STATE STREET GLOBAL ADVISORS



**September 16, 2022**
Commentary

# Weekly Economic Perspectives

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**Spotlight on Next Week**
The FOMC is primed for a third 75 bp hike. BoE might deliver another 50bps hike. The BoJ will likely stay pat.

**Contact**

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

**Amy Le**
Macro-Investment Strategist
amy_le@ssga.com
+44-203-395-6590

**Krishna Bhimavarapu**
Economist
VenkataVamseaKrishna_Bhimavarapu@ssga.com
+91-806-741-5000

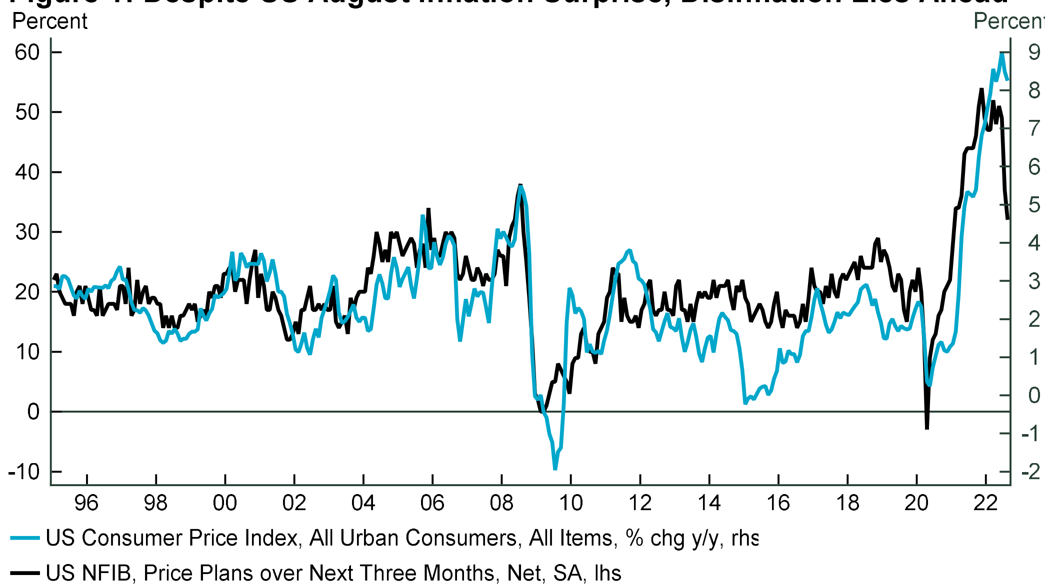
**The Economy**

Higher than expected US inflation triggers market bloodshed.

US

The battle for the **inflation** narrative is reaching fever pitch as the upside surprise in August CPI raised new questions about the validity of peak inflation claims and expectations of a disinflationary episode ahead. To be sure, the data (+0.1% m/m on headline and +0.6% on core) were a punch to the gut for a consensus anticipating a much softer -0.1%/+0.3% result. The market response was massive and immediate: pricing a 40% chance of a 100 bp Fed hike this month and a higher cycle peak, a 1.4%+ jump in the dollar, and a 4.0% drop in the S&P 500! Amid the carnage, we still hold to the unfolding disinflationary narrative. It seems hard not to when pretty much every leading indicator of inflation—including the very ones that a year ago were warning of an inflation spike—have turned sharply lower in recent months. There were also some oddities in the August report that lead us to suspect some correction down the line. For instance, used vehicle prices were almost unchanged, whereas the Manheim used vehicle price index dropped 4.0% in August, the most since April 2020. Similarly, while airfares retreated 4.6%, that was considerably less than in July, whereas daily tracking data had suggested a larger pullback. On the other hand, it is also fair to say that, to a degree, the July inflation report had been a little too good to be true insofar as so many service categories were very soft. There was a little payback for that in August, apparently. Education and medical care services, in particular, rebounded in August. Shelter costs increased 0.7% as rent of primary residence increased 0.7%, as did owner's equivalent rent. Hotel rates were flat after recent declines, putting some upward pressure on the category; more seems likely given daily tracking data showing further uptick in hotel rates in early September. Food prices increased 0.8%, which is high yet nonetheless the smallest print this year. The headline inflation rate moderated two tenths to 8.3% y/y, whereas the core inflation rate reaccelerated four tenths to 6.3% y/y.

**Figure 1: Despite US August Inflation Surprise, Disinflation Lies Ahead**




*Sources: SSGA Economics, NFIB, BLS*

On the very same day that the CPI release triggered market bloodshed, the **NFIB small business survey** suggested that pipeline price pressures are easing. This had been one of the key surveys that early last year began to signal improved pricing environment for small firms. That is now shifting. Indeed, despite a 1.9-point improvement in the headline small business confidence reading, the proportion of respondents planning to raise prices over the next three months retreated to the lowest since January 2021 (Figure 1, page 2). The proportion of respondents saying they've raised prices over the prior three months retreated to the lowest since October, although it remains highly elevated by historical standards. Other details in the report were mixed. While the current profit metric deteriorated (presumably on account of high costs), and employment worsened, expectations for future sales improved, as did perceptions of the general business conditions environment.

