STATE STREET GLOBAL ADVISORS



**July 21, 2023**
Commentary

# Weekly Economic Perspectives

**Contents**

01 **The Economy**
Mixed industrial and housing data in the US. Inflation improved more than expected in Canada and the UK. Eurozone disinflation becomes more convincing. Japan's inflation remained firm. Aussie employment rises.

08 Week in Review

09 Week in Preview

10 Economic Indicators

**Spotlight on Next Week**
The Fed is set to deliver another unnecessary hike. The ECB is set to hike again, but turn more cautious on outlook. BoJ to upgrade inflation and amend YCC. Australian inflation to have moderated in Q2.

**Contact**

**Simona Mocuta**
Chief Economist
simona_mocuta@ssga.com
+1-617-664-1133

**Krishna Bhimavarapu**
Economist
VenkataVamseaKrishna_Bhimavarapu@ssga.com
+91-806-741-5000

**Amy Le**
Macro-Investment Strategist
amy_le@ssga.com
+44-203-395-6590

**The Economy**

A fairly quiet week in macro and markets as disinflation themes persist.

US

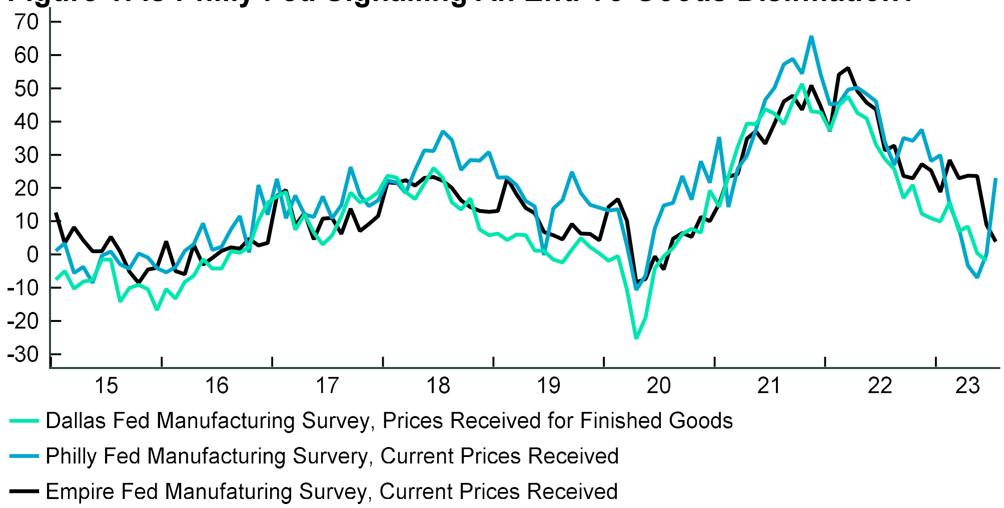
Economic data this week highlighted resilient consumer spending but mixed performance across the industrial and housing sectors.

June **retail sales** were mixed but decent. Overall sales rose a smaller than expected 0.2% m/m, but this was partly offset by an upward revision to the prior month. Most importantly, it was accompanied by a solid 0.6% increase in control sales (excluding food services, building materials, autos dealers and gas stations). There was considerable performance divergence across categories. Top gainers included miscellaneous (2.0%), non-store (online) sales (+1.9%), furniture (+1.4%) and electronics (+1.1%) whereas department store (-2.4%), gasoline stations (-1.4%), and building materials (-1.2%) were among the main detractors. We are closely watching restaurant and bar sales both signs momentum loss on the consumer discretionary side; June sales barely inched up 0.1%, although this could also reflect diminished price pressures in this space. The overall trend in retail sales remains one of slowing growth, however. Seasonally adjusted total sales are now just 1.5% and control sales just 3..9% higher than a year ago.

**Industrial production** declined 0.5% m/m in June, matching the downwardly revised May performance. All three main categories contributed to the decline: mining retreated 0.2%, manufacturing eased 0.3%, and utilities plunged 2.6% during the month. The latter will likely be given a boost by the wave of hot weather affecting much of the country in July, but for the time being, utilities output was down 6.2% y/y. Within manufacturing, production of motor vehicles and parts retreated 3.0% (but is still up 9.5% y/y) while computer/electronics output increased 1.3% (but only 0.2% higher y/y). Overall industrial production is 0.4% lower than in June 2022, reflecting the broader headwinds facing the sector as goods demand slows and the feverish inventory rebuilding phase post-Covid is now over. Capacity utilization continues to diverge widely across segments, with manufacturing at a middling 78.0%, mining at a high 91.6%, and utilities at a low 68.5%.

Neither of the two regional Fed manufacturing surveys released this week showed much movement, at least not in the headline. In fact, for the **Empire Fed manufacturing index**, the 5.5-point decline to 1.1 marked the smallest monthly change since February 2022. Indeed, we had highlighted for some time the extraordinary volatility in this particular measure, to the point where the monthly swings seemed to lose significance as true macro signals. It remains to be seen if that period is now in the past or if the July reading was a mere respite. The details were mixed: new orders were stable, shipments declined, and employment jumped. Prices (both paid and received) moderated. The headline **Philly Fed manufacturing index** barely moved in July, but some of the components actually moved a lot. New orders declined a little, shipments declined a lot, and employment was little changed. Somewhat oddly, while the prices paid measure eased incrementally, the prices received measure surged. This bears watching as the intense disinflation episode in the goods side of the economy will eventually bottom out.

