

Global Flash

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Economic Analysis

Economic Scenarios Unit

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Global cycle: further advance in October, confirming modest recovery

Global GDP grew at 0.7% q/q in 2Q13, while forecasts for 2H13 expand at similar pace

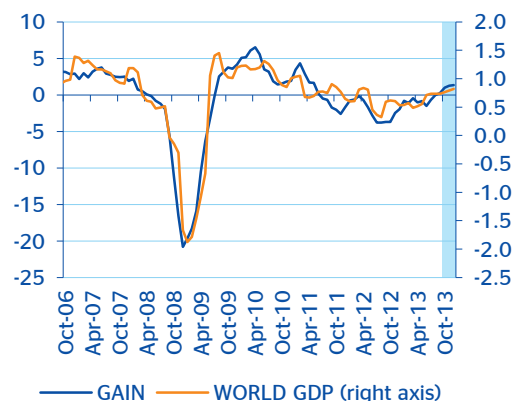
Global Activity Index (BBVA-GAIN) continued to edge higher in October. Last update broadly confirmed ongoing improvement in the global activity outlook. By components, financial conditions eased and the Global PMI expansion remained only moderate at best, however it rises to near two-and-a-half year high. To sum up, Industrial Production (August) and its past revisions positively contributed as well. As a result, **BBVA-GAIN significantly expands at 1.0 in October from 0.4 in September** (Chart 1).

- **Global growth *nowcast* in 2013Q3 posted around 0.7% (q/q), while the first released estimate for 2013Q4 remains at 0.8%**

Global GDP growth estimate for the second quarter has been confirmed at 0.7% (q/q) while our *nowcast* for the third and forecast for the fourth quarters remain at around 0.7% and 0.8% (q/q), respectively (Table 1 and Chart 2). The estimation of the probability of recession is accordingly low. Breakdown of the global series at the economic areas level reveals that the strong reading this month is the result of expansions in a number of key regions, including the US, the eurozone, China, Japan, the UK, Russia and Brazil. Thus, **the global activity cycle continues to recover, although moderately compared with previous cycles.** That said, despite activity show traces to improve in developed economies, the emerging Asia ex-China region was the main drag on global economy during October.

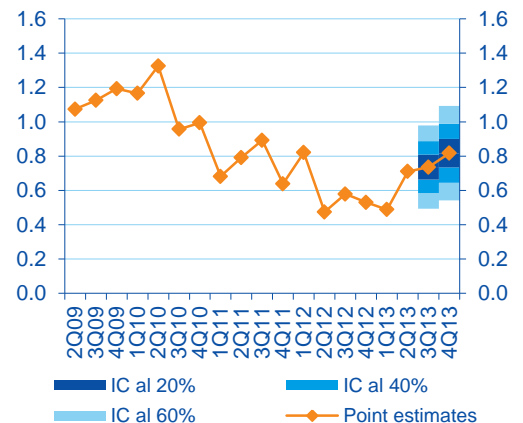
BBVA-GAIN signals that expectations on the global cycle gain momentum, in case that incoming data improvement could be sustained. However, the risks surrounding the global economic landscape are bearish, although the probability of menace events strongly enough to derail the ongoing recovery is lower today.

Chart 1
BBVA-GAIN and world GDP (% Q/Q) on a monthly basis



Source: BBVA Research

Chart 2
Global: Observed GDP growth and forecasts based on BBVA-GAIN (% Q/Q)



Source: BBVA Research

Table 1
Global Data Summary

Global Data Summary	2013										
	Jan	Feb	Mar	Apr	May	Jun	Jul	Ago	Sep	Oct	
BBVA-GAIN	-0.2	-0.6	-0.1	-0.9	-0.9	-1.2	-0.7	0.0	0.4	1.0	
Global PMI	51.5	50.9	51.2	50.4	50.6	50.6	50.8	51.6	51.8	52.1	
Employment	50.7	50.4	50.5	50.2	50.3	49.6	50.0	50.4	50.2	50.8	
New Export Orders	49.4	49.5	51.0	50.3	50.2	48.3	50.5	50.3	50.9	52.1	
Global Industrial Production (m/m)	-0.15	0.29	0.45	0.03	0.00	0.30	0.36	0.38	-	-	
BBVA Financial Stress Index	-0.04	0.02	0.03	0.08	-0.08	0.03	-0.06	-0.16	-0.18	-0.21	
Global GDP, 2013q2 growth, current monthly estimate	0.7	0.8	0.7	0.7	0.7	0.6	0.5	0.6	0.7	0.7	
Global GDP, 2013q3 growth, current monthly estimate	-	-	-	0.8	0.6	0.7	0.7	0.7	0.8	0.7	
Global GDP, 2013q4 growth, current monthly estimate	-	-	-	-	-	-	0.6	0.7	0.8	0.8	

Index=50 means no change on previous month.

Source: JP Morgan, Markit Economics, CPB Netherlands and BBVA Research

(*) For methodological issues, please refer to our Economic Watch, published on March 6th, 2013: <http://bit.ly/1ee04TM>

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