STATE STREET GLOBAL ADVISORS

January 31, 2020
Commentary

Weekly Economic Perspectives

Contents

Spotlight on Next Week
The RBA may wait on further easing. We see some downside risk to US employment. Macro data likely to be overshadowed again by coronavirus headlines.

Contact

Simona Mocuta
Senior Economist
simona_mocuta@ssga.com
+1-617-664-1133

Kaushik Baidya
Economist
kaushik_baidya@ssga.com
+91-806-741-5048

The Economy

This week's economic data was generally underwhelming, with big misses on Italian and French GDP and obvious trade-war-related distortions in US GDP. Unfortunately, distortions in the macro data will likely persist in coming weeks amid a worsening coronavirus outbreak.

US

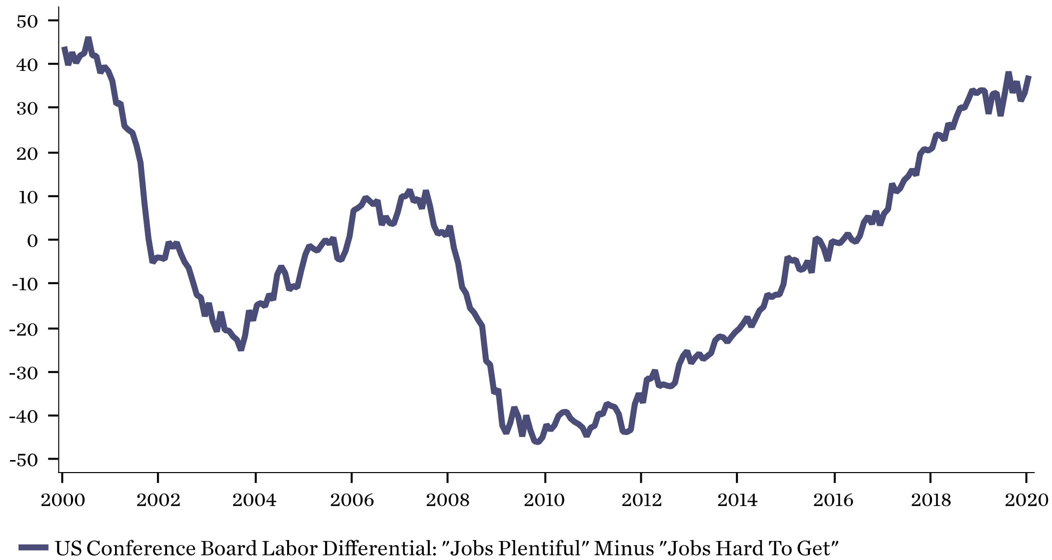
After the upheavals of 2019, the uneventful nature of the last two **Fed meeting**s was quite welcome. Indeed, this week's meeting brought minimal new information as there was no change to the Fed Funds rate (1.5-1.75%), hardly any changes to the accompanying statement, and no new economic forecasts. There are also no conclusions yet to be shared from the Fed's ongoing policy review and the question of a standing repo facility is still to be decided. In terms or economic developments, we concur with Chair Powell's assessment that there are "grounds for cautious optimism" but then again, this view looks likely to be increasingly challenged in the short term by the coronavirus outbreak. If there was one new takeaway, it would probably be that \$1.5 trillion in banks reserves at the Fed seem to be viewed as a minimum level.

Fourth quarter **GDP growth** was incrementally better than expected at 2.1% seasonally adjusted annualized rate (saar), leaving full-year 2019 growth at a solid 2.3%. But if there wasn't much to talk about in the headline, the details presented some interesting developments. Overall consumer spending moderated noticeably on a sharp slowdown in goods consumption. This, once again raises some questions regarding seasonal adjustments as retail sales data seemed lukewarm at year-end whereas industry surveys had pointed to a blockbuster holiday season. Spending on services was little changed overall. The investment story was three-fold. On one hand, fixed investment was essentially flat (+0.1% saar), which is dismal in absolute terms but better than the Q3 performance. Residential investment recorded its strongest growth in two years and the second consecutive positive contribution to GDP. In contrast, the slump in structures and equipment investment continued unabated. The third chapter of the investment story was the big drag from inventories, which subtracted 1.1 percentage points (ppts) from growth. This reflects trade war anomalies as businesses tried to get in front of tariff escalation. Thus, while exports were incrementally positive, imports plunged 8.7% saar. All in all, foreign trade contributed 1.5 ppts to GDP, which is an unusual and unsustainable position.

