

Global Economic Watch

November 2019

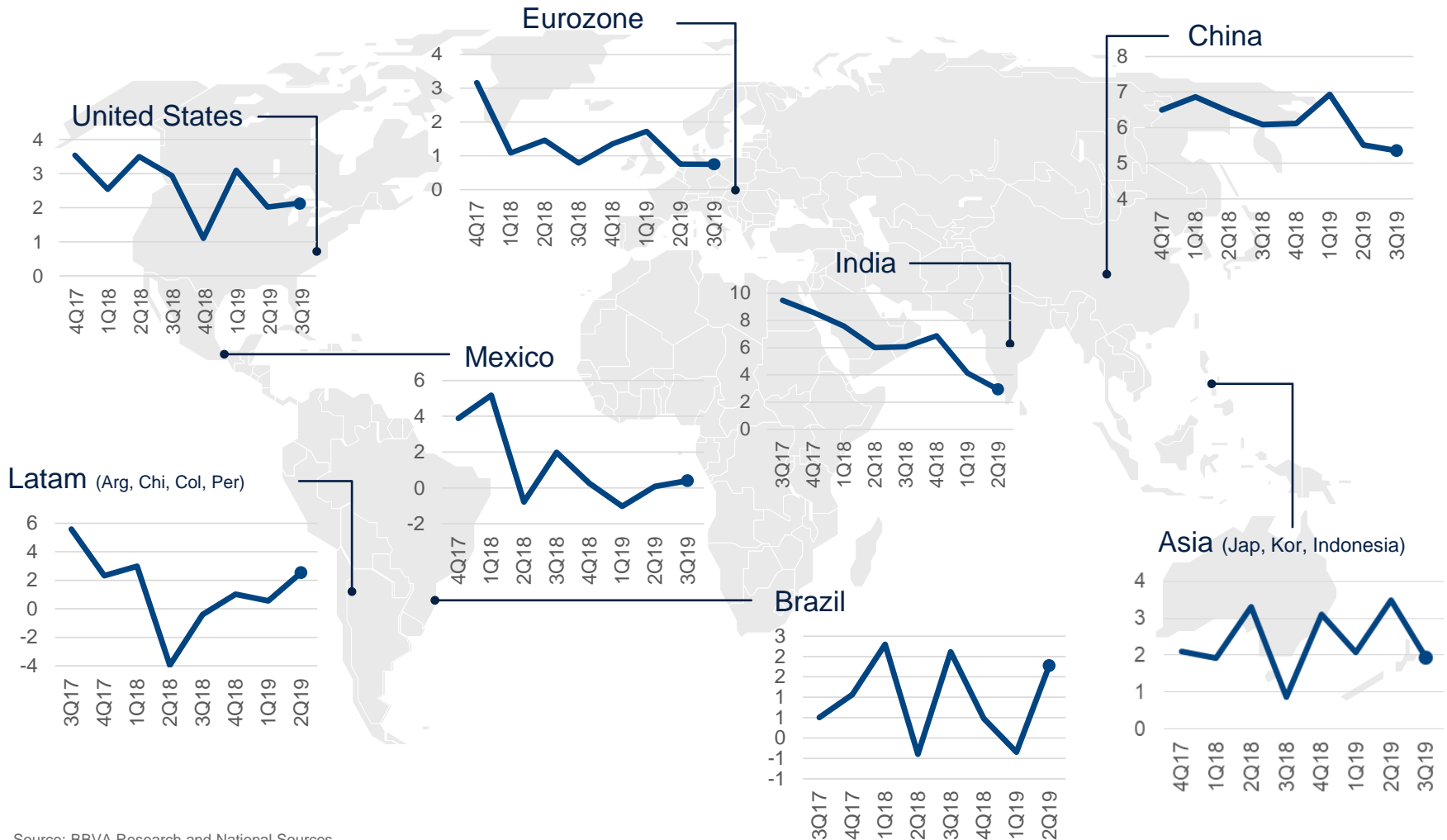
Global | Stabilization in manufacturing and resilience of services, but the weak momentum persists

