STATE STREET GLOBAL ADVISORS

Weekly Economic Perspectives
May 1, 2020

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Commentary

Weekly Economic Perspectives

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The Economy

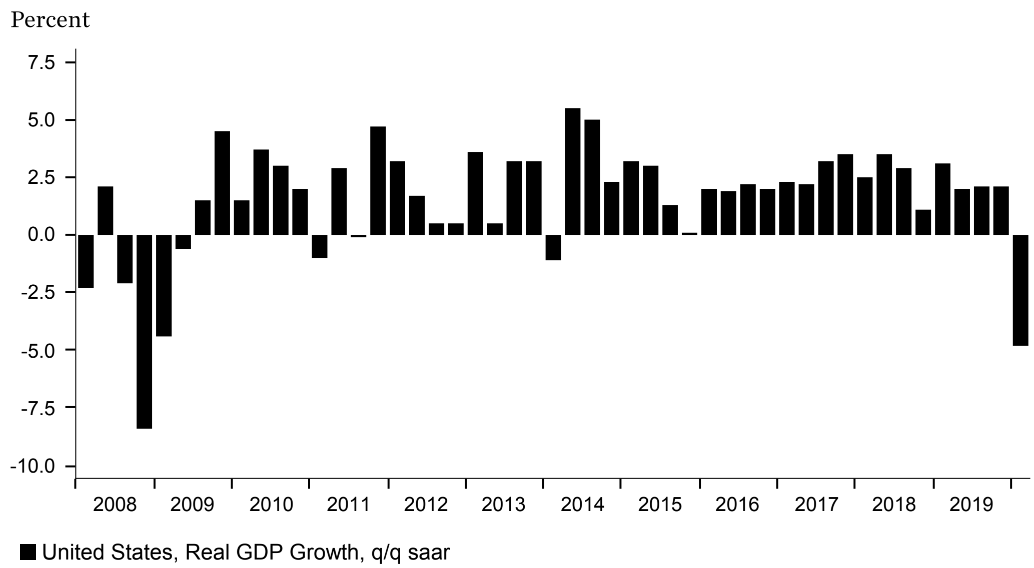
A week dominated by bad GDP releases, central banks' efforts to cushion the blow, and profit warnings from big multinationals.

US

After the feverish action of the past few weeks, it seems odd to say that the latest **Fed meeting** was a non-event, but it pretty much felt that way. There was no change in policy, only a reiteration of the "whatever it takes" stance that the Fed had embraced from day one of this crisis, with a promise to "use its tools and act as appropriate to support the economy". Open-ended QE is not going anywhere any time soon, as the Fed "will continue to purchase Treasury securities and agency residential and commercial mortgage-backed securities in the amounts needed to support smooth market functioning, thereby fostering effective transmission of monetary policy to broader financial conditions."

The focus clearly is not on the precise quantification of the macro impact of the Covid-19 shock, but rather on preparing and beefing up the tools that will help cushion and—eventually—offset that hit. Indeed, the Fed's announcement the very next day about expanding the Main Street Lending Facility (MSLF) even before it has become operational was probably the more important development this week. Eligibility has been increased both at both size of the same as the minimum loan size was halved while maximum employee and revenue caps were doubled. The program will operate via three distinct "arms", one of which will be a priority loan facility with increased risk sharing between banks and the Fed, i.e. a 15/85 versus a 5/95 split. We believe the MSLF will be an extremely valuable tool for minimizing business failure due to the Covid-19 crisis and we look forward to seeing it become operational. The Fed has promised it will be "soon". The Fed also expanded access to its PPP liquidity facility and broadened the type of acceptable collateral.

Figure 1: Record US Expansion Succumbs To Covid-19



Sources: U.S. Bureau of Economic Analysis (BEA)

The economy will certainly need all the help it can get. The longest US economic expansion in history has succumbed to Covid-19 as a precipitous decline in activity in March caused **real GDP** to shrink 4.8% saar (seasonally adjusted annual rate) in Q1, the first decline since early 2014 and the deepest since 2008 (Figure 1, page 2). The headline was worse than expected, but not by enough to deem it a genuine surprise.

However, there were some surprises in the composition of GDP. First among these was a much larger than expected decline in household services consumption. Overall household consumption shrank at a 7.6% saar rate, driven by a 1.3% saar drop in goods consumption and 10.2% saar plunge in services consumption. We had expected a significant impact on travel, restaurant, and recreational services, and indeed all those categories saw contractions of roughly 30% saar. But we did not expect to see healthcare down 18% saar. It appears that the health system's laser focus on Covid-19 and all the voluntary delays in elective procedures amounted to a significant hit to healthcare spending; indeed, healthcare drove about half of the decline in household services consumption during the quarter! It will be interesting to observe what happens in Q2. To the extent that some states are now allowing elective surgeries once again and to the extent that these are activities for which demand simply accumulates rather than disappear, it could be that healthcare becomes a relative outperformer in Q2.

