Weekly Economic Perspectives

Weekly Highlights

- **Economies:** Consumer spending remains robust in the US despite mixed sentiment. Growth rebounds in Canada, but pace looks unsustainable. The German economy contracts and the Italian one stalls, but the French economy proves resilient. Japan's manufacturing weak despite July respite. Future capex intentions in Australia are upbeat, but are they viable? (pages 2 – 7)
- **Markets:** After a wobbly start, stocks end the week decidedly stronger on hopes of trade war de-escalation. Bond yields are little changed, except in Italy, where progress on new coalition government drives sharp drop in yields. The dollar index touches two-year high on decent data and portfolio capital inflows. Oil has a decent up week, while gold gives up some of its recent gains. (page 8)

Upcoming Highlights

- **Spotlight:** Steady employment gains should continue in the US. The BoC and the RBA are expected to stay put next week. (page 10)

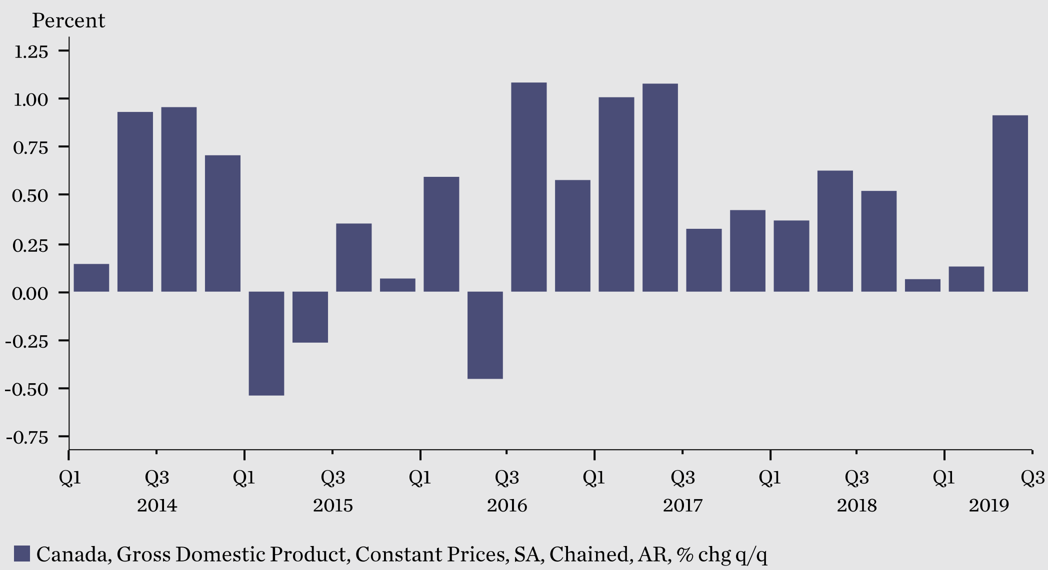
Tables

Contact Information

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

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

Figure 1: Canadian GDP Growth Rebounds, But Pace Not Sustainable



Sources: Statistics Canada

Week in Review

US

The third and final read on **second-quarter GDP growth** met expectations of an incremental downward revision. The economy expanded at a 2.0% seasonally adjusted annualized rate (saar), a tenth less than previously reported. The divergence between consumer spending (very strong) and investment (quite weak) was even more striking. Private consumption growth was revised up 0.4 percentage point (ppt) to 4.7% saar, compared with the meager 1.1% gain in Q1. By contrast, fixed investment shrank 1.1% (saar) on a 9.4% saar plunge in structures investment that was only partly offset by small gains in equipment and intellectual property investment. Government spending quickened and exports slid sharply after an unusually strong first quarter. The inventory build-up reversed. All in all, private consumption added 3.1 (ppts) to second quarter growth (saar terms) and government added 0.8 ppt. Fixed investment detracted 0.2, inventories detracted 0.9, and net exports detracted 0.7. GDP grew 2.3% y/y in the second quarter, and grew 2.5% y/y during the first half. So far, the macro data remains consistent with our full-year 2.3% forecast.

The strong labor market continues to support consumer sentiment but the more troubling news on the trade front is a clear drag. On one hand, the **Conference Board consumer confidence index** bucked expectations of a notable drop to barely ease in August. It stood at 135.1 points, down just 0.7 point from July and less than 3.0 points away from the highs reached late last year. In fact, the present situation metric rose 6.3 points to the highest level since November 2000. And the labor differential—which measures the difference between those who think jobs are abundant and those who think jobs are scarce—did the same.

By contrast, the final read on the **University of Michigan consumer confidence index** for August showed an even larger 8.6-point decline than initially reported. This was the biggest monthly drop since December 2012 and left the index at its lowest level since October 2016. Unsurprisingly given the latest ratcheting up of tariff threats, the expectations component plunged 10.6 points to a seven-month low. The present situation metric lost 5.4 points to the lowest level since October 2016. According to the accompanying release, "Unlike the repeated tariff reversals, negative trends in consumer sentiment cannot be easily reversed. The data indicate that the erosion of consumer confidence due to tariff policies is now well underway." Meanwhile, inflation expectations were as reported in the preliminary reading. Expectations over both the 1-year and the 5-10 year horizons ticked up a tenth to 2.7% and 2.6%, respectively.

The directional divergence between these two surveys is not sustainable and we expect them to converge over time. Amid persistent uncertainty on trade, it is not unreasonable to expect that they would converge lower. However, this is not a given either, precisely because that trade war uncertainty includes the possibility of a period of de-escalation (if not resolution) in coming months.