- Our BBVA-GAIN model suggests that the weak momentum of 3Q19 extends into 4Q19, with global GDP growth at around an annualized rate of 3% (from a 3.5% average in 2016-18).
- Hard data up to September ease concerns about a deeper global slowdown, mostly due to supportive private consumption and the level-off of trade and manufacturing figures. Incoming trade figures remain weak but the deterioration has halted in 3Q19. Global industrial output seems to have bottomed out, though manufacturing is still contracting in advanced economies. In addition, retail sales grew at a steady and solid pace globally in 3Q19, but more worrying signs stem from the ongoing slowing trend in emerging economies.
- Confidence data available for 4Q19 have been mixed so far. Industrial surveys show some stabilization in the manufacturing sector, although leading indicators fail to sign a clear improvement looking ahead. Service confidence continues to soften, but is still at expansionary territory, while consumer confidence shows resilience in the US and other advanced economies. Overall, the concerns of industrial weakness spreading to domestic demand have not been dispelled yet.
- Persistent low inflation supports the accommodative stance of central banks across regions. Core inflation remains unchanged at low levels in DM, especially in the EZ, while a gradual disinflation keeps going on in Latin America. Higher inflation in Asia reflects temporary effects on food prices.
- Risks remain tilted to the downside, and are mainly related with political issues such as trade disputes, Brexit or social unrest in Hong Kong and some Latin America countries.

The global slowdown moderated in 3Q19 due to some stabilization in the US and the Eurozone

GDP Growth

(%, SAAR)

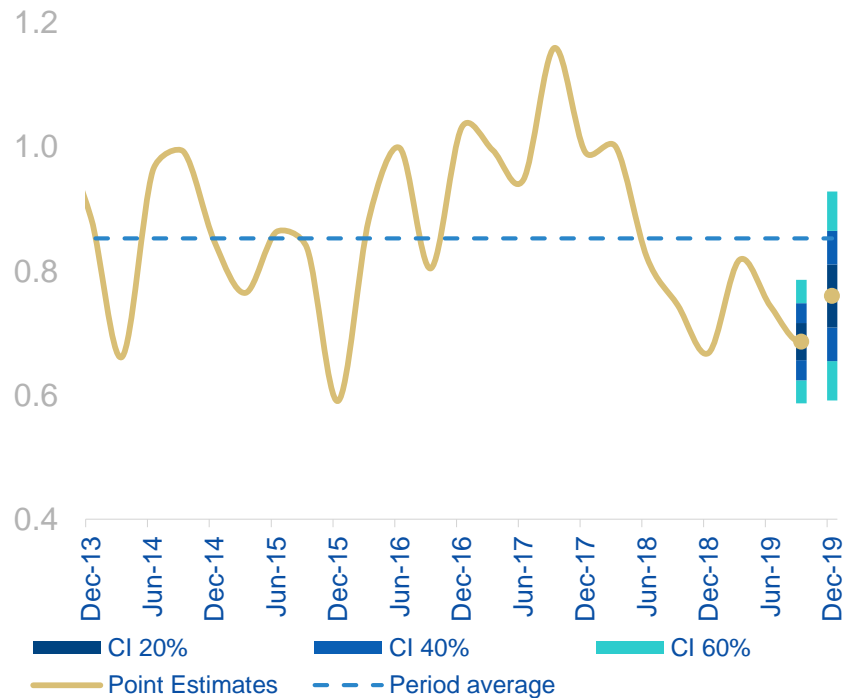


Data so far points weak global growth extending into 4Q19

Our BBVA-GAIN model shows a slight improvement by year end, but still hovering around the annualized 3% growth that has been observed over past year and a half

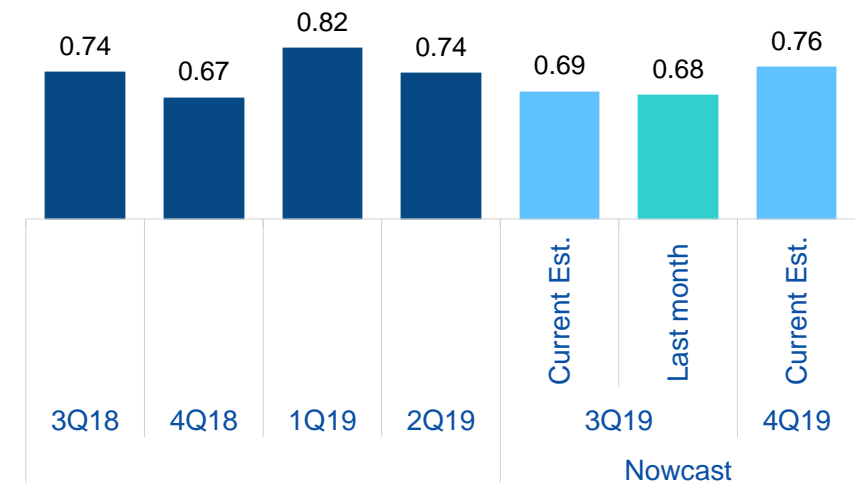
World GDP Growth

(Forecast based on BBVA-GAIN (% , QoQ))



