

Economic Outlook

US Monthly Update

September 13, 2012

Meeting Details

Topic: US Monthly Economic Outlook

Date: Thursday, September 13, 2012

Time: 10:00 am, Central Standard Time (Chicago, GMT-06:00)

Meeting Number / Access Code: 711 397 796

Meeting Password: bbva

To join the online meeting:

<https://bbvacompass.webex.com/bbvacompass/j.php?ED=183647552&UID=1371138697&PW=NOTEyOTBkZmNk&RT=MiM3>

To join the audio conference only:

Call-in toll-free number (US/Canada): 1-866-469-3239

Call-in toll number (US/Canada): 1-650-429-3300

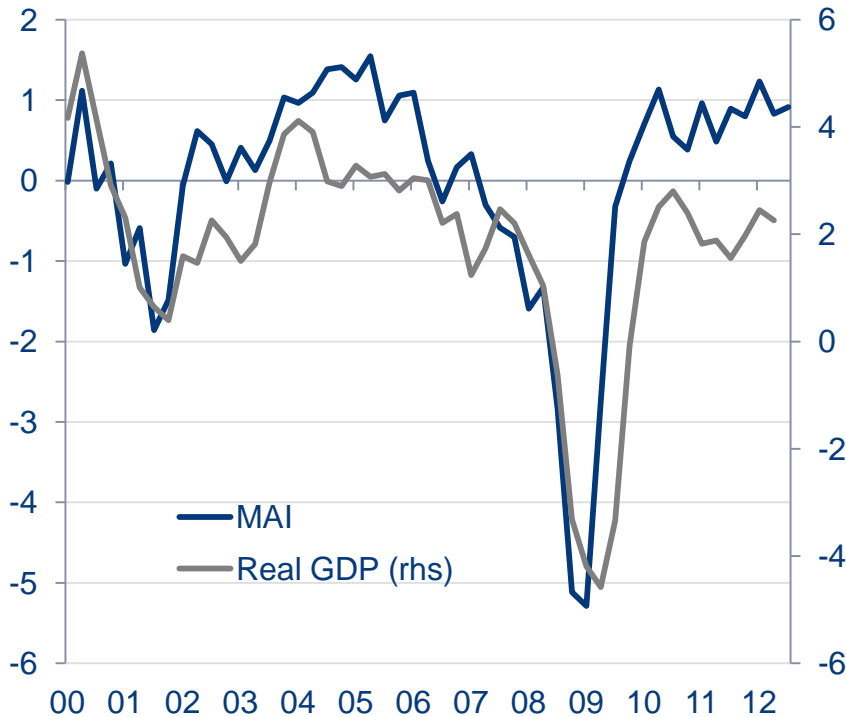
Global call-in numbers:

<https://bbvacompass.webex.com/bbvacompass/globalcallin.php?serviceType=MC&ED=181289027&tollFree=1>

Economic Activity

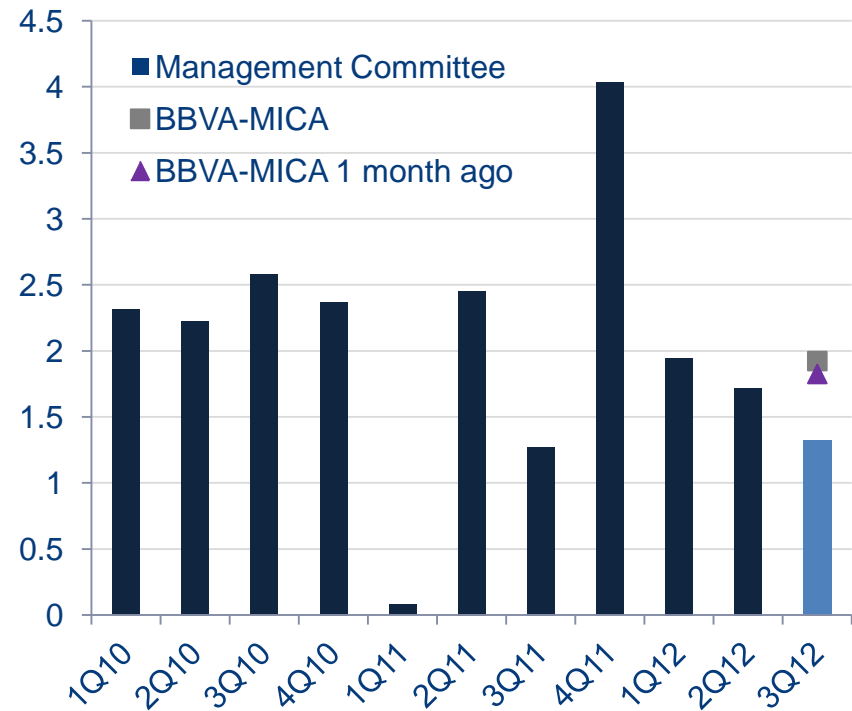
Short-term indicators point to slow but steady growth for the upcoming quarters

