STATE STREET GLOBAL ADVISORS



**January 29, 2021**
Commentary

# Weekly Economic Perspectives

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**Spotlight on Next Week**
With luck, US employment could show a slight gain. The BoE is seen holding for now. The RBA is also seen on hold, could extend QE.

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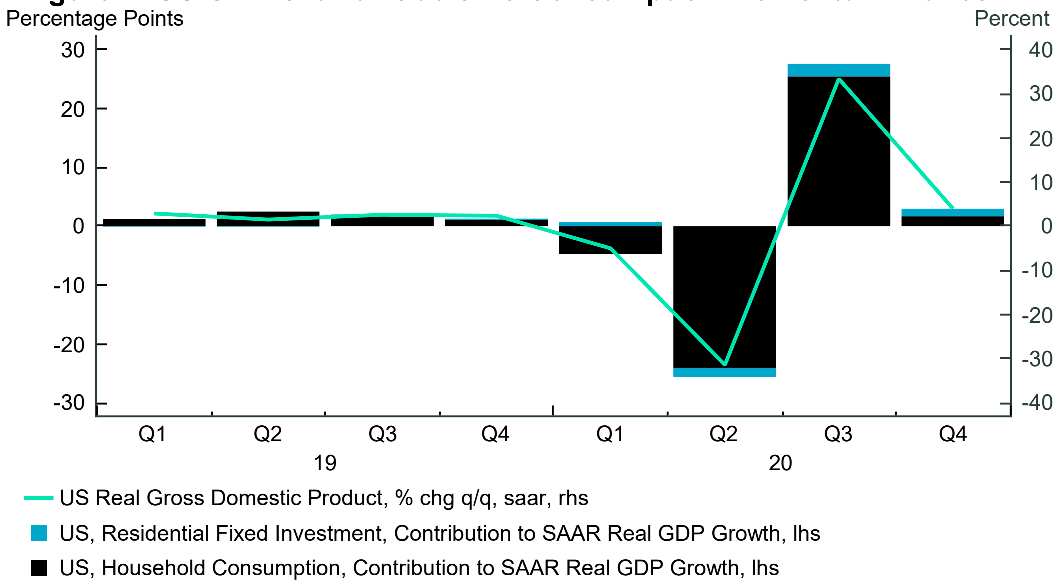
**The Economy**

A heavy (and generally positive) macro data week, with risk-off markets.

US

The US economy grew slightly less than expected during the fourth quarter. **GDP growth** moderated sharply from 33.4% saar in the third quarter to 4.0% saar in the fourth, slightly below consensus and our own expectation of a 5.0%+ outcome. Softer than expected consumer spending, a smaller than expected inventory rebuild, and a worse than anticipated trade deficit were the main drags, whereas fixed investment actually surprised positively. Indeed, fixed investment contributed 3.0 percentage points (ppts) to growth, with inventories adding another point. By contrast, household consumption contributed only 1.7 ppts, as goods spending actually shrank incrementally and service consumption improved only slightly. In an unprecedented dynamic, residential investment contributed almost as much to growth as household consumption in Q4 (Figure 1). The inventory rebuilding cycle we had been anticipating is starting to take shape but remains in the very early stage: we would need seven more quarters of inventory buildup at the Q4 pace just to get back to pre-Covid inventory levels. Part of the issue is that this inventory rebuilding requires a lot of imports. This was again the case in Q4 when the trade deficit widened again, detracting 1.5 ppts from growth. The lagged export recovery (due to slower demand acceleration overseas) will likely continue to constrain US growth during the first quarter as well. The US economy contracted 3.5% in 2020 as a whole; when we called for a 3.4% contraction back in June of 2020, that seemed a wildly optimistic projection. Fortunately, things turned out pretty well given the circumstances.

**Figure 1: US GDP Growth Cools As Consumption Momentum Wanes**




*Sources: SSGA Economics, BEA*

The big question is now what will 2021 look like. Prior to the Georgia senate race, we anticipated 4.1% growth in the US this year. With more fiscal stimulus likely as a result of the democratic control of Senate, we are upping that projection to 4.9%.

Consensus appears to be rapidly shifting higher, with several houses now calling for 6% growth or even more. Unlike in 2020, we now skew more conservative, mindful of lingering risks and uncertainty.

The **Fed** has taken note that "pace of the recovery in economic activity and employment has moderated in recent months". But this is simply a statement of fact, not a signal of any undue alarm or likely policy adjustment. Indeed, while the Fed naturally reminded us that it stands ready to use "the full range of its tools" to support the economy, it left all its policy parameters unchanged at the January meeting and told us that the current policy stance will likely remain appropriate for some time. Chair Powell's press conference was a little more interesting, but still only conveyed the idea that the Fed's foremost concern is on ensuring a return to full employment. Neither "transient" inflation nor possible financial market excesses seem to trouble the Committee much at this point.

**Personal spending** stumbled at the end of 2020, as evidenced in the GDP release. Admittedly, the decline in nominal spending was smaller than expected in December (-0.2% versus -0.4% consensus) but there was a downward revision to the November data and the drop in real spending was a more sizable 0.6%. Income remained well supported by continued wage and salary gains as well as government transfers such that overall nominal income rose 0.6%. Real disposable personal income improved a modest 0.2%. The combination of higher income and lower spending boosted the personal savings rate by 0.8 percentage points to 13.7%.

