

# Global Flash

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Economic Analysis

Economic Scenarios Unit

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## Global GDP growth nowcast for 2Q14 remains at 0.8% QoQ, in spite of industrial easing

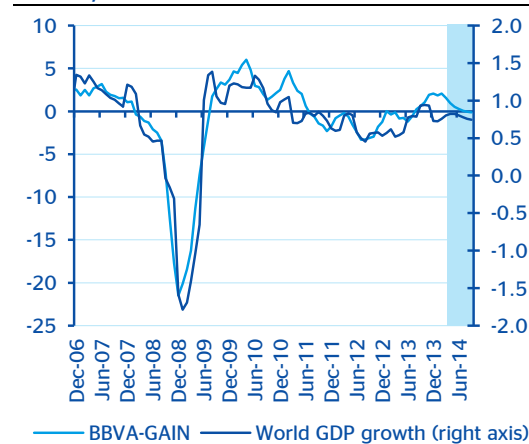
Our Global Activity Index (BBVA-GAIN) slightly eases to a seven-month low in April due to the fall in global industrial production (as of February) into negative territory, and the global PMI slowdown in April. However, our global financial volatility index (GVI), the third component of our composite indicator, is broadly unchanged.

With regard to soft indicators, global PMI's slowdown was the reflection of the timing of a change in sales tax in Japan that impacted on the performance of that nation's manufacturing sector. **Although at a slower rate, both employment and new export indexes still support a positive bias on the ongoing global expansion** (Table 1).

All in all, BBVA-GAIN expanded by 0.9 in March from 1.5 in March (Chart 1) and our *nowcast* and forecast for 1Q14 and 2Q14 remain firm, even at slower expansion rates (0.8% QoQ). Nonetheless, further revisions are still likely, since the recent fall in manufacturing confidence in certain Asian economies, especially in Japan, may be brief, providing a boost to the global cycle in the coming months.

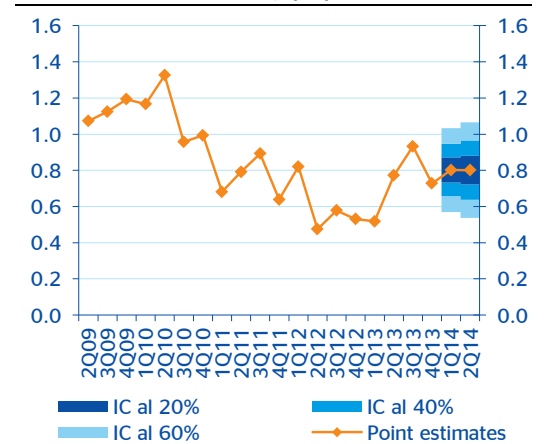
To summarise, **the global cycle remains on the wave of a solid expansion**. Yet, although currently more balanced, there are still some factors with a global impact that could make themselves felt more intensely than expected in our base scenario on a short-term time horizon, such as a tighter monetary policy on the part of the Fed, reduced growth in global demand stemming from economic slowdown in China or geopolitical risks derived from Eastern Europe.

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			
	May	Jun	Jul	Ago	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
<b>BBVA-GAIN</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>	<b>0.9</b>
Global PMI	50.4	50.4	50.6	51.5	51.6	51.9	52.9	53.0	53.0	53.3	52.4	51.9
Employment	50.1	49.4	49.9	50.3	50.2	50.7	50.7	51.2	51.0	51.3	51.6	51.5
New Export Orders	50.0	48.2	50.3	50.3	50.9	51.8	52.4	51.9	51.2	51.5	51.8	51.0
Global Industrial Production (m/m)	0.06	0.19	0.48	0.26	0.51	0.26	0.81	0.06	0.06	-0.09	-	-
BBVA Global Volatility Index	-1.84	-0.54	0.50	0.69	-0.01	-1.01	-1.48	-2.46	-2.54	-2.29	-1.90	-2.04
Global GDP, 4Q13 growth, current monthly estimate	-	-	<b>0.65</b>	<b>0.75</b>	<b>0.78</b>	<b>0.82</b>	<b>0.83</b>	<b>0.93</b>	<b>0.93</b>	<b>0.98</b>	<b>0.69</b>	<b>0.73</b>
Global GDP, 1Q14 growth, current monthly estimate	-	-	-	-	-	<b>0.84</b>	<b>0.91</b>	<b>0.93</b>	<b>0.89</b>	<b>0.91</b>	<b>0.78</b>	<b>0.80</b>
Global GDP, 1Q14 growth, current monthly estimate	-	-	-	-	-	-	-	-	<b>0.83</b>	<b>0.88</b>	<b>0.81</b>	<b>0.80</b>

Index=50 means no change on previous month

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

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