Weekly Economic Perspectives

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Weekly Highlights

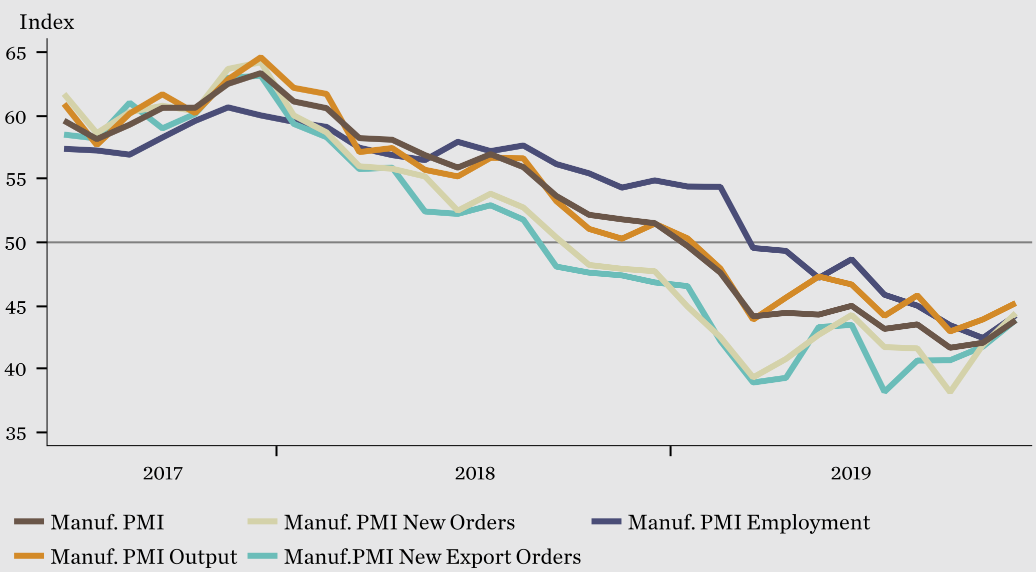
- **Economies:** US housing indicators point to notable activity rebound. Canada's inflation is firmly rooted near target. Manufacturing and services contract in the UK. Manufacturing contracts in the eurozone but services continue to grow. The VAT tax hike seems to have little impact on Japanese inflation. November was a "live" meeting for the RBA even though it held rates. (pages 2 – 6)
- **Markets:** A bit of a risk-off week following robust stock market gains recently. Equities retreat broadly and bond yield come in more as macro uncertainties persist. The dollar makes modest, but broad, gains. Commodities end little changed despite considerable intra-week volatility. (page 7)

Upcoming Highlights

- **Spotlight:** Personal income and spending should rise modestly in the US. German unemployment rate seem steady, but there is a risk of disappointment. Retail sales likely plunged in Japan following VAT tax hike. (page 9)

Tables

Figure 1: Is This The Bottom For German Manufacturing PMIs?



Sources: IHS Markit

Week in Review

US

We took the **minutes** from the October 29-30 Fed meeting—when the Fed lowered the Fed Funds rate by another 25 basis points to 1.25-1.75%—to have further underlined the "pause" message that has since transpired from the subsequent press conference and various Committee members' communications. Because assessments of the economy "changed little since the September meeting", and because participants "generally viewed the economic outlook as positive", while "many" of them judged further easing to be appropriate at the October meeting, those same participants also noted that "the economy had proven resilient". For "a couple" of those who supported the cut, the decision was apparently "a close call relative to the option of leaving the federal funds rate unchanged". And then, of course, there were the two official (and continued) dissents against the cut, from Esther George and Eric Rosengren. It is no surprise then, given these dynamics, that we have since repeatedly been told that it would require a take a "material reassessment" of the outlook for the Fed to move again...

There was an interesting discussion on negative interest rates as part of the ongoing policy framework discussion. Specifically, "all participants judged that negative interest rates currently did not appear to be an attractive monetary policy tool in the United States" since "the evidence on the beneficial effects of negative interest rates abroad was mixed". Because of the different nature of the US financial system (far more market based and less bank-based financing) "negative interest rates could have more negative adverse effects on market functioning and stability here than abroad". Still, "participants did not rule out" the possibility that future circumstances may lead them to reassess "the potential role of negative interest rates as a policy tool." So...maybe not the next downturn but the one after that?...

In contrast to last month, the details of the November **Philly Fed manufacturing survey** were much weaker than what the 4.8-point jump in the headline would suggest. New orders collapsed 17.8 points to an eight-month low. Employment, which surged 17.1 points to a new record in October, gave back about two thirds of that improvement, although it remains at elevated levels and in fact still the third-best print of 2019. Shipments fell to the lowest level since February and backlogs turned sharply lower after they hit an eighteen-month high the month before. The violence of the moves and the persistent discrepancies between the details and the headline make us suspect some distortions, possibly related to the GM strike but the situation bears close watching given manufacturing sector vulnerabilities and persistent trade-related risks.

