

# Global Flash

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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 lost some traction at the end of the first quarter

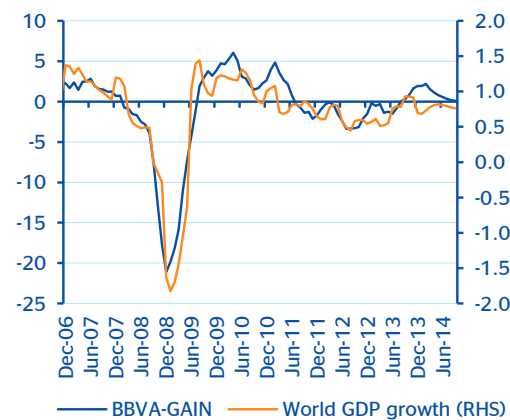
Our **Global Activity Index (BBVA-GAIN)** confirms the anticipated downshift in the cycle falling to a five-month low due to the following:

1. Global industrial production contracts (as of January) to the levels of 18 months ago,
2. Global financial volatility slightly tightens, especially in EM,
3. With regard to soft indicators, the Global PMI is cooling from the highs reached at the end of 2013. However, the well-known impact of seasonal and weather factors on production in some relevant economies along with the sustained levels of new export orders and employment indexes support a positive view about the ongoing global expansion (Table 1).

**All in all, BBVA-GAIN expanded by 1.5 in March from 2.2 in February** (Chart 1) and our in-house global GDP growth estimate for 4Q13 has been revised down to 0.7% (QoQ), while the **nowcast and forecast for 1Q14 and 2Q14 remain solid even at slower expansion rates (0.8% QoQ)**. However, further downward revisions are still possible since the recent activity slowdown in certain Asian economies remains on track.

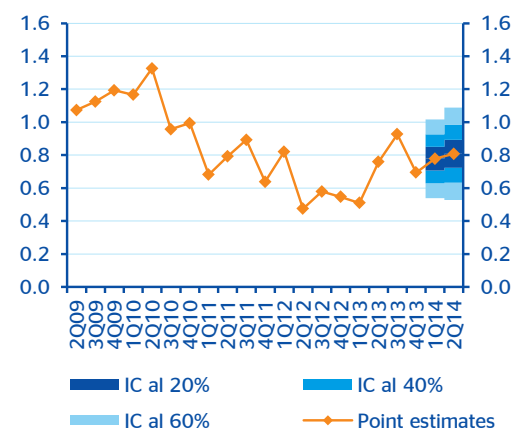
In a nutshell, **the global picture remains one of continued expansion**. Yet, although currently more balanced, there are some risks which might potentially drag global economic outlook down: i) the re-evaluation of the Fed's tapering, and tightening expectations regarding their impact on portfolio flows and funding conditions of EM; ii) the coincidence of idiosyncratic risk events around the EM; iii) in China, the return of uncertainties about its role as a consumer of commodities.

Chart 1  
**BBVA-GAIN and world GDP (% QoQ) on a monthly basis**



Source: BBVA Research

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



Source: BBVA Research

Table 1

## Global Data Summary

	2013										2014		
	Apr	May	Jun	Jul	Ago	Sep	Oct	Nov	Dec		Jan	Feb	March
<b>BBVA-GAIN</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>	<b>1.5</b>
Global PMI	50.2	50.4	50.4	50.6	51.5	51.6	51.9	52.9	53.0		53.0	53.2	52.4
Employment	50.0	50.1	49.4	49.9	50.3	50.2	50.7	50.7	51.2		51.0	51.3	51.5
New Export Orders	50.1	50.0	48.2	50.3	50.3	50.9	51.9	52.4	51.9		51.2	51.5	51.7
Global Industrial Production (m/m)	0.05	0.02	0.24	0.34	0.27	0.38	0.31	0.84	0.13		-0.26	-	-
BBVA Global Volatility Index	-1.88	-1.85	-0.56	0.47	0.66	-0.04	-1.04	-1.50	-2.48		-2.56	-2.31	-1.94
Global GDP, 4Q13 growth, current monthly estimate	-	-	-	0.65	0.75	0.78	0.82	0.83	0.93		0.93	0.98	0.69
Global GDP, 1Q14 growth, current monthly estimate	-	-	-	-	-	-	0.84	0.91	0.93		0.89	0.91	0.78
Global GDP, 1Q14 growth, current monthly estimate	-	-	-	-	-	-	-	-	-		0.83	0.88	0.81

Index=50 means no change on previous month

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

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