STATE STREET GLOBAL ADVISORS

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Commentary

Weekly Economic Perspectives

Contents

Spotlight on Next Week
US CPI inflation to rise again. UK Q4 GDP to show limited Omicron impact.

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The Economy

Another tumultuous week in both macro and markets.

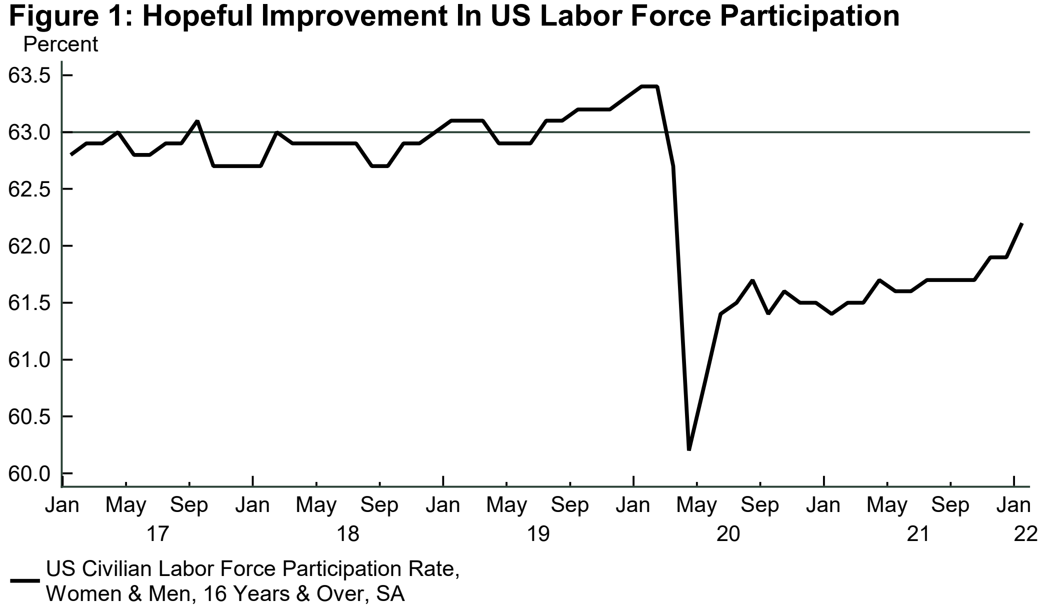
Global

Global manufacturing activity remains extremely robust. Admittedly, in the United States, the ISM manufacturing index touched a fourteen-month low, but at 57.6 it remains ensconced into robust expansion territory. In the eurozone and Japan activity improved during the month. The eurozone manufacturing PMI rose 0.7 point to 58.7, while the Japanese index gained 1.1 point to 55.4, its highest level since 2014.

US

Does the January **payrolls report** justify the surge in market-based expectations for a 50 basis point rate hike in March? We think not. Why? Admittedly, the top line looked like a major upside surprise since the 467,000 jobs added were nearly twice the highest pre-release forecast and nearly four times the Bloomberg consensus. But that strength was overwhelmingly the result of benchmark revisions. On one hand, new seasonal adjustment factors altered the employment performance over the course of 2021, with gains earlier in the years now much smaller than initially reported and a lot more strength at year end. For example, payrolls estimates for June and July 2021 were revised downward by 807,000, while the November-December estimates were revised up by 709,000.

Figure 1: Hopeful Improvement In US Labor Force Participation



Sources: SSGA Economics, BLS

Updated population estimates also drastically altered the household survey figures in the January report, with the labor force revised higher by over 1.5 million and employment revised higher by almost 1.5 million. The labor force participation rate was lifted by 0.3 percentage points to a Covid era high of 62.2%. This could be read as evidence that the end of supplemental unemployment benefits did, actually, have a positive impact on participation since that is now shown to have risen half a percentage point since October, whereas it mere gained two tenths over the previous ten months combined. Whether this means less room for further gains or more optimism that further improvement is possible remains in the eye of the beholder. We favor the second interpretation. The **unemployment rate** rose a tenth to 4.0%.

Massive revisions aside, the strangest thing about the January report was the lack of discernable impact from Omicron in the jobs figures. That stands in sharp contrast not only to the prior US experience, but also to Canada's experience, where there was a sharp pullback in employment as a result of the Omicron wave (see below). Meanwhile, the US data—especially the services component—betrayed none of that. Services added just as many jobs in January as in December, with trade and transportation up 132,000 (from 85,000 in December) and leisure and hospitality up 151,000 (from 163,000 in December). Can we admit to some skepticism here?...Oddly enough, it was the goods producing sector of the economy where job gains slowed to a near-standstill in January, with construction down 5,000 and manufacturing gains slowing to 13,000. The relative performance between goods and services completely contradicts the signals from the respective ISM surveys, where services employment moderated but manufacturing employment accelerated in January. Maybe we should need to step back and await next month's revisions! There was one part of the report that betrayed an Omicron impact and that was the **hours data**, which were noticeably softer. The average workweek declined by six minutes and the manufacturing workweek declined by twelve. The aggregate hours index, which should be viewed as a measure of overall labor effort in the economy, declined by 0.3%, the first retreat in almost a year. This will partly offset the boost from nominal wage gains in respect to January wage and salary income.

