Weekly Economic Perspectives

Weekly Highlights

- **Economies:** US labor market tightens despite slowing economic activity. Growth stalls in Canada. Service activity contracts in the UK. The unemployment rate declines in Italy. Business sentiment deteriorates in Japan. The RBA cuts again. (pages 2 – 5)
- **Markets:** Global stock markets retreat amid rising recession fears. Bonds gain on safe-haven demand and so does the yen. Oil plunges on demand fears, gold fluctuates to end little changed. (page 6)

Upcoming Highlights

- **Spotlight:** Fed minutes will garner attention given multiple dissents. We get important business and consumer sentiment updates in the US. Industrial production likely fell in Germany but might have grown in France. (page 8)

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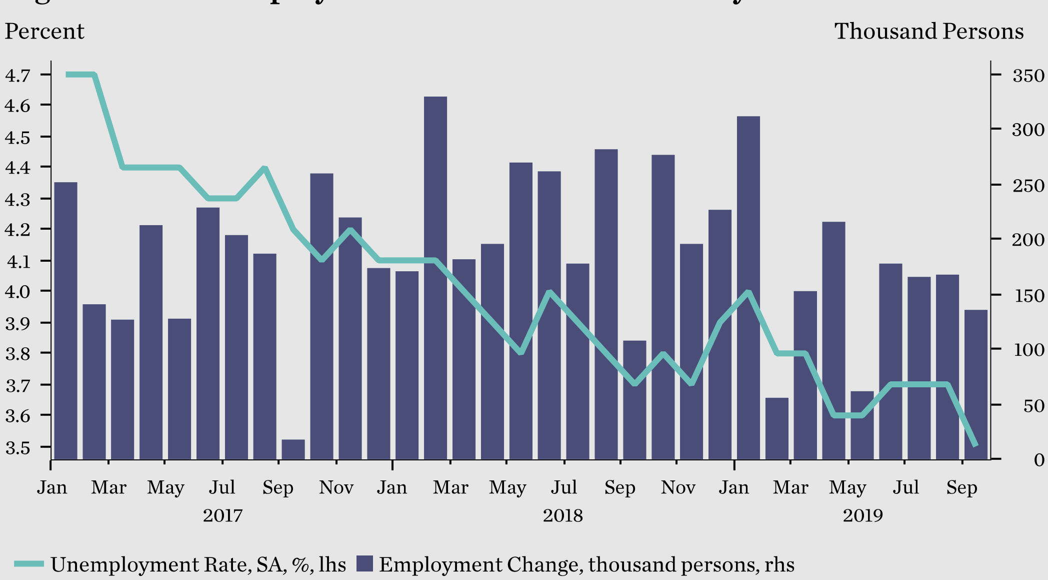
Contact Information

Simona Mocuta
Senior Economist
simona_mocuta@ssga.com
+1-617-664-1133

Kaushik Baidya
Economist
kaushik_baidya@ssga.com
+91-806-741-5048

Figure 1: US Unemployment Rate Hits Half-Century Low



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

STATE STREET GLOBAL ADVISORS

Week in Review

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Global manufacturing activity continues to contract. This has been going on for months in Europe and Japan, but the US only joined the fray in the last two months. The ISM manufacturing index retreated another 1.3 point in September to 47.8, the lowest level since June 2009. There was really nothing to cheer in the entire report as even the one positive (slight uptick in new orders component) was merely a matter of slower pace of deterioration rather than outright improvement (from 47.2 to 47.3). Output dropped 2.2 points to 47.3, suggesting a decline in manufacturing output in September (the GM strike already skews this lower). Elsewhere, the final reading on the manufacturing PMIs were incrementally better (though still dismal) in Germany (41.7) and the overall eurozone (45.7), but slightly worse in France (50.1). Updates for Italy and Spain showed further deterioration (47.8 and 47.7, respectively). Somewhat surprisingly, the UK index rose 0.9 point, albeit only to 48.3. But we noticed a sharp improvement in export orders, as well as better domestic orders; both bear watching as possible leading indicators of a bottom forming. The Japanese index, lost 0.4 point to 48.9, as initially reported. And the Australian index rose 1.6 points to a five-month high of 54.7.

