Weekly Economic Perspectives

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Weekly Highlights

- **Economies:** Industrial output declines in the US. Canadian inflation remains near target. UK labor market is still healthy. Industrial production improves in the eurozone. Japanese inflation remains muted. Employment expands in Australia. (pages 2 – 7)
- **Markets:** Mixed performance with most equity markets up but FTSE down on appreciating sterling. Bond yields widen modestly on Brexit hopes and mixed data. Euro and sterling strengthen on Brexit deal, with dollar lowest since late August. Oil falls further while gold is little changed. (page 8)

Upcoming Highlights

- **Spotlight:** Mme. Lagarde will preside over her first policy meeting as ECB Governor. The contraction in eurozone manufacturing activity may moderate, while service activity should continue expanding. (page 10)

Tables

Figure 1: US Industrial Production Contracts

Sources: Federal Reserve

STATE STREET GLOBAL ADVISORS

Week in Review

US

Industrial production has softened amid sluggish global demand and trade uncertainties, compounded recently by the GM strike. Output declined 0.4% in September, with manufacturing down 0.5%. The sting was somewhat mitigated by a two-tenth upward revision to August data, now showing an even larger 0.8% increase. Excluding motor vehicles and parts, output declined a more modest 0.2%. Mining production, which has been quite volatile lately, declined 1.3%, while utilities managed a 1.4% gain. Industrial production ticked down 0.1% y/y, for the first y/y decline since November 2016, while manufacturing fell 0.9% y/y. Capacity utilization relapsed four tenths to 77.5%. While there is no denying the loss of momentum in the industrial sector over the last few months, the current downturn is still notably milder than the 2015-16 episode. The question, of course, is what comes next; and that is highly dependent on the uncertain future evolution of the trade war.

The **Empire Fed manufacturing survey**—the first of the regional Fed manufacturing surveys to be released for October—came in slightly better than expected, up three points to 4.0. Unsurprisingly given the modest improvement, the details were mixed. There was a clear pick-up in activity during the month as evidenced by the 7.2-point jump in shipments (to five-month high) and the 6.6-point jump in the employee workweek (to 13-month high) but given that new orders were unchanged, this simply put a big dent in the pipeline of work (the unfilled order measure dropped 9.9 points to a four-month low). Therefore, without a pick-up in orders, the improvement in activity is unlikely to last. Still, the better shipments and hours data are positive for October manufacturing production, though we will need to see how the other regional surveys performed before we can really gauge overall national performance.

Meanwhile, the **Philly Fed survey** was much better than what the 6.4-point drop in the headline would suggest Indeed, most of the forward looking details (which—unlike in the ISM survey—are independent of the headline) were surprisingly strong. In particular, we were struck by the 17.1 point surge in the employment component to a new record of 32.9. We also noticed the slight improvement in new orders (to a 17-month high) and unfilled orders (to a 23-month high). By contrast, the inventories and prices paid measures softened noticeably, while prices received eased modestly.

After a bad stumble in December and a wobbly start to the year, **retail sales** have since rebounded. Admittedly, nominal sales unexpectedly declined 0.3% in September, which marked the weakest print since February. But, as with the IP release, this disappointment was partly mitigated by a two-tenth upward revision to August data, now indicating a 0.6% gain. While disappointing, given the details of the September consumer price inflation, we suspect that the soft retail sales print during the month was more a function of lower prices than lower volumes. September performance was driven by weakness in motor vehicle sales (-0.9%), building materials (-1.0%) and at gasoline stations (-0.7%). Excluding autos, sales were down just 0.1%; excluding autos and gas, they were flat. Clothing (+1.3%) and furniture (+0.6%) contributed positively. Non-seasonally adjusted sales increased 3.8% y/y while control sales rose 4.7% y/y.

After a bout of extreme volatility at the start of the year, the housing market has since stabilized and even appeared to be improving in the recent months. However, the September data was quite disappointing. **Starts** fell 9.4% to 1,256,000 (annualized) in September from an upwardly revised 1,386,000 in August (which was the highest level since 2007). The report was influenced by a large 28.2% decline in the volatile multi-family starts. Single-family starts, which constitute a much higher share of housing rose 0.3%, the fourth consecutive increase. This is an encouraging trend and worth watching, especially in light of the volatility in multi-family sector.