We already knew that the housing sector was on fire as the year began and the GDP data made that even more obvious. Residential investment was by far the biggest positive surprise in the entire release, with the category up 21.0% saar, three times faster than in the prior quarter and the best since 2012. It won't last, of course, and we expect a material sequential decline in Q2, but this is nonetheless such a strong start to the year that we are still looking for full-year positive growth. The rest of the fixed investment categories were weak across the board. We were somewhat surprised by the swiftness of the decline in non-residential investment, especially the decline in manufacturing structures. Oddly enough, the manufacturing sector fared far worse than mining in Q1…though the energy sector is in for a deep plunge in Q2 as firms seek to conserve cash.

As we anticipated, there was a noticeable reduction in the trade deficit, which helped growth, but nearly half of that was offset by a reduction in inventories. Neither are sustainable long-term trends and while their impact could well be further exacerbated in Q2, we would look for Q3 normalization to bring about a surge in inventories and a widening of the trade deficit down the line.

Second quarter GDP performance will be orders of magnitude worse. We are leaning more optimistic than consensus on assumptions about re-opening and some pent-up demand materialization in June, but a decline of 20%+ saar seems like a forgone conclusion.

Personal income declined 2.0% in March on a 3.1% drop in wage and salary income that seems considerably worse than what data in aggregate hours and hourly earnings would have suggested. Still, even a decline of half that size would be reason to worry so there is no denying that this is a bad print. Disposable income also declined 2.0% and real disposable income—which usually is most relevant for consumption—declined 1.7%. But these are not usual times as we all know, so nominal **personal spending** collapsed a larger than expected 7.5%, with real spending down 7.3%. The **savings rate** surged to 13.1%, the highest since 1981. This cushion should help spending rebound in coming months once lockdowns end and as economic uncertainty subsides, but it will take some time for a full recovery.

Consumer confidence is now bearing the full brunt of the Covid-19 outbreak. The headline **Conference Board consumer confidence index** lost 31.9 points to the lowest level since June 2014. It almost feels like it should have been worse than this given all that is going on! Admittedly, the present situation assessment was worse than that, collapsing by an extraordinary 90.3 points, but still only to the lowest level since December 2013. Expectations actually improved 7.0 points, to the lowest since January 2019. It is quite possible that, as soon as confidence collapsed in March-April, it will begin to rebound in May-June as the economy reopens. However, we do not expect to see a full recovery in the current situation metric for many months. Tellingly, the labor differential—which measures the difference between those who think jobs are abundant and those who think jobs are scarce—plunged a record 43.1 points to the lowest since July 2014.

Initial **unemployment claims** (a measure of labor demand) are trending lower but remained quite elevated at 3.8 million during the week ending April 25. Indeed, this remains quite high given that the Paycheck Protection Program (PPP) is supposed to incentivize firms to keep employees on payrolls. However, given that the PPP program came online after claims started surging, it could be that it is in continuing claims that we might we might be seeing impact first. Indeed, a notable trend lately has been that the rise in continuing claims has been consistently below the pace of initial claims for the corresponding week. During the week ended April 18, for instance, continuing claims increased by (only!) 2.2 million to 18.0 million, whereas initial claims during the prior week had risen by over 5.0 million. Given the surge in new claims, it is possible that erroneously filed claims are actually captured twice in the initial claim statistics but only once in the continuing claims data, slowing the normal flow from one group to the other. But it could also be that some workers who may have applied early on may have since been recalled to work thanks to the PPP program. A clearer picture should emerge soon, especially as states start to reopen.

Who would have guessed? Percentage-wise, **motor vehicle sales** declined noticeably less in April than they did in March. Make no mistake about it: at 8.6 million (annualized) they were still 47.7% lower than in April 2019 and thus terrible overall. But it appears that anecdotal reports of a modest improvement in sales activity towards the end of the month were not just rumor but fact. There remains a steep chasm to climb out of, but this is an encouraging signal for April retail sales.

Canada

Real GDP was unchanged in February, below consensus and the modest increase of 0.1% in January. Goods production picked up marginally, by 0.1% while growth in services fell flat. Temporary disruptions had plagued the Canadian economy even before Covid-19 hit, as educational services fell 1.8%, the sharpest decline since June 2014, due to strikes by Ontario elementary and secondary school teachers. The transportation and warehousing sector contracted 1.1%, while rail transportation was down by 5.1%, as rail blockades across the country disrupted supply. However, of more interest were the preliminary estimates for March and the first quarter of 2020.

Statistics Canada estimates output to have fallen by 9% m/m in March, resulting in a 2.6% q/q fall (-10% annualized) in Q1. It is not hard to imagine which sectors will be hit the hardest. Air transportation declined 2.6% in February, due to lower movements by both domestic and international passengers. Mining and oil extraction rose 0.9%, but the collapse in global crude prices along with a shortage of demand will bite the sector. Another sector where we see considerable impact is accommodation and food services, which already fell 0.9% over the month. Due to a positive base effect, the annual growth rate was 2.1% y/y, up from 1.8% in January.