Personal income dynamics have eroded somewhat in recent months, but it is too early to sound the alarm. Nominal personal income rose a modest 0.2% in December, with November's gain revised down by a tenth to 0.4%. There was a bit of good news in that the 0.3% increase in wage and salary income suggests that the main stream of income for most consumers continues to perform reasonably well. Nominal disposable income rose 0.2% but real disposable income declined 0.1%. Real personal spending rose 0.1%. Nominal **personal spending** rose 0.3%, lowering the savings rate by two tenths to a still-elevated 7.6%. The PCE (personal consumption expenditures) deflator was a bit stronger than expected, with both the headline and the core measures reaching 1.6% y/y.

The **Conference Board consumer confidence index** trended volatilely sideways in 2019 as sentiment was caught between the positive influence of a strong labor market and the negative influence of increased trade war uncertainty. But the combination of a Phase 1 trade deal with China and agreement on USMCA seem to have been quite positively received by consumers. The Conference Board index rose 3.4 points to a five-month high of 131.6, with gains driven primarily by stronger assessments of the current economic situation. Encouragingly, the labor differential—which measures the difference between those who think jobs are abundant and those who think jobs are scarce—rose 3.9 points to the second highest level since 2000.

Figure 1: Jobs Still Abundant In The US



Sources: Conference Board

Data from the **University of Michigan** sent a similarly positive signal as the final print on the January **consumer confidence index** showed a 0.6 point improvement compared with the 0.2 point loss originally reported. The index is now at its highest since May. We can't help but draw a parallel: that earlier May high occurred just as trade negotiations broke down and consumer sentiment then plunged in June. Would the Coronavirus outbreak exert a similar effect in February? Data on inflation expectations confirmed the preliminary release: both short-term and long term inflation expectations rebounded to 2.5%, having fallen to multi-year and record lows of 2.3% and 2.2%, respectively, in November.

Labor costs have risen noticeably over the last two years but that ascent appears to be flattening out now. The **employment cost index (ECI)** rose 0.7% q/q during the fourth quarter, repeating the third quarter performance. Wages and salaries decelerated two tenths to 0.7% while benefits growth slowed a tenth to 0.5%, implicitly suggesting some rounding out effects in the headline. Overall ECI inflation moderated a tenth to 2.7% y/y.

Durable goods orders have lost a lot of momentum in the first half of 2019, and then remained volatile during the second amid a sequence of events that included the GM strike and the 737 Max issues. Having dropped 3.1% in November, durable goods orders rebounded 2.4 in December, the most since August 2018. The swings were even more dramatic in capital goods orders, which plunged 10.2% in November then recovered 5.9% in December. Core orders (non-defense capital goods excluding aircraft)—a leading indicator for business equipment investment (BEI) in the GDP accounts—dropped 0.9%, the most since April. Year-ago comparisons remain pretty dismal. Durable goods orders are down 3.7% y/y, capital goods orders plunged 10.7% y/y, and core orders were actually up 1.8%. Overall shipments were eased 0.2% with core shipments down 0.4%. Overall inventories increased 0.5%, with core inventories up 0.4%. The combination pushed the inventory to sales ratio up another tick to 1.74 months, the highest since December 2015.

Lower mortgage rates are helping revive housing activity. Admittedly, **new home sales** have retreated modestly the last three months, including a 0.4% decline in December. However, the earlier burst of activity means December sales were 23% above levels from a year earlier, which was in fact the second best comparison of the entire 2019. The number of homes available for sale rose by 5,000—the most in a year—likely a response to stronger building activity in recent months. As a result, inventory reached 5.7 months' worth of sales, the most since July. The median sales price of a new single-family home inched 0.5% higher than in December 2018. The number of homes sold but not yet started increased for the third straight month, suggesting that buyers may be rushing to lock in favorable mortgage rates. But since these houses will eventually need to be build, we see here some positive leading signals for residential construction in 2020.

Home prices appear to be bottoming out, though we are still early in the process. The **Case-Shiller 20-City composite price index** rose 0.4% or more in each of the three months through November, lifting this measure of home price inflation by three tenths to 2.5% y/y, the highest since February. Lower mortgage rates appear to be aiding an improvement in the higher-priced markets that had been recently experiencing sharp slowdowns in home price appreciation. After six consecutive declines, New York home prices recoded solid back to back gains in September-November. In Los Angeles, prices rose 0.6-0.7% in each of those three months, marking the biggest gains since early 2018.