A similar dynamic is apparent in **building permits**—a leading indicator of starts. They retreated 2.7% in September on a 8.2% drop in multi-unit permits, but single family permits rose incrementally for the fifth consecutive gain. Moreover, having flat-lined close to the 1,300,000 (annualized) level for most of this year, they appear to have taken a step higher recently on the back of lower interest rates, Indeed, even the September pullback left them at 1,387,000 (annualized), which was the second highest level in eighteen months.

Homebuilder sentiment has been healing following the acute deterioration episode late last year, and is currently close to the 2017-2018 highs. The **National Association of Homebuilders' (NAHB) index** jumped 3.0 points to 71 in October, tad below the high of 74 recorded in December 2017. Prospective buyer, current sales, and expected sales all rose to their best levels since mid-2018. NAHB however noted that “builders continue to remain cautious due to ongoing supply side constraints and concerns about a slowing economy”.

The latest **Beige Book** noted that the economy had expanded at a “slight to modest pace” since the prior report, backed by strength in private consumption. Upbeat spending was evident in robust sales for both non-auto retail sales and sales of light vehicles. Tourism and travel-related spending was up modestly. On the contrary, manufacturing continued to edge lower, possibly due to trade related uncertainties and slowdown in global growth. Many businesses have lowered their outlooks for the next year, with companies in the Midwest and Great Plains particularly downbeat. Agricultural conditions deteriorated further, due to adverse weather, weak commodity prices, and trade disputes. Labor market conditions remain solid, amid tightness across skill levels and occupations. Wage growth has been steady, with retail and hospitality, and technical sectors facing upward pressure. Consumer inflation was “modest”, with both retailers and manufacturers noting rising input costs, often for items subject to new tariffs.

Unemployment claims continue to hover at very low levels historically. **Initial unemployment claims**—a measure of job shedding—rose by 4,000 but only to a low 214,000 in the week ending October 12. Continuing claims—a measure of unemployment—retreated by 10,000 to 1,679,000, extremely low historically.

Business inventories were unchanged in August. Manufacturing inventories were flat, while retailers’ inventories fell by 0.1% and wholesalers’ inventories increased 0.2%. Sales rose 0.2%, matching July’s increase, leaving the inventory-to-sales ratio unchanged at 1.40 months. This level has been reached several times in recent months but is otherwise the highest since late 2016.

The **index of leading economic indicators** trended sharply higher from late 2016 to mid-2018 but has since flat-lined. It took a step lower in September, when it declined 0.1%; the August reading was also revised down to -0.2%. The details were mixed-to-soft as some of the largest positive contributions came from financial-type indicators such as credit and stock prices, whereas building permits and the ISM new orders were the largest detractors.

Canada

Headline **consumer price inflation** was unchanged at 1.9% y/y in September, having reached a seven month high of 2.4% y/y back in May. Gasoline prices slumped 10.0% y/y which was offset by higher for food (3.7%), shelter (2.3%) and passenger vehicles (+3.4%). Measures of core inflation accelerated by 0.1 percentage points each, with the weighted median at 2.2% y/y, trimmed mean at 2.1% y/y, and the common component at 1.9% y/y. On a monthly basis, prices declined 0.4%, following a 0.1% decline in August. Headline inflation has been subdued in the third quarter due to lower oil prices, but the fact that core measures have been close to the inflation target is likely to induce the Bank of Canada to maintain its current monetary policy stance for the rest of the year.

Nominal **manufacturing sales** have been pretty volatile lately. August sales rose 0.8% to C$57.6 billion following two moderate monthly declines. Sales for transportation equipment increased 2.8%, with motor vehicle sales rebounding 2.6% after two monthly falls. Sales also increased in the fabricated metal (+3.6%) and plastics and rubber product (+2.8%) industries. Petroleum and coal sales decreased for the third consecutive month, falling 1.7%. Inventories rose 0.5%, lowering the inventory to sales ratio to 1.54 from 1.55 earlier. New orders increased 6.1%, due to increase in orders of aerospace product and parts. The capacity utilization rate rose 1.9 percentage points to 79.4%. Real sales increased by 0.6%, reflecting higher volumes of goods sold.

