

Global | Inflation and Bottlenecks Chartbook

Summary

- **The disinflation process stalled** in the first quarter in the U.S. and in April in the Eurozone (EZ). Additionally, most countries seem stuck with high services prices.
- **US headline inflation ticked up again in March '24** (to 3.5% y/y from 3.2%), while **core inflation remained unchanged** (at 3.8% y/y). **Core services prices increased** (to 5.4%/y/y from 5.2%), led by housing rents and transport services. However, core goods declined further (-0.7%/y/y). Core PCE, the reference measure for the Fed, inched down slightly (2.82% from 2.84%).
- **In the Eurozone, preliminary April inflation remained steady at 2.4%/y/y, after experiencing a significant decline since September 2023.** Core inflation continued its downward trend but moderated less than expected (2.7%/y/y, from 2.8% in March). **Core goods continued declining, but services inflation moderated less than expected,** restrained by recreation services, particularly personal care, and housing.
- **Service inflation has maintained high growth since the pandemic.** In the U.S., it is led by housing prices and transportation services. In Europe, the greater persistence of service inflation is driven by leisure and personal care services.
- **Geopolitical risks pushed up commodity prices,** while container freight moderated further in March, with a slower decline towards the end of April. **New maritime routes,** created to avoid vessel attacks in the Suez Canal, prompted carriers to seek alternative ports, **potentially increasing congestion and causing additional delays in some areas.**
- US manufacturing **supply and delivery times,** along with **material shortages,** were **minimally affected** by maritime disruptions. However, manufacturing **prices increased** slightly, **reflecting higher commodity prices.**
- **Our supply bottlenecks indicators point to no disruption in manufacturing production chains.** The increase in the US reflects improved manufacturing demand in the country.

Summary indicators

	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24		
Inflation	5.0	4.9	4.0	3.0	3.2	3.7	3.7	3.2	3.1	3.4	3.1	3.2	3.5	US	IPC Headline (%YoY)
	5.6	5.5	5.3	4.8	4.7	4.3	4.1	4.0	4.0	3.9	3.9	3.8	3.8		IPC Core (%YoY)
	2.6	2.4	2.3	2.4	2.5	2.4	2.5	2.4	2.2	2.1	2.2	2.4	2.4		Inf exp (2Y inf. Swap)
	2.6	2.5	2.5	2.6	2.6	2.6	2.7	2.8	2.6	2.5	2.6	2.6	2.6		Inf exp (5Y5Y inf. Swap)
	6.9	7.0	6.1	5.5	5.3	5.2	4.3	2.9	2.4	2.9	2.8	2.6	2.4	EZ	IPC Headline (%YoY)
	5.7	5.6	5.3	5.5	5.5	5.3	4.5	4.2	3.6	3.4	3.3	3.1	2.9		IPC Core (%YoY)
	3.0	2.8	2.5	2.5	2.7	2.7	2.6	2.5	2.0	1.8	1.9	2.1	2.2		Inf exp (2Y inf. Swap)
	2.3	2.5	2.5	2.5	2.6	2.5	2.5	2.5	2.4	2.3	2.2	2.3	2.3		Inf exp (5Y5Y inf. Swap)
Bottlenecks	44.6	45.5	42.9	45.7	47.0	46.4	48.6	46.2	47.8	47.0	52.5	49.2	51.4	US manuf.	ISM New Orders
	43.9	43.1	37.5	38.7	42.8	44.1	42.4	42.2	39.3	45.3	44.7	46.3	46.3		Backlog of Orders
	48.0	48.7	50.5	47.1	48.4	49.9	51.9	50.0	48.8	49.9	50.4	48.4	54.6		Production Index
	44.8	44.6	43.5	45.7	46.1	48.6	46.4	47.7	46.2	47	49.1	50.1	49.9		Suppliers' delivery times
	48.9	51.3	51.4	46.2	48.7	48.7	47.1	48.6	50.8	48.1	43.7	45.8	44.0		Customer Inventories
	-8.2	-11.3	-20.3	-24.5	-28.2	-38.7	-38.2	-37.9	-40.9	-44.3	-41.2	-41.8	-38.4	EZ manuf.	Order books
	2.1	3.0	-6.5	-3.7	-4.1	-9.5	-6.9	-8.4	-7.1	-6.2	-7.0	-3.9	-3.4		Production trend
	16.9	13.4	11.4	10.4	10.2	9.4	10.2	9.6	9.3	9.6	9.2	9.3	8.7	EZ const.	Equip shortage
	44.8	42.2	43.5	44.1	43.8	44.2	43.8	46.2	46.7	46.8	48.4	47.8	49.4	Taiwan	Suppliers' delivery times
	546	549	543	549	559	554	552	546	533	516	511	522	531	Input costs	CRB Spot Comdty. Price
1059	1108	1217	1238	1227	1112	1053	953	884	823	1004	1158	1158	Harpex Container freight		

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

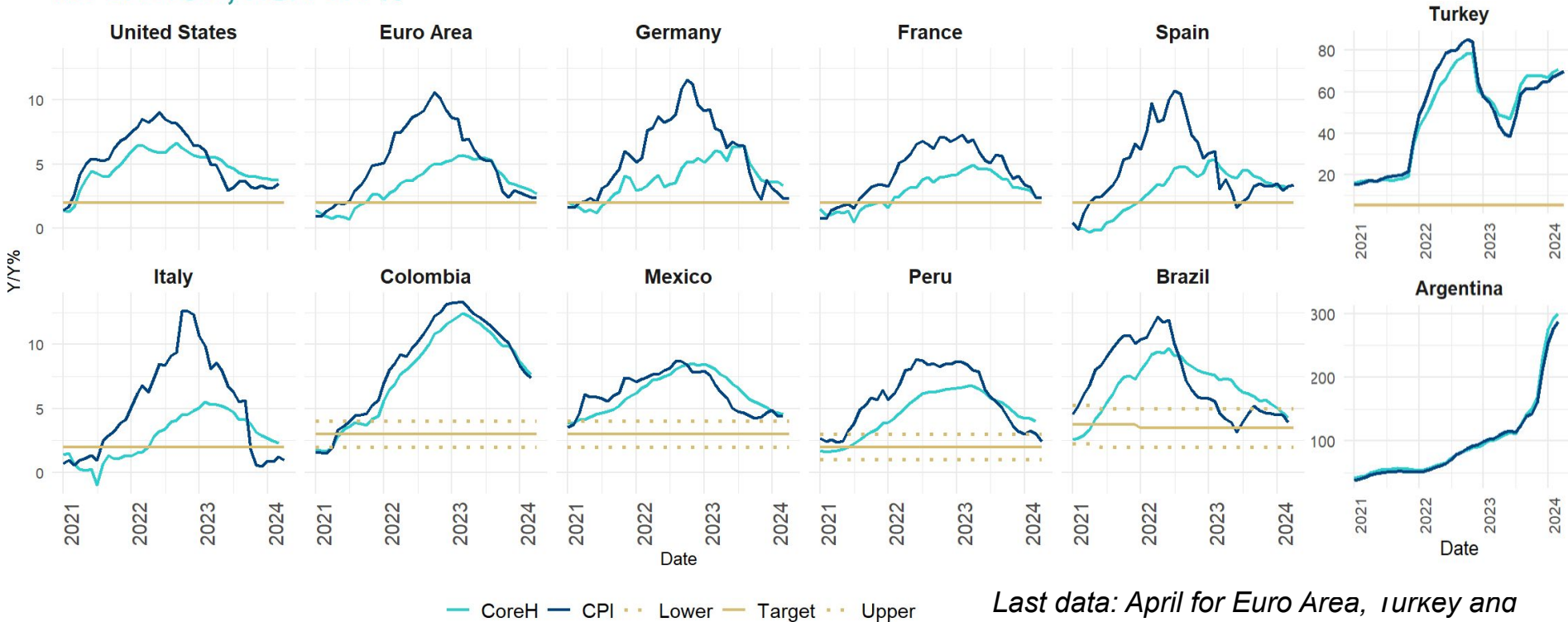
Source: BBVA Research and Haver Analytics

