

ECONOMIC ANALYSIS

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Next week

The European Council will hold a meeting. EU leaders will discuss action taken at national levels to increase growth and competitiveness and will review the suitability of regulations and agree on further steps. Economic indicators to be released will include June's preliminary Manufacturing, Services and Composite PMIs. Moreover, several ECB council members - Víctor Constancio, Benoît Cœuré and Luis Linde - will deliver speeches. In the US, several Fed members - Charles Plosser, Jeffrey Lacker and James Bullard - will also address various conferences. The main economic indicators will be May's existing and new home sales, durable goods orders, personal consumption and spending, June's final UM consumer confidence and the third revision of 1Q14 GDP growth. In Asia, Hong Kong's exports for May and China's HSBC manufacturing PMI for June will be published.

Calendar: Indicators

Eurozone: Flash PMI composite (June, 23 June)

Forecast: 53.6	Consensus: 53.5	Previous: 53.5
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We expect the eurozone's PMI index to stay in clearly expansive territory at the end of the second quarter of this year; despite the slight slowdown observed in May (after April reported the highest level in nearly three years) we should see June's PMI broadly stable and still in positive territory, more in line with our baseline scenario. On the other hand, the European Commission's Economic Sentiment Indicator (ESI) is also pointing to expansion, remaining above its historic average. The sub-components in the indicators suggest that the improvement in activity will continue in June, although uncertainty is growing, given that new orders in the manufacturing sector and jobs pending have interrupted their growth rate. In short, after the surprise to the downside in 1Q14, both surveys are consistent with GDP growth of around 0.3% in the second quarter, although growth will continue to be fairly uneven between countries, with France below the other large countries in the eurozone.

US: GDP, Final (1Q14, 25 June)

Forecast: -0.5%	Consensus: -1.8%	Previous: -1.0%
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Data since the second GDP estimate for 1Q14 suggest a minor revision for the final figure, yet we expect that growth for the quarter will remain in negative territory. Construction spending was revised up for March (from 0.2% to 0.6% MoM), though private residential outlays remained weak for the quarter. Personal consumption expenditures were also revised up slightly for March and will at least help offset further downward pressure from other components. The biggest surprise came from the international trade balance, which was revised down significantly for the first few months of the year. On the bright side, import growth was somewhat stronger than previously reported and therefore supports our argument for improvements in domestic demand conditions, with more weakness coming from the global stage. Finally, business inventories were unchanged for March and therefore should have little impact on the final revision.

US: Personal Income and Outlays (May, 26 June)

Forecast: 0.4%, 0.4%	Consensus: 0.4%, 0.4%	Previous: 0.3%, -0.1%
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Personal income and outlays are expected to improve in May, supporting our baseline scenario for stronger growth in 2Q14 and beyond. Income growth has been relatively strong throughout 2014 thus far and we expect May's improvement to show some acceleration over April. Although wage pressures have been subdued throughout the recovery period, we are beginning to see more consistent employment growth and therefore more robust personal income is likely to follow suit in the coming year. Personal consumption, on the other hand, took a surprising dip in April after a promising 1.0% monthly gain in March. Consumption data already reported for May suggest an improvement for the month and hint at an upward revision for April's estimate. Thus, we expect a stronger increase in May but not quite enough to match March's impressive gain.

Hong Kong: Exports (May, 26 June)

Forecast: 1.0% YoY	Consensus: 2.0% YoY	Previous: -1.6% YoY
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After registering a disappointing decline in April, the growth rate of Hong Kong is expected to improve modestly and return to positive territory in May. The gradual recovery in advanced countries likely continues to lend support to Hong Kong's exports as did in the past several months. On the other hand, the ongoing slowdown in China, which is the largest trade partner of Hong Kong, could weigh on Hong Kong's external sector. Indeed, China's total imports fell by -1.6% through May compared to the same period of last year. That said, the outlook of Hong Kong's exports is still with great uncertainty, which might even make our GDP forecast for this year (3.7%) subject to downward risks.

Last Week

Week 16 June – 20 June

Indicator	Period	Cons. E	Prior	Observed *	
United States					
Empire State Manufacturing Survey	Jun	15.00	19.00	19.01	▲
Industrial Production MoM	May	0.50%	-0.30%	0.60%	▲
Capacity Utilization %	May	78.90%	48.90%	79.10%	▲
NAHB House Market Index	May	47.00	45.00	49.00	▲
CPI MoM	Jun	0.20%	0.30%	0.40%	▲
CPI Core MoM	May	0.20%	0.20%	0.30%	▲
CPI YoY	May	2.00%	2.00%	2.10%	▲
CPI Core YoY	May	1.90%	1.80%	2.00%	▲
Housing Starts MoM	May	-3.90%	12.70%	-6.50%	▼
Building Permits MoM	May	-0.90%	5.90%	-6.40%	▼
Initial Jobless Claims	Jun 7	313.00	317.00	312.00	—
Philadelphia Fed Business Outlook	Jun	14.00	15.40	17.80	▲
Conference Board Leading Index MoM	May	0.60%	0.30%	0.50%	▼
Eurozone					
CPI MoM	May	-0.10%	0.20%	-0.10%	—
CPI YoY	May F	0.50%	0.50%	0.50%	—
CPI Core YoY	May F	0.70%	0.70%	0.70%	—
Construction Output MoM	Apr	--	-0.30%	0.80%	—
Consumer Confidence	Jun P	-6.50	-7.10	-7.40	▼
Germany					
ZEW Survey Current Situation	Jun	62.10	62.10	67.70	▲
ZEW Survey Expectations	Jun	35.00	33.10	29.80	▼
Italy					
Industrial Orders MoM	Apr	1.00%	1.30%	3.80%	▲
Trade Balance NSA (Mn EUR)	Apr	3700.00	3886.00	3505.00	▼
Japan					
Trade Balance (Bn JPY)	May	-1189.30	-811.70	-909.00	▲
Exports YoY	May	-1.30%	5.10%	-2.70%	▼
Imports YoY	May	1.80%	3.40%	-3.60%	▼
All Industry Activity Index MoM	Apr	-4.10%	1.50%	-4.30%	▼
China					
Foreign Direct Investment YoY	May	3.20%	3.40%	-6.70%	▼
Brazil					
IBGE Inflation IPCA-15 MoM	Jun	--	0.58%	0.47%	—
Colombia					
Retail Sales YoY	Apr	5.70%	8.30%	7.20%	▲
Industrial Production YoY	Apr	-1.70%	9.80%	-2.20%	▼
GDP YoY	1Q	5.20%	4.90%	6.40%	▲
GDP QoQ	1Q	1.60%	0.90%	2.30%	▲
Mexico					
Retail Sales YoY	Apr	-1.30%	1.70%	-0.40%	▲
Peru					
Unemployment Rate	May	6.20%	6.30%	5.80%	▼
Economic Activity YoY	Apr	3.00%	4.90%	2.00%	▼

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

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