Canada

GDP edged up marginally after two rather unimpressive months. Real GDP grew just 0.1% in August, tad above expectations. Goods-producing industries edged up 0.1% after two monthly declines, while services-producing industries also rose 0.1%. Utilities grew 2.1%, the most since July 2018 following exceptionally cold weather in central Canada. Retail sales bounced back by 0.5%, having slumped 1.1% in October. GDP growth accelerated three tenth to 1.5% y/y.

UK

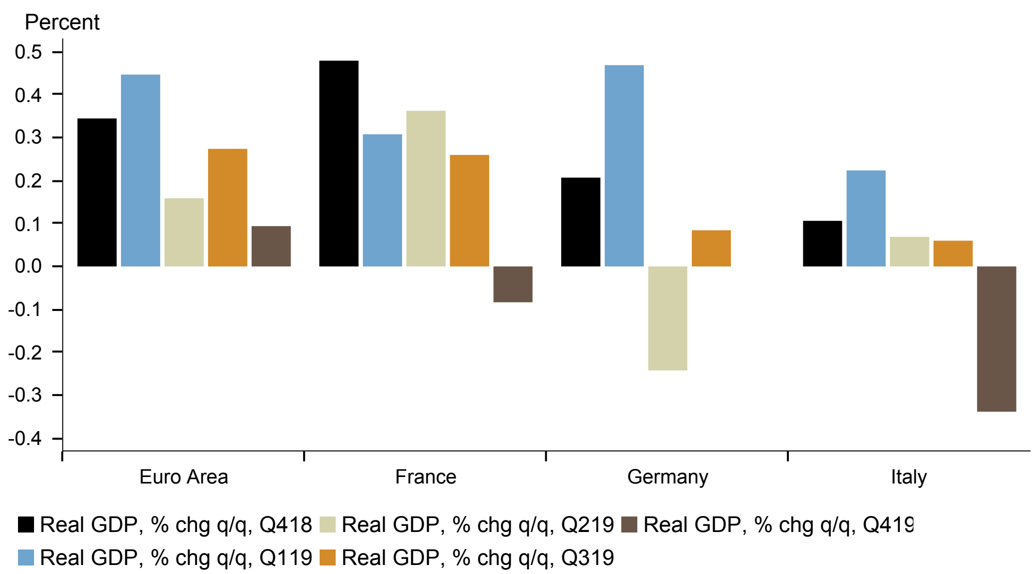
The **Monetary Policy Committee (MPC)** voted 7:2 to keep the Bank Rate unchanged at 0.75%, with all other elements of monetary policy unanimously left unchanged. The accompanying statement acknowledged some improvement in recent data, but the Committee will "monitor closely the extent to which these early indications of an improved outlook are sustained and follow through to the hard data on domestic activity in coming months." At the same time, "Following its annual reassessment of supply-side conditions, the Committee judges that there has been a somewhat greater margin of spare capacity in the economy over recent years, which has been exerting downward pressure on domestically generated inflation." The combination of the two has both short term (next 3-6 months) and longer term (9-18 months) implications. In the short term, if hard data improves, the MPC will not provide additional accommodation. But even if it improves, the MPC will be very patient in removing said accommodation due to these spare capacity and inflation undershooting concerns. Thus, a prolonged hold seems the most likely scenario. In separate but related news, we found the new growth projections in the January Monetary Policy Report somewhat confusing. A sizable downgrade to 2020 GDP growth was accompanied by only a modest downgrade to consumption, upgrades to investment, and an unchanged expectation about trade's contribution to growth. So is the downgrade reflecting further additional drag from inventories? That strikes us as odd given the extraordinary drag already experienced in the second half of 2019…

Various measures of house price inflation appear to be bottoming out, if they haven't already. The **Nationwide index of house prices** has now experienced two sizable increases in the past three months, including a 0.5% increase in January. This left prices 1.9% higher than a year earlier, the best comparison in more than a year.

Eurozone

Fourth-quarter ***eurozone*** **GDP** disappointed with a 0.1% q/q advance versus the 0.2% expected, leaving full-year 2019 growth at 1.2%. The one-tenth upward revision to Q3 (to 0.3%) was only a modest positive offset as the region is entering 2020 on a very weak footing. Softness was broad-based.

