

# Global | Inflation and Bottlenecks Chartbook

## Summary

- The downward trend in core inflation persisted in December across the board, helped by a decline in core goods inflation. Headline inflation increased due to base effects.
  - US headline inflation ticked up in Dec '23 (to 3.4% y/y from 3.1%), but core inflation edged down (to 3.9% y/y from 4%). Housing continues to be the most sticky component, contributing 2.1 pp to CPI inflation. US PCE inflation was steady in December but core PCE continued to moderate (2.9 y/y from 3.2%).
  - Eurozone (EZ) headline inflation accelerated in Dec '23 (to 2.9% y/y from 2.4%), underpinned by the withdrawal of Covid support measures. However, core inflation declined more than expected (3.4%, previous 3.6%). Services inflation remained steady at 4%.
  - Sequentially, US headline 3-months moving average continued trending downwards (Dec 24, 0.1%), while core rates remained more sticky but well below last year. EZ both headline and core inflation moving average stood at very low levels (0.1%) in the last two months, after falling from around 0.5% before.
- Our inflation synchronicity indicators suggest that there are still some items with high weight in the US CPI basket with inflation above 4%, while in the EZ, 50% of the items in the CPI basket have inflation rates higher than 2%. Although the number of items with recurrent prices increases eased in the EZ, they still remain above pre-covid levels.
- One-year-ahead consumer inflation expectations declined in both the US (from 3.1% to 2.9% Jan24), and the EZ (to 3.2% in Nov '23, from 4%), converging towards their long-term expectations (US 2.8%; EZ 2.2%). However, both market and analysts' long-term inflation expectations hovered around 2.5% in the US. In the EZ, market-based inflation expectations remain around 2.5%, while analyst's long-term inflation expectations eased to 2% in 1Q24, from 2.1%.

## Summary

- **Geopolitical risk in the Middle East worsened** as attacks in the Red Sea disrupted maritime routes, in turn pushing up freight costs but with a mild impact on delivery times or materials shortages in December 2024.
  - Commercial traffic at the Suez canal, the shorter maritime route that connects Asia with Europe, has shrunk in December 2023 by a half
  - Global container freights, which were below their long-term average in 2023 due to the increase in container ship capacity, have rebounded sharply (180%) since October to mid-January '24, especially the Shanghai-Rotterdam route (+385%), but remained below the Covid-19 peak
  - Despite the increase in container ship tariff, manufacturing PMI input cost component has not increased yet
  - Recent manufacturing surveys (ISM in the US or IFO in Germany) suggest that suppliers' delivery times and shortage of materials, which have been increasing lately from low levels, inched up further in December, as container routes have been lengthened. Still, both remain at low levels, close or below pre-pandemic levels.
  
- **Our supply bottlenecks indicators** inched up in December but still show only mild supply chain disruptions in Dec '23.

# Summary indicators

	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23		
Inflation	6.5	6.4	6.0	5.0	4.9	4.0	3.0	3.2	3.7	3.7	3.2	3.1	3.4	US	IPC Headline (%YoY)
	5.7	5.6	5.5	5.6	5.5	5.3	4.8	4.7	4.3	4.1	4.0	4.0	3.9		IPC Core (%YoY)
	2.5	2.3	2.8	2.6	2.4	2.3	2.4	2.5	2.4	2.5	2.4	2.2	2.1		Inf exp (2Y inf. Swap)
	2.6	2.5	2.6	2.6	2.5	2.5	2.6	2.6	2.6	2.7	2.8	2.6	2.5		Inf exp (5Y5Y inf. Swap)
	9.2	8.6	8.5	6.9	7.0	6.1	5.5	5.3	5.2	4.3	2.9	2.4	2.9	EZ	IPC Headline (%YoY)
	5.2	5.3	5.6	5.7	5.6	5.3	5.5	5.5	5.3	4.5	4.2	3.6	3.4		IPC Core (%YoY)
	3.4	2.3	2.8	3.0	2.8	2.5	2.5	2.7	2.7	2.6	2.5	2.0	1.8		Inf exp (2Y inf. Swap)
	2.4	2.3	2.5	2.3	2.5	2.5	2.5	2.6	2.5	2.5	2.5	2.4	2.3		Inf exp (5Y5Y inf. Swap)
Bottlenecks	45.1	42.5	47.0	44.3	45.7	42.6	45.6	47.3	46.8	49.2	45.5	48.3	47.1	US manuf.	ISM New Orders
	41.4	43.4	45.1	43.9	43.1	37.5	38.7	42.8	44.1	42.4	42.2	39.3	45.3		Backlog of Orders
	48.6	48.0	47.3	47.8	48.9	51.1	46.7	48.3	50.0	52.5	50.4	48.5	50.3		Production Index
	45.1	45.6	45.2	44.8	44.6	43.5	45.7	46.1	48.6	46.4	47.7	46.2	47		Suppliers' delivery times
	48.2	47.4	46.9	48.9	51.3	51.4	46.2	48.7	48.7	47.1	48.6	50.8	48.1		Customer Inventories
	-12.1	-8.8	-9.3	-9.9	-14.2	-21.9	-26.1	-30	-39.6	-38.9	-37.8	-40	-40	EZ manuf.	Order books
	0.6	-0.2	3.9	2.2	3.0	-6.6	-3.8	-4.5	-9.9	-7.5	-9.3	-8.3	-8.3		Production trend
	21.8	21.7	19.2	16.4	12.9	10.9	10.1	9.9	9.1	9.9	9.4	9.0	9.4	EZ const.	Equip shortage
	44.1	46.4	44.5	44.8	42.2	43.5	44.1	43.8	44.2	43.8	46.2	46.7	46.8	Taiwan	Suppliers' delivery times
	558	557	553	546	549	543	549	559	554	552	552	552	552	Input costs	CRB Spot Comdty. Price
1372	1229	1100	1059	1108	1217	1238	1227	1112	1053	953	884	823	Container freight		

Note: US and Taiwan (SA, 50+=Increasing); EZ Percent Balance (SA, %).

Source: BBVA Research and Haver Analytics

# Headline inflation rebounded across the board due to base effects; core rates held the downward trend in Dec, except in TRY and Argentina

## Headline Inflation Y/Y%, NSA

	2022												2023												
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	
US	7.5	7.9	8.5	8.3	8.6	9.1	8.5	8.3	8.2	7.7	7.1	6.5	6.4	6.0	5.0	4.9	4.0	3.0	3.2	3.7	3.7	3.2	3.1	3.4	US
China	0.9	0.9	1.5	2.1	2.1	2.5	2.7	2.5	2.8	2.1	1.6	1.8	2.1	1.0	0.7	0.1	0.2	0.0	-0.3	0.1	0.0	-0.2	-0.5	-0.3	China
Eurozone	5.1	5.9	7.4	7.4	8.1	8.6	8.9	9.1	9.9	10.6	10.1	9.2	8.6	8.5	6.9	7.0	6.1	5.5	5.3	5.2	4.3	2.9	2.4	2.9	Eurozone
Germany	4.2	4.3	5.9	6.3	7.0	6.7	6.7	7.0	8.6	8.8	8.8	8.1	8.7	8.7	7.4	7.2	6.1	6.4	6.2	6.1	4.5	3.8	3.2	3.7	Germany
France	2.9	3.6	4.5	4.8	5.2	5.8	6.1	5.9	5.6	6.2	6.2	5.9	6.0	6.3	5.7	5.9	5.1	4.5	4.3	4.9	4.9	4.0	3.5	3.7	France
Spain	6.1	7.6	9.8	8.3	8.7	10.2	10.8	10.5	8.9	7.3	6.8	5.7	5.9	6.0	3.3	4.1	3.2	1.9	2.3	2.6	3.5	3.5	3.2	3.1	Spain
UK	5.5	6.2	7.0	9.0	9.1	9.4	10.1	9.9	10.1	11.1	10.7	10.5	10.1	10.4	10.1	8.7	8.7	7.9	6.8	6.7	6.7	4.6	3.9	4.0	UK
Turkey	48.7	54.4	61.1	70.0	73.5	78.6	79.6	80.2	83.5	85.5	84.4	64.3	57.7	55.2	50.5	43.7	39.6	38.2	47.8	58.9	61.5	61.4	62.0	64.8	Turkey
Argentina	50.7	52.3	55.1	58.0	60.7	64.0	71.0	78.5	83.0	88.0	92.4	94.8	98.8	102.5	104.3	108.8	114.2	115.6	113.4	124.4	138.3	142.7	160.9	211.4	Argentina
Colombia	6.9	8.0	8.5	9.2	9.1	9.7	10.2	10.8	11.4	12.2	12.5	13.1	13.3	13.3	13.3	12.8	12.4	12.1	11.8	11.4	11.0	10.5	10.1	9.3	Colombia
Mexico	7.1	7.3	7.5	7.7	7.7	8.0	8.2	8.7	8.7	8.4	7.8	7.8	7.9	7.6	6.8	6.3	5.8	5.1	4.8	4.6	4.5	4.3	4.3	4.7	Mexico
Peru	5.7	6.1	6.8	8.0	8.1	8.8	8.7	8.4	8.5	8.3	8.4	8.5	8.7	8.6	8.4	8.0	7.9	6.5	5.9	5.6	5.0	4.3	3.6	3.2	Peru
Brazil	10.4	10.5	11.3	12.1	11.7	11.9	10.1	8.7	7.2	6.5	5.9	5.8	5.8	5.6	4.7	4.2	3.9	3.2	4.0	4.6	5.2	4.8	4.7	4.6	Brazil
Chile	7.7	7.8	9.4	10.5	11.5	12.5	13.1	14.1	13.7	12.8	13.3	12.8	12.3	11.9	11.1	9.9	8.7	7.6	6.5	5.3	5.1	5.0	4.8	3.9	Chile

