

# GLOBAL OUTLOOK

## ECONOMIC WATCH

December 2017

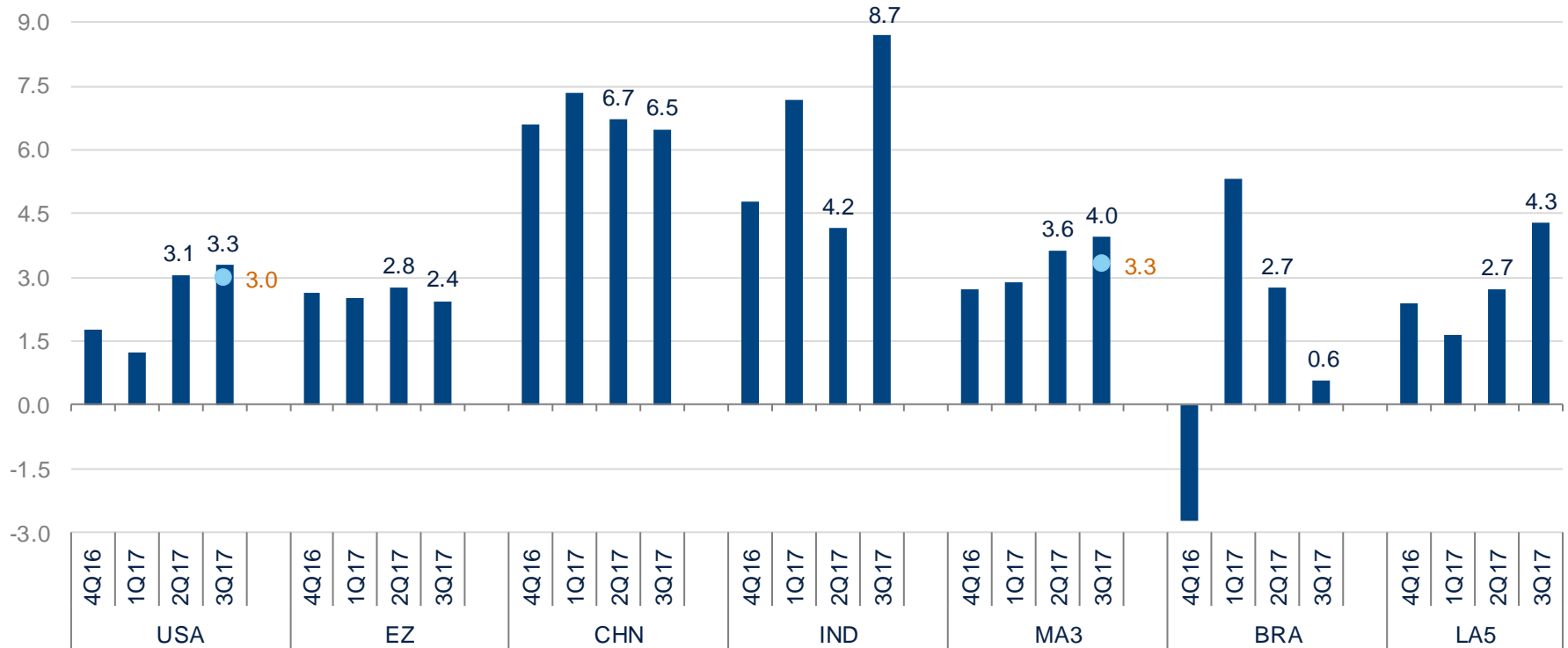


## The sustainability of the global growth is more evident

- ◆ Official GDP growth figures are revised upwards in 3Q17 to 1.02% QoQ from 0.93% QoQ, which implies slightly higher figures for 4Q17 than a month ago (BBVA-GAIN: 1.04% QoQ).
- ◆ Strong confidence indicators, but hard data still fail to catch up. Further gains in manufacturing surveys and steady service confidence up to November, but industrial output and retail sales improved only slightly in October. Global trade recovery continues, but at a slower pace.
- ◆ Solid economic momentum growth in developed markets (DM):
  - ◆ US: improving confidence and solid labour market support growth momentum in Q4. Upside short-term bias from tax reform.
  - ◆ EZ: increasing global demand adds to strengthening domestic factors and reduced political uncertainty, suggesting that strong momentum will be maintained in coming months.
- ◆ Mixed signals from emerging markets (EM):
  - ◆ China: Growth moderation continues due to the authorities' policy initiatives.
  - ◆ Latam: Activity recovery underway, supported by increasing demand, higher confidence and better external environment.
- ◆ Global headline inflation accelerated mildly in November driven by volatile components while core pressures remained broadly unchanged and subdued.

# Growth in 3Q17: Upward revisions in the US and EM Asia, while it surprised to the upside in India and gained momentum in Latam

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



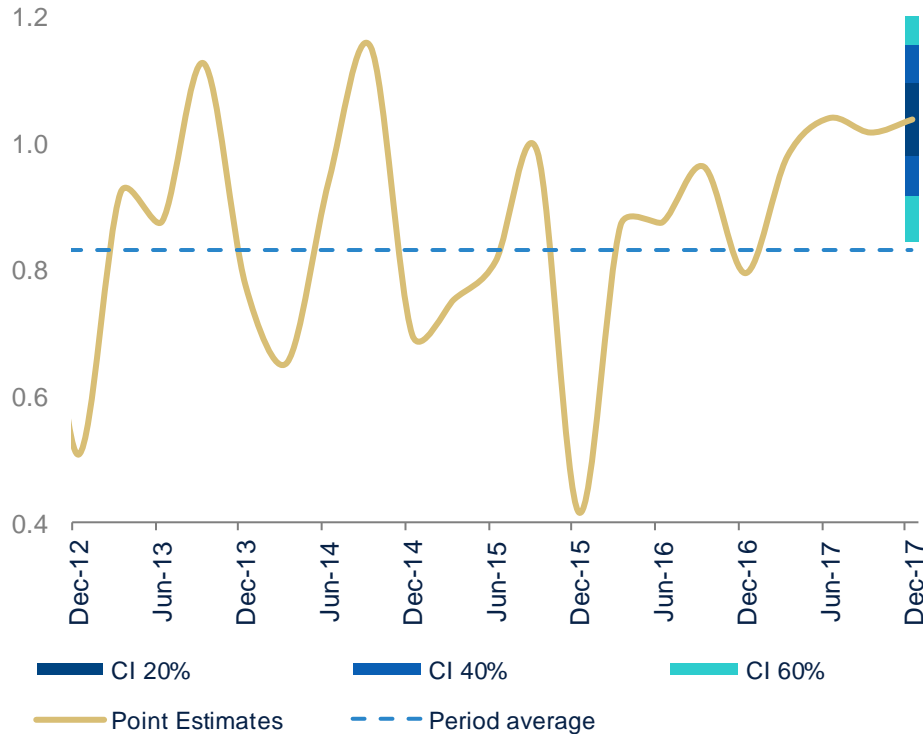
Blue dots refer to early estimates of GDP growth  
Source: BBVA Research and National sources

