May 5, 2023
Commentary

Weekly Economic Perspectives

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Spotlight on Next Week
No improvement likely in April US inflation data. The BoE poised to hike again amid persistent inflation. Japan's labor cash earnings may moderate. Aussie real retail sales might have contracted in Q1.

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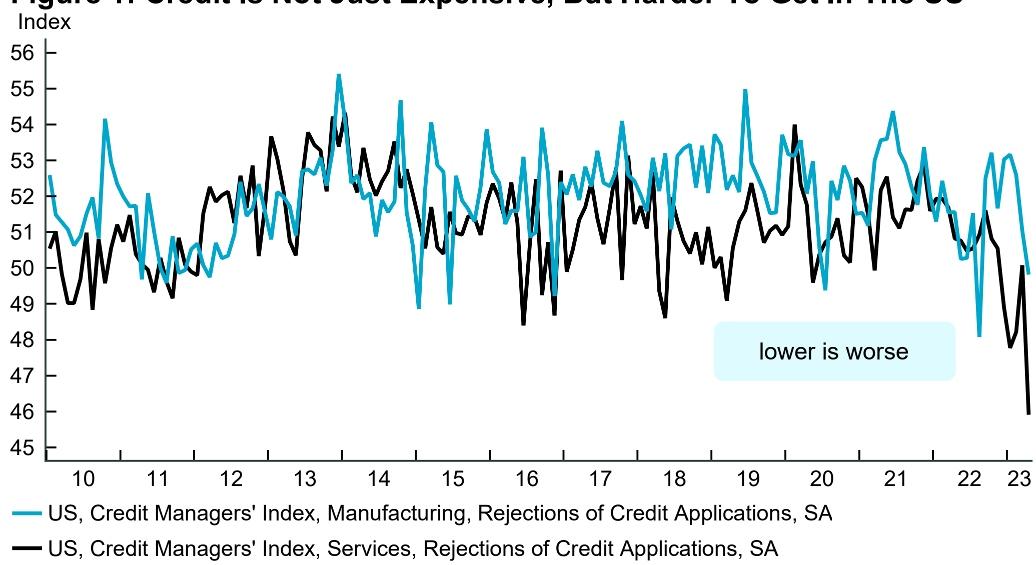
The Economy

An intense week that saw the Fed and ECB hike again even as macro risks grow.

US

The **FOMC** did what it was widely expected to do this week and hiked the Fed Funds rate by another 25 bp to 5.00-5.25% while opening the possibility—without any promises, of course!—that this might be the last hike in the cycle. Our regular readers would know we thought it would have been better for the Fed to have refrained from this hike altogether. Why? The reasoning largely has to do with the long and variable lags with which policy operates, but in the context of recent (and ongoing) bank troubles, that argument carries a lot more urgency in our mind. We are somewhat struck by the FOMC's persistence on hikes at a time when the banking sector remains in turmoil. Admittedly, Chair Powell did acknowledge during the press conference that credit conditions are tightening "not just in the normal way but perhaps a little bit more". That strikes us as a mild way of putting it. Our sense is that they are tightening quite a bit more than normal. And while we aren't yet privy to the latest SLOOS survey data, there is enough other evidence to suggest a fairly rapid tightening of credit conditions (Figure 1 below). Importantly, the effects of ongoing credit tightening are likely to fall disproportionately on small firms. Given they were the key force keeping job openings elevated until very recently (see commentary below), a material reduction in credit availability to this part of the economy could have fairly immediate negative consequences on labor demand and the labor market in general. In other works, whereas before the banking sector turmoil liquidity was primarily being tightened via the rising cost of credit, now it is also being tightened via reduced credit availability. This is a powerful combo and its damaging effects may take less time than the Fed thinks to make themselves felt.

Figure 1: Credit Is Not Just Expensive, But Harder To Get In The US



Sources: Macrobond, SSGA Economics, NACM
Updated as of 5/5/2023

All that being said, now that the rate hike was delivered, where to from here? The statement language was, naturally, non-committal, but signal a conditional pause: "In determining the extent to which additional policy firming may be appropriate to return inflation to 2 percent over time, the Committee will take into account the cumulative tightening of monetary policy, the lags with which monetary policy affects economic activity and inflation, and economic and financial developments.” We think the pause has arrived and continue to expect that it will be followed by the start of rate cuts before the end of the year. Indeed, in light of yet another bank flare-up, perhaps the statement should have noted not only that the “Committee remains highly attentive to inflation risks”, but also that it is attentive to financial stability risks…