World GDP Growth

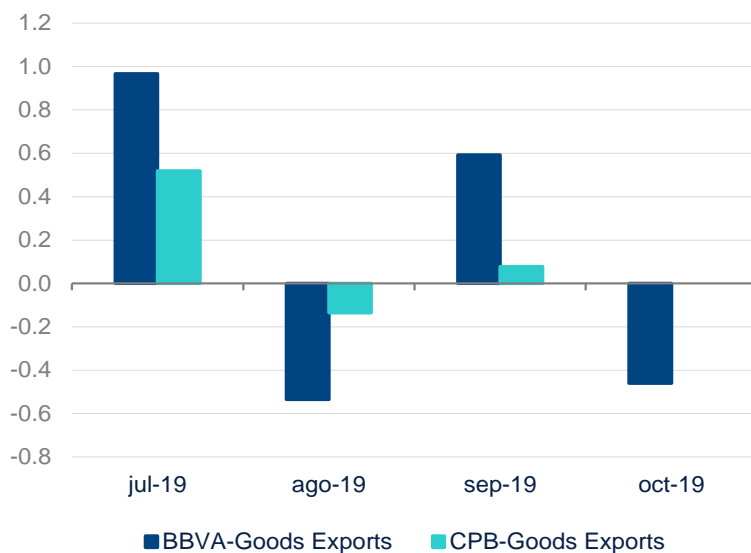
(Forecast based on BBVA-GAIN (% , QoQ))



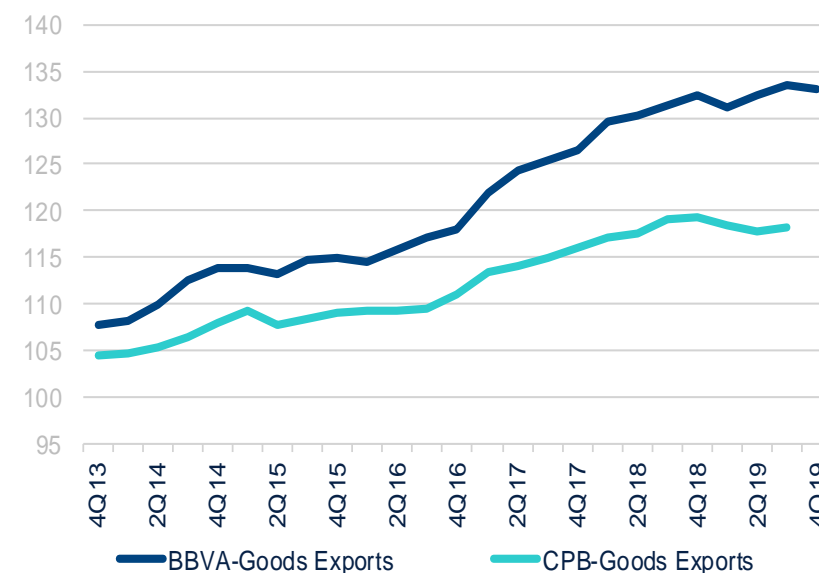
The worsening of trade halted in 3Q19, but incoming figures continue to be weak

Despite some relief in the US-China disputes, incoming data suggest that protectionism is weighing in both countries' exports and especially in emerging markets

WORLD EXPORTS OF GOODS
(% MoM Growth, Constant Prices)



WORLD EXPORTS OF GOODS
(Index at Constant Prices, Jan-12=100)

