Weekly Economic Perspectives

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

Weekly Highlights

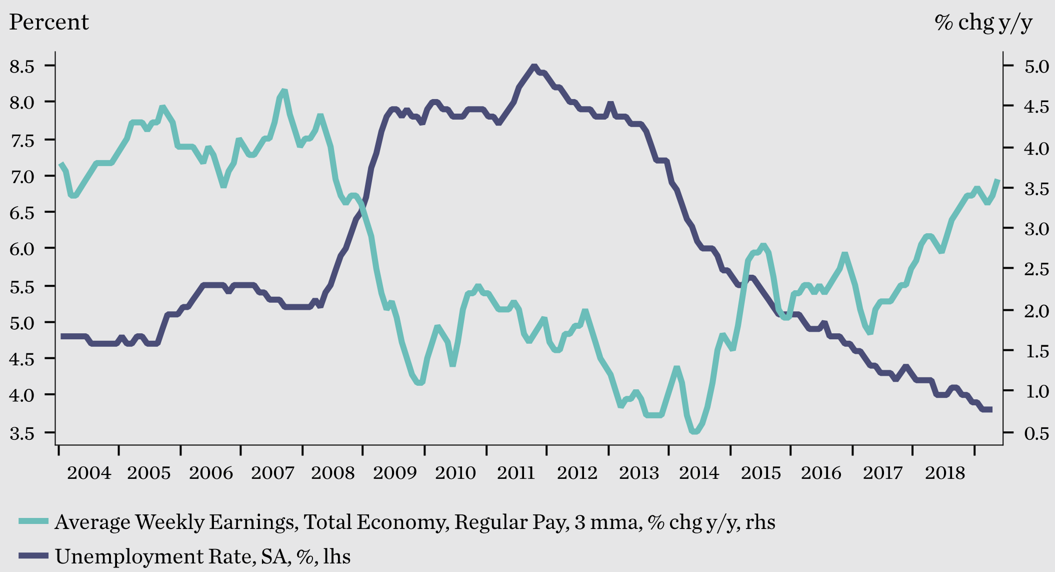
- **Economies:** Retail sales rise in the US but retreat in Canada. Wage inflation accelerates in the UK. Inflation remains tepid in the eurozone. Australia's employment report was better than the headline suggests. Inflation remains tepid in Japan. (pages 2 – 6)
- **Markets:** Equity markets ease slightly following strong gains recently. Bond yields retreat further on expectations of an imminent Fed rate cut. The pound gets pounded by political and Brexit uncertainty. Oil plunges and gold gives back some of its gains late in the week. (page 7)

Upcoming Highlights

- **Spotlight:** The ECB should hold the line on interest rates for now. US Q2 GDP growth will slow, but household consumption should show a solid rebound. Manufacturing activity likely remained tepid in the eurozone and outright dismal in Germany. (page 9)

Tables

Figure 1: UK Wage Inflation Hits Post-Crisis High



Sources: UK Office of National Statistics (ONS)

