Weekly Economic Perspectives

Last Week's Highlights

- **Economies:** The Fed and the BoE remain on hold amid economic and geopolitical uncertainty. Productivity picks up in the US. Growth slips in Canada. Manufacturing slows in the UK. Growth revives in the eurozone. Credit growth remains tepid in Australia. (pages 2 – 7)
- **Markets:** A mixed week in markets despite some good economic data. Stocks are mixed as Fed leans against rate cut expectations. Bond yields widen slightly. The pound strengthens at the end of a volatile week. Oil ends a bit higher and gold ends a bit lower. (page 8)

This Week's Highlights

- **Spotlight:** Consensus expects a cut from the RBA, but it may not be a done deal. Core inflation should pick up in the US. UK growth is expected to rebound in the first quarter. (page 10)

Tables

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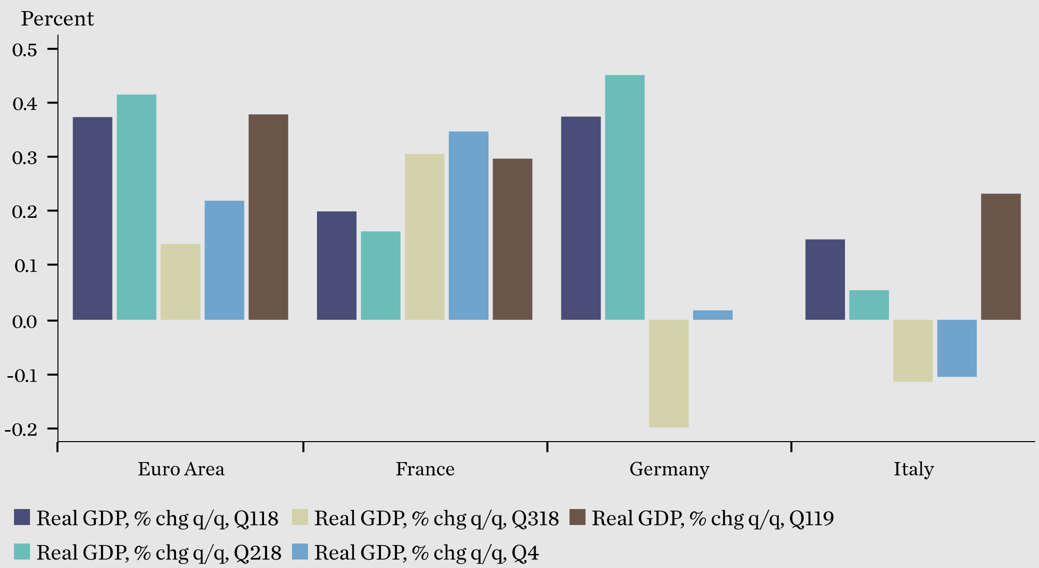
Figure 1: GDP Growth Revives In The Eurozone



Sources: INSEE, Istat, Eurostat, German Statistics Office

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Week in Review

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Global manufacturing activity has lost considerable momentum, though there are signs it is trying to stabilize. Activity is still expanding, albeit at a slower rate, in the US and UK but sputtering most elsewhere. The US ISM manufacturing index disappointed with a 2.5-point decline to 52.8 in April, the lowest level since October of 2016. Despite losing 2.0 points, the UK index remained clearly in expansion territory at 53.1 points and the second highest level so far this year The overall eurozone index gained a modest 0.4 point and only to a dismal 47.9. It was weighed down by the German index at 44.4 (up 0.3 point but still near an 80 month low). Moreover, there is little hope for material improvement as Germany's new orders and new export orders still hover in the low 40s. Indeed, the weakness in German data is both a bit puzzling and worrisome. Italy improved 1.7 points but only to 49.1, in contraction for the seventh consecutive month. The French index gained 0.3 points, which left it exactly at the neutral 50.0 level. Spain edged up another 0.9 points to 51.8. The Canadian PMI also dropped from 50.5 to 49.7, the lowest since February 2016. The weaker performance mainly reflected reductions in output, new orders and employment. Encouragingly, Australian index rose 3.8 points to 54.8, the best since September, perhaps suggesting that Chinese stimulus is starting to benefit other regional economies.

US

The **FOMC** has made a drastic dovish turn over the last few months, but it sounds comfortable with where it is today and demurred (rightly, in our view) from taking any further steps in that direction. Indeed, on the margin we would argue that by stressing during the press conference that that there is no strong case for either a cut or a hike, Chair Powell leaned a bit against market expectations for future rate reductions. Not only was the Fed Funds rate left unchanged at 2.25-2.50%, but the accompanying statement was also little changed. Where it was, it was primarily a mark-to-market exercise, recognizing that "the labor market remains strong and that economic activity rose at a solid rate. Job gains have been solid, on average, in recent months, and the unemployment rate has remained low." In light of this week's payrolls report (see below), the unemployment rate reference may already be in need of further adjustments! The statement didn't elaborate much on the Committee's views on recent inflation data, but Chair Powell did note during the press conference that the recent weakness is seen as largely transitory, a view with which we concur. The conclusion is that the FOMC is comfortable where it is, seeing both the economy and monetary policy to be in a good place. There was another minor adjustment to the IOER.