Wages were robust in the aggregate but more mixed in the details than they've been in some time. Overall average hourly earnings rose a strong 0.7%, whereas earnings for production and non-supervisory employees were unchanged. The latter is a bit puzzling and marks the weakest reading since February 2021. Even so, both measures of wage inflation accelerated on a y/y basis, with the former now at 5.7% y/y and the latter at 6.9% y/y.

Nonfarm business productivity has swung around wildly during Covid, reflecting the massive shifts in GDP growth from one quarter to the next. No single data print can therefore be looked at in isolation, nor should it be seen as portending a new trend. So with the fourth-quarter data, which showed a 6.6% surge in non-farm productivity (saar) following a 5.0% contraction in the third. Nonfarm output rose 9.2%, employee hours rose 2.4%, and compensation per hour rose 6.9% (all annualized). Unit labor costs rose just 0.3% but non-labor unit costs surged 19.6% (annualized). In theory, high and rising labor costs should incentivize firms to substitute capital for labor, driving productivity gains over time. But that process takes years to play out so even if such a shift occurs as we expect, it will not become evident quickly. Still, there was one comment in the ISM services report that caught our eye in this regard and may suggests that firms are starting to weigh this very possibility: "We will be forced to upgrade some equipment that is less reliant on labor". This bears close watching going forward. A pickup in productivity is the one scenario that could favorably reconcile high nominal wages with stable inflation.

Service activity moderated in January, but remains quite robust historically. The non-manufacturing ISM index retreated another 2.4 points to 59.9, the first sub-60 reading since February 2021. The business activity metric (the old headline) dropped 8.4 points, also to 59.9 and also the first sub-60 print in eleven months. Import orders plunged a record 15.6 points to a contractionary 45.9 level, the lowest since May of

2020. Employment grew at a slower rate (down 2.4 to a seven-month low of 52.3). The inventory situation doesn't seem to be deteriorating anymore, though neither is there evidence of outright improvement. But inventory sentiment now stands at the highest level since last March (albeit still "too low") and inventories declined at the slowest pace since June. Inflationary pressure remain acute, with the price metric barely off record highs.

A high level of **vacancies** is typically a positive indicator of robust labor demand, but there comes a point when we get too much of a good thing…Sadly, we've been at that point for almost half a year now as near-record vacancies look increasingly as un-fill-able positions, rather than positions poised to be filled imminently. Job openings remained extremely high at 10.9 million in December, almost perfectly in line with the six-month average. Hiring retreated again—and has been retreated fairly steadily since the recent June peak, but remain strong at 6.3 million. And yet, much of this hiring seems to be about filling a perpetually leaking vessel, since quits remain extremely high at 4.3 million. In other words, the hiring we are seeing is not so much about net new additions, but rather, keeping up with churn. Good for job seekers, not so good for hiring managers, and not the best scenario for income growth, either.

The 20.9% jump in **motor vehicle sales** in January—to 15.04 million saar—was great news and a strong positive indicator for the retail sales print. Indeed, this was the highest level of sales since June. The even better news is what this improvement suggests for global supply chains. That more cars are now available (lack of inventory had been the big constraint on sales for many months) could indicate that the supply chains are starting to more meaningful normalize. If so, it would be not a moment too soon. It remains to be seen whether this would translate into any visible easing of price pressures in a few months' time. No guarantees, but reason to hope, at least!

nada

The economy exceeded pre-pandemic levels for the first time in November, bolstering a strong Q4 although December activity was muted due to the emergence of Omicron variant. The economy outperformed market expectations, growing 0.6% in November, following a 0.8% increase in October. Both services-producing (+0.6%) and goods-producing (+0.5%) were up in November, with increases seen in 17 of 20 sectors. Wholesale trade grew 2.8% in November, the largest monthly growth rate since July 2020. Manufacturing grew 1.4% in November driven by broad-based growth as both durable-goods (+1.8%) and non-durable goods (+1.0%) were up. Accommodation and food services rose 3.4% in November, following two consecutive months of decline, as both subsectors expanded. Other sectors include public (+0.3%), construction (+0.5%), agriculture, forestry, fishing and hunting (+5.5%) also outperformed. In contrast, mining, quarrying, and oil and gas extraction decreased 1.8% in November, down for the first time in seven months. Utilities also contracted 1.5% in November. Economic activity is now 0.2% above February 2020 levels. Although preliminary reading for December indicated a flat growth, advance data suggested that we are likely to see an increase of 1.6% in Q4 GDP. Given strict restrictions implemented to contain the spread of Omicron variant, we would expect GDP to decline in January before the economy bounce back strongly in February and March as restrictions are lifted.