**Figure 1: Is Philly Fed Signalling An End To Goods Disinflation?**




*Sources: Macrobond, SSGA Economics, Dallas Fed, New York Fed, Philadelphia Fed*
*Updated as of 7/21/2023*

Having recovered rapidly from the October lows over the past few months, the pace of improvements in homebuilder sentiment is now slowing, perhaps reflecting the nearing end of the peak selling season, in addition to persistent upward pressure on mortgage rates. The headline **NAHB (National Association of Homebuilders) index** added 1.0 point to 56.0 in July, the highest level in thirteen months. The biggest improvement was in future sales expectations (+7), but present sales also jumped (+5) while buyer traffic improved a modest 2.0 points. A little strangely, prospective buyer traffic improved, but sales expectations declined. There was also a bit of a geographical divergence, with the regional sub-indexes improving in the West and Northeast but ticking lower in the South and Midwest.

**Housing starts** gave back more than half of May's blockbuster surge in June, but nonetheless remain higher than the January to April average. At 1.434 million (saar), they remain 8.1% below year-earlier levels. Unsurprisingly given the magnitude of the decline, all sectors contributed to the pullback: single-family starts declined 7.0% m/m and multi-family retreated 9.9%. Residential **building permits** retreated 3.7% in June. Here, performance was more divergent across segments, as single family permits actually ticked 2.2% higher, while multi-family permits dropped 12.8%.

**Existing home sales** declined 3.3% in June to settle 18.9% lower than a year earlier. Base effects are incrementally becoming less onerous since the slowdown in the housing market is now over a year old. Inventory stands at 3.1 months of sales, well above post COVID lows but also well below pre-Covid norms. The median price of a single-family home declined 0.9% y/y. Properties stayed on the market an average of 18 days—as in May, but down from 34 in February.

## Canada

**Inflation** is moving in right direction, but some momentum remains. Headline inflation eased more than expected to 2.8% in June, driven mainly by lower energy prices. The CPI inflation was expected to fell to 3.0% from 3.4% in May. Food and shelter cost inflation rates remain elevated at 8.3% y/y and 4.8% y/y. Excluding food and energy, the CPI inflation slowed to 3.5% y/y, down from 4.0% y/y in May. Core inflation measures shows some stickiness in underlying price pressures, with the CPI common measure down very slightly by 0.1 percentage points to 5.1% y/y. Both the weighted median and trimmed mean measures also inched down marginally by 0.1 percentage points to 3.9% y/y and 3.7% y/y. Last week, the BoC raised the policy rate by 25 basis points to 5.0%. For now, given the larger than expected decline in headline print, we see lower probability for a rate hike in September, although more may still need to be done.

**Housing starts** rose 41% in June compared with the previous month, somewhat reversing the downward trend. The increase was led by a surge in multiple unit urban homes.

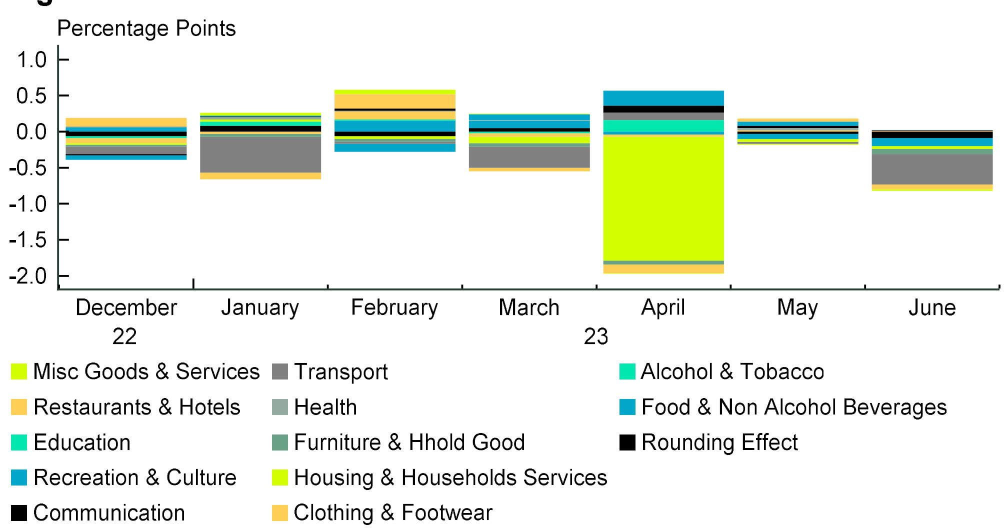
This week's **retail sales** data showed a material slowdown in consumer spending, which the BoC expected to happen in the next few months as the interest rate increases work its way through the economy. Consumers continue to show their willingness at spending, albeit at much slower rate than market expected. Retail sales rose 0.2% in May, against expectations of 0.5% increase, and following previous month's 1.0%. Gains were driven by motor vehicle and parts dealers (+0.8%) and food and beverage retailers (+1.0%). However, core retail sales remained unchanged in May and in volume, sales were up marginally at 0.1%. The Statistics Canada estimated that sales were likely unchanged in June.

---

UK

Headline **consumer price inflation** eased more than expected, down 0.8 percentage points (ppts) to 7.9% y/y in June, the slowest rate since April 2022. The unexpected but very welcome slowdown was mainly due to lower fuel prices, which drove transport inflation down 3.0 ppts to -1.8% y/y, detracting 0.42 ppts from the annual inflation rate. Food and non-alcoholic beverages were the second largest downward contributor to disinflation, with pace slowing by 1.0 ppts to 17.3% y/y. However, core inflation, which excludes food and energy, eased just two tenths to 6.9% y/y, concerningly high (May's 7.1% marked a 31-year high!).

