STATE STREET GLOBAL ADVISORS

September 18, 2020
Commentary

Weekly Economic Perspectives

Contents

Spotlight on Next Week
A light data week dominated by preliminary September PMI releases that will likely show continued gradual improvement. US new home sales should remain elevated.

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The Economy

Lots of macro data, but central bank and OPEC talk took center stage this week.

US

The **Fed's September policy meeting** made it clear that the new average inflation targeting framework goes hand in hand with a considerably extended and expanded forward guidance. Specifically, the Fed believes it will be appropriate to keep rates at current levels (0.00-0.25%) until three conditions are met: the labor market has returned to full employment, inflation has returned to 2.0%, and inflation is also on track to moderately exceed 2 percent "for some time". What is truly notable here is that, unlike in the past, no adjustment to policy is seen necessary as the economy *progresses toward* these goals; instead, policy only adjusts once the goals have been achieved. There is no longer any appetite for pre-emptive tightening so the "median dot" implies no rate hikes though 2023.

Secondly, as we've previously emphasized, the labor market has become the primary signal of the Fed's policy stance. Chair Powell was asked during the press conference whether the Fed's goal is to return to a 3.5% unemployment rate. The short answer was "Yes, absolutely!". Of course, there were then some qualifiers to that answer, but the signal is clear. There is a lot to like about 3.5% unemployment and the Fed wants to steer the economy back to full employment.

Thirdly, economic projections have been sharply upgraded. The directional shift was widely expected since incoming data had been strong, but the magnitude was substantial and noteworthy. The changes align with our own more positive assessment of the economy as the Fed's GDP forecasts for this year and next sit almost on top of our own projections from mid-June.

After a very strong bounce off the bottom, **retail sales** growth has cooled over the last two months. Sales increased a smaller than expected 0.6% in August, undershooting expectations for a 1.0% gain. Additionally, there was a three-tenth downward revision to the July data. Control sales (which exclude food services, building materials, autos dealers and gas stations) declined 0.1%, marking the first contraction since April. Still, we must put this slight disappointment in context: overall retail sales are up 2.6% y/y and control sales are up 7.2% y/y. This is an incredibly strong performance given all that has happened this year. Moreover, the August weakness was concentrated in three categories in particular: online sales (flat), food sales (-1.2%) and general merchandise (-0.4%). It is hard to discern how much of this weakness may reflect the expiration of the full $600 per week extended unemployment benefits and how much might reflect the realities of a very unusual and delayed back to school season. The performance of personal income and retail sales certainly bears close watching as we move through the fourth quarter, but it is too soon to sound the alarm. In fact, there were also encouraging details in the data, such as the 4.7% increase in restaurant/bar receipts—a better outcome than in July—which suggests that at the national level, this sector's reopening continued through the summer surge in Covid cases despite pullbacks in individual states. Motor vehicles and furniture sales also did better in August than in July, indicating resilience in big-ticket item demand.

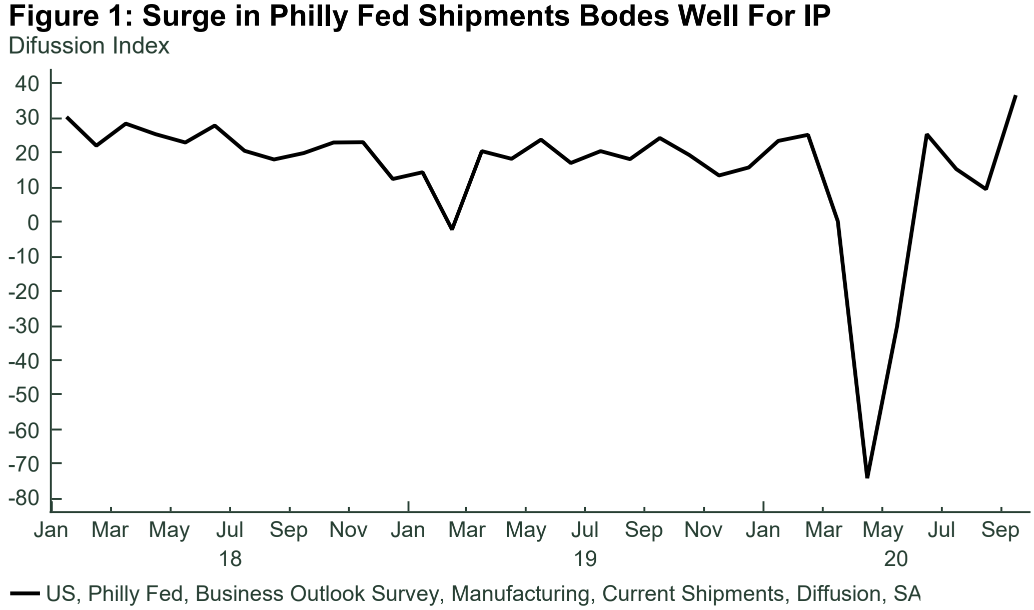
Industrial sector activity is improving. Admittedly, overall **industrial production** grew a smaller than expected 0.4% in August, but an upward revision to the July data largely offset that. Manufacturing production increased 0.9% but utilities were down

0.4% and mining declined 2.5%. Within manufacturing, motor vehicle production was a drag for the first time in four months, declining. Overall capacity utilization was modestly higher, but it declined again in the mining sector.