Labor demand remains decidedly solid. In fact, **nonfarm payroll employment** increased by a much higher than expected 263,000 in April,, further sweetened by a net upward revision of 16,000 to the prior two months. Private payrolls increased by 236,000 while government added 27,000. The details were reassuring. Goods producing industries added 34,000 jobs, including 33,000 in construction and 4,000 in manufacturing. The latter was augmented by a favorable revision to March that did away with the initially reported 6,000 decline in manufacturing employment during that month. Mining, however, lost 2,000 jobs. Services employment grew a strong 202,000 amid broad-based gains. Education/health added 62,000 and leisure/hospitality added 34,000. These two sectors had been key areas of weakness in the soft February employment report but both sectors have since rebounded nicely. Temporary help rose a solid 18,000. The two persistent areas of softness were retail (-12,000) and trade and transportation (+5,000).

There has been considerable divergence between the establishment report and the household report over the last few months and that continued in April. According to the household report, employment declined by 103,000 while unemployment plummeted by 387,000, resulting in a massive 490,000 drop in the labor force. The participation rate declined another two tenths to 62.8%, which raises some question marks about the Fed's new more optimistic assumptions about the trajectory of labor force participation. The unemployment rate retreated two tenths to 3.6%, the lowest since 1969. The number of people employed part time due to economic reasons increased by 155,000. The share of job leavers (people voluntarily leaving existing jobs) in the total number of unemployed rose incrementally to 12.6%, which is cyclically elevated but off the highs reached in early 2018.

The hours data were a bit soft. The manufacturing workweek was unchanged at a soft-ish 40.7 hours, but the overall workweek declined by six minutes to 34.4 hours. The aggregate hours' index —a measure of work effort—retreated 0.1%, mildly negative for worker incomes. The manufacturing hours index was unchanged, suggesting a tepid print for industrial production.

The wage data were roughly as expected. Admittedly, total **average hourly earnings** increased 0.2%, which was a tenth less than expected, but that was offset by a one-tenth upward revision to the March figure and left this measure of wage inflation unchanged at 3.2% y/y. Average hourly earnings for production and non-supervisory employees—a more homogeneous group—increased 0.3% keeping this measure of wage inflation at 3.4% y/y.

Given the gradual tightening of the labor market, it does not come as a surprise that labor costs have risen noticeably over the last two years. However, labor cost pressures still do not appear acute. The **employment cost index (ECI)** rose 0.7% q/q during the first quarter, matching the fourth quarter performance, with gains split evenly across wages/salaries and benefits. Wages grew at the same 0.7% rate across the private and public sectors, but—as has been the case for the past few quarters—benefits grew twice as fast in the public versus the private sector (1.0% vs. 0.5%). Despite the steady gains, overall ECI inflation actually moderated a tenth to 2.9% y/y, having reached a cycle high in the fourth quarter. Wage and salary inflation decelerated two tenths to 2.9% y/y while benefits inflation also decelerated two tenths to 2.6% y/y.

Unemployment claims data remain quite encouraging. **Initial unemployment claims**—a measure of job shedding—stayed unchanged over the week ending April 27—but that was after touching a new 49-year low in the week ending April 13th and left them at a modest 230,000. Claims are usually volatile around holidays, and this week's data possibly reflects the late timing of Easter holiday and spring vacations. Continuing claims—a measure of unemployment—was little changed at 1,655,000 in the week ended April 13, back to mid-November lows.

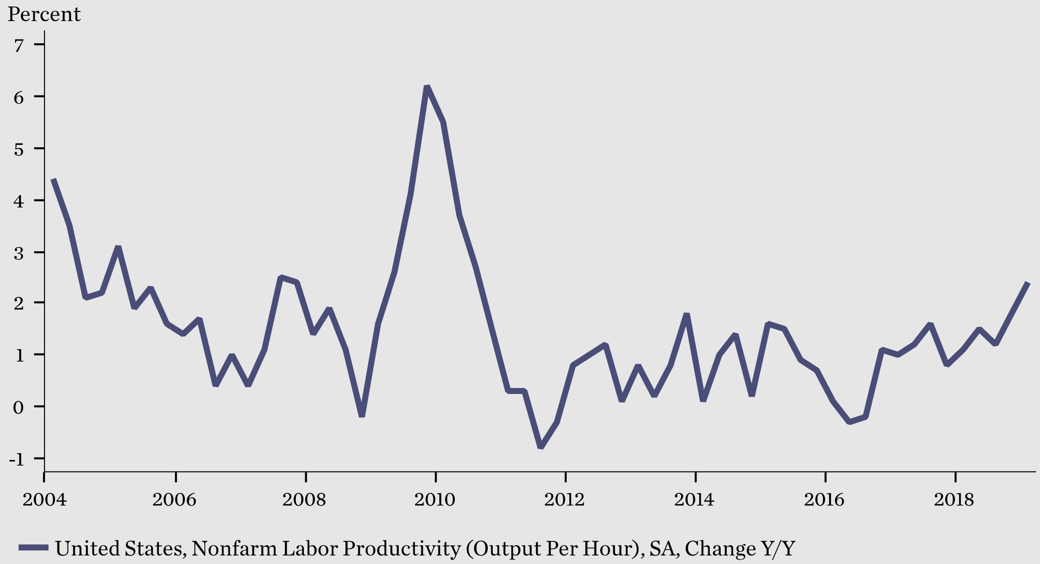
Manufacturing activity continues to grow, but the pace slowed notably in April. Indeed, the **ISM manufacturing index** was probably the biggest data disappointment this week, losing 2.5 points to 52.8, the lowest level since October of 2016. The details were soft and do not bode well for an immediate revival. Production was down 3.5 points to 52.3 and new orders plunged 5.7 to a soft 51.7. Export orders lost 2.2 points and crossed into contraction territory at 49.5, the first time this has happened since early 2016. Employment, which had unexpectedly surged in March, gave back nearly all those gains in April, settling at a modest 52.4. One glimmer of hope came from backlogs which lengthened again and are now at the highest since November, suggesting some strain on capacity. The price metric was squarely at 50.0, having given back the prior month's gains.

