STATE STREET GLOBAL ADVISORS



**May 21, 2021**
Commentary

# Weekly Economic Perspectives

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**Spotlight on Next Week**
US personal income to plunge on transfer payments impact, but spending should improve. German consumer sentiment should brighten. The unemployment rate may tick higher in Japan.

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**The Economy**

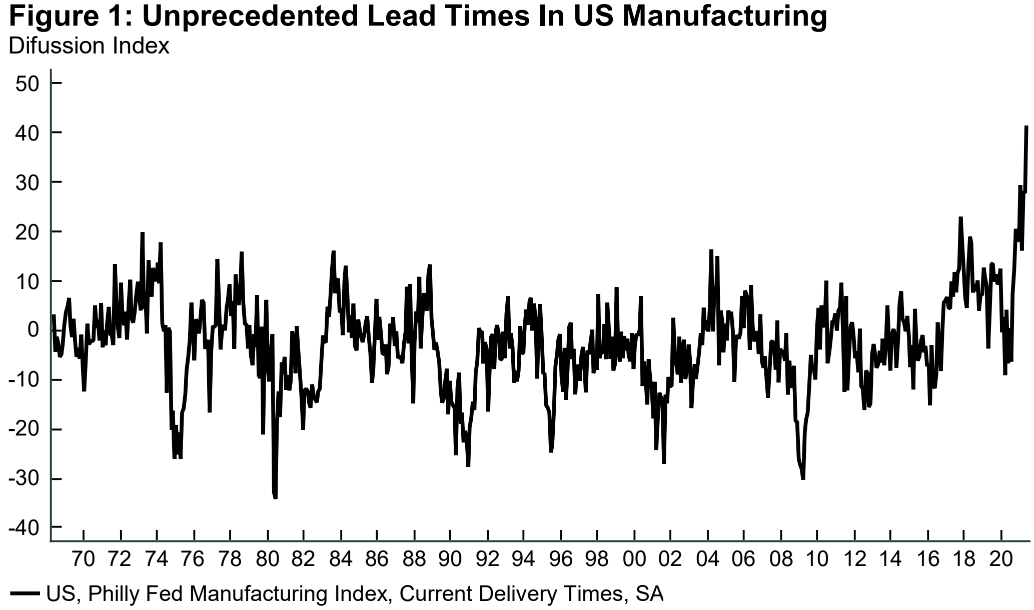
Tons of macro data and some big intra-week swings but markets end little changed.

US

The **minutes** from the **April FOMC meeting** had a more hawkish undertone than what the press release or Chair Powell's press conferences indicated at the time. Specifically, it appears that some Committee members are willing to entertain the possibility that while Covid-related risks persist, there are enough favorable offsetting factors to ensure a strong recovery ahead. More voices appear willing to discuss either upside risks to inflation or the impact of prolonged low interest rates on risk taking and financial sector stability. A couple of participants even highlighted the risks associated with setting policy "based on observed progress toward the Committee's goal, not on uncertain economic forecasts" by noting that there were "risks of inflation pressures building up to unwelcome levels before they become sufficiently evident to induce a policy reaction". Given this backdrop, it wasn't surprising to hear that "a number of participants" believed that if the economy continued to perform strongly, "it might be appropriate at some point in upcoming meetings to begin discussing a plan for adjusting the pace of asset purchases". Indeed, we wrote back in April that "whether the FOMC decides to start those taper conversations at the June meeting remains uncertain given the Committee's cautious approach, but we'd be really surprised if that does not happen soon thereafter." With the meeting minutes now in hand, we'd argue that the discussions will certainly happen in June and that the July meeting is seriously in play for the Fed to actually provide a signal on tapering.

The Philly and the Empire Fed manufacturing indexes moderated in May—the latter substantially. At first glance, it would appear that activity is peaking but the details suggest this may have more to do with supply constraints than softening demand.

**Figure 1: Unprecedented Lead Times In US Manufacturing**




*Sources: SSGA Economics, Federal Reserve Bank of Philadelphia*

For instance, the **Philly Fed index** plunged 18.7 points to 31.5, but new orders and shipments experienced far smaller declines (3.5 and 4.3 points, respectively). Backlogs rose and delivery times surged to a record in data going back 50 years (Figure 1, page 1). Both price metrics (paid and received) made new multi-decade highs. Admittedly, the employment measure moderated sharply, but this, too, may not reflect weak labor demand but rather, an inability to find workers. Therefore, it seems trickier than normal to interpret this big move in the Philly index. The **Empire Fed index** also retreated, though its decline was a modest 2.0 points and left it at historically elevated levels. The details were strong, with new orders, shipments, and backlogs higher, employment little changed, and the workweek up sharply. Prices paid and received hit new records.

