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April 14, 2023

Commentary

## Weekly Economic Perspectives

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### Spotlight on Next Week

US housing activity to remain tepid. Canada's CPI to moderate further. The UK labor market may soften a little. Japan's headline CPI may slow but price pressures remain.

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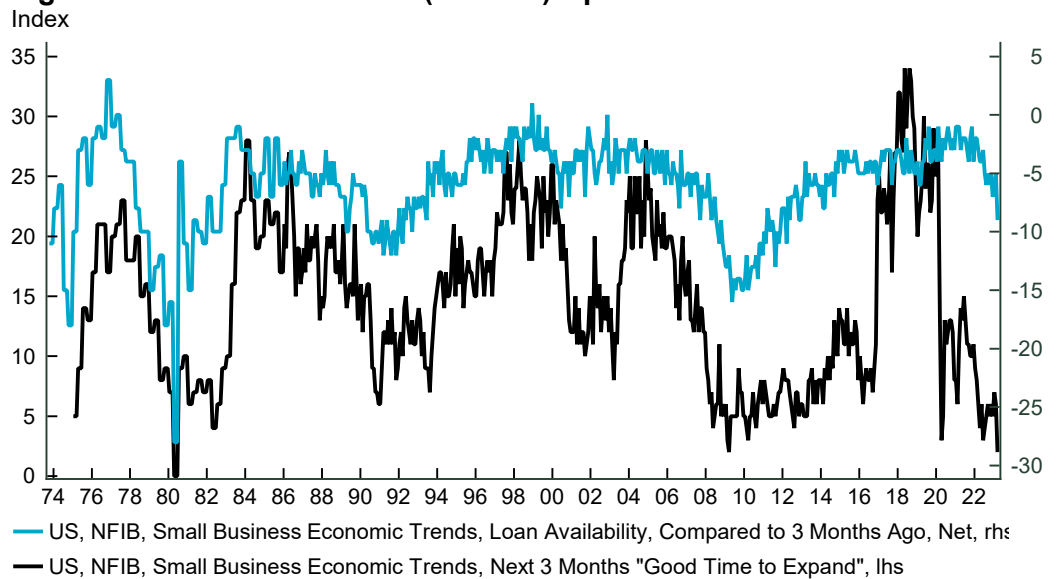
**The Economy**

Better inflation signals from US and Europe as global activity indicators remain mixed.

**US**

We said last week that the March job report did not argue for any sense of urgency for a May rate hike. Data this week further dispel that sense of urgency in our view, market pricing notwithstanding. The **NFIB small business survey**—which had been a great leading indicator for the inflation spike we experienced in 2022—is now persuasively suggesting that a new phase of disinflation is rapidly unfolding. Admittedly, the headline eased only modestly and only to a four-month low, but some of the details were far starker. For instance, hiring plans touched the lowest level since May 2020 and capex plans dropped to the lowest since March 2021. The net proportion of respondents saying now is a good time to expand dropped to the lowest level since March 2009 and, before that, 1980! We wrote last week that “one suspects that smaller firms make up a disproportionate share of small banks’ customers; as such, any disproportionate tightening of credit there would likely impact them the most, triggering a reassessment of labor demand. And under these circumstances, it seems highly unlikely that small firms would be bidding up wages from here on in the same way they’ve done for the past two years”. The latest data suggest this reality is indeed unfolding. Credit availability deteriorated sharply, at a rate that was actually only exceeded once in the past thirty years. The share of respondents reporting open positions unable to be filled, those reporting higher compensation and those reporting plans to raise compensation, all declined. We anticipate further erosion in all these metrics and see this report as a warning sign for the Fed as it considers additional rate hikes. For our part, we believe the Fed has already done enough.

**Figure 1: US Small Business (Lack Of) Optimism!**



Sources: Macrobond, SSGA Economics, NFIB, BLS

The March **inflation report** was a little difficult to interpret. On the margin, the data came in slightly better than expected but the tricky part is that we aren’t sure we can fully trust this. On one hand, we finally got the first real hint of a slowdown in rent

inflation, which had long been anticipated and, if sustained, would help anchor inflation lower for many months to come. But it is hard to tell whether March indeed marked that decisive and sustained turn lower. Similarly, food at home prices declined for the first time since mid-2020, something we were again expecting to see at some point and that has further room to run. However, given data volatility, it is difficult to gauge precisely how far and how aggressively this will unfold in the short term. On the other hand, there were unexpectedly large declines in energy components and used car prices, neither of which are likely to repeat in April given the recent uptick in oil prices and the upturn in auction prices for used cars. Admittedly, tighter margins could allow a wedge to develop between used car auction price trends and the CPI measure of used car prices, but it is risky banking on that as a forecast driver. As such, we'll summarize the March inflation report as a big step in the right direction without expecting future steps to match this magnitude. The April report might not bring any further improvement in the headline, for instance.