**Figure 2. UK Headline Inflation Fell with Lower Fuel Prices**




*Sources: SSGA Economics, ONS*

Goods inflation decelerated 1.2 percentage points to 8.5% y/y, but services inflation was only down marginally by 0.2 percentage points to 7.2% y/y. The decline was driven primarily by air transport and hotels. The improvement in inflation figures should offer the BoE some relief but it is still a long way before the headline print can return to the 2% target. As core inflation persists at a high level and services inflation not yet showing sign of cooling, we think the MPC will likely deliver another rate hike at the August meeting.

**Real retail sales** rose 0.7% m/m in June, better than the 0.2% expected, but the May data was revised lower. Both food and non-food sales improved. Amongst non-food stores, the rise was mostly broad-based, except clothing which declined 0.4%. However, despite the improvement in headline retail sales, consumption is quite distressed. Indeed, while total retail sales were 17.9% higher than in value terms compared to February 2020, the volumes remained 0.2% lower. Given the erosion in consumer sentiment, that is unsurprising. Indeed, the **GFK consumer confidence** index dropped a larger than expected 6 points to -30 in July, as all five measures were down compared to the previous month. This is reversing the upward trend of the first six months, indicating that consumers are pulling back from spending. With this subdued consumer sentiment, it would be no surprise to see retail sales continue to weaken in the next few months.

Eurozone

Between the final June ***eurozone*** **CPI** print (confirmed at 5.5% y/y, down from 6.1% y/y in May) and the 0.1% y/y ***German*** **PPI inflation** read (down from 1.0% y/y in May), there is more evidence that disinflation is broadening across the region. This won’t stop the ECB from delivering another hike next week, but the tone around future tightening should turn more ambivalent.

Japan

For the first time in eight years, consumer price inflation in Japan (+3.3% y/y in June) is higher than in the US (3.0%)! For now at least, the gradual pass-through of last year’s higher import costs is sustaining the Japanese inflation momentum.

This data reinforces our expectation that the BoJ will revise its inflation forecasts next week and amend its Yield Curve Control (YCC) policy by targeting the 10y JGB yield at 0%±75/100 bps (or change the target to 5y JGB yield). There may seldom be a better time to reduce the extent of monetary easing in Japan. This change has firm fundamental support in robust growth, above target inflation and a record wage growth this year. Furthermore, prospects of a soft landing in the US have improved significantly, reducing external risks. Another favorable factor that emerged this week is the government’s mid-year economic assessment—in which inflation forecasts have risen sharply to 2.6% y/y this fiscal, from 1.7% in January.

So, higher inflation forecasts are (almost) certain, but the YCC adjustment, not so much; the consensus is split, too. However, recent guidance from Governor Ueda and also Deputy Governor Uchida indicated that the adjustment would hinge of higher confidence in sustainable inflation and its expectations. We have been highlighting that these fundamentals are in place. Still, if the BoJ stands pat, we expect them to amend YCC in October this year.

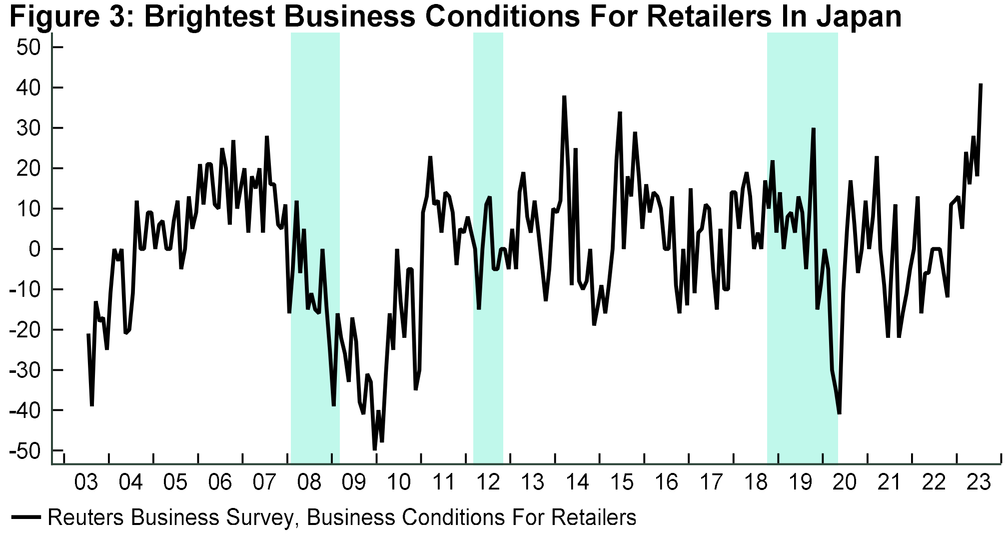
The **BoJ core CPI** (excluding fresh food and energy) rose 4.2% y/y, a tenth less than in May, but a third month above 4.0%. The restart of travel subsidies weighed on the number this month. The official core (excluding fresh food) ticked up by 3.3% y/y on higher electricity prices. Services prices declined 0.2% m/m but were 1.6% higher than last year; the 0.2 ppt drag from travel subsides is notable here. However, goods prices reaccelerated in June to 4.8% y/y two-tenths higher than in May. So, driving forces of inflation are very much present. However, there are a few headwinds. Utility prices detracted 0.50 ppts from the headline number (0.70 in May), so fuel disinflation is significant. An anomaly in these times is that rental contribution the headline has remained close to zero from 2016! Excluding imputed rents, CPI inflation would be 0.6 ppts higher at 3.9%.