UK

We had been saying for a while that prior to Covid-19 crisis, the UK housing sector was on the upswing. Admittedly, having surged to a six-year high in February, the number of **mortgage approvals** plunged 24% in March, but net new lending secured on dwelling jumped 11.6%. Prior monthly data was also revised higher and show sustained double-digit y/y gains in each of the past six months.

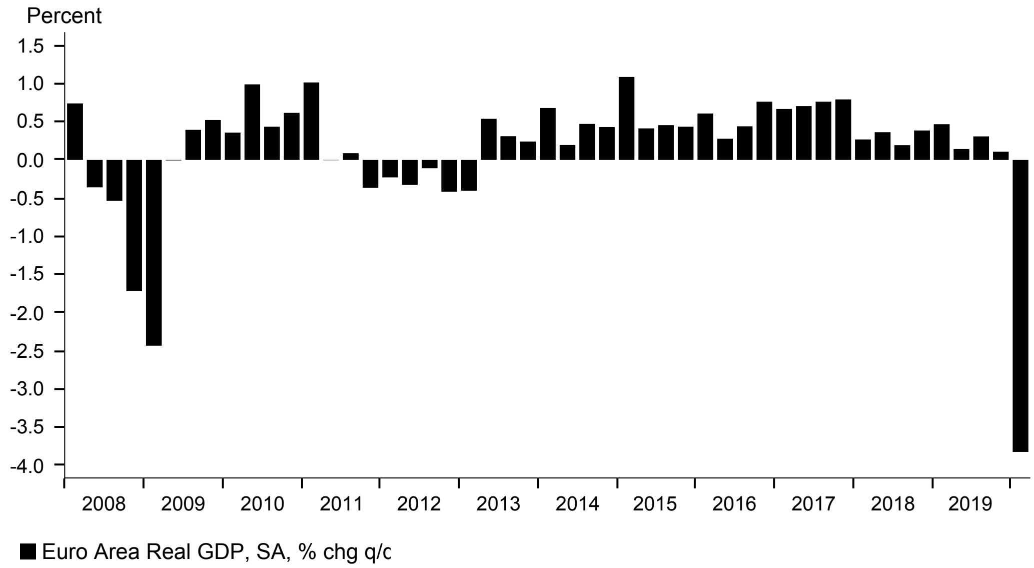
Various measures of house price inflation had been turning higher. The **Nationwide house price index** has experienced sizable gains in each of the past four months. April's 0.7% gain left prices up 3.7% y/y, the best comparison since February 2017.

Eurozone

President Lagarde may have said at the last ECB press conference that the institution is "not here to close spreads", but the actions it has taken since—including steps announced at this week's meeting— amply demonstrate that it will seek to do just that. All interest rates were left unchanged but the TLTRO III terms were sweetened (50 bp discount to main refinancing rate vs 25 bp previously). The bank also announced a new series of pandemic emergency longer-term refinancing operations (PELTROs), at 25 bp below the main refinancing rate. The essence of the message was that "he Governing Council is fully prepared to increase the size of the PEPP and adjust its composition, by as much as necessary and for as long as needed. In any case, it stands ready to adjust all of its instruments, as appropriate, to ensure that inflation moves towards its aim in a sustained manner, in line with its commitment to symmetry." There is no doubt that rules will be bent and, possibly, even permanently changed, in the process of delivering on this promise.

It had been clear that, given ***eurozon***e's earlier lockdowns, its **first quarter GDP** performance would be worse than the US. And indeed it was (Figure 2, page 5). GDP shrank 3.8% q/q (not annualized), marking a deeper contraction than even during the worst of the global financial crisis. Unfortunately, just like in the US, the second quarter will be orders of magnitude more. No details are available with the advance estimate, but we know that the hurt is broadly shared across economies. Somewhat surprisingly, though, French GDP contracted more than Italy's, down 5.8% q/q and 4.7% q/q, respectively. Both economies are officially in recession after incremental Q4 contraction.

Figure 2: Eurozone GDP Collapses



Sources: Eurostat

The **German** labor market is quickly deteriorating, although government programs subsidizing employment are surely minimizing the hit. Unemployment spiked by 373,000 in April, pushing the **unemployment rate** up eight tenths to 5.8%. Vacancies collapsed by 66,000, indicating broad and deep decline in labor demand. The seasonally unadjusted rate (which garners more attention domestically) increased seven tenths, also to 5.8%.

Unsurprisingly, ***German* retail sales** are falling off a cliff. Real sales (excluding cars) declined 5.6% in March, driven by a 51.1% collapse in clothing/shoes, a 28.3% decline in IT goods, and a smaller double digit decline in furnishings. Food and pharmaceutical supplies were the only categories experiencing modest monthly gains. Sales declined 3.3% y/y.

***French* consumer confidence** deteriorated less than expected in April, down only 8.0 points to the lowest level since February 2019. Oddly, assessments of the current financial situations improved, while, unsurprisingly, future financial expectations deteriorated. Concerns about unemployment spikes and confidence about savings ability declined in mirror-like fashion.

