Weekly Economic Perspectives

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Weekly Highlights

- **Economies:** Labor demand remains strong and inflation manageable in the US. Employment surges in Canada. Growth rebounds in the UK, subject to Brexit distortions. Industrial production surprises positively in Germany but disappoints in France. Wage inflation retreats in Japan. The RBA stays the course for now, but easing pressures are mounting. (pages 2 – 6)
- **Markets:** A clear risk-off week. Global stocks slide on trade war fears. Bond yields retreat on risk aversion and tepid inflation. The dollar retreats, the yen strengthens on safe-haven demand. Oil is little changed despite the trade drama; the same, however, offers some support for gold. (page 7)

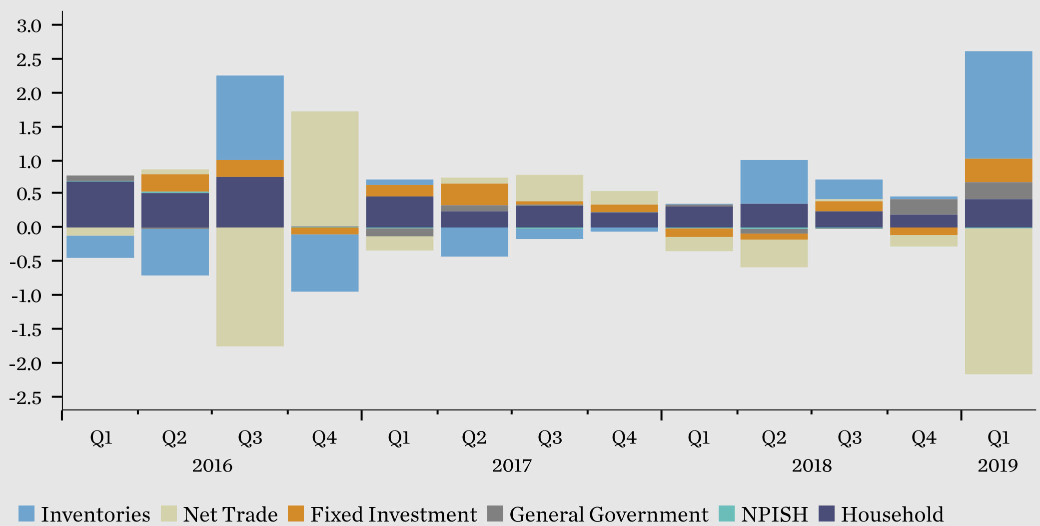
Upcoming Highlights

- **Spotlight:** Only modest gains expected in US retail sales. GDP growth should rebound in Germany. UK labor market should remain resilient. (page 9)

Tables

Figure 1: UK Growth Rebounds, Brexit Distortions Evident

Percentage point contribution to quarterly growth



Sources: Macrobond, U.K. Office for National Statistics (ONS)

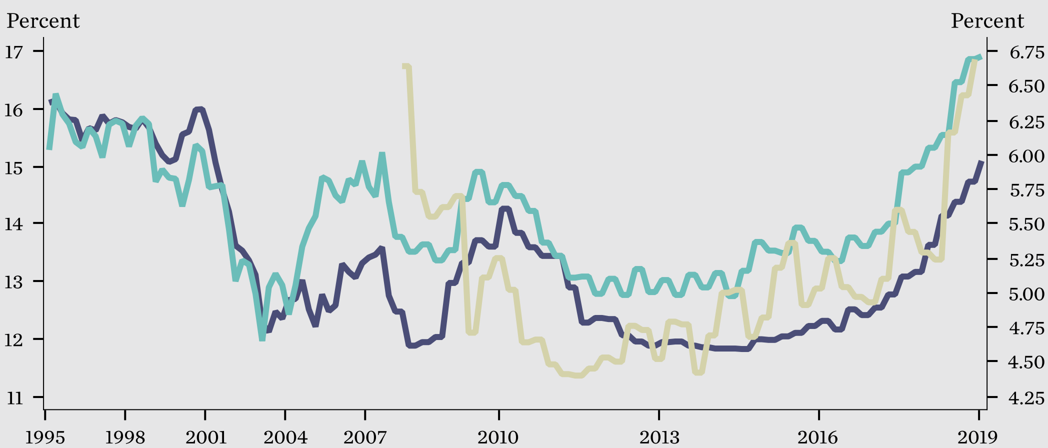
Week in Review

US

Despite recent volatility, labor demand appears solid. Admittedly, **job openings** plunged in February—which was also a month of weak payrolls gains—but retraced most of those losses in March, leaving them at a historically elevated 7,488,000 and not far from recent record highs. We were encouraged by the increase in openings in construction and transportation. Hires declined by another 35,000 and quits—a measure of worker sentiment—declined by 38,000. However, the hires and the quits rate were both unchanged at 3.8% and 2.3%, respectively. There are currently 0.8 unemployed people for each vacancy.

