

Global Weekly Indicators

Economic Analysis • Financial Scenarios Unit

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Next week

The IMF will release the revision to its World Economic Outlook. In the eurozone economic data releases will include January's consumer confidence index, manufacturing and services PMI indices. Furthermore, January's ZEW will be also published in the eurozone. The US economic data will include December's Chicago Fed activity index, existing home sales and leading indicators. In China, 4Q13 GDP growth and January's HSBC Manufacturing PMI will be published. Back in December, industrial production will be also released in China.

Calendar: Indicators

Eurozone: Flash PMI composite (January, January 23rd)

Forecast: 52.4

Consensus: 52.4

Previous: 52.1

Last month the eurozone composite PMI increased slightly, from 51.7 to 52.1, thanks to improvements in manufacturing. At the same time hard indicators for November have recovered from a slow start at the beginning of Q4, improving the outlook for the quarter. For January we expect the composite PMI to increase slightly again, to stand at levels similar to those observed by mid-2010 when the eurozone GDP grew at around 0.4% t/t. The relevance of this indicator is that it will deliver the first signs of economic performance for Q1, to assess if the recovery takes hold. This forecast of further improvement would be in line with our scenario of moderate but steady growth in 1Q14. Across components, higher momentum in global economy over the second half of last year might continue to support the recovery in the manufacturing sector, while service PMI is likely to improve again, but at lower levels, benefiting from the relative dynamism of domestic demand. Across countries, we also expect a widespread but timid gain in confidence also in the periphery after the significant improvements by end 2013. All in all, we see a widespread mild recovery early this year, relatively steady in core economies and gaining some traction in the periphery.

Eurozone: EC consumer confidence (January, January 23rd)

Forecast: -13.0

Consensus: -12.6

Previous: -13.6

We expect consumer confidence to have improved again in January, confirming that the unexpected fall observed in November might have been temporary, as labour market stabilization, along with recent pickup in economic activity and subdued inflation might continue to support households' spending decisions. Overall, this is in line with our scenario that envisages subdued but steady growth of private consumption (around 0.2% q/q) throughout next year. In addition, the survey of consumer confidence will also show relevant information about households' expectations on price trends and purchases throughout the next year, being of particular interest to confirm that the slight worsening in these two variables late last year stopped in December, and thus reducing the probability that a strong disinflationary process continues beyond the first half of the year, in line with our scenario.

US: Existing Home Sales (December, January 21st)

Forecast: 4.92M

Consensus: 4.95M

Previous: 4.90M

Existing home sales are expected to remain unchanged in December as housing activity remains slow to close out the year. Pending home sales, which are a leading indicator for existing home sales, partially reversed its downward trend in November, but not enough to suggest a big uptick in closings for the coming months. In November, sales of existing homes slumped for the third consecutive month, down 4.3% MoM which marked the lowest pace of the year, an indication of a slowing housing market at year-end. On a YoY basis, existing home sales fell 1.2%, the first annual decline in over two years. The slump could be attributed to rising mortgage rates in recent months, as the 30-year fixed mortgage rate jumped above 4.0% in the latter half of 2013. Furthermore, the median sales price of existing homes has increased significantly, rising at double-digit rates throughout most of the year. This hit to affordability is should be temporary, but for now it keeps our expectations for existing home sales tempered.

US: Leading Indicators (December, January 23rd)

Forecast: 0.2%

Consensus: 0.0%

Previous: 0.8%

The leading indicators report outpaced estimates in November, increasing 0.8% MoM after posting an increase of 0.1% in October. Recent gains have mostly been driven by an increase in manufacturers' new orders, a larger spread between the 10-year treasury bond and Fed Funds rate, and an appreciation of the stock market. For December, we expect a jump in consumer expectations to push the leading indicators upward and a slowdown in building permits to temper the indicator. The stock market was up slightly last month, and the interest rate spread remained relatively stable. Coming off of a very strong gain in November, the leading indicators index should increase but at a much slower pace in December.

