Weekly Economic Perspectives

Weekly Highlights

- **Economies:** Service activity slows, but grows, in the US. Canada's labor market disappoints. The UK economy contracts. Service activity expands in the eurozone. Japanese wage inflation turns positive for the first time this year. The RBA leaves the cash rate unchanged. (pages 2 – 6)
- **Markets:** Equities remains challenged amid trade war uncertainty, soft global growth. Bond yields continue to drop precipitously, except in Italy where they move in the opposite direction. The yen strengthens on safe haven demand. Oil plunges, gold surges on global demand worries and expectations of more central bank accommodation. (page 7)

Upcoming Highlights

- **Spotlight:** Growth in US retail sales should moderate from recent strong pace. Wage inflation may accelerate further in the UK. The German economy likely contracted in Q2. (page 9)

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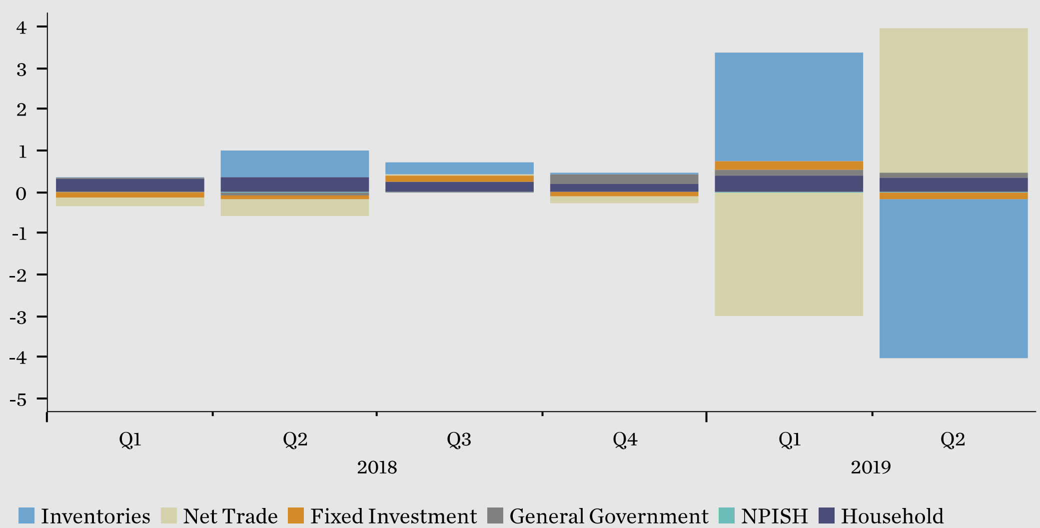
Figure 1: UK GDP Contracts, Brexit Distortions Evident

Percentage point contribution to quarterly growth



Sources: U.K. Office for National Statistics (ONS), SSGA Economics

STATE STREET GLOBAL ADVISORS

Week in Review

US

Unsurprisingly given deepening uncertainties around trade and slowing global growth, service sector activity moderated further in July, though it remains solidly in expansion territory. The **ISM non-manufacturing index** retreated 1.4 points to 53.7, marking the fifth decline so far this year and the lowest level since August 2016. The details were soft but not universally so. New orders retreated 1.7 points but to a still robust 54.1, while export orders dropped 2.0 to 53.5. The business activity measure (the old headline) plunged 5.1 points to 53.1. The inventories metric also plunged 5.0 points to an even 50, but inventory sentiment improved 2.0 points to a four-month high of 60.4, meaning respondents believe inventories are too low. Backlogs eased 2.5 points to 53.5 but supplier delivery times were steady. Most surprisingly, the employment metric rose 1.2 points to 56.2, suggesting labor demand in the services sector remains strong for now.

Indeed, despite recent volatility in employment data and increasing global growth headwinds, labor demand in the United States remains robust. Admittedly, **job openings** declined by 36,000 to 7,348,000 in June, but an upward revision to May data means they are actually higher than where we thought they were previously. And, they remain above the 7,000,000 mark that had been exceeded for the first time ever a little over a year ago, in April 2018. Openings declined by 51,000 in the private sector but rose by 15,000 in the public sector. Within the private sector, there were a few interesting details. There was a somewhat surprising rise in openings in the retail sector, up by a large 73,000 following several straight months of losses. However, openings declined in the wholesale and transportation sectors, indicating somewhat of an inconsistency and suggesting some downside risk to retail going forward. By contrast, there was a large 93,000 drop in openings in the leisure and hospitality sector, which seems odd given the season. This bears watching as this sector speaks directly to domestic discretionary spending as well as spending by foreign tourist, both of which may be negatively impacted by a worsening trade war. Construction openings retreated again, for the second month running, which is consistent with the sluggish housing starts data of late. However, openings in manufacturing were unchanged at the multi-year high reached in May, suggesting that labor demand in the sector remains solid. The hires level—a measure of employment—declined by 58,000 while quits—a measure of worker sentiment—declined by 45,000. The hires rate was unchanged at 3.6% while the separations rate retreated one tenth to 3.6%. The quits rate was unchanged at 2.3%, where it has been for a year. There are currently 0.8 unemployed people for each vacancy.