Having disappointed in August, the **Empire Fed manufacturing index** came in much stronger than expected in September, surging 13.3 points to 17.0, almost back to post-crisis highs. The details were good as new orders rose 8.8 points and shipments rose 4. But we were probably most encouraged by the surge in the average workweek, up 13.5 points to the highest since 2018. So, although employment improved only incrementally during the month, there is clear evidence that employers are making intensive use of existing labor resources, suggesting that, if demand conditions continue to improve (as we expect), additional hiring will be needed. Also of note were big increases in the price measures: prices paid jumped 9.2 points to the highest level since January, while prices received rose 1.8 to the highest since March.

The **Philly Fed** was in line with expectations on the headline, which retreated 2.2 points to 15, but the details were actually more encouraging. New orders improved 6.5 points to the highest since February, while employment rebounded 6.7 points. The biggest news, however, was the 27.4-point surge in shipments, now at the highest level since 2004! This suggests considerable short-term momentum in manufacturing activity. Price metrics rebounded: prices paid rose 9.8 and prices received increased 6.0 points, leaving them at their highest levels since September.

Figure 1: Surge in Philly Fed Shipments Bodes Well For IP



Sources: Philadelphia Fed

The **NAHB (National Association of Homebuilders) index** jumped 6.0 points to a record 83 in September as each of the main components (prospective buyer traffic, present sales and future sales) reached historical records. Low interest rates, a renewed appreciation for the value of home amid Covid-19, and years of housing underinvestment, should support residential construction in coming months.

Housing starts and permits remain elevated, although they both pulled back a little in August after a torrid rebound from the Covid lows. The single-family market is shaping up to be a relative outperformer, perhaps due to shifting consumer preferences post-pandemic. Overall starts declined 5.8% to 1.42 million (seasonally adjusted annualized), but within this total, single family starts actually rose 4.1% to the highest since February and 12.1% higher than a year earlier. Multi-family starts—which had surged in July—gave back most of that increase. The **housing permits** showed a similar pattern. Permits were little changed overall but while single-family permits rose 6.0% to the highest since 2007, multi-family permits declined 14.2%.

Both initial and continuing **unemployment claims** touched Covid-era lows in the latest reporting period, although both remain very elevated from a historical perspective. Initial claims eased slightly to 860,000 during the week ending September 12, while continuing claims moved notably lower, down by 916,000 to 12.625 million. For comparison purposes, these series were hovering around 220,000 and at under 2 million back in February.

Encouragingly given delays with the fiscal stimulus package, the **Michigan consumer sentiment** index improved in September. The headline rose 4.8 points to a Covid-era high, with gains evenly distributed across the current situation (+4.6) and expectations (+4.8). What was surprising was that 1-year inflation expectations came down sharply , from 3.1% in August to a five-month low of 2.7% in September. Longer term expectations (5-10 years) came in by a tenth to 2.6%.

Canada

Canada’s headline **consumer price inflation** edged up 0.1% y/y in August, similar to July. Gasoline prices again were the main detractor, down 11.1% from last year, following a 14.9% decline in July. Excluding gasoline prices, inflation was up 0.6% y/y. Higher rebates for passenger vehicles also caused prices to decelerate slightly in August to 2.2%, compared to 3.2% in July. Charges for haircut and hairdressing on the other hand, have gone up significantly over the past few months due to costs of additional safety measures (PPE kits etc.) being passed on to the consumers, so much so that it pulled up prices for personal services by 7.2%. Measures of core inflation were broadly unchanged—the weighted median and trimmed mean measures were unchanged at 1.9% and 1.7% respectively, while the common component increased two tenths to 1.5%. Prices rose 0.1% m/m.

Retail sales moderated in July after outsized gains over the last two months, no doubt a knee-jerk reaction to re-opening. Sales were higher by 0.6% to $52.9 billion, led by higher sales at motor vehicle and parts dealers (+3.3%) and gasoline stations (+6.1%). But sales excluding these two sectors dropped 1.2% because of lower sales at building material and garden equipment and supplies dealers (-11.6%) as well as at food and beverage stores (-2.1%). Labor report from Statistics Canada notes that consumers are spending less time at home, which boosted the sales of these in the first place, to go to offices, and also with the reopening of schools near, this trend will likely persist. An interesting trend to follow will be how much of the switch to e-commerce persists even after brick-and-mortar stores resume business. The share of retail e-commerce in total sales which had climbed to 8.0% in May dropped to 4.8% in July. Still, it was higher by 1.7 percentage points from a year ago.