01

Inflation Chartbook

In most countries (excl. TUR, ARG) annual inflation in March continues on the path to convergence to the target; stagnating inflation in the US stands out

INFLATION, NSA Y/Y%



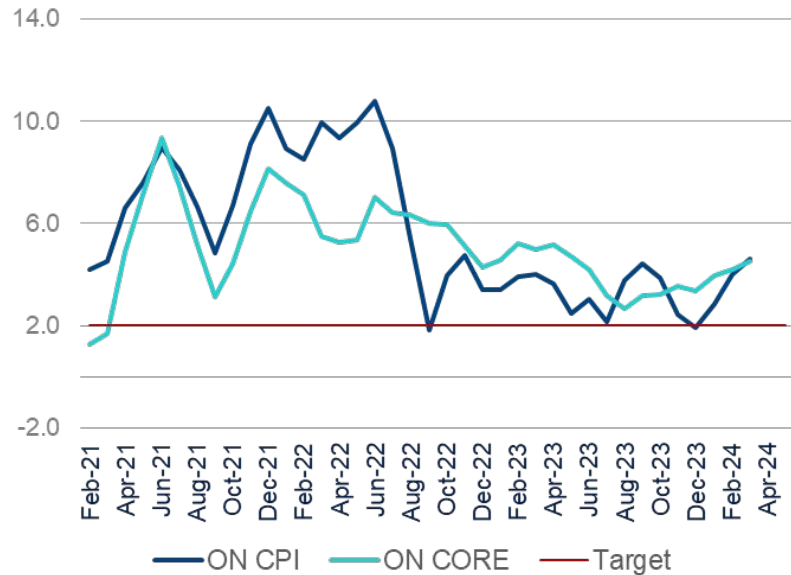
Source: BBVA Research, Haver Analytics.

Last data: April for Euro Area, Turkey and Peru, March for US and rest of Latam

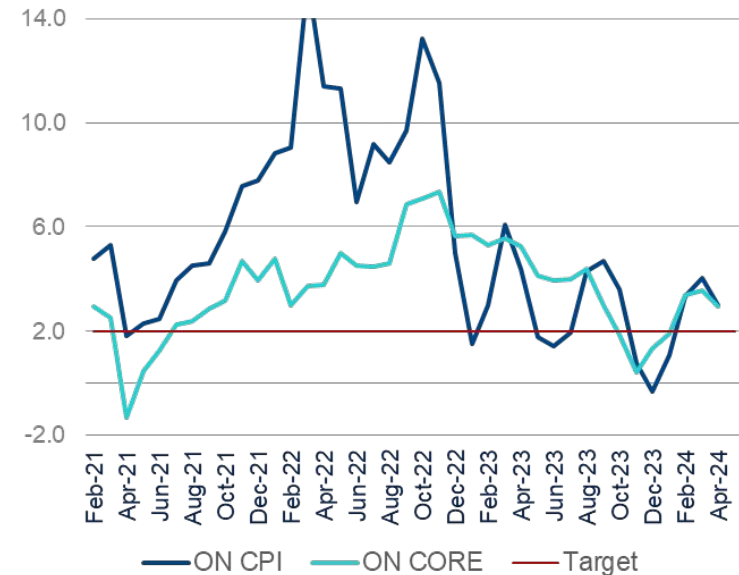
The smoothed monthly inflation signals rebounds both in Headline and in Core inflation in US and in lesser extent in EA

