# Weekly Economic Perspectives

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## Weekly Highlights

- **Economies:** Growth moderates but continues in US service and manufacturing sectors. Trade balance moves into rare surplus in Canada. Service activity slows in the UK but picks up in the eurozone. Business sentiment deteriorates in Japan. The RBA delivers a second successive cut. (pages 2 – 5)
- **Markets:** A clear risk on mood dominates ahead of 4th of July holiday in the US. Stock markets rise across the board. Bond yields come in again but nothing compares to Italy, where they narrow by over 50 basis points! The US dollar moves higher and so does the Aussie despite a second RBA rate cut. Oil retreats, but gold continues to build on recent gains. (page 6)

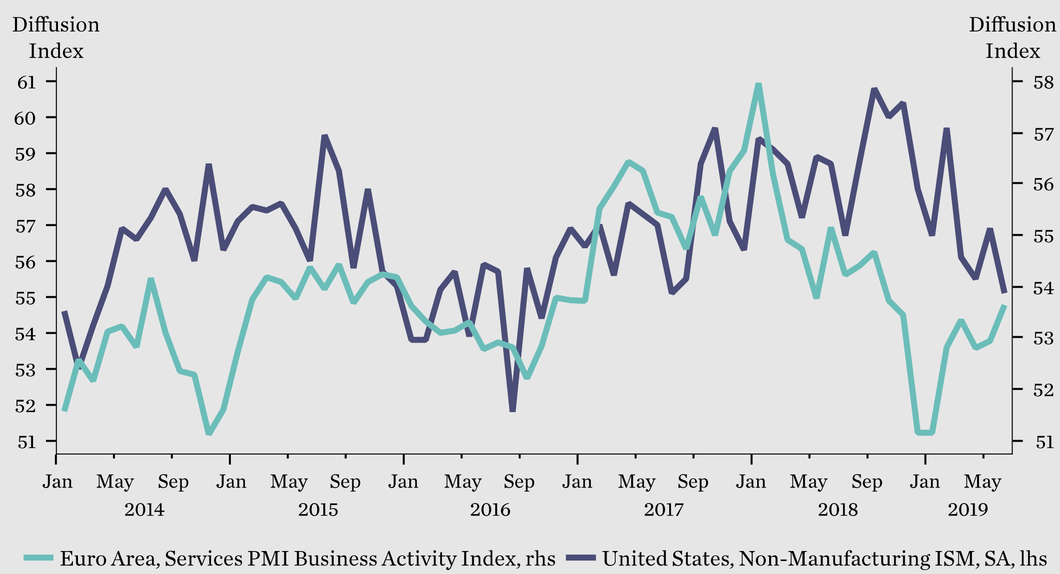
## Upcoming Highlights

- **Spotlight:** Employment is expected to rebound in the US. The Bank of Canada should remain on the sidelines. UK industrial production could improve. (page 8)

## Tables



**Figure 1: Critical Services Sector Continues To Expand**




Sources: Institute for Supply Management (ISM), IHS Markit

## Week in Review

### G7

June was a rather bad month for global manufacturing as activity is now contracting across much of the G7 economies… though not yet in the United States. Indeed, while the US ISM manufacturing index decelerated by a further 0.4-point in June to 51.7, that was a bit stronger than expected. Still, the details were worrisome: this was the lowest reading since October 2016 and the forward-looking new orders component stalled altogether. In Europe, the overall eurozone index lost 0.1 point to 47.6. We already knew that the German index's acute weakness persisted, but the final print was 0.4 point worse that the preliminary estimate, coming in at 45.0. The French index gained 1.3 points to 51.9 (a tenth below the preliminary estimate) and remained the uncontested leader among the Big 4 eurozone economies. By contrast, the Italian index lost 1.3 points to 47.6 while the Spanish index plummeted 2.2 to 47.9—the lowest since April 2013 on across-the-board weakness. The UK index fell sharply for the second consecutive month, down 1.4 points on a collapse in output and new orders. The Japanese index contracted further, staying below 50.0 for the second consecutive month. And the Australian index fell 3.3 points to 49.4, the first sub-50 print since a brief dip into contraction in August 2016.

### US

Unsurprisingly given deepening uncertainties around trade, service sector activity moderated during the month of June, though it continues to expand at a solid pace (Figure 1, page 1). The **ISM non-manufacturing index** retreated 1.8 points to 55.1 in June, giving back all of May's gains and a bit more. This marked the index's lowest level since July 2017, though only 0.4 point below where it stood in April. New orders retreated 2.8 points but only to a robust 55.8, export orders were unchanged at 55.5, and employment retreated 3.1, but also only to a solid 55.0. The business activity measure (the old headline) lost 3.0 points, but only to an elevated 58.2. Interestingly, there seems to be more pressure of supply chains, with backlogs increasing and supplier deliveries times lengthening. Prices rose at a noticeably faster pace, with the price metric at the highest (58.9) level since January. Taken together, these last few components suggest some degree of resilience despite headwinds. This is critically important to sustain overall GDP growth given services' dominant share in the economy.

