Weekly Economic Perspectives

Contact Information

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

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

Weekly Highlights

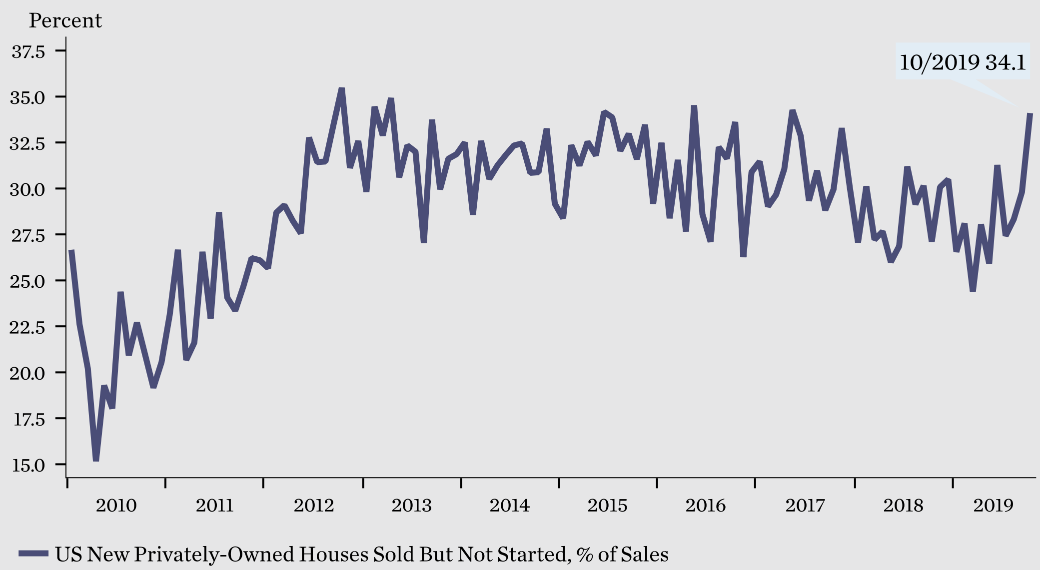
- **Economies:** Housing activity picks up in the US. Consumption and investments support Canadian GDP. UK consumer sentiment remains at post-Brexit lows. French consumer sentiment re-approaches cycle highs. Japan's labor market has held up well so far but may be loosening going forward. Future capex intentions soften in Australia. (pages 2 – 6)
- **Markets:** Equities end broadly higher as data supports the idea of diminished recession risks. Bond yields rise on signs of macro resilience and some inflation. The pound ends a bit higher as elections draw near. Oil plunges late in the week while gold continues to grind lower. (page 7)

Upcoming Highlights

- **Spotlight:** Both the Bank of Canada and the RBA are likely to remain on the sidelines for now. US employment may pick up amid seasonal labor demand. (page 9)

Tables

Figure 1: US Buyers Rush To Lock In Favorable Mortgage Rates



Sources: U.S. Census Bureau

Week in Review

US

There was little of note in the final revision of third quarter **GDP**. Admittedly, headline growth was revised up from 1.9% (saar) to 2.1%, but there were only differences of nuance as private consumption added a little more to growth than initially estimated, as did inventories, whereas government added less and net trade was a marginal detractor (versus neutral in the initial estimate). The broad narrative of a consumer-driven economy remains abundantly evident as household spending added 2.0 percentage points (ppts) to third quarter growth (ssar terms), one tenth better than initially estimated. Government added 0.3 ppts, a tenth less than prior estimates. Whereas the initial release showed both inventories and net exports as neutral to growth, the former added 0.2 ppts while the latter detracted 0.1 ppts. GDP grew 2.1% y/y in the third quarter and 2.3% y/y during the nine months.

Durable goods orders have lost a lot of momentum in the early part of 2019 but there are some signs that the worst may be behind us as they have now risen in four of the last five months. After a sizable 1.4% contraction in September, overall durable goods orders gained 0.6% in October. Capital goods orders jumped 5.4% as defense orders rebounded 16.6%. Core orders (non-defense capital goods excluding aircraft)—a leading indicator for business equipment investment (BEI) in the GDP accounts—jumped 1.2%, the most since January. Year-ago comparisons remain dismal but are less so than has recently been the case. Durable goods orders are down 0.9% y/y, capital goods orders actually rose 2.3% y/y, and core orders were marginally down (-0.4%). Overall shipments were flat in October but core shipments rose 0.8% m/m. Core backlogs—a leading indicator of industrial production—rose 0.1%. Overall inventories increased 0.3% while core inventories eased 0.1%. The combination pushed the inventory to sales ratio up another tick to 1.72 months, the highest since March 2016.