Now, for the details. Overall prices rose a mere 0.1% m/m as food prices were flat and energy down 3.5% m/m. Core prices, however, rose 0.4% m/m with services up 0.3%. Apparel prices rose 0.3%, recreation 0.1%, and education and communication 0.2%. Medical care prices declined 0.3%, aided by ongoing large declines in medical services prices. Shelter costs increased 0.6% (the least since November) with owner equivalent rent (OER) up 0.5% (the least since April 2022). Headline inflation slowed a full percentage point to 5.0% y/y, the lowest print since May of 2021. Core inflation, however, accelerated a tenth to 5.6% y/y.

We had long argued not only that a degree of margin compression is needed to facilitate the disinflation process, but that such margin compression would become more evident in incoming data as consumers' finances deteriorate and the price elasticity of demand increases. The producer price data is starting to show evidence of both. **Producer prices** bucked expectations with a large 0.5% monthly decline in March, driven by a 1.0% drop in goods prices and a 0.3% decline in services prices. The latter was particularly significant, being only the second and also the largest decline since early Covid days (November 2020 was the other, at -0.1%). Within services, we see evidence of margin compression in the decline in trade services prices (the second large m/m drop in the past three months). Overall PPI final demand inflation slowed 2.2 percentage points (ppt) to 2.7% y/y, core PPI slowed 1.4 ppt to 3.4% y/y, and the alternative core measure (excluding food, energy, and trade services) slowed 0.9 ppt to 3.6% y/y.

**Import prices** closed a positive trifecta for inflation data this week with a noticeably more pronounced moderation than expected. Import prices declined 0.6% in March, aided by a 1.2% drop in petroleum prices. However, the pullback was much broader than that, as prices for ex-petroleum imports also declined 0.6%. Food and beverage prices were down 0.5%, an encouraging retreat following a run of several months of gains. Also notable was yet another big decline in industrial supplies, down 2.0% m/m and 17.4% y/y. As we've highlighted recently, China is now exporting deflation again. Import prices from China dropped 0.5% m/m—the second large retreat in three months—and were 1.3% lower than a year earlier. This marked the deepest annual decline since March of 2020. We anticipate further declines, both on the basis of lower transportation costs, but also on the basis of increased price competition.

If there was a fly in the ointment vis-a-vis inflation this week, it came from the **University of Michigan survey** that showed consumers' short term (1 year) inflation

expectations surging a full percentage point to 4.6%, the highest level since November. While this likely reflects the recent increase in gasoline prices, the move does appear rather outsized so we'll have to see whether it holds this level in the final reading. Long-term inflation expectations were stable at 2.9%. Consumer sentiment itself improved 1.5 points in April, although this didn't even retrace a full third of the March plunge. But, better up, than down, evidently. Most of the improvement occurred in the current situation metric, but expectations also rose.

The activity data this week were mixed. On one hand, **retail sales** disappointed with a 1.0% decline in March. Admittedly, core sales (excluding food services, building materials, autos dealers and gas stations) bested expectations with a modest 0.3% decline, but it is hard to say that the overall miss should be dismissed as reflecting a lot of concentrated weakness. On the contrary, while sales at gasoline stations plunged 5.5%, general merchandise was down 3.0%, electronics down 2.1%, furniture down 1.2%, motor vehicle and parts down 1.6%, apparel down 1.7%, and so on. Two categories helped the core performance: online sales jumped 1.9%, which seems surprisingly robust; and sales at bars and restaurants eked out a 0.1% monthly gain. Non-seasonally adjusted retail sales increased 3.7% from a year earlier, while core sales rose 5.7% y/y. Given CPI inflation was 5.0% y/y in March, this implies a decline in total real retail sales, and little growth in real control sales.

By contrast, **industrial production** surprised positively with a 0.4% March gain, further accentuated by an upward revision to the February data. However, this was entirely a weather story and the associated rebound in utilities (+8.4% m/m), following unseasonably warm weather in January-February. Manufacturing and mining production declined 0.5% m/m each. Overall industrial production is still up 0.5% y/y, but this marks the smallest expansion since outright declines in early 2021.

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## Canada

**The Bank of Canada (BoC)** maintained its overnight target rate at 4.5%, as widely expected, but struck a hawkish tone overall, pushing back on market expectations of rate cuts this year. Specifically, Governor Tiff Macklem said, "The implied interest rate cuts that are built into the market curve later this year don't look like the most likely scenario to us." The bank also said it would take more time to bring inflation back to its 2% target than was thought in January.

