

ECONOMIC ANALYSIS

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Next week

Should be a very lean one, with few economic indicators being released, since investors will be waiting for the FOMC meeting in the following week. In the US, the main economic indicators will be May's retail sales and the preliminary U.M. confidence index. In the eurozone, the ECB will publish its monthly report, while the main economic indicators will include April's industrial production and trade balance and June's final CPI. In China, May's industrial production, trade balance, CPI, money supply and retail sales figures will be published.

Calendar: Indicators

Eurozone: Industrial production (April, 12 Jun)

Forecast: +0.4% MoM	Consensus: +0.3% MoM	Previous: -0.3% MoM
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After a weaker-than-expected start to industrial production (IP) in 2014 (0.2% QoQ after 0.5% QoQ in 4Q13) we should see a slight increase in April. In line with this forecast, most panelists in the PMI survey reported an upturn in the manufacturing sector in April, suggesting that Spain and Italy had posted positive figures, although France remained a concern. On the other hand, the lower-than-expected April IP data from Germany was in line with a moderation of growth after a good start in 1Q14; in any case, the export orders books point to growth continuing in 2Q14. All in all, soft and hard data to date suggest that eurozone economic growth will be around 0.3% QoQ in 2Q14.

US: Retail Sales, Ex Auto and Gas (May, 12 June)

Forecast: 0.5%, 0.3 MoM	Consensus: 0.4%, 0.4% MoM	Previous: 0.1%, -0.1% MoM
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Retail sales data were somewhat unimpressive moving into the second quarter, but we expect to see increased momentum in May. Weekly retail sales surveys for the month hint at accelerating activity, particularly in comparison to a weaker-than-expected April. Auto sales in May increased significantly and could influence total retail sales for the month, though there is not always a direct correlation between unit sales and the government's report. In addition, sales at gas stations should provide a big boost to the headline data, with rising gas prices helping to lift the nominal figure. Excluding autos and gas, we are likely to see a bigger push for core items such as apparel and general merchandise as consumers prepare for the summer.

US: Business Inventories (April, 12 June)

Forecast: 0.3% MoM	Consensus: 0.4% MoM	Previous: 0.4% MoM
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Inventories have been heavily watched in recent quarters, playing an important role in GDP growth throughout 2013 and 2014 thus far. Although the monthly rate of business inventory growth has remained mostly stable since 4Q13, the inventory-to-sales ratio has been a bit more volatile. Businesses appear to be struggling with consumer demand expectations, trying to stay prepared for a big rush but oftentimes missing the bill just slightly. Retailers have been a weak spot when it comes to total inventory management, but manufacturers and merchant wholesalers are holding strong. For April, we expect that inventory growth will decelerate slightly but remain positive, particularly as retailers stock up for summer sales demand.

China: Industrial production (May, 13 June)

Forecast: 8.9% YoY**Consensus: 8.8% YoY****Previous: 8.7% YoY**

After a further moderation in the first quarter of 2014, China's growth momentum has started to show signs of stabilization. The latest evidence comes from a stronger-than-expected NBS PMI reading for May (50.8), representing for sequential improvements throughout the large-to-medium-sized manufacturing enterprises for a third consecutive month. Rising PMI sub-indices including new orders and production suggest mild recovery in both domestic and external demand. Therefore, industrial output for May is expected to edge up to 8.8% YoY y from 8.7% YoY n April, on the back of the government's growth-supportive policy stance with measure to boost economy through fiscal front-loading and targeted monetary easing. A batch of May activity indicators will shed light on the strength of current stabilization, while downside risks remain due to weak property investment and mounting financial fragilities.