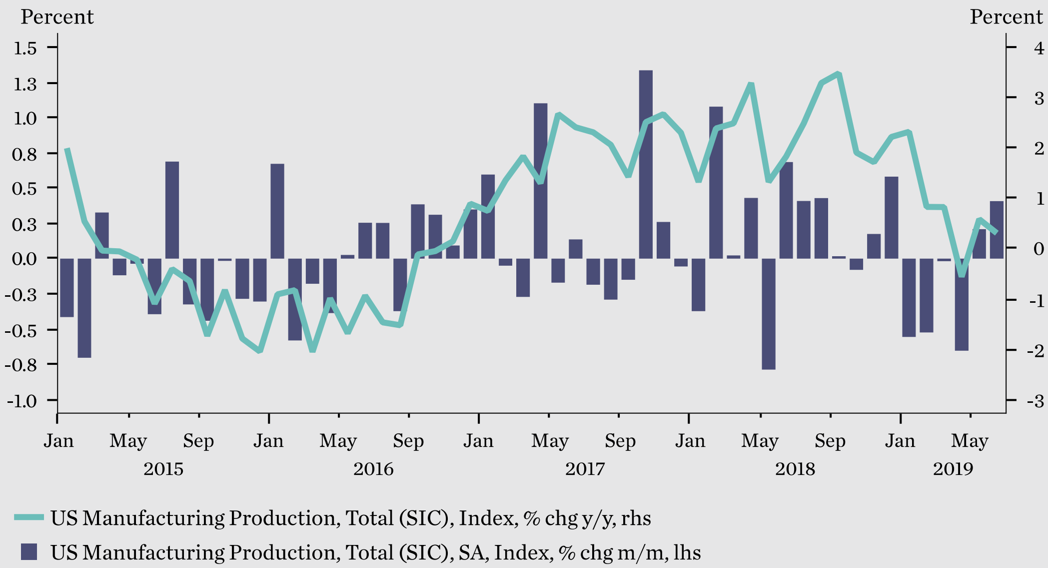
Week in Review

US

After a bad stumble in December and a wobbly start to the year, **retail sales** are undeniably rebounding. Retail sales rose 0.4% in June, twice as much as expected, even though this was partly mitigated by a one-tenth downward revision to May data, now also showing a 0.4% advance. More impressively, control sales (which exclude food services, building materials, autos dealers and gas stations) and are used by the Commerce Department to calculate goods consumption in the GDP accounts rose a solid 0.7% for the fourth consecutive gain and the best since March. The 3 mo/3 mo annualized gain in the control sales group is 7.5% y/y, second only to May's 9.7% in the post-GFC period! Most categories did well in June, with the exception of gasoline (-2.8%), department stores (-1.1%) and electronics (-0.3). Motor vehicles rose 0.7% and restaurants were up 0.9%. Total sales increased 1.8% y/y while control sales were up 3.2% y/y.

Industrial production disappointed slightly in June, but only because of a sizable drop in utilities. Manufacturing came in better than expected with a 0.4% gain, while mining rose 0.2%. Utilities plunged 3.6%—the most since December—which kept overall industrial production flat for the month. There is no denying the loss of momentum in the industrial sector over the last few months as industrial production (not seasonally adjusted) increased just 1.2% y/y, with manufacturing up a mere 0.3% y/y. However, so far the current downturn is still notably milder than the 2015-16 episode (Figure 2). Capacity utilization relapsed two tenths to 77.9%, the twin lowest level since March 2018.

Figure 2: US Manufacturing Production Slowing, But Still Growing



Sources: US Federal Reserve

All five regional Fed manufacturing surveys worsened in June but the two released so far in July recorded impressive gains. The **Philly Fed index** surged from 0.3 to 21.8—the largest monthly increase since June 2009, when the sector was emerging from the Global Financial Crisis, and the highest level in a year. Gains were broad-based: new orders rose 10.6 points to a six-month high of 18.9; shipments increased 8.3 to the second highest level over the past year. The employment component surged 14.6 points to 30, the second highest level in the entire history of the series spanning back to 1968! Likewise, the employee workweek also reached the second highest level on record. Inventories rose modestly, as did prices (both paid and received). Backlogs eased, however, suggesting a possible pullback down the line.

The **Empire manufacturing index** also jumped 12.9 points to 4.3 in July, but this was less impressive a rebound given it only retraced half of June's tremendous plunge. The details were also on the soft side. New orders continued to decline though at a much reduced rate. Shipments increased at the slowest pace since October 2016. Employment declined but the employee workweek lengthened. Inventories declined, as did backlogs. Despite these rather tepid readings, expectations for future activity improved noticeably.

Business inventories rose 0.3% in May, as expected. Manufacturing inventories rose 0.2%, while retailers' and wholesalers' inventories increased 0.4% each. Sales rose 0.2%, retracing April's decline and leaving the inventory-to-sales ratio unchanged at 1.39 months. This level has been reached several times in recent months but is otherwise the highest since late 2016. It is unclear whether this is an unwelcome build-up due to softer than expected demand or if it is at least partly intentional as firms seek to build up a cushion amid trade tensions and uncertainty about tariffs.

After a bout of extreme volatility at the start of the year, the housing market has since stabilized and even appeared to be improving in recent months. However, the June data was quite disappointing. Still, despite a 0.9% retreat in June to 1,253,000 (annualized), **housing starts** remain 6.2% higher than a year earlier, the best comparison since September. Single-family starts increased 3.5% but multi-family starts plunged 9.2% during the month. These figures are somewhat misleading, however, since, despite these moves, single-family starts are incrementally lower than a year ago whereas multi-family starts are up about 25%.

The real disappointment came from **building permits**—a leading indicator of starts. They had flat-lined close to 1,300,000 (annualized) this year, but unexpectedly plunged to 1,220,000 in June—the lowest level since May 2017. Weakness was concentrated in the multi-family sector, where permits plunged 16.8% (the most since February 2017), leaving them 10.2% lower than a year earlier. Single family starts rose incrementally in June but are still 4.7% lower than a year ago. While the June readings were undeniably weak, we would note than permits tend to be quite volatile and that such large declines have historically been followed by a subsequent rebound. We suspect the same may happen again, but we will have to wait for the July data to find out.

Homebuilder sentiment has been healing following the acute deterioration episode late last year, but has yet to revisit the 2017-18 highs. Still, the National Association of Homebuilders' (NAHB) index rose 1.0 point to 65.0 in June, leaving it at the second highest level of 2019. Prospective buyer, current sales, and expected sales all increased by one point each.