**Producer price inflation** (final demand) decelerated 1.2 percentage points (ppt) to 8.7% y/y in August. Energy was once again a big driver of that, down 6.0% m/m and fueling a 1.2% m/m retreat in goods prices. Somewhat surprisingly, food prices were unchanged during the month, although that might simply be a function of the big jump in July. Services prices rose 0.4% m/m, driven by another sizable (0.8%) gain in trade services. Goods PPI inflation stands at 12.2% y/y versus 6.6% y/y for services inflation. Both are down from recent peaks of 17.7% y/y in June and 9.4% y/y in March, respectively. Core PPI inflation (ex food and energy) moderated four tenths to 7.3% y/y, and the alternative core measure (excluding food, energy, and trade services) moderated two tenths to 5.6% y/y.

**Import prices** declined 1.0% in August, the second consecutive retreat that allowed import price inflation to moderate nine tenths to 7.8% y/y, the lowest level since March of 2021. Petroleum price plunged 7.1%, a little more than in July. Prices for industrial supplies posted a second consecutive sizable decline as well. Foods and beverage prices dropped 1.6%, the fourth retreat in a row, which is a little reassuring in light of persistent food pressures in the PPI and CPI. As we've highlighted recently, China is no longer exporting inflation: import prices from China declined for the third time in the past four months. Import prices from China were 2.1% higher y/y, less than half the 4.9% y/y rate recorded back in March.

Total **retail sales** came in a little stronger than expected in August (+0.3% vs -0.1% expected) but this was entirely offset by a downward revision to the July data (-0.4% vs 0.0% previously). On the other hand, control sales (excluding food services, building materials, autos dealers and gas stations) were definitely on the weak side, being flat in August even as the July gain was revised down to half the original estimate. The composition was perhaps a little more reassuring insofar as sales at restaurants and bar rose 1.1%, suggesting a willingness to spend on discretionary items, especially in the context of lower gasoline prices. On the other hand, the slowdown in housing was reflected in a fourth straight decline in furniture sales.

After July's downwardly revised 0.5% increase, **industrial production** declined 0.2% in August as utilities output slumped 2.3% and mining was flat. Manufacturing output inched 0.1% higher despite a 1.4% drop in motor vehicle production. Furniture output declined again; the slowdown in the housing market is being felt here as well. By contrast, there were robust gains in aerospace and machinery production. Total industrial production rose 3.7% y/y, with manufacturing up 3.3% y/y.

While there remains plenty of scope for motor vehicle production to increase going forward, other areas of manufacturing face a bumpier outlook, at least according to some of the regional Fed manufacturing surveys. Admittedly, there has been a lot of movement up and down in these surveys recently, but the direction of travel seems to be towards softness. For instance, the **Philly Fed manufacturing index**, which had rallied in August, gave up almost all those gains in September. New orders, shipments, backlogs, employment, and the average workweek all plunged. Shipments, for instance, dropped to the lowest level since May of 2020 and backlogs to the lowest level since 2009! The good news is that the prices paid measure dropped almost 14 points to a 21-month low. At 29.8 points, it is almost 55 points below the April peak. The prices received measure bounced higher but was still at the second lowest level since December 2020.

The **Empire Fed manufacturing index** rebounded after the utter collapse in July, but it is difficult to describe it as strong. Most components improved quite substantially given the magnitude of the prior months' drop. The price metrics retreated meaningfully once again. The prices paid measure is at the lowest since December 2020 (and down 47 points from the April peak) and the prices received measure stands at the lowest since February 2021 (down 33 points from the March peak).

## Canada

**Manufacturing sales** contracted for the third consecutive month, down 0.9% m/m in July, in line with expectations. Sales were lower in 12 out of 21 industries, led by the primary metal (-9.9%), petroleum and coal product (-5.3%), and furniture and related products (-11.2%). Real sales rose for the second consecutive month, albeit at modest pace of 0.6% m/m.

