**August 18, 2023**
Commentary

# Weekly Economic Perspectives

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**The Economy**

A mixed data week dominated by rising bond yields and declines in equity markets.

US

The July activity data is coming in stronger than expected, providing a good starting point for third-quarter US GDP growth. **Retail sales** handily beat expectations in July, up 0.7% m/m. Moreover, control sales (excluding food services, building materials, autos dealers and gas stations) further built on the strong June performance with an impressive 1.0% monthly jump. It is unlikely that this pace would be sustained, given it was facilitated by Prime Day, but it nonetheless betrays ongoing willingness to spend by consumers enjoying easing inflation and solid employment prospects. While gains were broad-based across categories, there were some exceptions. Sales of motor vehicles and parts declined 0.3% m/m, electronics were down 1.3% m/m, and furniture sales dropped 1.8% m/m. The latter are down 7.6% y/y, reflecting a broader softening in housing activity. On  y/y basis, furniture sales are the second worst performing sector after gasoline stations, where lower gas prices left sales down by 21% y/y. Overall retail sales are up 2.5% y/y (not seasonally adjusted).

After two weak months, **industrial production** rebounded 1.0% in July. Performance was lifted by a 5.4% monthly surge in utilities, while manufacturing and mining each increased 0.5% m/m. A rebound in utilities was well anticipated given the heat wave that had engulfed the country last month. Taking a bit out of the upside surprise was the three-tenth downward revision to June data, now showing a 0.8% monthly decline. Industrial production is still marginally lower than a year ago (-0.2% y/y); the same is true of manufacturing (-0.7% y/y) and utilities (-0.9% y/y), while mining output stands 2.1% higher than a year ago.

As has often happened in recent months, the two regional Fed surveys released this week—the Empire and the Philly Fed surveys—offered starkly different signals about the direction of the manufacturing sector. As in prior cases, we take each with a grain of salt while retaining our preference for the Philly Fed index as the indicator with more signaling power. The **Philly Fed manufacturing index** came in far above expectations, soaring 25.5 points in August—the largest monthly gain since June of 2020. This was the second month in the past four when the headline improved by over 20 points, sending a compelling signal that activity is reaccelerating. New orders skyrocketed 31.9 points, pushing the new orders versus shipments differential into positive territory for the first time since November 2021. We struggle to find compelling reasons for such a resurgence so some of this strength may be a function of timing and other fortuitous coincidences. Nonetheless, the idea that manufacturing activity may be finding a bottom following the earlier corrective phase would not be shocking. Still, it remains to be seen whether these signals of improvement have staying power, particularly since future activity expectations deteriorated quite drastically. The measure of prices paid increased—likely on higher energy prices—while the prices received metric retraced about a third of July's big increase.

By contrast, the **Empire Fed manufacturing index** plunged 20.1 points as shipments retreated 23.2 points and shipments plunged 25.7. Both the number of employees and the average workweek declined, but both price metrics (paid and received) moved higher. We wrote some months ago that the volatility in the Empire index had been "so acute lately that merely anticipating on a reversal of the prior month's move seems as good a forecasting method for this index as any other.".

There had been an inkling last month that perhaps that pattern was being broken (the headline declined just 5.5 points in July following June's 38.5-point jump) but the August plunge looks to be putting us back into that high volatility pattern.

Having recovered rapidly from its October low, improvements in homebuilder sentiment slowed materially in July and reversed outright in August. This is not entirely a surprise given that the peak selling season is ending, and mortgage rates have backed up again (the 30-year conforming mortgage rate touched 7.1% in mid-August). The headline **NAHB (National Association of Homebuilders) index** dropped 6.0 points to 56.0, the first monthly decline since December and the largest since October. All components retreated. Geographically, the West and Northeast exhibited the largest declines, again not surprising given house prices are highest in these regions so rising rates have a disproportionate negative impact on affordability.

**Housing starts** rebounded 4.2% in July but did so from a downwardly revised June print. Even so, at 1.452 million seasonally adjusted annualized rate (saar), they are 5.9% higher than a year earlier. Single-family starts picked up, but multi-family starts declined incrementally. The former are up 9.5% y/y while the latter are down 0.8% y/y. Building permits were almost unchanged in July, with a slight uptick in single-family permits almost entirely offset by a pullback in multi-family permits.