**Factory orders** have lost considerable momentum this year, declining in three of the past four months. They fell 0.7% in May, just as April's data was revised down to show a larger 1.2% decline than the 0.8% originally reported. Orders are now down 1.2% y/y, the first such decline since October 2016. The final print on durable goods orders confirmed the 1.3% m/m decline initially reported. The only good news was that core orders (non-defense capital goods excluding aircraft)—a leading indicator for business equipment investment (BEI) in the GDP accounts—rose 0.5%, a bit better than initially thought. Core orders increased 1.4% y/y. Capital goods orders fell 8.2% y/y, but that was largely driven by plummeting orders for non-defense aircraft. Manufacturing shipments increased 0.1% while inventories rose 0.2%. This raised the inventory-to-shipments ratio to 1.38 months, the highest since September 2017.

The combination of trade war and the government shutdown caused havoc with the trade statistics, introducing an unusually high degree of volatility in the monthly figures around the turn of the year. Things appeared to be stabilizing, but the May data suggests another episode of volatility may be afoot amid the sudden collapse in US-China trade talks that month (since resumed following the G20 meeting). The **trade deficit** widened sharply by $4.3 billion to $55.5 billion in May, with the deterioration split pretty evenly between petroleum and non-petroleum goods. The services surplus improved incrementally. Total exports rose 2.0% but imports surged 3.3%. Given weakness in global demand, such sudden rebound seems suspect and could reflect efforts to front-run anticipated further tariffs rather than genuine improvement in demand. Future months' data will help shed some light on this. Be that as it may, the real goods trade deficit—the most relevant for growth—deteriorated markedly and reached the highest since December. This aligns with generalized expectations that net trade will be a drag on growth in Q2, having surprisingly been a major contributor during the first quarter.

Despite week to week volatility, **unemployment claims** continue to hover at very low levels historically. Initial unemployment claims—a measure of job shedding—declined by 8,000 to 221,000 during the week ending June 29, although this follows an upward revision to the prior week. Continuing claims—a measure of unemployment—declined 2,000 to 1,686,000 in the week ended June 22 (but also from an upwardly revised prior week). Still, the more stable 4-week moving average for initial claims was unchanged at a low 222,000. The claims data continue to suggest that the US labor market remains strong. However, the **ADP employment report** came in below expectations at 102,000, and that suggests some downside risks to the consensus expectations that the US economy created 162,000 in June.

### Canada

The **merchandise trade balance** came in at a surplus for the first time since July 2018, having hit a record deficit in December. The surplus was of C$0.76 billion in May from a downwardly revised deficit of C$1.1 billion the month before. Exports rose 4.6% to a record C$53.1 billion, driven by motor vehicles, aircraft and energy products. This was offset by a 1.0% increase in imports.

### UK

Service activity remains very fragile. Admittedly, having unexpectedly slipped into contraction in March (the first such occurrence since July 2016), the **services PMI** has crossed back into expansion territory since that. But it only barely hung there in June, as the index lost 0.8 point to 50.2 on a similarly sized retreat in new orders, now marginally back in contraction. Expectations of future business also eroded. Somewhat counterintuitively, backlogs rose and employment jumped 1.8 points to a 22-month high of 53.6. At the very least, this provides some reassurance regarding near-term employment outlook, but it is questionable whether such improvement can be sustained amid the broader signs of deterioration. Prices—both paid and received—rose further, though whereas gains in input prices quickened, those in output prices moderated.

