Weekly Economic Perspectives

Weekly Highlights

- **Economies:** Retail sales and industrial production disappoint in the US. Manufacturing sales rebound in Canada. The unemployment rate falls further in the UK. Growth and inflation pick up in Germany. Leading indicators soften in Japan. Employment continues to expand in Australia. (pages 2 – 6)
- **Markets:** A mixed week when both stocks and bonds catch a bid. Equities recover on some earnings surprises and hopes of continued trade talks. Bond yields decline on safe haven demand. The pound drops on lack of Brexit progress. Oil is supported by decent macro data and geopolitics. (page 7)

Upcoming Highlights

- **Spotlight:** Retail sales are expected to rise in Canada but decline in the UK. No improvement seen in German manufacturing activity. The Japanese economy may have contracted mildly in the first quarter. (page 9)

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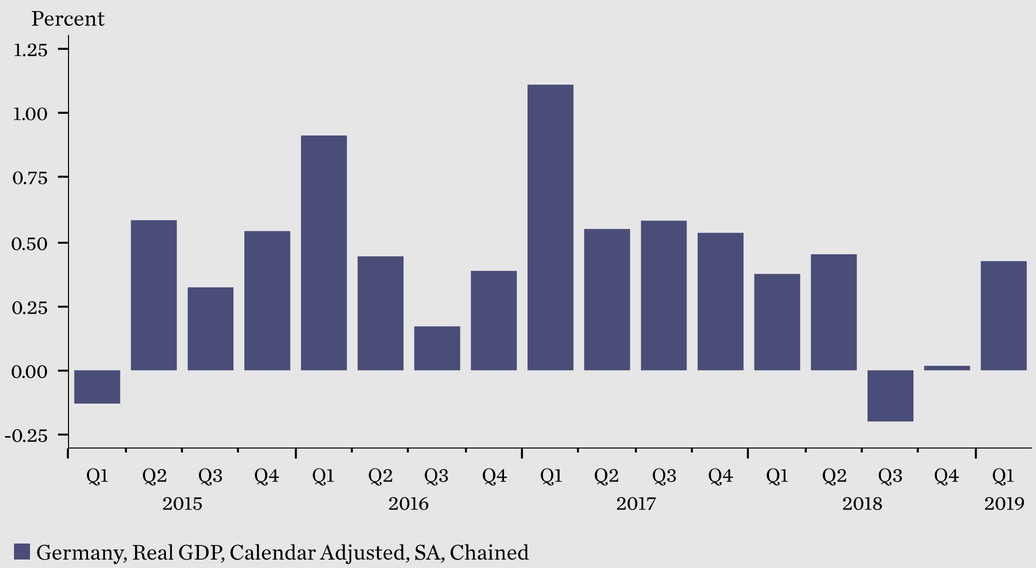
Figure 1: Welcome Revival In German GDP Growth



Sources: German Federal Statistical Office (Statistisches Bundesamt)

STATE STREET GLOBAL ADVISORS

Week in Review

US

Given soft auto sales, we had braced for a downside surprise in April **retail sales**. Unfortunately, our fears were confirmed as sales dipped 0.2% against expectations for a gain of that magnitude. What's more, weakness extended well beyond autos. Admittedly, sales ex-autos did increase 0.1%, but they had been expected to rise 0.7%. Control sales (which exclude food services, building materials, autos dealers and gas stations) and is used by the Commerce Department to calculate goods consumption in the GDP accounts were flat (versus expectations of a 0.3% gain). Still, we aren't exceedingly worried. For one, the April disappointment follows a major upside surprise in March (and that data was revised a tad higher still). Secondly, we suspect some transient weather-related impact on categories such as building materials and clothing. Finally, given the strength in the labor market, a solid income stream for consumers, low debt service ratios and healthy savings rate, we believe consumers are quite resilient. Therefore, absent a major escalation in tariffs, we anticipate consumer spending to contribute solidly to growth through the remainder of 2019. Overall sales increased 5.0% y/y while control sales rose 5.5% y/y.

According to preliminary estimates, the **University of Michigan consumer confidence index** unexpectedly jumped 5.2 points to a fifteen-year high of 102.4 in May. However, the details were not nearly as strong and we are skeptical that we can hold onto these gains if trade tensions escalate. Indeed, much of the May improvement came from the volatile expectations component, which rose 8.6 points, the most since late 2011. The current situation metric was almost unchanged at about two points below the 2018 average. Trade tensions and tariffs are a key risk. According to the associated press release, "Those who held negative views about the impact of tariffs on the economy and pricing had values on the Expectations Index that were 25 points lower, and expected the year-ahead inflation rate to be 0.6 percentage points higher." Such concerns seem to be already feeding into inflation expectations. Having slipped recently, short term inflation expectations rose three tenths to a six-month high of 2.8% while long-term inflation expectations increased three tenths to a four-month high of 2.6%.

