

## MACROECONOMIC ANALYSIS

## Second-quarter growth and inflation stable, but with differences between countries

Europe Unit

In the second quarter of the year, the eurozone recovery proceeded at a stable though weak pace, somewhat worse than we anticipated one month ago. Behind this stabilisation lies the strong moderation of growth in Germany, which could grow at a slower pace of around 0.2% QoQ, similar to that forecast for France and Italy, and in contrast with the pickup in growth in Spain (0.5-0.6% QoQ). For the first half of the year, overall eurozone growth might have been somewhat more moderate than what we had expected three months ago. However, we still expect the recovery to gain some traction during the second half, thanks to improved confidence, the process toward banking union and the measures adopted by the ECB to stimulate private sector lending. These measures should also assist in anchoring expectations of inflation, which will pick up slightly toward the end of the year, but will remain below 1% YoY.

### Eurozone: the economy could grow around 0.2% QoQ, with inflation stable at around 0.5% YoY in 2Q14

- Confidence indicators suggest that activity may have slowed slightly in the second quarter...

After recording its highest monthly level in close to three years in April, the eurozone Composite PMI shrank over the following two months, but nevertheless closed the second quarter with the best figure since 2Q11. Service sector confidence spurred the quarterly improvement (53.1 on average in 2Q14 after 52.1), taking the baton from a manufacturing sector that lost its first-quarter momentum. The European Commission Economic Sentiment Indicator (ESI) stabilised over the last few months, after rising for eighteen months, confirming the trends in the service and manufacturing sectors (Figures 3 and 4). By sub-components, the leading indicators of both surveys offer an optimistic outlook for the coming months, given that new orders rose strongly once again in June and job creation is consolidating, particularly in the service sector. All in all, while confidence indicators seem to suggest a slightly higher pace of GDP growth than that of 1Q14, there are clear differences between countries, with greater doubts over the French and Italian economies and improved outlooks for Germany and Spain.

- ... but the actual data have yet to reflect that improvement, and point to moderate and stable growth

The available activity indicators offer a somewhat less optimistic outlook when compared with confidence indicators. Exports up to April declined mildly and foreign orders shrank once again, portending that the weakness in the export sector could continue in 2Q14 (Figure 8). The positive data in April's industrial production was offset by the contraction in May. The publication of the domestic data was a negative surprise, casting doubts on the recovery of investment. Retail sales up to May remained virtually stable versus 1Q14, although above-average consumer confidence and low inflation might support consumption in the second quarter (Figure 6).

- **The MICA-BBVA model estimates 0.2% QoQ growth in the second quarter**  
Including the data available to date (the actual figures are available only up to May), our short-term forecasting model suggests moderate growth of around 0.2% QoQ in 2Q14, equal to that of the previous quarter. That said, we expect the recovery to gain some traction over the second half of the year, supported by an improvement in confidence after the banking results and the progress toward banking union, as well as the measures adopted by the ECB to stimulate private sector lending.
- **Stable inflation at 0.5% YoY in June in line with our forecast, which suggests a mild pickup toward the end of the year**  
Inflation remained stable at 0.5% YoY in June, as the rise in service prices made up for the drop in food prices, while core inflation appears to have risen slightly (0.1pp) to 0.8% YoY.

Our forecasts, which have not yet been updated with the final data, suggest that inflation will remain relatively stable over the coming months, to pick up subsequently towards rates of close to 1% YoY at the end of the year. However, we still cannot rule out a slight third-quarter moderation, especially due to the strength of the euro and the moderation in commodity prices. We expect core inflation to remain relatively stable at around 0.9% YoY for the remainder of the year.

On another note, clear differences are still seen between countries, with moderate rates in the central countries and very low rates in the peripherals.

## Germany: second half growth moderation owed to temporal factors

- **GDP could slow down to 0.2% QoQ (after the 0.8% QoQ in 1Q14), supported by the contribution of net exports**  
The most recent data suggest that Germany's pace of growth in 2Q14 will be more moderate versus the first quarter (0.2% after 0.8% QoQ), and that the main contribution will come from the foreign sector, which would take the baton from domestic demand. Export growth remains similar to that of 1Q14, but the slump in imports will lead to positive net exports (Figures 19 and 20). On the other hand, as already presaged by confidence indicators, industrial production has shrunk (Figure 17), particularly due to the deterioration of the construction sector, which had recorded exceptional growth in the first quarter, favoured by good weather conditions. In turn, retail sales have fallen for two months in a row, in contrast with the signs in consumer confidence, which remained at very high levels in 2Q14.

## France: uncertainty still burdens the recovery

- **After stalling at the start of the year, GDP could grow around 0.2% QoQ in 2Q14, supported by private spending**  
The actual data available up to May confirm what confidence indicators have been signalling over the last months, that is the weakness of the French recovery after the stagnation recorded in 1Q14 (Figure 25). In 2Q14, both domestic indicators, such as the PMIs, and the European Commission's came in below the first quarter's figures, particularly pointing to the weakness in the manufacturing sector. Industrial production shrank 0.9% versus the average for 1Q14 (though this might be due to the negative impact of three Thursday holidays in May), while exports remain contractive after falling over the last three quarters. Retail sales up to May, however, rose 0.8% versus the first quarter, with a mild pickup in consumer spending (Figure 30), even though household confidence remains downbeat.

## Italy: a slow recovery reliant on foreign demand

- **Domestic demand remains weak, but 2Q14 confidence offers a somewhat more positive outlook**

The improvement in all confidence indicators, especially consumers', is not fully reflected by activity data. While PMIs have stabilised in clearly expansionary territory and the Commission's ESI remains on the rise, industrial production continues to shrink and retail sales only registered a mild pickup, even with consumer confidence levels at three-year highs (Figure 41). Exports up to April fell mildly, but the rise in foreign orders and the ongoing decline in imports should confirm the foreign sector's contribution to growth in 2Q14 (Figure 44), which we estimate at around 0.2% QoQ after the slight fall seen in the previous quarter (-0.1% QoQ).

## Spain: renewed pickup in activity in 2Q14

- **Recovery with employment, supported by domestic demand**

The recovery of the Spanish economy, due to a large extent to the structural reforms, lower fiscal consolidation requirements and a recovery in confidence, continued in the second quarter of 2014. The MICA-BBVA model projects a quarterly GDP growth of 0.5-0.6% QoQ, one- to two-tenths higher than 1Q14. By component, domestic demand expanded once again. All consumer spending and household expectation indicators showed clear signs of improvement in 2Q14. Likewise, the improvement in industrial confidence, manufacturing PMIs, capital goods IPI and trade flows portends a renewed pickup in machinery and equipment investment (Figure 53). With respect to foreign demand, the most recent data point to an incipient turnaround in the downside correction that led up to the first quarter of the year. The improvement in activity continued in step with job growth: the number of Social Security participants grew by 0.6% QoQ CVEC in 2Q14, to record 10 back-to-back months of CVEC rises. Hiring rose again from April to June, both temporary (3.8% QoQ) and, especially, permanent (11.5% QoQ) (see [Spain Economic Watch](#)).

## Portugal: mild growth returns in the second quarter

- **GDP may have risen by around 0.1% QoQ in 2Q14, with a slightly positive contribution of net exports**

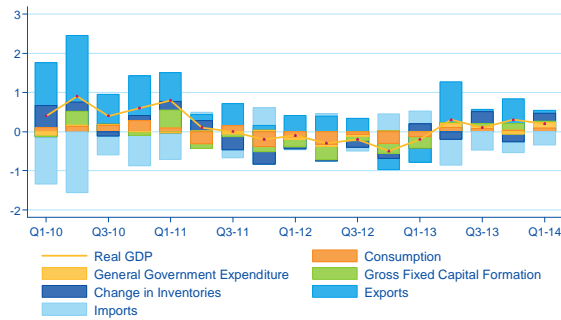
Confidence and activity data show contradictory signs for the year's second quarter. On the one hand, the improvement in industrial confidence indicators was reflected by the pickup in manufacturing production (1.8% higher than the average for 1Q14). On the other, retail sales are contracting, notwithstanding the steady rise in consumer confidence, spurred by the positive evolution of the unemployment rate (14.3% in May, 2.6pp less in 12 months). After growing steadily over 2013, goods exports recorded two back-to-back quarters of declines, and foreign orders dropped in 2Q14. However, exports of services (mainly tourism) remain on the rise, making up for those declines. Our MICA-BBVA model projects that GDP may have grown slightly (0.1% QoQ) in 2Q14, after falling 0.6% QoQ in the first quarter (Figure 62). While we expect the recovery to gain momentum in the second half of the year, the spillover effect of the strong drop seen in 1Q14 leads us to expect growth to come in somewhat shy of 1% for 2014 overall.

