STATE STREET GLOBAL ADVISORS

Weekly Economic Perspectives

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STATE STREET GLOBAL ADVISORS

April 3, 2020
Commentary

Weekly Economic Perspectives

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Spotlight on Next Week
The unemployment claims surge should continue in the US. Canada's unemployment rate is set to jump. The RBA meets and should clarify asset purchase program.

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The Economy

The incoming macro data is beginning to reflect the new realities of the Covid-19 pandemic, associated lockdowns, and associated decline in economic activity. However, we remain in a transition phase as only some indicators are starting to respond and even those are not yet fully reflecting the damage. It will get worse before it starts getting better.

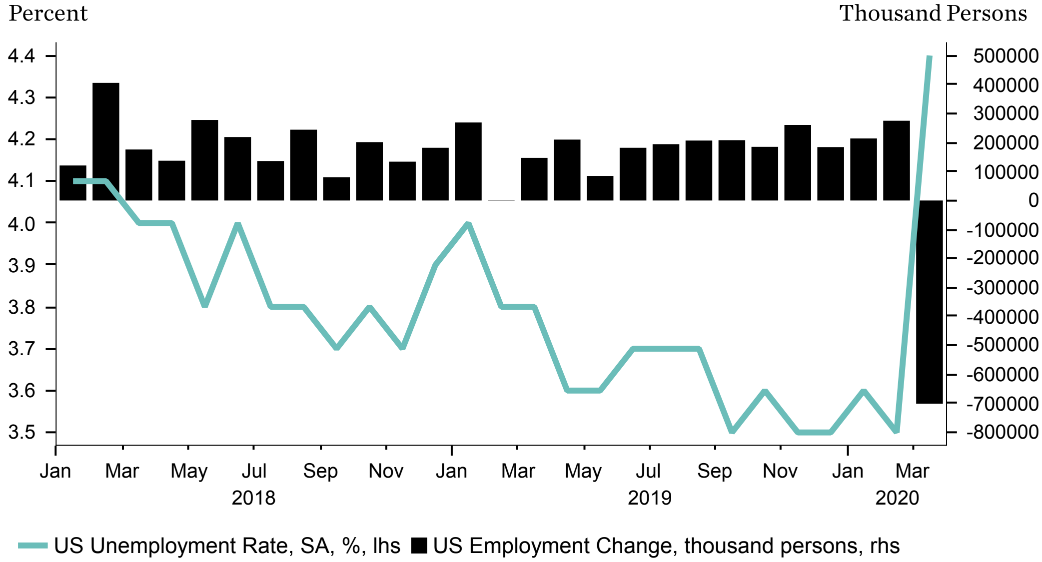
US

The **unemployment claims** data has been the most dramatic and timely indicator of how the Covid-19 outbreak and the associated lockdowns are impacting the US economy. The picture is not just sobering but downright frightening as initial claims shot from 282,000 in the week ended March 14 to 3.3 million in the week ended March 21 and 6.6 million in the week ended March 28. To put things in perspective, the latter represents ten times the previous historical record. Continuing claims increased from 1.8 million to 3.0 million during the week ended March 21.

However, what is unclear and unusual about the current circumstance is how many of these newly unemployed people are going to be financially worse off because of their new status. The newly passed CARES act greatly broadened the eligibility for unemployment insurance, eliminated the short waiting period previously in place, and, very importantly, offers an additional $600 per week for each recipient on top of the state-level unemployment insurance benefit. A rough estimate incorporating data on average hourly earnings, a typical 40-hour workweek and assumptions of an unemployment benefit equivalent to 50% of prior wages, plus the additional $600 per week suggests that the average worker in a range of professions such as bartending, amusement park attendants, cashiers, cafeteria cooks and many others, could receive substantially more money from enhanced unemployment benefits than from their prior employment. This will obviously not be the case for everyone and possibly not even for a majority of those newly unemployed, especially since some of the hardest hit areas by Covid-19 so far are also higher cost locations where wages may be skewed above the national average. However, this may be a sufficiently prevalent situation so that the typical historical correlations between unemployment and consumption and, therefore, GDP growth, may not hold under current circumstances. There will, undoubtedly, be a reduction in consumer spending as the population at large—even those still employed—is subject to heretofore unprecedented restrictions on movement and a big dent to confidence. But the newly unemployed themselves may not curtail spending to the extent they might have done when becoming unemployed in past downturns. This would partly reflect the more generous benefits, and partly—and most importantly—expectations that most of them would return to former employment within a few months when the health crisis is brought under control. It will be some time before we will be able to test this hypothesis with real data on spending, however.

There is no denying, however, that a new (even if temporary) reality is at hand for the US labor market and economy at large. **Payroll employment** plunged by 701,000 in March, the first contraction since September 2010 and the largest since an 800,000 drop in March of 2009. Private payrolls declined by 713,000, with government up 12,000. Losses were broad-based but concentrated in service producing sectors, which lost 659,000 while goods producing sectors lost 54,000. With these losses, the service producing sectors wiped out almost all the employment gains of the past four months, whereas goods producing retraced last month's strong gains. Within services, the leisure and hospitality lost a staggering yet unsurprising 459,000 jobs, taking out nearly a years' worth of prior improvement. There was a 50,000 drop in temporary employment, and a 46,000 decline in retail, both of which make sense under the circumstances. The 76,000 drop in education and healthcare seems a bit counter-intuitive but likely reflects the shift to online education at many schools, both public and private, and may reflect reductions in administrative and custodial staff.