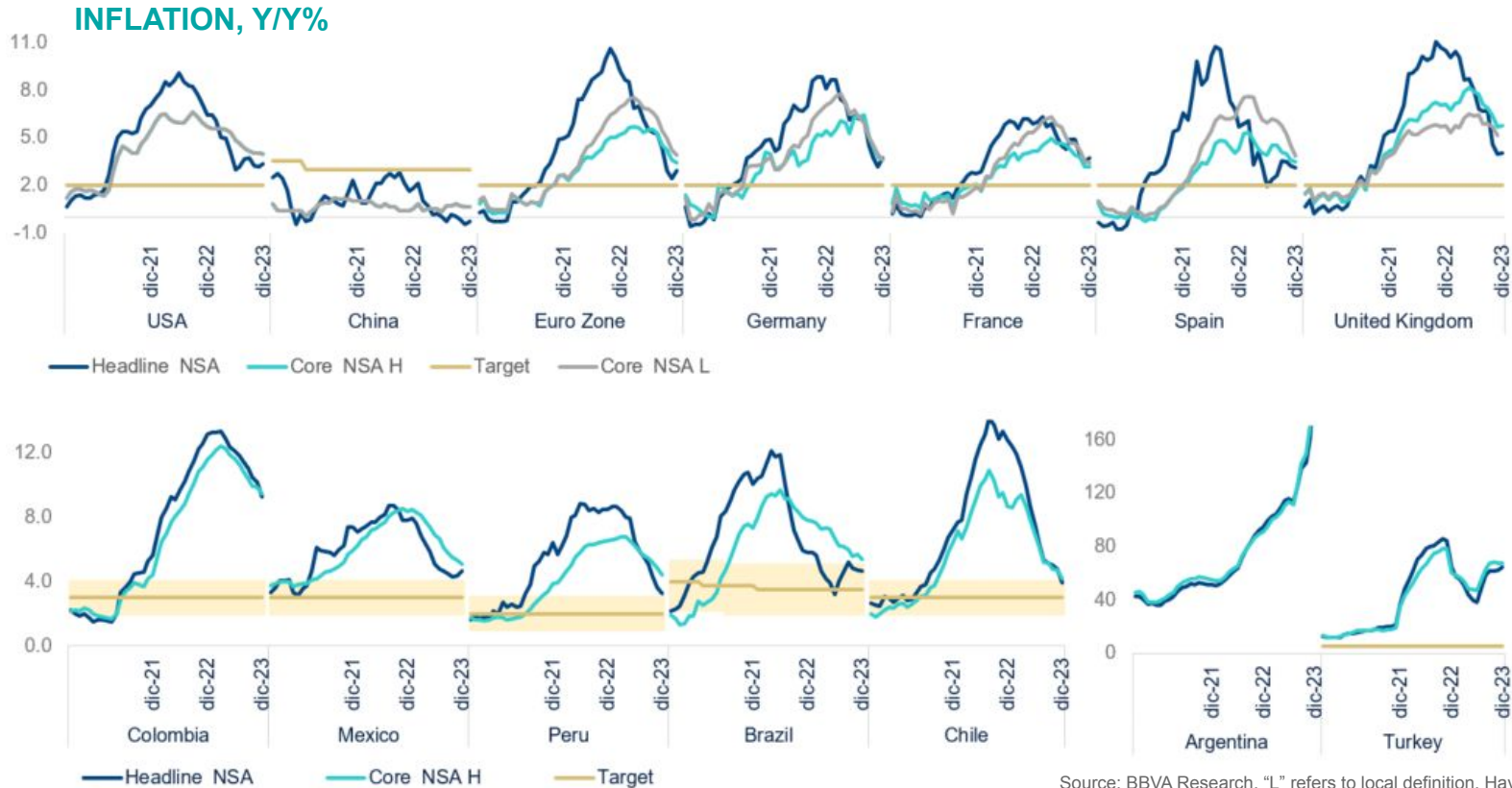
## Core Inflation Y/Y%, NSA

US	6.0	6.4	6.5	6.2	6.0	5.9	5.9	6.3	6.6	6.3	6.0	5.7	5.6	5.5	5.6	5.5	5.3	4.8	4.7	4.3	4.1	4.0	4.0	3.9	US
China	1.0	1.0	0.9	0.7	0.6	0.8	0.6	0.4	0.4	0.4	0.5	0.8	0.4	0.5	0.5	0.5	0.3	0.7	0.7	0.8	0.7	0.6	0.6	0.6	China
Eurozone	2.3	2.7	3.0	3.5	3.8	3.7	4.0	4.3	4.8	5.0	5.0	5.2	5.3	5.6	5.7	5.6	5.3	5.5	5.5	5.3	4.5	4.2	3.6	3.4	Eurozone
Germany	3.0	3.1	3.3	3.8	4.1	3.2	3.4	3.6	4.7	5.2	5.1	5.5	5.1	5.5	6.1	5.9	5.3	6.3	6.3	6.4	5.1	4.5	3.8	3.6	Germany
France	1.6	2.4	2.5	3.0	3.2	3.1	3.8	4.0	3.6	4.0	4.0	4.1	4.2	4.5	4.7	4.9	4.6	4.7	4.5	4.3	3.9	3.8	3.2	3.2	France
Spain	2.2	2.6	3.0	3.4	3.4	3.9	4.6	4.8	4.8	4.4	4.0	4.3	5.3	5.3	4.8	4.3	4.0	3.9	4.5	4.5	4.1	3.9	3.6	3.5	Spain
UK	4.3	5.1	5.7	6.1	6.1	6.1	6.6	6.7	7.1	7.2	7.0	7.1	6.7	7.2	7.2	7.9	8.1	7.9	7.7	7.1	6.9	6.4	5.7	5.8	UK
Turkey	43.3	47.4	51.8	58.3	63.1	66.4	71.0	74.9	76.5	78.6	78.4	60.1	58.4	56.6	53.4	48.7	47.8	47.0	54.5	63.4	67.6	67.8	67.4	67.7	Turkey
Argentina	54.0	54.5	57.3	60.5	63.2	65.5	72.2	78.4	82.3	86.4	89.1	90.6	94.4	100.4	102.0	105.2	110.3	113.1	111.5	125.3	142.2	149.7	170.3	229.4	Argentina
Colombia	5.6	6.4	6.9	7.7	8.0	8.4	8.8	9.4	10.0	10.8	11.1	11.6	11.8	12.2	12.4	12.2	11.9	11.6	11.3	10.8	10.3	9.9	9.8	9.5	Colombia
Mexico	6.2	6.6	6.8	7.2	7.3	7.5	7.7	8.1	8.3	8.4	8.5	8.3	8.5	8.3	8.1	7.7	7.4	6.9	6.6	6.1	5.8	5.5	5.3	5.1	Mexico
Peru	3.9	4.2	4.6	5.0	5.5	5.8	6.2	6.3	6.3	6.4	6.5	6.5	6.6	6.6	6.8	6.7	6.5	6.2	5.8	5.6	5.4	5.2	4.8	4.4	Peru
Brazil	8.0	8.6	9.2	9.4	9.3	9.7	9.1	9.1	8.6	8.3	8.0	7.8	7.7	7.6	7.2	7.3	7.2	6.6	6.2	6.1	6.0	5.6	5.7	5.4	Brazil
Chile	7.1	6.6	7.4	8.3	9.0	9.9	10.3	10.9	10.3	9.3	9.5	8.6	8.6	9.1	9.4	8.7	7.9	6.9	6.2	5.2	5.2	4.8	4.7	4.1	Chile

Period considered: 2015-2019  
 StDev below: + than 3 2 to 3 1 to 2 -1 to +1 1 to 2 2 to 3 + than 3  
 StDev above:

Source: BBVA Research, Haver Analytics. We report here harmonised core inflation excluding food and energy. These measures may differ from local measures of core inflation where EA and Spain: excludes unprocessed food and energy, France excludes government tariffs and volatile prices, Germany excludes energy prices.

# The gap between headline and core inflation narrowed; disinflation persists in China; upward trend in inflation halted in Turkey, but persists in Argentina



Source: BBVA Research, "L" refers to local definition. Haver Analytics.