However, the key takeaway was improved growth projections. While noting the headwinds to global growth due to tighter credit conditions, the BoC now expects GDP to grow by 1.4% this year (up from 1.0%) and then slow to 1.3% in 2024 (down from 1.8%) before picking up to 2.5% in 2025. The forecasts compare with our expectations of 0.5% GDP growth this year, which now has clear upside risks. The bank dropped its critical guidance on slower growth from the past few months as the latest statement no longer mentioned "a chance for a couple of quarters with slightly negative growth." Nonetheless, we maintain our current outlook as we expect credit conditions to tighten later this year.

More welcome was the bank's assessment that food price inflation may ease, which has been an acute problem in Canada. But the bank noted the remarkable strength in core services inflation, which could keep inflation from reverting to the 2% target during the second half of the year, while still expecting it to decline to 3% comfortably.

**Existing home sales** rose 1.4% in February, building on the prior month's 2.3% gain. These were the first back-to-back gains in over a year. However, supply remains very challenged; the number of newly listed properties slipped another 5.8% m/m and is at a 20-year low. The MLS home price index marked the first uptick since February 2022, rising 0.2% m/m but still down 15.5% y/y. The Canadian Real Estate Association noted that the rise was very broad-based and that prices were 'no longer falling across most of the country' but 'not rising meaningfully anywhere either'.

Finally, **manufacturing sales** were down 3.6% m/m in February, led by a 14.9% plunge in petroleum and coal products and a 12.3% drop in motor vehicle sales. Sales rose in the machinery industry by 3.0%.

Next week, we expect an acceleration in disinflation as the headline CPI could fall below 4.5% y/y from last month's 5.2%; however, the core CPI could prove stickier. We also look forward to some resilience in house starts.

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## UK

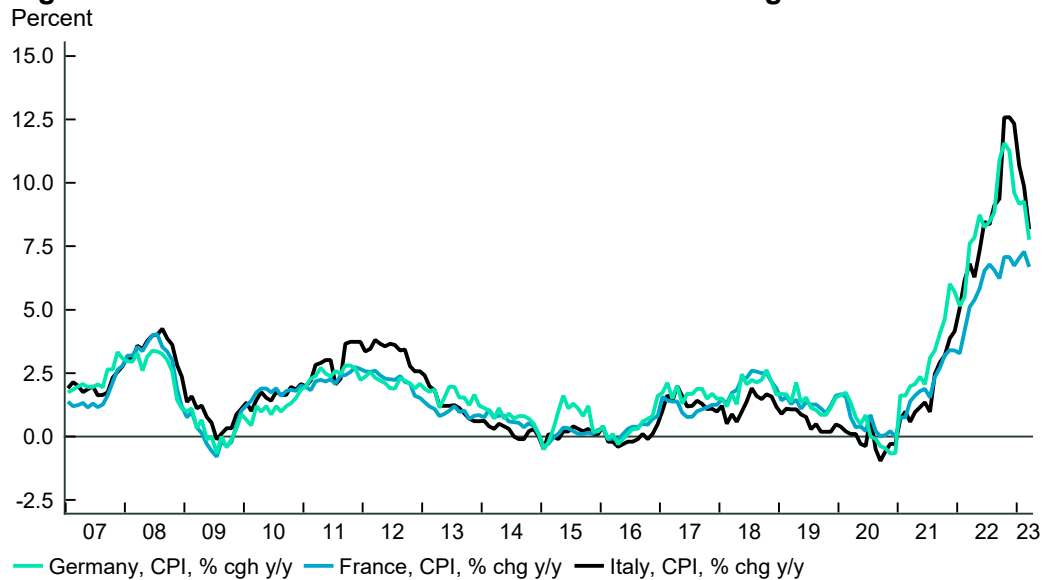
UK **industrial activity** has been languishing for over a year and while the worst appears to be over there is no compelling evidence yet of a meaningful reacceleration. Overall industrial production dipped 0.2% in February, driven by weakness in electricity and water utilities. A 3.0% bounce in mining output was not enough to compensate for weakness elsewhere, as manufacturing production was flat. Industrial output remains 3.1% lower than in February 2022, with mining down 8.9% y/y, electricity down 5.5% y/y and manufacturing down 2.4% y/y.

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## Eurozone

**Eurozone industrial production** jumped 1.5% in February, a better than expected outcome that was further boosted by an upward revision to the January data. This will help support first-quarter GDP growth. **Germany** (+2.1%), **Ireland** (+3.1%), **France** and **Netherlands** (1.1% each) were among contributors, with **Italy** (-0.2%) among the underperformers. Despite the robust start to 2023, year-earlier comparisons suggest less progress than might otherwise be suspected. Overall industrial output increased 2.0% compared with February 2022. Not great, but not bad either given the severe energy-supply challenges over the past year.

