

# GLOBAL OUTLOOK

## ECONOMIC WATCH

September 2017

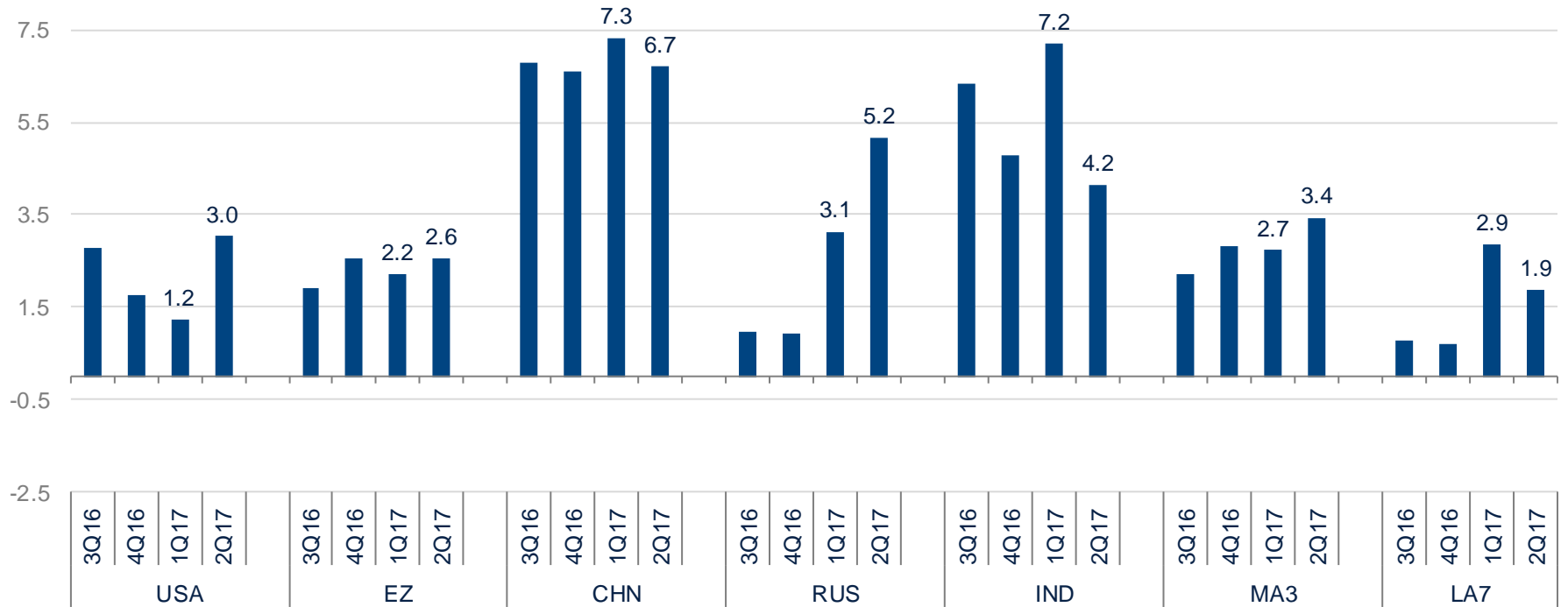


## Summary: The global economy stabilizes at high levels reflecting a robust and synchronized pace

- ◆ Global growth accelerated slightly in 2Q17 to 1% QoQ, driven by US. Our BBVA-GAIN model suggest that global GDP growth could maintain its dynamism in 2H17 (0,98% QoQ in Q3 and 1,0% QoQ in Q4).
- ◆ Developed markets outperformed (on average) emerging markets in 2Q17 driven by the rebound in the US and a positive surprise in Europe and China. The exit from deep recessions of Russia and Brazil suggest that global growth economy is more synchronized across major blocks.
- ◆ Industrial production disappointed in July failing to catch up with confidence surveys while the upward trend in exports has halted at the beginning of 3Q17. But new exports orders from PMI's continue rising and suggest still a positive outlook for the rest of the year. The rebound in retail sales signals resilience of consumption.
- ◆ Global headline inflation accelerated slightly in July mainly due to volatile components, while core measures remained mostly flat.

# Growth in 2Q17: Good performance across DM (especially USA and Europe) and a slight slowdown in China (but better than expected)

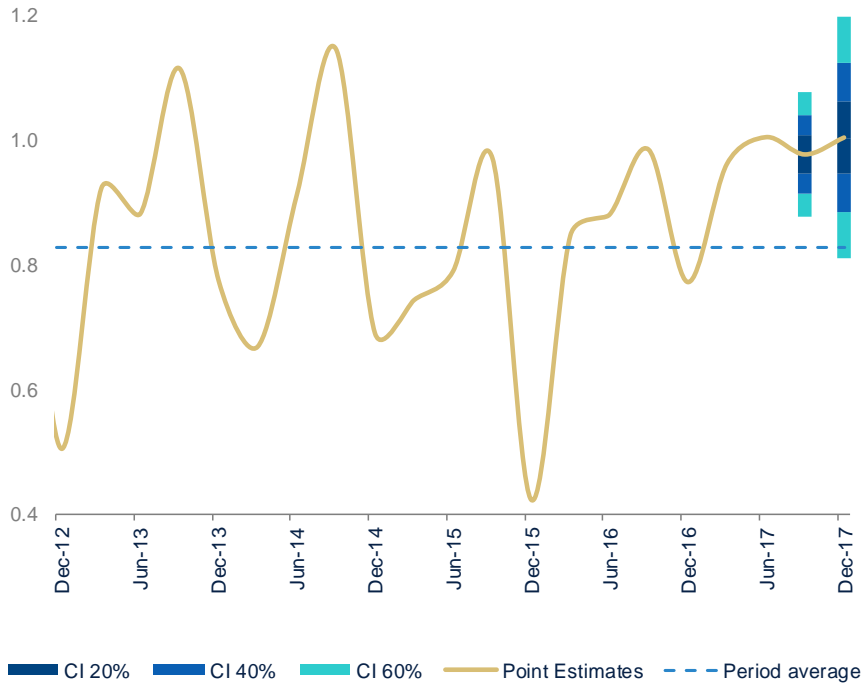
**GDP: Selected Regions**  
(SAAR, %)



