

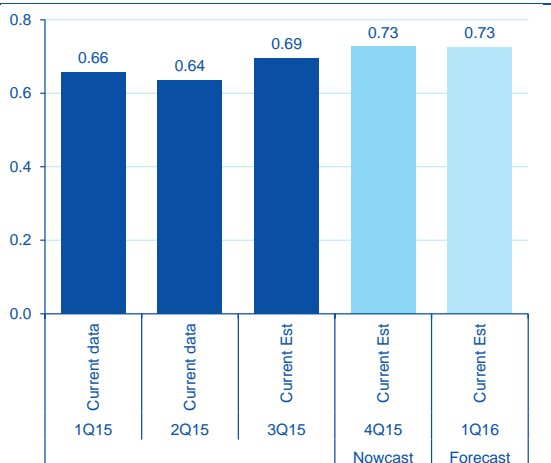
ECONOMIC ANALYSIS

# Global | World GDP gains ground in 3Q (0.69%QoQ) in line with our expectations

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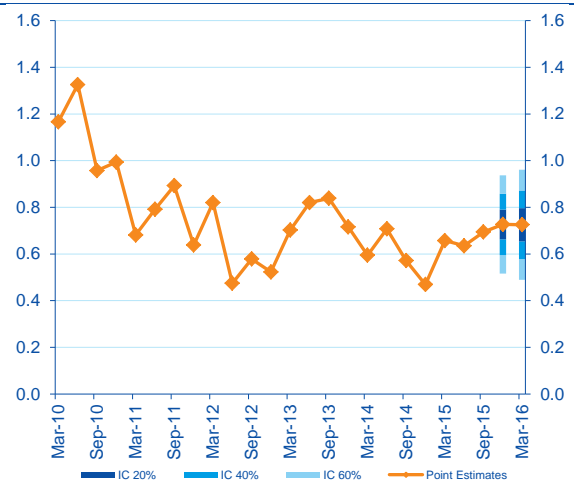
The December update of our BBVA-GAIN reinforces the scenario of slow but continued recovery of the global economy, leaving behind the dip exhibited at the end of last year. World GDP grew 0.69% QoQ in 3Q15 according to our aggregation of quarterly national accounts that it currently accounts for the 80% of the global economy. This tepid improvement from 2Q15 was mainly driven by the better performance of India and other relevant countries as Brazil (lower drop than in previous quarters), that have been able to offset the slowdown of the US GDP. The 4Q15 nowcast and 1Q16 forecast revolve around 0.7% QoQ, the highest figures since 2H 2013. Therefore, we are moving to a less gloomy scenario, although it remains conditioned to the economic performance of EM and its impact on DM.

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)

	2015			
	Aug	Sep	Oct	Nov
Q215	0.59	0.59	0.59	0.63
Q315	0.61	0.60	0.63	0.69
Q415				0.72
Q116				0.73

(\*) 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).  
Source: BBVA Research

Industrial production and global trade (Figure 3) experienced a remarkable rebound in September that came in after a gloomy first semester. The improvement in the former was mainly led by DM, especially the US (which coincides with the sharp decrease in private inventories). As for the rest of DM,

industrial production in EMU remained stagnant whereas Japan showed negative growth for two quarters in a row. **LatAm stands out as the worst performer region**, chaining fourth quarters of negative growth with no clear signs of recess. **However, this view gets compromised when looked at annual rates since industrial production slightly decreased at a global scale, and only EMU and Emerging Asia showed positive growth rates.**

**This pattern continues to spread among manufacturing confidence indicators**, such as PMIs, which have been recording broadly flat shape over the past months and do not show signals of further recovery. DM keep on registering solid expansion of production in November, whereas Asian economies generally report lackluster or decreasing trends in output. **In terms of financial markets, global volatility contracted remarkably in November (Figure 4) towards its long-term average.** Muted tensions in the financial markets may not favour the improvement of short term perspectives but their raise evoked a downward bias in the near term outlook.

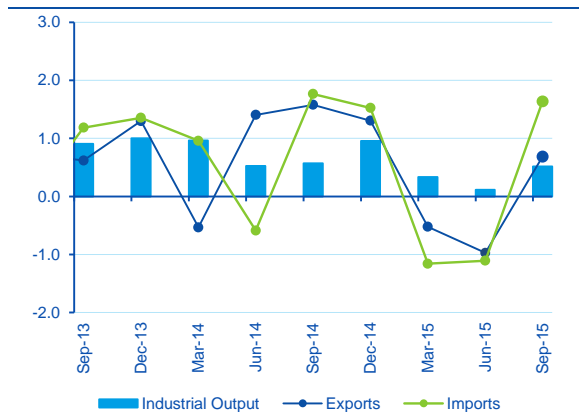
**Although the recent flow of data has therefore been somewhat reassuring** about the global economic cycle, the same **concerns from one year ago are still prevalent nowadays**: (i) deflationary pressures in the manufacturing sector in China, (ii) unsustainable rhythm of leveraging in some EM, especially in China and finally (iii) the consolidation of growth in DM, as the monetary policies are indicating: Fed's soft and gradual lift-off and ECB's "whatever is needed" to meet the inflation target.

Table 2  
Global data summary

	2014				2015											
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	
<b>Global PMI</b>	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	51.3	51.2	
<b>Employment</b>	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	50.7	50.6	
<b>New Export Orders</b>	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	51.0	
<b>Global Industrial Production (m/m)</b>	0.8	0.0	0.5	0.3	-0.5	0.6	-0.1	-0.2	-0.2	0.4	0.3	-0.3	0.2			
<b>BBVA Global Volatility Index</b>	-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	0.59	

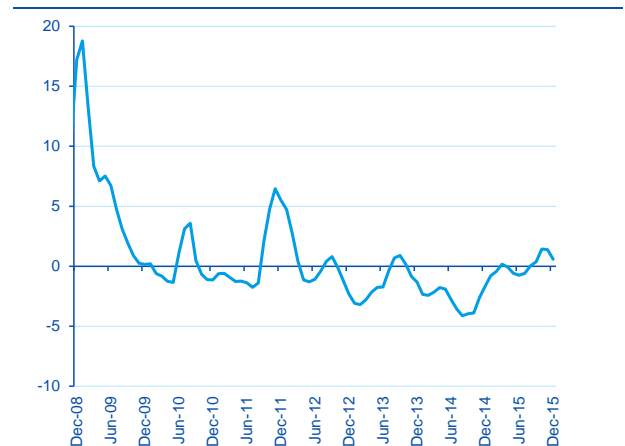
Index = 50 means no change in manufacturing activity.  
The Global Volatility Index leads one period in the model. Source: JP Morgan, Markit Economics, CPB Netherlands and BBVA Research

Figure 3  
World trade and Industrial production: volume, QoQ %



Source: BBVA Research, CPB

Figure 4  
BBVA Global Volatility index:



Source: BBVA Research

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