As evident in the GDP data, consumer spending remains strong. Admittedly, the income dynamics underlying that strength deteriorated a little in October, but we suspect this to be part of a normal volatility in the data. For instance, **personal income** came in flat for the month, confounding expectations of a 0.3% improvement. However, we were reassured by the 0.4% increase in wage and salary income that suggest that the main stream of income for most consumers continues to perform well. It was proprietors' income, farm income, and asset-based income such as interest and dividends that skewed the overall figures lower. Real and nominal personal disposable income fell by 0.3% and 0.1%, respectively. Despite this, personal spending rose 0.3%, as expected, which lowered the savings rate by three tenths to a still-elevated 7.8%.

The PCE (personal consumption expenditures) deflator were a bit softer than expected as headline remained unchanged at 1.3% y/y, while the core eased a tenth to 1.6% y/y. Given that September 2018 marked the recent peak in oil prices, we would expect the headline PCE inflation rate to start moving higher noticeably in coming months.

Lower mortgage rates are helping revive housing activity. Admittedly, **new home sales** declined 0.7% to 733,000 (seasonally adjusted annualized) in October, but that followed a big upward revision to September data so October sales were still 31.6% higher than a year earlier. Indeed, on a trend basis, it is clear that sales activity is improving: whereas new home sales fell by 11.3% y/y on average from October to December of last year, they've risen 19.3% y/y over the last five months. The number of homes available for sale was little changed but inventories ticked up incrementally to 5.6 months' worth of sales. The median sales price of a new single-family home fell 3.5% y/y. While volatile on a month-to-month basis, prices have been generally in a downtrend that seems to reflect buyer preference for properties at the lower end of the market. We suspect that caps to state and local tax deductions following the 2017 tax law changes are contributing to this dynamic. One notable development is the recent rebound in the share of homes sold but not yet started. This likely reflects buyers rushing to lock in favorable rates following recent Fed rate cuts. But since these houses will eventually need to be build, we see here some positive leading signals for residential construction in 2020.

Pending home sales (transactions of previously owned homes on which sellers have agreed a contract but are yet to close) have been exhibiting an upward trend, albeit in fits and starts, thanks to lower mortgage rates. Admittedly, sales rather unexpectedly decreased 1.7% in September, but were 3.9% higher than a year earlier. An uptick in home construction may be driving consumers into buying new homes, especially due to the improvement in affordability thanks to lower mortgage rates.

Most measures of home price inflation have slowed noticeably over the last year, but there is some evidence that they might be bottoming out as lower mortgage rates allow buyers to digest higher purchase prices. According to the **FHFA purchase-only index**, the price of existing single family homes increased 0.6% in September, twice as fast as expected, lifting this measure of home price inflation four tenths to 5.1% y/y. This is the first improvement in the annual comparison since June 2018, so it is too soon to conclude that a trend change is afoot, yet it is notable that the data is corroborating signals from other home price series such as the Case Shiller index. Prices rose by various degrees in each region, from a mere 0.1% gain in the Pacific region to large 1.9% jump in East South Central.

The **Case-Shiller 20-City composite price index** rebounded 0.4% in September for its best performance since October 2018, causing this measure of home price inflation to accelerate a tenth to a modest 2.1% y/y. Lower mortgage rates appear to be aiding an improvement in the higher-priced markets that had been recently experiencing sharp slowdowns in home price appreciation. Home prices rose in New York for the first time in seven months and they rose in Seattle by the most since May 2018.

Consumer confidence has eroded in recent months, though it remains historically elevated. The Conference Board measure of consumer confidence lost another 0.6 point to 125.5 in November, the fourth consecutive retreat and the lowest level since June. We would argue the details were even weaker as expectations improved by 3.4 points but the present situation metric fell by 6.6. The labor differential—which measures the difference between those who think jobs are abundant and those who think jobs are scarce—declined 4.0 points to the lowest since June and currently stands about one point below its year-to-date average. It is a bit too soon to raise alarm bells, however since the current level of 30+ is quite high historically. Additionally, there has been an unusually large divergence across age groups. Over the last two months, confidence has plunged by some 35 points among those aged 35 and under, but has risen by about 16 points among those aged 55 and above. We wonder whether this may not have something to do with differing views on the ongoing impeachment process… Meanwhile, buying intentions were mixed, improving slightly for automobiles and declining for homes.