Real GDP & Monthly Activity Index
4Q % Change



Source: BBVA Research

BBVA-MICA GDP Forecast
QoQ SAAR % change



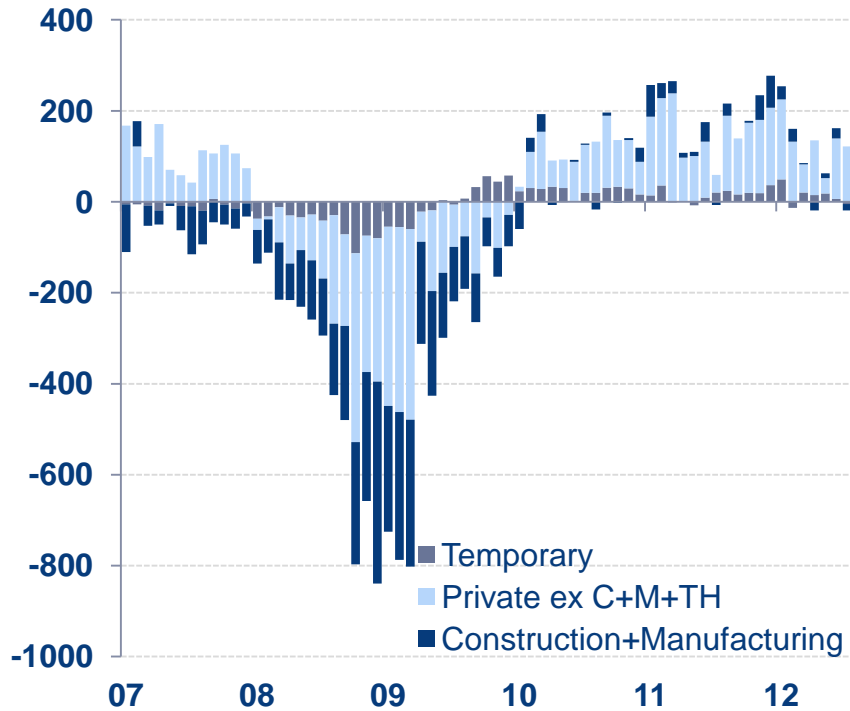
Source: BBVA Research

Labor Markets

Measures of unemployment continue to show a painful environment, and we expect only modest job growth in coming months