China is exporting deflation at an intensifying rate. US import prices from China declined 2.3% y/y in July—the fastest rate of declines since November 2009. More generally, though, the ongoing rebound in oil prices pushed overall **import prices** up by 0.4% m/m in July, the second increase in the past four months and the largest since May 2022. Food and beverage import prices were another major contributor to upward movement, surging 2.5% m/m. This is an important component to watch given vulnerabilities in global food supply chains, specifically grains. Import prices are still down 4.4% y/y but this marks a moderation from June's 6.1% y/y drop.

**Figure 1: US Import Prices From China Falling At Fastest Pace In Years**


*Sources: SSGA Economics, BLS*
*Updated as of 8/18/2023*

Canada

Inflation reaccelerated in July due to higher energy prices. **Headline inflation** ticked up to 3.3% y/y, exceeding market expectations of 3.0% and up from 2.8% in June. The increase in headline consumer inflation was primarily due to a base effect in gasoline prices. Food inflation eased 0.5 percentage points (ppts) to 7.8% y/y, remaining at concerning levels, while shelter inflation rate re-accelerated to 5.1% y/y. Excluding food and energy, the CPI inflation inched down a tenth to 3.4% y/y. Other core inflation measures made very little progress in the month. While the common measure CPI ticked down 0.3 ppts to 4.8% y/y, the weighted median was unchanged at 3.7% y/y and the trimmed mean eased 0.1 ppts to 3.6% y/y. Although headline inflation reaccelerating above the 3.0% level is going to catch some attention, the BoC is likely more concerned about the stickiness in core inflation; this raises the odds of an additional hike.

**Manufacturing sales** declined a smaller than expected 1.7% m/m in June, following May's 1.2% expansion. The declines were broad-based, led by petroleum and coal products (-8.3%), chemical (-6.5%), and machinery (-5.5%) subsectors. Meanwhile, sales of motor vehicles surged 11.4%. Real sales fell by 1.0%.

There was a minor dip in home sales in July, but activity continued to stabilize. **Existing home sales** declined 0.7%, partially offsetting June's gain. Sales were up in more than half of local markets, particularly in Montreal, Edmonton, and Calgary but those were offset by a large decline in Greater Toronto Area (GTA) and Fraser Valley. New listings rose 5.6% m/m, continuing to move in the right direction. With that, the sales-to-new listings ratio eased to 59.2% from 63.6% in June and a recent peak of 68.3% in April, but still, it is above long-term average of 55.2%.

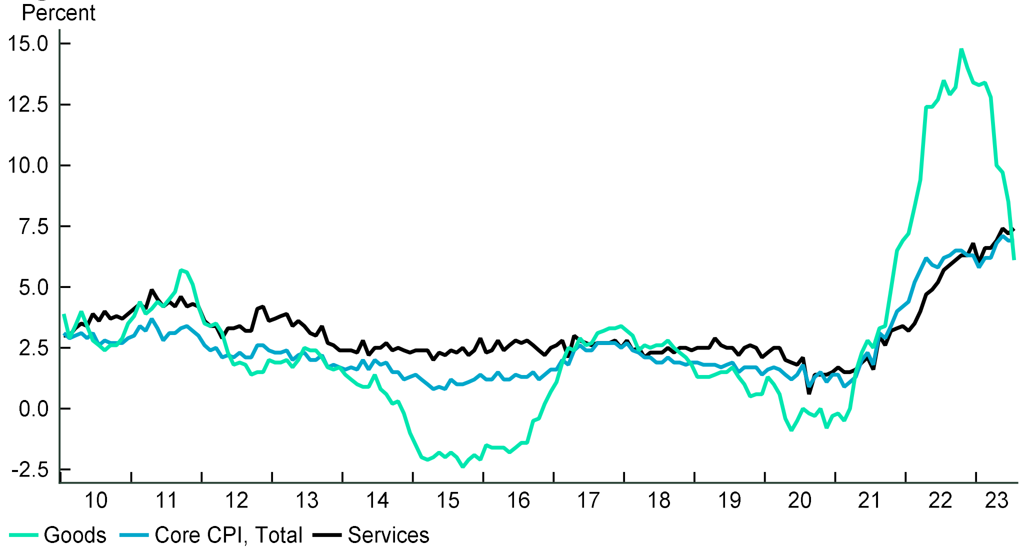
**Housing starts** fell marginally in July but still stayed at a firm level. The seasonally adjusted annualized rate contracted 10% to 255k in the month, driven by the declines in both single-detached (-4% m/m) and urban multi-family (-12% m/m) starts. Despite the decrease, the trend measure (six-month moving average) increased to 242.5k units from 235.8k in June, well above the pre-pandemic level.