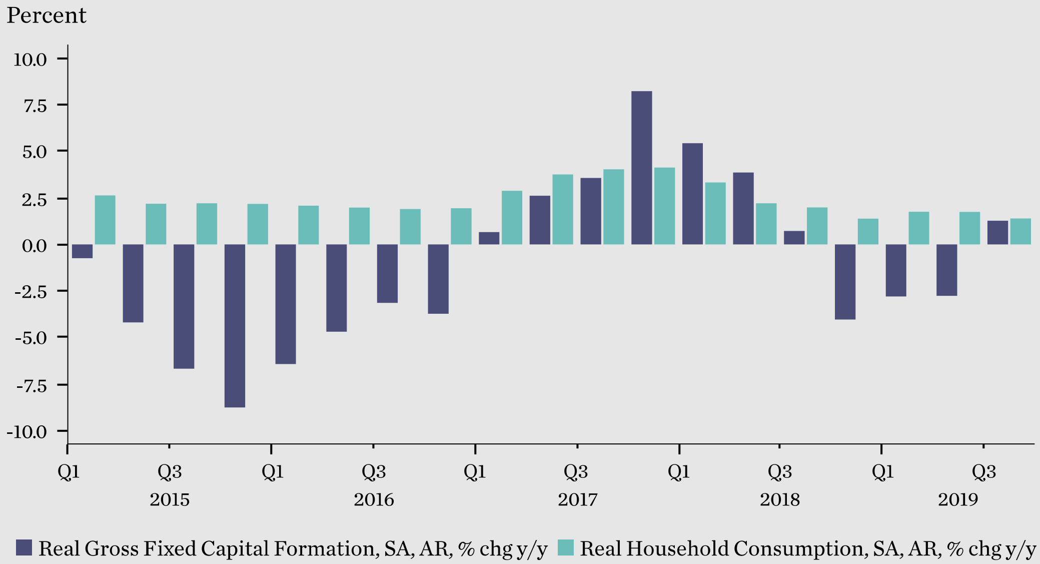
After two slightly elevated readings, **unemployment claims** retreated markedly in the latest update. Initial unemployment claims—a measure of job shedding—eased by 15,000 to 213,000 in the week ending November 23, putting them squarely back into the tight range in which they've hovered for most of the past year. More impressively, continuing claims—a measure of unemployment—unexpectedly plunged by 57,000 to a new cycle (and, multi-decade!) low of 1,640,000. Given the holiday season and end of year labor market churn, we probably shouldn't read too much in any one weekly update, but this was definitely a better than expected print.

The latest **Fed Beige Book,** covering most of October through mid-November, reported modest activity in most districts, supported by growing consumer spending and increases in auto sales and tourism. The outlook on manufacturing was a tad better, as more firms reported growth than the previous month, though a majority still saw stalled activity. Home sales were "mostly flat to up", with residential construction improving. The overall employment scenario was positive, with strong gains noted in professional and technical services and healthcare. Wage pressures were seen intensifying for low-skilled workers, a phenomenon mirrored in the average hourly wage data. Most businesses continue to face labor shortages spanning "most industries and skill levels". Wage pressures were reported to be 'intensifying', especially for lower-skilled positions. Consumer price inflation was "modest", with prices expected to move higher going forward.

Canada

GDP growth slowed to 1.3% on a seasonally adjusted annual (saar) basis in the third quarter from 3.5% prior. But the details were encouraging. Private fixed investment (excluding non-profit entities) jumped 10.7%, the most in almost two years. Increases were broad-based, with investment in residential structures up 13.3%, non-residential building/machinery/equipment rebounding 9.5%, while that in IP products increased 6.0%. Private consumption rose by 1.6%, a marked improvement on the 0.5% increase recorded in Q2. Exports exerted a net drag of 0.5 percentage points on growth, declining 1.5%. Inventories were a big detractor once again, essentially repeating the prior quarter performance. Given severe weather and impact of Keystone pipeline rupture, we anticipate growth to dip in the fourth quarter. Nevertheless, the signs are positive and will probably keep the Bank of Canada on the sidelines through 2020.

Figure 2: Fixed Investment Turns The Corner In Canada



Sources: Statistics Canada

UK

Consumers can hardly be blamed for being in a bleak mood amid the country's never-ending political/Brexit drama. The GfK index of consumer confidence was unchanged at -14 in November, sitting at the bottom of past year's range. It is probably only because the labor market has held up quite well, supporting household incomes, that sentiment hadn't deteriorated even more!

