March 6, 2020
Commentary

Weekly Economic Perspectives

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Spotlight on Next Week
A fairly light data week when focus will remain on central bank communication as the ECB meets. Friday's Michigan survey may be the first real measure of coronavirus impact on US consumer sentiment.

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The Economy

The week was dominated by worsening news on non-China COVID-19 cases, coupled with swift and broadening policy response to the crisis. On the monetary side that included 50 bp (basis point) cuts by the Fed and the Bank of Canada, and 25-bp cuts by the RBA and Bank Negara Malaysia. On the fiscal side, the response has been more varied as it is difficult for governments to assess the magnitude of the impact and need at this moment. The IMF announced a $50 billion emergency financing package to help lower income countries cope with the outbreak. It also called urgently on member countries to refund the Catastrophe Containment and Relief Trust – the CCRT – which provides eligible countries with relief grants for IMF debt service falling due. In the US, president Trump signed an $8.3 billion coronavirus bill on Friday.

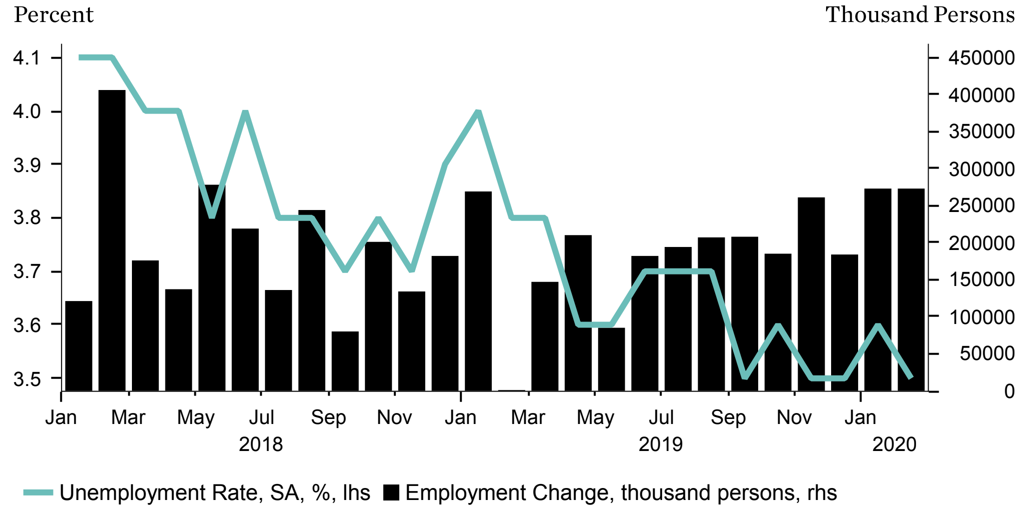
US

Following an emergency meeting to discuss responses to the coronavirus outbreak, G7 Finance Ministers and Central Bank Governors issued a statement on Tuesday, reaffirming “our commitment to use all appropriate policy tools to achieve strong, sustainable growth and safeguard against downside risks.”

Hours later, the Fed announced a unanimous inter-meeting 50-basis point (bp) reduction in the **Fed Funds rate**, bringing it to a new range of 1.0%-1.25%. Both the accompanying statement and the subsequent press conference were fairly brief given the magnitude and the unusual nature of the move. But the message was clear: the Fed perceives the outbreak as a clear risk to the outlook, material enough to warrant early action. As Loretta Mester noted in a subsequent speech, the Fed is seeking to ensure that the supply shock from the coronavirus will not become a demand shock. It is not certain they will succeed, but we believe they should definitely try. The Fed was not alone in this response; the Band of Canada (BoC) and the Reserve Bank of Australia (RBA) also cut this week – see commentary in the respective sections below. More easing is likely globally. In fact, as of Friday morning market pricing was for another 50 bp cut on March 18th. And there is a consistent track record to support those expectations: the Fed had only cut interest rates in between meetings in six prior occasions. Following each of those instances, interest rates were lowered again at the subsequent regularly scheduled meeting.

We got an excellent **employment report** for February but investors didn’t seem to care (Figure 1, page 3). The economy added 273,000 jobs, nearly 100,000 more than expected. What’s more, there was an 85,000 upward revision to the prior two months, with January up by 48,000 also to 273,000. Private payrolls increased by 228,000, while government added a large 45,000, mostly at the state and local level. Services employment increased by 167,000, below January’s 195,000 as employment shrank by 13,000 in trade and transportation. Leisure and hospitality came in surprisingly strong with 51,000 jobs added, but we are skeptical this can last given the sector’s vulnerability to the virus outbreak. Business services and the financial industry also fared well in February. Temporary help, however, declined for the second consecutive month. The goods producing sector had a stellar month. It added 61,000 jobs—the most in over a year—with construction up 42,000. Manufacturing had incurred losses in the prior two months but added 15,000 jobs in February.

