STATE STREET GLOBAL ADVISORS

February 7, 2020
Commentary

Weekly Economic Perspectives

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Spotlight on Next Week
The German economy likely expanded incrementally in Q4, but the UK might not have avoided a contraction.

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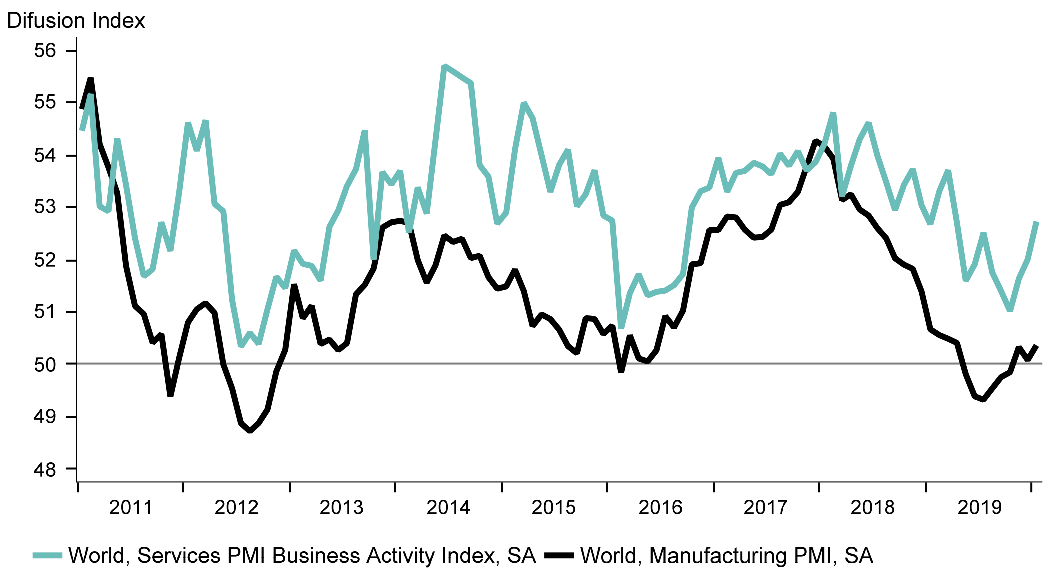
The Economy

Special Commentary: Coronavirus Impact on the Global Economy

When US-China trade talks broke down last May, we embraced a fairly controversial global outlook thesis described at the time as “resilience in divergence”. This had two elements reflecting, on one hand, the service sector resilience in the face of a manufacturing recession, and on the other, consumer spending resilience in the face of weak business investment. The foundation for this call was our belief that—given both sides’ economic and political incentives—an eventual de-escalation in the trade war was likely, resulting in the Phase 1 trade deal being signed by year-end. Admittedly, this view was repeatedly tested during subsequent months, but when all was said and done, we ended the year where we thought we would be: with a deal in hand and growing signs that global manufacturing was bottoming out (Figure 1). January data further strengthened our argument, with notable improvements in service PMIs in Germany and the UK. And then…we got the coronavirus outbreak! How does it alter our thesis?

Figure 1: Resilience Re-Tested Amid Coronavirus Outbreak



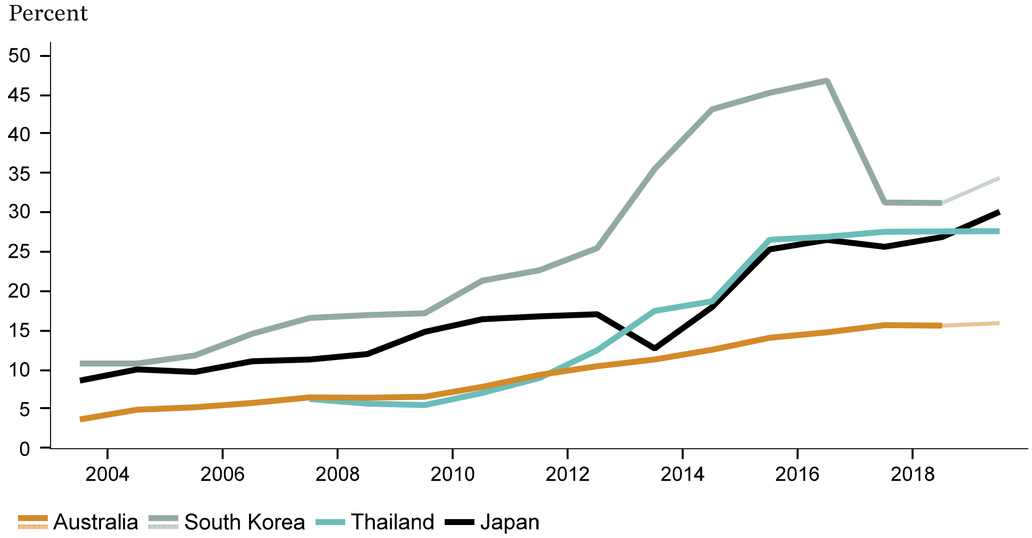
Sources: IHS Markit

Comparisons to SARS

The coronavirus outbreak is a net negative for China, Asia, and the global economy, in that order of intensity. Essentially, it is a second test to the resilience narrative, hitting just as the global economy was starting to regain its footing.