The **PCE (personal consumption expenditures) deflator** data were stronger than expected. PCE prices rose 0.4% and core PCE prices rose 0.3% during the month, pushing the respective inflation measures to 1.3% y/y and 1.5% y/y, respectively.

Following two big declines totaling 14.3 points in November and December, the **Conference Board consumer confidence index** improved 2.2 points in January. The gain was entirely driven by the expectations component (+5.5), whereas the current situation deteriorated (-2.8). Notably, the labor differential—which measures the difference between those who think jobs are abundant and those who think jobs are scarce—worsened for the third consecutive month to stand at the lowest level since May. The details certainty tell a less upbeat story than the headline.

The final read on the **Michigan consumer sentiment index** for January was marginally worse than the preliminary release. The index lost 1.7 points to 79.0 (0.2 point less than initially reported) as the current situation metric more than unwound its previous month's improvement and expectations deteriorated marginally. The inflation measures were unchanged from the previous release but sharply higher than in December. Short-term (1-year) expectations moved up half a percentage point to 3.0% while longer-term expectations (5-10 years) rose two tenths to 2.7%. The move is reminiscent of what we saw last May, when short term inflation expectations touched 3.2% before receding. The combination of higher gasoline prices and expectations of more fiscal stimulus likely contributed to the shift in inflation expectations, but the durability of this move will be critical to watch.

All measures of home prices inflation indicate rapid appreciation over the past year. The **Case-Shiller 20-City** composite price index jumped another 1.4% in November, leaving prices 9.1% higher than in November 2019, the biggest increase in nearly six years. Gains are becoming more evenly distributed across the big cities, with prices in former laggards New York and San Francisco now up by more than 8.0% y/y. According to the **FHFA**, existing single-family home prices jumped 1.0% increase in November, leaving them 11.0% higher than a year earlier, topping even the peak price appreciation seen back in 2005 (admittedly, only by a hairbreadth so far).

Canada

The monthly measure of **GDP** increased 0.7% in November, following October's 0.4% gain. This seventh consecutive monthly increase leaves GDP just 3.0% below its February level. Both goods-producing (+1.2%) and services (+0.5%showed improvements. Output across several industrial sectors, including mining (+3.9%), manufacturing (+1.7%), finance (+1.3%), and retail (+1.1%) continued to grow. Statistics Canada estimates that improvements in public sector, real estate, and mining will lead to an approximate 0.3% increase in GDP for December. However, some drag is expected from retail, hospitality, and wholesale trade as the number of infections started increasing. It gets a little rocky from out here with strict lockdowns imposed in some parts of the country in December, but we expect the recovery to continue, albeit at a slower pace.

**Building permits** declined 4.1% in December, following the issue of several high value permits in November. Permits in the residential sector fell 0.9%--led by a 7.2% decrease in multi-family units. All three non-residential components—commercial (-9.0%), industrial (-24.4%) and institutional (-6.1%) buildings—reported declines as the overall sector fell 10.8%. Permits were lower in 2020 compared to the earlier year, with residential sectors posting a record high, but the non-residential sector declining by the most since 2009 due to significant slowdown in the commercial component.