Homebuilder sentiment has been healing following the acute deterioration episode late last year, and is currently close to the 2017-2018 highs. Admittedly, the National Association of Homebuilders' (NAHB) index retreated 1.0 point to 70 in November, but the details were pretty good. Prospective buyer traffic retreated one point and current sales slid two, but expected sales rose one to settle just three points short of the early-2018 post-crisis high. Geographically, conditions improved during the month in the West, Northeast and the Midwest, while softening in the South.

Improving sentiment has clearly re-energized construction activity. **Housing starts** rose 3.8% in October to 1,314,000 (annualized), which is the second highest level so far this year and 8.5% higher than in October 2018. Single-family starts continued to advance and rose to the fourth highest level of the post-crisis period. Multi-family starts, which had undergone an episode of acute volatility in the prior two months, also rebounded nicely.

The rebound in **building permits**—a leading indicator of starts—has been even more impressive. Permits jumped 5.0% in October, the third big increase in the last four months, reaching a post-recession high of 1,461,000 (annualized). Single-family permits touched a new cycle high while multi-family permits also picked up noticeably. This is a hopeful sign for residential construction activity, which during the third quarter made its first positive contribution to GDP in over one and a half years.

Existing home sales, which dipped in September, rebounded 1.9% in October and were 4.6% higher than a year earlier, the best such comparison since early 2017. Lower mortgage rates are definitely helping! They seem to also drive a reacceleration in selling prices as interest savings allow buyers to pay a bit more. Indeed, the median selling price jumped 6.2% y/y, the most since June 2017. Supply remains a binding constraint, though, as the number of homes available for sale declined 2.8%, reducing the inventory ratio to 3.9 months' worth of sales, the least since March. Properties are taking a bit longer to sell (though not when assessed from a longer term, historical perspective) as homes stayed on the market an average of 36 days (4 more than in September and 10 more than in May).

While still at very low levels historically, **unemployment claims** have ticked up a little in the last couple of weeks. Initial unemployment claims—a measure of job shedding—were unchanged at 227,000 in the week ending November 16, the first two consecutive readings above 220,000 since June. As a result, the four-week moving average rose 4,000 to 221,000, the highest since June. Continuing claims—a measure of unemployment—increased by 2,000 on top of a 9,000 upward revision to the prior week's estimate. Continuing claims are now the highest since August. Claims data will be critical to monitor in coming months as much of our "glass half full" assessment of the economy rests of continued labor market resilience. But it is too soon to sound the alarm since the recent deterioration has been fairly minimal.

The **University of Michigan consumer confidence index** had plunged in August but has since retraced most of that loss. The index rose 1.3 points in November, according to final estimates, 1.1 points better that initially reported. The details were softer, though, as the current situation retreated 1.6 points, while expectations rose 3.1 points to a four-month high. Short-term inflation expectations were steady at 2.5%; long term expectations rose two tenths to 2.5%.

The **index of leading economic indicators** trended sharply higher from late 2016 to mid-2018, subsequently flat-lined, and is now turning lower. Indeed, it has now declined for three consecutive months, down another 0.1% in October. The details were mixed as "real economy" components such as ISM new orders and building permits made both positive and negative contributions. Financial-type indicators such as credit and stock prices were incrementally positive.

Canada

Headline **consumer price inflation** was unchanged at 1.9% y/y in October, as anticipated, but a little above Bank of Canada's expectation. Gasoline prices slumped 6.7%, following a 10.0% fall in September. This was offset by rising prices for natural gas (+3.3%) and a 7.9% jump in fresh fruit prices. After growing above 2.5% for eight months, prices for passenger vehicles moderated to 1.8%. Measures of core inflation were little changed—with the weighted median up one tenth to 2.2%, trimmed mean unchanged at 2.1%, and the common component at 1.9%. Prices increased 0.3% in October, following a 0.1% decline in September. The Bank of Canada expects falling commodity prices to pull headline inflation down to 1.6% y/y in the fourth quarter, but we do not anticipate such a sharp pullback. Such moderation is only expected be temporary, anyways, with inflation firmly rooted near the target.

Nominal **manufacturing sales** has been pretty volatile of late, with September sales falling 0.2% to C$57.4 billion, the fifth monthly contraction this year. Real sales also decreased by 0.7%, reflecting lower volumes of goods sold. The maintenance-related partial shutdowns at major refineries hit petroleum and coal sales hard, as the volume of sales for this sector declined 2.4%. Consequently nominal sales were down 1.9%, despite prices rising 0.3%. Sales of motor vehicle parts also fell 4.3%, possibly a repercussion of the GM strike in US. These decreases were offset by rising sales for machinery (+5.5%) and motor vehicles (+2.9%). Inventories fell 0.8% following two months of declines, lowering the inventory to sales ratio to 1.53 from 1.54 in August. New orders fell 2.7%, reflecting lower orders in aerospace industry. The capacity utilization rate edged down 0.5 percentage points to 79.2%.

