STATE STREET GLOBAL ADVISORS

Weekly Economic Perspectives
July 3, 2020

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STATE STREET GLOBAL ADVISORS

July 3, 2020
Commentary

Weekly Economic Perspectives

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Spotlight on Next Week
Service activity should pick up in the US. Industrial production should rebound in the eurozone. The ECB and RBA will hold steady as they assess earlier stimulus impact.

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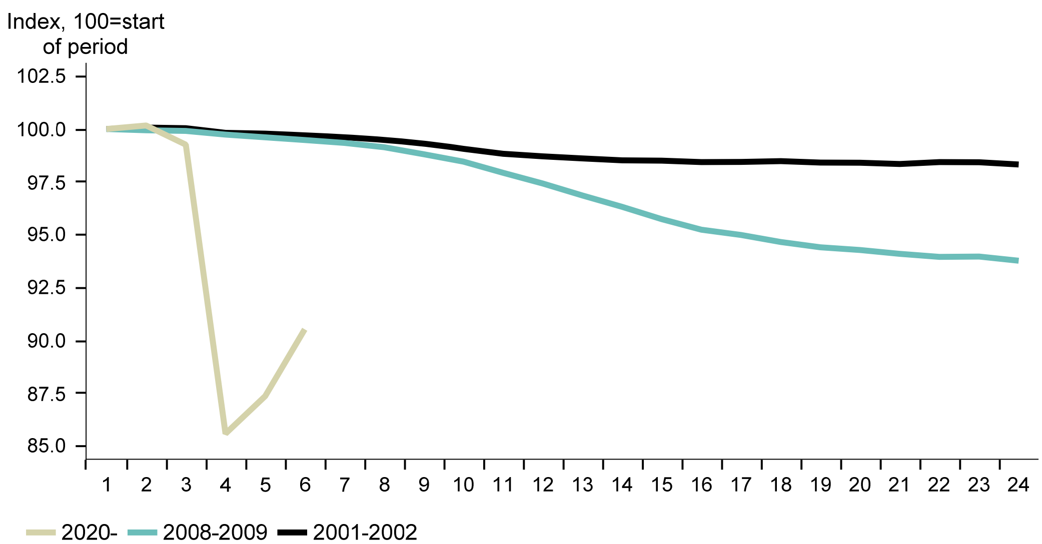
The Economy

A week of improving economic data battled deteriorating virus news, stoking worries that the process of economic healing will stall anew.

US

The labor market is gradually healing. After May's huge upside surprise, the June **payrolls** report delivered another positive surprise that means we've now recouped a third of the job losses incurred during March and April. And while we will not recoup them all over the next year, we expect to see considerable further progress in coming months. Payrolls increased by 4.8 million in May, well above consensus expectations of a 3.2 million gain; the prior two months were also revised up by 90,000. Goods producing sectors added 504,000, of which 158,000 were in construction and the rest in manufacturing. So far, the construction sector leads the jobs recovery, having retraced nearly 60% of its losses. Service producing industries added 4.3 million jobs, with 2.1 million of those in leisure and hospitality, 900,000 in trade and transportation, and about 570,000 in education and health. Air travel employment continued to decline. Although the re-acceleration in covid-19 cases in recent weeks will slow (or even selectively reverse) the reopening process in coming weeks, the bigger tide of activity remains toward reopening and we would expect the next payrolls report to show continued gains. We will also be watching to see what impact the scheduled expiration of the supplemental unemployment benefits will have on rehiring. Although there is a lot of pressure to extend some benefits, we doubt a full extension will happen, and so disincentive distortions should subside, possibly lifting next month's employment print. The household survey showed a similar 4.9 million increase in employment and a 3.2 million decline in unemployment, lowering the **unemployment rate** from 13.3% to 11.1%. The participation rate picked up but remains some two percentage points below where it was four months ago.

Figure 1: US Nonfarm Payrolls Recovering From Unprecedented Shock



Sources: Macrobond, U.S. Bureau of Labor Statistics (BLS)
Note: X axis indicates number of months

The **hours data** improved, reflecting the uptick in employment. Interestingly, while the manufacturing workweek increased by another half hour, the workweek declined by 12 minutes. This suggest a notable decline in the services workweek, which can be rationalized by more people sharing the workload. In any case, the jump in employment lifted manufacturing aggregate hours by 4.4% while overall hours worked (a measure of work effort) increased by 3.6%. This will support June labor income.

Compositional changes to the employed population have caused such significant distortions in **wage data** recently as to render the recent prints rather meaningless. After a 4.7% surge in April, average hourly earnings retreated 1.0% in May and another 1.2% in June, but they remain 5.0% higher than a year earlier. This massively overstates underlying wage inflation.

