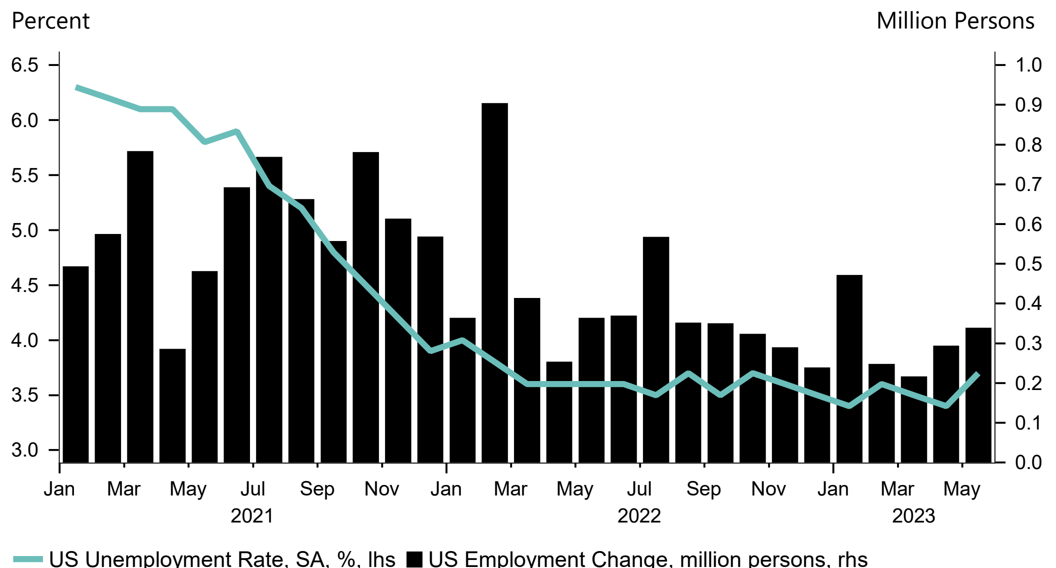
The Economy

Macro data sends mixed and contradictory messages, but US debt deal is done.

US

If we thought the April payrolls report was full of contradictions, then the May one really took home the grand prize! According to the establishment survey, the economy added 339,000 jobs during the month, and gains in the prior two months were 93,000 higher than previously reported. But according to the household report, the economy actually lost 310,000 jobs and the number of unemployed jumped by 440,000! As a result, the **unemployment rate** shot up three tenths to a seven-month high of 3.7% despite a steady labor force participation rate. Of course, this is still an extremely low rate historically—barely off record lows, in fact—but the size of the move in a single month was noticeable. The other oddity was that, despite the solid increase in payrolls, total hours worked actually declined, reflecting a six-minute decline in the average workweek in the services sector; this is now the shortest since April 2020. So, while employment remains strong, the clear moderation in average hours worked in recent months paint a somewhat less acute picture for labor demand. Finally, growth in total average hourly earnings moderated a tenth to 0.3% from a downwardly revised April print, lowering this measure of wage inflation by a tenth to 4.3% y/y. Admittedly, average hourly earnings for production and non-supervisory employees accelerated a tenth to a six-month high of 0.5% m/m, although this still left this measure of wage inflation unchanged at 5.0% y/y. We anticipate further gentle moderation in both measures through the remainder of the year.

Figure 1: US Unemployment Rate Ticks Up Despite Payrolls Gain



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

In respect to the sectoral composition of the reported payrolls gains, the private sector accounted for 283,000 and the public sector for the remaining 56,000. Goods-producing sectors added 26,000, overwhelmingly in construction, while manufacturing lost 2,000. Despite the slowdown in residential construction, we are not surprised to see resilience in construction hiring since much work is being done on infrastructure

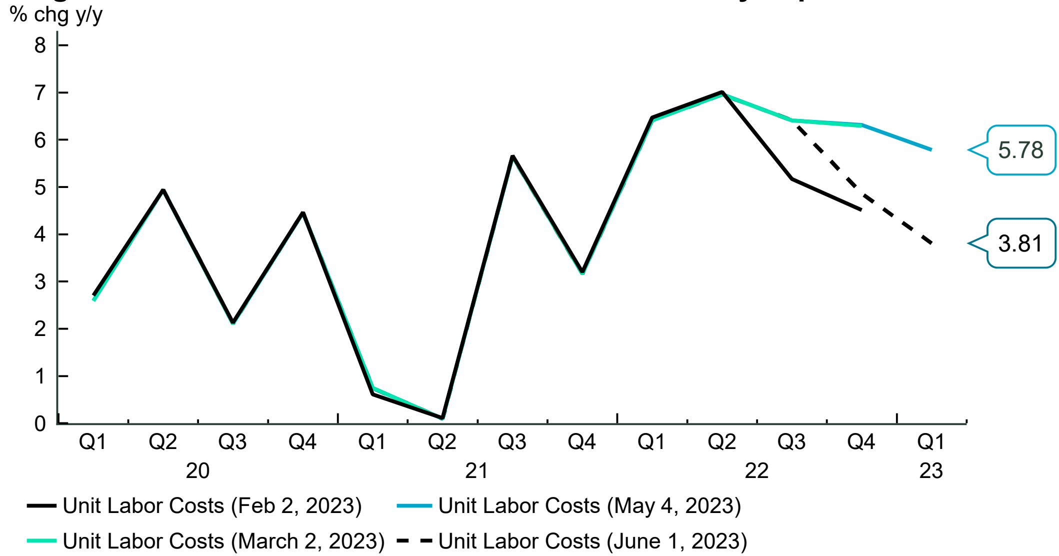
and industrial facilities. Private service sectors added 257,000 jobs, with education and healthcare accounting for 97,000, professional and business services 64,000, leisure and hospitality 48,000, and trade and transportation 37,000. There was an 8,000 increase in temporary jobs, breaking a three-month streak of declines.

