

## ECONOMIC ANALYSIS

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## Next week

The Fed's members will shed light on US monetary policy: Fed Chair Janet Yellen will give the semi-annual testimony to Senate, and Fed's James Bullard and Richard Fisher will also deliver speeches on this subject. US economic indicators will include July's U. Michigan consumer confidence, Philadelphia Fed business activity and June's retail sales, industrial production, housing starts and buildings permits. In the eurozone, the ECB's president Mario Draghi will testify to the European Parliament. Moreover, the Governor of the Bank of England will also testify to the House of Commons. Additionally, Jean-Claude Juncker will face the confirmation vote as European Commission President. Economic data in the eurozone will include July's ZEW survey, June's final CPI figures and May's industrial production, trade and current account balance. In China, 2Q14 GDP growth and June's industrial production and retail sales will be published.

## Calendar: Indicators

## Eurozone: Industrial production (May, 14 Jul)

<b>Forecast: -1.2% MoM</b>	<b>Consensus: -1.2% MoM</b>	<b>Previous: +0.8% MoM</b>
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After industrial production rose slightly higher than expected in April, we expect a downward correction in May (-1.2% MoM), mainly driven by the contraction observed in Germany (-1.4% MoM, excluding construction), France (-1.7% MoM) and Italy (-1.2% MoM). The industrial output up to May should decline around -0.6% over 1Q14, when the exceptionally mild weather boosted demand, especially in Germany, and we saw widespread increases in different countries. Overall, these figures imply that the upward bias of our baseline scenario fades out and we expect quarterly GDP growth of 0.2% QoQ in 2Q14 for the eurozone.

## Eurozone: Exports (May, 16 Jul)

<b>Forecast: -0.1% MoM</b>	<b>Consensus: N/A</b>	<b>Previous: -0.7% MoM</b>
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We expect eurozone exports to moderate the decline in May (-0.1% MoM) after two months of negative figures (around -0.3% in March and April), with new export and factory orders reflecting softer demand from abroad. The quarterly average of 2Q14, up to May, should register a slight fall (-0.16%) compared to 1Q14 when exports grew 1.1% QoQ. We will also see a moderation of the fall in trade balance, with three month in line declining, standing at EUR15.6B from EUR15.8B; but, in any case, remaining at historically high levels. All in all, the moderation observed in exports, but also in imports, suggests that external demand might not weigh on growth in 2Q14 (after -0.2pp in 1Q14).

## US: Retail Sales, Ex Auto (June, 15 July)

<b>Forecast: 0.4%, 0.2% MoM</b>	<b>Consensus: 0.6%, 0.6% MoM</b>	<b>Previous: 0.3%, 0.1% MoM</b>
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Expectations for retail sales growth in June are modest following a slower-than-expected performance in May. Reports from the weekly retail sales surveys are mixed and do not tell a consistent story for the month of June, with sales coming in quite volatile from week to week. However, the third consecutive monthly gain in unit auto sales at least points to a brighter picture for headline retail sales. Furthermore, another month of rising gas prices will surely put upward pressure on nominal sales from gasoline stations nationwide.

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

<b>Forecast: 0.4% MoM</b>	<b>Consensus: 0.3% MoM</b>	<b>Previous: 0.6% MoM</b>
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Industrial production has been moving along at an accelerated pace throughout most of 2014, and we expect that the gains will continue in June after a healthy rebound in May from the prior month's modest decline. The national ISM index and various regional Federal Reserve surveys point to steady growth in manufacturing production for the month of June. We also expect to see continued growth in mining activity, which has been positive throughout the past seven months. Although output from electric and gas utilities has been weighing on the overall index, it is unlikely that this will offset the more positive gains coming from the other major components of total industrial production.

