May 29, 2020
Commentary

Weekly Economic Perspectives

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Spotlight on Next Week
The RBA, the BoC and the ECB are all expected to remain on hold. Vehicle sales should pick up in the US but unemployment rate set to rise further.

Contact

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

Kaushik Baidya
Economist
kaushik_baidya@ssga.com
+91-806-741-5048

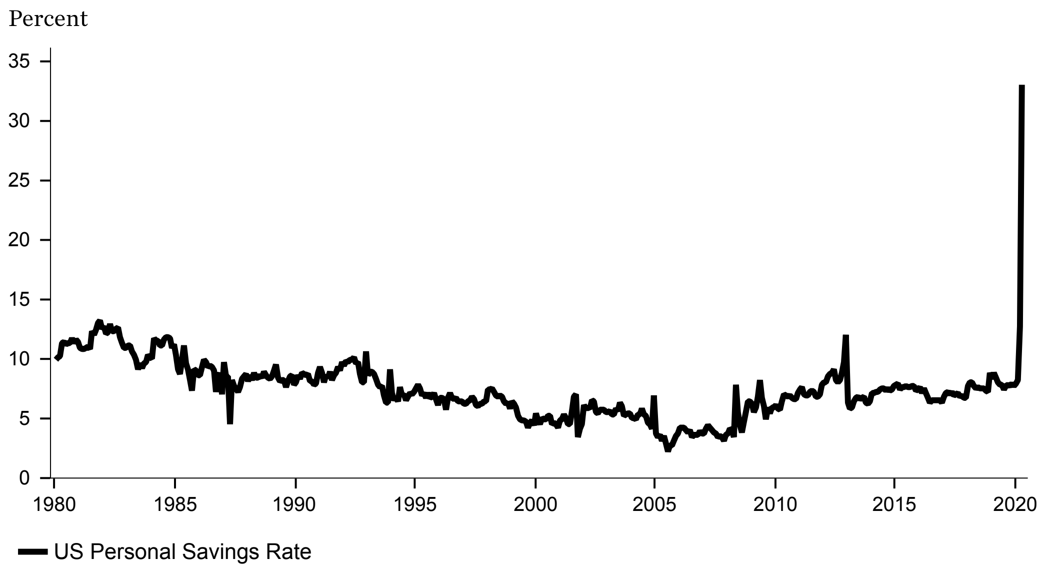
The Economy

Incoming macro data remains weak but signs of bottoming out are multiplying. Positive macro data surprises collide with stirring concerns over deteriorating US-China relations.

US

By far the biggest US data surprise this week was the 10.5% surge in **personal income** in April. Relative to consensus expectations for a 5.9% decline this was a real shocker. However, in the context of the very large, front-loaded fiscal stimulus in response to the Covid-19 outbreak, the numbers make a lot more sense. Indeed, while wage and salary income declined 8.0%, unemployment insurance income increased nearly tenfold and "other" income (reflecting stimulus checks) skyrocketed. Tax payment delays further boosted disposable income, which jumped 12.9%. Real disposable income posted an even larger 13.4% increase. Unlike incomes, **personal spending** contracted sharply, down 13.6% in nominal and 13.2% in real terms. The result was an extraordinary spike in the savings rate, which shot up from an already very high 12.7% to 33.0%. While income performance will deteriorate in coming months as stimulus effects fade, the current level of the savings rate means households have a considerable financial cushion that we expect will support a faster than generally expected reacceleration in consumer spending from May onward.

Figure 1: US Savings Rate Spike Shows Consumers' Financial Cushion



Sources: U.S. Bureau of Economic Analysis (BEA)

We have long emphasized the strong housing sector fundamentals but even we were taken by surprised by how good **new home sales** were in April. Given broad lockdowns it is indeed astonishing that sales were incrementally better than in March; the 0.6% gain was in very sharp contrast to the 22% drop expected by consensus. New home sales came in at a 623,000 (annualized) pace, just 6.2% lower than in April 2019. Regionally, sales rose modestly in the Northeast, South, and Midwest, but declined in the West. The number of homes available for sale declined by 6,000, which caused the market to tighten slightly as inventory declined to 6.3 months' worth of sales from 6.4 in March. For the second consecutive month, the number of homes for sale but "not yet started" jumped by double digits; homebuilders appear to be putting listings on the market on the expectation that any disruption to construction activity due to lockdowns will be resolved quickly. The increase in this inventory stream is, in turn, being reflected in sales as well. In April, the number of homes sold but not yet started increased by 26.5%. This is important as it speaks to a pipeline of demand that should support residential investment in coming months.

The housing sector strength isn't uniform, however. **Pending home sales** (transactions of previously owned homes on which sellers have agreed a contract but are yet to close) plunged 21.8% in April, marginally worse than their March decline, and leaving them almost 35% lower than a year ago. There are several forces at play that could keep the existing home market underperforming the new home market. On one hand, buyers living in their homes may be reluctant to accept visitors in the midst of the Covid-19 outbreak, limiting buyer traffic. Buyers may be equally reluctant to visit lived-in homes under the circumstances. And finally, sellers' pricing power is likely being undermined at the moment, which may dis-incentivize them from even listing properties on the market. That said, all of these forces should moderate in coming months, suggesting improved activity down the line.