The latest **Beige Book** noted "little change" in economic conditions since the prior report, with the economy still growing at a "modest pace" from mid-May to early July. Retail sales increased slightly overall, and tourism activity was "solid". By contrast, performance in the transportation sector was more uneven, with some districts noting that "activity declined modestly". Residential construction was flat despite improving sales; non-residential construction "increased or remained strong" in most districts. Manufacturing was "generally flat" but some districts noted a modest pick-up. Agriculture was hurt by heavy rains and flooding. Loan demand improved most everywhere. Labor markets remained tight, with "continued worker shortages across most sectors". Some contacts noted significant increases in entry-level wages; labor compensation grew at a modest-to-moderate pace overall. Some contacts noted concerns about work visa availability. Consumer price inflation was "stable to down slightly", with input costs inflation linked to both higher tariffs and rising labor costs.

Unemployment claims continue to hover at very low levels historically. Admittedly, initial unemployment claims—a measure of job shedding—increased by 8,000 but only to a low 216,000 during the week ending July 13. Continuing claims—a measure of unemployment—declined 42,000 to 1,686,000 in the week ended July 6.

Import prices retreated 0.9% in June—the most since December—on broad-based weakness that included a 6.5% drop in fuel and lubricants, a 3.3% drop in industrial supply prices and a 1.5% decline in food and beverages. Excluding petroleum, prices declined 0.4%; excluding food and fuels they declined 0.2%. Prices of imports from China declined another 0.1%, having last risen in May of 2018. Overall import prices declined 2.0% y/y.

Canada

Nominal **retail sales** declined 0.1% in May for the first retreat since January. The main drag came from food and beverage sales, which fell 2.0%; clothing and general merchandise sales fell 2.7% and 1.1% respectively. Retail sales of motor vehicles and parts increased 0.5%. Excluding vehicles, nominal sales fell 1.0%. Meanwhile, real sales declined 0.5%, which will be a significant drag on GDP performance.

Nominal **manufacturing sales** rebounded 1.6% in May, while April's data was also revised up to show a smaller 0.4% decline. Real sales gained an impressive 1.7%, which will help minimize the drag on GDP from weak retail sales. Sales were boosted by higher motor vehicle sales (+13.3%) and parts (+7.3%) which lifted sales of transportation equipment to 8.1. Sales in the petroleum and coal industry were up for the fifth month, rising 2.0%. Inventories rose by 0.8%, lowering the inventory to sales ratio to 1.51 from 1.52 earlier. New orders also increased 2.9% m/m, while the capacity utilization rate increased from 79.6% in April to 82.0%, highest since June 2018.

Since a drastic fall in February, **existing home sales** have gradually recovered to near their long term average. Admittedly, data from the Canadian Real Estate Association (CREA) show sales retreated 0.2% in June. Gregory Klump, CREA's Chief Economist noted that "while sales activity in Canada's three westernmost provinces appears to have stopped deteriorating, it will be some time before supply and demand there becomes better balanced and the outlook for home prices improves." New homes listed for sale increased 0.8%, causing the sales-to-new listings ratio (a measure of market tightness) to retreat 0.6 percentage points to 57.7%. The house price index rose 0.3% in June, but is still running 1.1% below the December 2018 high. Inventory was equivalent to five months' worth of sales—the least since January 2018, but this figure obscures big variations across geographies.

Canadian house price inflation moderated rapidly from mid-2017 to mid-2018, seemed to subsequently stabilize, but is now threatening to cross into negative territory. The **11-City Teranet house price index** managed a 0.8% gain in June but the inflation rate retreated two tenths to a post-GFC low of 0.5% y/y. However, the 11-city average obscures large differences across cities. Prices actually declined on a year over year basis in Vancouver (-4.9%), Calgary (-3.8%), Edmonton (-2.6%) and Winnipeg (-0.4%). They increased solidly in Ottawa, Montreal, and Hamilton.

Headline **consumer price inflation** retreated four tenths to 2.0% y/y in June from May's 2.4% y/y seven-month high. This was in part due to gyrations in gasoline prices and declining costs for internet services. Excluding energy, CPI inflation was 2.6% y/y. Measures of core inflation were stable to lower—with the weighted median and common component unchanged at 2.2% and 1.8%, while the trimmed mean fell 0.2 percentage points to 2.1% y/y. On a monthly basis, prices fell 0.2% amid an 8.0% plunge in gasoline prices. Despite transient factors like the elimination of carbon pricing in Alberta in May causing downward pressures on energy prices, the headline figure has broadly been near the inflation target.

UK

The labor market remains tight and wage inflation robust. Admittedly, employment gains have slowed markedly in recent months, but we've had several such mini-cycles over the last several years and they did not break the overall improving trend. Employment increased by 28,000 in March-May, compared to a 179,000 gain in December-February. Unemployment declined by 12,000, keeping the International Labor Organization (ILO) **unemployment rate** unchanged at 3.8%, which was otherwise the lowest since 1974. By contrast, the claimant count unemployment rate inched another tenth higher to 3.2% in June, the highest since March 2014. Wage inflation as measured by overall average weekly earnings quickened two tenths to 3.4% y/y in March-May. Regular pay (excluding bonuses) wage inflation also accelerated two tenth to 3.6% y/y, marking a new post-GFC high!

