

# Global Flash

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Economic Analysis

Economic Scenarios Unit

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## Global cycle: edge higher in September, but uncertainties remain

Global GDP forecasts improved to 0.7% q/q in 2Q13 and to 0.8% in 3Q13

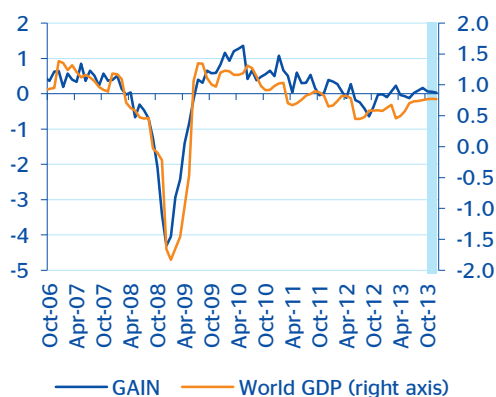
**Global Activity Index (BBVA-GAIN) continued to modestly expand in September, rising to 28-month high.** Today's update shows traces of a modest pace of expansion in the global activity outlook. By components, even the Global PMI expansion edge higher rounding off its best quarter for just over two years, the ongoing recovery again failed to filter through the labor market. Additionally, Industrial Production and eased financial tensions were broadly unchanged over July. As a result, BBVA-GAIN posted at 0.4 in September from 0.0 in August (Chart 1).

- **Global growth *nowcast* in 2013Q3 improves around 0.8% (q/q), while forecast for 2013Q4 rose at 0.8%**

Global GDP growth *backcast* estimate for the second quarter has been slightly revised upwards (from 0.6% to 0.7%, q/q) while our *nowcast* for the third and forecast for the fourth quarters improve at around 0.8% (q/q), respectively (Table 1 and Chart 2). The estimation of the probability of recession is accordingly low. Thus, **global activity tended to be centered on developed markets (DM)**, with the UK leading the way and expansions also seen in the US, the eurozone, Japan and Canada. Among the emerging markets (EM), the Asia-ex-China region and Brazil stagnated in September and continue to become the main drag on global economy during the autumn.

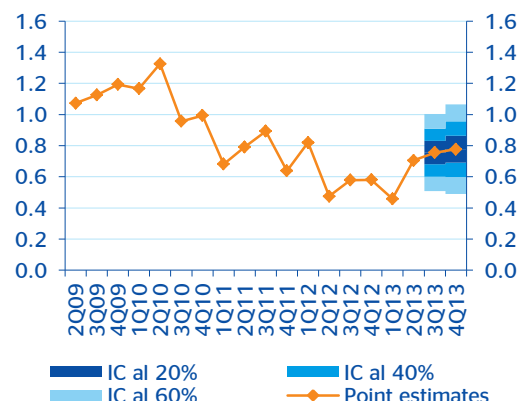
**BBVA-GAIN signals that expectations on the global cycle gain momentum on the back of stronger DM, whereas activity growth in EM-ex-China slows.** However, the balance of risks remains biased downwards related to the potential persistence of events which complicated the outlook in the past months. The sell off in EM triggered by the Fed's tapering seems receding but it raised local vulnerabilities in terms of external unbalances. Additionally, tighter monetary conditions could not fit feeble cyclical conditions in some developed economies.

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

Table 1  
**Global Data Summary**

	<b>2013</b>									
	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>Jul</b>	<b>Ago</b>	<b>Sep</b>	
BBVA-GAIN	-0.2	-0.6	-0.1	-0.9	-0.9	-1.2	-0.7	0.0	0.4	
Global PMI	51.5	50.9	51.2	50.4	50.6	50.6	50.8	51.6	51.8	
Employment	50.7	50.4	50.5	50.2	50.4	49.6	50.1	50.5	50.3	
New Export Orders	49.4	49.5	51.0	50.3	50.2	48.3	50.4	50.3	51.1	
Global Industrial Production (m/m)	-0.20	0.29	0.50	0.03	0.01	0.15	0.12	-	-	
BBVA Financial Stress Index	-0.06	0.00	0.01	0.06	-0.10	0.01	-0.08	-0.18	-0.15	
Global GDP, 2013q2 growth, current monthly estimate	0.7	0.8	0.7	0.7	0.7	0.6	0.5	0.6	0.7	
Global GDP, 2013q3 growth, current monthly estimate	-	-	-	0.8	0.6	0.7	0.7	0.7	0.8	
Global GDP, 2013q4 growth, current monthly estimate	-	-	-	-	-	-	0.6	0.7	0.8	

Index=50 means no change on previous month.

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

(\*) For methodological issues, please refer to our Economic Watch, published on March 6th, 2013: <http://bit.ly/1ee04TM>

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