Manufacturing sales has continued the upward trend after declines in March and April. Sales rose 7.0% to C$53.1 billion in July, just 5.4% below February level now. Gaines were broad-based—with 13 of 21 industries reporting better sales. Sales were higher for motor vehicles (+32.9%), which pulled up transportation equipment, likely due to pent up demand as experienced in other economies as well. Sales in the petroleum and coal product industry also rose 13.0% on higher prices and volumes. Inventory levels decreased 0.8% to their lowest level since February 2019. which caused the inventory-to-sales ratio to decline from 1.76 in June to 1.63 in July. New orders rose 9.0%, the third straight increase. The capacity utilization rate also increased a further 0.6 percentage points to 74.9%.

Existing home sales continued the solid rebound, having risen another 6.2% in August, while new listings hit a fresh high, climbing 10.6% m/m. The breadth was narrower this time though, with sales up in 60% of local markets. The gains were led by Greater Toronto Area and British Columbia's Lower Mainland, amid earlier reports of supply shortages. As a matter of fact, the increase in new supply outpaced the rise in sales for the first time since May, and the national sales-to-new listings ratio eased to 69.4% compared to 72.3% posted in July. The months of inventory fell to fresh low of 2.6 months. The tables seem to have turned now, with supply catching up with pent-up demand right after the reopening. We still feel that the housing market has enough gas to run for a few months before moderating. The Aggregate Composite MLS Home Price index jumped by 1.7% m/m.

The 11-City **housing price index** published by Teranet and the Bank of Canada rose 0.6% in August, led by gains in Victoria (+2.3%), Ottawa-Gatineau (+2.2%), Montreal (+1.9%) and Halifax (+1.8%). Consistent with data for existing home sales from the Canadian Real Estate Association, there was evidence of supply catching up to demand as the number of "sale pairs"—which measures the increase or decrease of the property value in the period between two sales in a linear fashion—is now down only 1.3% y/y following three months of y/y declines in excess of 20%.

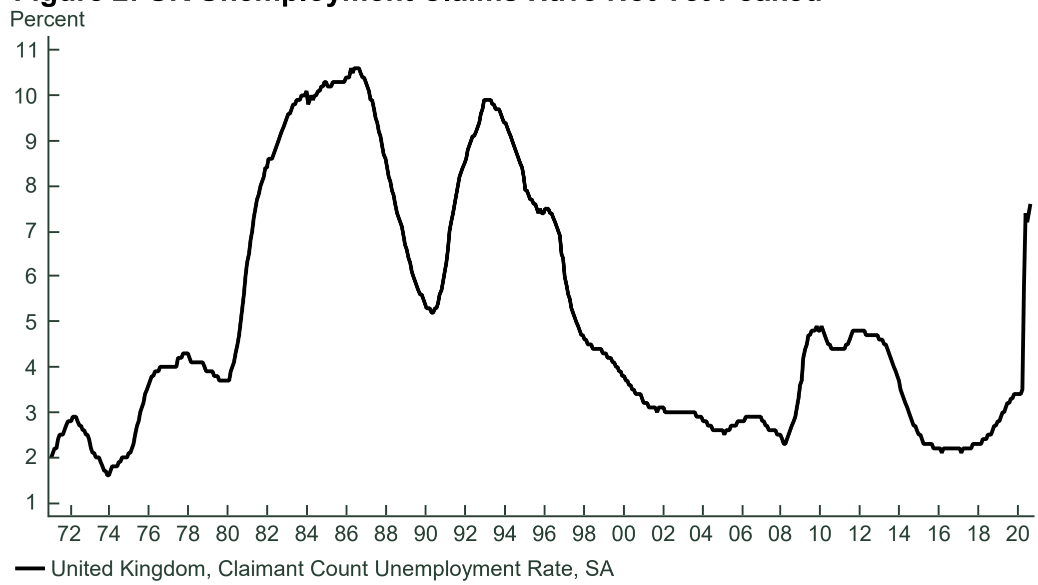
UK

The **Bank of England** made no changes to policy this week but still made plenty of waves as it let it be known that the Monetary Policy Committee (MPC) has moved past simply discussing negative interest rates as part of its policy toolkit. Since the August Monetary Policy Report, "the MPC had been briefed on the Bank of England's plans to explore how a negative Bank Rate could be implemented effectively, should the outlook for inflation and output warrant it at some point during this period of low equilibrium rates. The Bank of England and the Prudential Regulation Authority will begin structured engagement on the operational considerations in 2020 Q4."

Nothing is final yet and this is by no means a promise of near-term implementation, but it is clear that the MPC is very worried about Brexit going array at the last moment, just as the economy is still reeling from the Covid shock. Is it surprising that the MPC is looking to beef up the monetary policy defenses?