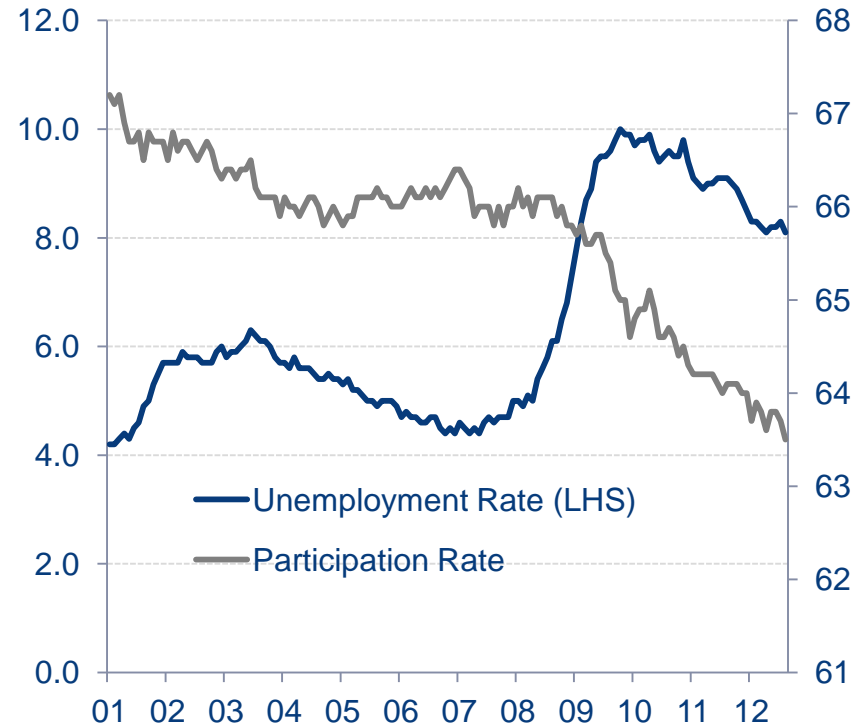
Private Nonfarm Payrolls

Monthly change, K



Unemployment and Participation Rates

%



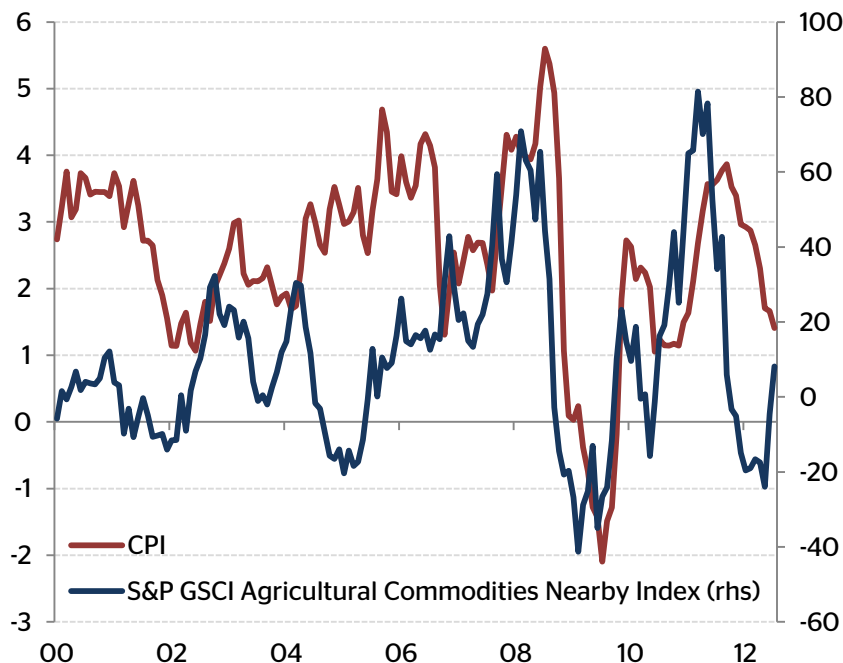
Source: Haver & BBVA Research

Inflation Trends

The Midwest drought has put upward pressure on food prices, and thus on headline inflation, in the absence of a sudden reversal