Figure 1: So Far So Good For US Labor Market, But Clouds Ahead



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

According to the household survey, payrolls rose a much more modest 45,000 while unemployment declined by 105,000, implying a 60,000 drop in the labor force. The participation was steady at the cycle high of 63.4% established last month. The **unemployment rate** declined a tenth to revisit the multi-decade low of 3.5%. The number of people employed part time for economic reasons jumped by 139,000. We expected to see a jump and in fact look for this number to increase sharply in March as the outbreak impact will be felt more broadly. Consequently, the underemployment rate ticked up another tenth to 7.0%. It is in this area that we expected to see the first signs of impact from the coronavirus outbreak and they are starting to appear. Still, 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 excellent. The manufacturing workweek increased by twelve minutes to 40.7 hours, the most since March 2019. The overall workweek increased six minutes to 34.3 hours. The aggregate hours index—a measure of work effort—jumped by 0.5 and the manufacturing hours index jumped 0.6%.

The **wage data** was mixed. Total average hourly earnings increased 0.3% m/m, as expected, but this measure of wage inflation decelerated another tenth to a nineteen-month low of 3.0% y/y. Average hourly earnings for production and non-supervisory employees (a more homogeneous group) jumped 0.6% m/m, leaving this measure of wage inflation unchanged at 3.3% y/y. The combination of strong hours and decent wage gains speaks to a solid increase in wage and salary income in February, which should support consumption and potentially boost the savings rate further. Building that cushion will prove important as we suspect incomes will come under pressure from March onward as virus disruptions impact people's ability to work.

Incoming **unemployment claims** data is currently not particularly useful given they do not yet reflect any outbreak impact, but this will once again become a critical indicator to follow within the next month. The trend recently has been that unemployment claims continue to hover near cycle lows without, however, making new lows. Initial claims—a measure of job shedding—declined by 3,000 to 216,000 in the week ending February 29, not that far off from the cycle low of 193,000 reached in March 2019. Continuing claims—a measure of unemployment—have experienced sizable moves in recent weeks but were little changed at 1,729,000 in the week ended February 22. Whether firms impacted by the outbreak will ultimately choose to lay off workers will be critical in determining how prolonged and how deep the inevitable economic impact will be.

Prior to the COVID-19 outbreak, services activity was chugging along at a good pace. In fact, we were surprised to see the **non-manufacturing ISM index** jump 1.8 points to a year high of 57.3 in February. Given early disruption to international travel on routes to China, we were looking for more of a level print. Admittedly, the business activity measure (the old headline) dropped 3.1 points but still only to a solid 57.8. By contrast, new orders surged 6.9 points—the most in 25 months!—to 63.1, the twin-highest level since June 2018. Even more surprisingly, new export orders jumped 5.5 points—the most in nearly three years—to a ten-month high of 55.6. Importantly, the employment metric rose 2.5 points to a seven-month high of 55.6, which was reflected in the strong February employment report. Inventories rose sharply, having been declining for the past several months, but most respondents said inventories are too high so this may well be an unintentional stock accumulation due to disruptions in the supply chain. According to the accompanying statement, “the past relationship between the NMI® and the overall economy indicates that the NMI® for February (57.3 percent) corresponds to a 3-percent increase in real gross domestic product (GDP) on an annualized basis.” In fact, the Atlanta Fed GDPNow estimate for the first quarter was raised from 2.7% to 3.1% on Friday following the incorporation of new data on employment and inventories.

The **ISM manufacturing index** showed clear evidence of supply chain disruptions from the coronavirus, although worse is probably yet to come. Admittedly, the headline index came in a bit stronger than expected, declining a modest 0.8 point after a large gain in January. But it would have been much worse if not for rising backlogs—typically a sign of solid demand pipeline but now more indicative of bottlenecks in the supply chain. Also, the import component plunged 8.1 points, the most on record, in yet another sign of disruption. The accompanying comments made it clear that manufacturers are facing considerable challenges. Comments ranged from “It's a mad dash to dual source stateside in case China isn't back online soon” to more ominous “layoffs are here” statements.

The **Beige Book** didn’t offer much new information, but did corroborate these comments from the ISM surveys. Economic activity expanded at a modest to moderate rate in most districts, the exception being St. Louis and Kansas City Districts, where activity was flat. “There were indications that the coronavirus was negatively impacting travel and tourism in the U.S. Manufacturing activity expanded in most parts of the country; however, some supply chain delays were reported as a result of the coronavirus and several Districts said that producers feared further disruptions in the coming weeks.” There is no doubt that those disruptions will persist.

Factory orders have had a tough time lately and they remain under pressure. They retreated 0.5% in January—admittedly, that followed a 1.9% increase in December—but they remain 0.8% lower than in January 2019. The good news is that durable goods orders only retreated 0.2%, with capital goods orders up 0.6% for the third improvement in the last three months. It remains to be seen if this improving trend can be sustained in the wake of the coronavirus. Core orders (non-defense capital goods excluding aircraft)—a leading indicator for business equipment investment (BEI) in the GDP accounts—jumped 1.1%. Overall shipments fell 0.5% but core shipments jumped 1.0%. Overall inventories declined 0.1% and core inventories fell 0.4%. The inventory -to-shipments ratio was unchanged at 1.4 months where it has been since September.

