

ECONOMIC ANALYSIS

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This is the last edition of our Global Weekly Indicators before the holidays. We will be back in September

Next week

In the US the FOMC meeting will take place. Meanwhile, there are many economic indicators due for publication next week: non-farm payroll, the manufacturing ISM and the Chicago PMI indexes for July, pending home sales, and S&P Case Shiller home prices, personal income and spending for June and the second GDP estimate for 2Q14. In the eurozone economic data will include July's preliminary CPI, economic confidence, manufacturing PMI and the unemployment rate for June. In China we will have July's manufacturing PMI and June's leading indicators.

Calendar: Indicators

Eurozone: HCPI inflation flash (July, 31 July)

Forecast: 0.4% YoY

Consensus: 0.5% YoY

Previous: 0.5% YoY

Headline inflation stood at 0.5% YoY in June, as the uptick in services prices offset the decline in fresh food. We think that inflation could moderate to 0.4% YoY in July, remain relatively stable over 3Q14 and then rebound later this year to a rate around 0.8% YoY, due to the price movements in the most volatile components. Meanwhile, core inflation rose by 0.1pp in June, and we expect it to remain relatively stable at around 0.8% YoY for the remainder of the year.

Eurozone: Unemployment rate (June, 31 July)

Forecast: 11.6

Consensus: 11.6

Previous: 11.6

The unemployment rate should have remained stable in June. Nevertheless, there are downside risks to this forecast as the last PMI survey shows the fourth consecutive month of job-creation, although moderate. Our scenario envisages that this would be the trend for the whole year with the unemployment rate almost unchanged in 2H14, mainly because we expect that the labour force will be growing at the same pace as job-creation, which is bound to be moderate in line with the sluggish economic growth.

US: GDP, Advance (2Q14, 30 July)

Forecast: 3.5%

Consensus: 2.9%

Previous: -2.9%

Real GDP growth in 2Q14 is expected to show significant improvement over the first quarter's contraction as most components post a natural rebound. On a seasonally-adjusted annualized basis, the major contributors to GDP have shown a solid recovery throughout 2Q thus far, including personal consumption expenditures, industrial production, and net exports. However, residential investment remains weak and is unlikely to show enough momentum to recoup the losses from the past few quarters. Ultimately, we expect to see stronger activity throughout the rest of 2014 despite the fact that the first quarter contraction weighs on our average forecast for the year.

US: Nonfarm Payrolls and Unemployment Rate (July, 1 August)

Forecast: 205K, 6.1%

Consensus: 230K, 6.1%

Previous: 288K, 6.1%

Nonfarm payroll growth in 2014 has exceeded expectations thus far, hovering above 200K since February and actually breaking the 300K barrier in April. Leading indicators for July point to another healthy month for job growth, though likely at a slower pace than in the previous few months. Initial jobless claims for the first few weeks in July have fallen from June's 315K average. Furthermore, regional manufacturing surveys have reported steady hiring in the sector for the month. When it comes to the unemployment rate, we expect to see gradual declines moving forward as long as the participation rate remains relatively constant.

China: NBS manufacturing PMI (July 1 August)

Forecast: 51.8

Consensus: 51.4

Previous: 51.0

We project that July PMI of National Bureau of Statistics (NBS) will rise further in the expansionary territory, as growth momentum continues to pick up after registering a stronger-than-expected GDP outturn in the second quarter. The main drivers behind the ongoing recovery are the improving external demand and the authorities' policy support. In particular, some recent loosening measures of monetary policy, including the targeted cuts in the Reserve Requirement Ratio (RRR) and the relaxation of loan-to-deposit ratio regulation, are anticipated to sustain a solid growth of credit in the next couple of months. In addition, the HSBC Flash Manufacturing PMI has surged to an 18-month high of 52.0 in July from 51.0 in the previous month, making us more sanguine about the outturn of the NBS PMI.

Last Week

Week 21 July – 25 July

Indicator	Period	Cons. E	Prior	Observed *	
United States					
Chicago Fed National Activity Index	Jun	0.18%	0.16%	0.12%	▼
CPI MoM	Jun	0.30%	0.35%	0.30%	—
CPI MoM less food & energy	Jun	0.20%	0.26%	0.10%	▼
Existing Home Sales (million)	Jun	4.99	4.89	5.04	▲
Existing Home Sales MoM	Jun	2.04%	4.94%	2.60%	▲
Initial Jobless Claims	Jul 19	310.00	302.00	284.00	▼
New Home Sales	Jun	476.00	504.00	406.00	▼
New Home Sales MoM	Jun	-5.80%	18.60%	-8.10%	▼
Durable goods orders MoM	Jun	0.50%	-1.00%	0.70%	▲
Durable goods orders ex Transp MoM	Jun	0.50%	-0.10%	0.80%	▲
Eurozone					
Consumer Confidence	Jul P	-7.50	-7.50	-8.40	▼
Composite PMI	Jul P	52.80	52.80	54.00	▲
Manufacturing PMI	Jul P	51.70	51.80	51.90	▲
Services PMI	Jul P	52.70	52.80	54.40	▲
M3 Money Supply YoY	Jun	1.20%	1.00%	1.50%	▲
M3 3-month average	Jun	1.00%	0.90%	1.10%	▲
Germany					
Composite PMI	Jul P	53.80	54.00	55.90	▲
Manufacturing PMI	Jul P	51.90	52.00	52.90	▲
Services PMI	Jul P	54.50	54.60	56.60	▲
GfK Consumer Confidence	Aug	8.90	8.90	9.00	▲
IFO Business Climate	Jul	109.40	109.70	108.00	▼
IFO Current Assessment	Jul	114.50	114.80	112.90	▼
IFO Expectations	Jul	104.40	104.80	103.40	▼
Italy					
Industrial Orders MoM	May	--	3.60%	-2.10%	
Retail Sales MoM	May	0.20%	0.30%	-0.70%	▼
France					
Manufacturing Confidence	Jul	98.00	97.00	97.00	▼
Business Confidence	Jul	92.00	93.00	93.00	▲
Composite PMI	Jul P	48.30	48.10	49.40	▲
Manufacturing PMI	Jul P	48.00	48.20	47.60	▼
Services PMI	Jul P	48.20	48.20	50.40	▲
Japan					
All Industry Index	May	0.60%	-4.60%	0.60%	—
Markit/JMMA Japan Manufacturing PMI	Jul P	--	51.50	50.80	
Natl CPI YoY	Jun	3.50%	3.70%	3.60%	▲
Natl CPI YoY excl. Fresh food	Jun	3.30%	3.40%	3.30%	—
China					
HSBC China Manufacturing Index	Jul P	51.00	50.70	52.00	▲
Brazil					
IBGE Inflation IPCA-15 MoM	Jul	0.22%	0.47%	0.17%	—
Colombia					
Industrial Confidence	Jun	--	2.90	0.70	
Retail Confidence	Jun	--	22.60	23.30	
Retail Sales YoY	May	6.80%	7.20%	8.10%	▲
Industrial Production YoY	May	3.90%	-2.20%	2.00%	▼
Mexico					
Retail Sales YoY SA	May	1.00%	2.00%	1.60%	▲
Economic Activity IGAE YoY	May	2.00%	0.49%	1.40%	▼

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

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