Figure 2: Italy, France, Big Drags On Q4 Eurozone Growth



Sources: INSEE, Istat, Eurostat, Statistisches Bundesamt

In ***France***—earlier in 2019 the region's growth leader—GDP shrank 0.1% q/q in Q4 as widespread protests against pension reform took a toll on activity. Annual growth dipped to a three year low of 1.2%, although this was a heavy downward rounding so there is a chance for that figure to round up to 1.3% in the final tally. ***Italy*** was even worse, with Q4 GDP down 0.3% q/q against the expected 0.1% gain. The Italian economy grew 0.2% in 2019, which is actually better than some had expected earlier in the year, but the very weak launching pad will make a meaningful growth reacceleration in 2020 much more challenging.

The closely watched ***German*** **IFO business climate indicator** is trying very hard to bottom. Admittedly, it retreated a modest 0.4 point to 95.9 as a 0.3 point improvement in the current situation metric was overwhelmed by a 1.0 point drop in expectations. What we found interesting, however, is that sector details showed the biggest improvement in manufacturing conditions since early 2017. By contrast, the construction sector, which had been faring much better overall, showed a further softening of conditions

The strength of ***Germany*****'s labor market** is a key underpinning for consumer confidence and the last couple of reports have been reassuring. Most importantly, some of the softer elements of the data—vacancies, number of unemployed—look to be sequentially improving, though it remains to be seen if this trend has staying power. The number of unemployed decreased by 1,000, but the claimant count unemployment rate was unchanged at 5.0%. The seasonally unadjusted rate (which garners more attention domestically) rose to 5.3% but that only matched the January 2019 level as the lowest of any January in the history of the series. Vacancies declined by 1,000 but that, too, marked the smallest retreat since March.

Despite solid incomes, however, consumers appear reluctant to spend. ***German*** **retail sales** have been under considerable pressure lately and plunged 3.3% drop in December. They still grew 2.8% in 2019 as a whole, but that was mostly due to resilience earlier in the year.

German **consumer sentiment** had sold some momentum recently amid the broader economic slowdown, but there are some indications it is trying to bottom. The GfK consumer confidence index rose 0.2 point to an eight-month high of 9.9 in February.

The slow healing of ***Italy*****'s labor market** was interrupted in late 2018 but has broadly resumed since then. However, progress can only be described as slow. For instance, although the unemployment rate was unchanged at 9.8% in December, this was only because of a drop in the labor force as employment actually plunged by the most since February 2016. Admittedly, the magnitude of the drop seems somewhat suspect given there was hardly any change in the number of unemployed, so this could reflect some seasonal factors that could soon reverse. Let's hope so!

Japan

Industrial production bounced back after two dismal reports—the preliminary reading for December showed a 1.3% monthly gain. Support came from general-purpose and business machinery (+6.5%), production machinery (+15.9%) and electronics (+3.3%). The rebound in motor vehicle production did not last, as vehicle manufacturing dropped 4.3%. Inventories however, also rose significantly by 1.6%, whereas shipments were flat. Consequently the shipment-to-inventory ratio jumped 17.3% to a record high. The inventory adjustment process will prove to be drag over subsequent months. Forecasts by Ministry of Economy, Trade and Industry (METI) for subsequent rises of 3.5% and 4.1% in January and February respectively, seem grossly overoptimistic. There are further downside risks from the coronavirus outbreak, with the manufacturing supply chain highly dependent on China.

The labor market tightened a bit more in December, as the **unemployment rate** remained unchanged at 2.2%. Employment increased by 130,000 to 69.3 million, dominated by job gains in females. Jobs for male employees declined by 50,000 after two solid monthly gains, while jobs for female employees rebounded 150,000 after a similar decline in October—the first fall in five months. The participation rate edged down two tenths to 62.1%. The jobs-to-applicant ratio—a measure of labor market tightness—has been at 1.57 over the past four months, the lowest since November 2017, while the number of new jobs available per applicant increased by 0.11 to 2.43. The labor market seems to be pretty solid at the moment, though we believe there is still some slack which is posing headwinds to wage growth.

Retail sales disappointed in December, rising a much weaker than expected 0.2%. Post the October tax hike, sales saw a massive contraction of 14.2% in October having risen 7.2% the previous month. The drawdown was sharper than the fall in sales following both the 1997 and 2014 sales tax hikes, but was compounded by the impact of typhoon Hagibis. But the recovery has been rather lackluster, as the latest figures show. Sharp declines in sales for apparels (-3.7%), and furniture (-2.8%) were offset by increased sales of motor vehicles (+3.0%) and household machines (+3.5%). On an annual basis, sales were down 2.6% y/y, mainly due to a 3.0% drop in department and supermarket sales.

