Weekly Economic Perspectives

Weekly Highlights

- **Economies:** The ECB holds steady but the RBA delivers a 25 basis point rate cut. Employment disappoints in the US but surprises positively in Canada. Service activity grows modestly in the UK and a bit faster in the eurozone. Wage inflation remains weak in Japan. GDP growth disappoints in Australia. (pages 2 – 7)
- **Markets:** A bit of a strange week, when both equities and bonds do well. Stocks rise amid sharply higher odds of a Fed rate cut. Bond yields retreat on same. The dollar buckles under the weight of softer data and Fed views. Gold rallies to revisit February highs. (page 8)

Upcoming Highlights

- **Spotlight:** Retail sales should do well in the United States but industrial production could disappoint. Employment may decline in the UK, but unemployment rate could hold steady. Industrial production set to decline in the eurozone. (page 10)

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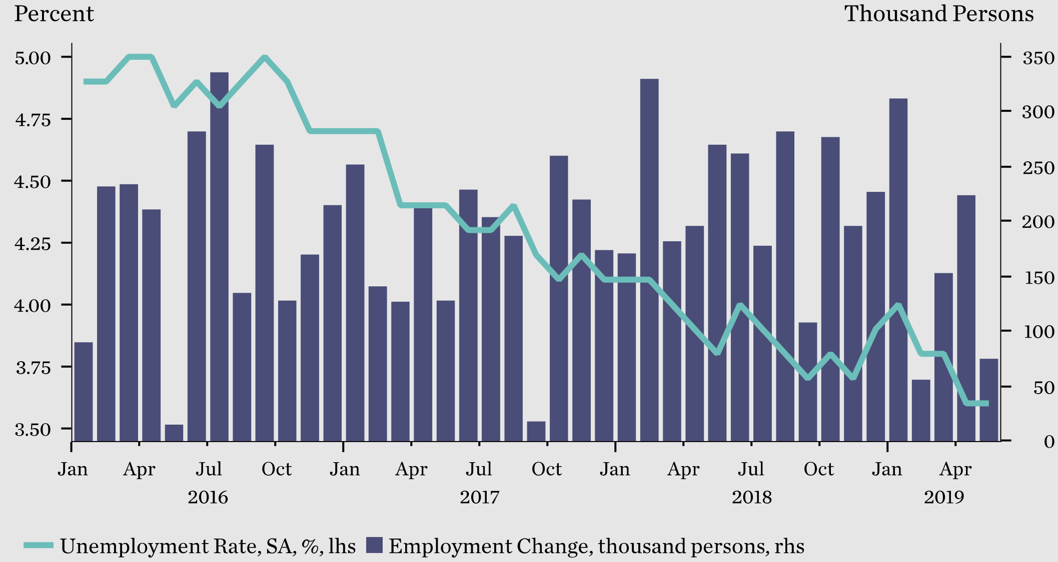
Figure 1: US Employment Disappoints In May



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

STATE STREET GLOBAL ADVISORS

Week in Review

G7

Global manufacturing activity is contracting almost everywhere outside the US and the deceleration is now evident in the United States as well. The US ISM manufacturing index retreated 0.7 points to 52.1 in May, the lowest level since October 2016. The details were mixed, with new orders, new export orders, and employment slightly better but production lower and backlogs sharply lover (and contracting outright). The final read on European PMIs confirmed the 0.2 point decline in the headline index to 47.7. Output, new orders, and new export orders are all still contracting, though at a slower pace compared with April. Employment lost a sharp 1.5 points to 49.2, the first sub-50 reading since 2014 and the lowest since November 2013. The main culprit was Spain, whose index lost 1.7 points to 50.1. Germany lost 0.1 to 44.3. These declines offset 0.6-point gains in both the French and Italian indexes. The UK index plunged 3.7 points to 49.4, the first sub-50 reading since July 2016, on across the board weakness. Having climbed back into expansion territory last month, the Japanese index relapsed in May, retreating 0.4 point to 49.8. The Australian index retreated 2.1 points but this came after a solid gain the month before and still left it at 52.7, close to its average so far this year.

US

The May employment report was a disappointment...but it was certainly not a disaster (Figure 1, page 1). Unless there is more bad news on trade, it is not clear to us that it will convince the Fed to go for a pre-emptive rate cut in the immediate future. **Employment** rose by only 75,000—less than half the 175,000 expected. The message was further dampened by a fully offsetting 75,000 downward revision to the prior two months, essentially leaving the labor market standing in place. Private payrolls increased by 90,000 and government lost 15,000. Softness was evenly spread across sectors. Goods producing industries added 8,000 jobs and services added 82,000. Aside from the retail sector, which has contracted for four consecutive months, there was no extreme weakness in any sub-category. Temporary help increased by 5,000, which would typically be seen as a favorable indicator...but amid heightened uncertainty it may well now be more of a signal that employers are unwilling to commit to permanent hires.