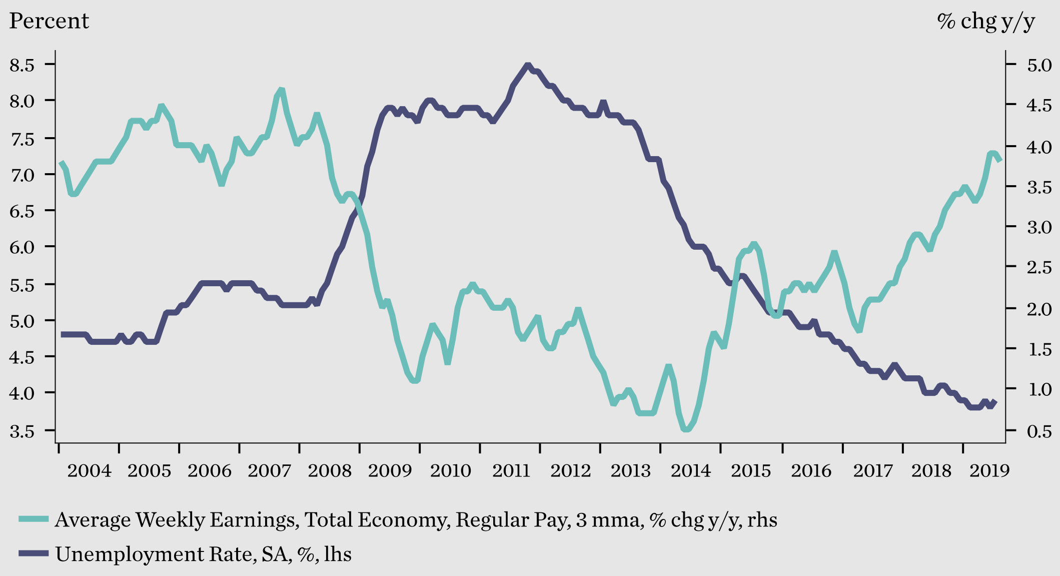
The recovery in **existing home sales** slowed a little in September as sales rose less than expected. According to data from the Canadian Real Estate Association (CREA) sales rose just 0.6% m/m in September, less than the anticipated 2.0%. Notwithstanding, this was the seventh month of positive outcome, and raised sales figures 18% above the six year low reached in February. New homes listed for sale edged down 0.6%, which along with the small increase in sales caused the sales-to-new listings ratio (a measure of market tightness) to tighten to 61.3%. The Aggregate Composite MLS Home Price index rose 0.5% in September, and was up 2.3% over the past four months. Markets in British Columbia led gains in both sales and prices.

It seems the underlying downtrend in Canadian house prices has recently given way to an uptrend. Admittedly, the 11-City **Teranet house price index** only rose 0.1% in September, but the rise would have been higher if we strip away seasonal adjustments. A similar phenomenon was observed in August, which suggests we might soon see more pronounced gains in house prices. Seasonally unadjusted prices increased by 0.1% in Toronto, while prices in Montreal were 1.0% higher, the ninth rise in ten months. Vancouver home prices fell 0.5%. Overall prices increased by 0.7% y/y.

UK

The labor market remains healthy overall but there has been some erosion over the summer months. **Employment** declined by 56,000 in June-August, compared to a 28,000 gain in March-April, and below expectations of a modest gain. Meanwhile, unemployment rose by 20,000 over the same three-month period, pushing the International Labor Organization (ILO) unemployment rate back up a tick to 3.9%. The claimant count unemployment rate was unchanged at 3.3%. The most recent labor market erosion is notable but not surprising given heightened political uncertainty and deteriorating signals from the employment component of purchasing managers' indexes. We are still weary of concluding that it necessarily portends a serious and lasting deterioration in broad labor market conditions since there have been several such slowdown episodes in the past that have subsequently given way to renewed improvement. For instance, a similar print in October 2017 was followed by a strong rebound in the subsequent six months. Meanwhile, wage inflation is holding close to cycle highs. Overall average weekly earnings increased 3.8% y/y in June-August, with regular pay (excluding bonuses) posting a similar gain. Most importantly for consumer spending, real weekly earnings increased 1.9% y/y, the second best print since late 2015. This should continue supporting household consumption and provide a much needed anchor for broader economic growth. Still, job growth probably doesn't have much room to run without a favorable resolution to Brexit, as evidenced by the fact that vacancies have now fallen for eight straight months since February. There are 1.6 unemployed people for each vacancy.