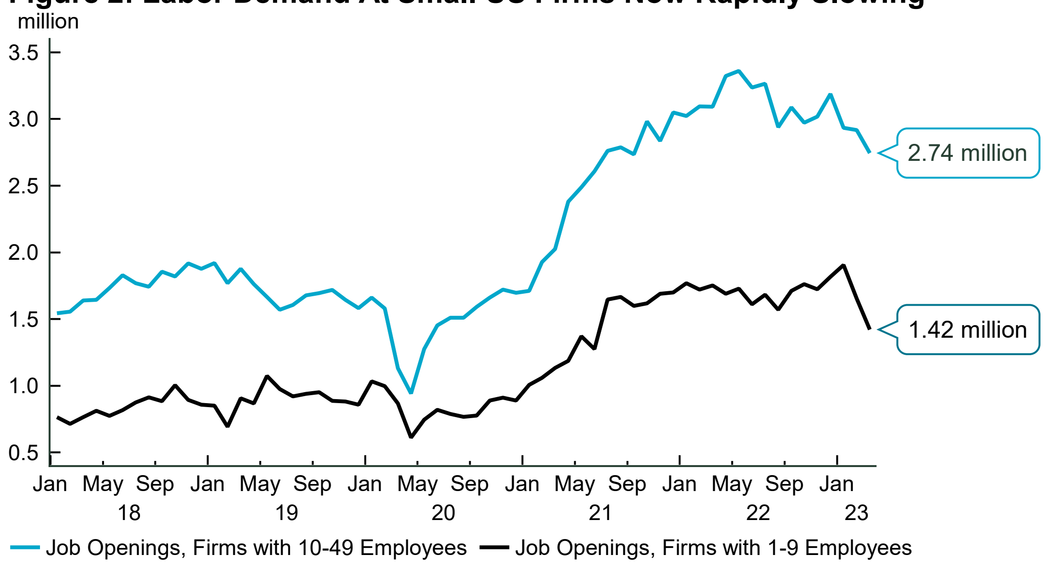
The **April employment report** was, once again, described as a “beat” relative to expectations. But was it? Well, if you simply look at the headline—253,000 jobs added versus 185,000 expected—you could say yes. But what to make of the gigantic 149,000 downward revision to the prior two months? It needs to be attributed somewhere, so either we focus on the number of 104,000 (253,000 minus 149,000) and conclude that April wasn’t really a beat after all, or we take the newly reported April figures at face value but then we say that February and March weren’t nearly such strong as we initially thought. The revision must be attributed somewhere, so it is important. We think it is doubly important because of its sheer magnitude. Downward revisions of this size are rarely seen, and in the few instances where they occurred in the past, they did so either during recessions, or right before them. The magnitude of the revision also casts some doubt over the reliability of the April estimate. After all, who is to say that this number won’t also be revised lower?

There are a few other reasons why are skeptical of the “beat” narrative that surrounded the release of this report. For instance, while the 33,000 jobs gain in goods producing industries is encouraging, we are not convinced it is sustainable, especially in light of the inventory overbuild suggested by other indicators (see commentary on ISM manufacturing below). Private services added 197,000 jobs. Oddly, financial services added 23,000 jobs in their best showing in a year. Yet, given the banking sector turmoil, it is difficult to envision financial services as a pillar of strength for hiring…More telling to us was the third consecutive decline in temporary help (and the fifth in the last six months). In the past, declines in temporary help jobs have been one of the earliest leading indicators of recessions. Also telling was the ongoing slowdown in job creation in the leisure and hospitality sector, which added just 31,000 jobs in April, the least since outright declines in December 2020. This softness also corroborates signals from JOLTS showing a decline in job openings and a pick-up in layoffs in the leisure and hospitality segment (more on that below). Given small businesses are disproportionately well represented in this industry, we suspect further softness ahead as tightening credit conditions start to bite. The government sector added 23,000 jobs, the least since December.

The household survey showed a 139,000 increase in employment and a 182,000 decline in unemployment, leaving the participation rate unchanged at 62.6% and lowering the **unemployment rate** a tick to the cycle low of 3.4%. The hours data was mixed, with the average workweek unchanged and the manufacturing workweek down six minutes. But the increase in the number of people working raised aggregate hours worked by 0.2%. The wage data were stronger than expected, interrupting (at least for now) the moderating trend. Total average hourly earnings (AHE) increased 0.5% m/m (the most since July) while AHE for production and non-supervisory employees increased 0.4% m/m. Total AHE inflation ticked up a tenth to 4.4% y/y but AHE for production and non-supervisory employees moderated a tenth to 5.0% y/y.

For many months now we had been highlighting the fact that still elevated job openings were increasingly a function of resilience in the small business segment, whereas openings at larger firms (especially those with between 50 and 999 employees) were rapidly retreating. We saw this narrowness as a vulnerability hidden under the surface and had been on the lookout for signs that the small-business leg of the job openings stool might also begin to wobble before long. The March **JOLTS report** presented the first compelling evidence that this might now be unfolding. Overall job openings declined a little more than expected to 9.590 million, the lowest level since April 2021. Job openings at firms with less than 10 employees declined precipitously for a second consecutive month. From the post-pandemic peak of 1.9 million reached as recently as January, they were down over 25% to 1.42 million by March. Openings at firms with 10-49 employees ticked down 6% in March. Given signals from the NFIB small business survey, there is little reason to anticipate a material rebound in either segment from here on. The hires level was little changed while quits more than unwound February's increase to settle at the lowest level since May 2021. Layoffs rose, with notable increases in leisure and hospitality, a sector where small businesses have a disproportionate representation.