Eurozone

German consumer sentiment has eroded amid the broader economic slowdown and it remains too soon to conclude that it has definitively bottomed. However, we found the latest update encouraging and better than the 0.1-point improvement in the headline measure of the **GfK index of consumer confidence** would suggest. Indeed, while the headline move was minimal, we noticed larger improvements in both the economic expectations and the income expectations components. Admittedly, the buying propensity deteriorated further, but if the former two continue to improve, this should turn higher as well.

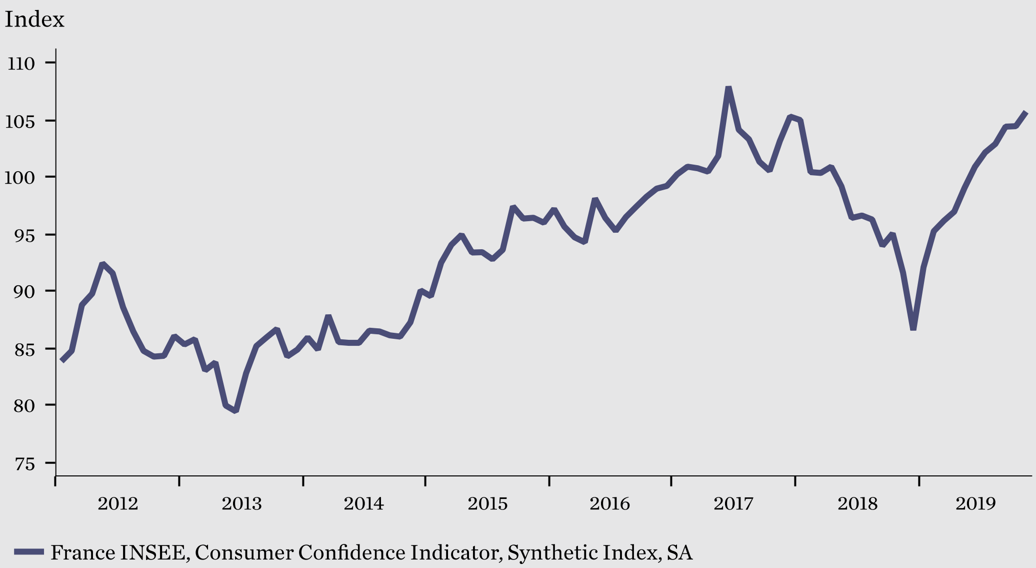
The strength of ***Germany*'s labor market** is a key underpinning for consumer confidence and the November report was reassuring. Employment increased by 30,000 to a new record high in November, while the number of unemployed declined by 16,000. The claimant count unemployment rate was unchanged at 5.0% for the sixth consecutive month. The seasonally unadjusted rate (which garners more attention domestically) was unchanged at 4.8%, the twin-lowest level of any November in the twenty eight year history of the series. We do, however, see clear signs of softening in vacancies, which have fallen in each of the last eight months and are now 8.6% lower than a year earlier.

Despite solid incomes, however, consumers appear reluctant to spend. ***German* retail sales** have been under considerable pressure this year and they came in well below expectations in October. Real sales plunged 1.9% during the month, confounding expectations of a modest gain. Seasonally and workday adjusted sales were up just 0.7% y/y, the softest comparison since April.

Alongside growth, ***German*** inflation appears to be reviving as well. Admittedly, the headline **consumer price inflation** (CPI) rate was unchanged at 1.1% y/y, but core inflation rate (excluding food and energy) edged up one tenth to 1.6% y/y. The latter is the highest in four months.

***French* consumer confidence** is clearly improving. The INSEE consumer confidence index rose a better than expected two points to 106 in November, the highest level since June of 2017. Households became more optimistic about future financial situation, while fears on unemployment fell further below the long term average.

Figure 3: French Consumer Sentiment Back Near Cycle Highs



Sources: French National Institute of Statistics & Economic Studies (INSEE)

The year has been rather slow for the ***Italian*** economy, having exited a shallow technical recession with a 0.1% growth in the first quarter, and stalling in the second. The final read on Q3 **GDP** confirmed the initial estimate of 0.1% growth. Consumer spending rose by 0.3%, but investment and exports were down by 0.2% and 0.1% respectively. Seasonally and workday adjusted GDP increased 0.3% y/y.

The slow healing of ***Italy***'s labor market was interrupted in late 2018 but, despite occasional hiccups, has broadly resumed since then. The **unemployment rate** retreated two tenths to 9.7% in October, the lowest since August and otherwise since early 2012. Employment increased by 46,000, with gains across both males and females. Unemployment declined by nearly 44,000, implying no change in the labor force during the month.