Global **service activity** has so far been much more resilient, but it, too, is showcasing signs of fatigue. The US ISM non-manufacturing index plunged 3.8 points to 52.6. This was the worst monthly drop and lowest level since August 2016 (when it subsequently rebounded 4.0 points the following month). The details were weak, as new orders gave back all of August's gains and then some. But export orders rose a little and backlogs lengthened, suggesting that the activity pipeline may not be quite so weak. The employment metric lost 2.7 points and is now barely in expansion territory at 50.4. Meanwhile, the eurozone indexes exhibited more weakness than evident in the preliminary release. The regional index plunged 1.8 points to 51.6 in September, the lowest level since January. Unsurprisingly given the magnitude of the headline retreat, the details were weak, though it is encouraging that employment was little changed at 53.0. Germany and France led losses, down 3.4 and 2.3 points to 51.4 and 51.1, respectively, whereas Spain lost 1.0 to 53.3 and Italy rose 0.8 to 51.4.

US

After the ISM disappointments earlier in the week, the September **employment** helped bring the US data week to a more encouraging close. One would be hard pressed to claim this was a great release, but it was good enough given where we are in the business cycle and given escalating worries about an impending recession. The economy added 136,000 new jobs, which was 9,000 less than expected, but this was more than offset by a 45,000 net upward revision to the prior two months. This lifted the 3-month average to 156,700, second best since March (best was August). Private payrolls increased by 114,000, with the prior month revised notably higher to 122,000 from the originally reported 96,000. The government sector added 22,000. Goods producing industries added 5,000 jobs, with construction up 7,000 but manufacturing down 2,000. Services added 109,000, the least since May. Retail employment continues to shrink, down another 11,000, but we were encouraged by the 5,000 increase in trade/transportation as well as the 21,000 jump in leisure/hospitality. The latter was the sectors best print since March. Temporary help increased 10,000, the second sizable consecutive gain. Normally, a rise in temporary help is seen as a positive sign for future employment, unless one reads it to indicate firms' desire to retain flexibility in the deployment of labor resources and avoid making a full commitment by hiring permanent employees. It is unclear at this point what's driving the latest increase.

According to the household report, employment soared by 391,000 while unemployment declined by 275,000, lifting the labor force by 117,000 and keeping the participation rate unchanged at a twin cycle high of 63.2%. The unemployment rate declined two ticks to a new 50-year low of 3.5%. The number of people employed part time for economic reasons eased by 31,000, reducing the underemployment rate by three tenths to 6.9%, the lowest since December 2000.

After a big bounce in August, the **hours data** improved incrementally. But we actually found this very encouraging given the potential for a worse outcome given the weak ISM. Overall and manufacturing workweeks were unchanged. But the aggregate hours index rose 0.1%; the manufacturing index was unchanged. Firms do not appear to have a lot of slack labor resources (which might be a lead indicator for future layoffs or employment weakness). This seems to corroborate the increase in backlogs in the non-manufacturing ISM and we see it as a positive detail in the report.

After two upside surprises, the **wage data** came in weaker than expected in September. Total average hourly earnings were flat—versus expectations for a 0.2% gain. However, average hourly earnings for production and non-supervisory employees—a more homogeneous group—did increase 0.2%. The overall wage inflation slowed three ticks to 2.9% y/y, but the corresponding measure for production and non-supervisory employees only eased one tenth and only to 3.4% y/y. This divergence may reflect a differentiated impact from the trade war between large and small firms (large firms with global operations being more impacted by the trade war).