Last Week

Week 2 June – 6 June

Indicator	Period	Cons. E	Prior	Observed *	
United States					
ISM Manufacturing PMI	May	56.20	56.20	56.40	▲
Construction Spending MoM	Apr	0.60%	0.60%	0.20%	▼
Manufacturers new orders MoM	Apr	0.50%	1.50%	0.70%	▲
ADP National Employment Report ('000)	mAY	210.00	215.00	179.00	▼
US Trade balance USD Bn	Apr	-40.80	-44.20	-47.20	▼
ISM Non-Manufacturing	May	55.50	55.20	56.30	▲
Initial jobless claims ('000)	May 31	310.00	304.00	312.00	—
Nonfarm Payrolls Total	May	215.00	282.00	217.00	—
Us unemployment rate	May	6.40	6.30	6.30	▼
Average hourly earnings MoM	May	0.20	0.00	0.20	—
Average weekly hourly hours all employees	May	34.50	34.50	34.50	—
Eurozone					
Manufacturing PMI	May F	52.50	52.50	52.20	—
Unemployment Rate	Apr	11.80%	11.80%	11.70%	▼
CPI YoY	May P	0.60%	0.70%	0.50%	▼
CPI Core YoY	May P	0.80%	1.00%	0.70%	▼
Composite PMI	May F	53.90	53.90	53.50	▲
Services PMI	May F	53.50	53.50	53.20	▲
GDP SA QoQ	1QP	0.20%	0.20%	0.20%	—
GDP SA YoY	1QP	0.90%	0.90%	0.90%	—
Retail Sales MoM	Apr	0.00%	0.00%	0.40%	▲
Germany					
Manufacturing PMI	May F	52.90	52.90	52.30	▼
CPI MoM	May P	0.10%	-0.20%	-0.10%	▼
CPI YoY	May P	1.10%	1.30%	0.90%	▼
CPI EU Harmonized MoM	May P	0.10%	-0.30%	-0.30%	▼
CPI EU Harmonized YoY	May P	1.00%	1.10%	0.60%	▼
Composite PMI	May F	56.10	56.10	55.60	▼
Services PMI	May F	56.40	56.40	56.00	▼
Factory Orders MoM	Apr	1.20%	-2.80%	3.10%	▲
Industrial Production SA MoM	Apr	0.30%	-0.50%	0.20%	▼
Trade Balance bn EUR	Apr	15.10	16.40	17.40	▲
Exports SA MoM	Apr	1.3%	-1.8%	3.00%	▲
Imports SA MoM	Apr	0.8%	-1.1%	0.10%	▼
France					
Manufacturing PMI	May F	49.30	49.30	49.60	▲
Composite PMI	May F	49.30	49.30	49.30	—
Services PMI	May F	49.20	49.20	49.10	▼
ILO Unemployment Rate	1Q	10.40%	10.10%	10.10%	▼
Trade Balance mn EUR	Apr	-5000.00	-4937.00		
Italy					
Manufacturing PMI	May	53.60	54.00	53.20	▼
Composite PMI	May	--	52.60	52.70	
Services PMI	May	51.40	51.10	51.60	▲
Japan					
Capital Spending YoY	1Q	5.80%	4.00%	7.40%	▲
Markit Manufacturing PMI	May	--	49.90	49.90	
Money Base YoY	May	--	45.60%	48.50%	

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China

Non-manufacturing PMI	May	--	54.80	55.50	
HSBC China Manufacturing PMI	May	49.70	49.70	49.40	▼
CPI YoY	May	--	2.40%	1.80%	
HSBC China Services PMI	May	--	51.40	50.70	
HSBC China Composite PMI	May	--	49.50	50.20	

Chile

Economic Activity MoM	Apr	--	-0.40%	0.00%	
CPI MoM	May	0.30%	0.60%	0.30%	—
CPI Core MoM	May	--	0.80%	0.30%	

Brazil

HSBC Brazil Manufacturing PMI	May	--	49.30	48.80	
Trade Balance Monthly mn USD	May	34.00	506.00	712.00	▲
FIPE CPI - Monthly	May	0.33%	0.53%	0.25%	▼
Industrial Production MoM	Apr	-0.40%	-0.50%	-0.30%	▲

Colombia

CPI MoM	May	0.30%	0.46%	0.48%	▲
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Mexico

HSBC Mexico Manufacturing PMI	May	--	51.80	51.90	
Remittances Total USD mn	Apr	2023.50	2056.00	1980.30	▼
Consumer Confidence Index	May	90.40	90.30	90.70	▼

Forecast/ * Magenta- Below nsensus forecast. Green-Above consensus forecast. Yellow- In line consensus forecast.
Source: Bloomberg and BBVA Research

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