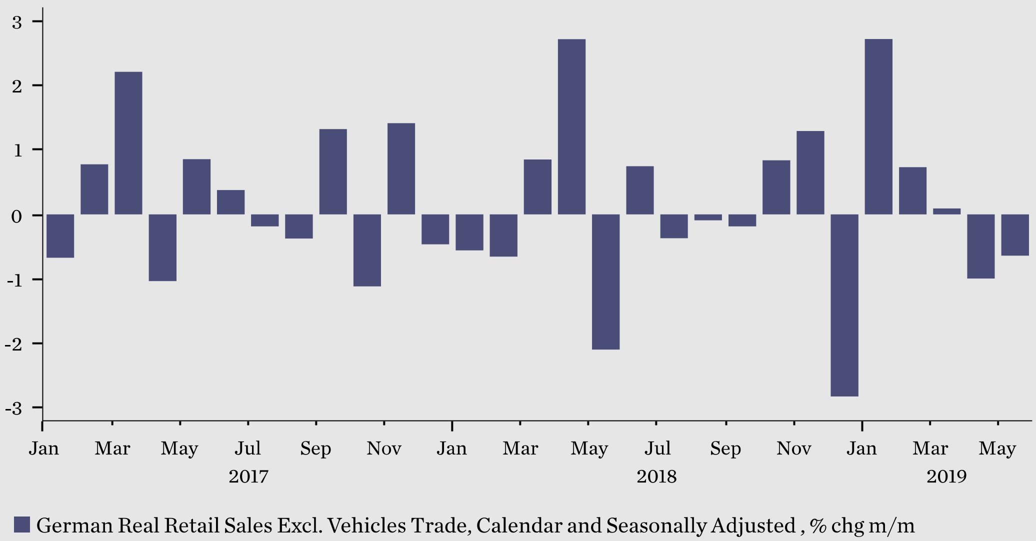
### Eurozone

Given fairly acute weakness in the eurozone manufacturing sector, it is even more critical for the services sector to hold...and so far, it is holding! The final read on the ***eurozone*** **purchasing managers' index (PMI)** showed a 0.7 point improvement to 53.6 in June, two tenths better than initially reported. This was the second consecutive improvement and the second consecutive month when the final print was better than the initial estimate, suggesting some degree of momentum. Thus, while it remains too soon to get too excited, it is nonetheless reassuring to see the headline index reach the highest level since October and to see improvement across almost all of the components. For instance, incoming new business gained 1.4 points to a seven-month high of 53.3, employment gained 0.2 point to 54.2, and backlogs rose 0.7 point to a seven month high of 51.3. Admittedly, expectations of future business deteriorated slightly, but given the measure remains above 60.0, this does not appear very concerning. The price metrics diverged, with input prices growing at a slightly slower rate but still faster than output prices. However, while still lagging input prices, output prices rose at a faster pace this month, suggesting some degree of pricing ability and perhaps modestly supportive for the inflation dynamics.

After a methodology-impacted wobble in May, the ***German*** **labor market** returned impressive statistics again in June. Employment increased by 21,000 to a new record, marking the 54th consecutive month of improvement. The number of unemployed, which surged in May due to an adjustment/correction to earlier estimates, retreated by 1,000, seemingly resuming a long downtrend. The unemployment rate was unchanged at 5.0%, which is an extremely low level. The seasonally unadjusted rate (which garners more attention domestically) was also unchanged at 4.9%, the lowest level of any June in the twenty seven year history of the series.

After a solid first quarter, ***German*** **real retail sales** (excluding cars) have fallen in both April and May (Figure 2, page 4). Still, the sting of May's 0.6% decline—which confounded expectations of a similarly sized gain—was somewhat alleviated by an upward revision to April. Make no mistake, April was still quite terrible with a 1.0% decline, but this was only half as bad as the originally reported 2.0% fall. Still, consumer spending looks to weigh on second quarter GDP growth, which we anticipate could half from the 0.4% rate in Q1.

**Figure 2: German Retail Sales Wobble In Second Quarter**




Sources: German Federal Statistical Office (Statistisches Bundesamt)

## Japan

The Bank of Japan's **Tankan survey of business conditions** for the second quarter dropped to the lowest in almost three years, adding to concerns over the health of manufacturing. Among large firms, the diffusion index of business conditions fell from 12 to 7 for manufacturing but rose from 21 to 23 for non-manufacturing firms. Sentiment among small firms remained downbeat, with the manufacturing diffusion index down 7 points to -1 and the non-manufacturing index down 2 points to 10. Forecasts for investment growth in fiscal year 2019 were mixed. There was weakness among medium and smaller non-manufacturing firms, especially in regards to land investment. Excluding land, investment projections were better at large and medium firms, but weaker for smaller firms. The deterioration in sentiment is in line with the recent dismal PMI readings. Some front-loading of consumption spending ahead of the impending VAT tax hike in October should support activity in coming months although business activity is likely to slow thereafter.

Manufacturing activity contracted once again in June, for the third time since the start of the year. The final **purchasing managers' index** was revised down 0.2 point from the preliminary reading to 49.3 in June, and was down 0.5 point from the May reading. New orders from abroad fell at the fastest pace since January, while production volumes and new orders were also lower.

## Australia

In line with consensus, the **Reserve Bank of Australia** (RBA) delivered the second consecutive rate cut at its July meeting, lowering the cash rate by 25 basis points to 1.00%, a record low. The rationale for the additional dose of easing was unchanged:

> "This easing of monetary policy will support employment growth and provide greater confidence that inflation will be consistent with the medium-term target."