Back in March, we noted that housing activity looked like it was starting to struggle under the weight of its own success. The latest data further support that argument as **existing home sales** declined 2.7% in April for a third consecutive retreat that left sales at their lowest level since June 2020. The reason for this appears to be lack of supply and high prices, not a lack of demand. Indeed, homes were on the market for a record low 17 days and 88% of properties sold within a month. Prices, unsurprisingly, sky-rocketed 19.1% y/y, a record increase. Inventory did improve a little—equivalent to 2.4 months' worth of sales—but this is only slightly off recent record lows. The hope is that new construction will help ease the inventory squeeze, but that process will take time so upward price pressures are likely to persist for now.

**Homebuilder sentiment** remains buoyant, supported by solid demand. The NAHB index was unchanged at 83 in May, and remains historically elevated. The present sales metric was unchanged, buyer traffic eased one point and future sales expectations improved one.

Supply chain constraints are apparent everywhere…including in housing. Indeed, despite strong housing demand and upbeat homebuilder sentiment, **housing starts** retreated 9.5% in April We can't help but notice that when construction employment jumped by 97,000 in March, that was accompanied by a surge in housing starts. When construction employment was flat in April, we saw housing starts retreat. We suspect labor constraints are playing a big role in these swings, as are surging materials prices. Another data point supporting the capacity constraints interpretation is that **building permits** actually increased a little in April, signaling builder's confidence in the sustainability of demand.

The **index of leading economic indicators (LEI)** suggests a sharply accelerating momentum in the US economy. Following a 1.3% increase in March, the LEI jumped another 1.6% in April, the largest gain since July. Unemployment claims made the biggest positive contribution, with the stock market, ISM new orders, the credit index, the interest rate spread, and ISM new orders also making meaningful contributions.

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Canada

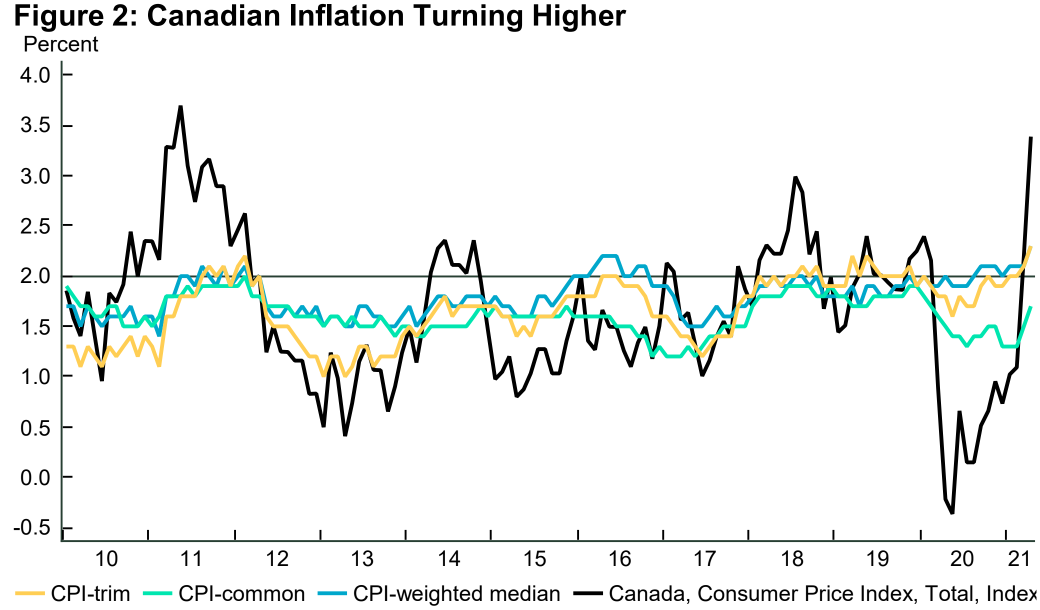
Housing market activity moderated in April, but this must be understood in the context of extremely elevated March levels. **Housing starts** declined 19.8% to 268,631 units (saar) in April following a record high in March. Declines were concentrated in the multi-family sector (down 22.8%) whereas single family starts retreated 9.5%. The overall trend-level of activity remains elevated with the six-month moving average of housing starts (of monthly seasonally adjusted annual rates) increased for the eleventh month running.

**Existing home sales** declined 12.5% in April, substantially more than anticipated. Part of that likely reflected lower inventory (listings declined 5.4% during the month) and part of that may have reflected Covid-related disruptions amid localized lockdowns. Base effects drove some rather extraordinary annual comparisons: sales rose 256% year-over-year and the average sale price (non-seasonally adjusted) surged 41.9% year-over-year gain.

Elevated prices are one reason behind slower sales. Indeed, just as in the United States, Canadian house prices are also soaring. The **11-City Teranet/Bank of Canada housing price index** rose 11.9% y/y in April, the biggest increase since August 2017 and not that far from historical records. Prices are up y/y in all 11 cities and have been so for the last three months, indicating strong market breadth. Momentum is also strong, with price gains accelerating in 10 out of the 11 cities in April. Halifax and Hamilton have experienced the most acute price appreciation over the past year, with prices up 26.8% y/y and 22.9% y/y, respectively. Calgary closes the rear with modest 2.9% y/y gains.

