

# IA- BBVA UEM

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## Expansion at a lower pace

- The IA BBVA UEM indicator declined in September, although it remains high by historical standards.
- This decline is explained to a great deal by the real component, although the expectations component also decreased.
- The improvement in the construction and employment components was fully offset by a worsening in the expenditure, external and manufacturing components.
- Across countries, Germany and Italy recorded the largest correction.

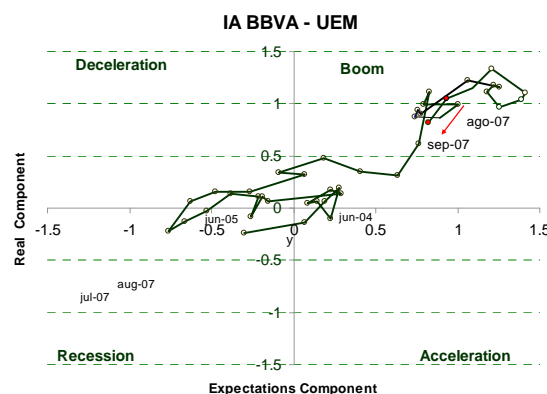
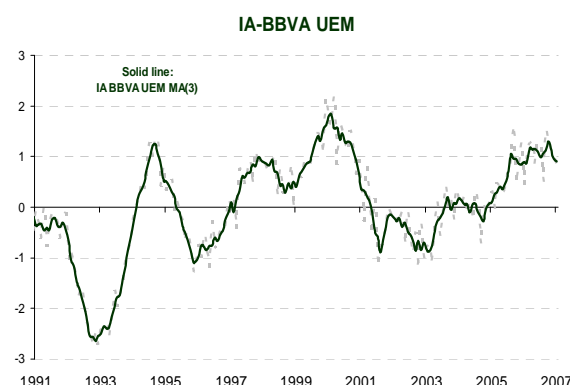
In September, our activity IA-BBVA UEM indicator decreased for the fourth consecutive month to 0.80. With a 48% of the information available for the third quarter, the indicator suggests a deceleration from 1.12 in the second quarter to 0.95. Among sub-components, the real component experienced the largest decline. This movement reveals that activity in the euro area is moderating further, although it remains still high by historical standards, pointing to solid growth.

The improvement in the construction and employment components was fully offset by a worsening in the expenditure, external and manufacturing components. In particular, the expenditure component decreased from 0,16 to 0,06.

Across countries, Italy and Germany explain most of the fall, whereas the indicator for Spain has improved. Over the past two months the largest decline has been recorded in France, but this month the decline has not been marked.

Overall, the September result suggests that activity is losing momentum, which could be translated into somewhat weaker growth in the second half of the year.

The IA – BBVA UEM is a weighted average of 149 activity indicators drawn from different activity areas (such as expenditure, output and employment) and from different economic regions (EMU aggregate and its main economic areas). The index has been calculated using a “Principal Components Approach” upon standardized, stationary and outliers-corrected time series. It is constructed to have an average value of zero and a standard deviation of one. An IA BBVA UEM reading of zero is associated with trend growth, thus values above (under) zero signal accelerations (decelerations) of activity. IA BBVA UEM monthly values may be subject to revision as more real information on the data is gathered. Information not available by the time of the monthly calculation of the IA BBVA UEM will be forecasted by means of ARIMA models of the indicators.



| IA - BBVA UEM |                  | Current |       | Previous |       |
|---------------|------------------|---------|-------|----------|-------|
|               | Information Used | Value   | MA(3) | Value    | MA(3) |
| Avg. 3Q06     | 100%             | 0.84    | 0.86  | 0.87     | 0.88  |
| Avg. 4Q06     | 100%             | 1.17    | 1.06  | 1.18     | 1.07  |
| Avg. 2006     | 100%             | 0.86    | 0.85  | 0.87     | 0.86  |
| Avg. 1Q07     | 100%             | 1.11    | 1.09  | 1.12     | 1.09  |
| Avg. 2Q07     | 100%             | 1.12    | 1.16  | 1.12     | 1.16  |
| Avg. 3Q07     | 79%              | 0.95    | 0.99  | 0.95     | 1.01  |
| Apr.07        | 100%             | 0.50    | 1.07  | 0.52     | 1.08  |
| May.07        | 100%             | 1.54    | 1.12  | 1.54     | 1.12  |
| Jun.07        | 100%             | 1.31    | 1.29  | 1.31     | 1.29  |
| Jul.07        | 94%              | 1.04    | 1.12  | 1.02     | 1.07  |
| Aug. 07       | 64%              | 1.01    | 0.95  | 0.88     | 0.95  |
| Sep. 07       | 48%              | 0.80    | 0.91  |          |       |