Still, for the time being, the US consumer remains in great financial shape and is spending accordingly. Admittedly, overall **personal income** disappointed with a modest 0.1% gain in July, but that was partly offset by an upward revision to June data, now showing an even larger 0.5% increase. Wage and salary income rose a modest 0.2%, which was not at all surprising in light of the 0.2% decline in aggregate hours worked during the month. In fact, this was a better performance than what we saw back in March (0.1%), when the hours' index experienced a similar decline. It would therefore seem that wage inflation is now a bit stronger. Nominal disposable income increased 0.3%, whereas real disposable income grew 0.1%—the least since April. Nominal **personal spending** rebounded even more than expected with a 0.6% gain, doubling June's increase. Real spending, which is more relevant for growth, rose a solid 0.4%, also twice the June print. Unsurprisingly given the income and spending dynamics, the savings rate declined four tenths, but only to an elevated 7.7%, which offers abundant cushion for consumers to weather a temporary economic slowdown.

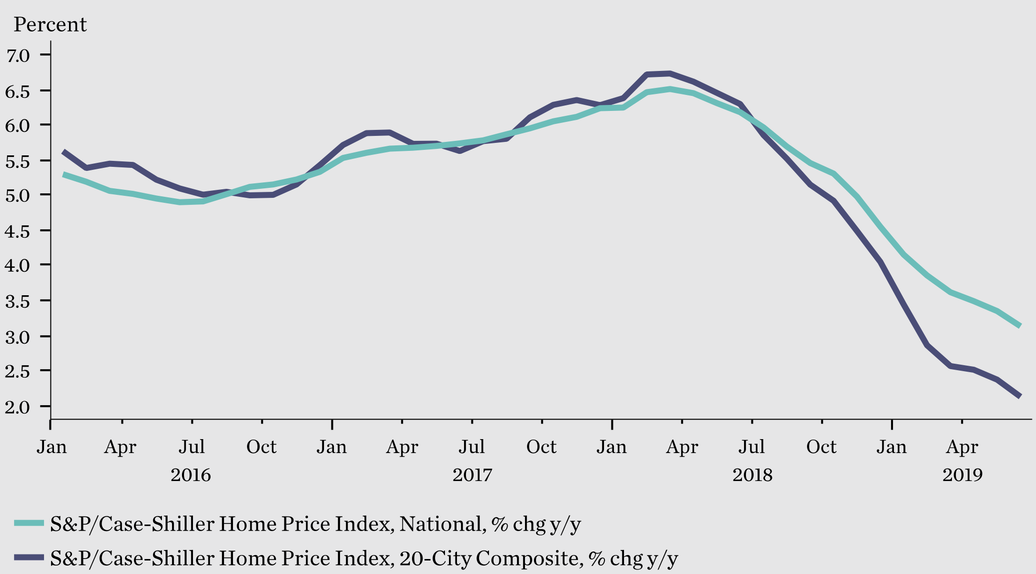
The **PCE (personal consumption expenditures) deflator** data came in a largely as expected, with both the overall and core PCE prices up 0.2%. This lifted the overall PCE deflator a tenth to 1.4% y/y (although this was entirely due to a downward revision to June's rate to 1.3%) while the core PCE deflator was unchanged at 1.6% y/y. However, while the headline numbers remain soft for now, this obscures much better momentum recently. For instance, the average monthly increase in core PCE prices over the past four months was 0.19%, having averaged just 0.05% in the prior three.

After two sizable declines, **durable goods orders** improved 1.8% in June and another 2.1% in July. Admittedly, the recent rebound reflects a recovery in non-defense aircraft orders, which had previously been badly hurt by the 737 Max grounding. Excluding transportation, orders actually contracted 0.4% in July, while excluding defense orders they rose a more modest 1.4%. Volatility in transportation and defense categories was evident in the performance of capital goods orders, which collapsed 6.6% in May, recovered 1.0% June, then surged 6.2% in July. Core orders (non-defense capital goods excluding aircraft)—a leading indicator for business equipment investment (BEI) in the GDP accounts—rose a tepid 0.4%. Overall durable goods orders rose 3.1% y/y, capital goods orders are up 4.5% y/y, and core orders are up a tepid 0.6% y/y. Overall shipments fell 1.1%, more than retracing June's 1.0% gain as core shipments fell 0.7%. One small encouraging detail was that after declining almost every month since the start of the year (with the exception of flat reading in March) core backlogs—a leading indicator of industrial production—rose 0.1%. Overall inventories increased 0.4% each with core inventories up 0.3%. The inventory to sales ratio increased to 1.68 months, highest since late 2016.

After a bumpy start to the year, **pending home sales** (transactions of previously owned homes on which sellers have agreed a contract but are yet to close) appear to be stabilizing. Admittedly, sales declined 2.5% in July, but that followed a 2.8% jump in June and still left them 1.7% higher than in July of 2018, which was the best comparison since early 2017. Unsurprisingly given the sizable monthly pullback, sales retreated in all four regions.

Home price inflation is slowing by all measures, although the intensity of the slowdown varies depending on which measure one looks at. The **Case-Shiller 20-City composite price index** was flat in June on mixed regional performances, causing this measure of home price inflation to decelerate by three tenths to 2.1% y/y, the least since August 2012. There are major differences across the key metropolitan areas, with cities like New York and Seattle experiencing sharp decelerations or even outright declines in home price inflation, whereas others like Atlanta continue to see home price appreciation of close to 5.0% y/y. A performance gap has also opened up between the 20-City index and the national average that includes smaller cities, suggesting that the latter are outperforming the former. We suspect changes in the tax law that impacted mortgage interest deductibility are contributing to this divergence by favoring lower-cost, lower tax areas.

Figure 2: Diverging Trends In US Home Price Appreciation



Sources: Macrobond, S&P Dow Jones Indices McGraw Hill Financial

According to the **FHFA purchase-only index**, the price of existing single family homes increased 0.2% in June—the same as the upwardly revised May performance. Despite this, the corresponding measure of home price inflation decelerated three tenths to 4.8% y/y, the least since January 2015. Prices increased in six of the nine regions in June while retreating in New England (-0.6%), Middle Atlantic (-0.3%) and West South Central (-0.1%).