LA5: Argentina, Chile, Colombia, Peru, Venezuela.  
MA3: Indonesia, Japan, Korea

# Global GDP growth momentum to continue in the Q4 (around 1% QoQ)

## World GDP Growth

Forecast based on BBVA-GAIN (% , QoQ)



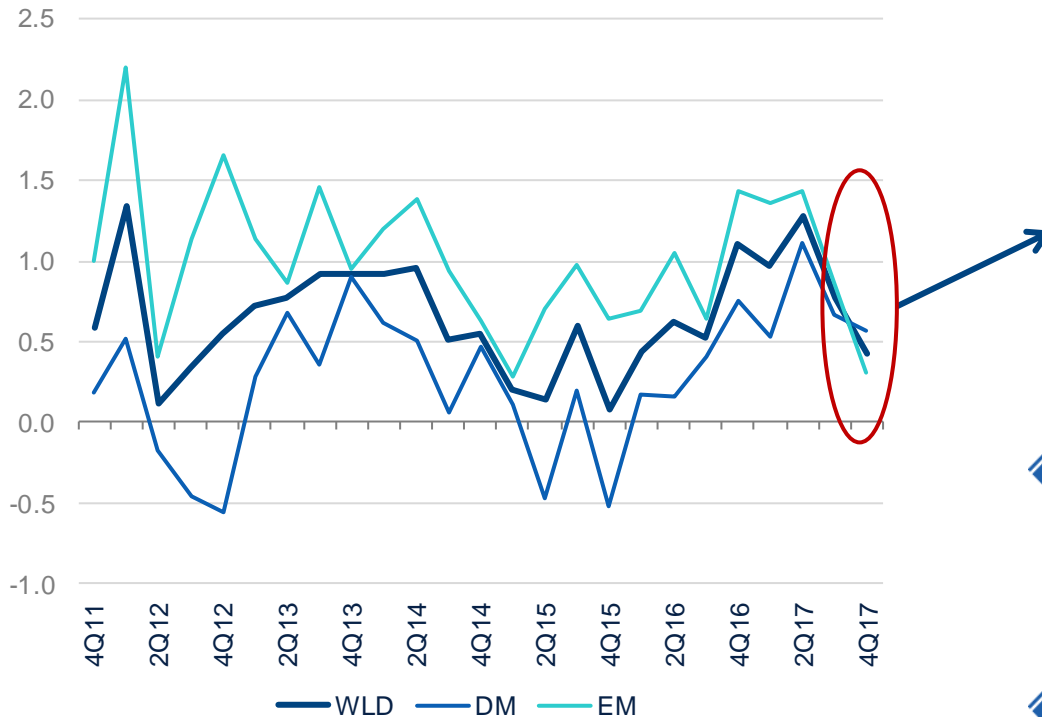
## World GDP Growth: Change in forecast

QoQ, %

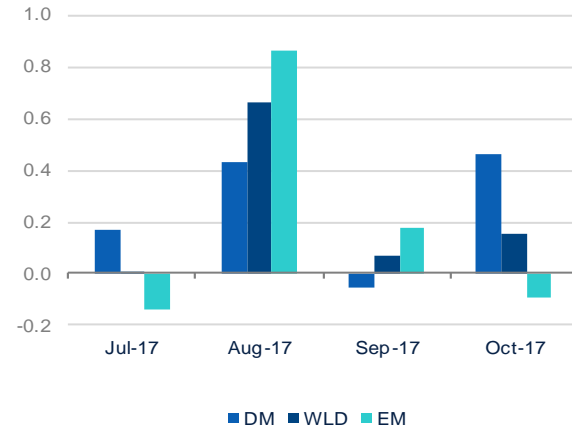


## Mixed signs from industrial production in October...

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



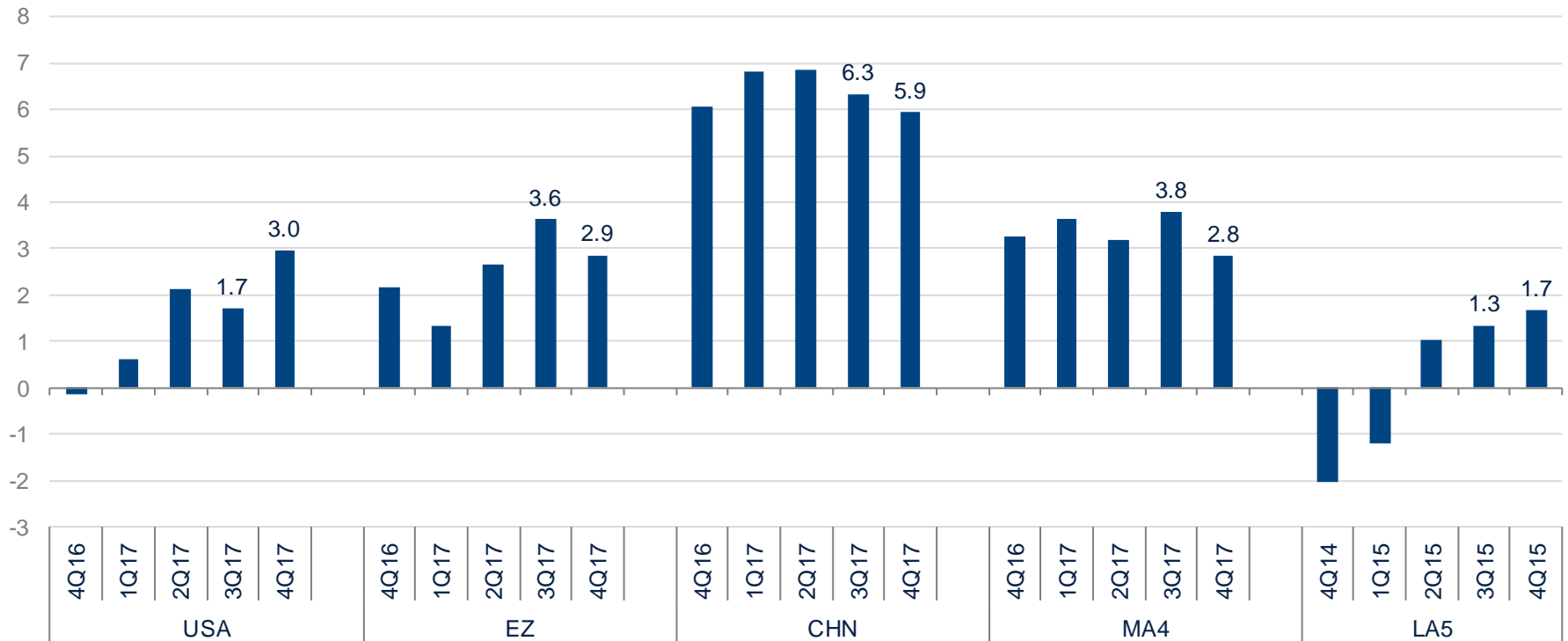
**World Industrial Production**  
(MoM, %)