One of the biggest questions for economists, investors, and policy makers alike, is whether it is possible to bring wage inflation down without a sharp increase in unemployment. Historically, the latter has been needed to accomplish the former. We have long argued that it might be possible to accomplish this now thanks to a broad process of normalization post-Covid. The experience of the past year is supportive in this regard—at least if one used average hourly earnings as a measure of wage inflation. What remains unclear is whether *enough* wage disinflation can be accomplished this way to bring inflation back to target. We are probably more hopeful than most on this question, but nonetheless do believe that some slackening of the labor market will be needed.

As to near term implications for monetary policy, there was more than enough in the May jobs report to support a Fed pause in June. But there was also enough to support calls for some additional tightening later on. We are of the view that if the Fed skips a June hike it would be quite difficult to resume in late July because by then inflation data should show material further improvement. Although core inflation metrics would still be quite elevated, if headline CPI inflation retreats to about 3.5% y/y in June as we expect, it would become less convincing an argument to say that a Fed Funds rate in the 5.00-5.25% range is still not sufficiently restrictive to bring inflation to target. Even so, we think it quite possible—maybe even likely—that, even with a June pause, the new dot plot median would imply one more hike later in the year. Given the sizable revisions and contradictory signals from macro data, putting another hike in the dot plot even if there is a high chance that it would not materialize seems like a low risk action to preserve future policy optionality.

Speaking of sizable revisions and contradictory messages…The latest update on labor productivity brought about yet another stunning revision to **unit labor cost (ULC)** estimates, this time downward. Figure 2 (page 3) below highlights the sequence of ULC estimates over the past several months. We started the year working under the assumption (i.e., the February data) that they were growing at about 4.5% y/y as we closed 2022. Then on March 2, updated estimates with revisions primarily to Q3 2022 data (which bled into Q4) pushed that number to about 6.5% y/y. This greatly exacerbated the hawkish market sentiment triggered a couple of weeks prior by the release of stronger than expected January retail sales data (that had lots of issues as well). The unfolding banking turmoil temporarily pushed inflationary concerns aside, but as soon as the acute phase of that crisis receded, attention came back to stubborn inflation and wage pressures. The May 4 release of Q1 GDP extended those concerns. And then came this week's data! It seems we are back on the old trajectory of easing labor cost pressures after all…Do we believe the new release is the "correct" one? It is hard to tell, but we do believe it to be more accurate as the latest labor income estimates utilize fuller tax return information. We also believe it to make more intuitive sense, though that is a subjective call.

Why do we stress this so much? It is not merely a theoretical concern but there are direct policy implications. At 6.0%+, ULC growth is far too high to be consistent with a 2.0% inflation target. But ULC growth below 4.0% is much closer to that range...



The **JOLTS report** similarly underwent noticeable revisions over the past six months, but it is fair to say that it has persistently come in stronger than expected, signaling persistently strong labor demand. That said, the low and deteriorating response rate (thank you to our colleagues from State Street Global Markets for bringing this to our attention!) warrant taking each individual report with a dose of caution and focusing on the overall trend. This, unmistakably, remains one of moderation. Thus, although job openings unexpectedly increased by 358,000 to a three-month high of 10.1 million, we believe the downtrend remains intact. Encouragingly, quits declined again and slipped below the 3.8 million level for the first time since March of 2021. We see diminishing churn in the labor market as an important contributing factor to our "wage disinflation despite low unemployment" narrative.

To add to the confusion surrounding the debate around labor market strength, the closely watched labor differential from the **Conference Board**—which measures the difference between those who think jobs are abundant and those who think jobs are scarce—plunged 5.9 points to its lowest level since April 2021. In this sense, it seems to lend credence to the household survey and the reported increase in the unemployment rate, but—just as with everything else—we will await more data to validate the sustainable nature of this decline. Meanwhile, the overall consumer confidence index eased 1.4 points but from an upwardly revised prior data, so the outcome was actually better than expected.

Many macro indicators also have plenty of internal contradictions at the moment and the May **ISM manufacturing index** was no exception. The headline was little changed—down 0.2 point to a weak 46.9. Production and employment both rose, however. The production metric jumped 2.2 points to 51.1, the highest level since October and the first expansion since November. Employment rose 1.2 points to 51.4, the second consecutive gain and the highest reading since August. The trouble though, is that new orders dropped 3.1 points to 42.6—the fastest rate of contraction since May of 2020. Unsurprisingly given falling orders and rising output, backlogs

shrank at the fastest rate since 2008! And so, without a revival in new orders, neither the improvement in output nor that in employment, appear sustainable. Unsurprisingly, the price metric plunged 9.0 points, back into contraction at 44.2. We have long argued that a world of shrinking backlogs is a world where price competition is bound to re-emerge so we are glad to see this dynamic. One comment especially caught our eye this month: a respondent from the fabricated metals industry noted that “Suppliers are still seeking price increases but are too late to be asking now.”. Times seem to be changing…

Motor vehicle sales have yet to return to their pre-Covid levels and as such, this is a segment that can continue to benefit from pent-up consumer demand as supply comes back online. And with supply seemingly improving and some price incentives from key manufacturers, motor vehicle sales have had some decent months recently, having been a key driver for the first-quarter rise in consumer spending! However, after a strong April, sales decline 5.4% in May to 15.05 million (seasonally adjusted, annual rate). Even so, sales were 18.7% higher than in May 2022.