Consumer credit continues to grow at a steady, moderate pace. It expanded by $16.4 billion in June, a little less than the upwardly revised $17.8 May figure. Non-revolving credit (mostly mortgages and auto loans) accounted for all of the increase as revolving credit shrank incrementally. The total level of consumer credit outstanding increased 5/3% y/y (its growth rate appears to be modestly accelerating).

Unemployment claims continue to hover at very low levels historically. Initial unemployment claims—a measure of job shedding—declined by 8,000 to 209,000 in the week ending August 3. Continuing claims—a measure of unemployment—declined by 15,000 to 1,684,000 in the week ended July 27.

After an upside surprise in June, **producer prices** came in a little weaker than expected in July. Admittedly, the headline number met expectations with a 0.2% m/m increase but both measures of core prices (traditional core, excluding food and energy) and the alternative core (also excluding the volatile trade services) retreated 0.1%. Food prices rose 0.2% and energy prices jumped 2.3%. Services prices eased 0.1%. The headline PPI inflation rate was unchanged at 1.7% y/y. The traditional core measure stood at 2.1% y/y while the alternative core eased to 1.7% y/y.

Canada

Labor market report disappointed in July, after stellar performances over the first half of the year. The labor force increased by just 11,200 to 20.2 million, having registered a record high in April. The participation rate fell 0.1 percentage points to 65.6%. Employment also dropped by 24,200 to 19.0 million, with almost equal losses in full and part time employments. As a consequence, the unemployment rate rose by 0.2 percentage points to 5.7%. Job losses were rather skewed – with the service sector (-26,300) accounting for the major chunk of losses. On a positive note, wage inflation (average hourly wages for permanent employees) increased 4.5% y/y in July, the highest since January 2009, possibly a reflection of the tightening in markets in earlier months. Hours worked also increased 0.7% y/y. We are skeptical about reading too much into this report, as other indicators point to a gradual resurgence in domestic activity in the second half of the year.

House prices have remained virtually unchanged after reaching a high in November 2017. The **Statistics Canada national new house price index** again fell by 0.1% in June, lowest since August 2017. This was driven by house only prices which fell 0.1%, the third consecutive decline, while land only prices were flat. The largest increases were in Hamilton (+0.7%) and Ottawa (+0.6%). The annual pace of inflation fell for the second time this year, by 0.2%, having recorded the first decline in over nine years in January.

The six-month and 12-month average indicate a gentle uptrend in **housing starts**. Given stagnating house prices, we believe this might be based on optimism surrounding decent domestic activity in recent times. Admittedly, starts fell 9.6% in July to 222,013 units, still above consensus. The decline was led by 12% drop in multi-family starts, while single family starts fell by 4.6%. But the six-month average in starts rose 1.6% to 208,970, reflecting "high levels of activity in apartment and row starts in urban centres in recent months".

Building permits dropped for the second consecutive month, the fourth decline in six months. Permits plunged 3.7% to C$8.0 billion in June. Again, multi-family dwellings pulled down the headline number, falling 6.7% to C$2.6 billion. The decline was mainly concentrated in Quebec, where permits fell 21.8% following a 16.9% gain in May. The value of both residential (-3.1%) and nonresidential (-4.6%) permits declined.

UK

As we had suspected given the flow of poor high frequency data, the UK economy experienced a sharp deceleration in the second quarter amid clear Brexit-related distortions (Figure 1, page 1). In fact, performance was even worse than expected as the economy contracted for the first time since the end of 2012. **Real GDP** shrank 0.2% q/q on a sharp drawdown in inventories that unwound much of the prior quarter's massive build-up. In yet another mirror image of the first quarter performance, foreign trade activity contracted sharply, with exports down 3.3% q/q and imports plunging 12.8%. Domestic consumption held up, however, supported by steady incomes that allowed household spending to grow 0.5%, only a tenth less than in Q1. Government consumption rose a solid 0.7%. By contrast, investment, retraced most of the prior quarter's improvement and shrank 1.0%. Real GDP grew 1.2% y/y, bringing the first half average to 1.5% y/y and consistent with our 1.3% full-year forecast.

