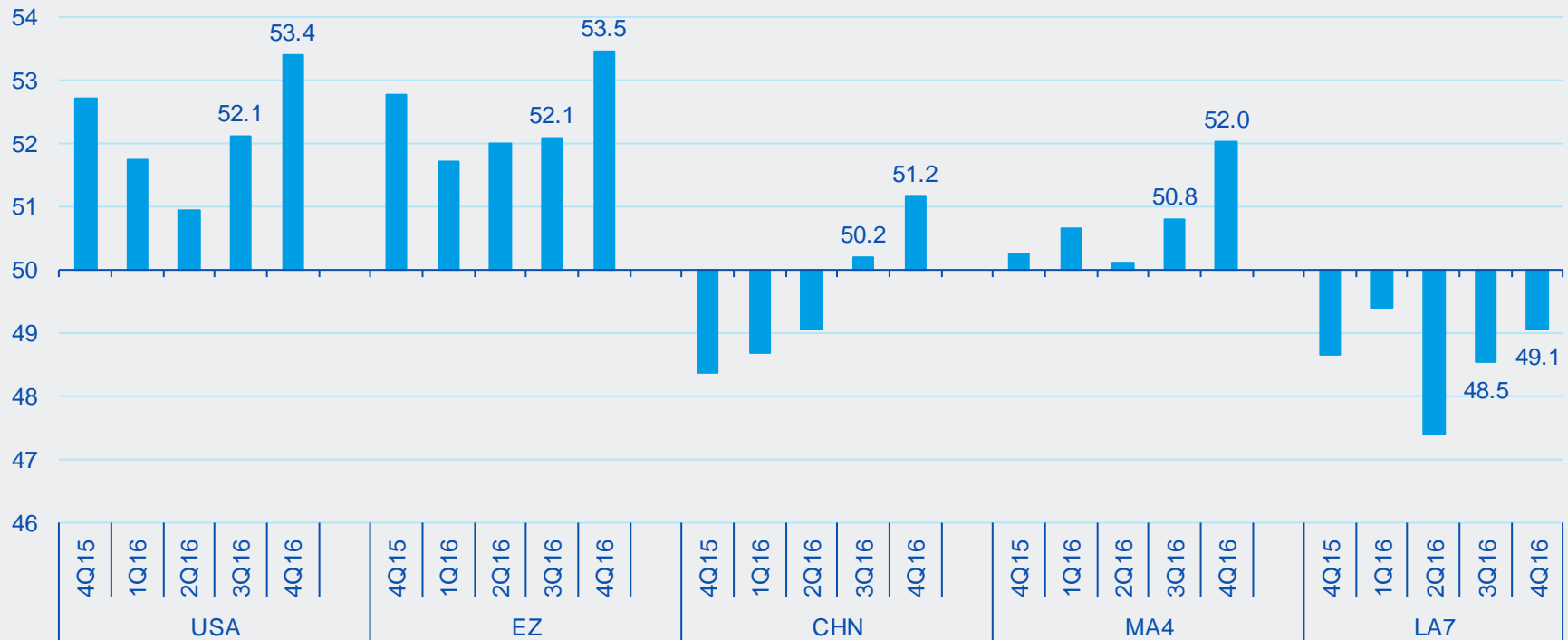
- Increasing new orders across the board in 4Q so far could underpin the momentum of the industrial recovery...
- ... but firms' profits and capex growth remains slow, still weighing on investment

PMI: MANUFACTURING

...especially in DM's and Asia, while PMIs remain below the 50 points threshold in Latam