January's labor market data is weaker than expected as employment fell by 200,000 (-1.0%) but it is not a surprise. Although the **unemployment rate** jumped to 6.5%

from 6.0% in December, the good news is the jobs loss, the biggest since January 2021, was mainly driven by many jurisdictions implementing stricter public health measures. Accommodation and food services was the hardest-hit industry. Employment decline was broad-based, with part-time losing 117,000 jobs (-3.3%) and full-time shedding 83,000 jobs (-0.5%). Given very strong labor data ahead of new lockdowns in December and January, we expect the labor market will return quickly once restrictions are lifted in February and March. While the Bank of Canada (BoC) maintained its policy rate at 0.25%, it has removed exceptional forward guidance on policy interest rates, judging that economic slack had been fully absorbed. We do not think that weak labor data in Jan will have a significant impact on the BoC's decision for the first rate hike, which likely to be happen in their March meeting.

The issuance of **building permits** decreased 1.9% in December, following an increase of 7.6% in November, as both the residential and non-residential sectors posted declines. The residential permits decreased 2.7% following a strong November (+13.3%). There were lower intentions for the multi-family (-6.0%), while single-family home intentions rose slightly (+1.3%). The value of commercial permits fell by 7.9% while institutional permits increased 17.2%.

UK

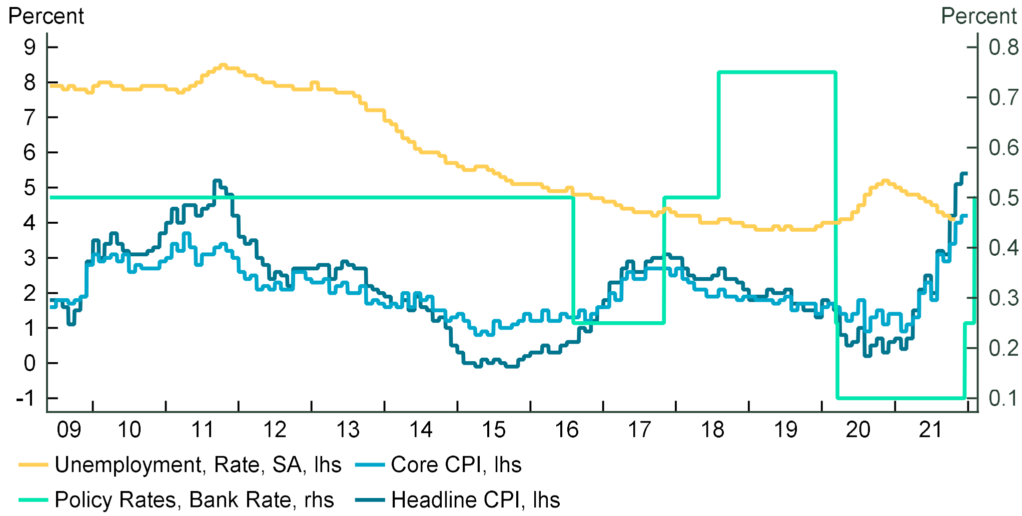
The **Bank of England (BoE)** struck a pretty hawkish tone at the February 3 meeting. Not only did the BoE raise interest rates by 0.25 percentage point to 0.5%, initiating the process of balance sheet reduction, but nearly half the MPC members wanted a bigger increase to contain rampant price pressures. It was surprising to see that four out of the nine MPC members voted to increase rates to 0.75% , which if happened, would be the biggest rate increase since the BoE became operationally independent in May 1997. Clearly, the BoE sees the need to act pre-emptively to fight the current high inflation rates, particularly when labor market is strong and the impact of Omicron variant on the economy is expected to be modest. The latest rate rise is very likely to be followed by a few more hikes. Currently, market expects there will be five additional hikes, but that may overestimate the extent of tightening required. For now, we expect that the BoE will hike three more times this year, with March next.

The bank updated its forecasts, with central projections for activity and inflation conditioned on a market-implied path for the Bank Rate that reaches around 1½% by mid-2023. The bank staff projected consumer price inflation, which was 5.4% in December, to peak at around 7.25% in April, reflecting high energy and goods prices. This projection is around 2 percentage points higher than November's projections, and nearly four times of the inflation target of 2%. Upward pressures on CPI inflation are expected to dissipate over time, with CPI inflation back to a little above the 2% target in two years' time and to below the target by a greater margin in three years.