It is not just house prices that are rising. **Consumer price inflation** accelerated sharply to 3.4% y/y in April—the highest level since 2011—on broad gains across categories and favorable base comparisons. Measures of core inflation were higher too—the common components, weighted median and trimmed mean inflation accelerated 0.2 percentage points each to 1.7%, 2.3%, and 2.3% y/y, respectively.

**Figure 2: Canadian Inflation Turning Higher**




*Sources: SSGA Economics, StatCan*

After a bad December and a weak January, **retail sales** are now rebounding in earnest. Nominal retail sales rose a better than expected 3.6% in March. There were big gains in shoes and clothing sales, building materials and furniture, while food sales declined. Excluding gas, cars and car parts, sales rose an even better 4.7%. Real retail sales increased 3.2%, implying a solid print for monthly GDP. Nominal sales were 23.7% higher than a year earlier, while real sales rose 19.4% y/y.

UK

Reopening is driving a broad acceleration in economic activity, as evidenced by the preliminary readings on the May purchasing managers' indexes. The **manufacturing PMI index** surged 5.3 points to a record 66.1. All key components posted big gains, with new orders up 7.2 points to 69.1 and employment up 6.6 points to 61.1. Both price metrics (input and output) hit new records at 86.8 and 68.1, respectively.

The **services PMI** improved a modest 0.8 point but at 61.8 it is close to historical records. Incoming new business improved 1.5 point to 62.4 and employment improved 1.0 to 56.3, suggesting better labor market conditions ahead. As with manufacturing, both price metrics rose, with input prices up 2.5 points to 67.4 and output prices up 1.7 to a record 56.9.

**Retail sales** soared 9.2% in April as the economy reopened more fully. With the exception of food (down 0.9%), all other categories experienced massive gains, including a 69.5% surge in clothing sales! This is what it means for people to be able to go out once again! Due to extreme base effects, total sales jumped 42.4% y/y. The strong performance of sales in March and April imply a very strong quarter for private consumption and support our stronger than consensus view of UK growth this year.

Consumer sentiment is finally improving in a meaningful fashion. The **GFK consumer confidence index** jumped 6 points to -9 in May, reaching its highest level since March of 2020. Given elevated household savings and consumers' improving mood, it's no surprise to see retail sales tear higher.

The headlines are still soft, but it is clear that the UK labor market is improving. The official **unemployment rate** declined one tenth to 4.8% in the three months to March, but that was largely due to a one-tenth decline in the participation rate to 63.4%. The better parts of the report lay elsewhere, however, specifically in rising employment and vacancies. Employment increased by 84,000 in the three months to March, the first increase in any three-month period over the past year. Even so, overall employment remains over half a million below pre-Covid levels. The composition of employment has also shifted dramatically, with full-time employment up 342,000 compared with a year ago, and part-time employment down by over 850,000. Further employment gains are likely given rising vacancies. Indeed, vacancies increased by 36,000 in March—the most since September 2020. We would expect a surge in vacancies in coming months as the economy reopens fully and economic activity normalizes. Total wages (including bonuses) increased by 4.0% y/y in the three months to March; excluding bonuses, wages rose 4.6% y/y, the most since 2007.

Base effects are now starting to contribute to a meaningful pick-up in inflation. Headline **consumer prices inflation** accelerated 0.8 percentage points to 1.5% y/y in April. Core inflation accelerated two tenths to 1.3% y/y. Goods and services inflation is finally converging, with goods inflation accelerating 1.5 percentage points to 1.5% y/y; services inflation accelerated one tenth to 1.6% y/y. Energy is no longer a drag, with energy prices now up 7.5% y/y.

## Eurozone

As economies reopen, service activity is picking up strongly across the eurozone even as manufacturing continues to power ahead at full speed. Preliminary readings on the May purchasing managers' indexes were very encouraging. The ***eurozone*** **manufacturing index** was practically unchanged at an elevated 62.8, while the **service index** surged almost five points to 55.1. The ***German*** **service index** crossed into expansion territory, up 2.9 points to 52.8. Further gains seem likely in the months ahead as services activity normalizes further.

While not nearly as pronounced as in the United States or Canada, inflation is nonetheless picking up in the eurozone as well. The headline **consumer price inflation** rate accelerated three tenths to 1.6% y/y, the highest level since April 2019. Price gains are not yet very broad, however, as core inflation measure remain much softer. Indeed, the core inflation rate (excluding good, energy, alcohol, and tobacco) moderated two tenths to 0.7% y/y, while ECB's preferred measure of core inflation (excluding energy and unprocessed food) also moderated two tenths to 0.8% y/y. Still, as economies reopen and demand is unleashed more fully, we do expect to see inflationary pressures broaden in coming months.