Still, it is fair to say that inflation is more likely to have staying power than to prove transient. Inflation for many components including medical care (2.4% y/y), recreation (3.5%), clothing & footwear (3.9%) and transportation (2.2%) has scaled new highs; we expect these categories to keep inflation elevated in H2 2023.

The July **Reuters Tankan survey** highlighted some risk to the economic momentum. The manufacturing DI worsened for the first time in seven months. Six of nine sectors worsened, especially oil refinery/ceramics (-29 points), food (-27 points) and steel/nonferrous metals (-20 points). Improvements were registered in chemicals (+14 points), electric machinery (+7 points) and precision machinery (+7 points).

Non-manufacturing was essentially flat with the DI declining a point to 23; it has been stuck between the 23-25 range for four months. Three sectors improved, while three declined. Notably, the DI for retailers improved 23 points and reached 41, the highest level in 25-years, marking the improved retail conditions in Japan.

**Figure 3: Brightest Business Conditions For Retailers In Japan**




*Sources: SSGA Economics, Reuters, Refinitiv Eikon, Macrobond*
*Updated as of 7/21/2023*

Next week we expect the BoJ to lift its CPI forecasts significantly over the two fiscals and adjust their YCC policy. Otherwise, the July flash PMI manufacturing may tick up and the Tokyo CPI data for July may moderate slightly.

Australia

Contrary to our expectations of a soft print, **employment** jumped 32,600 in June. However, we are even more convinced that the next chapter is one of cooling. Newly available quarterly industry data show that during the second quarter, almost 36% of newly created jobs were in the professional, scientific & technical services, followed by 28.6% jobs in education & training, and 23.2% in manufacturing. However, retail trade, a more cyclical sector lost nearly half of the overall jobs created (80,321 jobs). So, we have evidence of some slowing momentum; however, our base case for the cooling labor market is now delayed somewhat.

The July gain was entirely driven by full time employment, which rose by 39,300. Total hours worked increased 0.3% m/m and the unemployment rate declined 0.1 ppt to 3.5% as the participation rate edged down a tenth to 66.8%. The unemployment rate is just a tenth below the RBA's forecasts, but the broader risk remains that inflation may settle at a higher equilibrium.

The **RBA minutes** of their July meeting showed that the Bank still kept its options open for an August hike as it brought back the *"some further tightening of monetary policy may be required"* phrase. Indeed, after the June employment data, even the markets price a higher chance of an August hike (which has been the consensus). However, the case for pausing was *"the stronger one"* and tightening is *"still working its way through."* Finally, the policy stance was *"clearly restrictive at the prevailing cash rate,"* so the attention now turns to next week's Q2 CPI data.

We expect the Q2 CPI to rise by 0.9% q/q or 6.1% y/y led by the usual suspects: housing and food. Our pick admittedly is below the consensus, and any upside surprise will push the terminal expectations higher. Finally, we expect retail sales to decline in June after rising 0.7% m/m in May. This data mix may still prompt the RBA to hike in August, but we expect that the chances of further hikes to diminish.

# Week in Review (Jul 17 – Jul 21)

| Country | Release (Date, format) | Consensus | Actual | Last | Comments |
|---|---|---|---|---|---|
| **Monday, Jul 17** | | | | | |
| US | Empire Manufacturing (Jul) | -3.5 | 1.1 | 6.6 | Mixed. |
| JN | Tertiary Industry Index (May, m/m) | 0.4% | 1.2% | 0.9% (↓) | Still mixed exports outlook for this year. |
| **Tuesday, Jul 18** | | | | | |
| US | Retail Sales Advance (Jun, m/m) | 0.5% | 0.2% | 0.5% (↑) | Aided by stronger motor vehicle sales. |
| US | Industrial Production (Jun, m/m) | 0.0% | -0.5% | -0.5% (↓) | Broad declines, largest in utilities. |
| US | Capacity Utilization (Jun) | 79.5% | 78.9% | 79.4% (↓) | Mining high, utilities low. |
| US | NAHB Housing Market Index (Jul) | 56.0 | 56.0 | 55.0 | Mixed details, pace of improvement slowing. |
| US | Business Inventories (May, m/m) | 0.2% | 0.2% | 0.1% (↓) | Modest. |
| CA | CPI (Jun, y/y) | 3.0% | 2.8% | 3.4% | Slowing down. |
| CA | Housing Starts (Jun, thous) | 220.0 | 281.4 | 200.0 (↓) | Reversing downward trend? |
| CA | Industrial Product Price (Jun, m/m) | -0.2% | -0.6% | -0.6% (↑) | Ongoing easing. |
| CA | Raw Materials Price Index (Jun, m/m) | -0.4% | -1.5% | -5.0% (↓) | Ongoing easing. |
| **Wednesday, Jul 19** | | | | | |
| US | Housing Starts (Jun, thous) | 1,480 | 1,434 | 1,559 (↓) | Pullback after prior month’s surge. |
| US | Building Permits (Jun, thous) | 1,500 | 1,440 | 1,496 (↑) | Pullback after prior month’s surge. |
| UK | CPI (Jun, y/y) | 8.2% | 7.9% | 8.7% | Welcome improvement. |
| EC | CPI (Jun, y/y, final) | 6.1% (p) | 5.5% | 6.1% | Disinflation intensifies. |
| AU | Employment Change (Jun, thous) | 15.0 | 32.6 | 75.9 | Resilience, but forward indicators show cooling. |
| AU | Unemployment Rate (Jun) | 3.6% | 3.5% | 3.6% | Resilience, but forward indicators show cooling. |
| AU | NAB Business Confidence (Q2) | na | -3 | -4 | The bottom is yet to be found. |
| **Thursday, Jul 20** | | | | | |
| US | Initial Jobless Claims (Jun 15, thous) | 240 | 228 | 237 | Still low. |
| US | Continuing Claims (Jul 08, thous) | 1,722 | 1,754 | 1,721 (↓) | Still low. |
| US | Philadelphia Fed Business Outlook (Jul) | -10.0 | -13.5 | -13.7 | Mixed details. |
| US | Existing Home Sales (Jun, m/m) | -2.3% | -3.3% | 0.2% | Highly limited inventory in existing home market. |
| US | Leading Index (Jun, m/m) | -0.6% | -0.7% | -0.6% (↑) | Big declines continue. |
| UK | GfK Consumer Confidence (Jul) | -26.0 | -30.0 | -24.0 | Reserving the upward trend. |
| GE | PPI (Jun, y/y) | 0.0% | 0.1% | 1.0% | Bound to turn negative soon. |
| FR | Business Confidence (Jul) | 100.0 | 100.0 | 100.0 | Slow erosion trend. |
| JN | National CPI (Jun, y/y) | 3.2% | 3.3% | 3.2% | Inflation is looking strong in Japan. |
| **Friday, Jul 21** | | | | | |
| CA | Retail Sales (May, m/m) | 0.5% | 0.2% | 1.0% (↓) | Decelerating. |
| UK | Retail Sales Inc Auto Fuel (Jun, m/m) | 0.2% | 0.7% | 0.1% (↓) | Strong bounce-back in food stores. |