- ◆ There was a **production bounce-back in the US**, following the large hurricanes that halted activity in August and September
- ◆ **Disappointing figures across EM's**, especially in **Emerging Asia**

## ... but the recovery remains on track across the board (and leading indicators provide a more positive outlook)

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

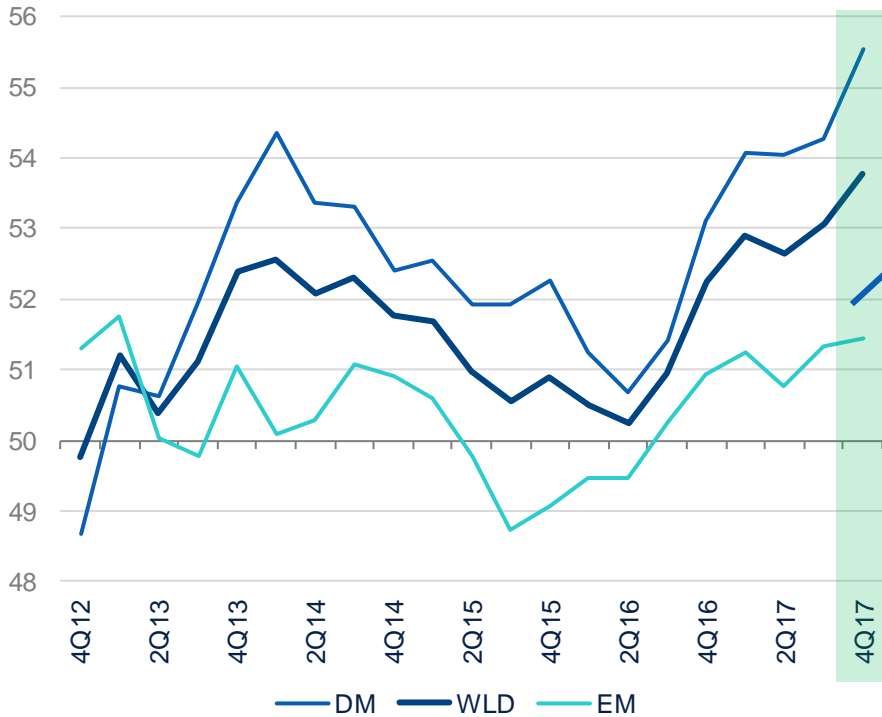


4Q17 calculated using data for October for USA, EZ, CHN and MA4 .  
Source: BBVA Research and National sources

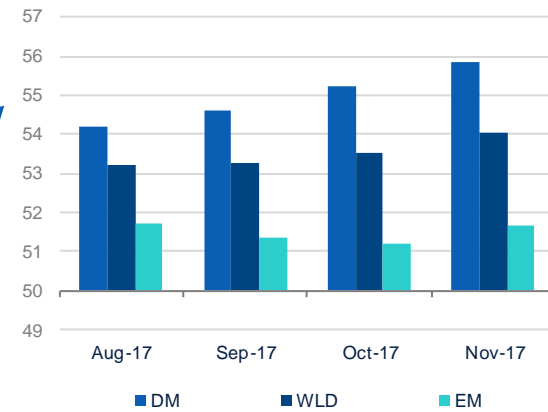
LA5: Argentina, Chile, Colombia, Peru, Venezuela.  
MA4: India, Indonesia, Japan, Korea

# Global manufacturing confidence improved again in November suggesting strong activity in the coming months

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



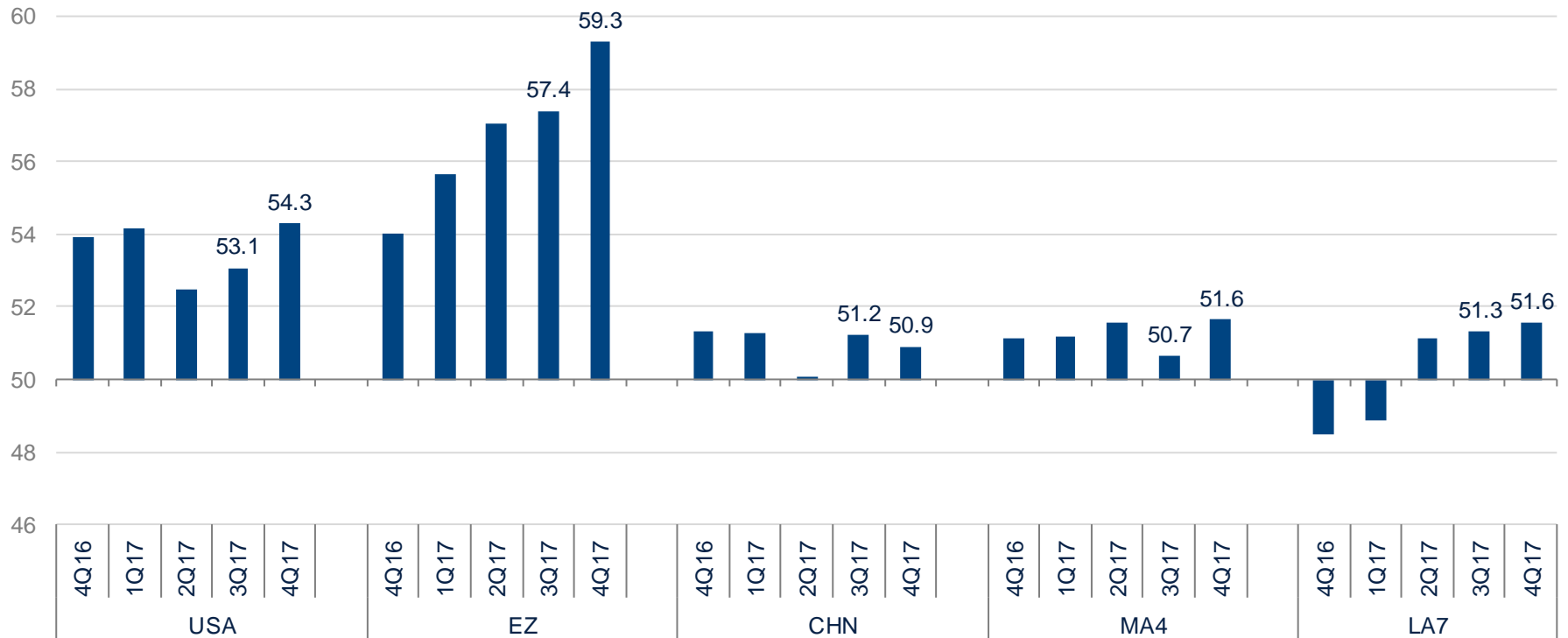
**World Manufacturing PMI**  
(Level  $\pm$  50)