INFLATION, ANNUALIZED 3-MONTH MOVING AVERAGE OF SEASONALLY ADJUSTED M/M INFLATION

UNITED STATES

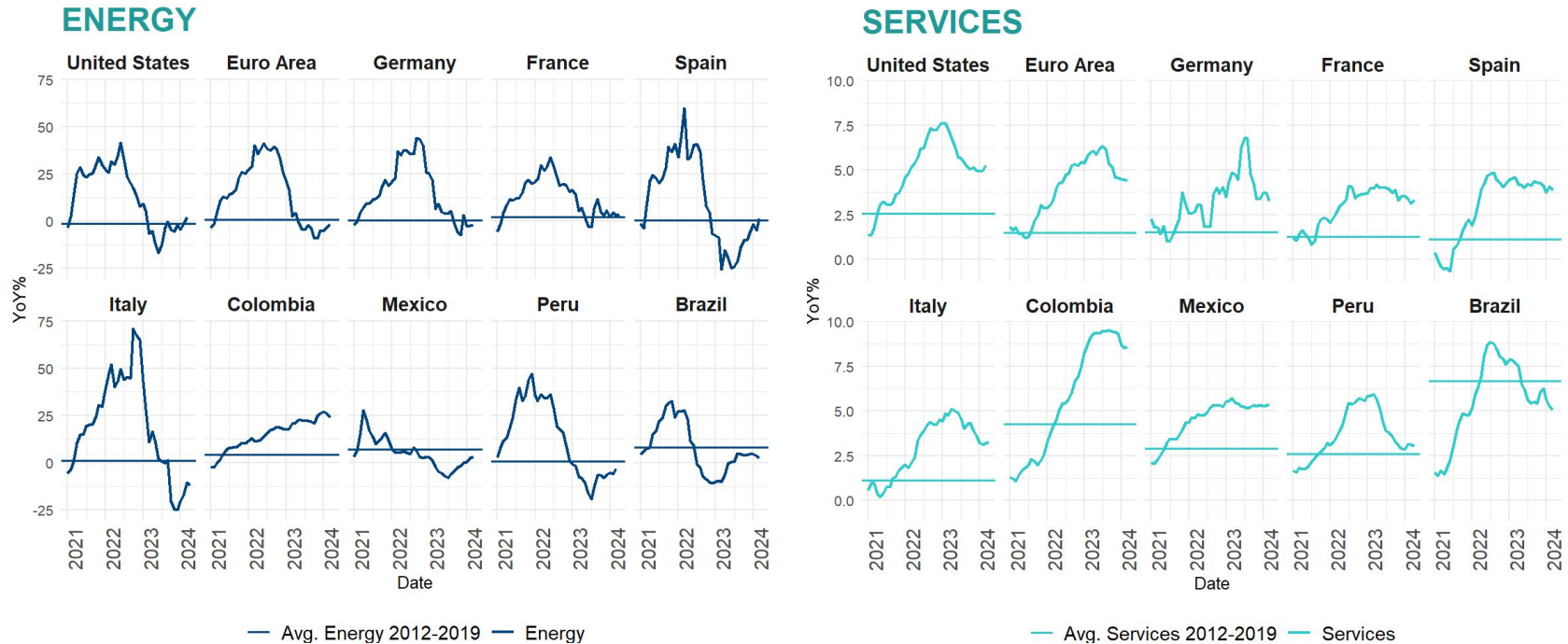


EURO AREA



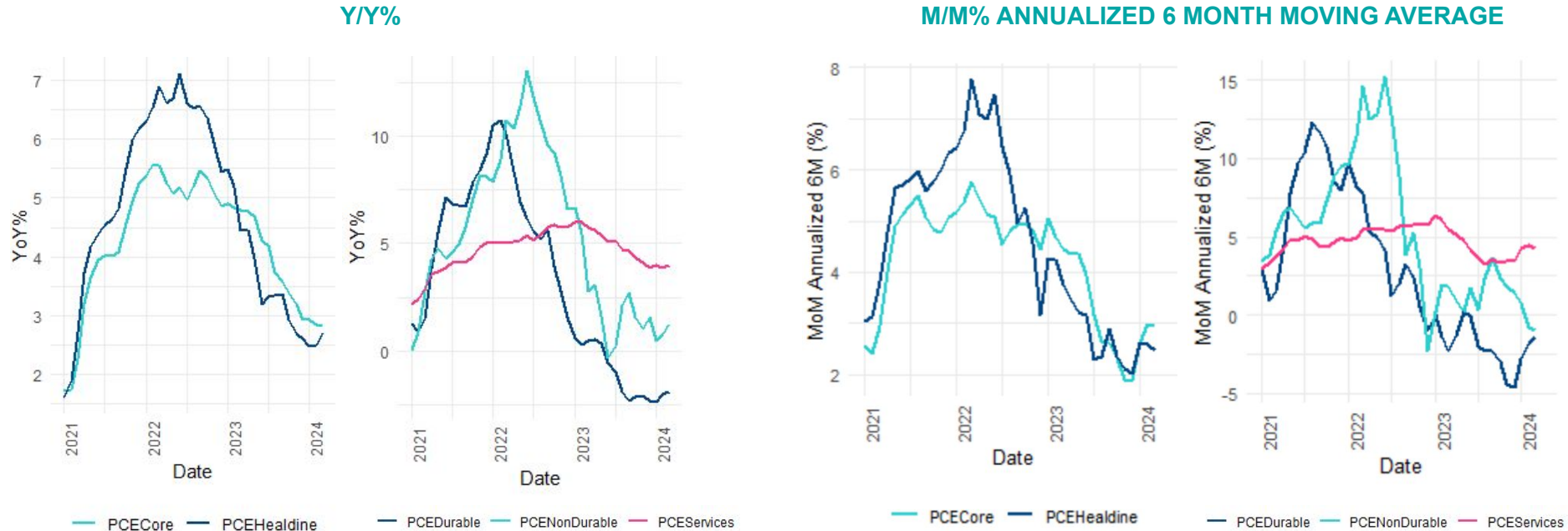
In March annual energy inflation rose in some geographies although it remains close to historical levels, while services inflation remains high in most regions

ENERGY AND SERVICES, Y/Y%



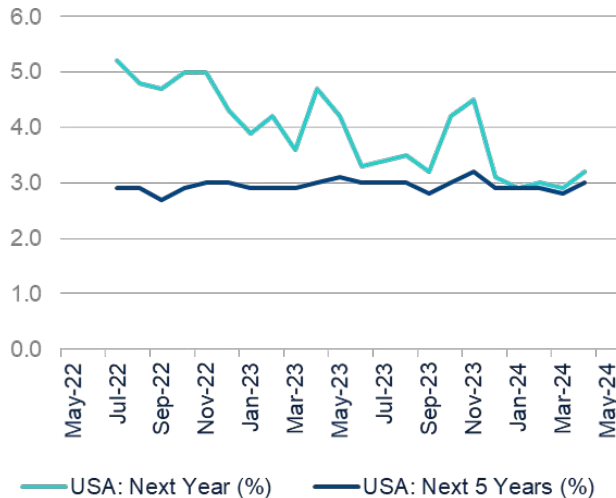
US Headline PCE rebounded in March and core PCE remained unchanged, with a notable rebound in annualized monthly terms; services PCE is still high

PERSONAL CONSUMPTION EXPENDITURES

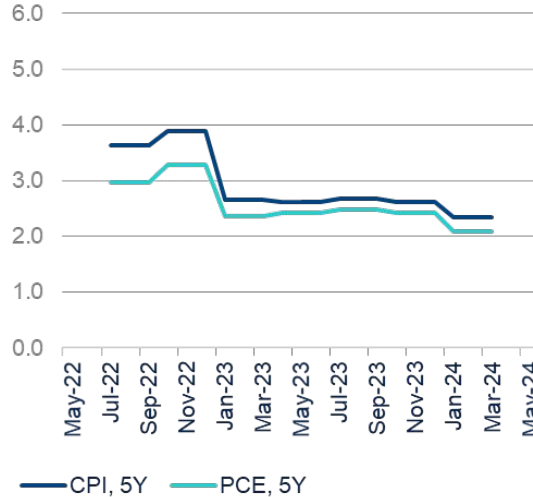


US: Consumer inflation expectations rebounded in April in both the short and medium term, to 3.2% and 3%, respectively

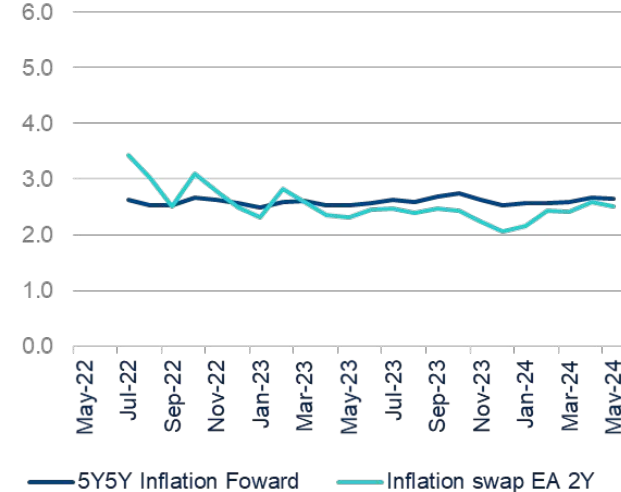
**EXPECTATIONS:
CONSUMERS SURVEY**
(NEXT YEAR, NEXT 5 YEARS)



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



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



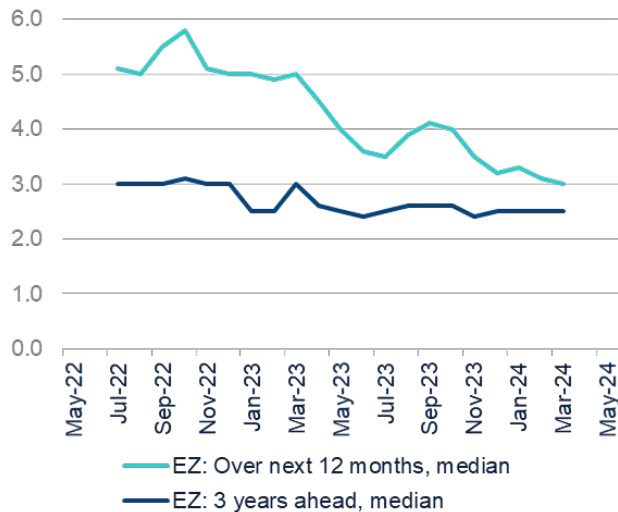
Source: BBVA Research, Haver Analytics.