Unemployment claims continue to hover at very low levels historically. Initial unemployment claims—a measure of job shedding—rose by 4,000 but only to a low 215,000 in the week ending August 24. Continuing claims—a measure of unemployment—increased by 22,000 in the week ended August 17, but this follows a 52,000 decline the week before and left them at a low 1,698,000.

Canada

After an unimpressive first quarter, Canada's economic growth rebounded in the second (Figure 1, page 1). Real **GDP** expanded at a 3.7% seasonally adjusted annual rate (saar), the most in two years, and above the anticipated 3.0%. However, the details suggest this pace is not sustainable. Performance was heavily driven by trade, which reversed a very weak first-quarter, whereas domestic final sales were soft. Exports of goods and services increased 3.2% from the previous quarter, contributing 4.1 percentage points (ppts) to growth, led by energy products which rose 5.9%. However, final domestic demand fell 0.2%, shaving 0.7 ppts from growth. Consumer spending rose a meager 0.1%, after rising 0.7% in the previous quarter. That's despite a strong 1.3% non-annualized gain in disposable income, indicating consumers are saving for a rainy day, raising the household savings rate to 1.7%. Consistent with a global slowdown in capex, overall fixed investment fell 1.6%, deducting 1.2 ppts off growth. Non-residential investment contracted by 4.3%, however residential investment expanded 1.4% after five consecutive quarterly declines. This bodes well for the housing market. The data is consistent with a picture of a growing economy, albeit one exposed to considerable risks. Still, despite gathering storm clouds on the trade front, the Bank of Canada will likely see today's release as offering scope for a more prolonged pause.

UK

Mortgage approvals took a step lower in 2018 but have since stabilized. There are even some signs that activity is picking up, though it is too soon to conclude so definitively, especially given Brexit risks. Still, it is at least notable that the number of mortgage approvals jumped another 1.2% in July to 67,306, the highest level since April 2017. Meanwhile, **net mortgage lending** to individuals jumped by the most since the Global Financial Crisis.

Measures of house price inflation appear to be bottoming out. Admittedly, after a robust 0.3% increase in July, the **Nationwide index** of house prices was flat in August. This left prices 0.6% higher than a year earlier, which is still rather weak but a tenth better than the January-July average.

Consumers can hardly be blamed for being in a bleak mood amid the country's never-ending political drama. The **GfK index of consumer confidence** lost three points in August, leaving it at -14, the lowest level since January. Expectations worsened across the board as consumers anticipate a worse economy, deteriorating personal financial situation, higher unemployment and higher inflation.

Eurozone

The final read on **second-quarter *German* GDP** confirmed the initial estimate of a 0.1% q/q contraction, following a 0.4% gain in the first quarter. Domestic demand contributed 0.5 percentage points (ppts) to growth but this was fully offset by a big drag from trade as exports collapsed. Within domestic demand, consumption added 0.2 ppts, split evenly between the private and public sector, fixed investment was neutral, and inventories added 0.3 ppts. Foreign trade detracted 0.5 ppts, reversing the prior quarter's performance. Workday adjusted GDP was up 0.4% y/y, down notably from 0.9% in Q1.

The closely watched **IFO business climate indicator** for ***Germany*** has been trying very hard to put in a bottom in recent months but the reality of slower growth and geopolitical risks kept getting in the way and is now pushing it lower once again. The headline index fell another 1.5 points to 94.3 in August, the fifth consecutive decline. Weakness was concentrated in the current situation assessment although the expectations metric eroded as well. There remain major differences among sectors, however. Whereas manufacturing sentiment has been hit hard by ongoing trade tensions and slower global growth, conditions in the construction sector are still hovering near multi-year highs.

The ***German*** **labor market** continues to display impressive strength, even though momentum seems to have eased a little recently. Employment increased by 14,000 to a new record high in August, marking the 56th consecutive month of improvement. The number of unemployed, which surged in May due to an adjustment/correction to earlier estimates, rose by a modest 4,000. The unemployment rate was unchanged at 5.0%, which is an extremely low level. The seasonally unadjusted rate (which garners more attention domestically) edged up another tenth, but only to 5.1%, which is the lowest level of any August in the twenty seven year history of the series. Where we do see some early signs of softening is in vacancies, which retreated for the sixth straight month and are now nearly 4.0% lower than a year earlier.

The strong labor market continues to support consumer sentiment. However, while the **GfK index of German consumer confidence** remains historically elevated, it has unmistakably eroded this year as the manufacturing sector's wows are sapping sentiment. At least it didn't slide further in August, holding instead at 9.7 points, which is otherwise the lowest level since April 2017.

German **retail sales** have been under a lot of pressure lately. Admittedly, they rose 3.0% in June (revised down from the initial 3.5% reported gain), which made for a very nice "hand-over" into the third quarter. However, that was followed by a 2.2% relapse in July and left sales up only a modest 1.7% y/y.

In a rare occurrence these days, final estimates of ***French*** second-quarter **GDP growth** lifted the estimated growth rate by a tenth to 0.3%, matching the first quarter performance. The details were good as growth was driven primarily by domestic final sales, trade was a small positive, and inventories were a detractor. Domestic consumption contributed 0.2 ppts, half of which accounted for by households. Fixed investment added 0.2 ppts (an improvement over the first quarter) while inventories detracted 0.2 ppts (this may suggest some upside to Q3). GDP increased 1.4% y/y, a tenth better than in Q1.