- ◆ According to PMI's, **strong demand continued to test capacity**, leading firms to reach the **highest staffing levels** registered by the survey
- ◆ Meanwhile, the rates of inflation in **input costs and output charges edged higher** (especially in developed economies)

# Manufacturing PMIs improved in DMs, especially in the EZ, while moderated slightly in China

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



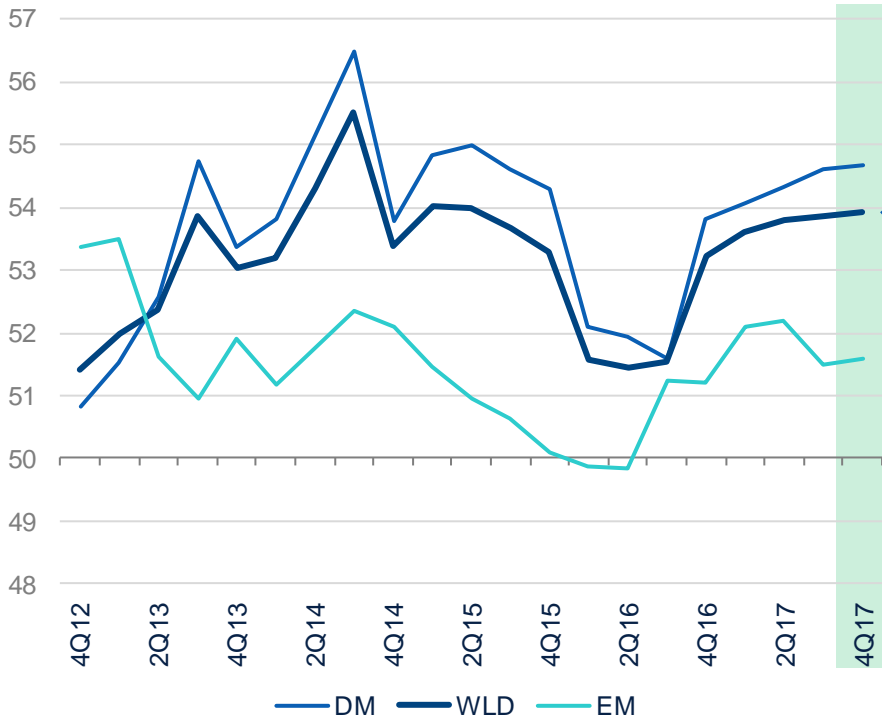
4Q17 calculated using data for October and November.  
Source: BBVA Research and Markit

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

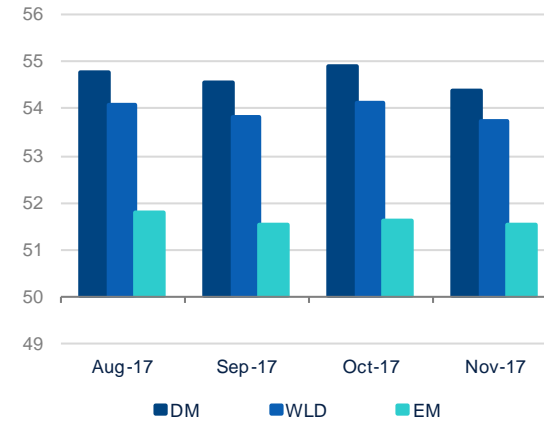


# Global services PMIs fell mildly in November, but consolidated the gains over the quarter...

**World Services PMI**  
(Level ± 50)



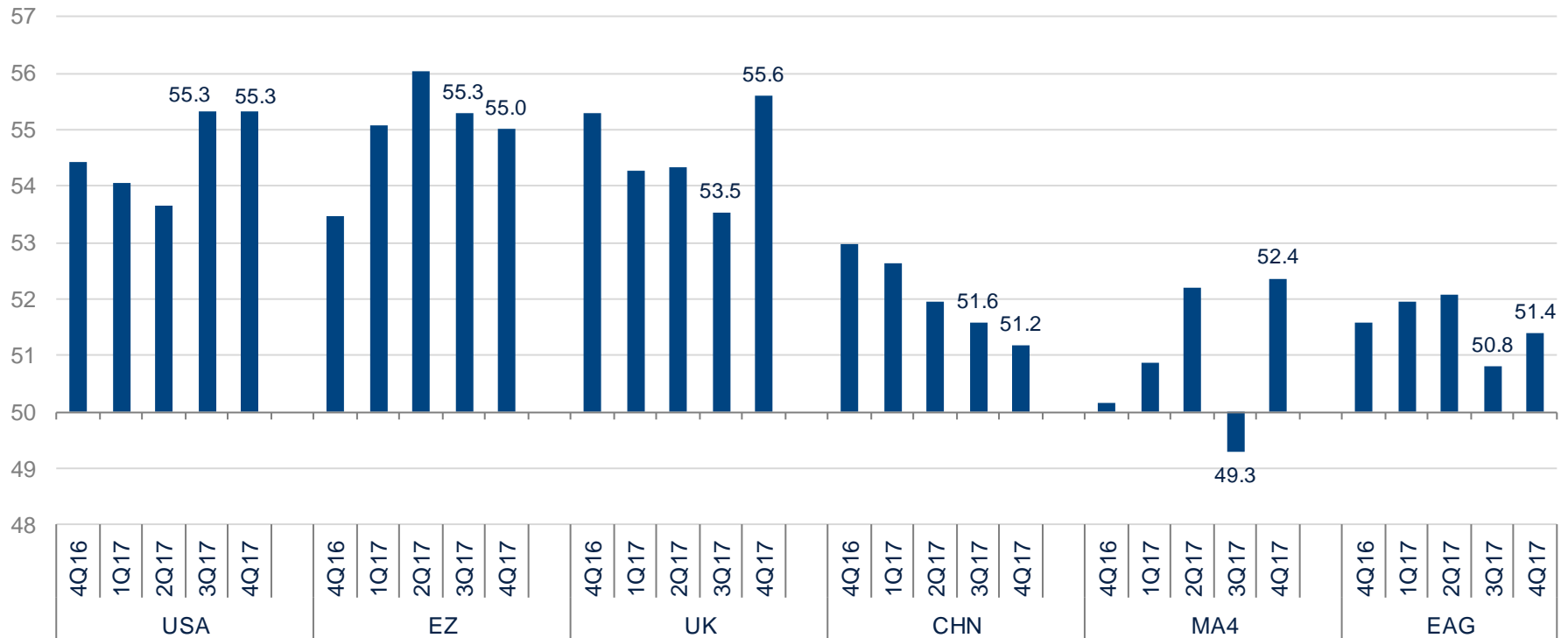
**World Services PMI**  
(Level ± 50)