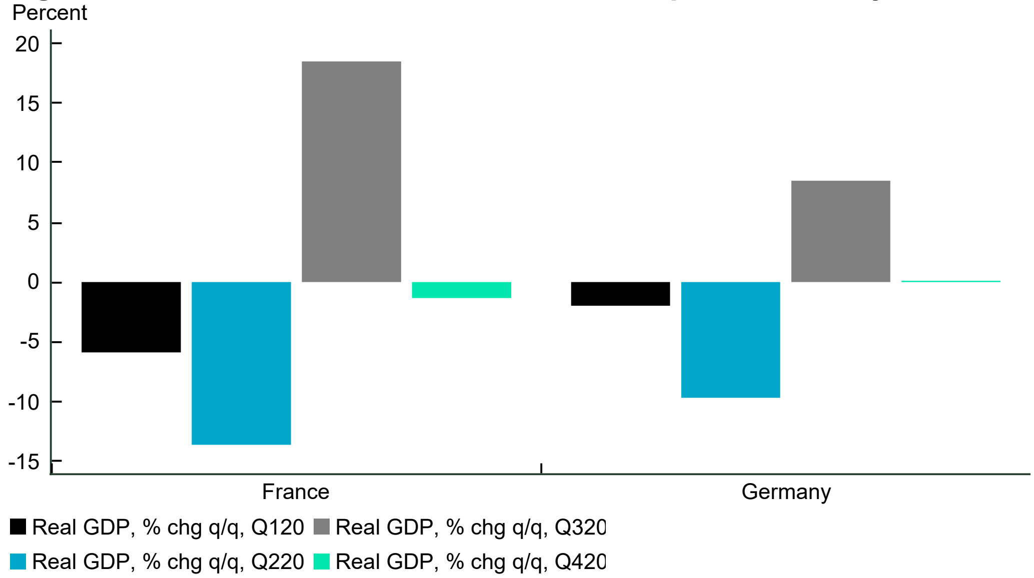
UK

The pace of deterioration in the UK **labor market** appears to be easing, although this very much remains a mixed picture at the moment and will be tested anew by tougher mobility restriction that have only recently been introduced. The most positive news was that employment declined by (only!) 88,000 in the three months to November, compared with 144,000 in the three months to October and 158,000 in the three months to August (the prior non-overlapping three-month period that the National Statistics Office advises as the most accurate comparison). But, the official unemployment rate increased one tenth to 5.0% (highest since mid-2016). The claimant count unemployment rate also ticked up a tenth to 7.4% (it peaked at 4.9% during the Great Recession!) but this was mostly a function of the prior month being revised lower, so the actual rate remains where we thought it was last month. Vacancies continue to rise, up by another 26,000 for the sixth consecutive gain; the positive interpretation is that labor demand is picking up; the negative read is that workers are staying away from jobs due to Covid so firms can't keep positions filled. Wages are surging, although we advise taking the data with a big grain of salt since compositional changes in employment likely skew this figure higher. Still, there is enough broad pickup across industries that we reckon there is also a genuine wage acceleration trend at play here. Wages (both including and excluding bonuses) increased by 3.6% y/y in the three months to November. The single-month data for November showed an even steeper advance.

Eurozone

Eurozone GDP and inflation data surprised broadly to the upside this week. Preliminary estimates put ***German* GDP** growth at +0.1% q/q in Germany, a little better than expected and leaving the full year 2020 decline at -5.0%. The outcome confirmed our more positive than consensus estimate of -5.1%, and implies a slightly better starting point for 2021. We view the government's newly revised 3.0% growth forecast for 2021 as too conservative and anticipate a number materially above 4.0% despite a slow start to vaccine distribution.

**Figure 2: German, French, Q4 GDP Growth Surprise Positively**




*Sources: SGA Economics, INSEE, DESTATIS*

The ***French* GDP** report also surprised positively. Consensus was anticipating a sizable 4.0% q/q contraction, which, in the event, came in at only -1.3%. This left the full-year 2020 contraction at -8.3%, even better than our -8.6% estimate and far above consensus expectation of a 9.0% decline. **Spain** extended the string of upside surprises with a 0.4% q/q growth in Q4 **GDP** that bucked expectations of a 1.4% decline. Large earlier declines nonetheless left Spanish GDP down 11.0% in 2020.

There were a few notable upside surprises on inflation as well. To begin with, the ***German* CPI inflation** rate accelerated 1.3 percentage points to 1.0% y/y in January. Although much of this reflects technical factors (new weights) and VAT tax changes, the pick-up is nonetheless notable. Especially since it does not seem to be an isolated phenomenon: ***Spanish* CPI inflation** accelerated 1.1 percentage points to 0.6% y/y even in the absence of a tax impact. The progression of inflation in coming months and the ECB's response to it (or lack thereof) will be interesting to watch!

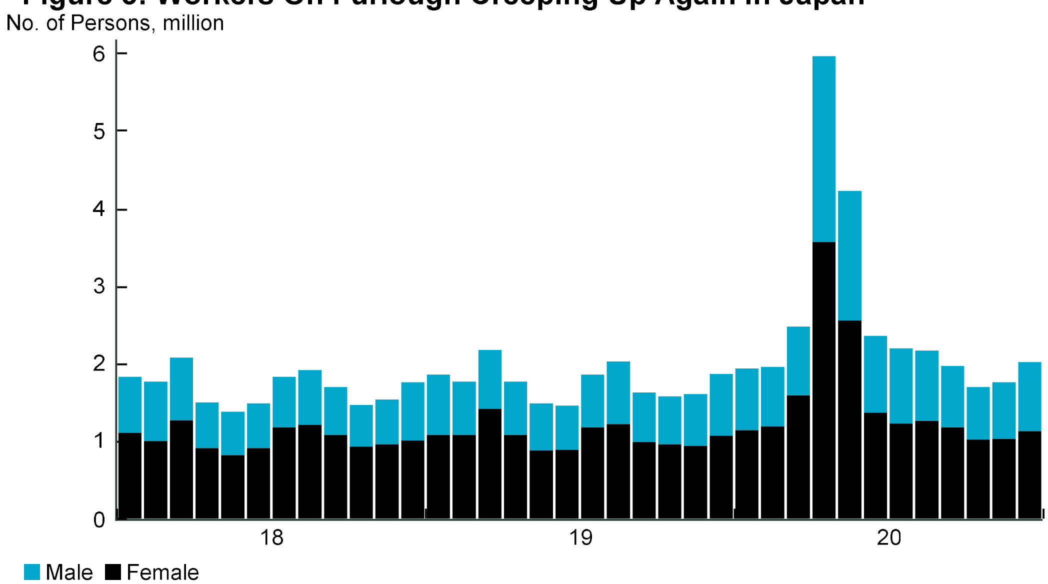
The ***German* labor market** is proving fairly resilient to the latest  Covid outbreak, although that resilience is perhaps not quite as robust as the headline unemployment rate suggests. Indeed, while the seasonally adjusted unemployment rate was unchanged at 6.0% in December, the non-seasonally adjusted rate (which gathers more attention domestically) spiked four tenths to a five-month high of 6.3%. The number of vacancies was essentially unchanged.