***Italy's* unemployment rate** reportedly declined from 9.3% in February to 8.4% in March. Beware of fake news! There was a sharp drop in the number of unemployed, but this likely has to do with lockdowns preventing people from applying for unemployment benefits so that they are counted as having moved straight from employment to outside the labor force. We believe this to be a mere statistical aberration and expect to see the unemployment rate spike in April.

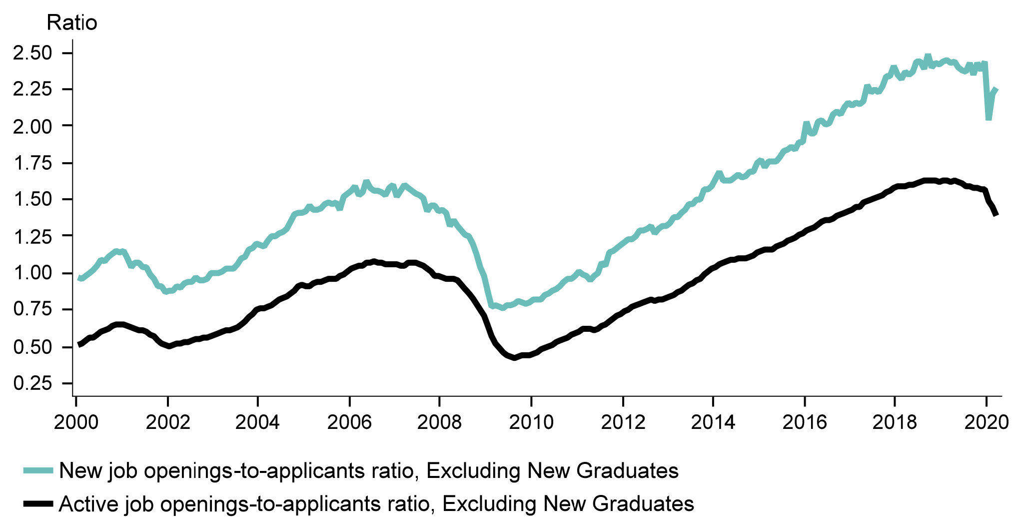
Japan

The **Bank of Japan** ended its latest monetary policy meeting a day earlier than scheduled. The policy rates were left unchanged, but corporate bond purchase programs were extended and lending programs were made more appealing by expanding both the collateral universe and bank subsidies. In the March 16 meeting, the caps on purchase of Commercial Paper (CP) of ¥2.2 trillion and that on Corporate Bonds (CB) of ¥3.2 trillion had been raised by ¥1 trillion each, limited through September 30th. In the most recent meeting, the cap was raised by a further ¥7.5 trillion each, implying that the BoJ will but a combined CP/CB of ¥20 trillion till September. This amounts to roughly 22% of outstanding CP/CB in the secondary market, and certainly more than enough to absorb new issuances over coming months. The BoJ also expanded the universe for collaterals and counterparties eligible for Special Funds-Supplying Operations, and apply a positive interest rate of 0.1% to the outstanding balances of current accounts held by financial institutions that correspond to the amounts outstanding of loans. The BoJ also eliminated the ¥80 trillion reference for its JGB purchases, with the amount of buying dictated by the liquidity scenario in the bond market as the government issues additional debt in response to emergency economic measures. This is a rather symbolic move, as keeping the long end of the yield curve down in the main policy objective under Yield Curve Control, and in theory the BoJ can buy as much as needed to achieve the YCC target. The announcement only serves to provide clarity, and bring the BoJ at par with the Fed and ECB who have committed to unlimited bond purchases.

It is likely that the government will need to issue debt with increased urgency in these extraordinary times, which implies that the pace of bond purchase will need to pick up to keep liquidity conditions conducive. We see policy rates unchanged in the near future, barring speculative attacks on the Yen.

The **unemployment rate** rose one tenth to a year high of 2.5%, though we doubt if that is the extent of the fallout from the Covid-19 outbreak. The number of people employed fell by (only) 110,000 to 67.32 million, while the number of unemployed increased by 60,000. Job losses were the most acute in manufacturing (-180,000), education (-110,000) and retail (-100,000); while medical services reported the strongest hiring (+170,000) in eight months.

Figure 3. Japan's Labor Market Was Tightening Ahead Of The Crisis



Sources: Japanese Ministry of Health, Labour & Welfare

The unemployment rate for the age bracket 15-24 years decreased by 0.4 percentage points (ppts) to 3.8%, mainly due to a 0.8 ppts reduction in the participation rate among males. Overall participation picked up slightly, by two tenth to 62%. Meanwhile, the active job openings-to-applicants ratio in March was 1.39, down a sharp 0.06 points from 1.45 in February, marking the lowest level since September 2016. The number of job offers was down 5.9% m/m, accompanying a 2.1% decrease in the number of job seekers. These point to a much worse situation than the March report suggests, but we will need to wait for the April data to assess the full impact of prefectural lockdowns and subsequent extension to a national emergency situation.