According to the household report, employment increased by 113,000 while unemployment increased by 64,000, resulting in the first increase in the labor force (176,000) since December. The participation rate was unchanged at 62.8%, which raises some questions about the Fed's new more optimistic assumptions about the trajectory of labor force participation. The unemployment rate was also unchanged at 3.6%, which is otherwise the lowest since 1969.

The **hours data** were little changed. Indeed, the manufacturing workweek was unchanged at a 40.6 hours and the overall workweek was unchanged at 34.4 hours. The aggregate hours' index —a measure of work effort—increased a modest 0.1. The manufacturing hours index was unchanged, suggesting a tepid print for industrial production next week.

The **wage data** were a touch softer than expected. Total average hourly earnings increased 0.2%, which was a tenth less than expected and brought this measure of wage inflation down a tenth to 3.1% y/y. But average hourly earnings for production and non-supervisory employees—a more homogeneous group—increased another 0.3% and kept that measure of wage inflation at 3.4% y/y.

Despite week to week volatility, **unemployment claims** continue to hover at very low levels historically. Initial unemployment claims—a measure of job shedding—was unchanged at 218,000 during the week ending June 1. Continuing claims—a measure of unemployment—increased by 20,000 to 1,682,000 in the week ended May 25, essentially retracing the prior week's improvement.

The latest **Beige Book** conveyed a "slight improvement" in the overall pace of economic activity around the country during April and the first three weeks of May. This was, however, accompanied by "a more uncertain outlook", particularly in manufacturing. There was a fairly even split between districts reporting "slight", "modest", and "moderate" growth. Consumer spending was "generally positive but tempered". Residential construction and real estate varied widely across districts, but both sectors recorded overall growth. Agriculture remained weak, but there were some signs of improvement. Loan demand was mixed but growing overall. Labor markets remained healthy with "solid hiring demand" in a wide range of industries and "shortages of both high- and low-skill workers". Despite "some wage pressures", these "remained relatively subdued given low unemployment rates". Overall prices continue to rise "at a modest pace", with input prices generally rising faster than selling prices.

Factory orders have lost considerable momentum in recent months. They declined 0.8% in April, which was amplified by a downward revision to March data, now showing a smaller 1.3% increase compared to the 1.9% originally reported. This left orders a tepid 1.0% y/y (down from a peak 10.3% y/y growth last August). Disappointingly, the final print on durable goods orders confirmed the 2.1% decline initially reported. Core orders (non-defense capital goods excluding aircraft)—a leading indicator for business equipment investment (BEI) in the GDP accounts—declined 1.0%. Core orders are 2.4% higher than a year ago, and factory orders increased 1.6% y/y but capital goods orders fell 2.1% y/y. The inventory-to-shipments ratio was unchanged at 1.37 months, the highest since October 2017.

While manufacturing activity has clearly slowed, momentum in the service sector remains solid. The **ISM non-manufacturing index** rose 1.4 points to 56.9 in May, the second-highest level so far this year. The details were decent: new orders increased 0.5 point to 58.6, employment jumped a surprisingly strong 4.4 points to a seven-month high of 58.1, and the business activity measure (the old headline) rose 1.7 to a strong 61.2. But backlogs grew at a slower pace and supplier deliveries quickened, suggesting some build-up of spare capacity in the system. Export orders eased 2.5 points but only to a still elevated 55.5. However, actual imports stalled, with the respective measure down 5.0 points to 50.0. Prices increased a slightly slower pace, as the respective measure eased 0.3 point to 55.4.

Motor vehicle sales were flat in 2018 and have been quite choppy so far this year. Admittedly, the May update showed a decent bounce to a 17.3 million (annualized) rate from 16.4 million in April, suggesting a decent print for May retail sales. However, motor vehicle sales fell 1.1% y/y during the first five months of 2019.

The combination of trade tensions and the government shutdown caused havoc with the trade statistics, introducing an unusually high degree of volatility in the monthly figures around the turn of the year. Things have since stabilized somewhat, though that could easily change again, depending on what happens on the multiple open trade fronts. The **trade deficit** narrowed by $1.1 billion to $50.8 billion in April, and has stayed within a narrow range around $50 billion for the past three months. Within goods, the petroleum deficit was little changed and historically low. The real goods trade deficit—the most relevant for growth—was incrementally better.

Unsurprisingly given the modest downgrade to first-quarter GDP in the final print, productivity estimates were also brought marginally lower but still remain at multi-year highs. **Nonfarm labor productivity** increased at a 3.4% annualized rate (compared to the 3.6% originally reported), the fastest pace since third quarter of 2014. Output increased 3.9% while employee hours rose 0.5% (both annualized). Compensation per hour grew 1.8%, which caused unit labor costs—a measure of inflationary pressures emanating from the labor market—to actually decline 1.6% (annualized). Unit labor costs declined 0.8% on the year, suggesting that despite low unemployment, broader inflationary pressures emanating from the labor market remain subdued. Productivity rose 2.4% y/y (as initially reported), the highest in almost nine years. It is unlikely that this elevated pace will be sustained—especially in the midst of an intensifying trade war(s)—but this is a number worth celebrating nonetheless.