It seems the underlying downtrend in Canadian house prices has recently given way to a gentle uptrend. Admittedly, the 11-City **Teranet house price index** dipped 0.1% in October, which is typically a slow month. Again, the downtick was because of seasonal adjustments, and non-seasonally adjusted prices show clear signs of revival. Prices rose for the first time in 15 months in Vancouver (+0.2%), but large declines in Edmonton (−1.0%), Winnipeg (−0.4%) and Toronto (−0.2%) weighed down the composite index. Prices were 1.0% y/y higher from a year earlier.

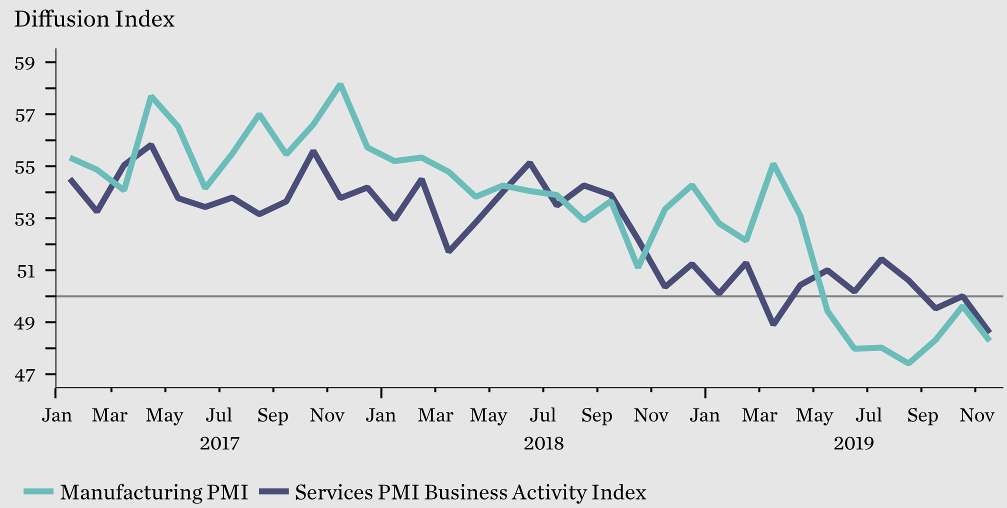
Retail sales edged down 0.1% to C$51.6 billion in September, the first decline in three months as the previous month's fall was revised up to + 0.1%. The fall was almost exclusively due to lower sales of motor vehicles and gasoline, as sales increased 0.7% excluding these two sectors. Motor vehicle sales fell by 1.0%, led by drop in new car sales, while sales at gasoline stations were down by 2.3%. Real sales also declined 0.1% over the month, but were up 0.5% in Q3.

UK

Data provider IHS Markit started releasing preliminary estimates for UK purchasing managers' indexes this month. Sadly, the data was utterly dismal, with the **manufacturing PMI** down 1.3 points to 48.3 and the services PMI down 1.5 to 48.6. Unsurprisingly given the magnitude of the moves, most details were weak. On the manufacturing side, we were struck by the 5.8-point plunge in new export orders (to 45.8), which wiped out most of the improvement since in the prior two months. Employment continued to contract, down another 1.0 point to the lowest since September 2012. Output declined 1.4 points to 48.3, marking the sixth consecutive month of contraction.

The news wasn't any better in services, as the services PMI fell 1.4 points to 48.6, the lowest since July 2016, right after the Brexit referendum. While employment declines moderated, the improvement looks suspect in light of the 1.7-point drop in incoming new business (to 47.3). Without a turnaround in the latter, it will be quite difficult to about deeper employment cuts. All in all, these were rather downbeat signals for fourth-quarter economic growth.

Figure 2: Bad Omens For UK Q4 Growth



Sources: IHS Markit

Eurozone

*Eurozon*e **manufacturing** continues to contract but there are growing signs that it may be bottoming. According to preliminary estimates, the manufacturing purchasing managers' index improved 0.6 point to 46.6. It is hard to describe the details as encouraging since pretty much everything is still contracting, but at least most categories saw a moderation in the pace of declines. For instance, output reached a three-month high, new orders and new export orders touched five-month highs, and employment reached a four-month high. What is really needed though, is for all of these to cross back into expansion territory. Both Germany and France contributed to the improvement, with the German index up 1.7 points to 43.8 and the French index up 0.9 to 51.6.

