December 4, 2020
Commentary

Weekly Economic Perspectives

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The Economy

A mixed data week but vaccine and stimulus hopes continue to fuel equity gains.

US

The November **employment report** was weaker than expected. The economy added only 245,000 jobs in November, about half the expected number, as several service industries that has seen strong job gains in recent months hit the pause button. That this happened wasn't entirely a shock; after all, we knew that the big upsurge in Covid cases nationally resulted in new mobility restrictions, especially in areas related to leisure and hospitality. Additionally, as temporary census workers continue to fall off the payroll, the government sector was once again a detractor, shedding 99,000 jobs.

The private sector added 344k jobs, with momentum slowing almost across the board. Goods producing sectors added 55k. Manufacturing gains were fairly stable at 27k but construction gains slowed sharply, also to 27k. However, it is hard to get overly concerned about this given the strong pipeline of new homes sold but not yet started; instead, this probably just reflects monthly volatility and labor shortages.

Job gains in private service producing industries more than halved to 289k. About a third of the pullback reflected a big shift in retail employment—down by 35k compared with a 95k gain the month before. However, there are several issues worth noting here. Firstly, some of the decline is simply a matter of shifting patterns; non-seasonally adjusted retail employment actually increased, but because an even larger gain was anticipated based on prior years' patterns (holiday shopping season), the adjusted figure was a negative number. Secondly, some of the retail weakness was offset by strong performance in delivery personnel and warehousing employment, reflecting the accentuated shift to online retail versus in person shopping.

An even bigger shift was in leisure and hospitality, which only added 31k jobs in November, compared to 270k in October. The big driver here were restaurants, where employment fell slightly last month, having risen by 429k during the prior two months. This is clearly a function of the Covid resurgence. Even without the resurgence, colder weather in many parts of the country is hindering outdoor dining and could deter consumers from engaging in such activities. This will remain a headwind for some time... Elsewhere, employment gains also moderated notably in professional services and temporary help.

The household survey showed an outright decline in employment of 74,000 but this must be put into context as this survey had showed a 2.2+ million surge the month before. Unemployment declined by 326,000,, causing the labor force to shrink by 400,000, reducing the participation rate two tenths to 61.5%. Thus, while the U3 unemployment rate moderated by two tenths to a Covid-era low of 6.7%, we would discount that improvement. In fact, it is noteworthy that, for the first time since the labor market healing began in May, there was no noticeable improvement in the broader U6 rate (at 12.0%).

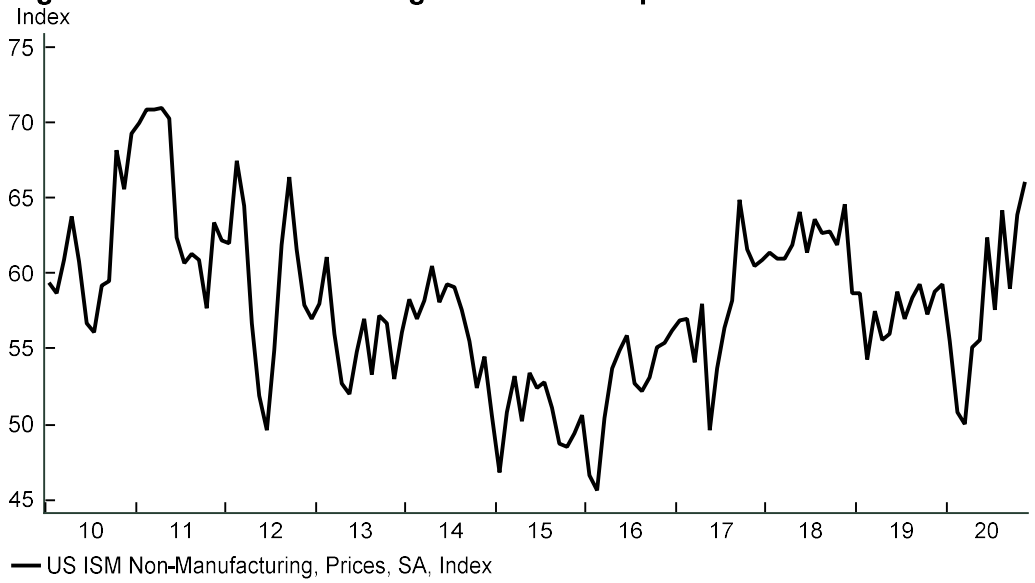
The **hours data** are still solid, indicating that firms are making good use of existing employees, but they didn't really improve further. In fact, the manufacturing workweek declined by 12 minutes to 40.3 hours, while manufacturing overtime declined by 6 minutes to 3.1 hours. The overall workweek was unchanged at an elevated 34.8. Soft

employment gains and flat hours resulted in a modest 0.3% increase in aggregate hours, the smallest since the recovery began.

The **earnings data** surprised to the upside, with overall average hourly earnings and average hourly earnings for production and non-supervisory employees both up 0.3% during the month. The respective measures of wage inflation stand at 4.4% and 4.5% y/y, but there remain enough oddities and shifts in the employment composition to be able to take these strong numbers fully at face value. But it does suggest that although employment gains won't do much to lift wage and salary income in November, there will be some support from higher wages.

