August 21, 2020
Commentary

Weekly Economic Perspectives

Contents

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The Economy

US, Canadian Housing Exhibit V-Shaped Recovery

In late May we highlighted the sharp rebound in US mortgage applications as an early signal that the housing sector was shaping up to be a leader in the post-shutdown recovery phase. Three months later, there is abundant further data evidence establishing housing as a recovery leader not just in the US economy, but also in Canada. The strength of housing today stands in sharp contrast not only to the more muted recoveries in other sectors (particularly leisure and hospitality or air travel) but also to the Great Recession experience. Whereas housing was then at the epicenter of the crisis, it is now a stabilizing force in the broader economy.

Perhaps there is no better representation of this extraordinary contrast than the performance of the National Association of Homebuilders Index in the United States (Figure 1). The index measures homebuilder sentiment and is a very good indicator of the health of the housing market. During the Great Recession, it underwent a very arduous recovery, dipping below 40 in mid-2006 and taking move than six years to reclaim that level. During the Covid crisis, the collapse and the subsequent rebound were infinitely swifter. In fact, after just two months below 40, the index hit a record high in August! Prospective buyer traffic also hit a new record, present sales matched the December 2019 high, and future sales expectations are near historical records.

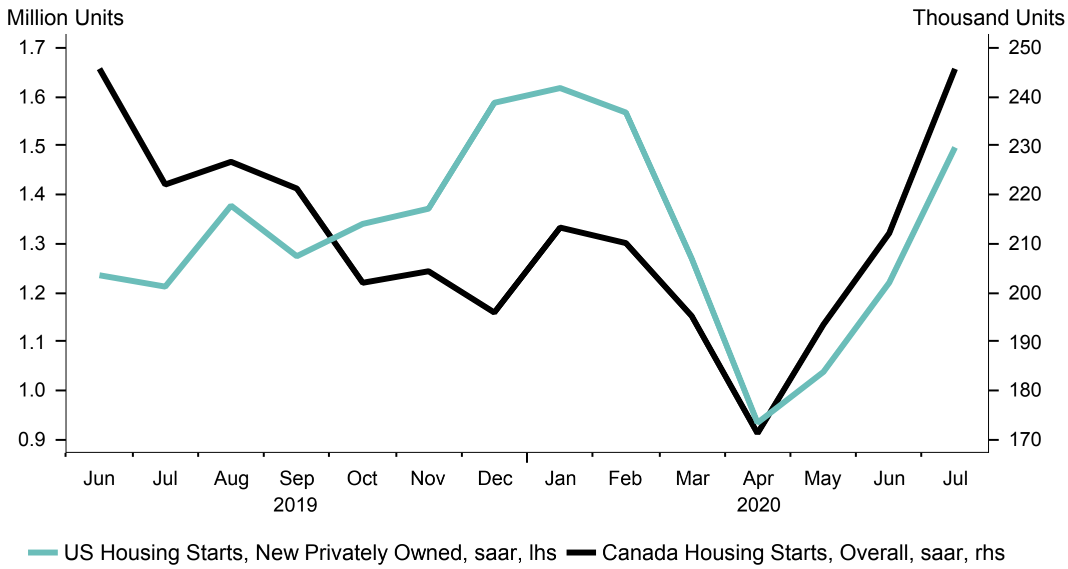
This optimism reflects much improved home sales. After a 20.2% increase in June, existing home sales surged another 24.7% in July, handily beating expectations and leaving them at the highest level since December 2006. Truly, the US housing market seems to be on fire! Canada is not far behind. According to the Canadian Real Estate Association (CREA), the Canadian housing market set multiple records in July as sales topped historical records while inventories declined to 16-year lows.

Figure 1: If This Is Not A "V", What Is?

Sources: National Association of Home Builders

The same tight inventory story is playing out in the US as well. July inventory levels of 3.1 months' worth of sales were within a hair's breadth of record lows. By contrast, during the 2008-2011 market lows, inventories at times surged to over 11 months and almost touched 12 months during the summer of 2010. Given this, it is unsurprising that homebuilders have resumed construction in earnest (Figure 2). Having collapsed in April in both US and Canada, housing starts have since rebounded sharply, with Canadian starts now at a year-high and US starts re-approaching the post-GFC highs reached around the turn of the year.

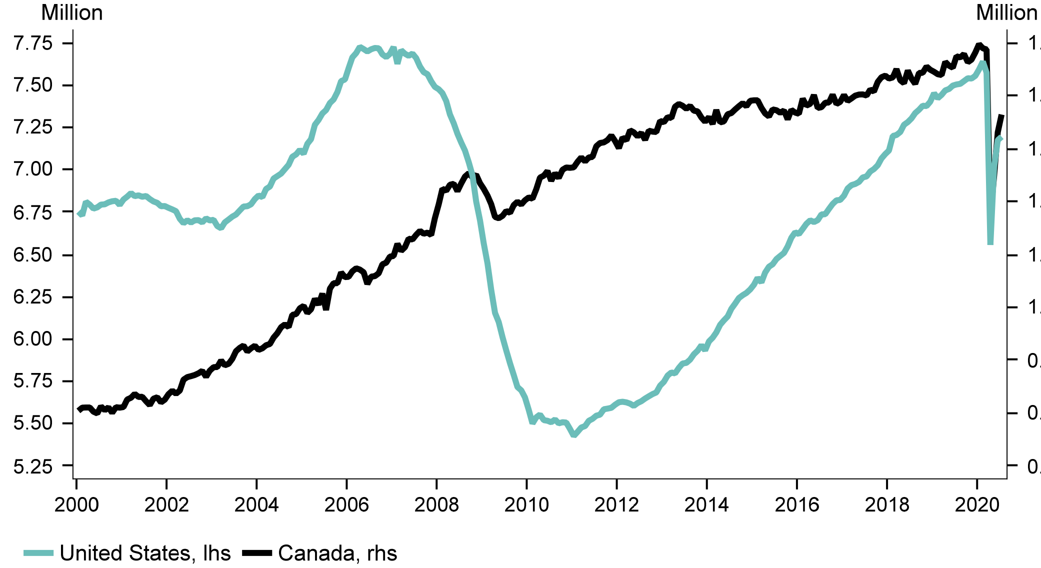
Figure 2: Housing Starts Have Rebounded Strongly



