Weekly Economic Perspectives

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Weekly Highlights

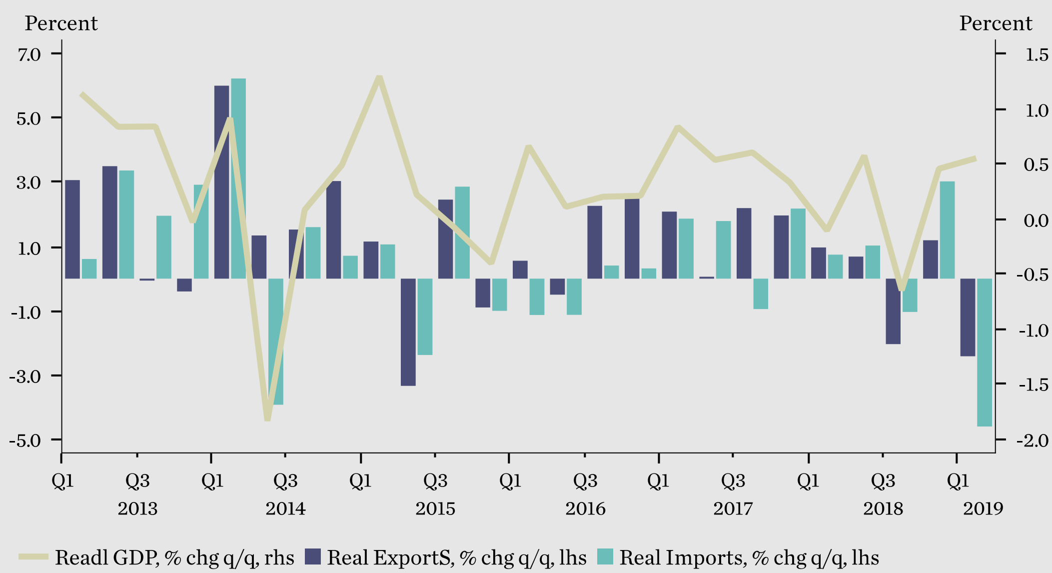
- **Economies:** Retail sales surprise positively in the US. Housing data remains mixed in Canada. Industrial production plunges in the UK. Industrial production falls in the eurozone. GDP growth is revised higher in Japan, but details still soft. Employment picks up in Australia. (pages 2 – 6)
- **Markets:** Equity gains moderate but continue. Bond yields are little changed. The dollar recoups some losses late in the week while the pound drifts lower. Oil retreats despite geopolitical risks. Gold ends flat after a late-week rally. (page 7)

Upcoming Highlights

- **Spotlight:** The Fed is expected to hold, but investors will watch for signals about future cuts. The BoE and BoJ are unlikely to move, but communication tone will be important. Existing home sales should rise in the US. Retail sales are likely to decline in UK. (page 9)

Tables

Figure 1. Exports A Drag On Japanese GDP, Import Compression Helps



Sources: Japanese Cabinet Office (CaO)

Week in Review

US

The advance **retail sales** report for May was undeniably this week's most significant upside surprise. It's not that May itself was necessarily a blow-out month (though it was absolutely solid). The biggest impact came from material upward revisions to April data, which, coming on the heels of a strong March, put consumer spending on the path to a reassuringly robust second-quarter performance. Indeed, the update helped push the Atlanta Fed's GDPNow estimate for second quarter GDP growth to 2.1% (saar) on Friday, compared with 1.4% a week ago. Retail sales rose 0.5% in May (only a hair breadth away from rounding higher) on broad-based strength. April was revised up from an initially reported 0.2% decline to a 0.3% gain. Control sales (which exclude food services, building materials, autos dealers and gas stations) and is used by the Commerce Department to calculate goods consumption in the GDP accounts rose a solid 0.5%. Moreover, April was revised from flat to a 0.4% gain, pushing the 3 mo/3 mo annualized increase to 8.5%, the highest since 2003! Many categories did well in May, including online purchases (+1.4%), sporting goods (+1.1%), electronics (+1.1%), motor vehicles (+0.7%) and restaurants (+0.7%). Few showed weakness, among them miscellaneous (-1.3%) and food and beverages (-0.1%). Overall sales increased 3.5% y/y while control sales rose 3.9% y/y.

Given that manufacturing hours worked were flat in May, we did not have high hopes for the **industrial production** update, but it came in better than expected. Industrial production increased 0.4%, twice as much as expected, and there was a small positive revision to April data as well. Manufacturing production increased 0.2% on a 2.4% jump in motor vehicle production and a 1.1% increase in machinery. Utilities advanced 2.1%, retracing about two thirds of the prior month's decline. Mining was little changed. However, there is no denying the loss of momentum in the industrial sector over the last few months. Indeed, industrial production is up just 2.0% y/y, with manufacturing up just 0.7% y/y. Capacity utilization increased two tenths to 78.1%, but this was still the second lowest level in the past twelve months.

