

Global Flash

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Economic Analysis

Economic Scenarios Unit

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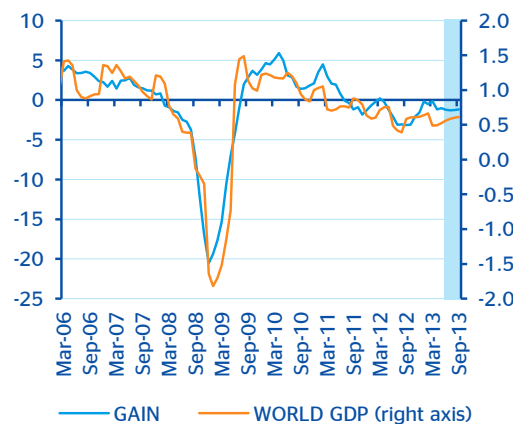
Global GDP growth estimate in 2Q13 declines. BBVA-GAIN indicates a slowdown at around 0.6% (q/q)

Global Activity Index (BBVA-GAIN) posts weaker pace of global GDP expansion in June. By components, although financial conditions and global PMI remained unchanged in June, not only trend in new export orders but also industrial production deteriorated. As a result, BBVA-GAIN loses track at -1.2 in June from -0.9 in May (Chart 1).

- Global growth backcast in 2013Q1 is being downwards revised to 0.5% (q/q) while 2013Q2 nowcast declines around 0.6% (q/q) from previous 0.7%.

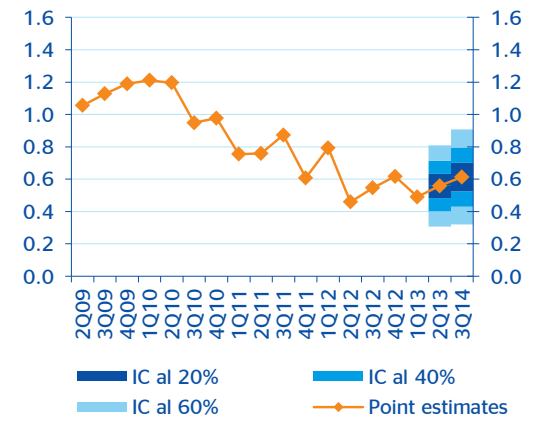
Global GDP growth backcast estimate for the first quarter has been downside revised mainly due to the US GDP downward revision (from 2.4% to 1.8%)¹. Our nowcast for the second quarter declines at around 0.6% (q/q) from previous 0.7% (Table 1). Estimates of probabilities of recession are accordingly low. That said, developed economies recorded disappointing growth figures in 2013Q1 but some improvement is expected in 2013Q2 in the eurozone and Japan, while downward trend intensifies in emerging economies. As a result, BBVA-GAIN signals a modest and weaker pace of global expansion for months ahead. To sum up, some further downside risks to our global GDP projections may still drag the world economy down. Across-the-board tightening in financial markets could trigger specific sources of global risk, especially as far as higher financial volatility remains ahead.

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



Source: BBVA Research

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



Source: BBVA Research

1: The US accounts for 20% of global GDP PPP share approximately.

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

Table 1
Global Data Summary

	2013					
	Jan	Feb	Mar	Apr	May	Jun
BBVA-GAIN	-0.2	-0.6	-0.1	-0.9	-0.9	-1.2
Global PMI	51.4	50.9	51.2	50.4	50.6	50.6
Employment	50.7	50.4	50.5	50.2	50.3	49.6
New Export Orders	49.4	49.5	51.0	50.3	50.2	48.5
Global Industrial Production (m/m)	-0.10	0.21	0.60	0.05	-	-
BBVA Financial Stress Index	-0.04	0.02	0.02	0.07	-0.08	-0.05
Global GDP, 2013Q1 growth, current monthly estimate	0.6	0.7	0.7	0.7	0.7	0.5
Global GDP, 2013Q2 growth, current monthly estimate	0.7	0.8	0.7	0.7	0.7	0.6

Index=50 means no change on previous month.

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

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