Consumer sentiment is on the mend but there is a long way ahead to fully recover the Covid-19 losses. Indeed, the **Conference Board consumer confidence index** jumped 12.2 points in June, but that's still over 33.0 points below the February level. Unsurprisingly given the economic reopening process, the current situation metric surged 17.8 points; nonetheless, it's still only about half of where it stood before the outbreak! Meanwhile, the expectations measure, which had swung less dramatically amid the crisis, has by now made almost a full recovery: it improved 8.4 points in June and is just 2.0 points lower than where it stood in February. The closely watched labor differential—which measures the difference between those who think jobs are abundant and those who think jobs are scarce—improved by almost 10 points but remains well below pre-outbreak levels in the low- to mid-30s.

The housing market has been extraordinarily resilient during the current crisis. As evidenced by the sharp rebound in mortgage purchase application, housing demand looks very much alive and well. And while lockdowns prevented that demand from fully materializing—particularly in the existing home segment—that is now changing. **Pending home sales** surged 44.3% in May, double the expected rate. The rebound left pending sales only 10.4% lower than where they stood in May 2019. This is truly remarkable given the circumstances.

Prior to the Covid-19 outbreak, there was evidence that house price inflation was reaccelerating. National price data for existing homes is currently only available through April and so far, it does not show a change in trend. The **Case-Shiller 20-City composite price index** increased 0.3%, lifting this particular measure of home price inflation to 4.0% y/y.

Having surged 42.3% in May, **motor vehicle sales** rose 6.9% in June to 13.05 million (annualized). Less generous incentives, low inventory, and some dissipation of pent-up demand combined to slow the pace of improvement. This may remain the case in the near future, although we do expect further gains during the second half. June sales were down 24.6% y/y. Sales declined 22.3% y/y during the first half.

Manufacturing activity is expanding again, with the **ISM manufacturing index** up a better than expected 9.5 points to a fourteen-month high of 52.6 in June. Production and new orders surged nearly 25 points each to settle at 57.3 and 56.4, respectively. In normal time those would signify robust growth, but today they are not. What they do signify, however, is that a majority of firms saw activity improve compared with the prior month. It would have been a real shock if this hadn't happened, actually, given the reopening process. Despite second-wave worries and some pullback in that reopening process, we anticipate further improvement in manufacturing activity next month as reopened firms scale up capacity. The employment metric improved 10.0

points, but only to 42.1, whereas new export orders improved 8.1 to 47.6. Prices paid bounced 10.5 points to 51.3, unsurprising given the rebound in energy prices. For the first time since February, positive comments outnumbered negative ones.

After two double digit declines, **factory orders** rose 8.0% in May, lifted by a 15.8% rebound in durable goods orders. Within durable goods, capital goods orders jumped 25.1%. Orders for transportation equipment surged 82.0%, although severe weakness in the prior two months means they are still 40% below year-earlier levels. Core orders (non-defense capital goods excluding aircraft)—a leading indicator for business equipment investment (BEI) in the GDP accounts—increased 1.6%, a little less than initially reported. Overall shipments increased 3.1%, with core shipments up 1.5%. Overall inventories increased incrementally, allowing for a very modest decline in the inventory -to-shipments ratio. However, at 1.65, it remains extremely elevated.

Canada

Following a 7.5% decline in March, Canada's **GDP** contracted 11.6% in April. The fall was well anticipated because of lockdown measures prevailing throughout the month; in fact, it was less severe than anticipated. Output is now 17.1% below April of last year, and 18.2% below the February level. All 20 industries surveyed showed slowdown in activity, led by the manufacturing sector (-22.5%). Durable manufacturing was the worst affected, down 29.2%, as automobiles collapsed an incredible 97.7%. Non-durable manufacturing also decreased 15.4% in April, since closure of meat product factories impacted food manufacturing (-12.8%) after a notable increase in March. Services industries shrank 9.7%, led by retail trade which contracted 22.9%. Looking ahead, preliminary information indicates an increase of around 3.0% in real GDP for May. The Statistics Canada noted that "output across several industrial sectors—including manufacturing, retail and wholesale as well as the public sector (health, education and public administration)—increased in May, as activities gradually resumed in phases depending on the type of activity and the geographic area."

