Weekly Economic Perspectives

Weekly Highlights

- **Economies:** Global manufacturing expands for the first time in seven months (Figure 1). Employment surges in the US (Figure 2, page 3). Bank of Canada keeps rates steady but weaker labor market may change that. UK manufacturing and services contract. Services expand in the eurozone. Japanese wage inflation may be reviving. The RBA is on hold amid disappointing growth. (pages 2 – 6)
- **Markets:** Mixed and volatile week for equities amid sentiment swings. Bond yields widen as data point to macro resilience. The pound and Aussie dollar are the week's currency winners. Oil jumps on lower inventories, Saudi production cut pledge. Gold ends little changed. (page 7)

Upcoming Highlights

- **Spotlight:** The Fed and the ECB meet but neither is expected to make any policy change. Retail sales should do well in the US. House prices seem poised to rise in Australia. (page 9)

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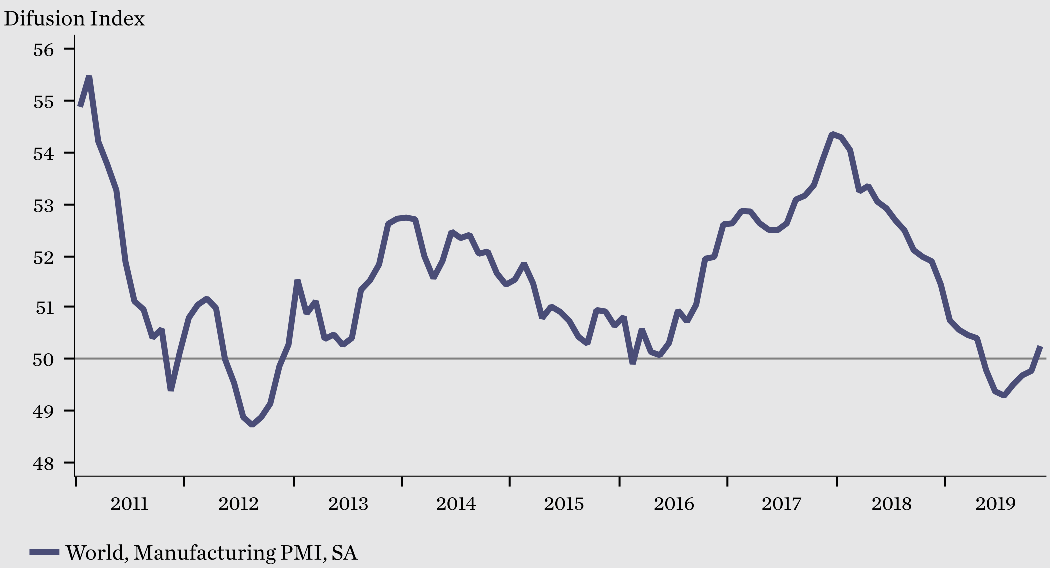
Figure 1: Global Manufacturing Expands For First Time Since April



Sources: IHS Markit

STATE STREET GLOBAL ADVISORS

Week in Review

Global

Global manufacturing has been in recession for several months but, according to the IHS Markit PMI (purchasing managers' index) data, it expanded in November for the first time since April. Improvements appear to be fairly broad-based, though in many cases (such as Germany, Japan, and the UK) that is still a story of moderating declines rather than outright growth. And, there remain sufficient question marks about the resilience of this upturn—including a notable divergence between the PMI and the ISM index in the United States that it is far too soon to declare victory. One of the biggest relative improvements occurred precisely where the prior deterioration had been most acute, namely in Germany. The final read on the November PMI index showed a 2.0-point rebound, though only to a still-weak 44.1. The French index also rose a full point to 51.7 while Spain gained 0.7 (to 47.5). In the UK, Brexit and election-related uncertainty caused activity to contract at a slightly faster pace, with the index down 0.7 to 48.9, though this was better than the initial estimate. The US presents a somewhat unusual case at the moment as the PMI measure of manufacturing activity has been indicating improvement for several months whereas the ISM index, more widely used domestically, unexpectedly declined 0.2 point to 48.1. The details were mixed as production rebounded 2.9 points to 49.1, but new orders, new export orders and employment all declined. The Japanese index improved 0.5 point to 48.9 as output, new orders, and employment all improved, although new export orders declined at a faster rate. Activity improved in China, with the Markit PMI index up slightly to 51.8, the highest level since December 2016.