Service activity remains fragile but, having slipped into contraction in March (the first such occurrence since July 2016), it has since crossed back into expansion territory. In fact, activity unexpectedly accelerated in July, when the **services PMI index** rose 1.2 points to a nine-month high of 51.4. Surprisingly, new orders jumped 3.1 points to 53.0, the highest level since September 2018. However, expectations of future business eroded and the employment metric lost 1.0 point to 52.6, retracing some of last month's solid gain. Backlogs were little changed. Prices (both paid and received) rose further, though whereas gains in output prices quickened, those in input prices were steady.

Industrial production plunged in April amid automotive factory closures, then recovered a bit in May. It eroded slightly in June, down 0.1% on modest variations across sub-sectors. This tepid performance left output 0.5% lower than in June 2018. During the first half of this year, production declined incrementally (0.1%) from the same period a year earlier.

Brexit uncertainties caused acute volatility in UK home price inflation early this year and it remains too soon to conclude that the most tumultuous period is over. Admittedly, home prices have been much steadier over the last three months. According to the **Halifax** index, they declined a modest 0.2% in July, leaving the seasonally adjusted standard average price—which abstracts from mix effects—4.1% higher than a year earlier. The non-seasonally adjusted standard average price rose 2.5% y/y.

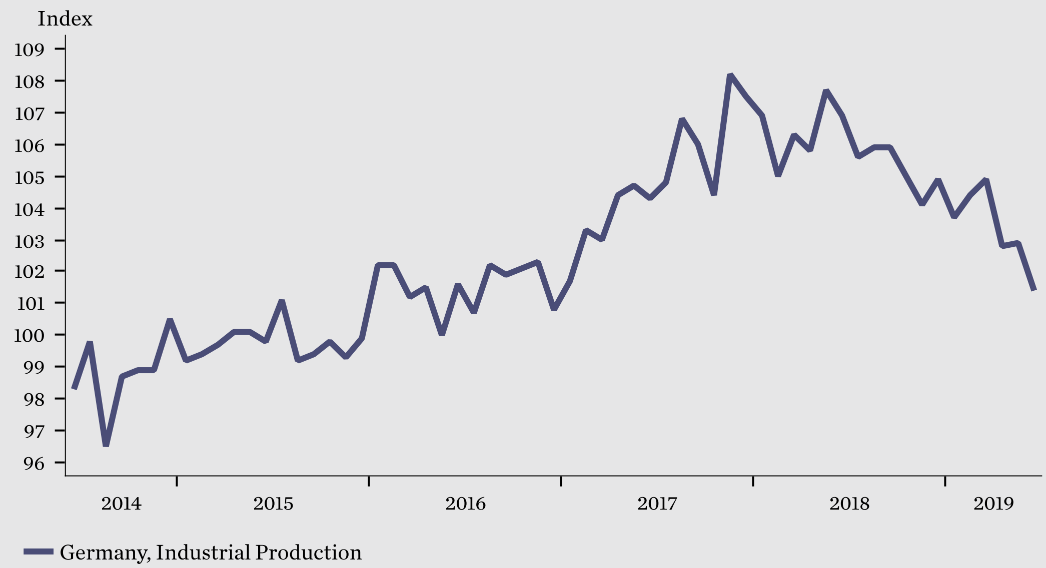
Eurozone

Service activity is holding up a lot better than manufacturing, and it is critical that it does so for the sake of regional growth. Still, one can't help wonder how long this can be sustained given softness in manufacturing, geopolitical tensions, and the myriad risks to the outlook. The ***eurozone* purchasing managers' index (PMI) for services** lost 0.4 point to 53.2 in July, 0.1 point softer than the initial estimate. However, the details were on the soft side as incoming new business eased 0.6 point to 52.7 and employment eased 0.6 point to 53.6. The German index came in much weaker than initially expected, losing 1.3 points to 54.5. By contrast, the French index was stronger than initially thought, although it still lost 0.3 point to 52.6. The biggest positive surprise came from Italy, where the index rose 1.2 points to a four-month high of 51.7. The Spanish index eased 0.7 point to 52.9.

***German* factory orders** had weakened materially in early 2019. Two modest improvements in March and April had suggested some stabilization but May's 2.0% decline dashed those hopes. Orders rebounded 2.5% in June, but it remains too soon to assume that they've bottomed. Indeed, while not nearly as deep as prior months' declines, orders are still down 3.7% y/y. Eurozone orders continue to exhibit acute weakness, (down 10.1% y/y) whereas non-eurozone orders increased 4.0% y/y for the first positive reading since August 2018.