Building permits rebounded 20.2% to C$7.4 billion in May, following drastic declines in March and April. This was the sharpest increase since March 2009, due to the recommencement of construction activity in Ontario, Quebec and Prince Edward Island. Quebec (+72.0%) and Ontario (+24.0%) which were the worst affected in April, recorded the largest increases, as projects were restarted under strict health guidelines. Prince Edward Island saw an absurdly high gain of 1,019.5%, following an 87.6% drop in April. The value of residential permits rose 18.7% to C$4.8 billion, as permits issued for single family dwellings increased by a record C$518 million (+37.5%) to $1.9 billion; while that for multi-family dwellings rose 9.0% to C$2.9 billion. The value of commercial permits was also up 20.8% to C$1.5 billion. It would be unwise to read too much into these figures as they mark a resumption in activity after two especially difficult months. Despite the monthly gains, permits are still down 13.6% from May of last year, and 20.4% below the January peak.

UK

The final read on UK's **Q1 GDP** showed a 2.2% q/q contraction, slightly worse than the prior 2.0% estimate. The decline was led by consumer spending, which contracted 2.9% and detracted 1.8 percentage points (ppt) from growth. Government spending detracted 0.8 ppt. Fixed investment was only a marginal drag, while inventories were a huge positive contributor. Although stocks declined during the quarter, they did so at a far slower rate than in the prior three months and were thus the largest growth contributor in Q1. Net export detracted 1.5 percentage points as exports declined more than imports. Real GDP declined 1.7% y/y.

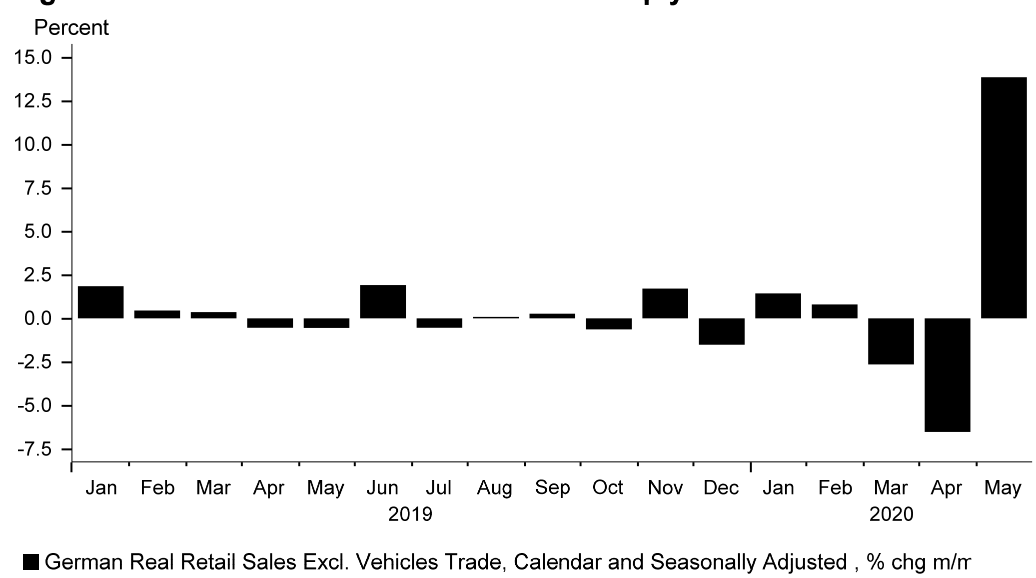
Housing activity has come to a near standstill amid lockdown. The number of approved mortgages plunged another 41.5% in May and is now 86% below the levels from a year ago. Unsurprisingly, home prices are down—this seems to be the required condition for clearing whatever meager activity is currently taking place. After a 1.7% decline in May the Nationwide house price index fell another 1.4% in June.

Eurozone

The final read on regional **manufacturing PMIs** did not bring any significant changes from the preliminary estimates. The story is one of relative improvement, though only the French index crossed over the neutral 50 level. The final read on the eurozone **services PMI** was 48.3, one point better than initially reported, lifted by a 1.5-point upward revision to the German index, now at 47.3. We hope to see both data sets cross meaningfully above 50 next month.

German **real retail** sales rebounded a much larger than expected 13.6% in May, leaving them 7.3% higher than in May 2019. There was a release of pent-up demand as clothing sales up 175%, IT sales up 66.5%, and furniture sales up 33.5% during the month. The surprisingly strong rebound suggest consumer spending might be considerably more resilient than feared, limiting the GDP contraction.

Figure 2: German Retail Sales Rebound Sharply



Sources: German Federal Statistical Office (Statistisches Bundesamt)

The rebound in retail sales stands in contrast to the ***German*** **labor market**, which deteriorated further in June. Unemployment rose by another 69,000 in June, bringing the three-month total increase to 678,000. The unemployment rate ticked up a tenth of a percentage point to 6.4%. The seasonally unadjusted rate (which garners more attention domestically) also rose tenth to 6.2%. Vacancies dropped by another

43,000, bringing the three-month loss to 132,000 and indicating broad, deep declines in labor demand.