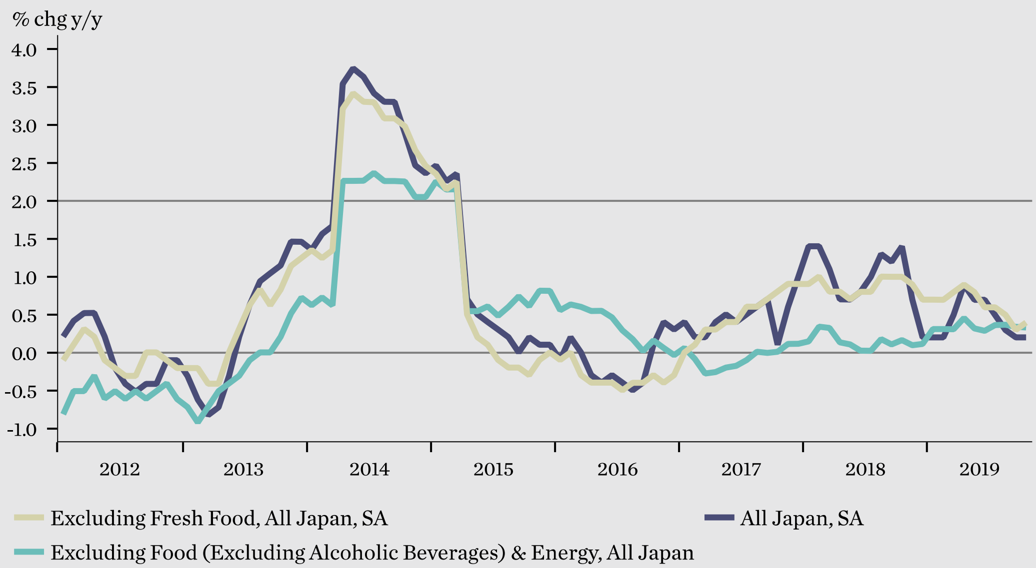
Service activity has held up much better than manufacturing but it is hardly buoyant. In fact, it deteriorated in November, down 0.7 point to 51.5, according to preliminary estimates. Luckily, unlike in the manufacturing sector, employment in services continues to expand, with the employment metric little changed at 52.5. Activity was unchanged in France (52.9) and marginally softer in Germany (down 0.3 to 51.3).

Italian industrial activity has been persistently weak this year and despite some tentative recent improvements, there has been no convincing turnaround yet. Admittedly, **industrial sales** increased 0.2% in September while **orders** increased 1.0% for a second consecutive decent bound. But sales are still 1.6% lower than a year ago, while orders are barely up 0.3% y/y so there is a long way still to genuine improvements. The

Japan

Headline inflation showed promise in the gentle uptrend starting mid-2016, but has relapsed since October 2018. Headline **consumer prices** (CPI) was again unchanged (seasonally adjusted) in October, having stayed on this flat trajectory throughout the year. The main detractors were education services, which slumped 8.4%, and miscellaneous items, which fell 3.1%. Fresh food prices also contracted by 1.6%. The only increase of note was for household goods, which rose 2.5%, likely a consequence of the hike in sales tax. National core prices (which exclude fresh food products) rose by 0.2%, as did the new BoJ index (which excludes fresh food and energy). Headline inflation rose just 0.2% y/y for the second consecutive month, lowest in seven months. National core inflation increased one tenth to 0.4% y/y, while excluding fresh food and energy, inflation edged up 0.2 percentage points to 0.7% y/y. The tax hike seems to have very little impact on prices, which means the impact on private spending will also be less pronounced.

Figure 3. Japan's Inflation Refuses To Budge



Sources: Japanese Statistics Bureau

Manufacturing activity staged a little comeback in November, but not enough to mark an inflection point. The preliminary **purchasing managers' index for manufacturing** ticked up two tenths to 48.6 in November, still the second lowest since June 2016. Notwithstanding the effect of the VAT hike this month and natural calamities which added to the external headwinds, the sector has been reeling under pressure from weak global demand and trade related uncertainties. Output and new orders are still in decline.

Services resumed growing in November as the flash **purchasing managers' index for services** ticked up 0.7 points to 50.4. Services have been doing the heavy lifting of late, but it might not be enough to offset manufacturing weakness. The press release from HIS Markit noted that "we can now deduce from the November PMI data that there is a strong possibility of Japan's economy contracting in the fourth quarter."

Australia

According to minutes from the **Reserve Bank of Australia's** (RBA) November 5th meeting, external conditions had been largely unchanged since the prior meeting, with some tentative progress on trade talks noted. There were however, several observations of note on the domestic economy. The most important one was the acknowledgement of weak third quarter retail sales, which led to the focus being firmly back on the "considerable uncertainty around the outlook for consumption growth".