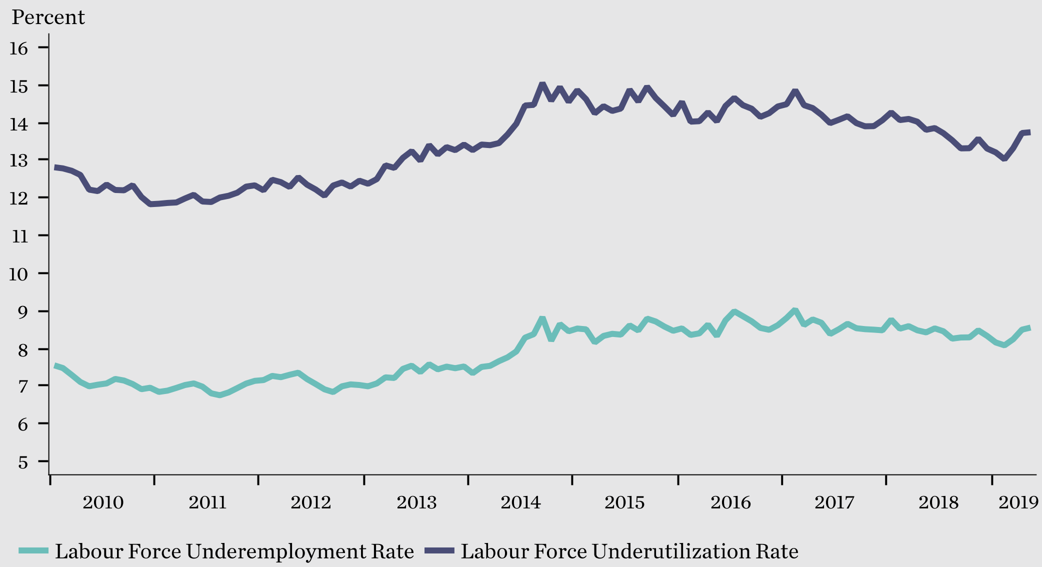
The outlook for the global economy was unchanged from the June meeting, with the RBA noting that "the uncertainty generated by the trade and technology disputes is affecting investment and means that the risks to the global economy are tilted to the downside." The central scenario is still for the domestic economy to grow around trend, but, as we suspected, the reference to the 2.75% growth forecast for 2019 was removed. We believe the RBA will revise down its forecast for 2019 GDP growth to around 2% in the August Statement of Monetary Policy in light of the poor performance in Q1. Consumption continued to be the main source of uncertainty, though "a pick-up in growth in household disposable income is expected to support spending" after proposed tax cuts are implemented. Notably, the outlook for housing was a little more upbeat, as "there are some tentative signs that prices are now stabilizing in Sydney and Melbourne." The Board acknowledged that inflation has been subdued of late, but is expected to pick up in the second quarter due to higher oil prices. Wage growth, albeit slow, will continue to drive headline inflation higher.

The board again stressed the "spare capacity" in the labor market, suggesting that "the Australian economy can sustain lower rates of unemployment and underemployment." In conclusion,

> "The Board will continue to monitor developments in the labor market closely and adjust monetary policy if needed to support sustainable growth in the economy and the achievement of the inflation target over time."

The inclusion of "if needed" suggests the RBA might be prepared to sit back and observe for now, with future decisions based firmly on the nature of incoming data. Our base case scenario remains that of a pause, with fiscal and macro prudential measures likely to take precedence.