Service activity has moderated from the outright boom-y levels seen in late 2018 to still solid levels currently. The **ISM non-manufacturing index** eased 0.6 point to 55.5 in April. The details were mixed but generally OK. After plunging last month, new orders lost another 0.9 point. However, we suspect some lingering volatility from the government shutdown, and it's reassuring to see new orders still at an elevated 58.1. We were also encouraged by the 4.5-point jump in new export orders, also to a robust 57.0 level. We hope this continues and see it as a likely reflection of improving external demand. The business activity (the old headline), which sank last month, recovered 2.1 points and settled at a strong 59.5. Employment retreated 2.2 points to 53.7, inventories rose, but supplier deliveries and backlogs eased.

Factory orders have lost considerable momentum in recent months, but they might be starting to revive. They jumped 1.9% in March, and the February data was favorably revised to show a smaller decline than initially reported. Still, orders only increased a tepid 2.0% y/y (down from a peak 10.3% y/y growth last August). The final print on durable goods orders confirmed a healthy improvement—though a tick less than the initial 2.7% estimate. Core orders (non-defense capital goods excluding aircraft)—a leading indicator for business equipment investment (BEI) in the GDP accounts—were a tenth better than initially reported, rising 1.4% (and just short of rounding up to 1.5%). Core orders are 0.5% higher than a year ago, capital goods orders rose 0.2%, and factory orders increased 6.6% y/y. The inventory-to-shipments ratio was unchanged at 1.36 months, having moved slightly higher over the past year.

Perhaps the most pleasant surprise in this week's data was the update on **labor productivity**, showing a sharp acceleration during the first quarter (Figure 2). Coming on the heels of the fourth-quarter improvement, there is some reason to hope that this could, after all, turn out to be more than just a transient pick-up. If so, it would go a long way towards both extending the economic cycle (by minimizing inflationary pressures and therefore not forcing the Fed's hand) and boosting welfare (by raising potential growth). Nonfarm labor productivity increased at a 3.6% annualized rate, significantly above consensus and the best since the third quarter of 2014. The upside surprise was slightly damped by downward revisions to the fourth quarter data. Nonetheless, productivity increased 2.4% y/y, a number the likes of which we have not seen in almost nine years. It's questionable whether the pace will be sustained at these elevated levels, but this is a number worth celebrating nonetheless! Output increased 4.1% while employee hours rose 0.5% (both annualized). Compensation per hour grew 2.6%, which caused unit labor costs—a measure of inflationary pressures emanating from the labor market—to actually decline 0.9% (annualized). Unit labor cost inflation ended up nearly flat (up just 0.1%) on the year.

Figure 2: Welcome Improvement In US Nonfarm Labor Productivity



Sources: U.S. Bureau of Labor Statistics (BLS)

Following disruptions related to the government shutdown, we are finally returning to a normal release schedule for **personal income and spending** data. Even more importantly, we may be getting back to some normalcy in terms of the behavior of personal income and spending data themselves. After a dreadful December and soft January-February prints, personal spending surged 0.9% in March, the most since August 2009. Real spending also increased a solid 0.7%. Overall personal income rose a modest 0.1%—although wage and salary income was up 0.4%—lowering the savings rate by eight tenths to 6.5%. The savings rate behavior so far this year is closely aligned with the pattern seen in 2018 and 2017: an increase in the early months, followed by renewed moderation. The current 6.5% level is, in fact, exactly in line with the April-November 2018 average and does not appear worrisome.

Unfortunately, after a nice bounce to a 17.5 million (annualized) rate in March, **motor vehicle sales** relapsed to 16.4 million (annualized) in April. This left them a little below their average of the past twelve months, and only marginally better than the recent February low. The implication is that vehicle sales will negatively weigh on the April retail sales print. Vehicle sales fell 4.5% y/y.