Motor vehicle sales have flat-lined near the 17 million (annualized) level for the past several years. Sales came in at 16.8 million in February, essentially unchanged from the month before. Sales increased 1.5% y/y on average during the first two months of 2020 but may come under some temporary pressure in coming months as consumer sentiment weakens amid the virus outbreak.

Canada

The **Bank of Canada** followed the Fed with a 50 basis point cut in the March meeting—while it hardly came as a surprise, the magnitude of the cut might. With the economy close to potential and inflation close to target, this was more of an insurance cut to counter the negative shock to the economy from the coronavirus scare. The fourth quarter GDP figures released last week was modest despite several supply disruptions, but in line with the Bank's forecast. But Q1 growth faces significant downside risks, as per the BoC's own admission (numbering by us):

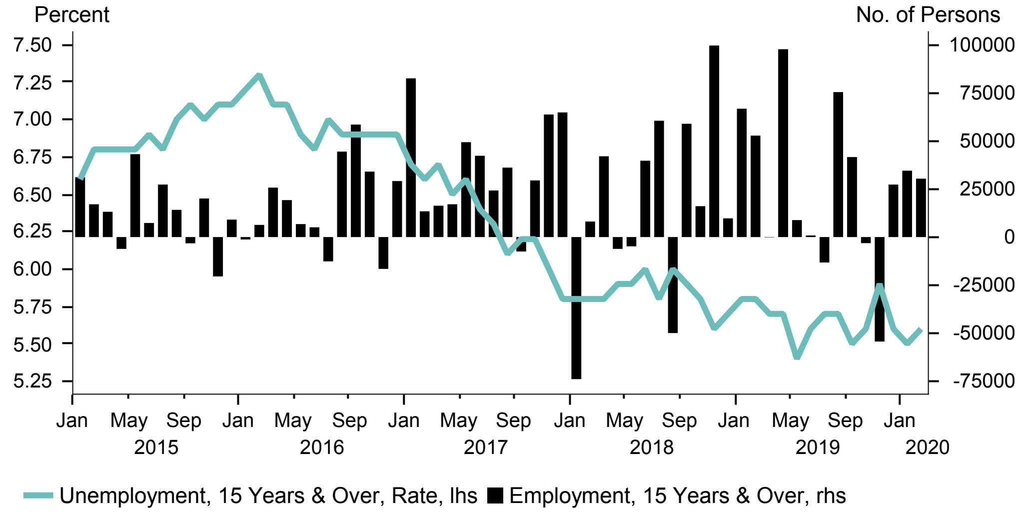
"It is becoming clear that the first quarter of 2020 will be weaker than the Bank had expected. (1) The drop in Canada's terms of trade, if sustained, will weigh on income growth. (2) Meanwhile, business investment does not appear to be recovering as was expected following positive trade policy developments. (3) In addition, rail line blockades, strikes by Ontario teachers, and winter storms in some regions are dampening economic activity in the first quarter."

The statement emphasized that "as the situation evolves, Governing Council stands ready to adjust monetary policy further if required to support economic growth and keep inflation on target." We expect the central bank's pre-emptive easing to be followed by some sort of fiscal measure a well, but another round of easing might be necessary in the near future. We will keep an eye out on the incoming data and take a call accordingly in the March publication detailing our next round of forecasts.

Canada's **labor report** for February was pretty much as expected. Employment increased by 30,300 to 19.2 million, with all the gains coming from full-time jobs (+37,600 to 15.6 million). Part-time jobs contracted 7,300 to 3.6 million. The participation rate edged up 0.1 percentage points to 65.5%, pushing the unemployment rate up a tenth to 5.6%. Most of the job gains were among the youth as employment for youth aged 15 to 24 increased by 22,000, mostly among those aged 20 to 24. The overall youth unemployment rate was unchanged at 10.3% though. Employment increased in Quebec (+20.000), with the unemployment rate falling to a record low 4.5%. Gains were noted in wholesale and trade (+23.000), manufacturing (+16,000, second consecutive rise) and in information, culture and recreation (+14,000). These were offset by falling employment in professional, scientific and technical services (-15,000) and accommodation and food services (-

13,000). We will keep a close eye for further weakness in the latter, as international tourism is hit following the spread of Covid-19.