**Figure 3. Still Some Slack In Australia's Labor Market**

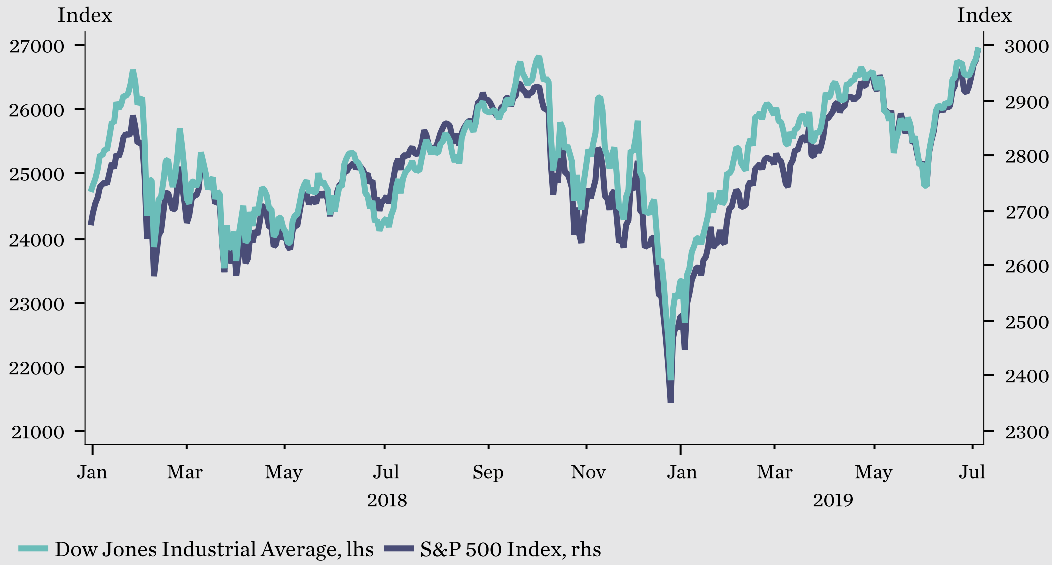



Sources: Australian Bureau of Statistics

## Financial Markets Review

The combination of the G20 truce and persistent expectations of some interest rate cuts fueled global stock markets this week, with both the S&P500 and the Dow Jones Industrial Average touching new highs on the short-trading day on Wednesday. But the exuberance was broad-based as all major global markets advanced.

### Figure 4: Dow, S&P 500 Indexes Touch Record Highs




Sources: Bloomberg

**Equities:** A clear risk on mood dominates ahead of 4th of July holiday in the US. Stock markets rise across the board.

**Bonds:** Bond yields come in again but nothing compares to Italy, where they plunge over 50 basis points!

**Currencies:** The US dollar moves higher and so does the Aussie despite a second RBA rate cut.

**Commodities:** Oil retreats, but gold continues to build on recent gains.

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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® | 2995.82 | 1.8% | 19.5% | 1.95 | -6 | -73 | 96.769 | 0.7% | 0.6% |
| Canada | TSE 300 | 16544.77 | 1.0% | 15.5% | 1.46 | -1 | -51 | 1.3069 | -0.2% | -4.2% |
| UK | FTSE® | 7609.32 | 2.5% | 13.1% | 0.69 | -14 | -59 | 1.2572 | -1.0% | -1.4% |
| Germany | DAX | 12616.24 | 1.8% | 19.5% | -0.39 | -6 | -63 | | | |
| France | CAC-40 | 5618.81 | 1.4% | 18.8% | -0.10 | -10 | -81 | 1.1284 | -0.8% | -1.6% |
| Italy | FTSE® MIB | 21905.34 | 3.2% | 19.5% | 1.58 | -52 | -116 | | | |
| Japan | Nikkei 225 | 21638.16 | 1.7% | 8.1% | -0.15 | 1 | -15 | 107.83 | 0.0% | -1.7% |
| Australia | ASX 200 | 6685.458 | 1.0% | 18.4% | 1.28 | -4 | -104 | 0.7037 | 0.2% | -0.2% |

Commodity Markets

| Commodity | Unit | Source | Last Price | %Ch Week | %Ch YTD | %Ch Yr Ago |
|---|---|---|---|---|---|---|
| Oil (Brent) | US $/Barrel | Bloomberg | 63.25 | -1.8% | 19.0% | -18.2% |
| Gold | US $/troy oz | Bloomberg | 1417.94 | 0.6% | 10.6% | 13.2% |