For the second month in a row, the **PCE deflator** data came weaker than expected (although the softer core CPI data for March had offered some hints in this direction). Admittedly, the headline PCE inflation rate accelerated two tenths to 1.5% y/y, but the core measure eased another tenth to 1.6% y/y, having touched 2.0% as recently as December.

Having reached an 18-year high as recently as October, consumer confidence turned sharply lower in December-January amid the stock market plunge and the prolonged government shutdown. However, it appears to be reviving once more, albeit pretty erratically so far. The **Conference Board consumer confidence index** jumped 5.0 points to 129.2 in April, almost back to its 2018 average. The improvement was pretty evenly split between the current situation metric (+4.7) and expectations (+5.3). Most positively, the labor differential—which measures the difference between those who think jobs are abundant and those who think jobs are scarce— erased most of the prior month's decline, putting it back near the 18-year highs reached several months ago. Given this improvement, we aren't too worried about the slight deterioration in buying intentions during the month: ultimately, consumer spending is rooted in income strength, which is rooted in employment strength. As long as the labor market is healthy—as it currently is—household spending should continue to support growth.

Signs of a housing sector revival are multiplying. **Pending home sales** (transactions of previously owned homes on which sellers have agreed a contract but are yet to close) jumped 3.8% in March, more than twice as much as expected, leaving them to the highest level since July. The sharp pullback in mortgage rates over the past month should help reinvigorate sales activity during the spring selling season.

In addition to lower mortgage rates, slower price appreciation is aiding housing activity via improved affordability. The **Case-Shiller 20-City composite price index** increased 0.2% in February, bringing this measure of home price inflation down another six tenths to 2.9% y/y, the least since August 2012. Performance has become increasingly divergent in recent months, with several high-priced cities experiencing sharp slowdowns in price appreciation. For instance, Seattle home inflation had hovered in the low double digits for nearly three years but has since slowed precipitously to just 2.8% y/y. San Francisco slowed from double-digit in mid-2018 to just 1.3% y/y . We suspect some impact from changes in the tax code limiting state and local tax deductions.

Canada

After expanding 0.3% in January—the most in seven-months—**real GDP** contracted 0.1% in February, comparable to the soft results in the latter half of 2018. Goods producing industries contracted 0.2%, while services shrank 0.1%. The mining sector contracted 1.6%, the sixth consecutive decline. Unusually cold weather also played a role, with transportation and warehousing contracting 1.6%, the most since June 2011. Utilities however, gained 1.5%. Manufacturing fell 0.4%, as both durables and non-durables production declined. Overall GDP grew 1.1% y/y in February, down 0.5 percentage points from January.

UK

As universally expected, the **Bank of England's** Monetary Policy Committee (MPC) voted unanimously to leave the Bank Rate unchanged at 0.75%. We got updated growth and inflation projections. Both were upgraded slightly in the near term but the boost is seen as temporary. Despite the stronger growth, the economy is still seen as operating with a modest degree of slack in the near term, although the dynamic shifts and by mid-2021 a larger degree of excess demand develops. Therefore, "were the economy to develop in line with [...] projections, an ongoing tightening of monetary policy over the forecast period, at a gradual pace and to a limited extent, would be appropriate to return inflation sustainably to the 2.0% target". Both the statement and the Monetary Policy Report reiterated deep uncertainties around the outlook, which could not drive more volatility in near-term economic data, but may also obscure signals about the medium term outlook. Thus, the Committee is content to keep a watchful eye on things for the time being, satisfied that "the current stance of monetary policy is appropriate".

After a huge positive surprise in March, the **purchasing managers' index (PMI) for manufacturing** retreated in April. However, despite losing 2.0 points, it remained clearly in expansion territory at 53.1 points and the second highest level so far this year. Unsurprisingly given the magnitude of the decline, the details were weak. Output retreated 2.2 points though only to a decent 53.6. However, without some pick-up in new orders and new export orders, production is bound to eventually erode. Indeed, new orders retreated 1.2 points to 51.7 and new export orders plunged 3.1, back into contraction at 48.1 and the lowest since August. Employment relapsed 0.9 point and is back in contraction at 49.4. Given backlogs retreated further to 44.6, we see downside risks to employment as well. Last month's acute stock-building mode appears to be subsiding. Prices—both paid and received—continue to rise, though the intensity moderated further.

Service activity remains soft but that good news is that, having unexpectedly slipped into contraction territory last month (the first such occurrence since July 2016), the **services PMI** recovered 1.5 points to 50.4 in April. However, the details were on the soft side and suggest sluggish near-term performance. Incoming new business rose 0.6 point but only to 49.0 and employment retreated 0.3 to 49.9. Prices (both paid and received) rose further, suggesting that despite the soft economy, inflationary pressures are building.

Consumer confidence is stuck in a limbo…much like the Brexit negotiations. The GfK index was unchanged at -13 in April, having hovered in an extremely narrow 1-point range around this level for the past six months. The details were mixed. Assessments of personal finances and buying climate deteriorated marginally but the economic situation was sees as slightly less negative.

