

Global Weekly Indicators

Economic Analysis • Financial Scenarios Unit

Madrid, 14 March 2014

Next week

The FOMC will hold its monetary policy on March 18-19. Fed's members will deliver speech on monetary policy (Bullard, Kocherlakota and Stein). Economic releases in the US will include the January's net Treasury International Capital (TIC) figures and February's CPI and several housing sector indicators. In the Eurozone, the focus will be on next Co-legislator meeting (March 19), last chance to reach an agreement on the SRM. The EU leaders will also hold a meeting on March 20. Economic releases will include March's consumer confidence, February's final CPI and January's trade balance. China will publish foreign direct investment and property prices.

Calendar: Indicators

Eurozone: Final HICP Inflation (February, March 17th)

Forecast: 0.8% YoY

Consensus: 0.8% YoY

Previous: 0.8% YoY

We expect that the euro area final HICP is likely to be confirmed at the "flash" estimate of 0.8% YoY. Thus confirming the surprise to the upside that has offsetting the lower-than-expected figures observed in previous months, as core inflation remained more resilient than expected. In line with our baseline scenario, we continue to think that it is unlikely that disinflation will continue after March, and that a scenario of low and stable rates of inflation around 0.9% YoY is more likely as the recovery in domestic demand takes hold.

Eurozone: Consumer confidence (March, March 21th)

Forecast: -12.5 %

Consensus: -12.6%

Previous: -12.7%

We expect consumer confidence to remain almost flat in March, after the slight decline observed in February, and thus the average level of 1Q14 should remain above the average of 4Q13 and close to those levels consistent with a mild growth of households' spending. In addition, the upward trend observed by the end of 2013, combined with the recent stabilization in labour market conditions, suggests that the recovery of private consumption observed in 4Q13 is likely to continue in the following quarters. These figures are in line with our macroeconomic scenario that envisages subdued but steady growth of private consumption (around 0.2% QoQ) throughout this year.

US: Consumer Price Index, Core (February, March 18th)

Forecast: 0.4%, 0.2%

Consensus: 0.1%, 0.1%

Previous: 0.1%, 0.1%

Now that worries of a slowing economy have simmered down, inflation has become the key economic indicator to watch as we move into 2014. Although the Fed recently reiterated their preference for the PCE index, the consumer price index still provides us with useful insight and is crucial to watch as it trends hand-in-hand with PCE. After a dip to a 1.0% YoY increase in October, inflation growth bounced back, and was up a healthier 1.6% YoY rate in January. CPI tends to run about a quarter to a half percentage point above the PCE figure, so inflation is still considerably below the CPI target rate at about 2.5%. Gasoline prices remained stable in February, but Henry Hub natural gas prices jumped up from \$4.69 in January to \$6.01 in February. This jump in natural gas prices will likely lead to higher electricity and utility prices on the headline CPI figure in February. We expect the core figure to bump up slightly, backed by a jump in shelter costs which have continued to trend upward.

US: Housing Starts and Building Permits (February, March 18th)

Forecast: 12.0%, 2.5%

Consensus: 3.9%, 1.6%

Previous: -16.0%, -5.4%

Housing starts are expected to rebound strongly in February, following the biggest MoM decline since February 2011. Of all the economic data, the housing starts report will likely have the largest direct impact on the market next week. After an abysmal report for January showed a steep drop-off in starts and the first YoY decline since August 2011, we project that starts for February will rebound strongly. Building permits, which are a leading indicator for housing starts, declined in January for the third consecutive month, which doesn't bode well for starts in February. The ongoing storyline has been that the freezing weather is negatively affecting economic data, but after other construction data remained strong despite the colder-than-expected season, we do not believe housing starts will be significantly affected. Mortgage rates have remained mostly unchanged since October so it seems unlikely that a significant number of consumers are basing their decision to build a house on interest rate movement. The housing start index is volatile and difficult to forecast on a MoM basis, but after extreme dips, the index consistently bounces back; thus, we are looking for double digit MoM growth in housing starts.

Japan: Exports in yen (February March 19th)**Forecast: 10.0% YoY****Consensus: 12.4% YoY****Previous: 9.5% YoY**

Japan's growth momentum has disappointed to the downside, as exports and investment remain sluggish. While exports in yen terms should show a healthy increase in year-over-year terms in February, on a monthly basis exports values are likely to be flat. Moreover, export volumes have failed to pick up despite a weaker yen, which should have provided a competitive boost to Japanese exporters. One reason may be that a large share of Japanese manufacturing has already moved offshore. Also, external demand from the rest of Asia, which accounts for about half of Japan's total exports, has weakened in recent months. The sluggish export outlook poses some downside risk to our 1.5% GDP growth projection for 2014.

Mexico: Banxico Monetary Policy (March 21st)**Forecast: 3.5%****Consensus: 3.5%****Previous: 3.5%**

We maintain our call of a protracted monetary pause based on: 1) The absence of second round effects stemming from tax increases. February inflation figures confirmed the transitory nature of the recent inflation hike, to such an extent that we expect it to decrease during some months below 4.0% starting in March. 2) The inexistence of demand-side pressures on prices as the economic slack lingers. Recent economic indicators show a slow recovery of internal demand, while the external side has just started to pick up once weather issues start to fade away.