Source: Bloomberg®

## Week in Review: Data Releases and Major Events (July 1 – July 5)

| Country | Release (Date, format) | Consensus | Actual | Last | Comments |
|---|---|---|---|---|---|
| **Monday, July 1** | | | | | |
| US | ISM Manufacturing (Jun) | 51.2 | **51.7** | 52.1 | Colling, but growing. |
| UK | Manufacturing PMI (Jun) | 49.2 | **48.0** | 49.4 | A bad print, Q2 GDP not shaping up good. |
| UK | Mortgage Approvals (May, thous) | 65.5 | **65.4** | 66.0(↓r) | Housing demand remains stable. |
| EC | Manufacturing PMI (Jun, final) | 47.8(p) | **47.6** | 47.7 | Very weak. |
| GE | Manufacturing PMI (Jun, final) | 45.4(p) | **45.0** | 44.3 | Painful! |
| GE | Unemployment Rate (Jun) | 5.0% | **5.0%** | 5.0% | It is good to see this so resilient. |
| FR | Manufacturing PMI (Jun, final) | 52.0(p) | **51.9** | 50.6 | France is leading the eurozone core. |
| IT | Manufacturing PMI (Jun) | 48.5 | **48.4** | 49.7 | Weak. |
| IT | Unemployment Rate (May, prelim) | 10.3% | **9.9%** | 10.1%(↓r) | Slow healing. |
| JN | Tankan Large Manuf Survey (Q2) | 9 | **7** | 12 | Lowest in almost three years. |
| JN | Manufacturing PMI (Jun, final) | 49.5(p) | **49.3** | 49.8 | Manufacturing sentiment worsens. |
| JN | Consumer Confidence Index (Jun) | 39.2 | **38.7** | 39.4 | Lowest since November 2014. |
| **Tuesday, July 2** | | | | | |
| US | Total Vehicle Sales (Jun, mil.) | 17.0 | **17.3** | 17.3 | Encouraging. |
| UK | Nationwide House Prices (Jun, m/m) | 0.2% | **0.1%** | -0.2% | Up 0.5% y/y. |
| GE | Retail Sales (May, m/m) | 0.5% | **-0.6%** | -1.0%(↑r) | Weak, but sizable favorable revision helps. |
| JN | Monetary Base (Jun, y/y) | na | **4.0%** | 3.6% | Slight jump in June. |
| AU | RBA Monetary Policy Decision | 1.00% | **1.00%** | 1.25% | Future decisions to be data dependent. |
| **Wednesday, July 3** | | | | | |
| US | Initial Jobless claims (Jun 29, thous) | 223 | **221** | 229(↑r) | Still encouraging. |
| US | ISM Non-Manufacturing Index (Jun) | 56.0 | **55.1** | 56.9 | Lower, but still solid. |
| US | Durable Goods Orders (May, final, m/m) | -1.3%(p) | **-1.3%** | -2.8% | Core orders improved. |
| US | Factory Orders (May, m/m) | -0.6% | **-0.7%** | -0.8% | Orders down 1.2% y/y, first drop since 2016. |
| US | Trade Balance (May, $ bil.) | -54.0 | **-55.5** | -50.8 | Another front-running of tariffs? |
| CA | Trade Balance (May, C$ bil.) | -1.7 | **0.8** | -1.1(↓r) | Only the second surplus in three years. |
| UK | Services PMI (Jun) | 51.0 | **50.2** | 51.0 | At least not contracting (yet). |
| EC | Services PMI (Jun, final) | 53.4(p) | **53.6** | 52.9 | Encouraging; highest since October. |
| GE | Services PMI (Jun, final) | 55.6(p) | **55.8** | 55.4 | Encouraging, critical for this to hold. |
| **Thursday, July 4 (US Holiday)** | | | | | |
| AU | Retail Sales (May, m/m) | -0.1% | | -0.1% | |
| **Friday, July 5 (No coverage Friday, we will cover Payrolls report in next week's write-up)** | | | | | |
| US | Change in Nonfarm Payrolls (Jun, thous) | 164 | | 75 | |
| US | Unemployment Rate (Jun) | 3.6% | | 3.6% | |
| CA | Unemployment Rate (Jun) | 5.5% | | 5.4% | |
| CA | Ivey PMI (Jun) | na | | 55.9 | |
| UK | Halifax House Prices (Jun, m/m) | -0.4% | | 0.5% | |
| GE | Factory Orders (May, m/m) | -0.2% | | 0.3% | |
| JN | Leading Index (May, prelim) | 95.4 | | 95.9 | |

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

## Week in Preview: Releases and Major Events (July 8–July 12)

| Country | Release (Date, format) | Consensus | Last | Comments |
|---|---|---|---|---|
| **Monday, July 8** | | | | |
| US | Consumer Credit (May, $ bil.) | 16.0 | 17.5 | |
| GE | Industrial Production (May, m/m) | na | -1.9% | |
| FR | Bank of France Ind. Sentiment (Jun) | na | 99 | |
| JN | Core Machine Orders (May, m/m) | na | 5.2% | |
| **Tuesday, July 9** | | | | |
| US | NFIB Small Business Optimism (Jun) | na | 105 | Will it yield to tariff worries? |
| US | JOLTS Job Openings (May, thous) | na | 7449 | |
| CA | Housing Starts (Jun, thous) | 208.6 | 202.3 | Trending sideways. |
| CA | Building Permits (May, m/m) | na | 14.7% | |
| IT | Retail Sales (May, m/m) | na | 0.0% | |
| JN | Labor Cash Earnings (May, y/y) | na | -0.3%(↓r) | Wage growth has hit a wall. |
| AU | NAB Business Confidence (Jun) | na | 7 | Unlikely to rise further. |
| **Wednesday, July 10** | | | | |
| US | FOMC Meeting Minutes | | | Should make for very interesting reading! |
| CA | BoC Monetary Policy Decision | 1.75% | 1.75% | Expect upbeat projections for domestic economy. |
| UK | Industrial Production (May, m/m) | 0.8% | -2.7% | PMI suggests downside risk. |
| FR | Industrial Production (May, m/m) | na | 0.4% | |
| IT | Industrial Production (May, m/m) | na | -0.7% | |
| JN | PPI (Jun, y/y) | na | 0.7% | Has slowed somewhat since start of year. |
| **Thursday, July 11** | | | | |
| US | Initial Jobless claims (Jul 6, thous) | na | 221 | |
| US | CPI (Jun, y/y) | na | 1.8% | |
| US | Monthly Budget Statement (Jun, $ bil.) | na | -207.8 | |
| CA | New Housing Price Index (May, m/m) | na | 0.0% | Prices not expected to change much. |
| GE | CPI (Jun, final, y/y) | 1.6%(p) | 1.4% | |
| FR | CPI (Jun, final, y/y) | 1.2%(p) | 0.9% | |
| JN | Tertiary Industry Index (May, m/m) | na | 0.8% | |
| **Friday, July 12** | | | | |
| US | PPI Final Demand (Jun, y/y) | na | 1.8% | |
| EC | Industrial Production (May, m/m) | na | -0.5% | |
| JN | Industrial Production (May, final, m/m) | 2.3%(p) | 0.6% | Production shoring up ahead of tax hike. |

