

ECONOMIC ANALYSIS

Sonsoles Castillo / Cristina Varela / Jaime Costero

Indicators collaboration: Diego José Torres / Kim Fraser / Jinyue Dong

Next week

Next week is going to be a very lean one, when it comes to economic indicators in developed countries. However, it is going to be full of conferences featuring members of central banks worldwide. In the US, investors will focus on the FOMC minutes from the 17-18 June meeting. Moreover, several Fed speakers will attend the Jackson Hole Economic Summit (Evans, Lockhart and Plosser), while others will be delivering speeches at different events (Lacker, George, Fischer and Evans). In Europe, the ECB will release its monthly report, while the bank's Coeuré and Nowotny will deliver speeches. Furthermore, next week's Eurogroup and ECOFIN meetings will review the financial and macroeconomic stability developments in the euro area, including monitoring of individual Member States (more specifically, the Greek adjustment programme) and some aspects of banking union. Economic releases will include May's job openings and consumer credit in the US, May's industrial production, current account and exports in Germany and June's CPI, producer prices and trade balance in China.

Calendar: Indicators

Germany: Industrial production (May, 7 July)

Forecast: +0.2% MoM

Consensus: +0.2% MoM

Previous: +0.2% MoM

After industrial production rose as expected in April, pointing to a continuation of growth momentum in 2Q14 but with signs of deceleration, we expect industrial production to continue its soft pace of improvement (+0.2% MoM) in May. The quarterly average should remain at the same levels observed in the first quarter, when the exceptionally mild weather boosted demand and we saw an increase of +1.2% QoQ over the previous quarter. Export data for Germany will also be released next week, and we expect a negative figure (-0.6% MoM) partly compensating for the very strong growth in April (3% MoM) but also as new export and factory orders reflect softer demand from abroad (overseas and the rest of the euro area). However, the quarterly average should still remain slightly above the 1Q14 average (around +0.9%). Taken together, with all the data available, we still expect a growth of 0.4% QoQ in 2Q14 for the Germany economy.

US: JOLTS Job Openings (May, 8 July)

Forecast: 4395K

Consensus: --

Previous: 4455K

Job openings are expected to retreat slightly in May following a very positive JOLTS report in the prior month. Labor market conditions have certainly shown signs of improvement throughout 2014 thus far, yet there is still a growing gap between JOLTS job openings and actual hiring. We expect that this trend will continue in the coming months as businesses struggle to find qualified candidates and remain hesitant to truly expand their workforce. As job openings approach the pre-crisis peak, we expect that hiring will follow suit, albeit at a lagging pace.

US: Consumer Credit (May, 8 July)

Forecast: \$16.30bn

Consensus: \$18.05bn

Previous: \$26.85bn

Total outstanding consumer credit skyrocketed in April with a larger-than-expected push from the revolving side. Credit card usage was up significantly for the month, driving a recovery-high \$8.8B increase in revolving credit. Consumption has held up relatively well despite a weak start to 2014, so we expect that revolving credit will remain positive at least for the summer months. On the other hand, there are no signs pointing to a slowdown in nonrevolving credit growth given that student loans continue to comprise a large share of the component.

China: Exports (June, 9 July)

Forecast: 6.5% YoY

Consensus: 6.0% YoY

Previous: 7.0% YoY

China's export is expected to continue its recovery in June, evidenced by the fact that the sub-index of new export order included in the official PMI climbed over the boom-bust line of 50 to 50.3 in June, thanks to improving external demand from the advanced countries, recent growth-supportive measures to facilitate international trade and the weakening trend of the RMB vis-à-vis the USD. Moreover, June export data should be less affected by the export overinvoicing last year since the authorities started to clamp down on such activities from May 2013. We expect the performance of the external sector to continue improving in the coming months, sustaining 2014's full-year growth above the authorities' bottom line of 7.0%.