GDP is expected to have fallen by around ½% in December but to have risen by just over 1% during 2021 Q4. Bank staff expected GDP to recover further in February and March and the economy to return to its pre-pandemic level by the end of Q1. Bank staff also expected the unemployment rate to fall further to 3.8% in 2022 Q1, with a small margin of excess demand across the economy. However, the bank said that beyond the near term, GDP growth is expected to be quite muted, and unemployment rate is expected to rise to 5% and excess supply would be around 1% by the end of the forecast period. This projection is one of the reasons that made us to suspect that the BoE might follow a less aggressive tightening path than what market expected.

During the meeting, the BoE also announced unwinding of its asset purchases which would start in March. The Bank would begin to reduce the stock of UK government bond purchases, financed by the issuance of central bank reserves, by ceasing to reinvest maturing assets. Consistent with that, the 27.9 billion pounds of proceeds will not be reinvested next month. The BoE also decided to reduce the stock of sterling non-financial investment-grade corporate bond purchases, and the detailed program of corporate bond sales is expected to be announced within three months. The MPC reaffirmed that bank rate remained the preferred tool and the bank will consider actively selling UK government bonds only once the Bank Rate has risen to at least 1%, and depending on economic conditions at the time.

Figure 2. BoE's Back-to-Back Rate Hikes To Curb Surging Inflation



Sources: Macrobond, SSGA Economics, ONS, BoE

UK manufacturing continued to strengthen at the start of 2022, with strong growth in employment and output. The final reading of **manufacturing PMI** outperformed expectations, fell slightly to 57.3 in January, from 57.9 in December and exceeded last week's preliminary reading of 56.9. This is twentieth consecutive month that the index remained above the 50 threshold. Production volumes rose for the twentieth successive month in January while employment rose for the thirteenth consecutive month, with the rate of expansion the second-steepest in 11 years. New order growth slowed down but improvements in export orders balanced out weak rise in domestic market. There are some signs that some stubborn supply chain pressures have started to ease, contributing to the slower pace of costs increase. Input price inflation remained elevated but the rate of increase eased to a nine-month low.

Services sector has recovered from the hit of Omicron variant quicker than expected. Final reading of **services PMI** rose to 54.1 in January from December's 10-month low of 53.6 , in contrast to earlier flash estimate showing the index down to 53.3. While output growth remained weaker than seen on average in 2021, total new business growth rose sharply in January. Export sales also rebounded at the start of the year, albeit at marginal growth rate. Strong increase in new orders and pick-up in growth expectations for the next twelve months led to another robust rise in employment. However, inflation remains as a concern, with input cost inflation accelerating again in

January and prices charged increasing at the fastest rate since the index began in July 1996.

The impact of Omicron variant on housing market seems very limited. **Mortgage approvals** rose to 71,015 in December from 67,859 in November, well above market expectations of 65,900, underlying the strength in the UK housing market. Despite the rising interest rates and higher inflation rates affecting real income, housing demand has been proven extremely robust. The Nationwide house price index also increases 11.2% y/y in January, the biggest annual increase since June 2020.