Figure 2: Clear Loss of Momentum in US Industrial Production

Sources: Macrobond, Federal Reserve

Given that the manufacturing hours index was flat in April, we did not have high hopes for the **industrial production** update and had braced for some disappointment on this front as well. And indeed, the data did disappoint, as industrial production declined 0.5% (consensus had expected an unchanged print) on a 0.5% retreat in manufacturing and a 3.5% drop in utilities (Figure 2, page 2). Within manufacturing, weakness was broad-based but especially acute in motor vehicles and machinery (each down 2.6%). Mining managed a 1.6% increase, although that follows three consecutive modest declines. Upward revisions to the March data, now showing a 0.2% gain in overall production rather than the 0.1% retreat initially reported did soften the blow somewhat but there is no denying the loss of momentum in the industrial sector over the last few months. Indeed, industrial production is now up just 0.9% y/y and manufacturing production is actually down 0.2% y/y. Capacity utilization retreated six tenths to 77.9%, down from 79.6% a year earlier.

Fortunately, the latest updates from regional Fed manufacturing surveys suggest May is shaping up to be a better month. Both the Empire index and the Philly Fed surprised positively and by rather significant margins. The **Empire manufacturing index** jumped 7.7 points to 17.8, the largest monthly gain since August 2017 and the highest level since November. The details were good but not stellar. Shipments surged 7.7 points to 16.3—the biggest gain since October (when it had followed a massive plunge the month before). New orders advanced 2.2 points to the highest level since December and backlogs lengthened. But the employment metric softened and the duration of the workweek was little changed. We noted the improvement in expectations but are loath to get too excited given the re-escalation in trade tensions, which could easily derail those expectations.

Meanwhile, the **Philly Fed Business Outlook index** nearly doubled to 16.6, the best in seven months. But the details were not as strong as the headline advance would suggest. Indeed, whereas shipments jumped to the highest level since March 2018 and employment advanced noticeably, new orders softened. The prices paid measure rose but the prices received metric retreated. Changes in these variables are hard to interpret on the whole, but the dynamic could speak to some intensifying pressure on margins.

Small business sentiment has improved following the end of the government shutdown but it remains notably softer than where it stood in mid-2018. Still, we were encouraged by the April update, even though we are at the same time weary about the possibility that the latest trade dispute escalation could disrupt sentiment yet again. The **National Federation of Independent Business (NFIB)** index rose 1.7 points to 103.5 in April—the best reading so far this year. The details were decent as the profit metric improved 5.0 points to a six-month high, sales expectations rose slightly, and the proportion of respondents who believe now is a good time to expand improved for the third consecutive month. However, not all was rosy: while hiring plans improved, actual hiring retreated notably. And there was not much movement on capex at all: current capex was unchanged and capex plans eroded slightly. We are particularly disappointed in the latter as we see a revival in business investment as central to a sustained improvement in productivity, which would in turn help expand the cycle.

Business inventories were flat in March, having risen in each of the prior three months. Manufacturing inventories rose 0.4%, but this was offset by a 0.3% decline in wholesale and a 0.1% decline in retail inventories. Sales rebounded 1.6%, pushing the inventory-to-sales ratio down two ticks to 1.37 months. While this is the lowest since November, it is fairly elevated historically. However, it is possible that this elevated level is intentional as firms seek to build up a cushion amid trade tensions and uncertainty about tariffs.

The **index of leading economic indicators** had flat-lined in late 2018 but appears to be picking up again. It rose 0.2% in April, the third consecutive gain. However, the details were on the soft side, as most of the positive contributions came from financial-type indicators such as stock prices and credit, whereas the ISM new orders and core machinery orders—more closely related to real activity levels— were detractors.

After a bout of extreme volatility at the start of the year, the housing market seems to have stabilized and might even be improving. **Housing starts** rose 5.7% to 1,235,000 (annualized) in April, ahead of expectations. The improvement was broad-based, with single-family starts increasing 6.2% and multi-family up 4.7%. **Building permits**—a leading indicator of starts—have flat-lined close to the 1,300,000 (annualized) level in recent months. Indeed, April's 0.6% increase left them at 1,296,000 (annualized). We remain of the view that lower mortgage rates will re-energize housing market activity as we do not perceive the housing market to suffer from weak demand but rather to struggle meeting that demand due to affordability challenges. Lower mortgage rates help alleviate that problem at least for the time being.

We are therefore not surprised to see home builder confidence improve, having taken a nosedive late last year. The **National Association of Homebuilders' (NAHB) index** rose 3.0 points to 66.0 in May, well ahead of expectations for a 1.0-point gain. Prospective buyer, current sales, and expected sales all rose to their best levels since October. However, gains were not evenly spread across geographies. Whereas the Northeast index soared 10.0 points to the highest since 2005, there was only a modest improvement in the West, a minimal one in the South and none at all in the Midwest.

Import prices came in softer than expected in April, increasing 0.2% against expectations of a heftier 0.7% gain. Excluding petroleum, prices declined 0.6%; excluding food and fuels they declined 0.3%. Weakness was fairly broad-based across the remaining categories. Prices of imports from China declined 0.2%, having last risen in May of 2018. Overall import prices declined 0.2% y/y.