## Japan

Economic performance was a bit weaker than expected in the first quarter, with **real GDP** contracting 1.3% q/q versus the 1.2% expected. But none of the underlying trends were in any way shocking. Private consumption shrunk 1.4% q/q and accounted for a little more than half the GDP contraction. Given the Covid backdrop and restrictions on movement, this was to be anticipated. Government spending detracted 0.4 percentage points (ppt) from growth, trade detracted 0.2, nonresidential fixed investment detracted another 0.2 and inventories contributed 0.3 ppt. What was notable was that both exports and imports increased during the quarter, signaling a sustained recovery in in the industrial sector and suggesting that the recent industrial sector improvement should continue.

**Industrial production** rose 1.7% in March, a little less than initially reported, but this nonetheless left production 3.4% higher than a year earlier—the first positive comparison since September 2019. As base effects become more powerful in coming months, expect to see some really impressive y/y gains.

According to the preliminary May reading for the **manufacturing PMI**, activity in the sector continues to expand, albeit at a slightly slower rate. The headline index eased 1.1 points to 52.5, with new orders down 3.0 points to 51.6, production down 1.2 to 53.1, but employment up 0.4 to 51.0. The input price metric accelerated 1.7 points to 62.1 but the output price metric eased incrementally to 51.3, implying some challenges for producers seeking to pass higher costs onto customers.

## Australia

The Australian economy continues to impress. According to preliminary estimates, **retail sales** increased 1.1% in April—double the expected rate—building on the solid March gains and leaving them 25.1% higher than a year earlier.

On the other hand, the labor market report was not quite as strong as the two-tenth decline in the unemployment rate (to a year-low of 5.5%) might suggest. Essentially, all that improvement was due to a decline in the participation rate from 66.3% to 66.0%, which helped neutralize a 30,600 decline in employment. In turn, the retreat in the overall participation rate reflected a 0.6 percentage point retreat in the female labor force participation rate from the March record high of 61.9%.

**Figure 3: Australian Unemployment Rate Close To Pre-covid Levels**

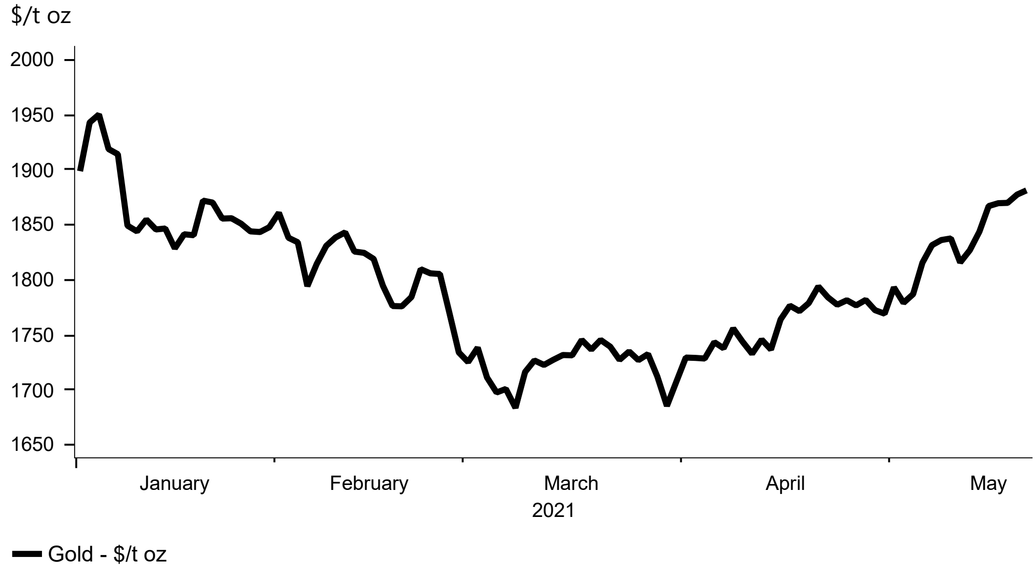

*Sources: SSGA Economics, ABS*

**Wage inflation** remains subdued for now, with the wage price index (excluding bonuses) at a modest 1.5% y/y in the first quarter, merely a tenth higher than in Q3 and Q4 of 2020. A sustained move higher in inflation will require stronger wage growth so the RBA is sure to watch this closely.

## The Market This Week

Gold has been getting a bid lately as the combination of rising inflation and still uber-dovish central banks lift interest in the asset as an inflation hedge.

