

# Global Weekly Indicators

Economic Analysis • Financial Scenarios Unit

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## Next week

In the US the FOMC will hold its monetary policy meeting on January 28-29th. The US economic data will include 4Q2013 GDP figure and January's consumer confidence and Chicago PMI. Back in December, personal income and spending will be also published. In the eurozone, data releases will include January's preliminary CPI, and final consumer confidence. December's unemployment and money supply will be also published in the eurozone. In China January HSBC manufacturing will be published.

## Calendar: Indicators

### Eurozone: HICP inflation (January, January 31<sup>st</sup>)

Forecast: 0.8% y/y

Consensus: 0.9% y/y

Previous: 0.8% y/y

After the recent downward surprises in inflation and deflation fears, incoming data will be closely watched. We expect headline inflation to have remained unchanged at 0.8% y/y in January, as a further decline in energy prices might have been offset by an increase in core inflation (by around 0.1/0.2pp) due to a higher annual growth in service prices. There downside risks to our forecast stemming from further declines in oil prices in recent weeks, but these are offset by the uncertainty regarding service prices in Germany which were responsible for the downward surprise last month due to a pattern for seasonality, which could be reverted this month. The impact of French VAT hikes could also be larger than expected. In addition, January figures are also calculated with the new weights, which raise the uncertainty around this month's inflation forecasts. Across countries we see inflation to increase slightly in core countries (Germany and France) and to remain more or less stable in the periphery at very low rates, especially in Spain and Portugal. Looking forward, we expect the eurozone inflation to slow slightly over 1Q14, due to further falls in energy prices, while core inflation is likely to hover around 1% y/y. Afterwards, we see inflation increasing again, especially at the end of the year.

### Eurozone: Unemployment rate (December, January 31<sup>st</sup>)

Forecast: 12.1%

Consensus: 12.1%

Previous: 12.1%

The unemployment is expected to have remained unchanged at 12.1% in December, thus remaining stable throughout the past half year after rising by around 0.3pp per quarter since mid-2011. This stabilization in the labour market is expected to be widespread across countries. Though we project that the eurozone recovery is on track at a mild steady pace, the unemployment rate is unlikely to decline in the short term, given the lag between activity and employment as well as the economic slack. Overall, we maintain our assessment that a slow improvement in the labour market is not expected before the second half of the year. As economic recovery is spreading throughout the monetary union, we expect slightly better labour market conditions to be widespread, but the huge divergence across countries in the level of unemployment will persist.

### US: GDP, Advanced (4Q13, January 30<sup>th</sup>)

Forecast: 2.8%

Consensus: 3.3%

Previous: 4.1%

Upward revisions to 3Q13 data showed that the economy expanded at an annualized rate of 4.1%, the highest growth rate in nearly two years; now, all eyes will be on the 4Q GDP report to see if the economy sustained this growth through the end of the year. The 3Q growth figure was led in part by steady gains in consumer spending, much of which has carried over into the fourth quarter, leading us to believe the advance GDP report will receive a tailwind from the holiday season. In regards to other contributors, exports should provide an upward bias to the advance estimate; data thus far for 4Q13 suggest relatively strong export growth, coming off of three straight months of declines in the third quarter. Much of the 3Q GDP figure was inflated by inventories, which does not necessarily reflect true growth in the economy if the inventory is not being moved or sold. Despite expectations for a slowdown in inventory growth towards the end of the year, stockpiles have continued to increase at a steady pace. Thus, we expect inventories to again have significant influence on growth for the final quarter of 2013. Overall, economic activity has been better-than-expected throughout 4Q and we expect to see another strong estimate for GDP, albeit at a slightly slower pace compared to 3Q.