Figure 2: Steady Employment Picture In Canada



Sources: Statistics Canada, Bank of Canada

UK

The high frequency data received since the December election have generally been better than expected and the February **manufacturing PMI** (purchasing managers' index) was no exception. The index bucked expectations for a small retreat and instead jumped 1.7 points to a ten-month high of 51.9. Production jumped 2.1 points, also to a ten-month high of 52.2, new orders improved 0.6 point to 51.9 and new export orders jumped 1.9 to 49.6. However, it is worth noting and each of these components was weaker than reported in the preliminary reading. This likely reflects broadening supply chain disruptions due to the coronavirus so we are looking for further deterioration in the March update.

The final read on the **services PMI** was little changed from the initial estimate. Admittedly, it was a tenth weaker than initially reported and declined 0.6 point from January to 53.2, but the January-February average was still the highest since August-September 2018. Still, we would expect some further pressure on near-term releases due to the impact of Covid-19 outbreak on international travel and tourism. The slowdown in the employment component (down 1.2 points to 50.7) may be a warning of things to come. Other than that, the 1.1 point increase in the output price index also caught our eye as it rose to 55.0, the highest in over two years. It remains to be seen whether a likely fall in demand (particularly in travel and hospitality) will reverse this in coming months.

Eurozone

The final readings on ***eurozone*** February **purchasing managers' index for *manufacturing*** were marginally better than the preliminary estimates and were painting a picture or slow improvement. However, this won't be much consolation to anyone since broadening disruptions to economic activity threaten to cause a relapse in coming months. And, let's not forget that activity is still contracting, and the improvement we are talking about is simply a slower pace of contraction. In short, the eurozone manufacturing sector remains highly vulnerable. Just for the sake of a brief recap, the regional index jumped 1.3 points to 49.2, the second large increase in a row and the highest level since February 2019. Employment improved 0.8 point, but that was less than the 1.0 point gain initially reported and still only left the sub-index at 47.7. New orders rose 0.4 to 49.4 and output advanced 0.7 to 48.7. By far the most disappointing was the 1.9-point plunge in new export orders to 47.6—but this was in a way to be expected given the situation in China. Performance varied widely across geographies, with the German index up a sharp 2.7 points to a thirteen month high of 47.8, Spain up 1.9 to 50.4 but Italy down 0.2 to 48.7 and France down 1.3 to a seven-month low of 49.8.

Service activity has held up much better than manufacturing, but it could hardly be described as buoyant. And, just as was the case with the manufacturing index, the final print on the February **services PMI** was also weaker than the initial estimate. It index rose 0.1 point to 52.6 as a 1.5-point rebound in the French index (to 52.5) offset a 1.6-point drop in the German index (to 52.5). But the big downward adjustment in the German index bears watching (it was twice as bad as originally reported) as a possible sign of things to come…

It appears that the thawing of global trade tensions was helping re-energize ***German*** **factory orders** at the start of the year…the trouble is that new risks have since appeared so we are skeptical of this improvement. Factory orders jumped 5.5% in January—the most since July 2014—on broad based gains across categories.

Japan

Wage pressures spiked in Japan as **labor cash earnings** rose 1.5% y/y in January, while December earnings were revised downward to -0.2%. This was caused by a surge in earnings growth in manufacturing which rose 1.4%, nearly recuperating December's losses. Real wages also made a modest recovery, rising 0.7% after three consecutive falls. Regularly contracted cash earnings—excluding bonuses—was up 1.2%, while scheduled earnings rose 1.4%. In addition, special wages were +10.4% and lifted the overall reading by 0.5 percentage points.

Australia

In a surprise move, the **Reserve Bank of Australia** reduced the cash rate by 25 basis points to a record low of 0.50%. We were not expecting a policy response so soon, but this was more of a pre-emptive cut to calm markets and shore up confidence. The accompanying statement was almost a complete re-write from the usual, emphasizing that this is an extra-ordinary measure rather than the norm. In the opening remarks, it simply mentions that "the Board took this decision to support the economy as it responds to the global coronavirus outbreak." The extent of the damage will only be clear once the calamity has passed, but there is hope that "once the coronavirus is contained, the Australian economy is expected to return to an improving trend. This outlook is supported by the low level of interest rates, high levels of spending on infrastructure, the lower exchange rate, a positive outlook for the resources sector and expected recoveries in residential construction and household consumption." A fiscal package to counter the situation might also be on the way, with the board noting that "the Australian Government has also indicated that it will assist areas of the economy most affected by the coronavirus."

This brings us to what lies ahead. The RBA signaled its willingness to act further in the concluding remarks, noting that "it will continue to monitor developments closely and to assess the implications of the coronavirus for the economy. The Board is prepared to ease monetary policy further to support the Australian economy." We think that monetary action alone is insufficient to offset the impact of the virus; a coordinated fiscal response is also required. There is a possibility that the situation improves enough over the next few weeks for the RBA to maintain status quo. Our base case is that RBA will need to cut once more this year, the timing for which remains fluid. They might be forced to ease as epidemic's impact becomes more negative in the near term, as new outbreaks spread; or maybe during the nascent stages of the recovery. With a second cut, the RBA will have reached the floor of 0.25%, which we believe is the threshold for pursuing extra-ordinary monetary policy. At this juncture, we still feel confident that coordinated domestic monetary and fiscal action plus global measures will mitigate the economic hit and potentially avoid QE.

