Weekly Economic Perspectives

Weekly Highlights

- **Economies:** Manufacturing activity contracting globally but service activity expands. Moderate employment gains continue in the US. The Bank of Canada remains on hold amid strong labor market. Growth slows in the eurozone. Japan's wages excluding bonus are rising. A slowing private sector drags down Australia's GDP. (pages 2 – 6)
- **Markets:** Risk-on mood prevailed this week amid plans for resumed US-China trade negotiations. Bond yields widen a little, but not that much given their levels. The pound revived on parliamentary votes intended to prevent no-deal Brexit. Oil rallies nicely while gold retreats. (page 7)

Upcoming Highlights

- **Spotlight:** The ECB is poised to offer some additional stimulus. Core inflation may accelerate in the US. UK wage inflation remains elevated. (page 8)

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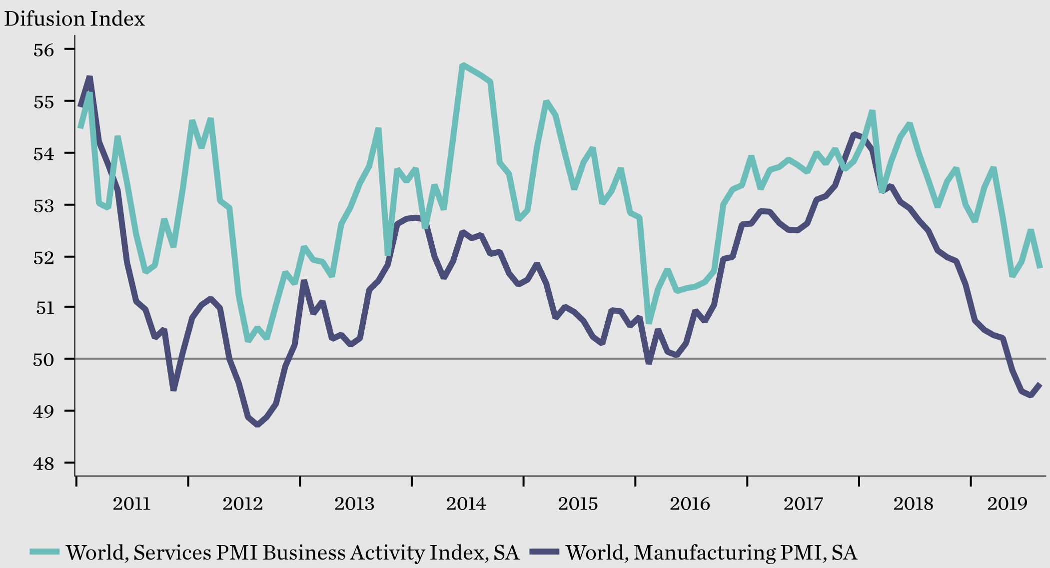
Contact Information

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

Kaushik Baidya
Economist
kaushik_baidya@ssga.com
+91-806-741-5048

Figure 1: Global Manufacturing Contracting, But Services OK



Sources: IHS Markit

STATE STREET GLOBAL ADVISORS

Week in Review

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This week's data flow highlighted in extreme fashion the single most important divergence in the global economy: that between weak global manufacturing on one hand, and resilient services, on the other (Figure 1, page 1).

For its part, global **manufacturing activity** is contracting across the world. Whereas this has been going on for months in the eurozone and Japan, activity in the US was still expanding until very recently. That, however, ended in August, when the ISM manufacturing index lost a larger than expected 2.1 points to 49.1, marking the first sub-50 reading since August 2016. The weak details did not portend much near-term improvement as new orders fell 3.6 points to 47.2 and new export orders plunged 4.8 points to a post-GFC low of 43.3. Elsewhere, the final reading on the eurozone manufacturing index improved 0.5 point from July, but only to 47.0, which was still the second lowest reading s, but this was 0.1 less than initially estimated and still left the index at its lowest level since 2013. The good news was that performance improved sequentially in each of the "big-4" regional economies. It does not guarantee a bottom, but it is an encouraging first step towards establishing one. The bad news is that only the French index (51.1) was above the neutral 50 level signaling expansion, whereas activity continued contracting in Germany (43.5), Italy (48.7), and Spain (48.8). The UK index also sank deeper into contraction, down 0.6 point to 47.4. The Japanese index, originally reported to have inched up 0.1 point in August, actually lost 0.1 to 49.3.