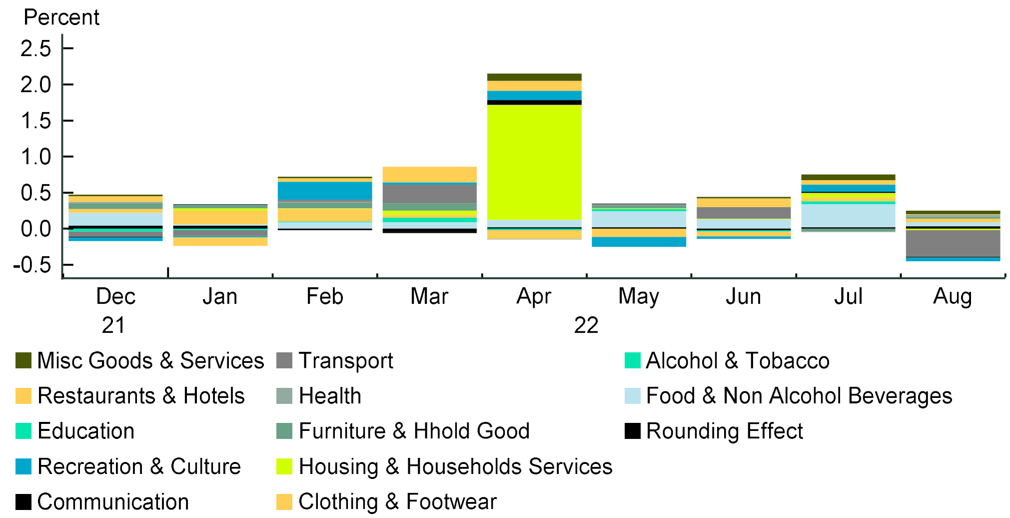
The housing market continues to moderate. **Existing home sales** retreated 1.0% in August for the sixth consecutive decline. The declines in Greater Vancouver, Calgary, Edmonton, Winnipeg, and Halifax-Dartmouth have offset gains in Greater Toronto Area and a large regional mix of other Ontario markets. The number of newly listed properties also fell by 5.4% m/m. The MLS® Home Price Index (HPI) edged down 1.6% m/m but was still up 7.1% y/y. Meanwhile, **housing starts** fell slightly in August but remained at a robust level. Housing starts came in at a seasonally adjusted annualized rate of 267,443 units, down 3.0% from the previous month. The decline was driven by lower multi-unit starts which dropped 4.0% m/m as single-family starts increased by 1.0% m/m.

## UK

The latest data suggests that the job market is weakening but remains tight. The **unemployment rate** retreated 0.2 percentage points to 3.6%, the lowest level since 1974. However, the economic inactivity rate rose by 0.4 percentage points to 21.7%. The surge was led by increases in age groups 16 to 24 years and 50 to 64 years. Importantly, labor demand continued to cool with job vacancies in the three months to August down by 34k, the largest quarterly fall since June to August 2020. Wage growth continued to exceed expectations, although it still lagged behind inflation, with growth in average total pay (including bonuses) rising by 0.3 percentage points to 5.5% y/y. The growth in regular pay (excluding bonuses) was also above expectations, standing at 5.2% y/y, up by 0.5 percentage points from June.

The **headline inflation** rate eased to 9.9% y/y in August from July's 40-year high of 10.1%. The retreat was mainly due to lower fuel prices, which drove transport inflation rate down to 12.0% y/y from 14.8% y/y in July, detracting 0.37 percentage points to the change in annual CPI rate. Meanwhile, food and non-alcoholic beverages was the largest upward contributor to the change in annual rate between July and August, with pace quickening to 13.0% y/y. The core inflation rate ticked up 0.1 percentage points to 6.3% y/y. Goods inflation moderated by 0.6 percentage points to 12.9% y/y but services inflation continued to escalate, up to 6.0%y/y from 5.7% y/y in previous month. This was the first time that headline inflation moderated since September 2021 but it will likely be a temporary reprieve as a reacceleration is likely in October when the new energy cap take effect. The Bank of England will likely have to continue raising rates into next year.

**Figure 2: UK Headline Inflation Eases On Lower Fuel Prices**




*Sources: SSGA Economics, ONS*

**Industrial production** declined 0.3% m/m in July, bucking expectations of a 0.1% m/m increase, and building on June's 0.9% contraction The weakness was driven by declines in electricity and gas (-3.4%) and water supply and sewerage (-2.1%). In contrast, mining and quarrying rose by 3.5% and manufacturing was up 0.1%. Output is now 1.3% below its February 2020 level.

Following a marginal increase of 0.4% in July, **retail sales** volumes dropped 1.6% m/m in August, worse than expectations of a decline of 0.5%, as inflation is squeezing households' real disposable income. The monthly loss were led by the declines in all main sectors including food stores (-0.8%), non-food stores (-1.9%), non-store retailing (-2.6%) and fuel (-1.7%). The last time it happened was in July 2021 when restrictions on hospitality were lifted.

Eurozone

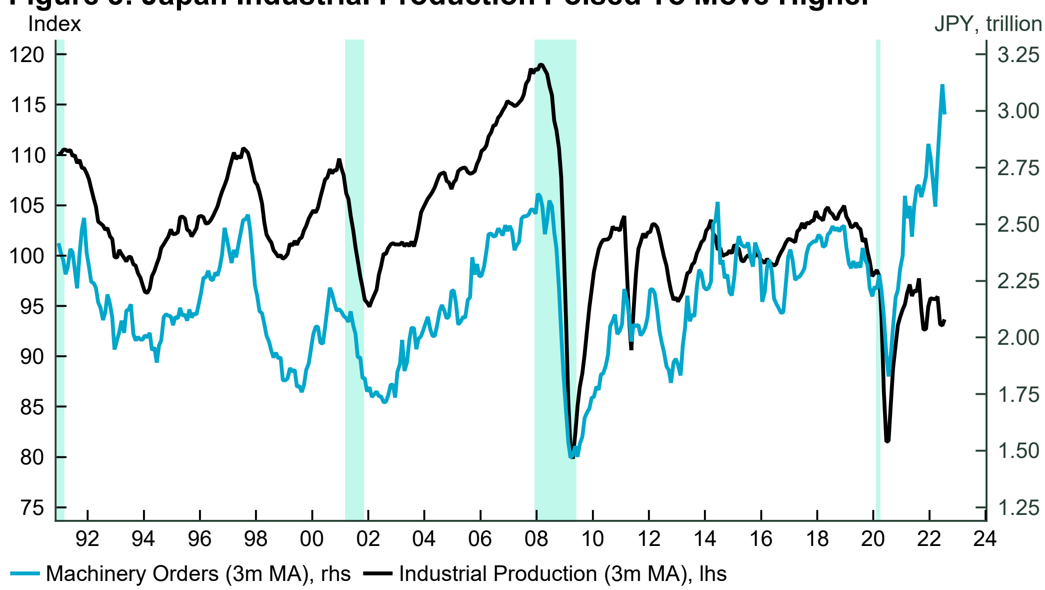
The eurozone economy held up impressively well through the second quarter, but cracks are now appearing. **Industrial production** (excluding construction) dropped 2.3% in July, driven by a 4.2% plunge in capital goods and a 1.6% decline in durable consumer goods production. The sting was ameliorated slightly by an upward revision to the June data but even so, industrial output was 2.4% lower than in July of 2021.