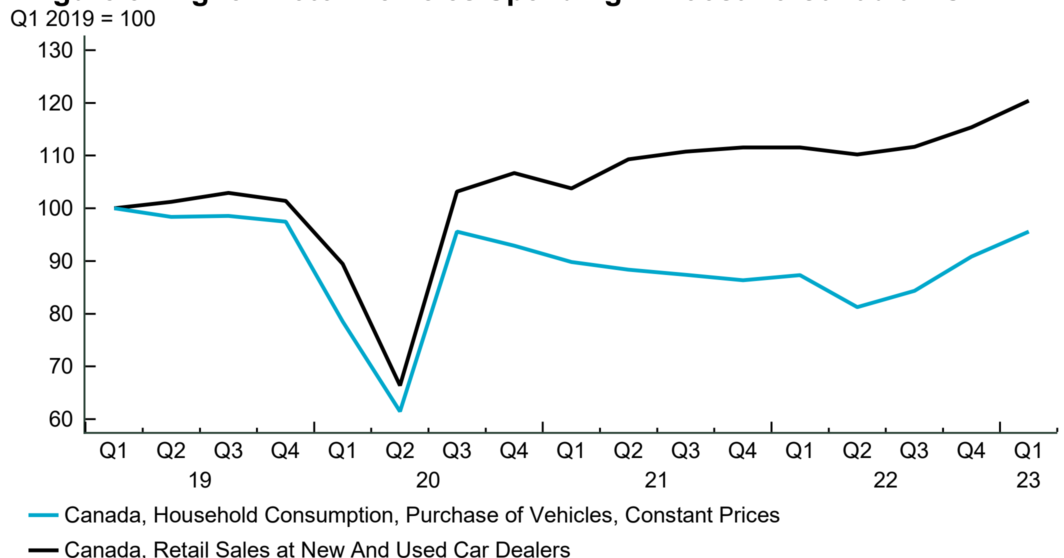
Canada

GDP data for Q1 dealt a blow to our call of peak rates in Canada and we now have an out-of-consensus call for the Bank of Canada (BoC) to hike next week by 25 bps.

Preliminary **GDP** data showed that output in Canada rose 3.1% q/q saar, noticeably better than the consensus of 2.5%. Household spending grew a staggering 6.1% in goods and 5.3% in services. Goods spending was driven by motor vehicles and clothing, while services spending was led by food and alcoholic beverages and travel. Exports rose 10.1% while imports only rose 0.9%.

Pent-up demand for automobiles is still getting realized in Canada thanks to improving inventories and record migration.

Figure 3: Higher Motor Vehicles Spending A Boost To Canadian GDP



Sources: SSGA Economics, StatCan, ISED, Macrobond
Updated as of 6/2/2023

Canada's population grew at its highest rate of 2.7% in 2022, topping 39 million for the first time ever. Statistics Canada attributed 94% of this rise to international migrants. So, although the household consumption deflator has eased in line with headline CPI, the BoC will have to hike more to help scale down this demand. Otherwise, the Bank will risk sticky inflation.

However, **home prices in Toronto**, the biggest destination for migrants in Canada, surged by 3.2% m/m in May, the third monthly increase since the BoC's pause. Housing demand has picked up markedly in in the recent months, according to the Toronto Real Estate Board.

However, how sustainable is the resilience in GDP? It sure is firmly rooted as household consumption was the primary driver. But, the outlook is still not too bright, as retail sales came off their highs of 15.4% y/y in May 2022 to just 2.4% in March. Also, the ratio of the price of exports to that of imports – the terms of trade had declined 2.7% q/q for the third quarter as prices of exported goods declined 3.4%. This implies headwinds to export incomes in coming quarters.

Despite these headwinds, given that the number of people working multiple jobs has fully recovered to 1.13 million, resilient incomes may feed spending in a few pockets like automobiles. Households indeed are strained but are evidently consuming actively. So, it makes sense for the BoC to tighten more. Hence, we expect the BoC to hike the overnight target rate by 25 bps next week. And we expect the labor market to add fewer jobs in May and the average hourly wages to grow below 5% y/y.

UK

Following two sizable increases, he number of **approved mortgages** declined a modest 5.4% to 48,700 in April, which was 26% lower than a year earlier. However, the amount of net new lending secured by dwellings actually declined by £1.4 billion, the first such drop since July 2021. The combination suggests smaller average mortgages and/or larger down payments, which would make sense given the moderation in house prices and high interest rates.

A 0.4% increase in April had broken the prior string of seven consecutive declines in the **Nationwide house price index**, but May brought a reversion to that trend. Prices declined a modest 0.1% m/m, but this was sufficient to accelerate the y/y decline from 2.7% previously to 3.4% now.

