

ECONOMIC ANALYSIS

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Next week

In the US, economic data will include June CPI, existing and new home sales and durable goods orders. In the Eurozone, July consumer confidence, money supply and manufacturing, Services and Composite PMIs will be released. Meanwhile, in Germany the IFO business climate for July, August consumer confidence and June retail sales will be published. In China, investors will focus on the HSBC Manufacturing PMI for July and YtD industrial profits.

Calendar: Indicators

Eurozone: Flash PMI composite (July, 24 July)

Forecast: 52.8

Consensus: 52.7

Previous: 52.8

We expect the eurozone's PMI index to remain broadly stable and in expansive territory at the beginning of the third quarter, after closing 2Q14 at the best figure in three years, although in May and June the index declined from its April peak (54.0). We see the services index still more dynamic than the manufacturing one, after the latter surprised to the upside in 1Q and slowed in 2Q, and domestic demand slowly overtakes foreign demand. The recent performance of the sub-components of the indicators suggests that the improvement in activity will continue, since incoming new business and business expectations have risen lately. Although this is the first reading for 3Q14, the survey is consistent with an ongoing mild recovery during the second half of the year, even though we expect growth to continue to be fairly uneven across countries.

Eurozone: Flash consumer confidence (July, 23 July)

Forecast: -7.8

Consensus: -7.5

Previous: -7.4

After increasing markedly since the end of 2012 (+19p), consumer confidence is expected to record a further drop in July, following the reduction in May, although both very slight, pointing to a stabilisation of the index at levels clearly above its long-term average (-12.3), in line with our scenario that envisages soft growth in private consumption, helped by the fall in the unemployment rate and a persistently low inflation.

US: Consumer Price Index, Core (June, 22 July)

Forecast: 0.3%, 0.2%

Consensus: 0.3%, 0.2%

Previous: 0.4%, 0.3%

Inflation has finally begun to show signs of life after igniting deflationary concerns several times throughout the past year. In May, consumer prices shot up 0.4% for the first time since early 2013, while the core index increased at its fastest pace in nearly four years. The latest data hint at another healthy increase in June, with rising oil and natural gas prices expected to drive the headline figure. Excluding food and energy, we should continue to see steady monthly gains in consumer prices, driven primarily by the shelter component.

US: Existing Home Sales (June, 22 July)

Forecast: 4975K

Consensus: 4970K

Previous: 4890K

Existing home sales hit a recovery peak in July 2013 before spiraling downward in the following nine months. May's data signaled the start of an upward trend, jumping almost 5% from April's modest gain. In June, we expect to see another increase in existing home sales, though likely at a slower pace than in the previous month. The significant increase in pending home sales for May suggests that the demand for existing homes has picked back up again after a very slow start to the year.

Last Week

Week 14 July – 18 July

Indicator	Period	Cons. E	Prior	Observed *	
United States					
Empire Manufacturing	Jul	17.00	19.28	25.60	▲
Retail Sales Advance MoM	Jun	0.6%	0.3%	0.2%	▼
Retail Sales Ex Auto MoM	Jun	0.5%	0.1%	0.4%	▼
Retail Sales Control Group	Jun	0.50%	0.00%	0.60%	▲
PPI Final Demand YoY	Jun	1.9%	2.0%	1.9%	—
PPI Ex Food and Energy YoY	Jun	1.7%	2.0%	1.8%	▲
Net Long-term TIC Flows	May	\$25.0B	-\$24.2B	\$19.4B	▼
Industrial Production MoM	Jun	0%	0.60%	0.20%	▲
Capacity Utilization	Jun	79.3%	79.1%	79.1%	▼
Housing Starts	Jun	1020K	1001K	893K	▼
Building Permits	Jun	1035K	991K	963K	▼
Initial Jobless Claims	previous week	310K	304K	302K	▲
Philadelphia Fed Business Outlook	Jul	16.00	17.80	23.90	▲
Univ. of Michigan Confidence	Jul P	83.00	82.50	81.30	▼
Leading Index	Jun	0.5%	0.7%	0.3%	▼
Eurozone					
Industrial Production SA MoM	May	-1.20%	0.80%	-1.10%	▲
ZEW Survey Expectations	Jul	--	58.4	48.1	
Trade Balance NSA	May	16.5B	15.7B	15.4B	▼
CPI MoM	Jun	0.10%	-0.10%	0.10%	—
CPI YoY	Jun F	0.50%	0.50%	0.50%	—
CPI Core YoY	Jun F	0.80%	0.80%	0.80%	—
Germany					
ZEW Survey Current Situation	Jul	67.4	67.7	61.8	▼
ZEW Survey Expectations	Jul	28.2	29.8	27.1	▼
Italy					
CPI EU Harmonized YoY	Jun F	0.20%	0.20%	0.20%	—
Trade Balance Total	May	--	3505M	3676M	
Spain					
Trade Balance	May	--	-2154.8M	-1756.2M	
United Kingdom					
CPI YoY	Jun	1.60%	1.50%	1.90%	▲
CPI Core YoY	Jun	1.70%	1.60%	2.00%	▲
ILO Unemployment Rate 3Mths	May	6.50%	6.60%	6.50%	—
China					
Money Supply M2 YoY	Jun	13.60%	13.40%	14.70%	▲
Retail Sales YoY	Jun	12.50%	12.50%	12.40%	▲
Industrial Production YoY	Jun	9.00%	8.80%	9.20%	▲
GDP YoY	2Q	7.40%	7.40%	7.50%	▲
Japan					
Industrial Production YoY	May F	--	0.80%	1.00%	
Machine Tool Orders YoY	Jun F	--	34.20%	34.10%	
Mexico					
Unemployment Rate NSA	Jun	4.91%	4.92%	4.80%	▼
Brazil					
FGV CPI IPC-S	Jul-15	0.25%	0.28%	0.24%	—
Retail Sales YoY	May	3.70%	6.70%	4.80%	▲

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

Source: Bloomberg and BBVA Research

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