UK

There are more signs of cooling in the UK labor market. in particular, the **ILO unemployment rate** came in at 4.2%, 0.2 percentage points higher than market and the BoE's expectations. This is also the highest unemployment rate since October 2021. The upward trend in employment seems to have stalled; employment declined by 66k, bucking expectations of an increase of 90k. The participation rate inched down 0.1 ppt to 63.6%. Unemployment claims rose by 29k, lifting the claimant count unemployment rate by a tenth to 4.0%. Vacancies declined for a 13th consecutive month and are down by 255k compared to a year earlier. However, wage growth continued to exceed expectations, keeping the BoE under pressure, with growth in average total pay (including bonuses) up 8.2% y/y. The growth in regular pay (excluding bonuses) accelerated 0.3 ppt to 7.8%, bucking expectations of an incremental deceleration.

**Consumer price inflation** continues to decelerate, with the headline measure down 1.1 ppts to 6.8% y/y in July. The slowdown was primarily due to lower gas and electricity pRICES, detracting 0.69 percentage points to the change in annual CPI rate. Food and non-alcoholic beverages were the second largest downward contributor to the change in annual rate, with pace slowing down by 2.5 percentage points to 14.8% y/y. Core inflation, however, was unchanged at 6.9% y/y, marginally above market expectations of 6.8% but in line with the MPC's August projections. Goods inflation decelerating 2.4 ppt to 6.1% y/y but services inflation re-accelerated to 7.4% y/y. Persistently elevated services inflation and strong wage growth boost our expectation for further rate hikes this year.

**Figure 1: UK Disinflation Limited To Goods So Far**




*Sources: SSGA Economics, ONS*
*Updated as of 8/18/2023*

**Real retail sales** contracted a larger than expected 1.2% in July, following a downwardly revised 0.6% June gain A  combination of high living costs and wet weather has impacted sales in both food (-2.6% m/m) and non-food stores (-1.7% m/m) in the month. Retail sales volumes remained 3.2% lower than a year earlier.

Eurozone

The 0.5% m/m increase in ***eurozone* industrial production** in June was a bit of a surprise to us as well as consensus (which anticipated a flat reading) given underwhelming performances in key economies like Germany and France. In the event, those declines (and many others) were more than offset by a huge rebound in Ireland. This, however, does not offer much of a confidence boost in respect to the near-term trajectory of regional industrial activity, given the big month to month swings in Irish data. In workday-adjusted terms, eurozone industrial production (excluding construction) remains 1.3% lower than in June of 2022.

There was a small welcome improvement in the **ZEW index** of ***German*** investor confidence index, but not enough to warrant any genuine excitement. This was especially so because the 2.4-point uptick in expectations was accompanied by an 11.8-point drop in the current situation assessment.

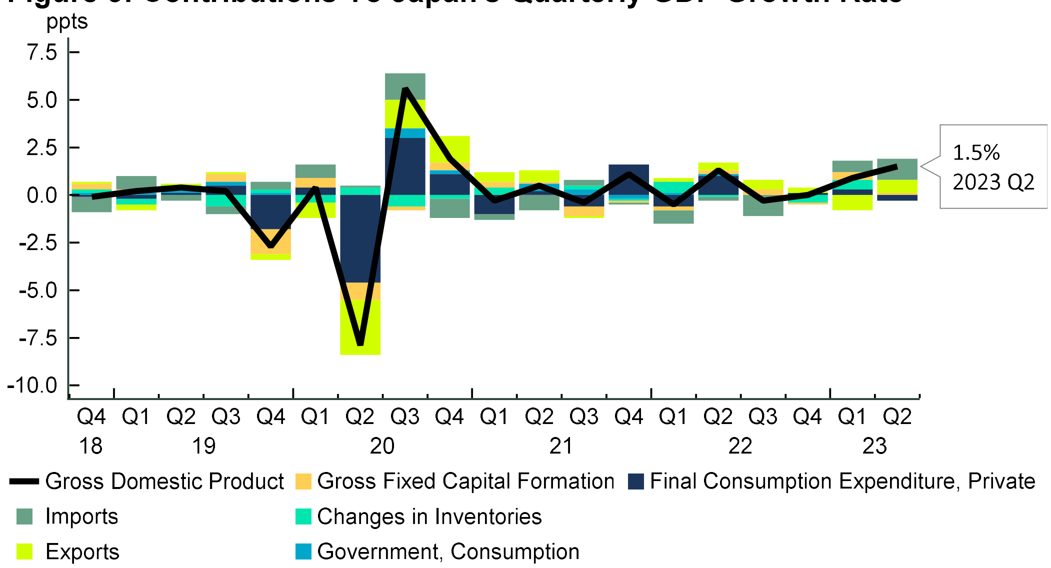
CPI inflation was confirmed at 5.3% y/y (core 5.5%) in July, and Q2 GDP growth was confirmed at 0.3% q/q. There are still no sector details available yet.