"Retail sales volumes had declined in the September quarter, which suggested that consumption growth was likely to have remained subdued in recent months despite the tax offset payments and the reductions in interest rates. Although some liaison contacts had reported a modest pick-up in sales growth, they had found it difficult to attribute this to a specific cause given other factors at play, such as the pass-through of the exchange rate depreciation. Consumer sentiment had fallen to below-average levels over recent months."

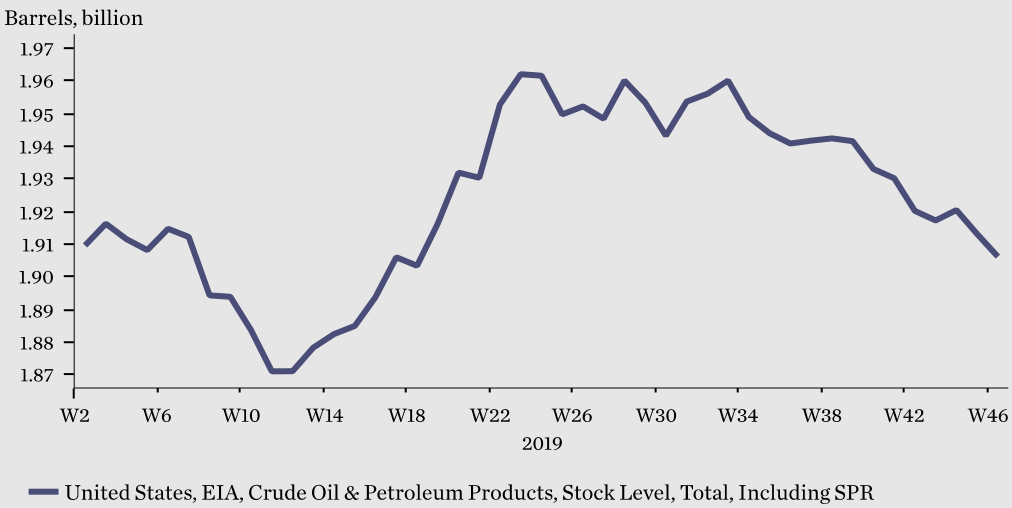
Housing market conditions have continued to improve, but residential construction has been lackluster. The Board noted that "in the near term, the risks to growth from dwelling investment were tilted to the downside". As to the labor market, "leading indicators suggested that labor demand would be around average over the following six months". The discussion around inflation expectations was a bit more detailed, as members noted the possibility of wages rising faster than expected if "output growth erodes spare capacity more quickly".

Interestingly, the Board "agreed that a case could be made to ease monetary policy at this meeting", indicating that November was very much a 'live' meeting, and chances are December will be the same. But given "long and variable lags" in transmission, the RBA appeared content to wait and watch the impact of stimulus delivered so far. This suggests that status quo should be maintained in the December meeting, while the Board is "prepared to ease monetary policy further if needed to support sustainable growth in the economy", likely to come in early 2020.

Financial Markets Review

Oil prices have been under pressure from softening global demand this year, having failed to sustainably rally even after the major attacks on Saudi production. Rising inventories had also been a headwind, with US inventories trending higher through the middle of the year and only recently retreating. But if the recent downtrend is sustained, it could be oil-price positive.

Figure 4: US Oil Inventories Ease



Sources: Energy Information Administration (EIA)

Equities: Stocks digest recent gains and retreat slightly on a bit of risk-off sentiment around trade talks.

Bonds: Bond yields narrow further as macro uncertainties persist.

Currencies: The dollar recoups some recent losses on broad but modest gains.

Commodities: Commodities are little changed at week-end despite considerable intra-week moves.

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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®	3109.33	-0.4%	24.0%	1.77	-6	-91	98.255	0.3%	2.2%
Canada	TSE 300	16967.67	-0.4%	18.5%	1.48	-1	-49	1.3296	0.6%	-2.5%
UK	FTSE®	7326.81	0.3%	8.9%	0.71	-2	-57	1.2834	-0.5%	0.6%
Germany	DAX	13163.88	-0.6%	24.7%	-0.36	-3	-60			
France	CAC-40	5893.13	-0.8%	24.6%	-0.04	-2	-75	1.1017	-0.3%	-3.9%
Italy	FTSE® MIB	23259.8	-1.4%	26.9%	1.18	-5	-156			
Japan	Nikkei 225	23112.88	-0.8%	15.5%	-0.07	-1	-8	108.64	-0.1%	-1.0%
Australia	ASX 200	6709.777	-1.2%	18.8%	1.10	-6	-122	0.6782	-0.5%	-3.8%