China: Q4 GDP growth (January 20th)

Forecast: 7.7% y/y**Consensus: 7.6% y/y****Previous: 7.8% y/y**

Despite some weakness in December, overall growth momentum in Q4 appears to have been sustained in line with previous expectations, on improving business confidence, the lingering impact of "mini" stimulus introduced earlier in the year, and stronger external demand. We expect full-year GDP growth to register 7.7%, above the official 7.5% target. Over the past year investment has continued to be the key growth driver, as the hoped-for rebalancing toward domestic consumption is taking a long time to play out. We expect growth to reach 7.6% in 2014, as slowing investment is offset by gradually strengthening private consumption. Along with GDP, other monthly indicators for December will be released on January 20 (investment, retail sales, and industrial production).

Mexico bi-weekly headline and core inflation (January 15th, January 23rd)

Forecast: 0.55%, 0.50%**Consensus: n.a.****Previous: 0.32%, 0.08%**

In Mexico, all eyes will be on the inflation figures of the first fortnight of January that will be released on Thursday, which will reflect the initial impact on prices of the fiscal reform. We estimate an impact of 0.44pp and 0.29pp on headline and core inflation, respectively. Even-though our daily perishable food prices monitoring points to a deflation from that component in the first fortnight of the year, bi-weekly inflation is set to be high due to the tax changes that will affect prices of several products. We expect headline inflation to increase 0.55% FoF and core inflation to rise 0.50% FoF. With these bi-weekly increases, headline inflation would surge to 4.5% YoY from 4.0% in December, while core inflation would edge up to 3.0% from 2.8% at the end of last year.

Last Week

Week January, 13 - January, 17

Indicator	Period	Cons. E	Prior	Observed *	
United States					
Retail Sales MoM	Dec	0.10%	0.70%	0.20%	▲
Retail Sales, Ex Auto and Gas MoM	Dec	0.40%	0.40%	0.60%	▲
Import Prices MoM	Dec	0.30%	-0.60%	0.00%	▼
Business Inventories MoM	Nov	0.30%	0.70%	0.40%	▲
Empire State Manufacturing Index	Jan	3.00	0.98	12.50	▲
Producer Price Index MoM	Dec	0.40%	-0.10%	0.40%	—
Consumer Price Index MoM	Dec	0.30%	0.00%	0.30%	—
Consumer Price Index, Ex Food and Gas MoM	Dec	0.10%	0.20%	0.10%	—
Philly Fed Business Index	Jan	8.70	7.00	9.40	▲
NAHB Housing Market Index	Jan	58.00	58.00	56.00	▼
Eurozone					
CPI YoY	Dec F	0.80%	0.80%	0.80%	—
CPI Core YoY	Dec F	0.70%	0.70%	0.70%	—
Industrial Production SA MoM	Nov	1.40%	-1.10%	1.80%	▲
Trade Balance SA (EUR Billion)	Nov	14.80	14.50	16.00	▲
Germany					
GDP NSA YoY	2013	0.50%	0.70%	0.40%	▼
CPI EU Harmonized MoM	Dec F	0.50%	0.50%	0.50%	—
CPI EU Harmonized YoY	Dec F	1.20%	1.20%	1.20%	—
France					
CPI EU Harmonized MoM	Dec	0.40%	0.00%	0.40%	—
CPI EU Harmonized YoY	Dec	0.90%	0.80%	0.80%	▼
Italy					
Industrial Production MoM	Nov	0.50%	0.50%	0.30%	▼
CPI EU Harmonized YoY	Dec F	0.60%	0.60%	0.70%	▲
China					
New Yuan Loans (Billion)	Dec	570.00	624.60	482.00	▼
Money Supply M2 YoY	Dec	13.90%	14.20%	13.60%	—
Foreign Direct Investment YoY	Dec	2.50%	2.40%	3.30%	▲
Brazil					
Selic Rate	--	10.25%	10.00%	10.50%	
Retail Sales MoM	Nov	0.40%	0.20%	0.70%	▲
Economic Activity MoM	Nov	0.00%	0.77%	-0.31%	▼
Chile					
Overnight Rate Target	--	4.50%	4.50%	4.50%	
Peru					
Economic Activity YoY	Nov	5.2%	5.40%	4.8%	▼
Unemployment Rate	Dec	5.60%	5.80%	5.70%	▲

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

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