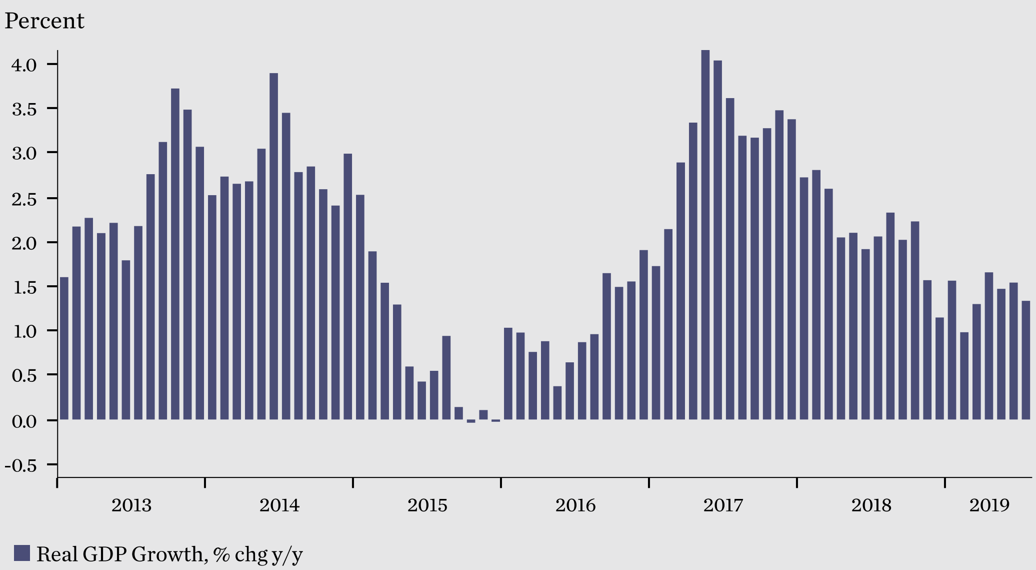
The combination of hours and wage data continues to support the "slowing but growing" narrative. Job growth is important in telling us about what happens in the labor market incrementally, but hours and wages tell us what is happening to those already employed. After all, the latter number some 150 million and are by far the more important drivers of overall consumer spending. The data suggest flattish wage and salary income for the month, but given the high savings rate at 8.1%, this should be sufficient to continue supporting consumption. **Motor vehicle sales** suggest the same. Sales rose 1.9% in September, building on August's 0.9% gain and essentially erasing July's 2.8% decline. This bodes well for the retail sales report on October 16th.

Factory orders have lost considerable momentum in recent months, recording three sizable declines since February. Admittedly, they stabilized a little since then, up 0.5% in June and 1.4% in July, but momentum fizzled in August, when orders eased 0.1%. The final print on durable goods orders confirmed the modest 0.2% rebound, but core orders (non-defense capital goods excluding aircraft) fell 0.4%, twice the initially reported rate. Manufacturing shipments were down 0.1% despite a 0.3% increase in core shipments. Inventories were flat, leaving the inventory-to-shipments ratio unchanged at 1.38 months, unchanged since May. Overall factory orders fell 1.9% y/y, core orders are down 0.4% y/y.

Canada

After a good run over the prior four months, real GDP growth stalled in July. The month was a tale of two sectors, as goods producing sectors contracted by 0.7% on broad weakness, whereas service industries grew 0.3%. GDP growth slowed to 1.3% y/y, the lowest since March. During the first seven months of 2019, the Canadian economy grew 1.4% y/y, which is in line with our full-year projection.

Figure 2: GDP Growth Moderates In Canada



Sources: Statistics Canada

UK

The final read on UK's **second quarter GDP** confirmed the earlier estimate of a 0.2% q/q decline, the first negative reading since 2012. Year-on-year growth remains positive at 1.3% In part, Q2 mirrored the unusual Q1: imports contracted by 13% from elevated levels driven by pre-Brexit stockpiling, while investment went back to negative and contracted by 0.9%. The more significant change came from export performance (both goods and services), which registered a 5.9% q/q decline (1.4% decline y/y). It remains to be seen whether the drop is induced more by global condition or by Brexit developments. There was support from the fiscal side and from household consumption, which grew 0.4 q/q. However, on a year-on-year basis, the household consumption slowed to 1.1%, the least since early 2012.

Service activity remains fragile. Indeed, having managed to hold above the neutral 50 level (dividing expansion from contraction), the **services PMI** index dropped 1.1 points to 49.5 in September, the lowest since March. The details were, understandably, soft. Incoming new business lost 1.6 to 49.3, and employment lost 2.5 points to 48.0. Prices (both paid and received) continue to rise, though the pace of gains moderated slightly for both. Brexit uncertainties likely will weigh on consumer and business sentiment for some time, but improved clarity on that front could also lead to some improvement in coming months.

House price dynamics remain under pressure amid Brexit uncertainty, with **Nationwide House Price Index** registering a 0.2% decline in September. Still, one could also argue that prices have held up better than might be expected given the circumstances. Prices were still up 0.2% y/y, having risen an average of 0.5% y/y during the first three quarters. Weakness has been concentrated in London and surrounding commuter regions.

Eurozone

The slow healing of ***Italy*'s labor market** was interrupted in late 2018 but, despite occasional hiccups, has broadly resumed since then. The unemployment rate retreated four tenths to 9.5% in August, reaching the lowest level since late 2011. Admittedly, this was more the result of a rise in the inactivity rate rather than rising employment, so it remains to be seen whether it can hold here next month.