# No major changes in our global GDP short-term indicator: stabilization at around 1% t/t

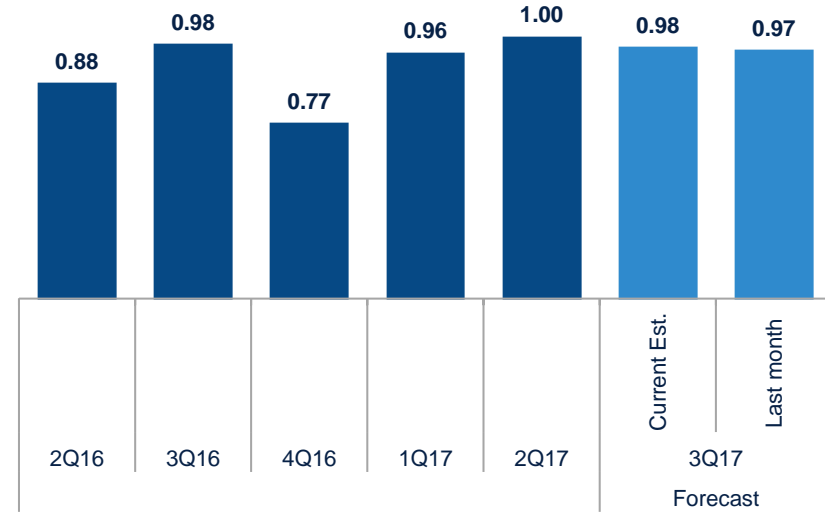
## World GDP Growth

Forecast based on BBVA-GAIN (% , QoQ)