Sources: Canada Mortgage & Housing Corporation (CMHC), U.S. Census Bureau

Construction employment has exhibited a more mixed cross-country performance during the recovery phase. In the US, it has greatly outperformed services, being closely aligned with the manufacturing sector; this confirmed our initial intuition regarding construction sector's relative resilience to Covid-19 due to the more outdoor nature of work and less physical proximity compared with service industries. In Canada, however, construction employment has actually underperformed services during the Covid pandemic. This divergent performance likely speaks to the historical context in that construction employment in Canada entered the Covid crisis at record levels, whereas construction employment in the US had not even fully reclaimed the pre-GFC peak (Figure 3). Differences in the broader construction sector composition may also play a role, as construction also entails infrastructure and non-residential building activity.

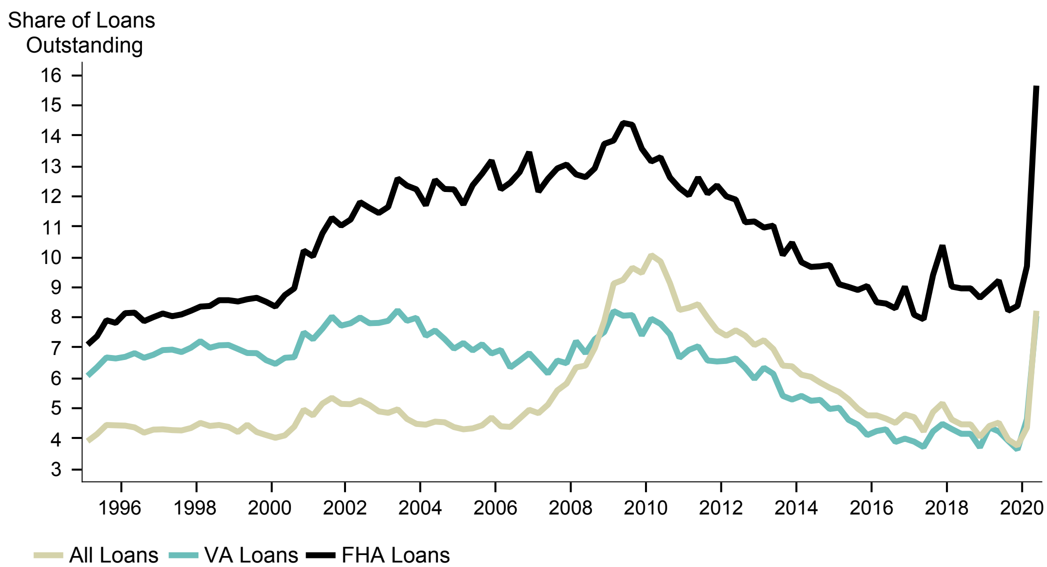
Figure 3: Construction Employment



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

So far so good then for the housing market and for homebuilders. But can this resilience persist in light of high unemployment and uncertainty over future household incomes? In a worrying sign, the US mortgage delinquency rate spiked in the second quarter, with FHA (Federal Housing Authority) and VA (Veterans Affairs) loans faring especially poorly (Figure 4).

Figure 4: Mortgage Delinquencies Have Spiked

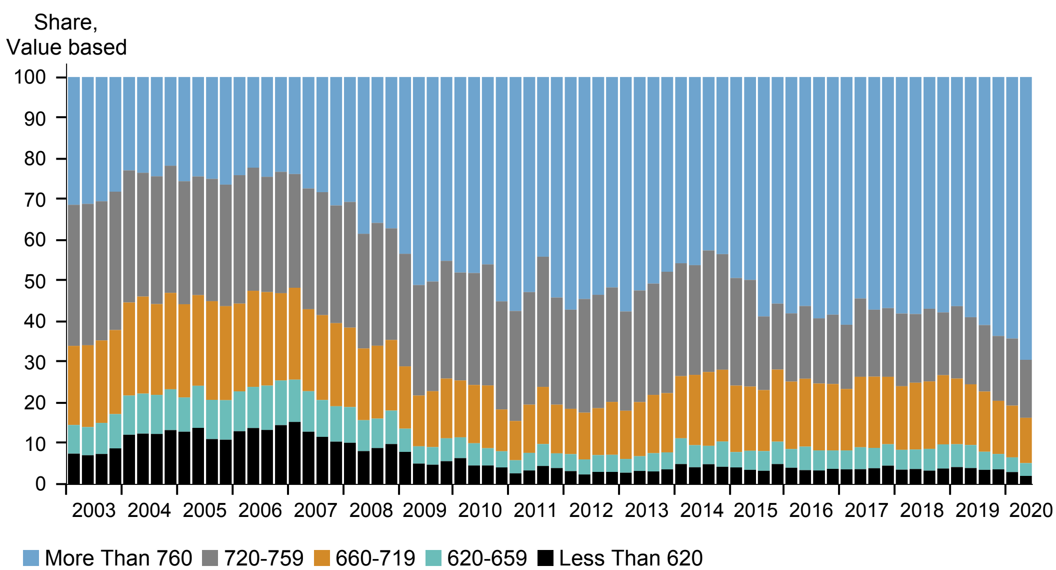


Sources: Mortgage Bankers Association (MBA)

This largely reflects increased use of forbearance options under the CARES Act provisions, which allow borrowers to defer payments for an initial six months (with optionality to extend another six months) without suffering a negative credit report impact. Separate data from the MBA shows that 7.2% of loans were in forbearance during the week ending August 9. Notably, this marked the ninth straight week of declines, which is encouraging and likely reflects a combination of people returning to work, generous unemployment insurance benefits, and stimulus checks. However, homeowners' future mortgage servicing ability will hinge critically on how long the Covid crisis persists. While the personal savings rate at nearly 20% speaks favorably about consumers' financial cushion, there remain over 9 million out of work individuals who describe themselves as on temporary furloughs. Absent an effective medical solution to the Covid crisis, many of these (and perhaps plenty others) could find themselves outright unemployed. This is precisely the "relay race" nature of the Covid recovery that we discuss in our mid-year market outlook: the persistent risk of relapse/failure despite having done quite well so far.

