October 2, 2020
Commentary

Weekly Economic Perspectives

Contents

Spotlight on Next Week
Canadian unemployment is poised to decline further. Industrial production should improve across Europe. The RBA is expected to keep rates steady.

Contact

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

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

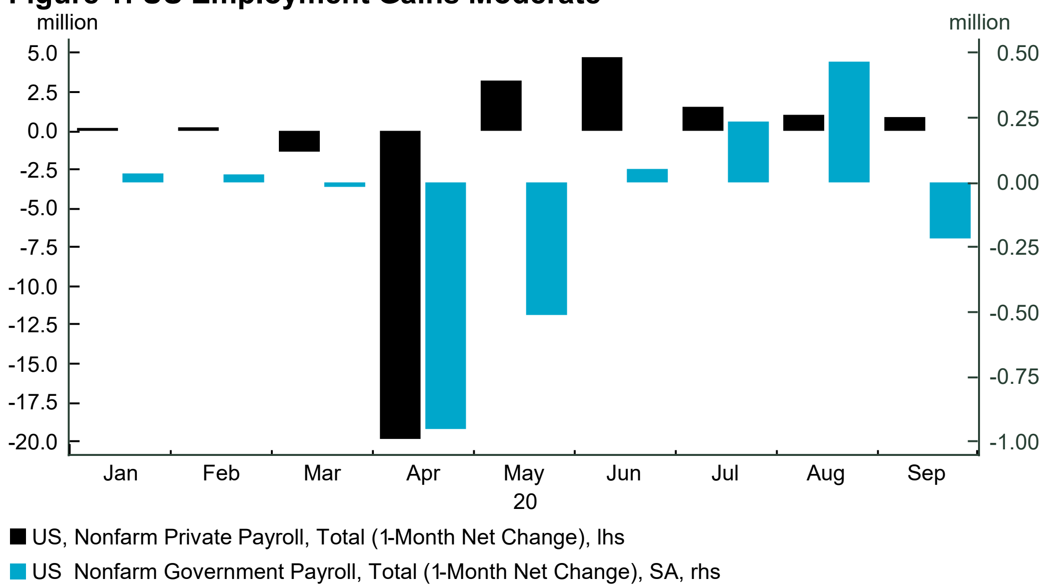
The Economy

Data-heavy week with pretty good updates, but overshadowed by a chaotic US presidential debate and news that President Trump tested positive for Covid-19.

US

The US labor market continues to improve, although the September employment report was, at first glance, disappointing. The economy added 661,000 jobs in September, below consensus expectations, although this was to a large extent offset by large 145,000 upward revision to the prior two months. In reality, the more adequate way to look at this report is to acknowledge the divergent performance of a strong private sector (up 877k, better than expected) and a government sector that shed 216k jobs, most of them at the state and local government level. In this sense, the report will likely be seen as evidence that the fiscal challenges of local governments are already seeping into the labor market. We suspect, however, that the pullback in government employment, which was almost entirely driven by education, has less to do with finances (i.e., inability to pay and, therefore, hire) and more with the delayed/truncated/virtual start to the school year that has altered labor demand in this area. Indeed, on a non-seasonally adjusted basis, education employment in state and local government actually increased by almost 950,000. However, since in prior Septembers the gain was around 117,000, the seasonal hurdle was quite high, turning the seasonally adjusted numbers negative. So, it is too soon to jump to conclusions about what this report really tells us about state finances.

Figure 1: US Employment Gains Moderate



Sources: SSGA Economics, BLS

The private sector fared well, although the pace of job gains is, naturally, slowing. Employment perked up in goods producing sectors—up by 93,000 and more than double the August gain. Manufacturing added 66,000, further exacerbating the contrast with the ISM report (see analysis below), whose employment component has been stubbornly weak for months. Construction added 26,000 jobs. Private service producing industries added 784k jobs (about 200k less than in August) led by leisure and hospitality (+318k) and trade and transportation (+237k). By contrast, temporary help was barely positive (+8k vs 102k in August) while education/health also slowed markedly. The latter could reflect the broader phenomenon around school operations discussed above. Having been much stronger that the establishment report in August, the household survey was considerably weaker in September, indicating just 275k new jobs, accompanied by a 970k decline in unemployment. The labor force declined by 695k, lowering the participation rate three tenths to 61.4% and the unemployment rate five tenths to 7.9%.

There is solid labor utilization in manufacturing, where the workweek increased another 12 minutes to 40.2 hours; manufacturing overtime declined by 6 minutes but remains elevated. The overall workweek increased by 6 minutes, which, in conjunction with higher employment, raised aggregate hours worked by 1.1%, with favorable implications for wage and salary incomes.

The wage data should be taken with a healthy dose of skepticism. Total average hourly earnings increased a modest 0.1% in September while earnings for production and non-supervisory employees were flat. The respective measures of wage inflation remain 4.7% and 4.6% higher, respectively, than in September 2019. These numbers still overstate wage inflation, however, as they reflect compositional changes.