**Figure 4: Gold Revival**




Sources: Macrobond,

**Equities:** Volatile trading week leaves equities little changed.

**Bonds:** Bond yields narrow incrementally.

**Currencies:** The pound makes further gains on strong UK data.

**Commodities:** Oil retreats and gold moves higher.

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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® | 4155.86 | -0.4% | 10.6% | 1.62 | -1 | 71 | 90.019 | -0.3% | 0.1% |
| Canada | TSE 300 | 19527.3 | 0.8% | 12.0% | 1.54 | -2 | 87 | 1.2066 | -0.3% | -5.2% |
| UK | FTSE® | 7018.05 | -0.4% | 8.6% | 0.83 | -3 | 63 | 1.4149 | 0.4% | 3.5% |
| Germany | DAX | 15437.51 | 0.1% | 12.5% | -0.13 | 0 | 44 | | | |
| France | CAC-40 | 6386.41 | 0.0% | 15.0% | 0.25 | -2 | 58 | 1.2179 | 0.3% | -0.3% |
| Italy | FTSE® MIB | 24975 | 0.8% | 12.3% | 1.03 | -4 | 49 | | | |
| Japan | Nikkei 225 | 28317.83 | 0.8% | 3.2% | 0.08 | -1 | 6 | 108.95 | -0.4% | 5.5% |
| Australia | ASX 200 | 7030.255 | 0.2% | 6.7% | 1.73 | -6 | 76 | 0.773 | -0.5% | 0.5% |

| Commodity Markets | | | | | | |
|---|---|---|---|---|---|---|
| **Commodity** | **Unit** | **Source** | **Last Price** | **%Ch Week** | **%Ch YTD** | **%ChYr Ago** |
| Oil (Brent) | US $/Barrel | Bloomberg | 66.34 | -3.5% | 29.6% | 89.2% |
| Gold | US $/troy oz | Bloomberg | 1880.74 | 2.0% | -0.9% | 8.9% |

Source: Bloomberg®

# Week in Review (May 17–May 21)

| Country | Release (Date, format) | Consensus | Actual | Last | Comments |
|---|---|---|---|---|---|
| **Monday, May 17** | | | | | |
| US | NAHB Housing Market Index (May) | 83 | 83 | 83 | Historically elevated. |
| US | Empire Manufacturing (May) | 22.6 | 24.3 | 26.3 | Price metrics hit new records. |
| CA | Housing Starts (Apr, thous) | 285.0 | 268.6 | 334.8(↓) | Moderating from unsustainable levels? |
| CA | Existing Home Sales (Apr, thous) | -2.8% | -12.5% | 5.2% | High prices are a headwind. |
| **Tuesday, May 18** | | | | | |
| US | Building Permits (Apr, thous) | 1770 | 1760 | 1755(↓) | Demand conditions are strong. |
| US | Housing Starts (Apr, thous) | 1704 | 1569 | 1733(↓) | Input and labor costs are a limitation. |
| UK | ILO Unemployment Rate (Mar) | 4.9% | 4.8% | 4.9% | Improvement should accelerate amid reopening. |
| UK | Average Weekly Earnings (Mar, 3m y/y) | 4.5% | 4.0% | 4.5% | Regular pay surged 4.6% y/y. |
| EC | GDP (Q1, prelim, q/q) | -0.6% | -0.6% | -0.6% | Confirms advanced estimate. |
| JN | GDP (Q1, prelim, q/q) | -1.2% | -1.3% | 2.8% | Weak start to the year. |
| JN | Tertiary Industry Index (Mar, m/m) | 0.9% | 1.1% | -0.3%(↓) | Momentum improving. |
| **Wednesday, May 19** | | | | | |
| US | FOMC Minutes | | | | Some think taper discussion should start soon. |
| CA | CPI (Apr, y/y) | 3.1% | 3.4% | 2.2% | Heating up! |
| CA | Teranet/National Bank HPI (Apr, y/y) | na | 11.9% | 10.8% | Heating up! |
| UK | CPI (Apr, y/y) | 1.4% | 1.5% | 0.7% | Ramp-up begins. |
| EC | CPI (Apr, final, y/y) | 1.6%(p) | 1.6% | 1.3% | Confirming preliminary estimate. |
| JN | Industrial Production (Mar, final, m/m) | na | 1.7% | 2.2% | Good. |
| AU | Wage Price Index (Q1, y/y) | 1.4% | 1.5% | 1.4% | Encouraging. |
| **Thursday, May 20** | | | | | |
| US | Initial Jobless claims (May 15, thous) | 460 | 444 | 478(↑) | Slow improvement. |
| US | Continuing claims (May 8, thous) | 3640 | 3751 | 3640(↓) | Surprisingly elevated given strong labor demand. |
| US | Leading Index (Apr, m/m) | 1.3% | 1.6% | 1.3% | Full steam ahead? |
| US | Philadelphia Fed Business Outlook (May) | 41.9 | 31.5 | 50.2 | Price metrics hit new records. |
| JN | Core Machine Orders (Mar, m/m) | 5.0% | 3.7% | -8.5% | We want to see more. |
| AU | Unemployment Rate (Apr) | 5.6% | 5.5% | 5.7%(↑) | Good! |
| **Friday, May 21** | | | | | |
| US | Existing Home Sales (Apr, m/m) | 1.2% | -2.7% | -3.7% | Inventory is low, prices are surging. |
| CA | Retail Sales (Mar, m/m) | 2.3% | 3.6% | 5.8%(↑) | Excellent! |
| UK | Manufacturing PMI (May, prelim) | 60.7 | 66.1 | 60.9 | Impressive! |
| UK | Services PMI (May, prelim) | 62.2 | 61.8 | 61.0 | Very good. |
| UK | GfK Consumer Confidence (May) | -12 | -9 | -15 | Finally, meaningful improvement! |
| UK | Retail Sales (Apr, m/m) | 4.5% | 9.2% | 5.1%(↓) | Excellent! |
| EC | Manufacturing PMI (May, prelim) | 62.5 | 62.8 | 62.9 | Maintaining momentum. |
| EC | Services PMI (May, prelim) | 52.5 | 55.1 | 50.5 | Excellent |
| GE | Manufacturing PMI (May, prelim) | 66.0 | 64.0 | 66.2 | Strong momentum. |
| GE | Services PMI (May, prelim) | 52.0 | 52.8 | 49.9 | Improving again, better news ahead. |
| FR | Manufacturing PMI (May, prelim) | 58.5 | 59.2 | 58.9 | Very good! |
| IT | Industrial Sales (Mar, m/m) | na | 1.6% | 0.2% | Improving. |
| JN | CPI (Apr, y/y) | -0.5% | -0.4% | -0.2% | Soft. |
| JN | Manufacturing PMI (May, prelim) | na | 52.5 | 53.6 | Still relatively muted in global context. |
| AU | Retail Sales (Apr, prelim, m/m) | 0.5% | 1.1% | 1.3% | Very good! |

