

Global Weekly Indicators

Economic Analysis • Financial Scenarios Unit

Madrid, 14 February 2014

Next week

On February 17 the Eurogroup will try to reach a final agreement on the single resolution fund and on the ESM's direct recapitalizations rules. They will also address the Greek adjustment programme and Portugal-exit strategy. Economic releases in the eurozone will include January's PMI and consumer confidence. In the US, the Fed will release Minutes from January 28-29 FOMC meeting. Main economic publications will include January's CPI, housing starts and building permits and February's Empire manufacturing. In China February's HSBC/Markit Flash Manufacturing will be released.

Calendar: Indicators

Eurozone: Flash PMI composite (February, February 20th)

Forecast: 53.1

Consensus: 53.1

Previous: 52.9

After the larger-than-expected rebound of PMIs in January, suggesting that the economic recovery is gaining momentum at the beginning of the year, figures this month might shed more light on this or rather the current economic situation is somewhat less upbeat, as hard data until December suggest. They also show whether the recent policy decisions (not only in Europe, but also the implications of those taken abroad) ended up weighing on agents' confidence. We expect the eurozone composite PMI to have remained broadly stable in February, as global demand supports the manufacturing sector and services benefit from the relatively dynamism of domestic demand, in line with our more cautious view on the pace of the recovery. Across countries, we also expect a widespread but timid gain in confidence 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 (February, February 20th)

Forecast: -11.2

Consensus: -11.1

Previous: -11.7

We expect consumer confidence to have improved again in February, confirming the ongoing improvement over the last year, 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 next year, shedding more information about the recent disinflationary process. Consumers' expectations about price developments in the next twelve months stabilized throughout the last three months (after declining since Q412), while they expect to increase purchases over the next year. These figures are in line with our view of reducing the probability that a strong disinflationary process continues beyond the first half of the year.

US: Housing Starts and Building Permits (January, February 19th)

Forecast: 960K, 970K

Consensus: 950K, 980K

Previous: 999K, 991K

Housing starts finished the year with a thud in 2013, falling 9.8% MoM in December after a 23.1% gain in the previous month. However, the data is naturally volatile on a monthly basis, so we would not recommend putting much stock in the month-over-month figure. Housing starts finished up 1.6% YoY in 2013, and while the housing market did not finish the year on the high note that was generally expected, the positive YoY growth is still a good sign that the market is steadily improving. As such, January's housing starts and building permits report will be carefully watched, as the data can carry a significant ripple effect on the economy. Unfortunately, we are not optimistic about January's housing starts figure, as bad weather likely discouraged potential homebuyers from purchasing a house. Furthermore, building permits have declined throughout the past few months, and as a leading indicator for starts, this is not a great signal for new home construction to start 2014.

US: Consumer Price Index, Core (January, February 20th)

Forecast: 0.3%, 0.0%

Consensus: 0.1%, 0.1%

Previous: 0.3%, 0.1%

The consumer price index finished up 0.3% MoM in December, pushing inflation up to 1.5% on a YoY basis, closer to the Fed's target inflation rate but still considerably below 2.0%. Now that tapering has officially begun, it will be crucial to monitor the inflation rate to ensure that it does not fall too low and curb the effectiveness of the Fed's policy actions. Income growth has also remained subdued, and if it does not keep up with inflation, consumers' are essentially losing value on their dollar, which could hamper overall consumption and potentially slow economic growth. December's CPI report was partially driven by an increase in energy prices as the colder-than-expected winter had people cranking up their heaters. For January, we expect energy prices to once again skew the headline inflation number slightly upward, but the core inflation figure is likely to remain stagnant for the month.

Japan: GDP growth (Q4, February 17th)

Forecast: 3.2% saar

Consensus: 2.8% saar

Previous: 1.1% saar

Fourth quarter GDP will be closely watched to gauge the success of Abenomics in restoring growth to the Japanese economy. After a robust first half when stimulus measures were at their peak, growth registered around 4%, but activity weakened in Q3. Headwinds to growth are rising as stimulus wears off and questions remain about the strength of structural reforms needed to boost medium-term growth; corporate investment has yet to exhibit a convincing pickup. Nevertheless, we expect growth to have rebounded in Q4 on improving external demand (boosted by yen depreciation) and higher consumer spending ahead of the planned sales tax hike in April (from 5% to 8%) which is needed to ensure fiscal sustainability (Japan's public debt is around 250% of GDP). We expect full-year growth of 1.7% in 2013, slowing to 1.5% in 2014. On the policy front, further monetary easing is anticipated and deeper structural reforms will be key to sustaining higher growth over the medium term (beyond current potential of around 1%).

Last Week

Week February, 10 - February, 14

Indicator	Period	Cons. E	Prior	Observed *	
United States					
Wholesale Inventories MoM	Dec	0.50%	0.50%	0.30%	▼
JOLTS Job Openings ('000)	Dec	3980	4001	3990	▲
Retail Sales MoM	Jan	0.00%	0.20%	-0.40%	▼
Retail Sales Ex Auto MoM	Jan	0.10%	0.70%	0.00%	▼
Initial Jobless Claims	Feb 8	330	331	339	▲
Business Inventories	Dec	0.40%	0.40%	0.50%	▲
Import Price Index MoM	Jan	-0.10%	0.00%	0.10%	▲
Industrial Production MoM	Jan	0.20%	0.30%	-0.30%	▼
Capacity Utilization	Jan	79.30%	79.20%	78.50%	▼
University of Michigan Confidence	Feb	80.50	81.20	81.20	▲
Eurozone					
Industrial Production SA MoM	Dec	-0.30%	1.80%	-0.70%	▼
GDP SA QoQ	4Q A	0.20%	0.10%	0.30%	▲
GDP SA YoY	4Q A	0.40%	-0.40%	0.50%	▲
Germany					
CPI EU Harmonized MoM	Jan F	-0.70%	-0.70%	-0.70%	—
CPI EU Harmonized YoY	Jan F	1.20%	1.20%	1.20%	—
GDP SA QoQ	4Q P	0.30%	0.30%	0.40%	▲
GDP WDA YoY	4Q P	1.30%	0.60%	1.40%	▲
France					
Industrial Production MoM	Dec	-0.20%	1.30%	-0.30%	▼
Manufacturing Production MoM	Dec	0.30%	0.20%	0.00%	▼
GDP YoY	4Q P	0.60%	0.20%	0.80%	▲
GDP QoQ	4Q P	0.10%	-0.10%	0.30%	▲
Italy					
Industrial Production MoM	Dec	0.00%	0.30%	-0.90%	▼
GDP WDA QoQ	4Q P	0.10%	0.00%	0.10%	—
GDP WDA YoY	4Q P	-0.80%	-1.80%	-0.80%	—
Japan					
BoP Current Account Balance (JPY Bn)	Dec	-685.4	-592.8	-638.6	▲
Machine Orders MoM	Dec	-4.00%	9.30%	-15.70%	▼
China					
Trade Balance (USD Bn)	Jan	23.45	25.64	31.86	▲
Exports YoY	Jan	0.10%	4.30%	10.60%	▲
CPI YoY	Jan	2.40%	2.50%	2.50%	▲
Mexico					
Industrial Production MoM sa	Dec	0.20%	0.10%	-0.53%	▼
Peru					
Trade Balance (USD Mn)	Dec	475	-197	552	▲
Brazil					
Retail Sales MoM	Dec	0.40%	0.70%	-0.20%	▼
FIPE CPI - Weekly	Feb	0.90%	0.86%	0.86%	▼

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

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