Unemployment claims data remain very encouraging. Initial unemployment claims—a measure of job shedding—retreated 16,000 to 212,000 during the week ending May 11. Continuing claims—a measure of unemployment—declined 28,000 to 1,660,000 in the week ended May 4.

After spiking to a historically high 10% during the financial crisis, the **mortgage delinquency rate** has since returned to normal levels. Amid rising interest rates, however, it may be in the process of bottoming. The rate inched up three tenths to 4.4% in the first quarter, keeping it in the 4.0%-5.0% range where it hovered for most of the 20 years before the financial crisis. However, the share of seriously delinquent loans declined a tenth to 2.0%, the lowest since 2006.

Canada

Nominal **manufacturing sales** surprised to the upside with a 2.1% expansion in March, after a 0.2% decline in February. This was the strongest gain since February 2018. Real sales jumped an impressive 1.6%—a good sign for monthly GDP. Sales were up in 12 of 21 sectors, with transportation equipment (4.5%), petroleum and coal product (8.2%), and primary metal industries (5.3%) posted the largest gains. Inventories rose by just 1.0%, lowering the inventory to sales ratio to 1.50 from 1.52. New orders also increased 1.5% m/m, while the capacity utilization rate increased from 78.5% to 80.7%. Overall, this was a very positive report.

After a drastic fall in February, **existing home sales** continue to mend. According to data from the Canadian Real Estate Association (CREA) sales rose 3.6% m/m in April, more than anticipated, but still left activity slightly below levels recorded in the second half of 2018. Gregory Klump, CREA's Chief Economist noted that, "sales activity is stabilizing among Canada's five most active urban housing markets." New homes listed for sale rose 2.7%, causing the sales-to-new listings ratio (a measure of market tightness) to tighten marginally to 54.8% from 54.3% in March.

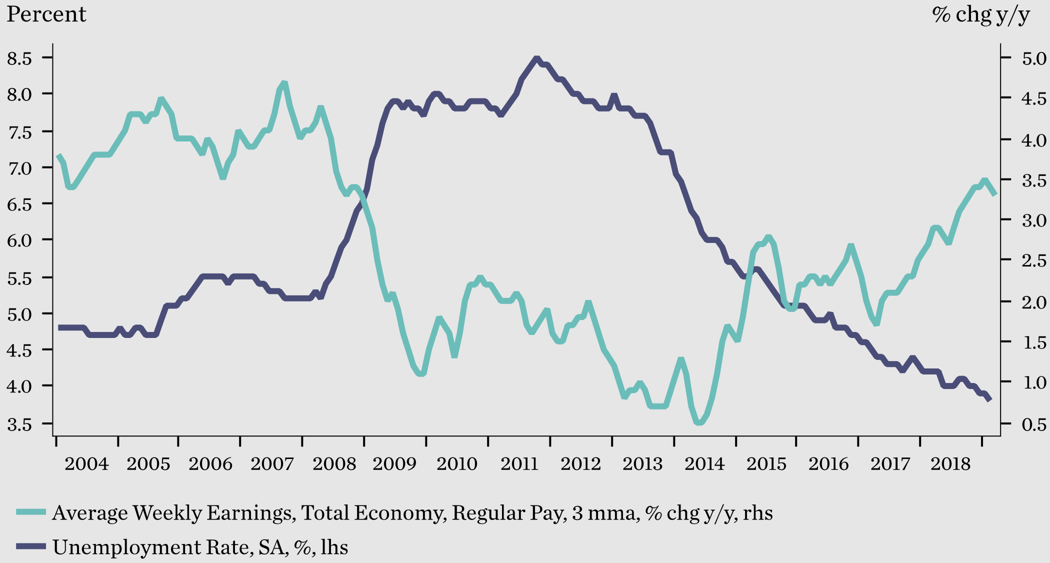
Canadian house price inflation moderated rapidly from mid-2017 to mid-2018 but has since trended largely sideways. The 11-City **Teranet house price index** was essentially unchanged in April—after two consecutive declines— and lowered house price inflation by three tenths to 1.2% y/y, the lowest since October 2009! Six out of the eleven metropolitan areas experienced price declines during the month.

Headline **consumer price inflation** accelerated a tenth to 2.0% y/y in April as fuel prices continued to rise, in part due to new taxes. Measures of core inflation were generally stable to lower: the common component measure was unchanged at 1.8% y/y while both the trimmed mean and weighted median fell 0.1 percentage point each to 2.0% y/y and 1.9% y/y, respectively. Prices rose 0.4% m/m, mainly due to a 10% surge in gasoline prices. Energy prices also rose by 5.7%. Sharp movements in energy prices have caused volatility in the headline number of late, but prices have broadly been near the inflation target. However, a weaker economy may pose downside risks to inflation as and when energy prices stabilize.

