

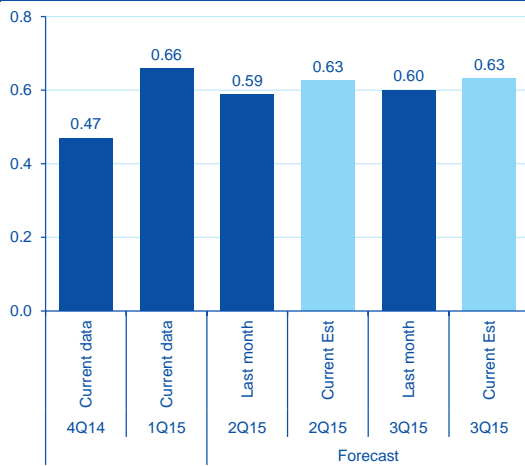
ECONOMIC ANALYSIS

Global | World GDP growth remains stuck at 0.6% QoQ

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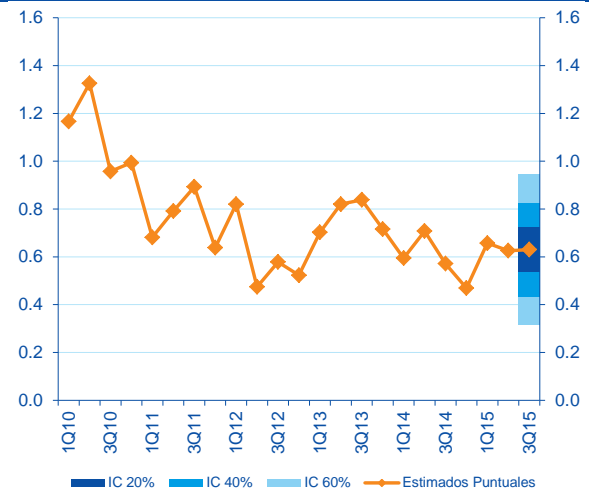
The November update of our BBVA-GAIN concludes that the first half of 2015 ended with the world growing at a pace of 0.6% QoQ. The 3Q is now expected to have kept the same pace, which highlights that global activity has left behind the downward momentum that we estimated two months ago, although it remains fragile given the uncertainty that emanates from the slowdown in emerging markets and the loss of pulse in key developed economies as the US.

Figure 1
World GDP: change in GDP nowcast in the last month (% QoQ)



Source: BBVA Research

Figure 2
World GDP: observed GDP growth and forecasts based on BBVA-GAIN (% QoQ)



Source: BBVA Research

Table 1
World GDP, monthly estimates (% QoQ)

	2014				2015											
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct		
Q115	-	-	-	-	-	0.76	0.68	0.64	0.63	0.51	0.59	0.59	0.63	0.66		
Q215	-	-	-	-	-	-	0.74	0.70	0.71	0.65	0.72	0.59	0.59	0.63		
Q315	-	-	-	-	-	-	-	-	-	-	-	0.61	0.60	0.63		

(*) Actual figure of the Global GDP is based on the aggregate of national quarterly growth rates (QNA) of 69 countries, and has a weighting of 92% with respect to world GDP ppp (on average, 1980-2012). Discrepancies on Q1 data are due to an update on the weights employed.
Source: BBVA Research

Manufacturing confidence data showed some signs of expansion during October (Global PMI achieves 51.4 points) **although it remains at low levels**. This improvement was mainly driven by the relative good performance observed in DM (there were some bright spots such as Japan or UK) and the stabilization of manufacturing confidence in EM, in particular, China. EMEA continues to excel signs of solid growth and countries on the limelight, such as Russia, returned to the expansion territory for the first time this year.

Turning to activity data, **both industrial production and global trade (exports of goods) presented hints of deceleration in August**. However, on a quarterly basis, figures suggest a slight upturn which materialized across the board, and especially in Emerging Asia. The recent economic stabilization coincides with the **moderation of financial tensions**, which skyrocketed during August-September in answer to the doubts about the implications of the Chinese cyclical and financial stance.

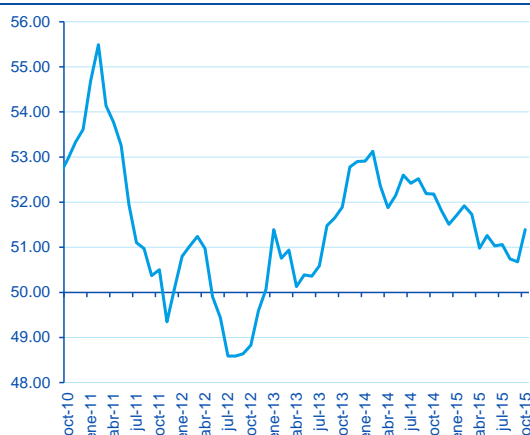
Henceforth, **the global economic recovery will revolve around: (i) supportive data for US, (ii) China confirming a smooth transition and (iii) stable financial tensions in a context of diverging monetary policies** (Fed's expected lift-off versus expanded BCE's QE). The impact of Fed's normalization on the Emerging markets financial conditions and the ongoing spillovers from the adjustment of the Chinese manufacturing cycle continue to be sources of concern for the global outlook.

Table 2
Global data summary

	2014				2015									
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Global PMI	52.2	52.2	51.8	51.5	51.7	52.0	51.8	51.0	51.2	51.0	51.0	50.7	50.6	51.4
Employment	51.2	51.2	51.2	51.1	51.1	51.1	50.7	50.7	51.0	50.9	50.7	50.2	49.7	50.8
New Export Orders	52.2	51.0	50.3	50.9	51.2	50.9	50.8	50.1	49.8	50.8	49.9	49.9	49.1	51.2
Global Industrial Production (m/m)	0.8	0.0	0.5	0.3	-0.5	0.6	-0.1	-0.2	-0.2	0.4	0.3	-0.3		
BBVA Global Volatility Index	-3.81	-2.55	-1.63	-0.76	-0.38	0.21	-0.03	-0.55	-0.70	-0.50	0.09	0.47	1.46	1.40

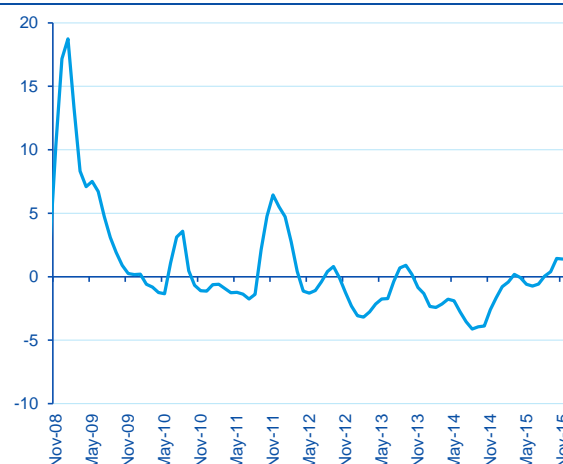
Index = 50 means no change in manufacturing activity.
The Global Volatility Index leads one period in the model.
Source: JP Morgan, Markit Economics, CPB Netherlands and BBVA Research

Figure 3
Global Manufacturing PMI



Source: BBVA Research, Markit

Figure 4
BBVA Global Volatility index:



Source: BBVA Research

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