Prior to the Covid-19 outbreak, there was evidence that house price inflation was reaccelerating. National price data for existing homes is currently only available through March but it does show that the trend continued up to that point. The **Case-Shiller 20-City composite price index** increased 0.5%, the seventh consecutive month in which it clocked a gain of 0.4% of better. As a result, this particular measure of home price inflation accelerated four tenths of fifteen-month high of 3.9% y/y.

The **FHFA existing single family home prices** managed a 0.1% gain in March, although this was the smallest increase in more than three years. We see this as a harbinger of weakness ahead, even though that weakness may well prove temporary. Still, given earlier strength (there have been three 0.8% monthly price gains in the last seven months), this measure of home price inflation remained elevated at 5.9% y/y. However, we do anticipate considerable price weakness from April onward, although this could prove temporary.

There is growing evidence that consumer sentiment bottomed in April. Admittedly, May was barely better but any sort of improvement, however minimal, is welcome given the circumstances. Having lost a staggering 47 points over the March-April period, the **Conference Board consumer confidence index** added a meager 0.9 point in May. The details were mixed. Expectations rose 2.6 points but the current situation assessment—which collapsed by an unprecedented 94 points in April alone—lost another 1.9 points. One encouraging detail was the 5.3-point improvement in the labor differential—which measures the difference between those who think jobs are abundant and those who think jobs are scarce. This only retraces a tiny fraction of the record 45.2-point collapse in April, but at least it is a step in the right direction.

The final read on the **Michigan consumer sentiment** was a touch weaker than initially reported, but still 0.5 point better than in April. It will take a lot more than this, however, to retrace the 29.2-point plunge over the prior two months. Current economic conditions improved 8.0 points, but are still 32.5 points lower than in February. Expectations declined another 4.2 points, which is small compared with the prior months' collapse but disappointing nonetheless. Inflation expectations moved sharply higher, even more so than in the preliminary release. We are skeptical that these are a correct representation of future trends as we suspect they largely reflect shortage-induced food price increases. Even so, the outsized moves are notable: 1-year inflation expectations shot up 1.1 [points to 3.2% and long term expectations moved up two tenths to 2.7%.

The spike in inflation expectations stands in sharp contrast to actual recorded inflation. The **PCE deflator** moderated sharply from 1.3% to just 0.5% y/y, whereas the core deflator moderated from 1.7% to 1.0%, the lowest level since January 2011.

After a disappointment last week, the latest **unemployment claims** data finally showed some meaningful improvement. Admittedly, initial claims remained very elevated at 2.1 million during the week ended May 22, but this was nonetheless 323,000 less than the week before and the lowest level since the second week of March. The real good news came from continuing claims, which unexpectedly declined by a large 3.8 million to 21.1 million during the week ended May 15th, suggesting that more people are re-entering employment than are becoming unemployed. Still, we will need to see this improvement sustained in coming weeks. We are hopeful, although a bit cautious given the big, hard to explain, swings in weekly data in key states such as California and Florida. Encouragingly, both Massachusetts and New York recorded their first decline in continuing claims since the onset of the crisis. The improvement in Massachusetts was so small as to be only symbolic…but we'll take it. As these states reopen more broadly, the improvements should become sustained and more meaningful in coming weeks.

Unsurprisingly given lockdowns and factory closures, overall **durable goods orders** plunged again in April, but the 17.2% contraction was only marginally worse than the 16.8% decline in March. And, had it not been for a large 30% drop in defense orders, performance would have been much better. Core orders (non-defense capital goods excluding aircraft)—a leading indicator for business equipment investment (BEI) in the GDP accounts—declined 5.8%. This was a huge decline in and of itself but only about half as bad as expected. Core shipments declined 5.4% versus expectations of a 12.2% drop. Overall shipments plunged 17.7%, inventories rose 0.2% and the inventory to shipments ratio surged to 2.2 months.

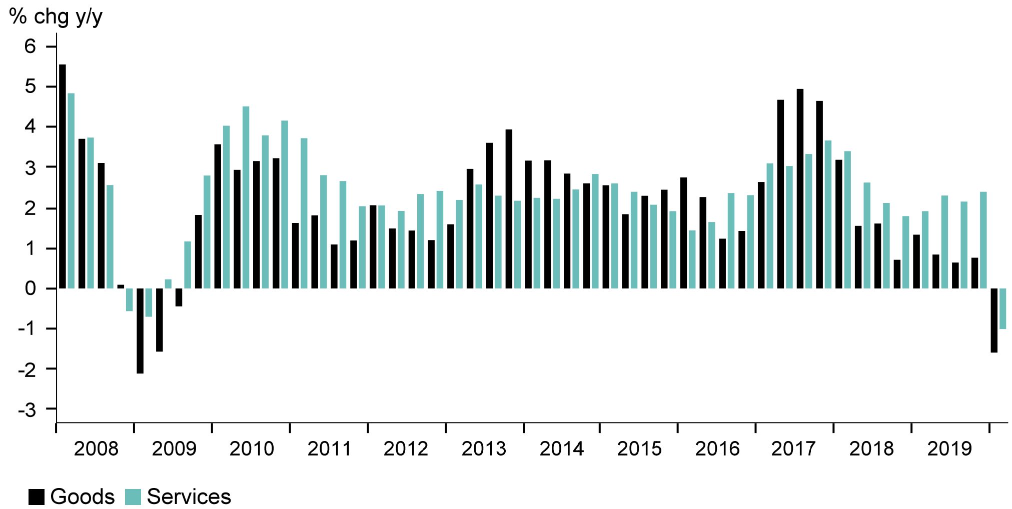
The economy contracted 5.0% (saar) in the first quarter, incrementally worse than the 4.8% decline originally reported. But the **GDP** composition details were a little better, actually, since the revision was mostly due to a larger inventory drawdown. Consumer spending declined a little less, though there wasn't all that much difference between the 7.6% decline originally reported and the 6.8% revised decline. Overall, the details did not change enough the change the storyline at all.