Figure 2: Labor Demand At Small US Firms Now Rapidly Slowing



Sources: Macrobond, SSGA Economics, BLS
Updated as of 5/5/2023

The overall message from the JOLTS data is a cautionary one. This is one of the more lagged of the labor market indicators but even so, it suggests a material softening of labor demand. While openings are still high in absolute terms, their long-term equilibrium is not zero, hence that is not what anyone should expect these numbers to converge toward, even in a material economic slowdown. Recall that openings peaked at about 7.5 million in 2019, a time when labor costs as measured by the Fed's preferred ECI (employment cost index) were running at a sub-3.0% y/y rate. Burning through two million openings in the context of the ongoing bank sector turmoil and Fed Funds rate at 5.0%+ might not take that many months. There might have been a time, even recently, when observers could look at the US labor market with a certain degree of complacency, but that time is running out.

The April **manufacturing ISM** was mixed bag. The headline improved a better than expected 0.8 point, but at 47.1, it can only be described as weak. Production and new orders continued to contract, though at slower rates, while backlogs declined at a faster rate. The best news in the report was that employment rebounded 3.3 points, but this only put it at 50.2, i.e., barely in expansion. It has spent more time below the 50 neutral line over the past year than above it, and when it has done so, the signals had only been for modest gains. The most interesting detail to us was that, for the first time since 2016, respondents perceive customers' inventories as being too high; unsurprisingly, they themselves reduced inventories or the second consecutive month, like in anticipation of a demand slowdown ahead. The price metric rose 4.0 points to 53.2, the third sizable increase in the last four months and the highest level since July. The acute disinflation phase that reflected massive corrections in some commodity prices and shipping costs is now over. It is, however, unclear how much pricing power exists and whether any possible reacceleration in input costs will be passed onto customers. One comment in particular touched on these dynamics: "Pricing pressures continue to plague daily operations. After consecutive years of inflation and aggressive pricing to our retailers, we are starting to see resistance in the willingness to pass along pricing to end consumers. Discounting has entered into conversations." [Food, Beverage & Tobacco Products]

After a big miss in March, the **non-services ISM index** came in largely as expected in April. The headline ticked up 0.7 point to 51.9, suggesting modest expansion. By contrast, the business activity metric—the old headline—plunged 3.4 points to 52.0, the lowest level since May 2020. Employment eased a little but remained above neutral (50.8). New orders rebounded 3.9 points to 56.1 but this still only retraced about 40% of the March decline. This metric has been exceedingly volatile since December so it is hard to read much into this improvement. On average over the past six months, new orders averaged 55.4, which isn't that much lower than the 58.3 that prevailed in the six months prior, but the volatility does not even compare. After two months of outright increases, inventories declined noticeably, enough to tip inventory sentiment from "too high" to "too low". It remains to be seen how this evolves from here. The price metric was almost unchanged near the lowest levels since September 2020. At 59.6, it still signals prices are rising, but not nearly as broadly as before.

Auto sales have yet to return to their pre-Covid levels and so, this is a segment that continues to benefit from pent-up consumer demand as supply comes back online. And with supply seemingly improving and some price incentives from key manufacturers, **motor vehicle sales** have had some decent months recently. They were a key driver for the first-quarter rise in consumer spending: real consumer spending on motor vehicles and parts surged at a 45.3% saar rate! Some momentum carried into April, where motor vehicle unit sales rose 7.4% m/m to 15.9 million (seasonally adjusted, annual rate). Sales were 11.3% higher than in April 2022.

