Weekly Economic Perspectives

Weekly Highlights

- **Economies:** Durable goods orders fall in the US. Retail sales rebound in Canada and surprise positively in the UK. Manufacturing activity contracts further in the eurozone, but service activity expands. Positive growth surprise in Japan overstates economy's strength. (pages 2 – 6)
- **Markets:** Another risk off week amid geopolitical uncertainties. Aussie stocks are the exception thanks to RBA. Bond yields decline across the board on tepid inflation and growth prospects. The Aussie dollar weakens following RBA's strongest easing signal to date. Oil sinks on global growth concerns while gold is little changed. (page 7)

Upcoming Highlights

- **Spotlight:** US personal income could disappoint and revisions could lower first-quarter growth. The BoC should remain on hold as GDP growth improves. (page 9)

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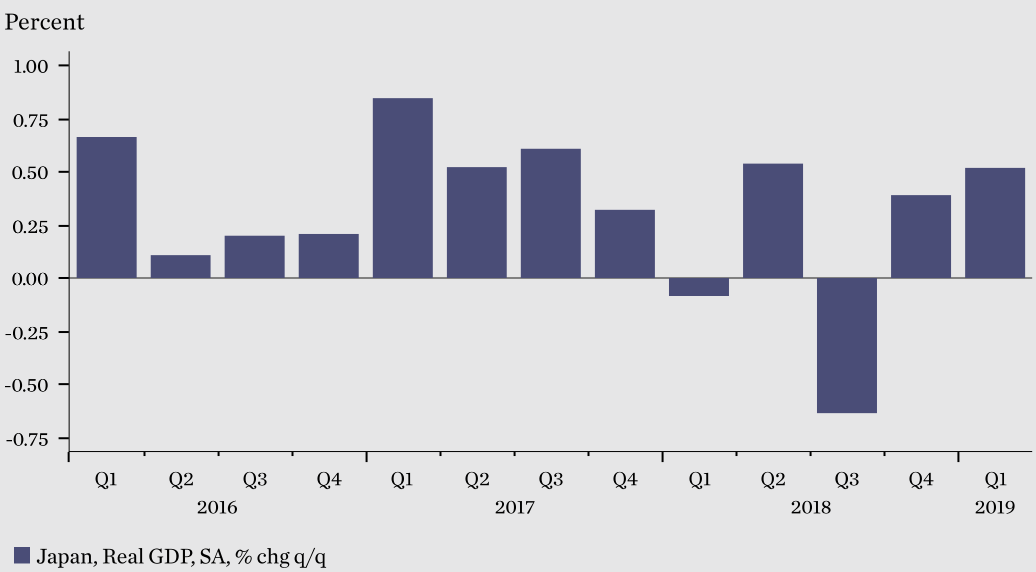
Figure 1: Choppy GDP Growth Improves In Japan, But Details Soft



Sources: Japanese Cabinet Office (CaO), Japanese Statistics Bureau

STATE STREET GLOBAL ADVISORS

Week in Review

US

Minutes from **FOMC**'s April 30-May 1 meeting, when the Fed Funds target range was left unchanged at 2.25-2.50%, had been overshadowed by Chair Powell's post-meeting press conference and by the most recent developments on the trade front. For instance, we already knew that most Committee members saw the recent dip in inflation as transient and are comfortable with the current "patient" policy stance. We did learn that "a number of participants [...] had marked up their projections for real GDP growth" following the strong first-quarter and that "their own concerns from earlier in the year [...] had abated to some extent". But, given trade negotiations have since stalled, it is unclear whether those forecast upgrades would be fully retained. The ongoing discussion on the composition of the balance sheet was most informative. The Committee discussed two proposed options: a "proportional" portfolio and a "shorter maturity" portfolio. The former would mirror the maturity profile of outstanding treasury securities, whereas the latter would contain only securities with maturities of three years or less. There are also different paths for getting to the end state—gradual or accelerated. Depending on all these variables, the staff estimates it could take anywhere from 5 to 15 years to reach the end state...one could say an eternity...Each end state, in turn, has some drawbacks but these are subject to considerable uncertainty. The proportional portfolio implies a flatter yield curve and therefore could encourage risky "search for yield" behavior. The shorter duration portfolio would imply higher term premiums and a steeper yield curve, implying a lower corresponding Fed Funds rate. This could limit the scope for rate cuts during a downturn, though it would create scope for deploying maturity extending operations. Given all these considerations, it is fortunate that a decision "would not need to be made for some time"!