Japan

The data flow past week has been mixed. **Core machine orders** (private orders ex utilities & ships) rose 5.3% in July, driven entirely by non-manufacturing orders which rose 15.1% as manufacturing orders fell by 5.4%. Outside of core, foreign orders retreated for the third consecutive month, down 2.4%. Although the recent uptick in orders is partly due to higher prices, they also underscore firms' capex plans. Admittedly, **machine tool orders** declined 2.1% m/m in August, but they are still 10.7% higher than in August 2021. **Foreign tool orders** contracted 3.2% for a third consecutive retreat, although they, too, are 7.7% higher than in August 2021. However, the recent softness bears close watching.

Separately, July's **industrial production** growth was revised two tenths lower to 0.8% m/m in July. However, output declined 2.0% y/y, the fifth straight monthly decline, even though the pace moderated slightly from June's 2.8% y/y decline.

**Figure 3: Japan Industrial Production Poised To Move Higher**



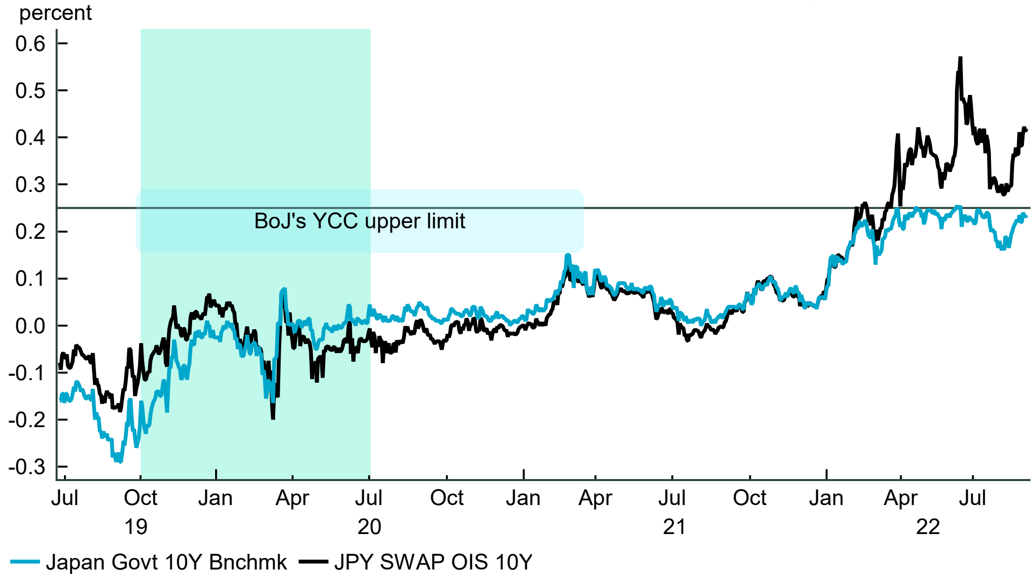

*Sources: SSGA Economics, METI, CaO*

Meanwhile, August **trade deficit** widened to another record 2.8 trillion yen with visibly higher LNG import prices. Furthermore, the BoJ's **real exports** contracted for the first time in 5 months, down 0.6%. Exports to the US rose on the back of autos strength while those to Europe and Asia fell sharply.

**Producer price inflation** stood at 9.0% y/y in August, unchanged from an upwardly revised July level. While half of this increase could be traced back to the weaker yen, we worry about how much of this could seep into consumer prices. The only small piece of good news is that PPI inflation has moderated since April's 9.8% y/y peak.

Tensions over the yen continued this weak as the BoJ made a so called ‘rate-check’ which is a typical precursor to an FX market intervention. It is indicative of the authorities’ heightened vigilance where the BoJ checks the market rate of the yen stopping short of executing the trade. The last such rate-check happened in 2016 before the Fed started hiking and before the BoJ introduced the yield curve control (YCC) policy. Furthermore, market pressures on JGBs intensified with the 20y bond sale drawing the lowest bid-cover ratio in a decade while 10y swaps are positioned 20 bps above the YCC ceiling for 10y JGBs, knocking at the 0.25% ceiling themselves.