After softening in July-August amid the rise in Covid cases, the **Conference Board consumer confidence index** surged 15.5 points in September to the highest level since March. Both expectations and the current situation assessment improved by double digits. The closely watched labor differential—which measures the difference between those who think jobs are abundant and those who think jobs are scarce—rebounded 5.1 points to a Covid-era high of 2.9. But, it was above 30 at the start of the year so there is a long way to full recovery…

The final read on the **Michigan consumer sentiment index** showed an even larger 6.3-point improvement than initially recorded, driven by similar gains in both the current situation and expectations components. The decline in short term (1-year) inflation expectations was even steeper than initially reported (down half a percentage point to 2.6%. Longer term expectations (5-10 years) were unchanged at 2.7%.

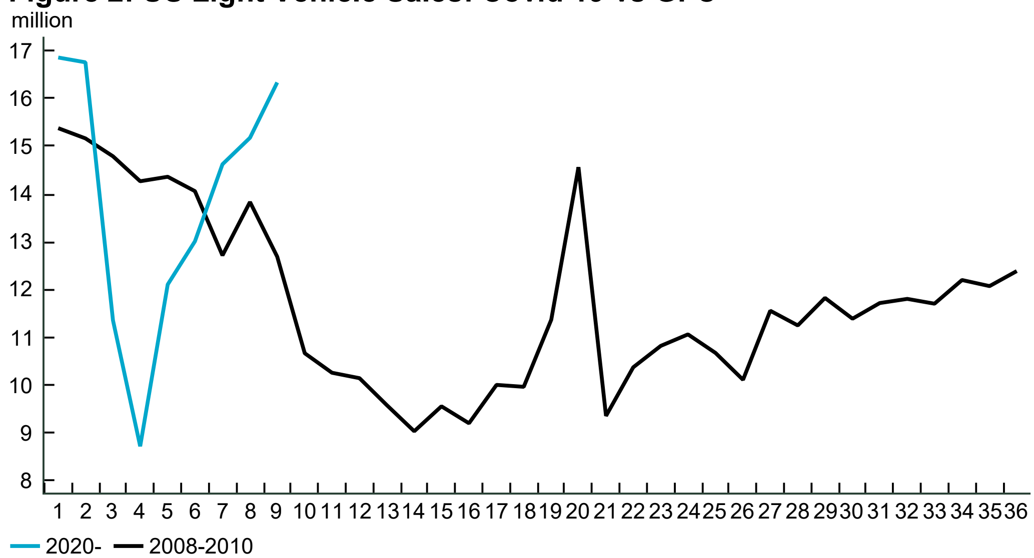
As widely anticipated, **personal income** declined noticeably in August following the expiration of supplemental unemployment benefits at the end of July. Nominal personal income fell 2.7% as unemployment insurance receipts halved, offsetting a 1.3% gain in wage and salary income. Real disposable income declined 3.5%. These are, by historical standards, big moves, but they must be put into context. Indeed, thanks to a fiscal-stimulus-induced double-digit surge in April, August nominal income was 4.7% higher than a year earlier, while real disposable income was 4.0% higher. During the first eight months of 2020, they've risen 6.7% and 6.5% y/y, respectively—utterly unprecedented performances for a recession year!

Unsurprisingly given that income backdrop, consumers have been spending: **personal spending** increased 1.0% in nominal terms and 0.7% in real terms, although this good news was dampened by a sizable downward revision to the July data. The savings rate declined from 17.7% to 14.1%, but this is still an unfathomably high level that offers considerable cushion for consumer spending in the near term.

The **PCE (personal consumption expenditures) deflator** data for July were revised higher such that even though price increases were in line with expectations in August, both the headline and core PCE inflation rates were two tenths higher than anticipated. At 1.4% y/y and 1.6% y/y, respectively, they've retraced most of the Covid-induced pullback. Further acceleration is in store in the months ahead.

Motor vehicle sales keep crushing expectations. They jumped 7.6% in September to a seasonally adjusted annualized rate of 16.34 million units. Light trucks drove demand, up 12.0% and accounting for over 77% sales. By contrast, car sales declined 10%, reflecting weakness in fleet sales. Overall motor vehicle sales were only down 4.9% y/y in September, although year to date they are down 18.1% y/y.

Figure 2: US Light Vehicle Sales: Covid-19 vs GFC



Sources: SSGA Economics, FHWA
Note: X axis denotes number of months

Pending home sales also handily beat expectations (again) in August with an 8.8% increase that left them 20.5% higher than a year earlier. The implication is that despite a genuine surge in home sales over the last few months, there is additional momentum in the pipeline to support further gains.

The surge in housing demand is, unsurprisingly, boosting home prices. After two flat months, the **Case-Shiller 20-City composite price index** surged 0.55% in July, the most since early 2018. Prices rose 4.0% y/y, the most since late 2018.