***German* consumer confidence** tanked in February as tougher and longer lockdowns affect perceptions about the economic outlook. The GfK index of consumer sentiment dropped by 8.1 points to -15.6, the largest decline since June.

Japan

Japan's labor market is back to a situation similar to March of last year, and we expect a similar resilience to be on display. The **unemployment rate** stayed unchanged at 2.9% in December, contrary to expectations of a slight increase. Number of people employed decreased by 60,000 from November following two months of solid gains, while the number of unemployed increased by 60,000. The number of employed also included 2.02 million furloughed workers (before seasonal adjustment), who remained employed but were unable to work, an increase from 1.76 million in November.

**Figure 3: Workers On Furlough Creeping Up Again In Japan**




*Sources: Macrobond, SSGA Economics, Japanese Statistics Bureau, Ministry of Internal Affairs & Communications*

Participation decreased for both male and female workforce, pulling the overall participation rate down by three tenths to 62.0%. Sectors most impacted by COVID-19 came under renewed pressure—for example, recreational services lost 190,000, while other services lost 80,000 jobs. The active job openings-to-applicants ratio in December was unchanged at 1.06, but the new openings to applicants ratio edged up 0.05 points to 2.07.

**Industrial production** fell 1.6% in December, after five consecutive increases. Declines were broad based, led by general machinery (-11.7%), motor vehicles (-3.0%) and electrical machinery, ICT equipment (-2.4%). Shipments were down by 1.6% as well. As a result, inventories increased by 1.1%, and the inventory to sales ratio pushed higher by 2.0%. Despite the decline, the Ministry of Economy, Trade and Industry assessed IP to be "picking up, and even upgraded its forecast from January production to 8.9% from 7.1% earlier. Manufacturers might look to ramp up January production ahead of the Lunar New Year in February, when production is likely to be slightly lower by 0.3%. We expect the recovery trend in production to continue.

**Retail sales** fell 0.8% in December, an improvement from a downwardly revised 2.1% the previous month. Food and beverage sales fell 1.1%, the third monthly decline. Sales for machinery and equipment, the category that includes home appliances, were also down by 2.0%. These were partially offset by rising fuel sales (+5.0%) and apparels (+5.8%).

**Consumer confidence** recorded a second straight decline, of 2.2 points to 31.8 in December. The survey was conducted on January 15, immediately after the state of emergency was declared in 11 prefectures. The Cabinet Office revised down its assessment of consumer sentiment to "weakening" from "at a standstill."

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Australia

The headline **CPI** inflation rate quickened to 0.9% y/y in the fourth quarter in Australia, slightly above consensus. Increases in childcare prices were partly offset by lower utilities prices. Annual excise tax increase led to a jump of 10.9% in tobacco prices, the main contributor to inflation. Cost of furnishings, household equipment and services group related to childcare increased (+3.4%), following the cessation of free child care on 13 July. On the other hand, prices for utilities declined 0.6%, mainly due to a A$600 household electricity credit introduced on 1 November by the Western Australian government, resulting in a significant fall in electricity prices in Perth (-66.7%). The underlying inflation measures remained soft overall - with the trimmed-mean measure rising 0.4% q/q and weighted-median measure rising 0.5% q/q. On an annual basis, headline inflation accelerated by 0.2 percentage points to +0.9% y/y. both the trimmed mean and weighted median were at 1.2% and 1.4% y/y respectively. Inflation is still considerably below target, and expected to remain subdued given the slack in labor market and negative output gap. As such, we expect the RBA to retain its dovish rhetoric, including an extension to the QE program.

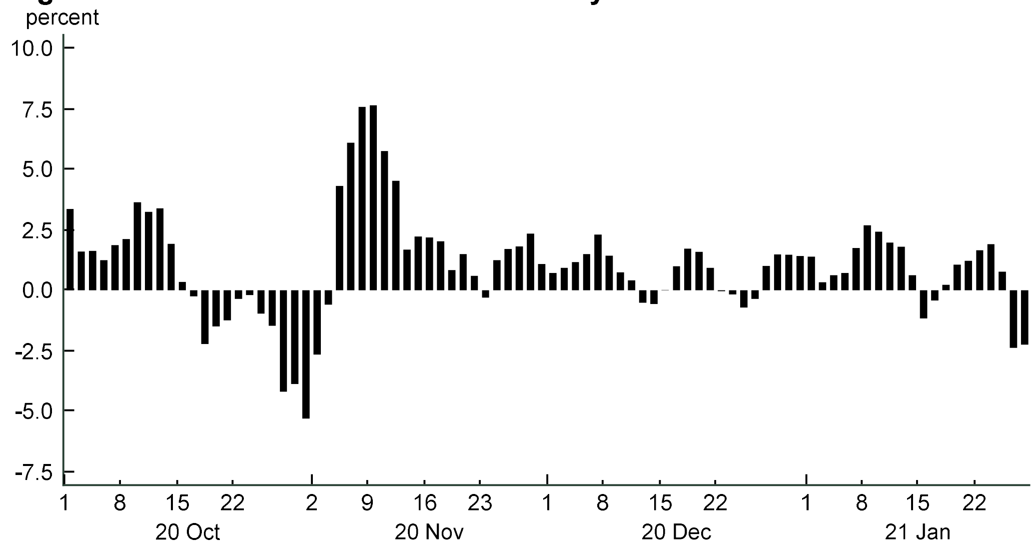
The **NAB monthly business confidence** fell 9 points to 4 in December, from an upwardly revised 13. Business conditions however, rose 7 points to 14 points, the highest since August 2018.The employment index was the main driver, rising 13 points to 9. Trading (up 5 points) also saw a solid gain in the month, while profitability edged down 2 points). Sizeable improvements were noted in Victoria, Queensland and South Australia. But with new cases and restrictions concentrated in Sydney, conditions fell 4 points in New South Wales. There should be ongoing improvement in conditions alongside a further easing in restrictions and a likely vaccine rollout soon.