Manufacturing PMI: selected regions

Level \pm 50

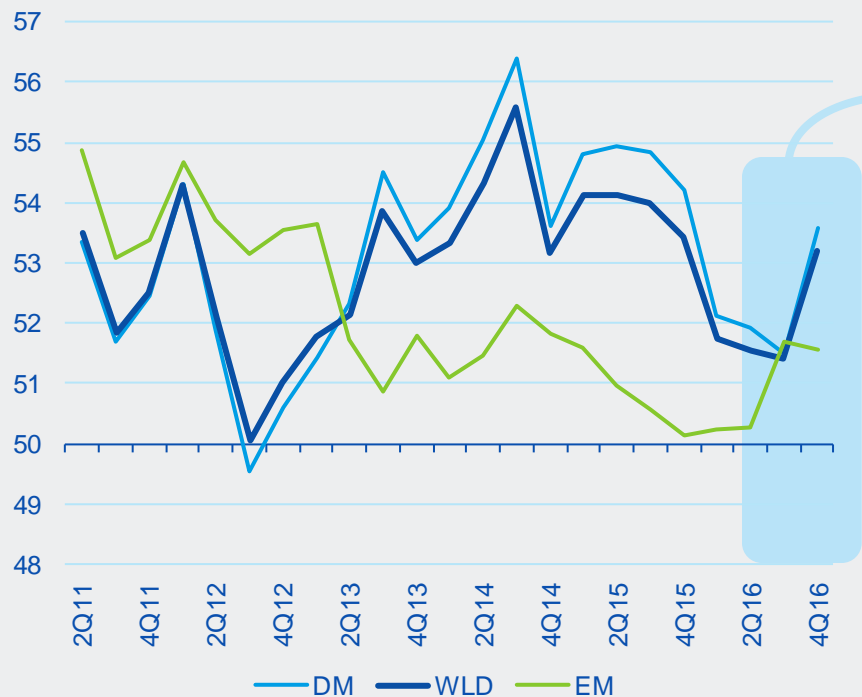


PMI: SERVICES

Confidence in the service sector strengthened in DM in 4Q, but flattened in EM after the 3Q rebound

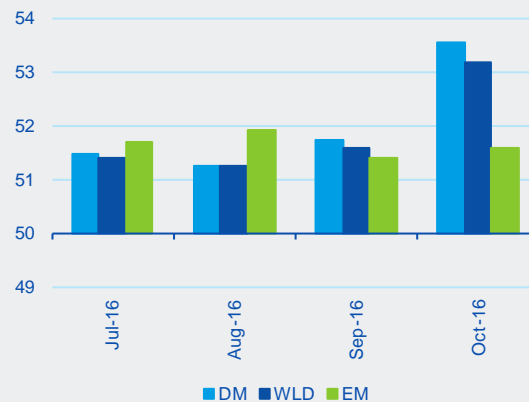
World Services PMI

Level ± 50



World Services PMI

Level ± 50



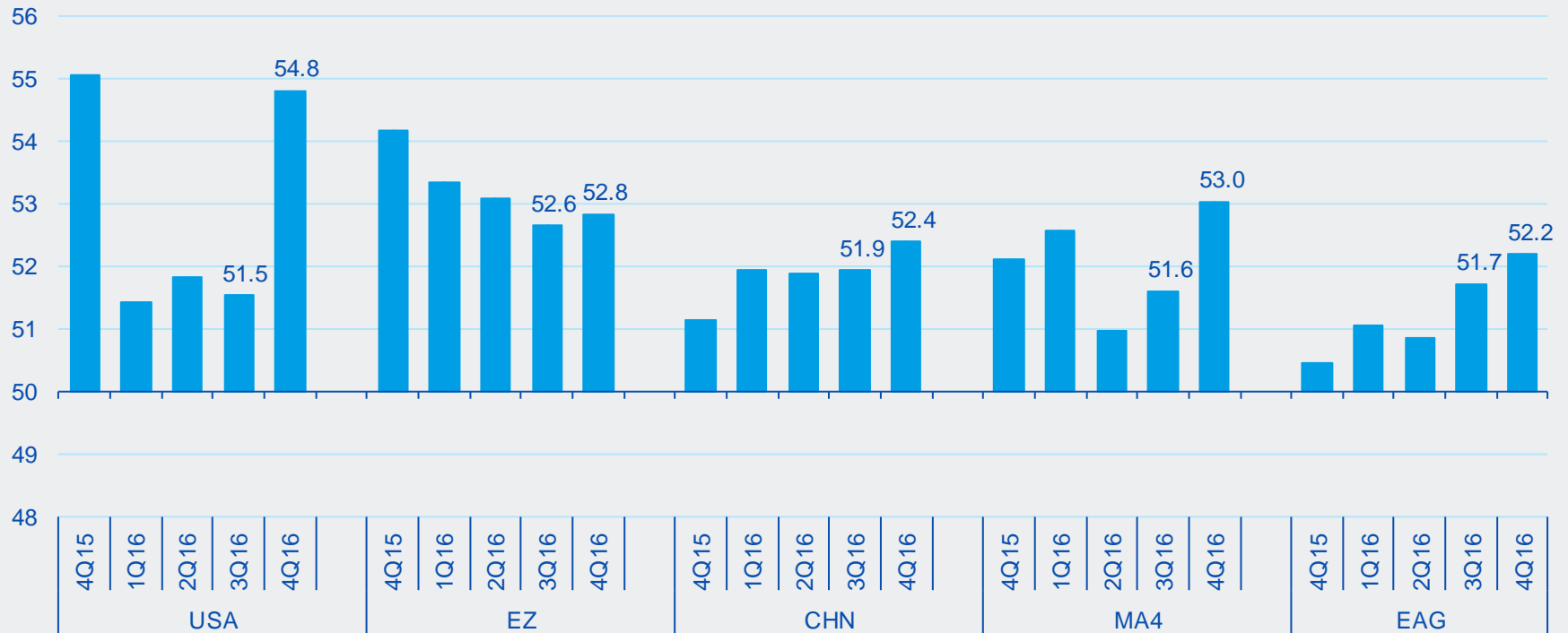
- Increasing new orders along with the accumulation of backlogs of work and further job creation point to an strengthen pace in coming months
- An acceleration in inflationary pressures was mainly centred on DM