The **Beige Book**, covering the period through May 18, contained plenty of shocking information but this was not shocking since we already knew that "economic activity declined in all Districts – falling sharply in most – reflecting disruptions associated with the COVID-19 pandemic". We found this to be the most informative edition of the report in a very long time so we wanted to highlight some tidbits of information from each district. The Boston (first) district reported that "many retailers and almost all hospitality businesses reported low to nil activity levels" as "fewer than half of full-service restaurants attempted takeout business and many found it not sustainable or profitable. […] large conventions have been canceled through early fall, and over 200,000 hotel room nights will be lost as a result." The New York (second) district said that "banks reported further moderate weakening in loan demand, tighter credit standards, and higher delinquency rates but also greater leniency on existing loans." The Philadelphia (third) district noted that "according to several firms with global perspectives, supply chain problems have shifted from China to Mexico. […]Bankers noted that existing aid, loan extensions, and forbearance would carry most firms for the next three to six months, but problems may arise in the third quarter." The Cleveland (fourth) district said that "multiple contacts in a variety of industries noted additional labor market challenges, including limited access to child care services keeping workers away from job sites, workers' requesting to stay home out of fear of the virus, and unemployment benefits that disincentivized workers from rejoining payrolls." The Richmond (fifth) district offered some insights into port traffic: "Exports were hit especially hard, declining further in recent weeks from already low levels. Imports were down over the year but recovered somewhat since our previous report as China resumed shipments." The Atlanta (sixth) district noted that "utilization at refineries and chemical manufacturers was down to historic lows" and that "much of Florida, southern Louisiana, and other parts of the Gulf coast region […] experienced abnormally dry to severe drought conditions." The Chicago (seventh) district highlighted that "a number of other contacts reported challenges in meeting the PPP loan forgiveness requirement, with some saying that generous unemployment benefits were making it difficult to bring payrolls back to necessary levels." The St. Louis (eighth) district noted that "nonlabor costs to businesses were generally unchanged, but some sectors did report significant increases: wholesale, healthcare, and construction industries reported large net increases in nonlabor input costs." The Minneapolis (ninth) district noted that "mass layoff events have slowed after a deluge in April." The Kansas (tenth) district noted challenges related to the fact that "roughly a quarter of U.S. meatpacking and food processing plants with confirmed COVID-19 cases were located in the District." In the Texas (eleventh) district, about a fifth of respondents "said they would not be able to survive past six months if revenues did not improve". And the San Francisco (twelfth) district reported that "a banker in Central California recorded increases in worker absences of up to 10 percent primarily due to a lack of available childcare".

Canada

Canada's **GDP** growth contracted by 8.2% on a seasonally adjusted annual (saar) basis in the first quarter from +0.3% prior. On a quarterly basis, GDP fell 2.1% q/q, the first contraction since June 2016 and the sharpest post GFC. The fall actually reflects several issues plaguing the economy since the end of 2019— GM strike in US which disrupted auto production, the Ontario teachers' strike and rail blockades in February, and then the measures imposed to contain the pandemic, closure of non-essential businesses and travel, and restrictions on travel and tourism. Domestic demand shrank by 1.5% over the quarter, again the most post GFC, led by the sharpest fall on record in household consumption expenditure. The 1.7% decrease was mainly concentrated in lack of demand for durables and semi-durable goods. Having said that, services consumption also fell by 2.8%.

Figure 2. Canada's Private Consumption Worst Since GFC



Sources: Statistics Canada

Public expenditure declined 1.0%, the largest since March 2013, reflecting school closures and curtailed government administration. Exports also decreased 3.0% due to lack in global demand; and imports fell 2.8%. Inventory levels declined substantially, due to supply chain disruptions. We expect inventories to make a positive contribution to Q2 GDP as production resumes May onwards, but will probably not be sufficient to arrest a record fall in output. Real GDP shrank 7.2% in March, and preliminary estimates point at a contraction of 11% in April.

Building permits tanked 17.1% in April, the largest post GFC decline to C$6 billion, with eight out of the 13 provinces registering declines. Quebec (-34.1%) and Ontario (-20.0%) were the worst affected; with Quebec's the sharpest on record. This was due to Quebec's decision to shut down non-essential construction activity due to the COVID-19 pandemic when other municipalities were still issuing permits. The value of residential permits dropped 14.2% to C$3.9 billion, as permits issued for single family dwellings fell 35.9% to $1.4 billion—a record fall; while that for multi-family dwellings rose 4.8% to C$2.6 billion. This was mainly due to large gains in British Columbia (+66.8%) which reflects some sort of a normalization in permit requests which were delayed over February as March as builders front loaded requests in January to avoid a fee hike in Vancouver. The value of commercial permits was down 21.5% to C$1.2 billion. The **Housing starts** release by CMHC which usually accompanies permits data has been delayed due to difficulty in data collection.