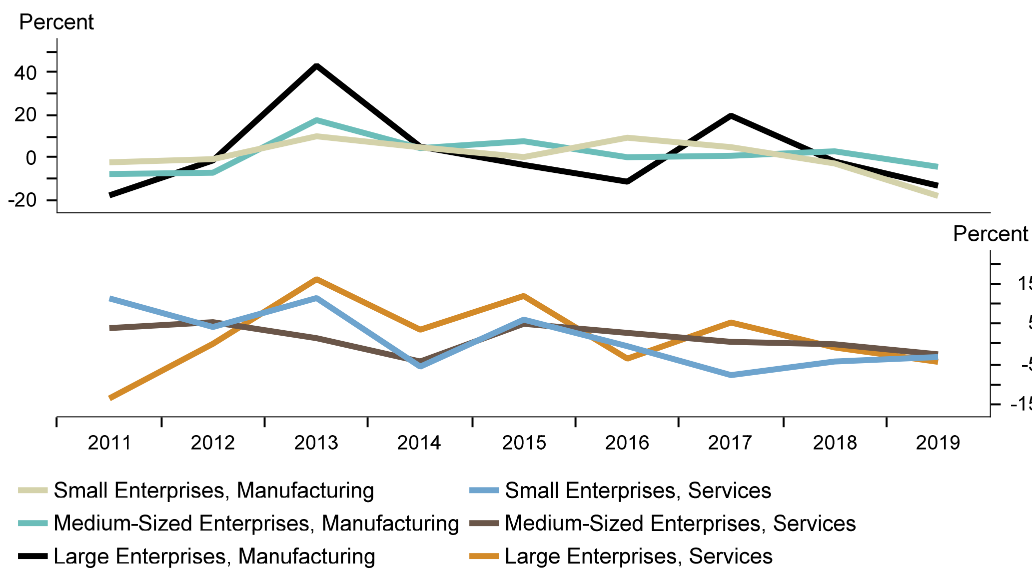
***French* consumer spending** exhibited a similarly sharp rebound. In fact, consumer spending soared 36.6% in May, but that follows two double-digit declines that still left spending 8.3% below year-earlier levels. Spending on durable goods increased 162% during the month of May, energy spending was up 28%, and food spending increased 0.6%.

The ***Italian* labor market** data of the past two months didn't make much sense. In the midst of the Covid-19 epidemic, the unemployment rate had reportedly declined from 9.4% in January to just 6.6% in April. Although employment had plunged, the number of unemployed also collapsed, which seemed counter-intuitive. We had suspected that strict restrictions on personal movement prevented people from accessing unemployment benefits so they appeared to be falling out of the labor force altogether. The June data supports that interpretation. Indeed, while employment losses moderated, there was a huge 307,000 increase in the number of job seekers, lifting the unemployment rate to 7.8%. A further uptick seems likely even if employment starts growing again soon.

Japan

The Bank of Japan's **Tankan survey of business conditions** for the second quarter of 2020 (survey period: 28 May -30 June) captures the height of disruption caused by the COVID-19 outbreak. The business conditions diffusion index for large manufacturers fell 26 points to -34, the sharpest decline post GFC.

Figure 3. Japanese Manufacturers See Substantial Dip In Profits



Sources: Bank of Japan (BOJ)

The auto sector, facing weak demand both domestic and overseas, had a particularly large drop (-55 points to -72). Indices for medium and small business enterprises were equally downbeat, if not more. Business conditions for large non-manufacturers weakened as well, from 8 to -17, again a post-GFC low. 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. On a positive note, retail services actually improved from -7 to 2, mainly due to increased sales at food and drug outlets. With a massive hit to sales and profit over the past quarter, the sales forecast for FY2020 was revised down by 4.6% and the current profit forecast was lowered by 19.5 percentage points to -19.8% y/y. The current profit outlook is even worse for smaller firms, who expect a dramatic 41.8% decline. Plans for fixed investment were pretty upbeat however, especially for manufacturing firms. Business sentiment is expected to improve from here on, but the profit and sales forecasts raise concerns that the recovery will only be gradual.