Manufacturing activity remains robust. Admittedly, the **ISM manufacturing index** retreated 1.8 points in December, but only to a high 57.5, close to expectations. The components speaking to future momentum all remain strong, with new orders at 65.1 and new export orders at 57.8. While this marks a slight deceleration for the former, the latter now stands at its highest level since March 2018. The production metric eased 2.2 points, but only to a very strong 60.8. Pipeline pressures are intensifying, with backlogs at the highest since August 2018 and customer inventories deemed not only too low, but even lower than last month. Unsurprisingly, the combination of improving demand and tight supply chains is creating upward price pressures, with the accompanying statement noting that "prices continued to expand at higher rates, reflecting a clear shift to seller pricing power".

Figure 1: ISM Price Metric Signals Inflation Upside



Sources: SSGA Economics, ISM

The pace of expansion in service activity continued to moderate in November, although we won't complain too much given that even after the 0.7-point decline, the **ISM non-manufacturing index** remains at a solid 55.9. The details were mixed. There is clear evidence that momentum is softening, with new orders down 1.6 points, new export orders down 3.3 points, and production down 3.2. However, aside from new export orders which are now close to neutral, the new orders and

production metrics remain in the high-50s range. Two other details caught our eye. Employment rose 1.4 points, retracing much of the prior month's decline and tempering concerns about new layoffs due to Covid. And, the price component rose to an eight-year high of 66.1 (Figure 1, page 3). Both the ISMs and the Fed manufacturing surveys point to inflationary pressures in the pipeline; given the weaker dollar, a move higher in inflation should not come as a big surprise. Whether the upturn is sustainable, however, is an entirely different question and not easily answered at this juncture.

Factory orders continue to improve, with October's 1.0% increase marking the sixth consecutive gain since massive lockdown-induced declines in March and April. Capital goods orders jumped 2.8%, and core orders (non-defense capital goods excluding aircraft) rose 0.8%. Shipments rose 1.0%, with core shipments up 2.4%. Inventories retreated marginally, lowering the inventory to shipments ratio to the lowest level since February.

Having rebounded strongly from the Covid-induced heavy losses during March and April, **motor vehicle sales** appear to be plateauing (at least temporarily). Sales declined for a second consecutive month in November, down 4.1% to an annualized rate of 15.55 million units. Overall motor vehicle sales were down 9.0% y/y in November and declined 15.8% y/y during the first 11 months of 2020.

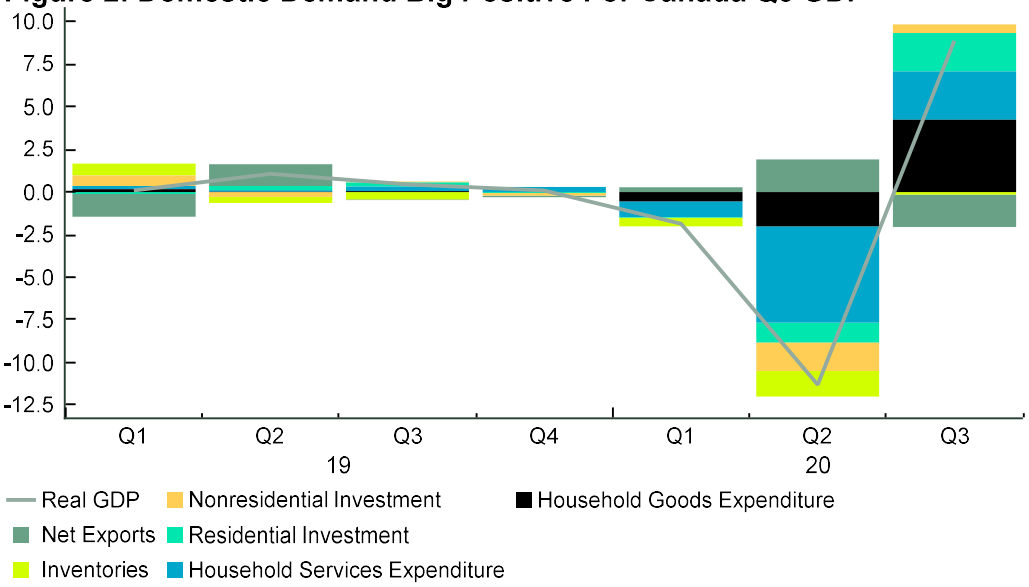
For the second consecutive month, **pending home sales** eased slightly in October, foretelling a slight moderation in home sales activity from the frenetic pace of the last several months. Sales declined notably in the Northeast (-5.9%), and incrementally in the Midwest (-0.7%) while remaining essentially flat in the South and West. Low inventory levels are a strong headwind to activity following the upsurge in sales in recent months. Indeed, even with the recent moderation, pending home sales in October were still 19.5% higher than a year earlier.