UK

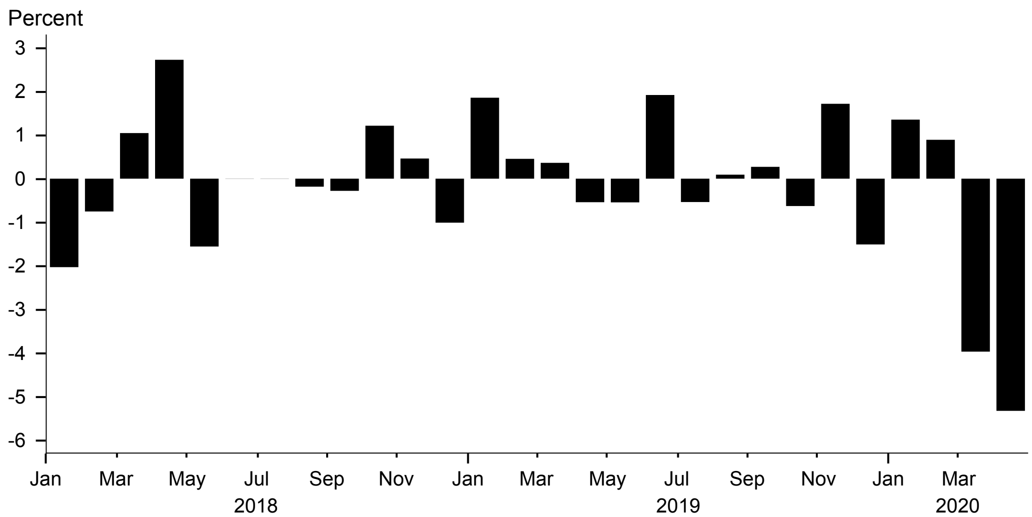
There were no major data releases for the UK this week.

Eurozone

Having utterly collapsed over the last couple of months, ***German* consumer sentiment** is now stabilizing. The GfK index of consumer sentiment improved 4.2 points in June, although this doesn't even retrace a quarter of its recent losses and still left it close to a record low at -18.9 level. Nevertheless, it is good to see some improvement in income expectations and buying intentions. Hopefully, consumers will start acting on those better sentiments soon, supporting a second half recovery.

The good news is that ***German*** consumer spending seems to be holding up better than expected. Although the 5.3% decline in **real retail sales** in April was bad, it was not nearly as bad as the 12% contraction anticipated by the Bloomberg consensus. And it was made better still by the noticeable upward revision to March data, now showing a smaller 4.0% m/m decline. We do not expect a roaring comeback, but we do believe that modest sequential improvements in both May and June are likely, and that should help cap the second quarter GDP decline.

Figure 3: German Retail Sales Decline Not As Severe As Feared



■ German Real Retail Sales Excl. Vehicles Trade, Calendar and Seasonally Adjusted , % chg m/m

Sources: German Federal Statistical Office (Statistisches Bundesamt)

There are some incipient sign that **German** business sentiment is also bottoming out. The ***IFO business climate indicator*** improved 5.3 points to 79.5 in April, although this only retraces a quarter of its recent losses and still left it below the 2009 low. But, improvement must start somewhere and a small step in the right direction is better than none at all.

Revisions to first quarter GDP data brought little changes to the initial estimates. The quarterly German contraction was confirmed at -2.2%, the Italian one was slightly worse at -5.3% (versus -4.7% original) and the French one was a bit better at -5.3% (versus -5.8% originally). Nothing in the narrative has changed as far as Q1 goes. The thing to watch now is whether data starts improving enough in May and June to contain the second quarter damage.

Japan

The **unemployment rate** rose by just one tenth to a year high of 2.6% in April. The details were considerably worse, however. The number of people employed fell by

1.07 million to 66.2 million, the sharpest drop since January 1963! The number of unemployed increased by 60,000. Job losses were the most acute in retail (-350,000) and hospitality (-320,000) as shops and hotels closed down amidst the national emergency. Medical services overturned the strong gain in March and reported job losses of 220,000, as demand for non-essential surgeries and regular check-ups dropped sharply. Even government jobs declined by 190,000. The only positives were information and communication (+130,000) and financial (+120,000) services. Again, job losses were concentrated in the age bracket 15-24 years, where the unemployment rate climbed to 4.9%, more than a percentage point higher than at the start of the year. Meanwhile, the active job openings-to-applicants ratio in April was 1.32, marking the lowest level in four years. The number of openings shrank 11.8% m/m, while the number of job seekers declined 3.4%. We suspect that the worst is over for the economy, but the recovery pace will determine how many of the jobs lost will be recouped.

Industrial production plunged much more than anticipated in April, even as the Ministry of Economy, Trade and Industry's (METI) downgraded its assessment of production to " declining rapidly" and lowered its forecast for May to -4.1% from -1.4%. Output contracted by 9.1% in April, led by a deterioration in production of transport equipment (-31.7%). This in turn was due to a 40.8% contraction in passenger car sales. Transport equipment ex autos declined 25% due to sharply lower production of aircraft parts (-66.4%). The collapse in April mainly reflected production adjustments due to delays in the supply of parts and factory closures due to restrictions imposed. However, even as supply normalizes, the persistent demand shock will keep output suppressed for longer than anticipated. We are thus hesitant to endorse the 3.9% rebound in production expected by METI in June.