The **unemployment** rate crept up only marginally in May, by three tenths to 2.9%. Employment increased by 40,000 to 66.3 million, but still remains a long way from recouping the 1.2 million jobs lost since February. Job losses were once again acute in hospitality (-110,000) with shops and hotels yet to resume normal activities. However, other services overturned a small drop in April to record a 130,000 gain in employment. Medical services (-170,000) reported job losses for the second month, as demand for non-essential surgeries and regular check-ups see a huge drop. Even information and communication (-40,000) registered a small loss following strong gain in April. Job losses were concentrated in the age bracket 15-24 years, where the unemployment rate climbed to 5.1%, highest in three years. Meanwhile, the active job openings-to-applicants ratio was 1.2, down a sharp 0.12 points from April, marking the lowest level in five years. The number of openings was down 11.8% m/m, contrary to a 0.7% increase in the number of job seekers. The number of people unemployed increased substantially by 190,000. The overall participation rate also rose by 0.3 percentage points to 61.8%, with a notable increase in female participation, as more people re-entered the labor force. The number of furloughed workers (employed but did not work due to closure of businesses) fell to 4.23 million from 5.97 million in April, accounting for a little over 6% of total workers. The underutilization rate becomes a far more important indicator of the healing in labor market than the headline unemployment rate in the current context given fiscal support programs have capped the loss in employment to a certain extent. We expect the worst to be over, but healing will take time.

The Ministry of Economy, Trade and Industry's (METI) maintained its assessment of production to " declining rapidly" even as the forecast for June was upgraded sharply to 5.7%. The May **industrial production** dipped again sharply lower in May (by 8.4%), much more than anticipated, following a 9.8% drop in April. The decline was led by a deterioration in production of durable consumer goods which dropped by 17.0%, following a drop of 34.1% in April. Producer goods (-11.0%), capital goods (excluding transport equipment; -7.7%), and construction goods (-5.0%) also saw notable slowing in activity. By sector, transport equipment (-19.4%) was the most affected. This in turn was due to a 23.2% contraction in motor vehicles. Transport equipment excluding autos fared slightly better than April, falling “just” 3.1%. Notwithstanding monthly gains, we expect the persistent internal as well as external demand shocks to keep output suppressed for a longer time than anticipated.

May **retail sales** rebounded by a modest 2.1%, following the 9.9% contraction in April. Headline sales were dragged down by fuel sales (-8.9%), and motor vehicles (-11.1%). Sales growth improved for apparels (+39.1%), general merchandise retailers, including department stores (+11.3%), and electric machinery & household equipment, including home appliances (+6.1%). Sales declined 12.3% y/y.

Consumer confidence rose 4.4 points in June to 28.4, marking an improvement for the second straight month, and was the biggest gain since July 2004. The biggest gainers were overall livelihood (+5.4 points to 30.4) and willingness to buy durable goods (+4.5 points to 30.8). Income growth rose 3.6 points from May. Despite the improvements, most components remain well below pre-COVID levels.

Australia

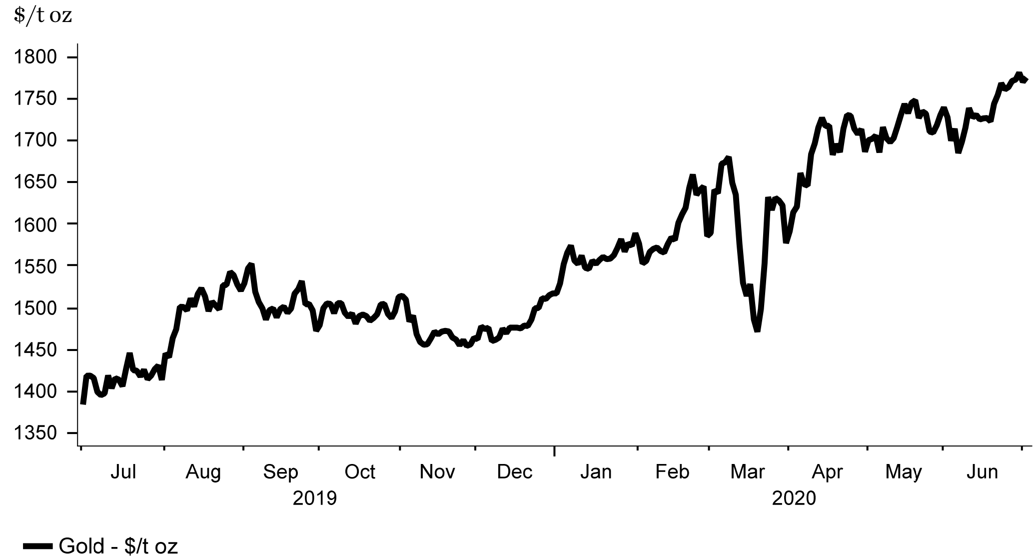
Following the pattern seen elsewhere, after a big drop in April, Australian **retail sales** surged in May. The 16.9% increase was in line with expectations and pushed sales up 5.8% y/y. Clothing sales surged 129%, department store sales jumped 44%, and restaurants were up 30%. To the extent that May's rebound reflects the release of pent-up demand, we are unlikely to see it sustained. However, they are welcome as they speak to consumer spending resilience and possibly a lesser GDP contraction than feared.

