

# Global Flash

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Economic Analysis

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## Global cycle: solid growth despite faltering EM and risks tilted to the downside

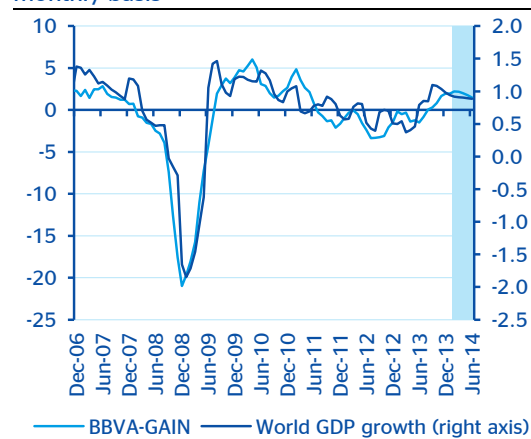
Our Global Activity Index (BBVA-GAIN) gives a clear sign of steady momentum in February due to the following:

- i. Global industrial production expands (as of December), even at a slower rate,
- ii. Global financial volatility remains broadly unchanged, even incorporating data up till March 3,
- iii. With regard to soft indicators, the reading of the Global PMI has not quite registered the downshift consistent with weather-related distortions in the US, hitting its 34-month high in February. However, excluding the US, it is trending lower in line with new export orders and the employment index (Table 1). **All in all, BBVA-GAIN expanded at 2.2 in February from 1.9 in January (Chart 1).**

Our global growth estimate for 2013Q3 has been revised upwards up to 1.1% (q/q), while *nowcast* and forecast for 2013Q4 and 2014Q1 remain firm at around 0.9-1%. However, risks are tilted to the downside because of, among other factors, the ongoing turmoil in financial markets.

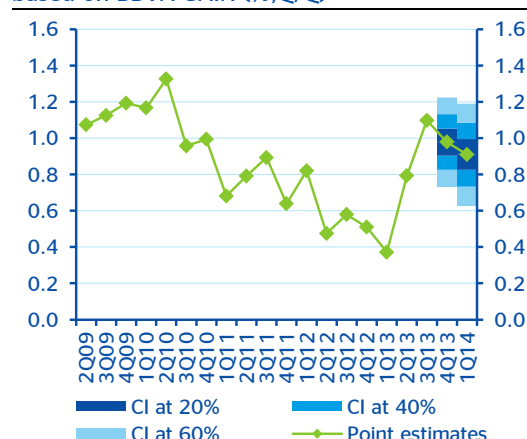
**Disparities remain** between advanced and emerging economies. Among AE, in February the US PMI showed an encouraging improvement from the previous month and shot up to its highest level since May 2010, despite the effects of the weather. In the EZ, the final PMI reading confirmed the recovery is on track, in line with upturns in Japan and the UK. On the emerging-markets side, the continued weakening of Chinese sentiment pointed to a greater slowdown in demand than initially estimated. In addition, South Korea and Russia's confidence data signaled contraction. **All in all, temporary factors may still be at play dragging global growth down. If the current tightening in financial markets continues, soft indicators of cyclical position may downshift from strong growth late last year.**

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										2014	
	Mar	Apr	May	Jun	Jul	Ago	Sep	Oct	Nov	Dec	Jan	Feb
<b>BBVA-GAIN</b>	<b>-0.1</b>	<b>-0.9</b>	<b>-0.9</b>	<b>-1.2</b>	<b>-0.7</b>	<b>0.0</b>	<b>0.4</b>	<b>1.0</b>	<b>1.9</b>	<b>2.3</b>	<b>1.9</b>	<b>2.2</b>
Global PMI	51.0	50.2	50.4	50.4	50.6	51.5	51.6	51.9	52.9	53.0	53.0	53.3
Employment	50.4	50.0	50.1	49.4	49.9	50.3	50.2	50.7	50.7	51.3	51.0	51.3
New Export Orders	50.7	50.1	50.0	48.2	50.3	50.3	50.9	51.9	52.4	51.9	51.2	51.5
Global Industrial Production (m/m)	0.44	0.09	-0.04	0.28	0.31	0.26	0.45	0.21	0.84	0.33	-	-
BBVA Global Volatility Index	-2.28	-1.89	-1.86	-0.58	0.46	0.65	-0.05	-1.05	-1.51	-2.49	-2.57	-2.32
Global GDP, 2013q3 growth, current monthly estimate	-	<b>0.8</b>	<b>0.6</b>	<b>0.7</b>	<b>0.7</b>	<b>0.7</b>	<b>0.8</b>	<b>0.7</b>	<b>0.8</b>	<b>1.0</b>	<b>1.0</b>	<b>1.1</b>
Global GDP, 2013q4 growth, current monthly estimate	-	-	-	-	<b>0.6</b>	<b>0.7</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.9</b>	<b>0.9</b>	<b>1.0</b>
Global GDP, 2014q1 growth, current monthly estimate	-	-	-	-	-	-	-	<b>0.8</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>

Index=50 means no change on previous month

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

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