Figure 1: A New Reality



Sources: U.S. Bureau of Labor Statistics (BLS)

The household survey showed a far larger 2,987,000 plunge in employment, which is probably a better foreshadower of what the April employment report will look like. This was accompanied by a 1,353,000 increase in the number of unemployed, resulting in a 1,633,000 decline in the labor force. The unemployment rate shot up nine tenths to 4.4% and the underemployment rate jumped from 6.3% to 7.5%. The average duration of unemployment dropped from 9.1 weeks to just 7.0 weeks, reflecting the huge number of people who had just joined the ranks of the unemployed over the prior two weeks, skewing the average lower.

Both the payrolls and the hours data confirm our view that this crisis is more damaging to the services industry than to manufacturing or construction. For instance, the manufacturing workweek declined by a large 18 minutes to 40.4 hours, but that only gave back February's equally large gain. Meanwhile, the overall workweek declined by 12 minutes to 40.2 hours, the shortest since January 2011.

The wage data were good. Overall average hourly earnings increased 0.4%, the most since November, and the corresponding measure of wage inflation accelerated a tenth to 3.1% y/y. Average hourly earnings for production and non-supervisory employees also increased 0.4% and the corresponding measure of wage inflation was unchanged at 3.4% y/y.

While many indicators are starting to reflect the Covid-19 impact on the economy, few are doing so fully just yet. This is true for the March **Conference Board consumer confidence survey**, which showed a smaller than expected decline from 132.6 in February to 120.0 in March. However, the survey cut-off date was March 19th, when the crisis was just scaling up. As such, we would look at the expectations component, which plunged a full 20 points to be a better indication of where we'll be headed next month. It is quite likely that the decline in consumer confidence measures in April will be as unprecedented as the surge in unemployment clams…

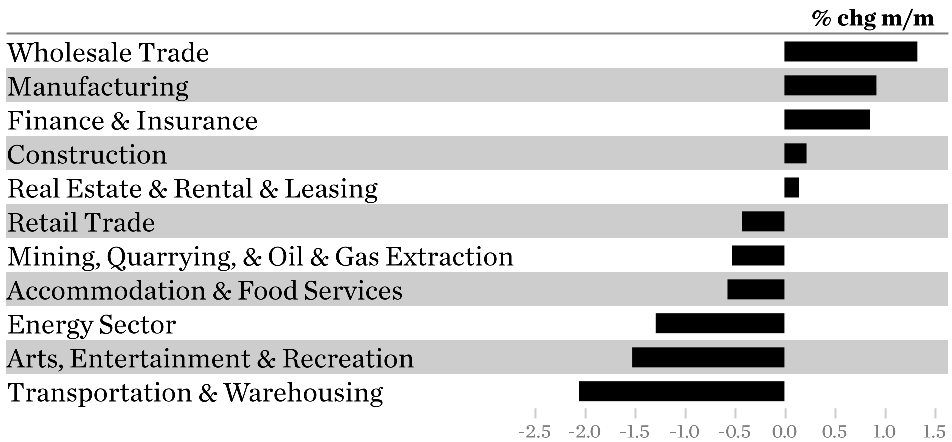
Prior to the COVID-19 outbreak, services activity was chugging along at a good pace, with the **non-manufacturing ISM index** at 57.3 in February. Conditions deteriorated notably in March, however, which isn't surprising given the broadening crisis and closure of non-essential businesses in many parts of the country. In fact, the surprise may have been that the headline didn't dip below the neutral 50 mark, having lost "just" 4.8 points to 52.4. As with other indicators, some components may better tell the story. We would highlight the 9.8-point drop in the business activity measure (the old headline), which actually did cross into contraction at 48.0. New orders and new export orders lost 10.2 and 9.7 points, respectively, to 52.9 and 45.9. The level difference likely has a lot to do with the imposition of air travel restrictions and the subsequent collapse in traffic. Importantly, employment declined 8.6 points to 47, in line with what we are seeing from the labor market data. And supplier deliveries, which jumped by 9.7 points to 62.1 and thus attenuated the headline decline, is sending a largely incorrect signal at the moment since the lengthening of delivery times is not due to robust demand as it usually the case but rather due to supply chain disruptions due to Covid-19.

The **manufacturing ISM** also came in better than expected, but that is probably only because some of the areas of the country (such as New York) that have enacted lockdown orders earlier in March do not have a huge concentration of manufacturing activity. Still, the index retreated 1.0 point to a three month low of 49.1, with output down 2.6 points to a three-month low of 47.7. New orders collapsed a much larger 7.6 points to 42.2, the lowest level since March 2009 and employment lost 3.1 point to 43.8, the lowest level since May 2009. The accompanying comments made it abundantly clear that Covid-19 is causing severe stress and disruption in supply chains. There is the lucky exception of those producing in demand goods, as one food/beverage industry respondent noted "record number of orders due to COVID-19". Most comments were downright blead, however, with a plastic/rubber products manufacturer noting that "all North American manufacturing plants have ceased operations or drastically scaled back as a result of customer plant closings and other responses to COVID-19."