PMI: SERVICES

Stable confidence in EM hides heterogeneity across countries, with a worsening in Latam (mainly in Brazil)

Services PMI: selected regions

Level \pm 50



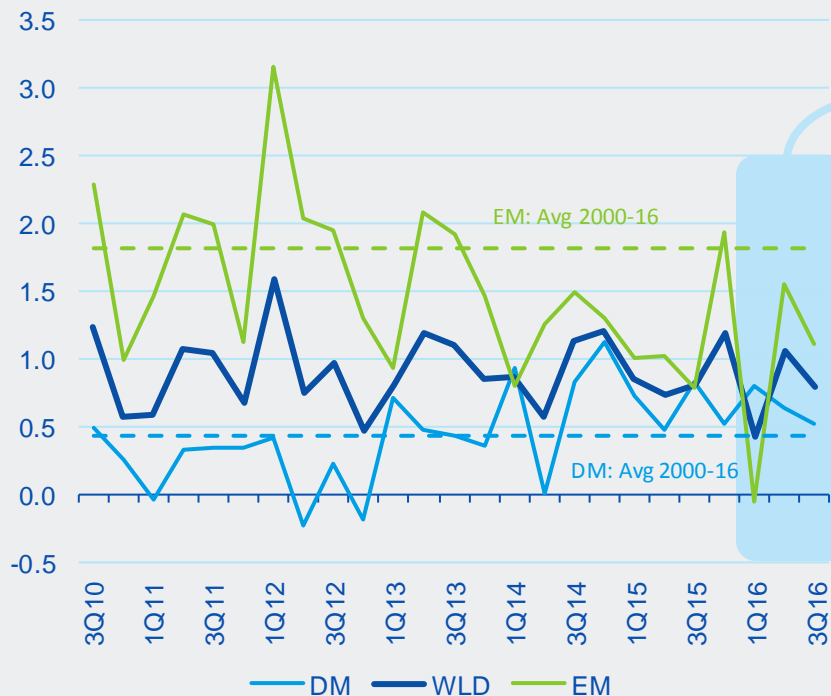
* 4Q16 calculated using data for October

EAG (Eagles): Bangladesh, Brazil, China, Egypt, India, Indonesia, Iran, Malaysia, Mexico, Nigeria, Pakistan, Philippines, Russia, Turkey, Vietnam

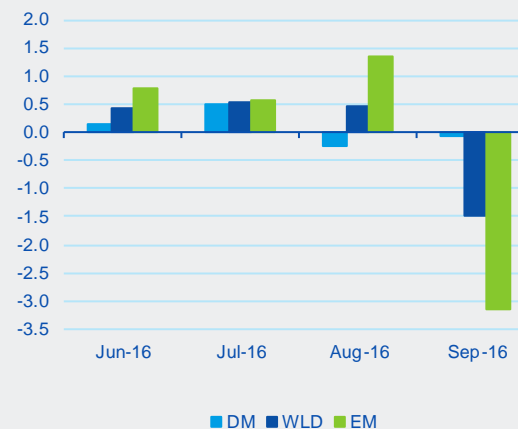
RETAIL SALES

Retail sales moderated in 3Q after having fallen sharply in September across the board, but still point to robust consumption...