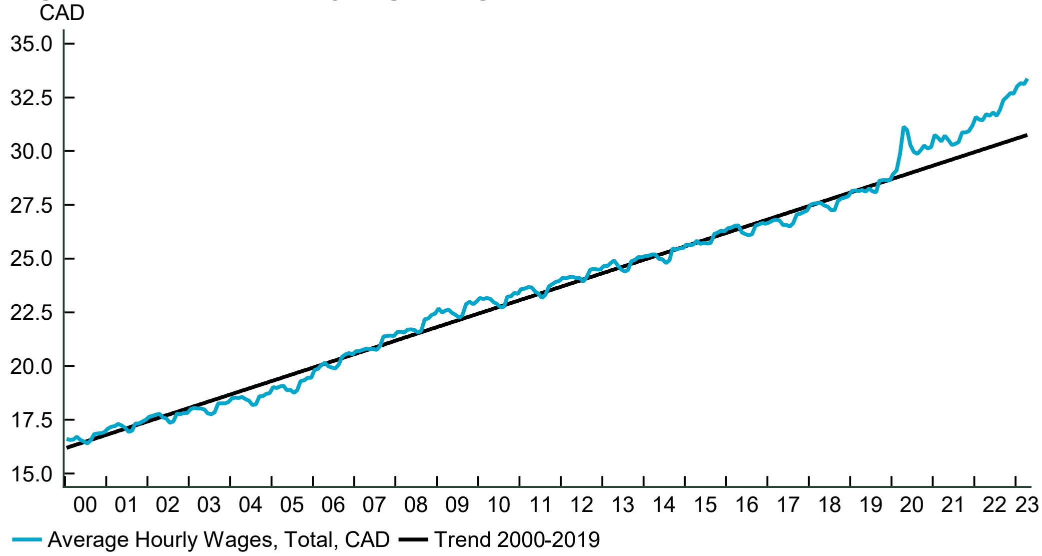
Motor vehicle sales have room to continue to do well but broader consumer spending may become more constrained. While in the aggregate US households' debt burdens and debt servicing costs remain low historically, they are now rising. They are also probably rising the fastest among consumers who have the least financial cushion; a rise in delinquencies should not be surprising. As such, he big jump in **consumer credit** in March as troublesome, especially since the bulk of it occurred in revolving credit which rose at one of the fastest rates on record. This space bears watching especially in light of the ongoing tightening of credit standards.

Canada

The housing market is reviving following the Bank of Canada (BoC) hiking pause. Seasonally adjusted Toronto **homes sales** jumped 27% m/m in April, the most significant rise outside the pandemic. New listings were down 38.3% y/y, allowing seasonally adjusted prices to rise 2.4% m/m. It was a similar story in Vancouver, where prices rose by 2.4% m/m while listings were down 29.7% y/y.

Employment has been besting expectations since January and that was true again in April, when the economy added 41,400 jobs. Gains were entirely driven by part-time employment – which rose 47,600 while the economy lost 6,200 full-time jobs. Wage growth seems entrenched as **average hourly wages** have risen above the critical 5.0% y/y level for a fifth time in seven months (5.2% in April.)

Figure 3: Unsustainably High Wage Inflation In Canada



Sources: SSGA Economics, StatCan, Macrobond
Updated as of 5/5/2023

Will the BoC hike interest rates again? The odds have indeed risen. In a speech this week, Governor Tiff Macklem noted that ‘persistent wage growth’ between the 4-5% range will make achieving the 2% inflation target difficult. Furthermore, he warned that the BoC is prepared to raise rates further if inflation risks remain persistent.

Besides the weak economic outlook, the Governor seems to be wary of financial stability risks. He said that the BoC risks overtightening in case of a deeper spillover from the global banking turmoil while noting the so far muted spillovers into Canada. Looking ahead, we expect building approvals to have ticked up in March. The BoC’s Senior Loan Officer Opinion Survey for Q1 may also be released next week, which will offer an important read on credit conditions.

UK

Unsurprisingly, the UK displays the same divergence between weak manufacturing and robust services activity that is visible both in continental Europe and in the United States. However both the final readings for the manufacturing and services PMI indexes came in better than initially reported. The **manufacturing PMI** was 1.2 points better than the initial estimate: at 47.8, it barely retreated 0.1 relative to the March level. The **services PMI** was 1.0 point better than initially reported and 3.0 points better than in March. All in all, an encouraging signal for Q2 growth.

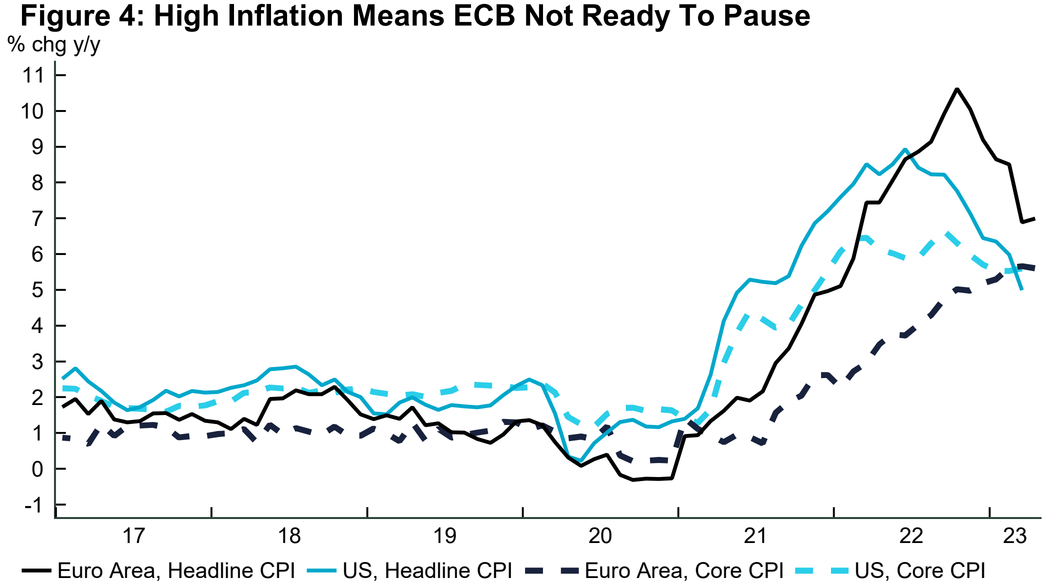
Following seven consecutive monthly declines, the **Nationwide house price index** rose 0.5% in April, bucking expectations of another decline. Despite the modest improvement, prices were down 2.7% y/y, the third negative y/y print.