Canada

Real GDP edged up marginally by 0.1% in January, following a 0.3% rise in December. Goods production picked up marginally, by 0.2% after staying unchanged in December, while growth in services dipped slightly by two tenths to 0.1%. Though this report is bereft of the impact of Covid outbreak, activity has faced several other temporary disruptions— including pipeline shutdowns, rail transportation strikes, strikes disrupting motor vehicle and parts manufacturing, and continued global trade tensions and market uncertainty. Manufacturing increased 0.8%, as production of both durable (0.1%) and non-durables (1.7%) improved. Transportation and warehousing contracted 1.7%, led by a loss in air transportation. Retail sales were down 0.4% as a result of weather disruptions in several parts of the country, while wholesale trade rose 1.2%. Activity in the mining sector was also down 0.6%. These are the sectors we will be following in coming months to assess the outlook for the Canadian economy. In annual terms, GDP decelerated a tenth to 1.8% y/y.

Figure 2. Mixed January Performance Across Canadian Industries



Source: Statistics Canada

UK

Just like in the US, the **UK housing market** was perking up going into the Covid-19 crisis. The number of approved mortgages jumped to a six year high of 73,550 in February. House prices were also picking up, with the Nationwide house price index up 0.8% in March and up 3.0% y/y, the most since January 2018.

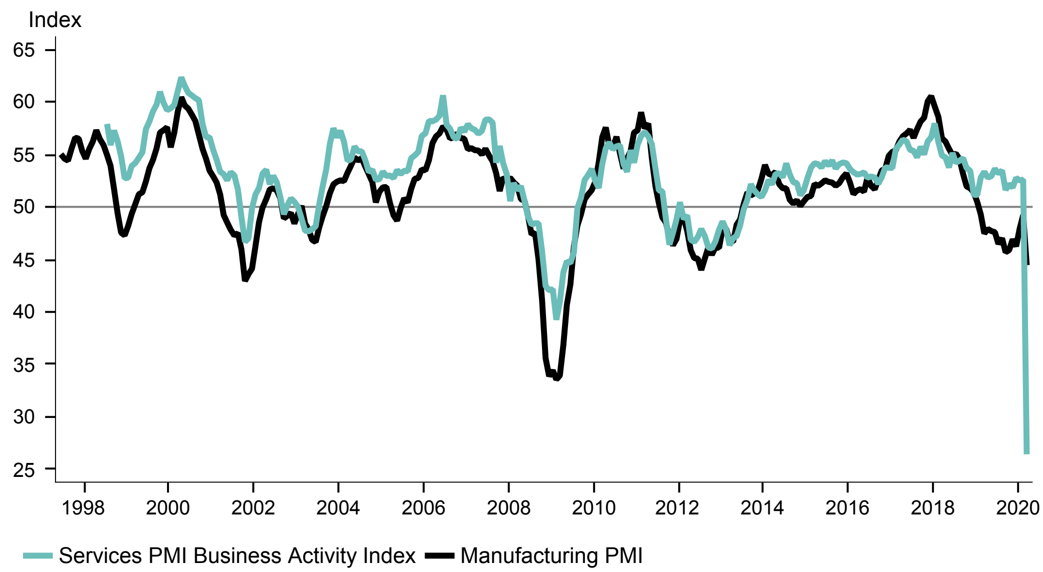
That decent housing market data reflects a notable improvement in consumer sentiment in recent months. However, we would discount the latest print on the **GfK index of consumer confidence** as not really reflective of the new Covid-19 reality. The index only retreated two points to -9 in March, back to where it stood in January. Based on the severity of the outbreak and the broad shelter in place orders, a much greater decline appears to be in store for the month of April.

The **purchasing managers' indexes** are telling a truer story, which consists of an unprecedented decline in service activity and a modest, but deepening, manufacturing contraction. The details were quite staggering. Not only did the **services PMI** headline plunge 18.6 points to an unprecedented 34.5 points but the business expectations component collapsed 24.8 points in March to an equally unprecedented 47.9. Employment lost 7.3 points to 43.4, the lowest level since June 2009. New orders dropped 18.7 to a record low of 33.7. By comparison, the 3.9 point decline in the **manufacturing PMI** seemed almost like great news…except, of course, it isn't. Not only did the headline index fall back into contraction at 47.8, but the output and employment measures were far worse. The former lost 8.3 points to 43.9 and the latter was down 5.5 to 44.2.

Eurozone

"How bad can this get"? It is the question everyone is asking. Eurozone PMIs are already answering it in the present time. The decline in the March **eurozone service sector PMIs** was beyond any prior historical experience during the two decades since this data has been compiled…it probably indicates the worst peace-time experience ever. The regional index lost 26.2 points to a record low of 26. New orders were down 27.8 points to 24, employment was down 11.4 to 41.4, and business expectations fell 27.8 points to 33.5. Unsurprisingly, Italy was by far the worst hit, its index down 34.7 points to 17.4. Spain wasn't far behind, down 29.1 points to 23.0. France lost 25.1 points to 27.4 while Germany lost 20.8 to 31.7. We know it is a dangerous proposition given the persistent uncertainty, but our sense is that, at least in Italy and Spain, April should bring some improvement.

