STATE STREET GLOBAL ADVISORS

July 28, 2023
Commentary

Weekly Economic Perspectives

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Spotlight on Next Week
US unemployment rate seen unchanged as employment gains remain robust. The BoE likely to deliver another rate hike. Japan's consumer confidence to jump. Consensus expects the RBA to hike, but we think it will hold.

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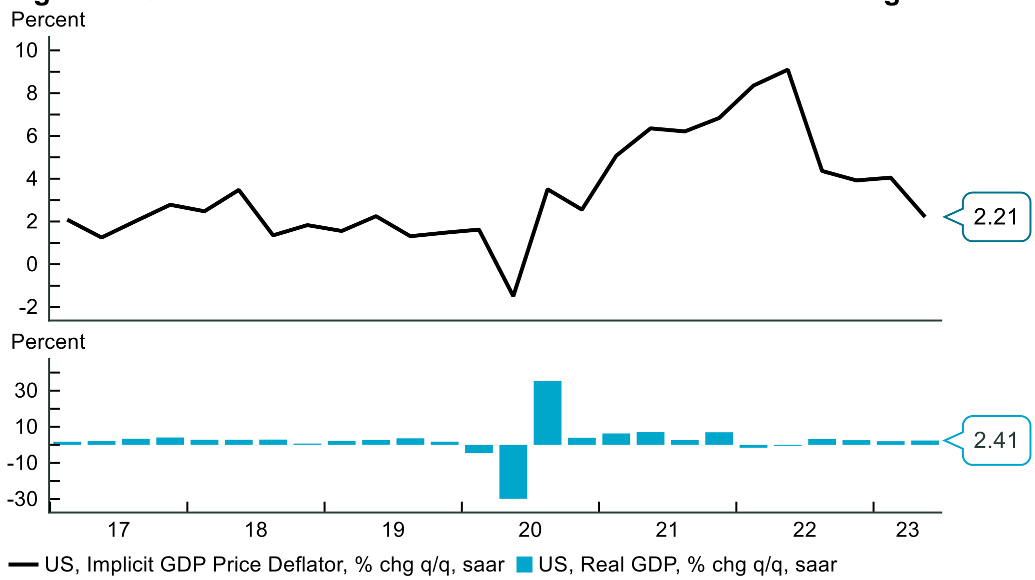
The Economy

BoJ joins tightening wave with YCC tweak as ECB and Fed dial up data dependency.

US

The path to a US soft landing widened a little more this week as second quarter **GDP growth** surprised positively even as the GDP deflator slowed sharply. The economy grew 0.6% q/q or 2.4% seasonally adjusted annual rate (saar), above the 1.8% saar expected. That said, the upside surprise was concentrated in government investment, private equipment investment, and foreign trade. While policy initiatives can support momentum in the former, there is less certainty about the trajectory of the latter two. Much of the equipment investment outperformance was driven by transportation equipment, while industrial equipment actually contracted. Similarly, the drag from net exports was less severe than we anticipated, but with exports and imports contracting at a 10.8% saar and 7.8% saar, respectively, one can hardly argue for genuine buoyancy here. Inventories were incrementally additive to growth this quarter, following the big drag in Q1; they might help a little more in Q3 although that may well come about via an increase in imports. Amid all these moving pieces, perhaps the most important story remains the slow but steady moderation in the pace of consumer spending. Real goods consumer spending increased a modest 0.2% q/q and services spending increased 0.6% q/q—both came in a tenth better than we anticipated. Even so, on a year over year basis, services consumption is now the lowest (2.6% y/y) since outright declines in early 2021. Given services are the last bastion of elevated inflation, easing demand in this space suggest that services disinflation should take a more convincing hold in coming months. Importantly, the GDP deflator came in softer than expected, rising at a 2.2% saar in Q2, down sharply from 4.0% in Q1. The core PCE deflator rose at a 3.8% saar pace, it's first dip below 4.0% since early 2021. This data pose clear upside risks to our 1.2% 2023 growth forecast; 1.5% looks not only achievable, but likely.

Figure 1: US Growth Resilience With Disinflation = Soft Landing?



