

Global Flash

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Economic Analysis

Economic Scenarios

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BBVA-GAIN expansion decelerated slightly in April

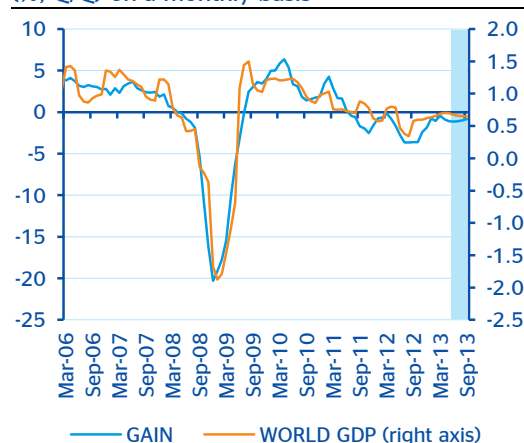
Meaning that global GDP growth forecasts so far remain at around 0.7% (q/q) for 1Q13 and 2Q13

Against a smooth financial conditions backdrop, contractions in global soft indicators led the way, despite industrial production upturn. As a result, our Global Activity Index (BBVA-GAIN) continues signalling a modest pace of global GDP expansion in April. In figures, BBVA-GAIN loses track to -0.9 in April from -0.1 in March (Chart 1). Such path has been mainly driven by lower-than-expected confidence levels in developed economies, but eventually offset by Asian's resilience (especially Japan). The trend holds broadly steady for months ahead; however some further downside risks to our global GDP projections still may drag the world economy down.

- **Global growth in 2013Q1 and 2013Q2 remains around 0.7% (q/q)**

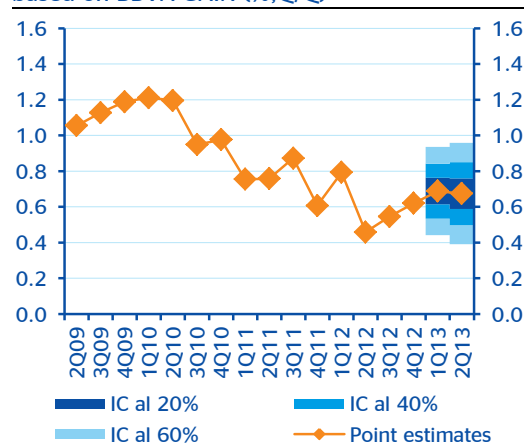
Global GDP growth estimates for the first and second quarters of 2013 are around 0.7% (q/q), respectively (Chart 2). Our estimates of smoothed probabilities of recession are accordingly low.

Chart 1
BBVA-GAIN and world GDP
(%, Q/Q) on a monthly basis



Source: BBVA Research and Haver Analytics

Chart 2
Global: Observed GDP growth and forecasts
based on BBVA-GAIN (%Q/Q)



Source: BBVA Research and Haver Analytics

- **Incoming Global Data: financial markets resilience to events of uncertainty**

April's data reflect that the world economy is more resilient to those kinds of shocks than expected and is in better shape than previously thought. Global financial markets have become relatively immune. However, we still think the process of financial resilience could derail.

Table 1
Global Data Summary

	2012		2013		
	Dec	Jan	Feb	Mar	Apr
BBVA-GAIN	-1.6	-0.2	-0.6	-0.1	-0.9
Global PMI	50.0	51.5	50.9	51.1	50.5
Employment	50.3	50.7	50.4	50.5	50.2
New Export Orders	48.7	49.4	49.5	51.0	50.5
Global Industrial Production (m/m)	0.52	-0.14	0.48	-	-
BBVA Financial Stress Index	0.07	-0.02	0.03	0.04	0.09
Global GDP, 2013q1 growth, current monthly estimate	0.6	0.6	0.7	0.7	0.7
Global GDP, 2013q2 growth, current monthly estimate	0.7	0.7	0.8	0.7	0.7

* Index=50 means no change on previous month

Source: JP Morgan, Markit Economics, CPB Netherlands and BBVA Research

For further methodological issues, please refer to our Economic Watch, March 6th, 2013.
http://www.bbvarsearch.com/KETD/fbin/mult/130306_EcWatch_BBVAGAIN_tcm348-379375.pdf?ts=342013

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