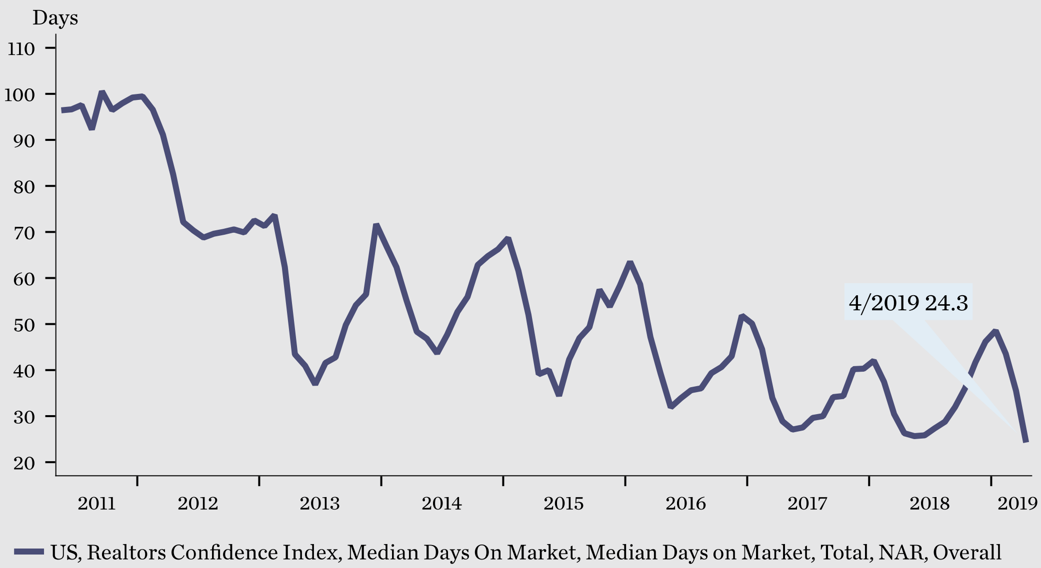
It is becoming much harder to anticipate a near-term improvement in **durable goods orders** given the re-escalation in trade tensions. Moreover, the most recent update for April was quite weak, and March data was revised sharply lower. Durable goods orders slumped 2.1% in April, which was largely as expected. But the big disappointment came in the form of a sharp downward revision to March, now showing a much smaller 1.7% increase compared with the 2.6% originally reported. Capital goods orders fell 3.5% in April as non-defense orders fell 5.0%, partly reflecting a 25.1% plunge in nondefense aircraft orders. This category is by nature extremely volatile but there is no doubt that the Boeing fallout does not help matters. Core orders—a leading indicator for business equipment investment (BEI) in the GDP accounts—declined 0.9%. Unfortunately, it appears to be precisely here that most of the downward revision to March data came from. Indeed, the March improvement, initially reported as a very strong 1.4%, turned out to be a tepid 0.3%. Core orders are still up 2.9% y/y, but overall orders are down 0.1%. Overall shipments plunged 1.6% although core shipments were unchanged. Core backlogs—a leading indicator of industrial production—fell 0.3%. Overall inventories rose 0.4% but core inventories were unchanged. The inventory to sales ratio rose to 1.67 months, the highest since July 2017.

The **Kansas City Fed Manufacturing Activity index** retreated another point to 4.0 in May, leaving it slightly below its six-month average. The details were quite weak: production, shipments, new orders, and the employee workweek all declined sharply. Employment rose and supplier deliveries lengthened but we are circumspect that either can be sustained unless there is better news from the other components. Prices rose both for both inputs and final products and "several firms noted that new tariffs were disrupting activity." Comments from respondents ranged from very bearish ("the increased costs of steel and plastic are crippling us") to the upbeat ("April was the second largest sales month in the last 18 months and May is set to surpass the April numbers.") Which sentiment prevails in coming months will depend crucially on how trade negotiations evolve.