Sources: SSGA Economics, BEA

There has been a clear revival in US consumer confidence metrics over the last several months. The containment of the banking turmoil, the avoidance of a debt ceiling crisis, and the visible moderation in inflation have been key drivers of improvement. The **Conference Board consumer confidence index** jumped nearly 7.0 points to a 20-month high of 117.0, the second consecutive gain of similar magnitude. Gains were distributed 2:1 in favor of expectations. The closely watched labor differential—which measures the difference between those who think jobs are abundant and those who think jobs are scarce—hit a five-month high, driven disproportionally by a decline in those saying jobs are hard to get.

The final reading on the July **University of Michigan consumer sentiment index** was one point softer than the initial release but still a hefty 7.2 points better than in June. Gains were fairly well distributed between current conditions and expectations. If there was a wrinkle in the report, it had to do with inflation expectations. Short term (1-year) inflation expectations rose a tenth, albeit just to 3.4%, which is still the second lowest level since early 2021. Long term (5-10 years) expectations were unchanged at 3.0%, merely a tenth below the post-Covid high of 3.1% that had been touched several times since early 2022.Consumer spending and PCE

Given the improvement in sentiment, it is not that much of a shock to see that consumer spending is holding up. Nominal **personal spending** rose 0.4% in June and real spending increased 0.5%. Part of this was financed via a reduction in the savings rate from 4.6% to 4.3% as nominal **personal income** rose at a more modest 0.3% pace during the months. Wage and salary income grew solidly at 0.6% m/m but transfer payments declined 0.1%.

The **PCE price measures** came in better (i.e., lower) than anticipated, with both headline and core PCE prices increasing 0.2% m/m. The two corresponding measures of inflation decelerated by eight tenths to 3.0% y/y and by five tenths to 4.1% y/y, respectively. The former is now the lowest since March 2021 and the latter is the lowest since September 2021.

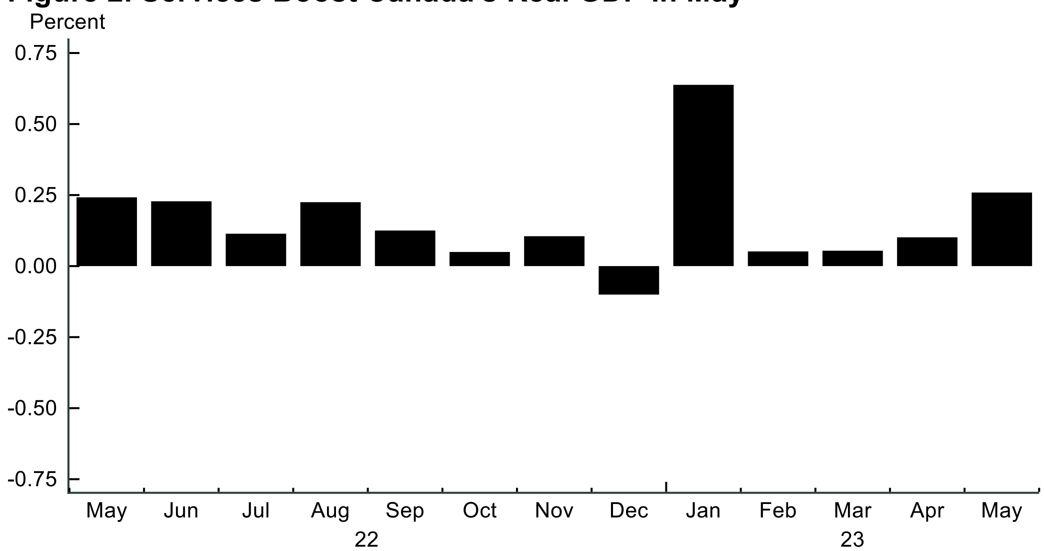
Another powerful signal of disinflation—this time in the labor market—came from the second quarter **employment cost index**. It increased 1.0% q/q, a tenth lower than expected, but two tenths less than in Q1; it was also the slowest pace of expansion since the middle of 2021. Growth decelerated for both wages and benefits and in both the private and public sectors.