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

## Week Preview (May 24–May 28)

| Country | Release (Date, format) | Consensus | Last | Comments |
|---|---|---|---|---|
| **Monday, May 24 – No major data releases** | | | | |
| **Tuesday, May 25** | | | | |
| US | FHFA Home Price Index (Mar, m/m) | 1.3% | 0.9% | Price surge is becoming quite extreme. |
| US | S&P CoreLogic 20-City Index (Mar, m/m) | 1.4% | 1.2% | Price surge is becoming quite extreme. |
| US | New Home Sales (Apr, thous) | 950 | 1021 | |
| US | Conf. Board Consumer Confidence (May) | 119.3 | 121.7 | |
| GE | GDP (Q1, final, q/q) | -1.7% | | |
| GE | IFO Business Climate (May) | 98.1 | 96.8 | Improving. |
| **Wednesday, May 26** | | | | |
| FR | Business Confidence (May) | 97 | 95 | |
| FR | Consumer Confidence (May) | 97 | 94 | |
| JN | PPI Services (Apr, y/y) | 0.9% | 0.7% | |
| **Thursday, May 27** | | | | |
| US | Initial Jobless claims (May 22, thous) | 425 | 444 | |
| US | Continuing claims (May 15, thous) | | 3751 | |
| US | GDP Annualized (Q1, saar) | 6.5% | | |
| US | Durable Goods Orders (Apr, prelim) | 0.8% | 0.8% | |
| US | Pending Home Sales (Apr, m/m) | 0.8% | 1.9% | Not much inventory to go around. |
| US | Kansas City Fed Manuf Index (May) | 28 | 31 | |
| GE | GfK Consumer Confidence (Jun) | -5.2 | -8.8 | Improving. |
| IT | Consumer Confidence Index (May) | 104.0 | 102.3 | |
| IT | Manufacturing Confidence (May) | 106.0 | 105.4 | |
| **Friday, May 28** | | | | |
| US | Personal Income (Apr, m/m) | -15.0% | 21.1% | Big swings driven by transfer payments. |
| US | Personal Spending (Apr, m/m) | 0.5% | 4.2% | Could be higher. |
| US | U of M Sentiment (May, final) | 83.0 | 82.8 | |
| UK | Nationwide House Price (May, m/m) | 1.0% | 2.1% | |
| FR | GDP (Q1, final, q/q) | 0.4% | 0.4% | |
| FR | CPI (May, prelim, m/m) | 1.4% | 1.2% | |
| FR | Consumer Spending (Apr, m/m) | -3.8% | -1.1% | |
| JN | Jobless Rate (Apr) | 2.7% | 2.6% | |

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

# Economic Indicators

**Central Bank Policy Targets**

| Region | Target | Year/Year % Change in Target | | | | |
|---|---|---|---|---|---|---|
| | | Dec | Jan | Feb | Mar | Apr |
| US | Target: PCE price index 2.0% y/y | 1.2 | 1.4 | 1.5 | 2.3 | |
| Canada | Target: CPI 2.0% y/y, 1.0%-3.0% control range | 0.7 | 1.0 | 1.1 | 2.2 | 3.4 |
| UK | Target: CPI 2.0% y/y | 0.6 | 0.7 | 0.4 | 0.7 | 1.5 |
| Eurozone | Target: CPI below but close to 2.0% y/y | -0.3 | 0.9 | 0.9 | 1.3 | 1.6 |
| Japan | Target: CPI 2.0% y/y | -1.2 | -0.6 | -0.4 | -0.2 | -0.4 |
| Australia | Target Range: CPI 2.0%-3.0% y/y | 0.9 | 1.1 | 1.1 | 1.1 | |