UK

The labor market is tight and wage inflation robust. Admittedly, both moderated in the last update, but it is far too soon to conclude that this is anything more than the typical movement in the data. Employment increased by 99,000 in January-March, compared to a 167,000 gain in October-December. Unemployment declined by 45,000, lowering the International Labor Organization (ILO) **unemployment rate** 0.1 percentage point to 3.8%, a level not seen since 1974. By contrast, the claimant count unemployment rate was unchanged at 3.0% in December, the twin highest since mid-2014. Meanwhile, wage inflation as measured by overall average weekly earnings slowed three tenths to 3.2% y/y; excluding bonuses, wage inflation moderated a tenth to 3.3%. Both have picked up, however, compared to a year ago.

Figure 3: UK Labor Market Resilient Amid Brexit Uncertainty



Sources: UK Office of National Statistics (ONS)

Eurozone

The second read on *eurozone* GDP confirmed the initial estimate of a 0.4% advance during the first quarter, which was double the fourth-quarter rate. The improved performance reflected a 0.3 percentage point (ppts) contribution from consumption—split evenly between the private and public sectors—and a 0.3 ppts contribution from fixed investment. Net trade, which had been a big detractor in the prior three months, made an incremental positive contribution. By contrast, inventories swung from a 0.4 ppts positive contribution in Q4 to detracting that amount in Q1. Seasonally and workday-adjusted GPD growth was unchanged at 1.2% y/y in the first quarter.

There had been enough high-frequency data evidencing an upturn so that the improvement in ***German*** **GDP** growth during the first quarter was no longer a surprise. But, it was nonetheless welcome news given the recent weakness in regional performance. Indeed, real GDP grew 0.4% in the first quarter, having been flat in the fourth. No details are released with the preliminary estimate. Seasonally and workday adjusted GDP was only up 0.7% y/y, but that was a tenth better than in the fourth quarter.

German investor confidence deteriorated sharply over the summer of 2018 then seemed to be getting back on track with two solid gains in August and September only to subsequently collapse again. It has since made another attempt at stabilization, although the May update was a bit disappointing. Indeed, contrary to expectations of another gain, the

Zew index of German growth expectations fell 5.2 points to -2.1. Still, this deterioration must be put in context since despite the decline the index is still at its second highest level in a year…Let's hope it doesn't relapse.

Alongside growth, ***German*** **inflation** appears to be reviving as well. Admittedly, the timing of Easter holiday may be flattering comparisons, but we nonetheless couldn't help notice the improvement. Both the headline consumer price inflation (CPI) rate and the core inflation rate (excluding food and energy) accelerated by 0.7 percentage point each to 2.0% y/y and 1.8% y/y, respectively. The latter is the twin highest since April 2014 and, prior to that, December 2007.

The slow healing of the ***French*** labor market continues. The mainland **unemployment rate** declined another tenth to a cycle low of 8.4% in the first quarter on incremental improvements in both the male and female unemployment rates (both now stand at 8.4%).

Italian **industrial orders and sales** are trying to recover following a very weak end to 2018. Unfortunately, recent performance has been mixed and it is too soon to conclude that they are sustainably on the mend. Indeed, while orders jumped 2.2% in March, that didn't even fully retrace the 2.8% decline in February and still left orders down 3.6% y/y. Meanwhile, overall sales increased 0.3% in March but are just 1.3% higher than a year earlier.

Japan

Tertiary industry activity has risen steadily over the last two years, but weakened for the second consecutive month in March. The index fell 0.4% in March, slightly better than the 0.6% fall recorded in February. Noticeable declines were recorded in information/communication, wholesale and retail trade, utilities and goods rental. These were partly offset by increases in healthcare and finance.

The **index of leading economic indicators** resumed its downward trend after a small rebound in February. The index fell 0.8 points to 96.3 in March, lowest since June 2016 and way off the high of 101.6 seen in May of last year. The coincident index declined 0.9 points to 99.6, lowest since September 2016; the lagging index rose 0.1 points to 104.6.

Producer price inflation continued rising in April after a slow start to the year on the back of falling oil prices. **Producer prices** (PPI) rose 0.3% as fuel prices rose 3.3%, the third consecutive increase. Other positive contributors included agriculture (1.0%) and chemicals (0.6%). PPI inflation decelerated by one tenth to 1.2% y/y, better than expected, but still a long way away from the 3.0% seen as recently as October.

Australia

The combination of the latest labor market report and wage inflation data should be reassuring for the Reserve Bank of Australia's (RBA). More people joined the labor force in April and pushed the participation rate up one tenth to 65.8%, revisiting the record high reached several times over the years. Employment increased by a healthy 28,400, a bit better than the upwardly revised March gain. This caused the **unemployment rate** to rise by 0.1 percentage point to 5.2%. However, gains were predominantly in part-time employment, which rose by 34,700, while full time jobs actually contracted 6,300. The underutilization rate increased 0.4 percentage points to 13.7%, suggesting there is still slack in the labor market; this could cap future wage gains.