Last Week

Week March, 10 – March, 14

Indicator	Period	Cons. E	Prior	Observed *	
United States					
JOLTS Job Openings ('000)	Jan	--	3990	3974	
Wholesale Inventories MoM	Jan	0.40%	0.30%	0.60%	▲
Import Prices MoM	Feb	0.50%	0.10%	0.90%	▲
Initial Jobless Claims ('000)	8 Mar	330	323	315	▼
Retail Sales MoM	Feb	0.20%	-0.40%	0.30%	▲
Retail Sales ex auto MoM	Feb	0.10%	0.00%	0.30%	▲
Business Inventories MoM	Jan	0.40%	0.50%	0.40%	—
PPI Final Demand MoM	Feb	0.20%	0.20%	-0.10%	▼
PPI Core MoM	Feb	0.10%	0.20%	-0.20%	▼
University of Michigan Consumer Sentiment	Mar	81.80	81.60	79.90	▼
Eurozone					
Sentix Investor Confidence	Mar	14.00	13.30	13.90	▼
Industrial Production SA MoM	Jan	0.50%	-0.7%	-0.20%	▼
Germany					
Trade Balance (B)	Jan	15.00	14.20	15.00	—
Exports SA MoM	Jan	1.50%	-0.90%	0.20%	▼
Imports SA MoM	Jan	1.40%	-0.60%	0.40%	▼
CPI EU Harmonized MoM	Feb F	0.50%	0.50%	0.50%	—
CPI EU Harmonized YoY	Feb F	1.00%	1.00%	1.00%	—
France					
Bank of France Bus. Sentiment	Feb	100.00	99.00	98.00	▼
Industrial Production MoM	Jan	0.30%	-0.30%	-0.20%	▼
Manufacturing Production MoM	Jan	0.30%	0.00%	0.70%	▲
CPI EU Harmonized MoM	Feb	0.60%	-0.60%	0.60%	—
CPI EU Harmonized YoY	Feb	1.00%	0.80%	1.10%	▲
Italy					
Industrial Production MoM	Jan	0.50%	-0.90%	1.00%	▲
GDP WDA QoQ	4Q F	0.10%	0.10%	0.10%	—
GDP WDA YoY	4Q F	-0.80%	-0.80%	-0.90%	▼
Japan					
BoP Current Account Balance (JPY Bn)	Jan	-1411	-638.6	-1589	▼
GDP SA QoQ Annualized	4QF	0.9%	1.0%	0.7%	▼
Machine Orders	Jan	7.1%	-15.7%	13.4%	▲
Industry Production MoM	Jan F	--	4.0%	3.8%	
China					
Money Supply M2 YoY	Feb	13.20%	13.20%	13.30%	—
Industrial Production YTD YoY	Feb	9.50%	--	8.60%	▼
Retail Sales YTD YoY	Feb	13.50%	--	11.80%	▼
New Yuan Loans (Bn)	Feb	730.00	1320.00	644.00	▼
Mexico					
Industrial Production MoM	Jan	0.20%	-0.53%	0.51%	▲
Gross Fixed Investment YoY	Dec	-0.05%	-4.51%	0.74%	▲
Brazil					
IBGE Inflation IPCA MoM	Feb	0.65%	0.55%	0.69%	—
Industrial Production MoM	Jan	2.50%	-3.70%	2.86%	▲
Retail Sales MoM	Jan	-0.35%	-0.17%	0.43%	▲

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

DISCLAIMER

This document has been prepared by BBVA Research Department, it is provided for information purposes only and expresses data, opinions or estimations regarding the date of issue of the report, prepared by BBVA or obtained from or based on sources we consider to be reliable, and have not been independently verified by BBVA. Therefore, BBVA offers no warranty, either express or implicit, regarding its accuracy, integrity or correctness.

Estimations this document may contain have been undertaken according to generally accepted methodologies and should be considered as forecasts or projections. Results obtained in the past, either positive or negative, are no guarantee of future performance.

This document and its contents are subject to changes without prior notice depending on variables such as the economic context or market fluctuations. BBVA is not responsible for updating these contents or for giving notice of such changes.

BBVA accepts no liability for any loss, direct or indirect, that may result from the use of this document or its contents.

This document and its contents do not constitute an offer, invitation or solicitation to purchase, divest or enter into any interest in financial assets or instruments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

In regard to investment in financial assets related to economic variables this document may cover, readers should be aware that under no circumstances should they base their investment decisions in the information contained in this document. Those persons or entities offering investment products to these potential investors are legally required to provide the information needed for them to take an appropriate investment decision.

The content of this document is protected by intellectual property laws. It is forbidden its reproduction, transformation, distribution, public communication, making available, extraction, reuse, forwarding or use of any nature by any means or process, except in cases where it is legally permitted or expressly authorized by BBVA.

This report has been produced by the Financial Scenarios Unit

Cristina Varela Donoso
cvarela@bbva.com
+34 91 537 78 25

Jaime Costero
jaime.costero@bbva.com
+34 91 537 76 80

Indicators collaboration:

Europe
Diego José Torres
diego.torres.torres@bbva.com
+34 91 37 40012

US
Michael Soni
Michael.Soni@bbvacompass.com
+1 713 831 7348

Asia
Fielding Chen
fielding.chen@bbva.com.hk
+85225823297

Mexico
Iván Martínez Urquijo
ivan.martinez.2@bbva.com

Contact details

BBVA Research
Paseo Castellana, 81 - 7th floor
28046 Madrid (Spain)
Tel.: +34 91 374 60 00 and +34 91 537 70 00
Fax: +34 91 374 30 25
bbvaresearch@bbva.com
www.bbvaresearch.com