Unsurprisingly given the weakness in industrial orders, ***German* industrial production** has weakened markedly since the late 2017 highs (Figure 2, page 3). It shrank a further 1.5% in June, bringing the annual decline to 5.1% y/y, the worst such comparison since late 2009. Excluding construction, production shrank 1.8% while construction activity increased 0.3%. Manufacturing and mining shrank 1.8% on broad-based weakness, leaving it 6.0% below June 2018 levels. Energy production was down an even worse 9.6% y/y.

Figure 2: German Industrial Production Back To 2016 Levels



Sources: German Federal Statistical Office (Statistisches Bundesamt)

***French* industrial production** perked up meaningfully in May but relapsed in June with a 2.3% that left output levels unchanged from a year earlier. Electricity output contracted 3.6%, manufacturing shrank 2.2% and water/utilities sector declined 0.5%. Construction activity, which is not included in the headline index, expanded 1.2%, leaving it 2.4% higher than in May 2018.

French **business sentiment** turned decidedly lower in the early part of 2018 and has wobbled ever since. After a large and rather unexpected)step down in June, the Bank of France business sentiment index held steady at 95 in July, but this is otherwise the lowest level in six years!

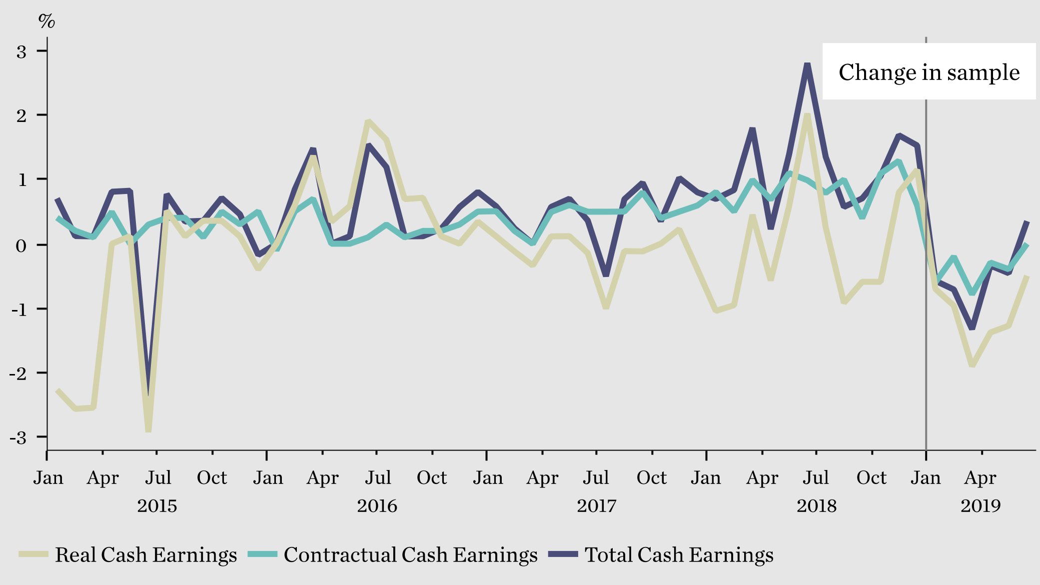
French **wage inflation** continues to advance at a steady but moderate pace. The wage index rose 0.5% in the second quarter, down from 0.8% in the first. At 1.7% y/y, wage inflation remains too low to be consistent with the attainment of the inflation target of close to but slightly below 2.0%.

Japan

Japan's **GDP** grew a much stronger than anticipated 0.4% (1.8% annualized) in Q2 2019, after Q1 growth was revised upward to 0.7%. This is somewhat contradictory to signals from soft high-frequency data, but the details were pretty encouraging. Private and public demand grew by 0.7% and 0.9% respectively, adding a cumulative 0.7 percentage points to growth. Both households and corporates contributed positively to growth as household consumption increased 0.6%. Household spending was boosted by a 4.3% rise in durable goods, which suggest consumers are spending ahead of the scheduled VAT hike in October. Business investments rose 1.5%, the third consecutive rise. Net exports, however, detracted heavily as exports retreated 0.1%, while imports jumped 1.6% over the quarter. We anticipate that this momentum will be carried forward to the third quarter. Though manufacturing has been hit by ongoing trade tensions, we believe recovering wages will help support consumer spending. Spending will probably lose some sheen in the fourth quarter post tax hikes, but proposed counter measures will likely arrest the fall to some extent.

The downtrend in **labor cash earnings** had reversed since March, with earnings finally up on a year over year basis in June after a string of five consecutive declines. Cash earnings rose by 0.4% y/y in June on broad gains (Figure 3).

