The global economic outlook looks somewhat better than expected

Nothing can stop US growth (for the time being). In the early months of 2019, the US experienced some very severe weather conditions. There was also a federal government shutdown, which lasted longer than previous episodes. The economic activity indicators reported were irregular or, in some cases, even weak. The outlook for the trade tensions, while certainly moving in the right direction, remains far from being given the all-clear. The result of all this? An economic growth of 0.8% quarter-on-quarter (3.2% annualised) and of 3.2% year-on-year in Q1 2019. This represents better growth than expected and higher than that of Q4, which already exceeded expectations. It could be argued that the composition f growth, with a large component relating to the accumulation of inventories, suggests that the pattern of growth in Q1 may not be indicative of the next few quarters to come. Nevertheless, for the time being, the Americans are still dancing to the tune of their economic activity. And so are the Chinese. Q1 growth, which stood at 6.4% year-on-year, confirmed that the rate of economic expansion is stabilising. We know that the effective level of growth is lower than the official figures suggest. Nevertheless, even assuming this gap exists, the economic activity indicators reiterate that the Chinese authorities are once again overcoming the worst omens. As in the case of the US, the future should bring less growth. For China, and by extension for the world, it is important that this transition to lower growth involves a soft and controlled landing.

The cocktail of uncertainty in Europe goes down better than expected. While in other parts of the world the party goes on, albeit with the knowledge that the time for a slower dance is coming soon, in the Old Continent it came to an end almost before it started. This is evidenced by the rapid succession in recent months of analysts' and institutions' downward revisions of their 2019 growth expectations. Following these changes in the scenario, the outlook is dominated by the high degree of uncertainty surrounding the soap opera that is Brexit, the unpredictable Italian saga, the outcome of the European elections, the shock experienced in the automotive sector and the doubts over the protectionist shift in global trade. This is a combination of factors that is difficult to read into. And yet, just when everyone was expecting a mediocre growth figure for Q1 came the surprise that the euro area economy had grown by 0.4% quarter-on-quarter. That said, this good news does not change the underlying tone of the European scenario: until the downside factors dissipate, growth will be held back.

***Allegro ma non troppo* in the Iberian Peninsula.** The economies of Spain and Portugal are dancing at their own pace, which is somewhat better than that of their counterparts in the rest of the euro area. At least, that is what the growth figures indicate. The Spanish economy grew by 0.7% quarter-on-quarter in Q1 2019 (2.4% year-on-year), a slightly higher rate than that registered in the previous quarter and clearly above that of the euro area as a whole. The key to Spain's cyclical decoupling remains the strength of domestic demand, which combines a still reasonably strong tone in private consumption with a recovery in investment that is proving to be somewhat more spirited than expected. Portugal, meanwhile, could be en route to achieving growth of 0.5% quarter-on-quarter in Q1 2019, or even slightly more, based on the trends in the economic activity indicators. In both cases, looking beyond the composition of growth shown by the national accounts, there is an underlying structural improvement evident in various areas (deleveraging in the private sector, a restoration of health to the banking sector, a recovery of foreign competitiveness and an improvement in the public finances). There is also a particular sensitivity to the tailwinds. These are two fronts that have facilitated Spain and Portugal's greater growth rate relative to their European counterparts. However, without too much drama, growth is expected to reduce to somewhat less dynamic rates over the coming quarters. In this context, and once the electorally loaded months of April and May have passed, it will be important for Spain's future government to fine tune the orchestra. After all, future periods of prosperity will need to be harnessed with appropriate policies from as early as the first few bars, and the Portuguese cabinet that emerges from the legislative elections next October will need to follow suit.