Japan

In yet another upside surprise, Japan's **GDP** grew 6.0% q/q saar (1.5% q/q) against an already bullish consensus of 2.9% (0.8%). Resultingly, nominal GDP reached an all-time high of ¥ 560.74 trillion, surpassing the previous peak in 2019 Q3. However, drivers of growth have shifted from capex and consumption to net trade in Q2 in Japan. Although some momentum in consumption would sustain the bullish case for the economy, we think the pick-up will be quite gradual and could come towards the backend of the cycle. As GDP and wages rise, the odds of stronger consumption improve. Nonetheless, an above target inflation and above potential growth (not yet achieved, but likely in Q3) is the right mix for the Japanese economy and will make a better case for policy-normalization.

In the details, private consumption collapsed by -2.1% q/q saar (+2.5% in Q1) and detracted 0.5 ppts off growth. The decline in consumption was larger than what was suggested by leading indicators we track and challenges our bullish view on inflation as consumers may be delaying (or even cancelling) purchases due to higher prices. However, robust wage growth in the months ahead could turn around this trend. We think that is likely as labor shortages are still severe in Japan while demand is very strong.

**Figure 3: Contributions To Japan's Quarterly GDP Growth Rate**




*Sources: SSGA Economics, CAO, Macrobond*
*Updated as of 8/18/2023*

These labor shortages could also catalyze higher capital investments in the next 1-2 years. Private non-residential investment rose just 0.1% q/q saar, following a 7.6% jump in Q1. Still, we expect better investment growth and reserve a possible revision after the Q2 MoF Capex survey data that will be released on September 1st.

Meanwhile exports improved 13.6% q/q saar (from -14.4% in Q1) while imports declined sharply by -16.2%, marking a third consecutive decline. Exports were led by auto volumes on normalizing supply chains and better availability of chips.

The key question right now is when will consumption rebound. It may take longer than we'd like, but is quite likely to improve. Furthermore, solid external demand is also a requirement for Japan's GDP growth, and we expect a sustained contribution from exports in the second half at least as auto shipments may continue ticking up. An important metric tracking demand, **machinery orders** rose 2.7% m/m in June, below the market forecast of 3.4% but a rebound from -7.6% in May. External orders declined 6.9% in June, a fallback after double digit increases in the last two months. The Cabinet Office expects it to rebound 3.1% q/q in Q3, so we may expect sustenance of external demand.

Separately, inflation is continuing to firm. Admittedly, headline **CPI** inflation was unchanged at 3.3% y/y in July, while core-CPI (excluding fresh food) eased to tenths to 3.1% y/y (a pullback caused by lower electricity and gas prices). Crucially, however, the BoJ core metric (excluding fresh-food and energy) accelerated a tenth to 4.3% y/y. Energy subsidies are expected to be phased out in Q3, which means that they pose upside risk to inflation in the months ahead. On the other hand, hikes in hotel prices and mobile communications data helped accelerate the BoJ core CPI.

The most important takeaway from the CPI data is that services prices have risen 2.0% y/y, the most in 30 years outside 1997 when the sales tax was hiked. Broadening inflation poses upside risks to our CPI forecasts of 2.8% y/y (2023) and 1.8% (2024). Underlying inflation also firmed up as the weighted median CPI rate increased two-tenths to 1.6% in Q2. Hence, it is fair to say that although CPI may slow a few notches from earlier, it is quite possible that underlying momentum will remain firm. Next week, we expect Tokyo CPI to show a stepdown in the annual increase but persistence in price pressures.