It will be a challenging test. Given all the available virus information from reputable organizations, we will not go into details here about its origination, geographical dispersion, mortality rates, etc. We assume our readers are by now well aware that the number of global cases is already almost four times higher than the SARS total, with the vast majority of them in China. China’s share in the global economy is also four times higher today, having risen from a little over 4% in 2003 to over 16% now. Today’s China is much more integrated into global supply chains. Its consumers are a greater source of demand for other countries, and not just for the smaller, heavily tourism-dependent economies (Figure 2). Within China itself, services' share in GDP is now ten percentage points higher than it was back in 2003. The drastic containment measures taken by Chinese authorities and the proactive global response means these important service and consumer sectors will be directly hit. All else being equal, we should therefore anticipate that the hit to Chinese and regional growth from this episode would be more serious than during SARS.

Figure 2: Share Of Chinese In Total Visitor Arrivals, By Country



Sources: Japan Tourism Organization, Thailand Ministry of Tourism & Sports, Korea Tourism Organization, ABS
Note: 2019 values for Australia and Korea estimated based on 11 months of data

Attenuating Circumstances?

There are some attenuating circumstances, however. The timing of the outbreak—occurring as it has during Lunar New Year celebrations when Chinese manufacturing facilities were already shut down, will minimize the immediate net hit to the industrial sector and will delay global supply chain disruptions. Importantly, the global industrial cycle was just coming off a deep bottom, as was the global semi-conductor cycle. In that respect, some of the productive capacity that the coronavirus would have taken offline were it to have occurred at a cyclical production peak had already been idled for other reasons. On the upside, whenever production resumes, the upswing should be intensified as the post-outbreak rebound is overlaid the incipient cyclical rebound.

Chinese authorities have unleashed a powerful liquidity injection to stabilize financial markets and ensure that money flows through the system as needed. Additional fiscal easing is assured, and in addition to the typical infrastructure investment we also see a lot of value in targeted tax cuts to cushion the hit to profitability for the many businesses that will suffer through no fault of their own (bad management, undesirable products, etc.) but simple because of an exogenous shock. This will help cushion the downside. At the same time, we are doubtful that when all is said and done policy support will fully offset the drag from weaker services and consumer spending growth. The political imperative to stabilize the situation and ensure a speedy recovery will no doubt be great, but there is also no going around the fact that a 260% debt to GDP ratio (a full 100 percentage points more than in 2003 and 120 percentage points more than in 2008) presents much greater constraints to a "whatever it takes" approach then there has been during earlier shocks. It is far too soon to say whether the ultimate lesson from the coronavirus outbreak will be a renewed commitment by China's leadership to defend a certain growth rate regardless of external circumstances (with related negative implications for financial stability and sustainability) or whether, by contrast, the ultimate result will be a greater acceptance of increased variation in growth through the business cycle, potentially accelerating the structural growth slowdown.

Looking Through Volatility

The situation remains fluid so all initial assessments outlined below should be understood as such: preliminary estimates, subject to change as more information becomes available.

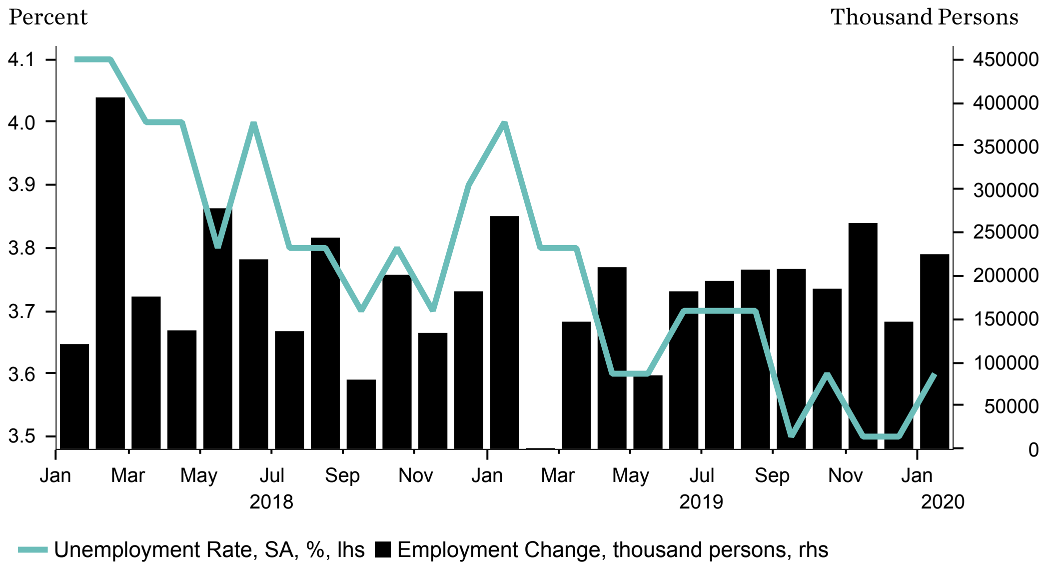
In late December, after the US and China reached an agreement on a Phase 1 trade deal, we raised China's 2020 GDP growth by a tenth to 5.9%. As of today, 5.5% seems like a more reasonable projection instead. Outside of certain countries in Asia, spillover to global growth may not be immediately apparent and could be fairly contained if industrial activity is back online by the end of February. For now, we are reluctant to lower 2020 global growth—which we had raised by a tenth to 3.5% in December—by more than 0.2 percentage points due to latent signs of improvement in global economic activity that should at least partly offset the virus hit.