Contrast this with resilient—and in many cases outright robust—readings on global **service activity**. The biggest positive surprise was without the doubt the US, where the ISM non-manufacturing index jumped 2.7 points to a robust 56.4 on a surge in new orders, now above 60 for the first time since February. Admittedly, not all details were that great as new export orders and backlogs both weakened notably. Employment also softened, though it remained comfortably in expansion territory. Meanwhile, the eurozone services PMI index improved 0.3 points to 53.5 as the German index enjoyed a similar increase to a solid 54.8. We were particularly encouraged by the 0.8-point gain in the French index, now at a nine-month high of 53.4. The Spanish index also gained a solid 1.4 points to a five-month high of 54.3. The Japanese index jumped 1.5 points to 53.3. By contrast, the UK index lagged with a 0.8-point decline to 50.6.

US

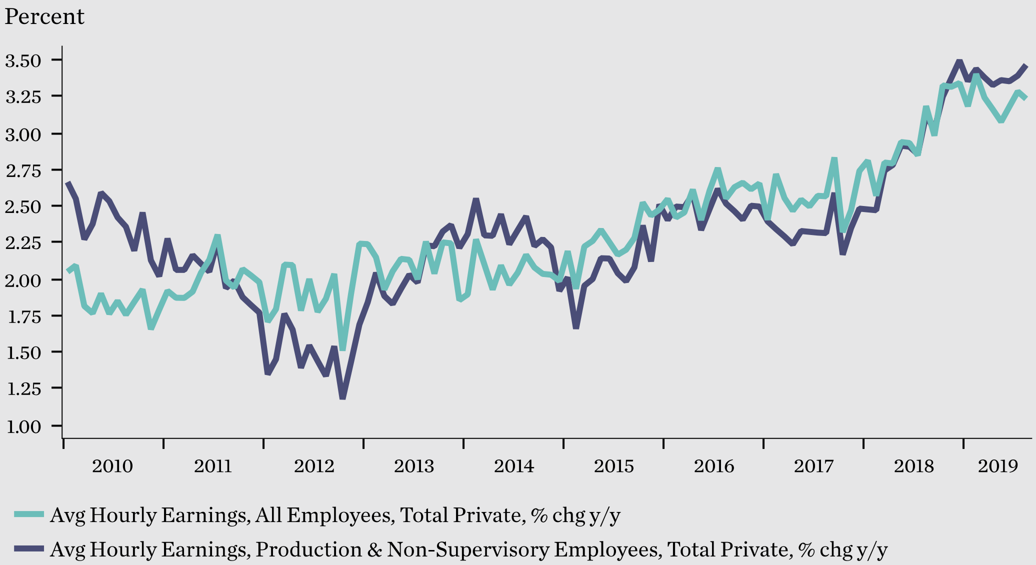
The **August employment report** was not nearly as disappointing as those looking no further than the headline would have concluded. Yes, employment increased by 130,000 versus expectations of a 160,000 gain, but this remains a decent number and is more than enough to absorb new entrants into the labor force. This is the case even when considering the 20,000 downward revision to the prior two months. Private payrolls increased by 96,000 while government added 16,000. Interestingly, goods producing industries added 12,000 jobs, construction added 14,000, and manufacturing added 3,000. There is more resilience here than one might suspect given the trade war and the manufacturing output contraction highlighted by the ISM index this week, perhaps suggesting that while the trade war is weighing down on current production levels, it is also endangering some degree of supply chain relocation that is benefitting US manufacturing employment. Services added 84,000, on good performance by financial and business services as well as leisure and hospitality, whereas trade/transportation and retail were considerable drags. Temporary help jumped a sizable 15,000. Normally, a rise in temporary help is seen as a positive sign for future employment, unless one reads it to indicate firms' desire to retain flexibility in the deployment of labor resources and avoid making a full commitment by hiring permanent employees. It is unclear at this point what's driving the August increase.