The housing sector is not immune to these risks, but there are several factors, both structural and Covid-related, that offer support. First and foremost, the sector has been "lean" for many years, having worked off the excesses leading to the Global Financial Crisis. Low credit risk borrowers have for years made up the bulk of new mortgage originations in the United States (Figure 5), minimizing repayment risk.

Figure 5: High Credit Score Borrowes Drive US Mortgage Originations



Sources: Federal Reserve Bank of New York

These homeowners also have untapped home equity as outstanding home equity lines of credit during the second quarter stood at only a little over half of where they were back in 2009. In other words, homeowners have no incentive to default since they are not "underwater" on their mortgages. Another positive structural factor is that in the United States residential construction had only meaningfully picked up over the last couple of years. Even at the recent January peak, housing starts were only back to 2007 levels. Meanwhile, the US population had risen by over 27 million people.

Finally, the Covid crisis presents an interesting question in respect to its lasting impact on housing. While challenging in the shorter term via income losses and labor market concerns, the crisis may also lastingly alter consumer preferences in favor of home ownership. In the words of Shaun Cathcart, CREA's Senior Economist, "the new-found importance of home, lack of a daily commute for many, a desire for more outdoor and personal space, room for a home office, etc. will certainly also spur activity that otherwise would not have happened in a non-COVID-19 world." It is indeed notable that building materials are among the best performing category within US retail sales this year. Apparently, more time spent at home is spurring a burst of home improvement activity.

US

The US **housing sector** is on fire…in a very good way! See commentary above.

The two regional **manufacturing Fed survey** released this week came in softer than expected, underscoring the idea that the economic rebound seen over the last couple of months has lost momentum. This should not be surprising, however, as improvement off the very bottom is always fast and furious while subsequent gains are always slower and more onerous. The various surveys also offer some mixed signals as the PMI data handily beat expectations. So far, we see the data evidence pointing to slower gains, rather than a reversal in activity. The **Empire Fed** heavily undershot expectations, retreating 13.5 points to 3.7, which is about one point lower than its 2019 average. The details were on the soft side but not universally so; while new orders declined, for instance, employment as despite a retreat in new orders retreated, the employment metric reached a six-month high.

The **Philly Fed** disappointment was more muted and it is worth noting that, despite a 6.9-point retreat, the index remains almost twice above its 2019 average. Similar to the Empire index, the details were on the soft side, but certainly not disastrous. For instance, while new orders retreated 4.0 points, they remain well above the 2019 average. Shipments and employment were below the 2019 average, but given the magnitude of recent months, it is a bit hard to interpret what these metrics might imply for actual production and employment in the near term.

In contrast to the Fed surveys, the **IHS Markit purchasing managers' indexes (PMIs)** handily beat expectations, both in manufacturing and services. The manufacturing PMI increased 2.7 points to 53.6, while the services PMI jumped 4.8 points to 54.8.

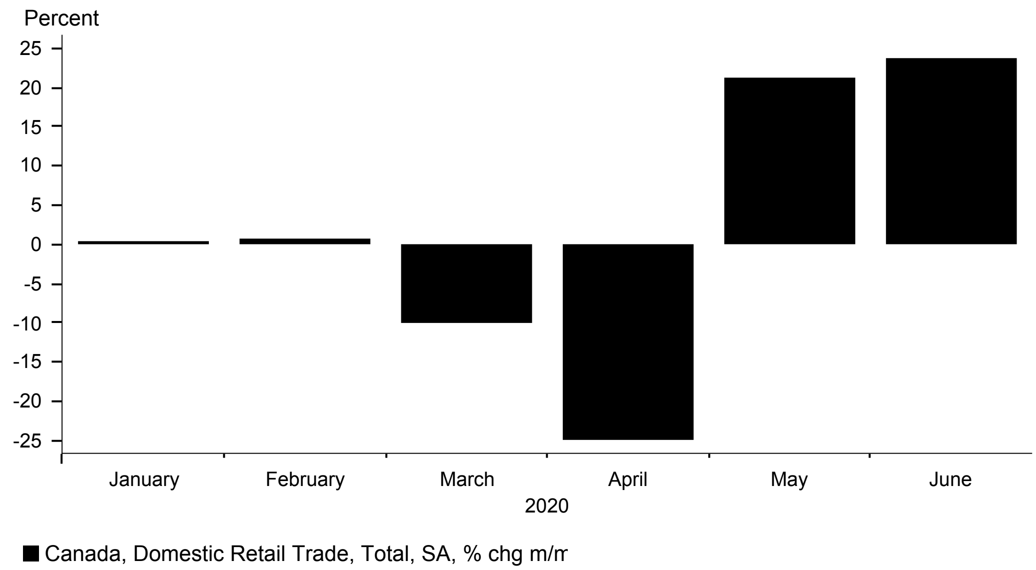
The **index of leading economic indicators (LEI)** suggests that while momentum in the US economy is slowing, the direction of travel remains positive. It rose another 1.4% in July, following an upwardly revised 3.0% gain in June (from 2.0% originally reported). The details were encouraging as the biggest positive contributions came from real economy components such as the average workweek, building permits, and unemployment claims. Despite these recent gains, the LEI is still down 6.8% y/y.

The latest **unemployment claims** data were mixed. On one hand, after two weeks of sizable improvements, initial claims came in at a higher than expected 1.1 million during the week ending August 15. On the other hand, however, continuing claims came in lower than expected, down 686,000 to 14.844 million during the week ending August 8. So far, the continuing claims data are sending a positive signal for the August payrolls report despite some pullback in economic reopening due to Covid resurgence.