Having been flat in March, **business inventories** rose 0.5% in April, as expected. Manufacturing inventories rose 0.3%, retailers rose 0.5% and wholesalers jumped 0.8%. After a big increase in March, sales declined 0.2%, pushing the inventory-to-sales ratio back up to 1.39 months, a level reached several times in recent months but otherwise the highest since late 2016. However, it is possible that this elevated level is intentional as firms seek to build up a cushion amid trade tensions and uncertainty about tariffs.

Notwithstanding the ever present threat of tariffs and their disruptive impact on business confidence, **small business sentiment** has improved noticeably over the last couple of months. The National Federation of Independent Business (NFIB) index rose another 1.5 points to 105.0 in May—the fourth consecutive gain and the best reading since October. The details were excellent. The profit metric was the best since September, general business conditions and sales expectations each reached the best since December and the share of respondents saying now is a good time to expand was the highest since October. Actual capex measure was the highest since February 2018 and capex plans were the best since October. Both actual and planned hiring picked up and so did actual and planned compensation. There was little evidence of inflationary pressures in the report as the net percent of respondents saying they are raising prices fell back to a seventeen month low. In short, we found nothing to fault in this report.

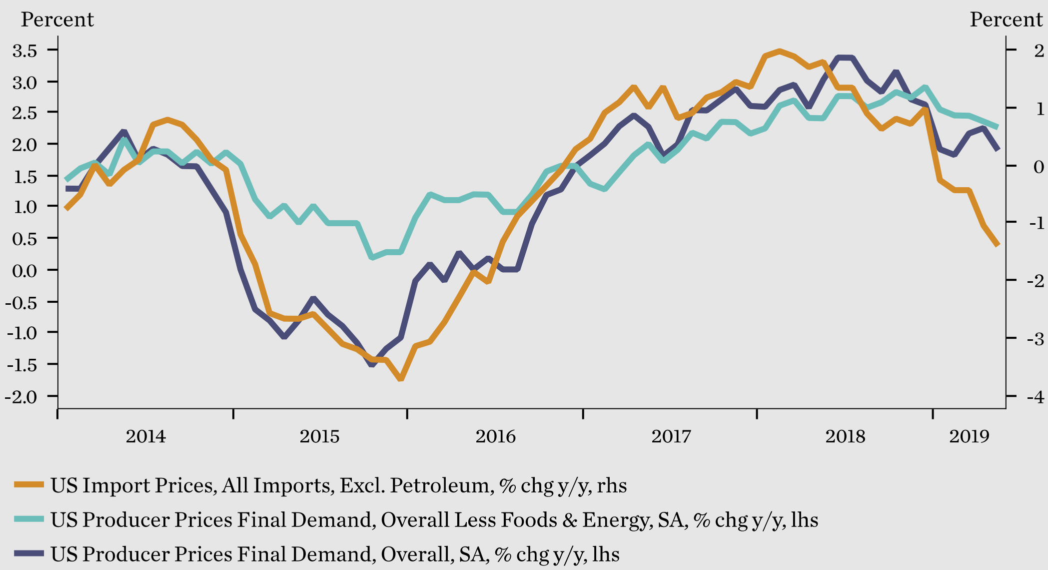
Despite heightened uncertainty and recent volatility in employment data, labor demand appears solid. **Job openings** declined by a modest 25,000 but remained elevated at 7,449,000 in April, having first exceeded the 7,000,000 mark for the first time ever a year ago, in April 2018. There were several interesting sector details. There were more openings in manufacturing, construction, and trade and transportation but professional and business services saw sharply lower openings. This is an area to watch as we try to assess whether the recent softness in the industrial sector risks spreading to services. Hires, however, increased by 240,000 while quits—a measure of worker sentiment—increased by 21,000. The hires rate increased a tenth to 3.9%, a ceiling reached multiple times over the last couple of years but not yet breached. The quits rate was unchanged at 2.3%, where it has stood since June. There are currently 0.8 unemployed people for each vacancy.

Despite week to week volatility, **unemployment claims** continue to hover at very low levels historically. Admittedly, initial unemployment claims—a measure of job shedding—increased 3,000 to 222,000 during the week ending June 8. And continuing claims—a measure of unemployment—increased 2,000 to 1,695,000 in the week ended June 1. While it is true that both measures have drifted higher in recent weeks, this erosion must be put in perspective. The "five-week high" in initial claims that some commentators have emphasized is a matter of a mere few thousand people. The less volatile 4-week moving average of 218,000 is incrementally below the average that prevailed over the course of 2018, when descriptions of labor market strength were overwhelmingly glowing. The bottom line is that it remains far too soon to worry about labor market conditions in the US.