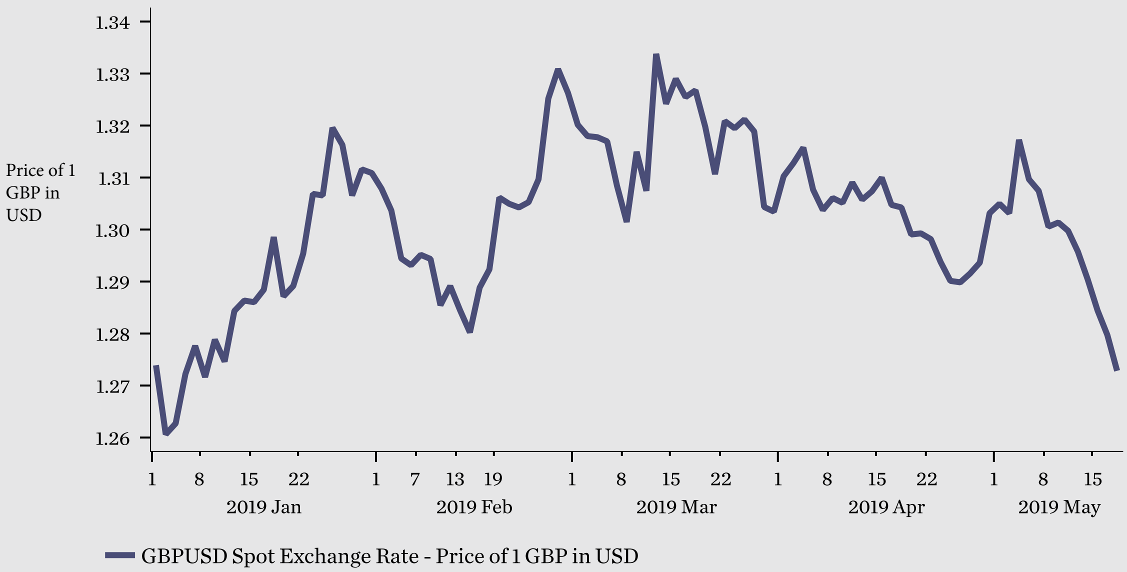
Wage inflation appears to be trending gently higher, reflecting high levels of labor utilization. Overall wages (seasonally adjusted) rose 0.5% in the third quarter, in line with recent gains. Public sector wage growth slowed to 0.4%, the lowest since 2000, while gains in private sector wages were steady at 0.5%. Gains were recorded in every sector including 1.0% in utilities, 0.9% in healthcare and 0.8% in education/training. Overall wage inflation was unchanged at 2.3% y/y, the fastest since mid-2015. The Reserve Bank will welcome higher wages as they will help offset the effects of high indebtedness and fragile home prices on consumer confidence.

The **NAB index of business confidence** has been trending downward since a high of 10.8 in April last year. Admittedly, confidence rose by 0.7 points to -0.3 in April from a downwardly revised -1.0 in March, but still ended up at lows last seen in July 2013. Business conditions also fell 4 points to 3. Losses were broad based – profitability shed 4 points to 1, employment fell 7 points to -1 and trading was down 4 points to 7. Encouragingly, capex intentions edged up by 1 point to 5, with capacity utilization also up 0.1 percentage points to 81.1%.

Financial Markets Review

Escalating uncertainty over Prime Minister's May ability to push a withdrawal agreement over the finish line took a heavy toll on the pound this week. Despite a decent economic data flow, the pound slipped to its lowest level against the dollar since January.

Figure 4: Brexit Uncertainty Weighs On The Pound



Sources: Bloomberg

Equities: Some positive earnings surprises and renewed hope of trade talks help equities recoup some losses.

Bonds: Bond yields continue to decline, however, as investors seek refuge amid uncertainty.

Currencies: The pound gets hammered on lack of progress towards a withdrawal agreement.

Commodities: Oil catches a bid amid geopolitical tensions but gold ends volatile week 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®	2876.12	-0.2%	14.7%	2.39	-7	-29	97.962	0.6%	1.9%
Canada	TSE 300	16424.15	0.8%	14.7%	1.69	-4	-27	1.3442	0.2%	-1.4%
UK	FTSE®	7348.62	2.0%	9.2%	1.03	-10	-24	1.2731	-2.1%	-0.2%
Germany	DAX	12238.94	1.5%	15.9%	-0.10	-6	-35			
France	CAC-40	5438.23	2.1%	15.0%	0.29	-6	-42	1.1166	-0.6%	-2.6%
Italy	FTSE® MIB	21105.28	1.1%	15.2%	2.66	-2	-8			
Japan	Nikkei 225	21250.09	-0.4%	6.2%	-0.05	0	-6	110.07	0.1%	0.3%
Australia	ASX 200	6365.301	0.9%	12.7%	1.64	-9	-68	0.6873	-1.8%	-2.5%

Commodity Markets

Commodity	Unit	Source	Last Price	%Ch Week	%Ch YTD	%Ch Yr Ago
Oil (Brent)	US $/Barrel	Bloomberg	73.26	2.3%	37.8%	-7.1%
Gold	US $/troy oz	Bloomberg	1276.89	-0.7%	-0.4%	-1.1%

Source: Bloomberg®

Week in Review: Data Releases and Major Events (May 13–May 17)