Lower mortgage rates are inducing a revival in **new single family home sales**. Admittedly, sales fell a larger than expected 6.9% to a 673,000 (seasonally adjusted annualized) rate in April, but that follows three consecutive advances, including a sizable upward revision to March, when sales hit a cycle high. Thus, despite the April retreat, sales were up 7.0% from a year earlier. New home sales retreated in all four regions save the Northeast during the month, which was the exact opposite of what transpired in March. The number of homes available for sale declined slightly but because of the larger drop in sales the market loosened for the first time in four months. Inventory is now equivalent to 5.9 months' worth of sales; except for March, however, that is actually the lowest since last June. The median sales price of a new home jumped 8.8% y/y in April—the first increase since October and the largest since February of 2018.

Existing home sales also unexpectedly slipped in April, though the 0.4% retreat was material only relative to expectations for a 2.7% gain rather than in absolute terms. Still, given the rise in pending sales in March, the retreat in mortgage rates, the ramp-up of the spring selling season, and the noticeable improvement in homebuilder sentiment, we would have expected a better showing. At 5.19 million (annualized) sales were almost exactly in line with the average that has prevailed over the past eight months but 4.4% below year-earlier sales level. A burst of inventory coming to market may facilitate a pick-up in sales in the near term, however. The number of homes available for sale jumped 9.6%—the most in a year— pushing the inventory ratio up four ticks to 4.2 months' worth of sales. And yet, properties are moving fast, staying on the market an average of just 24 days—a new record low! (Figure 2) The median price of an existing home increased 3.6% y/y to $267,300.

Figure 2: Homes Are Selling Fast In The US!



Sources: National Association of Realtors (NAR)

Unemployment claims continue to hover at very low levels historically. Initial unemployment claims—a measure of job shedding—retreated 1,000 to 211,000 during the week ending May 18. Continuing claims—a measure of unemployment—increased 12,000 to 1,676,000 in the week ended May 11.

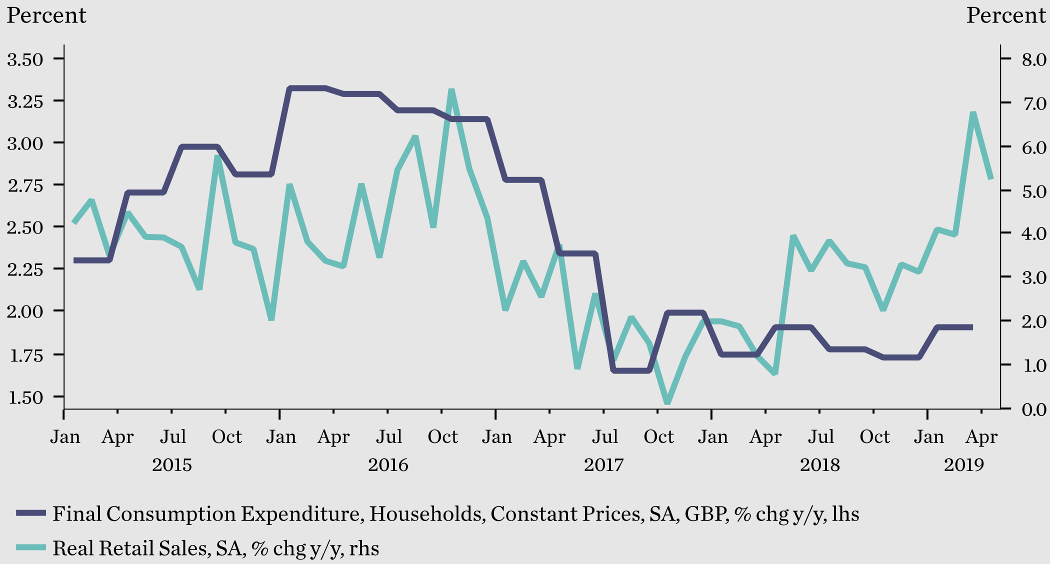
Canada

Retail sales have rebounded quite strongly following a very weak spell from November to January. Nominal sales rose 1.1% in March, the most in 10 months; February gain was revised upwards to 1.0%. Sales increased despite a 0.7% pullback in vehicle sales, mainly due to a 6.0% surge in sales at gasoline stations and 4.3% gain in building materials. Even outside of motor vehicles, parts, and gasoline stations, sales climbed 1.0%. Real sales rose 0.3%, after a 0.4% gain in February, which bodes well for first-quarter GDP.