Japan

Strong hiring continues in Japan, despite headwinds from global uncertainties and faltering domestic production. Despite a 0.2 percentage point (ppt) increase in the participation rate, the **unemployment rate** was unchanged at 2.2% in August, the lowest since the 1990s. Employment increased by 190,000 while the number of unemployed people was roughly unchanged. The male unemployment rate was unchanged at 2.4%, while the female unemployment rate ticked down 0.1 ppt to 2.0%. The jobs-to-applicant ratio—a measure of labor market tightness—remained at 1.59, having eased in the prior three months. Vacancies per applicant increased by 0.11 to 2.45. The labor market has held up very well so far, but may cool in coming months due to the drag from manufacturing. Meanwhile, prevailing tight conditions do not seem sufficient as yet to drive material wage inflation.

The preliminary **industrial production** report for August disappointed. Production declined a larger-than-expected 1.2%, leaving output down 4.7% y/y (worst since May 2015). The sectors that contributed to the decline in August were iron & steel, which slumped 4.7%, while machinery and motor vehicle production also fell 2.6% and 1.1% respectively. Shipments decreased by 1.4%, raising the shipment-to-inventory ratio by 2.8%. With retail sales picking up strongly before the tax hike, some of the inventories are likely to be cleared, but with global demand weakening, manufacturers will have to reduce output further in the near term.

The Bank of Japan's **Tankan survey of business conditions** for the third quarter dropped to the lowest in more than six years, amid receding global demand. Confidence among large manufacturing firms fell to 5 from 7, yet showed more resilience than the anticipated slide to 1. Weak domestic conditions have also hit medium and small manufacturing firms pretty hard, as the diffusion indices declined by 3 points each to 2 and -4 respectively, lowest in three years. Confidence among non-manufacturers also fell lesser than expected, by 2 points to 21. On the contrary, non-manufacturing firms fared much better. Confidence among large non-manufacturers fell lesser than expected, by 2 points to 21, while that for medium and small enterprises remained unchanged at 18 and 10. A similar phenomenon is observable in PMI data as well, with the services and manufacturing activity indicators diverging. Investment intentions were solid for large manufacturing firms, with an overwhelming bias towards upgrading existing technology. But overall capex intentions were lower, because of weakness among medium and smaller firms, especially with regards to land investment. Business activity is likely to get slower from here on, and given limited fiscal space BoJ will again be expected to do the heavy lifting come 2020.

Figure 3. Tankan Survey Shows Manufacturing vs. Services Divergence

Sources: Bank of Japan (BOJ)

August brought the first evidence of a spending surge ahead of the VAT tax hike in October. **Retail sales** jumped 4.8%, driven by an increase in discretionary spending, evident in the 8.0% increase in apparel; sales of general merchandise increased 5.7%. Sales in both department stores and supermarkets rose, by 7.7% and 2.9% respectively.