According to the household report, employment soared by 590,000 while unemployment declined by 19,000, resulting in another big increase (571,000) in the labor force. Indeed, the labor force participation rate ticked 0.2 percentage point higher to 63.2%. This kept the **unemployment rate** unchanged to 3.7%. Somewhat contradicting the otherwise positive details of the household survey, the number of people employed part time for economic reasons surged by 397,000, although this roughly just walks back the prior month's decline. Consequently, the underemployment rate rose two tenths to 7.2%, which is very low historically and third lowest so far this year.

The **hours data** bounced nicely after a weak July. The overall workweek increased by 6 minutes to 34.4 hours, while the manufacturing workweek rose 12 minutes to 40.6. Meanwhile, the aggregate hours' index (a measure of overall work effort in the economy) and the manufacturing hours index (a leading indicator for industrial production) rose 0.4% each.

For the second consecutive month, the **wage data** came in stronger than expected. Total average hourly earnings increased 0.4%, while average hourly earnings for production and non-supervisory employees—a more homogeneous group—increased 0.5%. The corresponding measures of wage inflation stand at solid levels of 3.2% and 3.5% y/y. The combination of good hours and stronger wages is very positive for the next release on personal income data, and, by implication, for the personal spending data. We have long and repeatedly stated that as long as services and consumption hold, the broader economy holds. This week's data strongly suggest that they do, indeed, continue to hold.

Figure 2: Tight US Labor Market Gradually Lifting Wage Inflation



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

Unemployment claims continue to hover at very low levels historically. Initial unemployment claims—a measure of job shedding—rose by 1,000 but only to a low 217,000 in the week ending August 31. Continuing claims—a measure of unemployment—retreated by 39,000 to 1,662,000, the lowest level since mid-May and extremely low historically.

Labor productivity has picked up recently, but it is still not clear whether this improvement represents a sustainable trend change. Nonfarm labor productivity increased at a 2.3% annualized rate (same as initially reported) during the second quarter. This marked a slowdown from first quarter's 3.5% pace but is otherwise one of the best prints in the last several years. Output increased 1.9% while employee hours declined 0.4% (both annualized). Compensation per hour grew 4.9%, which caused unit labor costs—a measure of inflationary pressures emanating from the labor market—to increase 2.6% (annualized). Unit labor costs also rose 2.6% y/y, suggesting that the tight labor market is indeed lifting labor costs. Productivity rose 1.8% y/y (as initially reported), a tenth better than in Q1 and the most since early 2015.

Still, there is no denying that trade uncertainty is weighing on business confidence and spending. **Factory orders** have lost considerable momentum in recent months, recording three sizable declines since February. They have stabilized a little in the last couple of months, up 0.5% in June and 1.4% in July, but that still left them only 0.4% higher than a year earlier. The final print on durable goods orders confirmed a solid 2.0% rebound, although this was a tenth less than initially reported. Core orders (non-defense capital goods excluding aircraft)—a leading indicator for business equipment investment (BEI) in the GDP accounts—disappointed with a 0.2% gain that was only half the one originally reported. Manufacturing shipments fell 0.2% on a 0.6% decline in core shipments. Inventories rose 0.2%, leaving the inventory-to-shipments ratio at 1.38 months.

Motor vehicle sales were flat in 2018 and have been pretty choppy this year, but appear to have stabilized of late. After a sizable 2.8% drop in July, vehicle sales picked up 0.9% in August, leaving them 2.2% higher than in August 2018. Still, sales were down 0.4% y/y, on average, during the first eight months of 2019.

Canada

There were no surprises as the **Bank of Canada** (BoC) left its policy rate unchanged at 1.75% at the August 4th meeting. The BoC has been pretty confident about the domestic economy, with growth in the second quarter having exceeded expectations. Some of the drivers are deemed to be temporary though, with energy production and exports helping to mitigate the pullback from investments. The Bank noted that the economy is "operating close to potential", a slight change from its earlier observation that the economy is "returning to potential". There even appeared to be concerns about rising household debt levels due to the earlier than anticipated rebound in housing activity. In line with almost every other central bank, the BoC noted that protracted trade tensions are weighing heavily on business investments, which in turn might keep activity in check in the second half of the year. Both headline and core measures on inflation are expected to remain around the 2% target, with the headline likely to dip slightly due to moderating gasoline prices. All in all, the "current degree of monetary policy stimulus remains appropriate". Having said that, the BoC will "pay particular attention to global developments and their impact on the outlook for Canadian growth and inflation", and the probability of a pre-emptive cut following the likes of Fed or RBA cannot be ruled out for the rest of the year.