Activity in the manufacturing sector continues at a good pace. Admittedly, after three consecutive positive surprises, the **ISM manufacturing index** came in a little softer than expected in September, retreating 0.6 points to 55.4. The details were good, with production and new orders moderating but elevated at 61.0 and 60.2, respectively. They've each held above 60 for the past three months. Export orders improved 1.0 point to 54.3— the highest level since September 2018. Employment improved 3.2 points though, oddly, only to only to 49.6, which stands in contrast to the gains in manufacturing employment seen in the payrolls data in recent months. Supply chain pressures continue to build, with delivery times lengthening and backlogs at the highest level since November 2018. Inventories are increasingly lean both for respondents and their clients. At some point, inventories will need rebuilding and that will likely provide a strong (if temporary) source of support for manufacturing activity over the next six months. Unsurprisingly, the combination of improving demand and tight supply chains is creating upward price pressures, with many commodities reportedly going up in prices and only one (oil) reportedly declining. Respondents were generally optimistic, with 2.3 positive comments for every cautious comment.

Factory orders continue to improve, although their 0.7% August gain was the smallest since the post-Covid recovery began. The good news is that capital goods orders increased 5.7% and core orders , non-defense capital goods excluding aircraft)—a leading indicator for business equipment investment (BEI) in the GDP accounts—increased 1.9 %. This suggest some revival in business investment, likely in response to improving demand conditions. Shipments improved slightly and inventories were flat (core inventories declined 0.1%). The inventory to shipments ratio was unchanged at 1.43 months, down sharply from a Covid peak of 1.7 months.

Canada

As expected, Canada's **GDP** by industry grew 3.0% in July. While not as spectacular as June's 6.5% surge, it is a robust increase nonetheless. Both goods-producing (+3.2%) and services industries (+3.0%) showed improvements. Output increased across several industrial sectors, including manufacturing (+5.9%), accommodation and food services (+20.1%), real estate (+1.9%), wholesale trade (+4.6%) and transportation (+5.7%). Output is still 6% below the February level, and was on its way to breach that mark by the end of Q3. However, a "second wave" of infections is a big downside risk. The recovery is likely to continue but slow as Statistics Canada estimates a 1.0% real GDP increase in August.

Building permits increased 1.7% in August, retracing a decline in July. The value of building permits rose 1.7% to C$8.1 billion, driven by an increase in the residential sector in Ontario and Quebec. Total residential permits rose 7.1% to C$5.6 billion, led by permits issued for single family dwellings increased 9.9%. Permits for multi-family dwellings were also up 5.0% to C$2.8 billion. Non-residential permits on the other hand, fell 14.7%, due to a decline in commercial permits.

UK

There was a mild upward revision to **second-quarter GDP**, but that did not, in any way, shape, or form, alter the painful reality of a UK economy that massively underperformed its peers. Real GDP contracted by 19.8% q/q, a little less than the 20.4% decline originally reported. Nonetheless, this was still roughly double the size of declines recorded in the US, Germany, France, or Italy. Household consumption accounted for about three quarters of the decline, with government spending contributing a little more than a tenth. Gross investment detracted 5.6 percentage points (ppts), of which inventories accounted for 1.7 ppts. But since some of this massive inventory decline was linked to a collapse in imports, net trade made an unusually large 3.5 ppts positive contribution. That picture should entirely change next quarter as cross border trade resumes in earnest.

Having been brought to a standstill by the Covid-19 outbreak, mortgage activity is now rebounding with a vengeance. Having more than tripled in June, **mortgage applications** increased 66% in July and a further 27% in August, such that they are now 29% above where they stood in August 2019. As homebuyers re-enter the market and activity picks up, house prices are also reviving. After two big declines in May and June, the **Nationwide house price index** has since rebounded strongly. It currently is 5.0% higher than a year ago, the biggest increase since September 2016!