## China: GDP growth (Q2, 16 July)

**Forecast: 7.3 % YoY****Consensus: 7.4 % YoY****Previous: 7.4 % YoY**

China's Q2 GDP will be watched as a sign for the economic stabilization of 2014. The y/y GDP growth of last quarter was 7.4%, while the market consensus for Q2 also maintains at 7.4% level, which indicates that the economy is expected to be stabilizing and recovering. The NBS PMI, which is a leading indicator for GDP growth, reached 51.0 in June, making a positive signal for China's manufacturing sector. Moreover, China's export has continued to recover in June, following the rising trend since May (consensus: 10.2%, prior: 7.0%), due to the improving demand from the advanced countries as well as a series of stimulus policies such as more tax breaks, credit insurance etc. are given to the exporters by Chinese government. Since April, China's mini-stimulus policies include cutting Reserve Requirement Ratio for certain banks, reducing tax for small and micro-sized firms, and increasing the construction of railways and public housing, etc. Based on the factors above, we believe that the Chinese authorities will avoid the economic hard landing by continuing of its mini-stimulus package and modest supportive policies, and the economy will keep its stabilizing trend in the following quarter ahead.

## Last Week

Week 7 July – 11 July

Indicator	Period	Cons. E	Prior	Observed *	
<b>United States</b>					
NFIB Small Business Optimism Index	Jun	97.00	96.60	95.00	▼
Job Openings by industry total	Jun	4350.00	4464.00	4635.00	▲
Initial Jobless Claims ('000)	July 5	315.00	315.00	304.00	▼
MBA Mortgage application	July 4	0.60%	1.00%	0.50%	▼
Wholesale Inventories MoM	May	--	36.40%	37.60%	
<b>Germany</b>					
Industrial Production SA MoM	May	0.00%	-0.30%	-1.80%	▼
Trade Balance (B)	May	16.20	17.20	17.80	▲
Exports SA MoM	May	-0.40%	2.60%	-1.10%	▼
Imports SA MoM	May	0.50%	0.20%	-3.40%	▼
CPI MoM	Jun F	0.30%	0.30%	0.30%	—
CPI YoY	Jun F	1.00%	1.00%	1.00%	—
CPI EU Harmonized MoM	Jun F	0.40%	0.40%	0.40%	—
CPI EU Harmonized YoY	Jun F	1.00%	1.00%	1.00%	—
<b>Italy</b>					
Industrial Production MoM	May	0.10%	0.50%	-1.20%	▼
<b>France</b>					
Bank of France Bus. Sentiment	Jun	96.00	97.00	97.00	▲
Industrial Production MoM	May	0.20%	0.30%	-1.70%	▼
Manufacturing Production MoM	May	0.00%	0.00%	-2.30%	▼
CPI MoM	Jun	0.20%	0.00%	0.00%	▼
CPI YoY	Jun	0.70%	0.70%	0.50%	▼
CPI EU Harmonized MoM	Jun	0.20%	0.00%	0.00%	▼
CPI EU Harmonized YoY	Jun	0.80%	0.80%	0.60%	▼
<b>Japan</b>					
BoP Current Account Balance (JPY Bn)	May	417.50	187.40	522.80	▲
Money Stock M3 YoY	June	2.50%	2.60%	2.40%	▼
PPI YoY	June	4.50%	4.40%	4.60%	▲
Machine Orders MoM	May	0.70%	-9.10%	-10.50%	▼
<b>China</b>					
PPI YoY	Jun	-1.00%	-1.40%	-1.10%	▼
CPI YoY	Jun	2.40%	2.50%	2.30%	▼
Exports YoY	Jun	10.40%	7.00%	7.20%	▼
Imports YoY	Jun	6.00%	-1.60%	5.50%	▼
Trade Balance (USD Bn)	Jun	36.95	35.92	31.56	▼
<b>Brazil</b>					
IBGE Inflation IPCA MoM	Jun	0.39%	0.46%	0.40%	—
IGP-M Inflation 1st Preview	Jul	-0.23%	-0.64%	-0.50%	▼
<b>Chile</b>					
Economic Activity MoM	May	1.00%	0.0%	0.58%	▼
Trade Balance (USD Mn)	Jun	175.00	1452.90	625.00	▲
CPI MoM	Jun	0.20%	0.30%	0.10%	▼
<b>Mexico</b>					
CPI MoM	Jun	0.20%	-0.32%	0.17%	—
CPI Core MoM	Jun	0.24%	0.09%	0.21%	—
<b>Peru</b>					
Trade Balance (USD Mn)	May	-847.70	-588.00	-664.00	▲

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

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