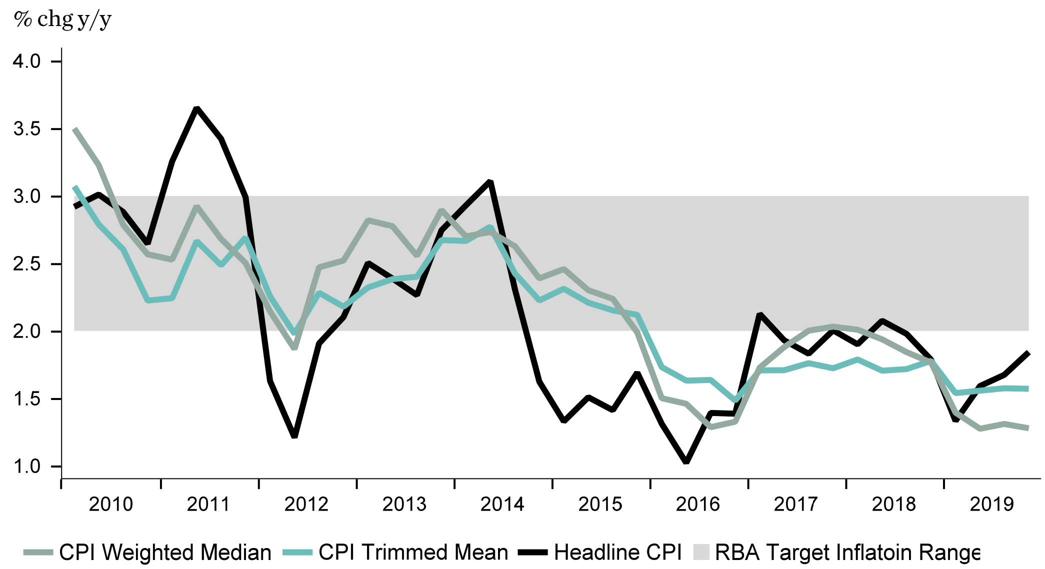
Core machinery orders jumped by a record 18% in November, although we suspect this was more of a weather-induced rebound than a genuine turnaround. Core non-manufacturing orders surged 27.8% but manufacturing orders rose just 0.6%. Japan's manufacturing has been lagging the global PMI cycle, as exports continue to struggle, as shown by the 11.5% slump in foreign orders.

Australia

Consumer price inflation (CPI) for the fourth quarter surprised on the upside, with prices rising 0.7% q/q. Headline inflation was boosted by higher prices for petrol (+4.4%), tobacco (+8.4%), travel and accommodation (+7.3%), fruit (+6.8%), and domestic holidays. However, this mostly reflects temporary (oil prices and drought), transitory (lower Australian dollar), or taxation-related (tobacco excise) factors. Housing related inflation remained soft, with prices up just 0.1%.

The two measures of underlying price momentum—the weighted median and trimmed mean—came in at 0.4%, at par-with-consensus and unchanged from last quarter. On an annual basis, headline inflation edged up one tenth to 1.8% y/y, while the trimmed mean and weighted median were unchanged at 1.6% and 1.3% respectively. The stable inflation report further reduces the incentive for RBA to cut in its February meeting. Having said that, we still see the need for one further cut later in the year, given both unemployment and inflation are unlikely to sustain the momentum.