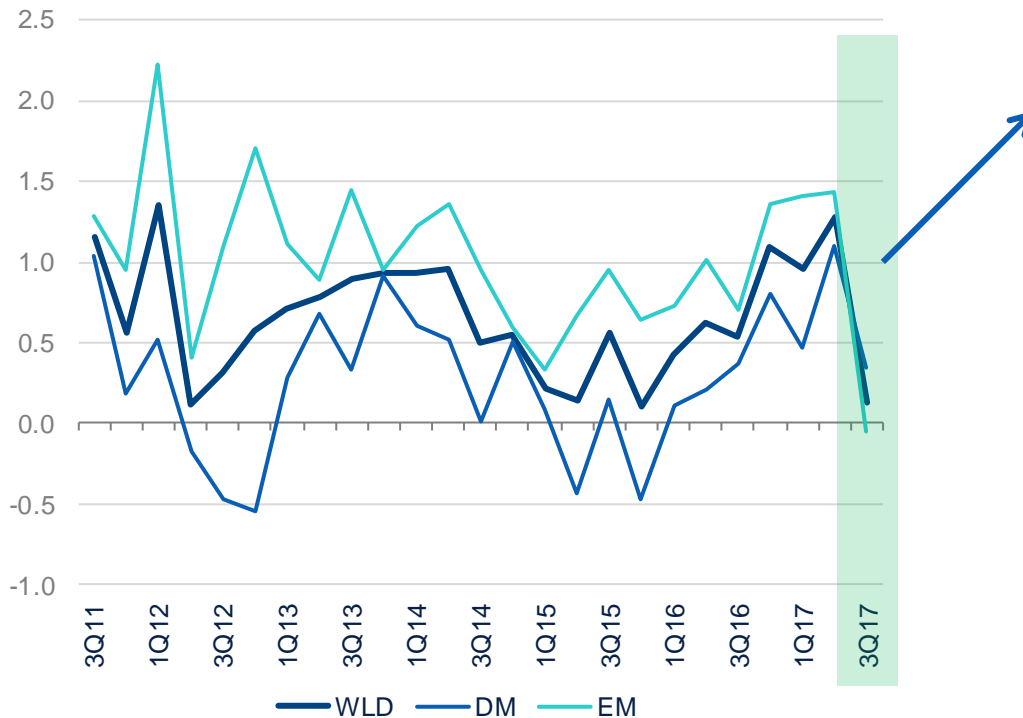
## World GDP Growth: Change in forecast

QoQ, %

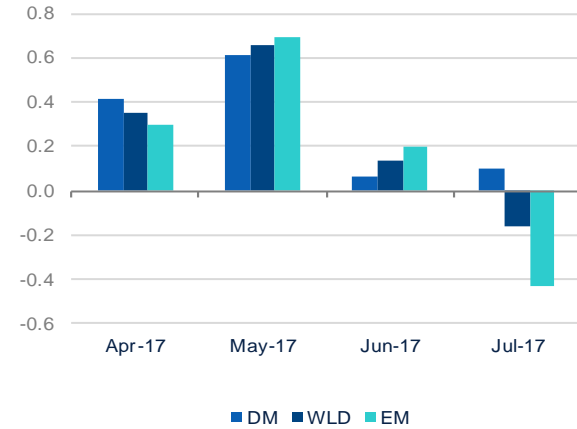


# Industrial production has weakened in Q3

**World Industrial Production**  
(%, QoQ)



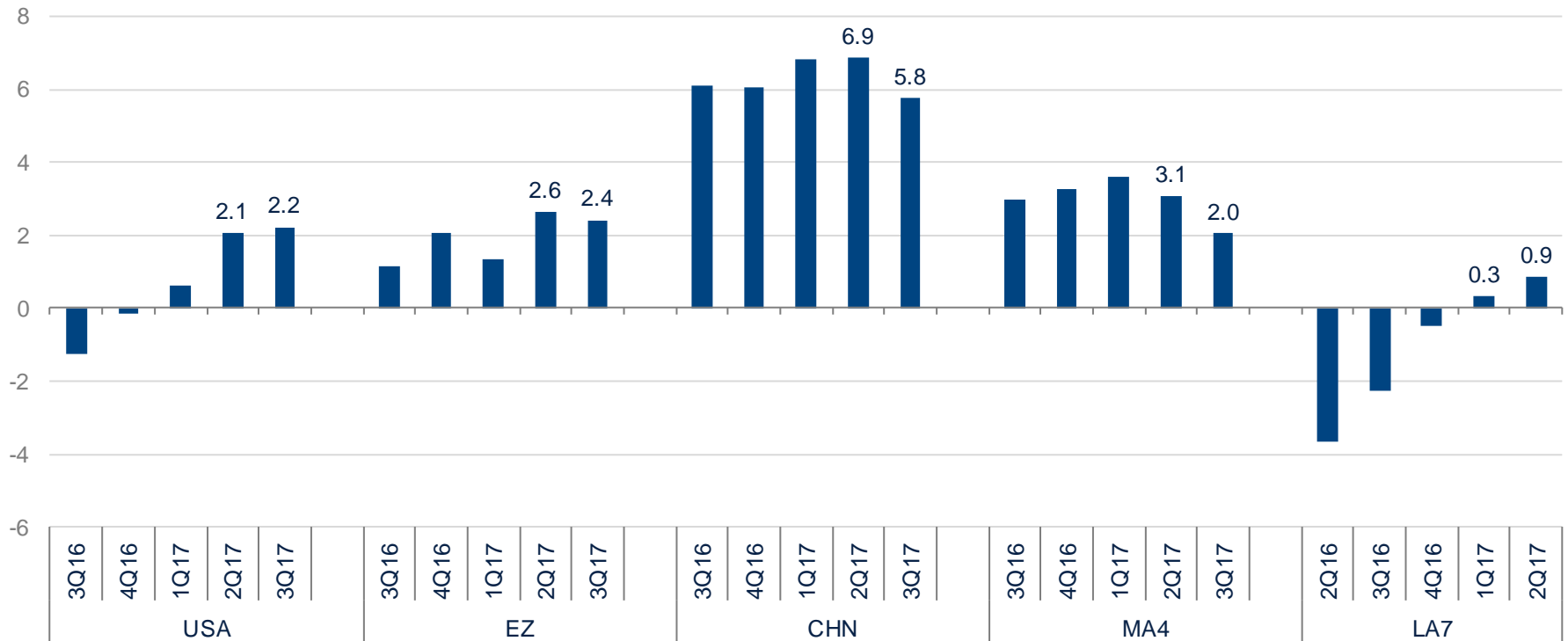
**World Industrial Production**  
(MoM, %)



- ◆ Disappointing figures in July, in particular in EMs
- ◆ Across EM, the slowdown was widespread, but particular marked in China.

# On a broader picture, the industrial recovery is gaining ground in US, Europe and Latam and still softening in China

**Industrial Production: Selected Regions**  
(YoY, %)

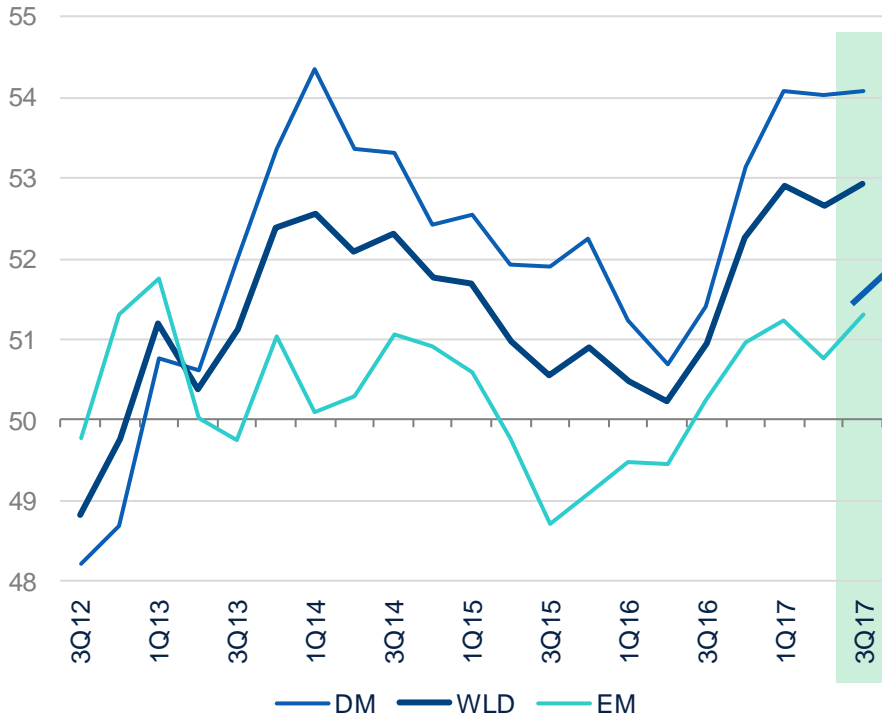


3Q17 calculated using data for July for USA, EZ, CHN and MA4.  
Source: BBVA Research and National sources

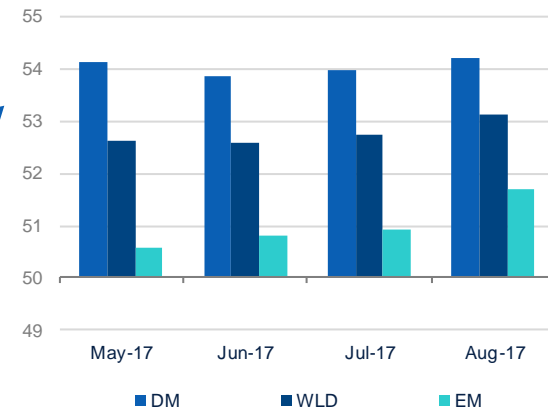
**LA7:** Argentina, Brazil, Chile, Colombia, Mexico, Peru, Venezuela.  
**MA4:** India, Indonesia, Japan, Korea