Retail sales plunged 9.6% in April, on top of a downwardly revised 4.6% March loss. Sale of general merchandise fell by 28.4%, while apparel sales declined 39.8%. Fuel sales declined 14.2% due to decreased mobility. Motor vehicle sales plunged 23.9%, following a mild drop in March. Food sales rose 1.3% as consumers stockpiled ahead of the emergency. On an annual basis, sales decreased 13.8% y/y.

Consumer confidence rebounded in May from record low, with the headline index rising 2.4 points to 24.0. The improvement was broad-based, with overall livelihood up 3.1 points to 25.0, expectations for income growth rising 1.5 points to 27.8, while the employment index increased 1.8 points to 16.8. Willingness to buy goods also increased 3.0 points from the previous month to 26.3. Despite the improvements, most components remain well below their long run averages.

The **all industry activity index**—a reliable cyclical indicator—fell a sharp 3.8% in March, to the lowest in almost a decade. Construction registered a robust gain of 1.4%, but both services and manufacturing weakened considerably, down 4.2% and 3.7% respectively. Activity was down 6.1% y/y, as all sub components were down significantly.

Australia

Capital spending contracted in the first quarter but was still a positive surprise, while the fall for Q4 was revised slightly upward. Buildings and structures fell by -1.1% in the March quarter 2020, an improvement from the 5.2% contraction in December quarter. Spending on equipment, plant and machinery were down by 2.3%, following a rise of 0.4% in Q4. Both manufacturing (+5.7%) and mining (+4.2%) capex increased following falls in the previous quarter. But “other” services (-5.2%) recorded its heaviest decline since 2015. The current capex situation looks encouraging, but we fear there are significant downsides to the outlook. Capex plans for 2019-20 were downgraded to A$115 billion from A$120 billion, a 6% annual fall. But plans for 2020-21 were downgraded further, to A$91 billion from A$100 billion, equivalent to an 8% drop. Both mining as well as non-mining firms made significant downward adjustment plans to their capex in the current as well as following years. Notably, capex by coal industry fell quite significantly given the ongoing shift towards carbon neutrality and policy changes in China.

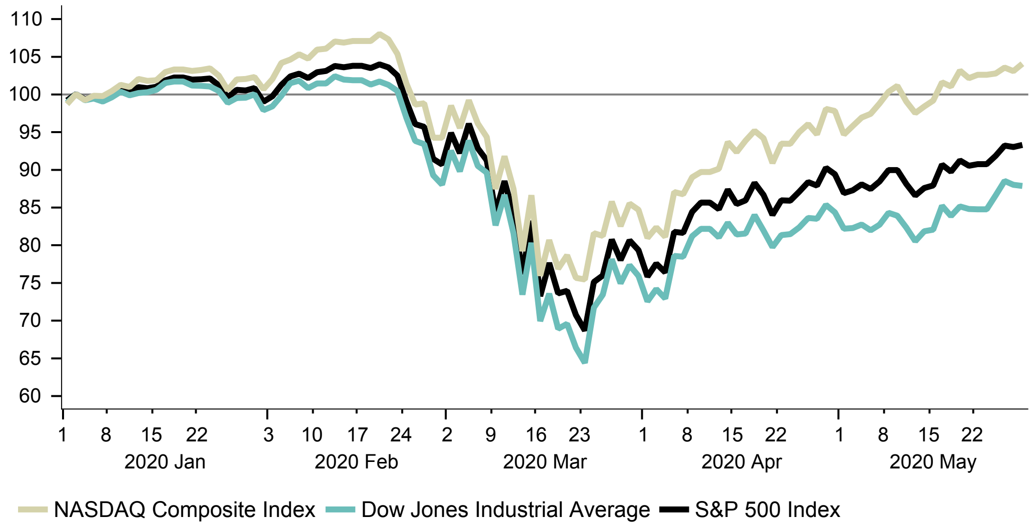
Growth in **private sector credit** was flat over April, a marked slowing from the 1.1% gain in March. The annual growth was 3.6% y/y, still close to the highest in almost a year. The increase in April was due to a 3.1% jump in business credit, as households and businesses supplemented their cash flows as shops closed, and people could not go out to work. Business credit moderated in April though, to 0.1%, which is the lowest in six months. Personal credit saw the sharpest fall on record, by 3.0%, as there was little scope of discretionary spending as shops and restaurants remained closed. It should pick up once the restrictions are loosened, but unlikely to pick up steam in the near term. Housing credit growth was steady at 0.2%, where it has been since end 2018. Owner-occupier credit growth was unchanged at 0.5%, while investor credit edged down one tenth to -0.2%. Credit is likely to slow considerably in the near future due to the uncertainty regarding return of normalcy, and the recovery of housing credit will be a key indicator of improving consumer sentiment.

The Market This Week

Global equity markets posted strong gains again this week on growing optimism that economic conditions are bottoming out. But uncertainty remains high and deteriorating US-China relations are a key source of risk.

Figure 4: Equity Markets Advance Anew

Index, rebased to 1/2/2020=100



Sources: SSGA Economics, Bloomberg

Equities: Impressive stock market run continues.

Bonds: Bond yields are little changed but rally in Italian bonds continues.

Currencies: The dollar softens as risk sentiment improves.