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

# Economic Indicators

## Central Bank Policy Targets

| | | Year/Year % Change in Target | | | | |
|---|---|---|---|---|---|---|
| | | Jan | Feb | Mar | Apr | May |
| US | Target: PCE price index 2.0% y/y | 1.4 | 1.3 | 1.5 | 1.6 | 1.5 |
| Canada | Target: CPI 2.0% y/y, 1.0%-3.0% control range | 1.4 | 1.5 | 1.9 | 2.0 | 2.4 |
| UK | Target: CPI 2.0% y/y | 1.8 | 1.9 | 1.9 | 2.1 | 2.0 |
| Eurozone | Target: CPI below but close to 2.0% y/y | 1.4 | 1.5 | 1.4 | 1.7 | 1.2 |
| Japan | Target: CPI 2.0% y/y | 0.2 | 0.2 | 0.5 | 0.9 | 0.7 |
| Australia | Target Range: CPI 2.0%-3.0% y/y | 1.3 | 1.3 | 1.3 | | |

Source: Macrobond

## Key Interest Rates

| | Aug-18 | Sep-18 | Oct-18 | Nov-18 | Dec-18 | Jan-19 | Feb-19 | Mar-19 | Apr-19 | May-19 | Jun-19 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| US (top of target range) | 2.00 | 2.25 | 2.25 | 2.25 | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 |
| Canada (Overnight Rate) | 1.50 | 1.50 | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 |
| UK (Bank Rate) | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 |
| Eurozone (Refi) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Japan (OCR) | -0.06 | -0.06 | -0.07 | -0.06 | -0.06 | -0.06 | -0.05 | -0.06 | -0.07 | -0.06 | -0.08 |
| Australia (OCR) | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.28 |

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 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Feb | Mar | Apr | May | Jun | Jan | Feb | Mar | Apr | May |
| US | 1.5 | 1.9 | 2.0 | 1.8 | | 1.9 | 1.9 | 2.2 | 2.2 | 1.8 |
| Canada | 1.5 | 1.9 | 2.0 | 2.4 | | 1.0 | 1.2 | 1.5 | 1.7 | 0.6 |
| UK | 1.9 | 1.9 | 2.1 | 2.0 | | 2.1 | 2.4 | 2.2 | 2.1 | 1.8 |
| Eurozone | 1.5 | 1.4 | 1.7 | 1.2 | | 2.9 | 3.0 | 2.9 | 2.6 | 1.6 |
| Germany | 1.5 | 1.3 | 2.0 | 1.4 | 1.6 | 2.6 | 2.6 | 2.4 | 2.5 | 1.9 |
| France | 1.3 | 1.1 | 1.3 | 0.9 | 1.2 | 1.9 | 1.8 | 1.7 | 1.9 | 1.0 |
| Italy | 1.0 | 1.0 | 1.1 | 0.8 | 0.8 | 3.4 | 3.1 | 2.9 | 2.1 | 1.5 |
| Japan | 0.2 | 0.5 | 0.9 | 0.7 | | 0.6 | 0.9 | 1.3 | 1.3 | 0.7 |
| Australia | 1.3 | 1.3 | | | | 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 | 0.4 | 0.6 | 0.5 | 0.1 | 0.1 | 2.2 | 1.8 | 2.0 | 1.6 | 1.3 |
| 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 | 2.5 | 2.2 | 1.7 | 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 | 0.3 | 0.2 | 0.3 | 0.4 | 0.3 | 2.4 | 1.9 | 1.5 | 1.2 | 1.2 |
| Italy | 0.2 | 0.0 | -0.1 | -0.1 | 0.1 | 1.4 | 1.0 | 0.5 | 0.0 | -0.1 |
| Japan | -0.1 | 0.6 | -0.6 | 0.5 | 0.6 | 1.4 | 1.4 | 0.1 | 0.3 | 0.9 |
| Australia | 1.0 | 0.9 | 0.3 | 0.2 | 0.4 | 3.1 | 3.1 | 2.8 | 2.4 | 1.8 |