Australia

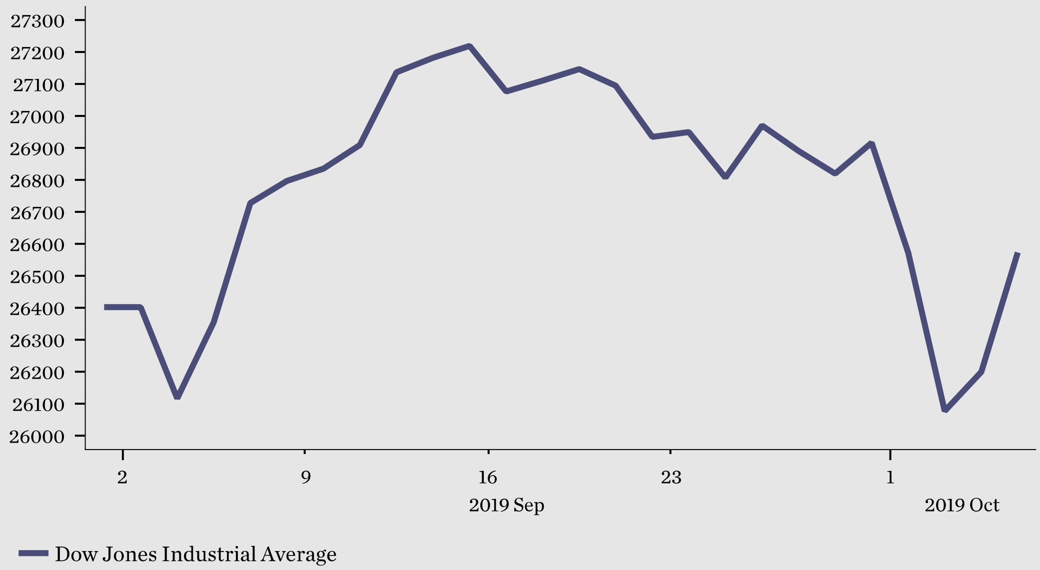
As expected, the **Reserve Bank of Australia** (RBA) cut the cash rate by a further 25 basis points to 0.75% in the October meeting. The rationale was, “to support employment and income growth and to provide greater confidence that inflation will be consistent with the medium-term target”. Risks remain tilted to the downside. The domestic economy assessment was positive, pointing to evidence of a “gentle turning point [...] with economic growth a little higher over the first half of this year than over the second half of 2018”. The primary concern remains “the outlook for consumption, with the sustained period of only modest increases in household disposable income continuing to weigh on consumer spending.” Other than the usual suspects, the labor market will also be key to the Bank’s future actions. “Forward-looking indicators of labor demand indicate that employment growth is likely to slow from its recent fast rate”, with our expectations being that the unemployment rate ends 2019 slightly higher than today. Wage inflation will also remained muted. The RBA appeared confident about a housing recovery on the horizon, noting “further signs of a turnaround in established housing markets, especially in Sydney and Melbourne.” We believe the Board will likely pause for the rest of the year, closely watching the impact of its 75 basis points worth of rate cuts so far.

Private sector credit growth remains weak. It rose just 0.2% in August and is only 2.9% higher than a year ago, the least since May 2013. Credit to owner-occupied housing rose 0.3%. Growth in housing credit should be bottoming out soon, as easing regulatory conditions lower interest rates should help. On the contrary, investor housing credit fell 0.1%, the second consecutive fall in over a year. Credit for other personal uses also declined 0.2%, the 14th consecutive decline. Business lending rose 0.2%.

Financial Markets Review

Global stock markets had a wild ride this week as incoming data sparked renewed concerns about an impending recession. Weak update on US manufacturing and service activity drove sharp equity declines mid-week before a decent jobs report (combined with rising expectations of further Fed rate cuts) helped cap losses on Friday.

Figure 4: Dow Jones Industrial Average



Sources: Macrobond,

Equities: Global stock markets retreat amid rising recession fears.

Bonds: Bonds gain on safe-haven demand.

Currencies: Safe-have demand also lifts the yen.

Commodities: Oil plunges on demand fears, gold fluctuates to end 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®	2952.01	-0.3%	17.8%	1.53	-15	-116	98.831	-0.3%	2.8%
Canada	TSE 300	16449.35	-1.5%	14.8%	1.23	-13	-73	1.3313	0.5%	-2.4%
UK	FTSE®	7155.38	-3.6%	6.4%	0.44	-6	-83	1.2333	0.3%	-3.3%
Germany	DAX	12012.81	-3.0%	13.8%	-0.59	-1	-83			
France	CAC-40	5488.32	-2.7%	16.0%	-0.28	0	-99	1.0976	0.3%	-4.3%
Italy	FTSE® MIB	21470.44	-2.5%	17.2%	0.83	1	-191			
Japan	Nikkei 225	21410.2	-2.1%	7.0%	-0.21	2	-21	106.91	-0.9%	-2.5%
Australia	ASX 200	6517.078	-3.0%	15.4%	0.89	-6	-143	0.6767	0.0%	-4.0%

Commodity Markets

Commodity	Unit	Source	Last Price	%Ch Week	%Ch YTD	%Ch Yr Ago
Oil (Brent)	US $/Barrel	Bloomberg	58.78	-4.7%	10.6%	-30.9%
Gold	US $/troy oz	Bloomberg	1504.04	0.5%	17.3%	25.3%

Source: Bloomberg®

Week in Review: Data Releases and Major Events (September 30–October 4)