- ◆ November services confidence continue to show an **expansion at a solid and stable pace** underpinned by **rising new orders**
- ◆ **Price pressures also intensified** during November as **input costs and output charges rates accelerated**

# ...especially in the UK, but also in the US and EZ

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

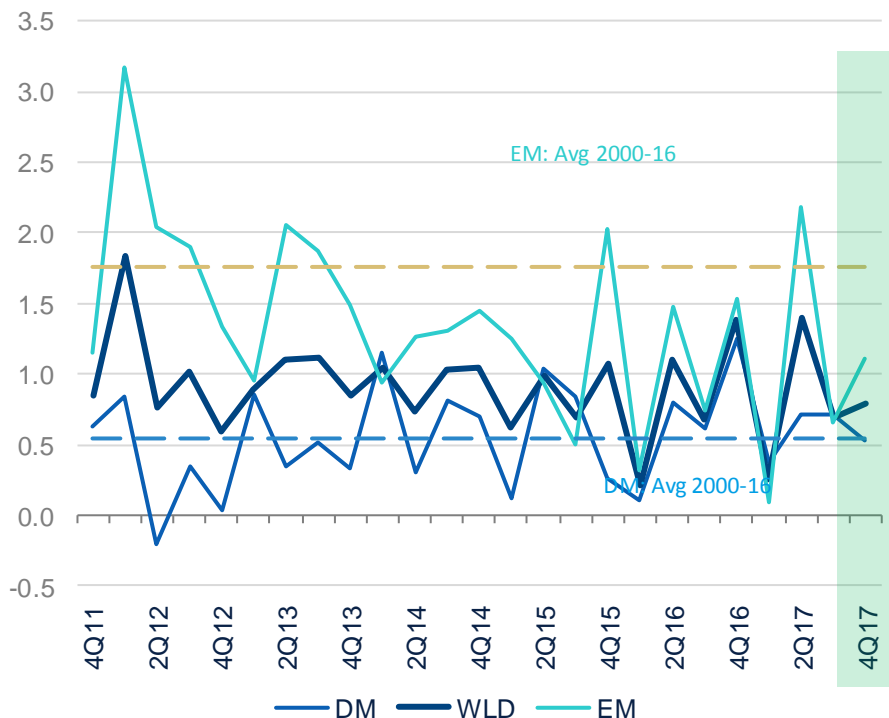


4Q17 calculated using data for October and November.  
Source: BBVA Research and Market

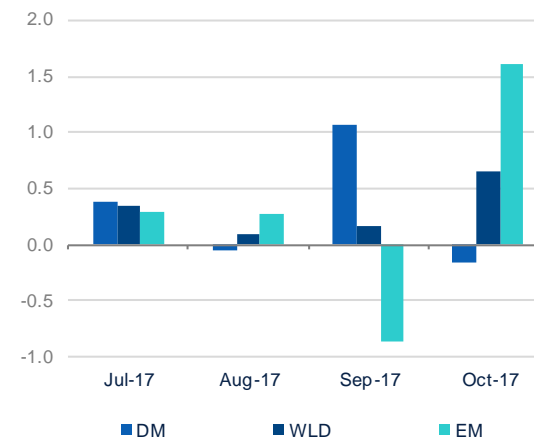
**MA4:** India, Indonesia, Japan, Korea  
**EAG (Eagles):** Bangladesh, Brazil, China, Egypt, India, Indonesia, Iran, Malaysia, Mexico, Nigeria, Pakistan, Philippines, Russia, Turkey, Vietnam