Industrial production has finally started to show the impact of Covid-19. Production fell by 3.7% from February, which was still better than consensus. Majority of production categories showed declines, led by motor vehicles (-5.1%), production machinery (-10.2%), and inorganic and organic chemicals (-11.0%). Shipments were down notably -5.0%, while inventory increased by 1.9%, suggesting a significant deterioration in the demand. Shipments for motor vehicles contracted by 8.0%, leading to a sharp buildup in inventory (+12.0%). However, manufacture of transport equipment excluding vehicles saw a sharp uptick of 11%, due to a 37% rebound in production of aircraft parts. Overall the report was still decent considering the circumstances, possibly due China returning to some sort of normalcy. But dire conditions in US and Europe pose downside risks to production in the months ahead. The Ministry of Economy, Trade and Industry's (METI) forecasts for April (+1.4%) and May (-1.4%) still look pretty optimistic at this juncture.

Consumer confidence dropped to the lowest on record in April, faring worse than GFC. This was 9.3 points down the value in March, and reflected a broad based decline in sentiment. Overall livelihood was down 8.1 points to 21.9, expectations for income growth fell 8.5 points to 26.3, while the employment index dropped 12.9 points to 15—all at their lowest since 1982. However, the proportion of respondents expecting prices to rise by 2% or more rose sharply to 53.8%, from 48.2% in March, due to increase in prices during the lockdown.

Retail sales headed sharply downward from the mild contraction experienced in March, contracting 3.7% after the February gain was revised downward to -0.3%. On an annual basis, sales decreased 4.5% y/y. Sale of general merchandise fell by 12.2%, while apparel sales declined 16.7%. Fuel retailing also fell 9.5% due to decreased mobility. Meanwhile food and motor vehicle sales showed limited declines, down by 0.4% and 2.7% respectively.

Australia

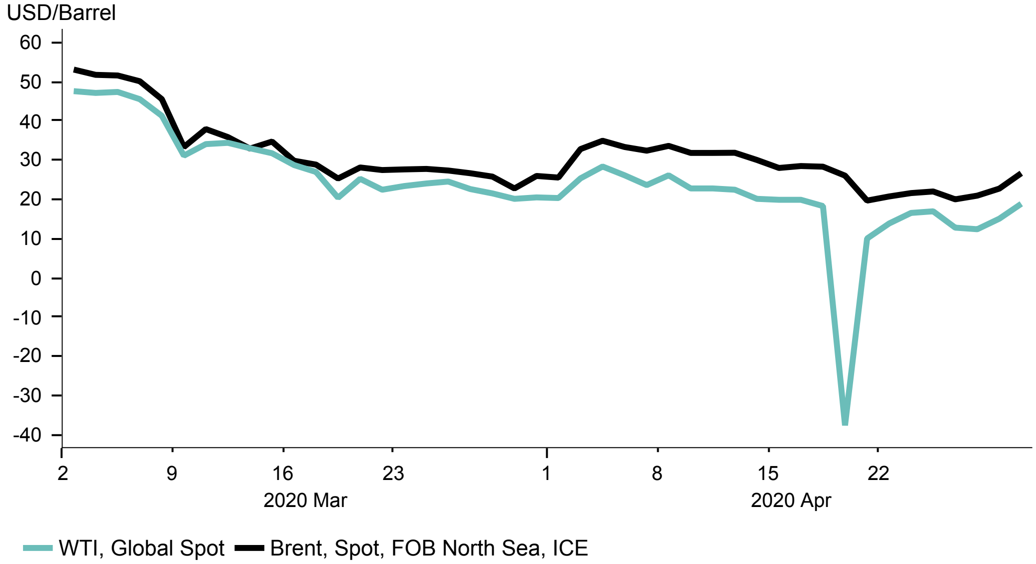
Consumer price inflation for the first quarter surprised on the upside, with prices rising 0.3% q/q. The most significant price rises were for food and non-alcoholic beverages (+1.9%), alcohol and tobacco (+1.6%), education (+2.6%) and health (+1.7%). Not surprising, as consumers stockpiled on food and other essentials during the drought and bushfire episodes and also ahead of the social distancing measures, while the demand for health services rose during the same. Grocery prices are unlikely to grow as strongly in Q2, as precautionary buying seems to have ended. On the other hand, significant downward price pressures were observed for automotive fuel (-6.0%), domestic holiday travel and accommodation (-3.1%) and international holiday travel and accommodation (-3.0%) as travel restrictions were imposed for the greater part of February and continued into March. The two measures of underlying inflation—the weighted median and trimmed mean—came in at 0.5%, above consensus and only slightly higher from last quarter. On an annual basis, headline inflation accelerated four tenth to 2.2% y/y; while the trimmed mean was higher by two tenths to 1.8%, and the weighted median was up four tenths to 1.7%. The Australian Bureau of Statistics noted that the COVID-19 will impact certain categories in the June release. Specifically, for categories where there will be little expenditure (such as international travel and restaurant meals) it is considering using imputed prices or a close substitute (e.g. takeaway meal prices in place of restaurant prices). The outlook for Q2 CPI is rather grim.