# Sequentially, December core rates were below last year, despite the uptick, except in Turkey and Argentina.

## Headline Inflation M/M%, SA

	2022												2023												
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	
US	0.6	0.7	1.0	0.4	0.9	1.2	0.0	0.2	0.4	0.5	0.2	0.1	0.5	0.4	0.1	0.4	0.1	0.2	0.2	0.6	0.4	0.0	0.1	0.3	US
China	0.0	0.2	0.4	0.6	0.1	0.4	0.2	-0.2	0.0	0.1	0.0	0.0	-0.1	0.1	-0.5	0.1	0.1	0.1	-0.1	0.2	-0.1	0.0	-0.3	0.1	China
Eurozone	1.0	0.6	1.6	0.2	0.9	0.8	0.6	0.5	1.1	1.3	0.4	-0.1	0.4	0.5	0.1	0.3	0.1	0.2	0.4	0.4	0.2	-0.1	-0.1	0.5	Eurozone
Germany	0.7	0.6	1.8	0.5	0.9	0.0	0.5	0.5	1.7	0.7	0.5	-0.5	1.2	0.5	0.6	0.2	-0.1	0.3	0.2	0.5	0.3	0.0	-0.1	0.0	Germany
France	0.5	0.7	0.9	0.5	0.5	0.7	0.4	0.3	-0.1	0.9	0.3	0.1	0.8	1.0	0.3	0.6	-0.2	0.0	0.0	0.8	0.3	-0.1	-0.1	0.3	France
Spain	0.6	0.9	2.3	-0.7	0.5	1.4	0.7	0.4	-0.5	-0.3	0.1	0.1	0.7	1.1	-0.3	0.1	-0.3	0.1	1.1	0.7	0.4	-0.3	-0.1	-0.1	Spain
UK	0.6	0.7	1.0	2.0	0.5	0.8	0.9	0.5	0.5	1.6	0.4	0.5	0.1	1.1	0.7	0.7	0.5	0.1	-0.2	0.4	0.5	-0.4	-0.2	0.6	UK
Turkey	10.2	4.5	5.5	5.9	4.1	4.7	3.4	2.9	4.2	3.1	2.4	0.1	5.7	2.8	2.4	1.1	0.8	3.9	10.7	10.8	5.9	3.0	2.8	1.6	Turkey
Argentina	4.2	5.1	5.7	6.0	5.6	5.5	7.4	7.2	5.6	6.0	5.4	5.0	6.4	7.1	6.6	8.3	8.4	6.1	6.3	12.6	12.2	7.9	13.5	25.3	Argentina
Colombia	1.4	1.2	0.8	1.0	1.0	0.8	1.0	1.1	1.0	1.1	1.0	1.0	1.5	1.2	0.8	0.5	0.5	0.6	0.7	0.8	0.6	0.6	0.7	0.2	Colombia
Mexico	0.3	0.9	0.8	0.8	0.6	0.7	0.6	0.8	0.6	0.5	0.4	0.5	0.4	0.6	0.1	0.3	0.2	0.0	0.4	0.7	0.5	0.3	0.4	0.8	Mexico
Peru	0.2	0.4	1.0	1.1	0.5	1.2	0.7	0.6	0.6	0.5	0.6	0.7	0.4	0.4	0.8	0.7	0.4	-0.1	0.1	0.3	0.1	-0.2	-0.1	0.3	Peru
Brazil	0.5	1.0	1.5	1.0	0.5	0.7	-0.6	-0.3	-0.2	0.6	0.4	0.5	0.4	0.8	0.6	0.6	0.3	0.0	0.2	0.3	0.3	0.2	0.2	0.5	Brazil
Chile	1.0	0.5	1.7	1.4	1.3	1.2	1.3	1.2	0.7	0.2	1.3	0.4	0.6	0.2	0.9	0.3	0.2	0.1	0.2	0.1	0.5	0.1	1.1	-0.4	Chile

## Core Inflation M/M%, SA

US	0.6	0.5	0.3	0.5	0.6	0.6	0.3	0.6	0.6	0.3	0.3	0.4	0.4	0.5	0.4	0.4	0.4	0.2	0.2	0.3	0.3	0.2	0.3	0.3	US	
China	-0.1	0.2	0.1	0.0	0.0	0.2	-0.1	0.0	-0.1	0.1	0.0	0.1	0.1	0.0	0.1	0.0	0.0	0.0	0.3	0.0	0.0	0.0	-0.1	0.1	China	
Eurozone*	0.5	0.2	0.2	0.4	0.5	0.2	0.5	0.5	0.7	0.5	0.5	0.3	0.6	0.5	0.3	0.4	0.2	0.4	0.5	0.3	0.0	0.1	-0.1	0.2	Eurozone*	
Germany	0.5	0.2	0.3	0.3	0.6	-0.2	0.5	0.3	1.1	0.6	0.5	0.5	0.1	0.7	0.9	0.2	-0.1	1.0	0.5	0.5	-0.3	0.0	-0.2	0.3	Germany	
France	0.4	0.5	0.1	0.5	0.4	0.2	0.5	0.4	0.0	0.5	0.3	0.2	0.3	0.8	0.4	0.7	0.1	0.2	0.4	0.1	-0.3	0.4	-0.3	0.3	France	
Spain	0.4	0.3	0.4	0.3	0.3	0.5	0.5	0.4	0.3	0.2	0.2	0.4	1.3	0.5	-0.1	-0.2	0.1	0.3	1.0	0.3	-0.1	0.1	-0.1	0.3	Spain	
UK	0.5	0.6	0.7	0.6	0.4	0.5	0.5	0.5	0.6	0.5	0.4	0.5	0.0	1.0	0.6	1.1	0.8	0.3	0.5	-0.1	0.4	0.1	-0.1	0.5	UK	
Turkey	6.7	3.9	4.3	3.9	3.7	3.1	4.2	4.1	3.3	2.7	1.7	1.0	7.4	2.2	2.2	2.6	4.1	4.2	10.4	10.0	5.8	3.2	1.9	1.2	Turkey	
Argentina	4.1	4.8	5.7	6.1	5.7	5.6	6.7	6.6	5.3	5.8	5.1	4.8	6.2	8.1	6.5	7.7	8.3	7.1	5.8	13.6	13.3	9.1	13.8	27.6	Argentina	
Colombia	1.1	1.0	0.8	0.9	0.9	0.8	0.9	1.0	0.9	1.0	0.8	0.8	1.3	1.3	1.0	0.8	0.6	0.6	0.6	0.6	0.5	0.6	0.7	0.5	Colombia	
Mexico	0.6	0.7	0.7	0.7	0.7	0.7	0.6	0.8	0.7	0.7	0.6	0.5	0.7	0.6	0.5	0.4	0.3	0.2	0.4	0.2	0.4	0.4	0.5	0.3	Mexico	
Peru	0.3	0.5	0.5	0.5	0.6	0.6	0.7	0.5	0.5	0.5	0.5	0.7	0.4	0.5	0.6	0.5	0.4	0.3	0.3	0.3	0.3	0.2	0.2	0.3	Peru	
Brazil	0.7	0.9	0.9	0.7	0.6	0.9	0.3	0.6	0.5	0.5	0.4	0.5	0.6	0.8	0.5	0.8	0.5	0.3	0.0	0.5	0.3	0.1	0.5	0.2	Brazil	
Chile	1.0	-0.1	1.0	1.1	0.9	1.0	0.9	0.9	0.3	0.1	0.9	0.1	1.0	0.4	1.2	0.5	0.2	0.2	0.2	0.2	-0.1	0.3	-0.2	0.8	-0.4	Chile

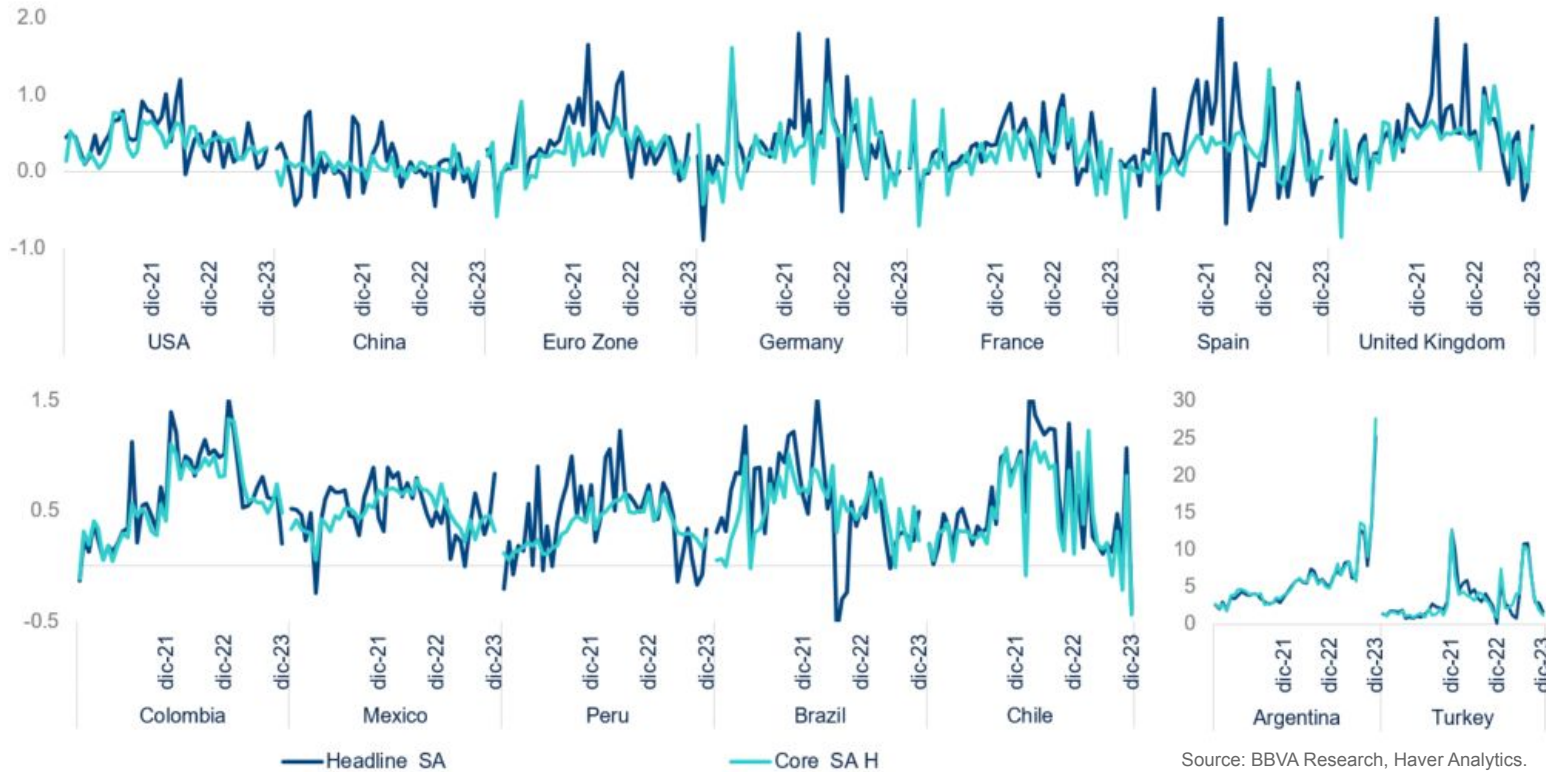
\* The Eurozone core inflation data shown in the table are seasonally adjusted using Haver Analytics. BCE data for Eurozone which are Not Seasonal Adjusted are **0.2%** for headline inflation and **0.3%** for core inflation