In light of the totality of the incoming data, we think that this week's Fed rate hike—which put the upper bound of the **Fed Funds rate** at 5.5%-- will the last in this tightening cycle. The decision was once again unanimous and there was essentially no change in the accompanying statement. During the press conference, Chair Powell clearly left the door open for additional tightening, and we'd even argue that he re-emphasized the relevance of the current dot plot (which envisions one more hike) as representative of the Committee's views. That being said, the meaningful pullback in core PCE and ECI will carry weight with the committee. By the September 20 meeting, there will be two more employment reports and two more inflation reports to sift through. All indications are that the FOMC will have to revise down its end-2023 core PCE inflation forecast (which was raised to 3.9% q4/q4 in June). That would be a good reason to forgo another rate hike.

Canada

Real GDP grew 0.3% m/m in May (in line with expectations) following an upwardly revised 0.1% m/m increase in April. Services expanded 0.5% m/m, partially offset by a 0.3% m/m contraction in goods-producing sectors. The growth was driven by a sharp increase in manufacturing (1.6% m/m) and a strong rebound in wholesale (2.9% m/m) and public administration sector (+1.4% m/m). Meanwhile, the mining, quarrying and oil and gas extraction was the biggest detractor, with energy posting the largest decline since August 2020. Statistics Canada estimates that GDP is likely to decline 0.2% m/m in June, posing downside risks to BoC's forecasts. The data reinforces our view that another rate hike in September is unlikely to happen.

Figure 2. Services Boost Canada's Real GDP In May



■ Canada Real GDP Growth, % chg m/m

Sources: SSGA Economics, StatCan

UK

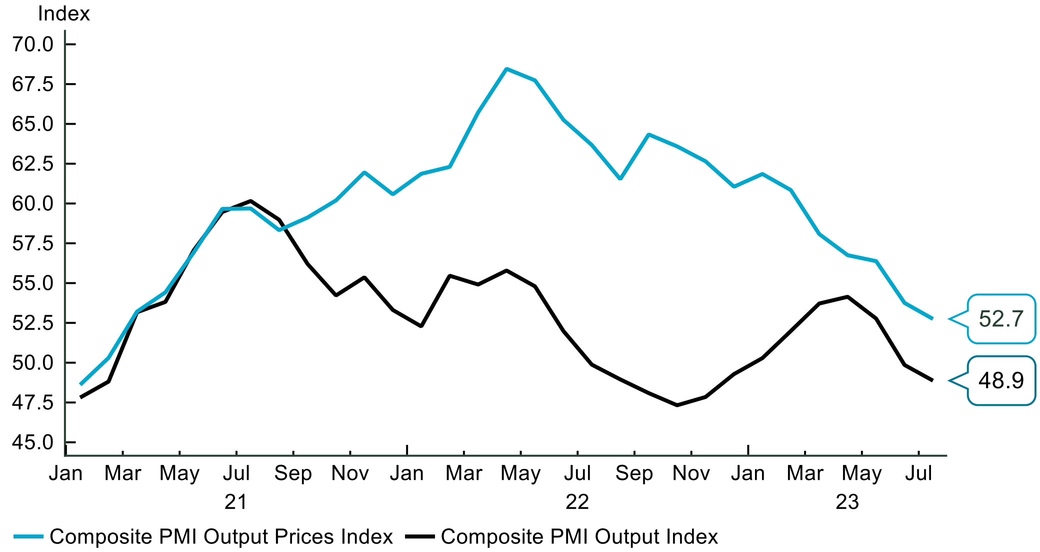
The private sector continues to struggle as interest rate hikes feed through the economy. The preliminary July readings on both manufacturing and services PMI were weaker than expected. The **manufacturing PMI** index dropped 1.5 points to a 38-month low of 45.0. The output metric declined 1.6 points to 46.5, and the rate of job creation continued to slow. Meanwhile, services remain in expansion mode but July data showed a significant loss of momentum compared to earlier of the year. **The services PMI** lost 2.2 points to 51.5, the lowest level since January 2023 as the housing market weakened and consumers cut back on spending. Ongoing upward wage pressure remains the major factor affecting costs in the services sector.