CPI and Food Prices

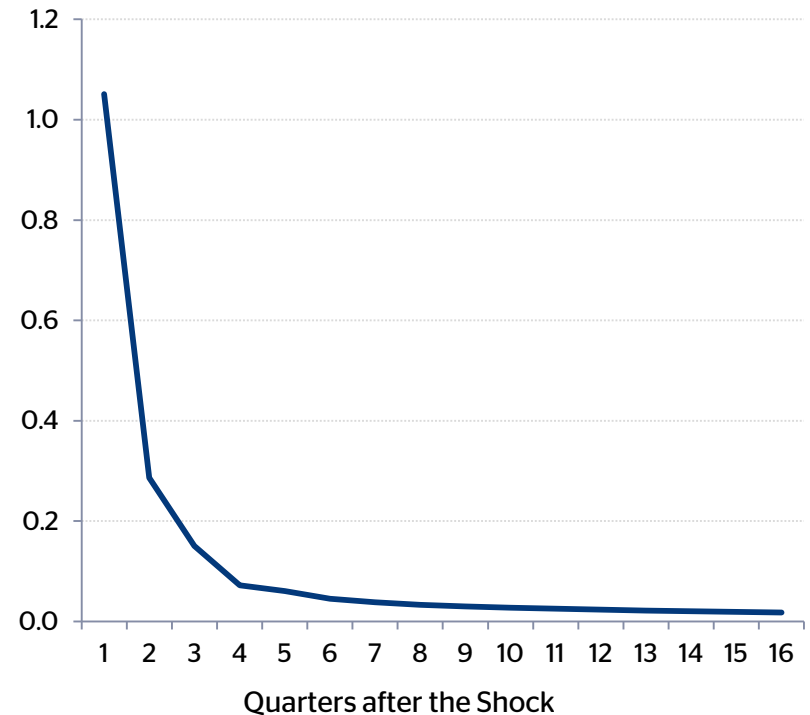
YoY % Change



Source: Haver Analytics and BBVA Research

Impact on CPI of a 10% increase in Food Prices

%



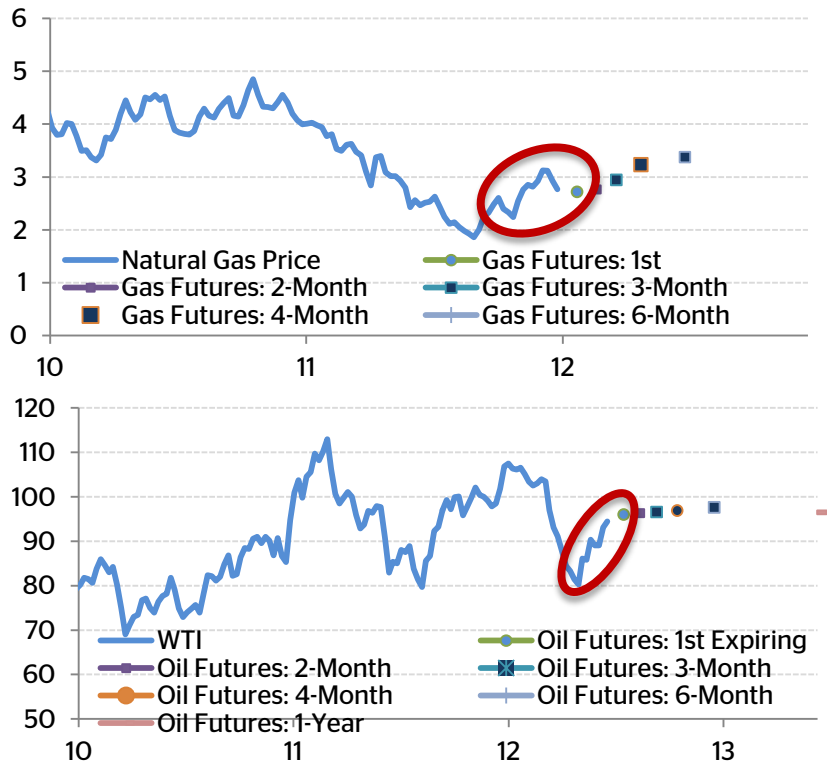
Source: BBVA Research

Inflation Trends

Energy prices are also moving up. However, both food and energy price pressures have not affected core prices