It's not clear that the worst is over for the UK **labor market**. Admittedly, employment declined by considerably less (12,000) in the three months to July compared with 220,000 in April-June. Weekly hours worked improved both for full- and part-time employees, indicating stronger labor utilization. At the same time, the number of unemployed jumped by the most so far in the Covid crisis, pushing the headline unemployment rate up to 4.1%. The claimant count unemployment rate—which had been significantly higher than the main reported rate—also touched a new Covid-crisis high of 7.6% (it peaked at 4.9% during the Great Recession!). All of the labor market statistics are quite distorted at the moment by government support schemes, and so the pick-up on wage inflation should be seen primarily as a reflection of shifting wage burden between private employers and the government, rather than a sign of genuine wage pressures. For the record, average weekly earnings increased 0.9% y/y in July; they rose 0.2% y/y in May-July.

Figure 2: UK Unemployment Claims Have Not Yet Peaked



Sources: ONS

In the context of weak wage inflation, the soft **CPI inflation** print could be seen as somewhat positive insofar at it does not undermine households' purchasing power too much. On the other, it likely adds to the BoE's headaches as it seeks to reach its 2.0% inflation target. As things stand, headline consumer price inflation decelerated sharply in August to stand at just 0.2% y/y. Core inflation also halved, now at only 0.9% y/y, the lowest level since June 2015.

Eurozone

The expectations component of the **ZEW *German* investor confidence index** had been surging for some months, but we are now finally seeing some improvement in the current situation assessment. The overall index improved 5.9 points, with the current situation up 15.1 and expectations up 9.9.

***French* business sentiment** jumped 6.0 points to 106.0 in August, which was far better than anticipated and somewhat surprising in light of surging Covid cases. It

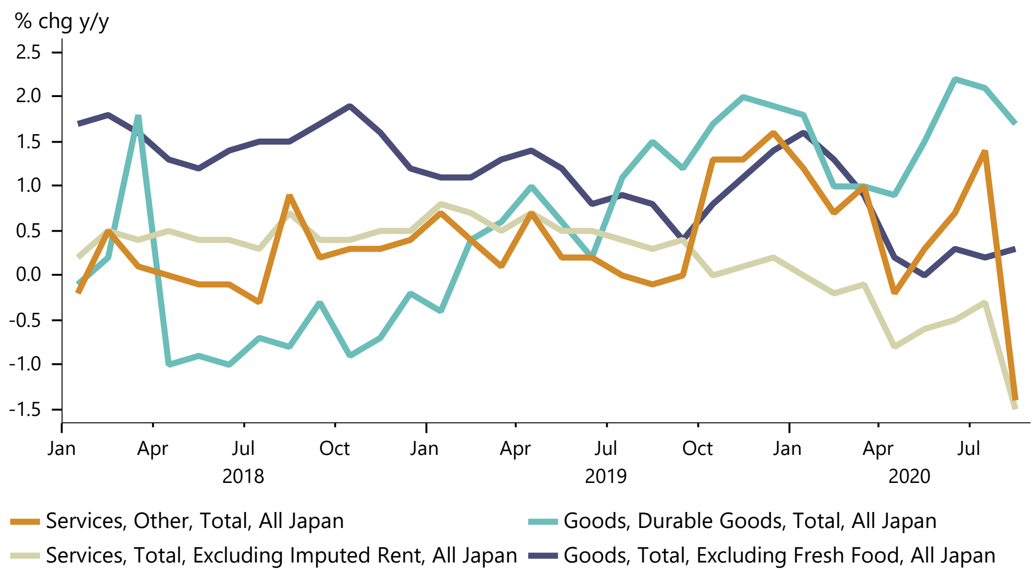
Japan

The **Bank of Japan** kept all key measures unchanged in the policy meeting this week. The bank upgraded its outlook for the domestic economy, stating that it “is likely to follow an improving trend through the materialization of pent-up demand and supported by accommodative financial conditions and the government's economic measures.”

While we are unlikely to see proactive policy shifts any time soon, the backdrop has changed since the BoJ’s previous meeting. Prime Minister Abe, who had appointed Kuroda as BoJ Governor, has now been replaced by his close aide and confidante Yoshihide Suga. Suga has expressed his support for Kuroda pre-initiation, and we doubt there will be any change in fiscal policy in the near term, allowing monetary policy to also stay the same. However, Suga is a known currency hawk and his emphasis on structural reforms may alter the fiscal policy tilt, possibly putting more pressure on the BoJ to act next year to avoid pitfalls in growth and employment.

Headline inflation has been remarkable stable in Japan considering the drop in private demand and the fact that inflation hardly had any momentum even in the months leading to COVID.

Figure 3. Japan's Services Inflation Dropped in August



Sources: Macrobond, Japanese Statistics Bureau, Ministry of Internal Affairs & Communications

The **consumer price inflation** edged down by one tenth to 0.2% y/y in August. The underlying measures weakened considerably though—both the core measure of CPI (excluding fresh food) and the new BoJ core CPI (excluding fresh food and energy) fell by 0.5 percentage points to -0.5% and -0.1% y/y respectively. The declines were expected, and can be attributed to a large drop in accommodation charges. In July, the government initiated the “Go To Travel” campaign, under which as much as half of the costs for domestic travel are being subsidized. This caused accommodation costs component of CPI to plunge 32.0% in August, and possibly led to an overall depression in culture and recreational services inflation (-2.4% y/y).