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

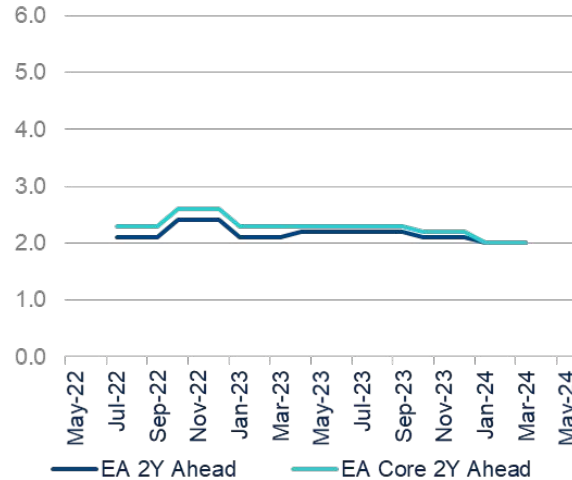
Source: Federal Reserve Bank of Philadelphia.

EZ: awaiting April data from consumers and analysts' expectations that have remained stable, the market continues to expect inflation around 2.5%

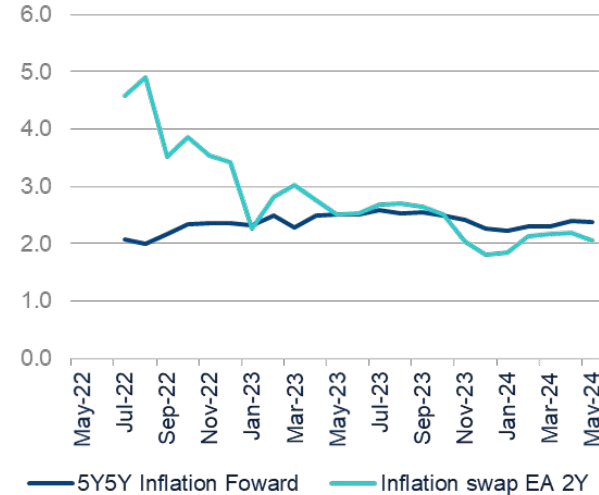
EXPECTATIONS: CONSUMERS SURVEY (NEXT YEAR, 3Y AHEAD)



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

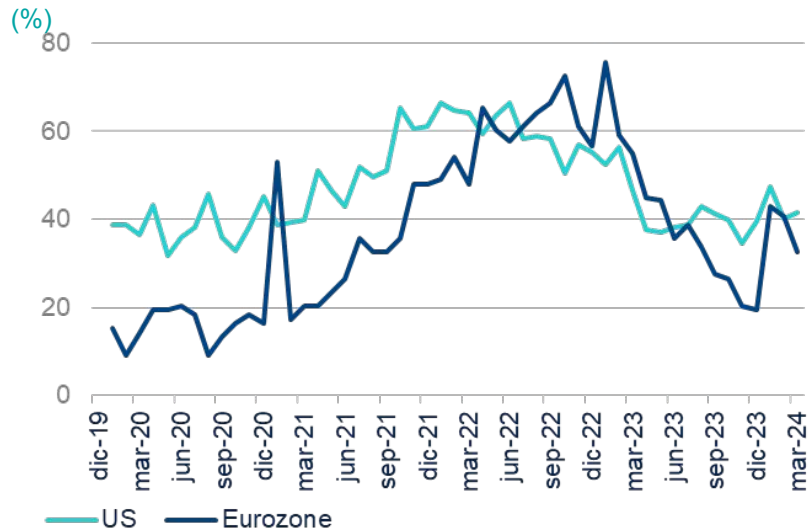


EXPECTATIONS MARKET (5Y5Y FORWARD, 5Y SWAP)



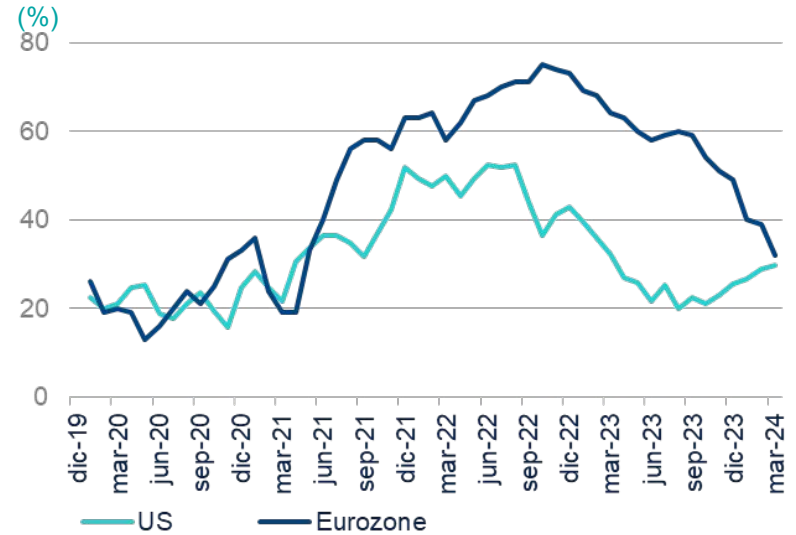
The number of goods items with high inflation in the US have remained around 40%, and those with consecutive price increases have risen, in contrast to EZ

SHARE OF ITEMS OF THE CPI BASKET WITH ANNUALIZED MONTHLY INFLATION HIGHER THAN 4%



Source: BBVA Research, Haver Analytics.

SHARE OF ITEMS OF THE CPI BASKET WITH THREE CONSECUTIVE MONTHLY PRICE RISES (%)



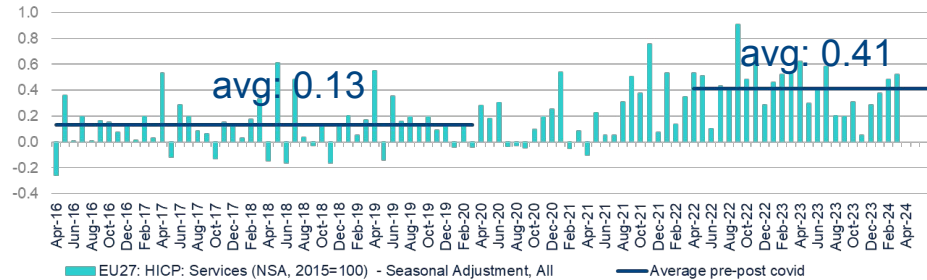
Source: BBVA Research, Haver Analytics.

01

Focus on Services

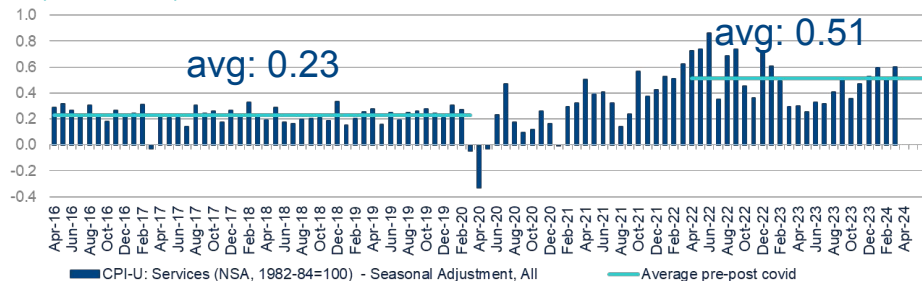
In both the US and Euro Zone, the monthly variation in services has been significantly higher after the initial post-pandemic recovery

EURO ZONE: INFLATION IN SERVICES (M/M%, SA)