Commodity Markets

Commodity	Unit	Source	Last Price	%Ch Week	%Ch YTD	%Ch Yr Ago
Oil (Brent)	US $/Barrel	Bloomberg	63.02	-1.4%	18.5%	1.8%
Gold	US $/troy oz	Bloomberg	1462.8	-0.4%	14.1%	19.1%

Source: Bloomberg®

Week in Review: Data Releases and Major Events (November 18–November 22)

Country	Release (Date, format)	Consensus	Actual	Last	Comments
Monday, November 18					
US	NAHB Housing Market Index (Nov)	71	**70**	71	Decent details.
Tuesday, November 19					
US	Building Permits (Oct, thous)	1387	**1461**	1391(↑r)	New cycle high, bodes well for construction.
US	Housing Starts (Oct, thous)	1320	**1314**	1266(↑r)	Improving trend.
CA	Manufacturing Sales (Sep, m/m)	-0.5%	**-0.2%**	0.8%	Down, but mostly due to transient factors.
CA	Teranet/National Bank HPI (Oct, y/y)	na	**1.0%**	0.7%	Prices have strengthened recently.
IT	Industrial Orders (Sep, m/m)	na	**1.0%**	0.8%(↓r)	Still quite weak, up just 0.3% y/y.
AU	RBA Meeting Minutes				Wait and watch.
Wednesday, November 20					
US	FOMC Meeting Minutes				On pause now.
CA	CPI (Oct, y/y)	1.9%	**1.9%**	1.9%	Firmly rooted near target.
JN	Trade Balance Adjusted (Oct, ¥ bil.)	248.1	**-34.7**	-64.3(↑r)	Exports drop for the 11th month.
Thursday, November 21					
US	Initial Jobless claims (Nov 16, thous)	218	**227**	227(↑r)	Modestly higher.
US	Leading Index (Oct)	-0.1%	**-0.1%**	-0.2%(↓r)	Seems to be turning lower.
US	Existing Home Sales (Oct, m/m)	2.1%	**1.9%**	-2.5%(↓r)	Up 4.6% y/y, median price up 6.2% y/y.
US	Philadelphia Fed Business Outlook (Nov)	6	**10.4**	5.6	Much weaker details!
FR	Business Confidence (Nov)	105	**105**	105	Steady.
JN	All Industry Activity Index (Sep, m/m)	1.5%	**1.5%**	0.0%	Largely driven by manufacturing.
Friday, October 22					
US	U of M Cons. Sentiment (Nov, final)	95.7(p)	**96.8**	95.5	On improved expectations.
CA	Retail Sales (Sep, m/m)	na	**-0.1%**	0.1%(↑r)	Car and gas sales lower.
UK	Manufacturing PMI (Nov, prelim)	48.5	**48.3**	49.6	Bad omen for Q4 GDP.
UK	Services PMI (Nov, prelim)	50.0	**48.6**	50.0	Bad omen for G4 GDP.
EC	Manufacturing PMI (Nov, prelim)	46.4	**46.6**	45.9	Still very weak but improving.
EC	Services PMI (Nov, prelim)	52.4	**51.5**	52.2	Weak and not yet turning higher.
GE	GDP (Q3, final, q/q)	0.1%(p)	**0.1%**	-0.2%(↓r)	Big drag from inventories.
GE	Manufacturing PMI (Nov, prelim)	42.8	**43.8**	42.1	Still quite horrid, but at least improving.
GE	Services PMI (Nov, prelim)	52	**51.3**	51.6	But this is going the wrong way...
FR	Manufacturing PMI (Nov, prelim)	50.9	**51.6**	50.7	Long way to go, but encouraging!
JN	CPI (Oct, y/y)	0.3%	**0.2%**	0.2%	Effect of tax hike appears muted.
JN	Manufacturing PMI (Nov, prelim)	na	**48.6**	48.4	Still under pressure.
JN	Services PMI (Nov, prelim)	na	**50.4**	50.3	Moved back above neutral.

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

Week in Preview: Releases and Major Events (November 25–November 29)