GDP grew by 0.5% in the fourth quarter, tad higher than anticipated and the figure for the third quarter was revised up by two tenths to 0.6%, the third successive revision upward. The annual pace of growth also picked up to 2.2% y/y, highest this year. That brings growth for the full year to 1.8% in 2019, at par with our expectation but the lowest in almost two decades. Domestic demand was very weak (Figure 3).

Figure 3. Private Demand Growth Very Weak In Australia

Sources: Macrobond, Australian Bureau of Statistics

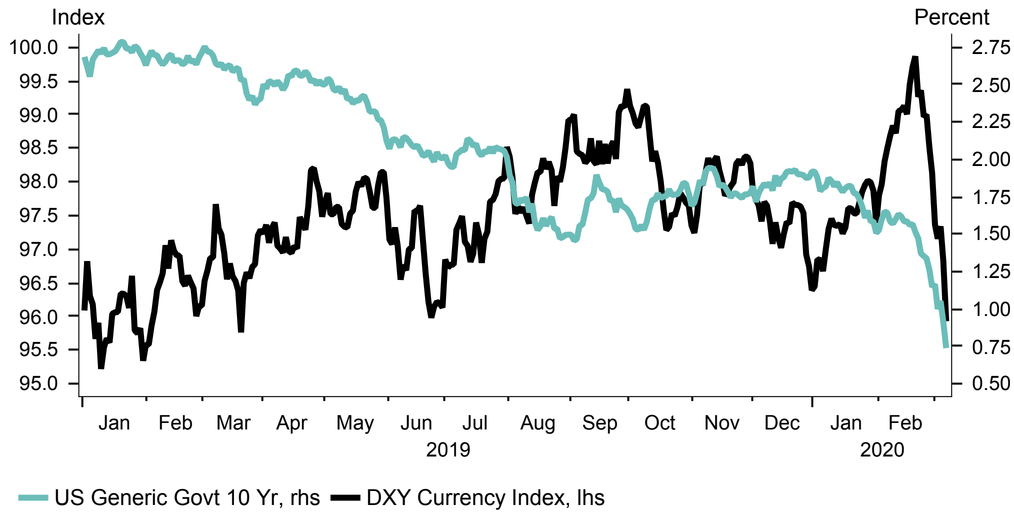
It rose by just 0.1% q/q, dampened by a 1.1% fall in private investment—in turn led by falling housing construction (-3.4%, sixth consecutive fall) and business investment (-1.7%). Household consumption improved slightly, by three tenths to 0.4%. Government and external sectors continue to be the mainstays of growth. Public sector consumption rose a solid 0.7%, although the pace of gains has slowed, while investments were up 1.5%. Net exports made a modest 0.1 percentage point contribution to growth in the quarter, but only as imports fell 0.5%. Australia will be carrying an ailing private sector into the battle against coronavirus, and is likely to see growth dip into negative in the first quarter. In an optimistic scenario, we should see a pick in the second quarter, and a prominent rebound in the latter half of the year.

Nominal **retail sales** declined for the second consecutive month in January, as the December fall was revised down by two tenths to 0.7%. Sales fell 0.3%, impacted by the bushfires which disrupted trade and tourism. Ex-food sales were weaker still at -0.7%. Most of the components recorded lower sales—household goods retailing (-1.1%), department stores (-2.2%), apparels (-1.1%), and restaurants (-0.3%), partially offset by a rise in food retailing (+0.4%). Sales declined in Western Australia (-1.1%), Victoria (-0.2%), and New South Wales (-0.1%), states most impacted by the bushfires and associated smoke hazard. Online retail turnover contributed 6.3% to total retail turnover in January. It will be interesting to see if this component rises over the next few months as consumers are reluctant to step out due to virus scare.

The Market This Week

While the COVID-19 took a while to arrive in the US, it is now here. The economic implications of a broader outbreak ripped through markets this week with Treasury yields hitting record lows and the dollar down sharply.

Figure 4: Covid-19 Changes Many Market Dynamics



Sources: Bloomberg

Equities: Extremely volatile week ends with most stock markets lower...again.

Bonds: Bond yields plunge to record lows in the US.

Currencies: The dollar weakens dramatically as Fed cut reduces yield advantage.

Commodities: Oil plummets on lack of OPEC action, gold surges on haven demand.