Private sector credit beat expectations by quite a margin to rise 1.1% in March, the sharpest since December 2007, with annual growth at 3.6% y/y, the highest in almost a year. The monthly increase was due to a 2.9% gain in business credit, which was the sharpest increase since January 1988! The most likely explanation is that households and businesses felt the need to supplement their cash flows as shops were forced to shut or experienced lower footfalls, and people could not go out to work. We expect this trend to continue for another month or so, and as the economy opens up gradually reverse, as consumers are unwilling to take on more debt. Housing credit growth was steady at 0.3% for a sixth month, with owner-occupier edging up a bit to 0.5%, and investor housing dipping slightly by 0.1% after five unchanged readings. Credit is likely to slow considerably in the near future due to the uncertainty regarding return of normalcy, but the evolution of housing credit growth will be a key indicator to gauge consumer sentiment.

The Market This Week

Compared with the unprecedented, if brief, collapse in WTI oil prices last week, this week brought about some stabilization. But the storage capacity problem in Cushing continues to worsen even though US-wide capacity increase in the last week..

Figure 4: Oil Prices Find Some Footing



Sources: Macrobond, Intercontinental Exchange (ICE)

Equities: Broad gains but the US cancels early gains with Friday retreat.

Bonds: Bond yields decline in Europe amid gloomy data.

Currencies: The euro weakens.

Commodities: Oil crawls a little higher.

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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®	2830.71	-0.2%	-12.4%	0.61	1	-131	99.079	-1.3%	2.8%
Canada	TSE 300	14620.34	1.4%	-14.3%	0.53	-5	-118	1.4089	-0.1%	8.5%
UK	FTSE®	5763.06	0.2%	-23.6%	0.25	-4	-57	1.2506	1.1%	-5.7%
Germany	DAX	10861.64	5.1%	-18.0%	-0.59	-11	-40			
France	CAC-40	4572.18	4.1%	-23.5%	-0.11	-14	-23	1.0981	1.5%	-2.1%
Italy	FTSE® MIB	17690.49	4.9%	-24.7%	1.76	-8	35			
Japan	Nikkei 225	19619.35	1.9%	-17.1%	-0.02	0	-1	106.91	-0.6%	-1.6%
Australia	ASX 200	5245.89	0.1%	-21.5%	0.87	-1	-50	0.6418	0.7%	-8.6%

Commodity Markets						
Commodity	Unit	Source	Last Price	%Ch Week	%Ch YTD	%Ch Yr Ago
Oil (Brent)	US $/Barrel	Bloomberg	23.46	13.7%	-64.7%	-67.6%
Gold	US $/troy oz	Bloomberg	1700.42	-1.7%	12.1%	33.2%

Source: Bloomberg®

Week in Review (April 27–May 1)

Country	Release (Date, format)	Consensus	Actual	Last	Comments
Monday, April 27					
JN	BoJ Monetary Policy Decision	-0.10%	-0.10%	-0.10%	Further easing targets corporate finance.
Tuesday, April 28					
US	S&P CoreLogic 20-City Index (Feb, m/m)	0.4%	0.5%	0.3%	Up 3.4% y/y.
US	Conf. Board Consumer Confidence (Apr)	87.0	86.9	118.8(↓r)	Present situation collapsed, expectations up.
FR	Consumer Confidence (Apr)	80	95	103	Surprisingly resilient. Will it last?
JN	Unemployment Rate (Mar)	2.5%	2.5%	2.4%	Still not fully reflective of Covid-19 situation.
Wednesday, April 29					
US	FOMC Monetary Policy Decision	0.25%	0.25%	0.25%	Nothing really new.
US	GDP (Q1, first, q/q saar)	-4.0%	-4.8%	2.1%	First contraction since 2014.
US	Pending Home Sales (Mar, m/m)	-14.3%	-20.8%	2.3%(↓r)	Down from a record high in 3 years.
AU	CPI (Q1, y/y)	1.9%	2.2%	1.8%	Outlook for inflation is grim.
Thursday, April 30					
US	Initial Jobless claims (Apr 25, thous)	3500	3839	4442(↑r)	PPP is visible in continuing claims.
US	Personal Income (Mar, m/m)	-1.7%	-2.0%	0.6%	Larger than expected decline in wages.
US	Personal Spending (Mar, m/m)	-5.0%	-7.5%	0.2%	Personal savings rate surged to 13.1%.
US	Employment Cost Index (Q1, q/q)	0.6%	0.8%	0.7%	How will this change after outbreak?
CA	GDP (Feb, m/m)	0.2%	0.0%	0.1%	Expect a 2.6% q/q drop in Q1 GDP.
EC	ECB Monetary Policy Decision	0.00%	0.00%	0.00%	Better terms, but no new “offer”.
EC	GDP (Q1, prelim, q/q)	-3.8%	-3.8%	0.1%	Worst since
GE	Unemployment Rate (Apr)	5.2%	5.8%	5.0%	Unemployment spikes, vacancies collapse.
GE	Retail Sales (Mar, m/m)	-8.0%	-5.6%	0.8%(↓r)	Clothing sales down 51%!
FR	GDP (Q1, prelim, q/q)	-4.0%	-5.8%	-0.1%	Officially in recession.
FR	Consumer Spending (Mar, m/m)	-5.8%	-17.9%	-0.5%(↓r)	This helps explain the above.
IT	GDP (Q1, prelim, q/q)	-5.4%	-4.7%	-0.3%	Officially in recession.
IT	Unemployment Rate (Mar, prelim)	10.5%	8.4%	9.3%(↓r)	Fake news! Plunge in labor force.
JN	Retail Sales (Mar, m/m)	-4.5%	-4.5%	0.5%(↓r)	Broad based losses across categories.
JN	Industrial Production (Mar, prelim, m/m)	-5.0%	-3.7%	-0.3%	Still better than expected.
JN	Consumer Confidence (Apr)	27.6	21.6	30.9	All components at record low.
AU	Private Sector Credit (Mar, m/m)	0.3%	1.1%	0.4%	Business credit up as supplement to cash flow.
Friday, May 1					
US	ISM Manufacturing (Apr)	36.1	41.5	49.1	The details were weak.
US	Motor Vehicle Sales (Apr, mil, ar)	7.0	8.6	11.4	Down 24.5% m/m, 47.7% y/y.
UK	Nationwide House Prices (Apr, m/m)	-0.3%	0.7%	0.8%	Up 3.7% y/y, the most since February 2017.
UK	Manufacturing PMI (Apr, final)	32.9(p)	32.6	47.8	Nothing new here.
UK	Mortgage Approvals (Mar, thous)	59.0	56.1	73.5	But lending values were up.
JN	Manufacturing PMI (Apr, final)	43.7(p)	41.9	44.8	11 year low, sharp drop in employment index.