Canada

The **unemployment rate** declined 0.3 percentage points to 5.4% in May, the lowest since 1976! This was mainly due to a sharp drop in the labor force which shrank by 49,200 to 20.1 million, after reaching a historic high in April. As a consequence, the participation rate came down by two tenths to 65.7%. However, employment gains were by no means meagre, as the economy added 27,700 jobs, and more encouragingly, the entire gain was in full time employment. The sectoral distribution was excellent as goods-producing industries added 4,900 jobs, including 9,400 in manufacturing and 2,700 in agriculture. Service-producing industries added 22,800 jobs on broad-based strength; with the most notable gains coming from healthcare (20,400) and professional services (17,200). Wage inflation (average hourly wages for permanent employees) was unchanged at 2.6% y/y, while hours worked rose 1.0% y/y.

Labor productivity rebounded in the first quarter after a sharp decline in the fourth. Productivity increased 0.3%, retracing most of the 0.4% drop in the previous quarter. Compensation increased 1.4% during the quarter, pushing unit labor costs up by 1.1%.

The **merchandise trade deficit** narrowed in April to the lowest in six months, having hit a record in December. It shrank to C$1.0 billion in April from an upwardly revised C$2.3 billion the month before. Exports rose 1.3%, largely due to increase in gold shipments. Energy exports declined a tad, by 0.5%, while exports of metal and non-metallic mineral products were up 15.0%.

UK

Service activity remains soft but that good news is that, having unexpectedly slipped into contraction in March (the first such occurrence since July 2016), the **services PMI** has recovered a little over the last couple of months. The overall index gained 0.6 point to 51.0 in May. The details were encouraging as the incoming new business measure rose smartly and crossed back into expansion territory for the first time in five months. Employment rebounded 1.9 points to 51.8, signaling expansion once again, and future business expectations improved for the third consecutive month. Prices (both paid and received) rose further, suggesting that despite the soft economy, inflationary pressures are building.

Eurozone

Having built a dovish reputation with his famous "whatever it takes" approach, **ECB** President Mario Draghi underwhelmed investor at this week's ECB meeting. But perhaps it is worth considering that if he did not give or promise much, it may be because there is not much left to give...Admittedly, having left all interest rates unchanged, the Governing Council extended forward guidance to note that they will stay at these levels " at least through the first half of 2020". This leaves the main refinancing rate at 0.0%, the marginal lending facility rate at 0.25% and the deposit facility rate at -0.40%. New details about the Bank's third refinancing operations program (TLTRO-III) suggest it will be slightly less generous than the prior iterations, which was generally expected.

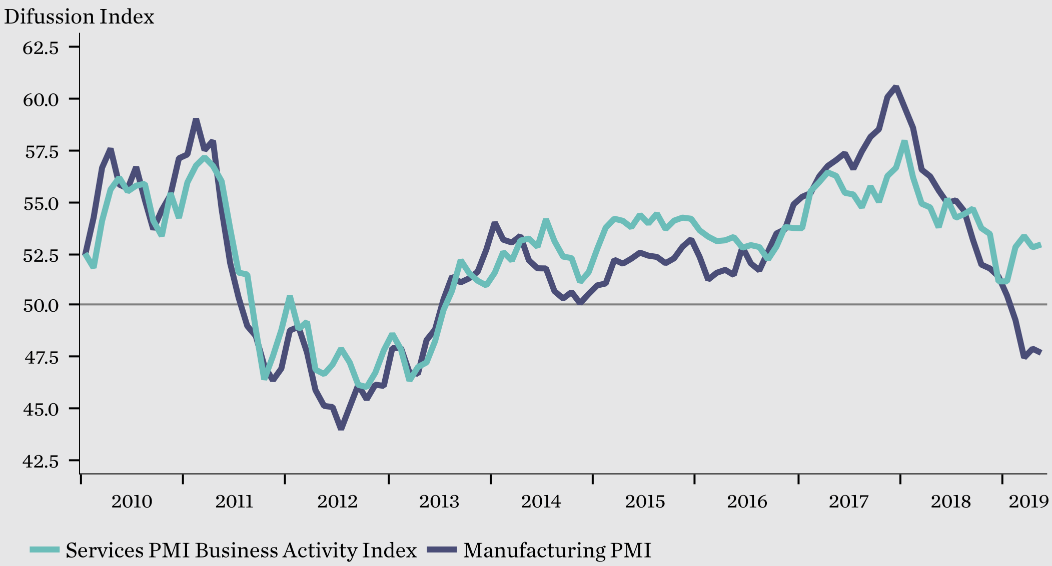
While "the Governing Council is determined to act in case of adverse contingencies and also stands ready to adjust all of its instruments", the reality is that the ECB finds itself in a very tight spot, having been unable to normalize policy so far and now constrained in its desire to do so by heightened risks to the outlook. We couldn't help notice the reference to the Council's belief that "at this point in time, the positive contribution of negative interest rates to the accommodative monetary policy stance and to the sustained convergence of inflation is not undermined by possible side effects on bank-based intermediation. However, we will continue to monitor carefully the bank-based transmission channel of monetary policy and the case for mitigating measures."