Country	Release (Date, format)	Consensus	Last	Comments
Monday, November 25				
GE	IFO Business Climate (Nov)	95.0	94.6	
Tuesday, November 26				
US	FHFA House Price Index (Sep, m/m)	0.5%	0.2%	Lower mortgage rates seem to be pushing up prices.
US	S&P CoreLogic 20-City Index (Sep, m/m)	0.4%	-0.2%	
US	New Home Sales (Oct, thous)	708	701	Aided by lower mortgage rates.
US	Consumer Confidence (Nov)	127.0	125.9	Supported by income growth.
GE	GfK Consumer Confidence (Dec)	9.7	9.6	
JN	PPI Services (Oct, y/y)	1.8%	0.5%	
Wednesday, November 27				
US	Fed Beige Book Report			
US	Initial Jobless claims (Nov 23, thous)	220	227	
US	GDP (Q3, second, q/q saar)	1.9%(p)	2.0%	
US	Durable Goods Orders (Oct, prelim, m/m)	-0.5%	-1.2%	Persistent drag.
US	Personal Income (Oct, m/m)	0.3%	0.3%	Critical for sustaining spending.
US	Personal Spending (Oct, m/m)	0.3%	0.2%	Critical to sustaining GDP growth.
US	Pending Home Sales (Oct, m/m)	0.2%	1.5%	
FR	Consumer Confidence (Nov)	104	104	
IT	Consumer Confidence (Nov)	111.5	111.7	
Thursday, November 28				
GE	Retail Sales (Oct, m/m)	0.2%	0.0%(↓r)	Important for this to hold up.
GE	CPI (Nov, prelim, y/y)	1.3%	1.1%	
IT	PPI (Oct, y/y)	na	-2.4%	
JN	Retail Sales (Oct, m/m)	-10.4%	7.2%(↑r)	VAT tax impact.
AU	Private Capital Expenditure (Q3, q/q)	0.0%	-0.5%	
Friday, November 29				
CA	GDP (Q3, q/q saar)	na	3.7%	
UK	GfK Consumer Confidence (Nov)	-14	-14	May be worse!
UK	Nationwide House Prices (Nov, m/m)	na	0.2%	
UK	Mortgage Approvals (Oct, thous)	na	65.9	
GE	Unemployment Rate (Nov)	5.0%	5.0%	May soon start to move higher unless growth improves.
FR	GDP (Q3, final, q/q)	0.3%(p)	0.3%	
FR	CPI (Nov, prelim, y/y)	na	0.8%	
FR	Consumer Spending (Oct, m/m)	na	-0.4%	
IT	GDP (Q3, final, q/q)	0.1%(p)	0.1%	
IT	Unemployment Rate (Oct, prelim)	9.8%	9.9%	
IT	CPI (Nov, prelim, y/y)	na	0.2%(↓r)	
JN	Unemployment Rate (Oct)	2.4%	2.4%	Labor market is tight!
JN	Industrial Production (Oct, prelim, m/m)	-2.0%	1.7%	
JN	Consumer Confidence (Nov)	37	36.2	Weak! Lowest since 2011!
AU	Private Sector Credit (Oct, m/m)	0.3%	0.2%	

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

Economic Indicators

Central Bank Policy Targets

		Year/Year % Change in Target				
		Jun	Jul	Aug	Sep	Oct
US	Target: PCE price index 2.0% y/y	1.4	1.4	1.4	1.3	
Canada	Target: CPI 2.0% y/y, 1.0%-3.0% control range	2.0	2.0	1.9	1.9	1.9
UK	Target: CPI 2.0% y/y	2.0	2.1	1.7	1.7	1.5
Eurozone	Target: CPI below but close to 2.0% y/y	1.3	1.0	1.0	0.8	0.7
Japan	Target: CPI 2.0% y/y	0.7	0.5	0.3	0.2	0.2
Australia	Target Range: CPI 2.0%-3.0% y/y	1.6	1.7	1.7	1.7	

Source: Macrobond

Key Interest Rates

	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19
US (top of target range)	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.25	2.00	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	-0.06	-0.05	-0.06	-0.07	-0.06	-0.08	-0.07	-0.06	-0.06	-0.03
Australia (OCR)	1.50	1.50	1.50	1.50	1.50	1.50	1.28	1.02	1.00	1.00	0.76

Source: Macrobond

General Government Structural Balance as a % of Potential GDP

									Forecast	
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
US	-9.6	-8.2	-6.4	-4.5	-3.8	-3.6	-4.4	-4.8	-6.0	-6.3
Canada	-3.8	-3.1	-2.1	-1.1	0.1	0.8	0.7	0.0	-0.2	-0.5
UK	-7.2	-5.9	-6.0	-4.0	-4.7	-4.1	-2.9	-2.0	-1.5	-1.3
Eurozone	-4.8	-3.9	-2.1	-1.2	-0.9	-0.8	-0.7	-0.7	-0.6	-0.7
Germany	-2.7	-1.4	0.0	0.6	1.2	1.2	1.3	1.1	1.4	0.9
France	-5.9	-5.0	-4.4	-3.4	-3.3	-3.0	-2.8	-2.6	-2.5	-2.4
Italy	-3.7	-4.1	-1.5	-0.6	-1.1	-0.7	-1.4	-1.7	-1.8	-1.5
Japan	-8.0	-8.0	-7.6	-7.5	-5.5	-4.3	-4.1	-3.4	-3.1	-2.9
Australia	-5.0	-4.3	-3.3	-2.6	-2.6	-2.4	-2.2	-1.5	-0.6	-0.4