Source: Macrobond

## Industrial Production Index (M/M Seasonally Adjusted)

| | Month/Month % Change | | | | | Year/Year % Change | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Jan | Feb | Mar | Apr | May | Jan | Feb | Mar | Apr | May |
| US | -0.4 | -0.6 | 0.1 | -0.4 | 0.4 | 3.6 | 2.7 | 2.2 | 0.9 | 2.0 |
| Canada | -0.6 | -0.9 | 1.9 | 1.0 | | 1.6 | -0.7 | 0.2 | 1.8 | |
| UK | 1.0 | 0.6 | 0.7 | -2.7 | | 0.0 | 0.4 | 1.3 | -1.1 | |
| Germany | -0.1 | 0.4 | 0.5 | -1.9 | | -2.1 | 0.1 | -0.8 | -1.9 | |
| France | 1.6 | 0.2 | -1.1 | 0.4 | | 2.1 | 0.8 | -0.7 | 1.1 | |
| Italy | 1.8 | 0.7 | -1.0 | -0.7 | | -0.8 | 0.7 | -1.8 | -1.3 | |
| Japan | -2.5 | 0.7 | -0.6 | 0.6 | 2.3 | 0.7 | -1.2 | -2.8 | -1.6 | 0.4 |

Source: Macrobond

## Unemployment Rate (Seasonally Adjusted)

| | Aug-18 | Sep-18 | Oct-18 | Nov-18 | Dec-18 | Jan-19 | Feb-19 | Mar-19 | Apr-19 | May-19 | Jun-19 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| US | 3.8 | 3.7 | 3.8 | 3.7 | 3.9 | 4.0 | 3.8 | 3.8 | 3.6 | 3.6 | |
| Canada | 6.0 | 5.8 | 5.7 | 5.6 | 5.6 | 5.8 | 5.8 | 5.8 | 5.7 | 5.4 | |
| UK | 4.1 | 4.1 | 4.0 | 4.0 | 3.9 | 3.9 | 3.8 | 3.8 | | | |
| Eurozone | 8.0 | 8.0 | 8.0 | 7.9 | 7.9 | 7.8 | 7.8 | 7.6 | 7.6 | 7.5 | |
| Germany | 5.1 | 5.1 | 5.1 | 5.0 | 5.0 | 5.0 | 5.0 | 4.9 | 4.9 | 5.0 | 5.0 |
| France | 9.0 | 9.0 | 9.0 | 8.9 | 8.9 | 8.8 | 8.7 | 8.7 | 8.6 | 8.6 | |
| Italy | 10.1 | 10.4 | 10.7 | 10.5 | 10.4 | 10.4 | 10.5 | 10.1 | 10.1 | 9.9 | |
| Japan | 2.4 | 2.4 | 2.4 | 2.5 | 2.4 | 2.5 | 2.3 | 2.5 | 2.4 | 2.4 | |
| Australia | 5.3 | 5.0 | 5.0 | 5.1 | 5.0 | 5.0 | 4.9 | 5.1 | 5.2 | 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 | -2.2 | -2.2 | -2.5 | -2.0 | -2.3 | -2.3 | -2.1 | -2.4 | -2.8 | -2.5 |
| Canada | -3.3 | -1.9 | -2.5 | -2.6 | -3.1 | -3.0 | -3.0 | -2.8 | -1.8 | -3.0 | -3.1 |
| UK | -6.3 | -4.0 | -3.0 | -4.1 | -3.1 | -3.0 | -3.4 | -3.3 | -4.3 | -4.4 | -5.6 |
| Eurozone | 3.1 | 2.8 | 3.0 | 2.5 | 3.9 | 3.5 | 3.3 | 3.0 | 2.6 | 2.8 | 3.1 |
| Germany | 8.1 | 7.9 | 8.2 | 6.8 | 8.5 | 8.5 | 8.3 | 7.5 | 6.5 | 7.5 | 7.8 |
| France | -1.0 | -0.7 | -1.3 | -0.7 | -0.7 | -0.3 | -0.3 | -1.5 | -0.4 | -0.4 | -0.2 |
| Japan | 3.8 | 4.1 | 4.3 | 3.7 | 4.6 | 4.2 | 3.6 | 4.0 | 3.4 | 3.1 | 3.5 |
| Australia | -3.3 | -1.4 | -1.6 | -2.4 | -2.8 | -3.4 | -2.2 | -2.5 | -2.1 | -1.3 | -0.6 |

Source: Macrobond

## Important Risk Discussion

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