Commodities: Oil posts another big gain.

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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®	3033.58	2.6%	-6.1%	0.65	-1	-127	98.348	-1.5%	2.0%
Canada	TSE 300	15188.05	1.8%	-11.0%	0.53	3	-117	1.3767	-1.6%	6.0%
UK	FTSE®	6076.6	1.4%	-19.4%	0.18	1	-64	1.235	1.5%	-6.8%
Germany	DAX	11586.85	4.6%	-12.5%	-0.45	4	-26			
France	CAC-40	4695.44	5.6%	-21.5%	-0.08	-5	-20	1.11	1.8%	-1.0%
Italy	FTSE® MIB	18197.56	5.1%	-22.6%	1.48	-12	6			
Japan	Nikkei 225	21877.89	7.3%	-7.5%	0.01	1	2	107.81	0.2%	-0.7%
Australia	ASX 200	5755.69	4.7%	-13.9%	0.89	2	-49	0.6664	1.9%	-5.1%

Commodity Markets						
Commodity	Unit	Source	Last Price	%Ch Week	%Ch YTD	%Ch Yr Ago
Oil (Brent)	US $/Barrel	Bloomberg	36.58	6.0%	-44.9%	-47.2%
Gold	US $/troy oz	Bloomberg	1731.7	-0.2%	14.1%	35.3%

Source: Bloomberg®

Week in Review (May 25–May 29)

Country	Release (Date, format)	Consensus	Actual	Last	Comments
Monday, May 25					
GE	GDP (Q1, final, q/q)	-2.2%(p)	-2.2%	0.0%	We already knew this.
GE	IFO Business Climate (May)	78.3	79.5	74.2(↓)	Any improvement is good news.
JN	Leading Index (Mar, final)	83.8(p)	84.7	91.9	Lowest since June 09, slight revision upward.
Tuesday, May 26					
US	FHFA House Price Index (Mar, m/m)	0.5%	0.1%	0.8%(↑)	Smallest gain in three years; weakness ahead.
US	S&P CoreLogic 20-City Index (Mar, m/m)	0.3%	0.5%	0.5%	Some weakness ahead is likely.
US	Consumer Confidence (May)	87.0	86.6	85.7(↓)	April seems to have been the bottom.
US	New Home Sales (Apr, thous)	480	623	619(↓)	HUGE positive surprise, Demand is resilient.
GE	GfK Consumer Confidence (Jun)	-18	-18.9	-23.1(↑)	Any improvement is good news.
JN	All Industry Activity Index (Mar, m/m)	-3.9%	-3.8%	-0.7%(↓)	Both manufacturing and services declined.
Wednesday, May 27					
US	Fed Beige Book Report				Lots of insights.
CA	Building Permits (Apr, m/m)	na	-17.1%	-13.4%(↓)	At a post GFC low.
FR	Consumer Confidence (May)	92	93	95	Pace of deterioration has slowed.
Thursday, May 28					
US	Initial Jobless claims (May 23, thous)	2100	2123	2446(↑)	Still elevated.
US	Continuing Claims (May 16, thous)	25680	21052	24912(↓)	First decline since crisis onset.
US	GDP (Q1, second, q/q saar)	-4.8%(p)	-5.0%	2.1%	Bigger inventory drag.
US	Durable Goods Orders (Apr, prelim, m/m)	-19.0%	-17.2%	-16.6%(↓)	Core orders declined a smaller 5.8%.
US	Pending Home Sales (Apr, m/m)	-17.3%	-21.8%	-20.8%	Understandable given circumstances.
US	Kansas City Fed Manf. Activity (May)	-21	-19	-30	Better, but far from great.
IT	Consumer Confidence (May)	na	89	94.3	Long mountain to climb back.
AU	Private Capital Expenditure (Q1, q/q)	-2.6%	-1.6%	-2.6%(↑r)	Significant downgrade to capex outlook.
Friday, May 29					
US	Personal Income (Apr, m/m)	-7.0%	10.5%	-2.2% (↓)	Surge in transfer payments.
US	Personal Spending (Apr, m/m)	-12.6%	-13.6%	-6.9% (↑)	Lockdowns constrained ability to spend.
US	U of Mich Cons Sentiment (May, final)	73.7(p)	72.3	71.8	Looks to have bottomed.
CA	GDP (Mar, m/m)	-8.5%	-7.2%	0.0%	Prelim estimates show an 11% fall in April.
GE	Retail Sales (Apr, m/m)	-12.0%	-5.3%	-4.0% (↑)	Welcome positive surprise.
FR	GDP (Q1, final, q/q)	-5.8%(p)	-5.3%	-0.1%	Dismal.
FR	Consumer Spending (Apr, m/m)	-14.7%	-20.2%	-16.9% (↑)	May should show some improvement.
IT	GDP (Q1, final, q/q)	-4.7%(p)	-5.3%	-0.3%	Dismal.
JN	Unemployment Rate (Apr)	2.7%	2.6%	2.5%	Massive loss in employment.
JN	Industrial Production (Apr, prelim, m/m)	-5.7%	-9.1%	-3.7%	Output will stay suppressed in the near term.
JN	Retail Sales (Apr, m/m)	-6.9%	-9.6%	-4.6%(↓)	Food sales the only positive, due to stockpiling.
JN	Consumer Confidence (May)	21.1	24	21.6	Broad-based improvement.
AU	Private Sector Credit (Apr, m/m)	0.6%	0.0%	1.1%	Business credit moderates from March.