While the process is unfolding at different speeds from very different peak levels, disinflation is now gaining momentum across the eurozone as well. The process is more recent than in the United States, mirroring the lagged nature of eurozone's inflation cycle, but may actually prove a little faster. This is in large part due to the larger impact of energy cost increases and the much more favorable base effects that are now coming into play. While the trajectory of future improvements remains to be seen, the moderation seen so far is already worth celebrating. It is not nearly enough to preclude additional tightening by the ECB, but should help limit both the speed and the remaining magnitude of that tightening. **German CPI inflation** moderated 1.3 percentage points (ppt) to 7.4% y/y, **Italian CPI inflation** moderated 1.4 ppt to 7.7% y/y, while **French CPI inflation** (which had not risen as high due to stronger price controls), eased 0.6 ppt to 5.7% y/y (Figure 2, page 6).

**Figure 2: Descent In Eurozone Inflation Now Gathering Steam**

Sources: SSGA Economics, Istat, INSEE, DESTATIS

## Japan

The new leadership at the Bank of Japan (BoJ) stuck with the well-established narrative at their first press conference this week. The new BoJ Governor Professor Kazuo Ueda said the continuation of the current Yield Curve Control (YCC) was appropriate but also said “underlying inflation has been trending up a bit” and that he “would like it to rise somewhat higher”. A day later, deputy governor Shinichi Uchida offered more dovish thoughts that sounded like the board may find disinflation due to the recent energy subsidies comforting. Notwithstanding the persistent underlying price pressures, he said, “CPI gains will narrow towards the middle of this fiscal year due to government steps to curb energy costs.”

This makes us wonder if significant upside inflation surprises that induce a dramatic rise in the cost of living are needed for policymakers to consider any change to monetary policy. Or they could be a ploy the BoJ may use before surprising with a YCC adjustment in April, as the deputy governor suggested earlier, so that speculation is avoided leading to the monetary policy meeting on April 27-28. The BoJ will also unveil its new forecasts, including for 2025, a critical market guidance.

However, after the *shunto* wage hike negotiations, the first **consumer confidence** report showed broad-based improvement. The headline rose a steep 2.6 points to 33.9 in March; inflation expectations remained elevated. Although a reading above 50 suggests more optimism, it is noteworthy that this 2.6-point rise is the biggest ever. Furthermore, in line with our thinking so far, officials noted higher participant confidence in income growth, as NHK reported. Inflation expectations, however, remain elevated: 94.1% of participants anticipated higher prices in the year ahead.

**Machinery orders** fell 4.5% m/m in February, a somewhat better outcome than consensus expectations. The decline was payback from January’s substantial rise and was driven by three industries. Indeed, orders were flat, excluding construction, nonferrous metals and transportation and postal activities. As the orders data are a

reliable leading indicator for capital expenditure, this resilience bodes well for GDP. Furthermore, the 2.3% m/m rise in external orders was welcome after an enormous 25.2% drop in January. We still expect external demand to slow in the months ahead.

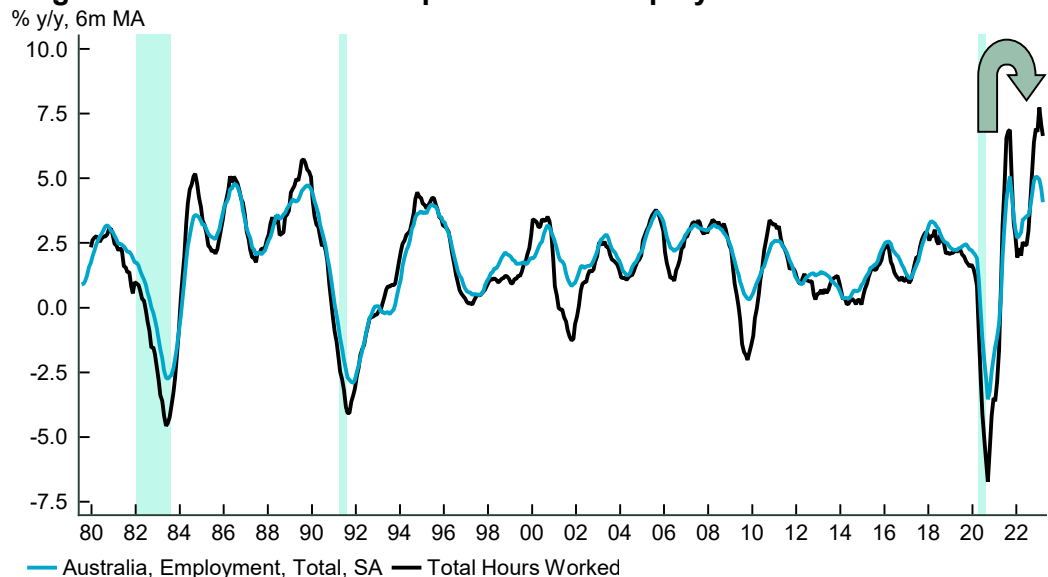
Japanese investors seem sympathetic to the view that the US Fed is closer to the end of its hiking cycle. They bought 5.1 trillion yen worth of foreign bonds in March, the highest since July 2016. Buying should slow if the BoJ intends to move policy, but even otherwise, Japanese investors may buy more US debt depending on when the Fed will pause. Foreign investors, however, remained net buyers of Japanese stocks last week as they bought a record 2.4 trillion yen.