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

# Week In Preview (Jul 24 – Jul 28)

| Country | Release (Date, format) | Consensus | Last | Comments |
|---|---|---|---|---|
| **Monday, Jul 24** | | | | |
| UK | Manufacturing PMI (Jul, prelim) | 46.0 | 46.5 | |
| UK | Services PMI (Jul, prelim) | 53.0 | 53.7 | |
| EC | Manufacturing PMI (Jul, prelim) | 43.4 | 43.4 | |
| EC | Composite PMI (Jul, prelim) | 49.5 | 49.9 | |
| EC | Services PMI (Jul, prelim) | 51.6 | 52.0 | |
| GE | Manufacturing PMI (Jul, prelim) | 41.0 | 40.6 | |
| GE | Services PMI (Jul, prelim) | 53.0 | 54.1 | |
| FR | Manufacturing PMI (Jul, prelim) | 45.9 | 46.0 | |
| JN | Manufacturing PMI (Jul, prelim) | na | 49.8 | Expecting a tick back above 50, treading water. |
| **Tuesday, Jul 25** | | | | |
| US | FHFA House Price Index (May, m/m) | 0.6% | 0.7% | Prices supported by low inventory. |
| US | S&P CoreLogic CS 20-City (May, m/m) | 0.70% | 0.91% | |
| US | Conf. Board Consumer Confidence (Jul) | 112.0 | 109.7 | We are watching the labor differential. |
| GE | IFO Business Climate (Jul) | 88.0 | 88.5 | |
| JN | PPI Services (Jun, y/y) | 1.5% | 1.6% | |
| AU | CPI (Q2, y/y) | 6.2% | 7.0% | Expecting a weaker print. |
| AU | CPI Trimmed Mean (Q2, y/y) | 6.0% | 6.6% | Expecting a downside surprise. |
| **Wednesday, Jul 26** | | | | |
| US | New Home Sales (Jun, thous) | 722 | 763 | |
| US | FOMC Rate Decision (Upper Bound) | 5.50% | 5.25% | Another unnecessary hike… |
| FR | Consumer Confidence (Jul) | 86.0 | 85.0 | |
| JN | Leading Index CI (May, final) | 109.5 (p) | 108.1 | |
| **Thursday, Jul 27** | | | | |
| US | Durable Goods Orders (Jun, m/m, prelim) | 1.4% | 1.8% | |
| US | GDP (Q2, q/q, saar, advance) | 1.8% | 2.0% | Another resilient print. |
| US | Initial Jobless Claims (Jul 22, thous) | 235 | 228 | |
| US | Continuing Claims (Jul 15, thous) | na | 1,754 | |
| US | Pending Home Sales (Jun, m/m) | 0.3% | -2.7% | |
| EC | ECB Main Refinancing Rate (Jul 27) | 4.25% | 4.00% | Tome should turn more cautious. |
| GE | GfK Consumer Confidence (Aug) | -24.0 | -25.4 | |
| IT | Consumer Confidence Index (Jul) | 107.0 | 108.6 | |
| IT | Manufacturing Confidence (Jul) | 100.0 | 100.3 | |
| JN | BoJ Policy Balance Rate (Jul 28) | -0.1% | -0.1% | Another live meeting where at least inflation will be revised up. |
| AU | Retail Sales (Jun, m/m) | 0.0% | 0.7% | Expecting a decline. |
| **Friday, Jul 28** | | | | |
| US | Employment Cost index (Q2, q/q) | 1.1% | 1.2% | Important release. |
| US | Personal Income (Jun, m/m) | 0.5% | 0.4% | |
| US | Personal Spending (Jun, m/m) | 0.4% | 0.1% | |
| US | U. of Mich. Sentiment (Jul, final) | 72.6 (p) | 63.9 | |
| CA | GDP (May, m/m) | na | 0.0% | |
| UK | Nationwide House PX (Jul, m/m) | na | 0.1% | |
| GE | CPI (Jul, y/y, prelim) | 6.1% | 6.4% | |
| FR | GDP (Q2, q/q, prelim) | 0.2% | 0.2% | |
| FR | CPI (Jul, y/y, prelim) | 4.4% | 4.5% | |