Comparison period:
2016-2019 vs 2022-2024

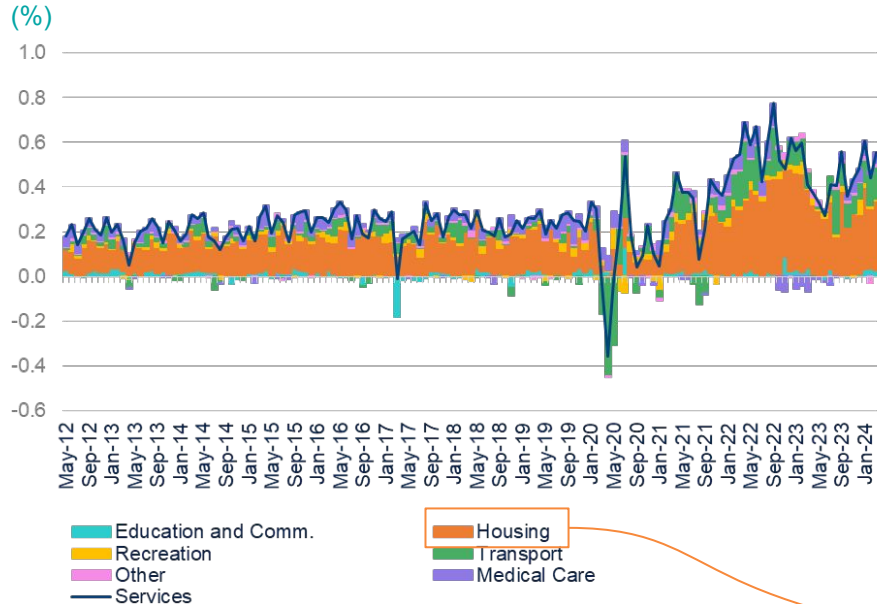
USA: INFLATION IN SERVICES (M/M%, SA)



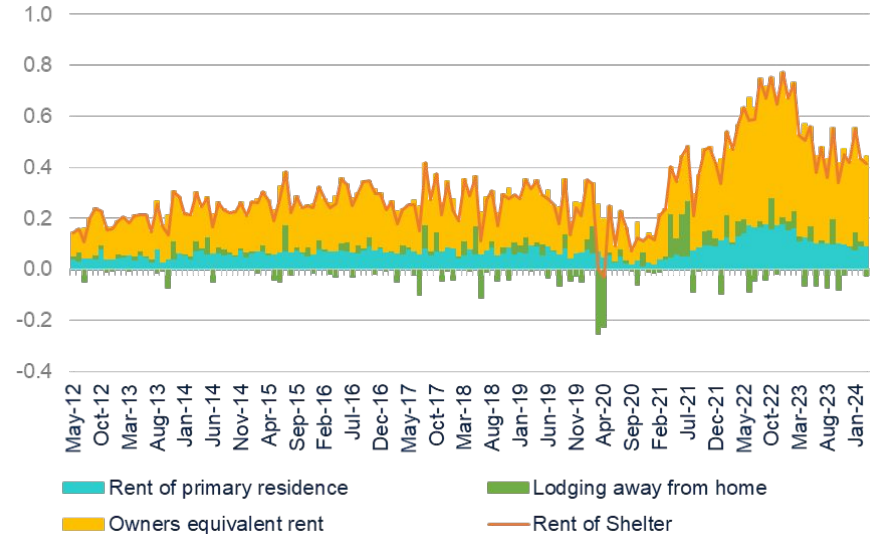
Comparison period:
2016-2019 vs 2022-2024

In the US, services related to housing are the greatest resistance, specifically rentals and owners equivalent rent

US: SERVICES INFLATION, M/M% AND CONTRIBUTIONS, SA



US: SHELTER INFLATION, M/M% AND CONTRIBUTIONS, SA

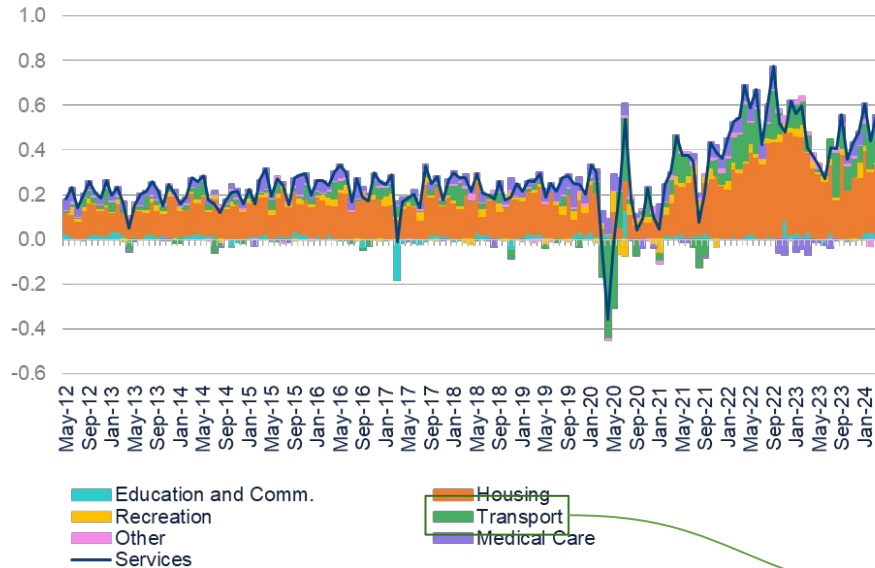


Source: BBVA Research, Haver Analytics.

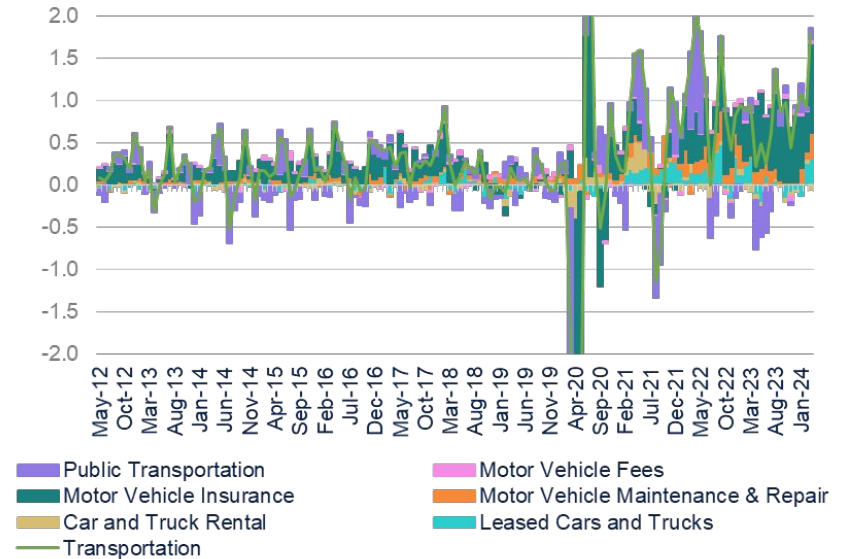
Source: BBVA Research, Haver Analytics.