Inflation is not dead, but it is well contained for the time being. For the second month running, **consumer prices** came in a bit softer than expected in May. Overall consumer prices increased 0.1% (as expected) as energy prices fell 0.6%, largely offsetting a 0.3% increase in food prices. Core prices (which exclude food and energy) increased a softer than expected 0.1. Within the core, methodological changes to the computation of apparel prices surprisingly continued to weigh on that component for the third month running. We would expect this drag to come to an end soon, however. Housing costs rose a modest 0.1% as lower oil prices drove a 0.5% decline in fuels and utility costs. Medical care increased 0.3%, the same as in the prior two months. The headline inflation rate decelerated two tenths to 1.8% y/y while the core inflation rate decelerated a tenth to 2.0% y/y.

Import prices fell a larger than expected 0.3% in May; the April gain was also revised down a tenth to a modest 0.1%. Somewhat surprisingly, oil prices didn't play much of a role this month as even excluding petroleum, import prices also retreated 0.3%. Import prices are now down 1.5% y/y, a big turnaround from mid-2018, when import price inflation was closing in on 5.0%. Import prices from China eased again and are down 1.4% y/y, the most since February 2017.

Figure 2: Despite Tariffs, Pipeline Inflationary Pressures Tepid So Far



Sources: U.S. Bureau of Labor Statistics (BLS)

The pullback in import prices is helping keep producer price inflation in check, despite tariffs (Figure 2, page 3). **Producer prices** came in as expected in May, with overall prices increasing 0.1% and core prices (excluding food and energy) rising 0.2%. On the other hand, the alternative measure of core prices (also excluding the volatile trade services) increased 0.4%, rising twice as fast as expected for the second consecutive month. We wonder whether this does not speak to some margin compression for wholesalers due to tariffs. The headline PPI inflation rate eased four tenths to 1.8% y/y, two core measures eased one to 2.3% y/y while the alternative core accelerated one but only to 2.3% y/y as well.

As we suspected would be the case, the escalation in trade tensions in early June contributed to a softening of the **University of Michigan consumer confidence index**. Preliminary estimate show the headline index retreated 2.1 points to 97.8 in June, but the details were better than that as the present situation metric actually improved 2.5 points to the second highest reading of 2019, while the more volatile expectations component declined 4.9. According to the accompanying press release, "negative mentions of tariffs were spontaneously made by 40% of all consumers in early June, up from 21% in May and the prior high of 35% in July 2018". The silver lining here is that the survey period was at the height of concerns about Mexico tariffs, which have since been averted, so it is possible that the final release might register some improvement on account of that. The odd thing to us, given those concerns about tariffs, is that inflation expectations declined sharply, both in the short and the longer term. Indeed, inflation expectations over the next twelve months erased most of May's jump to settle back down to 2.6%, close to the lower end of the range over the past year although exactly on the average that has prevailed since early 2016. Long term inflation expectations plummeted four tenths to a new record low. The Fed will certainly pay attention to these numbers. It remains to be seen what it is ready to do about them, however. We should find out when the Fed meets next week!

In the background of the all the feverish trade and Fed-related "drama", the **federal budget deficit** continues to widen. It reached $207.8 billion in May, up from $146.8 a year earlier. The 6.9% y/y increase in revenues was dwarfed by the 20.9% y/y jump in spending, driven, among others, by an 85% surge in Medicare costs and a 29% increase in interest payments. Since the start of the fiscal year in October, the cumulative deficit widened to $738.6 billion, a sharp deterioration from $532.3 billion in the same period a year earlier. The debt ceiling will need to be raised within a few months so expect that debate to start making headlines soon.

Canada

Existing home sales continue to mend after the drastic fall in February. According to data from the Canadian Real Estate Association (CREA) sales rose 1.9% m/m in April, taking levels close to the historical average. Gregory Klump, CREA's Chief Economist noted that, "the mortgage stress-test continues to present challenges for home buyers in housing markets where they have plenty of homes to choose from but are forced by the test to save up a bigger down payment." New homes listed for sale fell 1.2%, causing the sales-to-new listings ratio (a measure of market tightness) to tighten by 1.7 percentage points to 57.4%.

Though it is difficult to discern a trend in **housing starts** given the month-to-month volatility, the smoother six-month and 12-month moving averages appear to be stabilizing since March. However, starts decreased 13.3% to 202,337 (annualized) in May after a healthy 21.3% gain in the previous month. According to the Canadian Mortgage Housing Committee (CMHC), "The national trend in housing starts decreased in May as a result of continuing decline in the trend for single starts as well as a decline in the trend of multi-unit starts that follows gains in this segment in recent months, in urban areas. The decrease in the trend of multi-unit starts reflects a decline in the SAAR level of multi-unit activity in May from the unusually elevated level registered in April, which leaves multi-unit SAAR starts closer to its 10-year average."