French **consumer spending** rose 0.4% in July, the most since January. Even though this was partly offset by a downward revision to June data, now showing a 0.2% contraction, the overall message seems to remain one of resiliency, if not outright strength. Overall spending increased 0.1% y/y despite a 2.3% y/y drop in food products as there was strength in durable goods and energy categories.

Having exited a shallow technical recession with a 0.1% growth in the first quarter, the ***Italian*** economy failed to make any additional progress in the second. The final read on **Q2 GDP** confirmed the flat preliminary estimate. Growth was held back by weak consumption spending even though fixed investment surprised positively. Trade also weighed on performance as an improvement in exports was more than offset by an even larger acceleration in imports. Seasonally and workday adjusted GDP was down 0.1 y/y.

Italian industrial activity has been persistently weak this year and there is no visible turnaround yet. After a decent bounce in May, **industrial sales** retreated 0.5% in June while **orders** declined 0.9%. Both are down on a year-over-year basis, with orders exhibiting a deeper momentum loss. Orders fell 4.8% y/y, the worst print so far this year, while sales retreated 0.8% y/y.

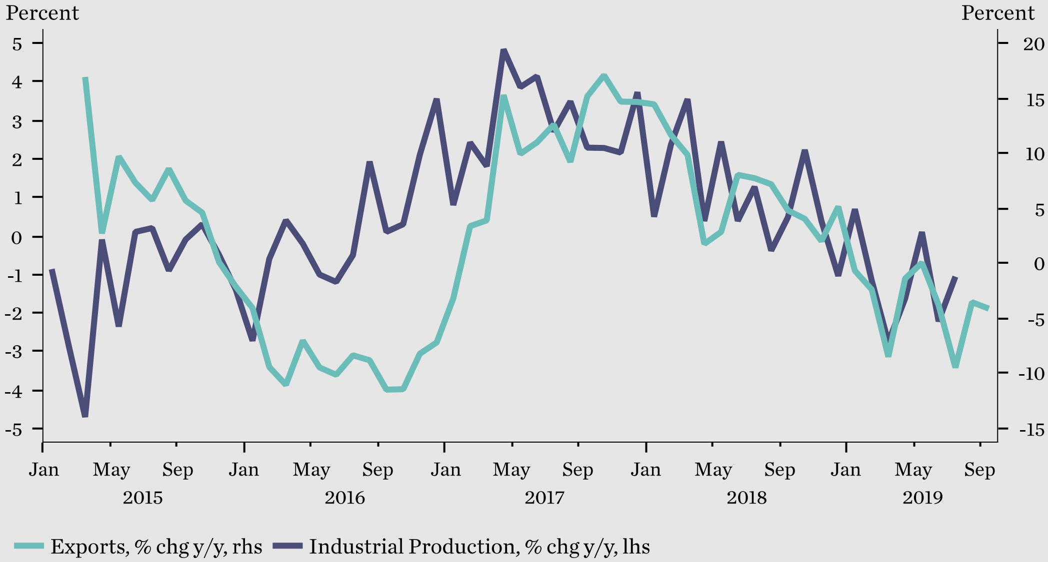
The slow healing of ***Italy***'s labor market was interrupted in late 2018 but, despite occasional hiccups, has broadly resumed. Admittedly, the **unemployment rate** increased one tenth to 9.9% in July (from an upwardly revised June) as a small decline in employment was accompanied by a modest rise in the number of unemployed. However, this is the second lowest level since January 2012.

Italian **consumer confidence** eroded notably since late 2018 and it is not yet clear if it has put in a solid bottom. After a big jump in July, the Istat index retreated 1.4 points in August, leaving it at 111.9 points, exactly in line with its average so far this year. The sharp relapse in the measure of family finances, which had risen to a 17-year high in July, was particularly disappointing!

Japan

The preliminary report for July **industrial production** surprised with a 1.3% rebound, above the 0.3% consensus expectation. Still as this followed a 3.3% decline in June, output was still down 1.1% from a year earlier. The sectors that lifted July performance were motor vehicles (which rebounded 2.1% after June's 8.4% slump) and chemicals, which rose 4.7%. Production is likely to fall in Q3 after rising in Q2, as the Ministry of Economy, Trade and Industry (METI) expects companies to increase production in August, before a cutback in September. Shipments increased 2.6% while the inventory ratio fell by 2.2%. Weaker global trade is hurting manufacturing and the anticipated tax hike will certainly pose further headwinds.

Figure 3. Weak Exports Drag Down Japanese Manufacturing



Sources: Japanese Ministry of Economy, Trade & Industry, Japanese Ministry of Finance

The labor market tightened further in July, with job gains driven by people aged 15-34. The **unemployment rate** fell 0.1 percentage points (ppts) to 2.2%, the lowest since the 90's as the participation rate fell 0.2 ppts to 62.1%. Job gains were impressive yet again, as the number of people employed increased by 150,000 while the number of unemployed declined by 70,000. The male unemployment rate decreased 0.2 ppts to 2.4%, while the female unemployment rate ticked up 0.1 ppts to 2.1%, still at the lowest since the 90's. The jobs-to-applicant ratio—a measure of labor market tightness—fell to 1.59 from 1.61, the third consecutive retreat. The number of new jobs available per applicant also fell by 0.02 to 2.34. These statistics suggest that the labor market does not have much room to tighten further, and should ideally lead to rising wages. Unfortunately, the uncertain global scenario may preclude such an improvement.

Retail sales had been trending gently higher after the 1.8% drop at the start of the year. However, sales slumped 2.3% in July, the sharpest contraction since February 2016. The weakness was broad-based with only motor vehicle sales clocking a decent 6.7%rise. There was broad weakness as sales of household machines dropped 9.0%, apparels fell 6.3% and fuel was down 3.6%; most of these categories fell the most in over a year. Sales in both department stores and supermarkets fell, by 6.2% and 2.4% respectively. We had expected sales to pick up on the assumption that consumers would frontload purchases ahead of the anticipated tax hike in October, but so far that has not been the case. Compounded by agonizingly slow wage growth, this may signal a protracted weakness in spending in coming months.