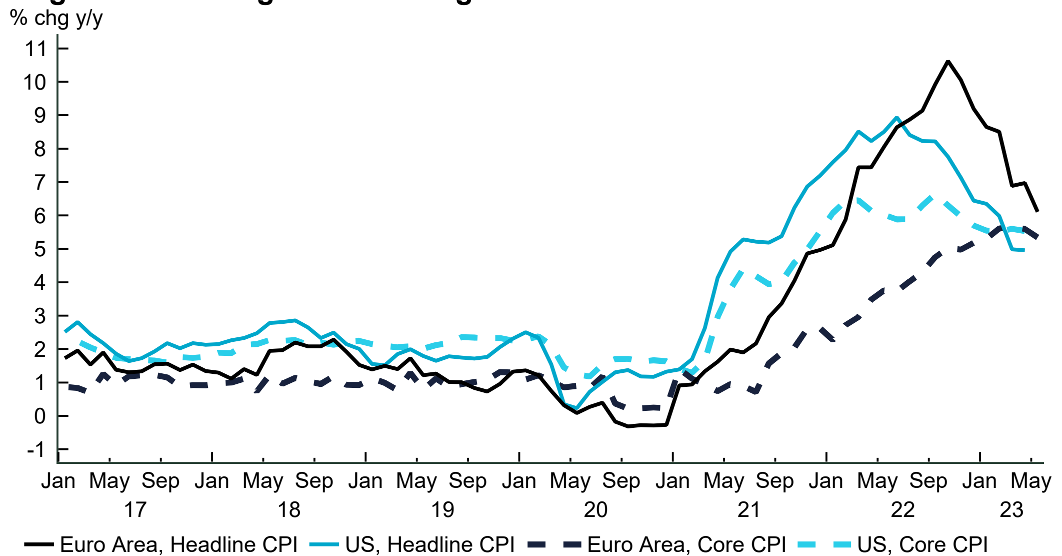
Eurozone

By far the most significant release this week was the eurozone inflation data showing the first signs of a peak on core inflation and further noticeable decline in the headline measure. Overall **CPI inflation** slowed nine tenths to 6.1% y/y, the lowest level since February 2022, right before the start of the Ukraine war. The core inflation rate slowed three tenths to 5.3% y/y, the least since January.

Following the Covid-19 shock, the spike in eurozone inflation lagged the US surge, especially in the core measure, which showed little movement over the first half of 2021, even as US core inflation was moving meaningfully higher (Figure 4, page 7). By the third quarter of 2021, core eurozone inflation was also turning sharply higher, and both measures then took another step up following the Ukraine invasion and the

energy price shock. One question now is whether eurozone core inflation will prove as slow to moderate as the US measure. We suspect it might, actually, ease a little faster since so much of eurozone's inflation can be traced back to the energy price shock that has now largely faded. This remains an open question, however, and the ECB will likely feel it has more work to do to ensure the return to target.

Figure 4: First Signs Of Peaking In Eurozone Core Inflation

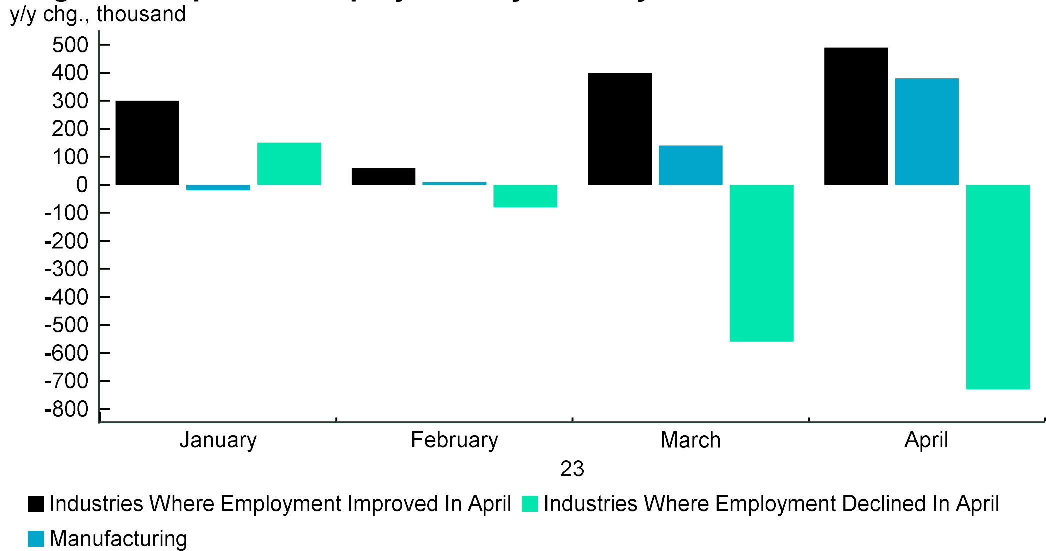


Sources: Macrobond, SSGA Economics, BLS, Eurostat
Updated as of 6/3/2023

Japan

The **unemployment rate** declined two-tenths to 2.6% in April as the economy added 130,000 new jobs (seasonally adjusted), but we are cautious about the labor market (Figure 5, page 8). Employment declined in eight of fifteen industries from last year, which subtracted 730 thousand jobs in April but was balanced by six industries that added 870,000. However, this resilience is largely a manufacturing story, which accounted for 44% of the job additions. The new job offers to applicants ratio was unchanged at 1.32, but new job offers—a critical leading indicator rebounded for the first time in three months by 1.5% m/m, so overall, we think the labor market is healthy, and incomes could remain on the uptrend we have been noticing. The number of permanent employees rose by 310,000, and non-permanent declined by 200,000.