Figure 2: UK Labor Market Dynamics Remain Favorable



Sources: UK Office of National Statistics (ONS)

In contrast to wage inflation, **consumer price inflation** in the UK appears to be weakening, with inflation stuck at 1.7% y/y for the second month in a row and 0.1% m/m growth. That said, core inflation actually accelerated mildly from 1.5% y/y in August to 1.7% in September, particularly on recreational services and communication; while regulated prices such as transport and utilities pushed inflation down.

After a fall in August, **real retail sales** were flat in September. After an exceptional first quarter and a strong June and July, sales appear to be slowing, but have once again beaten analysts' expectations of a 0.2% decline. Year-on-year, the number is still quite strong at 3.1%, perhaps supported by strong wage dynamics. Growth continued to be dominated by non-store retailing (mostly online), which grew by almost 14% y/y.

Eurozone

There was nothing particularly great about the August **industrial production** (excluding construction) update for the ***eurozone***, but given the dismal string of recent data, the 0.4% improvement was nonetheless welcome. Even so, earlier weakness means that workday adjusted activity remains 2.8% below year-earlier levels. Output declined 1.3% y/y on average during the first eight months of 2019, compared with a 2.1% increase during the same period of 2018.

Italian **industrial activity** showed mild signs of stabilization, but the overall picture is still quite bleak. New orders recovered in May by 1.1%, driven by both domestic and foreign markets, but sales continued to fall with a -0.3% m/m print. Year-on-year, new orders declined by 6.7% (worst since June 2012), including a 14.0% fall in non-domestic orders. Sales declined by 2.2% y/y.

German investor confidence deteriorated sharply over the summer months, with the **Zew Index** hitting a seven-and-a-half year low in August. It subsequently improved noticeably in September and held closer to that level in October, offering some hope that German business activity is stabilizing. However, it remains too soon to draw any conclusions and the measure remains highly vulnerable to ongoing trade and geopolitical developments: Brexit hurts here, too, not just in the UK!

We now have more color on **inflation** dynamics in ***Eurozone***, after the release of final French CPI numbers for September and hence the full Eurozone number. Inflation in the euro area accelerated to 0.2% m/m, but the y/y number slowed down to a mere 0.8% - lowest since November 2016, slightly below the preliminary reading, partly due to the continuing effects of large slide in July. ECB's preferred measure of core inflation which excludes energy, food, alcohol, and tobacco was more resilient with 0.4% m/m growth and 1% y/y growth – very much in line with the past 12 months. As a matter of fact, energy prices which account for most of the differences were flat m/m in September.

In ***France*** specifically, prices declined by 0.3% on continued deflation in manufacturing goods, which corresponded to 0.9% y/y number – similar to the summer months. In contrast to manufacturing, service inflation picked up to 1.3% y/y, notably in communications. French CPI inflation peaked in July-August 2018, then retreated and stabilized around 1% y/y. Core inflation also came out at 0.9% y/y.

Japan

Headline inflation had been gently trending higher since mid-2016, but has stalled since October 2018. Headline **consumer prices** (CPI) were unchanged (seasonally adjusted) in September, having maintained this flat trajectory throughout the year. The main detractors were entertainment, which slumped 1.9%, and transport/communication, which fell 0.7%. Fresh food prices were higher by 4.7%, and apparel prices rose 4.1%. National core prices (which exclude fresh food products) slowed 0.1% and the new BoJ index (which excludes fresh food and energy) were unchanged. Headline inflation rose just 0.2% y/y, lowest in seven months. National core inflation also retreated two tenths to 0.3% y/y, the lowest since April 2017, while excluding fresh food and energy, inflation edged down 0.1 percentage points to 0.5% y/y. It appears that this fall in inflation has further to run, especially due to the proposed tax hike implementation in October, and increase pressure on the Bank of Japan to act.

The services industry in Japan seems to be doing just fine. The **tertiary industry activity index** climbed 0.4% to 107.3 in August, a record high. The highest contribution came from increased activity in the retail sector, which rose 4.0%, while utilities also increased by 6.5%. The finance and insurance sector also rose 1.2%. This was partially offset by wholesale trade (-1.3%) and business related services (-1.6%).