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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®	2979.02	0.8%	-7.8%	0.78	-37	-114	96.018	-2.2%	-0.4%
Canada	TSE 300	16184.77	-0.5%	-5.1%	0.73	-40	-97	1.3424	0.1%	3.3%
UK	FTSE®	6462.55	-1.8%	-14.3%	0.24	-21	-59	1.3046	1.7%	-1.6%
Germany	DAX	11541.87	-2.9%	-12.9%	-0.71	-10	-53			
France	CAC-40	5139.11	-3.2%	-14.0%	-0.34	-6	-46	1.1305	2.5%	0.8%
Italy	FTSE® MIB	20799.89	-5.4%	-11.5%	1.07	-3	-34			
Japan	Nikkei 225	20749.75	-1.9%	-12.3%	-0.12	3	-11	105.43	-2.3%	-2.9%
Australia	ASX 200	6216.211	-3.5%	-7.0%	0.68	-14	-70	0.6635	1.8%	-5.5%

Commodity Markets						
Commodity	Unit	Source	Last Price	%Ch Week	%Ch YTD	%ChYr Ago
Oil (Brent)	US $/Barrel	Bloomberg	45.19	-9.7%	-32.0%	-30.7%
Gold	US $/troy oz	Bloomberg	1672.46	5.5%	10.2%	30.0%

Source: Bloomberg®

Week in Review (March 2–March 6)

Country	Release (Date, format)	Consensus	Actual	Last	Comments
Monday, March 2					
US	ISM Manufacturing (Feb)	50.5	50.1	50.9	Not really showing virus impact.
UK	Manufacturing PMI (Feb, final)	51.9(p)	51.7	50.0	At risks of relapse due to COVID-19.
EC	Manufacturing PMI (Feb, final)	49.1(p)	49.2	47.9	At risks of relapse due to COVID-19.
GE	Manufacturing PMI (Feb, final)	47.8(p)	48.0	45.3	At risks of relapse due to COVID-19.
FR	Manufacturing PMI (Feb, final)	49.7(p)	49.8	51.1	At risks of relapse due to COVID-19.
IT	Manufacturing PMI (Feb, final)	48.9(p)	48.7	46.2	At risks of relapse due to COVID-19.
JN	Manufacturing PMI (Feb, final)	47.6(p)	47.8	48.8	Will get worse; at least in the short term.
Tuesday, March 3					
US	FOMC Monetary Policy Decision (unscheduled)	1.50%	1.25%	1.75%	Emergency response in time of crisis.
IT	Unemployment Rate (Jan, prelim)	9.8%	9.8%	9.8%	
JN	Consumer Confidence (Feb)	38.1	38.4	39.1	March will be worse due to virus scare.
AU	RBA Monetary Policy Decision	0.63%	0.50%	0.75%	Insurance cut to support the economy.
Wednesday, March 4					
US	Fed Beige Book Report				Early signs of outbreak impact.
US	ISM Nonmanufacturing (Feb)	55.0	57.3	55.5	Quite surprising but unlikely to last.
US	Total Vehicle Sales (Feb)	16.8	16.8	16.8	Steady prior to outbreak.
CA	BoC Monetary Policy Decision	1.50%	1.25%	1.75%	Follows the Fed into a pre-emptive cut.
UK	Services PMI (Feb, final)	53.3(p)	53.2	53.9	March unlikely to look this good.
EC	Services PMI (Feb, final)	52.8(p)	52.6	52.5	March unlikely to look this good.
GE	Services PMI (Feb, final)	53.3(p)	52.5	54.2	Noticeably lower than preliminary read.
GE	Retail Sales (Jan, m/m)	0.9%	0.9%	-2.0%(↑r)	Still weak.
IT	GDP (Q4, final, q/q)	-0.3%(p)	-0.3%	0.1%	Italy bound for technical recession in Q1.
JN	Services PMI (Feb, final)	46.7(p)	46.8	51.0	Huge drop due to loss in tourism.
AU	GDP (Q4, q/q)	0.4%	0.5%	0.6%(↑r)	Private sector remains very weak.
Thursday, March 5					
US	Initial Jobless claims (Feb 29, thous)	215	216	219	Still low…for now.
US	Nonfarm Productivity (Q4, final, q/q)	1.4%(p)	1.2%	-0.2%	No new information here.
US	Factory Orders (Jan, m/m)	-0.1%	-0.5%	1.9%(↑r)	Core orders doing better.
US	Durable Goods Orders (Jan, final, m/m)	-0.2%(p)	-0.2%	2.9%	Core orders doing better.
Friday, March 6					
US	Change in Nonfarm Payrolls (Feb, thous)	175	273	273(↑r)	Extraordinarily strong numbers.
US	Unemployment Rate (Feb)	3.6%	3.5%	3.6%	But underemployment rate went up a little.
US	Consumer Credit (Jan, $ bil.)	16.5	12.0	20.3	Steady.
CA	Unemployment Rate (Feb)	5.6%	5.6%	5.5%	Not many highlights.
CA	Trade Balance (Jan, C$ bil.)	-0.8	-1.5	-0.7(↓r)	In range.
GE	Factory Orders (Jan, m/m)	1.3%	5.5%	-2.1%	Impressive, but unlikely to last.
IT	Retail Sales (Jan, m/m)		0.0%	0.5%	Dismal.
JN	Labor Cash Earnings (Jan, y/y)	0.2%	1.5%	-0.2%(↓r)	A healthy rebound.
JN	Leading Index (Jan, prelim)	91.1	90.3	91.0(↓r)	Assessment of conditions at lowest since 2009.
AU	Retail Sales (Jan, m/m)	0.0%	-0.3%	-0.7%(↓r)	Bushfires a drag on retail activity.