Country	Release (Date, format)	Consensus	Actual	Last	Comments
Monday, May 13					
FR	Bank of France Ind. Sentiment (Apr)	100	**99**	100	Stabilizing, but no improvement yet.
JN	Leading Index CI (Mar, prelim)	96.3	**96.3**	97.1	Worsening.
Tuesday, May 14					
US	NFIB Small Business Optimism (Apr)	102.0	**103.5**	101.8	Mixed details but welcome improvement.
US	Import Price Index (Apr, y/y)	0.3%	**-0.2%**	0.1%(↑r)	Broad-based softness.
US	Mortgage Delinquencies (Q1)	na	**4.4%**	4.1%	May be putting in a cyclical bottom.
CA	Teranet/National Bank HPI (Apr, y/y)	na	**1.2%**	1.5%	Soft.
UK	ILO Unemployment Rate (Mar)	3.9%	**3.8%**	3.9%	But employment growth slowed.
UK	Average Weekly Earnings (Mar, 3m y/y)	3.4%	**3.2%**	3.5%	Still robust.
EC	Industrial Production (Mar, m/m)	-0.3%	**-0.3%**	-0.1%(↑r)	Seems to be healing despite weak month.
GE	ZEW Investor Expectations (May)	5.0	**-2.1**	3.1	Disappointing.
GE	CPI (Apr, final, y/y)	2.0%(p)	**2.0%**	1.3%	Core inflation accelerated to 1.8% y/y.
AU	NAB Business Confidence (Apr)	na	**-0.3**	-0.6(↓r)	Better, but still at multi-year lows.
Wednesday, May 15					
US	Retail Sales Advance (Apr, m/m)	0.2%	**-0.2%**	1.7%(↑r)	Disappointing but also very volatile lately.
US	Industrial Production (Apr, m/m)	0.0%	**-0.5%**	0.2%(↑r)	Disappointing, but not shocking.
US	Empire Manufacturing (May)	8.0	**17.8**	10.1	Bodes well for May manufacturing output.
US	NAHB Housing Market Index (May)	64	**66**	63	Huge surge in Northeast.
US	Business Inventories (Mar, m/m)	0.0%	**0.0%**	0.3%	Pausing after earlier gains.
CA	CPI (Apr, y/y)	2.0%	**2.0%**	1.9%	Surge in gasoline prices.
CA	Existing Home Sales (Apr, m/m)	1.8%	**3.6%**	0.9%	Sizable rebound.
EC	GDP (Q1, prelim, q/q)	0.4%	**0.4%**	0.4%	Consumption and business investment.
GE	GDP (Q1, prelim, q/q)	0.4%	**0.4%**	0.0%	Much welcome rebound; no details yet.
IT	Industrial Sales (Mar, m/m)	na	**0.3%**	0.2%(↓r)	Seem to have stabilized.
IT	Industrial Orders (Mar, m/m)	na	**2.2%**	-2.8%(↓r)	Have not yet stabilized.
AU	Wage Price Index (Q1, y/y)	2.3%	**2.3%**	2.3%	Trend appears to be higher, only slightly.
Thursday, May 16					
US	Initial Jobless claims (May 11, thous)	220	**212**	228	Very low and that is very good.
US	Housing Starts (Apr, thous)	1209	**1235**	1168(↑r)	Seem to be reviving, lower rates help.
US	Building Permits (Apr, thous)	1289	**1296**	1288(↑r)	Trending sideways.
US	Philadelphia Fed Business Outlook (May)	9.0	**16.6**	8.5	Bodes well for May manufacturing output.
CA	Manufacturing Sales (Mar, m/m)	1.5%	**2.1%**	-0.2%	Overall, a positive report.
FR	Unemployment Rate (Q1)	8.5%	**8.4%**	8.5%	Cycle low.
JN	PPI (Apr, y/y)	1.1%	**1.2%**	1.3%	Chugging along.
AU	Unemployment Rate (Apr)	5.0%	**5.2%**	5.1%(↑r)	A good report overall.
Friday, May 17					
US	U of M Cons. Sentiment (May, prelim)	97.9	**102.4**	97.2	15-yr high but weaker details.
US	Leading Index (Apr)	0.2%	**0.2%**	0.3%(↓r)	Had previously flat-lined, rising again.
EC	CPI (Apr, final, y/y)	1.7%(p)	**1.7%**	1.4%	Core inflation at 1.3% y/y.
JN	Tertiary Industry Index (Mar)	0.1%	**-0.4%**	-0.6%	Second consecutive decline.