Australia

Evidence is gathering that the Aussie economy is cooling sufficiently for the Reserve Bank of Australia (RBA) to end the hiking cycle. Firstly, we have been talking about a labor market that was set up for some degree of cooling. Indeed, in July, employment declined by 14.6k against expectations of a 15.0k rise. The decline was entirely led by full-time jobs at -24.6k after rising over 100.5k in the first two months of Q2. The unemployment rate rose two-tenths to 3.7% and we expect it to trend higher towards 4.0% by the end of the year. However, this is just one monthly print, and we look to validate our view with the remaining employment reports.

Wage growth as measured by the **Wage Price Index** rose 0.8% q/q (or 3.6% y/y), a tenth below the consensus and the RBA's expectations. This resulted in an annual growth rate of 3.6% y/y, which is near its multi-decade highs but well behaved in the context of CPI inflation of 6.1% y/y in Q2. However, the Fair Works Commission hiked the minimum and award wages by 5.75% y/y in FY 2024, more than last year (5.2% and 4.6%, respectively). This took effect in July so we expect a potentially higher wage growth in Q3; nonetheless, we still expect them to rise below the prevailing CPI, warranting some discussion in Q3/Q4 about how consumption may not be supported by wage growth. Finally, the **RBA's minutes** from the August meeting strengthen our view as they noted that inflation was "heading in the right direction" and the labor market "might be at a turning point."

## Week in Review ( Aug 14 – Aug 18)

| Country | Release (Date, format) | Consensus | Actual | Last | Comments |
|---|---|---|---|---|---|
| **Monday, Aug 14** | | | | | |
| | No major data releases | | | | |
| **Tuesday, Aug 15** | | | | | |
| US | Retail Sales Advance (Jul, m/m) | 0.4% | 0.7% | 0.3% (↑) | Upside surprise. |
| US | Import Price Index (Jul, y/y) | -4.6% | -4.4% | -6.1% | Rising petroleum and food import prices. |
| US | Empire Manufacturing (Aug) | -1.0 | -19.0 | 1.1 | Weak…but very volatile. |
| US | Business Inventories (Jun, m/m) | 0.1% | 0.0% | 0.0% (↓) | Carrying inventory is expensive now… |
| US | NAHB Housing Market Index (Aug) | 56.0 | 50.0 | 56.0 | End of peak season, rising mortgage rates. |
| CA | Manufacturing Sales (Jun, m/m) | -2.0% | -1.7% | 1.2% | Smaller than expected decline. |
| CA | CPI (Jul, y/y) | 3.0% | 3.3% | 2.8% | Stickiness in core inflation. |
| CA | Existing Home Sales (Jul, m/m) | na | -0.7% | 1.5% | Not bad. |
| UK | Average Weekly Earnings (Jun, y/y, 3m) | 7.4% | 8.2% | 7.2% (↑) | Strong. |
| UK | ILO Unemployment Rate (Jun, 3m) | 4.0% | 4.2% | 4.0% | Further signs of cooling in the labor market. |
| GE | ZEW Survey Expectations (Aug) | -14.9 | -12.3 | -14.7 | Slight improvement, but improvement at least. |
| JN | GDP (Q2, q/q, saar) | 2.9% | 6.0% | 2.7% (↑) | Entirely driven by external demand. |
| JN | Industrial Production (Jun, m/m, final) | 2.0% (p) | 2.4% | -2.2% | Impressive rebound. |
| JN | Capacity Utilization (Jun, m/m) | na | 3.8% | -6.3% | Good. |
| AU | Wage Price Index (Q2, y/y) | 3.7% | 3.6% | 3.7% | Expect a higher growth rate in Q3. |
| **Wednesday, Aug 16** | | | | | |
| US | Building Permits (Jul, thous) | 1,463 | 1,442 | 1,441 (↑) | Still down 13.0% y/y. |
| US | Housing Starts (Jul, thous) | 1,450 | 1,452 | 1,398 (↓) | Up 5.9% y/y. |
| US | Industrial Production (Jul, m/m) | 0.3% | 1.0% | -0.8% (↓) | Heat wave drove 5.4% m/m utilities surge. |
| CA | Housing Starts (Jul, thous) | 244.0 | 255.0 | 283.5 (↑) | Remaining at firm level. |
| UK | CPI (Jul, y/y) | 6.7% | 6.8% | 7.9% | Strong momentum in services inflation. |
| EC | GDP (Q2, q/q, sa, second) | 0.3% (p) | 0.3% | 0.0% | Confirms earlier estimate. Still no details. |
| EC | Industrial Production (Jun, m/m, sa) | 0.0% | 0.5% | 0.0% (↓) | Still down 1.3% y/y. |
| JN | Core Machine Orders (Jun, m/m) | 3.5% | 2.7% | -7.6% | Healthy indicators for Q3 from overseas orders. |
| JN | Tertiary Industry Index (Jun, m/m) | -0.2% | -0.4% | 1.0% (↓) | Expect a rebound in July. |
| AU | Employment Change (Jul, thous) | 15.0 | -14.6 | 31.6 (↓) | Will this cooling sustain? We think so. |
| AU | Unemployment Rate (Jul) | 3.6% | 3.7% | 3.5% | Will this cooling sustain? We think so. |
| **Thursday, Aug 17** | | | | | |
| US | Initial Jobless Claims (Aug 12, thous) | 240 | 239 | 250 (↑) | Moving in tight range. |
| US | Continuing Claims (Aug 05, thous) | 1,700 | 1,716 | 1,684 | 4-week moving average dipped below 1,700. |
| US | Philadelphia Fed Business Outlook (Aug) | -10.4 | 12.0 | -13.5 | Big move up. |
| US | Leading Index (Jul, m/m) | -0.4% | -0.4% | -0.7% | Gloomy signal, but likely skewed. |
| **Friday, Aug 18** | | | | | |
| UK | Retail Sales Inc Auto Fuel (Jul, m/m) | -0.6% | -1.2% | 0.6% (↓) | Consumption weakened with wet weather. |
| EC | CPI (Jul, y/y, final) | 5.3% (p) | 5.3% | 5.5% (↑) | Core inflation at 5.5% y/y. |
| JN | National CPI (Jul, y/y) | 3.3% | 3.3% | 3.3% | Underlying inflation is firming up. |