Canada

Canadian **GDP** rebounded 46.0% on a seasonally adjusted annual (saar) basis in the third quarter, following declines of 7.7% and 36.5% in the first and second quarters, respectively. GDP increased 8.9% q/q, following an 11.3% drop in the second quarter. Despite being a record gain, this was still below consensus; GDP now sits at 95% of its end-2019 level. Thanks to fiscal stimulus and economic reopening, domestic demand rose a strong 10.8%, retracing much of the 11.4% Q2 contraction,. Household spending grew 13.0%, recouping almost all the Q2 losses. Durable goods spending surged 38.0%, the most on record, with motor vehicles an area of particular strength. Spending on services (+9.6%) was slightly depressed, led by food and beverage services. Private investment performed exceptionally well too, with residential investment in particular rising 30.2% overturning the 15.0% loss in the prior quarter. Even when compared to Q4 2019, housing investment is up by 10.3%. Businesses drew down inventories, which was a drag on GDP. We expect inventory accumulation in subsequent quarters to be additive to growth. Net exports detracted from growth—as a 14.5% increase in exports was offset by 20.9% rise in imports. The monthly measure of GDP grew 0.8% in September, with Statistics Canada expecting a growth of 0.2% in October. With infections on the rise and restrictions in some parts

of the country, growth is likely to decelerate in the very short run. But fiscal stimulus and vaccine availability should provide significant tailwinds for Canada in 2021.

Figure 2: Domestic Demand Big Positive For Canada Q3 GDP



Sources: Macrobond, SSGA Economics, StatCan

Employment growth moderated in November, but the 62,000 gain was nonetheless three times as large as anticipated. Moreover, full-time employment surged by 99,000, considerably better than the month before. Employment declined in industries most directly affected by restrictions, notably in accommodation and food services. The unemployment rate moderated a shar 0.4 percentage points (ppts) to 8.5%; the participation rate only eased a tenth to 65.1%. Total hours worked rose by 1.2%, while the underutilization rate dropped by 0.3 ppts drop to 16.9% in November.

Building permits plunged 14.6% m/m to C$8.2 billion in October. This follows a peak of C$9.6 billion in September, the second highest value on record. Residential permits were down 5.9% to C$5.7 billion, with both single (-2.2%) and multi (-9.0%) family units seeing declines. The value of non-residential permits fell 29.5% to C$2.5 billion, with Ontario was responsible for over four-fifths of the decline. The magnitude of decline is distorted by the outsized gains in September, but the overall level of permits is still robust, in line with recent readings.

UK

Just like elsewhere in Europe, UK manufacturing activity continues to expand while service activity is contracting. The **manufacturing PMI index** actually improved 1.9 point to a three-year high of 55.6. Admittedly, new orders eased incrementally, but only to 54.9, whereas output, new export orders, and employment all showed decent improvements. The employment metric remains soft in absolute terms, but at 47.2 it was actually the best since February.

The good news on the service front was that the retrenchment was less severe than initially anticipated. The bad news was that there was, nonetheless, a sizable retrenchment. The final read on the **services PMI** was nearly two points higher than

initially reported, but it was still nearly four points lower than last month. At 47.6, it also indicated the first outright contraction since June. Unsurprisingly, both employment and backlogs retreated, but surprisingly, incoming new business picked up slightly. Quite odd!

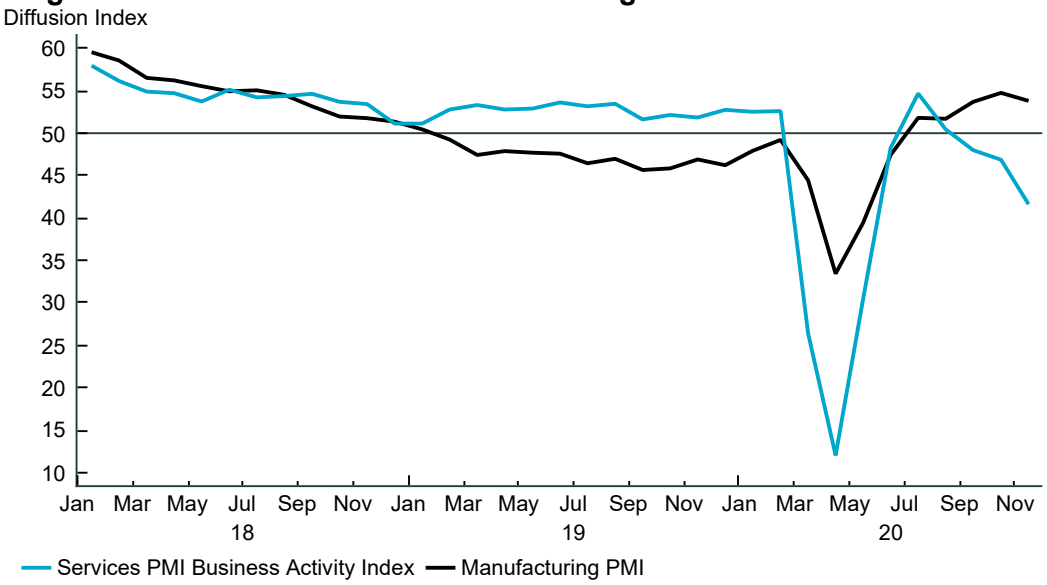
Having been brought to a standstill by the Covid-19 outbreak, **mortgage activity** has been rebounding with a vengeance over the last several months. The number of approved mortgages increased another 5.9% in October, leaving them 51% higher than a year earlier and at the highest level since September 2007. The UK has joined the US and Canada in experiencing a sharp housing sector rebound.