# Mild pick-up in retail sales at the beginning of Q4 thanks to EMs, in particular China

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



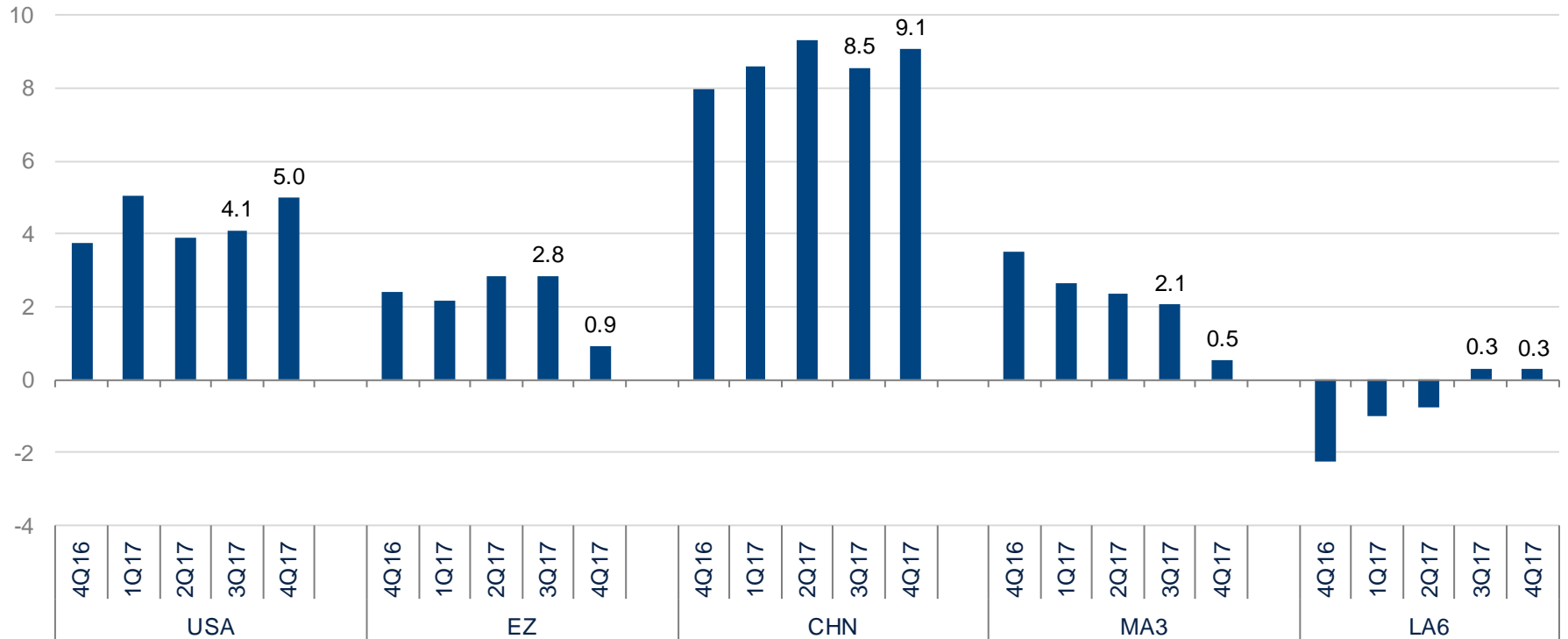
**World Retail Sales**  
(MoM, %)



- ◆ In EM, retail sales rebounded significantly, boosted by the Chinese shopping carnival
- ◆ Across DM, the only silver lining was observed in the US, where retail sales came stronger than expected, following the sharp increase in September

# Consumption is likely to remain resilient in DMs and China, gaining ground very gradually in Latam

**Retail sales: Selected Regions**  
(YoY, %)

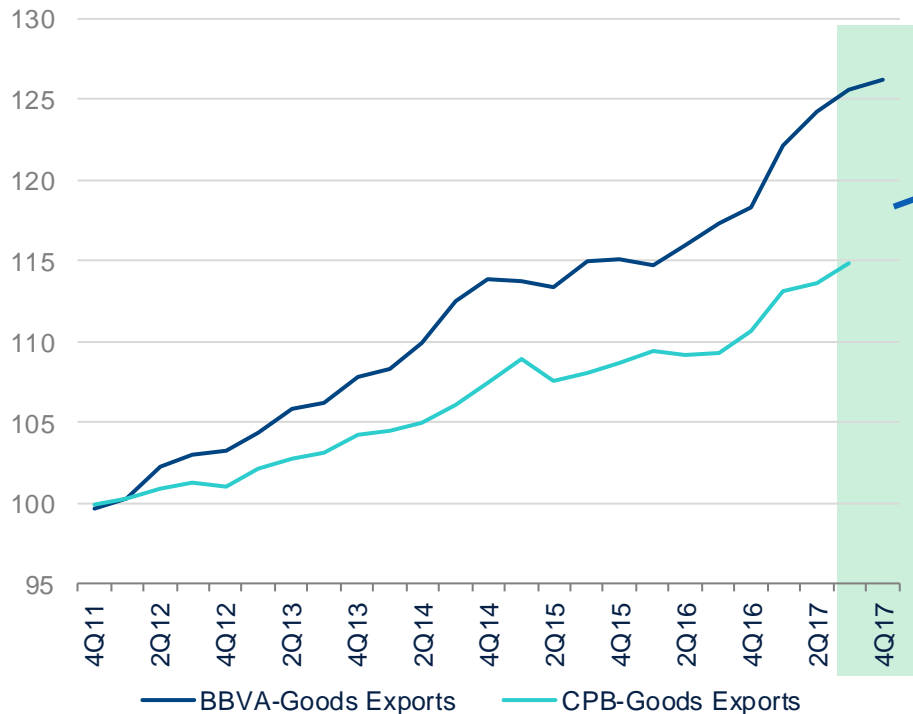


4Q17 calculated using data for October and November for USA and China  
Source: BBVA Research and National sources

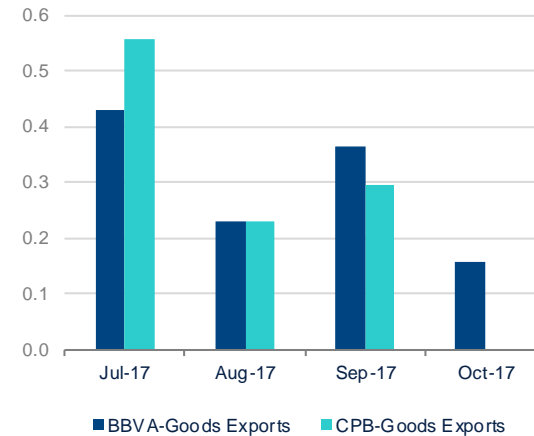
**LA6:** Argentina, Brazil, Chile, Colombia, Peru, Venezuela.  
**MA4:** India, Indonesia, Japan, Korea