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

## Week In Preview (Aug 21 – Aug 25)

| Country | Release (Date, format) | Consensus | Last | Comments |
|---|---|---|---|---|
| **Monday, August 21** | | | | |
| GE | PPI (Jul, y/y) | -4.5% | 0.1% | |
| **Tuesday, August 22** | | | | |
| US | Existing Home Sales (Jul, m/m) | -0.2% | -3.3% | |
| JN | Manufacturing PMI (Aug, prelim) | na | 49.6 | We expect a small improvement but crucial for outlook. |
| **Wednesday, August 23** | | | | |
| US | New Home Sales (Jul, thous) | 707 | 697 | |
| CA | Retail Sales (Jun, m/m) | na | 0.2% | |
| UK | Manufacturing PMI (Aug, prelim) | 44.8 | 45.3 | Still weak. |
| UK | Services PMI (Aug, prelim) | 50.5 | 51.5 | Still weak. |
| EC | Manufacturing PMI (Aug, prelim) | 42.8 | 42.7 | |
| EC | Services PMI (Aug, prelim) | 50.5 | 50.9 | |
| EC | Composite PMI (Aug, prelim) | 48.5 | 48.6 | |
| GE | Manufacturing PMI (Aug, prelim) | 38.7 | 38.8 | |
| GE | Services PMI (Aug, prelim) | 51.5 | 52.3 | |
| FR | Manufacturing PMI (Aug, prelim) | 44.7 | 45.1 | |
| **Thursday, August 24** | | | | |
| US | Initial Jobless Claims (Aug 19, thous) | na | 239 | |
| US | Continuing Claims (Aug 12, thous) | na | 1,716 | |
| US | Durable Goods Orders (Jul, prelim) | -4.0% | 4.6% | |
| UK | GfK Consumer Confidence (Aug) | -29.0 | -30.0 | Weak. |
| FR | Business Confidence (Aug) | na | 100 | |
| JN | PPI Services (Jul, y/y) | 1.2% | 1.2% | Still firming up. |
| **Friday, August 25** | | | | |
| US | U.of Mich. Sentiment (Aug, final) | 71.2 (p) | 71.6 | |
| GE | GDP (Q2, q/q, sa, final) | 0.0% (p) | -0.1% | |
| GE | IFO Business Climate (Aug) | 86.8 | 87.3 | |