Last Week

Week 31 June – 4 July

Indicator	Period	Cons. E	Prior	Observed *	
United States					
Pending home sales MoM	May	1.50%	0.50%	6.10%	▲
Dallas Fed manufacturing outlook	June	8.50	8.00	11.40	▲
Auto sales annualised (Mn)	June	16.3	16.7	16.9	▲
ISM Manufacturing PMI	June	55.90	55.40	55.30	▼
Construction spending MoM	May	0.50%	0.20%	0.10%	▼
ADP Private employment report	June	205.00	179.00	281.00	▲
New York ISM	June	--	55.30	60.5	
Factory Orders MoM	May	-0.30%	0.70%	-0.50%	▼
Initial Jobless Claims	June 28	313.00	312.00	315.00	—
Non-farm payrolls MoM net change	June	215.00	217.00	288.00	▲
Unemployment rate	June	6.40%	6.30%	6.10%	▼
Average hourly earnings all employees	June	0.20%	0.20%	0.20%	—
Average weekly hours all employees	June	34.50	34.50	34.50	—
Trade Balance	May	-45.00	-47.24	-44.40	▲
ISM Non-Manufacturing	June	56.30	56.30	56.00	▼
Eurozone					
M3 Money supply YoY	May	0.80%	0.70%	1.00%	▲
CPI YoY	June P	0.50%	0.50%	0.50%	—
CPI Core YoY	June P	0.70%	0.70%	0.80%	▲
Manufacturing PMI	June F	51.90	51.90	51.80	▼
Unemployment rate	May	11.70%	11.60%	11.60%	▼
Composite PMI	June F	52.80	52.80	52.80	—
Services PMI	June F	52.80	52.80	52.80	—
Retail sales MoM	May	0.30%	-0.20%	0.00%	▼
Germany					
Retail sales MoM	May	0.80%	-1.50%	-0.60%	▼
Manufacturing PMI	June F	52.40	52.40	52.00	▼
Composite PMI	June F	54.20	54.20	54.00	▼
Services PMI	June F	54.80	54.80	54.60	▼
Factory Orders MoM	May	-1.10%	3.10%	-1.70%	▼
Italy					
CPI EU Harmonised MoM	June P	0.20%	-0.10%	0.10%	▼
CPI EU Harmonised YoY	June P	0.40%	0.40%	0.20%	▼
Manufacturing PMI	June	53.20	53.20	52.60	▼
Composite PMI	June	--	52.70	54.20	
Services PMI	June	52.00	51.60	53.90	▲
France					
Manufacturing PMI	June F	47.80	47.80	48.20	▲
Composite PMI	June F	48.00	48.00	48.10	▲
Services PMI	June F	48.20	48.20	48.20	—
Japan					
Industrial production MoM	May P	0.90%	-2.80%	0.50%	▼
Tankan Large Manufacturing Index	2Q	15.00	17.00	12.00	▼
Tankan Large Non-Manufacturing Index	2Q	19.00	24.00	19.00	—
Tankan Large All Industry Capex	2Q	6.00%	0.10%	7.40%	▲
Markit/JMMA Japan PMI Manufacturing	Jun F	--	51.10	51.50	
Markit/JMMA Japan PMI Services	Jun F	--	49.30	49.00	
Markit/JMMA Japan PMI Composite	Jun F	--	49.20	50.00	
China					
Official PMI Manufacturing	June	51.0	50.8	51.0	—
HSBC PMI Manufacturing	June F	50.8	50.8	50.7	▼
Official PMI Non-Manufacturing	June	--	55.50	55.00	
HSBC PMI Services	June F	--	50.70	53.10	
HSBC PMI Composite	June F	--	50.20	52.40	

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Indicator	Period	Cons. E	Prior	Observed *	
Brazil					
Net Debt % GDP	May	--	34.20%	34.60%	
Industrial production MoM	May	-0.50%	-0.30%	-0.60%	▼
Colombia					
Current account balance (USD Bn)	1Q	-4.20	-3.25	-4.02	▲
Chile					
Manufacturing index YoY	May	1.00%	-4.20%	1.24%	▲
Unemployment rate	May	6.40%	6.10%	6.30%	▼
Retail sales YoY	May	1.45%	1.60%	4.91%	▲
Mexico					
Remittances total (USD Mn)	May	2199.50	1980.30	2144.50	▼
IMEF Manufacturing Index SA	June	52.90	52.20	50.30	▼
Peru					
CPI MoM	June	0.20%	0.23%	0.16%	▼
Wholesale price index MoM	June	--	0.18%	-0.15%	

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

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