Figure 3: Unprecedented Collapse In Eurozone Service Activity



Sources: IHS Markit

As in the case of the UK, the **manufacturing PMI** decline seemed mild by comparison…but, again, only by comparison. The regional index lost 4.8 points to 44.5, the lowest level since July 2012. The output and new orders components experienced double digit declines to 38.5 and 37.5, respectively, while employment shed 3.5 points to 44.3. As with services, Italy was worst hit, down 8.4 points to 40.3. France lost 6.6 points to 43.2, Spain lost 4.7 to 45.7 and Germany lost 2.6 to 45.4.

***German* retail sales** were improving early this year, posting two sizable gains in January and February, although a big chunk of that simply retraced December's big decline. Still seasonally and workday adjusted sales rose 2.2% y/y during the first two months of 2020.

The ***German* labor market** is not yet betraying signs of stress; employment protection programs in place will probably keep future convulsions in check. For now, the unemployment rate was unchanged at 5.0%, but the decline in vacancies reaccelerated.

Japan

The Bank of Japan's **Tankan survey of business conditions** for the first quarter of 2020 (survey period: 25 February -25 March) captures the impact of the Covid-19 outbreak only partially. And though better than forecasted in case of most components, it showed a record drop in sentiment. The business conditions diffusion index for large manufacturers fell 8 points to -8, the first negative print in seven years. Indices for medium and small business enterprises were equally downbeat. Business conditions for large non-manufacturers weakened as well, from 20 to 8, again the lowest in seven years. There were marked declines in accommodation, services for individuals, and transportation and postal activities due to the sharp slump in inbound tourists, coupled with social distancing. Sales and profit forecasts for the first half of FY2020 were also pretty weak, with firms expecting a drop of 0.7% in sales and 7.2% in profits. Plans for fixed investment were pretty upbeat however, especially for manufacturing firms. But we feel that a substantive downward revision is in order here in the June survey.

The **unemployment rate** in Japan stayed unchanged at 2.4%, as a 4,000 increase in the labor force was met by an equal increase in the number of people employed. As a result, the number of people unemployed remained at 1.6 million. Though it is a bit early to assess the impact of economy wide shutdowns, the composition of job losses gives us an idea about what to expect going forward. The unemployment rate for the age bracket 15-24 years increased by 0.6 percentage points to 4.2%, where a majority of the workers are non-regular in nature. Compared to February of last year, manufacturing (-15,000) and accommodation services (-6,000) has seen bulk of job losses; whereas the number of jobs in healthcare have increased by 25,000. The participation rate stayed at 61.8%, the lowest in a year as people refrained from going out. The jobs-to-applicant ratio—a measure of labor market tightness—which fell by 0.04 to 1.45, the lowest since March 2017, while the number of new jobs per applicant rose by 0.18 to 2.22.

Industrial production was still positive but decelerated for the third consecutive month in February. Production increased by 0.4%, having risen above 1.0% over each of the two previous months. After a sharp build-up in inventories in January, production of vehicles and parts fell by 2.4%. Even excluding vehicles, production of transport equipment contracted sharply (-11.5%), as aircraft parts manufacturing was downsized. This was offset by improved production of iron, steel and non-ferrous metals which gained 3.2%. Electronic parts and devices also fared much better, rebounding 10.7%, as production of electronic and integrated circuits increased. Inventories contracted by 2.0% from a cycle high; whereas shipments jumped 2.6%, the sharpest in seven months. Overall the report was decent considering the circumstances, the reason possibly being improvement in trade during the narrow window when China was gradually returning to normalcy and the Covid-19 outbreak had not yet started wreaking havoc in Europe and US. Looking ahead, the Ministry of Economy, Trade and Industry's (METI) forecasts for March (-5.3%) and April (+7.5%) look pretty unrealistic at this juncture.

Retail sales surprised on the upside again in February, rising 0.6% contrary to expectations of a fall of 1.7%. The increase in January was also revised upward substantially to 1.5%. On an annual basis, sales rose 1.7% y/y. The increase appears to be partly in response to stocking up of essentials by consumers. Pharmaceutical and cosmetics sales increased by 9.2%, while goods retailing increased 3.9%, fuel retailing by 2.9%, and machinery and equipment retailing by 2.1%. On the other hand, sales of various merchandise retailers (department stores, etc.) decreased by 4.6%, while apparels declined 3.4%.