Building permits turned notably higher in April but it was mainly due to permits being issued ahead of the development cost increase in Metro Vancouver in May, the first change in costs in that region since 1997. The value of new permits issued by all municipalities jumped 14.7%, the largest since October 2016 to a record C$9.3 billion on broad-based strength in both residential (+24.5%) and non-residential (+1.1%).

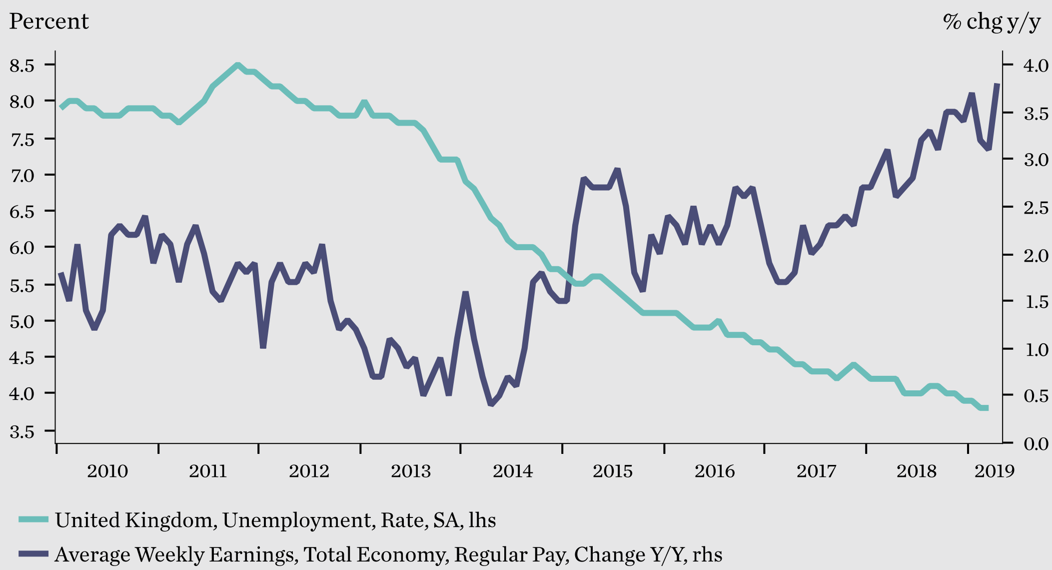
New house prices have remained virtually unchanged after reaching a high in November 2017. The **Statistics Canada national index** was unchanged in April, where it has been since the start of the year. House only prices fell 0.2%, while land only was flat. The largest declines were in Regina (-0.8%), Calgary and Victoria (-0.6% each). According to surveyed builders, deteriorating market conditions were the primary reason for the declines. New house price inflation was unchanged at 0.1% y/y, having dipped into negative territory for the first time in nine years in January.

UK

After improving during the prior three months, **industrial production** plunged 2.7% in April, the most since late 2012. Automotive factory closures following the original March 31st Brexit deadline contributed to the outsized decline, as manufacturing collapsed 3.9%. However, mining production also dropped 2.4%, wiping out a 3.2% increase in electricity output and a modest increase in water utilities. All this left industrial production down 1.0% y/y, the worst since November. Mining is now essentially flat y/y, having risen by an average 7.8% y/y in the prior six months. Manufacturing is down 0.8% y/y, back into contraction after two positive prints.

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. That may yet still happen as risks of a hard Brexit seemingly rise, but it is too soon to be sure. Employment increased by just 32,000 in February-April, compared to a 222,000 gain in November-January. Unemployment increased by 6,000, 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 3.1% in May, the highest since May 2014. Wage inflation as measured by overall average weekly earnings slowed two tenths to 3.1% y/y in February-April; excluding bonuses, wage inflation accelerated a tenth to 3.4% during the same period. The biggest surprise came from the single month (April) data, which showed regular pay wage inflation accelerate seven tenths to 3.8% y/y, the highest since May 2008.

Figure 3: UK Wage Inflation Accelerates As Unemployment Declines



Sources: UK ONS

Eurozone

Eurozone **industrial production** broke sharply to the upside in late 2017, stalled for most of 2018 and then broke sharply to the downside late in the year. It seemed to be stabilizing in January-February but recent data bring that into question as output declined 0.4% in March and 0.5% in April. Workday adjusted production fell 0.4% y/y.

After two solid gains in January-February, ***Italian*** **industrial production** relapsed in March and April, retreating 1.0% and 0.7%, respectively. Unsurprisingly, there was weakness across most categories, though capital goods stood out with a 2.5% decline. By contrast, energy production increased 3.6%. Workday-adjusted industrial production fell 1.5% 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. Indeed, both relapsed in April, more than retracing the decent March gains. Orders plunged 2.4% in April, the second large decline in the last three months, while sales declined 1.0% for the first retreat since December. On the positive side, orders were actually up 3.6% y/y, having risen by an average of 1.1% y/y during the first four months of 2019. Sales were down 2.0% y/y in April but increased 1.7% y/y, on average, during the first four months.