After a strong first quarter, **real retail sales** retreated in April and May but they rebounded in June, when they confounded expectations for a decline and jumped 1.0% instead. Strength was broad-based, with gains across all categories but especially non-food. So far this year, retail sales are up 4.4% y/y, twice the pace recorded in the same period of 2018.

Consumer price inflation, which has steadily moderated over the course of 2018, appears to be stabilizing around 2.0%. Overall consumer prices were flat in June as a 1.0% drop in clothing/footwear and a 0.4% decline in recreation offset increases in household, health, and transportation costs. CPI inflation was unchanged at 2.0% y/y, having hovered around 2.5% a year earlier. Core inflation accelerated a tick to 1.8% y/y.

Eurozone

Having reaccelerated through most of 2018, headline inflation has relapsed this year on account of lower oil prices. But, at least it didn't deteriorate further in June. In fact, overall eurozone consumer prices (CPI) increased 0.2% during the month, allowing the headline inflation rate to move up a tick to 1.3% y/y. Core prices increased 0.4%, pushing the core CPI inflation rate (which excludes energy, food, alcohol, and tobacco) up three tenths to 1.1% y/y. The ECB's preferred core inflation measure (which excludes energy and unprocessed food) also accelerated three tenths to 1.3% y/y.

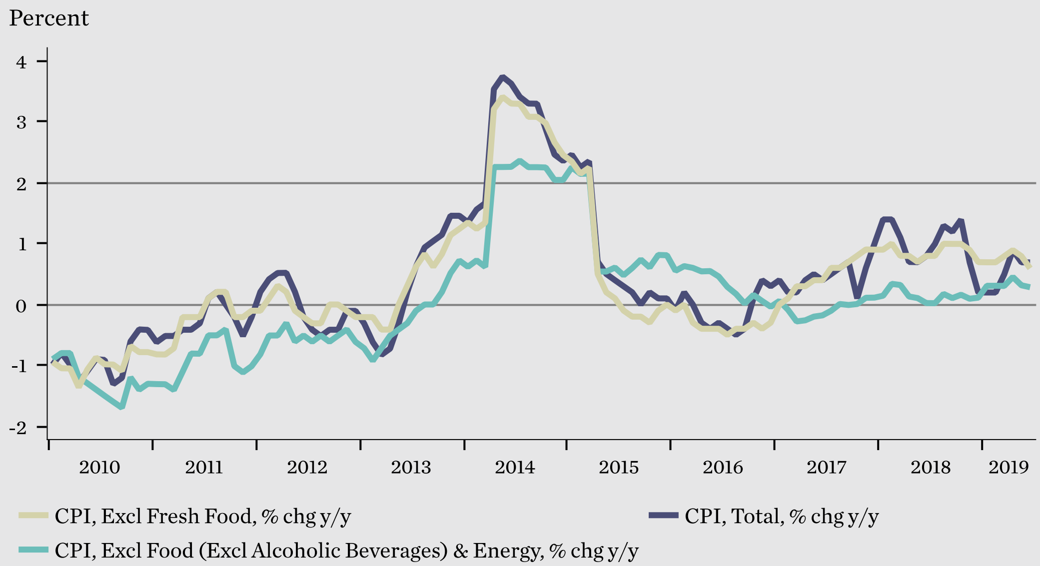
***Italian* industrial orders and sales** have been mixed recently so it remains too soon to conclude that they are sustainably on the mend. Encouragingly, however, both rebounded in May. Orders jumped 2.5%, more than retracing April's 2.2% decline, while sales rose 1.6% after April's 1.1% drop. Still, conditions remain soft overall as orders have been declining on a y/y basis for the past seven months and were still down 2.5% y/y in May. Sales were only incrementally better than a year earlier.

***German* investor confidence** deteriorated sharply over the summer of 2018, seemed to be on the mend by the spring of 2019, only to relapse again in June. It then deteriorated further in July, likely amid worsening global trade tensions. The Zew measure of German growth expectations lost another 3.4 points in July, having lost a cumulative 27.6 points in the last three months. It is now at the lowest level since last October.

Japan

While headline inflation largely reflects the gyrations of oil prices, core inflation continues to trend sideways between zero and 1.0% y/y (Figure 3). Headline consumer prices (**CPI**) edged down 0.1% (seasonally adjusted) in June, the first negative reading in six months. The fall was led by a 2.2% decline in household durable goods, partly because of moderation in prices for air-conditioners. Other notable detractors were electricity and gas, which fell by 0.6% and 0.4% respectively.