Canada

Retail sales in June were 1.3% higher than in February, having increased by 23.7% to C$53.0 billion. All categories saw improvement, led by motor vehicle and parts dealers (+53.4%), and clothing and clothing accessories stores (+142.3%). Real sales also rose 22.9%, following a solid gain of 17.8% in May. Sales were up in all subsectors, as more regions moved ahead with plans to reopen their economies. More importantly, more brick-and-mortar stores resumed business, including those in malls, encouraging consumers to go out and shop. As a result, the share of retail e-commerce in total sales dropped to 5.4%, having climbed to 8.0% in May. They are still above the pre-pandemic level though. Statistics Canada's estimates suggest that retail sales will moderate to 0.7% in July.

Figure 6: Canadian Retail Sales Rebound



Sources: Statistics Canada

Existing home sales experienced their largest monthly increase, while new listings hit their highest level on record for the month of July. Existing home sales rose 26% in July, with non seasonally adjusted sales up 30.5% y/y. All major metropolitan areas saw considerable growth. The number of newly listed properties rose by 7.6% in July, but the Canadian Real Estate Association noted that new supply was only up in about 60% of local markets, as the rebound in supply appears to be tapering off in many parts of the country. This caused the sales-to-new listings ratio to tighten to 73.9% in July compared to 63.1% in June, the highest since early 2002. The months of inventory fell to just 2.8 months, again a historical low. All signs point to demand outstripping supply post the reopening, which implies that house prices will continue to see healthy gains for at least a few more months. Unsurprisingly, the Aggregate Composite MLS Home Price index jumped by 2.3% m/m—the second largest increase on record.

The **11-City housing report** published by Teranet and the Bank of Canada recorded the smallest July increase in 15 years, which is quite in contrast to the home sales data released earlier. House prices increased by just 0.3% in July, with the seasonally adjusted index falling 0.3%, the second sequential decline. Prices rose in a majority of the metropolitan areas, led by Quebec (+1.4%), Ottawa (+1.2%), Winnipeg (+1.1%), and Halifax (+1.0%). The index was still up 5.5% y/y, a slight deceleration from June.

Canada's headline **consumer price inflation** decelerated in July, having turned positive in June after consecutive declines. Inflation slowed to 0.1% y/y, down from a 0.7% increase in June. Gasoline prices were the main detractor, down 14.9% from last year. Excluding gasoline prices, inflation was up 0.7% y/y. Prices for goods (-0.2%) saw a similar decline as in June, and services (+0.5%) increased at a slower pace than previous month. Growth slowed the most in the transportation component (-1.0%), mostly due to the air transportation index. Food prices moderated a little to 2.2%, but still above the target for headline. Measures of core inflation were broadly unchanged—the weighted median measure was unchanged at 1.9%, while the common component as well as the trimmed mean edged down one tenth each to 1.3% and 1.7% respectively. On a monthly basis, prices decreased 0.1% m/m.

UK

Manufacturing and service activity is picking up speed, but this must be understood as a rebound from very depressed levels rather than genuine absolute strength. Nonetheless, we'll take it! The **purchasing managers' index (PMI) for services** index jumped another 3.6 points to 60.1, the highest level since late 2013. Incoming new business rose 5.0 points to 59.3, the highest level since 2015. Employment was the report's black mark, with a 0.9point decline to only 37.9. The **manufacturing index** improved 2.0 points to 55.3 as production rose 2.2 to 61.6 and new orders rose 4.3 to 59.4. Employment was once again the weak link, retreating half a point to 43.5.

Virus worries and those weak employment numbers are keeping consumers in a gloomy mood. Still, we were surprised to see there was no improvement in the GfK **consumer confidence** index in August. Indeed, the headline was unchanged at -27, just seven points above the May low. It had averaged -8 during the first quarter, so there is a lot of ground to make up.

The good news is that, despite downbeat sentiment, these same consumers were willing to spend a little more last month. **Retail sales** increased a further 3.6% in July, leaving them 1.4% higher than in July 2019—the first positive annual comparison since January. Spending patterns continued to normalize, with non-food sales up 9.9% (continuing to rebound from deep earlier losses) while food sales declined 3.0% as people resumed eating out.

Consumer prices are rebounding from recent lows, and, in fact, surprised to the upside in July. The headline **CPI inflation rate** accelerated four tenths to 1.0% y/y, while core inflation also accelerated four tenths to a one-year high of 1.8% y/y. Goods inflation remains tepid—0.0% y/y, in fact—but services inflation stands at 2.1% y/y.