Unsurprisingly given the demand backdrop, **house prices** are surging. The Nationwide index of house prices has recorded solid gains in each of the past five months and in November it stood 6.4% higher than a year earlier, the fastest gain since January 2015. It will be interesting to observe how renewed mobility restriction will impact housing activity. It is possible that the more they persist, the more they would actually fuel housing demand, building a pipeline for future activity.

Eurozone

Amid resurgent Covid cases, a growing divergence has built between the eurozone manufacturing and service sectors. On the one hand, manufacturing activity continues to expand overall, although the second pandemic wave seems to be impacting some countries more than others. By contrast, the contraction in service activity is intensifying across the board, in line with tougher restrictions on mobility.

Figure 3: Eurozone PMIs: A Different Divergence Than In 2019



Sources: SSGA Economics, IHS Markit

The regional ***eurozone* manufacturing PMI** eased less than a point to 53.8 in November, with new orders down 4.6 and new export orders down 3.0, but only to still-decent levels of 54.1 and 53.0, respectively. The employment metric actually

improved 1.5, though only to 48.7. Germany is currently leading the Big-4, its index at a solid 57.8 versus Italy at 51.5. France and Spain both slipped into contraction, their respective readings at 49.6 and 49.8. In fact, the German outperformance may continue given the upside surprise in the latest factory orders data. ***German* factory orders** jumped 2.9% in October, well ahead of expectations, while the September data was also revised up materially.

As we've known all along, service activity is more vulnerable to the Covid resurgence and the latest **service PMI** figures clearly illustrate that. The regional index plunged 5.2 points to a 5-month low of 41.7. Incoming new business contracted at the fastest pace since May, so backlogs are shrinking. The only saving grace in the report was the fact that employment losses didn't materially accelerate. Though this is far from a glass half full message seeing employment had never crossed back into positive territory even as activity had improved over the summer months. In services too, Germany outperformed the remainder of the core Eurozone countries: at 46.0, its index was about 7 points higher than the French, Italian, and Spanish ones.

That signal of employment resilience from the services PMI index war reflected in the latest ***German* labor market** data as unemployment declined by the most since the Covid outbreak, vacancies rose strongly for the second month running, and the headline unemployment rate retreated another tenth to 6.1% in November. Let's hope this continues!

It is important it does so in order to sustain consumer spending. The latest reports from Germany and Italy were encouraging in that regard, as each exceeded expectations and each came with upward revisions to the prior month. ***German* retail sales** jumped 2.6% in October, more than twice the anticipated rate, while ***Italian* retail sales** grew 0.6%, twice the consensus expectation.

Japan

The **unemployment rate** crept up a tenth to 3.1% in October, as expected. Employment rose by 30,000 but unemployment rose by 80,000 to 21.4 million, the highest since April 2016. Participation increased for both male and female workforce, lifting the overall participation rate by two tenths to 62.4%, highest in a year. Performance across sectors most impacted by COVID-19 continued the recovery—for example, wholesale and retail services gained 210,000. Initiatives promoting travel and eating out have had positive impact on jobs—with employment in transport activities rising 90,000, while accommodation and restaurants saw an 80,000 gain in jobs. Finance and insurance industry saw the largest job losses (-120,000). The active job openings-to-applicants ratio in October edged up by 0.01 points to 1.04, but new openings to applicants ratio dropped 0.2 points to 1.82. Number of workers on "furlough" fell again, albeit only slightly, to 1.7 million, from 1.97 million in September. The labor market has been pretty robust so far, but the increasing number of Covid cases threaten to derail the recovery, especially in services related employment.

Industrial production beat estimates for a fifth consecutive month to increase by 3.8% in October. This took production to about 95% of February level. Gains were seen across sectors—led by motor vehicles (+6.8%), general-purpose and business oriented machinery (+17.9%) and electrical machinery, ICT (+8.4%). Global demand for motor vehicles and tech related products, and inventory re-stocking needs in key

markets is contributing positively to a recovery in Japan's manufacturing. Shipments were up by 4.6% as well. As a result, inventories fell for the seventh month, by 1.6%, and the inventory to sales ratio dipped lower by 3.0%. IP expected to rise again in November, according to the Ministry of Economy, Trade and Industry which upgraded its forecast to 2.7%, followed by a 2.4% contraction in December.

Retail sales increased 0.4% in October, after a slight contraction of 0.1% in September. Sales increased for apparels (+16.5%) and automobiles (+2.3%). Automobile sales have recovered to February level, having increased for the five straight months. Sales of electrical machinery and household equipment, the category that includes home appliances, declined -1.1% for the second month, reversing the trend which started with consumers staying indoors most of the time.