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

Week Preview (May 4–May 8)

Country	Release (Date, format)	Consensus	Last	Comments
Monday, May 4				
US	Factory Orders (Mar, m/m)	-8.7%	0.0%	
US	Durable Goods Orders (Mar, final, m/m)	-14.4%(p)	1.1%	
EC	Manufacturing PMI (Apr, final)	33.6(p)	44.5	
GE	Manufacturing PMI (Apr, final)	34.4(p)	45.4	
FR	Manufacturing PMI (Apr, final)	31.5(p)	43.2	
IT	Manufacturing PMI (Apr)	na	40.3	
Tuesday, May 5				
US	ISM Non-Manufacturing (Apr)	37.1	52.5	We see downside risks here.
CA	Trade Balance (Mar, C$ bil.)	na	-1.0	
UK	Services PMI (Apr, final)	12.3(p)	34.5	
AU	RBA Monetary Policy Decision	0.25%	0.25%	Happy to reduce volume of ACGBs purchase further?
Wednesday, May 6				
EC	Services PMI (Apr, final)	11.7(p)	26.4	
GE	Factory Orders (Mar, m/m)	na	-1.4%	
GE	Services PMI (Apr, final)	15.9(p)	31.7	
AU	Retail Sales (Mar, m/m)	7.8%	0.5%	Consumers stockpiling on groceries and essentials.
Thursday, May 7				
US	Initial Jobless claims (May 2, thous)	3000	3839	Should start dropping off precipitously soon.
US	Nonfarm Productivity (Q1, prelim, q/q)	-5.4%	1.2%	
US	Consumer Credit (Mar, C$bil.)	26.5	22.3	
CA	Ivey PMI (Apr)	na	26	
UK	BoE Monetary Policy Decision	0.10%	0.10%	It's not about rates now.
UK	GfK Consumer Confidence (Apr, final)	-34(p)	-9	
GE	Industrial Production (Mar, m/m)	na	0.3%	
FR	Industrial Production (Mar, m/m)	na	0.9%	
FR	Wages (Q1, prelim, q/q)	na	0.2%	
IT	Retail Sales (Mar, m/m)	na	0.8%	
Friday, May 8				
US	Change in Nonfarm Payrolls (Apr, thous)	-21300	-701	Record decline is a euphemism…
US	Unemployment Rate (Apr)	16.3%	4.4%	May should be noticeably lower, however.
CA	Housing Starts (Apr, thous)	na	195.2	Housing activity disrupted due to social distancing.
CA	Building Permits (Mar, m/m)	na	-7.3%	
CA	Unemployment Rate (Apr)	na	7.8%	Likely to be at a cyclical high.
JN	Labor Cash Earnings (Mar, y/y)	0.0%	0.7%(↓r)	Social distancing to reflect in part-time wages.
JN	Services PMI (Jan, final)	22.8(p)	33.8	