We got updated staff macroeconomic projections. Unlike the drastic changes made in March, they were largely inconsequential. The 2019 growth forecast was raised by 0.1 percentage point (ppt) but only to 1.2%, which is still far below the 1.7% growth rate the ECB expected to see unfold as recently as December. And, projections for 2020-21 were scaled back slightly. Inflation forecasts underwent similar revisions. The ECB seems to be trying to buy time while assessing how global geopolitical risks evolve.

The final read on first-quarter ***eurozone* GDP** confirmed the preliminary estimate of a 0.4% q/q advance, twice the rate recorded in the prior three months. The composition of growth was slightly more favorable. Final consumption added 0.3 percentage point (ppt) to growth, as initially reported. But, unlike earlier estimates, most of that came from household consumption, with government essentially neutral. Fixed investment made a positive contribution but that was offset by a drag from inventories. Net trade added 0.1 ppt. Seasonally adjusted GDP rose 1.2% y/y, same as in Q4.

Service activity is holding up a lot better than manufacturing, and it is critical that it does so for the sake of regional growth (Figure 2, page 5). Still, one can't help wonder how long this can be sustained given softness in manufacturing, geopolitical tensions, and the myriad risks to the outlook. The final read on the ***eurozone* purchasing managers' index (PMI)** showed a 0.1 point improvement to 52.9 in May, compared with the initially reported 0.3-point decline. The details were on the soft side, however, as incoming new business eased 1.1 points to 51.9 and employment eased 0.2 point to 54.0. We were encouraged by the 1.0-point rebound in the French index, now at a six-month high of 51.5. But this was offset by declines elsewhere. Admittedly, the pullback in Germany was a more modest 0.3 point compared to the originally reported 0.7 point decline and still left the index at a very healthy 55.4 level. But the Italian index lost 0.4 point and is now squarely at the neutral 50.0 level, while the Spanish index lost 0.3 point to an eight-month low of 52.8.

Figure 2: How Will This Divergence In Eurozone PMIs Get Resolved?



Sources: IHS Markit

Between last week's weak April retail sales report and this week's weak April industrial production and trade update, it is safe to declare that the ***German*** economy started the second quarter on a pretty disastrous footing. **Industrial production** plunged 1.9%, the most since August 2015. Excluding construction, production shrank 2.3%. Manufacturing and mining was particularly weak, contracting 2.5%; energy declined 1.1%. Within manufacturing, weakness was most acute in capital goods (-3.3%) and intermediate goods (-2.1%), suggesting that the weakness may be linked to intensifying global trade tensions and resulting pullback in investment spending by firms. Production of consumer goods shrank a more modest 0.8%. Overall industrial production fell 1.9% y/y in April; it declined 1.2% y/y on average during the first four months of 2019.

Given the above, the modest improvement in factory orders was little consolation. Following two hefty declines, ***German*** **factory orders** improved modestly in March (0.8%) and April (0.3%). However, they remain 5.0% lower than a year earlier, having been falling on a y/y basis since August.

German **labor costs** reaccelerated in the first quarter, but labor cost inflation remains contained. Labor costs jumped 1.1% in Q1, the most since late 2016. The fourth-quarter data was also revised up to show a 0.2% increase compared with the 0.1% decline originally reported. This left labor costs 2.5% higher than a year ago, not far from the middle of the range that has obtained over the past decade. A pick-up in German labor costs may help alleviate the competitiveness gap and the related growth differential with the less productive parts of the Eurozone, but this will at best be a slow moving process that requires many other ingredients (productivity-inducing reforms on those said countries) to yield lasting results.

French **industrial production** increased 0.4% in April, but that was dampened by a downward revision to March, now showing an even larger 1.1% decline than the 0.9% originally reported). This left production up a modest 1.1% y/y, with manufacturing up 0.5% y/y. Meanwhile, construction activity, which is not included in the headline index, contracted 2.3%, leaving it 0.8% lower than in April 2018.

After a couple of big employment gains in February and March, April was an uneventful month for the ***Italian* labor market**. Both employment and unemployment were little changed, so the unemployment rate unsurprisingly was also unchanged at 10.2%, the lowest level since August 2018.