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

Week Preview (June 1–June 5)

Country	Release (Date, format)	Consensus	Last	Comments
Monday, June 1				
US	ISM Manufacturing (May)	43.5	41.5	Could it be better than this?
UK	Manufacturing PMI (May, final)	40.6(p)	32.6	
EC	Manufacturing PMI (May, final)	39.5(p)	33.4	
GE	Manufacturing PMI (May, final)	36.8(p)	34.5	
FR	Manufacturing PMI (May, final)	40.3(p)	31.5	
IT	Manufacturing PMI (May)	na	31.1	
JN	Manufacturing PMI (May, final)	38.4(p)	41.9	
Tuesday, June 2				
UK	Mortgage Approvals (Apr, thous)	35.0	56.2	
UK	Nationwide House Prices (May, m/m)	-1.0%	0.7%	
AU	RBA Monetary Policy Decision	0.25%	0.25%	RBA appears satisfied with current policy settings.
Wednesday, June 3				
US	Total Vehicle Sales (May, mil.)	11.0	8.6	Important signal for consumer demand and confidence.
US	Factory Orders (Apr, m/m)	-15.0%	-10.4%(↓)	
US	ISM Non-Manufacturing (May)	44.0	41.8	Could it be better than this?
US	Durable Goods Orders (Apr, final, m/m)	-17.2%(p)	-16.6%	
CA	BoC Monetary Policy Decision	0.25%	0.25%	Unlikely to deliver a surprise on Poloz's last meeting.
CA	Labor Productivity (Q1, q/q)	na	-0.1%	
UK	Services PMI (May, final)	27.8(p)	13.4	
GE	Unemployment Rate (May)	6.1%	5.8%	
IT	Unemployment Rate (Apr, prelim)	na	8.4%	
JN	Services PMI (May, final)	25.3(p)	21.5	
AU	GDP (Q1, q/q)	-0.4%	0.5%	Some signs of the weakness to come.
Thursday, June 4				
US	Initial Jobless claims (May 30, thous)	1800	2123	
US	Continuing Claims (May 23, thous)	na	21052	
US	Nonfarm Productivity (Q1, final, q/q)	-2.5%	-2.5%	
EC	ECB Monetary Policy Decision	0.00%	0.00%	No big announcements likely.
EC	Services PMI (May, final)	28.7(p)	12.0	
GE	Services PMI (May, final)	31.4(p)	16.2	
AU	Retail Sales (Apr, m/m)	-17.9%	8.5%	Should get better henceforth.
Friday, June 5				
US	Nonfarm Payrolls (May, thous)	-8000	-20537	
US	Unemployment Rate (May)	19.5%	14.7%	
US	Consumer Credit (Apr, $ bil.)	-21.5	-12.0	
CA	Unemployment Rate (May)	na	13.0%	The worst is probably over.
CA	Ivey PMI (May)	na	22.8	
UK	GfK Consumer Confidence (May, final)	-34(p)	-34	
GE	Factory Orders (Apr, m/m)	-15.0%	-15.6%	
IT	Retail Sales (Apr, m/m)	na	-20.5%	
JN	Leading Index (Apr, prelim)	76.3	84.7	Assessment worsening.

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

Economic Indicators

Central Bank Policy Targets

Region	Target	Year/Year %Change in Target				
		Dec	Jan	Feb	Mar	Apr
US	Target: PCE price index 2.0% y/y	1.6	1.8	1.8	1.3	0.5
Canada	Target: CPI 2.0% y/y, 1.0%-3.0% control range	2.2	2.4	2.2	0.9	-0.2
UK	Target: CPI 2.0% y/y	1.3	1.8	1.7	1.5	0.8
Eurozone	Target: CPI below but close to 2.0% y/y	1.3	1.4	1.2	0.7	0.3
Japan	Target: CPI 2.0% y/y	0.8	0.7	0.4	0.4	0.1
Australia	Target Range: CPI 2.0%-3.0% y/y	1.8	2.2	2.2	2.2	

Source: Macrobond

Key Interest Rates

	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	#####	Apr-20	######
US (top of target range)	2.50	2.25	2.00	1.75	1.75	1.75	1.75	1.75	0.25	0.25	0.25
Canada (Overnight Rate)	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	0.25	0.25	
UK (Bank Rate)	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	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	
Japan (OCR)	-0.07	-0.06	-0.06	-0.03	-0.03	-0.07	-0.04	-0.03	-0.07	-0.06	
Australia (OCR)	1.02	1.00	1.00	0.76	0.75	0.75	0.75	0.75	0.43	0.25	