Eurozone

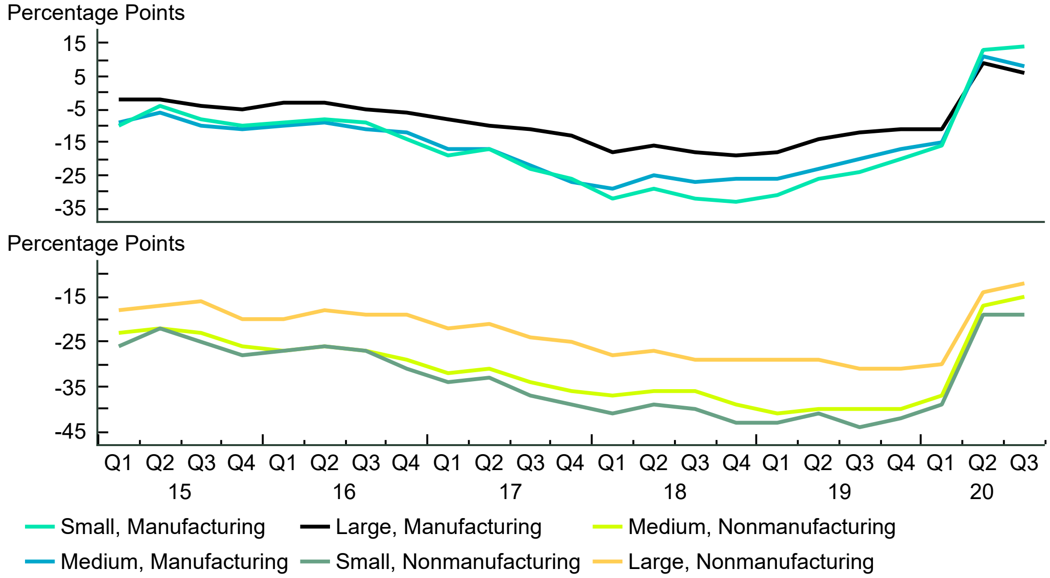
We got encouraging news this week regarding consumer spending in the eurozone. ***German* retail sales** rebounded a much larger than expected 3.1% in August. Moreover, the July data was revised upward to show a much smaller 0.2% decline compared with the 0.9% contraction initially reported. Real retail sales were up an impressive 7.2% y/y; they've risen 2.9% y/y, on average, so far this year. ***French* consumer spending** increased 2.3% in August, bucking expectations of a small decline. However, the good news was tempered by a sizable downward revision to July, now showing a 0.9% contraction as opposed to the 0.5% gain initially reported. Still spending was 2.4% higher than in August 2019. During the first eight months of 2020, however, spending was down 6.9% y/y.

The ***German* labor market** is beginning to heal. Unemployment declined for the third consecutive month in September, although the improvement was merely incremental (-7,000) given the earlier surge. Vacancies corroborated the encouraging message, increasing for the second month in a row (+3,000). The unemployment rate moderated a tenth of a percentage point to 6.2%. The seasonally unadjusted rate (which garners more attention domestically) declined two tenths to 6.2%. The ***Italian* labor market** also looks to be past the worst as employment increased for the second consecutive month while the number of unemployed retreated slightly. The unemployment rate declined one tenth to 9.7%.

Japan

The improvement in Bank of Japan's **Tankan survey of business conditions** for the third quarter of 2020 was slightly lower than expected. The business conditions diffusion index for large manufacturers increased 7 points to -27, due to weakness in auto-related sectors. This is actually in contrast to the sharp rebound in auto sales experienced in retail sales report over the last two months. Business conditions for large non-manufacturers improved as well, by 5 points to -12. Although there was further improvement in sentiment for retail and telecom, both of which had shown resilience in the June survey, sentiment remained very low for personal services and accommodations, eating & drinking services—the sectors hit hardest by the pandemic. Progress was extremely limited for small enterprises, both for manufacturers (+1 point to -44) and service providers (+4 points to -22). Sales and profit forecasts for FY2020 were pretty weak, with firms expecting a drop of 6.6% in sales and 28.5% in profits. Plans for fixed investment were also revised downward, from +0.9% y/y in the June survey to -0.9%. Software investment plans were revised up though. Employment conditions were robust, unchanged from the June survey at -6, due to improving employment intentions in medium and small services firms.

Figure 3. Robust Employment Conditions In BOJ Tankan Survey



Sources: SSGA Economics, BOJ

Our outlook is positive for the December quarter. The recovery in external demand will support the manufacturing sector, while initiatives like “Go To Travel” campaign help sustain the recovery in non-manufacturing sector.

Industrial production gained a further 1.7% in August, following an 8.7% increase in July. Motor vehicle production continued to rise impressively, up again by 8.9%, though still well below pre-COVID level. Iron and steel manufacturing (+6.5%) and electronic parts and devices (+4.6%) also contributed handsomely to the increase. Shipments were up by 2.1% as well, reflecting pent-up demand in the economy. As a result, inventories fell for the fifth month, by 1.4%, and the inventory to sales ratio dipped lower by 2.5%. IP expected to rise again in September, according to the Ministry of Economy, Trade and Industry which upgraded its forecast for September production to 5.7%, followed by a 2.9% increase in October. Despite the sequential gains, activity is still 13.3% lower compared to August last year.

Retail sales increased in August on broad based gains. Sales improved 4.6%, following a decline of 3.4% in July. Vehicles sales rose 4.1%, while fuel sales rose 6.0%--the third monthly increase for both. Sales also improved for apparels (+6.9%) and machinery & equipment (+8.9%), which includes household electrical appliances. However, sales are lower in most categories compared to a year earlier, with the headline series down 1.9% y/y.