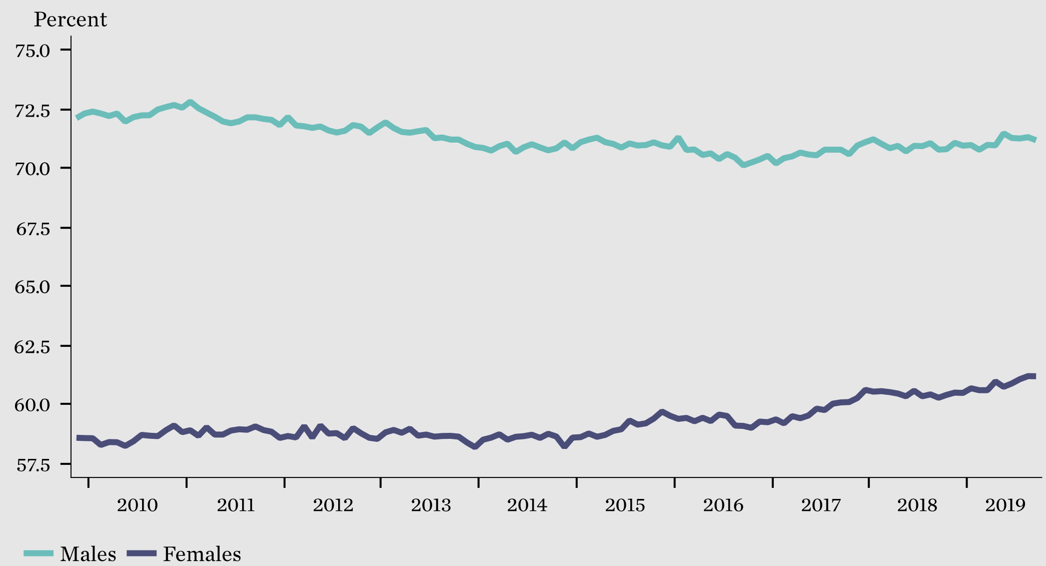
Australia

In the minutes to the October 1st meeting, the **Reserve Bank of Australia** (RBA) maintained that trade and technology disputes were posing significant headwinds to global growth, but also sounded optimistic about the resilient services sector and strong labor market conditions in advanced economies. Despite year ended growth slowing to 1.4% in the second quarter, the Board noted that “there had been a pick-up in quarterly GDP growth over the first half of 2019 compared with the second half of 2018.” There is yet no evidence of a feedback from lower interest rates and tax offset payments in household consumption, with consumer sentiment surveys still failing to improve. There are green shoots in housing market though, as prices increased further in Sydney and Melbourne, and auction clearance rates high in both the cities. Employment growth had been strong, but it had been met with equally strong supply. All in all, RBA expects employment growth to “moderate over the subsequent few quarters”. Members were cognizant of the implications for low interest rates on financial stability, noting “that the housing market and other asset prices might be overly inflated by lower interest rates.”

The minutes indicate that the RBA is closely watching the repercussions to its cumulative 75 basis points cut earlier. The most notable change in the minutes was that the Board is “prepared to ease monetary policy further” as opposed to “would ease monetary policy further”, which signals that they might be on pause for the rest of this year. We still feel a further cut of 25 basis points will be needed at the start of 2020, if domestic conditions do not clearly improve.

Australia delivered yet another decent jobs report, though gains in **employment** were below the figures recorded over the past two months. Encouragingly, full time jobs increased by 26,200, pulled back by an 11,400 decline in part time employment. The participation rate fell 0.1 percentage points to 66.1%, which brought the unemployment rate down one tenth to 5.2%. The fall in participation was due to lower engagement from males, while the female participation rate was steady. Despite this, male unemployment rate actually increased to 5.4%, due to a 6,700 decline in employment. The underemployment rate fell two tenths to 8.3%, and the underutilization rate fell 0.3 percentage points to 13.5%. We expect the labor market to tighten further for a while longer, potentially adding to wage pressures, and giving the RBA confidence to retain the current monetary policy stance for the remainder of this year.