Japan

Labor cash earnings have been trending downwards since the start of this year, but the April fall was muted in comparison to earlier months. Earnings declined 0.1% y/y, which was better than expected; the previous month's data was revised to show a smaller 1.3% decline versus the 1.9% drop originally reported. The usually volatile bonus component declined 3.2%, a modest fall compared to previous reports. The less volatile regularly contracted cash earnings—excluding bonuses and overtime pay—also fell 0.1% while real earnings contracted by 1.1% y/y. Despite weak earnings household spending has continued to be strong, albeit slow, suggesting that consumers have been frontloading spending ahead of the anticipated tax hike.

After a one-off expansion, manufacturing sentiment contracted once again in May, for the third time since the start of the year. The final **purchasing managers' index for manufacturing** was revised up 0.2 points from the preliminary reading to 49.8 in May, but was still down 0.4 points from the April reading. Output and new order components were little changed, and the fall in employment sub-index was the main factor contributing to the decline. Renewed tensions between US and China and a cooling of the tech cycle might keep sentiment low.

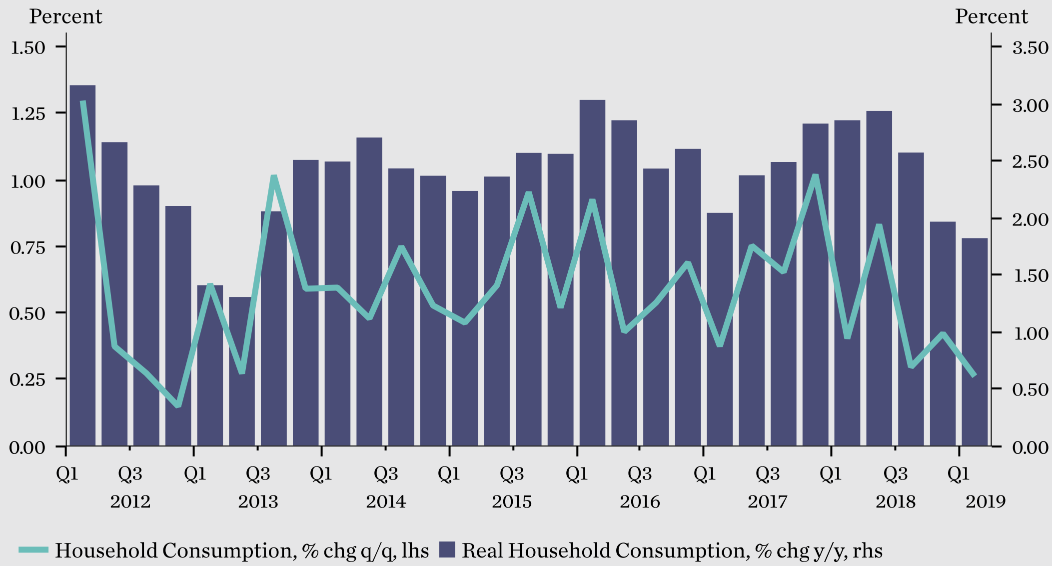
Australia

In line with consensus, the **Reserve Bank of Australia** (RBA) lowered the cash rate by 25 basis points to 1.25% this week. The outlook for global economy deteriorated as expected in light of renewed tensions between China and US, with the RBA noting, "growth in international trade remains weak and the increased uncertainty is affecting investment intentions in a number of countries." The central scenario remained for the domestic economy to expand 2.75% in 2019 and 2020, supported by increased investment in infrastructure and increased mining activities. As iterated in earlier statements, "the main domestic uncertainty continues to be the outlook for household consumption, which is being affected by a protracted period of low income growth and declining housing prices." Notably, the outlook for housing was a little more upbeat, as "in some markets the rate of price decline has slowed and auction clearance rates have increased." The Board acknowledged that inflation has been subdued off late, but is expected to pick up in the second quarter due to higher oil prices. Wage growth, albeit slow, will continue to drive headline inflation higher.

The main deviation from earlier statements was on the assessment for the labor market though. In an earlier speech, Governor Lowe had downplayed developments in the labor market; effectively setting the stage for today's cut. The statement accompanying the policy decision also stressed on the "spare capacity" in the labor market, suggesting that "the Australian economy can sustain a lower rate of unemployment." This is in tune with the Fed and Bank of Canada who are increasingly embracing the idea that current NAIRU (non-accelerating inflation rate of unemployment) estimates are still too high. Consequently, the cut is expected to "assist with faster progress in reducing unemployment and achieve more assured progress towards the inflation target". The Board kept open the option of further cuts, but stressed that their decisions will be driven by the progress in the labor market. We feel given limited policy space, fiscal and macro prudential measures (for e.g. lowering the mortgage stress criteria for borrowers) are likely to take precedence before another cut. However, with each passing month in which the labor market rebound does not materialize, the odds of another rate cut increase.