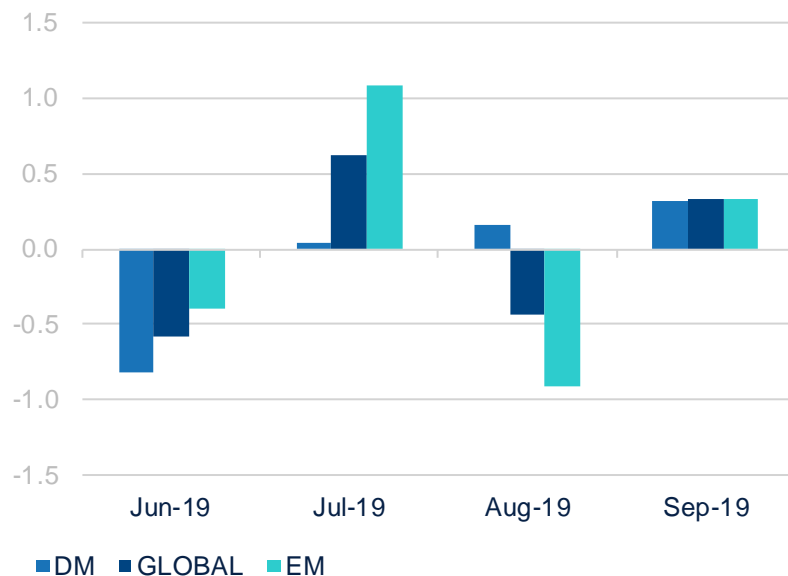


Netherlands Bureau for Economic Policy Analysis (CPB) makes a world set based on 28 developed markets and 60 emerging markets covering a 97% of world trade

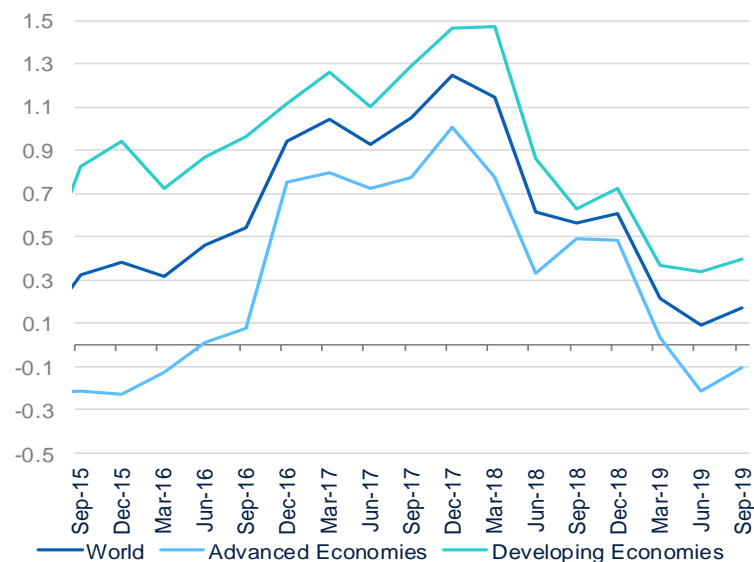
Global industrial output seems to have bottomed out, but manufacturing still contracted in advanced economies in 3Q19

Increasing trade protectionism and protracted uncertainty are likely to continue to weigh on the manufacturing sector and investment in the short term

WORLD INDUSTRIAL PRODUCTION
(%, MoM)



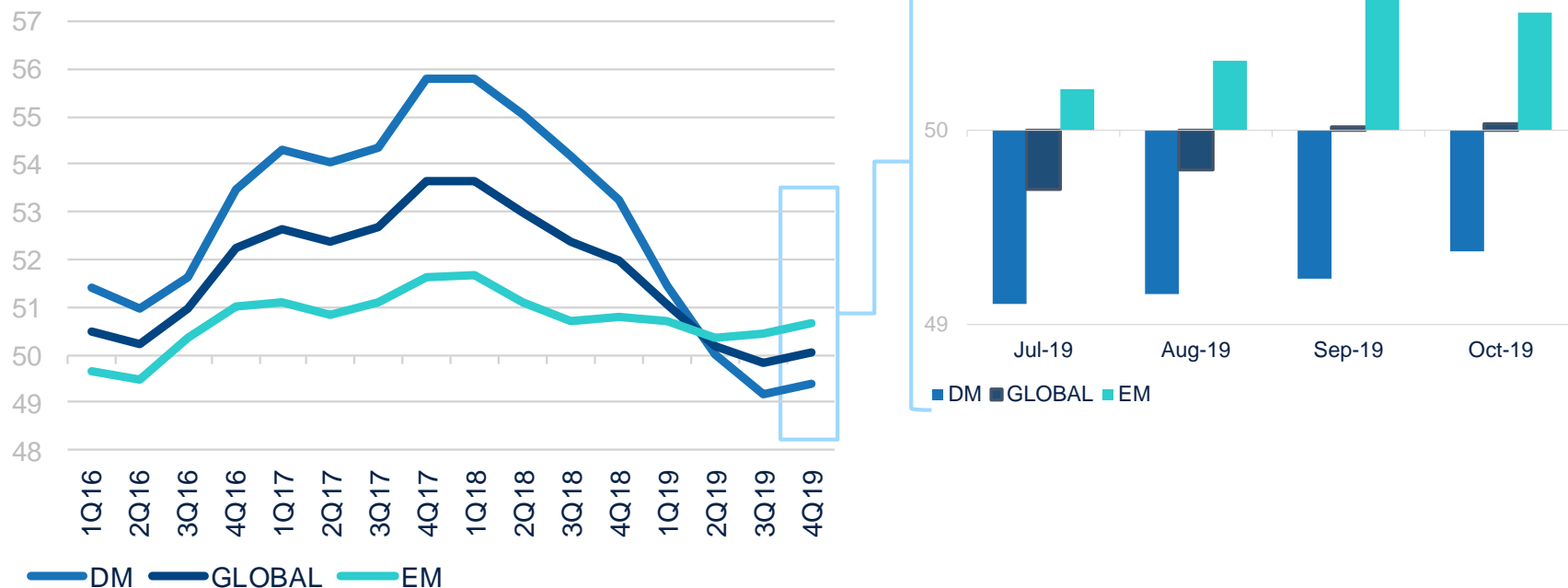
WORLD INDUSTRIAL PRODUCTION
(%, smooth QoQ)