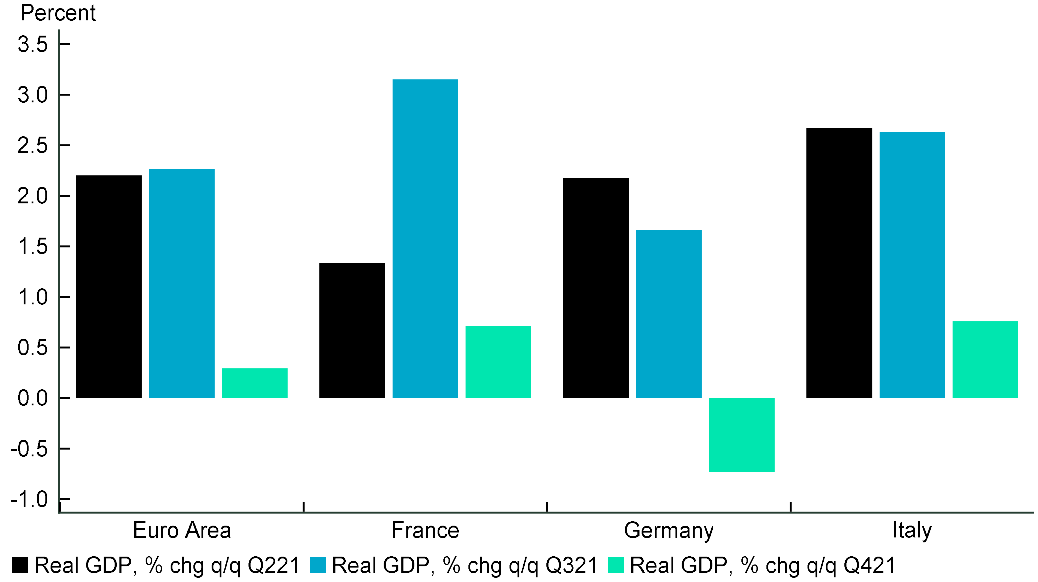
Eurozone

Given the realities on the ground, the **ECB** had no option but to acknowledge that "inflation has risen sharply in recent months and it has further surprised to the upside in January". But it is not yet clear how big of a hawkish tilt this is meant to indicate. For the time being, all we got was a reinforcing of the decisions taken in December, namely to end PEPP purchases in March and to advance with the "step-by-step reduction in asset purchases" under the APP. Monthly purchases will decline from €40 billion in the second quarter to €30 billion in the third; from October onwards they will decline to €0 billion "for as long as necessary to reinforce the accommodative impact" of interest rates. We were reminded that "the Governing Council expects net purchase to end shortly before it starts raising the key ECB interest rates". While many observers are now calling for a rate hike in Q4, that last sentence suggests that, on current schedule, that timeline will be difficult. Given the plan to scale down purchases on a quarterly basis, it seems reasonable to assume that the Council anticipates making the last purchase under APP in December, suggesting an early 2023 rate hike. That's our take-away from this week's ECB meeting, but of course things may indeed be brought forward if dynamics change.

That said, we truly do not envy the ECB. While inflation is indeed exceedingly high from a historical perspective, little of that surge is due to excess demand or elevated wage inflation (there is little evidence of the latter so far, unlike in the US and UK). It is primarily a supply shock that will induce a certain degree of demand destruction on its own, so it is understandable that the ECB may not be in a rush to worsen that dynamic. Not to mention that rate hikes will do nothing to alleviate supply challenges around energy. With that in mind, we concur with the ECB's decision to let things play out for now.

After two impressively strong quarters, the eurozone economy slowed in the last three months of 2021, but still managed to expand 0.3% compared with the prior three months. No details are available so far, but negative impact from Omicron and persistent supply chain troubles are evident. Fourth quarter real GDP stood 4.6% higher than a year earlier. Spain, Portugal, and Sweden delivered the strongest performance during the fourth quarter, while Austria, Germany, and Latvia were the laggards with outright GDP contractions.

Figure 3: Eurozone Growth Slows Markedly In Q4



Sources: SGA Economics, INSEE, Istat, Eurostat, DESTATIS

There has been no shortage of disappointing ***German*** data of late, so the 5.5% plunge in **real retail sales** (excluding cars) in December—though considerably worse than expected—wasn't as much of a shocker as it might have been. Unsurprisingly given the magnitude of the decline, sales fell across all categories, including food. But it was the nearly 17% plunge in clothing and shoes sales and the nearly 10% fall in information technology that really stood out. Sales were flat y/y and rose a mere 0.9% on average in 2021 as a whole. That seems even more dismal given that retail sales managed a much healthier 4.1% advance in 2020…Inflation seems to have been even more deadly to German retail sales than Covid was last year!

Japan

Aside from the manufacturing PMI data, which surprised positively, most of the other data flow this week was on the soft side. **Industrial production** and **retail sales** declined 1.0% each in December, although they remained 2.7% and 1.4% higher, respectively, than in December 2020. Industrial production rose 6.5% in 2021, while retail sales rose 2.0%.

Australia

The **RBA**'s bond buying program is coming to an end next week. We suspect the RBA will deliver at one (possibly two) rate hikes before the year is out, but for the time being there is no sense of urgency to signal anything in that regard. That's largely because the macro situation is not much different from a few months ago. Specifically, Omicron "has affected the economy, but it has not derailed the economic recovery". Wage inflation "has picked up but, at the aggregate level, has only returned to the relatively low rates prevailing before the pandemic.". Where there has been some divergence from RBA's expectations has been in regard to inflation, but even there, neither is the picture dramatically different, nor is it expected to become so. "Inflation has picked up more quickly than the RBA had expected, but remains lower than in many other countries." The RBA acknowledges considerable uncertainties around inflation, but unless and until there is clear evidence of stronger wage growth, it has no reason to panic. It was notable how openly the RBA acknowledged that the decision to end QE followed “a review of the actions of other central banks”, in addition to the obvious domestic considerations. Given that said foreign central banks are already or are about to embark in considerable rate hiking, one can’t help but wonder how big of a role that would play in RBA’s rate decisions later this year. We think they matter and will contribute to an incoming hawkish tilt down the line, but there is no need for the RBA to signal that already.

Following three consecutive monthly gains—the last two of which were quite spectacular—it was not a surprise to see **retail sales** retreat in December. Given the surge in Omicron cases, we wouldn’t consider the 4.4% decline in nominal sales particularly worrisome, although it was worse than consensus expectations. Unsurprisingly, the patterns were reversed from the prior couple of months, with food sales up 2.2% and clothing sales down sharply after spectacular gains previously. Total sales were still up 4.8% y/y.