French **business sentiment** turned decidedly lower in the early part of 2018 and has wobbled ever since. It is not clear if it has decidedly bottomed as it has flat-lined since the beginning of the year with no sign yet of an upturn. The Bank of France business sentiment index rose 0.2 point to 99.2 in May, slightly below the 99.5 average since January.

Japan

The final read on Japan's first quarter **GDP** come in at tad above preliminary estimates. The economy grew a solid 0.6% q/q (2.2% annualized) compared with earlier estimates of a 0.5% advance. However, the details were on the soft side. An uptick of 1.2% in public investments helped drive performance, complemented by residential (0.6%) and non-residential investments (0.3%). Consumption was a concern though, falling 0.1% over the quarter. Net exports contributed solidly to headline growth (+0.4 percentage points), but that was due to a 4.6% contraction in imports (Figure 1, page 1). Exports declined 2.4%, highlighting concerns over uncertain trade environment. The government is most likely to go ahead with the scheduled tax hike in October, but it will only add to the headwinds facing the economy.

After a modest fall in March, the final print for April confirmed a rebound in **industrial production**. Production has been trending down sharply since October, but rose 0.6% in April. Output increased by 4.1% for transport equipment, while food, and electrical/ICT machinery rose by 1.6% and 1.4% respectively. Shipments rose 1.7%, causing the inventory ratio to decline by 2.5%. Output declined 1.1% y/y.

The monthly volatility of the series always makes it difficult to discern a trend in **core machinery orders** (private sector orders other than for ships and electricity generating equipment), but the smoother 12-month moving average suggests a plateau near levels that have prevailed over the last few months. Admittedly, core orders jumped 5.2% in April, the third consecutive gain. The data, in sync with the GDP report earlier, indicates that capital spending plans are holding up despite headwinds. Manufacturing orders increased 16.3%, reflecting a 93.4% jump in public orders. However, foreign orders fell 24.7%. Meanwhile, non-manufacturing orders rose 1.2%. Overall orders fell 5.5% y/y.

Tertiary industry activity has risen steadily over the last two years, and resumed its upward trajectory in April after two consecutive declines. The index rose 0.8% in April, after the March data was revised up to -0.2% (from -0.4% originally). Significant gains were recorded in information/communication, living/amusement, retail trade and finance/insurance. These were partly offset by decreases in medical and healthcare.

Producer prices fell slightly in May after three consecutive increases. Producer prices (PPI) fell 0.1% despite fuel prices rising 1.6%. Most of the drag came from nonferrous metals (-2.4%), utilities (-0.6%) and chemicals (-0.4%); while food (0.1%) and metal products (0.4%) contributed positively. PPI inflation decelerated by 0.6 percentage points from an upwardly revised April figure to 0.7% y/y, as expected, but far below the 3.0% rate recorded as recently as October.

