

Global Flash

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Economic Analysis

Economic Scenarios Unit

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Global cycle: growth remains on track at start of 2014

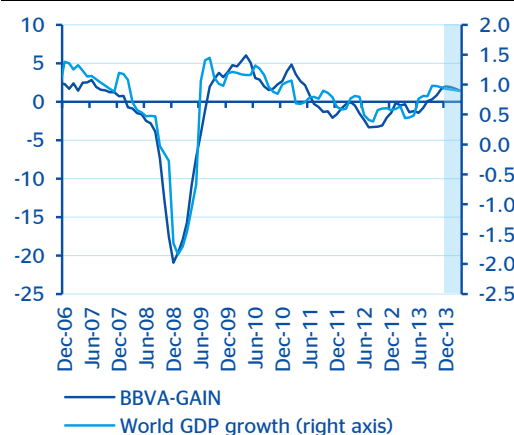
Our Global Activity Index (BBVA-GAIN) maintains its solid growth momentum in January due to:

- i) Expansion in global industrial production (as of November);
- ii) Smoother global financial volatility, even incorporating data up till January 31;
- iii) Regarding soft indicators, the performance of the Global PMI shows a solid expansion, broadly unchanged after a two-and-a-half year high in December. However, some moderation is appearing in the indicator of new export orders (Table 1), **All in all, BBVA-GAIN expands at 1.9 in January from 2.3 in December** (Chart 1).

The global growth nowcast in 2013Q4 and the forecast for 2014Q1 remain firm at around 0.9% (q/q), but downside risks might arise if the current turmoil in financial markets continues.

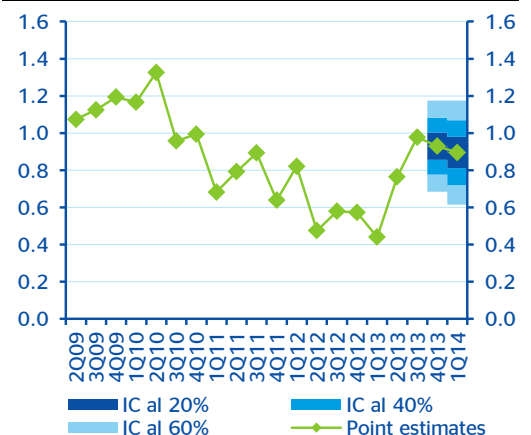
At regional level, the latest PMI data highlighted wider divergences between advanced and developing countries. Among advanced economies, PMI falls in January in the US and it rebounds in the EZ, Japan or UK. Regarding the EM it is worth to mention that **if the current turmoil in financial markets continues, it could lessen soft indicators of cyclical position and challenge the confidence on cycle's strength.**

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

	2013												2014	
	Feb	Mar	Apr	May	Jun	Jul	Ago	Sep	Oct	Nov	Dec	Jan		
BBVA-GAIN	-0.6	-0.1	-0.9	-0.9	-1.2	-0.7	0.0	0.4	1.0	1.9	2.3	1.9		
Global PMI	50.8	51.0	50.2	50.4	50.4	50.6	51.5	51.6	51.9	52.9	53.0	52.9		
Employment	50.3	50.4	50.0	50.1	49.4	49.9	50.3	50.2	50.7	50.7	51.3	51.0		
New Export Orders	49.8	50.7	50.1	50.0	48.2	50.3	50.3	50.9	51.8	52.4	51.9	51.2		
Global Industrial Production (m/m)	0.29	0.42	0.10	-0.03	0.28	0.31	0.25	0.45	0.21	0.92	-	-		
BBVA Global Volatility Index	-2.89	-2.29	-1.91	-1.88	-0.60	0.43	0.62	-0.07	-1.07	-1.53	-2.51	-2.59		
Global GDP, 2013q4 growth, current monthly estimate	-	-	-	-	-	0.6	0.7	0.8	0.8	0.8	0.9	0.9		
Global GDP, 2014q1 growth, current monthly estimate	-	-	-	-	-	-	-	-	0.8	0.9	0.9	0.9		

Index=50 means no change on previous month

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

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

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