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

Week Preview (March 9–March 13)

Country	Release (Date, format)	Consensus	Last	Comments
Monday, March 9				
CA	Housing Starts (Feb, thous)		213.2	Should see a slight pick up.
CA	Building Permits (Jan, m/m)		7.4%	
GE	Industrial Production (Jan, m/m)	1.7%	-3.5%	
FR	Bank of France Ind. Sentiment (Feb)		96	
JN	GDP (Q4, final, q/q saar)	-1.6%(p)	0.5%	Sharp pullback expected due to falling activity.
Tuesday, March 10				
US	NFIB Small Business Optimism (Feb)	102.7	104.3	This will be critical to watch for signs of outbreak impact.
EC	GDP (Q4, final, q/q)	0.1%(p)	0.3%	Old news by now.
GE	Labor Costs (Q4, y/y)		3.1%	
FR	Industrial Production (Jan, m/m)	1.8%	-2.8%	
IT	Industrial Production (Jan, m/m)	1.5%	-2.7%	
AU	NAB Business Confidence (Feb)		-1	
Wednesday, March 11				
US	CPI (Feb, y/y)	2.2%	2.5%	Inflation has become secondary concern.
US	Monthly Budget Statement (Feb $ bil.)	-238.5	-234.0	
CA	Capacity Utilization Rate (Q4)		81.7%	
UK	Industrial Production (Jan, m/m)	0.3%	0.1%	
Thursday, March 12				
US	Initial Jobless claims (Mar 7, thous)		216	
US	PPI Final Demand (Feb, y/y)	1.8%	2.1%	
EC	ECB Monetary Policy Decision	0.00%	0.00%	We see little value in a rate cut, but tweaking capital key?
EC	Industrial Production (Jan, m/m)	1.4%	-2.1%	
Friday, March 13				
US	U of Mich Sentiment (Mar, prelim)	96.4	101	First genuine measure of Covid-19 impact.
US	Import Price Index (Feb, y/y)	-1.7%	0.3%	
CA	Existing Home Sales (Feb, m/m)		-2.9%	
GE	CPI (Feb, final, y/y)	1.7%(p)	1.7%	
FR	CPI (Feb, final, y/y)	1.4%(p)	1.4%	
JN	Tertiary Industry Index (Jan, m/m)	0.3%	-0.2%	Loss in Services PMI will reflect on Feb data.

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

Economic Indicators

Central Bank Policy Targets

Region	Target	Year/Year % Change in Target				
		Sep	Oct	Nov	Dec	Jan
US	Target: PCE price index 2.0% y/y	1.3	1.3	1.3	1.5	1.7
Canada	Target: CPI 2.0% y/y, 1.0%-3.0% control range	1.9	1.9	2.2	2.2	2.4
UK	Target: CPI 2.0% y/y	1.7	1.5	1.5	1.3	1.8
Eurozone	Target: CPI below but close to 2.0% y/y	0.8	0.7	1.0	1.3	1.4
Japan	Target: CPI 2.0% y/y	0.2	0.2	0.5	0.8	0.7
Australia	Target Range: CPI 2.0%-3.0% y/y	1.7	1.8	1.8	1.8	