World Retail Sales
QoQ, %



World Retail Sales
MoM, %



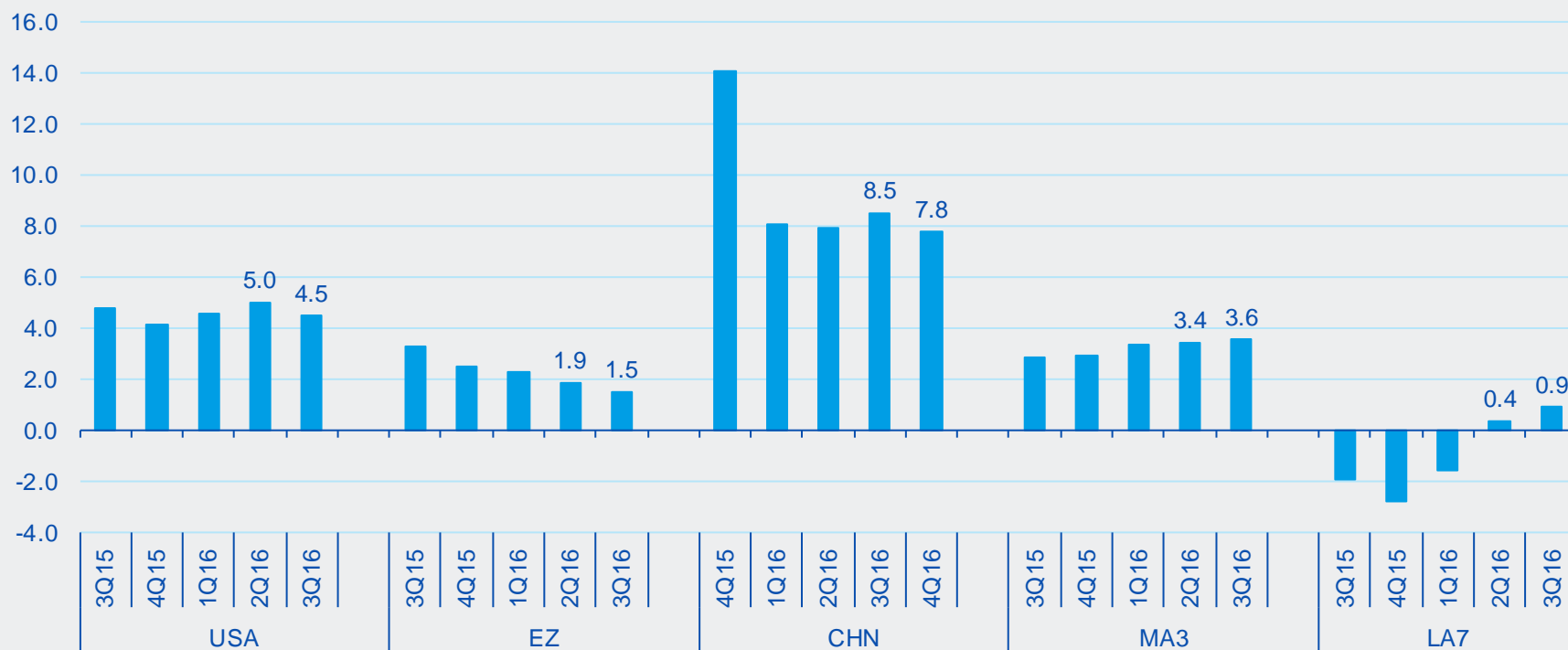
- The robust private consumption in DM's is unlikely to strengthen further in coming quarters
- Divergence across EM: better performance in China contrasting with the slowdown in the rest of Asia, while drops in Latam were registered in Brazil and Colombia