Australia

There is a saying in the distance running community—that one must concentrate on how much distance is covered instead of how much is left to run. The Reserve Bank of Australia (RBA) seems to have taken this saying to heart. **Deputy Governor Michele Bullock** this week acknowledged that interest rates are in the restrictive territory and that the RBA wanted to “stop for a minute and watch.” The insight we draw in tandem with data releases this week is that the RBA could remain on hold in May but may deliver another 25 bps hike at some point, likely in August. Although less likely, upside surprises in inflation could renew thinking on hikes. The second biggest driver could be persistent outsized beats in the jobs created in the economy. It is now clear that the resilient labor market is unlikely to induce a hike in itself.

Indeed, **employment** rose 53,000 in March, **above** expectations. The unemployment rate remained at the 50-year low of 3.5% as participation increased to 66.7%. This suggests that the December-January employment declines may have been largely seasonal noise. Compositionally, full-time employment rose 72.2 thousand, offsetting the 19.2 thousand decline in part-time employment. Total hours worked slipped 0.2% m/m but are 5.5% higher than a year ago. This outpaces the 3.3% y/y growth in employment, implying more intense use of existing labor resources.

**Figure 3: Hours Worked Outpace Aussie Employment Growth**



Sources: SSGA Economics, ABS, Macrobond

Finally, March marked multiple records for female workers. With 3.4% unemployment rate, a 62.5% participation and a 39.0% share of full-time workers, female workers have been on a tear in Australia. While the bar for hiking is high, combining this strong employment growth and just slowing job openings can potentially renew the debate on wage growth.

**Consumer sentiment** rebounded sharply in April after the RBA paused its hiking cycle but remained well below its long-run average. The Westpac Melbourne Institute's headline sentiment index rose 7.4 points in April to 85.8. The unemployment expectations sub-index fell by 3.3% to 118.9. This remains elevated historically, unlike buying intentions for a major household item, which remain near its lowest reading since 1974 (except one month during GFC). Inflation expectations (30% trimmed mean) slowed a tenth to 5.0%, while the expected wage growth ticked down to 1.3% from 1.9%.

**Business conditions** softened in March but remained well above long-run averages. The NAB Business Conditions eased a point to 16, but crucial parameters were solid. Profitability, too, eased a point to 14, and employment eased two points to 10. More encouragingly, forward orders rose a point to 4 while capacity utilization remains at 85.1%. The crucial measures of inflation eased, labor costs decelerated 70 bps to 1.9% q/q, purchase costs eased 120 bp to 1.8%, final product prices eased 40 bp to 1.2% and retail prices fell 40 bp to 1.6%. Services consumption is still strong as the NAB noted less moderation in price growth in the recreation & personal services, indicating elevated demand. However, this will change in the next few quarters as higher mortgage payments weigh on household finances.

The IMF warned that the Aussie housing market is at risk of mortgage defaults ahead, which we also highlighted last month. The Fund noted "perilous" challenges to the global economy and were echoed by Treasurer Jim Chalmers, who will present the federal budget on May 9 and expects the economy to "slow considerably". In its latest outlook, the IMF expects GDP to grow by 1.6% this year and 1.7% in 2024, quite close to our own projections of 1.5% and 2.0%, respectively. We count a lot on China, where data suggests surging coal and energy imports, a plus for Australia.