**Eurozone**

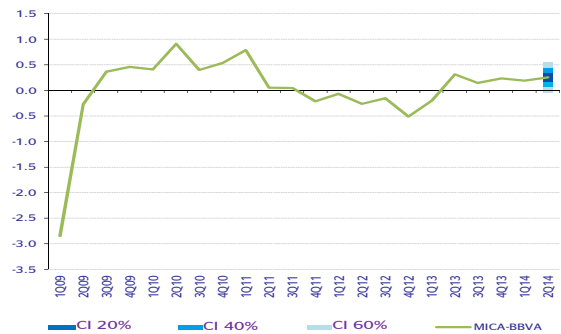
**Domestic accounting: 0.2% QoQ growth in 1Q14**

Confirming the 0.2% QoQ GDP growth in 1Q14, with domestic demand gaining traction and making up for the moderation in exports. Our MICA-BBVA model projects growth of around 0.2% QoQ in 2Q14 also.

**Figure 1**  
**GDP (% QoQ) and contribution by component (pp)\***



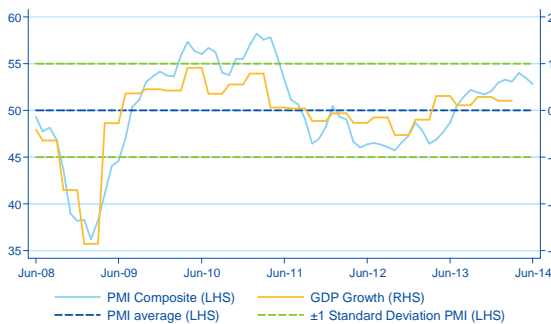
**Figure 2**  
**GDP growth (% QoQ) and MICA-BBVA forecast\***



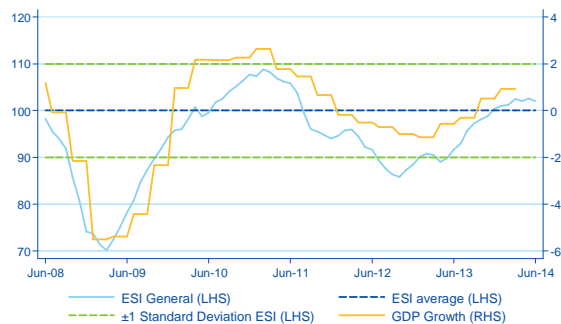
**Confidence: ESI and PMI indices decline slightly in June**

The ESI dropped mildly in June once again, especially in manufacturing, while the PMIs remain in positive territory though at a slower pace. Nevertheless, they closed the best quarter in three years. Germany continues to lead the Eurozone recovery.

**Figure 3**  
**PMIs and GDP growth (% QoQ)\***



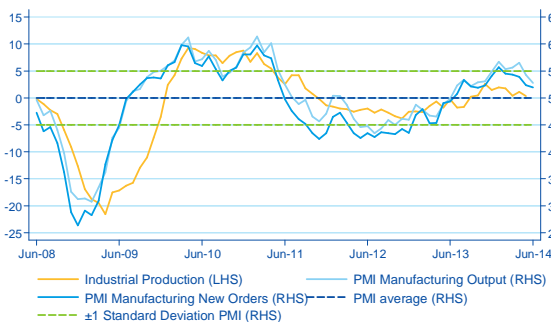
**Figure 4**  
**Confidence (ESI) and GDP growth (% YoY) \*\***



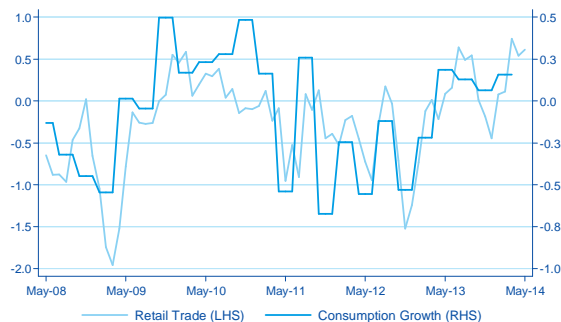
**Activity: industrial production data worsen and retail sales grow versus 1Q14**

After closing 1Q14 with a 0.7% QoQ rise, retail sales up to May continued climbing (0.1% over 1Q14) with a fair deal of uniformity among countries, while industrial production fell 0.1% versus the average for 1Q14, which closed with a modest 0.2% QoQ.

**Figure 5**  
**Ind. Prod. (% YoY), PMI new orders and manufacturing prod.\***



**Figure 6**  
**Retail sales (% 3Mo3M) and consumption growth (% QoQ)\***

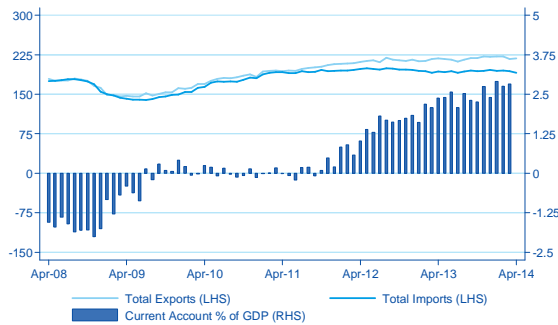


\*Source: HAVER and BBVA Research

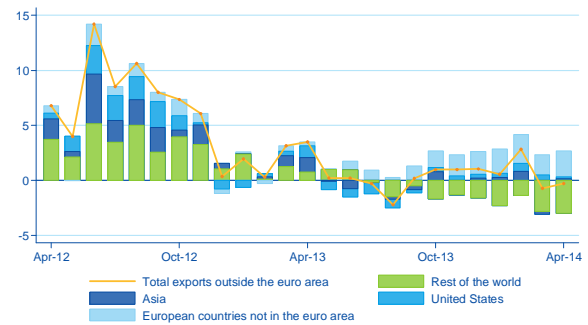
**Foreign sector: weak exports at start of 2Q14**

Exports declined slightly in April, after rising in 1Q14 (0.3% over 4Q13), while imports fell (-0.9%) after growing 1.2% QoQ in the first quarter of the year.

**Figure 7**  
**Current account (% of GDP)\***



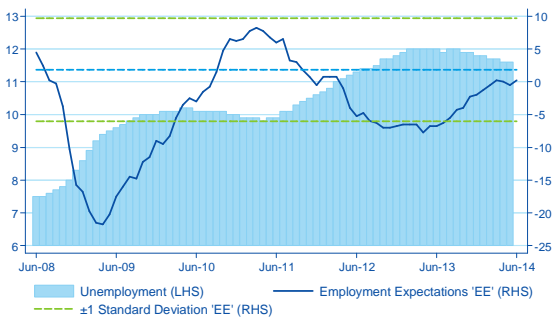
**Figure 8**  
**Exports by destination (contribution to % YoY)**



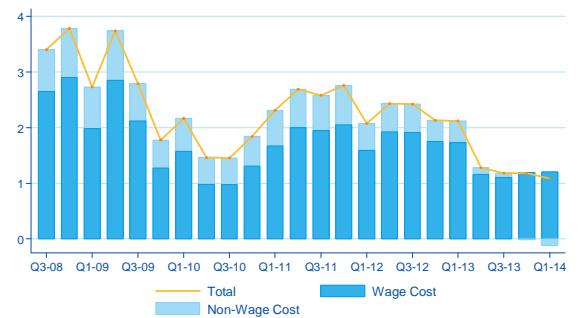
**Labour market: stable over last year**

Although we expect that a moderate recovery has started, the unemployment rate is unlikely to drop in the short term, due to the lag between activity and employment and the fact that idle capacity levels remain high. Nevertheless, wage costs rose in 1Q14.