Despite solid employment and incomes, the US consumer is displaying restraint in the use of credit...perhaps because the cost of credit has risen notably (Figure 2). **Consumer credit** grew by a modest $10.3 billion in March, entirely driven by non-revolving credit, which increased by $12.5 billion. Revolving credit declined by $2.2 billion.

Figure 2: Interest Rates Rising On Consumer Credit



Finance Companies, New Car Loans, Average Finance Rate, Amount of Finance Weighted, rhs
Commercial Bank Interest Rate on Credit Card Plans - Accounts Assessed Interest, lhs
Commercial Bank Interest Rate on Credit Card Plans - All Accounts, lhs

Source: Federal Reserve

Unemployment claims data remain quite encouraging. Initial unemployment claims—a measure of job shedding—were little changed during the week ending May 4, retreating 2,000 to 228,000. Continuing claims—a measure of unemployment—moved up 13,000 in the week ended April 27, but remain very low historically at 1,684,000.

Inflation is not dead, merely contained. Admittedly, **consumer prices** came in a bit softer than expected in April, but we would argue that they were not as soft as the headline figure suggested. Overall consumer prices rose 0.3%, a tenth less than expected. Energy prices rose 2.9% (the second consecutive big increase) but food prices declined 0.1% (the largest drop since early 2016). Core prices (which exclude food and energy) rose a milder than expected 0.1%, albeit this was the second consecutive month that the data rounded lower by only a breath. Within the core, methodological changes to the computation of apparel prices continued to weigh on that component, but the more important categories of housing and medical care increased 0.3% each and displayed no signs of weakness. Both the headline and the core inflation rate accelerated a tenth each to 2.0% y/y and 2.1% y/y, respectively.

After surprising to the upside by a large margin in March, **producer prices** came in a bit softer than expected in April...but only on the surface. Producer prices rose 0.2% (versus 0.3% expected). Core producer prices (excluding food and energy) increased 0.1% (versus 0.2% expected) but the alternative measure of core prices (also excluding the volatile trade services) jumped 0.4% (twice as much as expected). The headline and the core PPI inflation rates were unchanged at 2.2% y/y and 2.5% y/y, respectively, while the alternative core measure accelerated two tenths to 2.2% y/y.

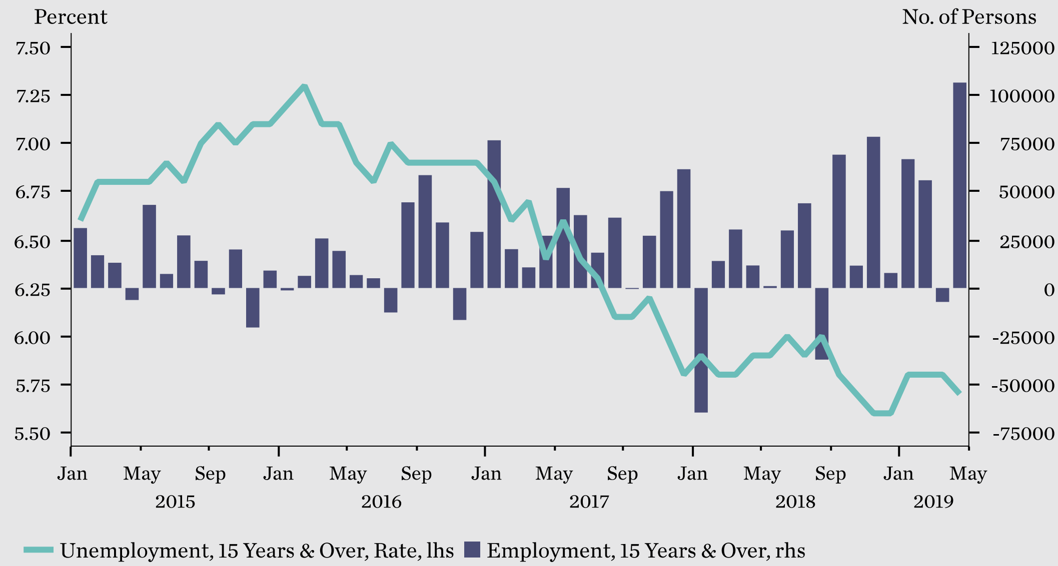
The combination of trade tensions and the government shutdown has caused havoc with the trade statistics, introducing an unusual degree of volatility in the monthly figures around the turn of the year. Indeed, in percentage terms, the trade balance swung by double digits each month from November to January. Things appear to be stabilizing now, though that could easily change again, depending on what happens with tariffs. The **trade deficit** widened by $0.7 billion to an even $50.0 billion in March, as the goods deficit widened and the service surplus narrowed. Within goods, the petroleum balance deteriorated. The real goods trade deficit—most relevant for growth—was little changed.