Japan

Japan's labor market remains tight, but there still remains some spare capacity. The **unemployment rate** was unchanged at 2.4%, despite an increase in the participation rate by 0.1 percentage point to 62.6%. Employment surged by 280,000 to 69.2 million, with most of the gains dominated by female participants. The jobs-to-applicant ratio—a measure of labor market tightness—was unchanged at 1.57, the lowest since November 2017, while the number of new jobs available per applicant increased by 0.16 to 2.44. The labor market seems to be holding up pretty well in the face of tax hikes and natural calamities, but it is unclear whether this can continue.

Retail sales had been trending mostly sideways since the start of 2019, with occasional downticks. We had earlier expected a pick up few months ahead of the October VAT hike, which eventually came in September. Post the hike, sales saw a massive contraction of 14.4% in October, more than unwinding September's 7.2% increase. The drawdown was sharper than the fall in sales following both the 1997 and 2014 sales tax hikes, but was compounded by the impact of typhoon Hagibis. Food sales fell just 4.1%, as the tax rate on most food and drink items were left unchanged. However, sales of household appliances slumped 38.9%, while vehicle sales dropped 26.8% and general merchandise sales fell 24.1%. We still feel the impact on consumer spending will be less than earlier instances, given buying has also been rather subdued leading up to the tax hike.

The upbeat September report for **industrial production** was more of an exception rather a genuine turnaround sign, as was confirmed by the preliminary report for October. Production slumped 4.2%, more than expected and the most since January 2018, having risen 1.7% in September. This caused the annual pace to decline to -7.4% y/y, the lowest since early 2013. Activity was dragged down by falling production of motor vehicles (-7.8%), general machinery (-9.5%) and production machinery (-6.4%). This was partially offset by increased manufacture of electronic parts (+0.9%) and energy products (+1.8%). Shipments contracted by 4.3%, raising the shipment-to-inventory ratio by 4.7%. The October data was likely distorted by the impact of the tax hike, but even with a fading of the shock we do not expect the situation to turn better anytime soon. Forecasts by Ministry of Economy, Trade and Industry (METI) lend support to our belief, with output expected to fall a further 1.5% in November before recovering by 1.1% in December.

Producer prices for services (PPIS), which purport to measure the cost of running a business, had been showing a distinct downtrend since end 2018, but rose sharply in October. Producer price inflation jumped 2.1% y/y, much better than anticipated and the highest since the above 3% period of inflation in mid-2014 to early 2015. All subcomponents registered gains—with 'other services' rising 2.8%, while information and communications rebounded 1.9% and transportation increased by 2.3%.

Australia

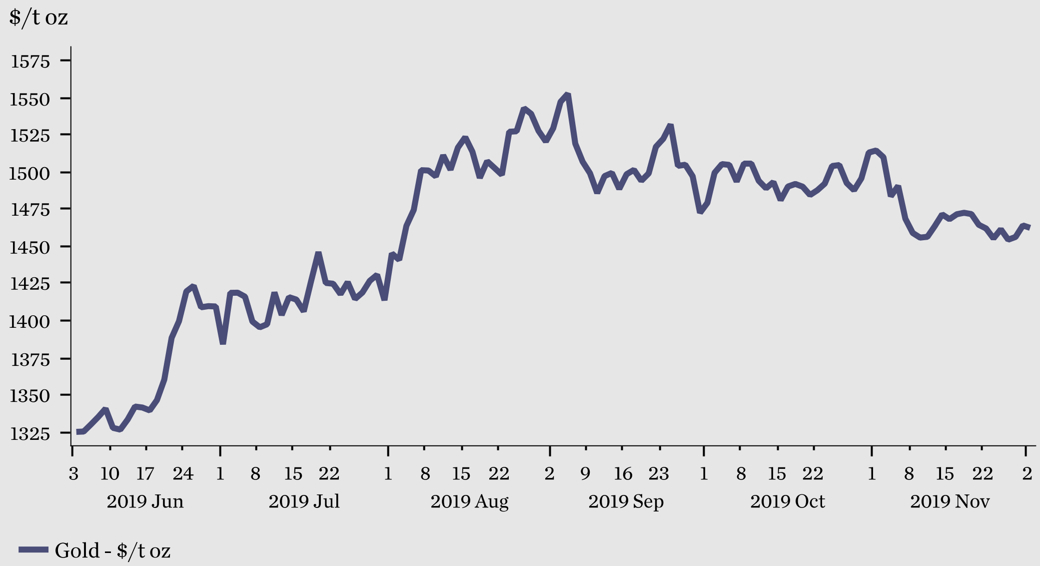
Capital spending contracted for the third quarter in a row, down 0.2% in Q3, following a downwardly revised 0.6% decline in Q2. Weakness was concentrated in equipment and machinery which contracted 3.5% q/q—the most since the second quarter of 2015. This more than offset a 2.7% increase in building and structures. More worryingly, there was a downgrade in investment intentions by non-mining firms. While long term capex were a bright spot in the otherwise glum Q2 report, investment intentions fell even further in the third quarter report, with non-mining firms planning to reduce investment by 3% in the current financial year compared to expectations of a 6% rise last quarter. This report will likely come as a disappointment to the Reserve Bank of Australia and weigh heavily on growth.