UK

Retail sales have made quite a comeback in recent months, though the sustainability of this improvement is ever in question amid Brexit-related chaos (Figure 3, page 4). Still, it must be acknowledged as it suggests a certain degree of consumer resilience amid a robust labor market, solid incomes, and receding inflation. Admittedly, real retail sales were flat in April, but that was better than expectations for a modest retreat and follows three consecutive sizable gains. Thus, sales remain 5.2% higher y/y, having risen 5.0% y/y on average so far in 2019. April performance was weak across most categories except clothing and online sales. We would have expected Easter to boost food sales, but that didn't seem to happen as food sales declined 0.3%. Sales of household goods fell a sizable 2.6%, but we would expect it to do better in coming months given the apparent revival in housing sales.

Figure 3: Reviving Retail Sales Bode Well For UK GDP



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

Headline inflation, which has steadily moderated over the course of 2018, appears to be stabilizing around 2.0%. Admittedly, **consumer prices** increased 0.6% in April, which was the most since August. There was more than the typical divergence across components as transportation, housing and communication prices increased substantially but furniture/household equipment and recreation prices fell. CPI inflation accelerated two tenths of a percentage point to 2.1% y/y. A year ago, inflation was running almost 1.0 percentage point higher. Core inflation eased a tick to 1.8% y/y.

Meanwhile, **producer output prices (PPIO)** increased 0.3% in April amid broad-based gains that included a 3.5% jump in soft drinks. Core prices (excluding food and energy) increased 0.2%. PPIO inflation decelerated 0.1 percentage point to 2.1% y/y; core PPIO inflation was unchanged at 2.2% y/y, keeping it in the 2.0-2.5% range where it has hovered since late 2017.

Eurozone

Eurozone manufacturing activity has been contracting since February and preliminary May readings on purchasing managers' indexes (PMIs) for manufacturing suggest that conditions are not yet improving. In fact, the ***eurozone* manufacturing PMI** index lost another 0.2 point to 47.7. Output, new orders, and new export orders are all still contracting, though at a slower pace compared with April. But employment retreated a sharp 1.7 points to 49, the first sub-50 reading since 2014 and the lowest since November 2013. The main culprit was Germany, whose index lost 0.1 point to 44.3. This overshadowed the 0.6-point improvement in the French index.

Service activity is holding up a lot better than manufacturing, and it is critical that it does so for the sake of regional growth. 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 ***eurozone* services PMI** lost 0.3 point to 52.5 in May, which market the lowest level since January but was still well in expansion territory and within the recent range. The details were on the soft side as incoming new business eased 1.4 points to 51.6 and employment eased 0.5 point to 53.7. We were encouraged by the 1.2-point rebound in the French index, now at a six-month high of 51.7. But this was largely offset by a 0.7 point retreat in Germany, although only to a robust 55.0.

The final read on ***German*** **GDP** confirmed the initial estimate of a 0.4% q/q expansion, following a flat fourth quarter and a 0.2% contraction in the third. Domestic and external demand each contributed 0.2 percentage points (ppts). Within domestic demand, consumption added 0.6 ppts and fixed investment another 0.2 but inventories detracted 0.6. Inventories had also detracted 0.6 ppts from growth in the fourth quarter, raising the possibility that the inventory drawdown may be getting a little extreme. If so, this could be a positive for growth in coming quarters. Foreign trade added 0.2 ppts, having been neutral in the fourth quarter. The good news is that this reflected a better contribution from exports, rather than a collapse in imports. Workday adjusted GDP was up 0.7% y/y, a meager showing but at least one tenth better than in Q4.

The closely watched ***German*** **IFO business climate indicator** has been trying very hard to put in a bottom in recent months but the reality of slower growth and geopolitical risks keeps getting in the way. Indeed, it dropped a much larger than expected 1.3 points in May as assessments of the current economic situation dived 2.8 points to the lowest level since August 2016. It is hard to envisage a near-term rebound given the latest developments on trade and Brexit...

Amid slowing growth and deepening political unrest, ***French*** **business confidence** eroded steadily over the course of last year, with the INSEE index ending 2018 at a two-year low of 102. It remained at that level in January but has since risen to 106 in May, suggesting that a that a bottom has finally been established.

