

Global Weekly Indicators

Economic Analysis • Financial Scenarios Unit

Madrid, 11 April 2014

Next week

The key event will be the publication of China's 1Q14 GDP growth. Also in China, March's industrial production and retail sales will be announced. In the US, the Fed Beige Book (an analysis of economic conditions) will be published and Fed Chair Janet Yellen will deliver a speech at the 2014 Atlanta Fed Financial Markets Conference. Several Fed members will also hold conferences. US economic data will include soft data such as April's Empire manufacturing and the Philadelphia Fed Business outlook. Hard data will cover March industrial production, consumer prices and a range of housing data. In the eurozone, March's final CPI figures and February's industrial production will be published. Furthermore, markets will focus on both US and European company earnings results.

Calendar: Indicators

Eurozone: Industrial production (February - 14 April)

Forecast: +0.3% MoM

Consensus: +0.2% MoM

Previous: -0.1% MoM

After a weak start to industrial production (IP) in 2014, below the positive figures expected by the consensus, we should see an increase in February. The latest IP data for Germany, Spain and France confirm the improvement in levels of production and new export orders reported by most panellists in the PMI survey. All in all, soft and hard data suggest that global demand retains its momentum and a more dynamic domestic demand. Both factors point to eurozone economy growth coming in at around its average of 0.4% / 0.5% QoQ in 1Q14, which is above our previous forecast (0.2% QoQ).

Eurozone: Final HICP (March - 16 April)

Forecast: +0.5% YoY

Consensus: +0.5% YoY

Previous: +0.7% YoY

Although French and Dutch HICP have slightly surprised to the downside, and pending possible revisions from Germany, Italy and Spain, we expect the eurozone "flash" March estimate to be unrevised at 0.5% YoY, down from 0.7 YoY in February. The March fall was mainly attributed to the calendar effect of Easter that this year affected this month. For the next few quarters, we continue to expect inflation to increase again in 2Q14, by about 0.4pp to 0.9% YoY, and to remain relatively stable until the fourth quarter, when it could return to higher rates such as 1% YoY. Core inflation is likely to increase in April, remaining stable at around 1.1% YoY for the remainder of the year.

US: Retail Sales, Ex Auto (March - 14 April)

Forecast: 0.5%, 0.3%

Consensus: 0.8%, 0.4%

Previous: 0.3%, 0.3%

After breaking a two-month downward trend in February, retail sales are expected to accelerate in March, driven primarily by a boost in automobile sales. Ford, Toyota, and GM all reported increased sales for the last month of 1Q14, with the latest Autodata figures pointing to a 6.9% jump in unit sales in March. While the unit sales do not always translate directly into nominal retail sales, a big gain for truck sales should lift the auto component of the Census report. Even outside of automobiles, we project retail sales to continue trending upward. Average gasoline prices were up 18 cents in March from the prior, so this will likely be reflected by a boost in nominal gasoline station sales. Furthermore, the effects of the brutal winter on the economy are now gone, so the MoM retail sales figure should receive some upward seasonal bias.

US: Consumer Price Index, Core (March - 15 April)

Forecast: 0.0%, 0.1%

Consensus: 0.1%, 0.1%

Previous: 0.1%, 0.1%

Inflation has been running much lower than the Fed's target throughout the past few months, yet we do not expect that the consumer price index will divert from its current trend anytime soon. At the headline level, food inflation is expected to decelerate after a brief spike in February, while energy prices should remain low. Crude oil and natural gas prices declined in March, putting downward pressure on headline CPI. Excluding food and energy, we do not expect to see a significant push from other components, such as shelter or medical care. Monthly gains for core inflation have held below the 0.2% rate since January 2013, and the slowed growth of short-term inflation during the past several months has been pushed to the forefront of concerns for the Federal Reserve. For now, we expect annual CPI growth to remain subdued for both the headline and core figures, holding well-below the Fed's target 1H14.

China GDP growth (1Q14 - 16 April)

Forecast: 7.4% y/y

Consensus: 7.3% y/y

Previous: 7.7% y/y

Growth momentum has moderated further in the first quarter, as indicated by recent high-frequency monthly data. Q1 GDP growth outturn, likely falling between the government's 7.5% target and the 7.0% bottom line, would shed more light on the underlying strength of the economy. On the policy front, to prevent a further drop in growth momentum, the government recently has announced a bunch of growth-supportive measures, including accelerating public infrastructure spending and social housing construction, which would support the economy in the coming period. Taking these together, we expect GDP growth to stabilize at current pace of 7.0-7.5% through 2014. Besides Q1 GDP growth, a batch of activity indicators for March (industrial production, investment, retail sales) will also be released on the same day.