The **federal government budget** was in surplus in April—not unusual given tax filing season. However, the surplus of $160.5 billion was smaller than the $214.3 billion recorded a year ago as spending rose 26.7%, compared with a more modest 4.9% increase in revenues. Individual income tax, corporate income tax, and social security tax revenues all rose compared with a year ago—bearing witness to the economic expansion. Unsurprisingly given trade tensions, revenues from customs duties increased 51.9% y/y. Total spending soared. driven by a 17.2% jump in defense spending, an eye-popping 127.3% surge in medicare costs, a near-tripling of veterans benefits, and so on....

Canada

The Canadian **labor market** is putting on quite a show, as employment surged by 106,500 in April, far ahead of the 11,600 expected and rendering last month's 7,200 decline utterly irrelevant (Figure 3).

Figure 3: A Stellar Employment Report In Canada



Sources: Statistics Canada, Bank of Canada

Despite a two-tenth increase in the labor force participation rate (to 65.9%), the unemployment rate therefore declined a tenth to 5.7%. The composition of jobs was excellent, with 73,000 new full time jobs complemented by 33,600 part time jobs. The sectoral distribution was even more compelling as goods-producing industries added 39,700 jobs, including 29,200 in construction and 6,500 in agriculture. Service-producing industries added 66,900 jobs on broad-based strength; with the most notable gains coming from retail trade (32,400) and information services (13,800). Wage inflation (average hourly wages for permanent employees) was unchanged at 2.3% y/y, while hours worked rose 1.3% y/y.

Housing starts are drifting lower. Admittedly, it is difficult to discern a trend given the month-to-month volatility of the series, but the smoother six-month and 12-month moving averages appear to be falling. However, the six-month trend *may* be stabilizing, as starts increased 22.6% to 235,460 (annualized). According to the Canadian Mortgage Housing Committee (CMHC), "The national trend in housing starts increased in April, as higher-trending multi-unit starts offset a continued decline in the trend for single starts, in urban areas. The increase in the trend of multi-unit starts reflects a strong recovery in multi-unit SAAR activity in March and April from consecutive declines at the end of 2018 and the first months of 2019."

Having reached a record high in December, **building permits** have softened considerably since then. Admittedly, things improved in March, as the value of new permits issued by all municipalities increased 2.1% to C$8.1 billion. Non-residential permits rose 7.9%, supported by a 25.6% jump in institutional permits. Residential permits declined 1.5%, reflecting a 5.0% slump in single-family permits. The value of building permits rose in four provinces, with British Columbia leading the way. Permits were down 2.4% y/y, with residential falling by 8.7% and non-residential rising 8.5%.

The **merchandise trade deficit** has narrowed slightly of late, having hit a record in December. It shrank further to C$3.2 billion in March from C$3.4 billion the month before. Exports rose 3.2%, largely due to increase in volumes rather than prices. Energy exports continued to be strong, 7.7% in March which follows a 14.0% gain in February after five consecutive declines. Following declines in three of the past four months, exports of motor vehicles and parts were up 5.6%. This offset a 2.5% increase in imports, which was due to a 6.7% increase in consumer goods. Overall an encouraging report.

UK

As was anticipated given the better flow of high frequency data, economic growth accelerated notably during the first quarter. **Real GDP** grew 0.5% q/q, up from 0.2% in the fourth and the best showing in six quarters (Figure 1, page 1). The details displayed clear Brexit-related distortions. Inventories surged, and indeed contributed most to GDP during the quarter. Since much of this inventory buildup was sourced from abroad, net trade was the largest detractor to growth. Aside from these two extremes, final domestic demand fared decently well. By far the most pleasant surprise was the unexpected jump in fixed investment. Consensus anticipated recent declines to continue, only to find that fixed investment actually bounced 2.1% q/q, the most since early 2014. Despite Brexit uncertainties, it is not altogether shocking to see this happen given the gradual closure of the output gap and longer term uptrend in capacity utilization rates. Even so, we don't expect a repeat of this performance in the second quarter. Private consumption growth also accelerated to 0.7% q/q, the best in two years, and government spending picked up as fiscal austerity fades. Real GDP grew 1.8% y/y, the best in six quarters. Broadly speaking, the data speaks to eventual further monetary policy normalization, though not necessarily an immediate response given ongoing geopolitical uncertainties.

After a painful string of five consecutive declines, **industrial production** has now risen for three straight months. Overall production increased a much better than expected 0.7% in March. Manufacturing rebounded 0.9%, also the third consecutive gain. Mining advanced 0.9%, building on stellar gains last month, but electricity production and water utilities both retreated modestly. The March advance left overall industrial production 1.3% higher than a year earlier, the best since August. But this obscures huge differences across the components. Mining is up 9.8% y/y but electricity is down 10.0% y/y/. Manufacturing is showing some signs of life, up 2.6% y/y. This may not look impressive (and it really is not!) but it is nonetheless the best comparison since November 2017.

