2. International context: Stable growth in 2017-18, with risks still on the downside

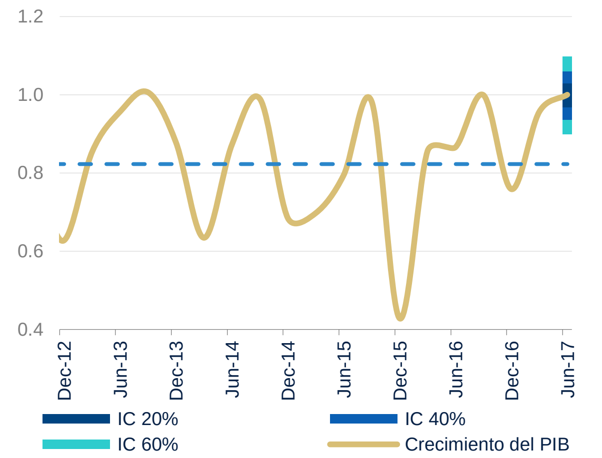
The world economy has been picking up in recent quarters and has approached growth rates of 1% QoQ (Figure 2.1), although it is trending towards stabilisation. In global terms confidence figures are clearly positive, above all in the advanced economies, and they seem to have moved into readings at the high end. World trade has recovered quickly from very weak levels in the middle of last year. All of this has also led to a rekindling of industrial activity and investment globally.

This positive dynamic is attributable to the prime factor behind expansion of late, namely the spurs provided by economic policy in China, which have driven growth in its economy and led to a knock-on affect among other Asian countries as well as the rest of the world economy. Other factors supporting good cyclical behaviour, such as extremely accommodative monetary policies in most advanced countries, a fiscal policy that has been recently neutral or expansive, or relatively modest commodity prices have helped the global recovery, in an environment of quiet financial markets.

The improvement, which has especially affected the advanced economies, has been accompanied by a certain rebalancing from the United States to Europe. On the other hand, the emerging economies have performed less promisingly and heterogeneously, with a slower than expected exit from the recession in LatAm, and in a more diverse way, due to differing levels of dependence on commodity revenues.

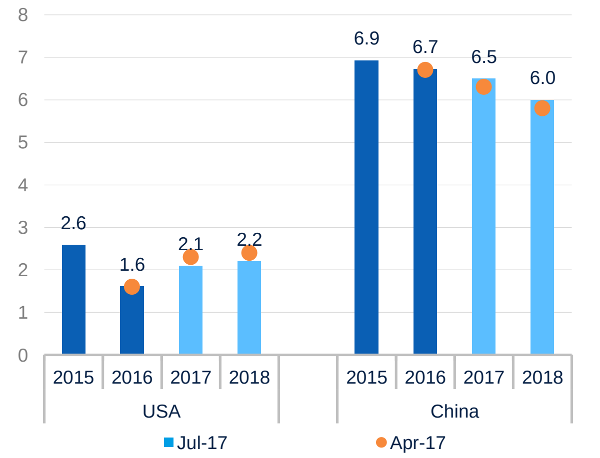
The tone in the financial markets has been upbeat, with volatility at historic lows in spite of the persistent economic, political and geo-political uncertainty, as well as the correction to expectations of a fiscal boost in the United States. This has meant that long term interest rates have remained anchored and corrected a portion of the rises in previous quarters, while the dollar has broken off from its firming course. The big question is whether the markets are being too lenient, particularly bearing in mind that the major central banks are making inroads into the normalisation process. The tone of monetary policy is still accommodative, but in the last quarter, in parallel with the economic improvement, additional steps have been taken in this process.

Figure 2.1 World GDP growth. Forecasts based on BBVA-GAIN (% QoQ)



Source: BBVA Research

Figure 2.2 GDP growth forecasts in USA and China (%)



Source: BBVA Research

We maintain our vision of increasing global growth, from 3.1% in 2016 to 3.3% in 2017 and 3.4% in 2018

Our new forecasts imply that growth at the global level will remain at 3.3% for 2017 and 3.4% for 2018. In China, we revised growth upwards by 0.2pp in 2017-18, which means the authorities achieving their target of 6.5% in 2017, although we still predict a slowdown to 6% in 2018 (Figure 2.2). Also in Europe, we revised the forecast for growth by three tenths in 2017, to 2%, along with exports and investment, with a certain slowdown for 2018 to 1.7%. On the contrary, we slightly lowered the forecast for the US to 2.1% in 2017 and 2.2% in 2018 (Figure 2.2), owing to lower than expected performance in the first quarter and to greater difficulties regarding the adoption of expansionary fiscal measures and reforms. In LatAm, ebbing commodity prices this year and heightened domestic uncertainty in several countries have meant that emerging from recession is taking longer than had been foreseen. These forecasts indicate that in the coming quarters emerging economies should make up ground on the advanced countries and China, which have spearheaded the recent upturn.

DISCLAIMER

BBVA | Research

This report has been produced by the Argentina Unit:

Economista Jefe de Argentina
Gloria Sorensen
gsorensen@bbva.com

Marcos Dal Bianco
marcos.dalbianco@bbva.com

Juan Manuel Manias
juan.manias@bbva.com

María Celeste González
celeste.gonzalez@bbva.com

Andrea Savignone
asavignone@bbva.com

Adriana Haring
aharing@bbva.com

Jorge Lamela
jorge.lamela@bbva.com

BBVA Research

Group Chief Economist
Jorge Sicilia Serrano

Macroeconomic Analysis
Rafael Doménech
r.domenech@bbva.com

Global Economic Situations
Miguel Jiménez
mjimenezg@bbva.com

Global Financial Markets
Sonsoles Castillo
s.castillo@bbva.com

Long term Global Modelling and Analysis
J. Julián Cubero
juan.cubero@bbva.com

Innovation and Processes
Oscar de las Peñas
oscar.delaspenas@bbva.com

Financial Systems And Regulation
Santiago Fernández de Lis
sfernandezdelis@bbva.com

International Coordination
Olga Cerqueira
olga.gouveia@bbva.com

Digital Regulation
Álvaro Martín
alvaro.martin@bbva.com

Regulation
María Abascal
maria.abascal@bbva.com

Financial Systems
Ana Rubio
arubiog@bbva.com

Financial Inclusion
David Tuesta
david.tuesta@bbva.com

Spain and Portugal
Miguel Cardoso
miguel.cardoso@bbva.com

United States
Nathaniel Karp
Nathaniel.Karp@bbva.com

Mexico
Carlos Serrano
carlos.serranoh@bbva.com

Middle East. Asia and Geopolitical
Álvaro Ortiz
Alvaro.ortiz@bbva.com

Turkey
Álvaro Ortiz
alvaro.ortiz@bbva.com

Asia
Le Xia
le.xia@bbva.com

South America
Juan Manuel Ruiz
juan.ruiz@bbva.com

Argentina
Gloria Sorensen
gsorensen@bbva.com

Chile
Jorge Selaive
jselaive@bbva.com

Colombia
Juana Téllez
juana.tellez@bbva.com

Peru
Hugo Perea
hperea@bbva.com

Venezuela
Julio Pineda
juliocesar.pineda@bbva.com

CONTACT DETAILS: BBVA Research ‐ BBVA Banco Francés: Reconquista 199, 1st floor. C1003ABC - Buenos Aires (Argentina).
Tel.: (+54) 11 4346 4000 / Fax: (+54) 11 4346 4416 - bbvaresearch@bbva.com www.bbvaresearch.com