**Figure 9**  
**Unemployment rate (%) and employment expectations\***



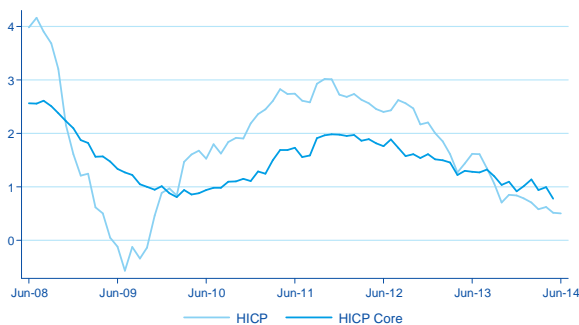
**Figure 10**  
**Labour costs in the corporate sector (% YoY)\***



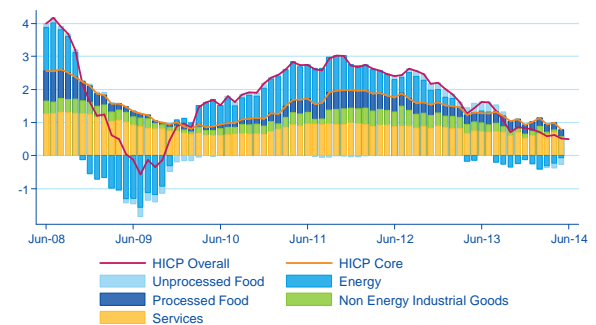
**Prices: eurozone inflation remains stable in June**

Eurozone inflation remained at 0.5% YoY in June, as inflation in service prices made up for a drop in food prices. Consequently, inflation excluding food and energy rose 0.1pp to 0.8% YoY.

**Figure 11**  
**Inflation rate, headline and core (% YoY)\***



**Figure 12**  
**Inflation by component (contribution by %)\***



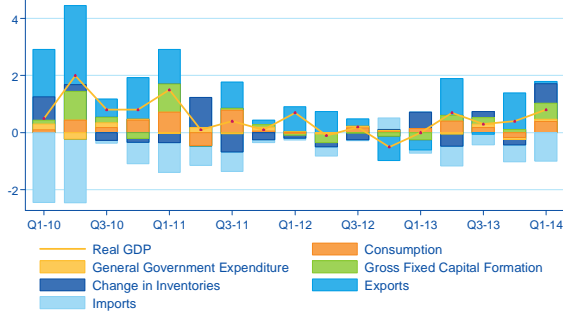
\* Sources: HAVER and BBVA Research

**Germany**

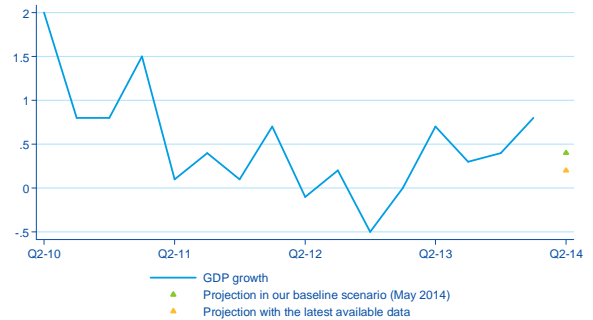
Domestic accounting: domestic demand positively contributed to growth once again, particularly thanks to the rise in investment

GDP grew by 0.8% QoQ in 1Q14, thanks to the contribution of investment and, in general, of all domestic demand components, while the dynamism of imports resulted in a negative contribution of net exports.

**Figure 13**  
GDP (% QoQ) and contribution by component (pp)\*



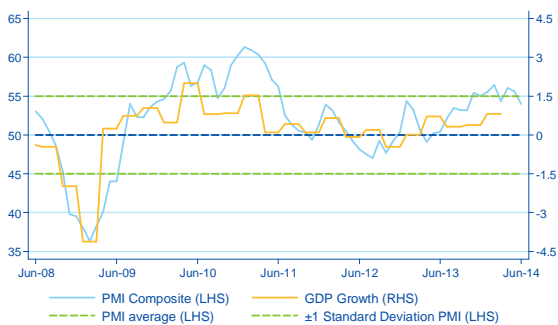
**Figure 14**  
GDP (% QoQ) and forecasts\*



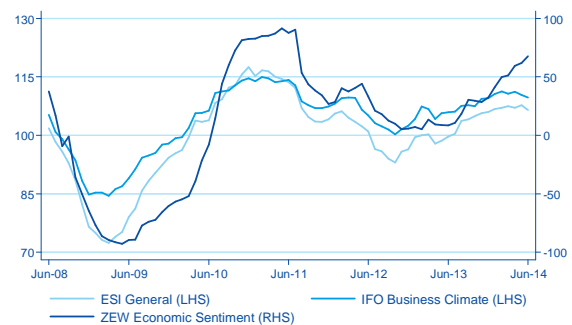
**Confidence: confidence levels remain high in June**

Domestic and PMI confidence indicator levels remained high in June but seem to have peaked, after the clear improvements seen since the end of 2012. The service sector continues to show the highest dynamism.

**Figure 15**  
PMI and GDP growth (% QoQ)\*



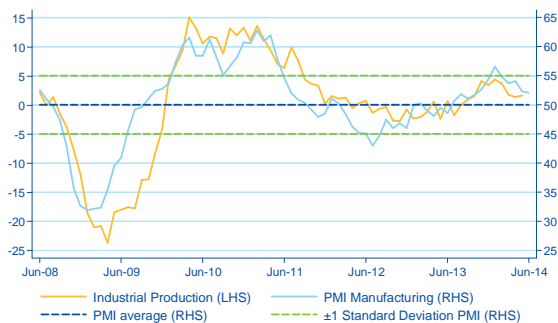
**Figure 16**  
Confidence indicator (ESI, Ifo and ZEW)\*



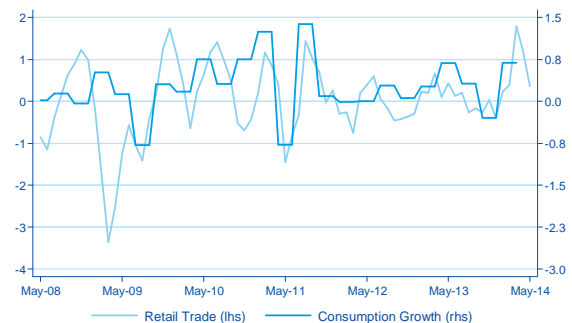
**Activity: industrial production and retail sales fall in May**

May retail sales also fell, by 1.3% versus 1Q14, when they had risen by 1.8% QoQ, and industrial production plummeted (-1.8% MoM, after +1.3% QoQ in 1Q14), in contrast to what confidence indicators were suggesting.

**Figure 17**  
Industrial production (% YoY) and manufacturing PMI\*



**Figure 18**  
Retail sales (% 3Mo3M) and consumption growth (% QoQ)\*

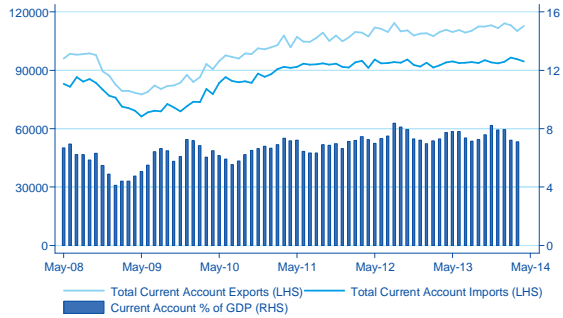


\*Sources: HAVER and BBVA Research

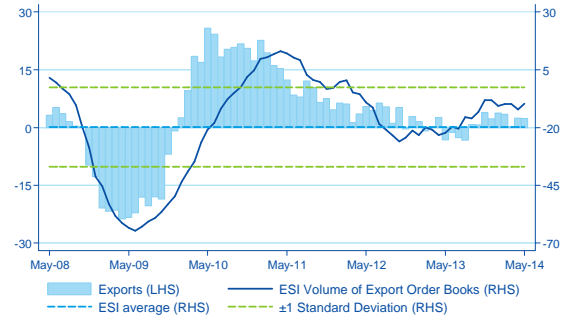
**Foreign sector: slight rise in exports up to May**

After rising mildly in 1Q14 (0.3% QoQ), exports grew at the same pace from April to May, and more than imports. Foreign orders also continued to rise, portending a sustained trend over the coming months.

**Figure 19**  
**Current account (% of GDP)\***



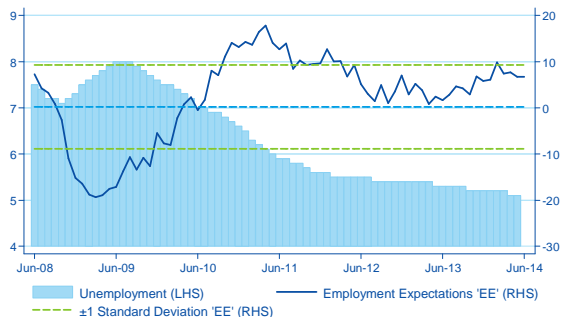
**Figure 20**  
**Export growth (% YoY) and volume of export orders\***



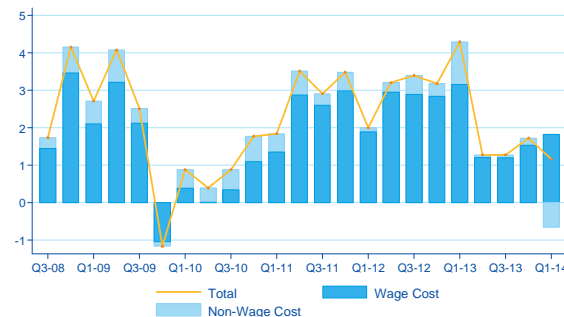
**Labour market: unemployment rate remains at historical lows**

The unemployment rate remained at its historical low (5.1%) in May, although this was only marginally reflected by upward pressures on wages, given that labour costs rose by 0.4% QoQ in 1Q14 after the 1.1% QoQ for 4Q13.