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

# Economic Indicators

**Central Bank Policy Targets**

| Region | Target | Year/Year % Change in Target | | | | |
|---|---|---|---|---|---|---|
| | | Mar | Apr | May | Jun | Jul |
| US | Target: PCE price index 2.0% y/y | 4.2 | 4.3 | 3.8 | 3.0 | |
| Canada | Target: CPI 2.0% y/y, 1.0%-3.0% control range | 4.3 | 4.4 | 3.4 | 2.8 | 3.3 |
| UK | Target: CPI 2.0% y/y | 10.1 | 8.7 | 8.7 | 7.9 | 6.8 |
| Eurozone | Target: CPI below but close to 2.0% y/y | 6.9 | 6.9 | 6.1 | 5.5 | 5.3 |
| Japan | Target: CPI 2.0% y/y | 3.2 | 3.5 | 3.2 | 3.3 | 3.3 |
| Australia | Target Range: CPI 2.0%-3.0% y/y | 7.0 | 6.0 | 6.0 | 6.0 | |

Source: Macrobond

**Key Interest Rates**

| | Sep-22 | Oct-22 | Nov-22 | Dec-22 | Jan-23 | Feb-23 | Mar-23 | Apr-23 | May-23 | Jun-23 | Jul-23 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| US (top of target range) | 3.25 | 3.25 | 4.00 | 4.50 | 4.50 | 4.75 | 5.00 | 5.00 | 5.25 | 5.25 | 5.50 |
| Canada (Overnight Rate) | 3.25 | 3.75 | 3.75 | 4.25 | 4.50 | 4.50 | 4.50 | 4.50 | 4.50 | 4.75 | 5.00 |
| UK (Bank Rate) | 2.25 | 2.25 | 3.00 | 3.50 | 3.50 | 4.00 | 4.25 | 4.25 | 4.50 | 5.00 | 5.00 |
| Eurozone (Refi) | 1.25 | 1.25 | 2.00 | 2.50 | 2.50 | 3.00 | 3.50 | 3.50 | 3.75 | 4.00 | 4.00 |
| Japan (OCR) | -0.07 | -0.06 | -0.08 | -0.02 | -0.01 | -0.01 | -0.03 | -0.07 | -0.07 | -0.08 | -0.06 |
| Australia (OCR) | 2.25 | 2.58 | 2.84 | 3.05 | 3.10 | 3.29 | 3.54 | 3.60 | 3.83 | 4.05 | 4.10 |

Source: Macrobond

**General Government Structural Balance as a % of Potential GDP**

| | | | | | | | | Forecast | |
|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 (Forecast) | 2024 (Forecast) |
|---|---|---|---|---|---|---|---|---|---|---|
| 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 | | Mar | Apr | May | Jun | Jul |
| US | 5.0 | 4.9 | 4.0 | 3.0 | 3.2 | | 2.7 | 2.2 | 1.1 | 0.2 | 0.8 |
| Canada | 4.3 | 4.4 | 3.4 | 2.8 | 3.3 | | -2.1 | -3.6 | -5.7 | -5.5 | -2.7 |
| UK | 10.1 | 8.7 | 8.7 | 7.9 | 6.8 | | 8.4 | 5.2 | 2.7 | 0.4 | -0.8 |
| Eurozone | 6.9 | 6.9 | 6.1 | 5.5 | 5.3 | | 5.5 | 0.9 | -1.6 | -3.4 | |
| Germany | 7.4 | 7.2 | 6.1 | 6.4 | 6.2 | | 6.7 | 4.1 | 1.0 | 0.1 | |
| France | 5.7 | 5.9 | 5.1 | 4.5 | 4.3 | | 9.4 | 5.0 | 3.3 | 0.9 | |
| Italy | 7.6 | 8.2 | 7.6 | 6.4 | 5.9 | | 3.7 | -1.5 | -4.3 | -5.5 | |
| Japan | 3.2 | 3.5 | 3.2 | 3.3 | 3.3 | | 7.4 | 6.1 | 5.3 | 4.3 | 3.6 |
| Australia | 7.0 | 6.0 | 6.0 | 6.0 | | | 4.9 | 3.9 | 3.9 | 3.9 | |