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

# Economic Indicators

**Central Bank Policy Targets**

| Region | Target | Year/Year % Change in Target | | | | |
|---|---|---|---|---|---|---|
| | | Feb | Mar | Apr | May | Jun |
| US | Target: PCE price index 2.0% y/y | 5.0 | 4.2 | 4.3 | 3.8 | |
| Canada | Target: CPI 2.0% y/y, 1.0%-3.0% control range | 5.2 | 4.3 | 4.4 | 3.4 | 2.8 |
| UK | Target: CPI 2.0% y/y | 10.4 | 10.1 | 8.7 | 8.7 | 7.9 |
| Eurozone | Target: CPI below but close to 2.0% y/y | 8.5 | 6.9 | 6.9 | 6.1 | 5.5 |
| Japan | Target: CPI 2.0% y/y | 3.3 | 3.2 | 3.5 | 3.2 | 3.3 |
| Australia | Target Range: CPI 2.0%-3.0% y/y | 7.0 | 7.0 | | | |

Source: Macrobond

**Key Interest Rates**

| | Aug-22 | Sep-22 | Oct-22 | Nov-22 | Dec-22 | Jan-23 | Feb-23 | Mar-23 | Apr-23 | May-23 | Jun-23 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| US (top of target range) | 2.50 | 3.25 | 3.25 | 4.00 | 4.50 | 4.50 | 4.75 | 5.00 | 5.00 | 5.25 | 5.25 |
| Canada (Overnight Rate) | 2.50 | 3.25 | 3.75 | 3.75 | 4.25 | 4.50 | 4.50 | 4.50 | 4.50 | 4.50 | 4.75 |
| UK (Bank Rate) | 1.75 | 2.25 | 2.25 | 3.00 | 3.50 | 3.50 | 4.00 | 4.25 | 4.25 | 4.50 | 5.00 |
| Eurozone (Refi) | 0.50 | 1.25 | 1.25 | 2.00 | 2.50 | 2.50 | 3.00 | 3.50 | 3.50 | 3.75 | 4.00 |
| Japan (OCR) | -0.04 | -0.07 | -0.06 | -0.08 | -0.02 | -0.01 | -0.01 | -0.03 | -0.07 | -0.07 | -0.08 |
| Australia (OCR) | 1.81 | 2.25 | 2.58 | 2.84 | 3.05 | 3.10 | 3.29 | 3.54 | 3.60 | 3.83 | 4.05 |

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 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Feb | Mar | Apr | May | Jun | | Feb | Mar | Apr | May | Jun |
| US | 6.0 | 5.0 | 4.9 | 4.0 | 3.0 | | 4.7 | 2.7 | 2.1 | 0.9 | 0.1 |
| Canada | 5.2 | 4.3 | 4.4 | 3.4 | 2.8 | | 1.4 | -2.1 | -3.6 | -5.7 | -5.5 |
| UK | 10.4 | 10.1 | 8.7 | 8.7 | 7.9 | | 11.7 | 8.4 | 5.1 | 2.7 | 0.1 |
| Eurozone | 8.5 | 6.9 | 6.9 | 6.1 | 5.5 | | 12.7 | 5.6 | 0.9 | -1.6 | |
| Germany | 8.7 | 7.4 | 7.2 | 6.1 | 6.4 | | 13.5 | 6.7 | 4.1 | 1.0 | 0.1 |
| France | 6.3 | 5.7 | 5.9 | 5.1 | 4.5 | | 13.4 | 9.5 | 5.0 | 3.4 | |
| Italy | 9.1 | 7.6 | 8.2 | 7.6 | 6.4 | | 9.6 | 3.7 | -1.5 | -4.3 | |
| Japan | 3.3 | 3.2 | 3.5 | 3.2 | 3.3 | | 8.3 | 7.4 | 6.0 | 5.2 | 4.1 |
| Australia | 7.0 | 7.0 | | | | | 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 | 0.5 | | 3.7 | 1.8 | 1.9 | 0.9 | 1.8 |
| 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 | 0.8 | 0.4 | -0.1 | 0.0 | | 5.4 | 4.2 | 2.4 | 1.7 | 1.1 |
| 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 | -0.7 | 1.4 | -0.4 | 0.1 | 0.7 | | 0.6 | 1.5 | 1.6 | 0.4 | 1.8 |
| Australia | 0.6 | 0.8 | 0.6 | 0.6 | 0.2 | | 3.1 | 3.1 | 6.0 | 2.6 | 2.3 |

Source: Macrobond

**Industrial Production Index (M/M Seasonally Adjusted)**

| | Month/Month % Change | | | | | | Year/Year % Change | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Feb | Mar | Apr | May | Jun | | Feb | Mar | Apr | May | Jun |
| US | 0.0 | 0.1 | 0.6 | -0.5 | -0.5 | | 0.9 | 0.2 | 0.5 | 0.0 | -0.4 |
| Canada | 0.6 | 0.6 | 0.3 | | | | 1.9 | 1.4 | 0.7 | | |
| UK | -0.1 | 0.8 | -0.2 | -0.6 | | | -2.7 | -1.9 | -1.6 | -2.2 | |
| Germany | 1.7 | -2.1 | 0.3 | -0.2 | | | 0.9 | 2.1 | 1.8 | 0.8 | |
| France | 1.5 | -0.9 | 0.8 | 1.2 | | | 1.0 | 0.3 | 1.7 | 2.6 | |
| Italy | -0.1 | -0.7 | -2.0 | 1.6 | | | -2.4 | -3.2 | -7.3 | -3.6 | |
| Japan | 3.7 | 0.3 | 0.7 | -2.2 | | | -1.4 | -0.9 | 0.2 | 2.5 | |