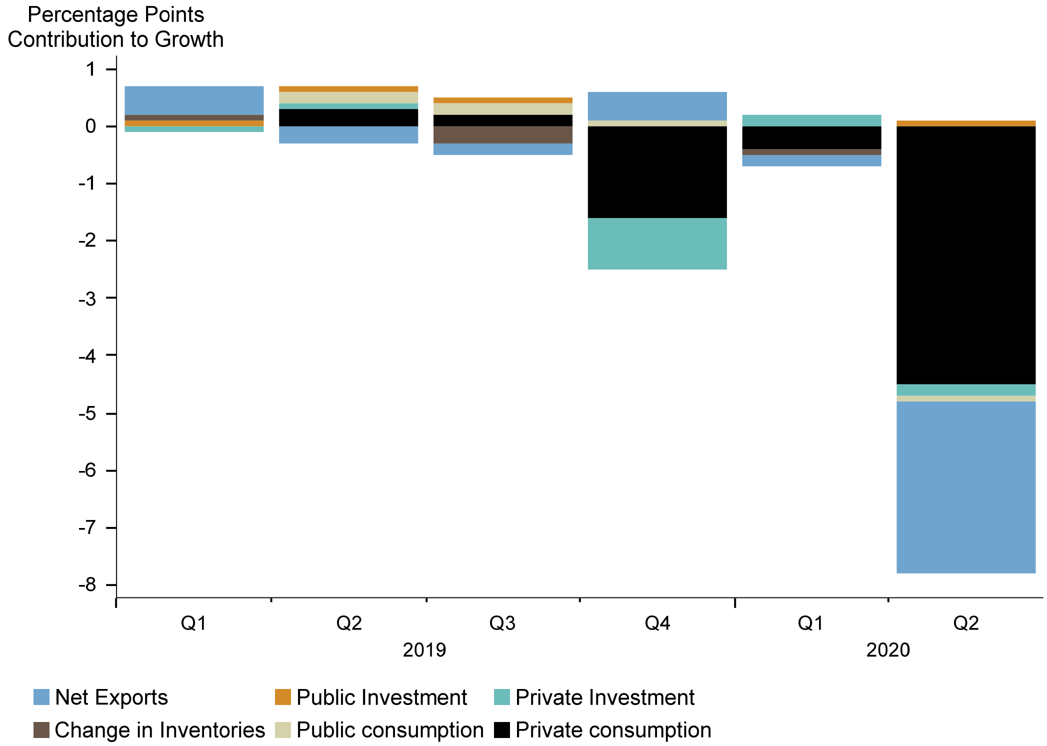
Eurozone

After a good bounce in June-July, preliminary **eurozone purchasing managers indexes** disappointed in August as rising virus cases triggered some pullback in activity, especially in services. Indeed, declines of about 5.0 points in both the German and French indexes left the preliminary eurozone services index barely into expansion territory at 50.1, down 4.6 points for the month. The manufacturing index did much better, retreating only 0.1 point to 51.7 as a 2.0-point bounce in the German index offset a sizable decline in the French one (now back in contraction at 49.***0).***

Japan

As expected, preliminary estimates of Japan's **GDP** in the second quarter of 2020 showed a record loss of -7.8% q/q (-27.8% annualized), slightly more than consensus. This was the third consecutive quarter of negative growth, starting with the adverse impact of a hike in consumption tax in the fourth quarter of 2019. Growth had already begun to slow in Q1 as inbound tourism collapsed and households started to cut back on social consumption in the early stages of the COVID-19 outbreak. However, the worsening of the pandemic—both at home and abroad, led to a much sharper hit to Q2 GDP.

Figure 7: Domestic Demand Has Been Very Weak In Japan



Sources: Macrobond, Japanese Cabinet Office (CaO)

Domestic demand was very weak—an 8.6% q/q drop in private consumption was the most notable detractor. Private business investment also fell 1.5%, but the resilience in software investment likely provided some support. Exports plunged 18.5%, driven by a collapse in shipments to the US and Europe, but imports held up surprisingly well (-0.5%). Activity has bottomed out in Q2, but we do not expect output to be back to pre-COVID levels soon. An early vaccine poses upside risks to the outlook.

Headline **inflation** has sped up a little to 0.3% y/y in July, the highest since March. The loss of economic activity has probably bottomed out, and it is likely that inflation will now settle at present level in the medium term. Food inflation is still high, rising to 1.9% in July on the back of sharply rising fresh food prices. Prices for household durable goods increased for the second month, by 4.0%, following two successive declines. Most other broad categories saw a pronounced deceleration while still in the negative—including energy (-4.5%) and travel and communication (-0.1%). Both the core measure of CPI (excluding fresh food) and the new BoJ core CPI (excluding fresh food and energy) were unchanged over the month, rising by 0.0% and 0.4% y/y, respectively.

Both manufacturing and services activities in Japan continue to lag peers. The measures of the Manufacturing Purchasers' Index are edging towards the neutral 50 mark, though there still is a long way to go. The Jibun Bank's **survey of Manufacturing PMI** edged up 1.4 points to 46.6 in August, while the Services PMI edged down 0.4 points to 45.0, but both much below even the February levels. New orders and output sub-indices declined further, albeit the decline was weaker in case of manufacturing. In the accompanying press release, it was that "the prospect of a solid recovery remains highly uncertain, as Japanese firms were pessimistic about the business outlook on balance during August." Worryingly, the employment indices fell further, raising questions on the resilient labor market.

Core machinery orders (private sector orders other than for ships and electricity generating equipment) posted a negative surprise in June, dropping 7.6% m/m in contrast to an expected increase of 2.0%. The details were mixed—manufacturing orders saw a rebound of 5.6%, while services (excluding orders for ships and from electric power companies) reversed gains from May to a decline of 10.4%. Foreign orders, a leading indicator for capital goods exports saw some deceleration, falling by 3.9% compared to double-digit declines over April and May; but government orders, which had a strong May, dropped 20%.