The story is consistent with the **manufacturing PMI**, which crossed into expansion for the first time in seven months, and the output index jumped 4.1 points to 51.9! The recovery in manufacturing should comfortably persist as the new orders index has already expanded for three months and at the strongest rate in a year.



Sources: SSGA Economics, SBJ, Macrobond
Updated as of 6/3/2023

Furthermore, despite the 0.4% m/m drop in April, **industrial production** improved on a trend basis, and the manufacturers project solid recovery into the current quarter. Large rises were registered in general purpose machinery (11.6%), electronic parts (8.9%), electrical machinery (4.9%) and autos (1.4%). This adds to our view that production may recover on improving domestic, rather than external, demand.

Quite surprisingly, **retail sales** declined in May for the first time in six months by 1.2% m/m against expectations of an increase. The drag was attributable to a decline in vehicle sales which fell 7.7% after substantial gains in prior months (10.1% and 7.0% in the last two months). However, solid gains were registered in general merchandise (3.2%), fabrics (1.5%) and food (1.0%).

Consumer confidence improved for the sixth month by 0.6 points to 36.0 in May. Despite higher inflation, the rising confidence is the biggest impetus for domestic consumption as the DI for employment marked a post-pandemic high. At the same time, the DI for durable goods also improved. Reflecting the recent government approval of electricity price hikes, inflation expectations remained elevated.

Finally, the **Q1 MoF corporate survey** highlighted steadfast corporate activity. Non-manufacturers' profits jumped 30.1% q/q, which translated into 84.7% growth annually! And despite a 12.1% drop in manufacturing sales, profits rose 21.6% due to better pricing power. Nominal capex rose 11.4% q/q in Q1. Considering that Governor Ueda had communicated the importance of corporate profits to wage momentum, we are more confident of the Yield Curve Control adjustment in the next two months.

Next week, we expect a substantially higher Q1 GDP in the second print on better capex. Also, we expect household spending to have bounced back in April.

Australia

We attempt to simplify the dizzying macroevolution in Australia of late. Overall, we are confident that price-pressures are easing (although slowly) and household

consumption has sufficiently weakened to bring down the Q1 GDP growth rate to 0.2% q/q, a touch below the consensus. All these would mean that the Reserve Bank of Australia (RBA) may pause its hiking in June (even though they meet before GDP releases). Our view is in line with the current consensus of a 65% chance that the cash rate target may remain at 3.85%.

The **April CPI** data was rather confusing. The data showed that the weighted CPI rose 6.8% y/y in April, a half a percentage point acceleration that is a headache for markets (and us). But price increases moderated to 0.3% m/m from 0.5% in March. Much of the y/y surprise was attributable to fuel inflation which jumped 9.5% y/y from -8.2% in March! Inflation for food and non-alcoholic beverages inflation eased two-tenths but remains high at 7.9% y/y, while housing eased six-tenths to 8.9% y/y. New dwelling prices rose 'just' 9.2%, the lowest in 14 months. More importantly for the Reserve Bank of Australia (RBA), the resumed publishing of the 30% trimmed-mean series showed that inflation rose 20 bps to 6.7% y/y in April. However, the new 'CPI excluding volatile items and holiday travel' eased four-tenths from March to 6.5% y/y.

Australia's **Fair Works Commission** hiked the minimum wage by 5.75% to A$ 23.23 per hour, less than the CPI and much less than expectations of a 7.0% hike. A hike of 8.6% was awarded to the bottom of the workforce but the number of workers is too small to cause a large impact. Overall, 20% of the labor force may benefit from this decision and importantly, the Wage Price Index may rise a touch over 4.0% y/y in Q3, but still way below inflation, so the scales are balanced. Considering that higher minimum wages did not cause a wage price spiral in the last 20 odd years, the decision may not have significant bearing on the RBA.

Given our call of slowing consumption is already consensus, the GDP partials released this week hinted at a balancing act that may prove difficult. **Construction work done** rose 1.8% q/q in the first quarter, above the consensus of 0.6%, due to a 5.0% jump in engineering construction offset by a 2% decline in residential. Separately, **building approvals** declined 8.1% m/m in April, much weaker than the consensus of a 2% rise. Approvals for detached houses fell 3.6% m/m, while those for high density dropped 16.5% and are at an 11-year low in level terms. The persistently weak approvals warrant weaker residential investment, but the lagged impulse from delays earlier has already shown more construction work being done. The value of housing commitments too declined 3.8% m/m in April against expectations of a 2.8% rise.

Private business capex, too, bested expectations and grew by a solid 2.4% q/q, underscored by a solid 3.7% rise in equipment and a 3.4% lift in non-mining. Even building and structures were up by 1.3%. Furthermore, capex plans for FY 2023-24 also printed 5.0% higher than a year ago at A$ 137.6 bn. We, however, expect these plans to be revised lower as the outlook weakens.

We expect next week's **Q1 GDP** data to print 0.2% q/q or 2.3% y/y, below consensus, as consumer spending may weaken to just under 2.0% y/y from an average of 6.6% in the last two years. We therefore expect the RBA to pause in June on the unreliability of monthly CPI and the lack of sufficient evidence that price pressures have strengthened. If Q1 GDP data highlights much weaker consumption, the RBA is likely to pause indefinitely. So, we retain our view that interest rates have peaked in Australia, although, admittedly, there are obvious upside risks to our view.