Credit growth remains anemic, with **private sector credit** seeing sub-0.5% growth since March of last year. Credit rose by just 0.1% m/m in October, reducing the annual rate of growth by 0.2 percentage point to 2.5% y/y. The annual rate has slowed consistently for over a year, taking it to the lowest since April 2010. Credit to owner-occupied housing rose 0.4%, in contrast to investor housing credit which fell flat after declining by 0.1% over the past three months. The RBA has insisted that credit growth needs to pick up before we see a sustained improvement in housing, and we expect the growth in credit to bottom out soon, as easing regulatory conditions and the interest rate cuts feed into sentiment. Credit for other personal uses declined 0.6%, while business lending ticked down 0.1%.

Financial Markets Review

We had a shortened trading week due to Thanksgiving holiday in the United States. Stock markets moved generally higher and bond yields rose on mixed by decent data. Gold, on the other hand, continued its retreat from September's recent highs.

Figure 4: Gold Retreats



Sources: Macrobond

Equities: Equities end broadly higher as data supports the idea of diminished recession risks.

Bonds: Bond yields rise on signs of macro resilience and some inflation.

Currencies: The pound ends a bit higher as elections draw near.

Commodities: Oil plunges late in the week while gold continues to grind lower.

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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®	3140.98	1.0%	25.3%	1.84	7	-84	98.343	0.1%	2.3%
Canada	TSE 300	17040.2	0.5%	19.0%	1.54	7	-42	1.3301	0.0%	-2.5%
UK	FTSE®	7343.15	0.2%	9.1%	0.75	4	-53	1.2925	0.7%	1.3%
Germany	DAX	13216.31	0.4%	25.2%	-0.29	7	-53			
France	CAC-40	5883.62	-0.2%	24.4%	0.02	6	-69	1.1013	-0.1%	-4.0%
Italy	FTSE® MIB	23063.98	-0.8%	25.9%	1.35	17	-139			
Japan	Nikkei 225	23529.5	1.8%	17.6%	-0.05	3	-5	109.57	0.8%	-0.1%
Australia	ASX 200	6862.267	2.3%	21.5%	1.09	0	-122	0.6786	0.0%	-3.7%

Commodity Markets

Commodity	Unit	Source	Last Price	%Ch Week	%Ch YTD	%Ch Yr Ago
Oil (Brent)	US $/Barrel	Bloomberg	61.7	-2.0%	16.0%	5.6%
Gold	US $/troy oz	Bloomberg	1457.39	-0.3%	13.6%	18.4%