**Figure 4: Japan: 10y Swap-JGBs Differential Is Increasing**




*Sources: Macrobond, SSGA Economics,*

Moving on to the action-packed next week, we will first get August’s national CPI data on Monday, which we expect could reach 3% mark for the first time since 2014. The Fed decision, widening the rate differential with the BoJ, will put the focus on the BoJ meeting the next day, September 22. The Bloomberg consensus expects no change. Is a surprise possible? We won’t rule it out but an FX intervention is more plausible, should we see another outsized yen move. Meanwhile the BoJ may expect that supersized rate hikes from global peers could be coming to an end.

## Australia

Australia’s **labor market** added 33.5k jobs in August but the **unemployment rate** increased a touch to 3.5% as the **labor force participation rate** rose two tenths to 66.6%. But the main news from Australia is that the RBA could be shifting to smaller sized rate hikes going forward, in line with our expectations.

Governor Philip Lowe reiterated this stance in his semi-annual testimony by saying “we are closer to a normal setting now which means that the case for large adjustments in interest rates is diminished.” The next RBA meeting is on October 4. We still anticipate the cash rate to reach 3.0% by year-end, up from the current level of 2.35%. Furthermore, he warned that the current government must consider tax hikes, expenditure cuts, and some major reforms to repair the budget.

# Week in Review (September 12– September 16)

| Country | Release (Date, format) | Consensus | Actual | Last | Comments |
|---|---|---|---|---|---|
| **Monday, September 12** | | | | | |
| UK | Industrial Production (Jul, m/m) | 0.3% | -0.3% | -0.9% | Weak. |
| IT | Industrial Production (Jul, m/m) | 0.0% | 0.4% | -2.0% (↑) | It won't last. |
| JN | PPI (Aug, y/y) | 8.9% | 9.0% | 9.0% (↑) | Weak Yen impact visible. |
| AU | Westpac Consumer Conf Index (Sep) | na | 84.4 | 81.2 | Resilient. |
| AU | NAB Business Confidence (Aug) | na | 10 | 8 (↑) | Resilient. |
| **Tuesday, September 13** | | | | | |
| US | NFIB Small Business Optimism (Aug) | 90.8 | 91.8 | 89.9 | Price plans moderated. |
| US | CPI (Aug, y/y) | 8.1% | 8.3% | 8.5% | A painful shock to markets but trend is lower. |
| US | Monthly Budget Statement (Aug, $bn) | -217.0 | -219.6 | -170.6 | Sizable deficit. |
| UK | Average Weekly Earnings (Jul, y/y) | 5.4% | 5.5% | 5.2% (↑) | Labor market remains tight. |
| UK | ILO Unemployment Rate (Jul, 3m) | 3.8% | 3.6% | 3.8% | Labor market remains tight. |
| GE | CPI (Aug, y/y, final) | 7.9% | 7.9% | 7.5% | Already known, but still painful. |
| GE | ZEW Survey Expectations (Sep) | -59.5 | -61.9 | -55.3 | Terrible. |
| JN | Core Machine Orders (Jul, m/m) | -0.6% | 5.3% | 0.9% | Robust domestic orders. |
| **Wednesday, September 14** | | | | | |
| US | PPI Final Demand (Aug, y/y) | 8.8% | 8.7% | 9.8% | Improving. |
| CA | Manufacturing Sales (Jul, m/m) | -0.9% | -0.9% | -0.1% (↑) | Weak. |
| UK | CPI (Aug, y/y) | 10.0% | 9.9% | 10.1% | Remain elevated. |
| EC | Industrial Production (Jul, m/m sa) | -1.1% | -2.3% | 1.1% (↑) | More to come… |
| JN | Industrial Production (Jul, m/m, final) | na | 0.8% | 9.2% | But still down y/y. |
| AU | Unemployment Rate (Aug) | 3.4% | 3.5% | 3.4% | Higher participation. |
| **Thursday, September 15** | | | | | |
| US | Initial Jobless Claims (10 Sep, thous) | 227 | 213 | 218 | Not sure if we can trust the recent moderation. |
| US | Continuing Claims (3 Sep, thous) | 1478 | 1403 | 1401(↓) | Not sure if we can trust the recent moderation. |
| US | Empire Manufacturing (Sep) | -12.9 | -1.5 | -31.3 | Price measures retreated sharpy. |
| US | Retail Sales Advance (Aug, m/m) | -0.1% | 0.3% | -0.4% (↓) | Soft control sales. |
| US | Philly Fed Business Outlook (Sep) | 2.3 | -9.9 | 6.2 | Weak details. |
| US | Import Price Index (Aug, y/y) | 7.7% | 7.8% | 8.7% (↓) | Improving. |
| US | Industrial Production (Aug, m/m) | 0.0% | -0.2% | 0.5% (↓) | Manufacturing inched higher. |
| US | Business Inventories (Jul) | 0.6% | 0.6% | 1.4% | Accumulation continues. |
| CA | Existing Home Sales (Aug, m/m) | -1.6% | -1.0% | -5.3% | Weakening. |
| FR | CPI (Aug, y/y, final) | 5.8% | 5.9% | 6.1% | Elevated, but could be worse. |
| JN | Tertiary Industry Index (Jul, m/m) | -0.1% | -0.6% | -0.4% (↓) | Worrying. |
| **Friday, September 16** | | | | | |
| US | U.of Mich Sentiment (Sep, prelim) | 60.0 | 59.5 | 58.2 | Inflation expectations retreated. |
| CA | Housing Starts (Aug, thous) | 266.5 | 267.4 | 275.2 (↓) | Declined but remained at robust level. |
| UK | Retail Sales Inc Auto Fuel (Aug, m/m) | -0.5% | -1.6% | 0.4% (↑) | Very weak. |
| EC | CPI (Aug, m/m, final) | 9.1% | 9.1% | 8.9% | Already known, but still painful. |