Total **private sector credit** growth edged up 0.3% in December, the sharpest in ten months. Housing credit accelerated to 0.4%, again driven by owner occupiers (+0.6%, from +0.5% in November). Investor demand for housing credit was unchanged at 0.1%. Business credit picked up (0.2%) after seven monthly declines. “Other personal” (-0.5%) credit continued to slow.

## The Market This Week

Concerns about a short-squeeze among hedge funds, worries about corporate earnings, and delays in coronavirus vaccinations roiled equity markets this week.

**Figure 4: Global Stocks See Worst Weekly Fall Since November**




■ AC World, Equity Indices, MSCI, Mid & Large Cap, Index, Price Return, from a week earlier

*Sources: Macrobond, SSGA Economics, MSCI*

**Equities:** Equity market declines are sizable and broad.

**Bonds:** Italian bond yields drop on talk of new government avoiding snap election.

**Currencies:** Risk-off sentiment boosts the dollar.

**Commodities:** Production cuts continue to support oil prices.

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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® | 3739.76 | -2.6% | -0.4% | 1.09 | 0 | 17 | 90.568 | 0.4% | 0.7% |
| Canada | TSE 300 | 17389.38 | -2.6% | -0.3% | 0.90 | 5 | 22 | 1.2784 | 0.4% | 0.5% |
| UK | FTSE® | 6407.46 | -4.3% | -0.8% | 0.33 | 2 | 13 | 1.3695 | 0.1% | 0.2% |
| Germany | DAX | 13432.87 | -3.2% | -2.1% | -0.52 | -1 | 5 | | | |
| France | CAC-40 | 5399.21 | -2.9% | -2.7% | -0.28 | 0 | 6 | 1.2134 | -0.3% | -0.7% |
| Italy | FTSE® MIB | 21572.53 | -2.3% | -3.0% | 0.64 | -11 | 10 | | | |
| Japan | Nikkei 225 | 27663.39 | -3.4% | 0.8% | 0.05 | 1 | 3 | 104.74 | 0.9% | 1.4% |
| Australia | ASX 200 | 6607.357 | -2.8% | 0.3% | 1.13 | 0 | 16 | 0.7642 | -0.9% | -0.7% |

| Commodity Markets | | | | | | |
|---|---|---|---|---|---|---|
| Commodity | Unit | Source | Last Price | %Ch Week | %Ch YTD | %ChYr Ago |
| Oil (Brent) | US $/Barrel | Bloomberg | 54.86 | 0.2% | 7.2% | -6.7% |
| Gold | US $/troy oz | Bloomberg | 1845.04 | -0.6% | -2.8% | 17.0% |