Source: Macrobond

STATE STREET GLOBAL ADVISORS



# 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 | 0.2 | 3.8 | 2.0 | 0.6 | 0.2 | 0.4 |
| Eurozone | 0.8 | 0.4 | -0.1 | 0.0 | 0.3 | 4.2 | 2.4 | 1.7 | 1.1 | 0.6 |
| 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 | 1.1 | 0.4 | -0.1 | 0.6 | -0.3 | 5.0 | 2.5 | 1.5 | 2.0 | 0.6 |
| Japan | 1.3 | -0.3 | 0.0 | 0.9 | 1.5 | 1.4 | 1.5 | 0.4 | 1.9 | 2.1 |
| 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 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Mar | Apr | May | Jun | Jul | Mar | Apr | May | Jun | Jul |
| US | 0.1 | 0.5 | -0.4 | -0.8 | 1.0 | 0.2 | 0.3 | 0.0 | -0.8 | -0.2 |
| Canada | 0.6 | 0.6 | -0.4 | | | 1.4 | 0.9 | 1.0 | | |
| UK | 0.8 | 0.1 | -0.7 | 1.8 | | -1.9 | -1.3 | -2.1 | 0.8 | |
| Germany | -2.4 | 0.3 | -0.1 | -1.5 | | 1.1 | 0.9 | 0.1 | -1.8 | |
| France | -1.0 | 0.7 | 1.1 | -0.9 | | 0.2 | 1.5 | 2.2 | -0.3 | |
| Italy | -0.6 | -2.0 | 1.7 | 0.5 | | -3.2 | -7.2 | -3.5 | -0.8 | |
| Japan | 0.3 | 0.7 | -2.2 | 2.4 | | -0.9 | 0.2 | 2.5 | 0.0 | |

Source: Macrobond

**Unemployment Rate (Seasonally Adjusted)**

| | Sep-22 | Oct-22 | Nov-22 | Dec-22 | Jan-23 | Feb-23 | Mar-23 | Apr-23 | May-23 | Jun-23 | Jul-23 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| US | 3.5 | 3.7 | 3.6 | 3.5 | 3.4 | 3.6 | 3.5 | 3.4 | 3.7 | 3.6 | 3.5 |
| Canada | 5.2 | 5.2 | 5.1 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.2 | 5.4 | 5.5 |
| UK | 3.7 | 3.7 | 3.7 | 3.7 | 3.8 | 3.9 | 3.8 | 4.0 | 4.2 | | |
| Eurozone | | | | | | | | | | | |
| Germany | 5.5 | 5.5 | 5.5 | 5.5 | 5.5 | 5.5 | 5.6 | 5.6 | 5.6 | 5.7 | 5.6 |
| France | 7.1 | 7.2 | 7.2 | 7.2 | 7.1 | 7.1 | 7.0 | 7.0 | 7.1 | 7.1 | |
| Italy | 8.0 | 7.9 | 7.8 | 7.8 | 7.9 | 7.9 | 7.8 | 7.7 | 7.5 | 7.4 | |
| Japan | 2.6 | 2.6 | 2.5 | 2.5 | 2.4 | 2.6 | 2.8 | 2.6 | 2.6 | 2.5 | |
| Australia | 3.6 | 3.4 | 3.5 | 3.5 | 3.7 | 3.6 | 3.5 | 3.7 | 3.6 | 3.5 | 3.7 |

Source: Macrobond

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

| | Q4-20 | Q1-21 | Q2-21 | Q3-21 | Q4-21 | Q1-22 | Q2-22 | Q3-22 | Q4-22 | Q1-23 | Q2-23 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| US | -3.3 | -3.1 | -3.5 | -3.9 | -3.8 | -4.6 | -3.9 | -3.5 | -3.3 | -3.3 | |
| Canada | -1.4 | 0.0 | -0.4 | -0.6 | 0.0 | 0.6 | 0.7 | -1.4 | -1.2 | -0.9 | |
| UK | -6.6 | -1.9 | -0.4 | -3.3 | -0.4 | -8.3 | -4.6 | -2.0 | -0.4 | -1.7 | |
| Eurozone | 3.2 | 3.5 | 3.1 | 2.3 | 1.2 | 0.4 | -1.3 | -3.6 | 1.0 | | |
| Germany | 8.4 | 8.8 | 8.2 | 7.6 | 6.7 | 5.5 | 3.9 | 2.7 | 4.8 | 5.8 | 6.8 |
| France | 0.0 | 1.0 | 0.6 | 0.4 | -0.4 | -0.3 | -1.8 | -3.1 | -2.8 | -1.3 | -0.1 |
| 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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