Recent developments

Global growth is gradually speeding up

The world economy is accelerating, albeit at an uneven rate between countries. This slight acceleration in global growth is being supported by two key factors: the effects of cheaper oil, positive at a global level, and the continuation of accommodative policies by the main monetary authorities, particularly the large-scale public debt purchase programme started by the European Central Bank (ECB) in March. These factors are having a highly positive effect on the economies of the euro area, resulting in the International Monetary Fund (IMF) carrying out a substantial upward revision of most of its growth forecasts for the region, especially for Spain. However, the emerging economies are now into their fifth consecutive year of slowdown, especially due to China's slower rate of economic growth but also because of geopolitical tensions and the negative impact of falling oil prices on those countries that export crude. Nonetheless, the most important change in the panorama outlined by the IMF in its recent spring report is perhaps
the reduction in long-term potential growth, both in advanced countries and emerging, with the institution recommending that economic policies should be adopted that support long-term growth.

The Fed's strategy has become particularly important given the (temporary) slowdown in US growth. In 2015 Q1 GDP increased by a moderate 0.1% quarter-on-quarter (3.0% year-on-year), far below the figures recorded in the last few quarters. This setback in activity can essentially be explained by unusually adverse weather during the winter months but the slower rate of growth has led to doubts regarding the solidity of US growth and the impact of the dollar's appreciation, even though the slowdown is markedly temporary in nature. These doubts are reflected, for instance, in the trend observed in the main stock market indices in the US which have been hesitant given the uncertainty surrounding the forecasts for corporate earnings over the coming quarters. All this has once again placed the Fed's strategy at the heart of debate. For the time being, the institution continues to predict moderate growth in the medium term, allowing it to maintain a cautious message that suggests the first interest rate hike will not take place until Q4.

The emerging countries are on pause. The emerging economies have benefitted from the prudent message contained in the Fed's last communication but the general scenario for the emerging bloc is one of weakness. China announced 7.0% GDP growth year-on-year in 2015 Q1, its lowest rate for the last six years, partly reflecting the economy's structural shift towards a more consumption-based model, in which the services sector is gaining in importance to the detriment of industry. Given the confirmation that its slowdown is happening faster than expected, the Chinese authorities continued their strategy of relaxing monetary and financial conditions to prevent a hard landing for the economy. Within the emerging bloc, Brazil and Russia are still the countries representing the greatest risks, unlike India whose economy is performing well.

Growth prospects improve in the euro area in spite of a lack of agreement with Greece. April witnessed marked contrasts in the evolution of European financial markets due to the intensification of Greece's liquidity problems and entrenched negotiations between the Greek and European authorities. Changes in the
negotiating team could represent a turning point for this situation although their impact on the euro area's economic recovery has been barely visible. The role played by the ECB's expansionary monetary policy is vital in this respect as it substantially lowers interest rates and supports inflation expectations. Moreover, the measures taken by the institution have also encouraged the depreciation of the euro, boosting Europe's exports.

The Spanish economy speeds up its rate of growth. GDP increased by 0.9% quarter-on-quarter in 2015 Q1, a faster rate of growth than expected, leading us to revise upwards our growth forecast for the whole of the year to 2.8%. In fact, over the last few months the main national and international organisations have considerably improved their growth forecasts for the Spanish economy, now set between 2.5% and 3.0%. The forecasts presented by the government in its Stability Programme are also within this range, specifically 2.9%. It is worthy of note that, in spite of the expected economic improvement, the rate of reduction for the public deficit has remained the same for the period 2015-2018 and has even been relaxed slightly in 2017.