After two months of negative readings, the **labor market** shifted gears again in August. The labor force increased by 91,300 to 20.3 million, yet another record high after April of this year. The participation rate increased by 0.2 percentage points to 65.8%, a four month high. Consequently, the unemployment rate was unchanged at 5.7%. Employment increased by 81,100 to 19.1 million. Job gains were skewed towards part-time employment, accounting for close to 60% of the gains. Encouragingly, significant job gains were reported among youth aged 15-24 years, nearly all among women. This probably explains the significant contribution of part-time employment in total job gains. Employment in the private sector rebounded after a decline in July, with more jobs in finance, and real estate, educational services (+21,000), and in professional/scientific services (+17,000). Wage inflation (average hourly wages for permanent employees) increased 3.8% y/y in August. Hours worked also increased 1.2% y/y.

The **merchandise trade deficit** widened to C$ 1.1 billion in July, having recorded a slight deficit of C$55 million in June. Encouragingly, imports rose 1.2% to C$ 50.9 billion, with most of the contribution coming from consumer goods (+2.4%). Exports fell 0.9% to C$49.8 billion, dragged down by a 6.7% decline in energy products.

The combination of strong employment gains and modest growth led to slowing **labor productivity** during the second quarter. Labor productivity increased 0.2%, after a 0.4% rise in the first quarter. Labor costs per unit of output increased by 0.7%, and average hourly compensation rose by 0.9%.

Eurozone

The final read on second-quarter **eurozone GDP** confirmed the preliminary estimate of a 0.2% q/q advance, half the rate recorded in the prior three months. The details were mixed. On one hand, fixed investment was more accretive to growth than in the first quarter, which was encouraging. However, on the consumption side, private sector's contribution diminished, with government providing almost as much lift as households. Net trade, which had contributed 0.3 ppts in Q1, subtracted 0.1 in Q2. This swing was perfectly mirrored in inventories, which were neutral in the latest period, having subtracted 0.2 ppts in the prior three months. Seasonally adjusted GDP growth decelerated a tenth to 1.2% y/y.

Unsurprisingly given the weakness in industrial orders and manufacturing PMI, ***German*** **industrial production** shrank another 0.6% in July. The notable upward revision to June data did little to alleviate the pain as output remains 4.2% lower than in July 2018. Excluding construction, production shrank 0.8%; construction activity increased 0.2%.

Manufacturing and mining shrank 0.8% on broad-based weakness, leaving it 4.6% below July 2018 levels. Energy production was down an even worse 14% y/y.

Japan

Labor cash earnings fell once again in July, having risen 0.4% y/y in June after a string of five consecutive declines. Cash earnings declined 0.3% y/y, contrary to expectations of a 0.1% gain. This mainly reflected a 2.2% contraction in the bonus component, which was responsible in the first place for June's increase. In contrast, the less volatile regularly contracted cash earnings—excluding bonuses and overtime pay—rose by 0.6%, while regular wages also increased 0.6% y/y. However, real earnings contracted for the seventh straight month, by 0.9%. Base pay rose 0.6%, for the first time since December, driven by an increase in full-time jobs relative to lower-paying part-time jobs. The rise in regular earnings is a good omen, as bonuses will comprise of a smaller share of pay in coming months until the year's second tranche is paid out in December.