Figure 3. Australia's Underlying Inflation Is Still Soft



Sources: Macrobond, Australian Bureau of Statistics

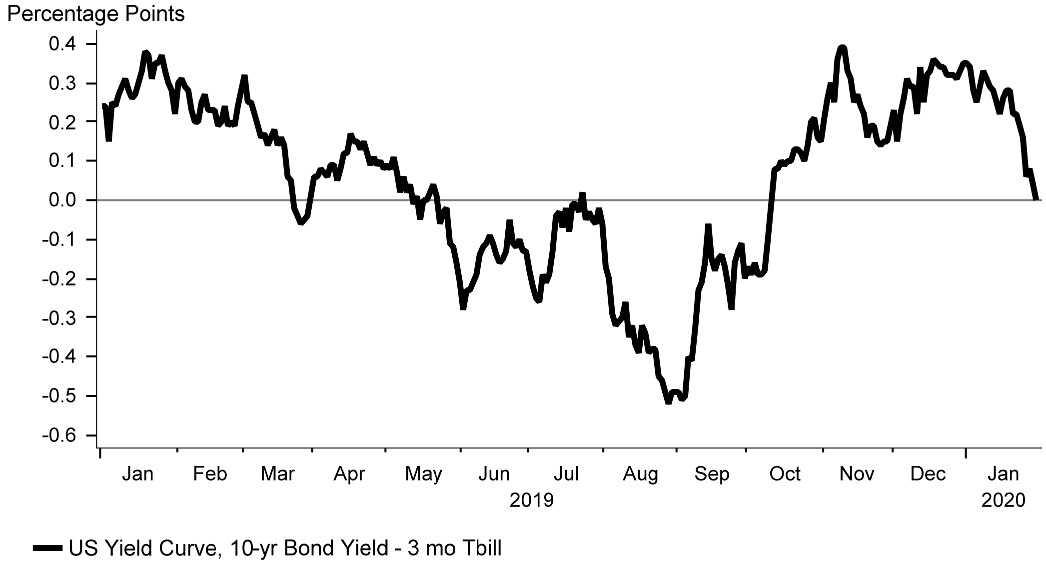
The longer run average for the **NAB index of business confidence** has been in a downtrend, which continued in December. The index lost 1.9 points for the second consecutive month to end up at -1.9, the lowest since July 2013. Business conditions also decreased 1.6 points to 2.7. Forward looking indicators failed to show much improvement—forward orders edged up just 1 point to -1, while capacity utilization rate also fell one tenth to 80.9%. Both trading and profitability conditions deteriorated, down 1 point to 5 and 2 points to 1 respectively. Employment remains the only bright spot, and at 4.2 remains well above its long-term average. Despite the overall negative tone, this report probably does not reflect the impact of bushfires on business sentiment; for which we need to wait for the January data.

There are indications of the deceleration in credit growth having bottomed out. **Private sector credit** rose 0.2% m/m in December, after the previous month's rise was revised upwards to the same figure. Housing credit growth was unchanged at 0.3%, with owner-occupier credit picking up a tenth to 0.5%, but investor credit stayed put for the third consecutive month. Business credit increased 0.2% for the second month, while personal credit (-0.5%) continued its decline. The annual rate of growth held steady at 2.4% y/y as owner-occupier credit grew at 5.0%, the sharpest in seven months. The RBA has insisted that credit growth needs to pick up before we see a sustained improvement in housing, and these might be the first signs of a revival in housing credit, as easing regulatory conditions and the interest rate cuts feed into sentiment.

The Market This Week

Markets traded on coronavirus worries this week. Among the many exhibits of the risk-off sentiment were the new high in gold prices, major drops in oil and industrial metal prices and the re-inversion of parts of the US yield curve.

Figure 4: Parts Of US Yield Curve Re-Invert



Sources: Macrobond, U.S. Department of Treasury

Equities: Big risk-off week with equities down across the board.

Bonds: Bond yields decline everywhere and plunge in Italy on weak data.

Currencies: Sterling gets a bid on BoE hold.

Commodities: Oil plunges on growth fears, gold lifted by same.

1/31/20 3:37 PM

Stock Markets					10 Year Bond Yields			Currencies		
Country	**Exchange**	**Last**	**%Ch Week**	**%Ch YTD**	**Last**	**BP Ch Week**	**BP Ch YTD**	**Last**	**%Ch Week**	**%Ch YTD**
US	S&P 500®	3227.17	-2.1%	-0.1%	1.51	-18	-41	97.401	-0.5%	1.0%
Canada	TSE 300	17296.12	-1.5%	1.4%	1.27	-10	-44	1.3237	0.7%	1.9%
UK	FTSE®	7286.01	-4.0%	-3.4%	0.52	-4	-30	1.32	1.0%	-0.4%
Germany	DAX	12981.97	-4.4%	-2.0%	-0.43	-10	-25			
France	CAC-40	5806.34	-3.6%	-2.9%	-0.18	-10	-29	1.109	0.6%	-1.1%
Italy	FTSE® MIB	23237.03	-3.1%	-1.1%	0.94	-30	-48			
Japan	Nikkei 225	23205.18	-2.6%	-1.9%	-0.07	-5	-6	108.36	-0.8%	-0.2%
Australia	ASX 200	7017.2	-1.0%	5.0%	0.95	-14	-42	0.6693	-2.0%	-4.7%

Commodity Markets						
Commodity	**Unit**	**Source**	**Last Price**	**%Ch Week**	**%Ch YTD**	**%ChYr Ago**
Oil (Brent)	US $/Barrel	Bloomberg	56.08	-6.5%	-15.6%	-7.9%
Gold	US $/troy oz	Bloomberg	1588.82	1.1%	4.7%	20.3%