Country	Release (Date, format)	Consensus	Actual	Last	Comments
Monday, September 30					
UK	GDP (Q2, final, q/q)	-0.2%(p)	**-0.2%**	0.5%	We already knew this.
GE	Unemployment Rate (Sep)	5.0%	**5.0%**	5.0%	Low and steady!
GE	CPI (Sep, prelim, y/y)	1.3%	**1.2%**	1.4%	Tepid.
GE	Retail Sales (Aug, m/m)	0.5%	**0.5%**	-0.8%(↑r)	Big favorable revision is important!
IT	Unemployment Rate (Aug, prelim)	9.7%	**9.5%**	9.9%	Encouraging.
IT	CPI (Sep, prelim, y/y)	0.6%	**0.4%**	0.4%(↓r)	Soft.
JN	Industrial Production (Aug, prelim, m/m)	-0.5%	**-1.2%**	1.3%	Disappoints again.
JN	Retail Sales (Aug, m/m)	2.4%	**4.8%**	-2.3%	Strong rebound before the tax hike.
AU	Private Sector Credit (Aug, m/m)	0.3%	**0.2%**	0.2%	Housing credit should be bottoming soon.
Tuesday, October 1					
US	ISM Manufacturing (Sep)	50.1	**47.8**	49.1	Sharp unexpected drop to mid-2009 levels.
CA	GDP (Jul, m/m)	0.1%	**0.0%**	0.2%	Stalling after recent strong run.
UK	Nationwide House Prices (Sep, m/m)	0.1%	**-0.2%**	0.0%	Resumed fall but still positive y/y
UK	Manufacturing PMI (Sep)	47.0	**48.3**	47.4	Unexpected rebound.
EC	Manufacturing PMI (Sep, final)	45.6(p)	**45.7**	47.0	Weak...
GE	Manufacturing PMI (Sep, final)	41.4(p)	**41.7**	43.5	Lowest reading since 2009!
FR	Manufacturing PMI (Sep, final)	50.3(p)	**50.1**	51.1	Barely, but at least still growing.
IT	Manufacturing PMI (Sep)	48.1	**47.8**	48.7	Weak...
JN	Unemployment Rate (Aug)	2.3%	**2.2%**	2.2%	Yet another dazzler.
JN	Tankan Large Mfg Index (Q3)	1	**5**	7	Bad, but not as bad as expected.
JN	Manufacturing PMI (Sep, final)	48.9(p)	**48.9**	49.3	Manufacturing malaise set to continue.
AU	RBA Monetary Policy Decision	0.75%	**0.75%**	1.00%	Wait and see.
Wednesday, October 2					
US	Total Vehicle Sales (Sep, mil.)	17.0	**17.2**	17.0	Bodes well for retail sales.
JN	Consumer Confidence Index (Sep)	36.5	**35.6**	37.1	Lowest in 8 years
Thursday, October 3					
US	Initial Jobless claims (Sep 28, thous)	215	**219**	213	Low, which is good.
US	Factory Orders (Aug, m/m)	-0.2%	**-0.1%**	1.4%	Down 1.9% y/y.
US	Durable Goods Orders (Aug, final, m/m)	0.2%(p)	**0.2%**	2.1%	Core orders fell 0.4%.
US	ISM Non-Manufacturing (Sep)	55.0	**52.6**	56.4	Very sharp drop!
UK	Services PMI (Sep)	50.3	**49.5**	50.6	Unexpected contraction
EC	Services PMI (Sep, final)	52.0(p)	**51.6**	53.5	Material softening.
GE	Services PMI (Sep, final)	52.5(p)	**51.4**	54.8	Sharp deceleration.
JN	Services PMI (Sep, final)	52.8(p)	**52.8**	54.8	Sizable drop.
Friday, October 4					
US	Change in Nonfarm Payrolls (Sep, thous)	145	**136**	168(↑r)	A good enough report, positive revisions.
US	Unemployment Rate (Mar)	3.7%	**3.5%**	3.7%	50-year low.
US	Trade Balance (Aug, $ bil.)	-54.5	**-54.9**	-54.0	Little change.
AU	Retail Sales (Aug, m/m)	0.5%	**0.4%**	-0.1%	Very welcome rebound.