Australia

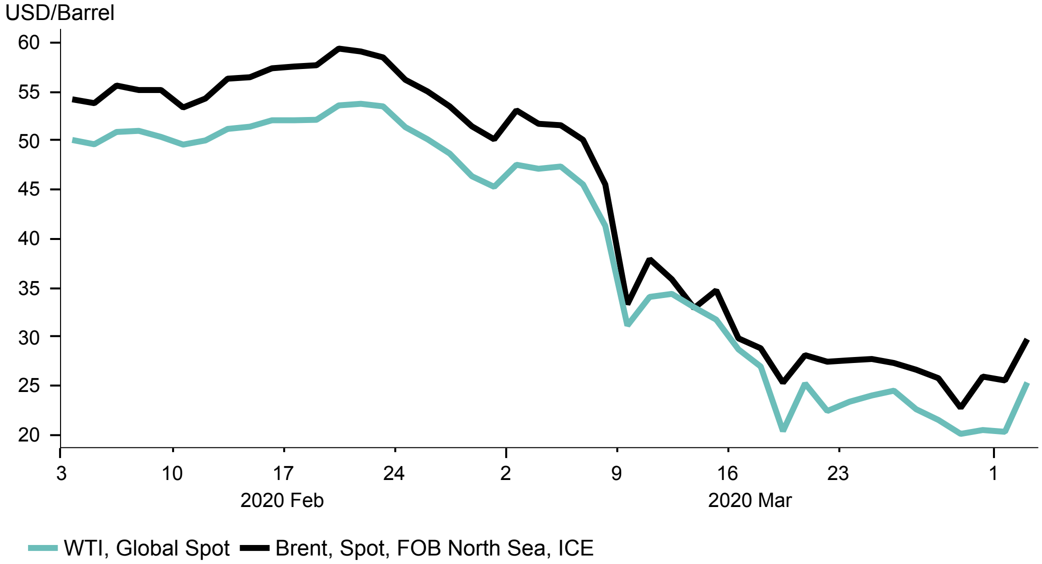
The **Reserve Bank of Australia** released the minutes to its emergency meeting convened on March 18th. The rapid deterioration of financial conditions and central bank actions by various other countries were discussed, and several insights provided into the bank's own decision to reduce cash rate by a further 25 basis points to 0.25%. An important observation was that the cash rate will stay at the current level for an extended period, until "until progress is made towards full employment and there is confidence that inflation will be sustainably within the 2–3% target range". It was also emphasized that rates have effectively reached their lower bound, strongly negating the idea of negative interest rates. This ties in well with our forecast of a prolonged hold by the RBA over 2020 and 2021. The outlook for the domestic economy was bleak, with the members noting that "there were likely to be significant job losses over the months ahead, although the extent of this would depend on the capacity of businesses to retain employees during this period." There was not much clue on the extent of bond purchase program. The RBA has continued buying ACGBs despite the yield on 3 year ACGBs falling below 0.25%, signaling that they intend to see further flattening in this part of the curve.

Private sector credit beat expectations marginally to rise 0.4% in February, with annual growth at 2.8% y/y, the highest in six months. The monthly increase was propped up by a 0.9% gain in business credit, which was the sharpest increase since June 2017. Housing credit growth was steady at 0.3% for a sixth month, with owner-occupier edging down a bit to 0.4%, and investor housing staying flat after a slight 0.1% rise over January. Housing credit is likely to slow considerably in the near future due to the social distancing measures, which are likely to lead to many potential buyers and sellers holding off until the shutdown rules are relaxed.

The Market This Week

After a horrendous few weeks, growing hope/speculation of some production cut agreement among major global producers lifted oil prices in the latter part of this week. We are hopeful, but unconvinced…

Figure 4: Oil Prices Stabilize on Production Cut Hopes



Sources: Macrobond, Intercontinental Exchange (ICE)

Equities: A milder week by recent standards, except in Japan and Australia.

Bonds: Mixed performance in bond markets.

Currencies: The dollar resumes its interrupted ascent.

Commodities: Oil surges late in the week...but only on hopes so far.

4/3/20 1:36 PM

Stock Markets					10 Year Bond Yields			Currencies		
Country	Exchange	Last	%Ch Week	%Ch YTD	Last	BP Ch Week	BP Ch YTD	Last	%Ch Week	%Ch YTD
US	S&P 500®	2482.61	-2.3%	-23.2%	0.57	-10	-134	100.758	2.4%	4.5%
Canada	TSE 300	12903.04	1.7%	-24.4%	0.69	-5	-101	1.416	1.3%	9.0%
UK	FTSE®	5415.5	-1.7%	-28.2%	0.31	-6	-51	1.2234	-1.8%	-7.7%
Germany	DAX	9525.77	-1.1%	-28.1%	-0.44	3	-26			
France	CAC-40	4154.58	-4.5%	-30.5%	0.08	13	-4	1.0793	-3.1%	-3.7%
Italy	FTSE® MIB	16384.35	-2.6%	-30.3%	1.55	22	14			
Japan	Nikkei 225	17820.19	-8.1%	-24.7%	-0.01	-3	0	108.47	0.5%	-0.1%
Australia	ASX 200	5067.482	4.6%	-24.2%	0.76	-16	-61	0.5991	-2.9%	-14.7%

Commodity Markets						
Commodity	Unit	Source	Last Price	%Ch Week	%Ch YTD	%Ch Yr Ago
Oil (Brent)	US$/Barrel	Bloomberg	28.67	16.8%	-56.8%	-58.6%
Gold	US$/troy oz	Bloomberg	1619.61	-0.5%	6.7%	25.6%