Australia

Australia's **GDP** grew 3.3% q/q in the third quarter, stronger than expected, pulling the country out of the brief technical recession. What makes it more impressive is that this was achieved despite a lockdown in parts of Victoria, which accounts for about 23% of Australia's GDP. Almost all of the upside surprise came from household consumption, which increased 7.9% and contributed 4.0 percentage points to growth. Sectors most hit by the Covid crisis saw strong rebounds—such as recreation and culture (+12.8%), hotels, cafes & restaurants (+49.7%) and transport services (+50.7%). Disposable income rose strongly (+3.4%) as activity resumed and as massive fiscal support persisted. Business investment contracted 4.1% driven by declines in both mining and non-mining investment. Exports also shaved a net 1.9 percentage points off growth, with exports falling 3.2% and imports rising 6.5%. Savings rate is still very high which will provide a buffer to spending going forward. Victoria which saw GDP shrink by 1.2% in the third quarter will also rebound post the reopening. This should boost 2020 growth further, and we retain an upbeat outlook for 2021 considering the momentum.

The **Reserve Bank of Australia** kept monetary policy unchanged at the meeting scheduled this week and there were no new messages in the accompanying statement. The RBA appeared a bit skeptic on near-term global outlook, noting that "infection rates have risen sharply in Europe and the United States and the recoveries in these economies have lost momentum." On the other hand, "there has been positive news on the vaccine front, which should support the recovery of the global economy." On the domestic front, "the economic recovery is under way and recent data have generally been better than expected". But it also sounded caution, "recovery is still expected to be uneven and drawn out".

More recently, Governor Lowe reiterated the same points in a testimony before Australia's Parliament. He added that the RBA still does not feel the need to take rates into negative territory but is open to expanding its QE in program. This will depend on the outlook for labor market, global monetary policy settings and considerations around market functioning. He also mentioned that the cash rate is unlikely to rise for at least three years. In our view, the RBA will definitely expand the QE program beyond the current expiry in March.

Retail sales rebounded 1.4% in October, fully recouping the loss in September (-1.1%). Apparels (+6.8%), and dining and takeaway (+5.4%) grew the strongest.

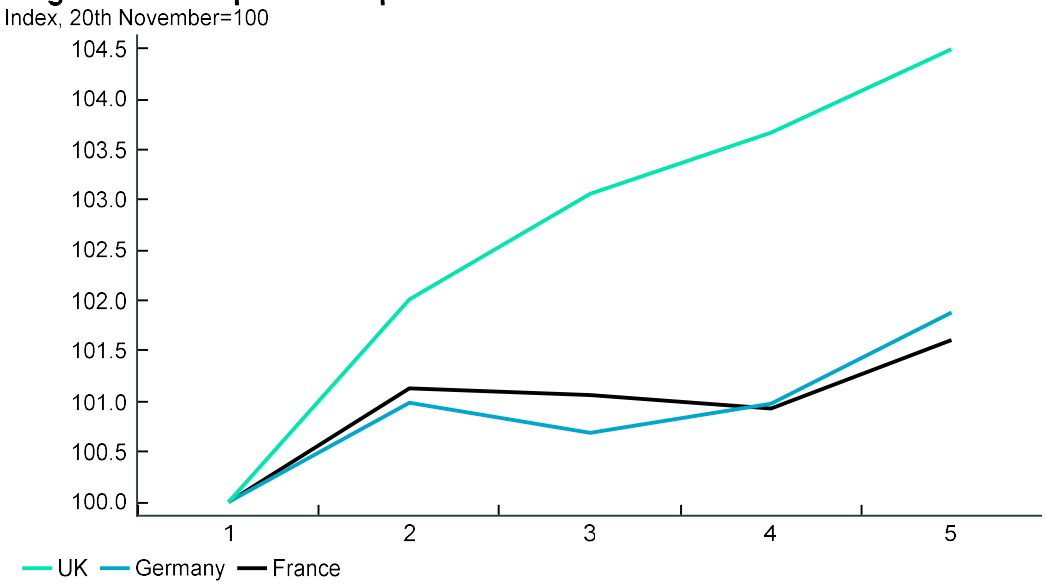
Among states, Victoria led growth with 5.1%. November retail sales is likely to be higher, as pent up demand from Melbourne's lockdown flows through to strong sales, and Black Friday sale marks the start of Christmas shopping.

Total **private sector credit** growth remains muted, staying flat in October. Housing credit slowed marginally to 0.3%, driven by owner occupiers (+0.4%, from +0.5% in September). Investor demand for housing credit was unchanged at 0.1%. Business (-0.3%) and "other personal" (-0.7%) credit continued to slow.

The Market This Week

UK's approval of Pfizer and BioNTech's vaccine led its equity market to outperform European counterparts despite no breakthrough in Brexit negotiations.

Figure 4. UK Equities Outperform On Vaccine News



Sources: SSGA Economics, STOXX, Euronext, Deutsche Boerse, FTSE, SPDJI

Equities: UK and US lead equity gains this week.

Bonds: Yields widen on stimulus and vaccine hopes.

Currencies: Dollar weakness intensifies.

Commodities: Gold and oil move higher.

