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Global Weekly Indicators

Economic Analysis • Financial Scenarios Unit
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Next week

The ECB will hold its monetary policy meeting on February 6th. In the eurozone, data releases will include January's manufacturing, services and composite PMI. December's industrial production will be also published. Germany will release December's factory orders and trade balance. The US data will include January's nonfarm payroll, ADP employment report and ISM manufacturing. December's factory orders and construction spending will be also published. Speeches from Fed's members: Evans, Plosser, Lockhart and Rosengren will provide additional clarity for investors.

Calendar: Indicators

Eurozone: Retail sales (December, February 5th)

Forecast: -0.3% m/m	Consensus: -0.4% m/m	Previous: 1.4% m/m

Retail sales rebounded very strongly in November after two months of falls, especially those of food products. These data are well correlated with consumer confidence, and the November mark is clearly an outlier, so we expect them to have declined slightly in December. The fall should not be enough to offset the improvement in the previous month, such that the average sales in 4Q13 could have grown at a relatively steady pace throughout last year (around 0.2% q/q), in line with our forecast that private consumption may have grown mildly in the last quarter of 2013 (around 0.1% q/q as observed in the previous two quarters). Looking forward, the continuous improvement of consumer confidence, which heightened in recent months (December and January) supported by the stabilization of the labour market and upbeat expectations on employment in coming months along with low inflation rates, are consistent with our macroeconomic scenario that envisages a modest but steady quarterly growth for private consumption throughout 2014.

Germany: Industrial production (December, February 7th)

Forecast: -0.3% m/m	Consensus: 0.0% m/m	Previous: 1.9% m/m

We expect industrial production to have declined slightly in December, offsetting the significant rebound observed in the previous month. As a result, industrial output is likely to have remained flat in 4Q13, swept by a significant fall in construction output (-2.1% up to November over 3Q13). In particular, excluding construction, output could have increased by around 0.3% over 4Q13, after 0.7% q/q. Nonetheless, trade balance figures up to November along with our forecasts for December (to be released next week) suggest that exports could have rebounded in 4Q13 (around 2.1% q/q), and net exports are likely to have supported quarterly GDP growth again by year end. As a result, we continue to expect German GDP to have grown steadily at 0.3% q/q in 4Q13, consistent with the 0.5% annual growth anticipated for 2013 as a whole by Destatis (assuming previous quarterly figures are not revised).

US: International Trade Balance (December, February 6th)

Forecast: -$35.0B	Consensus: -$35.8B	Previous: -$34.3B

The trade deficit is expected to decrease slightly in December after a surprising November imports figure saw the balance shrink to its lowest level in over four years. Exports also increased in November, a gain that was largely attributed to an increase in both manufacturing and petroleum products and was further backed by an increase in global activity as consumers spent for the holidays. We expect manufacturing exports to continue accelerating in December as the holiday season comes to a close. Furthermore, as companies continue to drill domestically, we believe the energy boom will continue to fuel an increase in petroleum exports while simultaneously decreasing imports of foreign oil for the foreseeable future. For December, we do not forecast any significant change to the trade balance, assuming that export growth holds steady and imports rebound from November's decline.

US: Nonfarm Payrolls and Unemployment Rate (January, February 7th)

Forecast: 190K, 6.8%	Consensus: 175K, 6.7%	Previous: 74K, 6.7%

The employment situation brightened throughout the second half of 2013 but finished unexpectedly negative in December. Manufacturing and construction had been the catalysts for the acceleration in employment in recent months, as both sectors rebounded from slow starts to the year. Housing figures have slowed as of late but still remain positive overall, so we expect that construction will provide a boost for employment in January, in part offsetting the drop in construction jobs in December. Additionally, we forecast at least some upward revision to December's dismal job report. Overall, we expect nonfarm payroll growth to bounce back positively in January and for companies to begin hiring once again as the new year begins. However, we believe the unemployment rate will tick up to 6.8% as previously discouraged workers will re-enter the labor force following the holiday season. The unemployment report carries large implications for monetary policy, as another drop may bring into question the Fed's forward guidance threshold of 6.5% and force the FOMC to reassess their guidance.

Mexico: Headline inflation and Core inflation (January, February 7th)

Forecast: 0.95%F/F, 0.82%F/F	Consensus: n.a., n.a.	Previous: 0.68% F/F,0.69% F/F

Headline inflation came in above expectations in the first fortnight of January, increasing 0.68% FoF. In annual terms, inflation accelerated to 4.6% from 4.1% in the second fortnight of December. Both the core and non-core inflation increased due to new taxes as anticipated –on sodas, junk food and fuels–, but the upward surprise was mainly due to a higher-than-expected increase in the core component, mostly driven by unexpected strong increases in food-related services. Core inflation was 0.69% FoF, The higher-than-expected print pushed up annual core inflation to 3.33% from 2.80% in the previous fortnight. Taking into account these higher-than-expected increases, we now expect core inflation to increase 0.82% in January and to reach 3.46% by year-end, and headline inflation to increase 0.95% and close the year at 3.93%. Annual headline inflation should begin to trend downwards in February (base effects) following January's fiscal shock but should accelerate after May (base effects) and is likely to remain above 4.0% from June to November. Although we do not expect inflation to enter an acceleration process as it should continue to benefit from the ample economic slack, risks would tilt to the upside if economic activity rebounds more strongly than currently anticipated.