**Figure 21**  
**Unemployment rate (%) and employment expectations\***



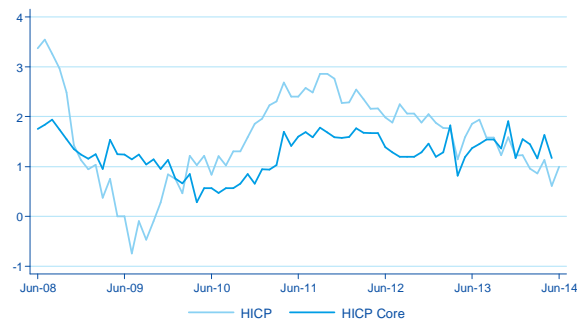
**Figure 22**  
**Labour costs in the corporate sector (% YoY)\***



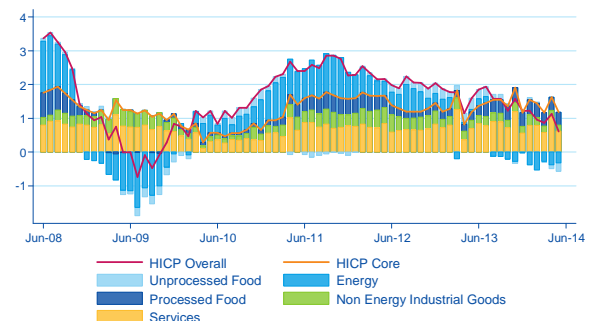
**Prices: inflation picked up in June**

Harmonised inflation picked up four-tenths to 1% YoY in June, mainly due to the acceleration in the prices of services and the moderate fall in energy prices.

**Figure 23**  
**Inflation rate, headline and core (% YoY)\***



**Figure 24**  
**Inflation by component (contribution by %)\***



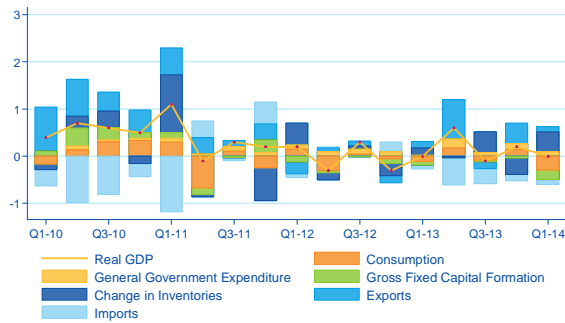
\* Sources: HAVER and BBVA Research

**France**

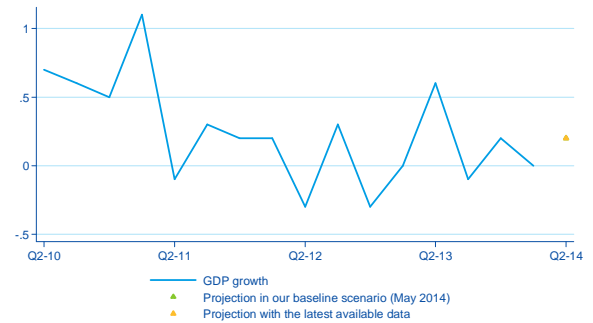
**Domestic accounting: activity stalled in 1Q14**

Component-based decomposition suggests that domestic demand sapped growth in 1Q14 (-0.4pp), especially due to the fall in private consumption (-0.5% QoQ after 0.2% QoQ) and investment (-0.8% QoQ after -0.2% QoQ). Inventories were the only component with a positive contribution (0.5pp) to growth.

**Figure 25**  
**GDP (% QoQ) and contribution by component (pp)\***



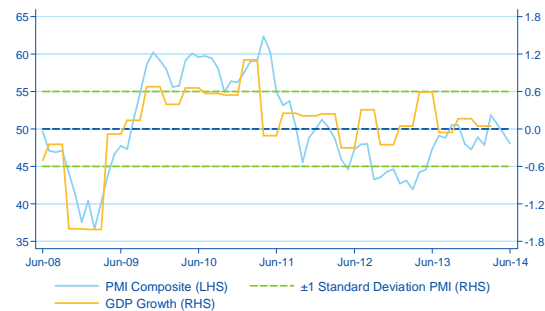
**Figure 26**  
**GDP (% QoQ) and forecasts\***



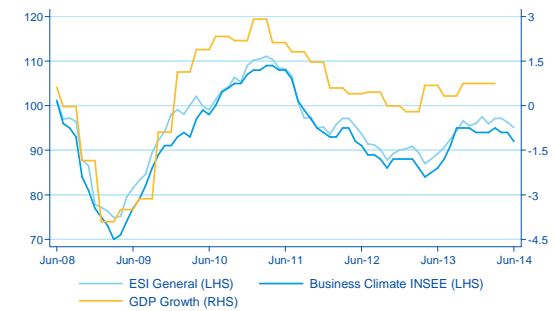
**Confidence: June indicators worsen, casting doubts over the recovery**

After remaining in expansionary territory in March and April, business confidence worsened in May and June based on the PMIs, casting doubts over the recovery. INSEE, Bank of France and EC confidence indicators remain virtually stable, but below their historical averages.

**Figure 27**  
**PMIs and GDP growth (% QoQ)\***



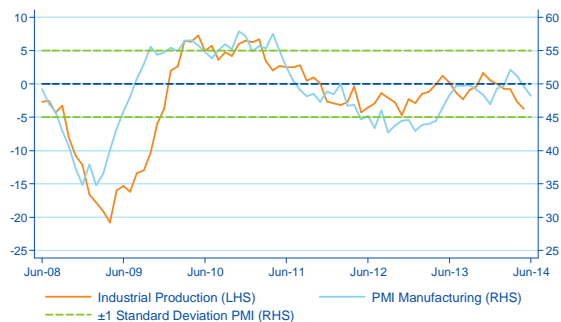
**Figure 28**  
**Confidence indicator (ESI and INSEE)\***



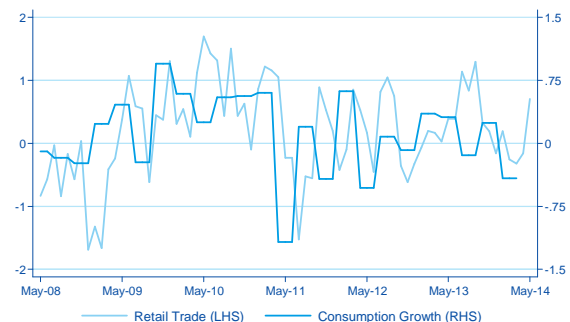
**Activity: industrial production contracted, but retail sales improved**

Retail sales to May rose by 0.8%, after shrinking in 1Q14 (-0.3% QoQ). Industrial production, however, contracted versus the previous quarter, due mainly to manufacturing, which broke the growth trend that had started in October.

**Figure 29**  
**Industrial production (% YoY) and manufacturing PMI\***



**Figure 30**  
**Retail sales (% 3Mo3M) and consumption growth (% QoQ)\***



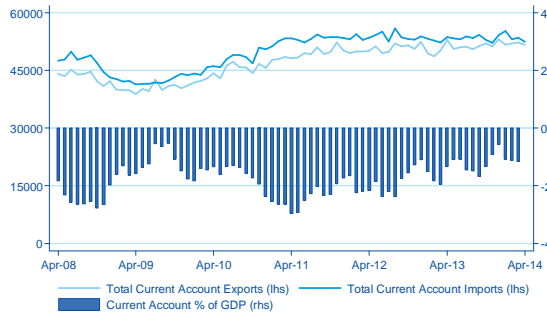
\*Sources: HAVER and BBVA Research



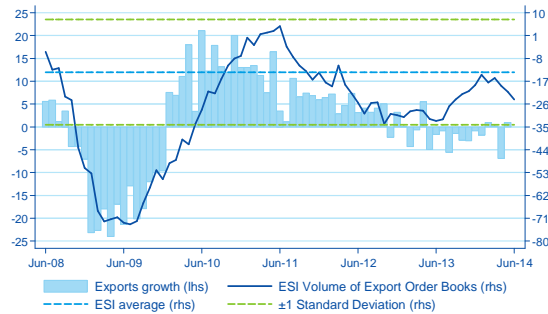
**Foreign sector: exports remained weak in May**

Exports up to May fell by 0.6%, after recording the third back-to-back quarter of declines in 1Q14, although the strong contraction in imports (-1% after -1.3% QoQ in 1Q14) should be reflected by a positive contribution of net exports.