Source: Bloomberg®

Week in Review (January 27–January 31)

Country	Release (Date, format)	Consensus	Actual	Last	Comments
Monday, January 27					
US	New Home Sales (Dec, thous)	730	694	697(↓r)	Still up 23% y/y.
GE	IFO Business Climate (Jan)	97.0	95.9	96.3	Trying to bottom.
Tuesday, January 28					
US	Durable Goods Orders (Dec, prelim, m/m)	1.2%	2.4%	-3.1%(↓r)	Revisions dimmed the positive surprise.
US	S&P CoreLogic 20-City Index (Nov, m/m)	0.4%	0.5%	0.4%	Re-accelerating.
US	Consumer Confidence (Jan)	128	131.6	128.2(↑r)	Five-month high.
JN	PPI Services (Dec, y/y)	2.1%	2.1%	2.1%	Higher on base effect.
AU	NAB Business Confidence (Dec)		-2	0	Doesn't even reflect the impact of bushfires.
Wednesday, January 29					
US	FOMC Monetary Policy Decision	1.75%	1.75%	1.75%	On hold.
US	Pending Home Sales (Dec, m/m)	0.5%	-4.9%	1.2%	Holiday and low inventories.
UK	Nationwide House PX (Jan, m/m)	0.2%	0.5%	0.1%	Up 1.9% y/y, most since November 2018.
GE	GfK Consumer Confidence (Feb)	9.7	9.9	9.7(↑r)	Eight-month high.
FR	Consumer Confidence (Jan)	102	104	102	Can it hold on to these gains?
IT	Consumer Confidence (Jan)	110.5	111.8	110.8	Unclear if it has bottomed.
JN	Consumer Confidence (Jan)	39.5	39.1	39.1	Steady at a seven-month high.
AU	CPI (Q4, y/y)	1.7%	1.8%	1.7%	Higher on transitory factors.
Thursday, January 30					
US	Initial Jobless claims (Jan 25, thous)	215	216	223(↑r)	Continuing claims moderated notably.
US	GDP (Q4, first, q/q saar)	2.0%	2.1%	2.1%	GDP grew 2.3% in 2019.
UK	BoE Monetary Policy Decision	0.75%	0.75%	0.75%	On hold, but with an easing bias.
GE	Unemployment Rate (Jan)	5.0%	5.0%	5.0%	Labor market still strong.
GE	CPI (Jan, prelim, y/y)	1.7%	1.7%	1.5%	Modest uptrend.
IT	Unemployment Rate (Dec, prelim)	9.7%	9.8%	9.8%(↑r)	Slow healing.
Friday, January 31					
US	Personal Income (Dec, m/m)	0.3%	0.2%	0.4%(↓r)	Solid, not spectacular.
US	Personal Spending (Dec, m/m)	0.3%	0.3%	0.4%	Solid.
US	Employment Cost Index (Q4, q/q)	0.7%	0.7%	0.7%	Up 2.7% y/y, within tight recent range.
US	U of M Cons. Sentiment (Jan, final)	99.1(p)	99.8	99.3	Encouraging, but coronavirus big risk.
CA	GDP (Nov, m/m)	0.0%	0.1%	-0.1%	Utilities pulled headline growth.
UK	GfK Consumer Confidence (Jan)	-9	-9	-11	Encouraging, but coronavirus big risk.
EC	GDP (Q4, prelim, q/q)	0.2%	0.1%	0.3%(↑r)	Weak momentum going into 2020.
GE	Retail Sales (Dec, m/m)	-0.5%	-3.3%	1.6%(↓r)	Dismal; very volatile lately.
FR	GDP (Q4, prelim, q/q)	0.2%	-0.1%	0.3%	Weak momentum going into 2020.
FR	Consumer Spending (Dec, m/m)	0.0%	-0.3%	0.7%(↑r)	Drag from protests.
FR	CPI (Jan, prelim, y/y)	1.5%	1.5%	1.5%	Modest uptrend.
IT	GDP (Q4, prelim, q/q)	0.1%	-0.3%	0.1%	Dismal. Weak momentum going into 2020.
JN	Unemployment Rate (Dec)	2.3%	2.2%	2.2%	Pretty solid.
JN	Industrial Production (Dec, prelim, m/m)	0.7%	1.3%	-1.0%	A rebound, but possibly unsustainable.
JN	Retail Sales (Dec, m/m)	1.0%	0.2%	4.5%	Disappoints in December.
AU	Private Sector Credit (Dec, m/m)	0.2%	0.2%	0.2%(↑r)	Housing credit growth might be bottoming out.