Manufacturing confidence data published so far for 4Q19 does not point yet to a clear improvement

A less pessimistic mood on the global demand, slight improvement in foreign orders along with more supportive central banks underpin firms' confidence, but this is still at very low levels, amid signs of exhaustion in job creation and lack of investment

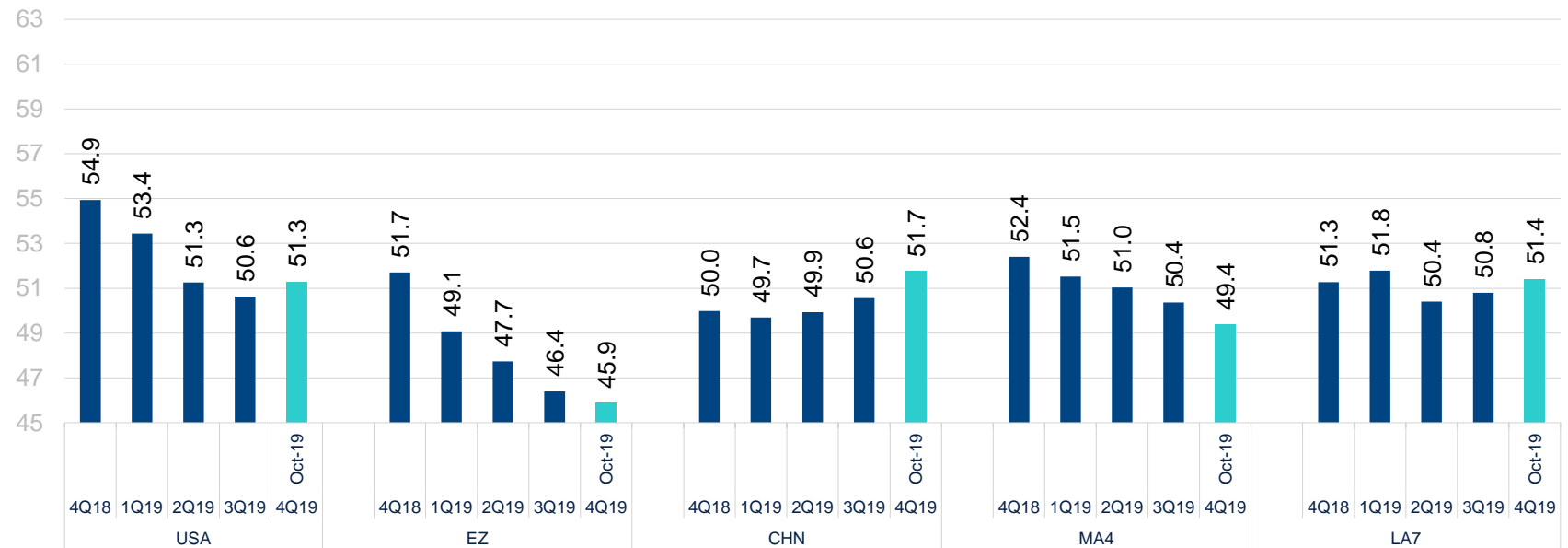
WORLD MANUFACTURING PMI
(LEVEL \pm 50)