Mortgage approvals have been trending sideways for the past year and a half. Admittedly, the number of mortgage approvals declined a sizable 4.6% to 62,300 in March, putting it close to the bottom of the recent range. But it is too soon to conclude that activity is poised permanently downshift because several prior such declines proved temporary.

Measures of house price inflation appear to bottoming out. According to **Nationwide**, house prices increased 0.4% in April, extending a recovery following December's bad stumble. This left prices 0.9% higher than a year earlier, which is still a tepid comparison yet the best since November.

Eurozone

For the first time in a while, the latest **GDP** update for the ***eurozone*** turned out to be a positive surprise (Figure 1, page 1). Growth quickened to 0.4% q/q during the first quarter, double the rate of the prior quarter and a tenth better than consensus expectations. The recent improvement in industrial production across the region, and some better data on retail sales had indeed made us hopeful that growth would accelerate so we are reassured by this update. France continued to support regional growth with another 0.3% expansion, matching its performance during the prior two quarters. Performance was driven exclusively by domestic demand, with private consumption contributing 0.2 percentage points (ppts), fixed investment close to 0.1 ppt. Inventories added close to 0.3 ppts, while foreign trade subtracted the exact same amount. Italy exited its shallow technical recession as GDP grew 0.2%, the best since end-2017. Spain's economy grew 0.7%, a tenth better than in the fourth quarter; we particularly welcome the pick-up in fixed investment. Preliminary estimates of German GDP will not be available until May 15th. Eurozone GPD growth was unchanged at 1.2% y/y in the first quarter.

Despite signs of acute weakness in manufacturing (chart 3, page 7), the ***German*** labor market continues to hum along. Unemployment declined by another 12,000 to 2,220,000 in April, the twenty second consecutive decline and lowest level in the history of the series. The **unemployment rate** was unchanged at a twin record low of 4.9%. The seasonally unadjusted rate (which garners more attention domestically) retreated two tenths to 4.9%, the lowest level of any April in the twenty seven year history of the series. Vacancies declined by 3,000, the first retreat in four months.

The ***German*** **GfK index of consumer confidence** has flat-lined at a high level over the last two years. It was unchanged at 10.4 points in May as consumers became a little less optimistic about broad economic conditions but a little more comfortable with their own income prospects. Buying intentions also improved a little, but remains well within the recent range.

German **retail sales** fell in March after two successive rebounds post the December plunge. Real retail sales declined 0.2% in March, after February's rise was revised downward to 0.5%. The details were mixed, though the 4.2% contraction in pharmaceuticals and cosmetics and the 1.4% fall in apparels really stood out. Real sales slumped 2.1% y/y.

Figure 3: Divergent Messages From German PMIs

Sources: Macrobond, IHS Markit

Surprisingly, ***French* consumer spending** disappointed again in March, down 0.1% against expectations of a 0.5% gain. This needs to rebound if consumer spending is to continue making a positive contribution to growth in Q2. Areas of weakness in March included food (-0.5%, third consecutive decline) and energy (-1.7%). Spending was down 1.9% y/y in March and declined 0.8% y/y on average during the first quarter.

It is too early for definitive conclusions, but it appears that the recent recovery in growth is already translating into better labor market dynamics in ***Italy***. Employment surged by 60,000in March, the biggest increase since May 2018. Unemployment plunged by over 95,000, driving down the **unemployment rate** by half a percentage point to 10.2%, the lowest level since August. Let's hope that the improvement continues.