Brexit uncertainties are driving unprecedented volatility in UK home price inflation. However, as the likelihood of a hard Brexit appears to recede, buyer interest seems to have revived, lifting prices. The **Halifax house price index** rose a much higher than expected 1.1% in April, leaving the seasonally adjusted standard average price—which abstracts from mix effects—5.0% higher than a year earlier. The non-seasonally adjusted standard average price rose 7.3% y/y. These were the largest increases since February 2017 and July 2016, respectively.

Eurozone

Eurozone service sector activity slowed sharply in late 2018 but appears to be reviving. Admittedly, the **purchasing managers' index (PMI) for services** lost half a point in April, but that only pushed it back to where it stood in February and still left it well in expansion territory. Moreover, the details were encouraging as employment rose 0.7 point to a solid 54.2, backlogs improved and incoming new business strengthened incrementally. Inflationary pressures continue to build as the input price measure rose one point to a robust 57.7. Still, the output price metric eased slightly to a more moderate 53.1. Geographically, modest improvement in Germany and France were outweighed by marked deceleration in Spain and Italy. Indeed, we were encouraged by the 1.5-point jump in the French index, now back in expansion territory at 50.5. Germany added 0.3 point to a robust 55.7, helping compensate weakness on the manufacturing side. But the 2.6-point decline in Italy (to 50.4) and 3.7-point plunge in Spain (to 53.1) were disappointing.

There are indications that ***Germany***'s disappointingly weak industrial data is finally picking up. ***Industrial production*** (including construction) bucked consensus expectations for a 0.5% decline and rose 0.5% instead in March. Although this was accompanied by a slight downward revision to February data, it is still encouraging and bodes well for first-quarter GDP. The best news in the release was the 0.4% increase in manufacturing and mining production—the second consecutive gain and the best print since December. Energy production gained modestly while construction activity built on recent gains with another 1.0% advance. However, earlier weakness means industrial production is still 0.8% lower than a year ago. Hopefully, further improvements will follow. After two hefty declines, ***factory orders*** managed a modest 0.6% improvement in March. However, they remain 6.1% lower than a year earlier, having been falling on a y/y basis since August.

Unfortunately, the positive surprises did not extend to France and Italy. ***French*** **industrial production** contracted 0.9% in March, nearly twice as much as expected. To add insult to injury, February's gain was revised down three tenths to just 0.1%. The details were mixed. Manufacturing production shrank 1.0% for the first decline since November. Mining rebounded 3.4%, repeating February's performance. Electricity retreated but water/ utilities picked up. All this left industrial production down 0.9% y/y although manufacturing is up 0.5% y/y. Meanwhile, construction activity, which is not included in the headline index, retreated modestly in March, but earlier strength left it 6.2% higher y/y.

Similarly, after two solid gains in January-February, ***Italian*** **industrial production** relapsed 0.9% in March, roughly in line with expectations. Unsurprisingly, most categories softened, though weakness was most acute in consumer goods, which declined 2.3%. Intermediate goods retreated 0.3%, energy fell 0.4%, but capital goods production inched 0.1% higher. Workday-adjusted industrial production declined 1.4% y/y.

After two consecutive advances, ***Italian*** **retail sales** relapsed 0.3% in March, largely on weakness in food sales. Timing effects related to Easter celebration exacerbated annual comparisons, with sales down 3.3% y/y. This should partly reverse in April, however.

French **wage inflation**—which had quickened in early 2018 but subsequently lost momentum—may be reaccelerating. The wage index rose 0.7% in the first quarter, up from 0.2% in the fourth and 0.3% in the third, but much of this may reflect typical wage negotiation schedules. Indeed, despite the improvement, wage inflation was unchanged at 1.6% y/y. A resurrection in long-dormant wage inflation across the eurozone is the necessary backdrop to aid the sustained return of inflation to target.

Japan

Labor cash earnings have been trending downwards since the start of this year, and fell more than anticipated in March. There was a minimal positive revision to February data, but earnings still declined 0.7% that month. Earnings slumped 1.9% y/y, the most since June 2015 as volatile bonuses plunged 12.4% y/y. But the entire report was pretty gloomy. The less volatile regularly contracted cash earnings—excluding bonuses and overtime pay—also fell 1.1% and real earnings contracted by 2.5%. Even after accounting for changes in sampling, wage growth is clearly lagging expectations. The Bank of Japan looks to be in a tight spot here.