Week in Review (January 31- February 4)

Country	Release (Date, format)	Consensus	Actual	Last	Comments
Monday, January 31					
EC	Q4 GDP (q/q, advance)	0.4%	0.3%	2.3% (↑)	Major cross-country divergence.
GE	CPI (Jan, y/y, prelim)	4.3%	4.9%	5.3%	Little reprieve; energy a big challenge.
IT	Q4 GDP (q/q, prelim)	0.5%	0.6%	2.6%	Encouraging.
JN	Industrial Production (Dec, m/m, prelim)	-0.6%	-1.0%	7.0%	Up 2.7% y/y.
JN	Retail Sales (Dec, m/m)	0.3%	-1.0%	1.3% (↑)	Up 1.4% y/y.
JN	Consumer Confidence Index (Jan)	37.0	36.7	39.1	Brief downturn or something more?
JN	Unemployment Rate (Dec)	2.8%	2.7%	2.8%	Low, but still 50 bp higher than pre-Covid.
Tuesday, February 1					
US	ISM Manufacturing (Jan)	57.6	57.6	58.8 (↑)	Backlogs, supplier deliveries improving.
US	JOLTS Job Openings (Dec,thou)	10,300	10,925	10,775 (↑)	Too much of a good thing.
US	Wards Total Vehicle Sales (Jan, mil, saar)	12.65	15.04	12.44	Proof that supply chains are improving.
CA	GDP (Nov, m/m)	0.4%	0.6%	0.8%	Good.
UK	Mortgage Approvals (Dec, thou)	65.9	71.0	67.9 (↑)	Strong.
UK	Manufacturing PMI (Jan, final)	56.9	57.3	57.9	Robust
EC	Manufacturing PMI (Jan, final)	59.0	58.7	58.0	Encouraging.
GE	Retail Sales (Dec, m/m)	-1.4%	-5.5%	0.8%	Painful!
GE	Unemployment Claims Rate (Jan)	5.2%	5.1%	5.2%	Labor market is fine.
GE	Manufacturing PMI (Jan, final)	60.5	59.8	57.4	Very strong.
FR	Manufacturing PMI (Jan, final)	55.5	55.5	55.6	Robust.
IT	Manufacturing PMI (Jan)	61.5	58.3	62.0	Still robust.
IT	Unemployment Rate (Dec)	9.2%	9.0%	9.1% (↓)	Healing.
AU	RBA Policy Meeting	0.10%	0.10%	0.10%	At least one hike seems likely before year-end.
Wednesday, February 2					
CA	Building Permits (Dec, m/m)	n/a	-1.9%	7.6% (↑)	Poor performance.
IT	CPI NIC incl. tobacco (Jan, y/y, prelim)	3.5%	3.8%	3.9%	High, but could be worse.
AU	NAB Business Confidence (Q4)	n/a	18	-2 (↓)	Welcome bounce.
Thursday, February 3					
US	Nonfarm Productivity (Q4, prelim)	2.5%	6.6%	-5.0% (↑)	Misleadingly strong, but reasons to hope.
US	Initial Jobless Claims (29-Jan, thou)	240	238	261 (↑)	Moving sideways.
US	Continuing Claims (22-Jan, thou)	n/a	1,628	1,672 (↓)	Very low.
US	ISM Services (Jan)	59.2	59.9	62.3 (↑)	Still very robust.
US	Factory Orders (Dec)	0.1%	-0.4%	1.8% (↑)	A little soft.
US	Durable Goods Orders (Dec, final)	n/a	-0.7%	3.2%	A little soft.
UK	Services PMI (Jan, final)	53.3	54.1	53.6	Outperformed
UK	Bank of England Bank Rate	0.50%	0.50%	0.25%	Three more hikes expected this year
EC	Services PMI (Jan, final)	51.2	51.1	53.1	Omicron impact.
EC	ECB Main Refinancing Rate	0.00%	0.00%	0.00%	Inevitably more hawkish given inflation.
GE	Services PMI (Jan, final)	52.2	52.2	48.7	Welcome improvement.
Friday, February 4					
US	Change in Nonfarm Payrolls (Jan, thou)	175	467	510 (↑)	Misleadingly strong. Benchmark revisions.
US	Unemployment Rate (Jan)	3.9%	4.0%	3.9%	Participation rate picking up.
CA	Unemployment Rate (Jan)	n/a	6.5%	6.0% (↑)	Worse than expected but not a shock.
GE	Factory Orders (Dec, m/m)	0.4%	2.8%	3.6% (↓)	Encouraging.
FR	Industrial Production (Dec, m/m)	0.5%	-0.2%	-0.5% (↓)	Eh…

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

Week Preview (February 7 -February 11)