Services activity edged down in July, with the **tertiary industry index** contracting 0.5%, after a strong rebound of 9.0% in June. The index tracking broad-ranging business services moderated, but was still positive at 0.5%, but broad-ranging personal services contracted 1.4% over the month. The relaxation of emergency measures is no doubt helping services get back to their feet, as evidenced in living and amusement-related services (+4.3%) and wholesale trade (+2.3%). The “Go To Travel” initiative had a positive impact as well, with activities related to the tourism industry up 7.0%. On the flipside though, the resurgence in COVID cases in July knocked personal services down.

Australia

The **Reserve Bank of Australia’s minutes** to the meeting dated September 1st expressed optimism at the state of domestic recovery, while also being wary of the threat of resurgence in COVID in Melbourne and some other parts of the world. The only new information was regarding the extension of the Term Funding Facility (TFF), on which the bank noted that “the TFF had worked as intended and that, given the economic outlook, an expansion of the TFF was appropriate.” The expansion brings the total amount available under this facility to around A$200 billion. The upcoming federal and state budgets are likely to include fresh stimulus which will support a relatively strong recovery in 2021. We think the RBA might consider a “separate bond buying program” targeting the longer end of the curve, in addition to its policy of yield curve control. But that will not be until late 2021.

The Australian labor market seems to be consistently exceeding expectations. The **unemployment rate** dipped 0.7 percentage points (ppts) to 6.5% in August, contrary to expectations of a 0.2 ppts rise. There was again a hefty gain in employment—111,000 to be precise, which defied expectations, and comprised of a nice mix of full time (+36,200) and part time (+74,800) job gains. The participation rate increased by 0.1 ppts to 64.8%, which capped the improvement in underemployment rate (unchanged at 11.2%). But the underutilization rate—people who are unemployed, but are available to work and are actively seeking employment—decreased 0.7 ppts to 18.0%. Monthly hours worked also went up 1.6%. In sharp contrast to the national picture, employment in Victoria contracted 42,000, approaching the previous low recorded in May. Monthly hours worked fell even further (−4.8%) and an estimated 3.5% of those employed were working zero hours due to economic reasons. The “second wave” still poses a real threat to the overall outlook for labor market, but extension of fiscal support beyond September should help.

Unsurprisingly, the second quarter marked a sharp contraction in residential property prices. The **ABS house price index** fell 1.8%, led by Sydney (-2.2%) and Melbourne (-2.3%) property markets. The total value of residential dwellings fell by A$98.2 billion to A$7,138.2 billion. On an annual basis however, property prices rose 6.2% y/y, with rises in all capital cities except Perth and Darwin. This goes to show that housing was pretty robust going into the crisis, and with the recovery going better than earlier anticipated, we expect that prices will start to recover soon.

The Market This Week

A few words from the right people can make a big difference and so it was this week with oil. Comments from Saudi Energy Minister Abdulaziz bin Salman hinting at possible production cuts gave oil its best week since June.

Figure 4: Oil Prices Jump On Saudi Support

Sources: Macrobond

Equities: Japanese equities end higher in the week that Suga took charge.

Bonds: Bond yields are little changed.

Currencies: Pound weakens on BoE talk of negative rates.

Commodities: Oil jumps on Saudi commitment to OPEC cuts.

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Stock Markets					10 Year Bond Yields			Currencies		
Country	**Exchange**	**Last**	**% Ch Week**	**% Ch YTD**	**Last**	**BP Ch Week**	**BP Ch YTD**	**Last**	**% Ch Week**	**% Ch YTD**
US	S&P 500®	3343.04	0.1%	3.5%	0.69	2	-123	92.862	-0.5%	-3.7%
Canada	TSE 300	16258.61	0.2%	-4.7%	0.58	3	-112	1.3182	0.0%	1.5%
UK	FTSE®	6007.05	-0.4%	-20.4%	0.18	0	-64	1.295	1.2%	-2.3%
Germany	DAX	13116.25	-0.7%	-1.0%	-0.49	0	-30			
France	CAC-40	4978.18	-1.1%	-16.7%	-0.22	-3	-34	1.1851	0.0%	5.7%
Italy	FTSE® MIB	19524.94	-1.5%	-16.9%	0.96	-2	-45			
Japan	Nikkei 225	23360.3	2.7%	-1.3%	0.02	-1	3	104.44	-1.6%	-3.8%
Australia	ASX 200	5864.504	0.1%	-12.3%	0.89	-2	-48	0.7313	0.4%	4.2%

Commodity Markets						
Commodity	**Unit**	**Source**	**Last Price**	**%Ch Week**	**%Ch YTD**	**%ChYr Ago**
Oil (Brent)	US $/Barrel	Bloomberg	42.38	8.7%	-36.2%	-33.8%
Gold	US $/troy oz	Bloomberg	1954.31	0.7%	28.8%	30.8%