Perhaps more than the likely policy stimulus, one potential positive side-effect of the crisis is that, faced with a genuine emergency, countries that had spent most of 2019 locked in trade and other disputes may choose to work more cooperatively to ensure containment and stabilization. China's move to lower tariffs on some US imports, while at the same time seeking flexibility on implementing its Phase 1 trade commitments suggest as much. On the whole, the tariff reduction will be less beneficial for the US economy than having those additional Chinese purchasing come through early on, but the tariff reduction shows a degree of good will that may induce a more accommodating response by the US. And since we expect the outbreak to ultimately be a transient shock, that more cooperative backdrop may ultimately be more important to reviving business investment and growth.

US

You had to be rather picky to find fault with this week's **employment report** and while some did so, we declare ourselves satisfied with what we got. Let's begin with the headline number which, at 225,000, exceeded even the most optimistic forecasts. Impressively, revisions to the prior two months had a positive sign, though at 7,000 they didn't play any significant role. Private payrolls increased by 206,000, while government added 19,000. Gains were driven by services, where payrolls rose by 174,000. Within services, there was a solid gain in education/health (+72,000) and an unsurprising loss in retail (-8,000), accompanied by middle of the road additions in business services (+21,000) and leisure and hospitality (+36,000). Temporary help declined by 2,000. Goods producing sectors added 32,000 jobs as a large 44,000 gain in construction outweighed the 12,000 loss in manufacturing. The construction print was undoubtedly boosted by mild weather, but let's be clear: the reason why the construction sector is adding jobs is not because the weather is good, but because people want to buy houses and inventory is low. At nearly 7.6 million people, employment in construction is now the highest level since the summer of 2007.

Figure 3: Solid Jobs Growth Continues In The US



Sources: U.S. Bureau of Labor Statistics (BLS) as of Friday, February 7th.

The household report painted a less upbeat picture for January, but that doesn't tell us a whole lot because it had been much better in December. According to the household survey, payrolls actually declined by 89,000 while unemployment increased by 139,000, implying a 50,000 increase in the labor force. The participation rate increased to a new cycle high of 63.4%. This is good news but it did have the effect of raising the **unemployment rate** by a tenth to 3.6%. The number of people employed part time for economic reasons increased by 34,000, but this follows two sizable declines. The underemployment rate, which touched a record low last month, ticked up by two tenths to 6.9%. It is in this area that we expect to see the first signs of impact from the coronavirus outbreak. By and large, we doubt that there will be much visible impact on unemployment in the February report due to the outbreak, but we expect to see the number of people working part time due to economic reasons jump as the virus impacts foreign arrivals and thus the leisure and hospitality industry, transportation, and perhaps a few others. But given the tightness in the labor market and the difficulty in finding qualified workers, we suspect that employers will be reluctant to shed labor in any meaningful manner unless the temporary nature of the shock comes under question.

The **hours data** were OK, but not great. Both the manufacturing and the overall workweek were unchanged, but the rise in employment meant that the aggregate hours index—a measure of work effort—increased 0.2% during the months. By contrast, the manufacturing hours index retreated 0.1%.

In our estimation the **wage data** were better than they've been given credit for. Admittedly, total average hourly earnings increased only 0.2% m/m, versus the 0.3% expected. But in reality, the print was within a hairbreadth of rounding up to 0.3%.

This was exactly what happened back in November and that number was eventually revised up. Moreover, average hourly earnings for production and non-supervisory employees (a more homogeneous group) jumped 0.4% m/m, the most since August. It has lost some momentum over the last three months (likely related to the recent weakness in manufacturing) so this improvement is quite welcome. Overall wage inflation accelerated one tenth to 3.1% y/y (based on seasonally adjusted data). The corresponding measure for production and non-supervisory employees also accelerated a tenth to 3.3% y/y.

Unemployment claims trended uniformly lower through the end of 2018 but have since been trending more volatilely sideways. Put differently, they continue to hovering near cycle lows but are no longer making new lows. Initial claims—a measure of job shedding—declined by 15,000 in the week ending February 1 to 202,000, very close to the cycle low of 193,000 reached in March 2019. Continuing claims—a measure of unemployment—moved up by 48,000 in the week ending January 25, having experienced sizable moves in recent weeks. This is not atypical for this time of year, but the combination of initial claims almost at cycle lows with continuing claims about 100,000 above it seems to suggest it is taking a bit longer for unemployed workers to find new jobs. This message would be consistent with the apparent peak in job openings, so we are watching incoming data closely to see how the situation progresses.