Eurozone

The story was even more downbeat in the ***eurozone***, where the **manufacturing PMI** slid 0.7 point to 42.7, as both output, new orders, and employment, all contracted at faster rates. Disinflation intensified, with the input price metric down 4.0 points to 35.5 (the lowest since May 2009) and the output price metric down 2.4 points to 44.6, the lowest since September 2009. ***Germany***'s PMI index slid all the way to 38.8!

Services activity held up much better, but the rate of expansion slowed. The **services PMI** eased 0.9 point to 51.1, with incoming new business now contracting, backlogs shrinking, and employment slowing sharply. Price pressures are easing somewhat but remain fairly intense.

Figure 3: Slowdown And Disinflation Support Possible ECB Pause



Sources: Macrobond, SSGA Economics, S&P Global
Updated as of 7/28/2023

The German relative underperformance was also visible in second quarter GDP data. Preliminary estimates show ***German* real GDP** flat q/q, although this disappointing performance was partly offset by a smaller Q1 contraction than previously reported. By contrast, the ***French*** economy reaccelerated noticeably in Q2 and booked a 0.5% q/q gain.

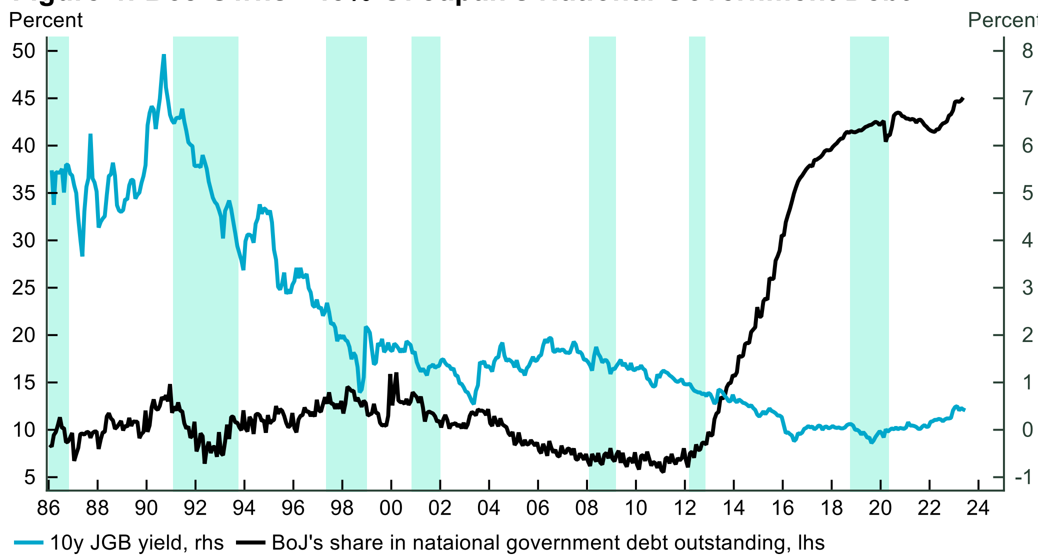
In light of these developments, it is not at all shocking to see **ECB** President Lagarde strike a more cautious tone in respect to future policy tightening. Indeed, while the Governing Council delivered another quarter point hike, the accompanying statement was tweaked slightly to say that the policy rate will be “set” rather than “brought” to a sufficiently restrictive level to bring inflation back to target. And, during the press conference, President Lagarde clearly opened the door to a pause. Depending on one’s predisposition, her reassuring the audience that there will no cut could almost be read as making a pause the most likely scenario. While there were no changes to asset reinvestments, there was a surprise announcement that the ECB will stop the remuneration on bank reserves, a step described as increasing the efficiency of the monetary policy transmission. This week’s decisions left the main refinancing operations , the interest rates on the marginal lending facility, and the deposit facility rate at 4.25%, 4.50% and 3.75% respectively. There is a 50/50 chance that they remain there in September.