Japan

Japan's **GDP** grew a much stronger than anticipated 0.5% in the first quarter (2.1% annualized) after fourth-quarter growth was revised slightly downward to 0.4% (Figure 1, page 1). This was contrary to signals from soft high-frequency data and a look under the hood indeed corroborates the view that all is not rosy. Both domestic and public demand were weak, growing just 0.1% and 0.2% respectively, with contributions of 0.1 percentage point to headline growth. Indeed, business investment, and both public and private consumption all recorded much smaller contributions to growth compared to the previous quarter. Business investment rose just 0.2%, while household consumption actually contracted 0.1%. Net exports contributed positively—but only because a 4.6% drop in imports offset a 2.4% fall in exports (the sharpest since 2015). The slowdown in China is really hurting Japan, given its role in the global supply chain and the relative importance of the Chinese market. Escalating trade tensions between two of its largest trade partners, as well as the scheduled VAT hike in October are serious threats to the Japanese economy.

After a modest improvement in February, the final print for March confirmed a relapse in **industrial production**. The index has been trending down sharply since October, and fell 0.6% in March. Output slumped by 5.9% for non-ferrous products, while electronic parts, devices and general purpose machinery declined by 5.2% and 4.1% respectively. Shipments fell 1.3% while the inventory to shipment ratio increased another 1.6% to the highest since the Global Financial Crisis. Output declined 4.3% y/y.

While headline inflation largely reflects the gyrations of oil prices, core inflation continues to trend sideways between zero and 1.0% y/y. Headline **consumer prices** (CPI) edged up 0.1% (seasonally adjusted) in April, after two unchanged readings. Among the factors which helped push inflation up were rising prices for package holidays abroad ahead of the 10-day holiday, and higher gasoline prices. Food prices rose 0.7% after two monthly declines, while apparels and cost of entertainment increased 2.0% and 1.2% respectively. National core prices (which exclude fresh food products) and the new BoJ index (which excludes fresh food and energy) both rose 0.1%. Headline CPI inflation accelerated by 0.4 percentage points to 0.9% y/y, the highest since October. National core inflation also rose 0.1 percentage points to 0.9%, while excluding fresh food and energy, inflation picked up 0.2 percentage points to 0.6% y/y.

The monthly volatility of the series always makes it difficult to discern any 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 recent downtrend in orders. However, core orders jumped 3.8% in March, and along with a 1.8% increase earlier offset the 5.4% slump in January. Admittedly, the data does not take into account the recent developments in Sino-US trade negotiations; nonetheless it underpins some resilience in capital expenditure. Manufacturing orders fell by 11.4%, reflecting a 37.7% slump in public orders. Encouragingly, foreign orders were still positive, up by 9.0%. Meanwhile, non-manufacturing orders rose 13.4%. Overall orders fell 1.0% y/y.

Manufacturing activity is becoming a genuine cause for concern. The final **purchasing managers' index** was revised down 0.6 point from the preliminary reading to 49.6 in April, back into contraction territory and the lowest since mid-2016. Both output and new orders fell, while new export orders also continued to decline amid lower sales to China. Headwinds now risk pulling the country into a recession unless the service sector succeeds in offsetting the weakness.

Having reached a decade-high back in October, the **all industry activity index**—a reliable cyclical indicator—has now declined/stayed unchanged for five consecutive months. The index slipped 0.4% in March. Weakness was noted in both services and manufacturing this time, which dropped 0.4% and 0.6% respectively, while construction rose 0.3%. Activity was down 0.4% y/y, as a slump in manufacturing and modest drop in construction offset gain in services sector.

Financial Markets Review

In a speech this week, RBA Governor Lowe provided the strongest signal yet that an imminent rate cut is coming, noting that "A lower cash rate would support employment growth and bring forward the time when inflation is consistent with the target. Given this assessment, at our meeting in two weeks' time, we will consider the case for lower interest rates". The Aussie dollar unsurprisingly dipped by Australian stocks bucked global trends and rose.

Figure 4: RBA Easing Signal Sinks AUD But Lifts Local Stocks

Sources: Bloomberg

Equities: Another risk off week amid geopolitical uncertainties. Aussie stocks are the exception thanks to RBA.

Bonds: Bond yields decline across the board on tepid inflation and growth prospects.

Currencies: The Aussie dollar weakens following RBA's strongest easing signal to date.

Commodities: Oil sinks on global growth concerns while gold is little changed.