Week in Review (May 29 – Jun 02)

Country	Release (Date, format)	Consensus	Actual	Last	Comments
Monday, May 29					
JN	Jobless Rate (Apr)	2.7%	2.6%	2.8%	Great!
JN	Job-To-Applicant Ratio (Apr)	1.32	1.32	1.32	Largely a manufacturing story.
Tuesday, May 30					
US	FHFA House Price Index (Mar, m/m)	0.2%	0.6%	0.7% (↑)	Can this revival be sustained?
US	S&P CoreLogic CS 20-City (Mar, m/m)	0.00%	0.45%	-0.07% (↓)	Can this revival be sustained?
US	Conf. Board Consumer Confidence (May)	99.0	102.3	103.7 (↑)	Labor differential plunged.
IT	PPI (Apr, y/y)	na	-3.5%	3.0%	Base effects help a lot.
IT	Industrial Sales (Mar, m/m)	na	-0.3%	1.3%	Uninspiring.
JN	Retail Sales (Apr, m/m)	0.5%	-1.2%	0.6%	Pay back from past rises in auto sales.
JN	Industrial Production (Apr, m/m, prelim)	1.4%	-0.4%	1.1%	Outlook is strong on domestic demand.
AU	Private Sector Credit (Apr, m/m)	0.3%	0.6%	0.2% (↓)	Caused due to business credit growth.
Wednesday, May 31					
US	JOLTS Job Openings (Apr, thous)	9,400	10,103	9,745 (↑)	Questionable rebound. Quits declined.
CA	GDP (Q1, q/q, saar)	2.5%	3.1%	-0.1%	Very strong household spending.
CA	GDP (Mar, m/m)	-0.1%	0.0%	0.1%	Strong spending to keep growth up and running?
GE	Unemployment Claims Rate (May, sa)	5.6%	5.6%	5.6%	Steady.
GE	CPI (May, y/y, prelim)	6.5%	6.1%	7.2%	Good; more needed.
FR	CPI (May, y/y, prelim)	5.5%	5.1%	5.9%	Good; more needed.
FR	GDP (Q1, q/q, final)	0.2% (p)	0.2%	0.0%	Confirming initial estimates.
IT	GDP WDA (Q1, q/q, final)	0.5% (p)	0.6%	-0.1%	Great!
IT	CPI NIC incl. tobacco (May, y/y, prelim)	7.2%	7.6%	8.3%	Good; more needed.
JN	Annualized Housing Starts (Apr, mn)	0.868	0.771	0.877	Notable decline but volatile.
JN	Consumer Confidence Index (May)	36.0	36.0	35.4	Near highs, very good.
JN	Manufacturing PMI (May, final)	50.8 (p)	50.6	49.5	Manufacturing is reviving on domestic demand.
Thursday, Jun 01					
US	Nonfarm Productivity (Q1, q/q, final)	-2.7% (p)	-2.1%	1.6%	Big downward revisions to unit labor costs.
US	Initial Jobless Claims (May 27, thous)	235	232	230 (↑)	Have bottomed but not rising much.
US	Continuing Claims (May 20, thous)	1,800	1,795	1,789 (↓)	Have bottomed but rising only slowly.
US	ISM Manufacturing (May)	47.0	46.9	47.1	Output up but new orders, backlogs down.
US	Wards Total Vehicle Sales (May, mn)	15.30	15.05	15.91	Might be a little lower.
UK	Nationwide House PX (May, m/m)	-0.5%	-0.1%	0.4% (↓)	Moderating.
UK	Mortgage Approvals (Apr, thous)	53.5	48.7	51.5 (↓)	Soft.
UK	Manufacturing PMI (May, final)	46.9 (p)	47.1	47.8	Weak.
EC	Manufacturing PMI (May, final)	44.6 (p)	44.8	45.8	Weak.
GE	Retail Sales (Apr, m/m)	1.0%	0.8%	-1.3% (↑)	A little less bad given upward revision.
GE	Manufacturing PMI (May, final)	42.9 (p)	43.2	44.5	Very weak, despite revision.
FR	Manufacturing PMI (May, final)	46.1 (p)	45.7	45.6	Weak.
IT	Manufacturing PMI (May)	45.8	45.9	46.8	Weak.
IT	Unemployment Rate (Apr)	7.8%	7.8%	7.9% (↑)	Little movement.
Friday, Jun 02					
US	Change In Nonfarm Payrolls (May, thous)	195	339	294 (↑)	Lots of contradictions in this report.
US	Unemployment Rate (May)	3.5%	3.7%	3.4%	And wage inflation eased incrementally also.
FR	Industrial Production (Apr)	0.3%	0.8%	-1.1%	Good, but not even retracting prior loss.