GDP grew 0.4% in the first quarter, a tad below consensus and two tenths higher than the previous quarter. Yet the print remains far from reassuring, and the details were pretty disappointing. Domestic demand grew just 0.1%— the least since Q4 2015—and added just 0.1 percentage points (ppts) to growth. Private consumption slowed further, registering a growth of just 0.3% as consumers cut back on discretionary spending, especially on new household items, recreation and hospitality. This was offset to some extent by public spending, which rose 0.8%, after a 2.0% rise in the previous quarter, driven by strong public consumption and investments, which rose 0.8% and 0.4% respectively. Not surprisingly, falling house prices weighed on housing construction, which detracted 2.5%. Overall, investments saw a modest rise of 1.2%, the highest in six months, driven by mining investment (1.2%), while non-mining investment still continued to fall (-1.8%). Net exports contributed a positive 0.2 ppts, driven by a 1.0% increase in exports. GDP grew 1.8% y/y in the first quarter, the weakest since the third quarter of 2009. This GDP report further supports the RBA's dovish stance. It remains to be seen if the proposed fiscal stimulus can have the desired effect in lifting consumption, but as of now the scenario remains pretty bleak.

Figure 3. Dismal Private Spending a Drag on Australian GDP



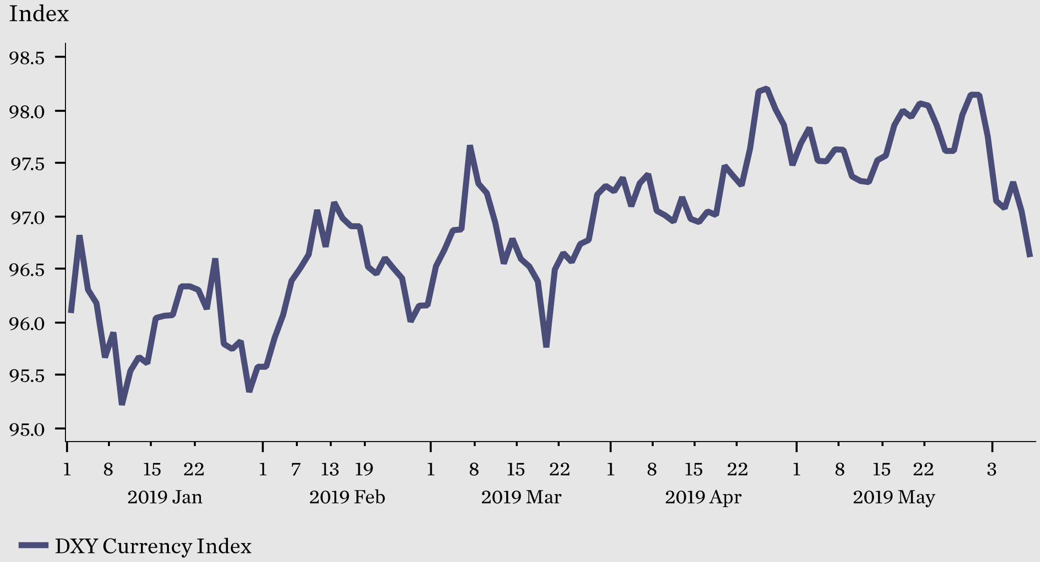
Sources: Australian Bureau of Statistics

Retail sales declined in April, contrary to expectations. Sales were down 0.1%, the first negative print for the year. Sales in department stores rose 1.8%; but that of apparels and household goods fell 1.2% and 0.9% respectively. Food sales were up by 0.2%. Sales in restaurants decreased by 0.7%, while "other" retailing (which includes online sales) increased by 0.8%. Sales rose 2.8% y/y, decent but still some distance from the high seen in September of last year.

Financial Markets Review

After a choppy upward move through the first five months of the year, the dollar index moved sharply lower this week as expectations of multiple rate cuts by the Fed began to be aggressively price in by the market. Friday marked another leg lower after the weaker than expected jobs report raised the market-implied rates of a cut in July to over 85%.

Figure 4: Dollar Slides on Weak Payrolls, Fed Rate Cut Expectations



Sources: Bloomberg

Equities: Equities rise on sharply higher odds of Fed rate cut(s).

Bonds: Bond yields decline most everywhere and plummet in Italy.

Currencies: The dollar buckles under Fed rate cut expectations.

Commodities: Oil recovers some of its recent losses and gold spikes on trade uncertainty and Fed views.