US

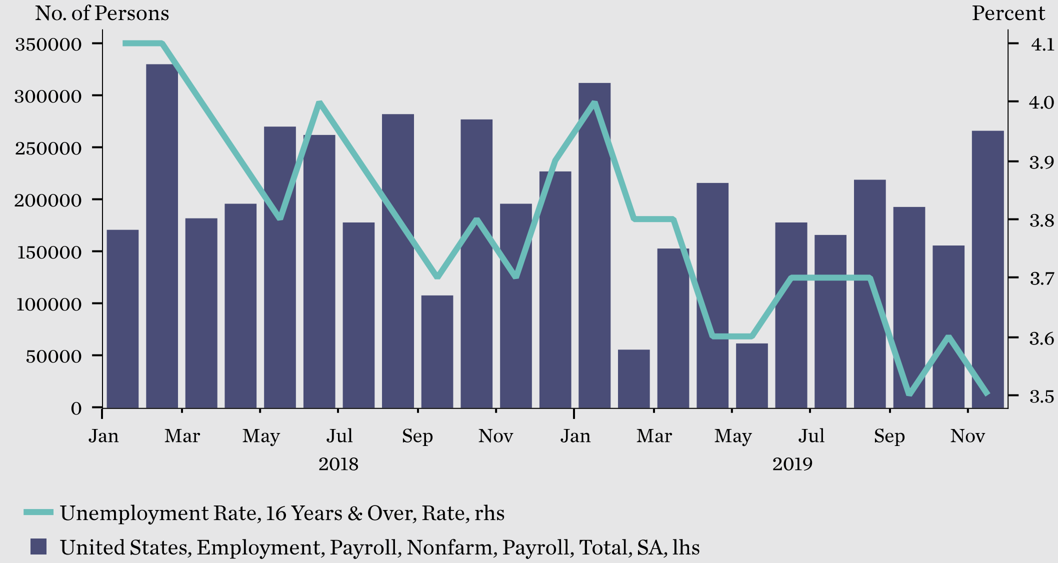
We got a truly blockbuster employment report in November. **Nonfarm payrolls** surged by a much higher than expected 266,000—the most since January—with estimates for the prior two months revised up by a sizable 41,000. The biggest takeaway appears to be that the hiring slowdown that was apparent during the first half of the year has since given way to reacceleration. Indeed, the 3-month moving average for jobs has crossed back above 200,000 for the first time since January. Private payrolls increased by 254,000, while government added 12,000. Gains were broad-based, with goods producing sectors rebounding 48,000 and services up 206,000. Within goods-producing, manufacturing jumped by 54,000, reflecting the end of the GM strike. Employment gains were also broadly based across services, with no anomalies standing out. If anything, it seems a bit surprising that retail didn't do better given seasonal factors. Temporary help increased by 5,000 for a fourth consecutive gain.

The household report painted a more subdued picture, though at least some of that has to do with differences in how the different surveys treat striking workers. According to the household survey, payrolls rose by 83,000 while unemployment declined by 44,000, keeping the labor force almost unchanged and lowering the participation rate by a tenth 63.2%. Consequently, the **unemployment rate** eased one tenth, the twin lowest level since 1969 (it first touched this level in September). The number of people employed part time for economic reasons dropped by 116,000, lowering the underemployment rate by a tick to 6.9%, the twin-lowest level since 2000.

The **hours** data were pretty good. Total aggregate hours worked increased 0.2% m/m, boosted by a 0.6% rebound in manufacturing hours which reflected the end of the GM strike.

The **wage** data was pretty good as well. Total average hourly earnings rose 0.2% m/m (but were within a hairbreadth of rounding up to 0.3%). Average hourly earnings for production and non-supervisory employees (a more homogeneous group) did actually round up to 0.3% m/m. Overall wage inflation was stood at 3.1% y/y (based on seasonally adjusted data) and was also very close to rounding up to 3.2% y/y, where it had been in October. The corresponding measure for production and non-supervisory employees moderated a tenth but only to a solid 3.7% y/y. The combination of slightly better hours and modestly higher wages bodes well for wage and salary income growth in the month of November and this should continue to support consumer spending in coming months.

Figure 2: An Impressive US Labor Market Report



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

The strong labor market is supporting consumer confidence. The **University of Michigan consumer confidence index** had plunged in August but has since more than retraced that loss. The index rose 2.4 points to 99.2in November, according to preliminary estimates, the highest since May and the second best this year. The details were good, with the current situation up 3.6 points and expectations up 1.6. Inflation expectations, however, continue to hover at the low end of the recent range, with short-term inflation expectations down a tent to 2.4%, while long term expectations declined two tenths to 2.3%.