# Looking ahead, global manufacturing PMIs improved notably in August suggesting a new boost for the sector in 3Q17...

**World Manufacturing PMI**  
(Level ± 50)



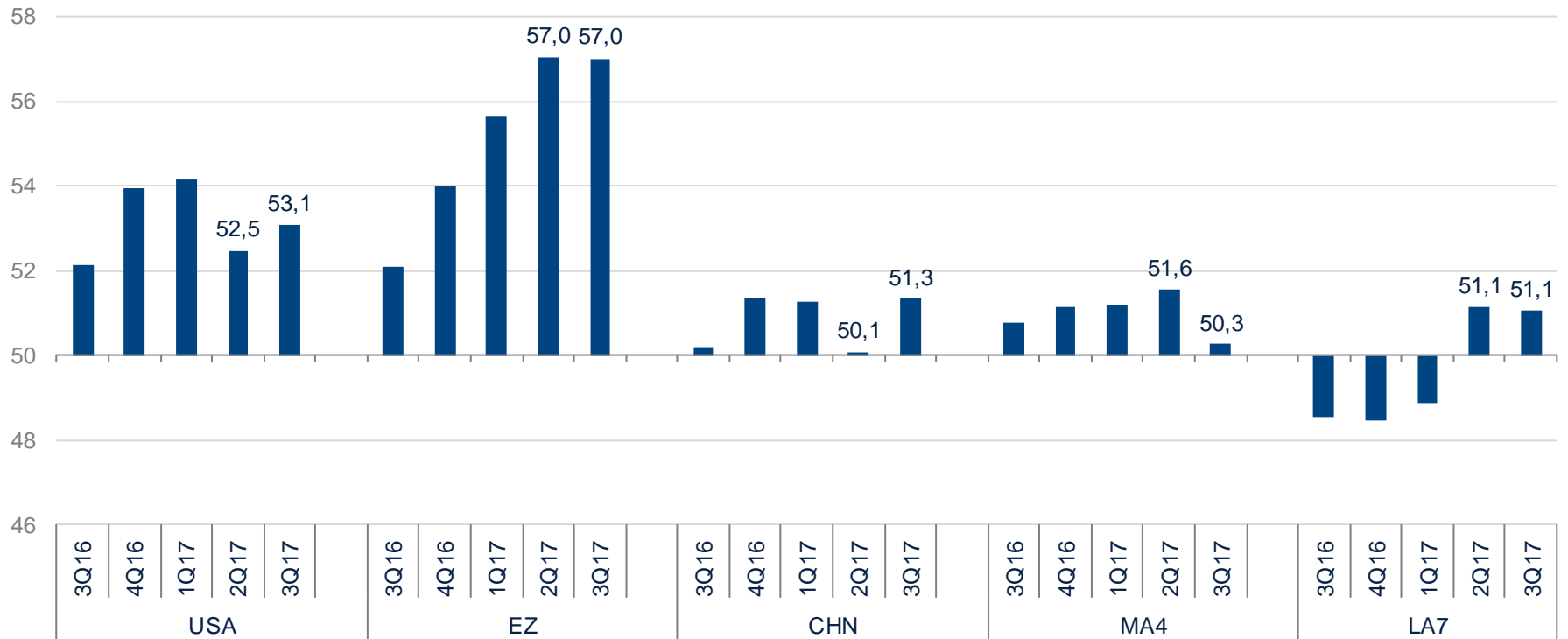
**World Manufacturing PMI**  
(Level ± 50)



- ◆ Stronger PMI's reflect an upswing in **new orders**, higher **backlogs of work**, and further **job creation**.
- ◆ **Input costs**, associated to supply-side constraints, **are rising** as well as **output charges**

# ... especially in EM's, led by China, while the US improves and the Eurozone indicator remains at very high levels

**Manufacturing PMI: Selected Regions**  
(Level  $\pm$  50)



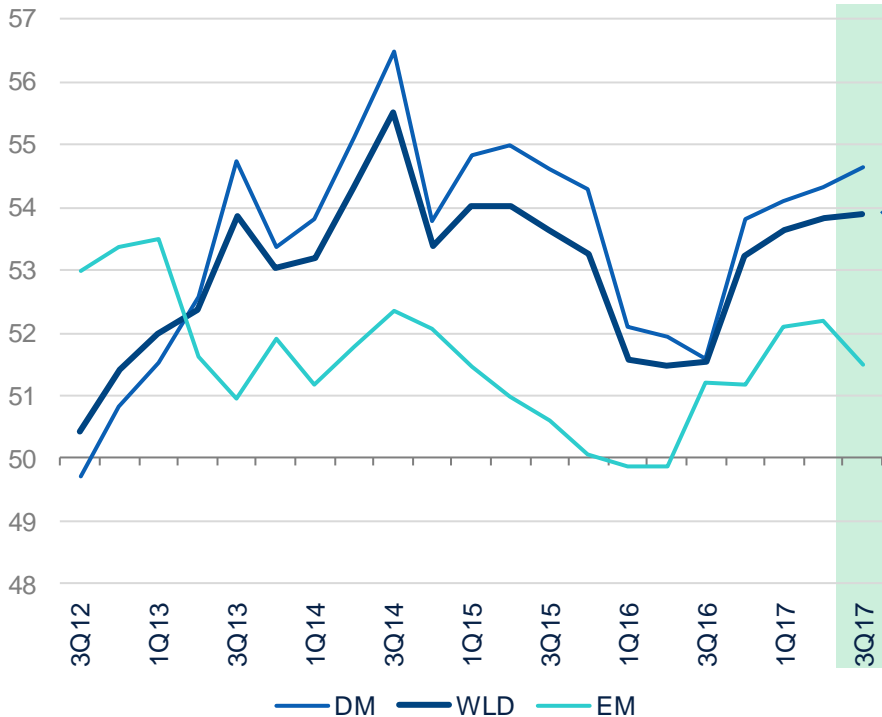
3Q17 calculated using data for July.  
Source: BBVA Research and Markit