Producer prices for services (PPIS), which purport to measure the cost of running a business, has been hovering close to the 1.0% mark for nearly two years, but has recently lost momentum. Producer prices rose just 0.1% in July, after three consecutive declines. The corresponding inflation rate eased two-tenths to 0.5% y/y, lowest since January 2017. Transportation—one of the largest components—rose 0.9%, due to a sharp uptick in domestic air travel. The usually volatile advertising services slumped 1.1%, while prices for information/communications stayed flat.

Australia

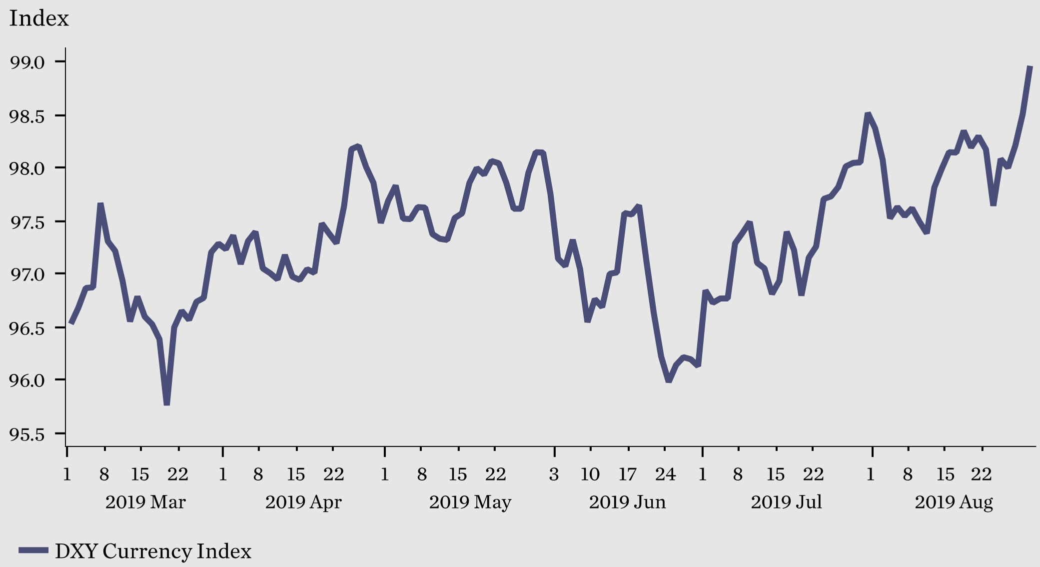
After a 1.3% drop in the first quarter, **private new capital expenditures** shrank another 0.5% in the second. This was considerably worse than consensus expectations for a modest 0.4% improvement and was only partly mitigated by a favorable revision to the first quarter data (the originally reported decline then was an even larger 1.7%). Buildings and structures investment slumped 3.3%, following a 1.9% fall in Q1, while machinery and equipment spending rebounded to 2.5% from -0.5%. However, the outlook is still positive as both mining and non-mining businesses maintained strong investment intentions during 2019-20. Long term capex plans were upgraded to A$113.4 billion in Q2 from A$99 billion in Q1. Both non-mining (+6%) and mining firms (+20%) proposed stronger investment during 2019-20. However, we think it is unlikely that these investment intentions will be fully realized. The latest minutes from the Reserve Bank of Australia noted that business investment has already been slowing in some countries off late due to protracted global tensions. Australia cannot be immune to the global slowdown in capex, given our belief that uncertainties will continue to plague the economy for some time yet.

The weakness in credit growth continues, with **private sector credit** seeing sub-0.5% growth since March of last year. Credit rose just 0.2% in July, which lowered the annual rate of growth two tenths to 3.1% y/y, the lowest since May 2013. Encouragingly, though, credit to owner-occupied housing rose 0.5%, the most since September. This was partly due to base effect as the annual rate remained unchanged at 4.9% y/y. This measure has slowed dramatically since early 2018, prompting the Coalition government to provide incentive to first time buyers by topping up their 5% deposits with a government guarantee for 15% of the loan. On the contrary, investor housing credit fell 0.1%, the first drop in over a year. Credit for other personal uses also declined 0.4%, the 13th consecutive decline. Business lending rose 0.2%, having been flat the month before.

Financial Markets Review

The trade-weighted dollar index ended the week at a two-year high as decent economic data supported the currency while a slew of geopolitical risks weighed on trading partner currencies. Foreign portfolio capital inflows seeking US assets are also providing support for the currency.

Figure 4: Dollar Index Touches Two Year High On Decent Data



Sources: Bloomberg

Equities: After a wobbly start, stocks end the week decidedly stronger on hopes of trade war de-escalation.

Bonds: Bond yields are little changed, except in Italy, where progress on new government drives sharp drop in yields.

Currencies: The dollar index touches two-year high on decent data and portfolio capital inflows.

Commodities: Oil has a decent up week, while gold gives up some of its recent gains.