Natural Gas and Oil Prices

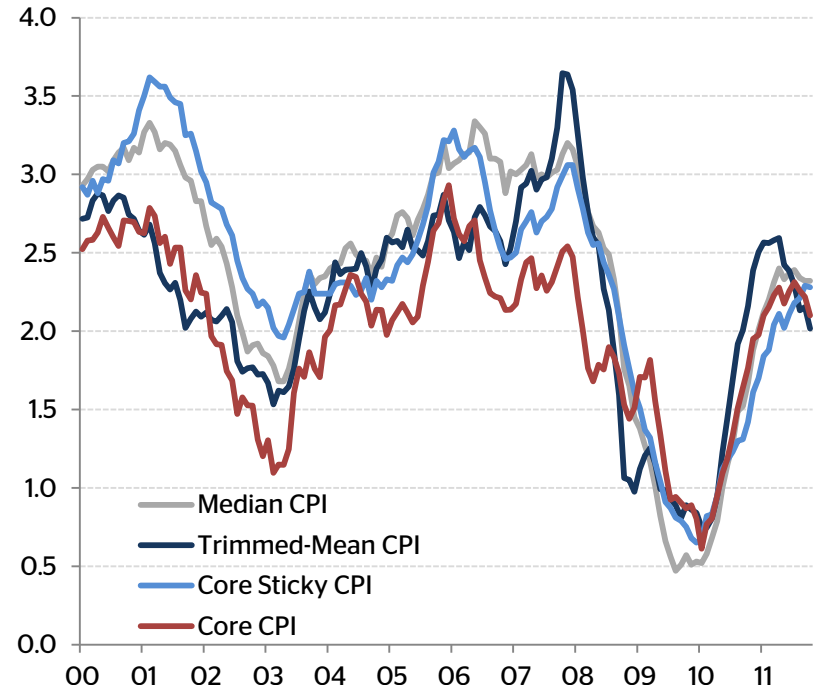
USD/b and USD/bbl



Source: Haver Analytics and BBVA Research

Consumer Price Index

YoY % Change



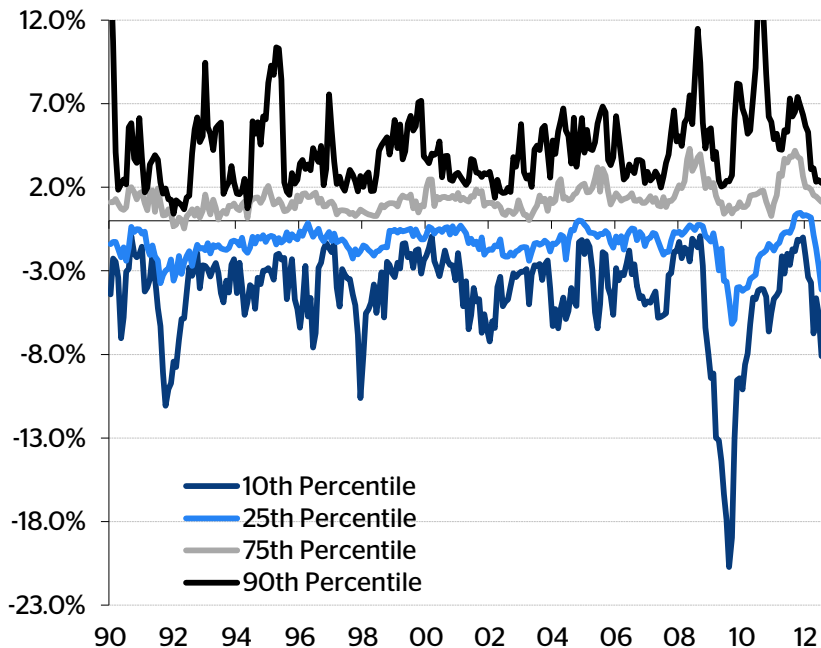
Source: Haver Analytics and BBVA Research

Inflation Trends

Stabilization in core inflation is consistent with slow economic activity and large economic slack

