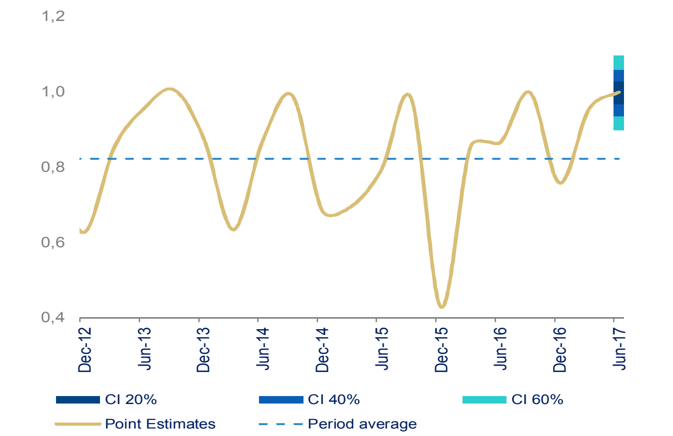
2. The positive global environment is trending toward stabilisation

Growth is tending to stabilise in developed economies, while Latin America is emerging from slowdown more slowly than anticipated.

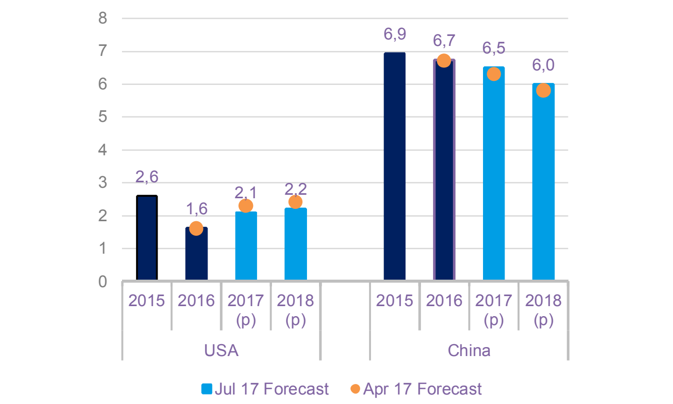
The world economy has been picking up in recent quarters and has approached growth rates of 1% QoQ (Figure 2.1), although it is trending towards stabilisation. This positive dynamic is attributable, among other things, to economic policy stimuli in China, which have driven growth in its economy and led to a knock-on effect on other Asian countries and the global economy. Other supports to the strong cyclical behaviour include very accommodative monetary policies in most advanced economies, fiscal policy which has been neutral or expansionary, and relatively moderate commodity prices, against a backdrop of calm in financial markets. On the other hand, emerging economies have performed less positively, with slower than expected emergence from the slowdown in Latin America, and in a more dispersed way, due to differing levels of dependence on commodity revenues.

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



Source: BBVA Research

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



Source: BBVA Research, CEIC and BEA

The tone in the financial markets has been upbeat, with volatility at historic lows in spite of persistent economic, political and geopolitical uncertainty, as well as lower 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. However, despite still being accommodative, the tone of monetary policy has inclined more towards the steps required for normalisation over the last quarter. This does not seem to have had a significant effect on the markets.

Our new forecasts maintain global growth at 3.3% in 2017 and 3.4% in 2018. However, we have revised growth upwards for both China and Europe, by 0.2 pp and 0.3 pp respectively (Figure 2.2), while reducing the forecast for US growth to 2.1% in 2017 and 2.2% in 2018, due to weak performance in the first quarter and difficulties in gaining approval for the expansionary measures proposed during the campaign.