Industrial sentiment has improved in the US, China and Latam, but there are still recession signals in the EZ and emerging Asia

In the EZ, disappointing figures are mainly driven by Germany, especially hit by global slowdown and threats of higher tariffs in the automotive sector

Manufacturing PMI: selected regions (Level \pm 50)

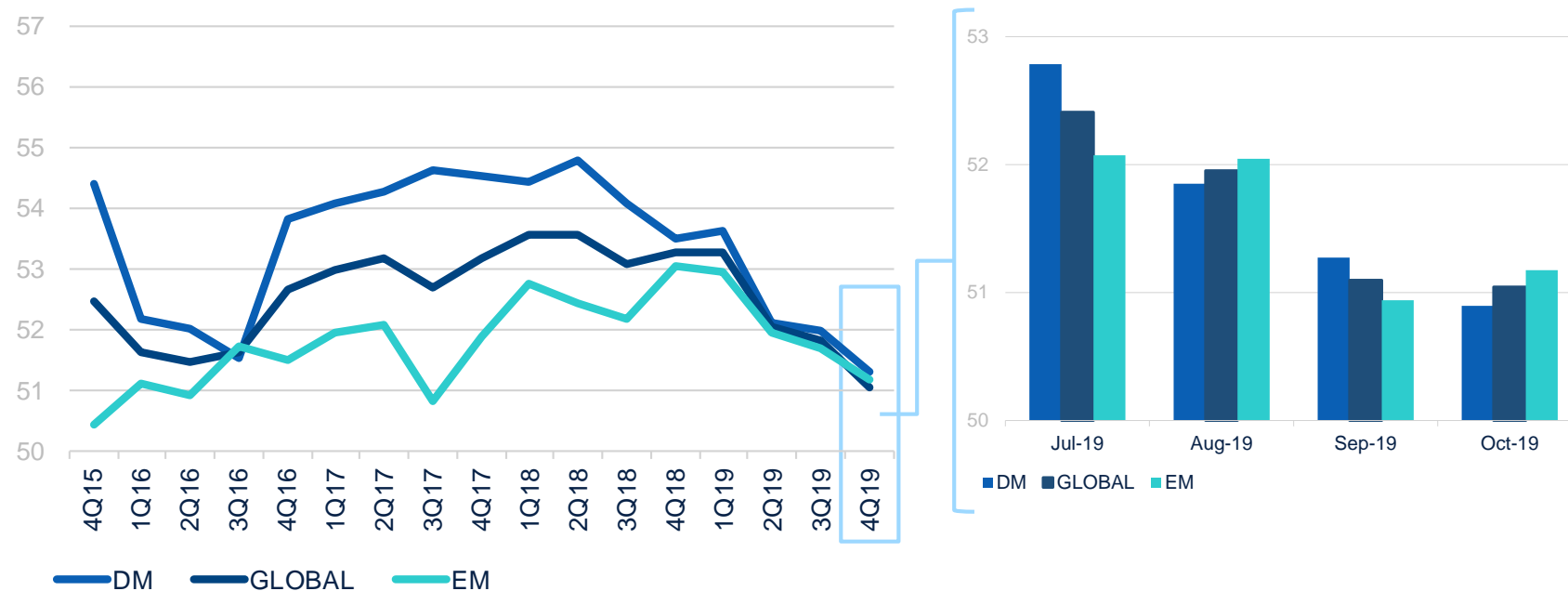


MA4: India, Indonesia, Japan and Korea

Service confidence continues to soften, but is still in expansionary territory across the board

Increasing concerns about contagion from industry to domestic demand, but this is still supported by consumers' resilience in the US and other advanced economies