### US: Personal Income and Outlays (December, January 31<sup>st</sup>)

Forecast: : 0.2%, 0.3%

Consensus: 0.2%, 0.2%

Previous: 0.2%, 0.5%

Personal income growth was mostly positive throughout 2013, particularly in real terms as inflation remained surprisingly low. Consequently, consumers saw an overall gain in purchasing power, simultaneously helping to boost consumption during the year. For December, we expect similar trends to continue as both income and spending growth hold relatively steady. Various economic indicators have noted rising consumer confidence on the back of improvements in job availability and income prospects, and we expect these sentiments to carry over into 2014. In the wake of the holiday season, we expect personal income and outlays to finish the year with modest increases for December. With personal consumption making up roughly two-thirds of GDP, it is crucial that personal income and outlays continue to accelerate as the economy moves forward with the recovery.

### China: NBS manufacturing PMI (January, February 1<sup>st</sup>)

Forecast: 50.3

Consensus: 50.4

Previous: 51.0

While China's growth momentum was sustained in Q4 at 7.7% y/y, signs of a slowdown are emerging. In particular, activity indicators in December for industrial production and investment were lower than expected, and more recently the flash HSBC PMI for January (49.6) was disappointing, although it may have been distorted by the timing of the forthcoming Lunar New Year (which begins on January 31). Against this background, the official PMI outturn for January will be closely watched. We expect PMI to weaken in January as government stimulus measures wind down and the authorities seek to address financial fragilities (such as shadow bank lending, rising housing prices, and over-capacity in some sectors). Nevertheless, we expect overall growth momentum to be sustained in 2014 (7.6%) on improving external demand and robust private consumption. Beyond this, we await the set of monthly indicators, which will be delayed to March (the January/February outturns will be combined to eliminate distortions from the Lunar New Year).

# Last Week

Week January, 13 - January, 17

Indicator	Period	Cons. E	Prior	Observed *
<b>United States</b>				
Initial Jobless Claims ('000)	18-Jan	330	326	326 ▼
Continuing Claims ('000)	11-Jan	2900	3030	3056 ▲
PMI Manufacturing Index	Dec	55.00	54.40	53.70 ▼
Existing Home Sales MoM	Dec	0.70%	-4.30%	1.00% ▲
Leading Index	Dec	0.00	0.08	0.10 ▲
<b>Eurozone</b>				
Euro Area Government Debt/GDP	3Q	-	93.40%	92.70%
PMI Manufacturing	Jan A	53	52.7	53.9 ▲
PMI Composite	Jan A	52.5	52.1	53.2 ▲
PMI Services	Jan A	51.4	51.0	51.9 ▲
Consumer Confidence	Jan A	-13	-13.6	-11.7 ▲
<b>Germany</b>				
ZEW Survey Current Situation	Jan	35	32.4	41.2 ▲
ZEW Survey Expectations	Jan	64	62.0	61.7 ▼
PMI Manufacturing	Jan A	54.6	54.3	56.3 ▲
PMI Services	Jan A	54	53.5	53.6 ▼
<b>France</b>				
Business Confidence	Jan	95	94	94 ▼
PMI Manufacturing	Jan P	47.5	47.0	48.8 ▲
PMI Services	Jan P	48.1	47.8	48.6 ▲
<b>Italy</b>				
Industrial Orders MoM	Nov	0.00%	-2.5%	2.30% ▲
Retail Sales MoM	Nov	0.00%	-0.1%	0.00% —
<b>Japan</b>				
Industrial Production MoM	Nov	-	0.10%	-0.10%
All Industry Activity Index MoM	Nov	0.30%	-0.20%	0.30% —
<b>China</b>				
GDP YoY	4Q	7.60%	7.80%	7.70% ▲
Industrial Production YoY	Dec	9.80%	10.00%	9.70% ▼
Retail Sales YoY	Dec	13.60%	13.70%	13.60% —
HSBC/Markit PMI Manufacturing	Jan	50.30	50.50	49.60 ▼
<b>Brazil</b>				
IBGE Inflation IPCA-15 MoM	Jan	0.79%	0.75%	0.67% ▲

Forecast/ \* Magenta- Below nsensus forecast. Green-Above consensus forecast. Yellow- In line consensus forecast.

Source: Bloomberg and BBVA Research

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