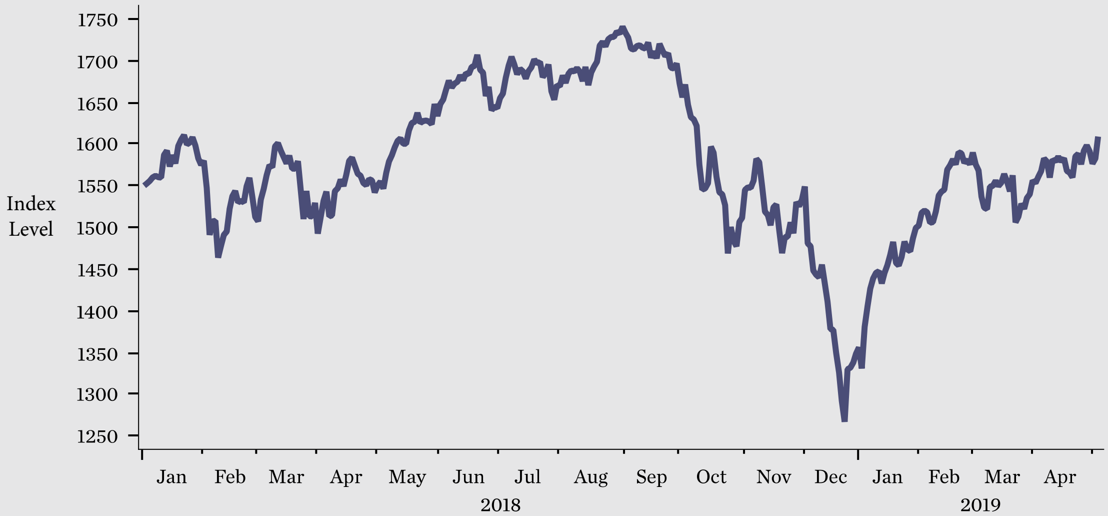
Australia

Credit growth continues to slow. **Private sector credit** edged up 0.3% in March, same as February. Credit for owner occupied housing remained relatively strong, rising 0.4%, while that for other personal uses declined 0.3%, its sixth consecutive decline. It has been chronically weak for some time. Credit for investor housing was flat, unchanged from February. Encouragingly, business lending rose 0.5%, highest since October. Overall credit growth slowed to 3.9% y/y, the lowest since December 2013. This was led by a sharp deceleration in other personal credit, which fell 2.8% y/y. Both investor and owner-occupied housing credit slowed a little from February, rising by just 0.7% y/y (a record low) and 5.7% y/y (lowest since August 2015), respectively. Given the ongoing weakness in the housing sector, we'll probably see more weakness in the months ahead.

Financial Markets Review

A strong payroll report lifted US stocks broadly higher on Friday. Small stocks benefited as well, with the Russel 2000 index exceeding 1,600 for the first time since October. Is it poised for another leg higher or will the rally falter?

Figure 4: Russell 2000 Index



Sources: Bloomberg

Equities: Equities are mixed, with US stock derailed temporarily by Fed, then helped by strong payrolls on Friday.

Bonds: Bond yields widen most everywhere on a neutral-sounding Fed and better data.

Currencies: The pound strengthens late in the week as election results are seen conducive to a softer Brexit.

Commodities: Oil comes up slightly ahead but gold can't make up lost ground despite a late-week rebound.

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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®	2942.34	0.1%	17.4%	2.53	3	-16	97.539	-0.5%	1.4%
Canada	TSE 300	16486.38	-0.8%	15.1%	1.78	9	-19	1.3423	-0.2%	-1.6%
UK	FTSE®	7380.64	-0.6%	9.7%	1.22	8	-6	1.3153	1.8%	3.1%
Germany	DAX	12412.75	0.8%	17.6%	0.03	5	-22			
France	CAC-40	5548.84	-0.4%	17.3%	0.37	2	-34	1.1197	0.4%	-2.4%
Italy	FTSE® MIB	21763.48	0.1%	18.8%	2.56	-2	-18			
Japan	Nikkei 225	22258.73	0.0%	11.2%	-0.04	0	-4	111.25	-0.3%	1.4%
Australia	ASX 200	6335.801	-0.8%	12.2%	1.79	1	-53	0.7021	-0.3%	-0.4%

Commodity Markets

Commodity	Unit	Source	Last Price	%Ch Week	%Ch YTD	%Ch Yr Ago
Oil (Brent)	US $/Barrel	Bloomberg	71.65	0.4%	34.8%	-2.7%
Gold	US $/troy oz	Bloomberg	1280.68	-0.4%	-0.1%	-2.4%

Source: Bloomberg®

This Week's Data Releases and Major Events (April 29–May 3)