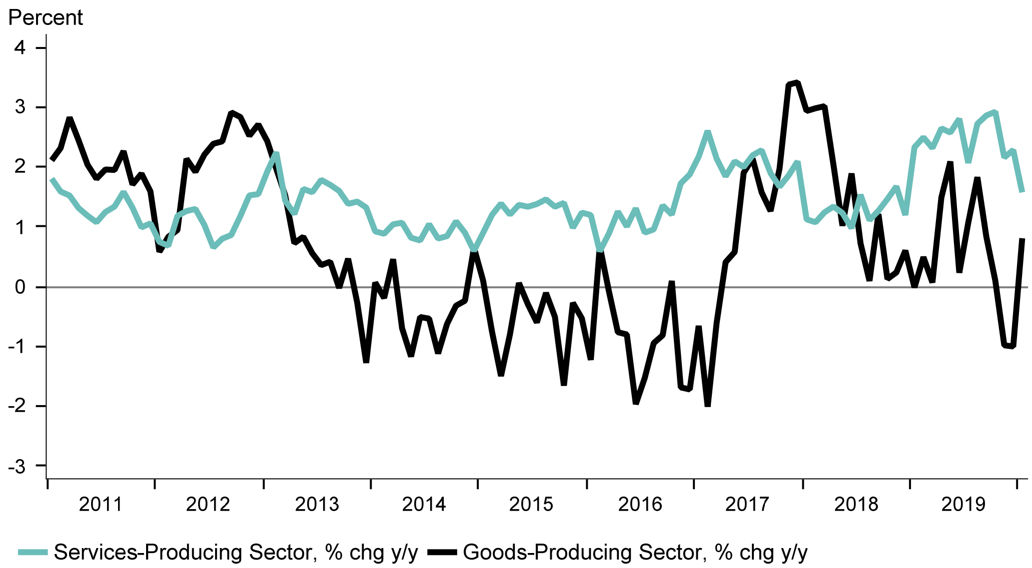
Factory orders have had a tough time lately but, after a larger than initially reported 1.2% drop in November, they rebounded 1.8% in December. The improvement was driven by a 2.4% jump in durable goods orders, and in turn these reflected a jump in defense orders. Core orders (non-defense capital goods excluding aircraft) fell 0.8%. Compared with a year earlier, factory orders declined 0.4%, capital orders dropped 8.4% and core orders rose 1.0%. Manufacturing shipments increased 0.5% but core shipments retreated 0.3%. Inventories increased 0.5% as well, but the inventory-to-shipments ratio was unchanged at 1.4 months.

The trade war caused considerable volatility with trade statistics all year but the full-year result appears to have been a decline in imports that allowed the annual **trade deficit** to narrow for the first time in six years. The goods deficit narrowed by about $20 billion, the service surplus declined by about half that, and the overall trade deficit narrowed by about $10 billion. At nearly $617 billion, it remains very large, however.

Canada

The Canadian **labor market** ended 2019 on a high and momentum seems to have carried into 2020. Employment increased by 34,500 to 19.2 million in January, all driven by gains in full time employment. Part-time jobs actually contracted by a modest 1,200. The participation rate eased a tenth to 65.4%, the lowest since October 2018, and this helped reduce the unemployment rate by 0.1 percentage point to a lower than expected 5.5%. The report details were positive, with employment in goods producing industries up by 49,100, with gains in manufacturing, construction and agriculture. Declines in healthcare and social assistance, however, led to losses in services industry (-14,500). Unfavorable base effects contributed to a deceleration in wage inflation, which nonetheless remains at high levels. Given the solid gains in employment, we might see wages head upwards. This bodes well for consumption and leads credence to our expectations for no further action from the BoC in 2020.

Figure 4. Manufacturing Jobs Have Picked Up In Canada



Sources: Statistics Canada

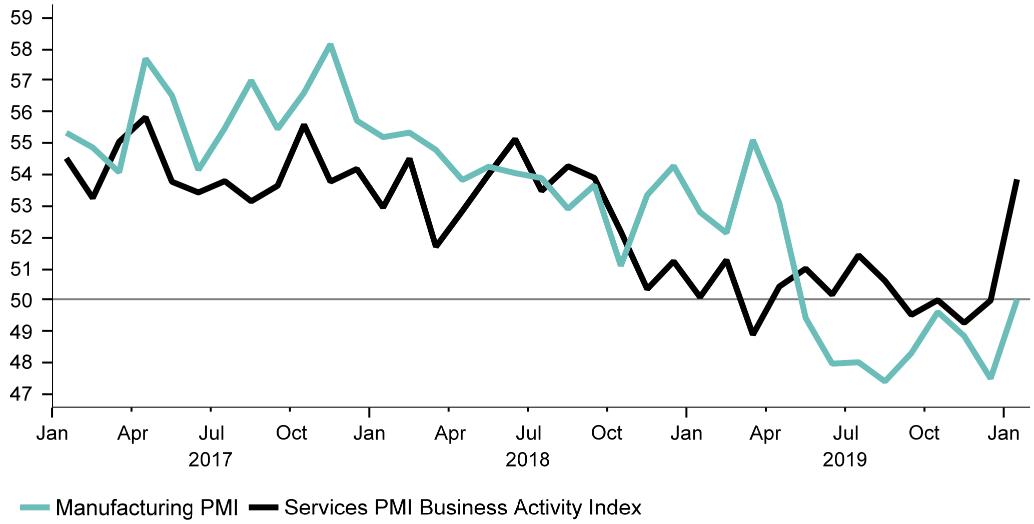
The **trade deficit** narrowed in December after a rail strike disrupted transportation, causing a strong decline in goods traded by rail in November. Exports recouped its losses from November, rising 1.9% led by higher crude oil exports (+18.0%). Normalcy has been restored in crude transportation after the Keystone pipeline leak was rectified in November. Imports edged up 0.2%, with imports of consumer goods (+4.0%) posted the largest increase. As a result the trade deficit narrowed from C$1.2 billion in November to C$370 million.