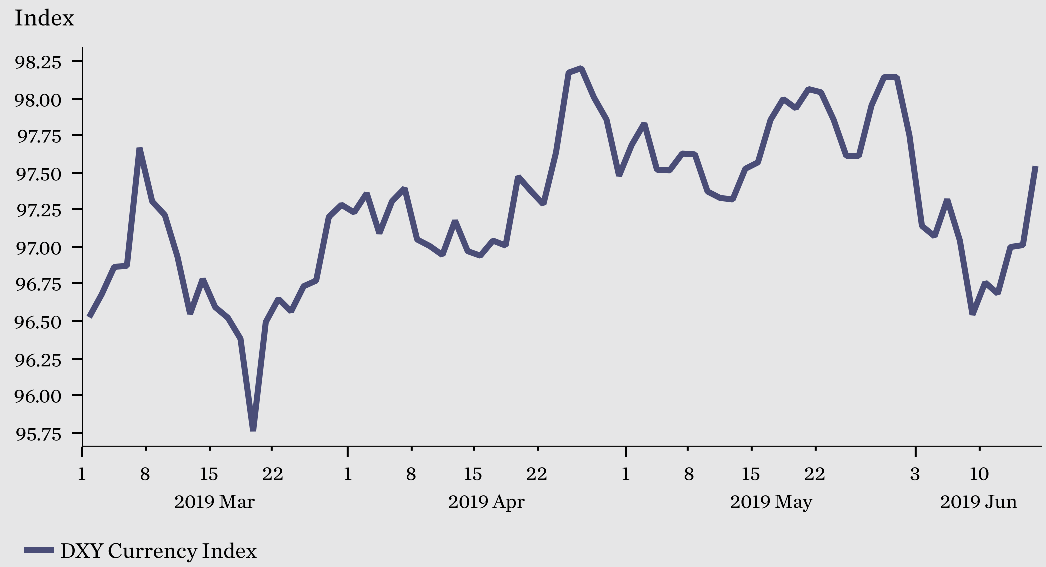
Australia

The Reserve Bank of Australia has lately stressed the importance of bringing the **unemployment rate** down near its revised NAIRU estimate of 4.5% and the most recent labor report has some encouraging signs of encouragement. Admittedly, the unemployment rate was unchanged at 5.2% in May, but this was largely due to an increase in the labor force. The participation rate edged up one tenth to a record 66.0%. Employment surged by 42,300 to 12.8 million, on top of a (sharply) upwardly revised 43,100 gain in April. However, recent job gains occurred almost exclusively in part-time employment, which rose by 39,800 in June. Full-time jobs declined incrementally in April and only increased by 2,400. The monthly seasonally adjusted underemployment rate increased 0.1 pts to 8.6%, indicative of spare capacity. We expect the labor market to tighten for a while longer, potentially adding to wage pressures, and likely giving the RBA confidence to retain the current monetary policy stance this year.

Financial Markets Review

Although expectations of multiple rate cuts from the Fed over the next few months did not diminish this week, a sequence of better than expected data seem to have offered some support for the dollar on Friday. Next week's Fed meeting will be a critical one!

Figure 4: Dollar Recoups Some Losses On Better Data



Sources: Bloomberg

Equities: After big gains last week, equities' advance slows but continues.

Bonds: Bonds are little changed (except in Australia) amid opposing pressures from better growth but soft inflation.

Currencies: The dollar regains some lost ground, the pound drifts lower.

Commodities: Despite geopolitical risks, oil prices end lower for the week. Gold ends unchanged after a late-week rally.

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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®	2891.67	0.6%	15.4%	2.09	1	-59	97.545	1.0%	1.4%
Canada	TSE 300	16306.92	0.5%	13.9%	1.45	-1	-52	1.3413	1.1%	-1.6%
UK	FTSE®	7345.78	0.2%	9.2%	0.85	3	-43	1.2587	-1.2%	-1.3%
Germany	DAX	12096.4	0.4%	14.6%	-0.26	0	-50			
France	CAC-40	5367.62	0.1%	13.5%	0.09	1	-62	1.1209	-1.1%	-2.2%
Italy	FTSE® MIB	20612.45	1.2%	12.5%	2.35	-1	-39			
Japan	Nikkei 225	21116.89	1.1%	5.5%	-0.13	-1	-13	108.56	0.3%	-1.0%
Australia	ASX 200	6553.997	1.7%	16.1%	1.37	-10	-95	0.6868	-1.9%	-2.6%

Commodity Markets

Commodity	Unit	Source	Last Price	%Ch Week	%Ch YTD	%Ch Yr Ago
Oil (Brent)	US $/Barrel	Bloomberg	63.01	-1.9%	18.5%	-16.2%
Gold	US $/troy oz	Bloomberg	1340.32	0.0%	4.5%	2.9%

Source: Bloomberg®

Week in Review: Data Releases and Major Events (June 10–June 14)