Growth in **private sector credit** fell by 0.1% in May, the first contraction since June 2011. There was a sharp tightening in business credit, which fell 0.6%, the most since January 2018. Housing credit was unchanged from April, rising 0.2%, but the divergence between owner-occupier and investor credit grew starker. Home owners have been aggressive in taking on credit, which increased by 0.5% for the third month running, encouraged no doubt by low interest rate and favorable policy measures. Investor demand for credit on the other hand, contracted by 0.3%, the third monthly fall, which is more of a reflection of the uncertainties surrounding the pace of recovery. With a weak labor market and tepid wage growth, we do not expect the optimism in homeowners to persist. “Other personal” credit growth continued to slow, dropping by 1.2% in May.

The Market This Week

Heightened uncertainty about seemingly everything—from virus to inflation to elections—combined with low real interest rates have once again stoked investor interest in gold, which touched a new cycle high this week.

Figure 4: Gold Shines Bright



Sources: Macrobond

Equities: Most global equity markets post solid gains on better econ data.

Bonds: Bond yields are little changed as virus worries temper risk-on mood.

Currencies: No big moves in currency markets.

Commodities: Oil jumps, gold touches multi-year high before retreating.

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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®	3130.01	4.0%	-3.1%	0.67	3	-125	97.317	-0.1%	1.0%
Canada	TSE 300	15622.4	2.9%	-8.4%	0.56	5	-114	1.3562	-0.9%	4.4%
UK	FTSE®	6240.36	1.3%	-17.3%	0.19	1	-64	1.2469	1.1%	-5.9%
Germany	DAX	12608.46	4.3%	-4.8%	-0.43	5	-24			
France	CAC-40	5049.38	2.8%	-15.5%	-0.11	2	-23	1.1242	0.2%	0.3%
Italy	FTSE® MIB	19886.88	4.0%	-15.4%	1.21	-8	-20			
Japan	Nikkei 225	22145.96	-1.6%	-6.4%	0.04	2	5	107.52	0.3%	-1.0%
Australia	ASX 200	6032.713	2.2%	-9.7%	0.92	5	-46	0.6925	0.9%	-1.4%

Commodity Markets						
Commodity	Unit	Source	Last Price	%Ch Week	%Ch YTD	%Ch Yr Ago
Oil (Brent)	US $/Barrel	Bloomberg	42.39	5.9%	-36.2%	-31.8%
Gold	US $/troy oz	Bloomberg	1776.02	0.3%	17.1%	25.2%

Source: Bloomberg®

Week in Review (June 29- July 3)