Source: Bloomberg®

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

Country	Release (Date, format)	Consensus	Actual	Last	Comments
Monday, November 25					
GE	IFO Business Climate (Nov)	95.0	**95**	94.7(↑r)	Trying to stabilize.
Tuesday, November 26					
US	FHFA House Price Index (Sep, m/m)	0.3%	**0.6%**	0.2%	Looks to be bottoming.
US	S&P CoreLogic 20-City Index (Sep, m/m)	0.3%	**0.4%**	0.2%(↑r)	Looks to be bottoming.
US	New Home Sales (Oct, thous)	708	**733**	738(↑r)	Sharp rebound on lower mortgage rates.
US	Consumer Confidence (Nov)	127.0	**125.5**	126.1(↑r)	Mixed details, erosion continues.
GE	GfK Consumer Confidence (Dec)	9.7	**9.7**	9.6	Trying to stabilize.
JN	PPI Services (Oct, y/y)	1.8%	**2.1%**	0.5%	Up on broad-based gains.
Wednesday, November 27					
US	Fed Beige Book Report				'Modest improvement in activity.
US	Initial Jobless claims (Nov 23, thous)	221	**213**	228(↑r)	Continuing claims touched new cycle low.
US	GDP (Q3, second, q/q saar)	1.9%(p)	**2.1%**	2.0%	Sharp upward revision in investments.
US	Durable Goods Orders (Oct, prelim, m/m)	-0.5%	**0.6%**	-1.4%(↓r)	Positive for investment intentions in Q4.
US	Personal Income (Oct, m/m)	0.3%	**0.0%**	0.3%	A small hiccup?
US	Personal Spending (Oct, m/m)	0.3%	**0.3%**	0.2%	Spending stays solid.
US	Pending Home Sales (Oct, m/m)	0.2%	**-1.7%**	1.4%(↓r)	Unexpected, but still in an uptrend.
FR	Consumer Confidence (Nov)	104	**106**	104	Flying high.
IT	Consumer Confidence (Nov)	111.7	**108.5**	111.5(↓r)	Concerns over domestic economy.
Thursday, November 28					
UK	Nationwide House Prices (Nov, m/m)	0.1%	**0.5%**	0.2%	Prices appear to be bottoming out.
GE	CPI (Nov, prelim, y/y)	1.3%	**1.1%**	1.1%	Food prices rose modestly.
IT	PPI (Oct, y/y)	na	**-4.1%**	-2.4%	Drop in energy prices and utilities.
JN	Retail Sales (Oct, m/m)	-10.4%	**-14.4%**	7.2%(↑r)	As expected.
AU	Private Capital Expenditure (Q3, q/q)	0.0%	**-0.2%**	-0.6%	Disappointing.
Friday, November 29					
CA	GDP (Q3, q/q saar)	1.3%	**1.3%**	3.5%(↓r)	Details were encouraging.
UK	GfK Consumer Confidence (Nov)	-14	**-14**	-14	Bleak, but who can blame them?
UK	Mortgage Approvals (Oct, thous)	65.4	**64.6**	65.8(↓r)	Housing activity remains decent.
GE	Unemployment Rate (Nov)	5.0%	**5.0%**	5.0%	Quite tight, but vacancies falling.
GE	Retail Sales (Oct, m/m)	0.2%	**-1.9%**	0.0%(↓r)	Big disappointment.
FR	GDP (Q3, final, q/q)	0.3%(p)	**0.3%**	0.3%	Steady.
FR	CPI (Nov, prelim, y/y)	1.0%	**1.0%**	0.8%	Soft.
FR	Consumer Spending (Oct, m/m)	0.3%	**0.2%**	-0.3%(↑r)	Needed pillar of support.
IT	GDP (Q3, final, q/q)	0.1%(p)	**0.1%**	0.1%	Consumer spending remains strong.
IT	Unemployment Rate (Oct, prelim)	9.8%	**9.7%**	9.9%	The healing continues.
IT	CPI (Nov, prelim, y/y)	0.3%	**0.4%**	0.2%(↓r)	Food lifted overall prices.
JN	Unemployment Rate (Oct)	2.4%	**2.4%**	2.4%	Might be loosening a little.
JN	Industrial Production (Oct, prelim, m/m)	-2.0%	**-4.2%**	1.7%	Distorted by effect of tax hike.
JN	Consumer Confidence (Nov)	36.8	**38.7**	36.2	An all-round improvement.
AU	Private Sector Credit (Oct, m/m)	0.3%	**0.1%**	0.2%	Still painfully slow.

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

Week in Preview: Releases and Major Events (December 2–December 6)