Figure 3: Japanese Consumer Price Inflation Stuck In Low Gear



Sources: Japanese Statistics Bureau

National core prices (which exclude fresh food products) and the new BoJ index (which excludes fresh food and energy) both fell 0.1%. Headline CPI inflation was unchanged at 0.7% y/y. National core inflation decelerated by 0.2 percentage points to 0.6, the lowest since June 2017, while excluding fresh food and energy, inflation remained at 0.5% y/y. Despite the accommodative monetary policy, inflation has been disappointingly weak, and wage growth has also failed to materialize despite the tight labor market.

Australia

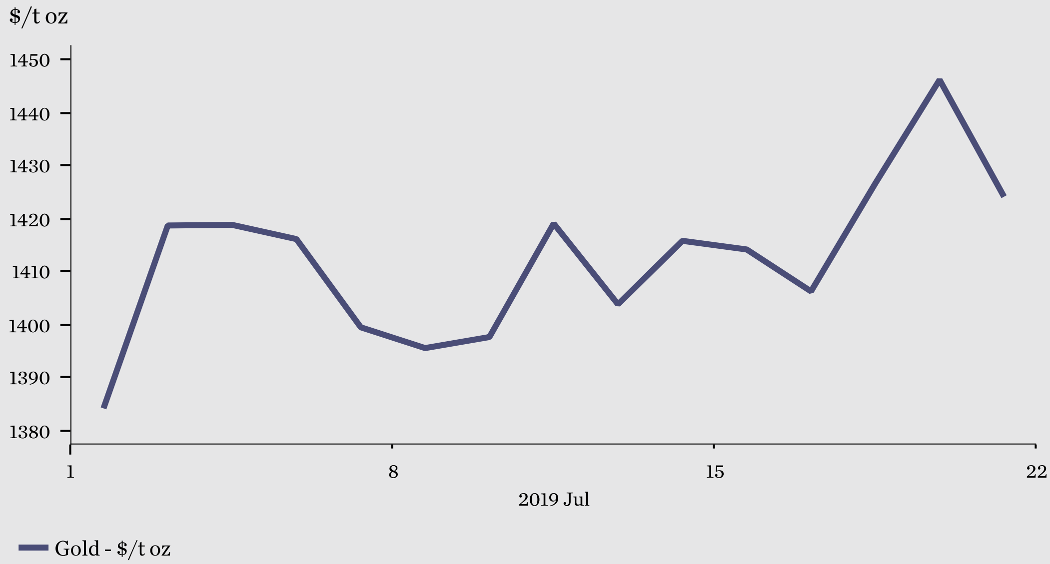
Minutes from the **Reserve Bank of Australia**'s (RBA) July 2 meeting provided further insight into the bank's decision to reduce policy rate by 25 basis points. It appears that the main factor influencing the decision has been lesser-than-expected progress in the labor market. While the market has been tight for a while, demand for labor appears to have been met by an increase in the participation rate rather than a decline in the unemployment rate. Lower interest rates "would assist in reducing spare capacity in the economy and making faster progress in reducing the unemployment rate." While private sector wage growth has reflected the tight conditions in the labor market to some extent, this has not reflected adequately on headline inflation. Hence, "members agreed that the Australian economy could sustain a lower rate of unemployment, while achieving inflation consistent with the target." Lower interest rates are expected to benefit the economy through two broad channels: "a lower value of the exchange rate than otherwise would be the case and lower required interest payments on borrowing, which would free up cash for other expenditure by households and businesses." Household debt levels in Australia are still some of the highest globally, but "the extent of spare capacity in the economy, and the likely pace at which it would be absorbed, meant that a decline in interest rates was unlikely to encourage an unwelcome material pick-up in borrowing by households that would add to medium-term risks in the economy." The RBA indicated a willingness to take further action, depending on developments in the labor market.

The headline numbers for the June labor report were rather lackluster, as the economy added only 500 jobs in May. However, the details were a bit more encouraging as a 20,600 decline fall in part-time employment was offset by a 21,100 gain in full time jobs. The **unemployment rate** was unchanged at 5.2%, with the participation rate steady at a record high 66.0%. The monthly adjusted measure of underemployment rate declined 0.4 percentage points to 8.2%, on the back of the rebound in full-time employment. This brought the underutilization rate down 0.3 percentage points to 13.4%. Hence the report does point to some tightening of the slack in the labor market. We expect the labor market to tighten further for a while longer, potentially adding to wage pressures, and likely giving the RBA confidence to retain the current monetary policy stance for the remainder of this year.

Financial Markets Review

Gold prices have been on a roll lately amid dovish central bank language and widespread expectations of imminent easing by the Federal Reserve. They received a temporary boost Thursday, when comments from NY Fed President Williams appeared to suggest he favored a 50-basis point rate cut. In an unusual step, those comments were subsequently clarified as reflecting an academic viewpoint rather than specific views on the next Fed move. Gold prices responded accordingly (in both directions).

Figure 4: Gold Prices Jump, Then Retreat, On Fed (Mis)Communication



Sources: Macrobond,

Equities: Equity markets ease slightly following strong gains recently.