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

## Week In Preview (September 19– September 26)

| Country | Release (Date, format) | Consensus | Last | Comments |
|---|---|---|---|---|
| **Monday, September 19** | | | | |
| US | NAHB Housing Market Index (Sep) | 48 | 49 | Intense cyclical pain amid rising rates. |
| JN | National CPI (Aug, y/y) | 2.9% | 2.6% | Expect an upside surprise. |
| **Tuesday, September 20** | | | | |
| US | Building Permits (Aug, thous) | 1605 | 1674 | Single family sector particularly hit. |
| US | Housing Starts (Aug, thous) | 1459 | 1446 | Single family sector particularly hit. |
| CA | Teranet/National Bank HPI (Aug, y/y) | na | 14.2% | Expect further moderation. |
| CA | CPI (Aug, y/y) | 7.2% | 7.6% | Might cool down but remain elevated. |
| GE | PPI (Aug, y/y) | 36.4% | 37.2% | |
| **Wednesday, September 21** | | | | |
| US | Existing Home Sales (Aug, m/m) | -2.3% | -5.9% | |
| US | FOMC Rate Decision (Upper Bound) | 3.25% | 2.5% | |
| **Thursday, September 22** | | | | |
| US | Initial Jobless Claims (17 Sep, thous) | 220 | 213 | |
| US | Continuing Claims (10 Sep, thous) | 1398 | 1403 | Will it retreat further? |
| US | Leading Index (Aug, m/m) | 0.0% | -0.4% | |
| UK | BoE Bank Rate | 2.25% | 1.75% | 50 bps hike expected |
| UK | GfK Consumer Confidence (Sep) | -42 | -44 | Remaining weak. |
| FR | Business Confidence (Sep) | 102 | 103 | |
| JN | BoJ Policy Balance Rate | na | -0.1% | No policy change expected. |
| **Friday, September 23** | | | | |
| CA | Retail Sales (Jul, m/m) | -2.0% | 1.1% | Likely to decline. |
| UK | UK Manufacturing PMI (Sep, prelim) | 47.8 | 47.3 | Weakening. |
| UK | UK Services PMI (Sep, prelim) | 50.0 | 50.9 | Weakening. |
| EC | Manufacturing PMI (Sep, prelim) | 49.0 | 49.6 | |
| EC | Services PMI (Sep, prelim) | 49.2 | 49.8 | |
| EC | Composite PMI (Sep, prelim) | 48.2 | 48.9 | |
| GE | Manufacturing PMI (Sep, prelim) | 48.3 | 49.1 | |
| GE | Services PMI (Sep, prelim) | 47.2 | 47.7 | |
| FR | Wages (Q2, q/q, final) | 1.0%(p) | 1.1% | |
| FR | Manufacturing PMI (Sep, prelim) | 49.8 | 50.6 | |

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 | 6.3 | 6.3 | 6.8 | 6.3 | |
| Canada | Target: CPI 2.0% y/y, 1.0%-3.0% control range | 6.8 | 7.7 | 8.1 | 7.6 | |
| UK | Target: CPI 2.0% y/y | 9.0 | 9.1 | 9.4 | 10.1 | 9.9 |
| Eurozone | Target: CPI below but close to 2.0% y/y | 7.4 | 8.1 | 8.6 | 8.9 | 9.1 |
| Japan | Target: CPI 2.0% y/y | 2.5 | 2.5 | 2.4 | 2.6 | |
| Australia | Target Range: CPI 2.0%-3.0% y/y | 6.1 | 6.1 | 6.1 | | |

Source: Macrobond

| Key Interest Rates | Oct-21 | Nov-21 | Dec-21 | Jan-22 | Feb-22 | Mar-22 | Apr-22 | May-22 | Jun-22 | Jul-22 | Aug-22 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| US (top of target range) | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.50 | 0.50 | 1.00 | 1.75 | 2.50 | 2.50 |
| Canada (Overnight Rate) | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.50 | 1.00 | 1.00 | 1.50 | 2.50 | 2.50 |
| UK (Bank Rate) | 0.10 | 0.10 | 0.25 | 0.25 | 0.50 | 0.75 | 0.75 | 1.00 | 1.25 | 1.25 | 1.75 |
| Eurozone (Refi) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.50 | 0.50 |
| Japan (OCR) | -0.03 | -0.05 | -0.02 | -0.02 | -0.01 | -0.02 | -0.02 | -0.03 | -0.04 | -0.01 | -0.04 |
| Australia (OCR) | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.33 | 0.73 | 1.28 | 1.81 |