**Figure 31**  
**Current account (% of GDP)\***



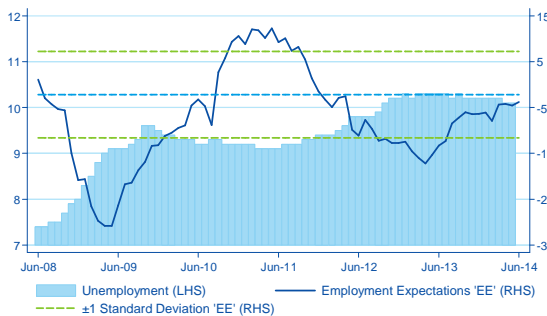
**Figure 32**  
**Export growth (% YoY) and volume of export orders\***



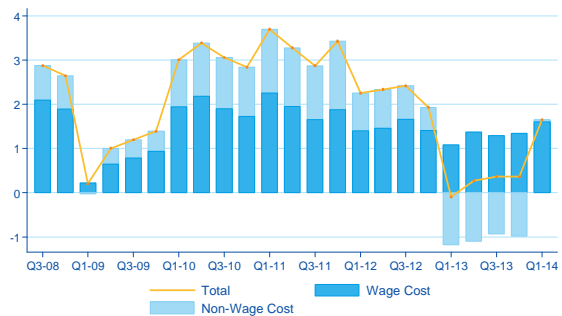
**Labour market: a certain stabilisation over the last months**

The unemployment rate stabilised at around 10.3% in 2014, after having risen around 0.2pp per quarter in 2013. Labour costs slowed in 2013 as a result of the fall in non-wage costs, but rose in 1Q14.

**Figure 33**  
**Unemployment rate (%) and employment expectations\***



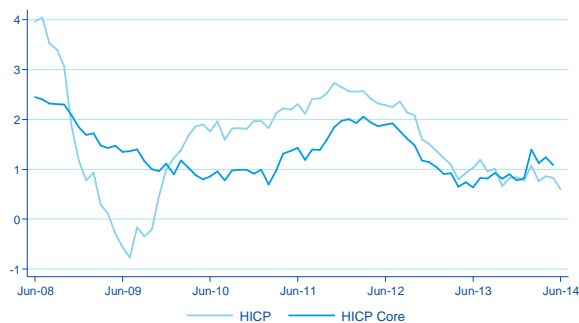
**Figure 34**  
**Labour costs in the corporate sector (% YoY)\***



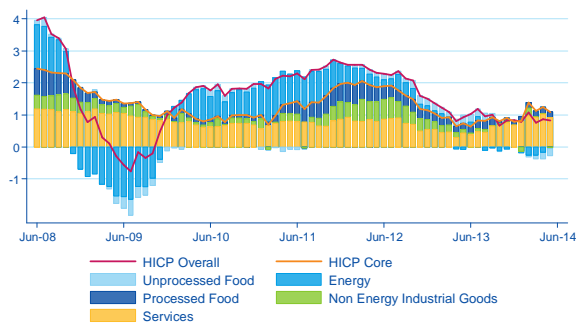
**Prices: inflation slowed in June**

Harmonised inflation slowed once again in June to 0.6% YoY, due mainly to the decline in the prices of manufactured products. Core inflation remains very low, slowing another two-tenths to 0.1% YoY

**Figure 35**  
**Inflation rate, headline and core (% YoY)\***



**Figure 36**  
**Inflation by component (contribution by %)\***



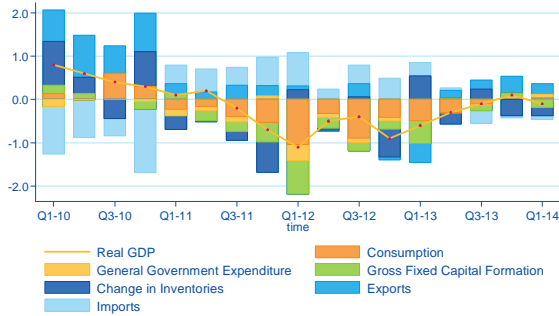
\* Sources: HAVER and BBVA Research

**Italy**

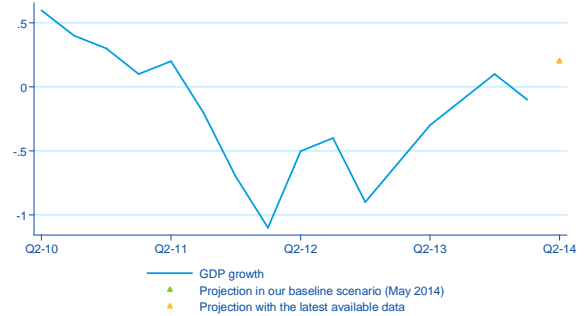
**Domestic accounting: GDP contracted by 0.1% QoQ in 1Q14, burdened by investment**

The weakness in domestic demand once again hampered GDP growth, especially due to the unexpected decline in investment (-1.1% QoQ after 0.9%), while public and private consumption slowly recovered and the foreign sector continued its positive contribution to growth.

**Figure 37**  
**GDP (% QoQ) and contribution by component (pp)\***



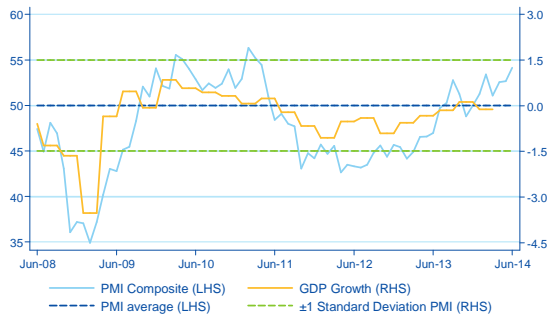
**Figure 38**  
**GDP (% QoQ) and forecasts\***



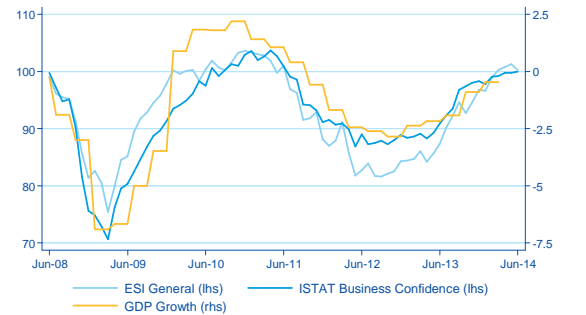
**Confidence: confidence indicators give off mixed signals in June**

The PMI figure grew strongly in June, in expansionary territory for the sixth month in a row, due to improved expectations in both sectors. Domestic business confidence indicators also improved, but the EC's shrank.

**Figure 39**  
**PMIs and GDP growth (% QoQ)\***



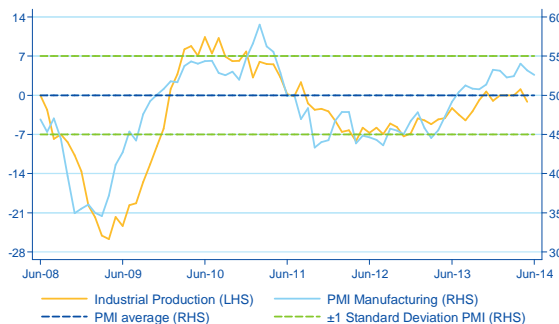
**Figure 40**  
**Confidence indicator (ESI and ISTAT)\***



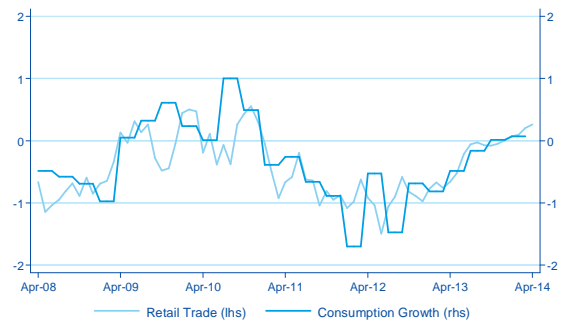
**Activity: industrial sector refuses to take off and weakness in retail sales**

The drop in industrial production in May (-1.2% MoM) wiped out the sector's slow and incipient recovery that had started in 4Q13, and the eighth consecutive quarter of contraction in retail sales confirms the weakness in domestic demand.