Source: Macrobond

Key Interest Rates

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

Source: Macrobond

General Government Structural Balance as a % of Potential GDP

									Forecast	
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
US	-8.2	-6.4	-4.5	-3.8	-3.6	-4.4	-4.8	-6.0	-6.3	-6.3
Canada	-3.1	-2.1	-1.1	0.1	0.8	0.7	0.0	-0.2	-0.5	-0.8
UK	-5.9	-6.0	-4.0	-4.7	-4.1	-2.9	-2.0	-1.5	-1.3	-1.4
Eurozone	-3.9	-2.1	-1.2	-0.9	-0.8	-0.7	-0.7	-0.6	-0.7	-0.9
Germany	-1.4	0.0	0.6	1.2	1.2	1.3	1.1	1.4	0.9	1.0
France	-5.0	-4.4	-3.4	-3.3	-3.0	-2.8	-2.6	-2.5	-2.4	-2.5
Italy	-4.1	-1.5	-0.6	-1.1	-0.7	-1.4	-1.7	-1.8	-1.5	-2.1
Japan	-8.0	-7.6	-7.5	-5.5	-4.3	-4.1	-3.4	-3.1	-2.9	-2.1
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				
	Oct	Nov	Dec	Jan	Feb		Sep	Oct	Nov	Dec	Jan
US	1.8	2.1	2.3	2.5			1.5	1.1	1.1	1.3	2.1
Canada	1.9	2.2	2.2	2.4			-1.3	-1.4	-0.6	0.5	0.5
UK	1.5	1.5	1.3	1.8			1.2	0.8	0.5	0.9	1.1
Eurozone	0.7	1.0	1.3	1.4			-1.1	-1.9	-1.4	-0.6	-0.5
Germany	1.1	1.1	1.5	1.7	1.7		-0.1	-0.6	-0.7	-0.2	0.2
France	0.8	1.0	1.5	1.5	1.4		-0.6	-1.2	-0.3	0.7	0.3
Italy	0.2	0.2	0.5	0.5	0.4		-1.6	-2.9	-2.6	-2.1	
Japan	0.2	0.5	0.8	0.7			-1.1	-0.4	0.1	0.9	1.7
Australia	1.8	1.8	1.8				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	0.1	1.8	1.5	2.0	1.6	1.5
UK	0.2	0.6	-0.1	0.5	0.0	1.4	2.0	1.3	1.2	1.1
Eurozone	0.3	0.4	0.2	0.3	0.1	1.2	1.4	1.2	1.2	0.9
Germany	0.2	0.5	-0.2	0.2	0.0	0.6	1.0	0.3	0.6	0.5
France	0.5	0.3	0.4	0.3	-0.1	1.2	1.3	1.5	1.5	0.9
Italy	0.1	0.2	0.1	0.1	-0.3	0.0	0.2	0.4	0.5	0.1
Japan	0.5	0.6	0.5	0.1	-1.6	-0.3	0.8	0.8	1.8	-0.4
Australia	0.2	0.5	0.6	0.6	0.5	2.2	1.7	1.6	1.8	2.2

Source: Macrobond

Industrial Production Index (M/M Seasonally Adjusted)

	Month/Month % Change					Year/Year % Change				
	Sep	Oct	Nov	Dec	Jan	Sep	Oct	Nov	Dec	Jan
US	-0.3	-0.4	0.9	-0.4	-0.3	-0.2	-0.8	-0.5	-0.9	-0.8
Canada	-0.5	0.0	-0.4	0.3		-2.4	-2.5	-1.8	-1.2	
UK	0.2	0.1	-1.2	0.1		-1.8	-1.6	-2.5	-1.9	
Germany	-0.8	-1.2	1.2	-3.5		-4.3	-4.7	-2.5	-6.7	
France	0.3	0.4	0.0	-2.8		0.4	-0.2	0.9	-3.0	
Italy	-0.4	-0.4	0.0	-2.7		-2.3	-2.5	-0.8	-3.8	
Japan	1.7	-4.5	-1.0	1.2	0.8	-0.3	-6.6	-6.7	-5.6	-2.4

Source: Macrobond

Unemployment Rate (Seasonally Adjusted)

	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20
US	3.6	3.6	3.7	3.7	3.7	3.5	3.6	3.5	3.5	3.6	3.5
Canada	5.7	5.4	5.6	5.7	5.7	5.5	5.6	5.9	5.6	5.5	5.6
UK	3.8	3.9	3.8	3.9	3.8	3.8	3.8	3.8			
Eurozone	7.6	7.6	7.5	7.6	7.5	7.5	7.4	7.4	7.4	7.4	
Germany	4.9	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
France	8.5	8.4	8.5	8.5	8.5	8.4	8.3	8.2	8.2	8.2	
Italy	10.1	10.0	9.8	9.9	9.6	9.9	9.7	9.7	9.8	9.8	
Japan	2.4	2.4	2.3	2.3	2.3	2.4	2.4	2.2	2.2	2.4	
Australia	5.2	5.2	5.3	5.2	5.3	5.2	5.3	5.2	5.1	5.3	

Source: Macrobond

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

	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19	Q3-19
US	-2.2	-2.5	-2.0	-2.3	-2.3	-2.1	-2.4	-2.8	-2.6	-2.4	
Canada	-2.2	-2.7	-3.4	-3.0	-2.8	-2.6	-1.8	-2.8	-3.0	-1.2	-1.7
UK	-3.2	-4.0	-3.4	-3.3	-3.4	-4.4	-4.3	-5.1	-6.0	-4.6	
Eurozone	3.1	1.9	3.9	3.6	3.5	3.6	2.6	2.8	3.1	2.4	
Germany	8.3	7.0	8.6	8.6	8.5	7.6	6.5	7.4	7.8	7.6	8.1
France	-1.3	-0.7	-0.7	-0.3	-0.3	-1.4	-0.5	-0.5	-0.8	-0.8	-1.0
Japan	4.3	3.7	4.6	4.2	3.6	4.0	3.4	3.1	3.4	3.5	3.5
Australia	-1.5	-2.5	-2.8	-3.5	-2.2	-2.7	-2.2	-1.4	-0.2	1.2	

Source: Macrobond

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