Country	Release (Date, format)	Consensus	Last	Comments
Monday, February 7				
US	Consumer Credit (Dec, $ bil)	25.0	39.99	
GE	Industrial Production (Dec)	0.5%	-0.2%	
JN	Leading Index CI (Dec, prelim)	103.7	103.2	
JN	Labor Cash Earnings YoY	0.9%	0.8%	
AU	Retail Sales Ex Inflation (Q4)	7.8%	-4.4%	
AU	NAB Business Confidence (Jan)		-12	
Tuesday, February 8				
US	NFIB Small Business Optimism (Jan)	97.5	98.9	No breakthrough here; but no breakdown either…
US	Trade Balance (Dec, S4 bil)	-83.0	-80.2	
IT	Retail Sales (Dec, m/m)	-0.2%	-0.4%	
AU	Westpac Consumer Conf Index (Feb)	n/a	102.2	
Wednesday, February 9				
FR	Bank of France Ind. Sentiment (Jan)	109	108	
IT	Industrial Production (Dec, m/m)	-0.9%	1.9%	
JN	PPI (Jan, y/y)	8.2%	8.5%	
Thursday, February 10				
US	CPI (Jan, y/y)	7.3%	7.0%	Will this mark the peak?
US	Initial Jobless Claims (05-Feb, thou)	235	238	
US	Continuing Claims (29-Jan, thou)	1,625	1,628	
US	Monthly Budget Statement (Jan, $ bil)	25.0	-21.3	
Friday, February 11				
US	U. of Mich. Sentiment (Feb, prelim)	67.5	67.2	
UK	GDP (Q4, q/q, prelim)	1.1%	1.1%	Omicron impact expected to be modest.
UK	Industrial Production (Dec, m/m)	0.1%	1.0%	Activity slowdown in December.
GE	CPI (Jan, y/y, final)	4.9%	5.3%	

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

Economic Indicators

Central Bank Policy Targets

Region	Target	Year/Year % Change in Target Aug	Sep	Oct	Nov	Dec
US	Target: PCE price index 2.0% y/y	4.2	4.4	5.1	5.7	5.8
Canada	Target: CPI 2.0% y/y, 1.0%-3.0% control range	4.1	4.4	4.7	4.7	4.8
UK	Target: CPI 2.0% y/y	3.2	3.1	4.2	5.1	5.4
Eurozone	Target: CPI below but close to 2.0% y/y	3.0	3.4	4.1	4.9	5.0
Japan	Target: CPI 2.0% y/y	-0.4	0.2	0.1	0.6	0.8
Australia	Target Range: CPI 2.0%-3.0% y/y	3.0	3.0	3.5	3.5	3.5

Source: Macrobond

Key Interest Rates

	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22
US (top of target range)	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Canada (Overnight Rate)	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
UK (Bank Rate)	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.25	0.25
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)	-0.04	-0.02	-0.03	-0.05	-0.04	-0.04	-0.05	-0.03	-0.05	-0.02	-0.02
Australia (OCR)	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10

Source: Macrobond

General Government Structural Balance as a % of Potential GDP

	2014	2015	2016	2017	2018	2019	2020	2021	Forecast 2022	Forecast 2023
US	-2.7	-2.5	-3.5	-4.2	-5.2	-6.1	-10.7	-8.8	-8.3	-7.1
Canada	-0.6	0.0	0.1	-0.3	0.0	0.3	-8.1	-6.6	-2.7	-1.0
UK	-4.9	-4.4	-3.3	-2.5	-2.3	-2.3	1.4	-5.6	-4.9	-3.5
Eurozone	-0.7	-0.6	-0.5	-0.5	-0.3	-0.5	-4.6	-5.9	-3.1	
Germany	1.2	1.2	1.2	1.1	1.6	1.3	-3.1	-5.7	-1.6	-0.3
France	-2.5	-2.1	-1.9	-1.9	-1.6	-2.1	-6.3	-7.5	-4.6	-3.9
Italy	-1.0	-0.6	-1.3	-1.6	-1.7	-0.9	-5.9	-7.1	-3.8	-3.3
Japan	-5.7	-4.4	-4.3	-3.5	-2.7	-2.6	-9.2	-8.0	-3.6	-2.0
Australia	-2.7	-2.6	-2.3	-1.6	-1.2	-4.1	-7.9	-8.1	-5.8	-3.8

Source: International Monetary Fund, World Economic Outlook

Headline Consumer and Producer Price Inflation

	CPI Year/Year % Change						PPI Year/Year % Change				
	Sep	Oct	Nov	Dec	Jan		Aug	Sep	Oct	Nov	Dec
US	5.4	6.2	6.8	7.0			8.7	8.8	8.9	9.8	9.7
Canada	4.4	4.7	4.7	4.8			14.5	15.1	16.6	17.1	16.1
UK	3.1	4.2	5.1	5.4			6.2	7.1	8.8	9.4	9.3
Eurozone	3.4	4.1	4.9	5.0			13.5	16.1	21.9	23.7	26.2
Germany	4.1	4.5	5.2	5.3	4.9		12.0	14.2	18.4	19.2	24.2
France	2.2	2.6	2.8	2.8	2.9		9.8	11.2	14.4	16.7	16.9
Italy	2.5	3.0	3.7	3.9	4.8		11.6	13.3	20.4	22.2	22.6
Japan	0.2	0.1	0.6	0.8			5.9	6.5	8.3	9.2	8.5
Australia	3.0	3.5	3.5	3.5			2.9	2.9	3.7	3.7	3.7