Source: Bloomberg®

Week in Review (March 30–April 3)

Country	Release (Date, format)	Consensus	Actual	Last	Comments
Monday, March 30					
US	Pending Home Sales (Feb, m/m)	-1.7%	2.4%	5.3%(↑r)	This was *then*…
UK	GfK Consumer Confidence (Mar)	-15	-9	-7	Surprising resilience unlikely to last.
UK	Mortgage Approvals (Feb, thous)	68.5	73.5	71.3(↑r)	Highest since before Brexit vote.
Tuesday, March 31					
US	S&P CoreLogic 20-City Index (Jan, m/m)	0.4%	0.3%	0.4%	This was *then*…
US	Consumer Confidence (Mar)	110	120	132.6(↑r)	Not true representation of Covid-19 hit.
CA	GDP (Jan, m/m)	0.1%	0.1%	0.3%	Lagging from earlier temporary disruptions.
UK	GDP (Q4, final, q/q)	0.0%(p)	0.0%	0.3%	Nothing new here.
GE	Unemployment Rate (Mar)	5.1%	5.0%	5.0%	Employment policies stabilize this.
FR	Consumer Spending (Feb, m/m)	0.7%	-0.1%	-1.2%(↓r)	Considerable downside.
JN	Unemployment Rate (Feb)	2.4%	2.4%	2.4%	Early signs of Covid-19 impact.
JN	Industrial Production (Feb, prelim, m/m)	0.0%	0.4%	1.0%	Poised for a drop.
JN	Retail Sales (Feb, m/m)	-1.7%	0.6%	1.5%(↑r)	Pharma and cosmetics sales up.
AU	Private Sector Credit (Feb, m/m)	0.3%	0.4%	0.4%(↑r)	Sharpest rise in business credit since June '17.
Wednesday, April 1					
US	ISM Manufacturing (Mar)	44.5	49.1	50.1	But orders and output worse.
UK	Manufacturing PMI (Mar, final)	48.0(p)	47.8	51.7	Worse to come.
EC	Manufacturing PMI (Mar, final)	44.8(p)	44.5	49.2	Worse to come.
GE	Manufacturing PMI (Mar, final)	45.7(p)	45.4	48.0	Worse to come.
GE	Retail Sales (Feb, m/m)	0.1%	1.2%	1.0%(↑r)	Somewhat surprising.
FR	Manufacturing PMI (Mar, final)	42.9(p)	43.2	49.8	April may be worse.
IT	Unemployment Rate (Feb, prelim)	10.0%	9.7%	9.8%	Will get worse.
JN	Tankan Large Mfg Index (Q1)	-10	-8	0	Cyclical low; only partial impact of Covid-19.
JN	Manufacturing PMI (Mar, final)	44.8(p)	44.8	47.8	New orders and output the largest drags.
AU	RBA Minutes				Impact of outbreak might extend beyond Q2.
Thursday, April 2					
US	Initial Jobless claims (Mar 28, thous)	3763	6648	3307(↑r)	Likely to continue for a few more weeks.
US	Total Vehicle Sales (Mar, mil.)	12.0	11.4	16.8	Will be a big drag on March retail sales.
US	Factory Orders (Feb, m/m)	0.2%	0.0%	-0.5%	March will be worse.
US	Durable Goods Orders (Feb, final, m/m)	1.2%(p)	1.2%	0.1%(↑r)	Lifted by defense orders.
UK	Nationwide House Price (Mar, m/m)	0.0%	0.8%	0.3%	Strength into Covid-19 crisis.
AU	Job vacancies (Feb, m/m)		-0.1%	1.2%(↓r)	"No notable impact" of Covid-19 yet.
Friday, April 3					
US	Change in Nonfarm Payrolls (Mar, thous)	-100	-701	273	Big decline but April will be far worse.
US	Unemployment Rate (Mar)	3.8%	4.4%	3.5%	Big jump; April will be far worse.
US	ISM Nonmanufacturing (Mar)	43.0	52.5	57.3	Artificially lifted by supplier deliveries.
UK	Services PMI (Mar, final)	35.7(p)	34.5	53.2	Unprecedented collapse.
EC	Services PMI (Mar, final)	28.4(p)	26.4	52.6	Unprecedented collapse.
GE	Services PMI (Mar, final)	34.5(p)	31.7	52.5	April may be worse still.
JN	Services PMI (Mar, final)	32.7(p)	33.8	46.8	New order intakes fell sharply.
AU	Retail Sales (Feb, m/m)	0.4%	0.5%	-0.3%	Precautionary buying ahead of lockdown.

Source: for data, Bloomberg®; for commentary, SSGA Economics.