LA7: Argentina, Brazil, Chile, Colombia, Mexico, Peru, Venezuela.  
MA4: India, Indonesia, Japan, Korea

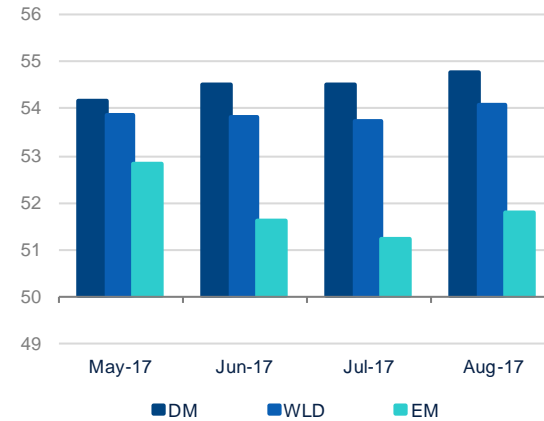


# August global services PMIs confirmed the ongoing sector upswing...

**World Services PMI**  
(Level  $\pm$  50)



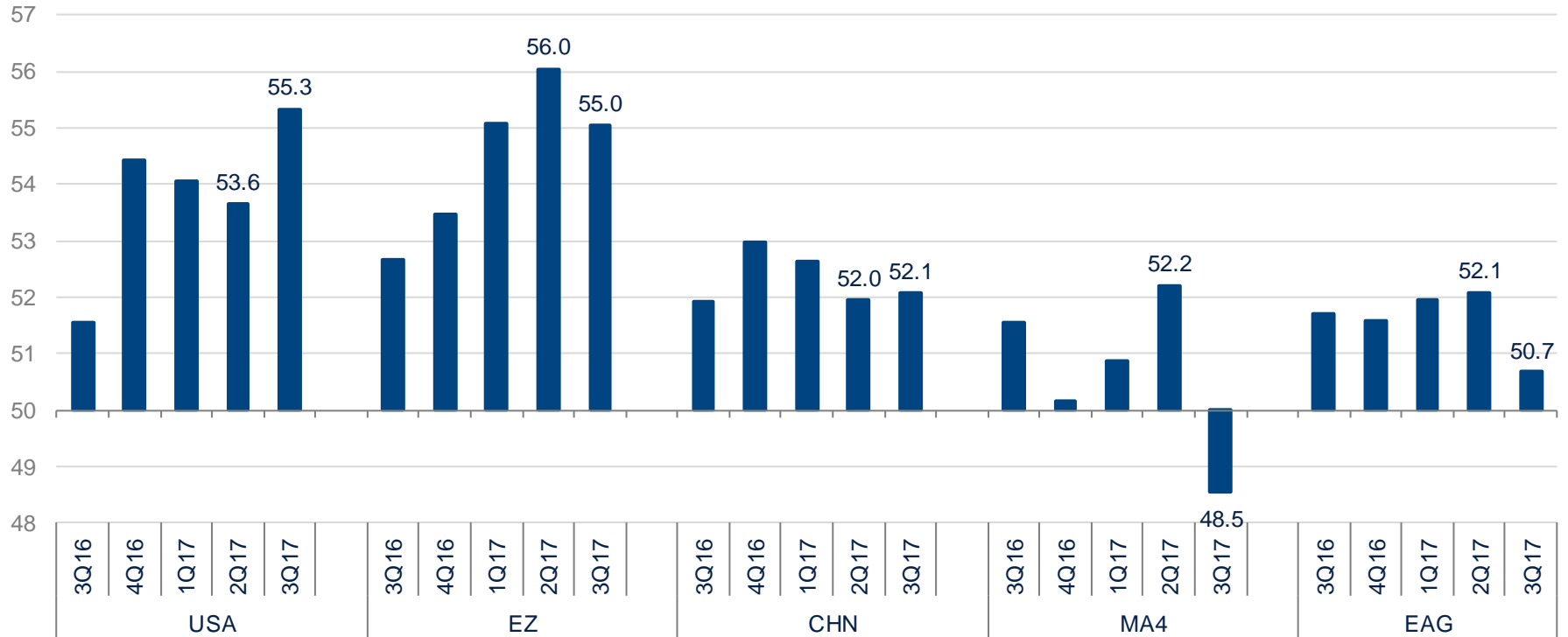
**World Services PMI**  
(Level  $\pm$  50)



- ◆ Rate of expansion in output improved again thanks to **higher inflows of new business and backlogs of work.**
- ◆ **Price pressures increased during August as input cost and output charges rates accelerated.**