Manufacturing activity improved a little in April, but the outlook remains uncertain. The final **purchasing managers' index** was revised up 0.7 point from the preliminary reading to 50.2. This was a full point improvement from March, and left the index at its highest in three months. More importantly, the PMI is now back into expansion territory, in line with China's positive capex and production data released earlier. The improvement was due to shallower declines in output and new orders. However, renewed tensions between US and China and a cooling of the tech cycle might just dampen sentiment again.

Consumer confidence eroded steadily during last year, and the deterioration has continued into 2019. Admittedly, the contraction was less marked, as the **Cabinet Office index** fell 0.1 point to 40.4, its seventh consecutive decline and lowest level since February 2016. The details were mixed, with overall livelihood and employment conditions recording gains, while sentiment about income growth and willingness to buy eroded.

Australia

Consistent with our views but contrary to market expectations, the **Reserve Bank of Australia** (RBA) left its cash rate unchanged at 1.5% this week. However, this was accompanied by slight downward revisions to growth and inflation outlooks. The assessment of global economic conditions was unchanged: reasonable, but "with risks tilted to the downside". The central scenario is now for the domestic economy to expand 2.75% in 2019 and 2020 (earlier 3.0% in 2019 and 2.75% in 2020), reflecting updated forecasts from the Statement of Monetary Policy. Not surprisingly, "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." The view on labor market remains positive and the board noted that the "vacancy rate remains high and there are reports of skills shortages". However, the unemployment rate has not fallen as much as expected, "broadly steady around 5 per cent… and is expected to remain around this level over the next year or so, before declining a little to 4¾ per cent in 2021." Wages are expected to pick up, "although this is likely to be a gradual process". The RBA acknowledged the soft inflation data for the March quarter, noting that "the central scenario is for underlying inflation to be 1¾ per cent this year, 2 per cent in 2020 (2.25% earlier) and a little higher after that."

The current stance was deemed appropriate, but "the Board will be paying close attention to developments in the labor market at its upcoming meetings". The RBA is probably expecting the job market to do the heavy lifting on its behalf, with consistent improvements addressing the spare capacity in the system. With rates still at record lows, there remains little wriggle room, and we feel a rate cut should be a last resort rather than a knee-jerk reaction to poor data. But, with each passing month in which the labor market rebound does not materialize, the odds of an eventual rate cut increase.

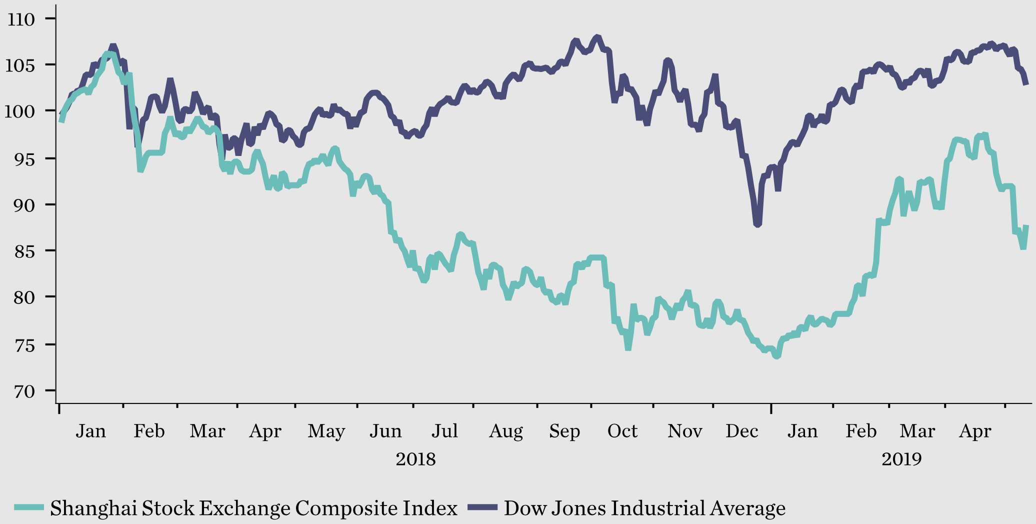
Contrary to expectations, real **retail sales** declined 0.1% in the first quarter, the worst performance since the third quarter of 2012. Sales in department stores declined 1.2%, while household goods sales contracted 0.6%. On the contrary, nominal sales increased 0.3% over March, bringing the quarterly sales growth in nominal terms to 1.3% q/q. This was helped by increases in sales of apparel (+1.2% m/m) and at restaurants (+1.4% m/m). High food inflation is possibly driving nominal growth, though food related categories also saw increased volumes during the March quarter.

Financial Markets Review

The sudden reescalation in trade tensions caused global stock markets to plunge this week. Markets clearly see this escalation as a "lose-lose" proposition and vulnerabilities run high given the impressive run-up earlier in the year. There are still pathways left for de-escalation, but time is of the essence.

Figure 4: Trade War Escalation Hurts Stocks

Index, rebased to 1/2/2018=100



Sources: Bloomberg, Macrobond

Equities: Equities drop amid a sudden escalation in US-China trade tensions.