The labor market is improving. Admittedly, the **unemployment rate** actually increased one tenth to 3.0% in August. However, this reflects the rising participation rate—now at the highest levels since December—so we would argue this is a favorable combination!

Australia

After three robust gains, nominal **retail sales** retreated 4.0% in August. Other than food sales—which were little changed—most categories reported large declines of 5-10%. Even so, earlier strength means sales were 7.1% higher than in August 2019. They've risen 4.8% y/y during the first eight months of 2020. Impressive!

Job vacancies rebounded 59.4% q/q in the three months ending August, following a drop of 43.2% in the three months to May. Private sector vacancies recorded stronger gain of 65.4% following a 44.9% drop in May, while public sector vacancies were up 22.3%, after a 29.0% fall. Compared with February levels, private sector vacancies are down 8.9%, a smaller gap than the public sector at 13.1%.

Total **private sector credit** was unchanged (0.0%) for the third month in August. Housing credit growth (+0.2%) remained steady driven by owner-occupiers (+0.4%), while business credit continued to contract (-0.4%).“Other personal” credit growth continued to slow, dropping by 1.1%.

The Market This Week

US equities rallied as House Speaker Nancy Pelosi and Treasury Secretary Steven Mnuchin met for the second day to discuss fresh fiscal stimulus. Earlier comments by Mnuchin suggested “a lot of progress in a lot of areas.”

Figure 4. Stimulus Talks Lift Equities

Sources: Macrobond, SSGA Economics, STOXX, SPDJI

Equities: Most equity markets rallied on good data and US stimulus hopes.

Bonds: Gilts were cheaper on hopes of positive Brexit talk.

Currencies: The pound gained as BoE cooled talks of negative rates.

Commodities: Oil plunged over concerns of OPEC+ overshooting quota.

10/2/20 6:55 PM

Stock Markets					10 Year Bond Yields			Currencies		
Country	Exchange	Last	% Ch Week	% Ch YTD	Last	BP Ch Week	BP Ch YTD	Last	% Ch Week	% Ch YTD
US	S&P 500®	3348.44	1.5%	3.6%	0.70	5	-122	93.844	-0.8%	-2.6%
Canada	TSE 300	16199.25	0.8%	-5.1%	0.57	2	-114	1.3308	-0.6%	2.4%
UK	FTSE®	5902.12	1.0%	-21.7%	0.25	6	-58	1.2935	1.5%	-2.4%
Germany	DAX	12689.04	1.8%	-4.2%	-0.54	-1	-35			
France	CAC-40	4824.88	2.0%	-19.3%	-0.26	-1	-38	1.1716	0.7%	4.5%
Italy	FTSE® MIB	19064.31	2.0%	-18.9%	0.78	-10	-63			
Japan	Nikkei 225	23029.9	1.2%	-2.6%	0.02	1	3	105.29	-0.3%	-3.1%
Australia	ASX 200	5791.501	-2.9%	-13.4%	0.83	3	-54	0.7161	1.8%	2.0%

Commodity Markets						
Commodity	Unit	Source	Last Price	%Ch Week	%Ch YTD	%ChYr Ago
Oil (Brent)	US $/Barrel	Bloomberg	37.96	-7.7%	-42.8%	-34.3%
Gold	US $/troy oz	Bloomberg	1899.84	2.1%	25.2%	26.7%

Source: Bloomberg®

Week in Review (September 28–October 2)