Eurozone

The **ECB** also did what it was largely expected to do this week and hiked interest rates by another 25 basis point. Admittedly, given persistent inflation, there had been some speculation about a larger hike, but given uncertainties in the global economy, we certainly are of a view that the time for big rate increases has passed. The move left the main refinancing operations, the marginal lending facility, and the deposit facility rates at 3.75%, 4.00% and 3.25%, respectively. The Governing Council also plans to discontinue reinvestments under the APP in July. PEPP reinvestments will continue “until at least the end of 2024”.

The bias remains toward additional tightening since “the inflation outlook continues to be too high for too long”. Therefore, “future decisions” by the Governing Council “will ensure that the policy rates will be brought to levels sufficiently restrictive to achieve a timely return of inflation to the 2.0% medium target and will be kept at those levels for as long as necessary”. This implies two things. The more obvious one is that the level of rates is not yet at a level consistent with bringing inflation to target. The second implication is perhaps more of an inference: that it will take more than one decision to get to that points; if by “decision” one understands “hike”, then the ECB might be signaling two more hikes. Things would been to proceed quite smoothly from here on to make that possible (not certain) but perhaps the ECB is of the view that “if there is a will, there is a way”. We’ll see…

Figure 4: High Inflation Means ECB Not Ready To Pause



Sources: Macrobond, SSGA Economics, BLS, Eurostat
Updated as of 5/5/2023

Supporting the ECB's assessment that more tightening is needed is not only the inflation data that remains far above the target, but also wage data that show a delayed acceleration. Preliminary data show ***French*** **monthly wages** jumped a much larger than expected 1.8% q/q during the first quarter, leaving them 4.6% higher y/y. This is double the rate that prevailed in early 2022.

On the other side of the equation are growth consideration, as evidenced by volatile and generally weak German data. ***German*** **real retail sales** plunged 2.4% m/m in March, leaving them 8.3% lower y/y on a seasonally and workday adjusted basis. Meanwhile, after a strong February, ***German*** **factory orders** plunged 10.7% m/m in March, leaving them 11.0% below year-earlier levels. Not that surprising then to see the ***German*** **manufacturing PMI** at just 44.5. Services are the saving grace at the moment, as the **services PMI** stood at a healthy 56.0 in April.

Japan

In Japan, **consumer confidence** has been running higher since December 2022, and we think the positive outcomes of this year's *shunto* wage negotiations are adding wind to its sails. The headline index ticked up by 1.5 points in April to 35.4 and reached the highest level since February 2022 of 35.5. The moves are broad-based as income and employment ticked up 0.7 points, less than the last month, to 38.1 and 42.0, respectively. Willingness to buy a durable good rose 2.8 points, again less than the last month's rise of 3.2 points.

Inflation expectations moderated but remained well above their historical averages. The drop may reflect the recent decreases in CPI, but we believe expectations will remain anchored at elevated levels. The two key questions are – a, will income gains follow higher confidence? And more importantly, b, is this just the release of pent-up demand, or is it more sustainable? There is no definite answer, but we believe macroeconomic dynamics have improved.

Next week, we expect the March household spending to print above the consensus while overall cash earnings may moderate.

Australia

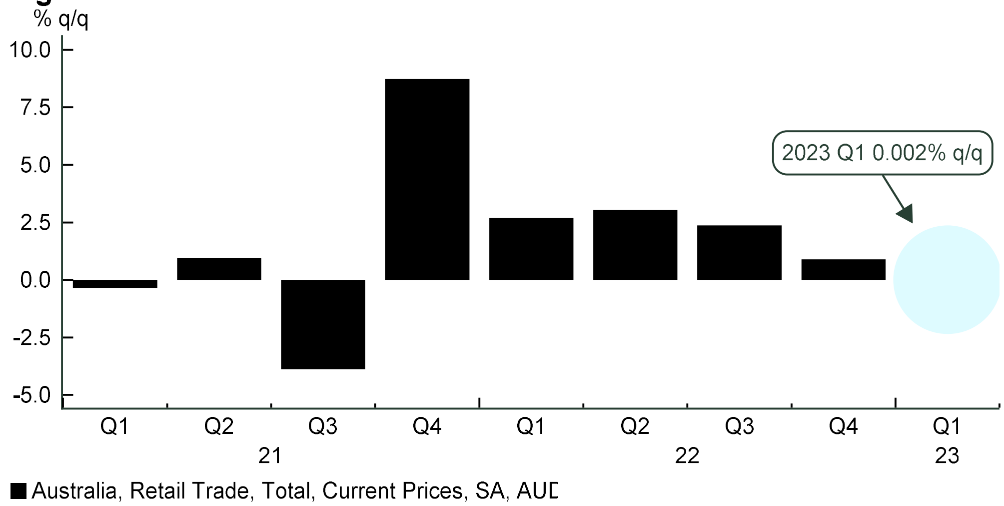
The **Reserve Bank of Australia** (RBA) hiked its cash rate target by 25 bps to 3.85%, in line with our out-of-consensus expectation last week. The Bank echoed our thoughts on the Q1 CPI data by noting that while goods inflation clearly slowed down, services inflation is still 'very high and broadly based' and noted upside risks by interpreting experience in overseas economies.