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

Week in Preview: Data Releases and Major Events (May 20–May 24)

Country	Release (Date, format)	Consensus	Last	Comments
Monday, May 20				
GE	PPI (Apr, y/y)	2.5%	2.4%	
JN	GDP (Q1, prelim, q/q)	-0.1%	0.5%	It is probably going to get worse.
JN	Industrial Production (Mar, final, m/m)	-0.9%	0.7%	Manufacturing has been hit by trade uncertainties.
Tuesday, May 21				
US	Existing Home Sales (Apr, m/m)	2.7%	-4.9%	Lower mortgage rates help.
Wednesday, May 22				
CA	Retail Sales (Mar, m/m)	1.0%	0.8%	Spending supported by strong employment gains.
UK	CPI (Apr, y/y)	2.2%	1.9%	Core expected to accelerate a tick to 1.9% y/y.
UK	PPI Output (Apr, y/y)	2.3%	2.4%	
JN	Core Machine Orders (Mar, m/m)	0.0%	1.8%	Reflecting drag from foreign orders.
JN	Trade Balance Adjusted (Apr, ¥ bil.)	-23.6	-177.8	
Thursday, May 23				
US	Initial Jobless claims (May 18, thous)	---	212	
US	New Home Sales (Apr, thous)	675	692	
US	Kansas Fed Manf. Activity (May)	na	5.0	
EC	Manufacturing PMI (May, prelim)	48.1	47.9	Are we really stuck here?
EC	Services PMI (May, prelim)	53.0	52.8	Critical for this to hold up.
GE	GDP (Q1, final, q/q)	0.4%	0.4%	
GE	IFO Business Climate (May)	99.2	99.2	
GE	Manufacturing PMI (May, prelim)	44.8	44.4	Are we really stuck here?
GE	Services PMI (May, prelim)	55.4	55.7	Critical for this to hold up.
FR	Business Confidence (May)	105	105	
FR	Manufacturing PMI (May, prelim)	50.0	50.0	
JN	Manufacturing PMI (May, prelim)	na	50.2	Don't expect much change.
Friday, May 24				
US	Durable Goods Orders (Apr, prelim)	-2.0%	2.6%	Trade tensions hurt...a lot!
UK	Retail Sales (Apr, m/m)	-0.4%	1.1%	Decline wouldn't be surprising given Brexit chaos.
JN	CPI (Apr, y/y)	0.9%	0.5%	Might be up a tad, still far from target.
JN	All Industry Activity Index (Mar, m/m)	-0.2%	-0.2%	

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

Economic Indicators

Central Bank Policy Targets

		Year/Year % Change in Target				
		Dec	Jan	Feb	Mar	Apr
US	Target: PCE price index 2.0% y/y	1.8	1.4	1.3	1.5	
Canada	Target: CPI 2.0% y/y, 1.0%-3.0% control range	2.0	1.4	1.5	1.9	2.0
UK	Target: CPI 2.0% y/y	2.1	1.8	1.9	1.9	
Eurozone	Target: CPI below but close to 2.0% y/y	1.5	1.4	1.5	1.4	1.7
Japan	Target: CPI 2.0% y/y	0.3	0.2	0.2	0.5	
Australia	Target Range: CPI 2.0%-3.0% y/y	1.8	1.3	1.3	1.3	

Source: Macrobond

Key Interest Rates

	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19
US (top of target range)	2.00	2.00	2.00	2.25	2.25	2.25	2.50	2.50	2.50	2.50	2.50
Canada (Overnight Rate)	1.25	1.50	1.50	1.50	1.75	1.75	1.75	1.75	1.75	1.75	1.75
UK (Bank Rate)	0.50	0.50	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)	-0.07	-0.07	-0.06	-0.06	-0.07	-0.06	-0.06	-0.06	-0.05	-0.06	-0.07
Australia (OCR)	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50

Source: Macrobond

General Government Structural Balance as a % of Potential GDP

									Forecast	
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
US	-9.3	-7.9	-6.1	-4.0	-3.4	-3.2	-3.9	-4.0	-4.7	-5.2
Canada	-3.8	-3.1	-1.9	-0.9	0.3	0.9	0.8	0.1	-0.2	-0.4
UK	-7.2	-5.9	-5.9	-3.9	-4.6	-3.9	-2.8	-1.9	-1.4	-1.2
Eurozone	-4.8	-3.9	-2.2	-1.3	-1.0	-0.9	-0.8	-0.7	-0.7	-0.9
Germany	-2.4	-1.4	-0.1	0.2	0.9	0.8	1.0	0.9	1.3	0.7
France	-6.2	-5.2	-4.5	-3.5	-3.3	-3.0	-2.8	-2.6	-2.5	-2.5
Italy	-3.7	-4.1	-1.5	-0.6	-1.1	-0.7	-1.4	-1.6	-1.7	-2.1
Japan	-8.0	-8.0	-7.6	-7.5	-5.5	-4.3	-4.1	-3.4	-3.1	-2.8
Australia	-4.9	-4.2	-3.3	-2.6	-2.5	-2.4	-2.2	-1.2	-1.0	-1.2