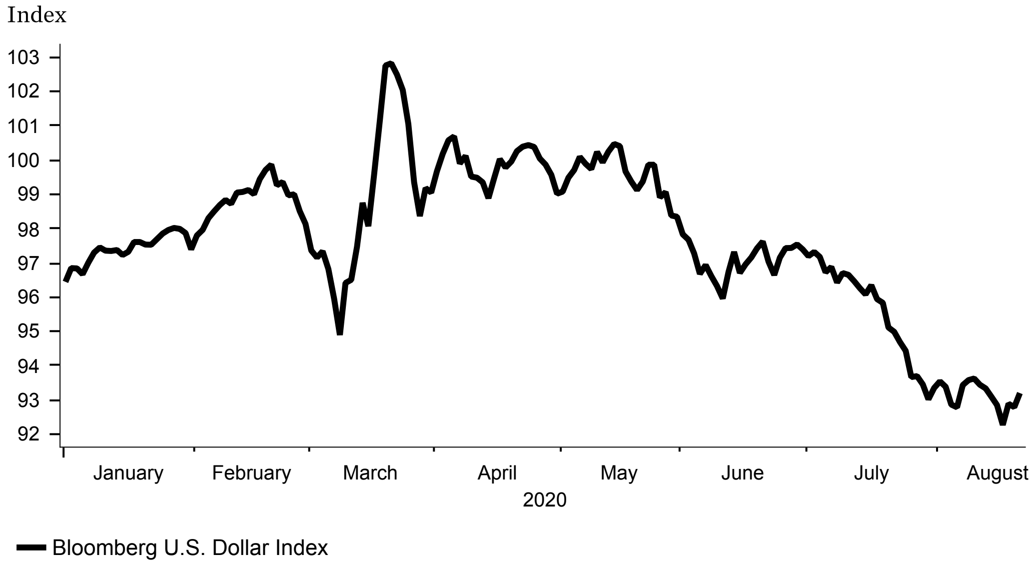
Australia

The **Reserve Bank of Australia's minutes** to the meeting dated August 4th provided little additional information. The Bank noted the better than expected state of recovery, but that the renewed outbreak in Victoria threatens to delay the spending plans of households and businesses. Apart from that, the Bank announced its intention to restart purchase of Australian Government bonds in the secondary market as necessary to ensure that the yield on 3-year bonds remains consistent with the target. Of particular interest to the market was any discussion on additional policy actions in the future. The minutes divulged no more than we already know, but Governor Lowe has flagged earlier that the RBA might consider a "separate bond buying program" besides its policy of yield curve control. We suspect the RBA might target the longer end of the curve if required, in addition to extending the Term Funding Facility.

The Market This Week

The loss of its yield advantage and the lessening of safe-haven demand amid improving global growth have buffeted the US dollar since mid-May. Disappointing eurozone PMIs on Friday lifted the dollar noticeably…but is this sustainable?.

Figure 8: A Temporary Bottom?



Sources: Macrobond, Bloomberg

Equities: A down week for most stock markets, though US manages a gain.

Bonds: Bond yields narrow on some data disappointments.

Currencies: The dollar claws back some losses late in the week.

Commodities: Oil and gold move a little lower.

8/21/20 5:53 PM

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®	3397.16	0.7%	5.1%	0.63	-8	-129	93.201	0.1%	-3.3%
Canada	TSE 300	16517.85	0.0%	-3.2%	0.54	-8	-116	1.3177	-0.7%	1.4%
UK	FTSE®	6001.89	-1.4%	-20.4%	0.21	-4	-62	1.309	0.0%	-1.3%
Germany	DAX	12764.8	-1.1%	-3.7%	-0.51	-9	-32			
France	CAC-40	4896.33	-1.3%	-18.1%	-0.20	-7	-32	1.1797	-0.4%	5.2%
Italy	FTSE® MIB	19695.43	-1.7%	-16.2%	0.94	-4	-47			
Japan	Nikkei 225	22920.3	0.7%	-3.1%	0.03	-2	5	105.8	-0.8%	-2.6%
Australia	ASX 200	6111.184	-0.2%	-8.6%	0.88	-5	-49	0.7161	-0.1%	2.0%

Commodity Markets						
Commodity	Unit	Source	Last Price	%Ch Week	%Ch YTD	%Ch Yr Ago
Oil (Brent)	US $/Barrel	Bloomberg	43.51	-1.0%	-34.5%	-27.8%
Gold	US $/troy oz	Bloomberg	1940.48	-0.2%	27.9%	29.1%

Source: Bloomberg®

Week in Review (August 17–August 21)

Country	Release (Date, format)	Consensus	Actual	Last	Comments
Monday, August 17					
US	Empire Manufacturing (Aug)	15	3.7	17.2	On the soft side.
US	NAHB Housing Market Index (Aug)	74	78	72	Record high!
US	Mortgage Delinquencies (Q2)	na	8.2%	4.4%	Reflecting forbearance under CARES Act.
CA	Existing Home Sales (Jul, m/m)	20.0%	26.0%	63.0%	Record level for sales.
JN	GDP (Q2, prelim, q/q)	-7.5%	-7.8%	-0.6%	The worst is over.
JN	Industrial Production (Jun, final, m/m)	2.7%(p)	1.9%	-8.9%	IP and shipments surprise on the negative.
Tuesday, August 18					
US	Building Permits (Jul, thous)	1326	1495	1258(↑)	Impressive, good signal for future starts.
US	Housing Starts (Jul, thous)	1245	1496	1220(↑)	Strong rebound!
AU	RBA Meeting Minutes				Nothing of note.
Wednesday, August 19					
US	FOMC Meeting Minutes				Not ready to announce new policy framework.
CA	CPI (Jul, y/y)	0.5%	0.1%	0.7%	Weaker reading due to lower gasoline prices.
UK	CPI (Jul, y/y)	0.6%	1.0%	0.6%	
JN	Core Machine Orders (Jun, m/m)	2.0%	-7.6%	1.7%	A surprise fall led by slump in services.
JN	Trade Balance Adjusted (Jul, ¥ bil.)	-45.3	-34.8	-423.9	Fall in imports offset fall in exports.
Thursday, August 20					
US	Initial Jobless claims (Aug 15, thous)	920	1106	971(↑)	Surprising increase.
US	Continuing claims (Aug 8, thous)	15000	14844	15480(↓)	Encouraging.
US	Philadelphia Fed Business Outlook (Aug)	20.8	17.2	24.1	A bit soft.
US	Leading Index (Jul, m/m)	1.1%	1.4%	3.0%(↑)	Momentum slowing, but direction is positive.
CA	Teranet/National Bank HPI (Jul, y/y)	na	5.5%	5.9%	Signals a slowing in prices.
Friday, August 21					
US	Existing Home Sales (Jul, m/m)	14.6%	24.7%	20.2%(↓)	Highest since December 2006!
CA	Retail Sales (Jun, m/m)	24.5%	23.7%	18.7%	Impressive!
UK	GfK Consumer Confidence (Aug, prelim)	-25	-27	-27	Surprising lack of improvement.
UK	Retail Sales (Jul, m/m)	2.0%	3.6%	13.9%	Up despite gloomy sentiment.
UK	Manufacturing PMI (Aug, prelim)	54.0	55.3	53.3	Bounce from low levels.
UK	Services PMI (Aug, prelim)	57.0	60.1	56.5	Bounce from low levels.
EC	Manufacturing PMI (Aug, prelim)	52.7	51.7	51.8	
EC	Services PMI (Aug, prelim)	54.5	50.1	54.7	
GE	Manufacturing PMI (Aug, prelim)	52.5	53.0	51.0	
GE	Services PMI (Aug, prelim)	55.2	50.8	55.6	
FR	Manufacturing PMI (Aug, prelim)	53.0	49.0	52.4	
JN	Manufacturing PMI (Aug, prelim)	na	46.6	45.2	Discouraging, and lagging peers.
JN	Services PMI (Aug, prelim)	na	45.0	45.4	Discouraging, and lagging peers.
JN	CPI (Jul, y/y)	0.3%	0.3%	0.1%	The worst is over.