The **Statement of Monetary Policy** delivered the same message broadly but rang the bells of stagflation. Forecasts for inflation, real GDP edged lower, and the unemployment rate is expected to tick up. The Bank expects headline CPI to rise 4.50% y/y by Q4 this year (down from 4.75% in February) and moderate further to 3.25% the following year. Real GDP growth is expected to average 1.75% y/y in 2023, down from 2.25% in February, before slowing further to 1.25% in 2024. The unemployment rate is expected to hit 4.5% by Q4 2024, up by 0.25 ppts.

On the superficial level, guidance was hawkish as the Bank still thinks "some further tightening of monetary policy may be required." Still, "that will depend upon how the economy and inflation will evolve." We believe another hike may be hard to come for two reasons: a, the RBA may tolerate a slower mean reversion in inflation as the Bank (still) does not expect headline CPI to come to its target band between 2-3% before 2025 but does not flag it as a big risk; no other central bank has this comfort right now. And b, consumption may be cooling already.

Retail sales nominally have stalled in Q1 even though they rose 0.4% m/m in March, slightly above consensus. If true, volumes may have declined (again) in Q1, and household consumption may not support growth as much. Every category other than food and dining out declined while food retailing posted back-to-back gains for a thirteenth month, piling on our worries since last week's Q1 CPI data.

Figure 5: Nominal Retail Sales Have Stalled In Australia



Sources: SSGA Economics, ABS, Macrobond
Updated as of 5/5/2023

The value of **new home loan commitments** rose sharply by 4.9% m/m in March, marking the first rise in 13 months. The value of owner-occupier loans increased 5.5% m/m while new investor loans rose 3.7%. Despite the big tick-up, approvals remain nearly 30% below their peak in January 2022. Further declines in housing loan commitments may be limited, given our expectation of no more hikes.

Next week, we expect the Q1 retail trade to be negative, while March building approvals may tick up.

Week in Review (May 01 – May 05)