# The global trade recovery continues despite the moderation in October, albeit at a slower pace

**World Exports of Goods (index, constant prices)**  
(Index Jan-12=100)



**World Exports of Goods (growth, constant prices)**  
(3-month moving average MoM%)

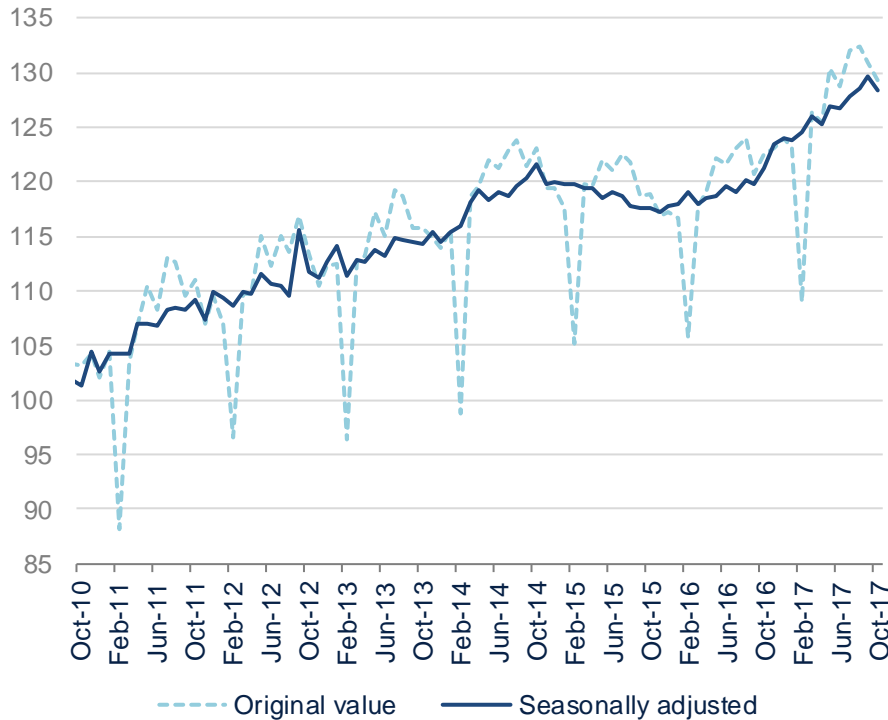


- ◆ The slowdown in October was mainly explained by the **poor performance of Asian countries, in particular China**
- ◆ However, **preliminary data for November are more positive** suggesting that the trend could continue (but at a slower pace)

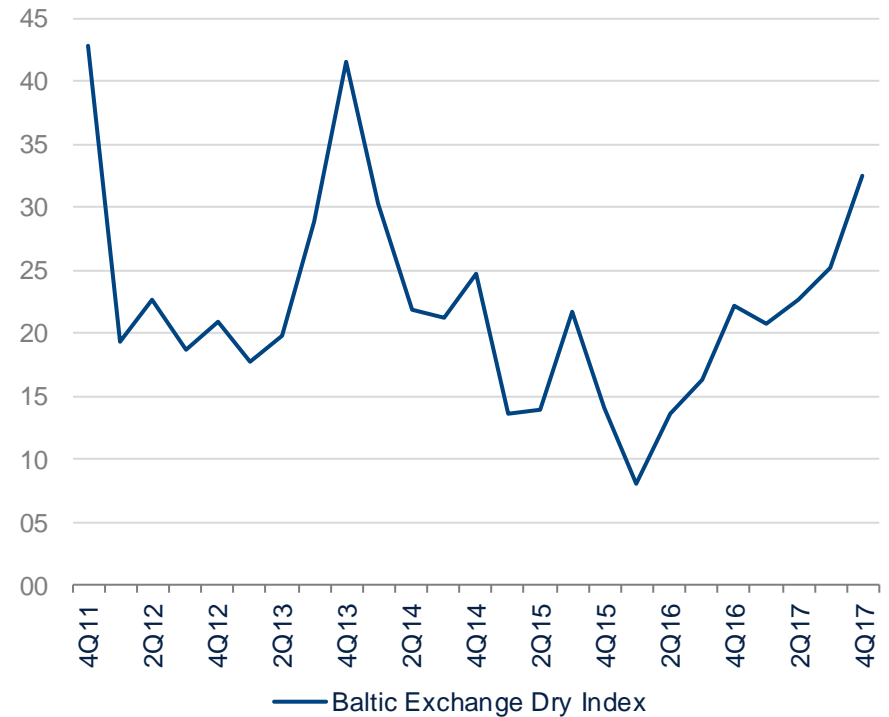
\* Based on **BBVA-Trade Index**

# Freight data has also decreased, reinforcing the idea that global trade could be moderating

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

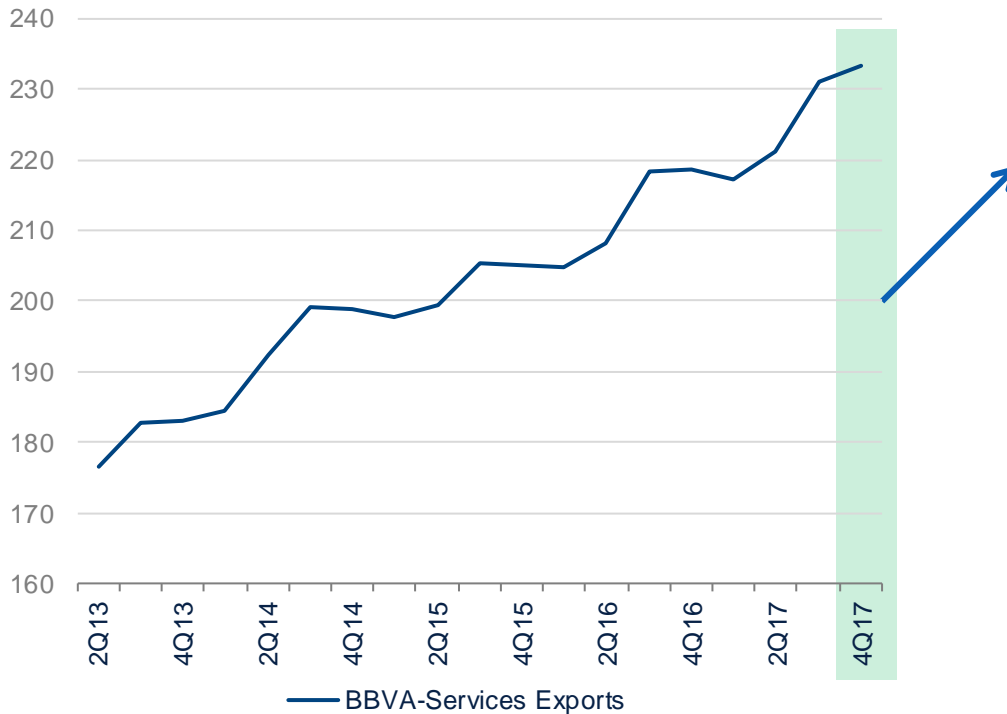


**Baltic Exchange Dry Index**  
(Index, Jan-05=100)

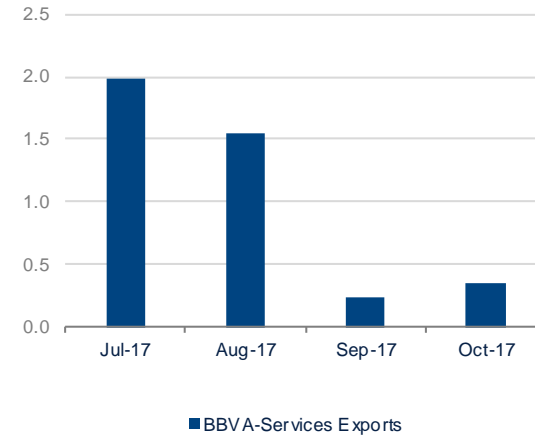


# Exports of services improved only slightly in October, after the sharp moderation in September

**World Exports of Services (index, constant prices)**  
(Index Jan-12=100)



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



◆ The improving was present in several regions, especially in **Japan and Germany**