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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®	2828.07	-1.1%	12.8%	2.32	-7	-36	97.632	-0.4%	1.5%
Canada	TSE 300	16218.38	-1.1%	13.2%	1.64	-5	-33	1.3448	-0.1%	-1.4%
UK	FTSE®	7277.73	-1.0%	8.2%	0.96	-8	-32	1.271	-0.1%	-0.3%
Germany	DAX	12011.04	-1.9%	13.8%	-0.12	-1	-36			
France	CAC-40	5316.51	-2.2%	12.4%	0.28	0	-43	1.1203	0.4%	-2.3%
Italy	FTSE® MIB	20376.03	-3.5%	11.2%	2.55	-11	-19			
Japan	Nikkei 225	21117.22	-0.6%	5.5%	-0.07	-2	-7	109.41	-0.6%	-0.3%
Australia	ASX 200	6456.043	1.4%	14.3%	1.52	-12	-80	0.6917	0.7%	-1.9%

Commodity Markets

Commodity	Unit	Source	Last Price	%Ch Week	%Ch YTD	%Ch Yr Ago
Oil (Brent)	US $/Barrel	Bloomberg	68.14	-7.0%	28.2%	-13.0%
Gold	US $/troy oz	Bloomberg	1284.93	0.6%	0.2%	-1.5%

Source: Bloomberg®

Week in Review: Data Releases and Major Events (May 20–May 24)

Country	Release (Date, format)	Consensus	Actual	Last	Comments
Monday, May 20					
GE	PPI (Apr, y/y)	2.4%	**2.5%**	2.4%	Trending sideways.
JN	GDP (Q1, prelim, q/q)	-0.1%	**0.5%**	0.4%(↓r)	The details were very weak.
JN	Industrial Production (Mar, final, m/m)	-0.9%	**-0.6%**	0.7%	Trade tensions biting hard.
Tuesday, May 21					
US	Existing Home Sales (Apr, m/m)	2.7%	**-0.4%**	-4.9%	But homes are selling quickly.
Wednesday, May 22					
US	FOMC Meeting Minutes				Discussion of balance sheet composition.
CA	Retail Sales (Mar, m/m)	1.2%	**1.1%**	1.0%(↑r)	Solid gains two months running.
UK	CPI (Apr, y/y)	2.2%	**2.1%**	1.9%	Core eased a tenth to 1.8%.
UK	PPI Output (Apr, y/y)	2.3%	**2.1%**	2.2%(↓r)	Core unchanged at 2.2%.
JN	Core Machine Orders (Mar, m/m)	0.0%	**3.8%**	1.8%	But down slightly from a year earlier.
JN	Trade Balance Adjusted (Apr, ¥ bil.)	-37.5	**-110.9**	-154.3(↑r)	Exports fell for a fifth month.
Thursday, May 23					
US	Initial Jobless claims (May 18, thous)	215	**211**	212	Low and steady, which is good.
US	New Home Sales (Apr, thous)	670	**673**	723(↑r)	Pullback, but from cycle high.
US	Kansas Fed Manf. Activity (May)	6.0	**4.0**	5.0	Trade tensions show.
EC	Manufacturing PMI (May, prelim)	48.1	**47.7**	47.9	Disappointing.
EC	Services PMI (May, prelim)	53.0	**52.5**	52.8	Important that this holds.
GE	GDP (Q1, final, q/q)	0.4%	**0.4%**	0.4%	Split between domestic and external demand.
GE	IFO Business Climate (May)	99.2	**97.9**	99.2	Trade tensions show.
GE	Manufacturing PMI (May, prelim)	44.8	**44.3**	44.4	Hugely disappointing.
GE	Services PMI (May, prelim)	55.4	**55.0**	55.7	Important that this holds.
FR	Business Confidence (May)	105	**106**	106(↑r)	Trying to come back to life, but slow progress.
FR	Manufacturing PMI (May, prelim)	50.0	**50.6**	50.0	Trying to crawl back to life, but slow progress.
JN	Manufacturing PMI (May, prelim)	na	**49.6**	50.2	Disappointing.
Friday, May 24					
US	Durable Goods Orders (Apr, prelim)	-2.0%	**-2.1%**	1.7%(↓r)	Disappointing; trade tensions show.
UK	Retail Sales (Apr, m/m)	-0.3%	**0.0%**	1.2%	Can this last amid Brexit chaos?
JN	CPI (Apr, y/y)	0.9%	**0.9%**	0.5%	Driven by nondurables.
JN	All Industry Activity Index (Mar, m/m)	-0.2%	**-0.4%**	-0.2%	Fifth monthly negative or unchanged result.