Country	Release (Date, format)	Consensus	Actual	Last	Comments
Monday, May 01					
US	ISM Manufacturing (Apr)	46.8	47.1	46.3	Mixed, but weak.
JN	Manufacturing PMI (Apr, final)	49.5 (p)	49.5	49.2	Good resilience.
JN	Consumer Confidence Index (Apr)	34.5	35.4	33.9	Broad-based tick up.
Tuesday, May 02					
US	JOLTS Job Openings (Mar, thous)	9,736	9,590	9,974 (↑)	Tide turning in small business job openings.
US	Factory Orders (Mar, m/m)	1.2%	0.9%	-1.1% (↓)	Non-durable goods down 1.4% m/m, 1.6% y/y.
US	Durable Goods Orders (Mar, m/m, final)	3.2% (p)	3.2%	-1.2%	Driven by aircraft. Core orders declined.
US	Wards Total Vehicle Sales (Apr, mn)	15.10	15.91	14.82	Highest since May 2021.
UK	Nationwide House PX (Apr, m/m)	-0.5%	0.5%	-0.7% (↑)	Follows seven consecutive declines.
UK	Manufacturing PMI (Apr, final)	46.6 (p)	47.8	47.9	Better than initially reported, but weak.
EC	Manufacturing PMI (Apr, final)	45.5 (p)	45.8	47.3	Quite weak.
GE	Retail Sales (Mar, m/m)	0.4%	-2.4%	-0.3% (↑)	Volatile and weak.
GE	Manufacturing PMI (Apr, final)	44.0 (p)	44.5	44.7	Weak.
FR	Manufacturing PMI (Apr, final)	45.5 (p)	45.6	47.3	Weak.
IT	Manufacturing PMI (Apr)	49.5	46.8	51.1	Weak.
IT	CPI NIC incl. tobacco (Apr, y/y, prelim)	7.4%	8.3%	7.7%	Surprising re-acceleration.
AU	RBA Cash Rate Target	3.60%	3.85%	3.60%	Further hikes are less probable.
AU	Retail Sales (Mar, m/m)	0.2%	0.4%	0.2%	Stalled in Q1.
Wednesday, May 03					
US	ISM Services Index (Apr)	51.8	51.9	51.2	Mixed details.
US	FOMC Rate Decision (Upper Bound)	5.25%	5.25%	5.00%	This hike was unnecessary, likely a mistake.
US	Motor Vehicle Sales (Apr, mil. saar)	15.10	15.91	14.82	Pent-up demand + price incentives.
IT	Unemployment Rate (Mar)	8.0%	7.8%	7.9% (↓)	Trending sideways, improvement has slowed.
Thursday, May 04					
US	Nonfarm Productivity (Q1, q/q, prelim)	-2.0%	-2.7%	1.6% (↓)	Bad, but temporary.
US	Initial Jobless Claims (Apr 29, thous)	240	242	229 (↓)	In gentle uptrend.
US	Continuing Claims (Apr 22, thous)	1,865	1,805	1,843 (↓)	In gentle uptrend.
CA	Ivey PMI (Apr, sa)	na	56.8	58.2	May tick down.
UK	Mortgage Approvals (Mar, thous)	46.0	52.0	44.1 (↑)	But net new lending was flat.
UK	Services PMI (Apr, final)	54.9 (p)	55.9	52.9	Welcome strength.
EC	Services PMI (Apr, final)	56.6 (p)	56.2	55.0	Welcome strength.
EC	ECB Main Refinancing Rate (May 04)	3.75%	3.75%	3.50%	Not yet done, QT to quicken.
GE	Services PMI (Apr, final)	55.7 (p)	56.0	53.7	This strength is very important.
Friday, May 05					
US	Change in Nonfarm Payrolls (Apr, thous)	185	253	165 (↓)	Massive downward revision to prior months!
US	Unemployment Rate (Apr)	3.6%	3.4%	3.5%	Not as rock solid as you might think!
US	Consumer Credit (Mar, $ bn)	17.00	26.5	15.29	Huge surge in revolving credit. Red flag?
CA	Net Change in Employment (Apr, thous)	20.0	41.4	37.4	Wage growth is looking sticky.
CA	Unemployment Rate (Apr)	5.1%	5.0%	5.0%	
GE	Factory Orders (Mar, m/m)	-2.3%	-10.7%	4.5% (↓)	Huge swings.
FR	Wages (Q1, q/q, prelim)	1.3%	1.8%	0.7%	Big worry for ECB.

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

Week In Preview (May 08 – May 12)

Country	Release (Date, format)	Consensus	Last	Comments
Monday, May 08				
GE	Industrial Production (Mar, m/m, sa)	-1.2%	2.0%	
JN	Labor Cash Earnings (Mar, y/y)	1.0%	1.1%	May moderate.
AU	NAB Business Confidence (Apr)	na	-1.0	May be weak.
AU	Westpac Consumer Conf Index (May)	na	85.8	May be weak.
AU	Retail Sales Ex Inflation (Q1, q/q)	-0.5%	-0.2%	Will drag household consumption in Q1.
Tuesday, May 09				
US	NFIB Small Business Optimism (Apr)	89.7	90.1	Credit tightening being felt by small firms.
Wednesday, May 10				
US	CPI (Apr, y/y)	5.0%	5.0%	May is when another notable step down is likely.
US	Monthly Budget Statement (Apr, $ bn)	235.0	308.2	Tax collections have been disappointing.
CA	Building Permits (Mar, m/m)	na	8.6%	May tick up on BoC pause.
GE	CPI (Apr, y/y, final)	7.2% (p)	7.4%	
IT	Industrial Production (Mar, m/m)	0.3%	-0.2%	
Thursday, May 11				
US	Initial Jobless Claims (May 06, thous)	245	242	In gentle uptrend.
US	Continuing Claims (Apr 29, thous)	1,820	1,805	In gentle uptrend.
US	PPI Final Demand (Apr, y/y)	2.5%	2.7%	
UK	Bank of England Bank Rate	4.50%	4.25%	Can this be the last hike?
Friday, May 12				
US	Import Price Index (Apr, y/y)	-4.8%	-4.6%	
US	U. of Mich. Sentiment (May, prelim)	63.0	63.5	
UK	Industrial Production (Mar, m/m)	0.0%	-0.2%	
UK	GDP (Q1, q/q, prelim)	0.1%	0.1%	A gain is a gain, no matter how small…
FR	CPI (Apr, y/y, final)	5.9% (p)	5.7%	