**Figure 41**  
**Industrial production (% YoY) and manufacturing PMI\***



**Figure 42**  
**Retail sales (% 3Mo3M) and consumption growth (% QoQ)\***

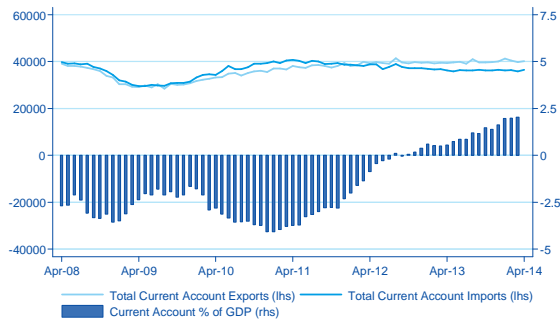


\*Sources: HAVER and BBVA Research

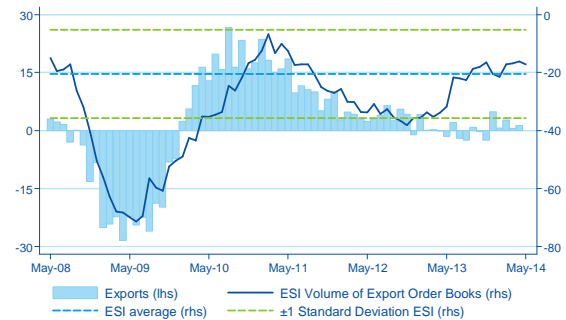
**Foreign sector: exports moderated at the start of 2Q14**

Exports contracted in April after growing 0.3% QoQ in 1Q14, but less than imports. Net exports remain the principal short-term growth factor for Italy.

**Figure 43**  
**Current account (% of GDP)\***



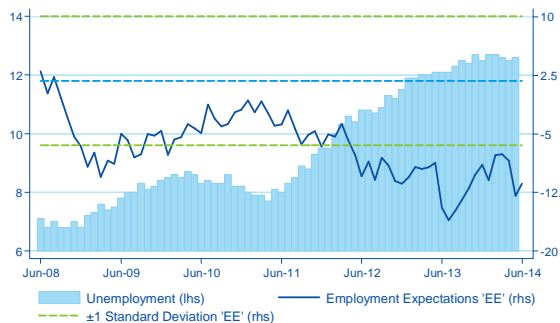
**Figure 44**  
**Export growth (% YoY) and volume of export orders\***



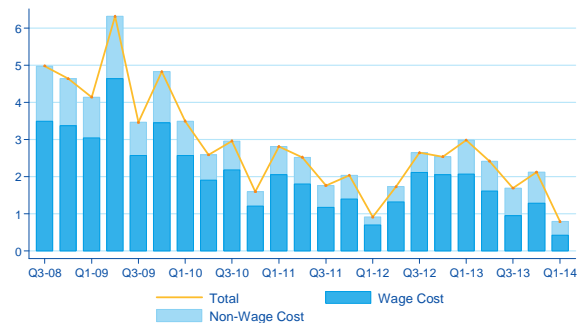
**Labour market: unemployment stable at highs and labour costs rise**

Unemployment rate levels remained very high, near their worst historical figure, 1.1pp higher than one year ago, with worsening employment expectations. Labour costs were still rising strongly in 4Q13.

**Figure 45**  
**Unemployment rate (%) and employment expectations\***



**Figure 46**  
**Labour costs in the corporate sector (% YoY)\***



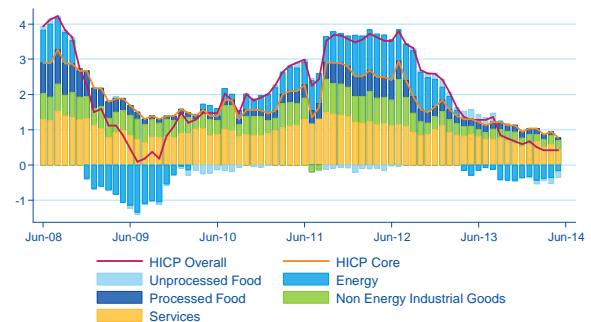
**Prices: inflation slows to 0.2% YoY in June**

After remaining stable at 0.7% YoY in 4Q13, the moderation that inflation has been registering since the start of the year continues. After picking up to 0.5% YoY in April, it moderated again in May and June to 0.2% YoY, due to the slowdown in the prices of services and the drop in food.

**Figure 47**  
**Inflation rate, headline and core (% YoY)\***



**Figure 48**  
**Inflation by component (contribution by %)\***



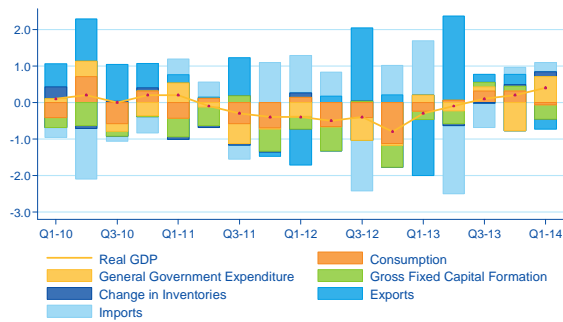
\* Sources: HAVER and BBVA Research

**Spain**

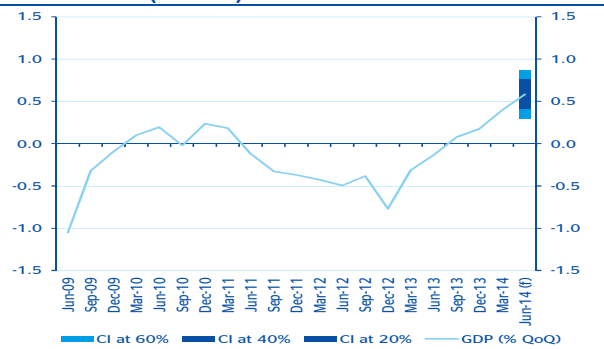
**Domestic accounting: domestic demand takes charge of growth**

The first quarter was characterised by a mild downside correction in the figure of total exports (-0.4% QoQ) and by the recovery of domestic demand, where we note the pickup in consumption and private production investment (0.4% QoQ and 2.5% QoQ in 1Q14).

**Figure 49**  
**GDP (% QoQ) and contribution by component (pp)\***



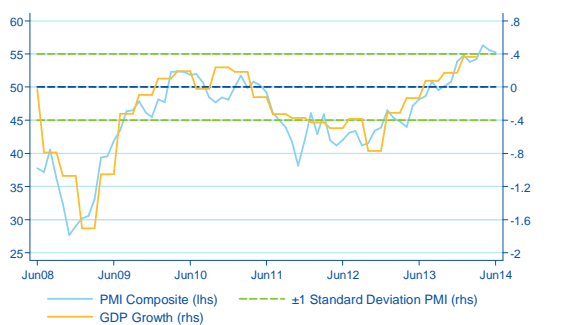
**Figure 50**  
**GDP Growth (% QoQ) and MICA-BBVA forecast\***



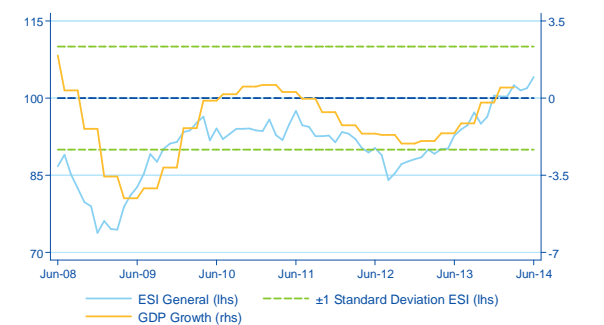
**Confidence: outlooks continue to improve in the second quarter**

The ESI and PMI indices show steady improvement so far in 2Q14, with PMIs clearly above the growth threshold, especially in services, and with consumer confidence on a positive trend.