Figure 3. Australia's Female Labor Force Participation In Uptrend



Sources: Australian Bureau of Statistics

The **NAB index of business confidence** has been pretty volatile lately, but the six-month moving average suggests a clear downtrend. The index dropped 1.4 points to -0.3 in August, the lowest since July 2013. Business conditions however, rose 1.0 point to 1.6, still at the lowest since late 2014. The underlying details were not as gloomy though, with trading, profitability and employment all registering gains. The capacity utilization rate however, fell 0.2 percentage points to 81.9%. The quarterly business conditions index ticked up 1 point to +1 in Q3, while business confidence fell sharply to -2. According to NAB, "there are tentative signs that the trend decline in business conditions since mid-2018 has slowed, but conditions remain below average with only a small increase in Q3".

Financial Markets Review

The Brexit deal sent both the euro and the pound soaring, leading to 0.8% fall in dollar index. US market withstood the mixed releases, but some the European markets (notably France) jittered on problems in the auto sector. Meanwhile, government bond yields began to slightly reverse the multi-week fall.

Figure 4: EUR And GBP Rally On Brexit Deal Progress

Bank of England, USD per GBP — ECB, USD per EUR

Sources: ECB (European Central Bank), Bank of England

Equities: Mixed performance with most markets up but FTSE down on appreciating sterling.

Bonds: Bond yields widen modestly on Brexit hopes and mixed data.

Currencies: Euro and sterling strengthen on Brexit deal, with dollar lowest since late August.

Commodities: Oil falls further 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®	2993.34	0.8%	19.4%	1.74	1	-95	97.364	-1.0%	1.2%
Canada	TSE 300	16420.32	0.0%	14.6%	1.55	3	-42	1.3133	-0.5%	-3.7%
UK	FTSE®	7150.57	-1.3%	6.3%	0.71	1	-57	1.2894	1.8%	1.1%
Germany	DAX	12633.6	1.0%	19.6%	-0.38	6	-62			
France	CAC-40	5636.25	-0.5%	19.1%	-0.08	5	-79	1.1157	1.0%	-2.7%
Italy	FTSE® MIB	22321.77	0.7%	21.8%	0.92	-2	-182			
Japan	Nikkei 225	22492.68	3.2%	12.4%	-0.13	5	-13	108.46	0.2%	-1.1%
Australia	ASX 200	6649.684	0.6%	17.8%	1.10	9	-122	0.6848	0.8%	-2.9%

Commodity Markets

Commodity	Unit	Source	Last Price	%Ch Week	%Ch YTD	%Ch Yr Ago
Oil (Brent)	US $/Barrel	Bloomberg	59.19	-2.1%	11.3%	-25.4%
Gold	US $/troy oz	Bloomberg	1491.2	0.1%	16.3%	21.7%

Source: Bloomberg®

Week in Review: Data Releases and Major Events (October 14–October 18)