Services activity continues to grow at a decent pace, but the **ISM non-manufacturing index** came in weaker than expected in November, down 0.8 point to 53.9. The details were mixed. On one hand, the business activity measure (the old headline) plunged a puzzlingly large 5.4 points to just 51.6, which was its lowest level since January 2010. By contrast, new orders rose 1.5 to 57.1, new export orders rose 2.0 to 52.0, and employment rose 1.8 to a solid 55.5.

Factory orders have had a tough year so far and one still needs to squint quite hard to detect signs of improvement. One such sign was the modest 0.3% increase in October, though that came after two back to back declines and still left them 1.2% lower than a year ago. There is more convincing evidence of a bottom in core orders (non-defense capital goods excluding aircraft), which rose 0.5% (a tenth less than initially estimated) and have gained in four of the past five months. Manufacturing shipments were flat, having declined in each of the prior three months, but core shipments gained 0.8%. The inventory-to-shipments ratio was unchanged at 1.4 months.

Motor vehicle sales have flat-lined near the 17 million (annualized) mark for the past several years. Annualized November sales stood at 17.1 million in November, having recovered most of October's decline. Sales declined 1.0% y/y during the first eleven months of 2019.

The trade war has caused considerable volatility with **foreign trade** statistics this year so it is probably wise to not put too much weight on any given monthly figure. Perhaps the most reliable trend to note is the steady improvement in the US petroleum balance, which had long been in deep deficit but has recently crossed into surplus, reflecting rising domestic oil production. This helped narrow the October trade deficit to the smallest in seventeen months. Indeed, the goods deficit narrowed by about $3.8 billion, and about a fifth of that improvement had to do with a higher petroleum surplus. The services surplus was little changed. Total exports fell 0.2% but imports declined a much larger 1.7%, with goods imports down by another 2.1% to the lowest in two years. The real goods trade deficit—the most relevant for growth—narrowed by 4.7%. If sustained, this could turn net trade into a positive contributor to growth.

Unemployment claims remain encouragingly low. Initial unemployment claims—a measure of job shedding—declined by 10,000 to 203,000 in the week ending November 30, leaving them near the bottom of the tight range in which they've hovered for most of the past year. Admittedly, continuing claims—a measure of unemployment—jumped by 51,000, essentially reversing the big decline recorded the month before that had briefly put them at a new multi-decade low. Given the holiday season and end of year labor market churn, we probably shouldn't read too much in any one weekly update, and instead focus on multi-week trends and averages, that still look quite good.

Canada

This week's **Bank of Canada** (BoC) decision was mostly a non-event. The policy rate was unchanged at 1.75% and the statement struck a dovish tone as expected. The BoC echoed sentiments from other central banks, in noting that there is "nascent evidence that the global economy is stabilizing, with growth still expected to edge higher over the next couple of years", especially buffeted by news on trade talks. Regarding the domestic economy, growth slowed in the third quarter as expected, but not bereft signs of encouragement. The most unlikely source of growth was investment spending, buoyed by transportation equipment and engineering projects. The BoC rightly appeared skeptical about deeming this a turnaround in investment though. Inflation is expected to pick up temporarily in the near future, due to gyrations in gasoline prices. In the concluding remarks, the Bank emphasized that "future interest rate decisions will be guided by the Bank's continuing assessment of the adverse impact of trade conflicts against the sources of resilience in the Canadian economy – notably consumer spending and housing activity".

A "continuing assessment" will indeed be needed because while the US employment report far exceeded expectations, the opposite was true in Canada. Still, we can't shake the impression that the 0.4 percentage point jump in the **unemployment rate** (to 5.9%) somewhat exaggerated the degree of deterioration over the course of November. There is no question that the 71,000 decline in employment—the second monthly loss in a row—was a bit of a wake-up call in regards to the assumed strength and resilience of the Canadian economy. However, the current employment level and the participation rate are in line with levels seen back in July, and yet at that time the unemployment rate was reported to be 5.7%. So there appear to be some oddities in the data that resulted in a disproportionate increase in the unemployment rate. If that is the case, even a modest pick-up in employment could have the opposite effect in coming months. Still, we do not mean to diminish the negative signal sent by the latest report. Employment losses over the last couple of months exceed those seen in any of the brief decline episodes going back to the Great Recession and so bear very careful watching.

The combination of modest employment gains and growth led to **labor productivity** picking up slightly during the third quarter. Productivity increased 0.2%, having been revised down one tenth to 0.1% in the second quarter. Labor costs per unit of output increased by 1.0%, and average hourly compensation jumped 1.3%.