Source: International Monetary Fund, World Economic Outlook

Headline Consumer and Producer Price Inflation

	CPI Year/Year % Change					PPI Year/Year % Change				
	Dec	Jan	Feb	Mar	Apr	Dec	Jan	Feb	Mar	Apr
US	1.9	1.6	1.5	1.9	2.0	2.6	2.0	1.9	2.2	2.2
Canada	2.0	1.4	1.5	1.9	2.0	2.1	1.0	1.2	1.5	
UK	2.1	1.8	1.9	1.9		2.4	2.1	2.4	2.4	
Eurozone	1.5	1.4	1.5	1.4	1.7	3.0	2.9	3.0	2.9	
Germany	1.6	1.4	1.5	1.3	2.0	2.7	2.6	2.6	2.4	
France	1.6	1.2	1.3	1.1	1.3	1.3	1.8	1.8	1.6	
Italy	1.1	0.9	1.0	1.0	1.1	4.1	3.4	3.1	2.9	
Japan	0.3	0.2	0.2	0.5		1.5	0.6	0.9	1.3	1.2
Australia	1.8	1.3	1.3	1.3		2.0	1.9	1.9	1.9	

Source: Macrobond

Economic Indicators

Real GDP Growth (Q/Q Seasonally Adjusted)

	Quarter/Quarter % Change					Year/Year % Change				
	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19
US	0.5	1.0	0.8	0.5	0.8	2.6	2.9	3.0	3.0	3.2
Canada	0.3	0.6	0.5	0.1		2.2	1.7	1.9	1.6	
UK	0.1	0.4	0.7	0.2	0.5	1.2	1.4	1.6	1.4	1.8
Eurozone	0.4	0.4	0.1	0.2	0.4	2.4	2.2	1.6	1.2	1.2
Germany	0.4	0.5	-0.2	0.0	0.4	2.1	2.0	1.2	0.6	0.7
France	0.2	0.2	0.3	0.3	0.3	2.2	1.7	1.4	1.0	1.1
Italy	0.1	0.1	-0.1	-0.1	0.2	1.4	1.0	0.5	0.0	0.1
Japan	-0.1	0.5	-0.6	0.5		1.4	1.4	0.2	0.3	
Australia	1.1	0.8	0.3	0.2		3.1	3.1	2.7	2.3	

Source: Macrobond

Industrial Production Index (M/M Seasonally Adjusted)

	Month/Month % Change					Year/Year % Change				
	Dec	Jan	Feb	Mar	Apr	Dec	Jan	Feb	Mar	Apr
US	0.0	-0.4	-0.5	0.2	-0.5	3.8	3.6	2.7	2.3	0.9
Canada	-0.5	0.0	-0.6			0.8	2.0	-0.2		
UK	-0.3	1.0	0.6	0.7		-0.4	0.0	0.4	1.3	
Germany	0.8	-0.1	0.4	0.5		-2.5	-2.1	0.1	-0.8	
France	0.0	1.4	0.1	-0.9		-2.4	1.8	0.5	-0.9	
Italy	-0.6	1.8	0.8	-0.9		-5.4	-0.8	0.8	-1.5	
Japan	0.1	-2.5	0.7	-0.9		-1.0	0.7	-1.2	-3.0	

Source: Macrobond

Unemployment Rate (Seasonally Adjusted)

	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19
US	4.0	3.9	3.8	3.7	3.8	3.7	3.9	4.0	3.8	3.8	3.6
Canada	6.0	5.9	6.0	5.8	5.7	5.6	5.6	5.8	5.8	5.8	5.7
UK	4.0	4.0	4.1	4.1	4.0	4.0	3.9	3.9	3.8		
Eurozone	8.2	8.1	8.0	8.0	8.0	7.9	7.9	7.8	7.8	7.7	
Germany	5.2	5.2	5.2	5.1	5.1	5.0	5.0	5.0	5.0	4.9	4.9
France	9.0	9.0	9.0	9.0	9.0	8.9	8.9	8.9	8.8	8.8	
Italy	10.7	10.4	10.1	10.4	10.7	10.6	10.5	10.4	10.5	10.2	
Japan	2.5	2.5	2.4	2.4	2.4	2.5	2.4	2.5	2.3	2.5	
Australia	5.3	5.3	5.3	5.0	5.0	5.1	5.0	5.0	4.9	5.1	5.2

Source: Macrobond

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

	Q3-16	Q4-16	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19
US	-2.3	-2.3	-2.2	-2.5	-2.1	-2.3	-2.5	-2.0	-2.5	-2.6	
Canada	-3.3	-1.9	-2.5	-2.6	-3.1	-3.0	-3.1	-2.9	-1.8	-2.8	
UK	-6.3	-4.0	-3.0	-4.1	-3.1	-3.0	-3.4	-3.3	-4.3	-4.4	
Eurozone	3.1	2.8	3.0	2.5	3.9	3.5	3.4	3.0	2.5	2.7	
Germany	8.1	7.9	8.2	6.9	8.6	8.5	8.2	7.5	6.5	7.5	
France	-1.2	-1.1	-1.0	-0.4	-0.7	-0.3	0.1	-1.1	-0.3	0.0	-0.2
Japan	3.8	4.1	4.3	3.7	4.6	4.2	3.6	4.0	3.4	3.1	
Australia	-3.3	-1.4	-1.6	-2.4	-2.8	-3.4	-2.3	-2.5	-2.3	-1.5	

Source: Macrobond

Important Risk Discussion

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