Period considered: 2015-2019  
 StDev below: + than 3 2 to 3 1 to 2 -1 to +1 1 to 2 2 to 3 + than 3  
 StDev above:

# EZ headline inflation rebounded sharply on base effects (end of Covid aid); currency depreciation pass-through effects continue in Argentina

INFLATION, M/M% (SA)

[See Annex for graphs on M/M% trend](#)

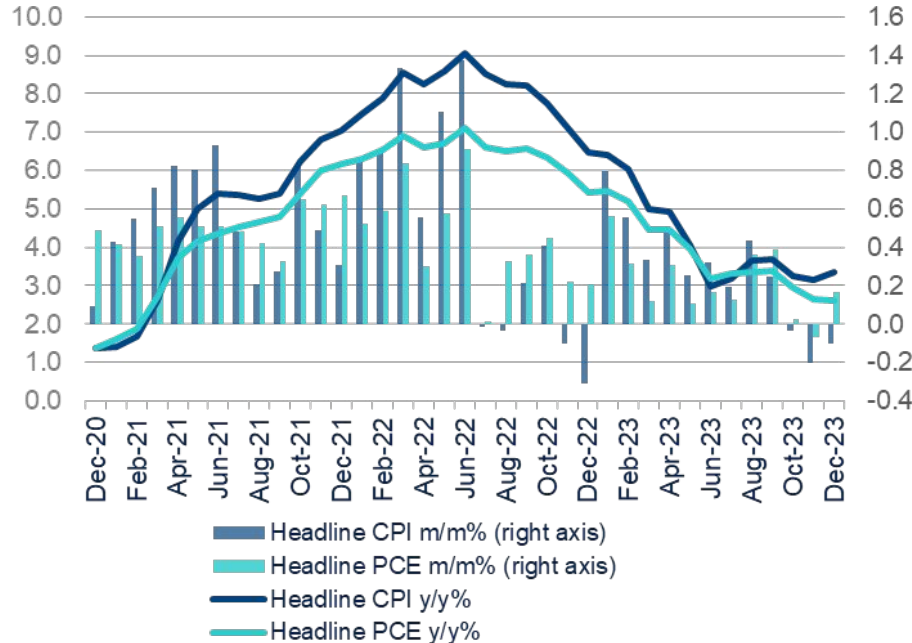


Source: BBVA Research, Haver Analytics.

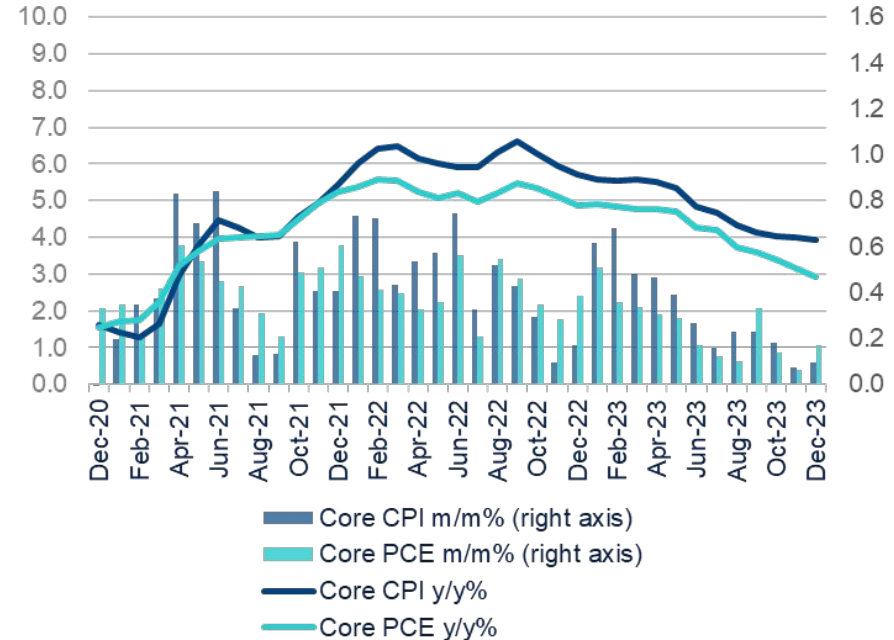


## US PCE inflation was steady at 2.6% in December 2023, while the core PCE rate inched down to 2.9% from 3.2

### US INFLATION HEADLINE CPI AND PCE, Y/Y% AND M/M%



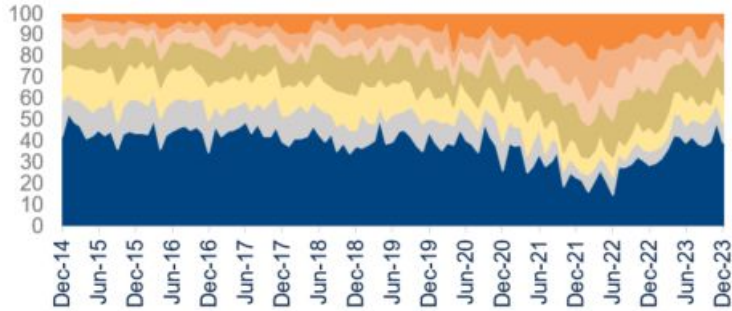
### US INFLATION CORE AND PCE, Y/Y% AND M/M%



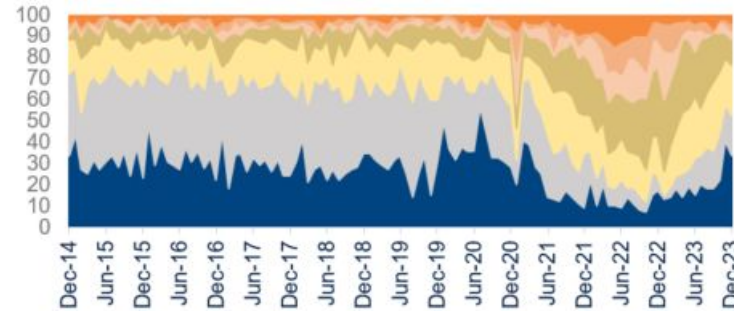
**Synchronicity: there is still a high number of items with considerable weight in the US CPI basket that maintain inflation rates between 4% and 8%.**

## PERCENTAGE OF ITEMS WITHIN DIFFERENT INFLATIONARY BRACKETS

US



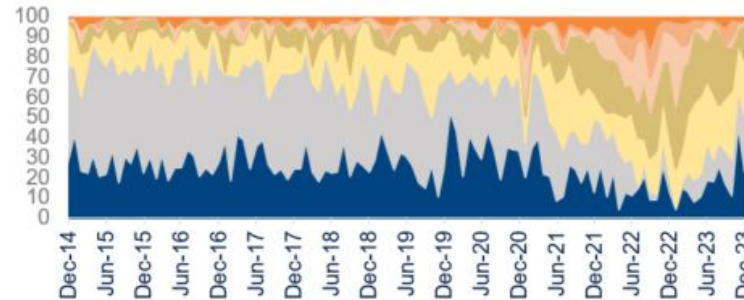
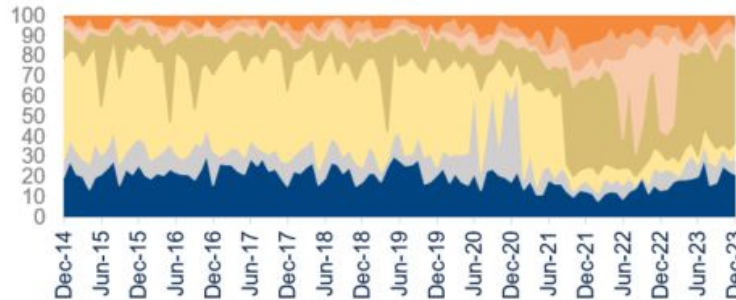
EZ



See Annex for details

% of two-digit items with an annualized monthly inflation:

## WEIGHTED\* PERCENTAGE OF ITEMS WITHIN DIFFERENT INFLATIONARY BRACKETS



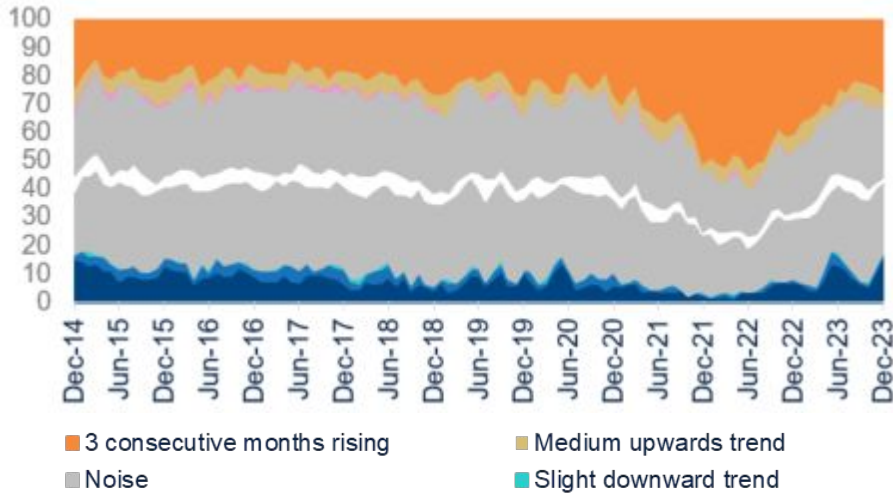
- (20 and more)
- (12 to 20)
- (8 to 12)
- (4 to 8)
- (2 to 4)
- (0 to 2)
- (Less than 0)

\*weighted by each item's level of expenditure within the CPI basket.