**Week in Review (April 10 – April 14)**

Country	Release (Date, format)	Consensus	Actual	Last	Comments
<b>Monday, April 10</b>					
JN	Consumer Confidence Index (Mar)	31.5	33.9	31.3 (↑)	Positive result after better <i>shunto</i> outcome.
AU	Westpac Consumer Conf Index (Apr)	na	85.8	78.5	Aided by RBA's pause.
AU	NAB Business Confidence (Mar)	na	-1.0	-4.0	Better business conditions.
<b>Tuesday, April 11</b>					
US	NFIB Small Business Optimism (Mar)	89.8	90.1	90.9	Some details were quite weak.
JN	PPI (Mar, y/y)	7.1%	7.2%	8.3% (↑)	No change on m/m basis is encouraging.
JN	Core Machine Orders (Feb, m/m)	-6.3%	-4.5%	9.5%	Details more encouraging.
<b>Wednesday, April 12</b>					
US	CPI (Mar, y/y)	5.1%	5.0%	6.0%	Core CPI ticked up a tenth to 5.6% y/y.
US	Monthly Budget Statement (Mar, bn)	-\$314.0	-\$378.1	-\$192.6	Big deterioration.
CA	Bank of Canada Rate Decision	4.50%	4.50%	4.50%	GDP projections rose.
AU	Unemployment Rate (Mar)	3.6%	3.5%	3.5%	Labor market remains very strong.
AU	Employment Change (Mar, thous)	20.0	53.0	63.6 (↓)	Labor market remains very strong.
<b>Thursday, April 13</b>					
US	Initial Jobless Claims (Apr 08, thous)	235	239	228	Ticking higher.
US	Continuing Claims (Apr 01, thous)	1,833	1,810	1,823	Have stepped higher.
US	PPI Final Demand (Mar, y/y)	3.0%	2.7%	4.9% (↑)	Signs of margin compression.
UK	Industrial Production (Feb, m/m)	0.2%	-0.2%	-0.5% (↓)	Weak.
EC	Industrial Production (Feb, m/m, sa)	1.0%	1.5%	1.0% (↑)	Nice!
GE	CPI (Mar, y/y, final)	7.4% (p)	7.4%	8.7%	Descent is now gaining momentum.
IT	Industrial Production (Feb, m/m)	0.5%	-0.2%	-0.5% (↑)	Still struggling.
<b>Friday, April 14</b>					
US	Import Price Index (Mar, y/y)	-4.1%	-4.6%	-1.1%	Broad retreat.
US	Retail Sales Advance (Mar, m/m)	-0.4%	-1.0%	-0.2% (↑)	Control sales declined 0.3%.
US	Industrial Production (Mar, m/m)	0.2%	0.4%	0.2% (↑)	Driven entirely by utilities.
US	Business Inventories (Feb, m/m)	0.3%	0.2%	-0.2% (↓)	Businesses responding to slower demand?
US	U. of Mich. Sentiment (Apr, prelim)	62.1	63.5	62.0	1-yr inflation expectations jumped.
CA	Manufacturing Sales (Feb, m/m)	-2.7%	-3.6%	4.1%	Weaker energy and motor vehicle sales.
CA	Existing Home Sales (Mar, m/m)	na	1.4%	2.3%	Is the BoC pause helping sales?
FR	CPI (Mar, y/y, final)	5.6% (p)	5.7%	6.3%	Turning lower.

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

**Week In Preview (April 17 – April 21)**

Country	Release (Date, format)	Consensus	Last	Comments
<b>Monday, April 17</b>				
US	Empire Manufacturing (Apr)	-18.0	-24.6	
US	NAHB Housing Market Index (Apr)	45.0	44.0	Lower mortgage rates put a floor under demand.
<b>Tuesday, April 18</b>				
US	Building Permits (Mar, thous)	1,450	1,524	
US	Housing Starts (Mar, thous)	1,400	1,450	Ongoing slowdown.
CA	CPI (Mar, y/y)	4.3%	5.2%	A big step-down possible.
UK	Average Weekly Earnings (Feb, y/y, 3m)	5.1%	5.7%	More visible moderation would be very welcome by the BoE.
UK	ILO Unemployment Rate (Feb, 3m)	3.8%	3.7%	
GE	ZEW Survey Expectations (Apr)	15.6	13.0	
<b>Wednesday, April 19</b>				
CA	Housing Starts (Mar, thous)	245.0	244.0	
CA	Industrial Product Price (Mar, m/m)	na	-0.8%	Easing as disinflation may gather steam.
CA	Raw Materials Price Index (Mar, m/m)	na	-0.4%	Easing as disinflation may gather steam.
UK	CPI (Mar, y/y)	9.8%	10.4%	
EC	CPI (Mar, y/y, final)	6.9% (p)	8.5%	
JN	Capacity Utilization (Feb, m/m)	na	-5.5%	May mean revert.
JN	Industrial Production (Feb, m/m, final)	4.5% (p)	-5.3%	May mean revert.
AU	NAB Business Confidence (Q1)	na	-1	May rise on RBA holding policy.
<b>Thursday, April 20</b>				
US	Initial Jobless Claims (Apr 15, thous)	240	239	
US	Continuing Claims (Apr 08, thous)	1,825	1,810	
US	Philadelphia Fed Business Outlook (Apr)	-19.7	-23.2	
US	Existing Home Sales (Mar, m/m)	-1.8%	14.5%	
US	Leading Index (Mar, m/m)	-0.7%	-0.3%	Steep decline.
UK	GfK Consumer Confidence (Apr)	-35.0	-36.0	Still dismal.
GE	PPI (Mar, y/y)	10.0%	15.8%	
FR	Business Confidence (Apr)	na	103.0	
JN	Tertiary Industry Index (Feb, m/m)	0.4%	0.9%	Should ease on global manufacturing slowdown.
JN	National CPI (Mar, y/y)	3.2%	3.3%	Any upside surprise will be market moving.
JN	Manufacturing PMI (Apr, prelim)	na	49.2	Looking for some resilience.
<b>Friday, April 21</b>				
CA	Retail Sales (Feb, m/m)	na	1.4%	May ease.
UK	Retail Sales Inc Auto Fuel (Mar, m/m)	-0.3%	1.2%	
UK	Manufacturing PMI (Apr, prelim)	48.5	47.9	
UK	Services PMI (Apr, prelim)	52.9	52.9	
EC	Manufacturing PMI (Apr, prelim)	48.0	47.3	
EC	Composite PMI (Apr, prelim)	54.0	53.7	
EC	Services PMI (Apr, prelim)	54.5	55.0	
GE	Manufacturing PMI (Apr, prelim)	45.5	44.7	
GE	Services PMI (Apr, prelim)	53.2	53.7	
FR	Manufacturing PMI (Apr, prelim)	47.5	47.3	