Last Week

Week 7 April - 11 April

Indicator	Period	Cons. E	Prior	Observed *	
United States					
Consumer credit (USD Bn)	Feb	14.00	13.79	16.48	▲
JOLTS	Feb	4020.00	3874.00	3974.00	▼
Wholesale Inventories MoM	Feb	0.50%	0.70%	0.50%	—
Initial Jobless Claims ('000)	5 April	320.00	326.00	300.00	▼
Import Prices MoM	Mar	0.20%	0.90%	0.60%	▲
PPI Final Demand MoM	Mar	0.10%	-0.10%	0.50%	▲
PPI Core MoM	Mar	0.20%	-0.20%	0.60%	▲
Consumer Sentiment	April	81.50	80.00	82.60%	▲
Germany					
Industrial Production SA MoM	Feb	0.30%	0.70%	0.40%	▲
Trade Balance (EUR bn)	Feb	17.50	15.00	16.30	▼
Current Account Balance	Feb	18.00	15.20	13.90	▼
Exports SA MoM	Feb	-0.50%	2.20%	-1.30%	▼
CPI MoM	Mar F	0.30%	0.30%	0.30%	—
CPI YoY	Mar F	1.00%	1.00%	1.00%	—
CPI EU Harmonized MoM	Mar F	0.30%	0.30%	0.30%	—
CPI EU Harmonized YoY	Mar F	0.90%	0.90%	0.90%	—
France					
Bank of France Bus. Sentiment	Mar	--	98.00	99.00	
Industrial Production MoM	Feb	0.20%	-0.30%	0.10%	▼
Manufacturing Production MoM	Feb	0.30%	0.40%	0.30%	—
CPI EU Harmonized MoM	Mar	0.50%	0.60%	0.50%	—
CPI EU Harmonized YoY	Mar	0.80%	1.10%	0.70%	▼
CPI MoM	Mar	0.60%	0.60%	0.40%	▼
CPI YoY	Mar	0.70%	0.90%	0.60%	▼
Italy					
Deficit to GDP YTD	4Q	--	3.40%	2.80%	
Industrial Production MoM	Feb	-0.30%	1.10%	-0.50%	▼
Japan					
BoP Current Account Balance (USD bn)	Feb	618.10	-1589.00	612.00	▼
Machine Orders MoM	Feb	-2.60%	13.40%	-8.80%	▼
China					
Trade Balance (USD bn)	Mar	1.80	-22.99	7.71	▲
Exports YoY	Mar	4.80%	-18.10%	-6.60%	▼
Imports YoY	Mar	3.90%	10.10%	-11.30%	▼
PPI YoY	Mar	-2.20%	-2.00%	-2.30%	▼
CPI YoY	Mar	2.40%	2.00%	2.40%	—
Colombia					
CPI Core MoM	Mar	--	0.68%	0.31%	
Mexico					
Gross Fixed Investment YoY	Jan	-1.00%	0.74%	-2.39%	▼
Vehicle Production AMIA	Mar	--	248017	277314	
CPI MoM	Mar	0.30%	0.25%	0.27%	—
CPI Core MoM	Mar	0.18%	0.28%	0.21%	—
Industrial Production MoM	Feb	0.45%	0.51%	--	
Peru					
Trade Balance (USD mn)	Feb	--	-679.00	58.00	
Brazil					
IBGE Inflation IPCA MoM	Mar	0.85%	0.69%	0.92%	▲
Chile					
Economic Activity MoM	Feb	0.10%	0.49%	0.20%	▲
Trade Balance (USD mn)	Mar	1400.00	1237.00	1702.00	▲
CPI MoM	Mar	0.70%	0.48%	0.84%	▲

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

Source: Bloomberg 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.

This report has been produced by the Financial Scenarios Unit

Cristina Varela Donoso
cvarela@bbva.com
+34 91 537 78 25

Jaime Costero
jaime.costero@bbva.com
+34 91 537 76 80

Indicators collaboration:

Europe
Diego José Torres
diego.torres.torres@bbva.com
+34 91 37 40012

US
Michael Soni
Michael.Soni@bbvacompass.com
+1 713 831 7348

Asia
Fielding Chen
fielding.chen@bbva.com.hk
+85225823297

Contact details

BBVA Research
Paseo Castellana, 81 - 7th floor
28046 Madrid (Spain)
Tel.: +34 91 374 60 00 and +34 91 537 70 00
Fax: +34 91 374 30 25
bbvaresearch@bbva.com
www.bbvaresearch.com