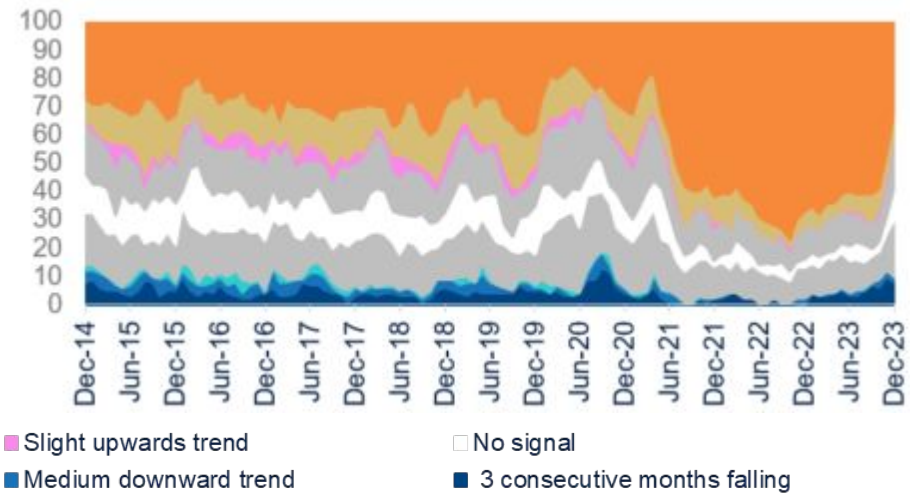
Source: BBVA Research based on Haver Analytics

# Number of items with frequent price revisions eased in the EZ but persisted above pre-pandemic levels, while in the US they are close to 2019-levels

## PERCENTAGE OF ITEMS WITH FREQUENT ADJUSTMENTS US



## EZ



**Medium downward** trend refers to 3 price reductions and no increases in the last three months.

**Slight downward** trend refers to 2 price reduction and no increases in the last three months:

**Noise**: refers to both price increases AND reductions in the last three months.

**No signal**: refers to no significant change in prices in the last three months

**Slight upward** trend refers to 2 price increase and no reduction in the last three months:

**Medium upwards** trend refers to 3 price increases and no reductions in the last three months.

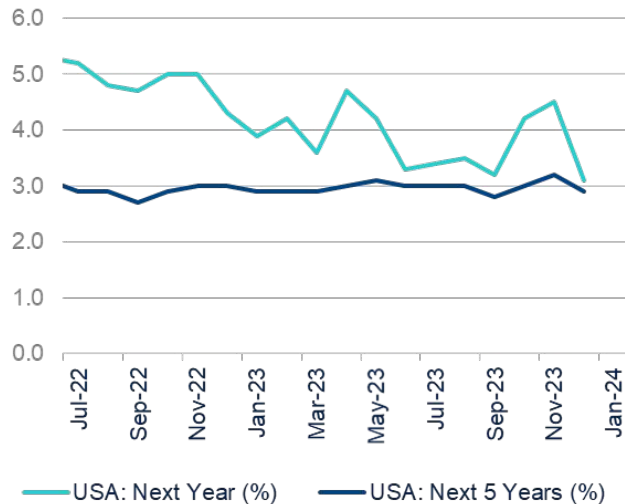
% of items\* with prices signaling; \* items within the CPI basket (2 digits) and where.

Source: BBVA Research, Haver Analytics.

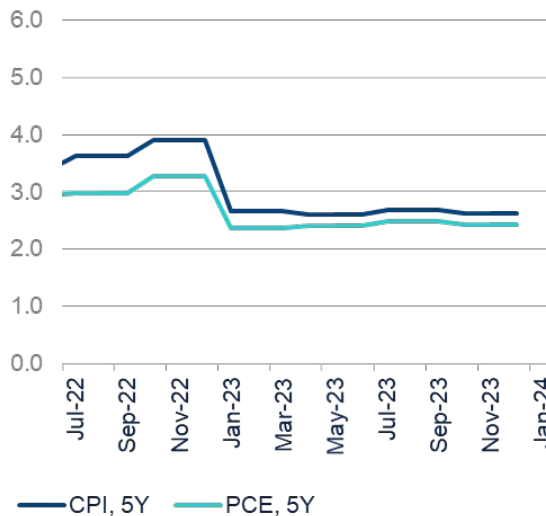
In all of the above, price changes of less than 0.05% annualized inflation are considered insignificant.

# US consumer 1Y-ahead inflation expectations dropped to 3%, close to its long term expectations but above analyst and market-based expectations of 2.5%

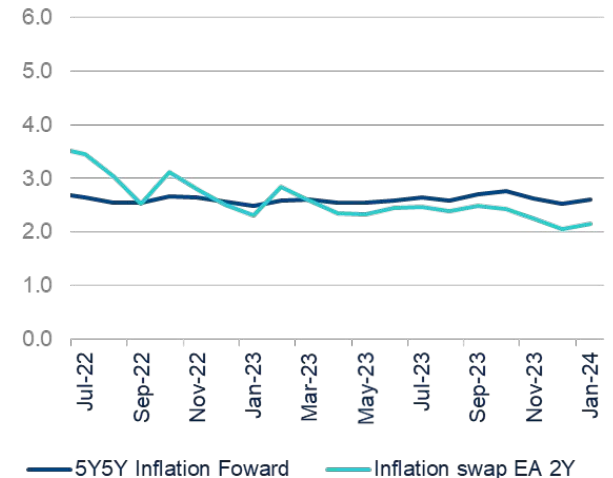
**EXPECTATIONS:  
CONSUMERS SURVEY**  
(NEXT YEAR, NEXT 5 YEARS)



**EXPECTATIONS:  
PROFESSIONAL FORECASTERS**  
(LONG-TERM\*, %)



**EXPECTATIONS:  
MARKET**  
(5Y5Y FORWARD, 5Y SWAP)



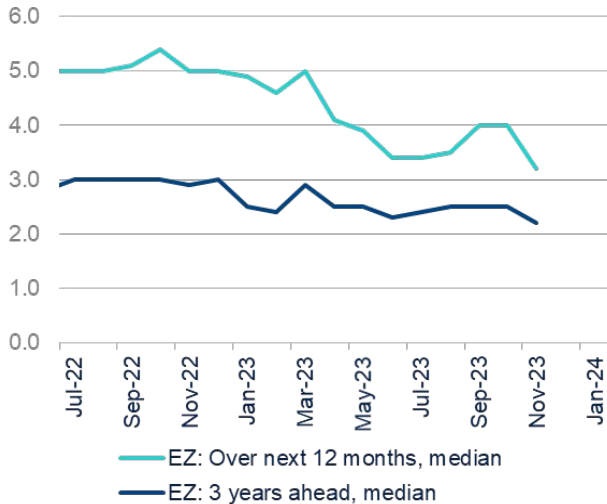
Source: BBVA Research, Haver Analytics.

\*/ This refers to an average of 5 and 10-year ahead expected rate of inflation

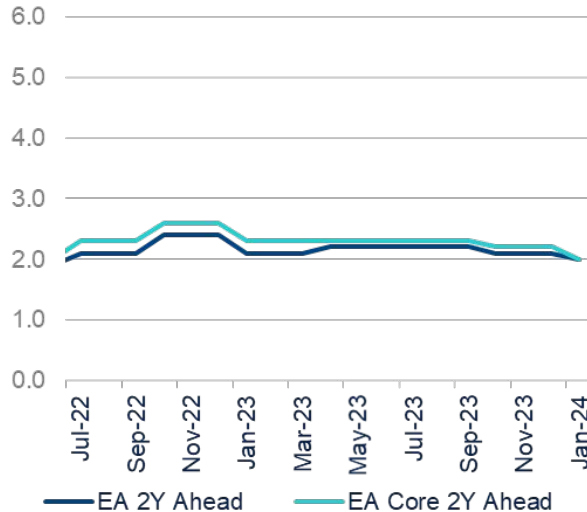
Source: Federal Reserve Bank of Philadelphia.