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

## Economic Indicators

### Central Bank Policy Targets

Region	Target	Year/Year % Change in Target				
		Oct	Nov	Dec	Jan	Feb
US	Target: PCE price index 2.0% y/y	6.1	5.7	5.3	5.3	5.0
Canada	Target: CPI 2.0% y/y, 1.0%-3.0% control range	6.9	6.8	6.3	5.9	5.2
UK	Target: CPI 2.0% y/y	11.1	10.7	10.5	10.1	10.4
Eurozone	Target: CPI below but close to 2.0% y/y	10.6	10.1	9.2	8.6	8.5
Japan	Target: CPI 2.0% y/y	3.7	3.8	4.0	4.3	3.3
Australia	Target Range: CPI 2.0%-3.0% y/y	7.8	7.8	7.8		

Source: Macrobond

### Key Interest Rates

	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23
US (top of target range)	1.00	1.75	2.50	2.50	3.25	3.25	4.00	4.50	4.50	4.75	5.00
Canada (Overnight Rate)	1.00	1.50	2.50	2.50	3.25	3.75	3.75	4.25	4.50	4.50	4.50
UK (Bank Rate)	1.00	1.25	1.25	1.75	2.25	2.25	3.00	3.50	3.50	4.00	4.25
Eurozone (Refi)	0.00	0.00	0.50	0.50	1.25	1.25	2.00	2.50	2.50	3.00	3.50
Japan (OCR)	-0.03	-0.04	-0.01	-0.04	-0.07	-0.06	-0.08	-0.02	-0.01	-0.01	-0.03
Australia (OCR)	0.33	0.73	1.28	1.81	2.25	2.58	2.84	3.05	3.10	3.29	3.54

Source: Macrobond

### General Government Structural Balance as a % of Potential GDP

										Forecast	
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	
US	-2.5	-3.6	-4.3	-5.1	-6.0	-10.7	-10.7	-5.9	-6.6	-6.7	
Canada	0.0	0.0	-0.3	0.0	-0.2	-8.1	-3.3	-1.2	-0.5	-0.1	
UK	-2.5	-1.6	-1.3	-1.4	-1.6	0.8	-3.6	-4.5	-4.3	-2.8	
Eurozone	-0.5	-0.5	-0.4	-0.3	-0.5	-4.0	-3.8	-2.8	-3.1	-2.5	
Germany	1.2	1.2	1.1	1.6	1.3	-2.9	-3.0	-2.6	-3.2	-1.4	
France	-2.1	-1.9	-1.9	-1.5	-2.1	-5.8	-5.2	-4.4	-4.6	-4.1	
Italy	-0.4	-1.0	-1.5	-1.6	-0.9	-6.1	-6.7	-2.4	-2.0	-3.0	
Japan	-4.5	-4.5	-3.7	-3.0	-3.3	-8.1	-6.2	-7.8	-6.4	-4.1	
Australia	-2.5	-2.2	-1.5	-1.1	-4.0	-7.9	-6.1	-3.5	-3.3	-2.9	

Source: International Monetary Fund, World Economic Outlook

### Headline Consumer and Producer Price Inflation

	CPI Year/Year % Change						PPI Year/Year % Change				
	Nov	Dec	Jan	Feb	Mar		Nov	Dec	Jan	Feb	Mar
US	7.1	6.5	6.4	6.0	5.0		7.4	6.6	5.9	4.9	2.7
Canada	6.8	6.3	5.9	5.2			9.0	7.4	5.0	1.4	
UK	10.7	10.5	10.1	10.4			16.0	14.5	13.5	12.1	
Eurozone	10.1	9.2	8.6	8.5			27.0	24.6	15.0	13.3	
Germany	8.8	8.1	8.7	8.7	7.4		28.2	21.6	17.6	15.8	
France	6.2	5.9	6.0	6.3	5.7		18.0	17.4	14.5	13.0	
Italy	11.8	11.6	10.0	9.1	7.7		29.4	31.7	11.1	9.6	
Japan	3.8	4.0	4.3	3.3			9.9	10.6	9.5	8.3	7.2
Australia	7.8	7.8					5.8	5.8			