The **merchandise trade deficit** narrowed slightly from a downwardly revised C$ 1.2 billion in September to C$ 1.1 billion in October. Exports increased 0.8% to C$ 49.9 billion, which was offset by a 0.5% increase in imports. Exports were propped up by a 5.5% increase in consumer goods, which included exports of artwork for art fair in New York. Export of energy products also rose 3.4% as demand for crude oil and refined petroleum products increased. Exports to China dropped 19.3%, the sharpest since 2012, and to the lowest in over five years, on lower exports for canola and paper.

UK

The services sector, which had managed to hold onto modest gains through most of this year, is under increasing pressure and is modestly contracting at the moment. The **services PMI** retreated 0.7 point to 49.3, the only good news here being that the decline was only half the one initially estimated. Also, employment actually picked up and crossed back into expansion territory at 50.1. However, this looks suspect in light of the 0.89-point drop in incoming new business (to 48.1). Without a turnaround in the latter, it will be quite difficult for employment gains to be sustained.

Eurozone

Service activity has held up much better than manufacturing but it is hardly buoyant. The good news is that the final November *eurozone* **services PMI** (purchasing managers' index) showed a smaller deterioration than initially assumed, with the index down just 0.3 point to 51.9. And the best news is that, unlike in the manufacturing sector, services employment continues to grow and even did so at a slightly faster rate in November. Country details were mixed: the German index up 0.1 TO 51.7, Spain up 0.5 to 53.2, but Italy down 1.8 to 50.4 and France down 0.7 to 52.2.

***German* industrial production** has been really struggling this year, registering sizable declines in five of the last seven months. It massively undershot expectations in October, plunging 1.7% on a big drop in capital goods output. This pushed output 5.3% below year-earlier levels, the worst comparison since 2009! Unfortunately, **factory orders** doesn't suggest much of an improvement in the immediate future as they dropped another 0.4% in October…

Japan

Labor cash earnings kept up the momentum in October, rising 0.5% y/y, which was similar to the downwardly revised September gain. This was despite a pullback in the usually volatile bonus component, which fell by 4.4%, having risen 14.2% over September. Regularly contracted cash earnings—excluding bonuses and overtime pay—rose by 0.6%, as did regular wages, the highest since December of last year. Real earnings also picked up by 0.1%, the second consecutive rise after eight straight falls. The resilience in wages is a welcome development which should cushion the fall in expenditure post the tax hike. However, the recent slack in labor market raises questions on the tenability.

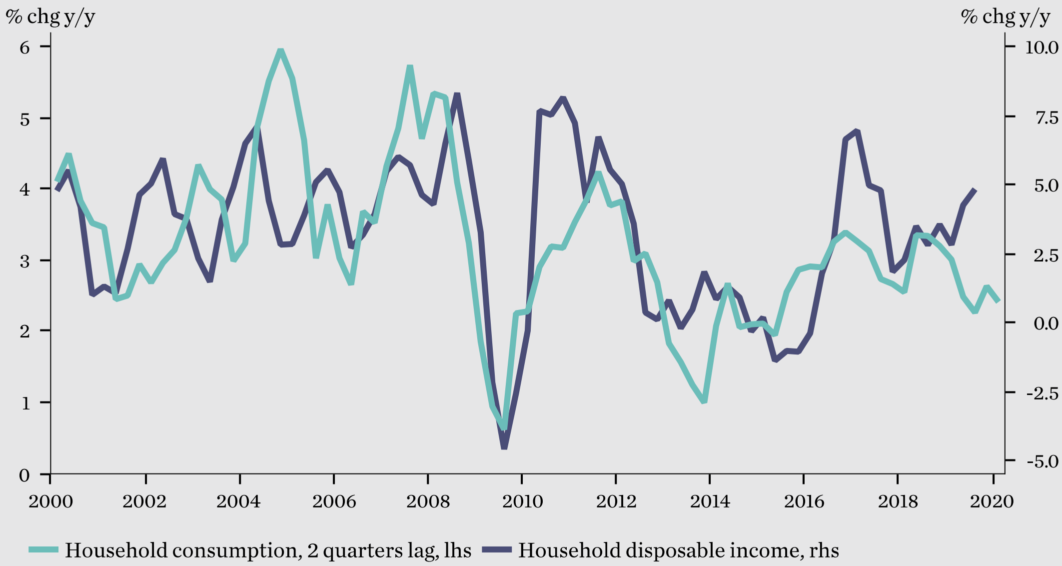
Australia

As widely expected, the **Reserve Bank of Australia** (RBA) kept the cash rate unchanged at 0.75% in the latest monetary policy meeting. The outlook for the global economy improved slightly, the Board now sees risk still "tilted to the downside", but "some of these risks have lessened recently". This likely stems from optimism surrounding renewed trade talks between US and China. The assessment of the domestic economy was unchanged; with the economy viewed to be at a "gentle turning point" and growth expected to return to around 3% in 2021. The assessment of the labor market however, appeared to have been downgraded a little in response to the October rise in unemployment rate. The reference to employment has "continued to grow strongly" was removed from the latest policy statement. Assessment of the housing market was upbeat, with further signs of turnaround visible in markets like Sydney and Melbourne. The RBA appears satisfied with the impact of easing delivered so far, noting:

"The easing of monetary policy this year is supporting employment and income growth in Australia and a return of inflation to the medium-term target range. The lower cash rate has put downward pressure on the exchange rate, which is supporting activity across a range of industries. It has also boosted asset prices, which in time should lead to increased spending, including on residential construction. Lower mortgage rates are also boosting aggregate household disposable income, which, in time, will boost household spending."

GDP grew by just 0.4% in the third quarter, below expectations, though the Q2 figure was revised up by one tenth to 0.6%. The annual pace of growth also picked up a tenth to 1.7% y/y in Q3, but remains below trend. GDP has grown by just 1.6% over the first three quarters of 2019, and looks set to miss the RBA's full-year target of 2.25%. The RBA still thinks that consumption remains the main source of uncertainty, and rightly so, as private consumption rose by just 0.1% over the quarter, the least since March 2009. This is disappointing considering that the government tax cuts announced in July have led to a 0.9% increase in real net disposable income, but without any improvement whatsoever in spending. Despite the turnaround in house prices, private residential investment also remains dismal, falling 1.7%. This was still less than the 3.7% decline recorded in the second quarter, and there is yet hope for a rebound in the near future. Overall private business investment was soft, decreasing by 0.9% and detracting 0.1 percentage points (ppts) from growth. Public spending and net exports remain the growth drivers—with government spending rising by 0.9%, while exports rose by 0.7%, both adding 0.2 ppts to headline growth. Despite the downsides, the outlook for consumer spending is positive, which should help stabilize GDP going into 2020. But we stand by our forecasts of one additional rate cut in early 2020 required to nudge growth upwards, with no other form of easing (i.e., QE) required.

Figure 3. Australia's Tax Credits Have Failed To Lift Consumption



Sources: Australian Bureau of Statistics

Despite fiscal and monetary stimuli, **retail sales** had a disappointing start to the quarter. Despite almost two-thirds of the tax cuts having already been paid out, it failed to lift retail sales which fell flat in October, below expected, following a meagre 0.2% rise in September. Sale of food items and that at restaurants were positive, rising 0.1% and 0.4% respectively. But sales for discretionary items suffered, especially apparels which fell 0.8%, and household goods which were down by 0.2%. Sales at department stores also decreased 0.8% over the month. Still-high debt levels are likely prompting faster repayments than spending. We are still optimistic about an improvement in sales in the fourth quarter during the holiday season.

Financial Markets Review

The combination of sharper than expected decline in US oil stocks and the promise by Saudi Arabia to reduce its output above and beyond OPEC-agreed cuts sent oil prices soaring this week. However, this comes after substantial recent declines and still left prices in the middle of their 2019 range.

Figure 4: Oil Prices Off Recent Lows, But Only Modesly

Sources: Macrobond

Equities: Mixed and volatile week for equities amid mixed data and trade uncertainty.

Bonds: Bond yields widen broadly but modestly as data point to macro resilience.

Currencies: The pound and Aussie dollar are the week's currency winners.

Commodities: Oil jumps on Saudi production cut promise, lower inventories. Gold ends little changed.

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Stock Markets					10 Year Bond Yields			Currencies		
Country	Exchange	Last	%Ch Week	%Ch YTD	Last	BP Ch Week	BP Ch YTD	Last	%Ch Week	%Ch YTD
US	S&P 500®	3145.9	0.2%	25.5%	1.84	6	-85	97.68	-0.6%	1.6%
Canada	TSE 300	16996.67	-0.3%	18.7%	1.58	12	-39	1.326	-0.2%	-2.8%
UK	FTSE®	7239.66	-1.5%	7.6%	0.77	8	-51	1.3136	1.6%	3.0%
Germany	DAX	13166.58	-0.5%	24.7%	-0.29	7	-53			
France	CAC-40	5871.91	-0.6%	24.1%	0.03	8	-68	1.1058	0.4%	-3.6%
Italy	FTSE® MIB	23182.72	-0.3%	26.5%	1.35	12	-139			
Japan	Nikkei 225	23354.4	0.3%	16.7%	-0.01	7	-1	108.56	-0.8%	-1.0%
Australia	ASX 200	6707.016	-2.0%	18.8%	1.13	9	-119	0.6839	1.1%	-3.0%