# EZ consumers' 1Y-ahead inflation expectations fell to 3.1%, still above long term expectations (2.2%). Analysts (2%) and markets (2.5%) are closer to target

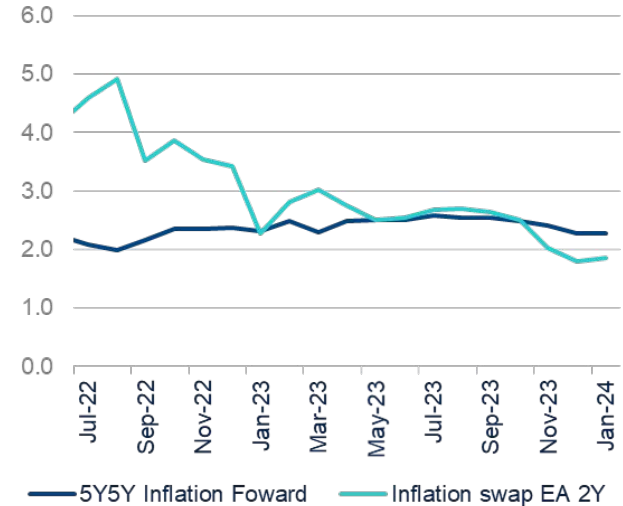
**EXPECTATIONS:  
CONSUMERS SURVEY**  
(NEXT YEAR, 3Y AHEAD)



**EXPECTATIONS:  
PROFESSIONAL FORECASTERS**  
(LONG-TERM\*, %)



**EXPECTATIONS  
MARKET**  
(5Y5Y FORWARD, 5Y SWAP)



Source: BBVA Research, ECB, consumer survey

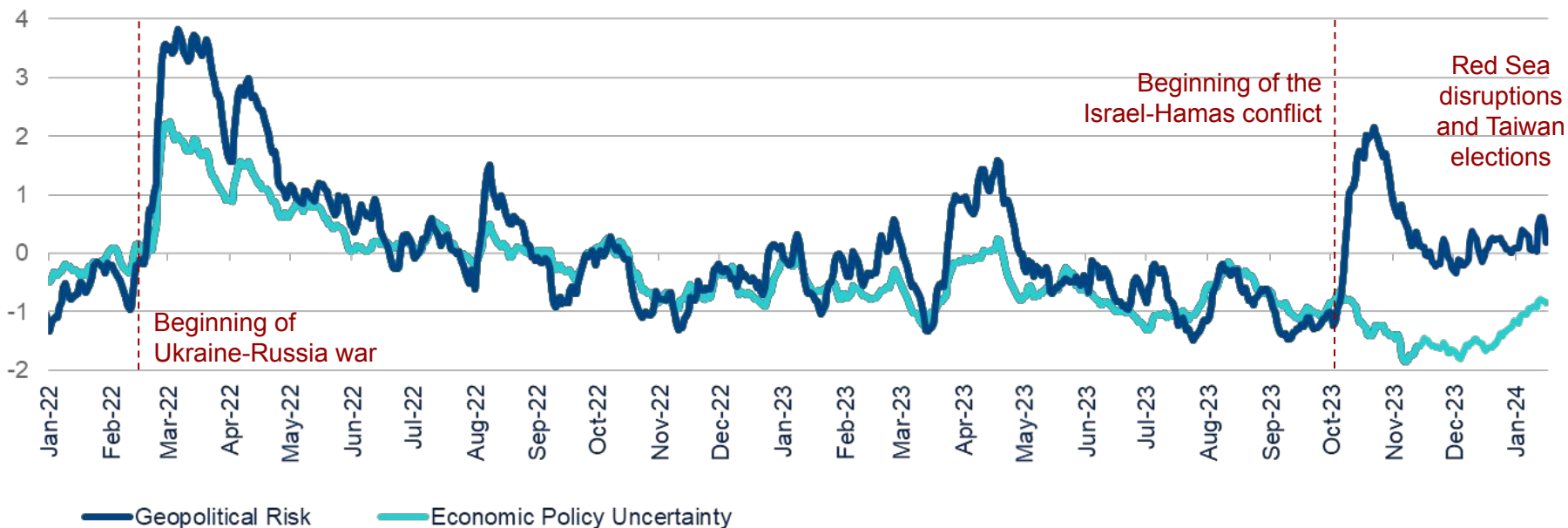
\*/ Long-Term CPI Inflation refers to 2027 expected headline inflation

Source: ECB

# Geopolitical risks remain high: the disruptions of maritime routes in the Red Sea and Taiwan elections have been fueling geopolitical tensions recently

## GEOPOLITICAL RISK AND ECONOMIC POLICY UNCERTAINTY IN G3 REGIONS

(INDEXES: AVERAGE SINCE 2019 EQUALS TO 0, 28-DAY MOVING AVERAGE)



# Geopolitical and conflict risks have increased not only in the Middle-East, but also in other regions such as in Latam (social tensions in Ecuador)

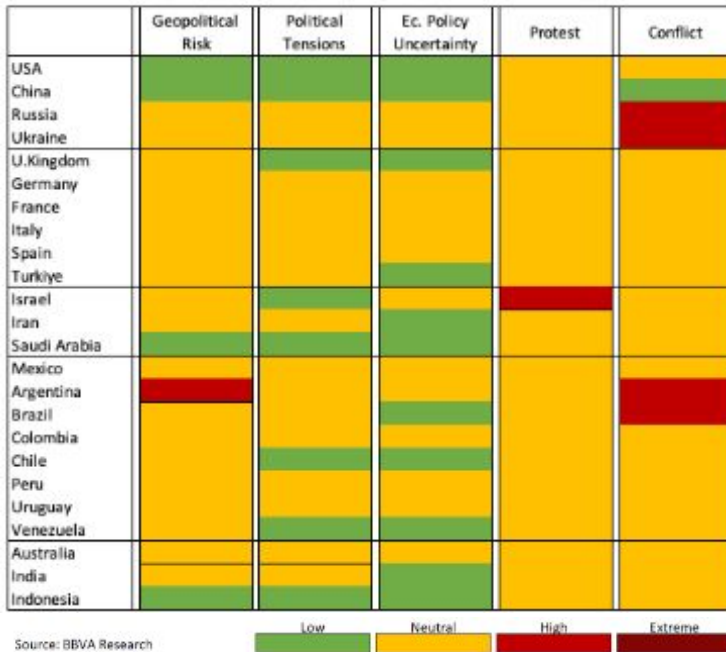
## BBVA RESEARCH GEOPOLITICS MONITOR MAIN "SIGNAL" CHANGES AFTER THE HAMAS-ISRAEL CONFLICT

(Signals in Geopolitical Risk, Political Tensions, Economic Policy Uncertainties, Protest and Conflict according to Standard Deviations)

[Link to Dashboard](#)

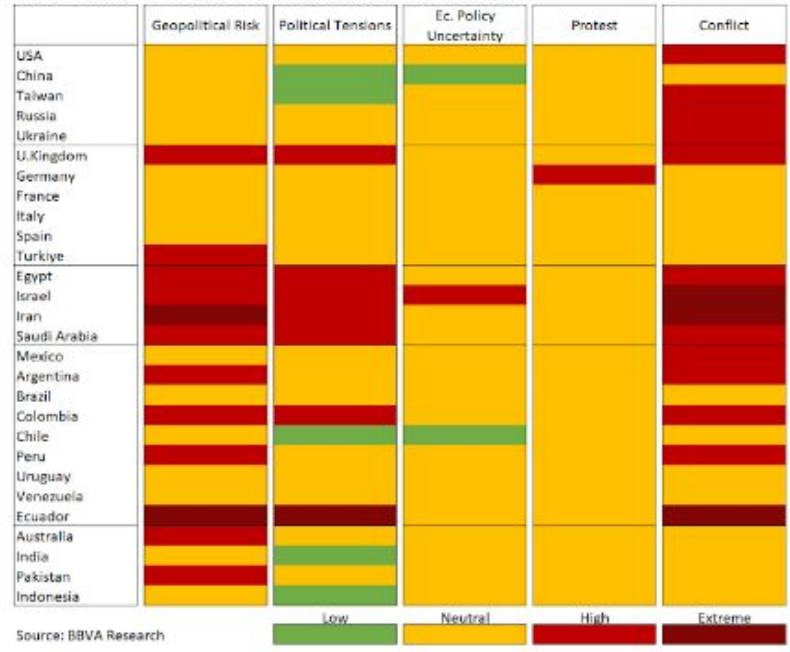
### Summary of Signals Before Hamas-Israel Conflict

(News Sentiment Map. Sentiment relative to average sentiment in each country)



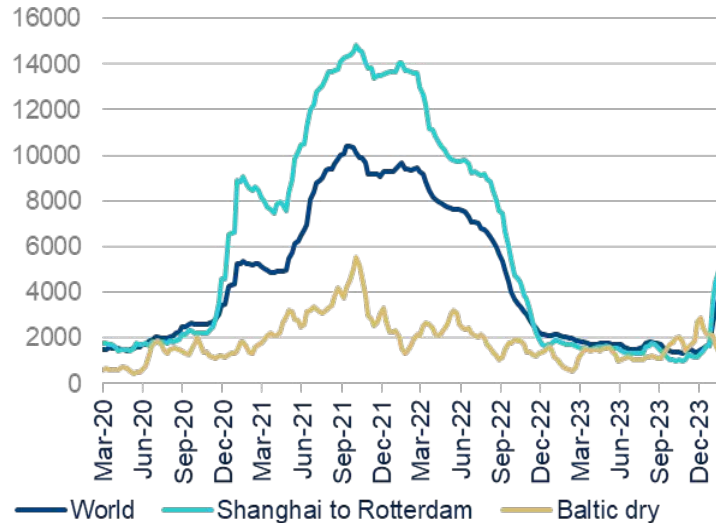
### Summary of Signals After Hamas-Israel Conflict (January 18th, 2024)

(News Sentiment Map. Sentiment relative to average sentiment in each country)



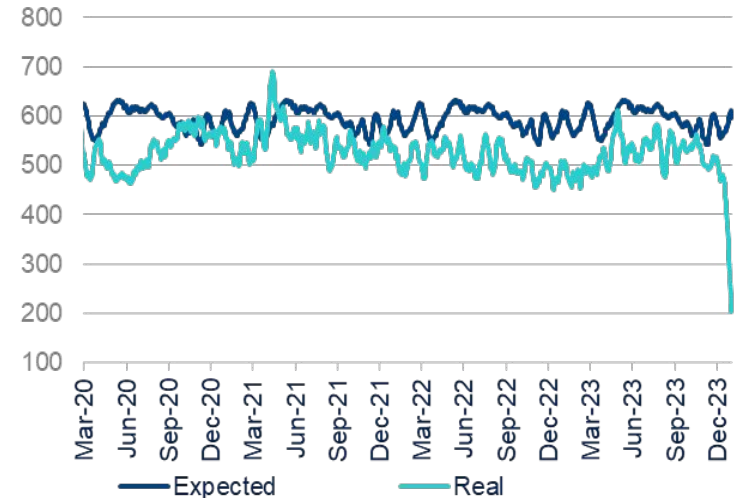
# Disruption in the Red Sea shipping routes has boosted container freights sharply from low levels since December, especially Shanghai to Rotterdam.