Country	Release (Date, format)	Consensus	Actual	Last	Comments
Monday, April 29					
US	Personal Income (Mar, m/m)	0.4%	**0.1%**	0.2%	Wage and salaries rose 0.4%.
US	Personal Spending (Mar, m/m)	0.7%	**0.9%**	0.1%	Reviving. Let's hope momentum lasts.
Tuesday, April 30					
US	Employment Cost Index (Q1, q/q)	0.7%	**0.7%**	0.7%	ECI inflation eased a tenth to 2.8% y/y.
US	S&P CoreLogic 20-City Index (Feb, m/m)	0.2%	**0.2%**	0.1%	Clear deceleration and divergence.
US	Pending Home Sales (Mar, m/m)	1.5%	**3.8%**	-1.0%	More evidence of housing revival.
US	Consumer Confidence (Apr)	126.5	**129.2**	124.2(↑r)	Encouraging. Very close to 2018 average.
CA	GDP (Feb, m/m)	0.0%	**-0.1%**	0.3%	Broad weakness, but follows strong January.
UK	GfK Consumer Confidence (Apr)	-13	**-13**	-13	Unsurprisingly glum.
EC	GDP (Q1, prelim, q/q)	0.3%	**0.4%**	0.2%	Finally, a positive surprise!
GE	GfK Consumer Confidence (May)	10.3	**10.4**	10.4	Trending sideways.
GE	Unemployment Rate (Apr)	4.9%	**4.9%**	4.9%	Red hot labor market.
GE	CPI (Apr, prelim, y/y)	1.5%	**2.0%**	1.3%	Sizable increase...will it last?
FR	GDP (Q1, prelim, q/q)	0.3%	**0.3%**	0.3%	Driven by domestic demand.
FR	CPI (Apr, prelim, y/y)	1.2%	**1.2%**	1.1%	Still soft.
FR	Consumer Spending (Mar, m/m)	0.5%	**-0.1%**	-0.4%	Disappointing.
IT	GDP (Q1, prelim, q/q)	0.1%	**0.2%**	-0.1%	Best since Q4 2017.
IT	Unemployment Rate (Mar, prelim)	10.7%	**10.2%**	10.5%(↓r)	But stalled over last nine months.
AU	Private Sector Credit (Mar, m/m)	0.3%	**0.3%**	0.3%	Continues to slow.
Wednesday, May 1					
US	FOMC Monetary Policy Decision	2.50%	**2.50%**	2.50%	On hold.
US	ISM Manufacturing Index (Apr)	55.0	**52.8**	55.3	Soft details, but some glimmers of hope, too.
US	Total Vehicle Sales (Apr, mil.)	17.0	**16.4**	17.5	Soft, will weigh on April retail sales.
UK	Nationwide House Price (Apr, m/m)	0.1%	**0.4%**	0.2%	Tepid but appearing to bottom.
UK	Mortgage Approvals (Mar, thous)	64.5	**62.3**	65.3(↑r)	Trending sideways.
UK	Manufacturing PMI (Apr)	53.1	**53.1**	55.1	Weak details.
Thursday, May 2					
US	Initial Jobless claims (Apr 27, thous)	215	**230**	230	Historically pretty low.
US	Nonfarm Productivity (Q1, prelim, q/q)	1.5%	**3.6%**	1.3%(↓r)	Might be good news for investment!
US	Factory Orders (Mar, m/m)	1.6%	**1.9%**	-0.3%(↑r)	We need to build on this.
US	Durable Goods Orders (Mar, final, m/m)	2.7%(p)	**2.6%**	-1.6%	We need to build on this.
UK	BoE Monetary Policy Decision	0.75%	**0.75%**	0.75%	On hold for now.
EC	Manufacturing PMI (Apr, final)	47.8(p)	**47.9**	47.5	Minor improvement, but expected.
GE	Manufacturing PMI (Apr, final)	44.5(p)	**44.4**	44.1	Led the slowdown in Europe.
GE	Retail Sales (Mar, m/m)	-0.5%	**-0.2%**	0.5%(↓r)	A fall, again.
FR	Manufacturing PMI (Apr, final)	49.6(p)	**50.0**	49.7	Clawing back into the light...
IT	Manufacturing PMI (Apr)	47.8	**49.1**	47.4	...a little more to go.
Friday, May 3					
US	Change in Nonfarm Payrolls (Apr, thous)	185	**265**	196	Good, solid report.
US	Unemployment Rate (Apr)	3.8%	**3.6%**	3.8%	Is the Fed to optimistic re: participation?
US	ISM Non-Manufacturing Index (Apr)	57.0	**55.5**	56.1	Still solid and decent details.
UK	Services PMI (Apr)	50.2	**50.4**	48.9	Weak, but at least mildly growing.

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

Next Week's Releases and Major Events (May 6–May 10)

Country	Release (Date, format)	Consensus	Last	Comments
Monday, May 6				
EC	Services PMI (Apr, final)	52.5(p)	53.3	It's important for service economy to hold up.
GE	Services PMI (Apr, final)	55.6(p)	55.4	It's important for service economy to hold up.
AU	ANZ Job Advertisements (Apr)	na	-1.7%	
Tuesday, May 7				
US	JOLTS Job Openings (Mar, thous)	7,350	7087	Labor demand remains solid.
US	Consumer Credit (Mar, $ bil.)	17.0	15.2	
CA	Ivey PMI (Apr)	na	54.3	
UK	Halifax House Prices (Apr, m/m)	0.2%	-1.6%	
GE	Factory Orders (Mar, m/m)	1.5%	-4.2%	It's very important for this to pick up.
JN	Manufacturing PMI (Apr, final)	49.5(p)	49.2	Still contracting...
AU	RBA Monetary Policy Decision	1.25%	1.50%	A cut may not be a done deal, however.
AU	Retail Sales (Q1, q/q)	0.3%	0.1%	Has shown some improvement recently.
Wednesday, May 8				
CA	Housing Starts (Apr, thous)	na	192.5	
GE	Industrial Production (Mar, m/m)	-0.5%	0.7%	Some pullback after recent strength?
JN	Monetary Base (Apr, y/y)	na	3.8%	
Thursday, May 9				
US	Initial Jobless claims (May 4, thous)	220	230	
US	PPI Final Demand (Apr, y/y)	2.3%	2.2%	
US	Trade Balance ($ bil.)	-51.4	-49.4	
CA	New Housing Price Index (Mar, m/m)	na	0.0%	Not much change is expected.
CA	Trade Balance (Mar, C$ bil.)	na	-2.9	
JN	Consumer Confidence Index (Apr)	40.3	40.5	More of the same. In line with manufacturing sentiment.
Friday, May 10				
US	CPI (Apr, y/y)	2.1%	1.9%	Core is also expected to tick up a tenth to 2.1% y/y.
US	Real Avg Weekly Earnings (Apr, y/y)	na	1.3%	
US	Monthly Budget Statement (Apr, $ bil.)	165.0	-146.9	
CA	Building Permits (Mar, m/m)	2.0%	-5.7%	
CA	Unemployment Rate (Apr)	5.8%	5.8%	Could be a bit dull given slowdown in activity.
UK	GDP (Q1, prelim, q/q)	0.5%	0.2%	Likely boosted by temporary stock building.
UK	Industrial Production (Mar, m/m)	0.2%	0.6%	
FR	Industrial Production (Mar, m/m)	-0.5%	0.4%	
FR	Wages (Q1, prelim, q/q)	0.5%	0.2%	
IT	Industrial Production (Mar, m/m)	-0.7%	0.8%	
IT	Retail Sales (Mar, m/m)	na	0.1%	
JN	Labor Cash Earnings (Mar, y/y)	-0.5%	-0.7%(↑r)	Has failed to pick up materially post revision.