Commodity Markets

Commodity	Unit	Source	Last Price	%Ch Week	%Ch YTD	%Ch Yr Ago
Oil (Brent)	US$/Barrel	Bloomberg	65.53	6.8%	23.2%	10.7%
Gold	US$/troy oz	Bloomberg	1459.85	-0.3%	13.8%	17.9%

Source: Bloomberg®

Week in Review: Data Releases and Major Events (December 2–December 6)

Country	Release (Date, format)	Consensus	Actual	Last	Comments
Monday, December 2					
US	ISM Manufacturing (Nov)	49.2	**48.1**	48.3	Details were mixed.
UK	Manufacturing PMI (Nov, final)	48.3(p)	**48.9**	49.6	Bad, but not as bad as initially reported.
EC	Manufacturing PMI (Nov, final)	46.6(p)	**46.9**	45.9	More signs of bottoming out.
GE	Manufacturing PMI (Nov, final)	43.8(p)	**44.1**	42.1	More signs of bottoming out, but ways to go.
FR	Manufacturing PMI (Nov, final)	51.6(p)	**51.7**	50.7	Holding up.
IT	Manufacturing PMI (Nov)	47.5	**47.6**	47.7	Weak...
JN	Manufacturing PMI (Nov, final)	48.6(p)	**48.9**	48.4	Marginal improvement, but still languishing.
Tuesday, December 3					
US	Total Vehicle Sales (Nov, mil.)	16.9	**17.1**	16.6	Have flat-lined near this level for a while.
JN	Services PMI (Nov, final)	50.4(p)	**50.3**	49.7	Activity rebounds post October's disruptions.
AU	RBA Monetary Policy Decision	0.75%	**0.75%**	0.75%	RBA satisfied with the impact of rate cuts.
AU	GDP (Q3, q/q)	0.5%	**0.4%**	0.6%(↑r)	No improvement in private consumption.
Wednesday, December 4					
US	ISM Non-Manufacturing (Nov)	54.5	**53.9**	54.7	Pretty good details.
CA	BoC Monetary Policy Decision	1.75%	**1.75%**	1.75%	Mostly a non-event.
CA	Labor Productivity (Q3, q/q)	0.2%	**0.2%**	0.1%(↓r)	Marginal pick up.
UK	Services PMI (Nov, final)	48.6(p)	**49.3**	50.0	Bad, but not as bad as initially reported.
EC	Services PMI (Nov, final)	51.5(p)	**51.9**	52.2	Still pretty soft...
GE	Services PMI (Nov, final)	51.3(p)	**51.7**	51.6	Welcome improvement, but long way to go.
Thursday, December 5					
US	Initial Jobless claims (Nov 30, thous)	215	**203**	213	But continuing claims moved back up.
US	Factory Orders (Oct, m/m)	0.3%	**0.3%**	-0.8%(↓r)	Still soft.
US	Durable Goods Orders (Oct, final, m/m)	0.6%(p)	**0.5%**	-1.4%	*May* be bottoming, but too soon to be sure,
US	Trade Balance (Oct, $ bil.)	-48.6	**-47.2**	-51.1(↑r)	Sharp narrowing in real deficit as well.
CA	Trade Balance (Oct, C$ bil.)	-1.4	**-1.1**	-1.2(↓r)	Exports propped up by transient items.
CA	Ivey PMI (Nov)	na	**60.0**	48.2	Three month high; sharp rise in inventories.
EC	GDP (Q3, final, q/q)	0.2%(p)	**0.2%**	0.2%	No new news here.
GE	Factory Orders (Oct, m/m)	0.4%	**-0.4%**	1.5%(↑r)	Still dismal.
AU	Retail Sales (Oct, m/m)	0.3%	**0.0%**	0.2%	Disappointing.
Friday, December 6					
US	Change in Nonfarm Payrolls (Nov, thous)	183	**266**	156(↑r)	Blockbuster report!
US	Unemployment Rate (Nov)	3.6%	**3.5%**	3.6%	Twin-lowest since 1969!
US	U of M Cons. Sentiment (Dec, prelim)	97.0	**99.2**	96.8	Has fully recovered from August drop.
CA	Unemployment Rate (Nov)	5.5%	**5.9%**	5.5%	May not be quite as bad as it looks...
GE	Industrial Production (Oct, m/m)	0.1%	**-1.7%**	-0.6%	Utterly dismal.
IT	Retail Sales (Oct, m/m)	na	**-0.2%**	0.6%(↓r)	Weak...
JN	Labor Cash Earnings (Oct, y/y)	0.2%	**0.5%**	0.5%(↓r)	A welcome rise.