Source: Macrobond

| General Government Structural Balance as a % of Potential GDP | | | | | | | | Forecast | |
|---|---|---|---|---|---|---|---|---|---|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| US | -2.7 | -2.5 | -3.5 | -4.2 | -5.2 | -6.1 | -10.4 | -8.0 | -5.3 | -4.6 |
| Canada | -0.6 | 0.0 | 0.1 | -0.3 | 0.0 | -0.2 | -8.6 | -3.6 | -2.3 | -1.3 |
| UK | -3.9 | -3.6 | -2.8 | -2.3 | -2.4 | -2.7 | 0.5 | -3.2 | -4.4 | -2.0 |
| Eurozone | -0.7 | -0.6 | -0.5 | -0.5 | -0.3 | -0.5 | -4.5 | -4.0 | -3.5 | -2.3 |
| Germany | 1.2 | 1.2 | 1.2 | 1.1 | 1.6 | 1.3 | -3.1 | -2.6 | -2.0 | -0.5 |
| France | -2.5 | -2.1 | -2.0 | -1.9 | -1.5 | -2.1 | -5.9 | -5.9 | -5.3 | -3.4 |
| Italy | -1.0 | -0.6 | -1.3 | -1.6 | -1.7 | -1.0 | -6.0 | -4.6 | -5.2 | -3.7 |
| Japan | -5.4 | -4.2 | -4.1 | -3.3 | -2.5 | -2.5 | -8.1 | -6.9 | -7.3 | -3.3 |
| Australia | -2.8 | -2.6 | -2.3 | -1.6 | -1.2 | -4.1 | -7.8 | -7.7 | -5.4 | -3.6 |

Source: International Monetary Fund, World Economic Outlook

| Headline Consumer and Producer Price Inflation | CPI Year/Year % Change | | | | | | PPI Year/Year % Change | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Apr | May | Jun | Jul | Aug | | Apr | May | Jun | Jul | Aug |
| US | 8.3 | 8.6 | 9.1 | 8.5 | 8.3 | | 11.2 | 11.1 | 11.3 | 9.8 | 8.7 |
| Canada | 6.8 | 7.7 | 8.1 | 7.6 | | | 17.0 | 15.5 | 14.3 | 11.9 | |
| UK | 9.0 | 9.1 | 9.4 | 10.1 | 9.9 | | 14.7 | 15.6 | 16.4 | 17.1 | 16.1 |
| Eurozone | 7.4 | 8.1 | 8.6 | 8.9 | 9.1 | | 37.2 | 36.2 | 36.0 | 37.9 | |
| Germany | 7.4 | 7.9 | 7.6 | 7.5 | 7.9 | | 33.5 | 33.6 | 32.7 | 37.2 | |
| France | 4.8 | 5.2 | 5.8 | 6.1 | 5.9 | | 25.2 | 25.0 | 25.2 | 25.9 | |
| Italy | 6.0 | 6.8 | 8.0 | 7.9 | 8.4 | | 35.3 | 34.6 | 34.1 | 36.9 | |
| Japan | 2.5 | 2.5 | 2.4 | 2.6 | | | 9.8 | 9.2 | 9.4 | 9.0 | 9.0 |
| Australia | 6.1 | 6.1 | 6.1 | | | | 5.6 | 5.6 | 5.6 | | |

Source: Macrobond

# Economic Indicators

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

| | Quarter/Quarter % Change | | | | | Year/Year % Change | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Q2-21 | Q3-21 | Q4-21 | Q1-22 | Q2-22 | Q2-21 | Q3-21 | Q4-21 | Q1-22 | Q2-22 |
| US | 1.6 | 0.6 | 1.7 | -0.4 | -0.1 | 12.2 | 4.9 | 5.5 | 3.5 | 1.7 |
| Canada | -0.8 | 1.3 | 1.6 | 0.8 | 0.8 | 11.7 | 3.8 | 3.2 | 2.9 | 4.6 |
| UK | 5.6 | 0.9 | 1.3 | 0.8 | -0.1 | 24.5 | 6.9 | 6.6 | 8.7 | 2.9 |
| Eurozone | 2.0 | 2.2 | 0.5 | 0.7 | 0.8 | 14.4 | 3.7 | 4.6 | 5.4 | 4.1 |
| Germany | 1.9 | 0.8 | 0.0 | 0.8 | 0.1 | 10.2 | 1.8 | 1.2 | 3.5 | 1.7 |
| France | 1.0 | 3.4 | 0.5 | -0.2 | 0.5 | 18.6 | 3.6 | 5.0 | 4.7 | 4.2 |
| Italy | 2.6 | 2.7 | 0.7 | 0.1 | 1.1 | 17.5 | 4.0 | 6.4 | 6.3 | 4.7 |
| Japan | 0.4 | -0.4 | 1.0 | 0.1 | 0.9 | 7.3 | 1.2 | 0.5 | 0.9 | 1.4 |
| Australia | 0.6 | -1.8 | 3.9 | 0.7 | 0.9 | 9.8 | 4.1 | 4.5 | 3.3 | 3.6 |