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

Economic Indicators

Central Bank Policy Targets

		Year/Year % Change in Target				
		Nov	Dec	Jan	Feb	Mar
US	Target: PCE price index 2.0% y/y	1.8	1.8	1.4	1.3	1.5
Canada	Target: CPI 2.0% y/y, 1.0%-3.0% control range	1.7	2.0	1.4	1.5	1.9
UK	Target: CPI 2.0% y/y	2.3	2.1	1.8	1.9	1.9
Eurozone	Target: CPI below but close to 2.0% y/y	1.9	1.5	1.4	1.5	1.4
Japan	Target: CPI 2.0% y/y	0.8	0.3	0.2	0.2	0.5
Australia	Target Range: CPI 2.0%-3.0% y/y	1.8	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	
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	Nov	Dec	Jan	Feb	Mar
US	1.9	1.6	1.5	1.9		2.6	2.5	2.0	1.9	2.2
Canada	2.0	1.4	1.5	1.9		2.7	2.1	1.0	1.2	1.5
UK	2.1	1.8	1.9	1.9		3.0	2.4	2.1	2.4	2.4
Eurozone	1.5	1.4	1.5	1.4		4.0	3.0	2.9	3.0	2.9
Germany	1.6	1.4	1.5	1.3	2.0	3.3	2.7	2.6	2.6	2.4
France	1.6	1.2	1.3	1.1	1.2	2.4	1.3	1.8	1.8	1.6
Italy	1.1	0.9	1.0	1.0	1.1	4.5	4.1	3.4	3.1	2.9
Japan	0.3	0.2	0.2	0.5		2.3	1.5	0.6	0.9	1.3
Australia	1.8	1.3	1.3	1.3		2.0	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		1.2	1.4	1.6	1.4	
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		2.1	2.0	1.2	0.6	
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				
	Nov	Dec	Jan	Feb	Mar	Nov	Dec	Jan	Feb	Mar
US	0.6	0.0	-0.3	0.1	-0.1	4.1	3.8	3.7	3.5	2.8
Canada	-0.7	-0.5	0.0	-0.6		2.4	0.8	2.0	-0.2	
UK	-0.2	-0.3	0.7	0.7		-1.0	-0.4	-0.3	0.2	
Germany	-1.3	0.8	0.0	0.7		-4.0	-2.9	-2.7	-0.5	
France	-0.9	0.1	1.2	0.4		-1.9	-2.5	1.7	0.6	
Italy	-1.6	-0.7	1.9	0.8		-2.5	-5.5	-0.7	0.8	
Japan	-0.9	0.1	-2.5	0.7	-0.9	0.4	-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	
UK	4.0	4.0	4.1	4.1	4.0	4.0	3.9	3.9			
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	5.0	

Source: Macrobond

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

	Q2-16	Q3-16	Q4-16	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18	Q3-18	Q4-18
US	-2.2	-2.3	-2.3	-2.2	-2.5	-2.1	-2.3	-2.5	-2.0	-2.5	-2.6
Canada	-3.8	-3.3	-1.9	-2.5	-2.6	-3.1	-3.0	-3.1	-2.9	-1.8	-2.8
UK	-5.2	-6.3	-4.0	-3.0	-4.1	-3.1	-3.0	-3.4	-3.3	-4.3	-4.4
Eurozone	3.2	3.1	2.8	3.0	2.5	3.9	3.5	3.4	3.0	2.5	2.7
Germany	8.7	8.1	7.9	8.2	6.9	8.6	8.5	8.2	7.5	6.5	7.5
France	-0.4	-1.2	-1.2	-0.9	-0.5	-0.7	-0.3	0.2	-1.1	-0.3	-0.1
Japan	3.8	3.8	4.1	4.4	3.6	4.5	4.3	3.7	3.8	3.3	3.2
Australia	-4.3	-3.3	-1.4	-1.6	-2.4	-2.8	-3.4	-2.3	-2.5	-2.3	-1.5

Source: Macrobond

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