Country	Release (Date, format)	Consensus	Actual	Last	Comments
Monday, June 29					
US	Pending Home Sales (May, m/m)	19.3%	44.3%	-21.8%	Truly remarkable. Down just 10.4% y/y.
CA	Building Permits (May, m/m)	10.4%	20.2%	-15.4%(↑r)	Resumption in activity in key metros.
UK	Mortgage Approvals (May, thous)	25.0	9.3	15.9(↑r)	At near stand-still, but should rebound.
JN	Retail Sales (May, m/m)	3.0%	2.1%	-9.9%(↓)	A welcome rebound.
Tuesday, June 30					
US	S&P CoreLogic 20-City Index (Apr, m/m)	0.5%	0.3%	0.5%	Impressive resilience so far.
US	Consumer Confidence (Jun)	91.5	98.1	85.9(↓)	Improving.
CA	GDP (Apr, m/m)	-12.2%	-11.6%	-7.5%(↑r)	Positive surprise; expect small rebound in May.
UK	GDP (Q1, final, q/q)	-2.0%(p)	-2.2%	0.0%	Slightly worse but no game changer.
FR	Consumer Spending (May, m/m)	30.0%	36.6%	-19.1%(↑r)	Big rebound, but still down 8.3% y/y.
JN	Unemployment Rate (May)	2.8%	2.9%	2.6%	Slight rebound in employment.
JN	Industrial Production (May, prelim, m/m)	-5.9%	-8.4%	-9.8%	Still pretty weak.
AU	Private Sector Credit (May, m/m)	0.0%	-0.1%	0.0%	First fall since June 2011.
Wednesday, July 1					
US	ISM Manufacturing (Jun)	49.7	52.6	43.1	Reopening.
US	Total Vehicle Sales (Jun, mil.)	13.0	13.05	12.2	Slower rate of improvement after May surge.
UK	Nationwide House Prices (Jun, m/m)	-0.6%	-1.4%	-1.7%	Demand hit.
UK	PMI Manufacturing (Jun, final)	50.1(p)	50.1	40.7	Very welcome news.
EC	PMI Manufacturing (Jun, final)	46.9(p)	47.4	39.4	We need 50+ for true expansion.
GE	Unemployment Rate (Jun)	6.5%	6.4%	6.3%	Labor market has weakened.
GE	Retail Sales (May, m/m)	3.5%	13.9%	-6.5%(↓)	Major surge!
GE	PMI Manufacturing (Jun, final)	44.6(p)	45.2	36.6	Surprising that it was not better.
FR	PMI Manufacturing (Jun, final)	52.1(p)	52.3	40.6	Very welcome news.
IT	PMI Manufacturing (Jun)	47.8	47.5	45.4	We need 50+ for true expansion.
JN	Tankan Large Mfg Index (Q2)	-31	-34	-8	Profit, sales forecasts for FY20 revised down.
JN	PMI Manufacturing (Jun, final)	37.8(p)	40.1	38.4	Up; but chances of a V-recovery slim.
JN	Consumer Confidence (Jun)	28	28.4	24	Broad-based improvement.
Thursday, July 2					
US	Initial Jobless Claims (Jun 27, thous)	1336	1427	1482(↑r)	Stubbornly elevated.
US	Continuing Claims (Jun 20, thous)	19000	19290	19231(↓)	Stubbornly elevated.
US	Change in Nonfarm Payrolls (Jun, thous)	3230	4800	2699(↑r)	We have retraced about a third of recent losses.
US	Unemployment Rate (Jun)	12.4%	11.1%	13.3%	Elevated, but going in the right direction.
US	Factory Orders (May, m/m)	8.6%	8.0%	-13.0%	Welcome improvement.
IT	Unemployment Rate (May, prelim)	7.9%	7.8%	6.6%(↑r)	Finally a more accurate reflection of reality.
Friday, July 3 (Holiday in the United States)					
UK	PMI Services (Jun, final)	47.0(p)	47.1	29.0	Will a mid-50s print materialized next month?
EC	PMI Services (Jun, final))	47.3(p)	48.3	30.5	Will a mid-50s print materialized next month?
GE	PMI Services (Jun, final))	45.8(p)	47.3	32.6	Will a mid-50s print materialized next month?
JN	PMI Services (Jun, final)	42.3 (p)	45.0	26.5	Will it cross above 50 next month?
AU	Retail Sales (May, m/m)	16.3%	16.9%	-17.7%	Welcome rebound.

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

Week Preview (July 6–July 10)

Country	Release (Date, format)	Consensus	Last	Comments
Monday, July 6				
US	ISM Non-Manufacturing Index (Jun)	50	45.4	Could be higher.
GE	Factory Orders (May, m/m)		-25.8%	
Tuesday, July 7				
US	JOLTS Job Openings (May, thous)		5046	Not very meaningful at the moment.
CA	Ivey PMI (Jun)		39.1	
GE	Industrial Production (May, m/m)	8.0%	-17.9%	Reopening supports pick up in production.
IT	Retail Sales (May, m/m)	na	-10.5%	
JN	Labor Cash Earnings (May, y/y)	-0.5%	-0.7%(↓)	Expected to stay low for long.
JN	Leading Index (May, prelim)	79.1	77.7	A small rebound expected.
AU	RBA Monetary Policy Decision	0.25%	0.25%	Wait and watch.
Wednesday, July 8				
US	Consumer Credit (May, bil.)	-25.0	-68.8	This seems to be a voluntary pullback in credit.
FR	Bank of France Ind. Sentiment (Jun)	62	83	
Thursday, July 9				
US	Initial Jobless claims (Jul 4, thous)		1427	Surprisingly elevated still.
US	Continuing Claims (Jun 27, thous)		19290	
CA	Housing Starts (Jun, thous)		193.5	Permits indicate a turnaround in June.
EC	ECB Monetary Policy Decision	0.00%	0.00%	Actions has already been taken, now on pause.
JN	Core Machine Orders (May, m/m)	-4.3%	-12.0%	Look for foreign orders to improve.
Friday, July 10				
US	PPI (Jun, y/y)		-0.8%	
CA	Unemployment Rate (Jun)		13.7%	The healing is afoot; still a long way to go.
FR	Industrial Production (May, m/m)	15.1%	-20.1%	We need this!
IT	Industrial Production (May, m/m)	20.0%	-19.1%	We need this!