Bonds: Bond yields retreat on a combination of risk aversion and tepid inflation.

Currencies: The dollar retreats, the yen strengthens on safe-haven demand.

Commodities: Oil is little changed despite the trade drama, which, however, offers some support for gold.

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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®	2836.43	-3.7%	13.1%	2.42	-10	-26	97.157	-0.4%	1.0%
Canada	TSE 300	16154.18	-2.1%	12.8%	1.69	-8	-28	1.3438	0.1%	-1.5%
UK	FTSE®	7194.63	-2.5%	6.9%	1.12	-10	-16	1.3032	-1.1%	2.2%
Germany	DAX	12029.18	-3.1%	13.9%	-0.05	-7	-29			
France	CAC-40	5319.73	-4.1%	12.5%	0.34	-3	-37	1.1245	0.4%	-1.9%
Italy	FTSE® MIB	20858.62	-4.2%	13.8%	2.68	12	-6			
Japan	Nikkei 225	21344.92	-4.1%	6.6%	-0.05	-1	-5	109.58	-1.4%	-0.1%
Australia	ASX 200	6310.852	-0.4%	11.8%	1.73	-6	-59	0.6992	-0.4%	-0.8%

Commodity Markets

Commodity	Unit	Source	Last Price	%Ch Week	%Ch YTD	%Ch Yr Ago
Oil (Brent)	US $/Barrel	Bloomberg	71.14	-0.1%	33.8%	-7.7%
Gold	US $/troy oz	Bloomberg	1287.94	0.7%	0.4%	-2.5%

Source: Bloomberg®

Week in Review: Data Releases and Major Events (May 6–May 10)

Country	Release (Date, format)	Consensus	Actual	Last	Comments
Monday, May 6					
EC	Services PMI (Apr, final)	52.5(p)	**52.8**	53.3	Trying to stabilize.
GE	Services PMI (Apr, final)	55.6(p)	**55.7**	55.4	Solid.
AU	ANZ Job Advertisements (Apr)	na	**-0.1%**	-1.7%	Virtually unchanged after five steep declines.
Tuesday, May 7					
US	JOLTS Job Openings (Mar, thous)	7,350	**7,488**	7,087	Labor demand remains strong.
US	Consumer Credit (Mar, $ bil.)	17.0	**10.3**	15.2	Soft.
CA	Ivey PMI (Apr)	na	**55.9**	54.3	Encouraging!
UK	Halifax House Prices (Apr, m/m)	0.1%	**1.1%**	-1.6%	Surprise!
GE	Factory Orders (Mar, m/m)	1.5%	**0.6%**	-4.0%(↑r)	Any improvement welcome, more is needed.
JN	Manufacturing PMI (Apr, final)	49.5(p)	**50.2**	49.2	Out of the woods? Not yet!
AU	RBA Monetary Policy Decision	1.25%	**1.50%**	1.50%	We think RBA is right to wait and assess.
AU	Retail Sales (Q1, q/q)	0.3%	**-0.1%**	0.0%(↓r)	Nominal sales performed better.
Wednesday, May 8					
CA	Housing Starts (Apr, thous)	195.5	**235.5**	192.0(↓r)	Big rebound, second in a row.
GE	Industrial Production (Mar, m/m)	-0.5%	**0.5%**	0.4%(↓r)	Welcome surprise, bodes well for Q1 GDP.
JN	Monetary Base (Apr, y/y)	3.2%	**3.1%**	3.8%	Slight dip in current account balances.
Thursday, May 9					
US	Initial Jobless claims (May 4, thous)	220	**228**	230	Encouraging.
US	PPI Final Demand (Apr, y/y)	2.3%	**2.2%**	2.2%	Core unchanged at 2.4% y/y.
US	Trade Balance ($ bil.)	-51.4	**-50.0**	-49.3(↑r)	Steady.
CA	Trade Balance (Mar, C$ bil.)	-2.4	**-3.2**	-3.4(↓r)	Good, but fails to save the quarter.
JN	Consumer Confidence Index (Apr)	40.3	**40.4**	40.5	The fall this time was a bit modest.
Friday, May 10					
US	CPI (Apr, y/y)	2.1%	**2.0%**	1.9%	Core rose a tick to 2.1% y/y.
US	Monthly Budget Statement (Apr, $ bil.)	160.0	**160.3**	214.3	Both revenues and spending rose.
CA	Building Permits (Mar, m/m)	2.0%	**2.1%**	-5.7%	Welcome improvement.
CA	Unemployment Rate (Apr)	5.8%	**5.7%**	5.8%	The juggernaut rolls on! Employment surged!
UK	GDP (Q1, prelim, q/q)	0.5%	**0.5%**	0.2%	Rebound in investment was big surprise.
UK	Industrial Production (Mar, m/m)	0.2%	**0.7%**	0.6%	Much needed signs of improvement.
FR	Industrial Production (Mar, m/m)	-0.5%	**-0.9%**	0.1%(↓r)	Disappointing.
FR	Wages (Q1, prelim, q/q)	0.5%	**0.7%**	0.2%	But wage inflation steady at 1.6% y/y.
IT	Industrial Production (Mar, m/m)	-0.7%	**-0.9%**	0.8%	Still quite weak.
IT	Retail Sales (Mar, m/m)	0.1%	**-0.3%**	0.1%	Broad weakness.
JN	Labor Cash Earnings (Mar, y/y)	-0.5%	**-1.9%**	-0.7%(↑r)	The going is likely to get tougher.