Source: Macrobond

General Government Structural Balance as a % of Potential GDP

	2011	2012	2013	2014	2015	2016	2017	2018	Forecast 2019	Forecast 2020
US	-8.2	-6.4	-4.5	-3.8	-3.6	-4.4	-4.8	-6.0	-6.3	-6.3
Canada	-3.1	-2.1	-1.1	0.1	0.8	0.7	0.0	-0.2	-0.5	-0.8
UK	-5.9	-6.0	-4.0	-4.7	-4.1	-2.9	-2.0	-1.5	-1.3	-1.4
Eurozone	-3.9	-2.1	-1.2	-0.9	-0.8	-0.7	-0.7	-0.6	-0.7	-0.9
Germany	-1.4	0.0	0.6	1.2	1.2	1.3	1.1	1.4	0.9	1.0
France	-5.0	-4.4	-3.4	-3.3	-3.0	-2.8	-2.6	-2.5	-2.4	-2.5
Italy	-4.1	-1.5	-0.6	-1.1	-0.7	-1.4	-1.7	-1.8	-1.5	-2.1
Japan	-8.0	-7.6	-7.5	-5.5	-4.3	-4.1	-3.4	-3.1	-2.9	-2.1
Australia	-4.3	-3.3	-2.6	-2.6	-2.4	-2.2	-1.5	-0.6	-0.4	-0.4

Source: International Monetary Fund, World Economic Outlook

Headline Consumer and Producer Price Inflation

	CPI Year/Year %Change						PPI Year/Year %Change				
	Jan	Feb	Mar	Apr	May		Dec	Jan	Feb	Mar	Apr
US	2.5	2.3	1.5	0.3			1.4	2.1	1.3	0.7	-1.2
Canada	2.4	2.2	0.9	-0.2			0.6	0.6	-0.4	-3.0	-6.0
UK	1.8	1.7	1.5	0.8			0.8	1.0	0.5	0.3	-0.7
Eurozone	1.4	1.2	0.7	0.3			-0.6	-0.7	-1.4	-2.8	
Germany	1.7	1.7	1.4	0.9	0.6		-0.2	0.2	-0.1	-0.8	-1.9
France	1.5	1.4	0.7	0.3	0.2		0.7	0.2	-0.6	-2.0	-3.9
Italy	0.5	0.3	0.1	0.0	-0.1		-2.1	-2.3	-2.7	-3.7	-5.1
Japan	0.7	0.4	0.4	0.1			0.9	1.5	0.8	-0.4	-2.3
Australia	2.2	2.2	2.2				1.4				

Source: Macrobond

Real GDP Growth (Q/Q Seasonally Adjusted)

	Quarter/Quarter %Change						Year/Year %Change				
	Q1-19	Q2-19	Q3-19	Q4-19	Q1-20		Q1-19	Q2-19	Q3-19	Q4-19	Q1-20
US	0.8	0.5	0.5	0.5	-1.3		2.7	2.3	2.1	2.3	0.3
Canada	0.3	0.8	0.3	0.1	-2.1		1.5	2.0	1.6	1.5	-0.9
UK	0.7	-0.2	0.5	0.0	-2.0		2.0	1.3	1.3	1.1	-1.6
Eurozone	0.5	0.1	0.3	0.1	-3.8		1.4	1.2	1.3	1.0	-3.2
Germany	0.5	-0.2	0.3	-0.1	-2.2		1.0	0.3	0.7	0.4	-2.3
France	0.4	0.3	0.3	-0.1	-5.8		1.3	1.5	1.5	0.9	-5.4
Italy	0.2	0.1	0.1	-0.3	-4.7		0.2	0.4	0.5	0.1	-4.8
Japan	0.6	0.5	0.0	-1.9	-0.9		0.8	0.9	1.8	-0.7	-2.2
Australia	0.5	0.6	0.6	0.5			1.7	1.6	1.8	2.2	

Source: Macrobond

Industrial Production Index (M/M Seasonally Adjusted)

	Month/Month %Change						Year/Year %Change				
	Dec	Jan	Feb	Mar	Apr		Dec	Jan	Feb	Mar	Apr
US	-0.4	-0.5	0.1	-4.5	-11.2		-0.8	-0.9	-0.3	-4.9	-15.0
Canada	0.2	0.1	0.1	-3.9			-0.9	-0.2	0.8	-4.9	
UK	-0.2	-0.1	-0.1	-4.2			-2.2	-3.1	-3.4	-8.2	
Germany	-1.7	2.5	0.3	-9.2			-5.0	-1.5	-1.8	-11.4	
France	-2.3	0.9	0.8	-16.2			-2.9	-3.0	-1.7	-17.3	
Italy	-2.7	3.6	-1.0	-28.4			-3.4	-0.6	-2.3	-29.3	
Japan	0.2	1.9	-0.3	-3.7	-9.1		-6.5	-2.4	-3.7	-6.8	-15.2

Source: Macrobond

Unemployment Rate (Seasonally Adjusted)

	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	#####	Mar-20	Apr-20
US	3.7	3.7	3.7	3.5	3.6	3.5	3.5	3.6	3.5	4.4	14.7
Canada	5.6	5.7	5.7	5.5	5.6	5.9	5.6	5.5	5.6	7.8	13.0
UK	3.8	3.9	3.8	3.8	3.8	3.8	3.9	4.0	3.9		
Eurozone	7.5	7.6	7.5	7.5	7.4	7.4	7.3	7.3	7.3	7.4	
Germany	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.8
France	8.5	8.5	8.5	8.4	8.3	8.2	8.2	8.1	7.9	8.4	
Italy	9.8	9.9	9.6	9.8	9.6	9.5	9.6	9.5	9.3	8.4	
Japan	2.3	2.3	2.3	2.4	2.4	2.2	2.2	2.4	2.4	2.5	2.6
Australia	5.3	5.3	5.3	5.2	5.3	5.2	5.1	5.3	5.1	5.2	6.2

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: 06/30/2021