

ECONOMIC ANALYSIS

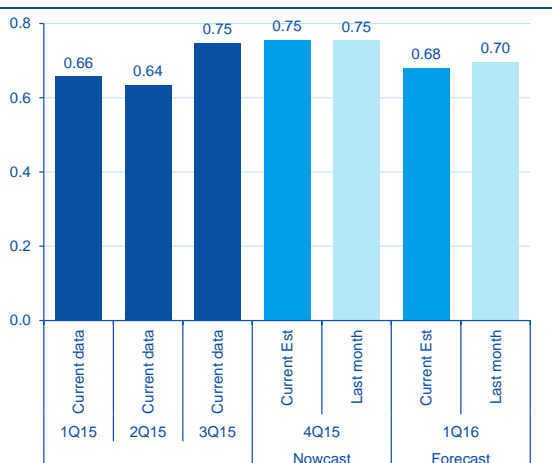
Global | Recent flow of data keeps slowdown forecast in 1Q16

Sara Baliña / Jorge Redondo

The February update of our BBVA-GAIN index paints a similar picture to the one presented last month. **Our nowcast for 4Q15 continues to point out that world GDP growth stood at 0.75% QoQ while the expectation of slowdown in 1Q16, anticipated last month, has been reinforced.** Then, the global economy could grow by 0.68% QoQ in 1Q16.

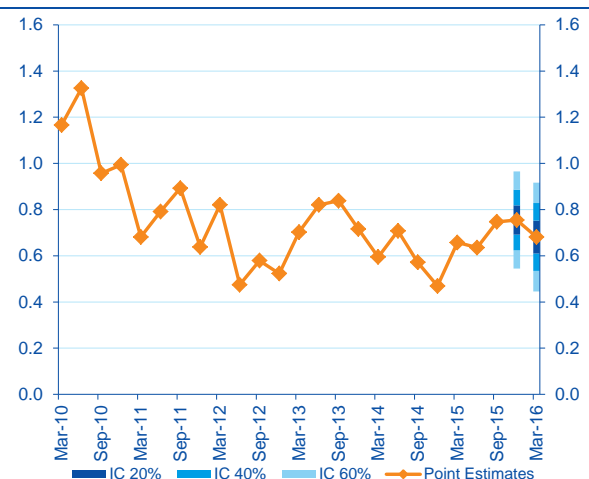
Confidence data employed in our model saw an increase in 4Q15 that could be offsetting the slowdown exhibited in hard indicators (industrial production, world trade) for the same period. As for 1Q16, a slight improvement in confidence data (employment in manufacturing and new export orders) is not enough to make world GDP growth break free from its current momentum in a context of trade stagnation and increasing financial tensions across the board, and especially in Emerging economies.

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

(*) 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).

Industrial production and trade figures, though still only available up to November, registered a remarkable adjustment in 4Q (Figure 3), to be confirmed by December prints. On a quarterly basis, both Developed and Emerging economies lost steam, which is compatible when looking at these figures on a yearly basis. **Industrial Production in the US (in annual terms) descended into the contraction territory for the first time since 2008** (in response to the impact of adjustment in the energy sector and dollar appreciation on industrial activity). Likewise, **EM Asia (led by China) stand out as the EM block that is further away from its long-run average, with trade flows registering negative growth rates since 2Q15 (Figure 4).**

The lack of solid ground lies behind the current manufacturing sentiment figures, where Global PMI has stabilized in thresholds close to zone of activity stagnation (50.9 points in January). **The reversion of global financial volatility towards higher levels, particularly in EM, could be starting to affect the private sector mood.**

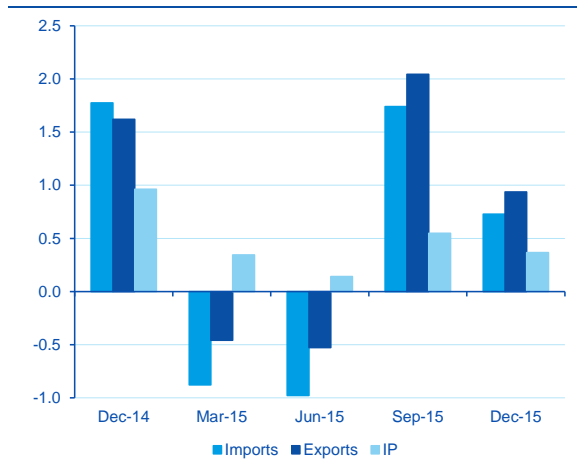
On the risk field, **the same old concerns that have been threatening the world economy during last months (EM growth relapse, led by Chinese slowdown and exacerbated by the effect of commodity prices fall on net exporters) continue pressuring global activity, even in a context of DM central banks renewed dovish tone.** Our estimation for 1Q16 world GDP growth, therefore, could already be reflecting this tangle of risks.