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

Week Preview (February 3–February 7)

Country	Release (Date, format)	Consensus	Last	Comments
Monday, February 3				
US	ISM Manufacturing (Jan)	48.4	47.2	
UK	PMI Manufacturing (Jan, final)	49.8(p)	47.5	Rebound may be short-lived given coronavirus.
EC	PMI Manufacturing (Jan, final)	47.8(p)	46.3	
GE	PMI Manufacturing (Jan, final)	45.2(p)	43.7	Rebound may be short-lived given coronavirus.
FR	PMI Manufacturing (Jan, final)	51.0(p)	50.4	
IT	PMI Manufacturing (Jan, final)	46.2(p)	47.6	
JN	PMI Manufacturing (Jan, final)	49.3(p)	48.4	Rebound may be short-lived given coronavirus.
Tuesday, February 4				
US	Total Vehicle Sales (Jan, mil.)	16.8	16.7	
US	Factory Orders (Dec, m/m)	0.7%	-0.7%	
US	Durable Goods Orders (Dec, final, m/m)	2.4%(p)	-2.1%	
IT	CPI (Jan, prelim, y/y)		0.5%	
AU	RBA Monetary Policy Decision	0.75%	0.75%	Strong jobs report gives reason for pause.
Wednesday, February 5				
US	ISM Non-Manufacturing Index (Jan)	55.1	55.0	Should be OK for now, but coronavirus a threat.
US	Trade Balance (Dec, $ bil.)	-47.4	-43.1	
CA	Trade Balance (Dec, C$ bil.)		-1.1	
UK	PMI Services (Jan, final)	52.9(p)	50.0	Important for this to hold.
EC	PMI Services (Jan, final)	52.2(p)	52.8	
GE	PMI Services (Jan, final)	54.2(p)	52.9	Important for this to hold.
JN	PMI Services (Jan, final)	52.1(p)	49.4	
Thursday, February 6				
US	Initial Jobless claims (Jan 25, thous)		216	Increasingly important indicator of economy's health.
US	Nonfarm Productivity (Q4, prelim, q/q)	1.4%	-0.2%	
GE	Factory Orders (Dec, m/m)	0.6%	-1.3%	
AU	Retail Sales (Dec, m/m)	-0.2%	0.9%	Could be impacted by the bushfires.
Friday, February 7				
US	Unemployment Rate (Jan)	3.5%	3.5%	
US	Change in Nonfarm Payrolls (Jan, thous)	160	145	May be a bit weaker.
US	Consumer Credit (Dec, $ bil.)	15.0	12.5	
CA	Unemployment Rate (Jan)		5.6%	Looking to sustain the momentum.
CA	Ivey PMI (Jan)		51.9	
GE	Industrial Production (Dec, m/m)	-0.2%	1.1%	
FR	Industrial Production (Dec, m/m)		0.3%	
FR	Wages (Q4, prelim, q/q)		0.3%	
IT	Retail Sales (Dec, m/m)		-0.2%	
JN	Labor Cash Earnings (Dec, y/y)	-0.1%	0.1%(↑r)	Do we see an upturn here?
JN	Leading Index (Dec, prelim)	91.3	90.8	

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	
Australia (OCR)	1.50	1.50	1.50	1.28	1.02	1.00	1.00	0.76	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 y/y % chg					PPI y/y % chg				
	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	-1.9	-1.4	
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		-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	0.1	0.1	0.1		-0.1	0.0	0.1	0.3	
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	-0.6	-1.0	1.1		-4.0	-4.5	-4.7	-2.7	
France	-0.9	0.4	0.5	0.3		-1.2	0.4	-0.1	1.3	
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	
Canada	5.7	5.7	5.4	5.6	5.7	5.7	5.5	5.6	5.9	5.6	
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

About State Street Global Advisors

For four decades, State Street Global Advisors has served the world's governments, institutions and financial advisors. With a rigorous, risk-aware approach built on research, analysis and market-tested experience, we build from a breadth of active and index strategies to create cost-effective solutions. As stewards, we help portfolio companies see that what is fair for people and sustainable for the planet can deliver long-term performance. And, as pioneers in index, ETF, and ESG investing, we are always inventing new ways to invest. As a result, we have become the world's third largest asset manager with nearly US $2.8 trillion* under our care.

ssga.com

Important Risk Discussion

Intellectual Property Information

2537623.37.1.GBL.RTL

Exp. Date: 01/31/2021