RETAIL SALES

... but is slowing as compared to last year, except in Latam

Retail Sales: selected regions

YoY, %



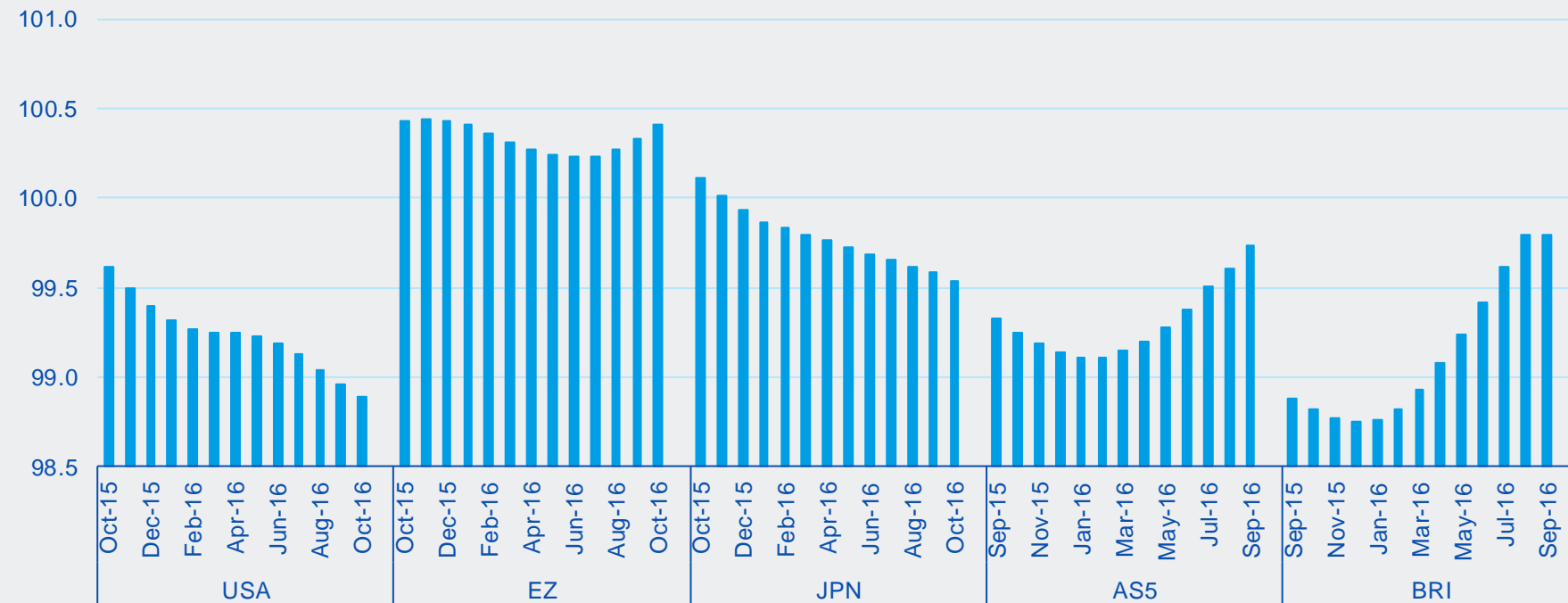
* 4Q16 calculated using data for October for USA and CHN

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

LEADING INDICATOR

OECD leading indicators point to a strengthening recovery in Asia, and to a steady and moderate growth in DM

OECD Leading Indicator Index



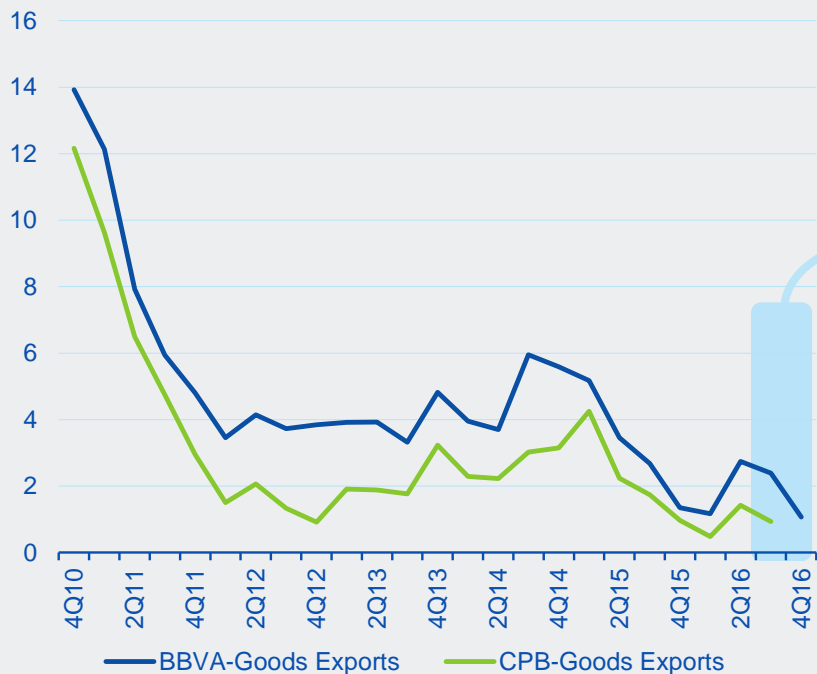
Briics: Brazil, Russia, India, Indonesia, China, South Africa.
AS5: (Major Asian 5): China, India, Indonesia, Japan, South Korea.