## WORLD CONTAINER FREIGHT (USD/40 FT BOX, LAST DATA JANUARY 25TH)



Source:Source: DREWRY WORLD CONTAINER INDEX and BBVA Research.

## FREIGHT CAPACITY AT RED SEA (THOUSAND TEU; LAST AVAILABLE DATA: 11<sup>TH</sup> JANUARY 2024)

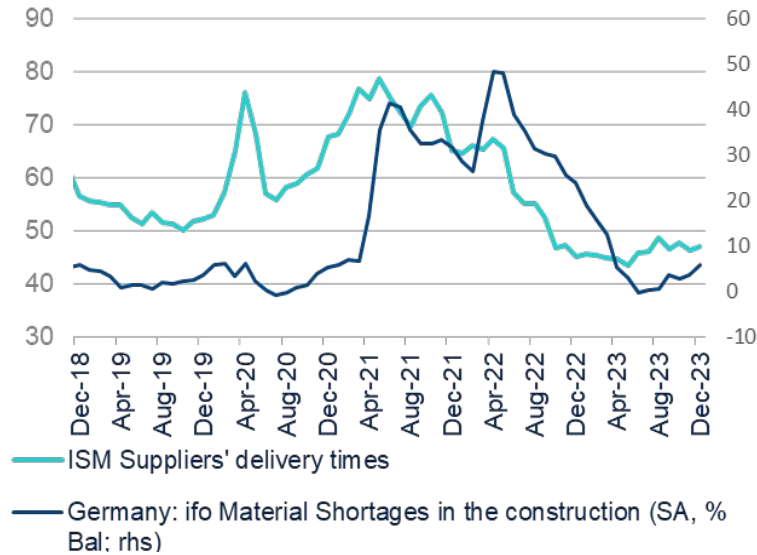


Source:Kiel Institute for the world economy

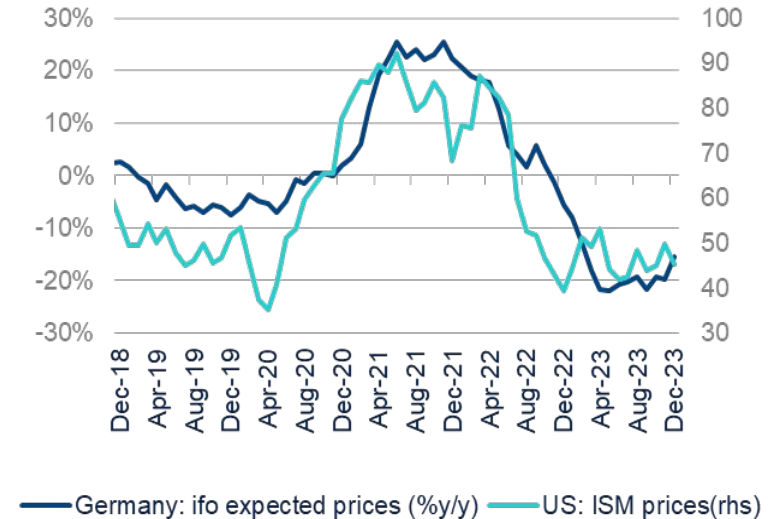


# The Red Sea crisis is beginning to be felt in longer delivery times but not in an increase in costs, so far

## US AND GERMANY SUPPLIERS' DELIVERY TIMES (INDEX)



## US AND GERMANY EXPECTED MANUFACTURING PRICES (Y/Y CHG AND DIFFUSION INDEX)



# Higher transportation costs and the lengthening in maritime trade routes had a negligible impact on supply chains until December 2023

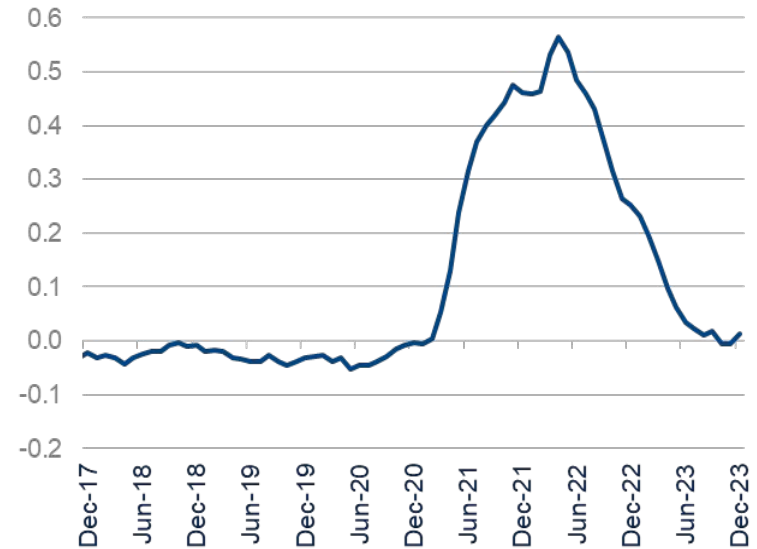
## US SUPPLY BOTTLENECKS INDICATOR

(INDEX; LAST AVAILABLE DATA: DECEMBER 2023)



## EZ: SUPPLY BOTTLENECKS INDICATOR

(INDEX; LAST AVAILABLE DATA: DECEMBER 2023)



Principal Component Analysis (PCA) has been the methodology followed in the construction of the supply bottlenecks indicator for United States and the Euro Area, whereby the first principal component has been considered as the corresponding supply bottlenecks indicator.

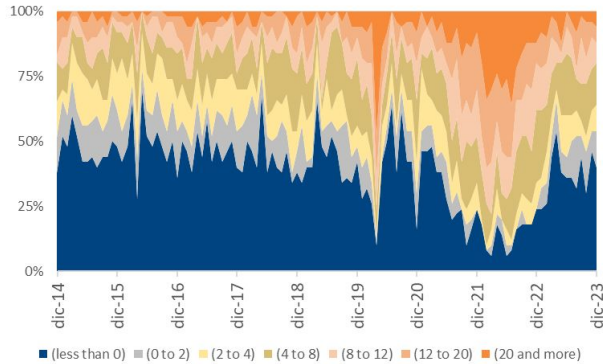
Variables included in the indicator: EA19: factors limiting production - Equipment (Percent Balance SA); EA19: Material shortage construction (Percent Balance SA); IFO: Germany: Material shortage in construction (Percent Balance SA); Ea 19: Retail Inventories (Percent Balance SA); Harpex Shipping Index; Vessel Size in TEU - Rates in US\$.

Source: BBVA Research, Haver Analytics.

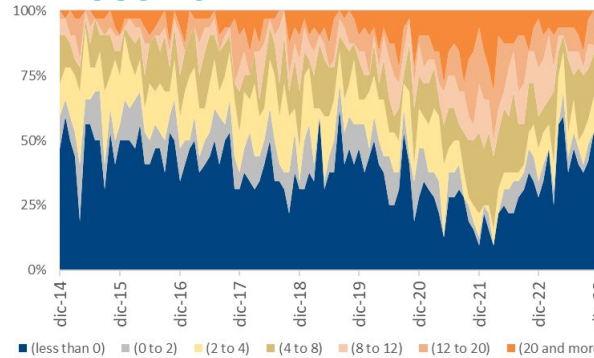
Annex

# US: Some of the spending groups whose inflation has moderated more strongly are household services, transportation and communications (70% of spending)