Source: Bloomberg®

Week in Review (September 14–September 18)

Country	Release (Date, format)	Consensus	Actual	Last	Comments
Monday, September 14					
EC	Industrial Production (Jul, m/m)	4.2%	4.1%	9.5%(↑)	Improving…
FR	Bank of France Ind. Sentiment (Aug)	100	106	99	Surprisingly strong given Covid resurgence.
JN	Industrial Production (Jul, final, m/m)	8.0%(p)	8.7%	1.9%	Activity, shipments revised up.
JN	Tertiary Industry Index (Jul, m/m)	0.5%	-0.5%	9.0%(↑)	Broad-ranging personal services down.
Tuesday, September 15					
US	Industrial Production (Aug, m/m)	1.0%	0.4%	3.5%(↑)	Upward revision offset softer print.
US	Empire Manufacturing (Sep)	6.8	17.0	3.7	Big bounce!
CA	Manufacturing Sales (Jul, m/m)	9.0%	7.0%	23.0%(↑)	Sales continued to improve.
CA	Existing Home Sales (Aug, m/m)	8.0%	6.2%	26.0%	Supply fast catching up to demand.
UK	ILO Unemployment Rate (Jul)	4.1%	4.1%	3.9%	Claimant count rate much higher at
UK	Average Weekly Earnings (Jul, 3m y/y)	-1.3%	-1.0%	-1.2%	Not surprising, given the circumstances.
GE	ZEW Investor Expectations (Sep)	69.5	77.4	71.5	Welcome bounce!
AU	House Price Index (Q2, q/q)	-1.3%	-1.8%	1.6%	No surprise here.
AU	RBA Meeting Minutes				Little new information.
Wednesday, September 16					
US	FOMC Monetary Policy Decision	0.25%	0.25%	0.25%	Expecting to stay on hold through 2023.
US	Retail Sales Advance (Aug, m/m)	1.0%	0.6%	0.9%(↓)	An odd back to school season.
US	NAHB Housing Market Index (Sep)	78	83	78	Record high, all components at record high!
US	Business Inventories (Jul, m/m)	0.1%	0.1%	-1.1%	Depressed inventories will need rebuilding.
CA	CPI (Aug, y/y)	0.4%	0.1%	0.1%	Core remains comfortably high.
UK	CPI (Aug, y/y)	0.0%	0.2%	1.0%	More headaches for the BoE!
JN	Trade Balance Adjusted (Aug, ¥ bil.))	23.3	350.6	41.3(↑)	Exports, imports improved over the month.
Thursday, September 17					
US	Initial Jobless claims (Sep 12, thous)	850	860	893(↑)	Covid-era low.
US	Continuing Claims (Sep 5, thous)	13000	12628	13544(↑)	Covid-era low.
US	Building Permits (Aug, thous)	1517	1470	1483(↓)	Single family up, multi-family down.
US	Housing Starts (Aug, thous)	1483	1416	1492(↓)	Single family up, multi-family down.
US	Philadelphia Fed Business Outlook (Sep)	15	15	17.2	Details were strong!
UK	BoE Monetary Policy Decision	0.10%	0.10%	0.10%	Looking closely at negative rates.
JN	BoJ Monetary Policy Decision	-0.10%	-0.10%	-0.10%	Suga’s initiation changes the narrative a little.
AU	Unemployment Rate (Aug)	7.7%	6.8%	7.5%	Another stellar report.
Friday, September 18					
US	U of Mich Cons Sentiment (Sep, prelim)	75	78.9	74.1	Covid-era high.
US	Leading Index (Aug, y/y)	1.3%	1.2%	2.0%(↑)	Big upward revision to July.
CA	Retail Sales (Jul, m/m)	1.0%	0.6%	23.7%	Now above February level.
CA	Teranet/National Bank HPI (Aug, y/y)	na	0.6%	5.5%	Supply fast catching up to demand.
UK	Retail Sales (Aug, m/m)	0.8%	0.8%	3.7%(↑)	Up 2.8% y/y!
IT	Industrial Sales (Jul, m/m)	na	8.1%	13.6%(↑)	Continuing to improve.
IT	Industrial Orders (Jul, m/m)	na	3.7%	23.7%(↑)	Continuing to improve.
JN	CPI (Aug, y/y)	0.2%	0.2%	0.3%	Core weakened considerably on services.