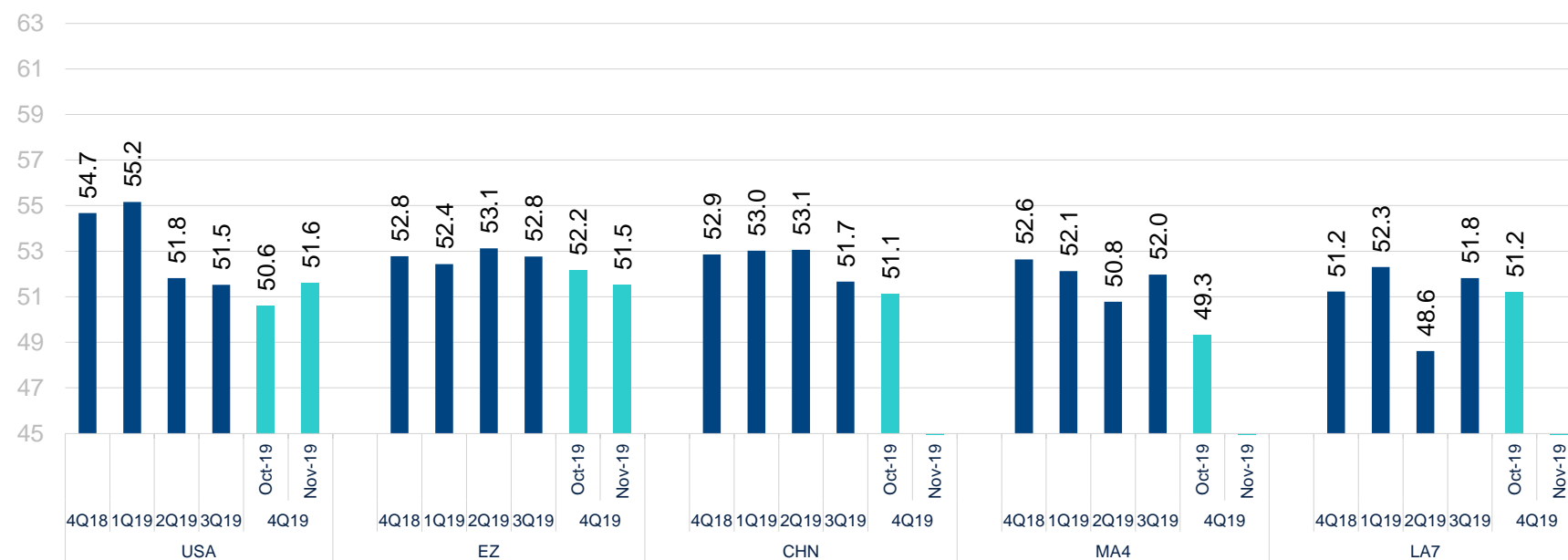
WORLD SERVICES PMI (LEVEL \pm 50)



Broad-based decline in services sentiment except in the US

Services PMI: selected regions

(Level \pm 50)



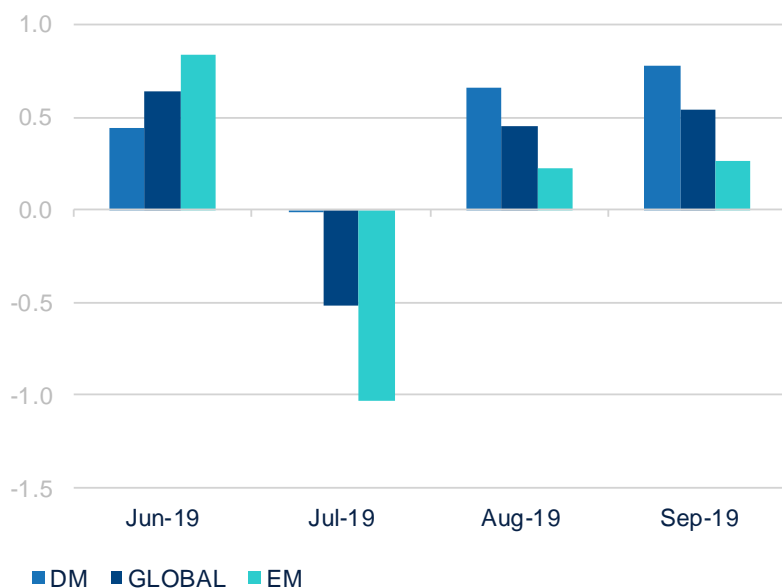
MA4: India, Indonesia, Japan and Korea

Retail sales grew at a steady and solid pace in 3Q19, but more worrying signs stem for the ongoing slowing trend in emerging economies

Low inflation and supportive financial conditions will continue to support private consumption, but it could be offset by increasing uncertainty or slowing job creation