Country	Release (Date, format)	Consensus	Actual	Last	Comments
Monday, October 14					
US	Empire Manufacturing (Oct)	1.0	**4.0**	2.0	Mixed.
EC	Industrial Production (Aug, m/m)	0.3%	**0.4%**	-0.4%	Still down 2.8% y/y.
Tuesday, October 15					
CA	Existing Home Sales (Sep, m/m)	2.0%	**0.6%**	1.4%	Going strong.
UK	ILO Unemployment Rate (Aug)	3.8%	**3.9%**	3.8%	Near cycle low.
UK	Average Weekly Earnings (Aug, m/m)	4.0%	**3.8%**	3.9%(↓r)	Near cycle high.
GE	ZEW Investor Expectations (Oct)	-26.4	**-22.8**	-22.5	Trying to stabilize but needs policy clarity.
FR	CPI (Sep, final, y/y)	0.9%(p)	**0.9%**	1.0%	Stable in the past months
JN	Industrial Production (Aug, final, m/m)	-1.2%(p)	**-1.2%**	1.3%	Manufacturing woes continue.
JN	Tertiary Industry Index (Aug, m/m)	0.6%	**0.4%**	0.1%	Services seem to be doing fine.
AU	RBA Meeting Minutes				Signals pause for this year.
Wednesday, October 16					
US	Fed Beige Book Report				Activity remains modest.
US	Retail Sales Advance (Sep, m/m)	0.3%	**-0.3%**	0.6%(↑r)	Real activity remains robust.
US	NAHB Housing Market Index (Oct)	68	**71**	68	Highest since February 2018.
US	Business Inventories (Aug, m/m)	0.2%	**0.0%**	0.3%(↓r)	Stocks at retailers weaker than expected.
CA	CPI (Sep, y/y)	2.0%	**1.9%**	1.9%	Close to target.
UK	CPI (Sep, y/y)	1.8%	**1.7%**	1.7%	Core inflation accelerated.
EC	CPI (Sep, final, y/y)	0.9%(p)	**0.8%**	1.0%	Further deceleration, but partly on energy
IT	Industrial Orders (Aug, m/m)	n/a	**1.1%**	-2.8%(↑r)	Mild rebound but very poor y/y figures
Thursday, October 17					
US	Initial Jobless Claims (Oct 12, thous)	215	**214**	210	At historically low levels.
US	Industrial Production (Sep, m/m)	-0.2%	**-0.4%**	0.8%(↑r)	Woes compounded by auto strike.
US	Housing Starts (Sep, thous)	1320	**1256**	1386(↑r)	Single-family starts were stronger.
US	Building Permits (Sep, thous)	1350	**1387**	1425(↑r)	Still second highest in eighteen months...
US	Philadelphia Fed Business Outlook (Oct)	7.6	**5.6**	12.0	Much stronger details!
CA	Manufacturing Sales (Aug, m/m)	0.7%	**0.8%**	-1.3%	A welcome rebound.
UK	Retail Sales (Sep, m/m)	-0.2%	**0.0%**	-0.3%(↓r)	Soft, but better than expected.
AU	Unemployment Rate (Sep)	5.3%	**5.2%**	5.3%	Largely due to lower participation...
AU	NAB Business Confidence (Q3)		**-2**	5(↓r)	Details were stronger.
Friday, October 18					
US	Leading Index (Sep)	0.0%	**-0.1%**	-0.2%(↓r)	Details were mixed to soft.
CA	Teranet/National HPI (Sep, y/y)	n/a	**0.7%**	0.6%	At an inflection point?
JN	CPI (Sep, y/y)	0.2%	**0.2%**	0.3%	Increases pressure on BoJ to act.

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

Week in Preview: Releases and Major Events (October 21–October 25)

Country	Release (Date, format)	Consensus	Last	Comments
Monday, October 21				
US	Monthly Budget Statement (Sep, $ bil.)	83.0	119.1	
GE	PPI (Sep, y/y)	-0.2%	0.3%	
JN	All Industry Activity Index (Aug, m/m)	0.1%	0.2%	
JN	Trade Balance Adjusted (Sep, ¥ bil.)	-178.1	-130.8	Trade uncertainties adversely impacting exports.
Tuesday, October 22				
US	Existing Home Sales (Sep, m/m)	-0.5%	1.3%	Lower mortgage rates help but inventory limited.
CA	BoC Senior Loan Officer Survey (Q3)	na	-5.8	Should signal better days ahead.
CA	Retail Sales (Aug, m/m)	na	0.4%	Moderately expansive.
Wednesday, October 23				
US	FHFA House Price Index (Aug, m/m)	0.4%	0.4%	
FR	Business Confidence (Oct)	105	106	
Thursday, October 24				
US	Initial Jobless claims (Oct 19, thous)	215	214	
US	Durable Goods Orders (Sep, prelim)	-0.6%	0.2%	Deterioration expected.
US	New Home Sales (Sep, thous)	705	713	Lower mortgage rates helping revive housing activity.
US	Kansas City Fed Manf. Activity (Oct)	-4	-2	
EC	ECB Policy Rate Decision	0.00%	0.00%	First ECB meeting under Lagarde.
EC	Manufacturing PMI (Oct, prelim)	46.0	45.7	Unlikely to recover soon...
EC	Services PMI (Oct, prelim)	51.9	51.6	...while services seem to be doing OK.
GE	Manufacturing PMI (Oct, prelim)	42.0	41.7	
GE	Services PMI (Oct, prelim)	52.0	51.4	
FR	Manufacturing PMI (Oct, prelim)	50.0	50.1	
JN	Leading Index (Aug, final)	91.7(p)	93.7	
JN	Manufacturing PMI (Oct, prelim)	na	48.9	Still poor.
JN	Services PMI (Oct, prelim)	na	52.8	Still holding up.
Friday, October 25				
US	U of M Cons. Sentiment (Oct, final)	96.0(p)	93.2	
GE	GfK Consumer Confidence (Nov)	9.8	9.9	
GE	IFO Business Climate (Oct)	94.5	94.6	
FR	PPI (Sep, y/y)	na	-0.7%	