Japan

The **Bank of Japan (BoJ)** will now allow the 10y JGB yield to rise above 0.5% all the while maintaining the Yield Curve Control (YCC) policy structure. The bank will be more flexible with the 0% ± 50 bps as it will act now as a "reference" and not as "rigid limit". The YCC operations will be conducted with "greater flexibility" with a 100 bp cap on the 10y JGB yields. Furthermore, the Bank will now conduct fixed rate operations when the yield of 10y JGB exceeds 1.0%, instead of 0.5% previously. So, essentially the YCC now looks like [(0% ± 50 bp) ± 50 bp].

This is broadly in line with our expectations, although the consensus had been for no change in July. The official reason is that the Bank wanted to improve market functioning and reduce volatility, as was noted in the statement. The implications are not straight forward, but a reduction in the BoJ's JGB purchases is a reasonable expectation; we would not be surprised if the holdings also decline by year-end.

Figure 4: BoJ Owns ~45% Of Japan's National Government Debt



Sources: Macrobond, SSGA Economics, BOJ, Macrobond
Updated as of 7/28/2023

The Bank now also forecasts higher inflation; this was widely expected. Core CPI (excluding fresh food) in FY 2023 is now forecasted at 2.5% y/y, up from 1.8% while the forecast for FY 2024 declined a tenth at 1.9%. Finally, the Bank maintained the 1.6% forecast for FY 2025. GDP growth for FY 2023 is revised a tenth lower to 1.3% while the forecasts for other years were unchanged. During the press conference, Governor Ueda said that *"the 2% inflation has already been achieved for some time."* Still, he "*is not confident about the rebound in prices."*

However, July **Tokyo CPI** was stronger than expected and was driven by services, our long standing call. The BoJ core (excluding fresh food and energy) jumped 4.0% y/y, three tenths above consensus and 0.2 ppts above June. The global core (excluding all food & energy) rose 2.5% y/y, two-tenths higher than in June. The key driver was higher lodging and mobile carrier charges. Many local governments ended or reduced travel discounting; this added 0.2 ppts to the BoJ core.

Next week, we look for a strong July consumer confidence and June retail sales. June industrial production could also print substantially strong after a miss in the previous month. Finally, the labor market would have been tight in June as the unemployment rate may have ticked down a touch to 2.5%.

Australia

Consumer Price Inflation in Q2 rose 0.8% m/m or 6.0% y/y, a tenth below our softer than consensus pick. Most sub-components exhibited disinflation, underscoring our expectations that CPI would be coming down in and by itself. However, inflation persisted in a few components such as food (1.6% q/q in Q2 vs. 1.6% in Q1), clothing (0.6% vs -2.6%), furnishings (2.0% vs. -0.5%) and finance & insurance (3.0% vs. 1.9%). Housing inflation is down to 0.85% q/q, down a huge 1.1 ppts from Q1. This comes despite rent inflation accelerating to 2.5% from 1.6%.

Figure 5: Shifting Dynamics In Australia's CPI Components

q/q, %	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
Total	0.830	1.376	1.869	1.824	1.776	2.143	1.337	0.758	0.763	0.597	0.861	1.573	-1.887
Food & Non-Alcoholic Beverages	1.646	1.592	0.884	3.234	2.030	2.783	0.701	0.263	0.530	0.354	0.177	-0.354	0.533
Alcoholic Beverages & Tobacco	1.021	1.141	1.210	1.225	0.786	1.078	0.858	-0.512	0.400	0.344	4.182	1.639	1.541
Clothing & Footwear	0.622	-2.626	2.591	-0.207	3.533	-0.638	2.620	-3.782	0.422	0.530	-1.049	0.421	0.105
Housing	0.847	1.942	1.906	3.177	2.481	2.707	1.783	1.731	0.331	0.083	-0.576	0.000	-0.654
Furnishings, HH Equipment & Services	2.064	-0.493	1.756	2.837	2.467	1.069	1.080	1.554	1.109	-0.185	3.435	11.966	-11.195
Health	-0.063	3.821	0.797	0.266	0.401	2.256	-0.273	0.000	1.522	2.048	1.288	-0.143	-0.214
Transport	-0.079	0.635	1.696	-0.402	2.305	4.202	2.822	3.185	2.806	3.185	0.876	3.424	-6.761
Communication	-0.388	0.129	-0.515	1.436	0.131	0.262	0.131	-0.522	-0.649	0.522	-0.390	-0.773	-1.272
Recreation	-0.248	0.249	5.420	1.329	1.438	0.633	1.468	0.926	-0.093	-0.185	1.595	1.139	-1.033
Education	-0.195	5.339	0.068	0.000	0.000	4.510	0.072	0.072	0.000	0.432	1.165	2.082	-3.653
Finance & Insurance	2.978	1.917	2.037	1.321	1.085	0.503	1.188	0.598	0.343	0.086	0.086	0.086	0.345