In the US, there has been significant growth since the last months of last year in the motor vehicle insurance category within transportation services

US: SERVICES, M/M% AND CONTRIBUTIONS, SA (%)

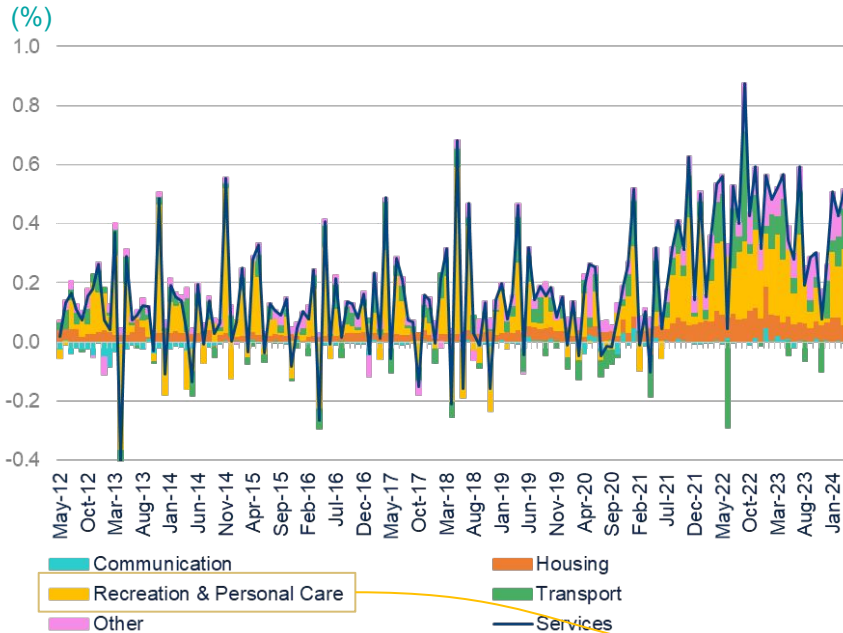


US: TRANSPORTATION SERVICES M/M% AND CONTRIBUTIONS, SA

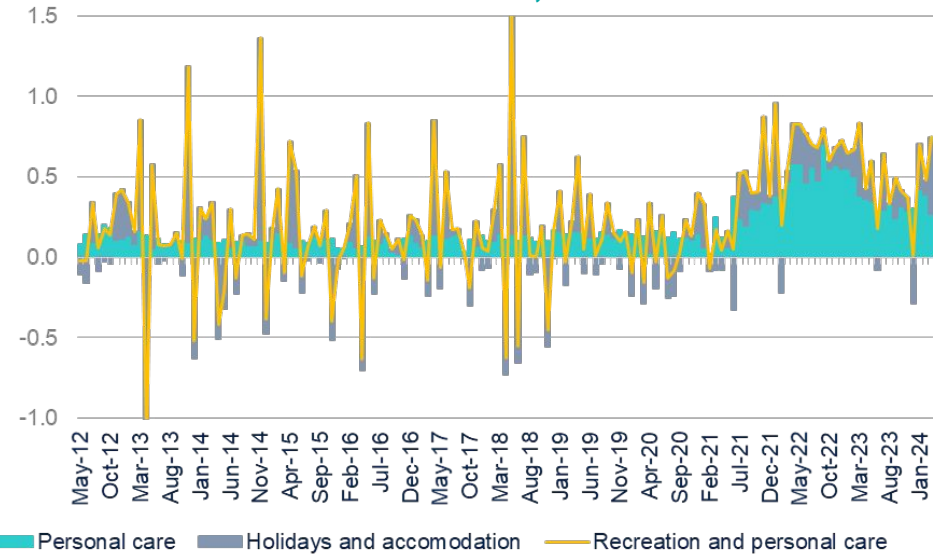


EZ: In Europe, the recreation sector stands out in the services sector, mainly for services related to personal care

EU: SERVICES, M/M% AND CONTRIBUTIONS, SA

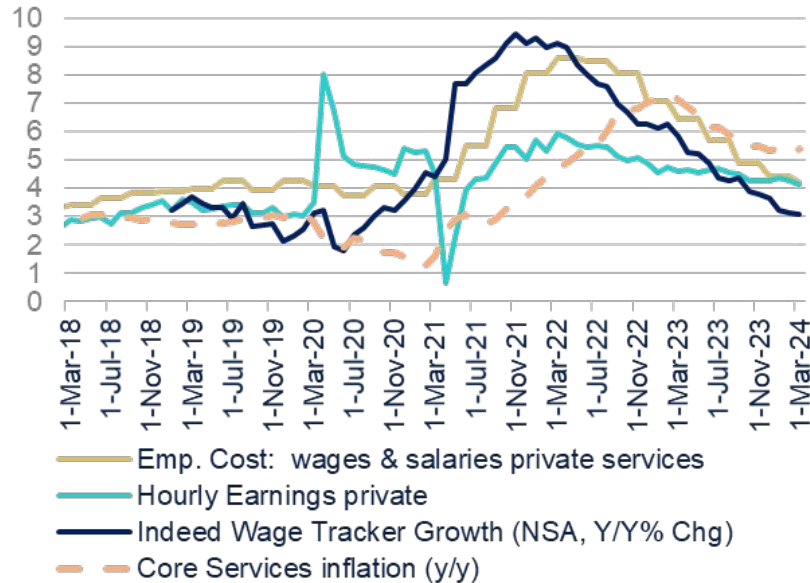


EU: SERVICES RECREATION & PERSONAL CARE M/M% AND CONTRIBUTIONS, SA



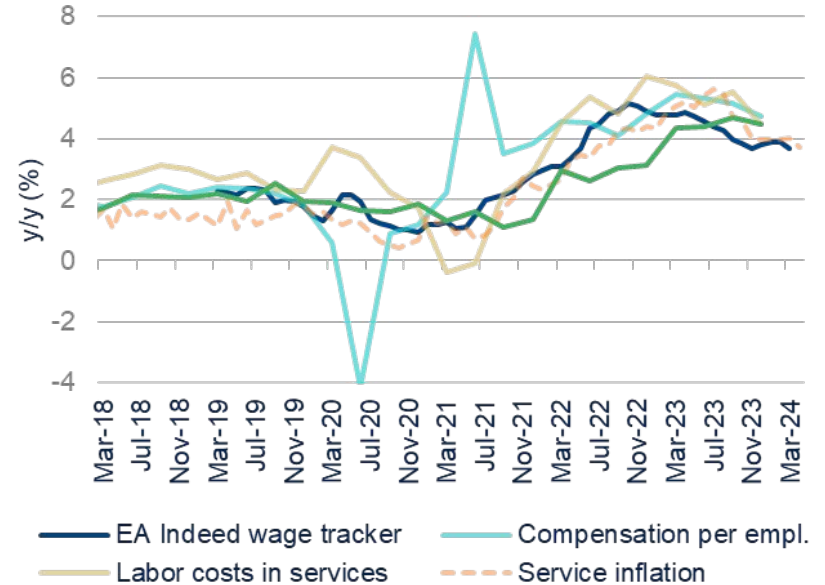
Services prices remain stubbornly high. Wages moderated, but some labor cost measures still remained above pre-pandemic levels.

US SELECTED PRIVATE WORKERS WAGES (% Y/Y CHANGES)



Source: BBVA Research, Haver Analytics.

EZ SELECTED PRIVATE WORKERS WAGES



Source: BBVA Research, Haver Analytics.