Source: Bloomberg®

## Week in Review (January 25–January 29)

| Country | Release (Date, format) | Consensus | Actual | Last | Comments |
|---|---|---|---|---|---|
| **Monday, January 25** | | | | | |
| GE | IFO Business Climate (Jan) | 91 | 90.1 | 92.2(↑) | Modest decline. |
| **Tuesday, January 26** | | | | | |
| US | S&P CoreLogic 20-City Index (Nov, m/m) | 1.0% | 1.4% | 1.6% | Very sharp increases recently. |
| US | Consumer Confidence (Jan) | 89 | 89.3 | 87.1(↑) | But softer details. |
| US | FHFA House Price Index (Nov, m/m) | 0.8% | 1.0% | 1.5% | Very sharp increases recently. |
| UK | ILO Unemployment Rate (Nov) | 5.1% | 5.0% | 4.9% | Could have been worse! |
| UK | Average Weekly Earnings (Nov, 3m y/y) | 2.9% | 3.6% | 2.8%(↑) | Skewed upward by composition, but still notable. |
| **Wednesday, January 27** | | | | | |
| US | FOMC Monetary Policy Decision | 0.25% | 0.25% | 0.25% | Too soon to discuss removing accommodation. |
| US | Durable Goods Orders (Dec, prelim, m/m) | 1.0% | 0.2% | 1.2%(↑) | Strong ex-transportation. |
| GE | GfK Consumer Confidence (Feb) | -7.9 | -15.6 | -7.5(↓) | Lowest level since June. |
| FR | Consumer Confidence (Jan) | 94 | 92 | 95 | OK, given the circumstances. |
| JN | Leading Index (Nov, final) | 96.6(p) | 96.4 | 94.3 | Coincident index “halting to fall”. |
| AU | CPI (Q4, y/y) | 0.7% | 0.9% | 0.7% | Still much below target. |
| AU | NAB Business Confidence (Dec) | na | 4 | 13(↑) | Conditions at the highest since August 2018. |
| **Thursday, January 28** | | | | | |
| US | Initial Jobless claims (Jan 23, thous) | 875 | 847 | 914(↑) | High, but moving in the right direction. |
| US | Continuing claims (Jan 16, thous) | 5088 | 4771 | 4974(↓) | High, but moving in the right direction. |
| US | GDP (Q4, first, q/q saar) | 4.2% | 4.0% | 33.4% | Consumption slowdown but investment did well. |
| US | New Home Sales (Dec, thous) | 870 | 842 | 829(↓) | Off peaks, but elevated. |
| US | Leading Index (Dec, m/m) | 0.3% | 0.3% | 0.7%(↑) | Positive. |
| US | Kansas City Fed Manf. Activity (Jan) | 13 | 17 | 14 | Good. |
| CA | Building Permits (Dec, m/m) | -5.0% | -4.1% | 12.9% | Correction from an outsized November gain. |
| IT | Consumer Confidence (Jan) | 100.1 | 100.7 | 101.1(↓) | Holding up. |
| JN | Retail Sales (Dec, m/m) | -0.9% | -0.8% | -2.1%(↓) | An improvement. |
| **Friday, January 29** | | | | | |
| US | Personal Income (Dec, m/m) | 0.1% | 0.6% | -1.3%(↓) | Steady gains in wage and salary income. |
| US | Personal Spending (Dec, m/m) | -0.4% | -0.2% | -0.7%(↓) | Real spending declined 0.6%. |
| US | Pending Home Sales (Dec, m/m) | -0.5% | -0.3% | -2.5%(↑) | Little inventory. |
| US | U of Mich Cons Sentiment (Jan, final) | 79.2(p) | 79.0 | 80.7 | Surging inflation expectations. |
| US | Employment Cost Index (Q4, q/q) | 0.5% | 0.7% | 0.5% | Up 2.5% y/y. |
| CA | GDP (Nov, m/m) | 0.4% | 0.7% | 0.4% | Solid gain. |
| GE | GDP (Q4, prelim, q/q) | 0.0% | 0.1% | 8.5% | GDP shrank 5.0% in 2020. |
| GE | Unemployment Rate (Jan) | 6.1% | 6.0% | 6.0%(↓) | Encouraging. |
| FR | GDP (Q4, prelim, q/q) | -4.0% | -1.3% | 18.5%(↓) | Very good! |
| FR | Consumer Spending (Dec, m/m) | 23.7% | 23.0% | -18.0%(↑) | Very good! |
| JN | Unemployment Rate (Dec) | 3.0% | 2.9% | 2.9% | Under renewed pressure from Covid restrictions. |
| JN | Industrial Production (Dec, prelim, m/m) | -1.5% | -1.6% | -0.5% | Likely a temporary blip. |
| JN | Consumer Confidence (Jan) | 29 | 29.6 | 31.8 | Second straight decline. |
| AU | Private Sector Credit (Dec, m/m) | 0.2% | 0.3% | 0.1% | Strong uptake in owner occupied housing. |

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

## Week Preview (February 1–February 5)

| Country | Release (Date, format) | Consensus | Last | Comments |
|---|---|---|---|---|
| **Monday, February 1** | | | | |
| US | ISM Manufacturing (Jan) | 59.9 | 60.5(↓) | |
| UK | Mortgage Approvals (Dec, thous) | na | 105.0 | |
| UK | Manufacturing PMI (Jan, final) | 52.9(p) | 57.5 | |
| EC | Manufacturing PMI (Jan, final) | 54.7(p) | 55.2 | |
| GE | Manufacturing PMI (Jan, final) | 57.0(p) | 58.3 | |
| FR | Manufacturing PMI (Jan, final) | 51.5(p) | 51.1 | |
| IT | Unemployment Rate (Dec, prelim) | na | 8.9% | |
| IT | Manufacturing PMI (Jan) | na | 52.8 | |
| JN | Manufacturing PMI (Jan, final) | 49.7(p) | 50.0 | |
| **Tuesday, February 2** | | | | |
| EC | GDP (Q4, prelim, q/q) | -1.7% | 12.5% | |
| GE | Retail Sales (Dec, m/m) | -2.2% | 1.1%(↓) | |
| IT | GDP (Q4, prelim, q/q) | na | 15.9% | |
| AU | RBA Monetary Policy Decision | 0.10% | 0.10% | We expect an announcement on extension of QE. |
| **Wednesday, February 3** | | | | |
| US | Total Vehicle Sales (Jan, mil.) | 16.1 | 16.3 | Might be weaker… |
| US | ISM Services (Jan) | 56.8 | 57.7(↑) | Very important signal. |
| UK | Services PMI (Jan, final) | 38.8(p) | 49.4 | |
| EC | Services PMI (Jan, final) | 45.0(p) | 46.4 | |
| GE | Services PMI (Jan, final) | 46.8(p) | 47.0 | |
| JN | Services PMI (Jan, final) | 45.7(p) | 47.7 | |
| **Thursday, February 4** | | | | |
| US | Initial Jobless claims (Jan 30, thous) | na | 847 | |
| US | Continuing claims (Jan 23, thous) | na | 4771 | |
| US | Factory Orders (Dec, m/m) | 0.8% | 1.0% | |
| US | Durable Goods Orders (Dec, final, m/m) | 0.2%(p) | 1.2% | |
| US | Nonfarm Productivity (Q4, prelim, q/q) | -2.8% | 4.6% | |
| UK | BoE Monetary Policy Decision | 0.10% | 0.10% | Likely on hold; cutting wouldn't help much. |
| **Friday, February 5** | | | | |
| US | Change in Nonfarm Payrolls (Jan, thous) | 58 | -140 | Balanced risks to consensus expectation. |
| US | Unemployment Rate (Jan) | 6.7% | 6.7% | |
| US | Consumer Credit (Dec, $ bil.) | 12.0 | 15.3 | |
| CA | Unemployment Rate (Jan) | na | 8.8%(↑) | Jobs under renewed pressure. |
| CA | Ivey PMI (Jan) | na | 46.7 | |
| CA | Trade Balance (Dec, C$ bil.) | na | -3.3 | |
| GE | Factory Orders (Dec, m/m) | -2.0% | 2.3% | |
| IT | Retail Sales (Dec, m/m) | na | -6.9% | |
| JN | Leading Index (Dec, prelim) | 95.2 | 96.4 | |
| AU | Retail Sales (Dec, final, m/m) | -4.2%(p) | 7.1% | Trend remains strong. |