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

Week Preview (August 24–August 28)

Country	Release (Date, format)	Consensus	Last	Comments
Monday, August 24				
	No Major Releases			
Tuesday, August 25				
US	FHFA House Price Index (Jun, m/m)	0.3%	-0.3%	
US	S&P CoreLogic 20-City Index (Jun, m/m)	0.1%	0.0%	
US	Consumer Confidence (Aug)	93.0	92.6	
US	New Home Sales (Jul, thous)	785	776	Housing demand has rebounded!
GE	GDP (Q2, final, q/q)	-10.1%(p)	-2.0%	
GE	IFO Business Climate (Aug)	92.4	90.5	
Wednesday, August 26				
US	Durable Goods Orders (Jul, prelim, m/m)	4.0%	7.6%	
FR	Consumer Confidence (Aug)	92	94	
Thursday, August 27				
US	Initial Jobless claims (Aug 22, thous)	1000	1106	
US	Continuing claims (Aug 15, thous)	14400	14844	Positive signal for August payroll report.
US	GDP (Q2, second, q/q saar)	-32.9%(p)	-5.0%	
US	Pending Home Sales (Jul, m/m)	5.5%	16.6%	
US	Kansas City Fed Manf. Activity (Aug)	na	3	
GE	Retail Sales (Jul, m/m)	1.3%	-2.0%(↓)	
FR	Business Confidence (Aug)	87	85	
IT	Industrial Orders (Jun, m/m)	na	42.2%	
JN	All Industry Activity Index (Jun, m/m)	6.3%	-3.5%	
AU	Private Capital Expenditure (Q2, q/q)	-8.2%	-1.6%	Uncertainties will impact business investment.
Friday, August 28				
US	Personal Income (Jul, m/m)	-0.4%	-1.1%	This is critical for future spending.
US	Personal Spending (Jul, m/m)	1.5%	5.6%	Good for Q3 GDP.
US	MNI Chicago PMI (Aug)	51	51.9	
US	U of Mich Cons Sentiment (Aug, final)	72.8(p)	72.5	
CA	GDP (Jun, m/m)	5.2%	4.5%	Economy has been strong post reopening.
UK	Nationwide House Price (Aug, m/m)	0.6%	1.7%	
GE	GfK Consumer Confidence (Sep)	0.8	-0.3	
FR	GDP (Q2, final, q/q)	-13.8%(p)	-5.8%	
FR	Consumer Spending (Jul, m/m)	na	9.0%	
IT	Consumer Confidence (Aug)	100.5	100	

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

Economic Indicators

Central Bank Policy Targets

Region	Target	Year/Year % Change in Target				
		Mar	Apr	May	Jun	Jul
US	Target: PCE price index 2.0% y/y	1.3	0.5	0.5	0.8	
Canada	Target: CPI 2.0% y/y, 1.0%-3.0% control range	0.9	-0.2	-0.4	0.7	0.1
UK	Target: CPI 2.0% y/y	1.5	0.8	0.5	0.6	1.0
Eurozone	Target: CPI below but close to 2.0% y/y	0.7	0.3	0.1	0.3	0.4
Japan	Target: CPI 2.0% y/y	0.4	0.1	0.1	0.1	0.3
Australia	Target Range: CPI 2.0%-3.0% y/y	2.2	-0.3	-0.3	-0.3	

Source: Macrobond

Key Interest Rates

	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	#####	Jun-20	Jul-20
US (top of target range)	2.00	1.75	1.75	1.75	1.75	1.75	0.25	0.25	0.25	0.25	0.25
Canada (Overnight Rate)	1.75	1.75	1.75	1.75	1.75	1.75	0.25	0.25	0.25	0.25	0.25
UK (Bank Rate)	0.75	0.75	0.75	0.75	0.75	0.75	0.10	0.10	0.10	0.10	0.10
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	-0.03	-0.03	-0.07	-0.04	-0.03	-0.07	-0.06	-0.07	-0.07	-0.02
Australia (OCR)	1.00	0.76	0.75	0.75	0.75	0.75	0.43	0.25	0.25	0.25	0.25

Source: Macrobond

General Government Structural Balance as a % of Potential GDP

	2012	2013	2014	2015	2016	2017	2018	2019	Forecast 2020	Forecast 2021
US	-6.4	-4.5	-3.8	-3.6	-4.4	-4.8	-6.0	-6.3	-6.3	-6.2
Canada	-2.1	-1.1	0.1	0.8	0.7	0.0	-0.2	-0.5	-0.8	-0.8
UK	-6.0	-4.0	-4.7	-4.1	-2.9	-2.0	-1.5	-1.3	-1.4	-1.5
Eurozone	-2.1	-1.2	-0.9	-0.8	-0.7	-0.7	-0.6	-0.7	-0.9	
Germany	0.0	0.6	1.2	1.2	1.3	1.1	1.4	0.9	1.0	0.7
France	-4.4	-3.4	-3.3	-3.0	-2.8	-2.6	-2.5	-2.4	-2.5	-2.4
Italy	-1.5	-0.6	-1.1	-0.7	-1.4	-1.7	-1.8	-1.5	-2.1	-2.3
Japan	-7.6	-7.5	-5.5	-4.3	-4.1	-3.4	-3.1	-2.9	-2.1	-1.9
Australia	-3.3	-2.6	-2.6	-2.4	-2.2	-1.5	-0.6	-0.4	-0.4	0.0