Source: Macrobond

## Economic Indicators

### Real GDP Growth (Q/Q Seasonally Adjusted)

	Quarter/Quarter % Change					Year/Year % Change				
	Q4-21	Q1-22	Q2-22	Q3-22	Q4-22	Q4-21	Q1-22	Q2-22	Q3-22	Q4-22
US	1.7	-0.4	-0.1	0.8	0.6	5.7	3.7	1.8	1.9	0.9
Canada	1.7	0.6	0.9	0.6	0.0	3.9	3.1	4.7	3.8	2.1
UK	1.5	0.5	0.1	-0.1	0.1	8.9	10.6	3.8	2.0	0.6
Eurozone	0.6	0.6	0.9	0.4	0.0	4.8	5.5	4.4	2.4	1.8
Germany	0.0	0.8	0.1	0.5	-0.4	1.2	3.5	1.7	1.4	0.9
France	0.6	-0.2	0.5	0.2	0.1	5.1	4.8	4.2	1.0	0.5
Italy	0.9	0.1	1.0	0.4	-0.1	6.9	6.5	5.1	2.5	1.4
Japan	1.1	-0.5	1.2	-0.3	0.0	0.9	0.6	1.4	1.5	0.4
Australia	3.7	0.6	0.9	0.7	0.5	4.6	3.0	3.1	5.9	2.7

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	-0.3	-1.5	0.9	0.2	0.4	1.9	0.6	1.4	0.9	0.5
Canada	0.3	-1.1	0.3			2.6	1.2	1.6		
UK	0.0	0.2	-0.5	-0.2		-2.9	-2.7	-3.2	-3.1	
Germany	0.4	-2.4	3.7	2.0		-0.6	-3.6	-1.0	0.7	
France	1.9	1.4	-1.4	1.2		0.5	1.8	-1.6	1.3	
Italy	-0.2	1.2	-0.5	-0.2		-3.6	-0.9	1.9	-2.3	
Japan	0.2	0.3	-5.3	4.5		-0.9	-0.8	-3.8	-1.5	

Source: Macrobond

### Unemployment Rate (Seasonally Adjusted)

	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23
US	3.6	3.6	3.5	3.7	3.5	3.7	3.6	3.5	3.4	3.6	3.5
Canada	5.2	4.9	4.9	5.3	5.2	5.2	5.1	5.0	5.0	5.0	5.0
UK	3.8	3.6	3.5	3.6	3.7	3.7	3.7	3.7			
Eurozone	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.6	6.6	
Germany	5.0	5.3	5.4	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.6
France	7.5	7.5	7.3	7.2	7.1	7.2	7.2	7.2	7.1	7.0	
Italy	8.1	8.0	8.0	8.1	8.0	7.9	7.9	7.9	8.0	8.0	
Japan	2.6	2.6	2.6	2.5	2.6	2.6	2.5	2.5	2.4	2.6	
Australia	3.9	3.6	3.5	3.5	3.6	3.4	3.5	3.5	3.7	3.5	3.5

Source: Macrobond

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

	Q2-20	Q3-20	Q4-20	Q1-21	Q2-21	Q3-21	Q4-21	Q1-22	Q2-22	Q3-22	Q4-22
US	-3.1	-3.2	-3.5	-3.4	-3.6	-3.8	-3.7	-4.5	-3.8	-3.4	-3.2
Canada	-1.5	-2.4	-1.4	0.0	-0.4	-0.6	0.0	0.4	0.8	-1.2	-1.5
UK	-1.1	-2.6	-6.6	-1.9	-0.4	-3.3	-0.4	-8.3	-4.6	-2.0	-0.4
Eurozone	1.2	2.1	3.2	3.5	3.1	2.3	1.2	0.4	-1.3	-3.6	1.0
Germany	5.3	7.2	8.3	9.0	8.4	7.4	6.5	5.7	4.1	2.4	4.9
France	-3.7	-2.0	-0.4	0.5	0.7	0.5	0.0	-0.2	-2.0	-3.6	-3.0
Japan	4.3	3.7	4.6	4.2	3.6	4.0	3.4	3.1	3.4	3.5	3.5
Australia	-1.5	-2.5	-2.8	-3.5	-2.2	-2.7	-2.2	-1.4	-0.2	1.2	

Source: Macrobond

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