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 | 1.2 | 1.4 | 1.2 | 1.1 | 1.3 |
| Canada | Target: CPI 2.0% y/y, 1.0%-3.0% control range | 0.1 | 0.5 | 0.7 | 1.0 | 0.7 |
| UK | Target: CPI 2.0% y/y | 0.2 | 0.5 | 0.7 | 0.3 | 0.6 |
| Eurozone | Target: CPI below but close to 2.0% y/y | -0.2 | -0.3 | -0.3 | -0.3 | -0.3 |
| Japan | Target: CPI 2.0% y/y | 0.2 | 0.0 | -0.4 | -0.9 | -1.2 |
| Australia | Target Range: CPI 2.0%-3.0% y/y | 0.7 | 0.7 | 0.9 | 0.9 | 0.9 |

Source: Macrobond

**Key Interest Rates**

| | Mar-20 | Apr-20 | May-20 | Jun-20 | Jul-20 | Aug-20 | Sep-20 | Oct-20 | ##### | Dec-20 | Jan-21 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 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 | |
| UK (Bank Rate) | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 |
| Eurozone (Refi) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | |
| Japan (OCR) | -0.07 | -0.06 | -0.07 | -0.07 | -0.02 | -0.06 | -0.06 | -0.03 | -0.03 | -0.03 | |
| Australia (OCR) | 0.43 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.11 | 0.10 | |

Source: Macrobond

**General Government Structural Balance as a % of Potential GDP**

| | | | | | | | | Forecast | |
|---|---|---|---|---|---|---|---|---|---|
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| US | -3.0 | -2.6 | -2.6 | -3.7 | -4.3 | -5.7 | -6.8 | -15.0 | -7.6 | -6.1 |
| Canada | -1.5 | -0.6 | 0.0 | 0.0 | -0.3 | -0.7 | -0.6 | -16.5 | -7.9 | -5.2 |
| UK | -4.3 | -4.9 | -4.3 | -3.3 | -2.6 | -2.3 | -2.2 | -14.0 | -6.4 | -5.4 |
| Eurozone | -1.1 | -0.7 | -0.6 | -0.6 | -0.6 | -0.5 | -0.6 | -5.3 | -3.1 | |
| Germany | 0.6 | 1.2 | 1.2 | 1.2 | 1.2 | 1.3 | 1.3 | -5.8 | -1.8 | 1.0 |
| France | -2.9 | -2.6 | -2.2 | -2.1 | -2.1 | -1.7 | -2.0 | -4.5 | -4.0 | -3.8 |
| Italy | -0.5 | -1.0 | -0.6 | -1.3 | -1.8 | -1.9 | -1.3 | -3.8 | -3.4 | -2.9 |
| Japan | -7.5 | -5.5 | -4.3 | -4.1 | -3.3 | -2.5 | -3.0 | -12.7 | -5.6 | -2.8 |
| Australia | -2.7 | -2.8 | -2.6 | -2.3 | -1.6 | -1.2 | -3.7 | -9.2 | -9.8 | -5.9 |