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

Week in Preview: Releases and Major Events (December 9–December 13)

Country	Release (Date, format)	Consensus	Last	Comments
Monday, December 9				
CA	Housing Starts (Nov, thous)	na	202.0	Housing soon to be bright spot.
CA	Building Permits (Oct, m/m)	na	-6.5%	
GE	Labor Costs (Q3, y/y)	na	3.2%	
FR	Bank of France Ind. Sentiment (Nov)	99	98	
JN	GDP (Q3, final, q/q)	0.2%	0.1%	Weak consumption; weather related disruptions.
Tuesday, December 10				
US	NFIB Small Business Optimism (Nov)	103.1	102.4	Should improve.
US	Nonfarm Productivity (Q3, final, q/q)	-0.3%(p)	2.5%	
UK	Industrial Production (Oct, m/m)	0.2%	-0.3%	
GE	ZEW Investor Expectations (Dec)	0.3	-2.1	
FR	Industrial Production (Oct, m/m)	0.3%	0.3%	
IT	Industrial Production (Oct, m/m)	-0.1%	-0.4%	
AU	House Price Index (Q3, q/q)	1.5%	-0.7%	Signs of optimism.
AU	NAB Business Confidence (Nov)	na	2	Weak consumption – will sentiment point the way?
Wednesday, December 11				
US	FOMC Monetary Policy Decision	1.50%	1.50%	Recent positive data should reinforce “hold” stance.
US	CPI (Nov, y/y)	2.0%	1.8%	Will core re-accelerate?
US	Monthly Budget Statement (Nov, $ bil.)	na	-134.5	
CA	Capacity Utilization Rate (Q3)	na	83.3%	
JN	PPI (Nov, y/y)	0.0%	-0.4%	
Thursday, December 12				
US	Initial Jobless claims (Dec 7, thous)	na	203	
US	PPI Final Demand (Nov, y/y)	1.2%	1.1%	
CA	New Housing Price Index (Oct, m/m)	na	0.2%	Expect a gradual improvement.
EC	ECB Monetary Policy Decision	0.00%	0.00%	On hold.
EC	Industrial Production (Oct, m/m)	-0.5%	0.1%	On German weakness...
GE	CPI (Nov, final, y/y)	1.1%(p)	1.1%	
FR	CPI (Nov, final, y/y)	1.0%(p)	0.8%	
JN	Core Machine Orders (Oct, m/m)	0.7%	-2.9%	
Friday, December 13				
US	Retail Sales Advance (Nov, m/m)	0.4%	0.3%	Thanksgiving sales were reportedly strong.
US	Business Inventories (Oct, m/m)	0.2%	0.0%	
US	Import Price Index (Nov, y/y)	na	-3.0%	
IT	Industrial Orders (Oct, m/m)	na	1.0%	
JN	Tankan Large Mfg Index (Q4)	3	5	Keenly watched for signs of pickup in manufacturing.
JN	Industrial Production (Oct, final, m/m)	-4.2%(p)	1.7%	Dismal, but kind of expected.

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

Economic Indicators

Central Bank Policy Targets

		Year/Year % Change in Target				
		Jun	Jul	Aug	Sep	Oct
US	Target: PCE price index 2.0% y/y	1.4	1.4	1.4	1.3	1.3
Canada	Target: CPI 2.0% y/y, 1.0%-3.0% control range	2.0	2.0	1.9	1.9	1.9
UK	Target: CPI 2.0% y/y	2.0	2.1	1.7	1.7	1.5
Eurozone	Target: CPI below but close to 2.0% y/y	1.3	1.0	1.0	0.8	0.7
Japan	Target: CPI 2.0% y/y	0.7	0.5	0.3	0.2	0.2
Australia	Target Range: CPI 2.0%-3.0% y/y	1.6	1.7	1.7	1.7	

Source: Macrobond

Key Interest Rates

	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19
US (top of target range)	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.25	2.00	1.75	1.75
Canada (Overnight Rate)	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
UK (Bank Rate)	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Eurozone (Refi)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Japan (OCR)	-0.06	-0.05	-0.06	-0.07	-0.06	-0.08	-0.07	-0.06	-0.06	-0.03	-0.03
Australia (OCR)	1.50	1.50	1.50	1.50	1.50	1.28	1.02	1.00	1.00	0.76	0.75