GLOBAL TRADE

Global goods' exports seem to have reached bottom, but fail to gain enough traction

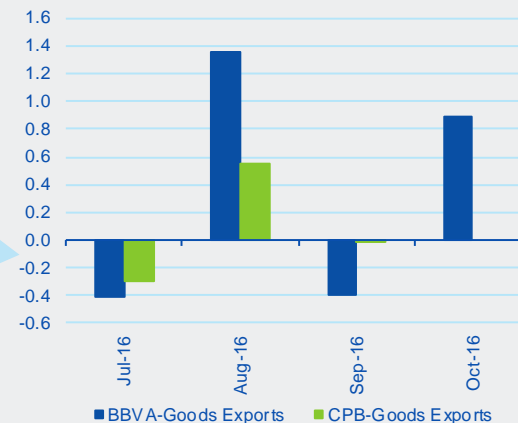
World Exports of Goods (constant prices)

YoY %, Index Jan-12=100



World Exports of Goods (constant prices)

MoM, %



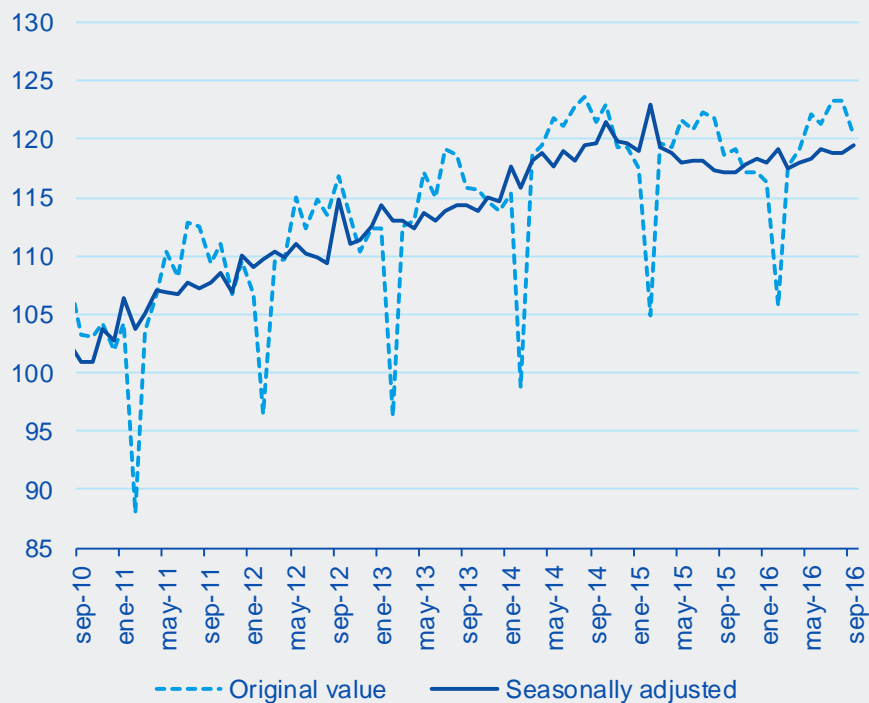
- Significant improvement of exports in October boosted by Asia, partly offset by poor figures in Latam (Brazil)
- Still limited data in DM, but exports orders point to a bit favorable outlook in recent months for Europe, while they could be curbed in the US by appreciating dollar

GLOBAL TRADE

More optimistic signs on global trade stem from freights: a moderate upward trend is on track