**Figure 51**  
**PMIs and GDP growth (% QoQ)\***



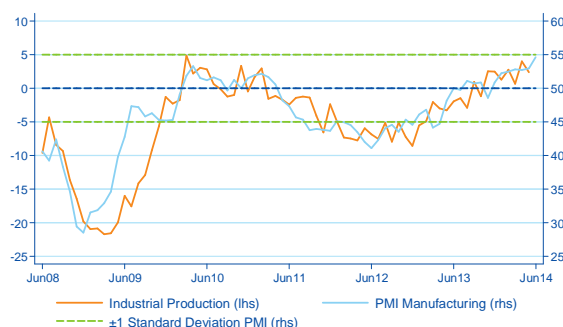
**Figure 52**  
**Confidence (ESI) and GDP growth (% YoY) \***



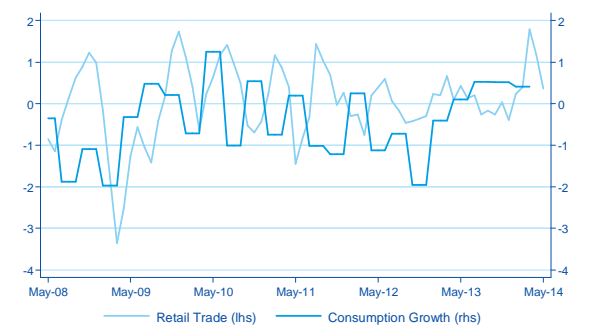
**Activity: improvements in industrial production and retail sales**

Up to May, both the industrial production and retail sales indices remained on their upward trend, compared with 1Q14 (+1% and +1.2%, respectively), and leading indicators and confidence point to a consolidation of the trend.

**Figure 53**  
**Industrial production (% YoY) and manufacturing PMI\***



**Figure 54**  
**Retail sales (% 3Mo3M) and consumption growth (% QoQ)\***

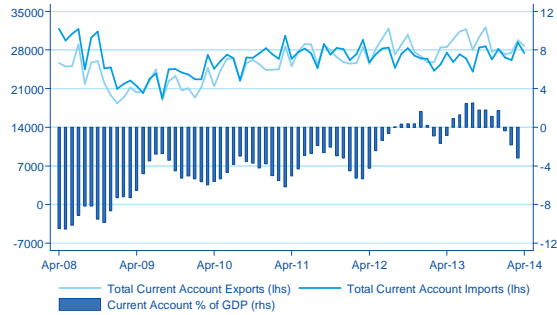


\*Sources: HAVER and BBVA Research

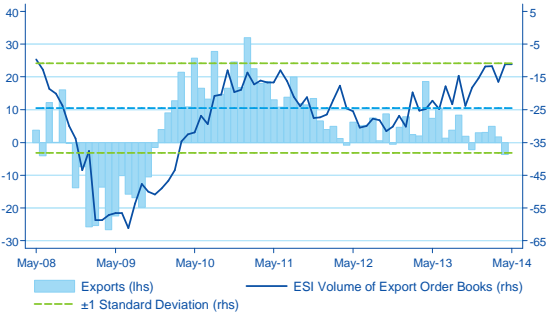
**Foreign sector: exports lose steam in 1Q14**

The decline in goods exports was not offset by the improvement in services exports, but company expectations (export orders) suggest that the slowdown in exports over the last months may have started turning around.

**Figure 55**  
**Current account (% of GDP)\***



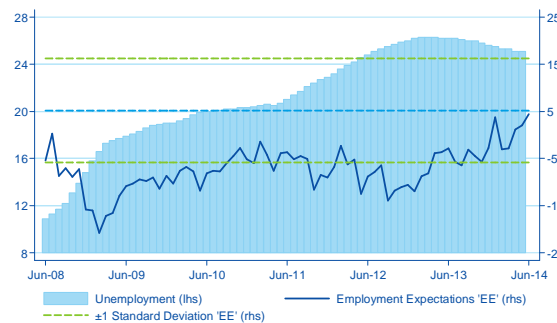
**Figure 56**  
**Export growth (% YoY) and volume of export orders\***



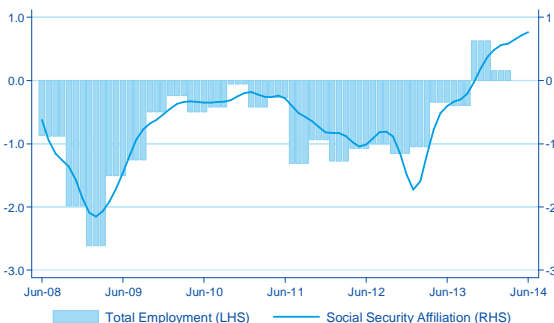
**Labour market: positive signals continue**

In June, Social Security participation rose once again (ten months of job creation) and registered unemployment fell once again. Hiring climbed once again from April to June, both temporary (3.8% QoQ) and, especially, permanent (11.5% QoQ).

**Figure 57**  
**Unemployment rate (%) and employment expectations\***



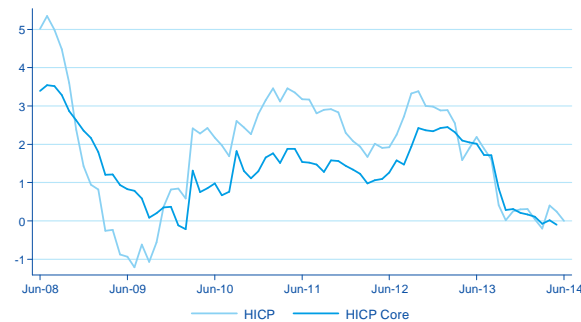
**Figure 58**  
**Job growth: New self-employed and social security (% QoQ)\***



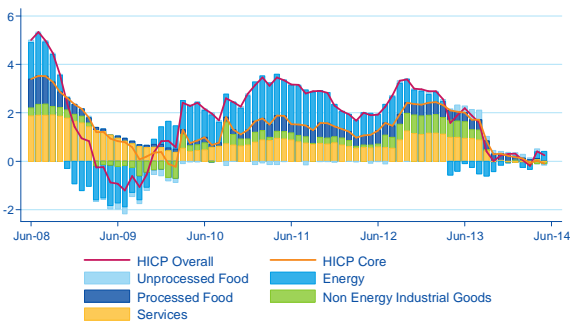
**Prices: inflation came in at 0.0% YoY in June**

Measured by the IPCA, June inflation came in at 0.0% YoY, 0.2pp below the figure for May, while core inflation may have also stagnated at 0.0% YoY.

**Figure 59**  
**Inflation rate, headline and core (% YoY)\***



**Figure 60**  
**Inflation by component (contribution by %)\***



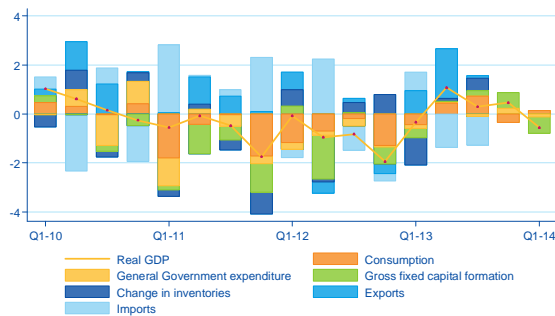
\* Sources: HAVER and BBVA Research

**Portugal**

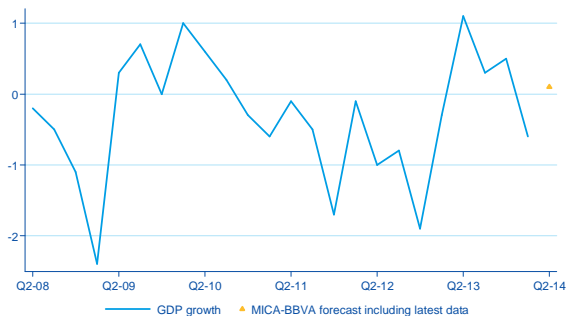
**Domestic accounts: GDP contracted by 0.6% QoQ in 1Q14, much more than expected**

The strong quarterly contraction in activity was mainly due to a decline in goods and services exports and investment. Private consumption rose by 0.2% QoQ (after -0.5% QoQ in 4Q13) while public consumption contracted (-0.6% after 1.1% QoQ).