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

Week Preview (September 21–September 25)

Country	Release (Date, format)	Consensus	Last	Comments
Monday, September 21				
	No Major Data Release			
Tuesday, September 22				
US	Existing Home Sales (Aug, m/m)	2.4%	24.7%	
Wednesday, September 23				
US	FHFA House Price Index (Jul, m/m)	0.4%	0.9%	
UK	Manufacturing PMI (Sep, prelim)	54.3	55.2	
UK	Services PMI (Sep, prelim)	57.0	58.8	
EC	Manufacturing PMI (Sep, prelim)	51.5	51.7	
EC	Services PMI (Sep, prelim)	51.0	50.5	
GE	GfK Consumer Confidence (Oct)	-1.0	-1.8	
GE	Manufacturing PMI (Sep, prelim)	52.0	52.2	
GE	Services PMI (Sep, prelim)	53.9	52.5	
FR	Manufacturing PMI (Sep, prelim)	50.6	49.8	
JN	All Industry Activity Index (Jul, m/m)	1.3%	6.1%	
JN	Manufacturing PMI (Sep, prelim)	na	47.2	Gradual improvement.
JN	Services PMI (Sep, prelim)	na	45.0	
Thursday, September 24				
US	Initial Jobless claims (Sep 19, thous)	na	860	
US	Continuing claims (Sep 12, thous)	na	12628	
US	New Home Sales (Aug, thous)	890	901	Housing continues to perform very well.
US	Kansas City Fed Manf. Activity (Sep)	na	14	
GE	IFO Business Climate (Sep)	93.9	92.6	
FR	Business Confidence (Sep)	na	91	
Friday, September 25				
US	Durable Goods Orders (Aug, prelim, m/m)	1.1%	11.4%	Good, but we need even more!
IT	Consumer Confidence (Sep)	100	100.8	

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

Economic Indicators

Central Bank Policy Targets

Region	Target	Year/Year % Change in Target				
		Apr	May	Jun	Jul	Aug
US	Target: PCE price index 2.0% y/y	0.5	0.5	0.9	1.0	
Canada	Target: CPI 2.0% y/y, 1.0%-3.0% control range	-0.2	-0.4	0.7	0.1	0.1
UK	Target: CPI 2.0% y/y	0.8	0.5	0.6	1.0	0.2
Eurozone	Target: CPI below but close to 2.0% y/y	0.3	0.1	0.3	0.4	-0.2
Japan	Target: CPI 2.0% y/y	0.1	0.1	0.1	0.3	0.2
Australia	Target Range: CPI 2.0%-3.0% y/y	-0.3	-0.3	-0.3		

Source: Macrobond

Key Interest Rates

	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	######	#####	Jul-20	######
US (top of target range)	1.75	1.75	1.75	1.75	1.75	0.25	0.25	0.25	0.25	0.25	0.25
Canada (Overnight Rate)	1.75	1.75	1.75	1.75	1.75	0.25	0.25	0.25	0.25	0.25	0.25
UK (Bank Rate)	0.75	0.75	0.75	0.75	0.75	0.10	0.10	0.10	0.10	0.10	0.10
Eurozone (Refi)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Japan (OCR)	-0.03	-0.03	-0.07	-0.04	-0.03	-0.07	-0.06	-0.07	-0.07	-0.02	-0.06
Australia (OCR)	0.76	0.75	0.75	0.75	0.75	0.43	0.25	0.25	0.25	0.25	0.25

Source: Macrobond

General Government Structural Balance as a % of Potential GDP

	2012	2013	2014	2015	2016	2017	2018	2019	Forecast 2020	Forecast 2021
US	-6.4	-4.5	-3.8	-3.6	-4.4	-4.8	-6.0	-6.3	-6.3	-6.2
Canada	-2.1	-1.1	0.1	0.8	0.7	0.0	-0.2	-0.5	-0.8	-0.8
UK	-6.0	-4.0	-4.7	-4.1	-2.9	-2.0	-1.5	-1.3	-1.4	-1.5
Eurozone	-2.1	-1.2	-0.9	-0.8	-0.7	-0.7	-0.6	-0.7	-0.9	
Germany	0.0	0.6	1.2	1.2	1.3	1.1	1.4	0.9	1.0	0.7
France	-4.4	-3.4	-3.3	-3.0	-2.8	-2.6	-2.5	-2.4	-2.5	-2.4
Italy	-1.5	-0.6	-1.1	-0.7	-1.4	-1.7	-1.8	-1.5	-2.1	-2.3
Japan	-7.6	-7.5	-5.5	-4.3	-4.1	-3.4	-3.1	-2.9	-2.1	-1.9
Australia	-3.3	-2.6	-2.6	-2.4	-2.2	-1.5	-0.6	-0.4	-0.4	0.0

Source: International Monetary Fund, World Economic Outlook

Headline Consumer and Producer Price Inflation

	CPI Year/Year % Change						PPI Year/Year % Change				
	Apr	May	Jun	Jul	Aug		Apr	May	Jun	Jul	Aug
US	0.3	0.1	0.6	1.0	1.3		-1.5	-0.8	-0.8	-0.4	-0.2
Canada	-0.2	-0.4	0.7	0.1	0.1		-6.0	-4.9	-3.3	-2.3	
UK	0.8	0.5	0.6	1.0	0.2		-0.7	-1.2	-0.9	-0.9	-0.9
Eurozone	0.3	0.1	0.3	0.4	-0.2		-4.5	-5.0	-3.7	-3.3	
Germany	0.9	0.6	0.9	-0.1	0.0		-1.9	-2.2	-1.8	-1.7	-1.2
France	0.3	0.4	0.2	0.8	0.2		-3.7	-3.3	-2.2	-2.1	
Italy	0.0	-0.2	-0.2	-0.4	-0.5		-5.1	-5.3	-4.5	-4.2	
Japan	0.1	0.1	0.1	0.3	0.2		-2.5	-2.8	-1.6	-0.9	-0.5
Australia	-0.3	-0.3	-0.3								