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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®	2876.59	4.5%	14.7%	2.08	-5	-61	96.567	-1.2%	0.4%
Canada	TSE 300	16232.96	1.2%	13.3%	1.46	-3	-51	1.3274	-1.8%	-2.7%
UK	FTSE®	7331.94	2.4%	9.0%	0.81	-7	-46	1.274	0.9%	-0.1%
Germany	DAX	12045.38	2.7%	14.1%	-0.26	-6	-50			
France	CAC-40	5364.05	3.0%	13.4%	0.09	-13	-63	1.1336	1.5%	-1.1%
Italy	FTSE® MIB	20360.59	2.8%	11.1%	2.36	-31	-38			
Japan	Nikkei 225	20884.71	1.4%	4.3%	-0.12	-3	-12	108.16	-0.1%	-1.4%
Australia	ASX 200	6443.892	0.7%	14.1%	1.47	1	-85	0.7002	0.9%	-0.7%

Commodity Markets

Commodity	Unit	Source	Last Price	%Ch Week	%Ch YTD	%Ch Yr Ago
Oil (Brent)	US $/Barrel	Bloomberg	64.23	2.1%	20.8%	-16.3%
Gold	US $/troy oz	Bloomberg	1340.65	2.7%	4.5%	3.4%

Source: Bloomberg®

Week in Review: Data Releases and Major Events (June 3–June 7)

Country	Release (Date, format)	Consensus	Actual	Last	Comments
Monday, June 3					
US	ISM Manufacturing (May)	53.0	**52.1**	52.8	Modest, but not collapsing.
US	Total Vehicle Sales (May)	16.9	**17.3**	16.4	This is good news for May retail sales.
UK	Manufacturing PMI (May)	52.2	**49.4**	53.1	This hurts! Inventory unwind.
EC	Manufacturing PMI (May, final)	47.7(p)	**47.7**	47.9	Weak.
GE	Manufacturing PMI (May, final)	44.3(p)	**44.3**	44.4	Incredibly deep soft patch.
FR	Manufacturing PMI (May, final)	50.6(p)	**50.6**	50.0	Weak, but much better thank Germany.
IT	Manufacturing PMI (May)	48.5	**49.7**	49.1	Weak.
JN	Manufacturing PMI (May, final)	49.6(p)	**49.8**	50.2	Darker days ahead?
Tuesday, June 4					
US	Durable Goods Orders (Apr, final, m/m)	-2.1%(p)		1.7%	Disappointing.
US	Factory Orders (Apr, m/m)	-1.0%		1.9%	Disappointing.
IT	Unemployment Rate (Apr, prelim)	10.3%	**10.2%**	10.2%	Near multi-year lows but still far too high.
AU	RBA Monetary Policy Decision	1.25%	**1.25%**	1.50%	One and done?
AU	Retail Sales (Apr, m/m)	0.2%	**-0.1%**	0.3%	Weakness persists in retail sales.
Wednesday, June 5					
US	Fed Beige Book Report				Slight improvement in activity.
US	ISM Non-Manufacturing Index (May)	55.4	**56.9**	55.5	Solid level, pretty good details.
CA	Labor Productivity (Q1, q/q)	0.4%	**0.3%**	-0.4%	A rebound in productivity.
UK	Services PMI (May)	50.6	**51.0**	50.4	Soft, but at least expanding.
EC	Services PMI (May, final)	52.5(p)	**52.9**	52.8	Moderate pace.
GE	Services PMI (May, final)	55.0(p)	**55.4**	55.7	Critical for services sector to remain strong.
AU	GDP (Q1, q/q)	0.5%	**0.4%**	0.2%	Weak consumer spending the main drag.
Thursday, June 6					
US	Initial Jobless claims (Jun 1, thous)	215	**218**	218(↑r)	Low, which is good.
US	Nonfarm Productivity (Q1, final, q/q)	3.5%	**3.4%**	1.3%	Best in years, but can it be sustained?
US	Trade Balance (Apr, $ bil.)	-50.7	**-50.8**	-51.9(↓r)	Partials were positive.
CA	Trade Balance (Apr, C$ bil.)	-2.8	**-1.0**	-2.3(↑r)	Deficit shrinks on strength of exports.
EC	ECB Monetary Policy Decision	0.00%	**0.00%**	0.00%	Extended forward guidance.
EC	GDP (Q1, final, q/q)	0.4%(p)	**0.4%**	0.2%	Not much new here, slightly better details.
GE	Factory Orders (Apr, m/m)	0.1%	**0.3%**	0.8%(↑r)	Little solace, but better up than down.
Friday, June 7					
US	Change in Nonfarm Payrolls (May, thous)	185	**75**	263	Weak, but not disastrous.
US	Unemployment Rate (May)	3.6%	**3.6%**	3.6%	Wage growth remains solid.
CA	Unemployment Rate (May)	5.7%	**5.4%**	5.7%	Yet another positive report.
UK	Halifax House Prices (May, m/m)	0.0%	**0.5%**	1.2%(↑r)	Surprisingly strong.
GE	Industrial Production (Apr, m/m)	-0.5%	**-1.9%**	0.5%	Pretty horrible print!
GE	Labor Costs (Q1, y/y)	na	**2.5%**	2.0%	Gently rising.
FR	Industrial Production (Apr, m/m)	0.3%	**0.4%**	-1.1%(↓r)	Modest, downward revision to March.
IT	Retail Sales (Apr, m/m)	na	**0.0%**	-0.3%	Up 4.2% on Easter-related food sales.
JN	Labor Cash Earnings (Apr, y/y)	-0.7%	**-0.1%**	-1.3%(↑r)	An arrest in the downtrend.