Country	Release (Date, format)	Consensus	Actual	Last	Comments
Monday, June 10					
US	JOLTS Job Openings (Apr, thous)	7,496	**7,449**	7,488	Very elevated. New record for hires.
CA	Housing Starts (May, thous)	207.5	**202.3**	233.4(↓r)	The trend appears to be stabilizing.
CA	Building Permits (Apr, m/m)	1.8%	**14.7%**	2.8%(↑r)	Likely to be a one-off increase.
UK	Industrial Production (Apr, m/m)	-0.1%	**-2.7%**	0.7%	Factory closures distortion, but bad number.
IT	Industrial Production (Apr, m/m)	0.0%	**-0.7%**	-1.0%(↓r)	Bad start to Q2.
JN	GDP (Q1, final, q/q)	0.6%	**0.6%**	0.5%	Capex the only bright spot.
Tuesday, June 11					
US	NFIB Small Business Optimism (May)	101.8	**105.0**	103.5	Excellent details!
US	PPI Final Demand (May, m/m)	2.0%	**1.8%**	2.2%	Not much inflationary evidence here.
UK	ILO Unemployment Rate (Apr)	3.8%	**3.8%**	3.8%	Employment growth has slowed.
UK	Average Weekly Earnings (Apr, 3m y/y)	3.0%	**3.1%**	3.2%	Wage pressures appear to be building.
FR	Bank of France Ind. Sentiment (May)	100	**99**	99	Has flat-lined this year.
Wednesday, June 12					
US	CPI (May, y/y)	1.9%	**1.8%**	2.0%	Core eased a tenth to 2.0% y/y.
US	Monthly Budget Statement (May, $ bil.)	-202.0	**-207.8**	-146.8	Watch for debt ceiling debate to intensify.
JN	PPI (May, y/y)	0.7%	**0.7%**	1.3%(↑r)	A little setback.
JN	Core Machine Orders (Apr, m/m)	-0.8%	**5.2%**	3.8%	Strength based on public orders.
Thursday, June 13					
US	Initial Jobless claims (Jun 8, thous)	215	**222**	219	Still very low, as are continuing claims.
US	Import Price Index (May, y/y)	-1.3%	**-1.5%**	-0.2%	No inflationary pressures here!
CA	New Housing Price Index (Apr, m/m)	0.0%	**0.0%**	0.0%	Unchanged for the third month.
EC	Industrial Production (Apr, m/m)	-0.5%	**-0.5%**	-0.3%	We sort of already knew this.
GE	CPI (May, final, y/y)	1.4%(p)	**1.4%**	2.0%	Should recover a bit next month.
JN	Tertiary Industry Index (Apr, m/m)	0.4%	**0.8%**	-0.2%(↑r)	Resumes the upward trajectory.
AU	Unemployment Rate (May)	5.1%	**5.2%**	5.2%	Should tighten further.
Friday, June 14					
US	Industrial Production (May, m/m)	0.2%	**0.4%**	-0.4%(↑r)	Pleasant surprise.
US	Retail Sales Advance (May, m/m)	0.6%	**0.5%**	0.3%(↑r)	Significant upward revision, good news!
US	U of M Cons. Sentiment (Jun, prelim)	98.0	**97.9**	100	Inflation expectations plunged.
US	Business Inventories (Apr, m/m)	0.5%	**0.5%**	0.0%	Inventory to sales ratio moved higher.
CA	Existing Home Sales (May, m/m)	na	**1.9%**	3.6%	Close to historical averages.
IT	Industrial Orders (Apr, m/m)	na	**-2.4%**	2.1%(↓r)	Soft, volatile.
FR	CPI (May, final, y/y)	1.0%(p)	**0.9%**	1.3%	Weak.
JN	Industrial Production (Apr, final, m/m)	0.6%(p)	**0.6%**	-0.6%	A welcome rebound.

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

Week in Preview: Releases and Major Events (June 17–June 21)

Country	Release (Date, format)	Consensus	Last	Comments
Monday, June 17				
US	Empire Manufacturing (Jun)	12	17.8	
US	NAHB Housing Market Index (Jun)	67	66	Housing benefitting from lower rates.
Tuesday, June 18				
US	Housing Starts (May, thous)	1239	1235	Will this pick up?
US	Building Permits (May, thous)	1300	1290(↓r)	
CA	Manufacturing Sales (Apr, m/m)	0.6%	2.1%	
EC	CPI (May, final, y/y)	1.2%(p)	1.7%	
GE	ZEW Investor Expectations (Jun)	-5.0	-2.1	
GE	PPI (May, y/y)	na	2.5%	
AU	House Price Index (Q1, q/q)	-2.6%	-2.4%	Easing conditions to reflect in coming months.
Wednesday, June 19				
US	FOMC Monetary Policy Decision	2.5%	2.5%	One of the most critical meetings in a while.
CA	Terantet/National Bank HPI	na	1.2%	
CA	CPI (May, y/y)	2.0%	2.0%	Not much change expected.
UK	CPI (May, y/y)	2.0%	2.1%	
UK	PPI Output (May, y/y)	1.7%	2.1%	
JN	Trade Balance Adjusted (May, ¥ bil.)	-806.9	-110.9	
Thursday, June 20				
US	Initial Jobless claims (Jun 15, thous)	220	222	Important gauge for consumer spending outlook.
US	Philadelphia Fed Business Outlook (Jun)	10.5	16.6	
US	Leading Index (May, m/m)	0.1%	0.2%	
US	Current Account Balance (Q1, $ bil.)	-123.5	-134.4	
UK	BoE Monetary Policy Decision	0.75%	0.75%	Will this be a hawkish hold?
UK	Retail Sales (May, m/m)	-0.5%	0.0%	Alongside horrid IP print, bodes poorly for Q2 GDP.
JN	BoJ Monetary Policy Decision	-0.1%	-0.1%	Not much on the cards, perhaps more verbal easing.
JN	All Industry Activity Index (Apr)	0.7%	-0.4%	
Friday, June 21				
US	Existing Home Sales (May, m/m)	2.1%	-0.4%	
CA	Retail Sales (Apr, m/m)	0.3%	1.1%	
EC	Manufacturing PMI (Jun, prelim)	48.0	47.7	Another contraction?
EC	Services PMI (Jun, prelim)	53.0	52.9	Important for this to hold up.
GE	Manufacturing PMI (Jun, prelim)	44.6	44.3	
GE	Services PMI (Jun, prelim)	55.4	55.4	
FR	Manufacturing PMI (Jun, prelim)	na	50.6	
FR	Wages (Q1, final, q/q)	0.7%(p)	0.2%	
JN	CPI (May, y/y)	0.7%	0.9%	
JN	Manufacturing PMI (Jun, prelim)	na	49.8	Don't expect sharp movement in either direction.