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 | 0.7 | -0.1 | 0.0 | 0.5 | -0.2 | 5.3 | 4.4 | 4.0 | 3.8 | 3.7 |
| Canada | 1.4 | -0.7 | 0.3 | | | 7.1 | 6.4 | 4.4 | | |
| UK | -0.1 | 1.3 | -0.9 | -0.3 | | 1.6 | 1.9 | 2.3 | 1.1 | |
| Germany | 1.3 | -0.1 | 0.8 | -0.3 | | -2.5 | -1.7 | 0.0 | -1.1 | |
| France | -0.3 | 0.2 | 1.2 | -1.6 | | -0.7 | -0.3 | 1.0 | -1.2 | |
| Italy | 1.3 | -1.2 | -2.0 | 0.4 | | 3.3 | 3.3 | -0.9 | -1.2 | |
| Japan | -1.5 | -7.5 | 9.2 | 0.8 | | -3.4 | -4.7 | -2.8 | -1.2 | |

Source: Macrobond

**Unemployment Rate (Seasonally Adjusted)**

| | Oct-21 | Nov-21 | Dec-21 | Jan-22 | Feb-22 | Mar-22 | Apr-22 | May-22 | Jun-22 | Jul-22 | Aug-22 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| US | 4.6 | 4.2 | 3.9 | 4.0 | 3.8 | 3.6 | 3.6 | 3.6 | 3.6 | 3.5 | 3.7 |
| Canada | 6.8 | 6.1 | 6.0 | 6.5 | 5.5 | 5.3 | 5.2 | 5.1 | 4.9 | 4.9 | 5.4 |
| UK | 4.1 | 4.0 | 4.0 | 3.8 | 3.7 | 3.8 | 3.8 | 3.8 | 3.6 | | |
| Eurozone | 7.3 | 7.1 | 7.0 | 6.9 | 6.8 | 6.8 | 6.7 | 6.7 | 6.7 | 6.6 | |
| Germany | 5.3 | 5.3 | 5.2 | 5.1 | 5.1 | 5.0 | 5.0 | 5.0 | 5.3 | 5.4 | 5.5 |
| France | 7.5 | 7.4 | 7.4 | 7.3 | 7.3 | 7.4 | 7.5 | 7.6 | 7.6 | 7.5 | |
| Italy | 9.2 | 9.0 | 8.8 | 8.7 | 8.5 | 8.3 | 8.2 | 8.0 | 8.0 | 7.9 | |
| Japan | 2.7 | 2.8 | 2.7 | 2.8 | 2.7 | 2.6 | 2.5 | 2.6 | 2.6 | 2.6 | |
| Australia | 5.2 | 4.6 | 4.2 | 4.2 | 4.0 | 3.9 | 3.9 | 3.9 | 3.5 | 3.4 | 3.5 |

Source: Macrobond

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

| | Q4-19 | Q1-20 | Q2-20 | Q3-20 | Q4-20 | Q1-21 | Q2-21 | Q3-21 | Q4-21 | Q1-22 | Q2-22 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| US | -1.9 | -2.0 | -3.1 | -3.2 | -3.5 | -3.4 | -3.6 | -3.9 | -3.7 | -4.8 | |
| Canada | -1.6 | -3.2 | -1.1 | -2.0 | -0.8 | 0.1 | -0.1 | 0.2 | 0.0 | 0.4 | 0.4 |
| UK | 0.5 | -2.2 | -1.4 | -1.4 | -4.8 | -2.2 | -2.0 | -4.9 | -1.2 | -8.3 | |
| Eurozone | 1.5 | 0.6 | 1.2 | 2.5 | 3.4 | 3.9 | 3.3 | 2.5 | 0.9 | 0.8 | -0.2 |
| Germany | 7.3 | 6.6 | 5.2 | 7.2 | 8.1 | 8.7 | 7.8 | 7.0 | 6.4 | 5.1 | 3.1 |
| France | 0.5 | -1.3 | -3.7 | -2.0 | -0.5 | 0.6 | 0.7 | 0.4 | -0.4 | -0.3 | -1.3 |
| Japan | 4.3 | 3.7 | 4.6 | 4.2 | 3.6 | 4.0 | 3.4 | 3.1 | 3.4 | 3.5 | 3.5 |
| Australia | -1.5 | -2.5 | -2.8 | -3.5 | -2.2 | -2.7 | -2.2 | -1.4 | -0.2 | 1.2 | |

Source: Macrobond

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* Pensions & Investments Research Center, as of December 31, 2020.

† This figure is presented as of December 31, 2021 and includes approximately $61.43 billion of assets with respect to SPDR products for which State Street Global Advisors Funds Distributors, LLC (SSGA FD) acts solely as the marketing agent. SSGA FD and State Street Global Advisors are affiliated.

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Exp. Date: 09/30/2023