UK

This week brought us really good news from **purchasing managers' surveys**. The favorable direction of travel had been already evident from the preliminary readings, but it turns out that the gains in both the manufacturing and the service indexes were even more impressive than originally reported. The manufacturing index jumped 2.5 points to a nine-month high of an even 50.0, with production and new orders growing for the first time in eight and nine months, respectively. The service index surged 3.9 points to a sixteen-month high of 53.9 as incoming new business jumped to a nineteen-month high. These are extremely welcome improvements that support our view that economic activity could pick up noticeably in coming months. Of course, the coronavirus presents a new and clear risk to the outlook, and as a major global travel hub, the UK will undoubtedly be impacted. However, latent domestic strength should in large part compensate for this downside risk.

Figure 5: Impressive Rebound In UK Service Activity; Can It Last?

Diffusion Index



Sources: IHS Markit

Eurozone

***Eurozone* manufacturing** continues to contract but there is broadening evidence that activity in bottoming. According to the final data, the manufacturing purchasing managers' index jumped 1.6 point to 47.9, the biggest monthly gain since November 2017 and the highest level since April 2019. Although pretty much everything is still contracting, it's no longer too much of a stretch to state that the details were encouraging as new orders jumped 2.4 points to 49.0 and new export orders jumped 2.2 to 49.5. Both are now at their highest levels since late 2018. Output rose 1.8 points and backlogs rose 1.4. Employment posted a modest 0.6 point gain and only to a weak 47.0, being the only notable sub-component that was weaker in the final release compared with the preliminary one. So let's be clear: this is still far from a rosy picture; we need all of these components to not only cross above the neutral 50 level, but do so convincingly in coming months. The trouble is that supply chain disruptions due to the coronavirus are likely to delay that rebound. Still, the green shoots of improvement are clearly visible. The January improvement was broad-based, with Italy up 2.7 points, Germany up 1.6, Spain up 1.1 and France up 0.6.

Service activity has held up much better than manufacturing, but in recent months it could hardly be described as buoyant. However, the region-wide figure obscures considerable cross-country variation. The eurozone purchasing managers' index (PMI) for services actually softened 0.3 point to 52.5 in January on steep declines in Spain (down 2.6 points to 52.3) and France (down 1.4 to 51.0). However, activity picked up nicely in Germany, where the index rose 1.2 points for the second consecutive month and now stands at a solid 54.2. The Italian index improved 0.3 point to 51.4.

Japan

Wage pressures eased again in December, with **labor cash earnings** unchanged after a meagre 0.1% m/m rise in November. This was partly due to the government-initiated reform, which requires firms to limit working hours per worker and will extend to SMEs in April. This caused a 2.6% drop in overtime wages paid, the fourth consecutive fall. The volatile bonus component also fell 0.2% over the month, due to weak winter bonus payouts. Regularly contracted cash earnings—excluding bonuses and overtime pay—was up 0.4%, while scheduled earnings rose 0.1%. Real earnings however, contracted 0.9%, the third monthly decline.

Australia

The **Reserve Bank of Australia** (RBA) kept the cash rate unchanged at 0.75% in the latest monetary policy meeting. The board maintained its outlook on the global economy as “reasonable”, with the coronavirus outbreak adding to headwinds beside trade uncertainties. It was rightly noted that “it is too early to determine how long-lasting the impact will be”. The main channels to impact growth will be via tourism and trade channels, with the number of inbound tourists from China already down drastically. Our base case is that the impact will be highest in the first quarter, with a subsequent bottoming out and rejuvenation in Q2.

Other than that, observations about the domestic economy were unchanged from the December meeting. Growth forecast were unchanged at 2.75% for 2020 and 3% for 2021. There has been no meaningful impact of tax cuts on consumption, as “the household sector has been adjusting to a protracted period of slow wages growth and, last year, to a decline in housing prices”. The labor market ended the year on a high, with the unemployment rate falling to 5.1%, where it is expected to remain “for some time, before gradually declining to a little below 5% in 2021”. Assessment of the housing market was upbeat, with further signs of turnaround visible in markets like Sydney and Melbourne.