Figure 3. Japanese Wage Growth Now Recovering After Sample Change



Sources: Japanese Ministry of Health, Labour & Welfare

The usually volatile bonus component increased 0.9% y/y, the first increase in six months. Bonus payments should boost July earnings as well, but subside in August when the summer bonus season comes to an end. The less volatile regularly contracted cash earnings—excluding bonuses and overtime pay—was unchanged from last year, while regular wages edged up 0.1% y/y. However, real earnings contracted for the sixth straight month, by 0.5%. The change in sampling method implemented in January 2019 continues to distort wages. The surge in part-time employment taken into consideration has now largely unwound, but the decline in wage growth for full-time employees still persists. Indeed, data using the old sample shows a much stronger 1.1% growth in wages.

Services activity has settled in modestly expanding territory, with the **purchasing managers' index (PMI) for services** hovering around the 51.0 mark since attaining a high of 53.4 in October 2017. The index was revised down 0.5 points in July from the preliminary reading and 0.1 points downward from previous month's estimate to 51.8 in July. New business from abroad stabilized little above 50.0 following June's relatively marked drop. Employment levels in the service sector were also positive. IHS Markit noted, "there were some signs that the underlying services economy was beginning to lose momentum, with employment and new business growth both easing, while optimism moderated as some firms were concerned that the looming consumption tax hike could impact demand."

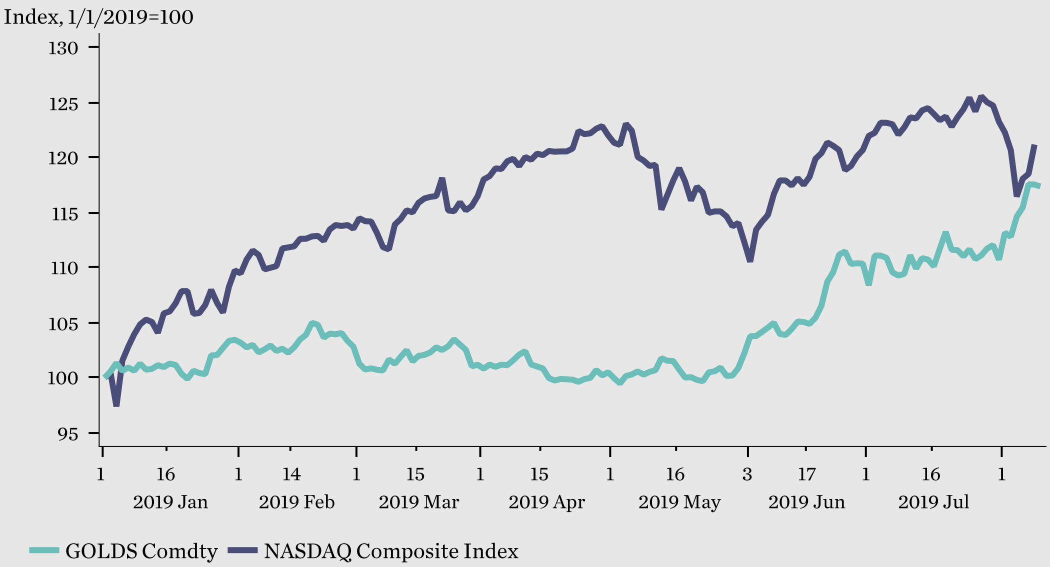
Australia

The **Reserve Bank of Australia** (RBA) kept the cash rate unchanged at 1.00% in its August meeting, the lowest on record. The Bank kept its powder dry, noting that "The Board will continue to monitor developments in the labor market closely and ease monetary policy further if needed to support sustainable growth in the economy and the achievement of the inflation target over time." Global developments are a major headwind amid renewed tensions between US and China. Understandably, "the increased uncertainty generated by the trade and technology disputes is affecting investment and means that the risks to the global economy remain tilted to the downside." With regards to the domestic economy, growth is expected to gradually pick up. The factors in favor are "low level of interest rates, recent tax cuts, ongoing spending on infrastructure, signs of stabilization in some housing markets and a brighter outlook for the resources sector". The positive tone on housing markets reinforces our view that the RBA is optimistic that prices will bottom out by end 2019 and start rising again in 2020. Meanwhile on the labor front, hiring strength is being offset by the record high labor participation rate. Consequently, "wages growth remains subdued and there is little upward pressure at present". This will reflect in headline inflation, with the 2% target likely to be met later than anticipated. The RBA will be keeping a close eye labor market slack, household consumption and the housing market, and we are more likely than not to see further policy response if these do not make sufficient progress by the start of 2020.

Financial Markets Review

Since late last week, heightened concerns over the intensifying trade war between the United States and China have caused significant volatility in global stock and commodity markets. Gold has been a lone beneficiary of this heightened uncertainty environment, which has helped it close much of the prior year-to-date performance gap with the NASDAQ.