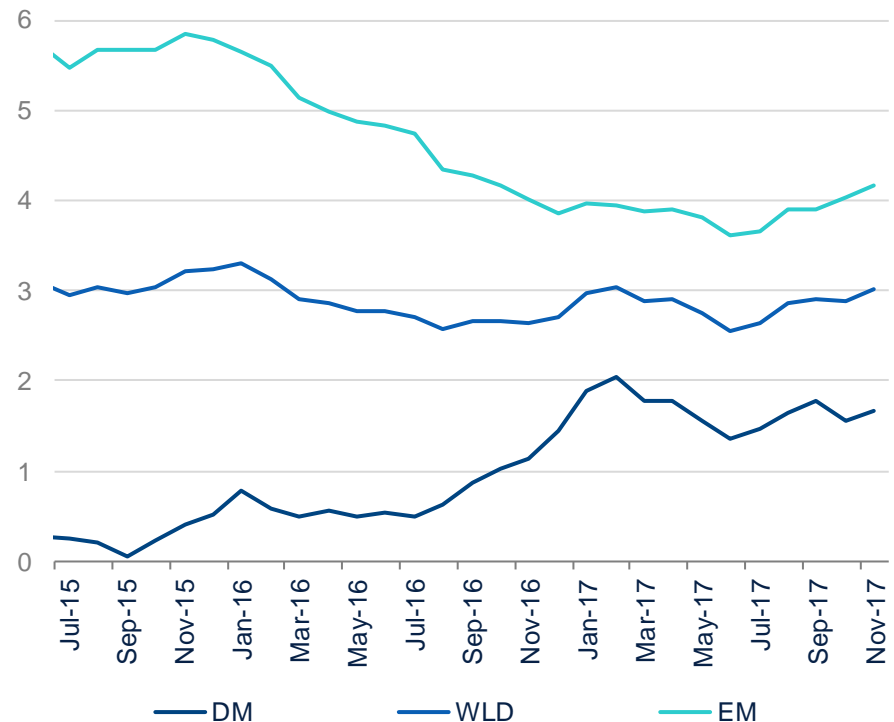
\* Based on **BBVA-Trade Index**

Source: BBVA Research and CPB

# Global headline inflation increased marginally in November, mainly driven by volatile components...

- ◆ In DM's, inflation accelerated moderately in the US and EZ supported by higher energy prices
- ◆ In EM's inflation rose too because of India, where inflation surprised sharply to the upside driven by spike in food inflation

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

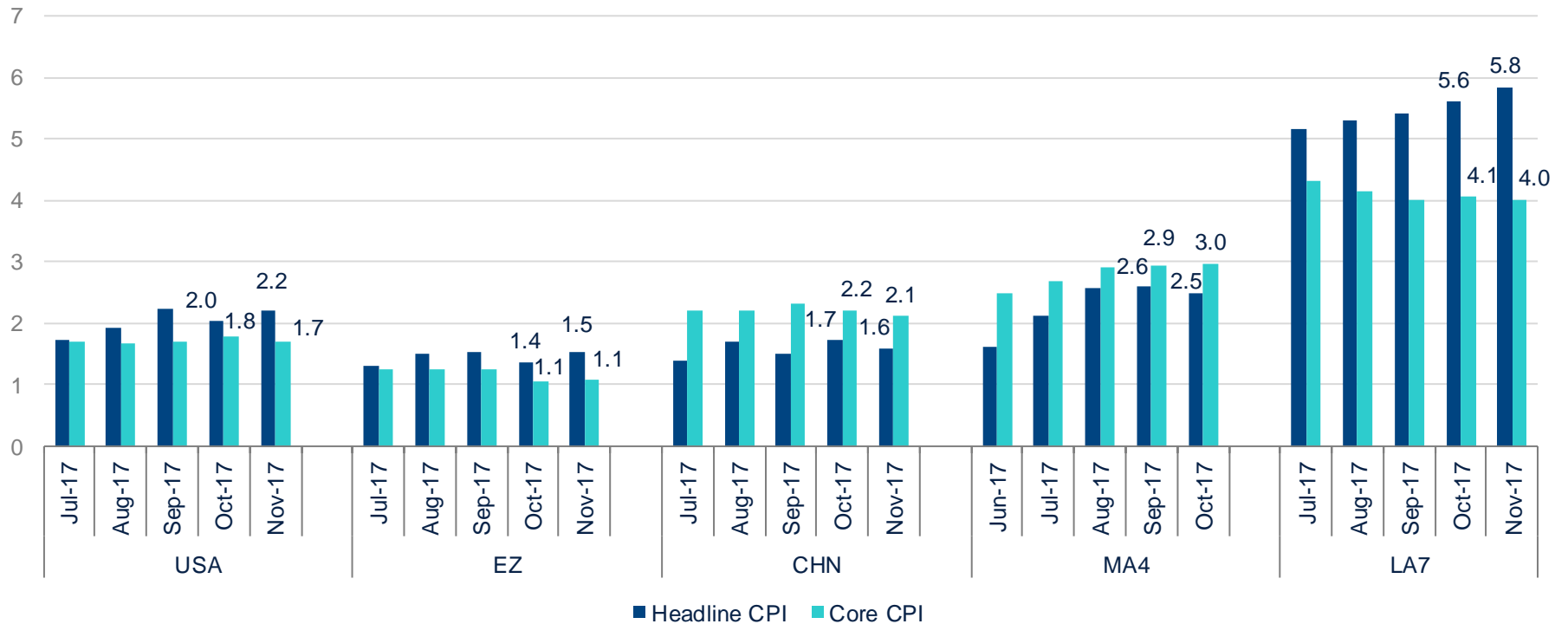




## ...although core pressures remain subdued so far

### Headline and Core Inflation: Selected Regions

(YoY, %)



# GLOBAL OUTLOOK

## ECONOMIC WATCH

December 2017