**Figure 61**  
GDP (% QoQ) and contribution by component (pp)\*



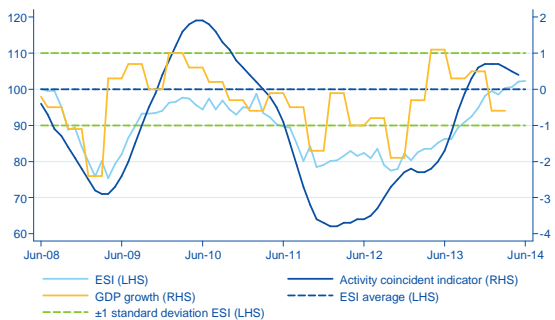
**Figure 62**  
GDP Growth (% QoQ) and MICA-BBVA forecast\*



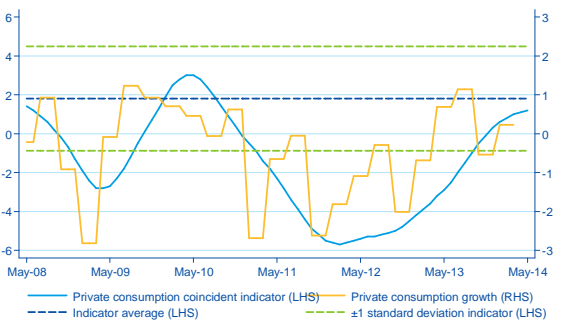
**Confidence: the ESI indicator continued to grow in 2Q14, above the historical average**

According to the EC indicator (ESI), business confidence remains above its historical average. Furthermore, consumer confidence continues to grow strongly.

**Figure 63**  
Confidence (ESI) and coincident activity indicator\*



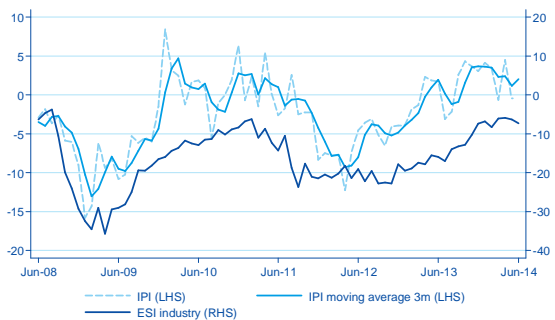
**Figure 64**  
Coincident consumption indicator and private consumption (% YoY)\*



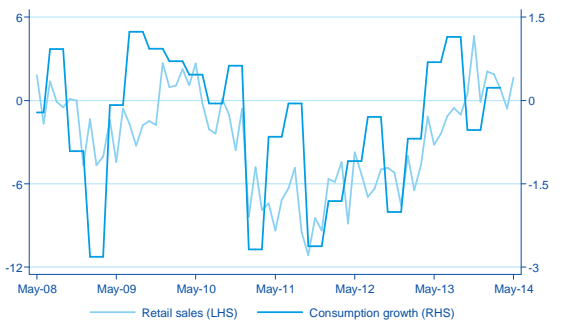
**Activity: industrial production rose, but retail sales fell versus 2Q14**

A pickup in manufacturing production (1.8% higher than the average for 1Q14, when it fell 1.4% QoQ). However, retail sales contracted, notwithstanding the ongoing rise in consumer confidence (-1.9% over 1Q14).

**Figure 65**  
Industrial production (% YoY) and industrial confidence\*



**Figure 66**  
Retail sales (% YoY) and consumption growth (% QoQ)\*

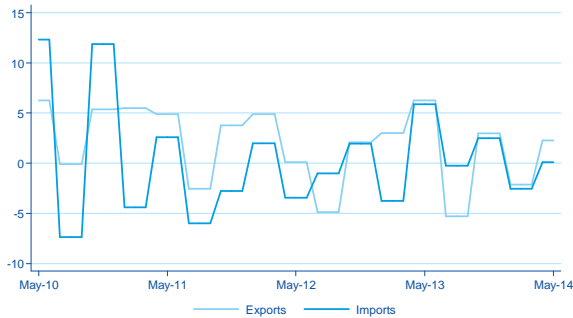


\*Sources: HAVER and BBVA Research

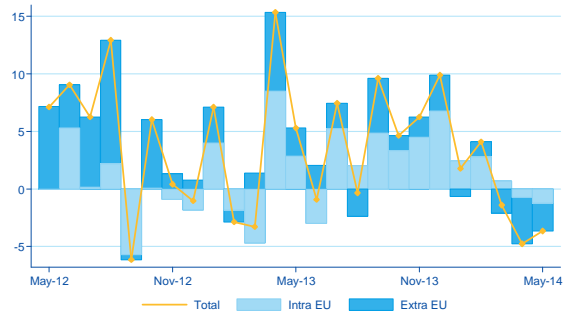
**Foreign sector: the rise in services and tourism exports should make up for the fall in goods exports**

After growing steadily over 2013, goods exports recorded two back-to-back quarters of declines, and foreign orders dropped in 2Q14. However, exports of services and tourism remain on the rise, making up for those declines.

**Figure 67**  
**Current account (% of GDP)\***



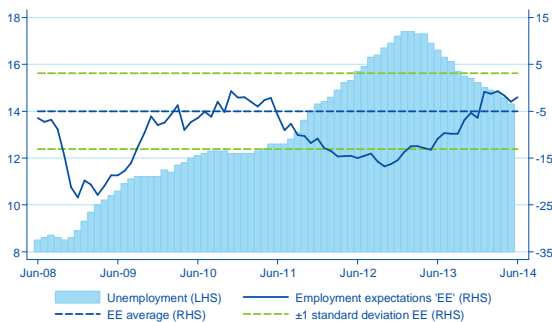
**Figure 68**  
**Export growth (% YoY) and export order volumes\***



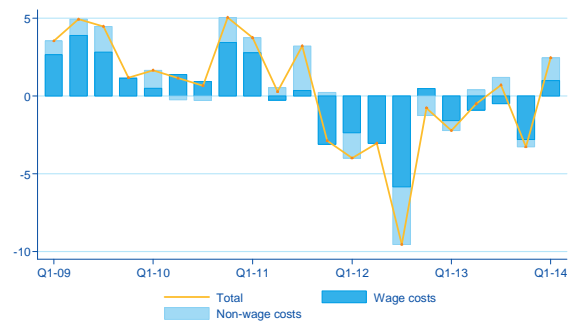
**Labour market: interruption in the trend of job creation and falling labour costs**

The unemployment rate came in at 14.3% in May, on a clear downward trend, with a 2.6pp reduction over the last year (16.9% in March of 2013). In 1Q14, however, employment shrank (-1.7% QoQ) and labour costs rose (2.5% YoY).

**Figure 69**  
**Unemployment rate (%) and employment expectations\***



**Figure 70**  
**Labour costs in the corporate sector (% YoY)\***



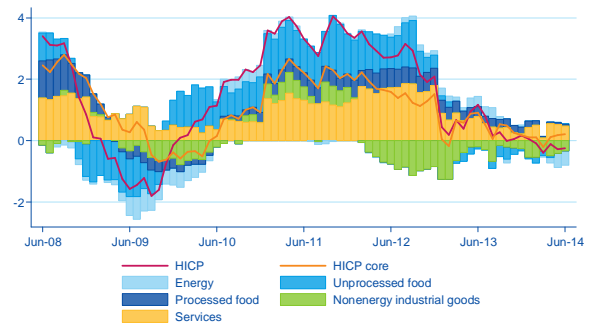
**Prices: inflation remained at negative rates in June**

Headline inflation (IPCA) remained in negative territory in June, but rose by 0.1pp to -0.2% YoY, fundamentally due to the decline in perishable food prices. Core remained at 0.0% YoY.

**Figure 71**  
**Inflation rate, headline and core (% YoY)\***



**Figure 72**  
**Inflation by component (contribution by %)\***



\* Sources: HAVER and BBVA Research

**DISCLAIMER**

This document has been prepared by BBVA Research Department, it is provided for information purposes only and expresses data, opinions or estimations regarding the date of issue of the report, prepared by BBVA or obtained from or based on sources we consider to be reliable, and have not been independently verified by BBVA. Therefore, BBVA offers no warranty, either express or implicit, regarding its accuracy, integrity or correctness.

Estimations this document may contain have been undertaken according to generally accepted methodologies and should be considered as forecasts or projections. Results obtained in the past, either positive or negative, are no guarantee of future performance.

This document and its contents are subject to changes without prior notice depending on variables such as the economic context or market fluctuations. BBVA is not responsible for updating these contents or for giving notice of such changes.

BBVA accepts no liability for any loss, direct or indirect, that may result from the use of this document or its contents.

This document and its contents do not constitute an offer, invitation or solicitation to purchase, divest or enter into any interest in financial assets or instruments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

In regard to investment in financial assets related to economic variables this document may cover, readers should be aware that under no circumstances should they base their investment decisions in the information contained in this document. Those persons or entities offering investment products to these potential investors are legally required to provide the information needed for them to take an appropriate investment decision.

The content of this document is protected by intellectual property laws. It is forbidden its reproduction, transformation, distribution, public communication, making available, extraction, reuse, forwarding or use of any nature by any means or process, except in cases where it is legally permitted or expressly authorized by BBVA.