Table 1
Global data summary

	2015												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dic	Jan
Global PMI	51.7	52.0	51.8	51.0	51.2	51.0	51.0	50.7	50.6	51.3	51.2	50.7	50.9
Employment	51.1	51.1	50.7	50.7	51.0	50.9	50.7	50.2	49.7	50.7	50.6	50.6	50.4
New Export Orders	51.2	50.9	50.8	50.1	49.8	50.8	49.9	49.9	49.1	51.2	51.0	50.4	50.4
Global Industrial Production (m/m)	-0.5	0.6	-0.1	-0.2	-0.2	0.4	0.3	-0.3	0.3	0.5	-0.6		
BBVA Global Volatility Index	-0.38	0.21	-0.03	-0.55	-0.70	-0.50	0.09	0.47	1.46	1.40	0.60	-0.41	-0.3

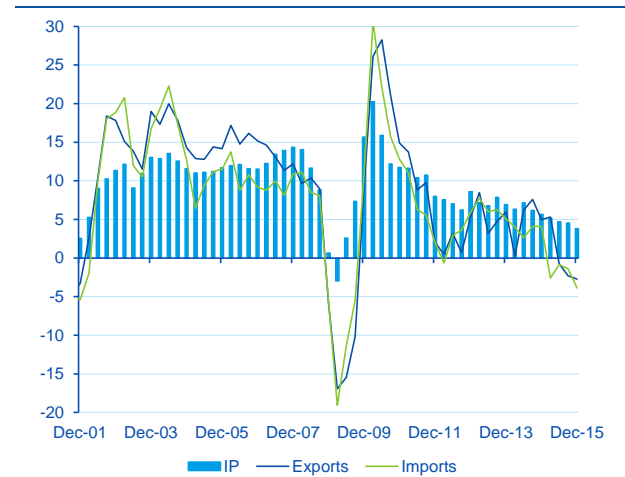
Index = 50 means no change in manufacturing activity.
The Global Volatility Index leads one period in the model. Source: JP Morgan, Markit Economics, CPB Netherlands and BBVA Research

Figure 3
World trade and Industrial Production (IPI) %, QoQ



Source: BBVA Research, CPB

Figure 4
Emerging Asia trade and Industrial Production (IPI) %, YoY



Source: BBVA Research, CPB

DISCLAIMER

This document has been prepared by BBVA Research, it is provided for information purposes only and expresses data, opinions or estimations regarding the date of issue of the report, prepared by BBVA or obtained from or based on sources we consider to be reliable, and have not been independently verified by BBVA. Therefore, BBVA offers no warranty, either express or implicit, regarding its accuracy, integrity or correctness.

Estimations this document may contain have been undertaken according to generally accepted methodologies and should be considered as forecasts or projections. Results obtained in the past, either positive or negative, are no guarantee of future performance.

This document and its contents are subject to changes without prior notice depending on variables such as the economic context or market fluctuations. BBVA is not responsible for updating these contents or for giving notice of such changes.

BBVA accepts no liability for any loss, direct or indirect, that may result from the use of this document or its contents.

This document and its contents do not constitute an offer, invitation or solicitation to purchase, divest or enter into any interest in financial assets or instruments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

In regard to investment in financial assets related to economic variables this document may cover, readers should be aware that under no circumstances should they base their investment decisions in the information contained in this document. Those persons or entities offering investment products to these potential investors are legally required to provide the information needed for them to take an appropriate investment decision.

The content of this document is protected by intellectual property laws. It is forbidden its reproduction, transformation, distribution, public communication, making available, extraction, reuse, forwarding or use of any nature by any means or process, except in cases where it is legally permitted or expressly authorized by BBVA.