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

Week In Preview (Jun 05 – Jun 09)

Country	Release (Date, format)	Consensus	Last	Comments
Monday, Jun 05				
US	Factory Orders (Apr, m/m)	0.8%	0.9%	
US	Durable Goods Orders (Apr, m/m, final)	1.1% (p)	3.3%	
US	ISM Non-Manufacturing Index (May)	52.5	51.9	Government and construction to help.
UK	Services PMI (May, final)	55.1 (p)	55.9	
EC	Composite PMI (May, final)	53.3 (p)	54.1	
EC	Services PMI (May, final)	55.9 (p)	56.2	
GE	Services PMI (May, final)	57.8 (p)	56.0	
JN	Labor Cash Earnings (Apr, y/y)	1.8%	1.3% (↑)	Big upward revision in April from 0.8%, will continue rising.
Tuesday, Jun 06				
CA	Building Permits (Apr, m/m)	na	11.3%	May improve on high housing demand.
CA	Ivey PMI (May, sa)	na	56.8	Could tick down.
GE	Factory Orders (Apr, m/m)	2.8%	-10.7%	
AU	RBA Cash Rate Target	3.85%	3.85%	To be on hold due to weak consumption outlook.
Wednesday, Jun 07				
US	Consumer Credit (Apr, $ bn)	22.000	26.514	Credit is very expensive now.
CA	Int’l Merchandise Trade (Apr, C$ bn)	na	0.97	May tick up on better exports.
CA	Labor Productivity (Q1, q/q)	na	-0.5%	Risk on either side, but we lean higher.
CA	Bank of Canada Rate Decision	4.50%	4.50%	We expect a hike due to strong household consumption in Q1.
GE	Industrial Production (Apr, m/m, sa)	0.6%	-3.4%	
IT	Retail Sales (Apr, m/m)	0.3%	0.0%	
JN	GDP (Q1, q/q, sa, final)	0.4% (p)	0.0%	Big upward revision underway.
AU	GDP (Q1, q/q, sa)	0.3%	0.5%	Big downward move underway.
Thursday, Jun 08				
US	Initial Jobless Claims (Jun 03, thous)	237	232	Mild uptrend.
US	Continuing Claims (May 27, thous)	1,804	1,795	Mild uptrend.
EC	GDP (Q1, q/q, sa, final)	0.1% (p)	-0.1%	
Friday, Jun 09				
CA	Employment Change (May, thous)	21.4	41.4	Another upside surprise?
CA	Unemployment Rate (May)	na	5.0%	No big movement expected.
CA	Capacity Utilization (Q1)	na	81.7%	May have ticked up.
IT	Industrial Production (Apr, m/m)	0.2%	-0.6%	

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

Economic Indicators

Central Bank Policy Targets

Region	Target	Year/Year % Change in Target				
		Dec	Jan	Feb	Mar	Apr
US	Target: PCE price index 2.0% y/y	5.3	5.4	5.1	4.2	4.4
Canada	Target: CPI 2.0% y/y, 1.0%-3.0% control range	6.3	5.9	5.2	4.3	4.4
UK	Target: CPI 2.0% y/y	10.5	10.1	10.4	10.1	8.7
Eurozone	Target: CPI below but close to 2.0% y/y	9.2	8.6	8.5	6.9	7.0
Japan	Target: CPI 2.0% y/y	4.0	4.3	3.3	3.2	3.5
Australia	Target Range: CPI 2.0%-3.0% y/y	7.8	7.0	7.0	7.0	

Source: Macrobond

Key Interest Rates

	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23
US (top of target range)	2.50	2.50	3.25	3.25	4.00	4.50	4.50	4.75	5.00	5.00	5.25
Canada (Overnight Rate)	2.50	2.50	3.25	3.75	3.75	4.25	4.50	4.50	4.50	4.50	4.50
UK (Bank Rate)	1.25	1.75	2.25	2.25	3.00	3.50	3.50	4.00	4.25	4.25	4.50
Eurozone (Refi)	0.50	0.50	1.25	1.25	2.00	2.50	2.50	3.00	3.50	3.50	3.75
Japan (OCR)	-0.01	-0.04	-0.07	-0.06	-0.08	-0.02	-0.01	-0.01	-0.03	-0.07	-0.07
Australia (OCR)	1.28	1.81	2.25	2.58	2.84	3.05	3.10	3.29	3.54	3.60	3.83

Source: Macrobond

General Government Structural Balance as a % of Potential GDP

	2015	2016	2017	2018	2019	2020	2021	2022	Forecast 2023	Forecast 2024
US	-2.5	-3.6	-4.3	-5.1	-6.0	-10.7	-10.7	-5.9	-6.6	-6.7
Canada	0.0	0.0	-0.3	0.0	-0.2	-8.1	-3.3	-1.2	-0.5	-0.1
UK	-2.5	-1.6	-1.3	-1.4	-1.6	0.8	-3.6	-4.5	-4.3	-2.8
Eurozone	-0.5	-0.5	-0.4	-0.3	-0.5	-4.0	-3.8	-2.8	-3.1	-2.5
Germany	1.2	1.2	1.1	1.6	1.3	-2.9	-3.0	-2.6	-3.2	-1.4
France	-2.1	-1.9	-1.9	-1.5	-2.1	-5.8	-5.2	-4.4	-4.6	-4.1
Italy	-0.4	-1.0	-1.5	-1.6	-0.9	-6.1	-6.7	-2.4	-2.0	-3.0
Japan	-4.5	-4.5	-3.7	-3.0	-3.3	-8.1	-6.2	-7.8	-6.4	-4.1
Australia	-2.5	-2.2	-1.5	-1.1	-4.0	-7.9	-6.1	-3.5	-3.3	-2.9