8/30/19 1:38 PM

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®	2924.06	2.7%	16.6%	1.52	-1	-116	98.975	1.4%	2.9%
Canada	TSE 300	16397.86	2.2%	14.5%	1.16	-1	-80	1.3318	0.3%	-2.3%
UK	FTSE®	7207.18	1.6%	7.1%	0.48	0	-80	1.2144	-1.0%	-4.8%
Germany	DAX	11939.28	2.8%	13.1%	-0.70	-2	-94			
France	CAC-40	5480.48	2.9%	15.8%	-0.40	-3	-111	1.0968	-1.6%	-4.4%
Italy	FTSE® MIB	21322.9	4.1%	16.4%	1.00	-32	-174			
Japan	Nikkei 225	20704.37	0.0%	3.4%	-0.27	-4	-27	106.4	1.0%	-3.0%
Australia	ASX 200	6604.215	1.2%	17.0%	0.89	-9	-143	0.6719	-0.5%	-4.7%

Commodity Markets

Commodity	Unit	Source	Last Price	%Ch Week	%Ch YTD	%Ch Yr Ago
Oil (Brent)	US $/Barrel	Bloomberg	59.04	1.3%	11.0%	-23.4%
Gold	US $/troy oz	Bloomberg	1519.93	-0.5%	18.5%	26.7%

Source: Bloomberg®

Week in Review: Data Releases and Major Events (August 26 – August 30)

Country	Release (Date, format)	Consensus	Actual	Last	Comments
Monday, August 26					
US	Durable Goods Orders (Jul, prelim)	1.2%	**2.1%**	1.8%(↓r)	Some signs of stabilization.
GE	IFO Business Climate (Aug)	95.3	**94.3**	95.8(↑r)	Fifth consecutive decline.
JN	Leading Index (Jun, final)	93.3(p)	**93.3**	94.9	Lowest since February 2010.
Tuesday, August 27					
US	FHFA House Price Index (Jun, m/m)	0.2%	**0.2%**	0.2%(↑r)	Slowing, but holding up better than others.
US	S&P CoreLogic 20-City Index (Jun, m/m)	0.1%	**0.0%**	0.1%	Slowing amid regional divergences.
US	Consumer Confidence (Aug)	130	**135.1**	135.8(↑r)	Holding near 2018 highs.
GE	GDP (Q2, final, q/q)	-0.1%(p)	**-0.1%**	0.4%	Undone by trade.
FR	Consumer Confidence (Aug)	102	**102**	102	Steady.
JN	PPI Services (Jul, y/y)	0.6%	**0.5%**	0.7%	Dragged down by advertising costs.
Wednesday, August 28					
GE	GfK Consumer Confidence (Sep)	9.6	**9.7**	9.7	Historically elevated by has declined of late.
IT	Consumer Confidence (Aug)	112.7	**111.9**	113.3(↓r)	In line with its average so far this year.
Thursday, August 29					
US	Initial Jobless Claims (Aug 24, thous)	214	**215**	211(↑r)	Encouragingly low.
US	GDP (Q2, second, q/q)	2.1%(p)	**2.0%**	3.1%	Even stronger private consumption.
US	Pending Home Sales (Jul, m/m)	0.0%	**-2.5%**	2.8%	But up 1.7% y/y, best since early 2017.
GE	Unemployment Rate (Aug)	5.0%	**5.0%**	5.0%	Very good, but vacancies declined again.
GE	CPI (Aug, prelim, y/y)	1.5%	**1.4%**	1.7%	Weak.
FR	GDP (Q2, final, q/q)	0.2%(p)	**0.3%**	0.3%	Resilient.
FR	Consumer Spending (Jul, m/m)	0.4%	**0.4%**	-0.2%(↓r)	But barely up y/y.
IT	Industrial Orders (Jun, m/m)	na	**-0.9%**	2.8%(↑r)	Down 4.8% y/y. Sales down 0.8% y/y.
AU	Private Capital Expenditure (Q2, q/q)	0.4%	**-0.5%**	-1.3%(↑r)	Future CAPEX intentions upbeat, viable?
Friday, August 30					
US	Personal Income (Jul, m/m)	0.3%	**0.1%**	0.5%(↑r)	Unsurprisingly given weak hours worked.
US	Personal Spending (Jul, m/m)	0.5%	**0.6%**	0.3%	Savings rate still elevated at 7.7%.
US	U of M Consumer Sentiment (Aug, final)	92.1(p)	**89.8**	98.4	Huge drop, lowest level since October 2016.
CA	GDP (Q2, q/q)	3.0%	**3.7%**	0.4%	Exports the star performer.
UK	GfK Consumer Confidence (Aug)	-12	**-14**	-11	Lowest since January.
UK	Nationwide House Prices (Aug, m/m)	0.1%	**0.0%**	0.3%	Up 0.6% y/y, bottoming out.
UK	Mortgage Approvals (Jul, thous)	66.1	**67.3**	66.5(↑r)	Highest since April 2017.
GE	Retail Sales (Jul, m/m)	-1.3%	**-2.2%**	3.5%	Disappointing.
FR	CPI (Jul, prelim, y/y)	na	**1.1%**	1.1%	Soft.
IT	GDP (Q2, final, q/q)	0.0%(p)	**0.0%**	0.1%	Disappointing but not surprising.
IT	Unemployment Rate (Jul, prelim)	9.6%	**9.9%**	9.8%(↑r)	Slow healing.
IT	CPI (Aug, prelim, y/y)	0.3%	**0.5%**	0.4%(↓r)	Soft.
JN	Unemployment Rate (Jul)	2.3%	**2.2%**	2.3%	Impressive job gains yet again.
JN	Industrial Production (Jul, prelim, m/m)	0.3%	**1.3%**	-3.3%	Devil lies in the details.
JN	Retail Sales (Jul, m/m)	-0.9%	**-2.3%**	0.0%	Weak despite looming tax hike.
AU	Private Sector Credit (Jul, m/m)	0.2%	**0.2%**	0.1%	Sub-par credit growth continues.