Week Preview (April 6–April 10)

Country	Release (Date, format)	Consensus	Last	Comments
Monday, April 6				
GE	Factory Orders (Feb, m/m)	-2.0%	5.5%	
AU	ANZ Job Advertisements (Mar, m/m)		0.7%	
Tuesday, April 7				
US	Consumer Credit (Feb, $ bil.)	13.5	12.0	
US	JOLTS Job Openings (Feb, thous)		6963	Too backward looking to matter.
CA	Ivey PMI (Mar)		54.1	
GE	Industrial Production (Feb, m/m)	-0.8%	3.0%	
IT	Retail Sales (Feb, m/m)		0.0%	
JN	Labor Cash Earnings (Feb, y/y)	0.2%	1.5%	Expected to slow.
JN	Leading Index (Feb, prelim)	92	90.5	
AU	RBA Monetary Policy Decision	0.25%	0.25%	Will look for clarity on asset purchase program.
Wednesday, April 8				
US	FOMC Minutes			
CA	Housing Starts (Mar, thous)		210.1	Last report free of Covid impact.
CA	Building Permits (Feb, m/m)		4.0%	
FR	Bank of France Ind. Sentiment (Mar)	88	96	Catching up to new reality.
JN	Core Machine Orders (Feb, m/m)	-2.9%	2.9%	Fall in global demand.
Thursday, April 9				
US	Initial Jobless claims (Apr 4, thous)	5,000	6,648	They may have yet to peak.
US	U of Mich Cons Sentiment (Apr, prelim)	80	89.1	Free fall.
US	PPI Final Demand (Mar, y/y)	0.5%	1.3%	
CA	Unemployment Rate (Mar)	7.5%	5.6%	It might not have deteriorated so much quite yet.
UK	Industrial Production (Feb, m/m)	0.3%	-0.1%	
IT	Industrial Production (Feb, m/m)		3.7%	
JN	Consumer Confidence (Mar)	35	38.4	Dip expected.
Friday, April 10				
US	CPI (Mar, y/y)	1.6%	2.3%	
US	Monthly Budget Statement (Mar, $ bil.)		-235.3	The deficit will explode…
FR	Industrial Production (Feb, m/m)		1.2%	

Source: for data, Bloomberg®; for commentary, SSGA Economics.

Economic Indicators

Central Bank Policy Targets

Region	Target	Year/Year %Change in Target				
		Oct	Nov	Dec	Jan	Feb
US	Target: PCE price index 2.0% y/y	1.3	1.3	1.6	1.8	1.8
Canada	Target: CPI 2.0% y/y, 1.0%-3.0% control range	1.9	2.2	2.2	2.4	2.2
UK	Target: CPI 2.0% y/y	1.5	1.5	1.3	1.8	1.7
Eurozone	Target: CPI below but close to 2.0% y/y	0.7	1.0	1.3	1.4	1.2
Japan	Target: CPI 2.0% y/y	0.2	0.5	0.8	0.7	0.4
Australia	Target Range: CPI 2.0%-3.0% y/y	1.8	1.8	1.8		

Source: Macrobond

Key Interest Rates

	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	#####	Feb-20	Mar-20
US (top of target range)	2.50	2.50	2.50	2.25	2.00	1.75	1.75	1.75	1.75	1.75	0.25
Canada (Overnight Rate)	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	0.25
UK (Bank Rate)	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.10
Eurozone (Refi)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Japan (OCR)	-0.06	-0.08	-0.07	-0.06	-0.06	-0.03	-0.03	-0.07	-0.04	-0.03	-0.07
Australia (OCR)	1.50	1.28	1.02	1.00	1.00	0.76	0.75	0.75	0.75	0.75	0.43

Source: Macrobond

General Government Structural Balance as a % of Potential GDP

	2011	2012	2013	2014	2015	2016	2017	2018	Forecast 2019	Forecast 2020
US	-8.2	-6.4	-4.5	-3.8	-3.6	-4.4	-4.8	-6.0	-6.3	-6.3
Canada	-3.1	-2.1	-1.1	0.1	0.8	0.7	0.0	-0.2	-0.5	-0.8
UK	-5.9	-6.0	-4.0	-4.7	-4.1	-2.9	-2.0	-1.5	-1.3	-1.4
Eurozone	-3.9	-2.1	-1.2	-0.9	-0.8	-0.7	-0.7	-0.6	-0.7	-0.9
Germany	-1.4	0.0	0.6	1.2	1.2	1.3	1.1	1.4	0.9	1.0
France	-5.0	-4.4	-3.4	-3.3	-3.0	-2.8	-2.6	-2.5	-2.4	-2.5
Italy	-4.1	-1.5	-0.6	-1.1	-0.7	-1.4	-1.7	-1.8	-1.5	-2.1
Japan	-8.0	-7.6	-7.5	-5.5	-4.3	-4.1	-3.4	-3.1	-2.9	-2.1
Australia	-4.3	-3.3	-2.6	-2.6	-2.4	-2.2	-1.5	-0.6	-0.4	-0.4