12M YoY Relative Consumer Price Distribution

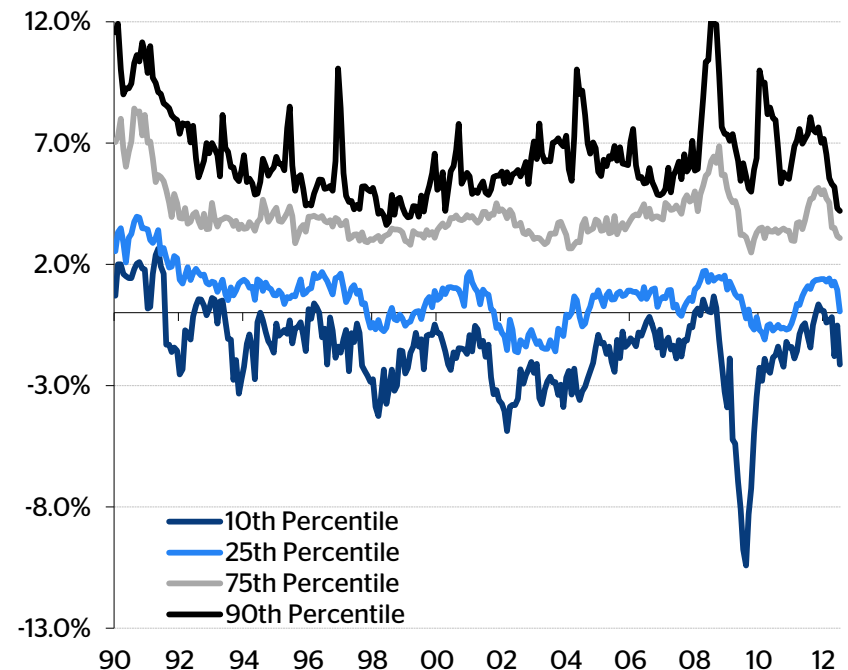
YoY less year-ago YoY



Source: BEA and BBVA Research

12 Month Consumer Price Distribution

YoY % Change



Source: BEA and BBVA Research

Baseline Scenario

Slow growth without inflationary pressures

Low interest rates for several years

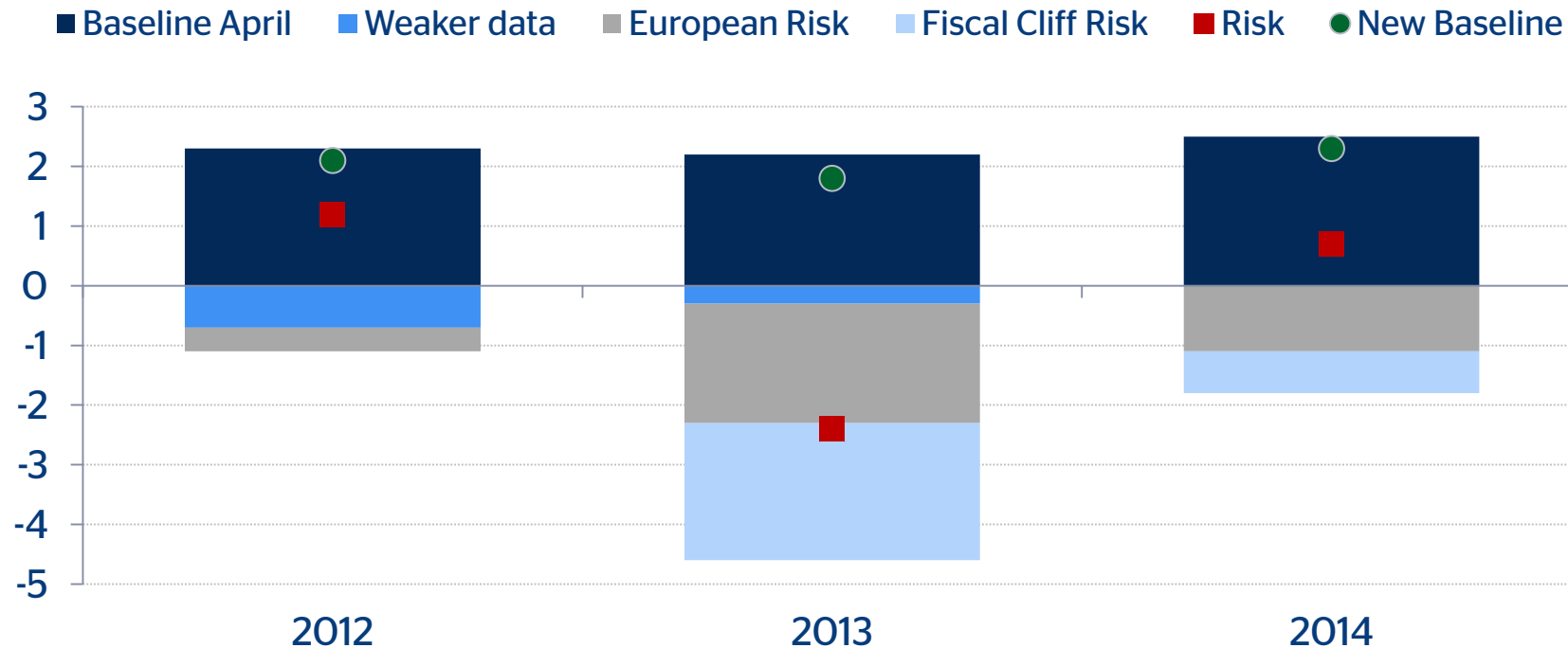
	2011	2012	2013	2014
GDP %	1.7	2.1	1.8	2.3
CPI %	3.2	2.0	1.9	2.3
Core %	1.7	2.1	1.8	1.9
Fed %, eop	0.25	0.25	0.25	0.50
10YTN %, eop	1.89	2.10	2.60	2.95
Euro epd, eop	1.30	1.23	1.31	1.31

Risks

If policy uncertainty, the fiscal adjustment, and the European crisis intensify, the economy will slide into recession