# ...led by the improving confidence in the US, which more than offset the fall in other areas

**Services PMI: Selected Regions**  
(Level  $\pm$  50)

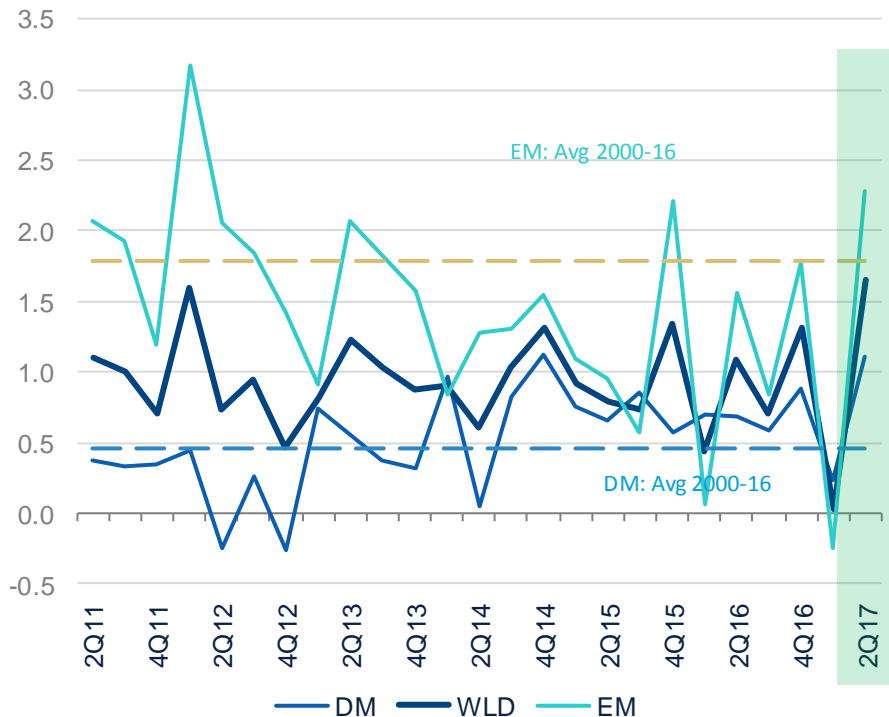


3Q17 calculated using data for July.  
Source: BBVA Research and Market

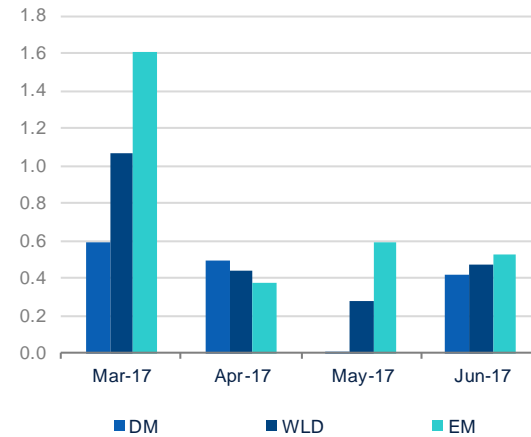
**MA4:** India, Indonesia, Japan, Korea  
**EAG (Eagles):** Bangladesh, Brazil, China, Egypt, India, Indonesia, Iran, Malaysia, Mexico, Nigeria, Pakistan, Philippines, Russia, Turkey, Vietnam

# Retail sales rebounded in June and recovered in 2Q17 all the ground lost in 1Q17

**World Retail Sales**  
(%, QoQ)



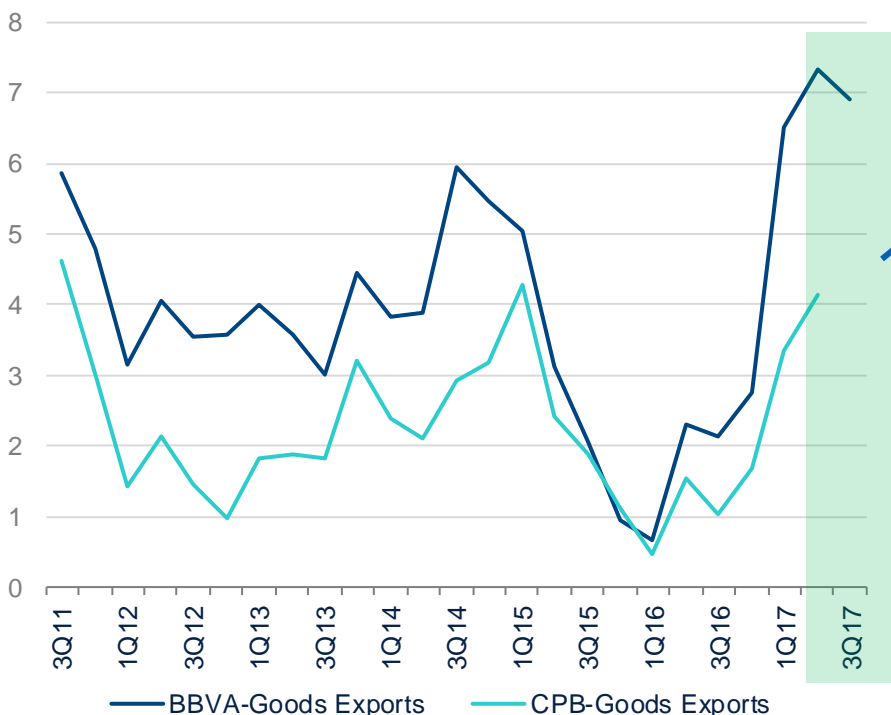
**World Retail Sales**  
(MoM, %)



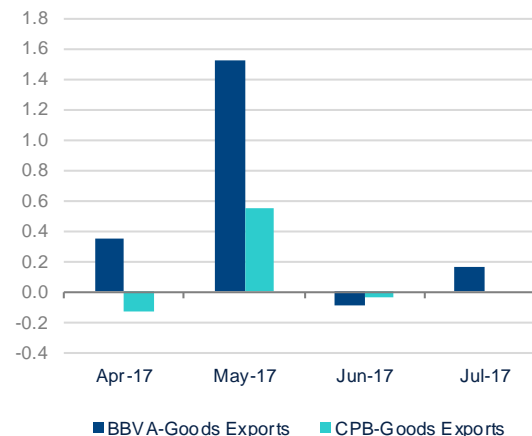
- ◆ Across EM, higher quarterly rates were driven by China and to a lesser extent by emerging Asia.
- ◆ In DM, good performance in both the US and Europe