Source: International Monetary Fund, World Economic Outlook

Headline Consumer and Producer Price Inflation

	CPI Year/Year %Change						PPI Year/Year %Change				
	Nov	Dec	Jan	Feb	Mar		Oct	Nov	Dec	Jan	Feb
US	2.1	2.3	2.5	2.3			1.0	1.1	1.3	2.1	1.3
Canada	2.2	2.2	2.4	2.2			-1.4	-0.6	0.5	0.5	-0.3
UK	1.5	1.3	1.8	1.7			0.8	0.5	0.8	1.0	0.4
Eurozone	1.0	1.3	1.4	1.2			-1.9	-1.4	-0.6	-0.7	-1.3
Germany	1.1	1.5	1.7	1.7	1.4		-0.6	-0.7	-0.2	0.2	-0.1
France	1.0	1.5	1.5	1.4	0.6		-1.2	-0.3	0.7	0.2	-0.4
Italy	0.2	0.5	0.5	0.3	0.1		-2.9	-2.6	-2.1	-2.3	-2.6
Japan	0.5	0.8	0.7	0.4			-0.3	0.2	0.9	1.5	0.8
Australia	1.8	1.8					1.4	1.4	1.4		

Source: Macrobond

Real GDP Growth (Q/Q Seasonally Adjusted)

	Quarter/Quarter %Change						Year/Year %Change				
	Q4-18	Q1-19	Q2-19	Q3-19	Q4-19		Q4-18	Q1-19	Q2-19	Q3-19	Q4-19
US	0.3	0.8	0.5	0.5	0.5		2.5	2.7	2.3	2.1	2.3
Canada	0.2	0.2	0.9	0.3	0.1		1.8	1.5	2.0	1.6	1.5
UK	0.2	0.7	-0.2	0.5	0.0		1.4	2.0	1.3	1.3	1.1
Eurozone	0.4	0.5	0.1	0.3	0.1		1.2	1.4	1.2	1.3	1.0
Germany	0.2	0.5	-0.2	0.2	0.0		0.6	1.0	0.3	0.6	0.5
France	0.5	0.3	0.4	0.3	-0.1		1.2	1.3	1.5	1.5	0.9
Italy	0.1	0.2	0.1	0.1	-0.3		0.0	0.2	0.4	0.5	0.1
Japan	0.6	0.5	0.6	0.0	-1.8		-0.2	0.8	0.9	1.7	-0.7
Australia	0.2	0.5	0.6	0.6	0.5		2.2	1.7	1.6	1.8	2.2

Source: Macrobond

Industrial Production Index (M/M Seasonally Adjusted)

	Month/Month %Change						Year/Year %Change				
	Oct	Nov	Dec	Jan	Feb		Oct	Nov	Dec	Jan	Feb
US	-0.4	0.9	-0.4	-0.5	0.6		-0.8	-0.4	-0.9	-1.0	0.0
Canada	0.1	-0.2	0.0	0.2			-2.4	-1.5	-1.3	-0.5	
UK	0.1	-1.2	0.1	-0.1			-1.6	-2.5	-1.9	-2.9	
Germany	-1.2	1.3	-2.2	3.0			-4.7	-2.5	-5.3	-1.4	
France	0.4	-0.2	-2.5	1.2			-0.2	0.5	-3.0	-2.8	
Italy	-0.3	0.0	-2.6	3.7			-2.4	-0.8	-3.7	-0.4	
Japan	-4.5	-1.0	1.2	1.0	0.4		-6.6	-6.7	-5.6	-2.3	-2.5

Source: Macrobond

Unemployment Rate (Seasonally Adjusted)

	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	#####	Feb-20	Mar-20
US	3.6	3.7	3.7	3.7	3.5	3.6	3.5	3.5	3.6	3.5	4.4
Canada	5.4	5.6	5.7	5.7	5.5	5.6	5.9	5.6	5.5	5.6	
UK	3.9	3.8	3.9	3.8	3.8	3.8	3.8	3.9			
Eurozone	7.6	7.5	7.6	7.5	7.5	7.4	7.4	7.4	7.4	7.3	
Germany	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
France	8.5	8.5	8.5	8.5	8.4	8.3	8.2	8.2	8.2	8.1	
Italy	10.0	9.8	9.9	9.6	9.9	9.7	9.7	9.8	9.8	9.7	
Japan	2.4	2.3	2.3	2.3	2.4	2.4	2.2	2.2	2.4	2.4	
Australia	5.2	5.3	5.2	5.3	5.2	5.3	5.2	5.1	5.3	5.1	

Source: Macrobond

Current Account Balance as a % of GDP (Seasonally Adjusted)

	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19	Q3-19
US	-2.2	-2.5	-2.0	-2.3	-2.3	-2.1	-2.4	-2.8	-2.6	-2.4	
Canada	-2.2	-2.7	-3.4	-3.0	-2.8	-2.6	-1.8	-2.8	-3.0	-1.2	-1.7
UK	-3.2	-4.0	-3.4	-3.3	-3.4	-4.4	-4.3	-5.1	-6.0	-4.6	
Eurozone	3.1	1.9	3.9	3.6	3.5	3.6	2.6	2.8	3.1	2.4	
Germany	8.3	7.0	8.6	8.6	8.5	7.6	6.5	7.4	7.8	7.6	8.1
France	-1.3	-0.7	-0.7	-0.3	-0.3	-1.4	-0.5	-0.5	-0.8	-0.8	-1.0
Japan	4.3	3.7	4.6	4.2	3.6	4.0	3.4	3.1	3.4	3.5	3.5
Australia	-1.5	-2.5	-2.8	-3.5	-2.2	-2.7	-2.2	-1.4	-0.2	1.2	

Source: Macrobond

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