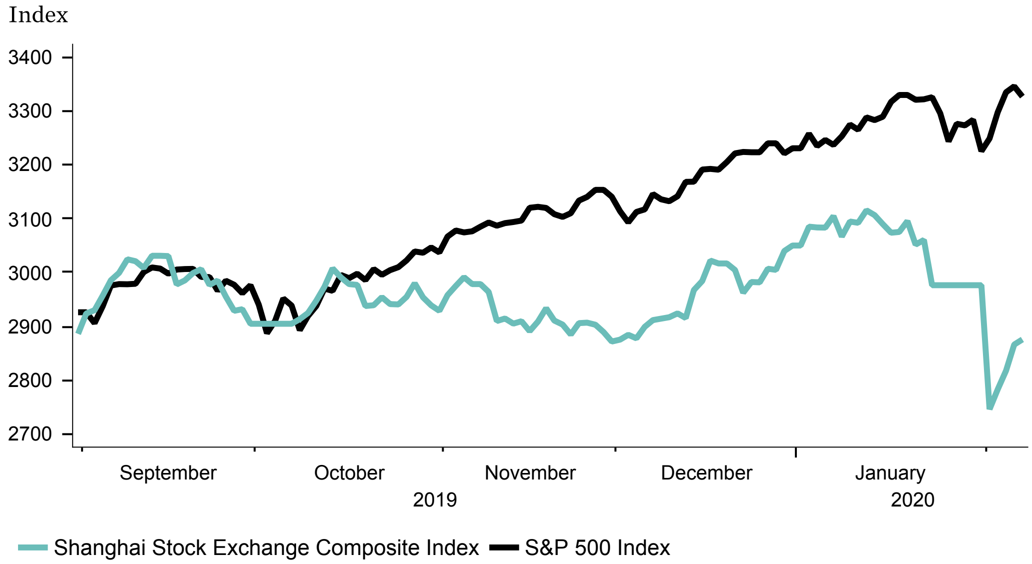
The RBA has been playing down the possibility of further cuts, as apparent from Governor Lowe’s speech on February 5th. In particular, the decision not to ease “reflects a judgement about the benefits from a further reduction in interest rates against some of the costs and risks associated with very low interest rates”. Yet, we still feel a rate cut might be warranted in the third quarter, as the temporary disruption in Chinese production feeds through to Australian exports and the momentum in the labor market may not be sustained.

Nominal **retail sales** fell in December, after the November rise was revised slightly up to 1.0%. This was partly due to front-loading of some spending during Black Friday and other promotional sales preceding the holiday season. Sales fell in department stores (-2.8%), cafes, restaurants and takeaway food services (-0.9%), apparels (-1.5%), food retailing (-0.3%), and household goods retailing (-0.3%). These were partially offset by a rise in “other” retailing (+0.2%). Sales declined in New South Wales (-1.2%), Queensland (-0.5%) and South Australia (-1.3%), most likely an impact of the bushfires and associated smoke hazard. Quarterly sales volumes increased 0.5% q/q in the fourth quarter, an improvement from the 0.1% fall recorded earlier, but probably still not enough to convince the RBA that the tax cuts are stimulating consumer spending.

The Market This Week

Equity markets have reacted to the coronavirus outbreak, but that reaction has not been uniform. US equities plunged last Friday but recovered most of that loss this week. Chinese markets opened sharply lower this week, then recouped some losses.

Figure 6: Differentiated Market Response To Virus Outbreak



Sources: Macrobond, Bloomberg

Equities: Big rebound week for most DM equity markets.

Bonds: Bond yields only marginally higher as virus worries persist.

Currencies: The dollar sharply higher as the pound and euro retreat.

Commodities: Oil plunges on growth fears. Gold gives back last week's gain.

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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®	3328.39	3.2%	3.0%	1.59	8	-33	98.686	1.3%	2.4%
Canada	TSE 300	17646.9	1.9%	3.4%	1.33	6	-37	1.33	0.5%	2.4%
UK	FTSE®	7466.7	2.5%	-1.0%	0.57	5	-25	1.2891	-2.4%	-2.8%
Germany	DAX	13513.81	4.1%	2.0%	-0.39	5	-20			
France	CAC-40	6029.75	3.8%	0.9%	-0.14	4	-25	1.0948	-1.3%	-2.4%
Italy	FTSE® MIB	24478.32	5.3%	4.1%	0.94	1	-47			
Japan	Nikkei 225	23827.98	2.7%	0.7%	-0.04	3	-3	109.76	1.3%	1.1%
Australia	ASX 200	7022.58	0.1%	5.1%	1.04	9	-33	0.6677	-0.2%	-4.9%

Commodity Markets						
Commodity	Unit	Source	Last Price	%Ch Week	%Ch YTD	%ChYr Ago
Oil (Brent)	US $/Barrel	Bloomberg	53.9	-4.3%	-18.8%	-12.4%
Gold	US $/troy oz	Bloomberg	1570.71	-1.2%	3.5%	19.9%

Source: Bloomberg®

Week in Review (February 3–February 7)