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

Economic Indicators

Central Bank Policy Targets

Region	Target	Year/Year % Change in Target				
		Nov	Dec	Jan	Feb	Mar
US	Target: PCE price index 2.0% y/y	5.7	5.3	5.4	5.1	4.2
Canada	Target: CPI 2.0% y/y, 1.0%-3.0% control range	6.8	6.3	5.9	5.2	4.3
UK	Target: CPI 2.0% y/y	10.7	10.5	10.1	10.4	10.1
Eurozone	Target: CPI below but close to 2.0% y/y	10.1	9.2	8.6	8.5	6.9
Japan	Target: CPI 2.0% y/y	3.8	4.0	4.3	3.3	3.2
Australia	Target Range: CPI 2.0%-3.0% y/y	7.8	7.8	7.0	7.0	7.0

Source: Macrobond

Key Interest Rates

	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23
US (top of target range)	1.75	2.50	2.50	3.25	3.25	4.00	4.50	4.50	4.75	5.00	5.00
Canada (Overnight Rate)	1.50	2.50	2.50	3.25	3.75	3.75	4.25	4.50	4.50	4.50	4.50
UK (Bank Rate)	1.25	1.25	1.75	2.25	2.25	3.00	3.50	3.50	4.00	4.25	4.25
Eurozone (Refi)	0.00	0.50	0.50	1.25	1.25	2.00	2.50	2.50	3.00	3.50	3.50
Japan (OCR)	-0.04	-0.01	-0.04	-0.07	-0.06	-0.08	-0.02	-0.01	-0.01	-0.03	-0.07
Australia (OCR)	0.73	1.28	1.81	2.25	2.58	2.84	3.05	3.10	3.29	3.54	3.60

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				
	Dec	Jan	Feb	Mar	Apr		Nov	Dec	Jan	Feb	Mar
US	6.5	6.4	6.0	5.0			7.4	6.6	5.9	4.9	2.7
Canada	6.3	5.9	5.2	4.3			9.0	7.4	5.0	1.6	-1.8
UK	10.5	10.1	10.4	10.1			16.0	14.5	13.4	12.0	8.7
Eurozone	9.2	8.6	8.5	6.9			27.0	24.6	15.1	13.4	5.9
Germany	8.1	8.7	8.7	7.4	7.2		28.2	21.6	17.6	15.8	7.5
France	5.9	6.0	6.3	5.7	5.9		18.0	17.5	14.9	13.3	9.5
Italy	11.6	10.0	9.1	7.6	8.3		29.4	31.7	11.1	9.6	3.8
Japan	4.0	4.3	3.3	3.2			9.9	10.6	9.5	8.3	7.2
Australia	7.8	7.0	7.0	7.0			5.8	5.8	5.2	5.2	5.2

Source: Macrobond

Economic Indicators

Real GDP Growth (Q/Q Seasonally Adjusted)

	Quarter/Quarter % Change					Year/Year % Change				
	Q1-22	Q2-22	Q3-22	Q4-22	Q1-23	Q1-22	Q2-22	Q3-22	Q4-22	Q1-23
US	-0.4	-0.1	0.8	0.6	0.3	3.7	1.8	1.9	0.9	1.6
Canada	0.6	0.9	0.6	0.0		3.1	4.7	3.8	2.1	
UK	0.5	0.1	-0.1	0.1		10.6	3.8	2.0	0.6	
Eurozone	0.6	0.9	0.4	-0.1	0.1	5.5	4.4	2.5	1.8	1.3
Germany	1.0	-0.1	0.5	-0.5	0.0	3.8	1.7	1.4	0.8	-0.1
France	-0.2	0.5	0.1	0.0	0.2	4.7	4.2	1.0	0.4	0.8
Italy	0.1	1.1	0.4	-0.1	0.5	6.5	5.1	2.5	1.4	1.8
Japan	-0.5	1.2	-0.3	0.0		0.6	1.4	1.5	0.4	
Australia	0.6	0.9	0.7	0.5		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	-1.2	0.7	0.2		2.7	1.3	2.0	1.7	
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	-2.0	1.4	-1.1	0.4	1.7	-2.3	0.9	-0.1
Italy	-0.2	1.2	-0.5	-0.2		-3.6	-0.9	1.9	-2.3	
Japan	0.2	0.3	-5.3	4.6	0.8	-0.9	-0.8	-3.8	-1.4	-0.8

Source: Macrobond

Unemployment Rate (Seasonally Adjusted)

	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23
US	3.6	3.5	3.7	3.5	3.7	3.6	3.5	3.4	3.6	3.5	3.4
Canada	4.9	4.9	5.3	5.2	5.2	5.1	5.0	5.0	5.0	5.0	5.0
UK	3.6	3.5	3.6	3.7	3.7	3.7	3.7	3.8			
Eurozone	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.6	6.6	6.5	
Germany	5.3	5.4	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.6	5.6
France	7.5	7.4	7.2	7.1	7.2	7.1	7.1	7.1	7.0	6.9	
Italy	8.0	8.0	8.1	8.0	7.9	7.9	7.9	8.0	7.9	7.8	
Japan	2.6	2.6	2.5	2.6	2.6	2.5	2.5	2.4	2.6	2.8	
Australia	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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