Source: Macrobond

**Unemployment Rate (Seasonally Adjusted)**

| | Aug-22 | Sep-22 | Oct-22 | Nov-22 | Dec-22 | Jan-23 | Feb-23 | Mar-23 | Apr-23 | May-23 | Jun-23 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| US | 3.7 | 3.5 | 3.7 | 3.6 | 3.5 | 3.4 | 3.6 | 3.5 | 3.4 | 3.7 | 3.6 |
| Canada | 5.3 | 5.2 | 5.2 | 5.1 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.2 | 5.4 |
| UK | 3.6 | 3.7 | 3.7 | 3.7 | 3.7 | 3.8 | 3.9 | 3.8 | 4.0 | | |
| Eurozone | | | | | | | | | | | |
| Germany | 5.4 | 5.5 | 5.5 | 5.5 | 5.5 | 5.5 | 5.5 | 5.6 | 5.6 | 5.6 | 5.7 |
| France | 7.2 | 7.1 | 7.2 | 7.2 | 7.2 | 7.1 | 7.1 | 7.0 | 7.0 | 7.0 | |
| Italy | 8.1 | 8.0 | 7.9 | 7.9 | 7.9 | 8.0 | 7.9 | 7.8 | 7.8 | 7.6 | |
| Japan | 2.5 | 2.6 | 2.6 | 2.5 | 2.5 | 2.4 | 2.6 | 2.8 | 2.6 | 2.6 | |
| Australia | 3.5 | 3.6 | 3.4 | 3.5 | 3.5 | 3.7 | 3.5 | 3.5 | 3.7 | 3.5 | 3.5 |

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 | -3.1 | -3.3 | -3.1 | -3.5 | -3.9 | -3.8 | -4.6 | -3.9 | -3.5 | -3.3 | -3.3 |
| 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 | -1.7 |
| Eurozone | 2.1 | 3.2 | 3.5 | 3.1 | 2.3 | 1.2 | 0.4 | -1.3 | -3.6 | 1.0 | |
| Germany | 7.3 | 8.4 | 8.9 | 8.2 | 7.6 | 6.7 | 5.5 | 3.9 | 2.7 | 4.8 | 5.8 |
| France | -2.1 | 0.0 | 0.9 | 0.6 | 0.4 | -0.4 | -0.3 | -1.7 | -3.1 | -2.8 | -1.3 |
| 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

**About State Street Global Advisors**

For four decades, State Street Global Advisors has served the world's governments, institutions, and financial advisors. With a rigorous, risk-aware approach built on research, analysis, and market-tested experience, we build from a breadth of index and active strategies to create cost- effective solutions. And, as pioneers in index, ETF, and ESG investing, we are always inventing new ways to invest. As a result, we have become the world's fourth-largest asset manager* with US $3.26 trillion† under our care.

* Pensions & Investments Research Center, as of December 31, 2021.

† This figure is presented as of September 30, 2022, and includes approximately $55.12 billion of assets with respect to SPDR products for which State Street Global Advisors Funds Distributors, LLC (SSGA FD) acts solely as the marketing agent. SSGA FD and State Street Global Advisors are affiliated. Please note all AUM is unaudited.

ssga.com

**Marketing Communication**

**Important Risk Discussion**

Investing involves risk including the risk of loss of principal.

All information is from SSGA unless otherwise noted and has been obtained from sources believed to be reliable, but its accuracy is not guaranteed. There is no representation or warranty as to the current accuracy, reliability, or completeness of, nor liability for, decisions based on such information, and it should not be relied on as such.

The information provided does not constitute investment advice and it should not be relied on as such. It should not be considered a solicitation to buy or an offer to sell a security. It does not take into account any investor's particular investment objectives, strategies, tax status or investment horizon. You should consult your tax and financial advisor.

The trademarks and service marks referenced herein are the property of their respective owners. Third party data providers make no warranties or representations of any kind relating to the accuracy, completeness or timeliness of the data and have no liability for damages of any kind relating to the use of such data.

The whole or any part of this work may not be reproduced, copied, or transmitted or any of its contents disclosed to third parties without SSGA's express written consent.

The views expressed in this material are the views of SSGA Economics Team through the period ended July 21, 2023 and are subject to change based on market and other conditions. This document contains certain statements that may be deemed forward-looking statements. Please note that any such statements are not guarantees of any future performance and actual results or developments may differ materially from those projected.

**The information contained in this communication is not a research recommendation or 'investment research' and is classified as a 'Marketing Communication' in accordance with the Markets in Financial Instruments Directive (2014/65/EU) or applicable Swiss regulation. This means that this marketing communication**

**(a) has not been prepared in accordance with legal requirements designed to promote the independence of investment research (b) is not subject to any prohibition on dealing ahead of the dissemination of investment research.**

This communication is directed at professional clients (this includes eligible counterparties as defined by the "appropriate EU regulator" who are deemed both knowledgeable and experienced in matters relating to investments. The products and services to which this communication relates are only available to such persons and persons of any other description (including retail clients) should not rely on this communication.

**Intellectual Property Information**

BLOOMBERG®, a trademark and service mark of Bloomberg Finance L.P. Standard & Poor's S&P 500 Index® is a registered trademark of Standard & Poor's Financial Services LLC. FTSE 100® is a trademark jointly owned by the London Stock Exchange Plc and The Financial Times Limited, and is used by FTSE International Limited under license. "All-World", "All-Share" and "All-Small" are trademarks of FTSE International Limited.