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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®	3699.12	1.7%	14.5%	0.97	13	-95	90.805	-1.1%	-5.8%
Canada	TSE 300	17520.97	0.7%	2.7%	0.80	12	-91	1.2784	-1.6%	-1.6%
UK	FTSE®	6550.23	2.9%	-13.2%	0.35	7	-47	1.3441	1.0%	1.4%
Germany	DAX	13298.96	-0.3%	0.4%	-0.55	4	-36			
France	CAC-40	5609.15	0.2%	-6.2%	-0.31	4	-43	1.2121	1.3%	8.1%
Italy	FTSE® MIB	22178.8	-0.8%	-5.6%	0.63	3	-79			
Japan	Nikkei 225	26751.24	0.4%	13.1%	0.02	-1	4	104.17	0.1%	-4.1%
Australia	ASX 200	6634.082	0.5%	-0.7%	0.99	9	-38	0.7425	0.5%	5.8%

Commodity Markets						
Commodity	Unit	Source	Last Price	%Ch Week	%Ch YTD	%ChYr Ago
Oil (Brent)	US $/Barrel	Bloomberg	48.71	2.2%	-26.7%	-22.5%
Gold	US $/troy oz	Bloomberg	1838.86	2.9%	21.2%	24.7%

Source: Bloomberg®

Week in Review (November 30–December 4)

Country	Release (Date, format)	Consensus	Actual	Last	Comments
Monday, November 30					
US	Pending Home Sales (Oct, m/m)	1.0%	-1.1%	-2.0%(↑)	Look to have peaked.
CA	Building Permits (Oct, m/m)	-3.9%	-14.6%	18.6%(↑)	A correction from outsized gains in September.
UK	Mortgage Approvals (Oct, thous)	84.0	97.5	92.1(↑)	Highest since September 2007.
JN	Industrial Production (Oct, prelim, m/m)	2.4%	3.8%	3.9%	Yet another positive surprise.
JN	Retail Sales (Oct, m/m)	0.5%	0.4%	-0.1%	Small rebound.
AU	Private Sector Credit (Oct, m/m)	0.1%	0.0%	0.0%(↓)	Credit growth remains muted.
Tuesday, December 1					
US	ISM Manufacturing (Nov)	58.0	57.5	59.3	New orders, production, still at very high levels.
CA	GDP (Q3, q/q saar)	47.9%	40.5%	-38.1%(↑)	Strong domestic demand.
UK	Nationwide House Price (Nov, m/m)	0.2%	0.9%	0.8%	Highest since January 2015.
UK	Manufacturing PMI (Nov, final)	55.2(p)	55.6	53.7	Good news!
EC	Manufacturing PMI (Nov, final)	53.6(p)	53.8	54.8	OK.
GE	Unemployment Claims Rate (Nov)	6.3%	6.1%	6.2%	Encouraging details.
GE	Manufacturing PMI (Nov, final)	57.9(p)	57.8	58.2	OK.
FR	Manufacturing PMI (Nov, final)	49.1(p)	49.6	51.3	Not OK, but understandable.
IT	GDP (Q3, final, q/q)	16.1%(p)	15.9%	-13.0%	Minor revision.
JN	Unemployment Rate (Oct)	3.1%	3.1%	3.0%	Unemployment up as more join labor force.
JN	Manufacturing PMI (Nov, final)	48.3(p)	49.0	48.7	Welcome upward revision.
AU	RBA Monetary Policy Decision	0.10%	0.10%	0.10%	RBA open to extending QE beyond March.
Wednesday, December 2					
US	Fed Beige Book Report				Mixed narratives with “modest/moderate growth”
US	Total Vehicle Sales (Nov, mil.)	16.1	15.5	16.2	Second slight monthly retreat.
CA	Labor Productivity (Q3, q/q)	-7.0%	-10.3%	10.5%(↑)	Record decline follows record increase in Q2.
GE	Retail Sales (Oct, m/m)	1.2%	2.6%	-1.9%(↑)	Excellent!
IT	Unemployment Rate (Oct, prelim)	9.9%	9.8%	9.7%(↑)	Eh…
JN	Consumer Confidence (Nov)	33	33.7	33.6	Soft.
AU	GDP (Q3, q/q)	2.5%	3.3%	-7.0%	Positive surprise despite drag from Victoria.
Thursday, December 3					
US	Initial Jobless claims (Nov 28, thous)	775	712	787(↑)	Possibly skewed by Thanksgiving holiday.
US	Continuing claims (Nov 21, thous)	5800	5520	6089(↑)	Improving.
US	ISM Services (Nov)	56.0	55.9	56.6	Resilient so far.
UK	Services PMI (Nov, final)	45.8(p)	47.6	51.4	Weak, but better than initially reported.
EC	Services PMI (Nov, final)	41.3(p)	41.7	46.9	Weak, a drag on Q4 GDP.
GE	Services PMI (Nov, final)	46.2(p)	46.0	49.5	Soft, a drag on Q4 GDP.
JN	Services PMI (Nov, final)	46.7(p)	47.8	47.7	Resurgence in cases dampening services.
Friday, December 4					
US	Change in Nonfarm Payrolls (Nov, thous)	475	245	610(↓)	Weaker than expected.
US	Unemployment Rate (Nov)	6.8%	6.7%	6.9%	Due to participation rate decline.
US	Factory Orders (Oct, m/m)	0.8%	1.0%	1.3%(↑)	This is encouraging news.
CA	Unemployment Rate (Nov)	9.0%	8.5%	8.9%	Healthy labor market despite restrictions.
GE	Factory Orders (Oct, m/m)	1.5%	2.9%	1.1%(↑)	Very good news!
IT	Retail Sales (Oct, m/m)	0.3%	0.6%	-0.7%(↑)	Good.
AU	Retail Sales (Oct, m/m)	0.5%	1.4%	-1.1%	Likely to get better.