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

Economic Indicators

Central Bank Policy Targets

Region	Target	Year/Year %Change in Target				
		Nov	Dec	Jan	Feb	Mar
US	Target: PCE price index 2.0% y/y	1.3	1.6	1.8	1.8	1.3
Canada	Target: CPI 2.0% y/y, 1.0%-3.0% control range	2.2	2.2	2.4	2.2	0.9
UK	Target: CPI 2.0% y/y	1.5	1.3	1.8	1.7	1.5
Eurozone	Target: CPI below but close to 2.0% y/y	1.0	1.3	1.4	1.2	0.7
Japan	Target: CPI 2.0% y/y	0.5	0.8	0.7	0.4	0.4
Australia	Target Range: CPI 2.0%-3.0% y/y	1.8	1.8	2.2	2.2	2.2

Source: Macrobond

Key Interest Rates

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

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				
	Dec	Jan	Feb	Mar	Apr		Nov	Dec	Jan	Feb	Mar
US	2.3	2.5	2.3	1.5			1.0	1.3	2.1	1.3	0.7
Canada	2.2	2.4	2.2	0.9			-0.4	0.5	0.6	-0.3	-2.4
UK	1.3	1.8	1.7	1.5			0.5	0.8	1.0	0.5	0.3
Eurozone	1.3	1.4	1.2	0.7			-1.4	-0.6	-0.7	-1.3	
Germany	1.5	1.7	1.7	1.4	0.8		-0.7	-0.2	0.2	-0.1	-0.8
France	1.5	1.5	1.4	0.7	0.4		-0.3	0.7	0.2	-0.6	-2.1
Italy	0.5	0.5	0.3	0.1	0.0		-2.6	-2.1	-2.3	-2.7	-3.6
Japan	0.8	0.7	0.4	0.4			0.2	0.9	1.5	0.8	-0.4
Australia	1.8	2.2	2.2	2.2			1.4	1.4			

Source: Macrobond

Real GDP Growth (Q/Q Seasonally Adjusted)

	Quarter/Quarter %Change						Year/Year %Change				
	Q1-19	Q2-19	Q3-19	Q4-19	Q1-20		Q1-19	Q2-19	Q3-19	Q4-19	Q1-20
US	0.8	0.5	0.5	0.5	-1.2		2.7	2.3	2.1	2.3	0.3
Canada	0.2	0.9	0.3	0.1			1.5	2.0	1.6	1.5	
UK	0.7	-0.2	0.5	0.0			2.0	1.3	1.3	1.1	
Eurozone	0.5	0.1	0.3	0.1	-3.8		1.4	1.2	1.3	1.0	-3.3
Germany	0.5	-0.2	0.2	0.0			1.0	0.3	0.6	0.5	
France	0.4	0.3	0.3	-0.1	-5.8		1.3	1.5	1.5	0.9	-5.4
Italy	0.2	0.1	0.1	-0.3			0.2	0.4	0.5	0.1	
Japan	0.5	0.6	0.0	-1.8			0.8	0.9	1.7	-0.7	
Australia	0.5	0.6	0.6	0.5			1.7	1.6	1.8	2.2	

Source: Macrobond

Industrial Production Index (M/M Seasonally Adjusted)

	Month/Month %Change						Year/Year %Change				
	Nov	Dec	Jan	Feb	Mar		Nov	Dec	Jan	Feb	Mar
US	0.9	-0.4	-0.5	0.5	-5.4		-0.4	-0.8	-0.9	0.0	-5.5
Canada	-0.3	0.1	0.4	-0.1			-1.3	-0.9	-0.1	0.7	
UK	-1.1	-0.2	0.3	0.1			-2.5	-2.2	-2.7	-2.8	
Germany	1.3	-2.2	3.2	0.3			-2.5	-5.2	-0.9	-1.2	
France	-0.2	-2.4	1.1	0.9			0.5	-2.9	-2.8	-1.4	
Italy	0.2	-2.7	3.6	-1.2			-0.2	-3.3	-0.6	-2.5	
Japan	-0.6	0.2	1.9	-0.3	-3.7		-6.6	-6.5	-2.4	-3.7	-6.8

Source: Macrobond

Unemployment Rate (Seasonally Adjusted)

	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	#####	Mar-20	Apr-20
US	3.7	3.7	3.7	3.5	3.6	3.5	3.5	3.6	3.5	4.4	
Canada	5.6	5.7	5.7	5.5	5.6	5.9	5.6	5.5	5.6	7.8	
UK	3.8	3.9	3.8	3.8	3.8	3.8	3.9	4.0			
Eurozone	7.5	7.6	7.5	7.5	7.4	7.4	7.3	7.3	7.3	7.4	
Germany	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.8
France	8.5	8.5	8.5	8.4	8.3	8.2	8.2	8.1	7.9	8.4	
Italy	9.8	9.9	9.6	9.8	9.6	9.5	9.6	9.5	9.3	8.4	
Japan	2.3	2.3	2.3	2.4	2.4	2.2	2.2	2.4	2.4	2.5	
Australia	5.3	5.2	5.3	5.2	5.3	5.2	5.1	5.3	5.1	5.2	

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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