02

Bottlenecks

Geopolitical risk intensified in Middle East, increasing concerns about an eventual block of Hormuz Strait

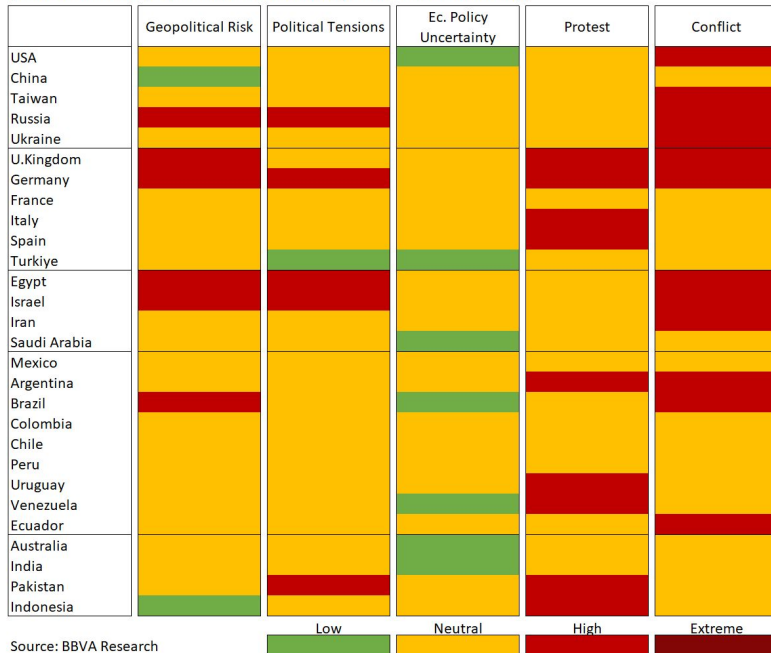
BBVA RESEARCH GEOPOLITICS MONITOR MAIN "SIGNAL" CHANGES AFTER THE HAMAS-ISRAEL CONFLICT

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

[Link to Dashboard](#)

Summary of Signals After Hamas-Israel Conflict (February 19th, 2024)

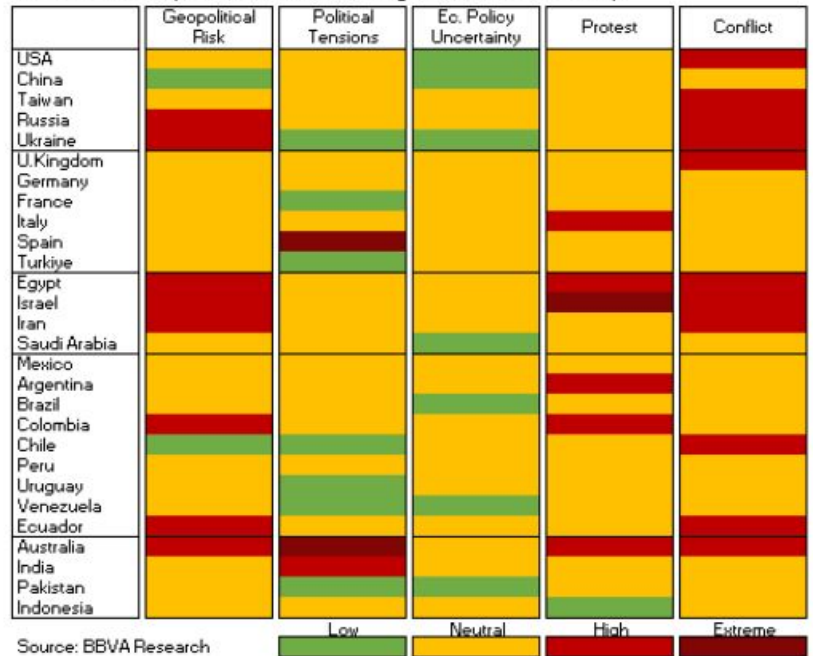
(News Sentiment Map. Sentiment relative to average sentiment in each country)



Source: BBVA Research

Summary of Signals After Hamas-Israel Conflict (April 29th, 2024)

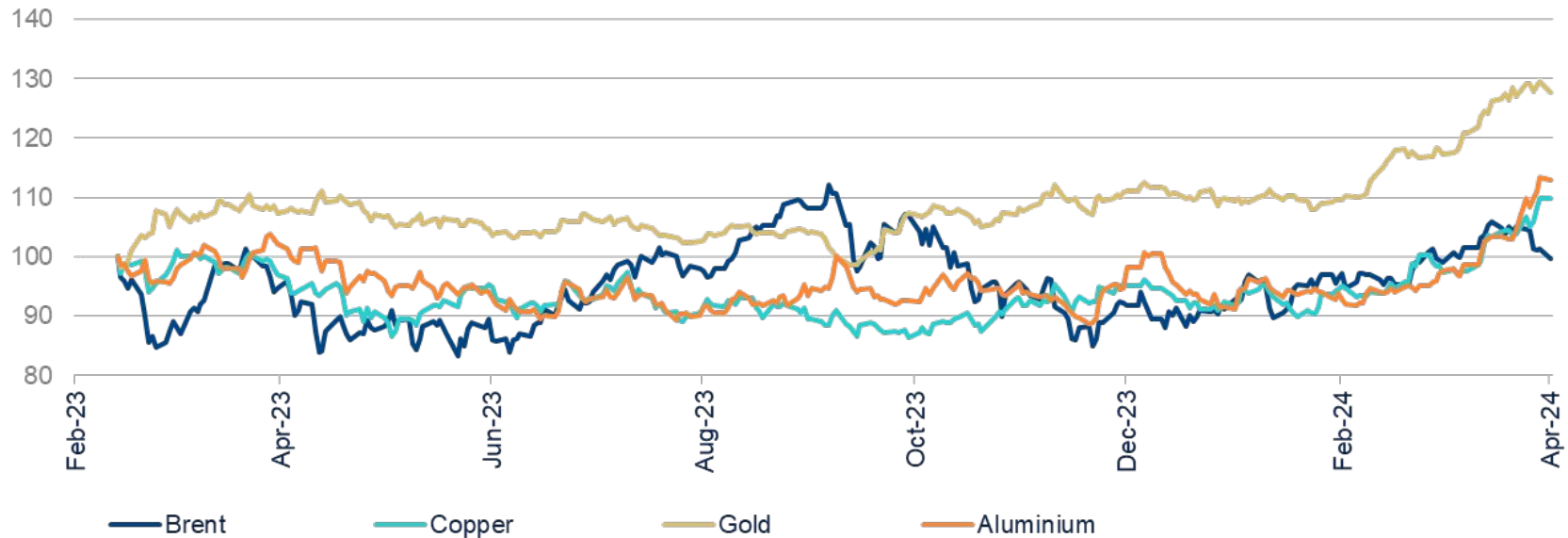
(News Sentiment Map. Sentiment relative to average sentiment in each country)



Source: BBVA Research

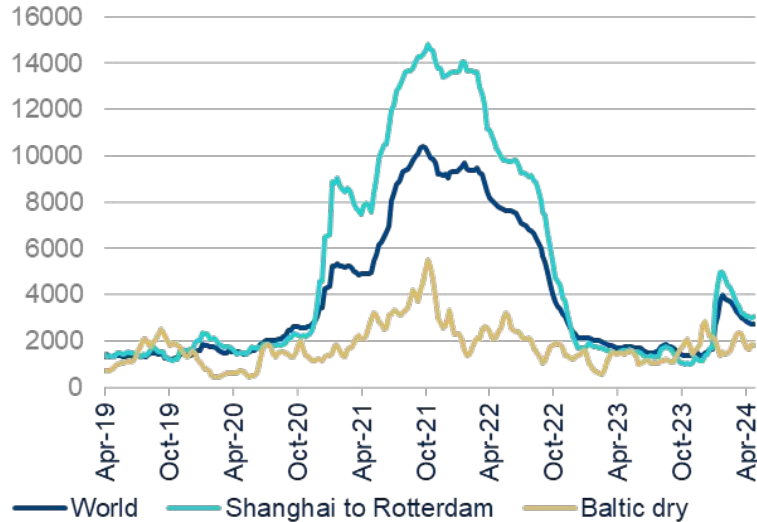
Commodity prices increased on the back of the increase in geopolitical risk and some improvement in manufacturing activity