Source: Macrobond

Economic Indicators

Real GDP Growth (Q/Q Seasonally Adjusted)

	Quarter/Quarter % Change					Year/Year % Change				
	Q4-20	Q1-21	Q2-21	Q3-21	Q4-21	Q4-20	Q1-21	Q2-21	Q3-21	Q4-21
US	1.1	1.5	1.6	0.6	1.7	-2.3	0.5	12.2	4.9	5.5
Canada	2.2	1.2	-0.8	1.3		-3.1	0.3	11.8	4.0	
UK	1.5	-1.3	5.4	1.1		-6.4	-5.1	24.2	6.8	
Eurozone	-0.3	-0.2	2.2	2.3	0.3	-4.4	-1.1	14.4	3.9	4.6
Germany	0.7	-1.7	2.2	1.7	-0.7	-2.9	-2.8	10.3	2.9	1.4
France	-1.1	0.1	1.3	3.1	0.7	-4.3	1.7	19.0	3.5	5.4
Italy	-1.7	0.3	2.7	2.6	0.6	-6.4	-0.3	17.3	4.0	6.4
Japan	2.3	-0.7	0.5	-0.9		-0.8	-1.8	7.3	1.1	
Australia	3.3	1.8	0.7	-1.9		-0.8	1.4	9.5	3.9	

Source: Macrobond

Industrial Production Index (M/M Seasonally Adjusted)

	Month/Month % Change					Year/Year % Change				
	Aug	Sep	Oct	Nov	Dec	Aug	Sep	Oct	Nov	Dec
US	-0.2	-1.0	1.2	0.7	-0.1	5.3	4.6	4.8	5.0	3.7
Canada	0.6	0.1	1.1	0.0		7.3	5.7	7.0	4.5	
UK	0.7	-0.7	-0.4	0.9		3.1	1.5	0.2	0.1	
Germany	-3.5	-0.5	2.4	-0.2		2.0	-0.3	-0.9	-2.3	
France	1.0	-1.6	0.9	-0.5	-0.2	3.9	0.5	-0.5	-0.5	-0.5
Italy	-0.2	0.1	-0.5	1.9		-0.3	4.6	2.1	6.2	
Japan	-3.6	-5.4	1.8	7.0	-1.0	7.1	-2.3	-2.6	3.5	2.7

Source: Macrobond

Unemployment Rate (Seasonally Adjusted)

	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22
US	6.0	6.0	5.8	5.9	5.4	5.2	4.7	4.6	4.2	3.9	4.0
Canada	7.5	8.0	8.0	7.6	7.4	7.1	7.0	6.8	6.1	6.0	6.5
UK	4.8	4.8	4.7	4.6	4.5	4.3	4.2	4.1			
Eurozone	8.1	8.2	8.0	7.9	7.7	7.5	7.4	7.3	7.1	7.0	
Germany	6.0	6.0	5.9	5.8	5.6	5.5	5.5	5.4	5.3	5.2	5.1
France	8.1	8.3	8.3	8.1	8.0	7.9	7.7	7.6	7.5	7.4	
Italy	10.0	10.1	9.8	9.4	9.1	9.2	9.1	9.3	9.1	9.0	
Japan	2.6	2.8	3.0	2.9	2.8	2.8	2.8	2.7	2.8	2.7	
Australia	5.7	5.5	5.1	4.9	4.6	4.5	4.6	5.2	4.6	4.2	

Source: Macrobond

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

	Q1-19	Q2-19	Q3-19	Q4-19	Q1-20	Q2-20	Q3-20	Q4-20	Q1-21	Q2-21	Q3-21
US	-2.4	-2.3	-2.2	-1.9	-2.1	-3.2	-3.3	-3.3	-3.4	-3.5	-3.7
Canada	-3.2	-1.3	-2.2	-1.6	-3.2	-1.1	-2.0	-0.8	0.3	0.2	0.2
UK	-5.8	-2.9	-2.5	0.5	-2.6	-1.6	-1.5	-4.7	-2.0	-2.3	-4.2
Eurozone	3.5	1.8	3.1	1.7	0.6	1.6	2.7	3.1	3.5	2.9	2.4
Germany	7.9	7.6	7.6	7.3	6.7	5.4	7.2	7.7	8.1	7.5	6.8
France	0.3	-0.4	-0.7	-0.4	-1.2	-3.5	-2.2	-0.9	-1.0	-0.6	-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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