Source: International Monetary Fund, World Economic Outlook

Headline Consumer and Producer Price Inflation

	CPI Year/Year % Change						PPI Year/Year % Change				
	Mar	Apr	May	Jun	Jul		Mar	Apr	May	Jun	Jul
US	1.5	0.3	0.1	0.6	1.0		0.3	-1.2	-0.8	-0.8	-0.4
Canada	0.9	-0.2	-0.4	0.7	0.1		-3.0	-6.0	-4.9	-3.1	
UK	1.5	0.8	0.5	0.6	1.0		0.3	-0.7	-1.2	-0.9	-0.9
Eurozone	0.7	0.3	0.1	0.3	0.4		-2.8	-4.5	-5.0	-3.7	
Germany	1.4	0.9	0.6	0.9	-0.1		-0.8	-1.9	-2.2	-1.8	-1.7
France	0.7	0.3	0.4	0.2	0.8		-1.9	-3.8	-3.4	-2.3	
Italy	0.1	0.0	-0.2	-0.2	-0.4		-3.7	-5.1	-5.3	-4.5	
Japan	0.4	0.1	0.1	0.1	0.3		-0.5	-2.4	-2.8	-1.6	-0.9
Australia	2.2	-0.3	-0.3	-0.3							

Source: Macrobond

Real GDP Growth (Q/Q Seasonally Adjusted)

	Quarter/Quarter %Change						Year/Year %Change				
	Q2-19	Q3-19	Q4-19	Q1-20	Q2-20		Q2-19	Q3-19	Q4-19	Q1-20	Q2-20
US	0.4	0.6	0.6	-1.3	-9.5		2.0	2.1	2.3	0.3	-9.5
Canada	0.8	0.3	0.1	-2.1			2.0	1.6	1.5	-0.9	
UK	-0.1	0.5	0.0	-2.2	-20.4		1.4	1.3	1.1	-1.7	-21.7
Eurozone	0.2	0.3	0.0	-3.6	-12.1		1.3	1.4	1.0	-3.1	-15.0
Germany	-0.5	0.3	0.0	-2.0	-10.1		0.1	0.8	0.4	-2.2	-11.7
France	0.2	0.2	-0.2	-5.9	-13.8		1.8	1.6	0.8	-5.7	-19.0
Italy	0.1	0.0	-0.2	-5.4	-12.4		0.4	0.5	0.1	-5.5	-17.3
Japan	0.4	0.0	-1.8	-0.6	-7.8		0.9	1.7	-0.7	-2.0	-10.0
Australia	0.6	0.6	0.5	-0.3			1.6	1.8	2.2	1.4	

Source: Macrobond

Industrial Production Index (M/M Seasonally Adjusted)

	Month/Month %Change						Year/Year %Change				
	Mar	Apr	May	Jun	Jul		Mar	Apr	May	Jun	Jul
US	-4.3	-12.8	0.9	5.7	3.0		-4.6	-16.3	-15.8	-11.0	-8.2
Canada	-5.2	-13.7	3.1				-5.4	-20.0	-17.5		
UK	-4.3	-20.4	6.2	9.4			-7.4	-24.0	-20.1	-12.5	
Germany	-8.8	-17.6	7.4	8.9			-10.9	-24.8	-19.6	-11.5	
France	-17.1	-20.6	19.9	12.7			-17.8	-35.1	-23.4	-11.7	
Italy	-28.4	-20.5	41.6	8.2			-29.4	-43.4	-20.6	-13.7	
Japan	-3.7	-9.8	-8.9	1.9			-6.8	-15.9	-24.5	-21.0	

Source: Macrobond

Unemployment Rate (Seasonally Adjusted)

	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	#####	Jun-20	Jul-20
US	3.5	3.6	3.5	3.5	3.6	3.5	4.4	14.7	13.3	11.1	10.2
Canada	5.5	5.6	5.9	5.6	5.5	5.6	7.8	13.0	13.7	12.3	10.9
UK	3.8	3.8	3.8	3.9	4.0	3.9	3.9	3.9	3.9		
Eurozone	7.5	7.4	7.4	7.4	7.4	7.2	7.2	7.5	7.7	7.8	
Germany	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.8	6.3	6.4	6.4
France	8.4	8.3	8.2	8.2	7.9	7.6	7.6	8.8	8.2	7.7	
Italy	9.7	9.5	9.5	9.5	9.5	9.2	8.4	6.8	8.3	8.8	
Japan	2.4	2.4	2.2	2.2	2.4	2.4	2.5	2.6	2.9	2.8	
Australia	5.2	5.3	5.1	5.1	5.3	5.1	5.2	6.4	7.1	7.4	7.5

Source: Macrobond

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

	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19	Q3-19
US	-2.2	-2.5	-2.0	-2.3	-2.3	-2.1	-2.4	-2.8	-2.6	-2.4	
Canada	-2.2	-2.7	-3.4	-3.0	-2.8	-2.6	-1.8	-2.8	-3.0	-1.2	-1.7
UK	-3.2	-4.0	-3.4	-3.3	-3.4	-4.4	-4.3	-5.1	-6.0	-4.6	
Eurozone	3.1	1.9	3.9	3.6	3.5	3.6	2.6	2.8	3.1	2.4	
Germany	8.3	7.0	8.6	8.6	8.5	7.6	6.5	7.4	7.8	7.6	8.1
France	-1.3	-0.7	-0.7	-0.3	-0.3	-1.4	-0.5	-0.5	-0.8	-0.8	-1.0
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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Exp. Date: 8/31/2021