Source: Macrobond

Real GDP Growth (Q/Q Seasonally Adjusted)

	Quarter/Quarter % Change						Year/Year % Change				
	Q2-19	Q3-19	Q4-19	Q1-20	Q2-20		Q2-19	Q3-19	Q4-19	Q1-20	Q2-20
US	0.4	0.6	0.6	-1.3	-9.1		2.0	2.1	2.3	0.3	-9.1
Canada	0.8	0.3	0.1	-2.1	-11.5		2.0	1.6	1.5	-0.9	-13.0
UK	-0.1	0.5	0.0	-2.2	-20.4		1.4	1.3	1.1	-1.7	-21.7
Eurozone	0.1	0.3	0.1	-3.7	-11.8		1.2	1.4	1.0	-3.2	-14.7
Germany	-0.5	0.3	0.0	-2.0	-9.7		0.1	0.8	0.4	-2.2	-11.3
France	0.2	0.2	-0.2	-5.9	-13.8		1.8	1.6	0.8	-5.7	-18.9
Italy	0.1	0.0	-0.2	-5.5	-12.8		0.4	0.5	0.1	-5.6	-17.7
Japan	0.4	0.0	-1.8	-0.6	-7.9		0.9	1.7	-0.7	-1.9	-10.1
Australia	0.8	0.5	0.6	-0.3	-7.0		1.6	1.8	2.3	1.6	-6.3

Source: Macrobond

Industrial Production Index (M/M Seasonally Adjusted)

	Month/Month % Change						Year/Year % Change				
	Apr	May	Jun	Jul	Aug		Apr	May	Jun	Jul	Aug
US	-12.9	1.0	6.1	3.5	0.4		-16.5	-15.9	-10.7	-7.4	-7.7
Canada	-14.6	3.6	5.8				-21.1	-18.4	-13.5		
UK	-20.4	6.2	9.4	5.2			-24.0	-20.1	-12.5	-7.8	
Germany	-17.6	7.4	9.3	1.2			-24.8	-19.6	-11.3	-10.0	
France	-20.5	20.0	13.0	3.8			-34.9	-23.2	-11.3	-8.3	
Italy	-20.1	41.5	8.2	7.4			-43.4	-20.6	-13.8	-7.6	
Japan	-9.8	-8.9	1.9	8.7			-15.9	-24.5	-21.0	-14.7	

Source: Macrobond

Unemployment Rate (Seasonally Adjusted)

	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	######	#####	Jul-20	######
US	3.6	3.5	3.5	3.6	3.5	4.4	14.7	13.3	11.1	10.2	8.4
Canada	5.6	5.9	5.6	5.5	5.6	7.8	13.0	13.7	12.3	10.9	10.2
UK	3.8	3.8	3.9	4.0	3.9	3.9	3.9	3.9	4.1		
Eurozone	7.4	7.4	7.4	7.4	7.3	7.2	7.4	7.5	7.7	7.9	
Germany	5.0	5.0	5.0	5.0	5.0	5.0	5.8	6.3	6.4	6.4	6.4
France	8.3	8.2	8.2	8.0	7.7	7.5	7.8	6.9	6.6	6.9	
Italy	9.5	9.5	9.6	9.6	9.4	8.5	7.3	8.5	9.3	9.7	
Japan	2.4	2.2	2.2	2.4	2.4	2.5	2.6	2.9	2.8	2.9	
Australia	5.3	5.1	5.1	5.3	5.1	5.2	6.4	7.1	7.4	7.5	6.8

Source: Macrobond

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

	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19	Q3-19
US	-2.2	-2.5	-2.0	-2.3	-2.3	-2.1	-2.4	-2.8	-2.6	-2.4	
Canada	-2.2	-2.7	-3.4	-3.0	-2.8	-2.6	-1.8	-2.8	-3.0	-1.2	-1.7
UK	-3.2	-4.0	-3.4	-3.3	-3.4	-4.4	-4.3	-5.1	-6.0	-4.6	
Eurozone	3.1	1.9	3.9	3.6	3.5	3.6	2.6	2.8	3.1	2.4	
Germany	8.3	7.0	8.6	8.6	8.5	7.6	6.5	7.4	7.8	7.6	8.1
France	-1.3	-0.7	-0.7	-0.3	-0.3	-1.4	-0.5	-0.5	-0.8	-0.8	-1.0
Japan	4.3	3.7	4.6	4.2	3.6	4.0	3.4	3.1	3.4	3.5	3.5
Australia	-1.5	-2.5	-2.8	-3.5	-2.2	-2.7	-2.2	-1.4	-0.2	1.2	

Source: Macrobond

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