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

Economic Indicators

Central Bank Policy Targets

		Year/Year % Change in Target				
		Dec	Jan	Feb	Mar	Apr
US	Target: PCE price index 2.0% y/y	1.8	1.3	1.3	1.4	1.5
Canada	Target: CPI 2.0% y/y, 1.0%-3.0% control range	2.0	1.4	1.5	1.9	2.0
UK	Target: CPI 2.0% y/y	2.1	1.8	1.9	1.9	2.1
Eurozone	Target: CPI below but close to 2.0% y/y	1.5	1.4	1.5	1.4	1.7
Japan	Target: CPI 2.0% y/y	0.3	0.2	0.2	0.5	0.9
Australia	Target Range: CPI 2.0%-3.0% y/y	1.8	1.3	1.3	1.3	

Source: Macrobond

Key Interest Rates

	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	####	Apr-19	May-19
US (top of target range)	2.00	2.00	2.25	2.25	2.25	2.50	2.50	2.50	2.50	2.50	2.50
Canada (Overnight Rate)	1.50	1.50	1.50	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
UK (Bank Rate)	0.50	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	-0.07	-0.06	-0.06	-0.06	-0.05	-0.06	-0.07	-0.06
Australia (OCR)	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50

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				
	Jan	Feb	Mar	Apr	May	Jan	Feb	Mar	Apr	May
US	1.6	1.5	1.9	2.0	1.8	1.9	1.9	2.2	2.2	1.8
Canada	1.4	1.5	1.9	2.0		1.0	1.2	1.5	1.8	
UK	1.8	1.9	1.9	2.1		2.1	2.4	2.2	2.1	
Eurozone	1.4	1.5	1.4	1.7		2.9	3.0	2.9	2.6	
Germany	1.4	1.5	1.3	2.0	1.4	2.6	2.6	2.4	2.5	
France	1.2	1.3	1.1	1.3	0.9	1.9	1.9	1.8	2.2	
Italy	0.9	1.0	1.0	1.1	0.8	3.4	3.1	2.9	2.1	
Japan	0.2	0.2	0.5	0.9		0.6	0.9	1.3	1.3	0.7
Australia	1.3	1.3	1.3			1.9	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	0.1	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				
	Jan	Feb	Mar	Apr	May	Jan	Feb	Mar	Apr	May
US	-0.4	-0.6	0.1	-0.4	0.4	3.6	2.7	2.2	0.9	2.0
Canada	-0.2	-0.8	1.3			2.0	-0.2	0.4		
UK	1.0	0.6	0.7	-2.7		0.0	0.4	1.3	-1.1	
Germany	-0.1	0.4	0.5	-1.9		-2.1	0.1	-0.8	-1.9	
France	1.6	0.2	-1.1	0.4		2.1	0.8	-0.7	1.1	
Italy	1.8	0.7	-1.0	-0.7		-0.8	0.7	-1.8	-1.3	
Japan	-2.5	0.7	-0.6	0.6		0.7	-1.2	-2.8	-1.6	

Source: Macrobond

Unemployment Rate (Seasonally Adjusted)

	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	####	Apr-19	May-19
US	3.9	3.8	3.7	3.8	3.7	3.9	4.0	3.8	3.8	3.6	3.6
Canada	5.9	6.0	5.8	5.7	5.6	5.6	5.8	5.8	5.8	5.7	5.4
UK	4.0	4.1	4.1	4.0	4.0	3.9	3.9	3.8	3.8		
Eurozone	8.1	8.0	8.0	8.0	7.9	7.9	7.8	7.8	7.7	7.6	
Germany	5.2	5.2	5.1	5.1	5.0	5.0	5.0	5.0	4.9	4.9	5.0
France	9.0	9.0	9.0	9.0	8.9	8.9	8.8	8.7	8.7	8.7	
Italy	10.4	10.1	10.4	10.7	10.6	10.5	10.5	10.5	10.2	10.2	
Japan	2.5	2.4	2.4	2.4	2.5	2.4	2.5	2.3	2.5	2.4	
Australia	5.3	5.3	5.0	5.0	5.1	5.0	5.0	4.9	5.1	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	-2.3	-2.2	-2.5	-2.1	-2.3	-2.5	-2.0	-2.5	-2.6	
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	
Eurozone	3.1	2.8	3.0	2.5	3.9	3.5	3.4	3.0	2.5	2.7	3.1
Germany	8.1	7.9	8.2	6.8	8.5	8.5	8.3	7.5	6.5	7.5	7.8
France	-0.9	-0.8	-1.3	-0.7	-0.7	-0.3	-0.4	-1.4	-0.5	-0.4	-0.4
Japan	3.8	4.1	4.3	3.7	4.6	4.2	3.6	4.0	3.4	3.1	3.5
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

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