Figure 4: Gold Catches Up To Tech Amid Trade War, Growth Slowdown



Sources: Bloomberg

Equities: Equities remains challenged amid trade war uncertainty, soft global growth.

Bonds: Bond yields continue to drop precipitously, except in Italy where they move in the opposite direction.

Currencies: The yen strengthens on safe haven demand.

Commodities: Oil plunges, gold surges on global demand worries and expectations of more central bank accommodation.

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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®	2931.17	0.0%	16.9%	1.71	-14	-98	97.557	-0.5%	1.4%
Canada	TSE 300	16404.53	0.8%	14.5%	1.24	-14	-73	1.3209	0.0%	-3.1%
UK	FTSE®	7289.99	-1.6%	8.4%	0.49	-6	-78	1.2077	-0.7%	-5.3%
Germany	DAX	11739.36	-1.1%	11.2%	-0.57	-8	-81			
France	CAC-40	5355.16	-0.1%	13.2%	-0.27	-3	-98	1.1196	0.8%	-2.4%
Italy	FTSE® MIB	20377.31	-3.2%	11.2%	1.74	20	-100			
Japan	Nikkei 225	20684.82	-1.9%	3.3%	-0.22	-5	-22	105.78	-0.8%	-3.6%
Australia	ASX 200	6584.434	-2.7%	16.6%	0.96	-13	-136	0.6812	0.2%	-3.4%

Commodity Markets						
Commodity	Unit	Source	Last Price	%Ch Week	%Ch YTD	%Ch Yr Ago
Oil (Brent)	US$/Barrel	Bloomberg	58.68	-4.2%	10.4%	-17.4%
Gold	US$/troy oz	Bloomberg	1497	3.9%	16.7%	23.5%

Source: Bloomberg®

Week in Review: Data Releases and Major Events (August 5–August 9)

Country	Release (Date, format)	Consensus	Actual	Last	Comments
Monday, August 5					
US	ISM Non-Manufacturing (Jul)	55.5	**53.7**	55.1	Lowest since August 2016 but growing.
UK	PMI Services (Jul)	50.3	**51.4**	50.2	Very welcome rebound to nine-month high.
EC	PMI Services (Jul, final)	53.3(p)	**53.2**	53.6	Moderate growth continues.
GE	PMI Services (Jul, final)	55.4(p)	**54.5**	55.8	Much weaker than initially thought.
JN	PMI Services (Jul, final)	52.3(p)	**51.8**	51.9	Services economy losing momentum?
Tuesday, August 6					
US	JOLTS Job Openings (Jun, thous)	7400	**7348**	7384(↑r)	Labor demand still robust in the US.
GE	Factory Orders (Jun, m/m)	0.5%	**2.5%**	-2.0%(↑r)	Still down 3.7% y/y on eurozone weakness.
JN	Labor Cash Earnings (Jun, y/y)	-0.6%	**0.4%**	-0.5%(↓r)	A welcome rebound.
AU	RBA Monetary Policy Decision	1.00%	**1.00%**	1.00%	Keeping its powder dry.
Wednesday, August 7					
US	Consumer Credit (Jun, $ bil.)	16.1	**16.4**	17.8(↑r)	Steady growth.
CA	Ivey PMI (Jul)	53.0	**54.2**	52.4	Employment and deliveries indices up.
UK	Halifax House Prices (Jul, m/m)	0.3%	**-0.2%**	-0.4%(↓r)	Volatility has subsided since early in the year.
GE	Industrial Production (Jun, m/m)	-0.5%	**-1.5%**	0.1%(↓r)	Down 5.1% y/y, worst since 2009.
Thursday, August 8					
US	Initial Jobless claims (Aug 3, thous)	215	**209**	217(↑r)	Still very encouraging.
CA	New Housing Price Index (Jun, m/m)	0.0%	**-0.1%**	-0.1%	Lowest since August 2017.
FR	Bank of France Ind. Sentiment (Jul)	96	**95**	95	Big drop last month left it at six-year low.
Friday, August 9					
US	PPI Final Demand (Jul, y/y)	1.7%	**1.7%**	1.7%	Modest.
CA	Unemployment Rate (Jul)	5.5%	**5.7%**	5.5%	Rather disappointing.
CA	Housing Starts (Jul, thous)	202.0	**222.0**	245.7	Gentle uptrend in recent months.
CA	Building Permits (Jun, m/m)	1.0%	**-3.7%**	-13.0%	Second consecutive decline.
UK	GDP (Q2, prelim, q/q)	0.0%	**-0.2%**	0.5%	Huge inventory drawdown.
UK	Industrial Production (Jun, m/m)	-0.2%	**-0.1%**	1.2%(↓r)	Weak.
FR	Industrial Production (Jun, m/m)	-1.2%	**-2.3%**	2.0%(↓r)	Unsurprising given German trends.
FR	Wages (Q2, prelim, q/q)	0.5%	**0.5%**	0.8%	Up 1.7% y/y.
JN	GDP (Q2, prelim, q/q)	0.1%	**0.4%**	0.7%(↑r)	Details were very healthy.