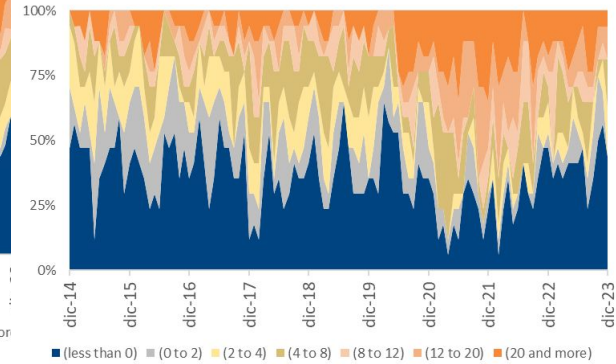
## FOOD AND BEVERAGES



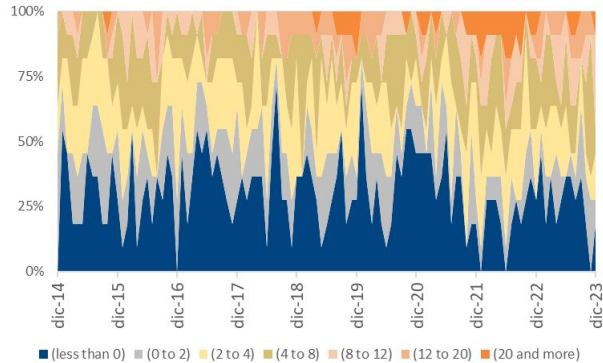
## HOUSING



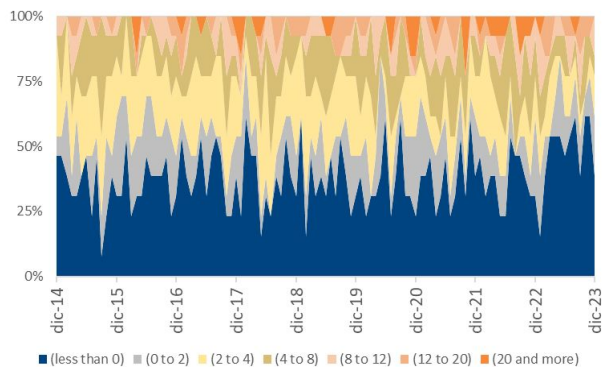
## TRANSPORTATION



## MEDICAL CARE



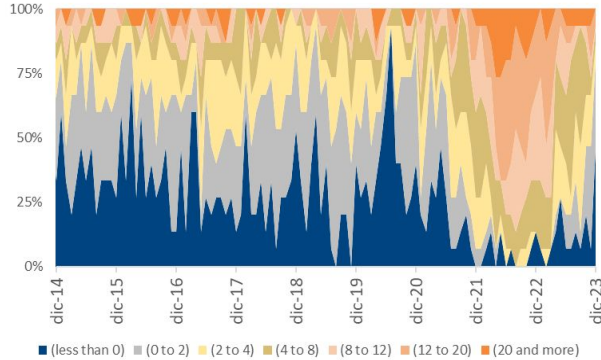
## EDUCATION AND COMMUNICATION



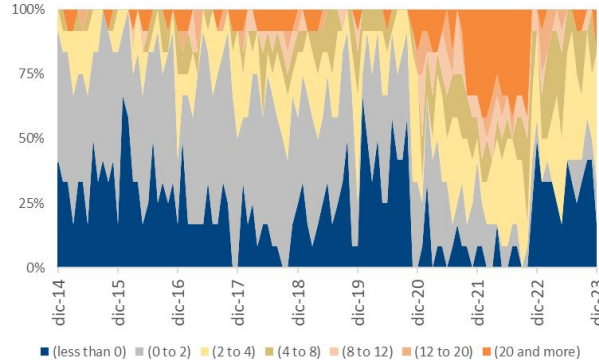
Expenditure group	Weight
(20 and more)	
Food & Beverages	14.3
Housing	44.8
Transportation	16.9
Medical care	7.8
Education and communication	5.6
(Less than 0)	

# EU: the spending groups with the greatest moderation in inflation are housing, transportation and furniture services, which represent close to 62% of spending

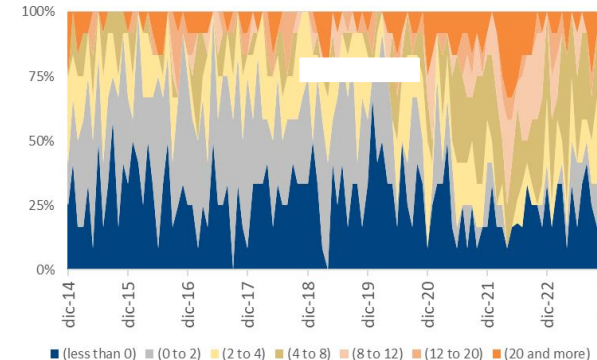
## FOOD AND BEVERAGES



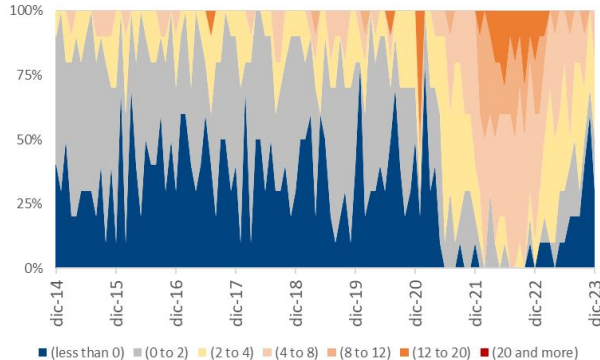
## HOUSING



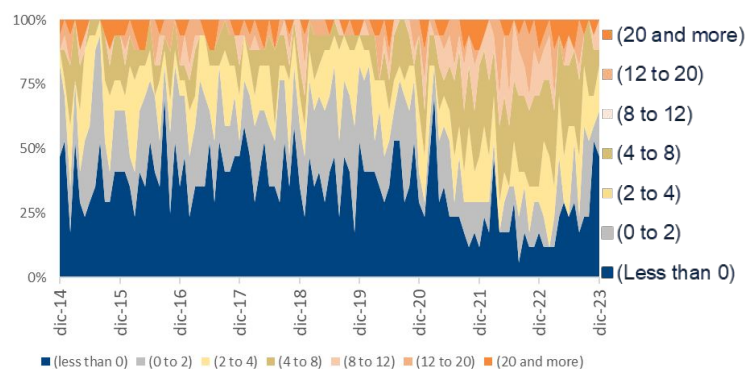
## TRANSPORTATION



## FURNISHING AND MAINTENANCE

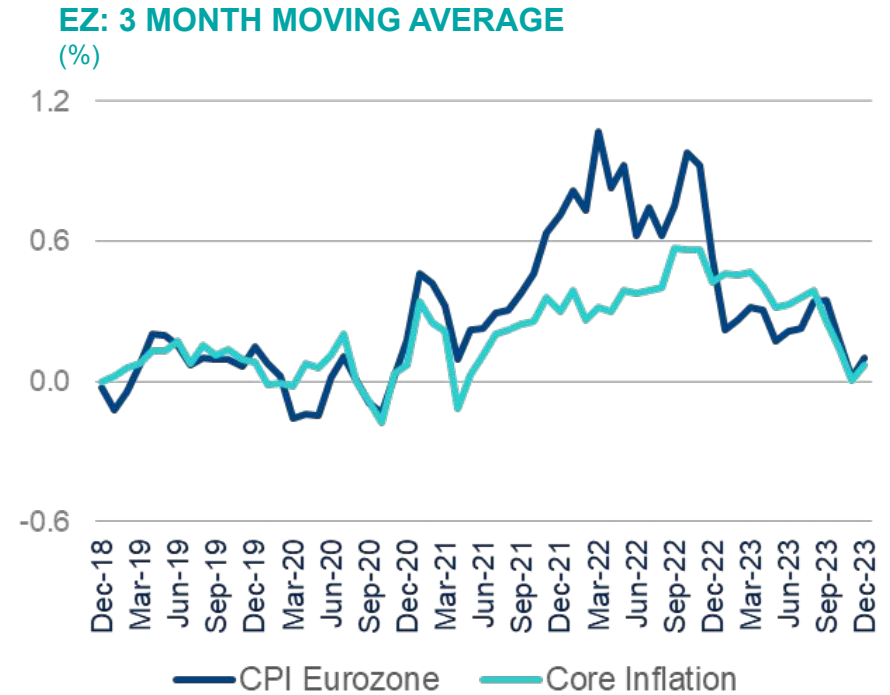
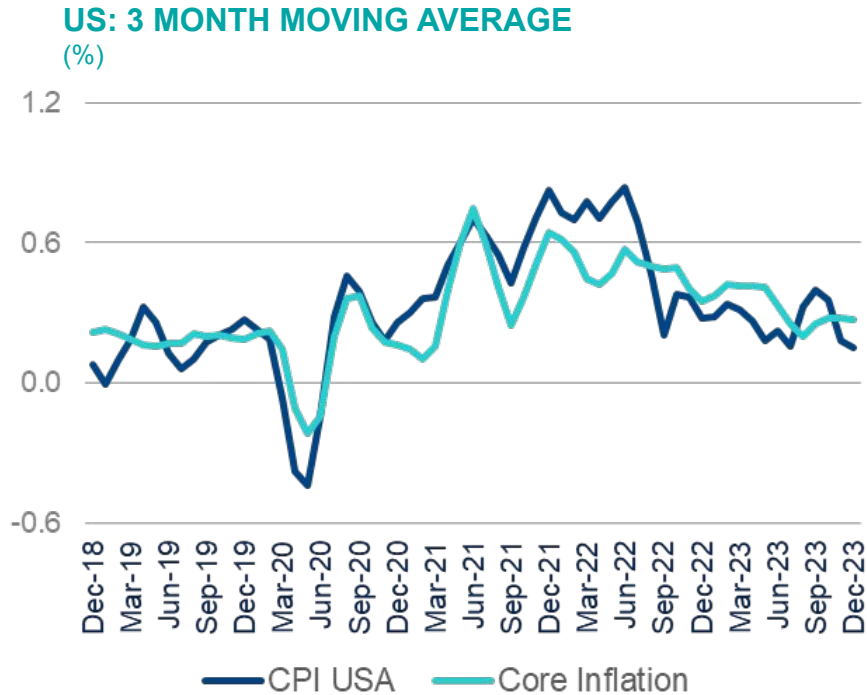


## RECREATION AND CULTURE



Expenditure group	Weight
Food & Beverages	16.1
Housing	15.2
Transportation	15.0
Furnishing & mantainance	6.8
Recreation & culture	8.9

On a sequential trend base, US headline inflation is decreasing, while core rates remains steady although lower than last year. In the Eurozone, both headline and core inflation have inched up slightly but are around pre-COVID levels



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