Country	Release (Date, format)	Consensus	Actual	Last	Comments
Monday, February 3					
US	ISM Manufacturing (Jan)	48.4	50.9	47.8(↑r)	Rebound at risk from coronavirus.
US	Total Vehicle Sales (Jan, mil.)	16.8	16.8	16.7	Neutral for retail sales.
UK	PMI Manufacturing (Jan, final)	49.8(p)	50.0	47.5	Great to see the rebound!
EC	PMI Manufacturing (Jan, final)	47.8(p)	47.9	46.3	Still very weak, but improving.
GE	PMI Manufacturing (Jan, final)	45.2(p)	45.3	43.7	Still very weak, but improving.
FR	PMI Manufacturing (Jan, final)	51.0(p)	51.1	50.4	Welcome improvement.
IT	PMI Manufacturing (Jan, final)	46.2(p)	48.9	47.6	Weak, but at least improving.
JN	PMI Manufacturing (Jan, final)	49.3(p)	48.8	48.4	Output and new orders record further declines.
Tuesday, February 4					
US	Factory Orders (Dec, m/m)	1.2%	1.8%	-1.2%(↓r)	Welcome rebound, but much more needed.
US	Durable Goods Orders (Dec, final, m/m)	2.4%(p)	2.4%	-2.1%	Welcome rebound, but much more needed.
IT	CPI (Jan, prelim, y/y)	0.5%	0.6%	0.5%	Tepid.
AU	RBA Monetary Policy Decision	0.75%	0.75%	0.75%	Downplaying the possibility of further cuts.
Wednesday, February 5					
US	ISM Non-Manufacturing Index (Jan)	55.1	55.5	54.9(↓r)	Good!
US	Trade Balance (Dec, $ bil.)	-48.2	-48.9	-43.7(↓r)	Full-year deficit narrowed.
CA	Trade Balance (Dec, C$ bil.)	-0.6	-0.4	-1.2(↓r)	Exporters back in business.
UK	PMI Services (Jan, final)	52.9(p)	53.9	50.0	Extremely welcome rebound!
EC	PMI Services (Jan, final)	52.2(p)	52.5	52.8	Modestly growing, but growing.
GE	PMI Services (Jan, final)	54.2(p)	54.2	52.9	This is good news!
JN	PMI Services (Jan, final)	52.1(p)	51.0	49.4	Key sub-indices remain strong.
Thursday, February 6					
US	Initial Jobless claims (Jan 25, thous)	215	202	217(↑r)	Good.
US	Nonfarm Productivity (Q4, prelim, q/q)	1.6%	1.4%	-0.2%	Some improvements but no trend change yet.
GE	Factory Orders (Dec, m/m)	0.6%	-2.1%	-0.8%(↑r)	Disappointing.
AU	Retail Sales (Dec, m/m)	-0.2%	-0.5%	1.0%(↑r)	Some pullback post strong Black Friday sales.
Friday, February 7					
US	Unemployment Rate (Jan)	3.5%	3.6%	3.5%	Participation rate hit new cycle high!
US	Change in Nonfarm Payrolls (Jan, thous)	165	225	147(↑r)	Another solid report!
US	Consumer Credit (Dec, $ bil.)	15.0	22.1	11.8(↓r)	Unsurprising given holiday season.
CA	Unemployment Rate (Jan)	5.7%	5.5%	5.6%	A positive report.
CA	Ivey PMI (Jan)		57.3	51.9	Recouped some of its December loss.
GE	Industrial Production (Dec, m/m)	-0.2%	-3.5%	1.2%(↑r)	Dismal!
FR	Industrial Production (Dec, m/m)	-0.3%	-2.8%	0.0%(↓r)	Dismal!
FR	Wages (Q4, prelim, q/q)	0.3%	0.2%	0.3%	Modest.
IT	Retail Sales (Dec, m/m)		0.5%	-0.2%	Still weak.
JN	Labor Cash Earnings (Dec, y/y)	-0.1%	0.0%	0.1%(↑r)	Cap on overtime, weak bonuses drag on wages.
JN	Leading Index (Dec, prelim)	91.3	91.6	90.8	Back up from a multi-year low.

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

Week Preview (February 10–February 14)

Country	Release (Date, format)	Consensus	Last	Comments
Monday, February 10				
CA	Housing Starts (Jan, thous)		197.3	
CA	Building Permits (Dec, m/m)		-2.4%	Still weak.
FR	Bank of France Ind. Sentiment (Jan)		97	
IT	Industrial Production (Dec, m/m)		0.1%	
Tuesday, February 11				
US	House Panel Hearing on Monetary Policy and Economy			
US	NFIB Small Business Optimism (Jan)		102.7	
US	JOLTS Job Openings (Dec, thous)	6850	6800	
UK	GDP (Q4, prelim, q/q)	-0.1%	0.4%	We see chance of better performance, but hard to tell.
UK	Industrial Production (Dec, m/m)	0.3%	-1.2%	
AU	NAB Business Confidence (Jan)		-2	Impact of bushfires likely to show up.
Wednesday, February 12				
US	Monthly Budget Statement (Jan, $ bil.)		-13.3	
EC	Industrial Production (Dec, m/m)	-0.2%	0.2%	
Thursday, February 13				
US	Initial Jobless claims (Feb 8, thous)		202	
US	CPI (Jan, y/y)	2.5%	2.3%	Core inflation may have eased a tenth.
GE	CPI (Jan, final, y/y)	1.7%(p)	1.5%	
FR	Unemployment Rate (Q4)		8.3%	
JN	PPI (Jan, y/y)	1.5%	0.9%	
Friday, February 14				
US	Retail Sales (Jan, m/m)	0.3%	0.3%	
US	Industrial Production (Jan, m/m)	-0.3%	-0.3%	
US	U of Mich Sentiment (Feb, prelim)	98.9	99.8	
US	Business Inventories (Dec, m/m)	0.1%	-0.2%	
US	Import Price Index (Jan, y/y)		0.5%	
CA	Existing Home Sales (Jan, m/m)		-0.9%	
EC	GDP (Q4, prelim, q/q)	0.1%(a)	0.2%	Weak, but at least expanding.
GE	GDP (Q4, prelim, q/q)	0.1%	0.1%	Weak, but at least expanding.
JN	Tertiary Industry Index (Dec, m/m)	0.1%	1.3%	