Source: International Monetary Fund, World Economic Outlook

Headline Consumer and Producer Price Inflation

	CPI Year/Year % Change						PPI Year/Year % Change				
	Jan	Feb	Mar	Apr	May		Dec	Jan	Feb	Mar	Apr
US	6.4	6.0	5.0	4.9			6.4	5.7	4.8	2.7	2.3
Canada	5.9	5.2	4.3	4.4			7.5	4.8	1.4	-2.2	-3.5
UK	10.1	10.4	10.1	8.7			14.5	13.4	11.9	8.5	5.4
Eurozone	8.6	8.5	6.9	7.0			24.6	15.1	13.4	5.9	
Germany	8.7	8.7	7.4	7.2	6.1		21.6	16.6	13.5	6.7	4.1
France	6.0	6.3	5.7	5.9	5.1		17.5	14.9	13.4	9.5	5.0
Italy	10.0	9.1	7.6	8.2	7.6		31.7	11.1	9.6	3.7	-1.5
Japan	4.3	3.3	3.2	3.5			10.6	9.6	8.3	7.4	5.8
Australia	7.0	7.0	7.0				5.8	5.2	5.2	5.2	

Source: Macrobond

Economic Indicators

Real GDP Growth (Q/Q Seasonally Adjusted)

	Quarter/Quarter % Change					Year/Year % Change				
	Q1-22	Q2-22	Q3-22	Q4-22	Q1-23	Q1-22	Q2-22	Q3-22	Q4-22	Q1-23
US	-0.4	-0.1	0.8	0.6	0.3	3.7	1.8	1.9	0.9	1.6
Canada	0.6	0.9	0.6	0.0	0.8	3.2	4.7	3.8	2.1	2.2
UK	0.5	0.1	-0.1	0.1	0.1	10.6	3.8	2.0	0.6	0.2
Eurozone	0.6	0.9	0.4	-0.1	0.1	5.5	4.4	2.5	1.8	1.3
Germany	1.0	-0.1	0.5	-0.5	-0.3	3.8	1.7	1.4	0.8	-0.5
France	-0.1	0.5	0.2	0.0	0.2	4.5	4.0	1.1	0.6	0.9
Italy	0.1	1.0	0.4	-0.1	0.6	6.5	5.0	2.5	1.5	1.9
Japan	-0.5	1.1	-0.2	0.0	0.4	0.7	1.5	1.6	0.4	1.3
Australia	0.6	0.9	0.7	0.5		3.0	3.1	5.9	2.7	

Source: Macrobond

Industrial Production Index (M/M Seasonally Adjusted)

	Month/Month % Change					Year/Year % Change				
	Dec	Jan	Feb	Mar	Apr	Dec	Jan	Feb	Mar	Apr
US	-1.5	1.0	0.0	0.0	0.5	0.6	1.5	0.8	0.1	0.2
Canada	-1.0	0.5	0.5	0.1		1.5	1.9	1.9	0.9	
UK	0.2	-0.3	-0.1	0.8		-2.7	-3.0	-2.8	-2.0	
Germany	-2.3	3.7	2.1	-3.4		-3.7	-1.0	0.8	1.6	
France	1.4	-2.1	1.5	-1.1	0.8	1.8	-2.2	0.9	-0.1	1.3
Italy	1.1	-0.5	-0.2	-0.6		-0.9	1.9	-2.3	-3.2	
Japan	0.3	-5.3	4.6	1.1	-0.4	-0.8	-3.8	-1.4	-0.6	0.4

Source: Macrobond

Unemployment Rate (Seasonally Adjusted)

	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23
US	3.5	3.7	3.5	3.7	3.6	3.5	3.4	3.6	3.5	3.4	3.7
Canada	4.9	5.3	5.2	5.2	5.1	5.0	5.0	5.0	5.0	5.0	
UK	3.5	3.6	3.7	3.7	3.7	3.7	3.8	3.9			
Eurozone	6.7	6.7	6.7	6.7	6.7	6.7	6.6	6.6	6.6	6.5	
Germany	5.4	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.6	5.6	5.6
France	7.3	7.2	7.1	7.2	7.2	7.2	7.1	7.0	7.0	7.0	
Italy	8.0	8.1	8.0	8.0	7.9	7.9	8.0	8.0	7.9	7.8	
Japan	2.6	2.5	2.6	2.6	2.5	2.5	2.4	2.6	2.8	2.6	
Australia	3.5	3.5	3.6	3.4	3.5	3.5	3.7	3.6	3.5	3.7	

Source: Macrobond

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

	Q3-20	Q4-20	Q1-21	Q2-21	Q3-21	Q4-21	Q1-22	Q2-22	Q3-22	Q4-22	Q1-23
US	-3.2	-3.5	-3.4	-3.6	-3.8	-3.7	-4.5	-3.8	-3.4	-3.2	
Canada	-2.4	-1.4	0.0	-0.4	-0.6	0.0	0.6	0.7	-1.4	-1.2	-0.9
UK	-2.6	-6.6	-1.9	-0.4	-3.3	-0.4	-8.3	-4.6	-2.0	-0.4	
Eurozone	2.1	3.2	3.5	3.1	2.3	1.2	0.4	-1.3	-3.6	1.0	
Germany	7.2	8.3	9.0	8.4	7.4	6.5	5.7	4.1	2.4	4.9	6.2
France	-2.0	-0.3	0.5	0.7	0.4	-0.1	-0.2	-1.8	-3.6	-3.0	-0.4
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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