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

Week in Preview: Releases and Major Events (October 7–October 11)

Country	Release (Date, format)	Consensus	Last	Comments
Monday, October 7				
US	Consumer Credit (Aug, $ bil.)	14.9	23.3	
GE	Factory Orders (Aug, m/m)	-0.4%	-2.7%	Important to watch in view of bad PMI data
JN	Leading Index (Aug, prelim)	91.7	93.7	
Tuesday, October 8				
US	Monthly Budget Statement (Sep, $ bil.)	82.5	-200.3	
US	NFIB Small Business Optimism (Sep)	102.5	103.1	Would be great to see this hold up.
US	PPI Final Demand (Sep, y/y)	1.8%	1.8%	
CA	Housing Starts (Sep, thous)	217.5	226.6	Encouraging, actually...
CA	Building Permits (Aug, m/m)	1.2%	3.0%	Encouraging, actually...
GE	Industrial Production (Aug, m/m)	-0.2%	-0.6%	Important to watch in view of bad PMI data.
IT	Retail Sales (Aug, m/m)	0.1%	-0.5%	Nothing great here...
JN	Labor Cash Earnings (Aug, y/y)	-0.2%	-1.0%(↓r)	Can help indicate inflation dynamics
AU	NAB Business Confidence (Sep)		1	
Wednesday, October 9				
US	FOMC Meeting Minutes			Should make for interesting read give dissents....
US	JOLTS Job Openings (Aug, thous)	7,265	7,217	Labor demand pipeline is still strong...
FR	Bank of France Ind. Sentiment (Sep)	99	99	
Thursday, October 10				
US	Initial Jobless claims (Oct 5, thous)	215k	219k	So far so good...
US	CPI (Sep, y/y)	1.9%	1.7%	Watch the core measure, now at cycle high 2.4% y/y.
UK	Industrial Production (Aug, m/m)	0.0%	0.1%	
FR	Industrial Production (Aug, m/m)	0.3%	0.3%	Can it continue to outperform?
IT	Industrial Production (Aug, m/m)	0.1%	-0.7%	Can it stabilize?
JN	PPI (Sep, y/y)	-1.1%	-0.9%	
JN	Core Machine Orders (Aug, m/m)	0%	-6.6%	
Friday, October 11				
US	Import Prices (Sep, y/y)	-2.1%	-2.0%	
US	U of M Cons. Sentiment (Oct, prelim)	92.3	93.2	Consumer confidence is very important at this point.
CA	Unemployment Rate (Sep)	5.7%	5.7%	Employment gains set to slow sharply.
GE	CPI (Sep, final, y/y)	1.3%(p)	1.4%	Will poor economic dynamics be reflected here?

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

Economic Indicators

Central Bank Policy Targets

		Year/Year % Change in Target				
		Apr	May	Jun	Jul	Aug
US	Target: PCE price index 2.0% y/y	1.5	1.4	1.4	1.4	1.4
Canada	Target: CPI 2.0% y/y, 1.0%-3.0% control range	2.0	2.4	2.0	2.0	1.9
UK	Target: CPI 2.0% y/y	2.1	2.0	2.0	2.1	1.7
Eurozone	Target: CPI below but close to 2.0% y/y	1.7	1.2	1.3	1.0	1.0
Japan	Target: CPI 2.0% y/y	0.9	0.7	0.7	0.5	0.3
Australia	Target Range: CPI 2.0%-3.0% y/y	1.6	1.6	1.6		

Source: Macrobond

Key Interest Rates

	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19
US (top of target range)	2.25	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.25	2.00
Canada (Overnight Rate)	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
UK (Bank Rate)	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Eurozone (Refi)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Japan (OCR)	-0.06	-0.06	-0.06	-0.05	-0.06	-0.07	-0.06	-0.08	-0.07	-0.06	-0.06
Australia (OCR)	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.28	1.02	1.00	1.00

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				
	May	Jun	Jul	Aug	Sep	Apr	May	Jun	Jul	Aug
US	1.8	1.6	1.8	1.7		2.4	1.8	1.7	1.7	1.8
Canada	2.4	2.0	2.0	1.9		1.7	0.4	-1.7	-1.7	-1.0
UK	2.0	2.0	2.1	1.7		2.1	1.9	1.6	1.9	1.6
Eurozone	1.2	1.3	1.0	1.0		2.6	1.6	0.7	0.1	-0.8
Germany	1.4	1.6	1.7	1.4	1.2	2.5	1.9	1.2	1.1	0.3
France	0.9	1.2	1.1	1.0	0.9	1.9	0.8	-0.1	-0.3	-0.7
Italy	0.8	0.7	0.4	0.4	0.4	2.1	1.5	0.9	-0.7	-1.4
Japan	0.7	0.7	0.5	0.3		1.3	0.7	-0.2	-0.6	-0.9
Australia	1.6	1.6				2.0	2.0	2.0		

Source: Macrobond

Economic Indicators

Real GDP Growth (Q/Q Seasonally Adjusted)