**Australia**: State Street Global Advisors, Australia, Limited (ABN 42 003 914 225) is the holder of an Australian Financial Services License (AFSL Number 238276). Registered office: Level 14, 420 George Street, Sydney, NSW 2000, Australia. T: +612 9240-7600. F: +612 9240-7611.

**Hong Kong**: State Street Global Advisors Asia Limited, 68/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong. T: +852 2103-0288. F: +852 2103-0200.

**Japan:** State Street Global Advisors (Japan) Co., Ltd., Toranomon Hills Mori Tower 25F 1-23-1 Toranomon, Minato-ku, Tokyo 105-6325 Japan. T: +81-3-4530-7380. Financial Instruments Business Operator, Kanto Local Financial Bureau (Kinsho #345), Membership: Japan Investment Advisers Association, The Investment Trust Association, Japan, Japan Securities Dealers' Association.

**Singapore**: State Street Global Advisors Singapore Limited, 168, Robinson Road, #33-01 Capital Tower, Singapore 068912 (Company Reg. No: 200002719D, regulated by the Monetary Authority of Singapore). T: +65 6826-7555. F: +65 6826-7501.

**Abu Dhabi**:. State Street Global Advisors Limited, ADGM branch is regulated by the Financial Services Regulatory Authority (FSRA). This document is intended for Professional Clients or Market Counterparties only as defined by the FSRA and no other person should act upon it.

State Street Global Advisors Limited, ADGM Branch, Al Khatem Tower, Suite 42801, Level 28, ADGM Square, Al Maryah Island, P.O Box 76404, Abu Dhabi, United Arab Emirates. Regulated by the ADGM Financial Services Regulatory Authority. T: +971 2 245 9000.

**Belgium**: State Street Global Advisors Belgium, Chaussée de La Hulpe 185, 1170 Brussels, Belgium. T: +32 2 663 2036. State Street Global Advisors Belgium is a branch office of State Street Global Advisors Europe Limited, registered in Ireland with company number 49934, authorised and regulated by the Central Bank of Ireland, and whose registered office is at 78 Sir John Rogerson's Quay, Dublin 2.

**France**: State Street Global Advisors Europe Limited, France Branch ("State Street Global Advisors France") is a branch of State Street Global Advisors Europe Limited, registered in Ireland with company number 49934, authorised and regulated by the Central Bank of Ireland, and whose registered office is at 78 Sir John Rogerson's Quay, Dublin 2. State Street Global Advisors France is registered in France with company number RCS Nanterre 899 183 289, and its office is located at Coeur Défense - Tour A - La Défense 4, 33e étage, 100, Esplanade du Général de Gaulle, 92 931 Paris La Défense Cedex, France. T: +33 1 44 45 40 00. F: +33 1 44 45 41 92.

**Germany**: State Street Global Advisors Europe Limited, Branch in Germany, Brienner Strasse 59, D-80333 Munich, Germany ("State Street Global Advisors Germany"). T +49 (0)89 55878 400. State Street Global Advisors Germany is a branch of State Street Global Advisors Europe Limited, registered in Ireland with company number 49934, authorised and regulated by the Central Bank of Ireland, and whose registered office is at 78 Sir John Rogerson's Quay, Dublin 2.

**Ireland**: State Street Global Advisors Europe Limited is regulated by the Central Bank of Ireland. Registered office address 78 Sir John Rogerson's Quay, Dublin 2. Registered Number: 49934. T: +353 (0)1 776 3000. F: +353 (0)1 776 3300.

**Italy**: State Street Global Advisors Europe Limited, Italy Branch ("State Street Global Advisors Italy") is a branch of State Street Global Advisors Europe Limited, registered in Ireland with company number 49934, authorised and regulated by the Central Bank of Ireland, and whose registered office is at 78 Sir John Rogerson's Quay, Dublin 2. State Street Global Advisors Italy is registered in Italy with company number 11871450968 - REA: 2628603 and VAT number 11871450968, and its office is located at Via Ferrante Aporti, 10 - 20125 Milan, Italy. T: +39 02 32066 100. F: +39 02 32066 155.

**Netherlands**: State Street Global Advisors Netherlands, Apollo Building 7th floor, Herikerbergweg 29, 1101 CN Amsterdam, Netherlands. T: +31 20 7181 000. State Street Global Advisors Netherlands is a branch office of State Street Global Advisors Europe Limited, registered in Ireland with company number 49934, authorised and regulated by the Central Bank of Ireland, and whose registered office is at 78 Sir John Rogerson's Quay, Dublin 2.

**Switzerland**: State Street Global Advisors AG, Beethovenstr. 19, CH-8027 Zurich. Registered with the Register of Commerce Zurich CHE-105.078.458. T: +41 (0)44 245 70 00. F: +41 (0)44 245 70 16.

**United Kingdom**: State Street Global Advisors Limited. Authorised and regulated by the Financial Conduct Authority. Registered in England. Registered No. 2509928. VAT No. 5776591 81. Registered office: 20 Churchill Place, Canary Wharf, London, E14 5HJ. T: 020 3395 6000. F: 020 3395 6350.

**Canada**: State Street Global Advisors, Ltd., 1981 McGill College Avenue, Suite 500 , Montreal, Qc, H3A 3A8, T: +514 282 2400 and 30 Adelaide Street East Suite 800, Toronto, Ontario M5C 3G6. T: +647 775 5900.

**United States**: State Street Global Advisors, 1 Iron Street, Boston, MA 02210-1641.


2537623.200.1.GBL.RTL
Exp. Date: 21/07/2024