Sources: SSGA Economics, ABS, Macrobond
Updated as of 7/28/2023

Last week we had highlighted a huge decline in employment in the retail sector and this week's data showed that **retail sales** declined -0.8% y/y in June, which translates into +2.3% y/y. This is the weakest print from August 2021, outside last December, which is usually seasonal. This decline reversed the upwardly revised May number of the same magnitude on heavier than usual discounting. Sales declined the most (-5.0% m/m) at department stores, -2.2% in clothing, and were up marginally by 0.1% in food retailing. The retail sales data paint a picture of households who are grappling with very large increases in mortgage payments.

The week's data developments reinforce our view that Australia faces significant recession risks and that policy is restrictive enough at the prevailing cash rate and that further tightening is unwarranted. However, some hawkish inclinations may still linger at the central bank and hence, we now only see a 15 bps of a hike possible, either next week or some time later, effectively revising down our terminal forecast to 4.25%. Nonetheless, we'd prefer the cash rate to have already peaked at 4.10%. The discussion should now shift to how long can rates be held at peak levels.

Next week we expect the RBA to be on hold and Q2 retail sale volumes to decline.

Week in Review (Jul 24 – Jul 28)

Country	Release (Date, format)	Consensus	Actual	Last	Comments
Monday, Jul 24					
UK	Manufacturing PMI (Jul, prelim)	46.0	45.0	46.5	Weakening.
UK	Services PMI (Jul, prelim)	53.0	51.5	53.7	Weakening.
EC	Manufacturing PMI (Jul, prelim)	43.5	42.7	43.4	Soft.
EC	Services PMI (Jul, prelim)	51.6	51.1	52.0	Softening.
GE	Manufacturing PMI (Jul, prelim)	41.0	38.8	40.6	Very weak.
GE	Services PMI (Jul, prelim)	53.1	52.0	54.1	Softening.
FR	Manufacturing PMI (Jul, prelim)	46.0	44.5	46.0	Weak.
JN	Manufacturing PMI (Jul, prelim)	na	49.4	49.8	Holding up rather well.
Tuesday, Jul 25					
US	FHFA House Price Index (May, m/m)	0.6%	0.7%	0.7%	Limited supply.
US	S&P CoreLogic CS 20-City (May, m/m)	0.70%	0.99%	0.85% (↓)	Limited supply.
US	Conf. Board Consumer Confidence (Jul)	112.0	117.0	110.1 (↑)	Broad gains.
GE	IFO Business Climate (Jul)	88.0	87.3	88.6 (↑)	Eroding.
JN	PPI Services (Jun, y/y)	1.5%	1.2%	1.7% (↑)	Moderating.
AU	CPI (Jun, y/y)	5.5%	5.5%	5.9% (↑)	Expect a below consensus number.
AU	CPI (Q2, y/y)	6.2%	6.0%	7.0%	Good.
AU	CPI Trimmed Mean (Q2, y/y)	6.0%	5.9%	6.6%	Good.
Wednesday, Jul 26					
US	New Home Sales (Jun, thous)	725	697	715 (↓)	Payback for May's surge.
US	FOMC Rate Decision (Upper Bound)	5.50%	5.50%	5.25%	We think this was the last hike this cycle.
FR	Consumer Confidence (Jul)	86.0	85.0	85.0	Steady but soft.
JN	Leading Index CI (May, final)	109.5 (p)	109.2	108.1	Resilience.
Thursday, Jul 27					
US	Durable Goods Orders (Jun, m/m, prelim)	1.3%	4.7%	2.0% (↑)	Boosted by aircraft.
US	GDP (Q2, q/q, saar, advance)	1.8%	2.4%	2.0%	Welcome resilience, deflator eased sharply.
US	Initial Jobless Claims (Jul 22, thous)	235	221	228	Declining again.
US	Continuing Claims (Jul 15, thous)	1750	1690	1,749 (↓)	Declining again.., but is this sustainable?
US	Pending Home Sales (Jun, m/m)	-0.5%	0.3%	-2.5% (↑)	But still much lower than a year ago.