Country	Release (Date, format)	Consensus	Actual	Last	Comments
Monday, September 28					
	No Major Releases				
Tuesday, September 29					
US	S&P CoreLogic 20-City Index (Jul, m/m)	0.1%	0.5%	0.0%	Robust gain.
US	Consumer Confidence (Sep)	90	101.8	86.3(↑)	Good news!
UK	Mortgage Approvals (Aug, thous)	71.3	84.7	66.3	Rebounding.
FR	Consumer Confidence (Sep)	93	95	95(↑)	Good to see it hold up.
Wednesday, September 30					
US	GDP (Q2, final, q/q saar)	-31.7%(p)	-31.4%	-5.0%	Not much of a difference at this point…
US	Pending Home Sales (Aug, m/m)	3.1%	8.8%	5.9%	Red hot housing market!
CA	GDP (Jul, m/m)	2.9%	3.0%	6.5%	Slower, but robust increase.
UK	GDP (Q2, final, q/q)	-20.4%(p)	-19.8%	-2.2%	Not much of a difference at this point…
UK	Nationwide House Price (Sep, m/m)	0.5%	0.9%	2.0%	Recovering.
GE	Unemployment Rate (Sep)	6.4%	6.3%	6.4%	Starting to heal.
GE	Retail Sales (Aug, m/m)	0.4%	3.1%	-0.2%(↑)	Very good news!
FR	Consumer Spending (Aug, m/m)	-0.2%	2.3%	-0.9%(↓)	Good news!
JN	Retail Sales (Aug, m/m)	2.0%	4.6%	-3.4%(↓)	Welcome increase, still down on y/y basis.
JN	Industrial Production (Aug, prelim, m/m)	1.4%	1.7%	8.7%	Solid improvement.
AU	Private Sector Credit (Aug, m/m)	-0.1%	0.0%	-0.1%	Overall, unchanged.
Thursday, October 1					
US	Initial Jobless claims (Sep 26, thous)	850	837	873(↑)	Continued improvements.
US	Continuing Claims (Sep 19, thous)	12200	11767	12747(↑)	Continued improvements.
US	Personal Income (Aug, m/m)	-2.5%	-2.7%	0.4%	Big drop in unemployment benefits received.
US	Personal Spending (Aug, m/m)	0.8%	1.0%	1.4%(↓)	Sizable downward revision for July.
US	ISM Manufacturing (Sep)	56.5	55.4	56.0	Good report.
CA	Building Permits (Aug, m/m)	0.0%	1.7%	-3.0%	Residential permits drove the gain.
UK	Manufacturing PMI (Sep, final)	54.3(p)	54.1	55.2	On the long road to recovery.
EC	Manufacturing PMI (Sep, final)	53.7(p)	53.7	51.7	On the long road to recovery.
GE	Manufacturing PMI (Sep, final)	56.6(p)	56.4	52.2	On the long road to recovery.
FR	Manufacturing PMI (Sep, final)	50.9(p)	51.2	49.8	On the long road to recovery.
IT	Unemployment Rate (Aug, prelim)	10.2%	9.7%	9.8%(↑)	Starting to heal.
JN	Tankan Large Mfg Index (Q3)	-24	-27	-34	Employment conditions a positive.
JN	Manufacturing PMI (Sep, final)	na	47.7	47.3	New orders fell by the least since January.
AU	Job vacancies (Aug, q/q)	na	59.4%	-43.2%	Solid rebound.
Friday, October 2					
US	Change in Nonfarm Payrolls (Sep, thous)	868	661	1489(↑)	Better than it appears.
US	Unemployment Rate (Sep)	8.2%	7.9%	8.4%	Worse than it appears.
US	Vehicle Sales (Sep, mil.)	15.7	16.3	15.2	Quite impressive!
US	U. of Mich. Cons Sentiment (Sep, final)	78.9(p)	80.4	74.1	Easing Covid cases help.
US	Factory Orders (Aug, m/m)	0.9%	0.7%	6.4%	Core orders up 1.9%.
JN	Unemployment Rate (Aug)	3.0%	3.0%	2.9%	Rising labor force participation.
JN	Consumer Confidence (Sep)	30.5	32.7	29.3	Leadership change likely plays a role.
AU	Retail Sales (Aug, m/m)	-4.2%	-4.0%	3.2%	Still up 7.1% y/y.

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

Week Preview (October 5–October 9)

Country	Release (Date, format)	Consensus	Last	Comments
Monday, October 5				
US	ISM Non Manufacturing (Sep)	56.1	56.9	Solid.
UK	Services PMI (Sep, final)	55.1(p)	58.8	
EC	Services PMI (Sep, final)	47.6(p)	50.5	
GE	Services PMI (Sep, final)	49.1(p)	52.5	
JN	Services PMI (Sep, final)	45.6(p)	45.0	
Tuesday, October 6				
US	JOLTS Job Openings (Aug, thous)	6500	6618	
US	Trade Balance (Aug , $ bil.)	-65.0	-63.6	
CA	Trade Balance (Aug, C$ bil.)	na	-2.45	
GE	Factory Orders (Aug, m/m)	na	2.8%	
AU	RBA Monetary Policy Decision	0.25%	0.25%	The focus is on fiscal stimulus.
Wednesday, October 7				
US	FOMC Minutes			Interesting to learn more about econ views and new guidance.
US	Consumer Credit (Aug, $ bil.)	15.0	12.25	
CA	Ivey PMI (Sep)	na	67.8	
GE	Industrial Production (Aug, m/m)	1.7%	1.2%	
IT	Retail Sales (Aug, m/m)	3.8%	-2.2%	
JN	Leading Index (Aug, prelim)	na	86.7	
Thursday, October 8				
US	Initial Jobless claims (Oct 3, thous)	820	837	
US	Continuing claims (Sep 26, thous)	11400	11767	
CA	Housing Starts (Sep, thous)	242.5	262.4	
Friday, October 9				
CA	Unemployment Rate (Sep)	9.9%	10.2%	Employment very close to pre-COVID levels.
UK	Industrial Production (Aug, m/m)	2.6%	5.2%	
FR	Industrial Production (Aug, m/m)	1.9%	3.8%	
FR	Bank of France Ind. Sentiment (Sep)	105	106	
IT	Industrial Production (Aug, m/m)	1.4%	7.4%	
JN	Labor Cash Earnings (Aug, y/y)	-1.4%	-1.5%(↓)	Wage growth expected to remain low.