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

Week in Preview: Data Releases and Major Events (May 13–May 17)

Country	Release (Date, format)	Consensus	Last	Comments
Monday, May 13				
US	Mortgage Delinquencies (Q1)	na	1.0%	Consumer delinquencies are low, supported by income.
FR	Bank of France Ind. Sentiment (Apr)	100	100	
JN	Leading Index CI (Mar, prelim)	96.3	97.1	
Tuesday, May 14				
US	NFIB Small Business Optimism (Apr)	102.0	101.8	Important for this to improve, unclear if it will.
US	Import Price Index (Apr, y/y)		0.0%	
CA	Teranet/National Bank HPI (Apr, y/y)	na	1.5%	
UK	ILO Unemployment Rate (Mar)	3.9%	3.9%	Labor market has proven resilient.
UK	Average Weekly Earnings (Mar, 3m y/y)	3.4%	3.5%	
EC	Industrial Production (Mar, m/m)	-0.4%	-0.2%	
GE	ZEW Investor Expectations (May)	5.0	3.1	
GE	CPI (Apr, final, y/y)	2.0%(p)	1.3%	
AU	NAB Business Confidence (Apr)	na	0	
Wednesday, May 15				
US	Retail Sales Advance (Apr, m/m)	0.2%	1.6%	Could disappoint due to weak vehicle sales.
US	Industrial Production (Apr, m/m)	0.0%	-0.1%	Soft hours data do not support a rebound.
US	Empire Manufacturing (May)	8.0	10.1	
US	NAHB Housing Market Index (May)	64	63	
US	Business Inventories (Mar, m/m)	0.0%	0.3%	
CA	CPI (Apr, y/y)	na	1.9%	
CA	Existing Home Sales (Apr, m/m)	na	0.9%	
EC	GDP (Q1, prelim, q/q)	0.4%	0.4%	
GE	GDP (Q1, prelim, q/q)	0.4%	0.0%	High-frequency data suggest a rebound.
FR	CPI (Apr, final, y/y)	1.2%(p)	1.1%	
IT	Industrial Orders (Mar, m/m)	na	-2.7%	
AU	Wage Price Index (Q1, y/y)	2.3%	2.3%	Let's hope this does not disappoint.
Thursday, May 16				
US	Initial Jobless claims (Mar 30, thous)	---	228	
US	Housing Starts (Apr, thous)	1220	1139	
US	Building Permits (Apr, thous)	1293	1288(↑r)	
US	Philadelphia Fed Business Outlook (May)	9.0	8.5	Would be good for this to improve, unclear if it will.
CA	Manufacturing Sales (Mar, m/m)	na	-0.2%	
FR	Unemployment Rate (Q1)	8.5%	8.5%	
JN	PPI (Apr, y/y)	1.1%	1.3%	
AU	Unemployment Rate (Apr)	5.0%	5.0%	
Friday, May 17				
US	U of M Cons. Sentiment (May, prelim)	97.9	97.2	
US	Leading Index (Apr)	0.2%	0.4%	
EC	CPI (Apr, final, y/y)	1.7%(p)	1.4%	
JN	Tertiary Industry Index (Mar)	0.1%	-0.6%	

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

Economic Indicators

Central Bank Policy Targets

		Year/Year % Change in Target				
		Nov	Dec	Jan	Feb	Mar
US	Target: PCE price index 2.0% y/y	1.8	1.8	1.4	1.3	1.5
Canada	Target: CPI 2.0% y/y, 1.0%-3.0% control range	1.7	2.0	1.4	1.5	1.9
UK	Target: CPI 2.0% y/y	2.3	2.1	1.8	1.9	1.9
Eurozone	Target: CPI below but close to 2.0% y/y	1.9	1.5	1.4	1.5	1.4
Japan	Target: CPI 2.0% y/y	0.8	0.3	0.2	0.2	0.5
Australia	Target Range: CPI 2.0%-3.0% y/y	1.8	1.8	1.3	1.3	1.3