EC	ECB Main Refinancing Rate (Jul 27)	4.25%	4.25%	4.00%	September might be another hike…or a pause!
GE	GfK Consumer Confidence (Aug)	-24.0	-24.4	-25.2 (↑)	Weak.
IT	Consumer Confidence Index (Jul)	107.3	106.7	108.6	Deteriorating.
IT	Manufacturing Confidence (Jul)	99.8	99.3	100.2 (↓)	Deteriorating.
JN	BoJ Policy Balance Rate (Jul 28)	-0.10%	-0.10%	-0.10%	YCC band was widened.
AU	Retail Sales (Jun, m/m)	0.0%	-0.8%	0.8% (↑)	Soft; may keep RBA on hold next week.
Friday, Jul 28					
US	Employment Cost index (Q2, q/q)	1.1%	1.0%	1.2%	Moderating. Good news!
US	Personal Income (Jun, m/m)	0.5%	0.3%	0.5% (↑)	Modest but wage income looks fine.
US	Personal Spending (Jun, m/m)	0.4%	0.5%	0.2% (↑)	Savings rate ticked lower.
US	U. of Mich. Sentiment (Jul, final)	72.6 (p)	71.6	64.4	Second big improvement.
CA	GDP (May, m/m)	na	0.3%	0.1% (↑)	In line with expectation.
GE	CPI (Jul, y/y, prelim)	6.2%	6.2%	6.4%	Disinflation unfolding.
GE	GDP (Q2, q/q, prelim, sa)	0.1%	0.0%	-0.1% (↑)	Weak but favorable revision.
FR	GDP (Q2, q/q, prelim)	0.2%	0.5%	0.1% (↓)	Welcome rebound.
FR	CPI (Jul, y/y, prelim)	4.3%	4.3%	4.5%	Improving.

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

Week In Preview (Jul 31 – Aug 4)

Country	Release (Date, format)	Consensus	Last	Comments
Monday, July 31				
UK	Mortgage Approvals (Jun, thous)	49.0	50.5	Decelerating.
EC	GDP (Q2, q/q, adv, sa)	0.2%	0.0% (↑)	Small, but welcome, improvement.
GE	Retail Sales (Jun, m/m)	-0.3%	1.6% (↑)	
IT	GDP WDA (Q2, q/q, prelim)	0.0%	0.6%	
IT	CPI NIC incl. tobacco (Jul, y/y, prelim)	6.0%	6.4%	
JN	Industrial Production (Jun, m/m, prelim)	2.4%	-2.2%	
JN	Retail Sales (Jun, m/m)	-0.7%	1.4% (↑)	
JN	Jobless Rate (Jun)	2.6%	2.6%	
JN	Consumer Confidence Index (Jul)	36.2	36.0	
JN	Jibun Bank Japan PMI Mfg (Jul, final)	49.4	49.8	
AU	Private Sector Credit (Jun, m/m)	0.4%	0.4%	
Tuesday, August 1				
US	ISM Manufacturing (Jul)	46.9	46.0	
US	Wards Total Vehicle Sales (Jul, mn)	15.50	15.68	
US	JOLTS Job Openings (Jun, thous)	9,620	9,824	
UK	Manufacturing PMI (Jul, final)	45.0 (p)	46.5	Weakening.
UK	Nationwide House PX (Jul, m/m)	-0.5%	0.1%	A decline is likely.
EC	Manufacturing PMI (Jul, final)	42.7 (p)	43.4	
GE	Manufacturing PMI (Jul, final)	38.8 (p)	40.6	
GE	Unemployment Claims Rate (Jul, sa)	5.7%	5.7%	
FR	Manufacturing PMI (Jul, final)	44.5 (p)	46.0	
IT	Manufacturing PMI (Jul)	44.3	43.8	
IT	Unemployment Rate (Jun)	7.7%	7.6%	
AU	RBA Cash Rate Target (Aug 01)	4.35%	4.10%	
Wednesday, August 2				
AU	Retail Sales Ex Inflation (Q2, q/q)	-0.5%	-0.6%	
Thursday, August 3				
UK	Bank of England Bank Rate	5.25%	5.00%	Expecting an increase.
US	Initial Jobless Claims (Jul 29, thous)	223	221	
US	Factory Orders (Jun, m/m)	-0.2%	0.3%	
US	ISM Services Index (Jul)	53.0	53.9	
US	Nonfarm Productivity (Q2, q/q, prelim)	1.2%	-2.1%	
UK	Services PMI (Jul, final)	51.5 (p)	53.7	Losing momentum.
EC	Services PMI (Jul, final)	51.1 (p)	52.0	
GE	Services PMI (Jul, final)	52.0 (p)	54.1	
IT	Retail Sales (Jun, m/m)	n/a	0.7%	
Friday, August 4				
US	Change in Nonfarm Payrolls (Jul, thous)	200	209	
US	Unemployment Rate (Jul)	3.6%	3.6%	
CA	Unemployment Rate (Jul)	5.5%	5.4%	Continuing upward trend but remaining low.
FR	Industrial Production (Jun, m/m)	-0.3%	1.2%	
IT	Industrial Production (Jun, m/m)	-0.3%	1.6%	