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

Economic Indicators

Central Bank Policy Targets

Region	Target	Year/Year % Change in Target				
		Apr	May	Jun	Jul	Aug
US	Target: PCE price index 2.0% y/y	0.5	0.5	0.9	1.1	1.4
Canada	Target: CPI 2.0% y/y, 1.0%-3.0% control range	-0.2	-0.4	0.7	0.1	0.1
UK	Target: CPI 2.0% y/y	0.8	0.5	0.6	1.0	0.2
Eurozone	Target: CPI below but close to 2.0% y/y	0.3	0.1	0.3	0.4	-0.2
Japan	Target: CPI 2.0% y/y	0.1	0.1	0.1	0.3	0.2
Australia	Target Range: CPI 2.0%-3.0% y/y	-0.3	-0.3	-0.3		

Source: Macrobond

Key Interest Rates

	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20
US (top of target range)	1.75	1.75	1.75	1.75	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Canada (Overnight Rate)	1.75	1.75	1.75	1.75	0.25	0.25	0.25	0.25	0.25	0.25	0.25
UK (Bank Rate)	0.75	0.75	0.75	0.75	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)	-0.03	-0.07	-0.04	-0.03	-0.07	-0.06	-0.07	-0.07	-0.02	-0.06	-0.06
Australia (OCR)	0.75	0.75	0.75	0.75	0.43	0.25	0.25	0.25	0.25	0.25	0.25

Source: Macrobond

General Government Structural Balance as a % of Potential GDP

	2012	2013	2014	2015	2016	2017	2018	2019	Forecast 2020	Forecast 2021
US	-6.4	-4.5	-3.8	-3.6	-4.4	-4.8	-6.0	-6.3	-6.3	-6.2
Canada	-2.1	-1.1	0.1	0.8	0.7	0.0	-0.2	-0.5	-0.8	-0.8
UK	-6.0	-4.0	-4.7	-4.1	-2.9	-2.0	-1.5	-1.3	-1.4	-1.5
Eurozone	-2.1	-1.2	-0.9	-0.8	-0.7	-0.7	-0.6	-0.7	-0.9	
Germany	0.0	0.6	1.2	1.2	1.3	1.1	1.4	0.9	1.0	0.7
France	-4.4	-3.4	-3.3	-3.0	-2.8	-2.6	-2.5	-2.4	-2.5	-2.4
Italy	-1.5	-0.6	-1.1	-0.7	-1.4	-1.7	-1.8	-1.5	-2.1	-2.3
Japan	-7.6	-7.5	-5.5	-4.3	-4.1	-3.4	-3.1	-2.9	-2.1	-1.9
Australia	-3.3	-2.6	-2.6	-2.4	-2.2	-1.5	-0.6	-0.4	-0.4	0.0

Source: International Monetary Fund, World Economic Outlook

Headline Consumer and Producer Price Inflation

	CPI Year/Year % Change						PPI Year/Year % Change				
	May	Jun	Jul	Aug	Sep		Apr	May	Jun	Jul	Aug
US	0.1	0.6	1.0	1.3			-1.5	-0.8	-0.8	-0.4	-0.2
Canada	-0.4	0.7	0.1	0.1			-6.0	-4.9	-3.4	-2.4	-2.3
UK	0.5	0.6	1.0	0.2			-0.7	-1.2	-0.9	-0.9	-0.9
Eurozone	0.1	0.3	0.4	-0.2			-4.5	-5.0	-3.6	-3.1	-2.5
Germany	0.6	0.9	-0.1	0.0	-0.2		-1.9	-2.2	-1.8	-1.7	-1.2
France	0.4	0.2	0.8	0.2	0.1		-3.7	-3.3	-2.2	-2.1	-2.1
Italy	-0.2	-0.2	-0.4	-0.5	-0.5		-5.1	-5.3	-4.5	-3.5	-3.0
Japan	0.1	0.1	0.3	0.2			-2.5	-2.8	-1.6	-0.9	-0.5
Australia	-0.3	-0.3									

Source: Macrobond

Real GDP Growth (Q/Q Seasonally Adjusted)

	Quarter/Quarter % Change						Year/Year % Change				
	Q2-19	Q3-19	Q4-19	Q1-20	Q2-20		Q2-19	Q3-19	Q4-19	Q1-20	Q2-20
US	0.4	0.6	0.6	-1.3	-9.0		2.0	2.1	2.3	0.3	-9.0
Canada	0.8	0.3	0.1	-2.1	-11.5		2.0	1.6	1.5	-0.9	-13.0
UK	0.0	0.3	0.1	-2.5	-19.8		1.3	1.0	1.0	-2.1	-21.5
Eurozone	0.1	0.3	0.1	-3.7	-11.8		1.2	1.4	1.0	-3.2	-14.7
Germany	-0.5	0.3	0.0	-2.0	-9.7		0.1	0.8	0.4	-2.2	-11.3
France	0.2	0.2	-0.2	-5.9	-13.8		1.8	1.6	0.8	-5.7	-18.9
Italy	0.1	0.0	-0.2	-5.5	-13.0		0.4	0.5	0.1	-5.6	-18.0
Japan	0.4	0.0	-1.8	-0.6	-7.9		0.9	1.7	-0.7	-1.9	-10.1
Australia	0.8	0.5	0.6	-0.3	-7.0		1.6	1.8	2.3	1.6	-6.3