Bonds: Bond yields retreat further on expectations of an imminent Fed rate cut.

Currencies: The pound gets pounded by political and Brexit uncertainty.

Commodities: Oil plunges and gold gives back some of its gains late in the week.

7/19/19 2:17 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®	2998.1	-0.5%	19.6%	2.06	-6	-63	97.132	0.3%	1.0%
Canada	TSE 300	16522.4	0.2%	15.4%	1.51	-10	-46	1.3077	0.4%	-4.1%
UK	FTSE®	7508.7	0.0%	11.6%	0.73	-10	-54	1.2483	-0.7%	-2.1%
Germany	DAX	12260.07	-0.5%	16.1%	-0.32	-11	-57			
France	CAC-40	5552.34	-0.4%	17.4%	-0.07	-13	-78	1.1207	-0.6%	-2.3%
Italy	FTSE® MIB	21641.46	-2.4%	18.1%	1.61	-13	-114			
Japan	Nikkei 225	21466.99	-1.0%	7.3%	-0.13	-2	-14	107.94	0.0%	-1.6%
Australia	ASX 200	6700.348	0.1%	18.7%	1.35	-9	-97	0.704	0.3%	-0.1%

Commodity Markets

Commodity	Unit	Source	Last Price	%Ch Week	%Ch YTD	%Ch Yr Ago
Oil (Brent)	US $/Barrel	Bloomberg	62.36	-7.3%	17.3%	-13.5%
Gold	US $/troy oz	Bloomberg	1421.76	0.4%	10.9%	16.3%

Source: Bloomberg®

Week in Review: Data Releases and Major Events (July 15–July 19)

Country	Release (Date, format)	Consensus	Actual	Last	Comments
Monday, July 15					
US	Empire Manufacturing (Jul)	2.0	**4.3**	-8.6	Encouraging.
CA	Existing Home Sales (Jun, m/m)	0.1%	**-0.2%**	1.9%	Close to long term average.
Tuesday, July 16					
US	Business Inventories (May, m/m)	0.3%	**0.3%**	0.5%	No surprises.
US	NAHB Housing Market Index (Jul)	64	**65**	64	Healing, but off 2018 highs.
US	Industrial Production (Jun, m/m)	0.1%	**0.0%**	0.4%	Manufacturing up 0.4%.
US	Retail Sales Advance (Jun, m/m)	0.2%	**0.4%**	0.5%	Control sales up 0.7%!
US	Import Price Index (Jun, y/y)	-2.1%	**-2.0%**	-1.1%(↑r)	Broad-based weakness, but fuels down 6.5%.
UK	ILO Unemployment Rate (May)	3.8%	**3.8%**	3.8%	Solid, little signs of Brexit here.
UK	Average Weekly Earnings (May, 3m y/y)	3.1%	**3.4%**	3.2%(↑r)	Solid, little signs of Brexit here.
GE	ZEW Investor Expectations (Jul)	-22.0	**-24.5**	-21.1	Dismal!
AU	RBA Meeting Minutes				Cut to “assist in reducing spare capacity”.
Wednesday, July 17					
US	Fed Beige Book Report				Little change in economic conditions.
US	Housing Starts (Jun, thous)	1,260	**1,253**	1,265(↓r)	Up 6.2% y/y.
US	Building Permits (Jun, thous)	1,300	**1,220**	1,299(↑r)	Surprising plunge, we expect a rebound.
CA	CPI (Jun, y/y)	2.0%	**2.0%**	2.4%	Down on oil price fluctuations.
CA	Manufacturing Sales (May, m/m)	2.0%	**1.6%**	-0.4%(↑r)	Solid rebound in sales.
UK	CPI (Jun, y/y)	2.0%	**2.0%**	2.0%	Seems to have stabilized around 2.0%.
UK	PPI Output (Jun, y/y)	1.7%	**1.6%**	1.9%(↑r)	Lowest since September 2016.
EC	CPI (Jun, final, y/y)	1.2%(p)	**1.3%**	1.2%	Core measures also ticked up a little.
IT	Industrial Sales (May, m/m)	na	**1.6%**	-1.1%(↓r)	Encouraging rebound but still weak.
IT	Industrial Orders (May, m/m)	na	**2.5%**	-2.2%(↓r)	Encouraging rebound but still weak.
Thursday, July 18					
US	Initial Jobless claims (Jul 13, thous)	216	**216**	208(↓r)	Continuing claims declined.
US	Leading Index (Jun, m/m)	0.1%	**-0.3%**	0.0%	Soft details.
US	Philadelphia Fed Business Outlook (Jul)	5.0	**21.8**	0.3	Rather extraordinary rebound.
CA	Teranet/National Bank HPI (Jun, y/y)	na	**0.5%**	0.7%	Lowest since October 2009.
UK	Retail Sales (Jun, m/m)	-0.3%	**1.0%**	-0.6%(↓r)	Thanks to solid employment/incomes.
AU	Unemployment Rate (Jun)	5.2%	**5,2%**	5.2%	The devil lies in the details.
AU	NAB Business Confidence (Q2)	na	**6**	-1	Possibly euphoria surrounding elections.
JN	Trade Balance Adjusted (Jun, ¥ bil.)	-153.2	**-14.4**	-621.5(↓r)	Exports fell for a seventh month.
Friday, July 19					
US	U of M Cons. Sentiment (Jul, prelim)	98.8	**98.4**	98.2	Long term inflation expectations rose.
CA	Retail Sales (May, m/m)	0.3%	**-0.1%**	0.1%	A surprise fall.
JN	CPI (Jun, y/y)	0.7%	**0,7%**	0.7%	No surprise here.
JN	All Industry Activity Index (May, m/m)	0.3%	**0.3%**	0.8%(↓r)	All industry activity decelerates in May.