Source: International Monetary Fund, World Economic Outlook

Headline Consumer and Producer Price Inflation

	CPI Year/Year % Change					PPI Year/Year % Change				
	Jun	Jul	Aug	Sep	Oct	Jun	Jul	Aug	Sep	Oct
US	1.6	1.8	1.7	1.7	1.8	1.6	1.7	1.8	1.4	1.1
Canada	2.0	2.0	1.9	1.9	1.9	-1.7	-1.7	-1.0	-1.3	
UK	2.0	2.1	1.7	1.7	1.5	1.6	1.9	1.7	1.2	0.8
Eurozone	1.3	1.0	1.0	0.8	0.7	0.7	0.1	-0.8	-1.2	
Germany	1.6	1.7	1.4	1.2	1.1	1.2	1.1	0.3	-0.1	-0.6
France	1.2	1.1	1.0	0.9	0.8	-0.1	-0.2	-0.6	-0.7	
Italy	0.7	0.4	0.4	0.3	0.2	0.9	-0.7	-1.4	-1.7	
Japan	0.7	0.5	0.3	0.2	0.2	-0.2	-0.6	-0.9	-1.1	-0.4
Australia	1.6	1.7	1.7	1.7		2.0	1.6	1.6	1.6	

Source: Macrobond

Economic Indicators

Real GDP Growth (Q/Q Seasonally Adjusted)

	Quarter/Quarter % Change					Year/Year % Change				
	Q3-18	Q4-18	Q1-19	Q2-19	Q3-19	Q3-18	Q4-18	Q1-19	Q2-19	Q3-19
US	0.7	0.3	0.8	0.5	0.5	3.1	2.5	2.7	2.3	2.0
Canada	0.5	0.1	0.1	0.9		2.0	1.6	1.4	1.6	
UK	0.6	0.3	0.6	-0.2	0.3	1.6	1.5	2.1	1.3	1.0
Eurozone	0.2	0.3	0.4	0.2	0.2	1.6	1.2	1.3	1.2	1.2
Germany	-0.1	0.2	0.5	-0.2	0.1	1.1	0.6	1.0	0.3	0.5
France	0.3	0.4	0.3	0.3	0.3	1.5	1.2	1.3	1.4	1.3
Italy	-0.1	0.1	0.1	0.1	0.1	0.4	0.0	0.0	0.1	0.3
Japan	-0.5	0.4	0.5	0.4	0.1	0.2	0.3	0.9	0.8	1.4
Australia	0.3	0.1	0.5	0.5		2.6	2.2	1.7	1.4	

Source: Macrobond

Industrial Production Index (M/M Seasonally Adjusted)

	Month/Month % Change					Year/Year % Change				
	Jun	Jul	Aug	Sep	Oct	Jun	Jul	Aug	Sep	Oct
US	0.0	-0.1	0.7	-0.3	-0.8	1.0	0.4	0.4	-0.1	-1.1
Canada	-0.6	-1.3	0.1			1.2	-1.0	-1.5		
UK	0.0	0.1	-0.7	-0.2		-1.0	-1.1	-1.9	-1.4	
Germany	-1.1	-0.5	0.4	-0.6		-4.8	-3.9	-3.9	-4.4	
France	-2.3	0.2	-0.9	0.3		0.0	0.0	-1.3	0.1	
Italy	-0.2	-0.8	0.4	-0.4		-1.2	-0.6	-1.8	-2.1	
Japan	-3.3	1.3	-1.2	1.7		-2.2	-1.1	-2.0	-0.3	

Source: Macrobond

Unemployment Rate (Seasonally Adjusted)

	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19
US	3.9	4.0	3.8	3.8	3.6	3.6	3.7	3.7	3.7	3.5	3.6
Canada	5.6	5.8	5.8	5.8	5.7	5.4	5.5	5.7	5.7	5.5	5.5
UK	3.9	3.9	3.8	3.8	3.8	3.9	3.8	3.9	3.8		
Eurozone	7.9	7.8	7.8	7.7	7.6	7.6	7.5	7.6	7.5	7.5	
Germany	5.0	5.0	5.0	4.9	4.9	5.0	5.0	5.0	5.0	5.0	5.0
France	8.9	8.8	8.7	8.6	8.5	8.5	8.5	8.5	8.5	8.4	
Italy	10.4	10.4	10.4	10.1	10.1	9.9	9.8	9.9	9.6	9.9	
Japan	2.4	2.5	2.3	2.5	2.4	2.4	2.3	2.2	2.2	2.4	
Australia	5.0	5.1	4.9	5.1	5.2	5.2	5.3	5.3	5.3	5.2	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	-2.5	-2.6	-3.1	-3.0	-3.0	-2.8	-1.8	-3.0	-3.0	-1.1	
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

Important Risk Discussion

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