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

Week in Preview: Releases and Major Events (August 12–August 16)

Country	Release (Date, format)	Consensus	Last	Comments
Monday, August 12				
US	Monthly Budget Statement (Jul, $ bil.)	-123.0	-8.5	
Tuesday, August 13				
US	CPI (Jul, y/y)	1.7%	1.6%	Weak enough to justify more easing.
US	NFIB Small Business Optimism (Jul)	104.9	103.3	Important gauge of business sentiment.
UK	ILO Unemployment Rate (Jun)	3.8%	3.8%	
UK	Average Weekly Earnings (Jun, 3m y/y)	3.7%	3.4%	Limits BoE's scope for monetary easing.
GE	ZEW Investor Expectations (Aug)	-27.5	-24.5	Dreadful.
GE	CPI (Jul, final, y/y)	1.7%(p)	1.6%	
JN	PPI (Jul, y/y)	-0.5%	-0.1%	
JN	Tertiary Industry Index (Jun, m/m)	-0.1%	-0.2%	
AU	NAB Business Confidence (Jul)	na	2	Should reflect upbeat sentiment following rate cut.
Wednesday, August 14				
US	Import Price Index (Jul, y/y)	na	-2.0%	
UK	CPI (Jul, y/y)	1.9%	2.0%	
UK	PPI Output (Jul, y/y)	1.7%	1.6%	
EC	GDP (Q2, prelim, q/q)	0.2%	0.2%	Soft but at least steady.
EC	Industrial Production (Jun, m/m)	-1.2%	0.9%	
GE	GDP (Q2, prelim, q/q)	-0.1%	0.4%	It might even be worse.
FR	Unemployment Rate (Q2)	8.3%	8.4%	
FR	CPI (Jul, final, y/y)	1.1%(p)	1.2%	
JN	Core Machine Orders (Jun, m/m)	-1.0%	-7.8%	
AU	Wage Price Index (Q2, y/y)	2.3%	2.3%	Anecdotal evidence suggests a little dip.
Thursday, August 15				
US	Initial Jobless Claims (Aug 10, thous)	na	209	
US	Retail Sales (Jul, m/m)	0.2%	0.4%	Moderating after recent solid gains.
US	Industrial Production (Jul, m/m)	0.3%	0.0%	It might disappoint given soft PMI.
US	NAHB Housing Market Index (Aug, m/m)	66	65	
US	Business Inventories (Jun, m/m)	0.1%	0.3%	
US	Empire Manufacturing (Aug)	4.5	4.3	
US	Nonfarm Productivity (Q2, prelim, q/q)`	1.4%	3.4%	
US	Philadelphia Fed Business Outlook (Aug)	10	21.8	Very volatile lately.
CA	Existing Home Sales (Jul, m/m)	na	-0.2%	
UK	Retail Sales (Jul, m/m)	-0.2%	1.0%	Incomes rising, but so is uncertainty.
JN	Industrial Production (Jun, final, m/m)	-3.6%(p)	2.0%	Facing a dismal quarter ahead.
AU	Unemployment Rate (Jul)	5.2%	5.2%	Do not expect any sharp movements.
Friday, August 16				
US	Housing Starts (Jul, thous)	1260	1253	
US	Building Permits (Jul, thous)	1270	1232(↑r)	
US	U of M Cons. Sentiment (Aug, prelim)	97.1	98.4	

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

Economic Indicators

Central Bank Policy Targets

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

Source: Macrobond

Key Interest Rates

	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	####	Jun-19	Jul-19
US (top of target range)	2.25	2.25	2.25	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Canada (Overnight Rate)	1.50	1.75	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	-0.07	-0.06	-0.06	-0.06	-0.05	-0.06	-0.07	-0.06	-0.08	-0.07
Australia (OCR)	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.28	1.02

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				
	Mar	Apr	May	Jun	Jul	Mar	Apr	May	Jun	Jul
US	1.9	2.0	1.8	1.6		2.0	2.2	1.8	1.7	1.7
Canada	1.9	2.0	2.4	2.0		1.5	1.7	0.4	-1.7	
UK	1.9	2.1	2.0	2.0		2.2	2.1	1.9	1.6	
Eurozone	1.4	1.7	1.2	1.3		2.9	2.6	1.6	0.7	
Germany	1.3	2.0	1.4	1.6	1.7	2.4	2.5	1.9	1.2	
France	1.1	1.3	0.9	1.2	1.1	1.7	1.9	1.0	0.0	
Italy	1.0	1.1	0.8	0.7	0.4	2.9	2.1	1.5	0.9	
Japan	0.5	0.9	0.7	0.7		1.3	1.2	0.6	-0.1	
Australia	1.3	1.6	1.6	1.6		1.9	2.0	2.0	2.0	