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

Week in Preview: Releases and Major Events (July 22–July 26)

Country	Release (Date, format)	Consensus	Last	Comments
Monday, July 22				
Tuesday, July 23				
US	FHFA House Price Index (May, m/m)	0.4%	0.4%	Solid gains expected.
US	Existing Home Sales (Jun, m/m)	-0.1%	2.5%	Could we get a positive surprise?
Wednesday, July 24				
US	New Home Sales (Jun, thous)	659	626	
EC	PMI Manufacturing (Jul, prelim)	47.6	47.6	
EC	PMI Services (Jul, prelim)	53.3	53.6	
EC	M3 Money Supply (Jun, y/y)	4.6%	4.8%	
GE	PMI Manufacturing (Jul, prelim)	45.2	45.0	Just dreadful! When will it ever improve?
GE	PMI Services (Jul, prelim)	55.3	55.8	Critical for this to hold up.
FR	PMI Manufacturing (Jul, prelim)	51.6	51.9	
FR	Business Confidence (Jul)	106	106	
JN	PMI Manufacturing (Jul, prelim)	na	49.3	Likely to remain weak.
JN	Leading Index (May, final)	95.2(p)	95.9	
Thursday, July 25				
US	Initial Jobless Claims (Jul 20, thous)	218	216	
US	Durable Goods Orders (Jun, prelim, m/m)	0.8%	-1.3%	
US	Kansas City Fed Manf. Activity (Jul)	na	0	
EC	ECB Monetary Policy Decision	0.00%	0.00%	ECB should hold the line for now.
GE	IFO Business Climate (Jul)	97.0	97.4	
JN	PPI Services (Jun, y/y)	0.8%	0.8%	Has been close to 1.0% for since 2017.
Friday, July 26				
US	GDP (Q2, first, q/q, saar)	1.8%	3.1%	Consumption should show a solid rebound.
FR	Consumer Confidence (Jul)	101	101	
FR	PPI (Jun, y/y)	na	0.8%	
IT	Consumer Confidence (Jul)	109.8	109.6	
IT	Hourly Wages (Jun, y/y)	na	1.4%	

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

Economic Indicators

Central Bank Policy Targets

		Year/Year % Change in Target				
		Feb	Mar	Apr	May	Jun
US	Target: PCE price index 2.0% y/y	1.3	1.5	1.6	1.5	
Canada	Target: CPI 2.0% y/y, 1.0%-3.0% control range	1.5	1.9	2.0	2.4	2.0
UK	Target: CPI 2.0% y/y	1.9	1.9	2.1	2.0	2.0
Eurozone	Target: CPI below but close to 2.0% y/y	1.5	1.4	1.7	1.2	1.3
Japan	Target: CPI 2.0% y/y	0.2	0.5	0.9	0.7	0.7
Australia	Target Range: CPI 2.0%-3.0% y/y	1.3	1.3			

Source: Macrobond

Key Interest Rates

	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19
US (top of target range)	2.00	2.25	2.25	2.25	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Canada (Overnight Rate)	1.50	1.50	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)	-0.06	-0.06	-0.07	-0.06	-0.06	-0.06	-0.05	-0.06	-0.07	-0.06	-0.08
Australia (OCR)	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.28

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				
	Feb	Mar	Apr	May	Jun	Feb	Mar	Apr	May	Jun
US	1.5	1.9	2.0	1.8	1.6	1.9	2.2	2.2	1.8	1.7
Canada	1.5	1.9	2.0	2.4	2.0	1.2	1.5	1.7	0.6	
UK	1.9	1.9	2.1	2.0	2.0	2.4	2.2	2.1	1.9	1.6
Eurozone	1.5	1.4	1.7	1.2	1.3	3.0	2.9	2.6	1.6	
Germany	1.5	1.3	2.0	1.4	1.6	2.6	2.4	2.5	1.9	1.2
France	1.3	1.1	1.3	0.9	1.2	1.8	1.7	1.9	1.0	
Italy	1.0	1.0	1.1	0.8	0.7	3.1	2.9	2.1	1.5	
Japan	0.2	0.5	0.9	0.7	0.7	0.9	1.3	1.2	0.6	-0.1
Australia	1.3	1.3				1.9	1.9			