Country	Release (Date, format)	Consensus	Last	Comments
Monday, December 2				
US	ISM Manufacturing (Nov)	49.2	48.3	
UK	Manufacturing PMI (Nov, final)	48.3(p)	49.6	Brexit-related concerns.
EC	Manufacturing PMI (Nov, final)	46.6(p)	45.9	Signs of bottoming out?
GE	Manufacturing PMI (Nov, final)	43.8(p)	42.1	
FR	Manufacturing PMI (Nov, final)	51.6(p)	50.7	
IT	Manufacturing PMI (Nov)	47.5	47.7	
JN	Manufacturing PMI (Nov, final)	48.6(p)	48.4	Bottoming out?
Tuesday, December 3				
US	Total Vehicle Sales (Nov, mil.)	16.8	16.6	
JN	Services PMI (Nov, final)	50.4(p)	50.3	Holding on, but barely...
AU	RBA Monetary Policy Decision	0.75%	0.75%	Expected to be a non-event.
AU	GDP (Q3, q/q)	0.5%	0.5%	Weighed down by investments.
Wednesday, December 4				
US	ISM Non-Manufacturing (Nov)	54.5	54.7	
CA	BoC Monetary Policy Decision	1.75%	1.75%	Keeping a close eye on data.
CA	Labor Productivity (Q3, q/q)	0.2%	0.2%	
UK	Services PMI (Nov, final)	48.6(p)	50.0	
EC	Services PMI (Nov, final)	51.5(p)	52.2	Has softened, but at least still growing.
GE	Services PMI (Nov, final)	51.3(p)	51.6	
Thursday, December 5				
US	Initial Jobless claims (Nov 30, thous)	215	213	
US	Factory Orders (Oct, m/m)	0.3%	-0.6%	
US	Durable Goods Orders (Oct, final, m/m)	0.6%(p)	-1.4%	The worst appears to be over.
US	Trade Balance (Oct, $ bil.)	-48.6	-52.5	
CA	Trade Balance (Oct, C$ bil.)	-1.4	-1.0	
CA	Ivey PMI (Nov)	na	48.2	
EC	GDP (Q3, final, q/q)	0.2%(p)	0.2%	Steady.
GE	Factory Orders (Oct, m/m)	0.4%	1.3%	
AU	Retail Sales (Oct, m/m)	0.3%	0.2%	No sign of spending revival.
Friday, December 6				
US	Change in Nonfarm Payrolls (Nov, thous)	190	128	Seasonal labor demand may boost employment.
US	Unemployment Rate (Nov)	3.6%	3.6%	
US	Consumer Credit (Oct, $ bil.)	16.0	9.5	
US	U of M Cons. Sentiment (Dec, prelim)	97.0	96.8	
CA	Unemployment Rate (Nov)	5.5%	5.5%	Tight.
GE	Industrial Production (Oct, m/m)	0.1%	-0.6%	Slight pickup in activity.
IT	Retail Sales (Oct, m/m)	na	0.7%	
JN	Labor Cash Earnings (Oct, y/y)	0.2%	0.5%(↓r)	Looking forward to a better holiday season.

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	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

	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	######	#####	Oct-19	Nov-19
US (top of target range)	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.25	2.00	1.75	1.75
Canada (Overnight Rate)	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
UK (Bank Rate)	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Eurozone (Refi)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Japan (OCR)	-0.06	-0.05	-0.06	-0.07	-0.06	-0.08	-0.07	-0.06	-0.06	-0.03	-0.03
Australia (OCR)	1.50	1.50	1.50	1.50	1.50	1.28	1.02	1.00	1.00	0.76	0.75

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				
	Jul	Aug	Sep	Oct	Nov	Jun	Jul	Aug	Sep	Oct
US	1.8	1.7	1.7	1.8		1.6	1.7	1.8	1.4	1.1
Canada	2.0	1.9	1.9	1.9		-1.7	-1.7	-1.0	-1.3	-1.3
UK	2.1	1.7	1.7	1.5		1.6	1.9	1.7	1.2	0.8
Eurozone	1.0	1.0	0.8	0.7		0.7	0.1	-0.8	-1.2	
Germany	1.7	1.4	1.2	1.1	1.1	1.2	1.1	0.3	-0.1	-0.6
France	1.1	1.0	0.9	0.8	1.0	-0.1	-0.2	-0.5	-0.7	-1.2
Italy	0.4	0.4	0.3	0.2	0.4	0.9	-0.7	-1.4	-1.6	-3.0
Japan	0.5	0.3	0.2	0.2		-0.2	-0.6	-0.9	-1.1	-0.4
Australia	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	2.1
Canada	0.6	0.2	0.2	0.9	0.3	2.0	1.8	1.5	1.9	1.7
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	1.4
Italy	-0.1	0.1	0.1	0.1	0.1	0.4	-0.1	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	-0.4	-1.7	0.1	-0.2		0.6	-2.2	-2.2	-1.8	
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	-4.2	-2.2	-1.1	-2.0	-0.3	-6.3

Source: Macrobond

Unemployment Rate (Seasonally Adjusted)

	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	######	#####	Oct-19	Nov-19
US	4.0	3.8	3.8	3.6	3.6	3.7	3.7	3.7	3.5	3.6	
Canada	5.8	5.8	5.8	5.7	5.4	5.5	5.7	5.7	5.5	5.5	
UK	3.9	3.8	3.8	3.8	3.9	3.8	3.9	3.8			
Eurozone	7.8	7.8	7.7	7.6	7.6	7.5	7.6	7.5	7.6	7.5	
Germany	5.0	5.0	4.9	4.9	5.0	5.0	5.0	5.0	5.0	5.0	5.0
France	8.7	8.6	8.6	8.5	8.5	8.5	8.6	8.6	8.6	8.5	
Italy	10.4	10.5	10.1	10.1	10.0	9.8	9.9	9.6	9.9	9.7	
Japan	2.5	2.3	2.5	2.4	2.4	2.3	2.2	2.2	2.4	2.4	
Australia	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	-2.2	-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

Important Risk Discussion

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