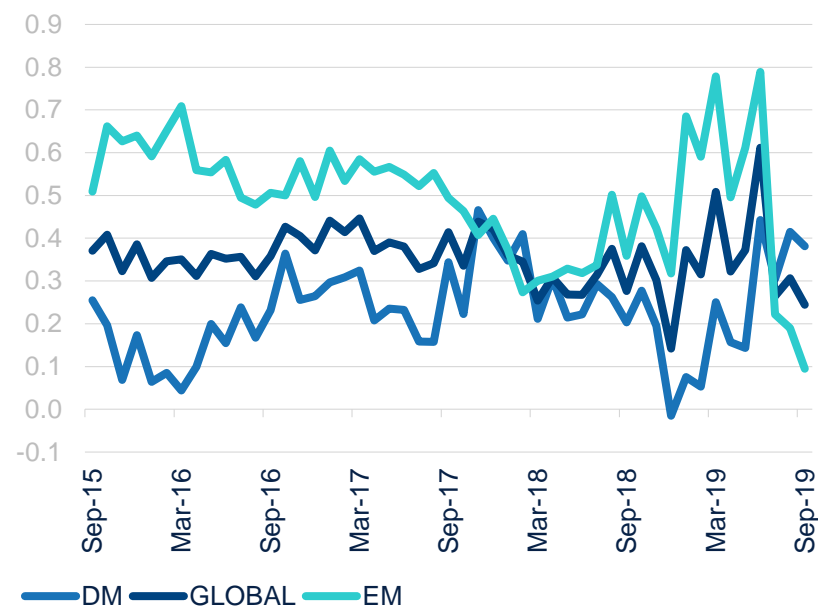
World retail sales

(%, MoM)



World retail sales

(%, 6-Month Moving Average)

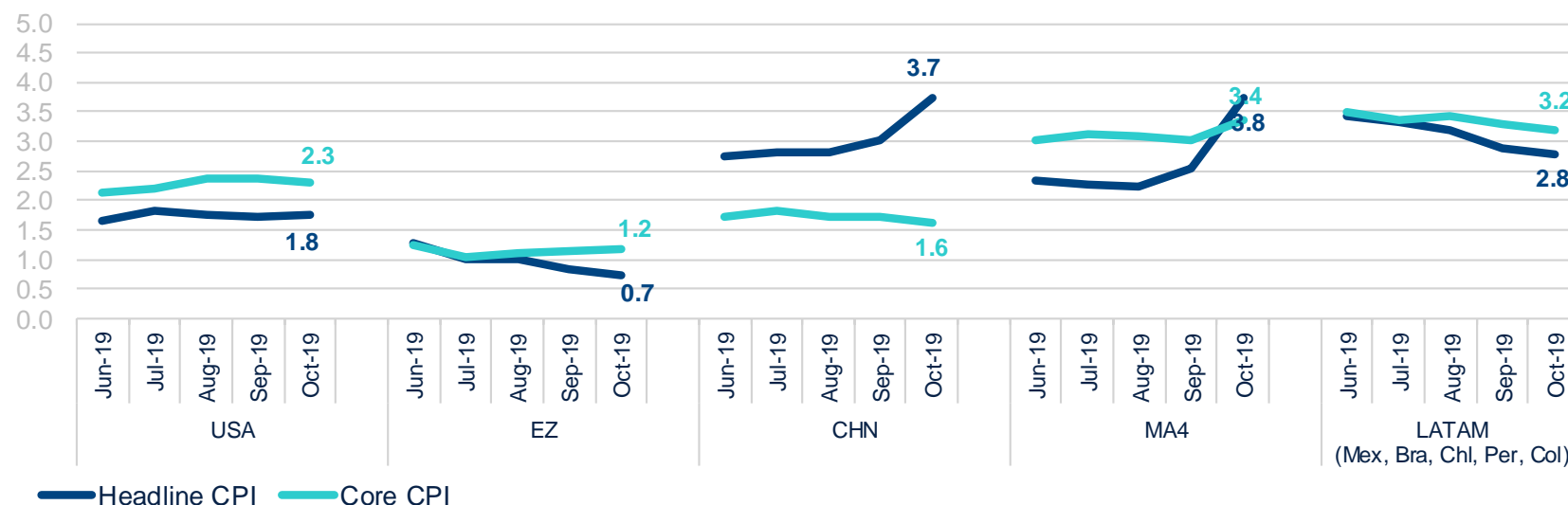


Persistent low inflation endorses the accommodative stance of central banks across regions

Higher inflation in Asia reflects temporary effects on food prices. Core inflation remains unchanged at low levels in DM, especially in the EZ, while a gradual disinflation continues in Latin America

Headline and core inflation: selected regions

(%, YoY)



MA4: India, Indonesia, Japan and Korea

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