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	1.4	1.3	1.4	1.4	1.6
Canada	Target: CPI 2.0% y/y, 1.0%-3.0% control range	1.9	1.9	1.9	2.2	2.2
UK	Target: CPI 2.0% y/y	1.7	1.7	1.5	1.5	1.3
Eurozone	Target: CPI below but close to 2.0% y/y	1.0	0.8	0.7	1.0	1.3
Japan	Target: CPI 2.0% y/y	0.3	0.2	0.2	0.5	0.8
Australia	Target Range: CPI 2.0%-3.0% y/y	1.7	1.7	1.8	1.8	1.8

Source: Macrobond

Key Interest Rates

	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	#####	Dec-19	Jan-20
US (top of target range)	2.50	2.50	2.50	2.50	2.50	2.25	2.00	1.75	1.75	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	-0.07	-0.06	-0.08	-0.07	-0.06	-0.06	-0.03	-0.03	-0.07	-0.04
Australia (OCR)	1.50	1.50	1.50	1.28	1.02	1.00	1.00	0.76	0.75	0.75	0.75

Source: Macrobond

General Government Structural Balance as a % of Potential GDP

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
									Forecasts	
US	-3.1	-2.1	-1.1	0.1	0.8	0.7	0.0	-0.2	-0.5	-0.8
Canada	-5.9	-6.0	-4.0	-4.7	-4.1	-2.9	-2.0	-1.5	-1.3	-1.4
UK	-3.9	-2.1	-1.2	-0.9	-0.8	-0.7	-0.7	-0.6	-0.7	-0.9
Eurozone	-1.4	0.0	0.6	1.2	1.2	1.3	1.1	1.4	0.9	1.0
Germany	-5.0	-4.4	-3.4	-3.3	-3.0	-2.8	-2.6	-2.5	-2.4	-2.5
France	-4.1	-1.5	-0.6	-1.1	-0.7	-1.4	-1.7	-1.8	-1.5	-2.1
Italy	-4.1	-1.5	-0.6	-1.1	-0.7	-1.4	-1.7	-1.8	-1.5	-2.1
Japan	-4.3	-3.3	-2.6	-2.6	-2.4	-2.2	-1.5	-0.6	-0.4	-0.4
Australia	-4.3	-3.3	-2.6	-2.6	-2.4	-2.2	-1.5	-0.6	-0.4	-0.4

Source: International Monetary Fund, World Economic Outlook

Headline Consumer and Producer Price Inflation

	CPI Year/Year % Change					PPI Year/Year % Change				
	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
US	1.7	1.8	2.1	2.3		1.9	1.4	1.1	1.1	1.3
Canada	1.9	1.9	2.2	2.2		-1.1	-1.3	-1.4	-0.6	0.3
UK	1.7	1.5	1.5	1.3		1.7	1.2	0.8	0.5	0.9
Eurozone	0.8	0.7	1.0	1.3		-0.8	-1.1	-1.8	-1.4	-0.7
Germany	1.2	1.1	1.1	1.5	1.7	0.3	-0.1	-0.6	-0.7	-0.2
France	0.9	0.8	1.0	1.5	1.5	-0.5	-0.6	-1.1	-0.5	0.4
Italy	0.3	0.2	0.2	0.5	0.6	-1.4	-1.6	-2.9	-2.6	-2.1
Japan	0.2	0.2	0.5	0.8		-0.9	-1.1	-0.4	0.1	0.9
Australia	1.7	1.8	1.8	1.8		1.6	1.6	1.4	1.4	1.4

Source: Macrobond

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

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	0.8	-0.5	-0.5	0.8	-0.3	0.4	-0.2	-1.0	-0.7	-1.0
Canada	0.2	-0.4	-0.4	-0.3		-2.2	-2.0	-2.4	-1.6	
UK	-0.7	0.0	0.3	-1.2		-1.6	-1.1	-0.7	-1.7	
Germany	0.6	-0.8	-1.2	1.2	-3.5	-3.6	-4.3	-4.7	-2.5	-6.7
France	-0.9	0.3	0.4	0.0	-2.8	-1.3	0.4	-0.2	0.9	-3.0
Italy	0.4	-0.5	-0.3	0.1		-1.8	-2.2	-2.4	-0.6	
Japan	-1.2	1.7	-4.5	-1.0	1.3	-2.0	-0.3	-6.6	-6.7	-5.5

Source: Macrobond

Unemployment Rate (Seasonally Adjusted)	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	#####	Dec-19	Jan-20
US	3.8	3.6	3.6	3.7	3.7	3.7	3.5	3.6	3.5	3.5	3.6
Canada	5.7	5.7	5.4	5.6	5.7	5.7	5.5	5.6	5.9	5.6	5.5
UK	3.8	3.8	3.9	3.8	3.9	3.8	3.8	3.8			
Eurozone	7.7	7.6	7.6	7.5	7.6	7.5	7.5	7.5	7.5	7.4	
Germany	4.9	4.9	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
France	8.6	8.5	8.5	8.5	8.5	8.6	8.5	8.5	8.4	8.4	
Italy	10.1	10.1	10.0	9.8	9.9	9.6	9.9	9.7	9.8	9.8	
Japan	2.5	2.4	2.4	2.3	2.2	2.2	2.4	2.4	2.2	2.2	
Australia	5.1	5.2	5.2	5.3	5.2	5.3	5.2	5.3	5.2	5.1	

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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