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

Week Preview (December 7–December 11)

Country	Release (Date, format)	Consensus	Last	Comments
Monday, December 7				
US	Consumer Credit (Oct, $ bil.)	18.0	16.2	
CA	Ivey PMI (Nov)	na	54.5	
GE	Industrial Production (Oct, m/m)	0.7%	1.6%	
JN	Leading Index (Oct, prelim)	93.3	92.5	Getting better?
AU	ANZ Job Advertisements (Nov, m/m)	na	9.4%	
Tuesday, December 8				
US	NFIB Small Business Optimism (Nov)	102.5	104	Elections, Covid weigh on sentiment.
US	Nonfarm Productivity (Q3, final, q/q)	5.2%(p)	4.9%	
EC	GDP (Q3, final, q/q)	12.6%(p)	-11.8%	
GE	ZEW Investor Expectations (Dec)	46	39	
JN	GDP (Q3, final, q/q)	5.0%(p)	-8.2%	
JN	Labor Cash Earnings (Oct, y/y)	-0.7%	-0.9%	Slow.
AU	NAB Business Confidence (Nov)	na	5	Melbourne opening will help.
AU	House Price Index (Q3, q/q)	-0.4%	-1.8%	Housing has been the shining light.
Wednesday, December 9				
US	JOLTS Job Openings (Oct. thous)	6300	6436	
CA	BoC Monetary Policy Decision	0.25%	0.25%	No change expected.
GE	Labor Costs (Q3, y/y)	na	5.1%	
JN	Core Machine Orders (Oct, m/m)	2.7%	-4.4%	Solid external demand.
Thursday, December 10				
US	Initial Jobless claims (Dec 5, thous)	na	712	
US	Continuing claims (Nov 28, thous)	na	5520	
US	CPI (Nov, y/y)	1.1%	1.2%	
US	Monthly Budget Statement (Nov, $ bil.)	na	-284.1	
US	Average Weekly Earnings (Aug, 3m y/y)	14	15	
UK	Industrial Production (Oct, m/m)	0.3%	0.5%	
EC	ECB Monetary Policy Decision	0.00%	0.00%	Likely to expand and extend PEPP.
FR	Industrial Production (Oct, m/m)	na	1.4%	
FR	Bank of France Ind. Sentiment (Nov)	na	97	
Friday, December 11				
US	U of Mich Cons Sentiment (Dec, prelim)	76.0	76.9	Current Covid surge vs. vaccine good news.
US	PPI (Nov, y/y)	0.6%	0.5%	
CA	Capacity Utilization (Q3)	na	70.3%	
IT	Industrial Production (Oct, m/m)	na	-5.6%	

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

Economic Indicators

Central Bank Policy Targets

Region	Target	Year/Year % Change in Target				
		Jun	Jul	Aug	Sep	Oct
US	Target: PCE price index 2.0% y/y	0.9	1.0	1.3	1.4	1.2
Canada	Target: CPI 2.0% y/y, 1.0%-3.0% control range	0.7	0.1	0.1	0.5	0.7
UK	Target: CPI 2.0% y/y	0.6	1.0	0.2	0.5	0.7
Eurozone	Target: CPI below but close to 2.0% y/y	0.3	0.4	-0.2	-0.3	-0.3
Japan	Target: CPI 2.0% y/y	0.1	0.3	0.2	0.0	-0.4
Australia	Target Range: CPI 2.0%-3.0% y/y	-0.3	0.7	0.7	0.7	

Source: Macrobond

Key Interest Rates

	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	######	#####	Oct-20	Nov-20
US (top of target range)	1.75	1.75	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Canada (Overnight Rate)	1.75	1.75	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
UK (Bank Rate)	0.75	0.75	0.10	0.10	0.10	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)	-0.04	-0.03	-0.07	-0.06	-0.07	-0.07	-0.02	-0.06	-0.06	-0.03	-0.03
Australia (OCR)	0.75	0.75	0.43	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.11

Source: Macrobond

General Government Structural Balance as a % of Potential GDP

	2012	2013	2014	2015	2016	2017	2018	2019	Forecast 2020	Forecast 2021
US	-4.9	-3.0	-2.6	-2.6	-3.7	-4.3	-5.7	-6.8	-15.0	-7.6
Canada	-2.3	-1.5	-0.6	0.0	0.0	-0.3	-0.7	-0.6	-16.5	-7.9
UK	-6.1	-4.3	-4.9	-4.3	-3.3	-2.6	-2.3	-2.2	-14.0	-6.4
Eurozone	-2.0	-1.1	-0.7	-0.6	-0.6	-0.6	-0.5	-0.6	-5.3	-3.1
Germany	0.0	0.6	1.2	1.2	1.2	1.2	1.3	1.3	-5.8	-1.8
France	-4.0	-2.9	-2.6	-2.2	-2.1	-2.1	-1.7	-2.0	-4.5	-4.0
Italy	-1.6	-0.5	-1.0	-0.6	-1.3	-1.8	-1.9	-1.3	-3.8	-3.4
Japan	-7.6	-7.5	-5.5	-4.3	-4.1	-3.3	-2.5	-3.0	-12.7	-5.6
Australia	-3.5	-2.7	-2.8	-2.6	-2.3	-1.6	-1.2	-3.7	-9.2	-9.8