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

Week in Preview: Releases and Major Events (May 27–May 31)

Country	Release (Date, format)	Consensus	Last	Comments
Monday, May 27 – Memorial Day In US				
JN	Leading Index (Mar, final)	96.3	97.1	
Tuesday, May 28				
US	FHFA House Price Index (Mar, m/m)	na	0.3%	
US	S&P CoreLogic 20-City Index (Mar, m/m)	0.6%	0.2%	
US	Consumer Confidence (May)	130.5	129.2	We see some downside risks here.
UK	Nationwide House Price (May, m/m)	0.0%	0.4%	
GE	GfK Consumer Confidence (Jun)	10.4	10.4	
FR	Consumer Confidence (May)	97	96	
JN	PPI Services (Apr, y/y)	1.1%	1.1%	This measure of inflation has held up.
Wednesday, May 29				
CA	BoC Monetary Policy Decision	1.75%	1.75%	Global concerns mount as domestic issues dissipate.
GE	Unemployment Rate (May)	4.9%	4.9%	
FR	GDP (Q1, final, q/q)	0.3%	0.3%	Signs of recovery following protest disruptions.
FR	CPI (May, prelim, y/y)	1.1%	1.3%	
FR	PPI (Apr, y/y)	na	1.9%	
FR	Consumer Spending (Apr, m/m)	0.4%	-0.1%	
IT	Consumer Confidence (May)	110.1	110.5	
Thursday, May 30				
US	Initial Jobless claims (May 25, thous)	---	211	
US	GDP (Q1, second, q/q saar)	3.1%	3.2%	Some further downgrade possible.
US	Pending Home Sales (Apr, m/m)	0.5%	3.8%	Housing is doing OK, lower rates help a lot here.
CA	Current Account Balance (Q1, C$ bil.)	na	15.5	
AU	Private Capital Expenditure (Q1, q/q)	0.5%	2.0%	Should follow the weak Q1 construction data.
Friday, May 31				
US	Personal Income (Apr, m/m)	0.3%	0.1%	We see downside risk here from weak hours data.
US	Personal Spending (Apr, m/m)	0.2%	0.9%	
US	Chicago PMI (May)	54.0	52.6	
US	U of M Consumer Sentiment (May, final)	101.5	102.4	Further erosion possible amid trade escalation.
CA	GDP (Q1, q/q saar)	0.7%	0.4%	Decent high frequency data bode well for a rebound.
UK	GfK Consumer Confidence (Jun)	-12	-13	How will the latest political developments impact this?
UK	Mortgage Approvals (Apr, thous)	63.5	62.3	
GE	CPI (May, prelim, y/y)	1.6%	2.0%	
GE	Retail Sales (Apr, m/m)	0.1%	0.0%(↑r)	
IT	GDP (Q1, final, q/q)	0.2%	-0.1%	
IT	CPI (May, prelim, y/y)	1.0%	1.1%	
JN	Unemployment Rate (Apr)	2.4%	2.5%	The labor market remains as tight as ever.
JN	Industrial Production (Apr, prelim, m/m)	0.2%	-0.6%	There might be a downward surprise.
JN	Retail Sales (Apr)	0.6%	0.2%	
JN	Consumer Confidence (May)	na	40.4	
AU	Private Sector Credit (Apr, m/m)	0.3%	0.3%	Has been pretty weak consistently.

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	1.4	1.3	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

	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	2.0	2.1	1.0	1.2	1.5	
UK	2.1	1.8	1.9	1.9	2.1	2.4	2.1	2.4	2.2	2.1
Eurozone	1.5	1.4	1.5	1.4	1.7	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	2.5
France	1.6	1.2	1.3	1.1	1.3	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	0.9	1.5	0.6	0.9	1.3	1.2
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	0.4	2.1	2.0	1.2	0.6	0.7
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	0.4	0.5	1.4	1.4	0.1	0.2	0.8
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				
	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	-0.5	0.0	-0.6			0.8	2.0	-0.2		
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		-2.5	-2.1	0.1	-0.8	
France	0.0	1.4	0.1	-0.9		-2.4	1.8	0.5	-0.9	
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		-1.0	0.7	-1.2	-2.8	

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	3.8		
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	5.1	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	-3.1	-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	7.6
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	4.3	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	-2.3	-2.5	-2.3	-1.5	

Source: Macrobond

Important Risk Discussion

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