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

Economic Indicators

Central Bank Policy Targets

Region	Target	Year/Year %Change in Target Jan	Feb	Mar	Apr	May
US	Target: PCE price index 2.0% y/y	1.8	1.8	1.3	0.6	0.5
Canada	Target: CPI 2.0% y/y, 1.0%-3.0% control range	2.4	2.2	0.9	-0.2	-0.4
UK	Target: CPI 2.0% y/y	1.8	1.7	1.5	0.8	0.5
Eurozone	Target: CPI below but close to 2.0% y/y	1.4	1.2	0.7	0.3	0.1
Japan	Target: CPI 2.0% y/y	0.7	0.4	0.4	0.1	0.1
Australia	Target Range: CPI 2.0%-3.0% y/y	2.2	2.2	2.2		

Source: Macrobond

Key Interest Rates

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

Source: Macrobond

General Government Structural Balance as a % of Potential GDP

	2011	2012	2013	2014	2015	2016	2017	2018	Forecast 2019	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 Feb	Mar	Apr	May	Jun		PPI Year/Year %Change Jan	Feb	Mar	Apr	May
US	2.3	1.5	0.3	0.1			2.0	1.3	0.7	-1.2	-0.8
Canada	2.2	0.9	-0.2	-0.4			0.6	-0.4	-3.0	-6.0	-4.9
UK	1.7	1.5	0.8	0.5			1.0	0.5	0.3	-0.7	-1.4
Eurozone	1.2	0.7	0.3	0.1			-0.7	-1.3	-2.8	-4.5	-5.0
Germany	1.7	1.4	0.9	0.6	0.9		0.2	-0.1	-0.8	-1.9	-2.2
France	1.4	0.7	0.3	0.4	0.1		0.2	-0.5	-1.9	-3.8	-3.5
Italy	0.3	0.1	0.0	-0.2	-0.2		-2.3	-2.7	-3.7	-5.1	-5.3
Japan	0.4	0.4	0.1	0.1			1.5	0.8	-0.4	-2.4	-2.7
Australia	2.2	2.2									

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	-1.3	2.7	2.3	2.1	2.3	0.3
Canada	0.3	0.8	0.3	0.1	-2.1	1.5	2.0	1.6	1.5	-0.9
UK	0.7	-0.1	0.5	0.0	-2.2	2.0	1.4	1.3	1.1	-1.7
Eurozone	0.5	0.1	0.3	0.1	-3.6	1.5	1.2	1.3	1.0	-3.1
Germany	0.5	-0.2	0.3	-0.1	-2.2	1.0	0.3	0.7	0.4	-2.3
France	0.5	0.3	0.2	-0.1	-5.3	1.7	1.8	1.6	0.9	-5.0
Italy	0.2	0.1	0.0	-0.2	-5.3	0.3	0.4	0.5	0.1	-5.4
Japan	0.6	0.5	0.0	-1.9	-0.6	0.8	0.9	1.8	-0.7	-1.9
Australia	0.5	0.6	0.6	0.5	-0.3	1.7	1.6	1.8	2.2	1.4

Source: Macrobond

Industrial Production Index (M/M Seasonally Adjusted)

	Month/Month %Change					Year/Year %Change				
	Jan	Feb	Mar	Apr	May	Jan	Feb	Mar	Apr	May
US	-0.4	0.1	-4.6	-12.5	1.4	-0.8	-0.2	-4.9	-16.2	-15.3
Canada	0.2	0.3	-5.1	-13.5		-0.1	1.2	-5.6	-19.6	
UK	-0.1	-0.1	-4.2	-20.3		-3.1	-3.4	-8.2	-24.4	
Germany	2.5	0.3	-8.9	-17.9		-1.5	-1.8	-11.1	-25.3	
France	0.8	0.9	-16.2	-20.1		-3.1	-1.6	-17.3	-34.2	
Italy	3.7	-1.0	-28.4	-19.1		-0.6	-2.3	-29.4	-42.5	
Japan	1.9	-0.3	-3.7	-9.8	-8.4	-2.4	-3.7	-6.8	-15.9	-24.1

Source: Macrobond

Unemployment Rate (Seasonally Adjusted)

	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	######	#####	May-20	Jun-20
US	3.7	3.5	3.6	3.5	3.5	3.6	3.5	4.4	14.7	13.3	11.1
Canada	5.7	5.5	5.6	5.9	5.6	5.5	5.6	7.8	13.0	13.7	
UK	3.8	3.8	3.8	3.8	3.9	4.0	3.9	3.9			
Eurozone	7.5	7.5	7.4	7.4	7.3	7.4	7.2	7.1	7.3	7.4	
Germany	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.8	6.3	6.4
France	8.5	8.4	8.3	8.2	8.2	8.0	7.6	7.6	8.7	8.1	
Italy	9.6	9.7	9.5	9.4	9.4	9.4	9.0	8.2	6.6	7.8	
Japan	2.3	2.4	2.4	2.2	2.2	2.4	2.4	2.5	2.6	2.9	
Australia	5.2	5.2	5.3	5.1	5.1	5.3	5.1	5.2	6.4	7.1	

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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