COMMODITY PRICES (INDEX BASED IN MARCH 2023)



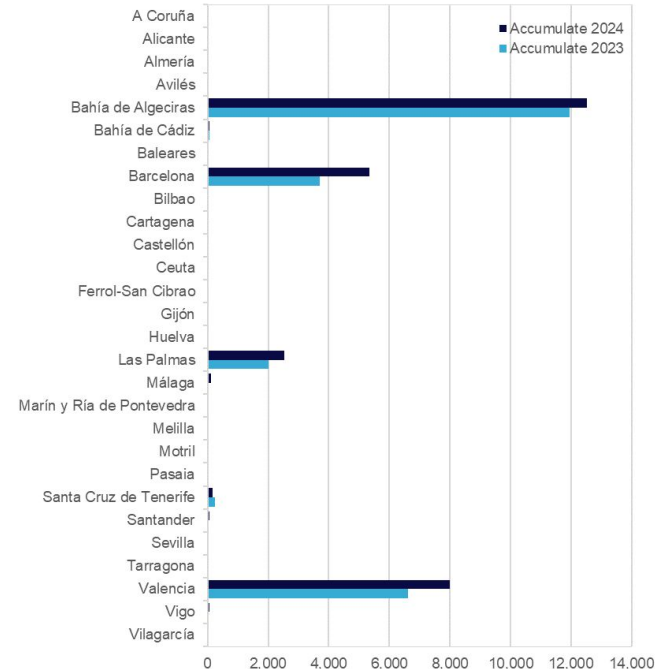
Container freights moderate its slowdown. Disruptions in the Suez Canal prolong maritime routes. Ships need to seek alternative ports for supplies

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



Source: DREWRY WORLD CONTAINER INDEX and BBVA Research.

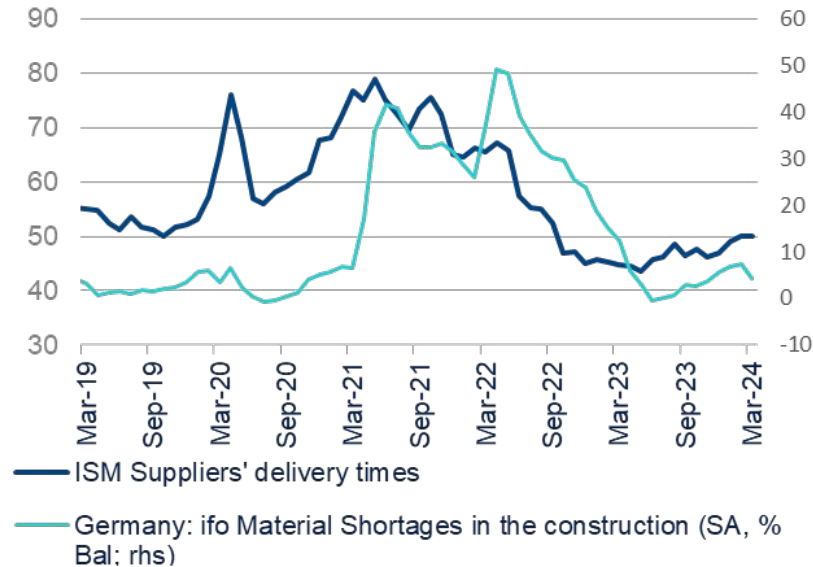
SPAIN PORTS: CONTAINERS IN TRANSIT (THOUSANDS OF TONS, DATA UP TO MARCH)



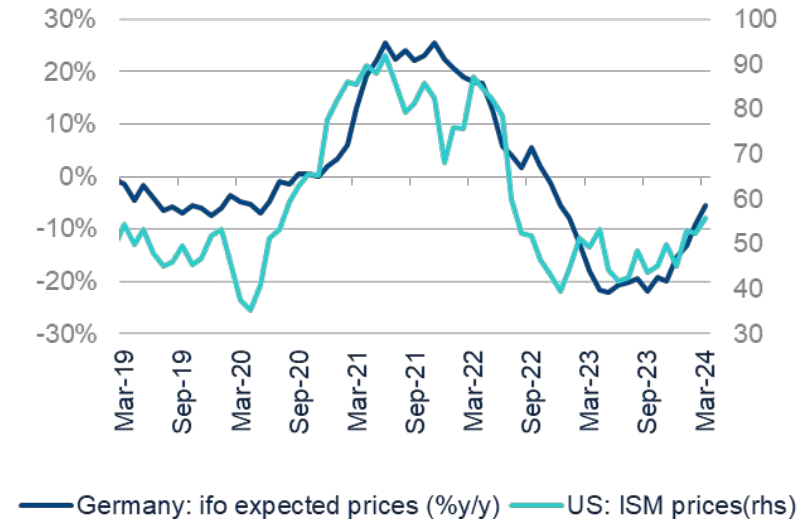
Source: PORTS OF SPAIN (PUERTOS DEL ESTADO)

Maritime route disruptions had minimal impact on delivery times or material shortages. However, prices rose due to higher commodity prices

US SUPPLIERS' DELIVERY TIMES AND GERMAN SHORTAGE OF MATERIALS (INDEX, LAST DATE MARCH)



US AND GERMAN EXPECTED MANUFACTURING PRICES (Y/Y CHG AND DIFFUSION INDEX, LAST DATE MARCH)



BBVA supply bottlenecks indicator continued signalling low disruption at the manufacturing supply chains.

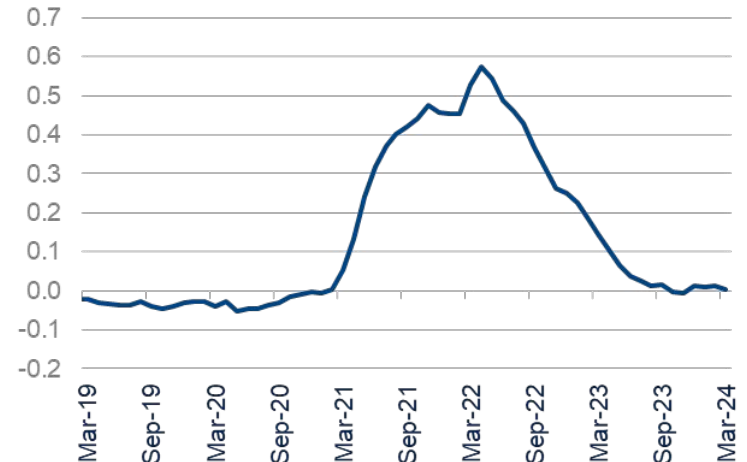
US SUPPLY BOTTLENECKS INDICATOR

(INDEX; LAST AVAILABLE DATA: MARCH 2024)



EZ: SUPPLY BOTTLENECKS INDICATOR

(INDEX; LAST AVAILABLE DATA: MARCH 2024)



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);Harper Shipping Index;Vessel Size in TEU - Rates in US\$.

Source: BBVA Research, Haver Analytics.

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