Source: Macrobond

Industrial Production Index (M/M Seasonally Adjusted)

	Month/Month % Change						Year/Year % Change				
	Apr	May	Jun	Jul	Aug		Apr	May	Jun	Jul	Aug
US	-12.9	1.0	6.1	3.5	0.4		-16.5	-15.9	-10.7	-7.4	-7.7
Canada	-14.6	3.6	6.1	3.8			-21.0	-18.3	-13.1	-8.0	
UK	-20.4	6.2	9.4	5.2			-24.0	-20.1	-12.5	-7.8	
Germany	-17.6	7.4	9.3	1.2			-24.8	-19.6	-11.3	-10.0	
France	-20.5	20.0	13.0	3.8			-34.9	-23.2	-11.3	-8.3	
Italy	-20.1	41.5	8.2	7.4			-43.4	-20.6	-13.8	-7.6	
Japan	-9.8	-8.9	1.9	8.7	1.7		-15.9	-24.5	-21.0	-14.7	-11.7

Source: Macrobond

Unemployment Rate (Seasonally Adjusted)

	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20
US	3.5	3.5	3.6	3.5	4.4	14.7	13.3	11.1	10.2	8.4	7.9
Canada	5.9	5.6	5.5	5.6	7.8	13.0	13.7	12.3	10.9	10.2	
UK	3.8	3.9	4.0	3.9	3.9	3.9	3.9	4.1			
Eurozone	7.4	7.4	7.4	7.3	7.2	7.4	7.6	7.8	8.0	8.1	
Germany	5.0	5.0	5.0	5.0	5.0	5.8	6.3	6.4	6.4	6.4	6.3
France	8.2	8.2	8.1	7.7	7.5	7.8	6.9	6.6	7.1	7.5	
Italy	9.5	9.5	9.5	9.3	8.5	7.4	8.7	9.4	9.8	9.7	
Japan	2.2	2.2	2.4	2.4	2.5	2.6	2.9	2.8	2.9	3.0	
Australia	5.1	5.1	5.3	5.1	5.2	6.4	7.1	7.4	7.5	6.8	

Source: Macrobond

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

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

Source: Macrobond

About State Street Global Advisors

For four decades, State Street Global Advisors has served the world's governments, institutions and financial advisors. With a rigorous, risk-aware approach built on research, analysis and market-tested experience, we build from a breadth of active and index strategies to create cost-effective solutions. As stewards, we help portfolio companies see that what is fair for people and sustainable for the planet can deliver long-term performance. And, as pioneers in index, ETF, and ESG investing, we are always inventing new ways to invest. As a result, we have become the world's third largest asset manager with nearly US $3.12 trillion* under our care.

*AUM reflects approximately $43.72 billion USD (as of December 31, 2019), with respect to which State Street Global Advisors Funds Distributors, LLC (SSGA FD) serves as marketing agent; SSGA FD and State Street Global Advisors are affiliated.

ssga.com

Important Risk Discussion

Investing involves risk including the risk of loss of principal.

The whole or any part of this work may not be reproduced, copied, or transmitted or any of its contents.

This material is for informational purposes only, not to be construed as investment advice, or a recommendation or offer to buy or sell any security and should not be construed as such. The views expressed in this material are the views of the SSGA Economics Team, through the period ending October 2 2020, and are subject to change without notice based on market and other conditions. All material has been obtained from sources believed to be reliable, but its accuracy is not guaranteed. This document contains certain statements that may be deemed forward-looking statements. Please note that any such statements are not guarantees of any future performance and actual results or developments may differ materially from those projected. Past performance is not a guarantee of future results. SSGA may have or may seek investment management or other business relationships with companies discussed in this material or affiliates of those companies, such as their officers, directors and pension plans.

Intellectual Property Information

BLOOMBERG®, a trademark and service mark of Bloomberg Finance L.P. and its affiliates, and BARCLAYS®, a trademark and service mark of Barclays Bank Plc.

Standard & Poor's S&P 500 Index® is a registered trademark of Standard & Poor's Financial Services LLC. FTSE 100® is a trademark jointly owned by the London Stock Exchange Plc and The Financial Times Limited, and is used by FTSE International Limited under license. "All-World", "All-Share" and "All-Small" are trademarks of FTSE International Limited.

2537623.72.1.GBL.RTL

Exp. Date: 10/31/2021