Real GDP growth

%

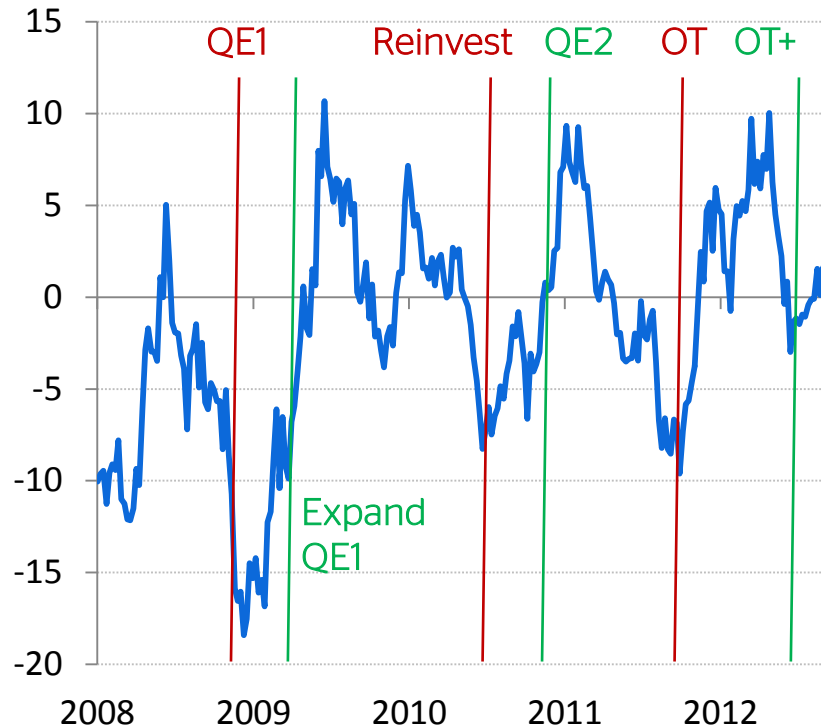


Federal Reserve

Improving economic conditions reduce the probability of further policy accommodation, but uncertainty lingers