Source: Macrobond

Economic Indicators

Real GDP Growth (Q/Q Seasonally Adjusted)

	Quarter/Quarter % Change					Year/Year % Change				
	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19
US	0.5	1.0	0.8	0.5	0.8	2.6	2.9	3.0	3.0	3.2
Canada	0.4	0.6	0.5	0.1	0.1	2.2	1.8	2.0	1.6	1.3
UK	0.1	0.4	0.7	0.2	0.5	1.2	1.4	1.6	1.4	1.8
Eurozone	0.4	0.4	0.2	0.2	0.4	2.5	2.2	1.7	1.2	1.2
Germany	0.4	0.5	-0.2	0.0	0.4	2.1	2.0	1.2	0.6	0.7
France	0.3	0.2	0.3	0.4	0.3	2.4	1.9	1.5	1.2	1.2
Italy	0.2	0.0	-0.1	-0.1	0.1	1.4	1.0	0.5	0.0	-0.1
Japan	-0.1	0.6	-0.6	0.5	0.6	1.4	1.4	0.1	0.3	0.9
Australia	1.0	0.9	0.3	0.2	0.4	3.1	3.1	2.8	2.4	1.8

Source: Macrobond

Industrial Production Index (M/M Seasonally Adjusted)

	Month/Month % Change					Year/Year % Change				
	Feb	Mar	Apr	May	Jun	Feb	Mar	Apr	May	Jun
US	-0.5	0.1	-0.5	0.4	0.0	2.8	2.3	0.9	2.1	1.3
Canada	-0.9	1.9	1.0			-0.7	0.2	1.8		
UK	0.3	1.4	-2.9	1.4		-0.2	1.4	-1.2	0.9	
Germany	0.4	0.4	-2.0	0.3		0.1	-0.8	-2.3	-3.7	
France	0.3	-1.3	0.5	2.1		0.7	-0.8	1.1	4.0	
Italy	0.8	-1.0	-0.8	0.9		0.7	-1.7	-1.4	-0.8	
Japan	0.7	-0.6	0.6	2.0		-1.2	-2.8	-1.6	0.1	

Source: Macrobond

Unemployment Rate (Seasonally Adjusted)

	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19
US	3.8	3.7	3.8	3.7	3.9	4.0	3.8	3.8	3.6	3.6	3.7
Canada	6.0	5.8	5.7	5.6	5.6	5.8	5.8	5.8	5.7	5.4	5.5
UK	4.1	4.1	4.0	4.0	3.9	3.9	3.8	3.8	3.8		
Eurozone	8.0	8.0	8.0	7.9	7.9	7.8	7.8	7.6	7.6	7.5	
Germany	5.1	5.1	5.1	5.0	5.0	5.0	5.0	4.9	4.9	5.0	5.0
France	9.0	9.0	9.0	8.9	8.9	8.8	8.7	8.7	8.6	8.6	
Italy	10.1	10.4	10.7	10.5	10.4	10.4	10.5	10.1	10.1	9.9	
Japan	2.4	2.4	2.4	2.5	2.4	2.5	2.3	2.5	2.4	2.4	
Australia	5.3	5.0	5.0	5.1	5.0	5.1	4.9	5.1	5.2	5.2	5.2

Source: Macrobond

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

	Q3-16	Q4-16	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19
US	-2.3	-2.2	-2.2	-2.5	-2.0	-2.3	-2.3	-2.1	-2.4	-2.8	-2.5
Canada	-3.3	-1.9	-2.5	-2.6	-3.1	-3.0	-3.0	-2.8	-1.8	-3.0	-3.1
UK	-6.3	-4.0	-3.0	-4.1	-3.1	-3.0	-3.4	-3.3	-4.3	-4.4	-5.6
Eurozone	3.1	2.8	3.0	2.5	3.9	3.5	3.3	3.0	2.6	2.8	3.1
Germany	8.1	7.9	8.2	6.8	8.5	8.5	8.3	7.5	6.4	7.3	7.7
France	-1.2	-1.3	-0.8	-0.5	-0.7	-0.4	-0.6	-1.4	-0.4	-0.2	-0.9
Japan	3.8	4.1	4.3	3.7	4.6	4.2	3.6	4.0	3.4	3.1	3.4
Australia	-3.3	-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 July 19, 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

Standard & Poor's S&P 500 Index® is a registered trademark of Standard & Poor's Financial ServicesLLC. FTSE 100® is a trademark jointly owned by the London Stock Exchange Plc and The Financial Times Limited, and is used by FTSE International Limited under license. "All-World", "All-Share" and "All-Small" are trademarks of FTSE International Limited.

2537623.11.1.GBL.RTL

EXP: July 31, 2020