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	3.0
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	6.0	6.0	6.0

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

									Forecast	
	2015	2016	2017	2018	2019	2020	2021	2022	2023	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				
	Mar	Apr	May	Jun	Jul		Feb	Mar	Apr	May	Jun
US	5.0	4.9	4.0	3.0			4.7	2.7	2.1	0.9	0.1
Canada	4.3	4.4	3.4	2.8			1.4	-2.1	-3.6	-5.7	-5.5
UK	10.1	8.7	8.7	7.9			11.7	8.4	5.1	2.7	0.1
Eurozone	6.9	6.9	6.1	5.5			12.7	5.6	0.9	-1.6	
Germany	7.4	7.2	6.1	6.4	6.2		13.5	6.7	4.1	1.0	0.1
France	5.7	5.9	5.1	4.5	4.3		13.4	9.4	5.0	3.3	0.9
Italy	7.6	8.2	7.6	6.4			9.6	3.7	-1.5	-4.3	-5.5
Japan	3.2	3.5	3.2	3.3			8.3	7.4	6.0	5.2	4.1
Australia	7.0	6.0	6.0	6.0			4.9	4.9	3.9	3.9	3.9

Source: Macrobond

Economic Indicators

Real GDP Growth (Q/Q Seasonally Adjusted)

	Quarter/Quarter % Change					Year/Year % Change				
	Q2-22	Q3-22	Q4-22	Q1-23	Q2-23	Q2-22	Q3-22	Q4-22	Q1-23	Q2-23
US	-0.1	0.8	0.6	0.5	0.6	1.8	1.9	0.9	1.8	2.6
Canada	0.9	0.6	0.0	0.8		4.7	3.8	2.1	2.2	
UK	0.1	-0.1	0.1	0.1		3.8	2.0	0.6	0.2	
Eurozone	0.8	0.4	-0.1	0.0		4.2	2.4	1.7	1.1	
Germany	-0.1	0.4	-0.4	-0.1	0.0	1.6	1.2	0.8	-0.3	-0.1
France	0.5	0.2	0.1	0.1	0.5	3.9	1.2	0.7	0.9	0.9
Italy	1.0	0.4	-0.1	0.6		5.0	2.5	1.5	1.9	
Japan	1.4	-0.4	0.1	0.7		1.5	1.6	0.4	1.8	
Australia	0.8	0.6	0.6	0.2		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	0.6	-0.4		1.7	1.4	0.9	1.0	
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	8.8	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

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

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