

Global Flash

Madrid, December 3rd 2013
Economic Analysis

Economic Scenarios Unit

Julián Cubero
Chief Economist
juan.cubero@bbva.com

Jaime Martínez-Martín
Senior Economist
j.martinez.martin@bbva.com

Global cycle: further strengthening in November, GDP remains at 0.8% q/q

3Q13 estimate of Global GDP improved up to 0.8% q/q, rate that 4Q13 nowcast holds broadly steady

Global Activity Index (BBVA-GAIN) as of November points out continued improvement of the global cycle. The easing of financial markets volatility showed by BBVA-Global Volatility Index (GVI)¹ and the better outlook from higher Global PMI were the main contributors to BBVA-GAIN further expansion. To sum up, Industrial Production (September) and PMI export orders positively contributed to cyclical strengthening and employment remained stable. As a result, **BBVA-GAIN significantly expands at 1.9 in November from 1.0 in October** (Chart 1).

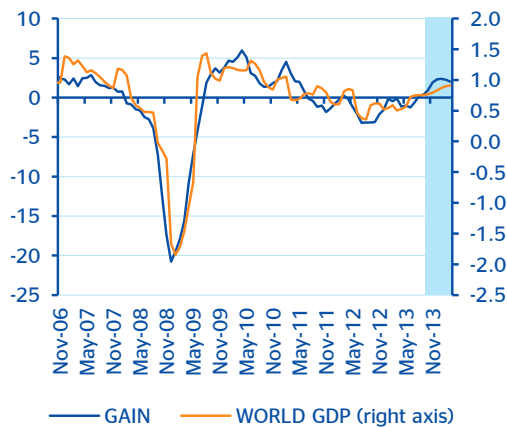
- **Global growth backcast in 2013Q3 posted around 0.8% (q/q), while the second released estimate for 2013Q4 remains at the same pace**

Global GDP growth backcast for the third quarter improved at 0.8% (q/q) while our *nowcast* for the fourth quarter remains at around 0.8% (Table 1 and Chart 2). The estimation of the probability of recession is accordingly low. Geographical breakdown of the global series of manufacturing business expectations reveals that growth remains solid in Japan and the UK. Moreover, among the largest industrial regions, the US bounced back while the eurozone still faces a modest and fragile recovery. On the emerging side, further slight improvement has been registered in China and India, while across-the-board EMEA acceleration leaves Russia behind. All in all, **the global activity cycle edges higher, even at a slower expansion rate with regard to previous cycles.**

BBVA-GAIN signals near-term momentum remains positive and a further acceleration of the global cycle expectations. However, the risks surrounding the global economic outlook are still tilted to the downside regarding: i) in the US: the lack of long-term agreement on fiscal policy and public debt ceiling and the challenge of simultaneous tapering of quantitative monetary easing and stressing minimum rates forward guidance; ii) in emerging markets: vulnerability to less favorable global liquidity conditions and increased risk aversion; iii) in the eurozone: crisis upsurging due to lack of advances in currency union strengthening.

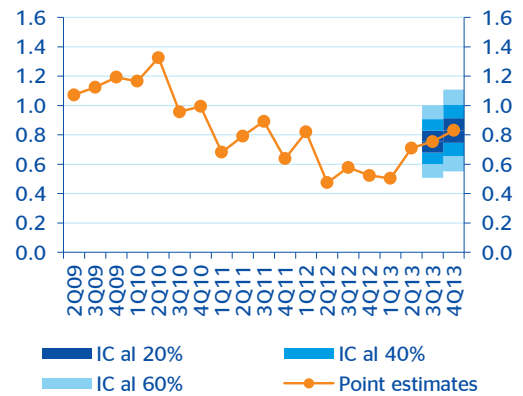
1: BBVA-Global Volatility Index (GVI) has been incorporated instead of BBVA-Financial Stress Index (FSI) in order to capture a wider geographical range. The BBVA-GVI is a weighted global index which captures such volatility beyond VIX estimates. Further details will be found in a forthcoming Economic Watch to be published in December.

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

	2013											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Ago	Sep	Oct	Nov	
BBVA-GAIN	-0.2	-0.6	-0.1	-0.9	-0.9	-1.2	-0.7	0.0	0.4	1.0	1.9	
Global PMI	51.5	50.9	51.2	50.4	50.6	50.6	50.8	51.6	51.8	52.1	53.2	
Employment	50.7	50.4	50.5	50.2	50.3	49.6	50.1	50.4	50.3	50.8	50.7	
New Export Orders	49.4	49.5	51.0	50.3	50.2	48.3	50.5	50.3	50.9	51.9	52.8	
Global Industrial Production (m/m)	-0.11	0.28	0.45	0.14	0.00	0.23	0.28	0.30	0.38	-	-	
BBVA Global Volatility Index	-3.34	-2.93	-2.33	-1.95	-1.92	-0.65	0.37	0.56	-0.13	-1.12	-1.38	
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	0.7	0.7	
Global GDP, 2013q3 growth, current monthly estimate	-	-	-	0.8	0.6	0.7	0.7	0.7	0.8	0.7	0.8	
Global GDP, 2013q4 growth, current monthly estimate	-	-	-	-	-	-	0.6	0.7	0.8	0.8	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>

DISCLAIMER

This document has been prepared by BBVA Research Department, it is provided for information purposes only and expresses data, opinions or estimations regarding the date of issue of the report, prepared by BBVA or obtained from or based on sources we consider to be reliable, and have not been independently verified by BBVA. Therefore, BBVA offers no warranty, either express or implicit, regarding its accuracy, integrity or correctness.

Estimations this document may contain have been undertaken according to generally accepted methodologies and should be considered as forecasts or projections. Results obtained in the past, either positive or negative, are no guarantee of future performance.

This document and its contents are subject to changes without prior notice depending on variables such as the economic context or market fluctuations. BBVA is not responsible for updating these contents or for giving notice of such changes.

BBVA accepts no liability for any loss, direct or indirect, that may result from the use of this document or its contents.

This document and its contents do not constitute an offer, invitation or solicitation to purchase, divest or enter into any interest in financial assets or instruments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

In regard to investment in financial assets related to economic variables this document may cover, readers should be aware that under no circumstances should they base their investment decisions in the information contained in this document. Those persons or entities offering investment products to these potential investors are legally required to provide the information needed for them to take an appropriate investment decision.

The content of this document is protected by intellectual property laws. It is forbidden its reproduction, transformation, distribution, public communication, making available, extraction, reuse, forwarding or use of any nature by any means or process, except in cases where it is legally permitted or expressly authorized by BBVA.