Source: Macrobond

General Government Structural Balance as a % of Potential GDP

									Forecast	
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
US	-9.6	-8.2	-6.4	-4.5	-3.8	-3.6	-4.4	-4.8	-6.0	-6.3
Canada	-3.8	-3.1	-2.1	-1.1	0.1	0.8	0.7	0.0	-0.2	-0.5
UK	-7.2	-5.9	-6.0	-4.0	-4.7	-4.1	-2.9	-2.0	-1.5	-1.3
Eurozone	-4.8	-3.9	-2.1	-1.2	-0.9	-0.8	-0.7	-0.7	-0.6	-0.7
Germany	-2.7	-1.4	0.0	0.6	1.2	1.2	1.3	1.1	1.4	0.9
France	-5.9	-5.0	-4.4	-3.4	-3.3	-3.0	-2.8	-2.6	-2.5	-2.4
Italy	-3.7	-4.1	-1.5	-0.6	-1.1	-0.7	-1.4	-1.7	-1.8	-1.5
Japan	-8.0	-8.0	-7.6	-7.5	-5.5	-4.3	-4.1	-3.4	-3.1	-2.9
Australia	-5.0	-4.3	-3.3	-2.6	-2.6	-2.4	-2.2	-1.5	-0.6	-0.4

Source: International Monetary Fund, World Economic Outlook

Headline Consumer and Producer Price Inflation

	CPI Year/Year % Change					PPI Year/Year % Change				
	Jul	Aug	Sep	Oct	Nov	Jun	Jul	Aug	Sep	Oct
US	1.8	1.7	1.7	1.8		1.6	1.7	1.8	1.4	1.1
Canada	2.0	1.9	1.9	1.9		-1.7	-1.7	-1.0	-1.3	-1.3
UK	2.1	1.7	1.7	1.5		1.6	1.9	1.7	1.2	0.8
Eurozone	1.0	1.0	0.8	0.7		0.7	0.1	-0.8	-1.2	-1.9
Germany	1.7	1.4	1.2	1.1	1.1	1.2	1.1	0.3	-0.1	-0.6
France	1.1	1.0	0.9	0.8	1.0	-0.1	-0.2	-0.5	-0.7	-1.2
Italy	0.4	0.4	0.3	0.2	0.4	0.9	-0.7	-1.4	-1.6	-3.0
Japan	0.5	0.3	0.2	0.2		-0.2	-0.6	-0.9	-1.1	-0.4
Australia	1.7	1.7	1.7			2.0	1.6	1.6	1.6	

Source: Macrobond

Economic Indicators

Real GDP Growth (Q/Q Seasonally Adjusted)

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

Source: Macrobond

Industrial Production Index (M/M Seasonally Adjusted)

	Month/Month %Change					Year/Year %Change				
	Jun	Jul	Aug	Sep	Oct	Jun	Jul	Aug	Sep	Oct
US	0.0	-0.1	0.7	-0.3	-0.8	1.0	0.4	0.4	-0.1	-1.1
Canada	-0.4	-1.7	0.1	-0.2		0.6	-2.2	-2.2	-1.8	
UK	0.0	0.1	-0.7	-0.2		-1.0	-1.1	-1.9	-1.4	
Germany	-1.3	-0.7	0.6	-0.6	-1.7	-4.9	-4.2	-4.0	-4.5	-5.3
France	-2.3	0.2	-0.9	0.3		0.0	0.0	-1.3	0.1	
Italy	-0.2	-0.8	0.4	-0.4		-1.2	-0.6	-1.8	-2.1	
Japan	-3.3	1.3	-1.2	1.7	-4.2	-2.2	-1.1	-2.0	-0.3	-6.3

Source: Macrobond

Unemployment Rate (Seasonally Adjusted)

	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19
US	4.0	3.8	3.8	3.6	3.6	3.7	3.7	3.7	3.5	3.6	3.5
Canada	5.8	5.8	5.8	5.7	5.4	5.5	5.7	5.7	5.5	5.5	5.9
UK	3.9	3.8	3.8	3.8	3.9	3.8	3.9	3.8			
Eurozone	7.8	7.8	7.7	7.6	7.6	7.5	7.6	7.5	7.6	7.5	
Germany	5.0	5.0	4.9	4.9	5.0	5.0	5.0	5.0	5.0	5.0	5.0
France	8.7	8.6	8.6	8.5	8.5	8.5	8.6	8.6	8.6	8.5	
Italy	10.4	10.5	10.1	10.1	10.0	9.8	9.9	9.6	9.9	9.7	
Japan	2.5	2.3	2.5	2.4	2.4	2.3	2.2	2.2	2.4	2.4	
Australia	5.1	4.9	5.1	5.2	5.2	5.3	5.3	5.3	5.2	5.3	

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

Important Risk Discussion

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December 31, 2020