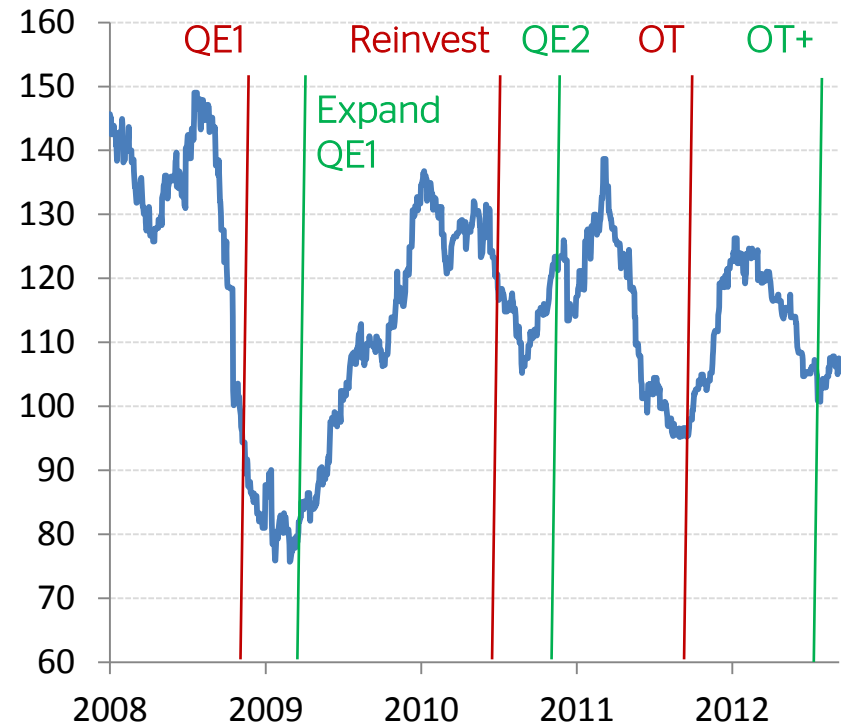
BBVA Weekly Activity Index

3m% change



BBVA Surprise Activity Index

2009=100

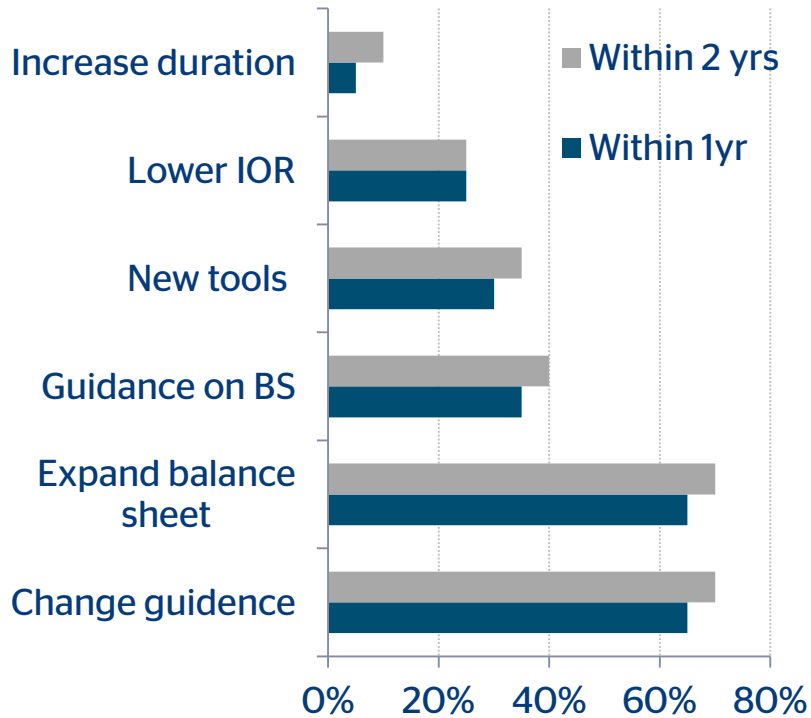


Source: BBVA Research

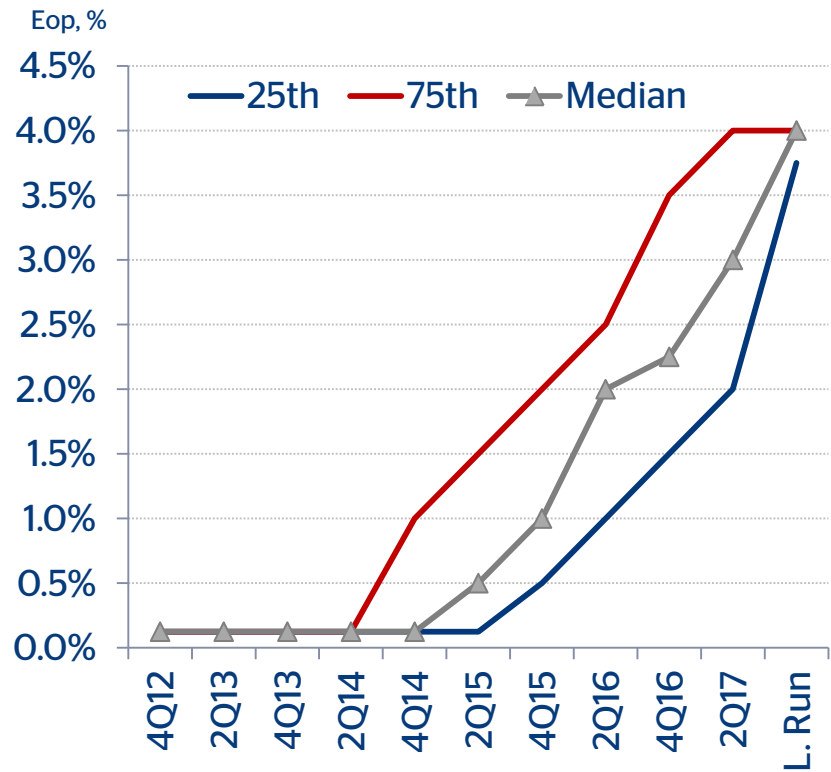
Interest Rates

Market participants expect the FOMC to make changes to policy guidance and expand its balance sheet

Probability of easing tool



Fed fund expectations,



Meeting Feedback

We would appreciate any feedback you have for us.

<http://www.surveymonkey.com/s/6D3S7NV>

Thank you for participating!

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