# Goods' exports halted their fast growing trend in June and July, but preliminary data for August are more positive

**World Exports of Goods (Constant prices)**  
(YoY %, Index Jan-12=100)



**World Exports of Goods (Constant prices)**  
(MoM, %)



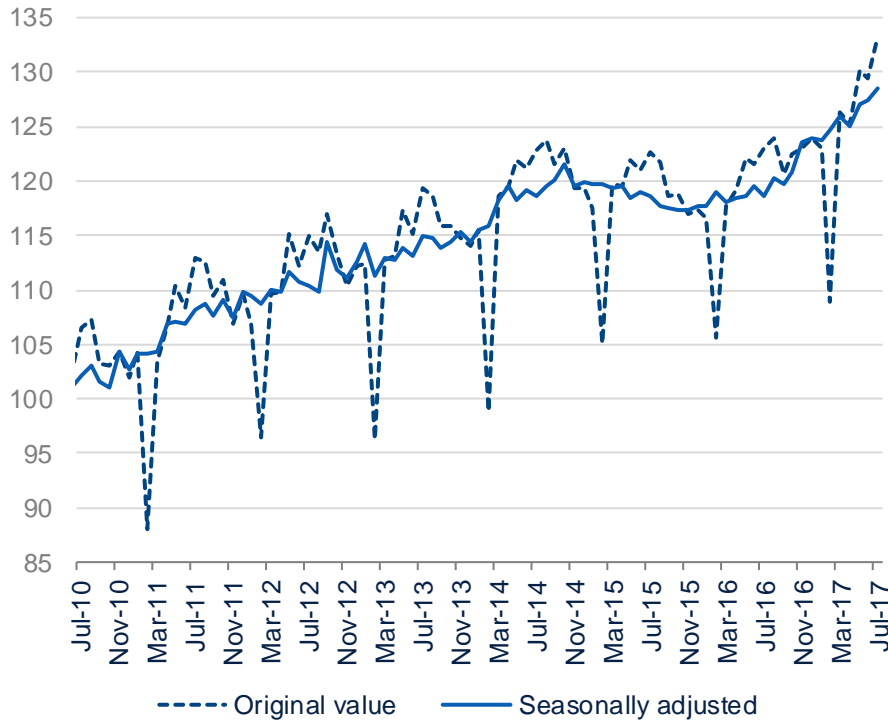
- ◆ China's exports dampened global exports in July
- ◆ International trade flows strengthen, as new exports orders rose to the highest rate in almost six-and-a-half years

\* Based on **BBVA-Trade Index**

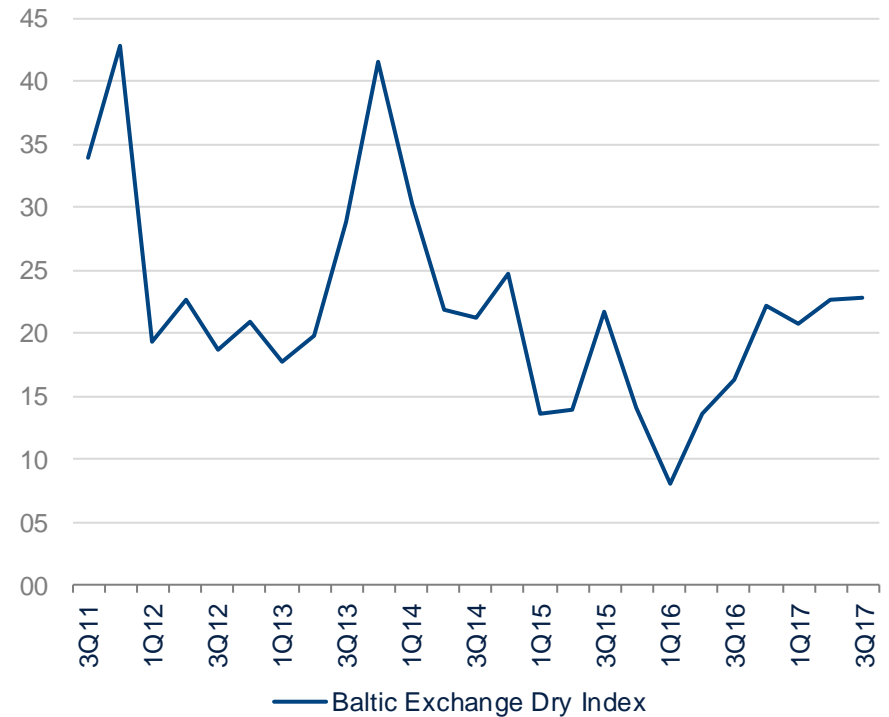
Source: BBVA Research and CPB

# Freights continue to provide positive signs on global trade

**RWI/ISL Container Throughput Index**  
(Index, 2010=100)



**Baltic Exchange Dry Index**  
(Index, Jan-05=100)

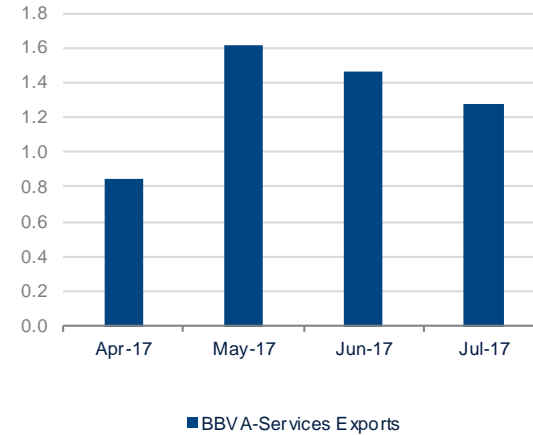


# Good performance of service exports despite slight moderation in June and July

**World Exports of Services (Constant prices)**  
(YoY %, Index Jan-12=100)



**World Exports of Services (Constant prices)**  
(MoM, %)



◆ Low annual rates after the rebound a year earlier, however quarterly figures show a **more optimistic outlook**