Source: Macrobond

Economic Indicators

Real GDP Growth (Q/Q Seasonally Adjusted)

	Quarter/Quarter % Change					Year/Year % Change				
	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19
US	0.9	0.7	0.3	0.8	0.5	3.2	3.1	2.5	2.7	2.3
Canada	0.6	0.5	0.1	0.1		1.8	2.0	1.6	1.3	
UK	0.4	0.7	0.2	0.5	-0.2	1.4	1.6	1.4	1.8	1.2
Eurozone	0.4	0.2	0.2	0.4	0.2	2.2	1.7	1.2	1.2	1.1
Germany	0.5	-0.2	0.0	0.4		2.0	1.2	0.6	0.7	
France	0.2	0.3	0.4	0.3	0.2	1.9	1.5	1.1	1.2	1.3
Italy	0.0	-0.1	-0.1	0.1	0.0	1.0	0.5	0.0	-0.1	0.0
Japan	0.4	-0.5	0.4	0.7	0.4	1.4	0.2	0.3	1.0	1.1
Australia	0.9	0.3	0.2	0.4		3.1	2.8	2.4	1.8	

Source: Macrobond

Industrial Production Index (M/M Seasonally Adjusted)

	Month/Month % Change					Year/Year % Change				
	Feb	Mar	Apr	May	Jun	Feb	Mar	Apr	May	Jun
US	-0.5	0.1	-0.5	0.4	0.0	2.8	2.3	0.9	2.1	1.3
Canada	-1.0	1.9	1.5	0.4		-0.7	0.1	2.4	2.5	
UK	0.3	1.4	-3.1	1.2	-0.1	-0.2	1.4	-1.4	0.5	-0.6
Germany	0.7	0.5	-2.0	0.1	-1.5	-0.6	-1.3	-2.8	-4.5	-5.1
France	0.3	-1.3	0.5	2.0	-2.3	0.7	-0.8	1.1	3.9	0.0
Italy	0.7	-1.0	-0.8	1.0	-0.2	0.7	-1.7	-1.4	-0.7	-1.2
Japan	0.7	-0.6	0.6	2.0	-3.6	-1.2	-2.8	-1.6	0.1	-2.5

Source: Macrobond

Unemployment Rate (Seasonally Adjusted)

	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	####	Jun-19	Jul-19
US	3.7	3.8	3.7	3.9	4.0	3.8	3.8	3.6	3.6	3.7	3.7
Canada	5.8	5.7	5.6	5.6	5.8	5.8	5.8	5.7	5.4	5.5	5.7
UK	4.1	4.0	4.0	3.9	3.9	3.8	3.8	3.8			
Eurozone	8.0	8.0	7.9	7.9	7.8	7.8	7.7	7.6	7.6	7.5	
Germany	5.1	5.1	5.0	5.0	5.0	5.0	4.9	4.9	5.0	5.0	5.0
France	9.0	9.0	8.9	8.9	8.8	8.7	8.7	8.6	8.6	8.7	
Italy	10.4	10.7	10.5	10.4	10.4	10.4	10.1	10.0	9.8	9.7	
Japan	2.4	2.4	2.5	2.4	2.5	2.3	2.5	2.4	2.4	2.3	
Australia	5.0	5.0	5.1	5.0	5.1	4.9	5.1	5.2	5.2	5.2	

Source: Macrobond

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

	Q4-16	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19
US	-2.2	-2.2	-2.5	-2.0	-2.3	-2.3	-2.1	-2.4	-2.8	-2.5	
Canada	-1.9	-2.5	-2.6	-3.1	-3.0	-3.0	-2.8	-1.8	-3.0	-3.1	
UK	-4.0	-3.0	-4.1	-3.1	-3.0	-3.4	-3.3	-4.3	-4.4	-5.6	
Eurozone	2.8	3.0	2.5	3.9	3.5	3.3	3.0	2.6	2.8	3.1	
Germany	7.9	8.2	6.8	8.5	8.5	8.3	7.5	6.4	7.3	7.7	
France	-0.7	-1.3	-0.7	-0.7	-0.3	-0.3	-1.4	-0.4	-0.4	-0.6	-0.3
Japan	4.1	4.3	3.7	4.6	4.2	3.6	4.0	3.4	3.1	3.4	3.5
Australia	-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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