Source: Macrobond

Key Interest Rates

	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19
US (top of target range)	2.00	2.00	2.00	2.25	2.25	2.25	2.50	2.50	2.50	2.50	2.50
Canada (Overnight Rate)	1.25	1.50	1.50	1.50	1.75	1.75	1.75	1.75	1.75	1.75	1.75
UK (Bank Rate)	0.50	0.50	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	-0.07	-0.06	-0.06	-0.07	-0.06	-0.06	-0.06	-0.05	-0.06	-0.07
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				
	Dec	Jan	Feb	Mar	Apr	Dec	Jan	Feb	Mar	Apr
US	1.9	1.6	1.5	1.9	2.0	2.6	2.0	1.9	2.2	2.2
Canada	2.0	1.4	1.5	1.9		2.1	1.0	1.2	1.5	
UK	2.1	1.8	1.9	1.9		2.4	2.1	2.4	2.4	
Eurozone	1.5	1.4	1.5	1.4		3.0	2.9	3.0	2.9	
Germany	1.6	1.4	1.5	1.3	2.0	2.7	2.6	2.6	2.4	
France	1.6	1.2	1.3	1.1	1.2	1.3	1.8	1.8	1.6	
Italy	1.1	0.9	1.0	1.0	1.1	4.1	3.4	3.1	2.9	
Japan	0.3	0.2	0.2	0.5		1.5	0.6	0.9	1.3	
Australia	1.8	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	0.3	0.6	0.5	0.1		2.2	1.7	1.9	1.6	
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	2.4	2.2	1.6	1.2	1.2
Germany	0.4	0.5	-0.2	0.0		2.1	2.0	1.2	0.6	
France	0.2	0.2	0.3	0.3	0.3	2.2	1.7	1.4	1.0	1.1
Italy	0.1	0.1	-0.1	-0.1	0.2	1.4	1.0	0.5	0.0	0.1
Japan	-0.1	0.5	-0.6	0.5		1.4	1.4	0.2	0.3	
Australia	1.1	0.8	0.3	0.2		3.1	3.1	2.7	2.3	

Source: Macrobond

Industrial Production Index (M/M Seasonally Adjusted)

	Month/Month % Change					Year/Year % Change				
	Nov	Dec	Jan	Feb	Mar	Nov	Dec	Jan	Feb	Mar
US	0.6	0.0	-0.3	0.1	-0.1	4.1	3.8	3.7	3.5	2.8
Canada	-0.7	-0.5	0.0	-0.6		2.4	0.8	2.0	-0.2	
UK	-0.2	-0.3	1.0	0.6	0.7	-1.0	-0.4	0.0	0.4	1.3
Germany	-0.9	0.8	-0.1	0.4	0.5	-3.9	-2.5	-2.1	0.1	-0.8
France	-0.9	0.0	1.4	0.1	-0.9	-2.0	-2.4	1.8	0.5	-0.9
Italy	-1.7	-0.6	1.8	0.8	-0.9	-2.5	-5.4	-0.8	0.8	-1.5
Japan	-0.9	0.1	-2.5	0.7	-0.9	0.4	-1.0	0.7	-1.2	-3.0

Source: Macrobond

Unemployment Rate (Seasonally Adjusted)

	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19
US	4.0	3.9	3.8	3.7	3.8	3.7	3.9	4.0	3.8	3.8	3.6
Canada	6.0	5.9	6.0	5.8	5.7	5.6	5.6	5.8	5.8	5.8	5.7
UK	4.0	4.0	4.1	4.1	4.0	4.0	3.9	3.9			
Eurozone	8.2	8.1	8.0	8.0	8.0	7.9	7.9	7.8	7.8	7.7	
Germany	5.2	5.2	5.2	5.1	5.1	5.0	5.0	5.0	5.0	4.9	4.9
France	9.0	9.0	9.0	9.0	9.0	8.9	8.9	8.9	8.8	8.8	
Italy	10.7	10.4	10.1	10.4	10.7	10.6	10.5	10.4	10.5	10.2	
Japan	2.5	2.5	2.4	2.4	2.4	2.5	2.4	2.5	2.3	2.5	
Australia	5.3	5.3	5.3	5.0	5.0	5.1	5.0	5.0	4.9	5.0	

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	-3.1	-2.9	-1.8	-2.8	
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	
Germany	8.1	7.9	8.2	6.9	8.6	8.5	8.2	7.5	6.5	7.5	
France	-1.2	-1.1	-1.0	-0.4	-0.7	-0.3	0.1	-1.1	-0.3	0.0	-0.2
Japan	3.8	4.1	4.4	3.6	4.5	4.3	3.7	3.8	3.3	3.2	
Australia	-3.3	-1.4	-1.6	-2.4	-2.8	-3.4	-2.3	-2.5	-2.3	-1.5	

Source: Macrobond

Important Risk Discussion

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