	Quarter/Quarter % Change					Year/Year % Change				
	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19
US	0.9	0.7	0.3	0.8	0.5	3.2	3.1	2.5	2.7	2.3
Canada	0.6	0.5	0.1	0.1	0.9	1.8	2.0	1.6	1.4	1.6
UK	0.5	0.6	0.3	0.6	-0.2	1.3	1.6	1.5	2.1	1.3
Eurozone	0.4	0.2	0.3	0.4	0.2	2.3	1.7	1.2	1.3	1.2
Germany	0.4	-0.1	0.2	0.4	-0.1	2.1	1.1	0.6	0.9	0.4
France	0.2	0.3	0.4	0.3	0.3	1.9	1.5	1.2	1.3	1.4
Italy	0.0	-0.1	-0.1	0.1	0.0	1.0	0.5	0.0	-0.1	-0.1
Japan	0.5	-0.5	0.4	0.5	0.3	1.4	0.2	0.3	1.0	0.8
Australia	0.7	0.3	0.1	0.5	0.5	3.1	2.6	2.2	1.7	1.4

Source: Macrobond

Industrial Production Index (M/M Seasonally Adjusted)

	Month/Month % Change					Year/Year % Change				
	Apr	May	Jun	Jul	Aug	Apr	May	Jun	Jul	Aug
US	-0.6	0.2	0.1	-0.1	0.6	0.7	1.8	1.1	0.5	0.4
Canada	0.9	0.4	-0.4	-1.3		2.0	2.1	1.1	-1.1	
UK	-3.1	1.2	-0.1	0.1		-1.4	0.5	-0.6	-0.9	
Germany	-2.0	0.1	-1.1	-0.6		-2.8	-4.5	-4.8	-4.2	
France	0.5	2.0	-2.3	0.3		1.0	3.9	-0.1	-0.2	
Italy	-0.8	1.0	-0.3	-0.7		-1.4	-0.7	-1.3	-0.5	
Japan	0.6	2.0	-3.3	1.3	-1.2	-1.6	0.1	-2.2	-1.1	-2.0

Source: Macrobond

Unemployment Rate (Seasonally Adjusted)

	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19
US	3.7	3.9	4.0	3.8	3.8	3.6	3.6	3.7	3.7	3.7	3.5
Canada	5.6	5.6	5.8	5.8	5.8	5.7	5.4	5.5	5.7	5.7	
UK	4.0	3.9	3.9	3.8	3.8	3.8	3.9	3.8			
Eurozone	7.9	7.9	7.8	7.8	7.7	7.6	7.6	7.5	7.5	7.4	
Germany	5.0	5.0	5.0	5.0	4.9	4.9	5.0	5.0	5.0	5.0	5.0
France	8.9	8.9	8.8	8.6	8.6	8.5	8.5	8.5	8.5	8.5	
Italy	10.5	10.4	10.4	10.4	10.1	10.0	9.9	9.7	9.8	9.5	
Japan	2.5	2.4	2.5	2.3	2.5	2.4	2.4	2.3	2.2	2.2	
Australia	5.1	5.0	5.1	4.9	5.1	5.2	5.2	5.2	5.2	5.3	

Source: Macrobond

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

	Q4-16	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19
US	-2.2	-2.2	-2.5	-2.0	-2.3	-2.3	-2.1	-2.4	-2.8	-2.6	-2.4
Canada	-1.9	-2.5	-2.6	-3.1	-3.0	-3.0	-2.8	-1.8	-3.0	-3.0	-1.1
UK	-4.0	-3.2	-4.0	-3.4	-3.3	-3.4	-4.4	-4.3	-5.1	-6.0	-4.6
Eurozone	3.1	3.2	1.5	4.1	3.6	3.6	3.2	2.7	2.9	3.2	1.9
Germany	8.0	8.3	6.9	8.6	8.6	8.4	7.6	6.5	7.4	7.8	7.5
France	-0.7	-1.3	-0.7	-0.7	-0.3	-0.3	-1.5	-0.4	-0.4	-0.6	-0.6
Japan	4.1	4.3	3.7	4.6	4.2	3.6	4.0	3.4	3.1	3.4	3.5
Australia	-1.5	-1.5	-2.5	-2.8	-3.5	-2.2	-2.7	-2.2	-1.4	-0.2	1.2

Source: Macrobond

Important Risk Discussion

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