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

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

Country	Release (Date, format)	Consensus	Last	Comments
Monday, June 10				
US	JOLTS Job Openings (Apr, thous)	7496	7488	Will this hold up amid growing uncertainties?
CA	Housing Starts (May, thous)	na	235.5	
CA	Building Permits (Apr, m/m)	na	2.1%	
UK	Industrial Production (Apr, m/m)	-0.7%	0.7%	
IT	Industrial Production (Apr, m/m)	0.2%	-0.9%	
JN	GDP (Q1, final, q/q)	0.6%	0.5%	Weak exports likely to hit on multiple fronts.
Tuesday, June 11				
US	NFIB Small Business Optimism (May)	102.8	103.5	Plenty of downside risk here from trade.
US	PPI Final Demand (May, m/m)	2.0%	2.2%	
UK	ILO Unemployment Rate (Apr)	3.8%	3.8%	Employment will be most important.
UK	Average Weekly Earnings (Apr, 3m y/y)	3.0%	3.2%	
FR	Bank of France Ind. Sentiment (May)	100	99	
Wednesday, June 12				
US	CPI (May, y/y)	1.9%	2.0%	
US	Monthly Budget Statement (May, $ bil.)	na	160.3	
JN	PPI (May, y/y)	0.7%	1.2%	Input prices have held up well.
JN	Core Machine Orders (Apr, m/m)	-0.8%	3.8%	
Thursday, June 13				
US	Initial Jobless claims (Jun 8, thous)	---	218	
US	Import Price Index (May, y/y)	na	-0.2%	
CA	New Housing Price Index (Apr, m/m)	na	0.0%	Little movement expected in prices.
EC	Industrial Production (Apr, m/m)	-0.3%	-0.3%	Given bad German print, we see downside risks here.
GE	CPI (May, final, y/y)	1.4%(p)	2.0%	
JN	Tertiary Industry Index (Apr, m/m)	0.4%	-0.4%	
AU	Unemployment Rate (May)	5.1%	5.2%	Labor market to stay tight in near future.
Friday, June 14				
US	Industrial Production (May, m/m)	0.2%	-0.5%	Downside risks from soft hours, inventory cycle.
US	Retail Sales Advance (May, m/m)	0.6%	-0.2%	Vehicle sales and consumer credit data bode well.
US	U of M Cons. Sentiment (Jun, prelim)	97	100	Tariff worries could cause real damage here.
US	Business Inventories (Apr, m/m)	0.4%	0.0%	
IT	Industrial Orders (Apr, m/m)	na	2.2%	
FR	CPI (May, final, y/y)	1.0%(p)	1.3%	
JN	Industrial Production (Apr, final, m/m)	0.6%(p)	-0.6%	The outlook is pretty bleak.

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	Dec	Jan	Feb	Mar	Apr
US	1.6	1.5	1.9	2.0		2.6	2.0	1.9	2.2	2.2
Canada	1.4	1.5	1.9	2.0		2.0	1.0	1.2	1.5	1.8
UK	1.8	1.9	1.9	2.1		2.4	2.1	2.4	2.2	2.1
Eurozone	1.4	1.5	1.4	1.7		3.0	2.9	3.0	2.9	2.6
Germany	1.4	1.5	1.3	2.0	1.4	2.7	2.6	2.6	2.4	2.5
France	1.2	1.3	1.1	1.3	1.0	1.3	1.9	1.9	1.8	2.2
Italy	0.9	1.0	1.0	1.1	0.9	4.1	3.4	3.1	2.9	2.1
Japan	0.2	0.2	0.5	0.9		1.5	0.6	0.9	1.3	1.2
Australia	1.3	1.3	1.3			2.0	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	0.5	-0.6	0.4	0.5	1.4	1.4	0.1	0.2	0.8
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				
	Dec	Jan	Feb	Mar	Apr	Dec	Jan	Feb	Mar	Apr
US	0.0	-0.4	-0.5	0.2	-0.5	3.8	3.6	2.7	2.3	0.9
Canada	-0.3	-0.2	-0.8	1.3		1.3	2.0	-0.2	0.4	
UK	-0.3	1.0	0.6	0.7		-0.4	0.0	0.4	1.3	
Germany	0.8	-0.1	0.4	0.5	-1.9	-2.5	-2.1	0.1	-0.8	-1.9
France	0.0	1.6	0.2	-1.1	0.4	-2.5	2.1	0.8	-0.7	1.1
Italy	-0.6	1.8	0.8	-0.9		-5.4	-0.8	0.8	-1.5	
Japan	0.1	-2.5	0.7	-0.6	0.6	-1.0	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			
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	

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	6.9	8.6	8.5	8.2	7.5	6.5	7.5	7.6
France	-1.2	-1.4	-0.8	-0.5	-0.7	-0.4	-0.6	-1.4	-0.4	-0.2	-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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