

## ECONOMIC ANALYSIS

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## Next week

**The Federal Reserve will hold its monetary policy meeting.** In the US, the main economic indicators will be May's CPI, industrial production, housing starts and building permits. In the eurozone, the Eurogroup will hold its monthly meeting, where the economy ministers may reach an agreement on the operational framework for ESM direct recapitalisation. Economic indicators will include May's final CPI.

## Calendar: Indicators

## Eurozone: HCPI inflation Final (May, 16 Jun)

<b>Forecast: +0.5% YoY</b>	<b>Consensus: +0.5% YoY</b>	<b>Previous: +0.7% YoY</b>
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We expect headline inflation to be confirmed at +0.5% after May figures showed further evidence on the weakness of inflation. Underlying the downward surprise was a larger than expected moderation in services inflation likely stemming from the fall of prices of holiday packages. The rest of the components performed in line with expectations, resulting also in a moderation of inflation excluding energy and food prices. Nonetheless, looking beyond the volatility of recent months, core inflation has been fluctuating around 0.8% YoY since late last year, in line with the relative weakness of domestic demand in the eurozone. Although we will update our forecast with this final figure, our scenario envisages that inflation should remain relatively stable in coming months, to increase slightly in the last quarter of the year. This poses clear downside risks to our forecast of 0.9% annual inflation in 2014. The new figures imply that average inflation for 2014 will probably be around 0.6%/0.7% YoY.

## US: Industrial Production (May, 16 June)

<b>Forecast: 0.8%</b>	<b>Consensus: 0.5%</b>	<b>Previous: -0.6%</b>
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Industrial production took a minor detour in April, falling at the fastest overall monthly pace since August 2012. However, we expect that this was just a small setback in an otherwise strong recovery from a weak 1Q14. In May, we should see industrial production rebound mostly due to upward pressure from the manufacturing component, which was only a marginal driver of the decline in April. Various manufacturing indicators suggest a clear pickup in the sector's activity for the month that should boost total output. In regards to other components of the index, mining activity has remained healthy throughout the past few months and is unlikely to shift downward anytime soon. Utilities fell sharply in April but should rebound in May, contributing to overall positive growth for the industrial production index.

## US: Consumer Price Index, Core (May, 17 June)

<b>Forecast: 0.2%, 0.2%</b>	<b>Consensus: 0.2%, 0.2%</b>	<b>Previous: 0.3%, 0.2%</b>
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Inflation indicators are finally starting to show signs of life as transitory downward pressures fade. In April, the CPI increased at the fastest monthly pace in nearly a year, both at the headline and core levels. For May, energy prices have certainly picked up when it comes to crude oil, but natural gas prices have declined for three consecutive months. Food prices will likely provide some added pressure to the headline index, similar to the situation in April. At the core level, the usual drivers of shelter and medical care services will continue to provide moderate pressure, though not to an overwhelming extent. Annual inflation rates are finally starting to gain traction but are not likely to reach the Fed's target anytime soon.

## Last Week

Week 9 June – 13 June

Indicator	Period	Cons. E	Prior	Observed *	
<b>United States</b>					
NFIB Small Business Optimism Index	May	95.8	95.2	96.6	▲
US Job Openings ('000)	Apr	4050	4066	4455	▲
Wholesalers Inventories MoM	Apr	0.60%	1.10%	1.10%	▲
Initial Jobless Claims	7 Jun	305.00	312.00	317.00	▲
Retail Sales MoM	May	0.60%	0.50%	0.30%	▼
Retail Sales excl. Auto and gas MoM	May	0.40%	0.30%	0.00%	▼
Import price index	May	0.20%	0.50%	0.10%	▼
Manufacturing and trade inventories	Apr	0.40%	0.40%	0.60%	▲
PPI MoM	May	0.10%	0.60%	-0.20%	▼
PPI excl. Food and energy MoM	May	0.10%	0.50%	-0.10%	▼
University of Michigan Consumer Confidence	Jun P	83.00	81.90	81.20	▲
<b>Eurozone</b>					
Industrial Production MoM	Apr	0.50%	-0.40%	0.80%	▲
Trade Balance SA (B)	Apr		15.20	15.80	
<b>Germany</b>					
CPI MoM	May F	-0.10%	-0.10%	-0.10%	—
CPI YoY	May F	0.90%	0.90%	0.90%	—
CPI EU Harmonized MoM	May F	-0.30%	-0.30%	-0.30%	—
CPI EU Harmonized YoY	May F	0.60%	0.60%	0.60%	—
<b>France</b>					
Bank of France Bus. Sentiment	May	98.00	98.00	97.00	▼
Industrial Production MoM	Apr	0.30%	-0.40%	0.40%	▲
Manufacturing Production MoM	Apr	0.40%	-0.40%	0.30%	▼
CPI MoM	May	0.10%	0.00%	0.00%	▼
CPI YoY	May	0.70%	0.70%	0.70%	—
CPI EU Harmonized MoM	May	0.10%	0.00%	0.00%	▼
CPI EU Harmonized YoY	May	0.80%	0.80%	0.80%	—
<b>Italy</b>					
Industrial Production MoM	Apr	0.40%	-0.40%	0.70%	▲
GDP WDA QoQ	1QF	-0.10%	-0.10%	-0.10%	—
GDP WDA YoY	1QF	-0.50%	-0.50%	-0.50%	—
CPI EU Harmonized YoY	May F	0.40%	0.40%	0.40%	—
<b>Japan</b>					
BoP Current Account Balance JPY Bn	Apr	287.7	116.4	187.4	▼
GDP SA QoQ	1QF	1.40%	1.50%	1.60%	▲
GDP Annualized SA QoQ	1QF	5.60%	5.90%	6.70%	▲
Machine Orders MoM	Apr	-10.80%	19.10%	-9.10%	▲
Industrial Production MoM	Apr	--	-2.50%	-2.80%	
<b>China</b>					
PPI YoY	May	-1.50%	-2.00%	-1.40%	▼
CPI YoY	May	2.40%	1.80%	2.50%	▲
Money Supply M2 YoY	May	13.10%	13.20%	13.40%	▲
Aggregate Financing RMB bn	May	1400.00	1553.00	1400.00	—
New Yuan Loan	May	750.00	774.00	870.80	▲
Retail Sales YoY	May	12.10%	11.90%	12.50%	▲
Industrial Production YoY	May	8.80%	8.70%	8.80%	—
<b>Chile</b>					
Trade balance (USD bn)	May	1.07	0.95	1.45	▲
Copper exports (USD bn)	May	--	3.08	3.49	

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Indicator	Period	Cons. E	Prior	Observed *	
<b>Brazil</b>					
Retail Sales MoM	Apr	0.10%	-0.50%	-0.40%	▼
Economic Activity MoM	Apr	0.00%	-0.10%	0.12%	▲
<b>Colombia</b>					
Exports FOB (USD bn)	Apr	4.645	4.408	4.303	▼
<b>Mexico</b>					
CPI MoM	May	-0.36%	-0.19%	-0.32%	▼
CPI YoY	May	3.47%	3.50%	3.51%	▲
Gross Fixed Investment	Mar	1.80%	-0.50%	1.70%	▼
Industrial Production	Apr	0.90%	-0.10%	0.64%	▼

Forecast/ \* Magenta- Below nsensus forecast. Green-Above consensus forecast. Yellow- In line consensus forecast.

Source: Bloomberg and BBVA Research

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