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

Week in Preview: Releases and Major Events (September 2 – September 6)

Country	Release (Date, format)	Consensus	Last	Comments
Monday, September 2				
UK	Manufacturing PMI (Aug)	48.2	48.0	How bad can it get?
EC	Manufacturing PMI (Aug, final)	47.0(p)	46.5	
GE	Manufacturing PMI (Aug, final)	43.6(p)	43.2	
FR	Manufacturing PMI (Aug, final)	51.0(p)	49.7	
IT	Manufacturing PMI (Aug)	na	48.5	How bad can it get?
JN	Manufacturing PMI (Aug, final)	49.5(p)	49.4	Move on. Nothing to see here.
Tuesday, September 3				
US	ISM Manufacturing (Aug)	51.5	51.2	Will it deliver on these expectations?
AU	RBA Monetary Policy Decision	1.00%	1.00%	Poised to act if things go south.
AU	Retail Sales (Jul, m/m)	0.2%	0.4%	Retail sales are slowing.
Wednesday, September 4				
US	Fed Beige Book Report			
US	Vehicle Sales (Aug, mil.)	16.9	16.8	
US	Trade Balance (Jul, $ bil.)	-55.2	-55.2	
CA	BoC Monetary Policy Decision	1.75%	1.75%	Global developments are a concern.
CA	Labor Productivity (Q2, q/q)	na	0.3%	
CA	Trade Balance (Jul, C$ bil.)	na	0.1	
UK	PMI Services (Aug)	51.0	51.4	We need this to hold.
EC	PMI Services (Aug, final)	53.4(p)	53.2	We need this to hold.
GE	PMI Services (Aug, final)	54.4(p)	54.5	
AU	GDP (Q2, q/q)	0.5%	0.4%	Steady.
JN	PMI Services (Aug, final)	53.4(p)	51.8	Faring better than manufacturing, for now.
Thursday, September 5				
US	Initial Jobless Claims (Aug 31, thous)	na	215	
US	Nonfarm Productivity (Q2, final, q/q)	2.3%(p)	3.5%	
US	Factory Orders (Jul, m/m)	0.8%	0.6%	
US	Durable Goods Orders (Jul, final, m/m)	2.1%(p)	1.8%	
US	ISM Non-Manufacturing (Aug)	53.6	53.7	We need this to hold.
GE	Factory Orders (Jul, m/m)	-1.2%	2.5%	
Friday, September 6				
US	Change in Nonfarm Payrolls (Aug, thous)	165	164	We see some downside risks amid trade, summer lull.
US	Unemployment Rate (Aug)	3.7%	3.7%	
CA	Unemployment Rate (Aug)	na	5.7%	Expect a decent performance.
CA	Ivey PMI (Aug)	na	54.2	
UK	Halifax House Prices (Aug, m/m)	na	-0.2%	
EC	GDP (Q2, final, q/q)	0.2%(p)	0.4%	
GE	Industrial Production (Jul, m/m)	0.3%	-1.5%	
GE	Labor Costs (Q2, y/y)	na	2.5%	
IT	Retail Sales (Jul, m/m)	na	1.9%	
JN	Labor Cash Earnings (Jul, y/y)	0.1%	0.4%	No upward pressure on inflation from wages.
JN	Leading Index (Jul, prelim)	93.2	93.3	

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

Economic Indicators

Central Bank Policy Targets

		Year/Year % Change in Target				
		Mar	Apr	May	Jun	Jul
US	Target: PCE price index 2.0% y/y	1.4	1.5	1.4	1.3	1.4
Canada	Target: CPI 2.0% y/y, 1.0%-3.0% control range	1.9	2.0	2.4	2.0	2.0
UK	Target: CPI 2.0% y/y	1.9	2.1	2.0	2.0	2.1
Eurozone	Target: CPI below but close to 2.0% y/y	1.4	1.7	1.2	1.3	1.0
Japan	Target: CPI 2.0% y/y	0.5	0.9	0.7	0.7	0.5
Australia	Target Range: CPI 2.0%-3.0% y/y	1.3	1.6	1.6	1.6	

Source: Macrobond

Key Interest Rates

	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	####	Jun-19	Jul-19	Aug-19
US (top of target range)	2.25	2.25	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.25
Canada (Overnight Rate)	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
UK (Bank Rate)	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
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)	-0.07	-0.06	-0.06	-0.06	-0.05	-0.06	-0.07	-0.06	-0.08	-0.07	
Australia (OCR)	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.28	1.02	

Source: Macrobond

General Government Structural Balance as a % of Potential GDP

									Forecast	
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
US	-9.3	-7.9	-6.1	-4.0	-3.4	-3.2	-3.9	-4.0	-4.7	-5.2
Canada	-3.8	-3.1	-1.9	-0.9	0.3	0.9	0.8	0.1	-0.2	-0.4
UK	-7.2	-5.9	-5.9	-3.9	-4.6	-3.9	-2.8	-1.9	-1.4	-1.2
Eurozone	-4.8	-3.9	-2.2	-1.3	-1.0	-0.9	-0.8	-0.7	-0.7	-0.9
Germany	-2.4	-1.4	-0.1	0.2	0.9	0.8	1.0	0.9	1.3	0.7
France	-6.2	-5.2	-4.5	-3.5	-3.3	-3.0	-2.8	-2.6	-2.5	-2.5
Italy	-3.7	-4.1	-1.5	-0.6	-1.1	-0.7	-1.4	-1.6	-1.7	-2.1
Japan	-8.0	-8.0	-7.6	-7.5	-5.5	-4.3	-4.1	-3.4	-3.1	-2.8
Australia	-4.9	-4.2	-3.3	-2.6	-2.5	-2.4	-2.2	-1.2	-1.0	-1.2