Source: International Monetary Fund, World Economic Outlook

Headline Consumer and Producer Price Inflation

	CPI Year/Year % Change						PPI Year/Year % Change				
	Jul	Aug	Sep	Oct	Nov		Jun	Jul	Aug	Sep	Oct
US	1.0	1.3	1.4	1.2			-0.7	-0.4	-0.2	0.4	0.5
Canada	0.1	0.1	0.5	0.7			-1.9	-0.5	0.4	1.1	0.7
UK	1.0	0.2	0.5	0.7			-0.9	-0.9	-0.9	-0.9	
Eurozone	0.4	-0.2	-0.3	-0.3			-3.7	-3.2	-2.6	-2.3	-2.0
Germany	-0.1	0.0	-0.2	-0.2	-0.3		-1.8	-1.7	-1.2	-1.0	-0.7
France	0.8	0.2	0.0	0.0	0.2		-2.2	-2.1	-2.1	-2.1	-2.0
Italy	-0.4	-0.5	-0.6	-0.3	-0.2		-4.5	-3.5	-3.0	-3.1	-2.5
Japan	0.3	0.2	0.0	-0.4			-1.6	-0.9	-0.6	-0.8	-2.1
Australia	0.7	0.7	0.7				-0.4	-0.4	-0.4	-0.4	

Source: Macrobond

Real GDP Growth (Q/Q Seasonally Adjusted)

	Quarter/Quarter % Change						Year/Year % Change				
	Q3-19	Q4-19	Q1-20	Q2-20	Q3-20		Q3-19	Q4-19	Q1-20	Q2-20	Q3-20
US	0.6	0.6	-1.3	-9.0	7.4		2.1	2.3	0.3	-9.0	-2.9
Canada	0.5	0.1	-1.9	-11.3	8.9		1.9	1.7	-0.3	-12.5	-5.2
UK	0.3	0.1	-2.5	-19.8	15.5		1.0	1.0	-2.1	-21.5	-9.6
Eurozone	0.3	0.0	-3.7	-11.8	12.6		1.4	1.0	-3.3	-14.8	-4.4
Germany	0.3	0.0	-1.9	-9.8	8.5		0.8	0.4	-2.1	-11.2	-4.0
France	0.1	-0.2	-5.9	-13.8	18.7		1.6	0.8	-5.7	-18.9	-3.9
Italy	0.0	-0.3	-5.5	-13.0	15.9		0.5	0.1	-5.6	-18.0	-5.0
Japan	0.0	-1.8	-0.6	-8.2	5.0		1.7	-0.7	-1.9	-10.3	-5.9
Australia	0.6	0.4	-0.3	-7.0	3.3		2.0	2.2	1.4	-6.4	-3.8

Source: Macrobond

Industrial Production Index (M/M Seasonally Adjusted)

	Month/Month % Change						Year/Year % Change				
	Jun	Jul	Aug	Sep	Oct		Jun	Jul	Aug	Sep	Oct
US	6.0	4.2	0.7	-0.4	1.1		-10.7	-6.7	-6.7	-6.7	-5.3
Canada	5.0	2.9	-0.8	1.8			-13.6	-9.3	-9.7	-7.9	
UK	9.9	5.3	0.2	0.4			-12.1	-7.3	-6.3	-6.3	
Germany	9.4	1.2	0.5	1.6			-10.8	-9.5	-9.0	-7.2	
France	12.8	3.9	1.1	1.4			-11.4	-8.3	-6.4	-6.0	
Italy	8.2	7.3	7.4	-5.6			-13.8	-7.6	-0.1	-5.2	
Japan	1.9	8.7	1.0	3.9	3.8		-21.0	-14.7	-12.3	-10.6	-3.4

Source: Macrobond

Unemployment Rate (Seasonally Adjusted)

	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	######	#####	Oct-20	Nov-20
US	3.6	3.5	4.4	14.7	13.3	11.1	10.2	8.4	7.9	6.9	6.7
Canada	5.5	5.6	7.8	13.0	13.7	12.3	10.9	10.2	9.0	8.9	8.5
UK	4.0	4.0	4.0	4.1	4.1	4.3	4.5	4.8			
Eurozone	7.3	7.2	7.4	7.2	7.7	7.9	8.7	8.6	8.5	8.4	
Germany	5.0	5.0	5.0	5.8	6.3	6.4	6.4	6.3	6.3	6.2	6.1
France	7.7	7.5	8.0	7.3	7.2	6.9	9.4	9.0	8.8	8.6	
Italy	9.6	9.4	8.5	7.4	8.7	9.4	9.9	9.8	9.7	9.8	
Japan	2.4	2.4	2.5	2.6	2.9	2.8	2.9	3.0	3.0	3.1	
Australia	5.3	5.1	5.2	6.4	7.1	7.4	7.5	6.8	6.9	7.0	

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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Exp. Date: 12/31/2021