Source: Macrobond

**Key Interest Rates**

| | Jun-20 | Jul-20 | Aug-20 | Sep-20 | Oct-20 | Nov-20 | Dec-20 | Jan-21 | Feb-21 | Mar-21 | Apr-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 | 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 | 0.00 |
| Japan (OCR) | -0.07 | -0.02 | -0.06 | -0.06 | -0.03 | -0.03 | -0.03 | -0.01 | -0.02 | -0.04 | -0.02 |
| Australia (OCR) | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.11 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 |

Source: Macrobond

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

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | Forecast 2021 | Forecast 2022 |
|---|---|---|---|---|---|---|---|---|---|---|
| US | -3.0 | -2.6 | -2.6 | -3.7 | -4.3 | -5.4 | -6.1 | -11.7 | -12.9 | -6.8 |
| Canada | -1.5 | -0.6 | 0.0 | 0.1 | -0.3 | 0.0 | 0.3 | -7.8 | -6.7 | -4.2 |
| UK | -4.2 | -4.9 | -4.4 | -3.3 | -2.5 | -2.3 | -2.3 | 0.5 | -5.0 | -4.8 |
| Eurozone | -1.1 | -0.7 | -0.6 | -0.6 | -0.5 | -0.5 | -0.5 | -4.0 | -4.6 | -2.6 |
| Germany | 0.6 | 1.2 | 1.2 | 1.2 | 1.2 | 1.3 | 1.3 | -2.6 | -4.0 | -0.3 |
| France | -2.9 | -2.7 | -2.3 | -2.1 | -2.1 | -1.8 | -2.0 | -3.6 | -5.2 | -4.0 |
| Italy | -0.5 | -1.0 | -0.6 | -1.3 | -1.7 | -1.9 | -1.1 | -5.1 | -5.2 | -4.1 |
| Japan | -7.4 | -5.7 | -4.4 | -4.3 | -3.5 | -2.7 | -2.6 | -11.3 | -8.5 | -3.6 |
| Australia | -2.7 | -2.7 | -2.6 | -2.3 | -1.6 | -1.2 | -3.6 | -9.1 | -10.1 | -6.9 |

Source: International Monetary Fund, World Economic Outlook

**Headline Consumer and Producer Price Inflation**

| | CPI Year/Year % Change | | | | | | PPI Year/Year % Change | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dec | Jan | Feb | Mar | Apr | | Dec | Jan | Feb | Mar | Apr |
| US | 1.4 | 1.4 | 1.7 | 2.6 | 4.2 | | 0.8 | 1.7 | 2.8 | 4.2 | 6.2 |
| Canada | 0.7 | 1.0 | 1.1 | 2.2 | 3.4 | | 2.0 | 4.2 | 7.1 | 10.0 | |
| UK | 0.6 | 0.7 | 0.4 | 0.7 | 1.5 | | | | | | |
| Eurozone | -0.3 | 0.9 | 0.9 | 1.3 | 1.6 | | -1.1 | 0.4 | 1.5 | 4.3 | |
| Germany | -0.3 | 1.0 | 1.3 | 1.7 | 2.0 | | 0.2 | 0.9 | 1.9 | 3.7 | 5.2 |
| France | 0.0 | 0.6 | 0.6 | 1.1 | 1.2 | | -1.1 | 0.2 | 1.7 | 4.0 | |
| Italy | -0.2 | 0.4 | 0.6 | 0.8 | 1.1 | | -1.8 | -0.3 | 0.7 | 2.7 | |
| Japan | -1.2 | -0.6 | -0.4 | -0.2 | -0.4 | | -2.0 | -1.5 | -0.6 | 1.2 | 3.6 |
| Australia | 0.9 | 1.1 | 1.1 | 1.1 | | | -0.1 | 0.2 | 0.2 | 0.2 | |

Source: Macrobond

# Economic Indicators

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

| | Quarter/Quarter % Change | | | | | | Year/Year % Change | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Q1-20 | Q2-20 | Q3-20 | Q4-20 | Q1-21 | | Q1-20 | Q2-20 | Q3-20 | Q4-20 | Q1-21 |
| US | -1.3 | -9.0 | 7.5 | 1.1 | 1.6 | | 0.3 | -9.0 | -2.8 | -2.4 | 0.4 |
| Canada | -1.9 | -11.4 | 8.9 | 2.3 | | | -0.3 | -12.7 | -5.3 | -3.2 | |
| UK | -2.8 | -19.5 | 16.9 | 1.3 | -1.5 | | -2.2 | -21.4 | -8.5 | -7.3 | -6.1 |
| Eurozone | -3.8 | -11.6 | 12.5 | -0.7 | -0.6 | | -3.3 | -14.6 | -4.1 | -4.9 | -1.8 |
| Germany | -2.0 | -9.7 | 8.7 | 0.5 | -1.7 | | -2.2 | -11.2 | -3.8 | -3.3 | -3.0 |
| France | -5.8 | -13.6 | 18.5 | -1.4 | 0.4 | | -5.5 | -18.6 | -3.7 | -4.8 | 1.5 |
| Italy | -5.6 | -12.9 | 15.8 | -1.8 | -0.4 | | -5.8 | -18.1 | -5.2 | -6.6 | -1.4 |
| Japan | -0.5 | -8.1 | 5.3 | 2.8 | -1.3 | | -2.2 | -10.2 | -5.5 | -1.0 | -1.8 |
| Australia | -0.3 | -7.0 | 3.4 | 3.1 | | | 1.4 | -6.3 | -3.7 | -1.1 | |