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

Economic Indicators

Central Bank Policy Targets

		Year/Year % Change in Target				
		May	Jun	Jul	Aug	Sep
US	Target: PCE price index 2.0% y/y	1.4	1.4	1.4	1.4	
Canada	Target: CPI 2.0% y/y, 1.0%-3.0% control range	2.4	2.0	2.0	1.9	1.9
UK	Target: CPI 2.0% y/y	2.0	2.0	2.1	1.7	1.7
Eurozone	Target: CPI below but close to 2.0% y/y	1.2	1.3	1.0	1.0	0.8
Japan	Target: CPI 2.0% y/y	0.7	0.7	0.5	0.3	0.2
Australia	Target Range: CPI 2.0%-3.0% y/y	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	-9.6	-8.2	-6.4	-4.5	-3.8	-3.6	-4.4	-4.8	-6.0	-6.3
Canada	-3.8	-3.1	-2.1	-1.1	0.1	0.8	0.7	0.0	-0.2	-0.5
UK	-7.2	-5.9	-6.0	-4.0	-4.7	-4.1	-2.9	-2.0	-1.5	-1.3
Eurozone	-4.8	-3.9	-2.1	-1.2	-0.9	-0.8	-0.7	-0.7	-0.6	-0.7
Germany	-2.7	-1.4	0.0	0.6	1.2	1.2	1.3	1.1	1.4	0.9
France	-5.9	-5.0	-4.4	-3.4	-3.3	-3.0	-2.8	-2.6	-2.5	-2.4
Italy	-3.7	-4.1	-1.5	-0.6	-1.1	-0.7	-1.4	-1.7	-1.8	-1.5
Japan	-8.0	-8.0	-7.6	-7.5	-5.5	-4.3	-4.1	-3.4	-3.1	-2.9
Australia	-5.0	-4.3	-3.3	-2.6	-2.6	-2.4	-2.2	-1.5	-0.6	-0.4

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	May	Jun	Jul	Aug	Sep
US	1.8	1.6	1.8	1.7	1.7	2.1	1.7	1.7	1.8	1.4
Canada	2.4	2.0	2.0	1.9	1.9	0.4	-1.7	-1.7	-1.0	
UK	2.0	2.0	2.1	1.7	1.7	1.9	1.6	1.9	1.7	1.2
Eurozone	1.2	1.3	1.0	1.0	0.8	1.6	0.7	0.1	-0.8	
Germany	1.4	1.6	1.7	1.4	1.2	1.9	1.2	1.1	0.3	
France	0.9	1.2	1.1	1.0	0.9	0.8	-0.1	-0.3	-0.7	
Italy	0.8	0.7	0.4	0.4	0.3	1.5	0.9	-0.5	-1.4	
Japan	0.7	0.7	0.5	0.3	0.2	0.7	-0.2	-0.6	-0.9	-1.1
Australia	1.6	1.6				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	-0.1	-0.1	0.0	0.1	0.1	0.9	0.4	0.0	0.0	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				
	May	Jun	Jul	Aug	Sep	May	Jun	Jul	Aug	Sep
US	0.2	0.1	-0.2	0.8	-0.4	1.8	1.1	0.4	0.4	-0.1
Canada	0.4	-0.4	-1.3			2.1	1.1	-1.1		
UK	1.1	0.0	0.1	-0.6		0.0	-1.0	-1.1	-1.8	
Germany	0.1	-1.1	-0.4	0.3		-4.5	-4.8	-4.0	-4.0	
France	2.0	-2.3	0.3	-0.9		3.9	-0.1	0.0	-1.4	
Italy	1.0	-0.3	-0.8	0.3		-0.7	-1.3	-0.6	-1.9	
Japan	2.0	-3.3	1.3	-1.2		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	5.5
UK	4.0	3.9	3.9	3.8	3.8	3.8	3.9	3.8	3.9		
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	5.3	5.3	5.2

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	3.0	3.1	1.9	3.9	3.6	3.5	3.6	2.6	2.8	3.1	2.4
Germany	8.0	8.4	6.9	8.6	8.5	8.5	7.5	6.5	7.3	7.9	7.5
France	-0.7	-1.3	-0.7	-0.7	-0.3	-0.3	-1.4	-0.4	-0.5	-0.7	-0.7
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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