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	Mar	Apr	May	Jun	Jul
US	2.0	1.8	1.6	1.8		2.0	2.2	1.8	1.7	1.7
Canada	2.0	2.4	2.0	2.0		1.5	1.7	0.4	-1.7	-1.7
UK	2.1	2.0	2.0	2.1		2.2	2.1	1.9	1.6	1.8
Eurozone	1.7	1.2	1.3	1.0		2.9	2.6	1.6	0.7	
Germany	2.0	1.4	1.6	1.7	1.4	2.4	2.5	1.9	1.2	1.1
France	1.3	0.9	1.2	1.1	1.1	1.7	1.9	0.9	0.0	0.0
Italy	1.1	0.8	0.7	0.4	0.5	2.9	2.1	1.5	0.9	-0.5
Japan	0.9	0.7	0.7	0.5		1.3	1.2	0.6	-0.1	-0.6
Australia	1.6	1.6	1.6			1.9	2.0	2.0	2.0	

Source: Macrobond

Economic Indicators

Real GDP Growth (Q/Q Seasonally Adjusted)

	Quarter/Quarter % Change					Year/Year % Change				
	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19
US	0.9	0.7	0.3	0.8	0.5	3.2	3.1	2.5	2.7	2.3
Canada	0.6	0.5	0.1	0.1	0.9	1.8	2.0	1.6	1.4	1.6
UK	0.4	0.7	0.2	0.5	-0.2	1.4	1.6	1.4	1.8	1.2
Eurozone	0.4	0.2	0.2	0.4	0.2	2.2	1.7	1.2	1.2	1.1
Germany	0.4	-0.1	0.2	0.4	-0.1	2.1	1.1	0.6	0.9	0.4
France	0.2	0.3	0.4	0.3	0.3	1.9	1.5	1.2	1.3	1.4
Italy	0.0	-0.1	-0.1	0.1	0.0	1.0	0.5	0.0	-0.1	0.0
Japan	0.4	-0.5	0.4	0.7	0.4	1.4	0.2	0.3	1.0	1.1
Australia	0.9	0.3	0.2	0.4		3.1	2.8	2.4	1.8	

Source: Macrobond

Industrial Production Index (M/M Seasonally Adjusted)

	Month/Month % Change					Year/Year % Change				
	Mar	Apr	May	Jun	Jul	Mar	Apr	May	Jun	Jul
US	0.1	-0.6	0.2	0.2	-0.2	2.3	0.7	1.7	1.1	0.5
Canada	1.9	1.1	0.4	-0.5		0.3	2.1	2.2	1.1	
UK	1.4	-3.1	1.2	-0.1		1.4	-1.4	0.5	-0.6	
Germany	0.5	-2.0	0.1	-1.5		-1.3	-2.8	-4.5	-5.1	
France	-1.3	0.5	2.0	-2.3		-0.8	1.1	3.9	0.0	
Italy	-1.0	-0.8	1.0	-0.2		-1.7	-1.4	-0.7	-1.2	
Japan	-0.6	0.6	2.0	-3.3	1.3	-2.8	-1.6	0.1	-2.2	-1.1

Source: Macrobond

Unemployment Rate (Seasonally Adjusted)

	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	####	Jun-19	Jul-19	Aug-19
US	3.8	3.7	3.9	4.0	3.8	3.8	3.6	3.6	3.7	3.7	
Canada	5.7	5.6	5.6	5.8	5.8	5.8	5.7	5.4	5.5	5.7	
UK	4.0	4.0	3.9	3.9	3.8	3.8	3.8	3.9			
Eurozone	8.0	7.9	7.9	7.8	7.8	7.7	7.6	7.6	7.5	7.5	
Germany	5.1	5.0	5.0	5.0	5.0	4.9	4.9	5.0	5.0	5.0	5.0
France	9.0	8.9	8.9	8.8	8.6	8.6	8.5	8.5	8.5	8.5	
Italy	10.7	10.5	10.4	10.4	10.5	10.1	10.1	9.9	9.8	9.9	
Japan	2.4	2.5	2.4	2.5	2.3	2.5	2.4	2.4	2.3	2.2	
Australia	5.0	5.1	5.0	5.1	4.9	5.1	5.2	5.2	5.2	5.2	

Source: Macrobond

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

	Q4-16	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19
US	-2.2	-2.2	-2.5	-2.0	-2.3	-2.3	-2.1	-2.4	-2.8	-2.5	
Canada	-1.9	-2.5	-2.6	-3.1	-3.0	-3.0	-2.8	-1.8	-3.0	-3.0	-1.1
UK	-4.0	-3.0	-4.1	-3.1	-3.0	-3.4	-3.3	-4.3	-4.4	-5.6	
Eurozone	2.8	3.0	2.5	3.9	3.5	3.3	3.0	2.6	2.8	3.1	
Germany	8.0	8.3	6.9	8.6	8.6	8.4	7.5	6.5	7.4	7.9	7.4
France	-0.7	-1.3	-0.7	-0.7	-0.3	-0.3	-1.4	-0.4	-0.4	-0.6	-0.3
Japan	4.1	4.3	3.7	4.6	4.2	3.6	4.0	3.4	3.1	3.4	3.5
Australia	-1.4	-1.6	-2.4	-2.8	-3.4	-2.2	-2.5	-2.1	-1.3	-0.6	

Source: Macrobond

Important Risk Discussion

This material is for informational purposes only, not to be construed as investment advice, or a recommendation or offer to buy or sell any security and should not be construed as such. The views expressed in this material are the views of the SSGA Economics Team, through the period ending August 30, 2019, and are subject to change without notice based on market and other conditions. All material has been obtained from sources believed to be reliable, but its accuracy is not guaranteed. This document contains certain statements that may be deemed forward-looking statements. Please note that any such statements are not guarantees of any future performance and actual results or developments may differ materially from those projected. Past performance is not a guarantee of future results. SSGA may have or may seek investment management or other business relationships with companies discussed in this material or affiliates of those companies, such as their officers, directors and pension plans.

Intellectual Property Information

2537623.17.1.GBL.RTL

EXP: September 30, 2020