Brazil: Inflation (January, February 7th)

Forecast: 5.69% y/y	Consensus: 5.67% y/y	Previous: 5.91% Y y/y

Available indicators, such as the January's IPCA-15, which measures inflation from mid-December to mid-January, suggest that January inflation will be lower than expected some few weeks ago. We expect monthly inflation to slowdown from 0.92%MoM in December to 0.65%MoM, taking annual inflation also down. This deceleration should allow the BCB to adopt a final +25bp adjustment (vs. 50bp in the previous meetings) of the SELIC rate at the end of February, at least if the recent volatility in emerging markets does not trigger another sharp weakening of the exchange rate in the next weeks.

Indonesia: GDP for Q4 2013 (February 5th)

Forecast: 5.1% y/y	Consensus: 5.5% y/y	Previous: 5.6% y/y

While still relatively high, Indonesian growth has been slowing in the past year under the weight of QE tapering, weaker external demand (especially commodities), and domestic shocks. The latter include an upward adjustment in administered fuel prices in mid-2013 and subsequent interest rate hikes (175bps since June) to arrest inflation and stabilize the currency, which has depreciated by more than 20% against the USD since mid-2013. A current account deficit and dependence on foreign portfolio inflows have left the economy vulnerable to QE tapering. The authorities have taken steps to strengthen the economy's resilience, although investor confidence remains fragile, all the more so due to uncertainties associated with national elections scheduled later this year. We expect full-year growth of around 5.7% in 2013 and 2014, down from 6.2% in 2012.

Last Week

Week January, 27 – January, 31

Indicator	Period	Cons. E	Prior	Observed *	
United States					
New Home Sales	Dec	455	464	414	▼
Durable Goods Orders	Dec	1.80%	3.50%	-4.30%	▼
Durables Ex Transportation	Dec	0.60%	1.20%	-1.60%	▼
S&P/CS Composite-20 YoY	Nov	13.80%	13.60%	13.70%	▼
Consumer Confidence	Jan	78.0	78.1	80.7	▲
GDP Annualized QoQ	4Q A	3.20%	4.10%	3.20%	—
Personal Consumption	4Q A	3.70%	2.00%	3.30%	▼
GDP Price Index	4Q A	1.20%	2.00%	1.30%	▲
Core PCE	4Q A	1.10%	1.40%	1.10%	—
Initial Jobless Claims	25 Jan	330	326	348	▲
Continuing Claims	18 Jan	3000	3056	2991	▼
Personal Income	Dec	0.20%	0.20%	0.00%	▼
Personal Spending	Dec	0.20%	0.50%	0.50%	▲
Employment Cost Index	4Q A	0.40%	0.40%	0.50%	▲
Chicago PMI	Jan	59.0	59.1	59.6	▲
University of Michigan Consumer Sentiment	Jan	81.0	80.4	81.2	▲
Eurozone					
M3 Money Supply YoY	Dec	1.70%	1.50%	1.00%	▼
Consumer Confidence	Jan F	-11.7	-11.7	-11.7	—
Unemployment Rate	Dec	12.10%	12.10%	12.00%	▼
CPI Estimate YoY	Jan	0.90%	0.80%	0.70%	▼
Germany					
IFO Business Climate	Jan	110	109.5	110.6	▲
IFO Current Assessment	Jan	112.4	111.6	112.4	—
IFO Expectations	Jan	108	107.4	108.9	▲
GfK Consumer Confidence	Feb	7.6	7.6	8.2	▲
Unemployment Rate	Jan	6.90%	6.90%	6.80%	▼
CPI EU Harmonized MoM	Jan P	-0.60%	0.50%	-0.70%	▼
CPI EU Harmonized YoY	Jan P	1.30%	1.20%	1.20%	▼
Retail Sales MoM	Dec	0.20%	1.50%		
France					
Consumer Confidence	Jan	85	85	86	▲
Consumer Spending MoM	Dec	-0.40%	1.40%	-0.10%	▲
Italy					
Consumer Confidence Index	Jan	96.8	96.2	98	▲
Business Confidence	Jan	98.7	98.2	97.7	▼
Economic Sentiment	Jan	--	83.6	86.8	
Unemployment Rate	Dec P	12.80%	12.70%	12.70%	▼
Japan					
Exports YoY	Dec	18.00%	18.40%	15.30%	▼
Natl. CPI Excl. Food and Energy YoY	Dec	1.20%	1.20%	1.30%	▲
Industrial Production MoM	Dec	1.30%	1.30%	1.10%	▼
Jobless Rate	Dec	3.90%	4.00%	3.70%	▼
China					
HSBC/Markit PMI Manufacturing	Dec	49.60	50.50	49.50	▼
Mexico					
Economic Activity IGAE YoY	Nov	0.80%	1.33%	0.10%	▼
Chile					
Manufacturing Index YoY	Dec	-0.20%	-1.10%	0.20%	▲
Retail Sales YoY	Dec	8.00%	9.20%	7.00%	▼
Unemployment Rate	Dec	5.70%	5.70%	5.70%	—
Brazil					
FGV Inflation IGPM MoM	Jan	0.49%	0.60%	0.48%	—
Unemployment Rate	Dec	4.40%	4.60%	4.30%	▼

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

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