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 | 1.4 | 1.2 | 1.2 | 1.4 | | | -0.3 | 0.4 | 0.5 | 0.8 | 0.8 |
| Canada | 0.5 | 0.7 | 1.0 | 0.7 | | | 0.3 | 1.1 | 1.1 | 0.5 | 1.8 |
| UK | 0.5 | 0.7 | 0.3 | 0.6 | | | -0.9 | -0.9 | | | |
| Eurozone | -0.3 | -0.3 | -0.3 | -0.3 | | | -2.6 | -2.3 | -2.0 | -1.9 | |
| Germany | -0.2 | -0.2 | -0.3 | -0.3 | 1.0 | | -1.2 | -1.0 | -0.7 | -0.5 | 0.2 |
| France | 0.0 | 0.0 | 0.2 | 0.0 | | | -2.2 | -2.1 | -2.0 | -1.9 | -1.3 |
| Italy | -0.6 | -0.3 | -0.2 | -0.2 | | | -3.0 | -3.1 | -2.4 | -2.3 | -1.8 |
| Japan | 0.0 | -0.4 | -0.9 | -1.2 | | | -0.6 | -0.8 | -2.1 | -2.3 | -2.0 |
| Australia | 0.7 | 0.9 | 0.9 | 0.9 | | | -0.4 | -0.4 | -0.1 | -0.1 | -0.1 |

Source: Macrobond

**Real GDP Growth (Q/Q Seasonally Adjusted)**

| | Quarter/Quarter % Change | | | | | | Year/Year % Change | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Q4-19 | Q1-20 | Q2-20 | Q3-20 | Q4-20 | | Q4-19 | Q1-20 | Q2-20 | Q3-20 | Q4-20 |
| US | 0.6 | -1.3 | -9.0 | 7.5 | 1.0 | | 2.3 | 0.3 | -9.0 | -2.8 | -2.5 |
| Canada | 0.1 | -1.9 | -11.3 | 8.9 | | | 1.7 | -0.3 | -12.5 | -5.2 | |
| UK | 0.0 | -3.0 | -18.8 | 16.0 | | | 1.2 | -2.4 | -20.8 | -8.6 | |
| Eurozone | 0.1 | -3.7 | -11.7 | 12.4 | | | 1.0 | -3.2 | -14.7 | -4.3 | |
| Germany | 0.0 | -2.0 | -9.7 | 8.5 | 0.1 | | 0.4 | -2.2 | -11.2 | -4.0 | -3.9 |
| France | -0.2 | -5.9 | -13.7 | 18.5 | -1.3 | | 0.8 | -5.7 | -18.8 | -3.9 | -5.0 |
| Italy | -0.3 | -5.5 | -13.0 | 15.9 | | | 0.1 | -5.6 | -18.0 | -5.0 | |
| Japan | -1.9 | -0.5 | -8.3 | 5.3 | | | -1.0 | -2.1 | -10.3 | -5.7 | |
| Australia | 0.4 | -0.3 | -7.0 | 3.3 | | | 2.2 | 1.4 | -6.4 | -3.8 | |

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 | 0.7 | -0.1 | 1.0 | 0.5 | 1.6 | | -6.6 | -6.3 | -5.0 | -5.4 | -3.6 |
| Canada | -1.0 | 1.8 | -0.4 | 2.4 | | | -9.0 | -7.1 | -7.8 | -5.2 | |
| UK | 0.2 | 0.3 | 1.1 | -0.1 | | | -6.0 | -6.2 | -5.8 | -4.7 | |
| Germany | 0.5 | 2.3 | 3.4 | 0.9 | | | -9.0 | -6.6 | -2.5 | -2.6 | |
| France | 1.1 | 1.6 | 1.9 | -0.9 | | | -6.3 | -5.8 | -3.9 | -4.6 | |
| Italy | 7.0 | -5.0 | 1.4 | -1.4 | | | -0.1 | -4.8 | -2.3 | -4.3 | |
| Japan | 1.0 | 3.9 | 4.0 | -0.5 | -1.6 | | -12.3 | -10.6 | -3.2 | -3.1 | -4.8 |

Source: Macrobond

**Unemployment Rate (Seasonally Adjusted)**

| | Mar-20 | Apr-20 | May-20 | Jun-20 | Jul-20 | Aug-20 | Sep-20 | Oct-20 | ##### | Dec-20 | Jan-21 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| US | 4.4 | 14.8 | 13.3 | 11.1 | 10.2 | 8.4 | 7.8 | 6.9 | 6.7 | 6.7 | |
| Canada | 7.9 | 13.1 | 13.7 | 12.5 | 10.9 | 10.2 | 9.2 | 9.0 | 8.6 | 8.8 | |
| UK | 4.0 | 4.1 | 4.1 | 4.3 | 4.5 | 4.8 | 4.9 | 5.0 | | | |
| Eurozone | 7.4 | 7.2 | 7.6 | 7.9 | 8.7 | 8.6 | 8.5 | 8.4 | 8.3 | | |
| Germany | 5.0 | 5.8 | 6.3 | 6.4 | 6.4 | 6.3 | 6.3 | 6.2 | 6.1 | 6.0 | 6.0 |
| France | 8.0 | 7.3 | 7.2 | 6.9 | 9.4 | 9.0 | 8.8 | 8.6 | 8.8 | | |
| Italy | 8.5 | 7.4 | 8.7 | 9.3 | 9.8 | 9.7 | 9.5 | 9.5 | 8.9 | | |
| Japan | 2.5 | 2.6 | 2.9 | 2.8 | 2.9 | 3.0 | 3.0 | 3.1 | 2.9 | 2.9 | |
| Australia | 5.2 | 6.4 | 7.1 | 7.4 | 7.5 | 6.8 | 6.9 | 7.0 | 6.8 | 6.6 | |

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

**About State Street Global Advisors**

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