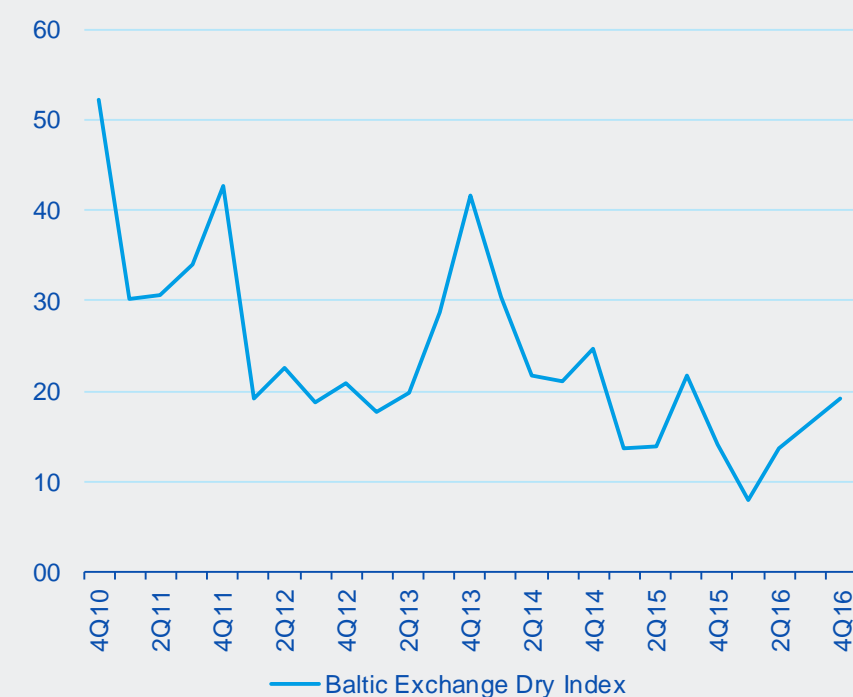
RWI/ISL Container throughput index

Index, 2010=100



Baltic Exchange Dry Index

Index, Jan-05=100



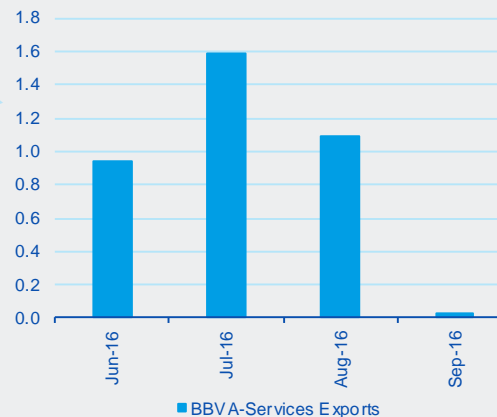
GLOBAL TRADE

Exports of services accelerated in 3Q despite disappointing figures in September and reverted to a solid quarterly growth pace

World Exports of Services (constant prices)
YoY, %



World Exports of Services (constant prices)
MoM, %



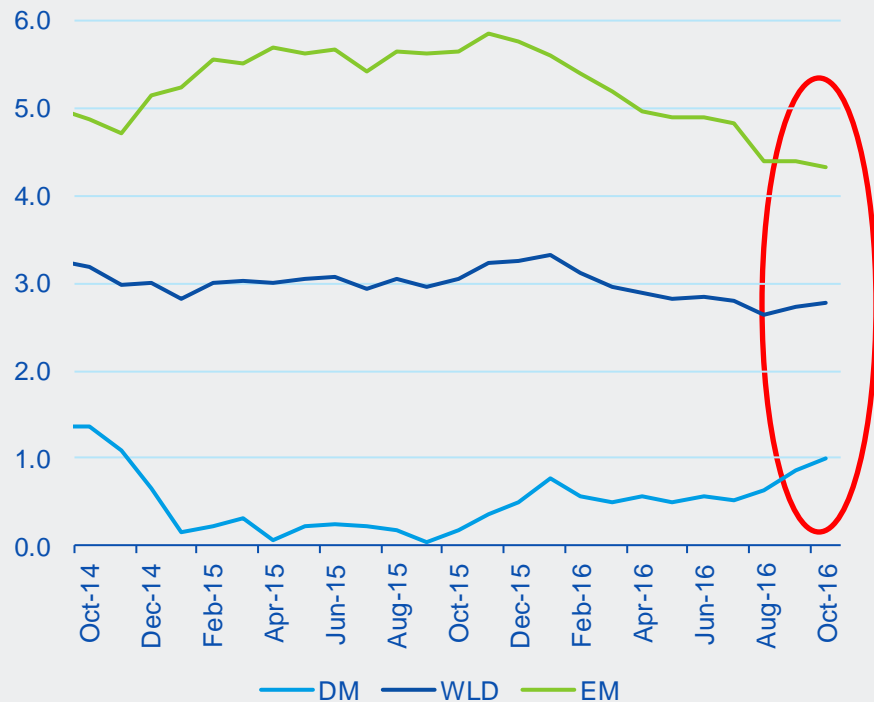
- Stronger quarterly rates along with drops a year ago point to an ongoing acceleration of services exports in coming quarters

INFLATION

Global inflation stabilized in October as a result of a moderate increase in inflation in DM's...