Source: Macrobond

**Industrial Production Index (M/M Seasonally Adjusted)**

| | Month/Month % Change | | | | | | Year/Year % Change | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dec | Jan | Feb | Mar | Apr | | Dec | Jan | Feb | Mar | Apr |
| US | 1.1 | 0.9 | -3.5 | 2.4 | 0.7 | | -3.4 | -2.1 | -5.7 | 1.0 | 16.5 |
| Canada | 1.2 | 1.8 | -1.6 | | | | -3.1 | -1.5 | -3.7 | | |
| UK | 0.0 | -1.9 | 1.1 | 1.7 | | | -2.3 | -4.4 | -3.5 | 3.6 | |
| Germany | 2.1 | -2.2 | -1.9 | 2.5 | | | 1.1 | -3.9 | -6.7 | 4.9 | |
| France | -0.6 | 3.3 | -4.8 | 0.8 | | | -3.1 | 0.0 | -6.6 | 13.7 | |
| Italy | 0.1 | 1.2 | 0.1 | -0.1 | | | -1.2 | -2.5 | -1.1 | 37.4 | |
| Japan | -0.2 | 3.1 | -1.3 | 1.7 | | | -4.0 | -2.2 | -3.1 | 1.0 | |

Source: Macrobond

**Unemployment Rate (Seasonally Adjusted)**

| | Jun-20 | Jul-20 | Aug-20 | Sep-20 | Oct-20 | Nov-20 | Dec-20 | Jan-21 | Feb-21 | Mar-21 | Apr-21 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| US | 11.1 | 10.2 | 8.4 | 7.8 | 6.9 | 6.7 | 6.7 | 6.3 | 6.2 | 6.0 | 6.1 |
| Canada | 12.5 | 10.9 | 10.2 | 9.2 | 9.0 | 8.6 | 8.8 | 9.4 | 8.2 | 7.5 | 8.1 |
| UK | 4.3 | 4.5 | 4.8 | 4.9 | 5.0 | 5.1 | 5.0 | 4.9 | 4.8 | | |
| Eurozone | 8.0 | 8.5 | 8.7 | 8.7 | 8.5 | 8.3 | 8.2 | 8.2 | 8.2 | 8.1 | |
| Germany | 6.4 | 6.4 | 6.3 | 6.3 | 6.2 | 6.1 | 6.1 | 6.0 | 6.0 | 6.0 | 6.0 |
| France | 7.3 | 8.8 | 9.3 | 9.3 | 8.5 | 8.1 | 7.8 | 7.9 | 8.0 | 7.9 | |
| Italy | 9.3 | 9.9 | 9.9 | 9.9 | 10.0 | 9.6 | 9.8 | 10.3 | 10.2 | 10.1 | |
| Japan | 2.8 | 2.9 | 3.0 | 3.0 | 3.1 | 3.0 | 3.0 | 2.9 | 2.9 | 2.6 | |
| Australia | 7.4 | 7.4 | 6.8 | 6.9 | 6.9 | 6.8 | 6.6 | 6.4 | 5.9 | 5.7 | 5.5 |

Source: Macrobond

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

| | Q3-18 | Q4-18 | Q1-19 | Q2-19 | Q3-19 | Q4-19 | Q1-20 | Q2-20 | Q3-20 | Q4-20 | Q1-21 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| US | -2.4 | -2.5 | -2.4 | -2.4 | -2.3 | -1.9 | -2.1 | -3.3 | -3.4 | -3.5 | |
| Canada | -1.6 | -2.8 | -3.0 | -1.7 | -2.0 | -1.6 | -2.9 | -1.7 | -1.9 | -1.3 | |
| UK | -3.3 | -4.7 | -6.3 | -3.2 | -3.2 | 0.3 | -3.5 | -3.0 | -2.6 | -4.8 | |
| Eurozone | 3.0 | 2.4 | 3.4 | 1.5 | 2.8 | 2.5 | 2.0 | 1.2 | 2.5 | 3.4 | 3.0 |
| Germany | 7.4 | 7.1 | 8.0 | 7.4 | 7.8 | 7.4 | 6.9 | 5.1 | 7.4 | 7.7 | 8.0 |
| France | -0.3 | -0.6 | -0.2 | -0.4 | -1.1 | -0.8 | -1.5 | -4.2 | -1.9 | -0.4 | -1.2 |
| 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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