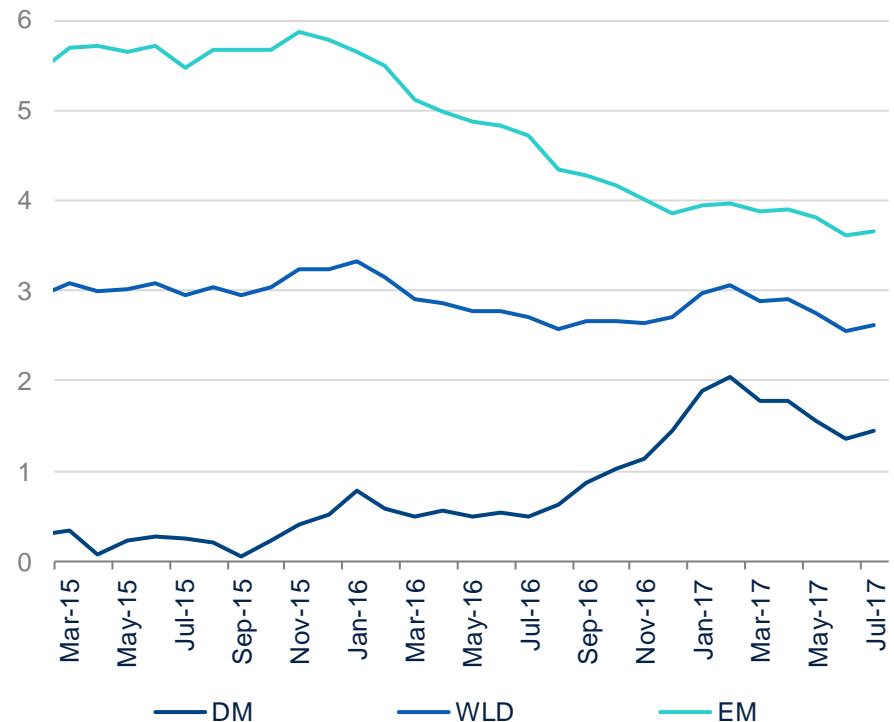
\* Based on **BBVA-Trade Index**

Source: BBVA Research and CPB

# Global inflation picked up very slightly in July mainly due to volatile components...

- ◆ **In DM's**, July headline inflation accelerated somewhat more than expected driven by higher energy prices.
- ◆ **In EM's** inflation also rose slightly due to the increase in emerging Asia and to a lesser extent in China

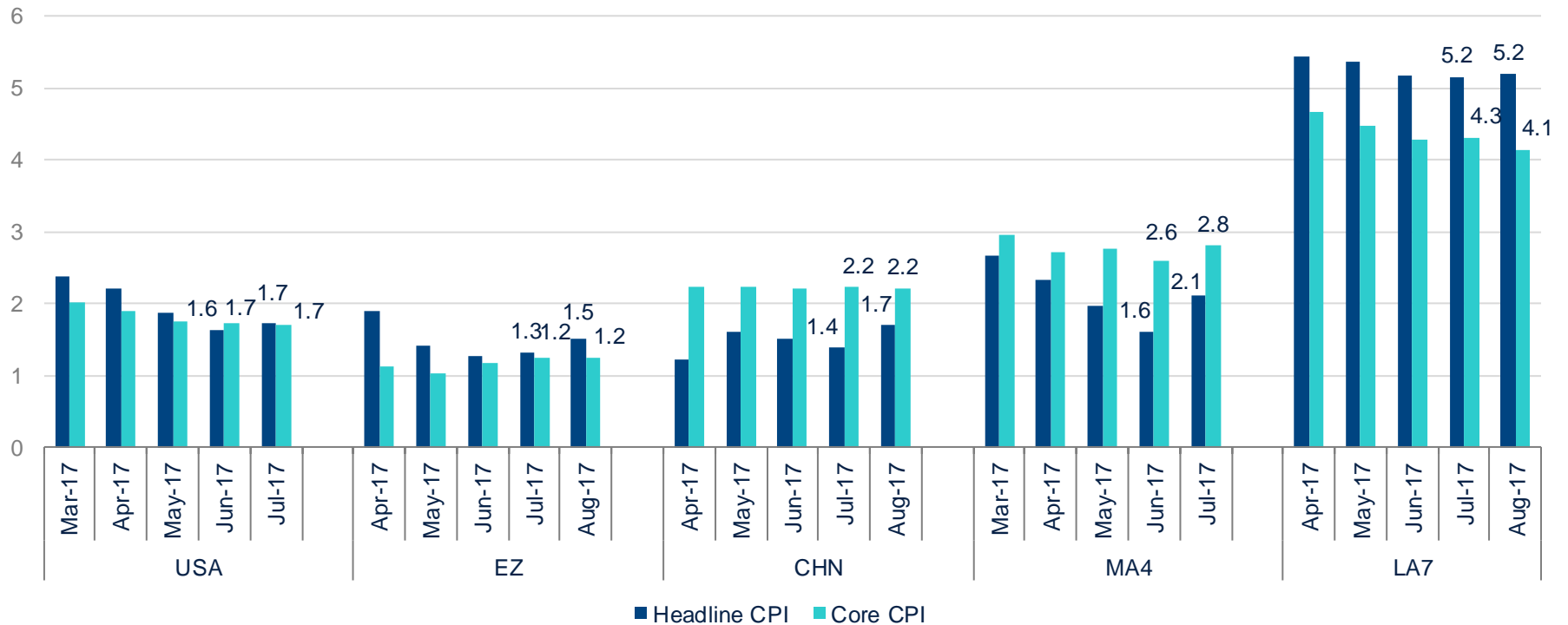
**World Headline Inflation**  
(YoY, %)



## ... though core inflation measures remain stable in most areas

### Headline and Core Inflation: Selected Regions

(YoY, %)





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