World Headline Inflation

YoY, %



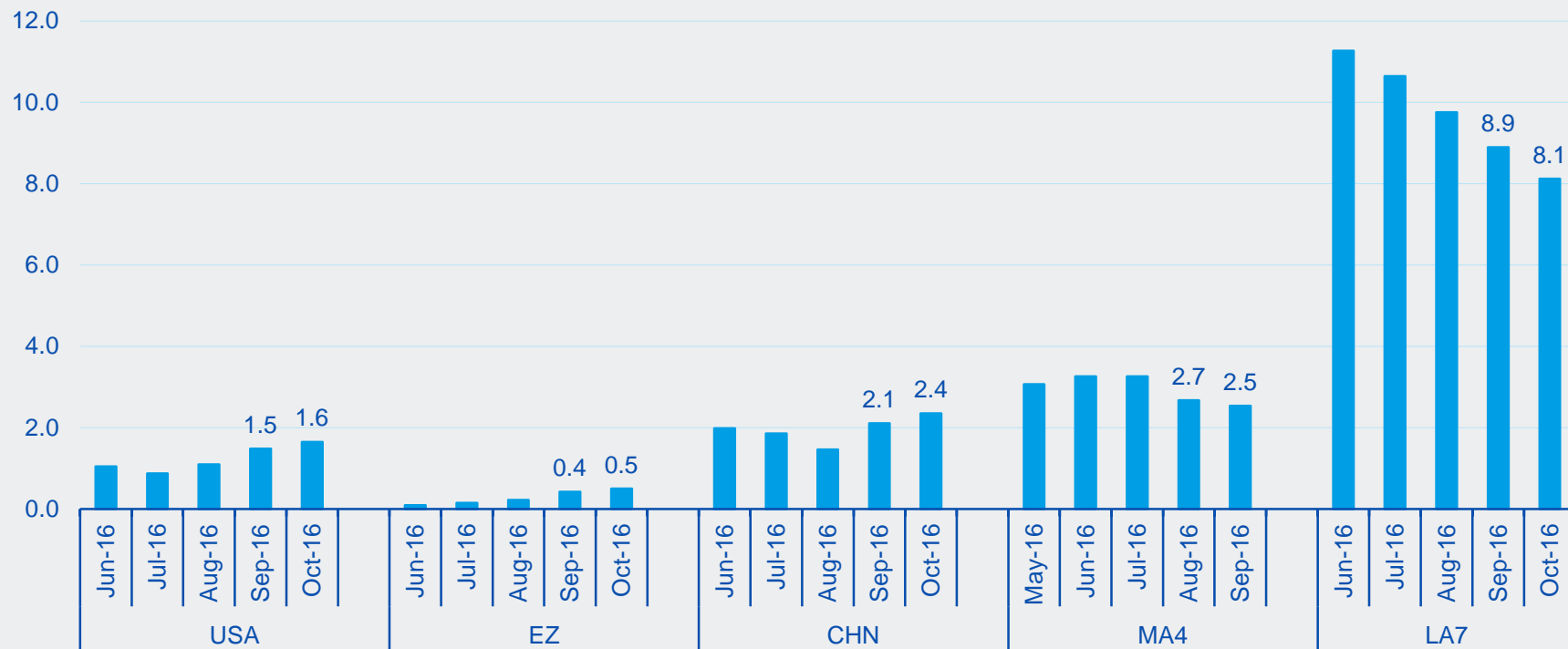
- In EM's, inflation eased somewhat in the last two months. Currency movements are the main driving force of inflation moderation
- In DM's, recovering inflation reflects the base effects from energy prices that should step up in coming months

INFLATION

... along with slowing inflation in emerging Asia and in Latam, especially

Headline Inflation: selected regions

YoY, %



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