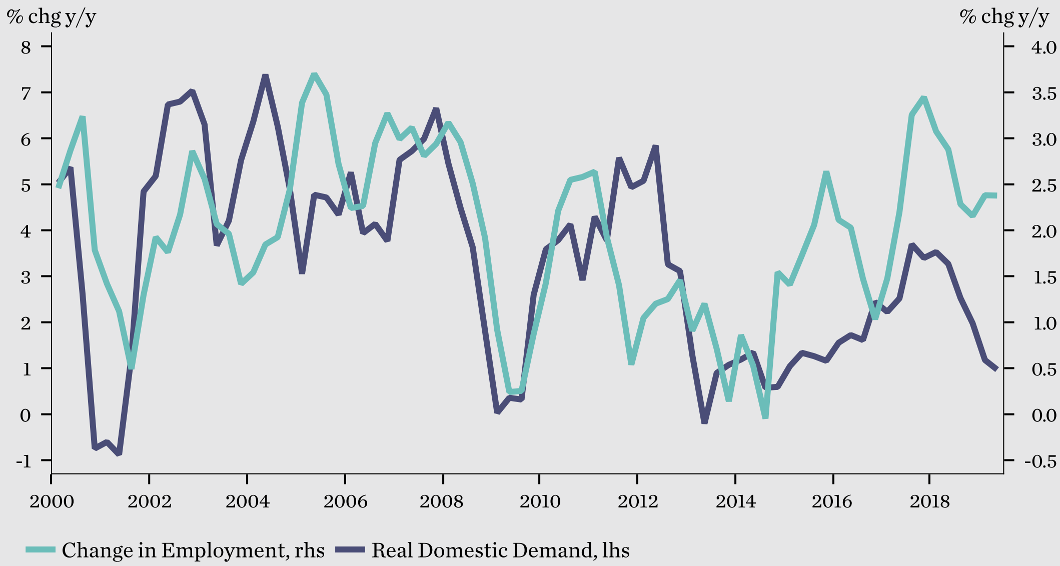
The **index of leading economic indicators** has trended downward rather sharply since May 2018. July provided some respite, as the index stayed unchanged at 93.6, still at the lowest since April 2011. The coincident index edged up 0.3 points to 99.8, while the lagging index rose 0.2 points to 104.8, the highest in six months.

Australia

As widely expected, the **Reserve Bank of Australia** (RBA) kept the cash rate unchanged at 1.00% in the September meeting. The accompanying statement indicated that the RBA is closely watching the repercussions to its cumulative 50 basis points cut earlier, which has resulted in historically low borrowing rates for businesses and households. Domestically the main concern still is "the outlook for consumption, although a pick-up in growth in household disposable income and a stabilization of the housing market are expected to support spending." Another factor in favor is the impact of recent tax cuts, which is expected to show up in statistics leading consumer spending August onwards, after the tax refunds start to flow in. The Board noted that growth will also be supported by "ongoing spending on infrastructure", but these projects typically have high gestation periods and are unlikely to provide immediate respite. Some drag is expected from business investments as well. As RBA itself notes, "trade and technology disputes are affecting international trade flows and investment as businesses scale back spending plans due to the increased uncertainty", and Australia cannot be immune to the global capex downturn. The scenario for the labor market remains positive, though it was noted that the slack still had some way to go. Inflation pressures are subdued, and are expected to remain so in the near term. The Bank seemed more confident about house prices bottoming out, though credit growth has remained benign. In conclusion, the Board has been in a 'wait and watch' mode, however there is an increasing likelihood of another pre-emptive cut before the year ends. The market probability of an additional 25 bps cut in the next meeting on October 1st is currently above 50%.

Australia's **GDP** expanded 0.5% in the second quarter after the first quarter figure was revised up to 0.5% from an initially estimated 0.4%. However, annual growth slowed to 1.4% y/y, the lowest since Q3 2009. Growth for the first half of 2019 was the weakest since 1992 but might have bottomed, consistent with the Reserve Bank of Australia's (RBA) expectations. A subsequent recovery is expected, backed by tax cuts and lower interest rates. What's worrying is the persistent weakness in the private sector. Household consumption expanded just 0.4%, adding 0.2 percentage points (ppts) to growth. Not surprisingly, housing related investment slowed by 4.4%, but the weakness in capex was broad-based as total private investment also contracted 1.6%, detracting 0.3 ppts from headline GDP. We had earlier pointed out in our note on the Q2 capex release that improved investment intentions for this year and the next might not be realized fully, because of protracted global tensions. The public sector however, did its best to make up for the weakness, with consumption rising 2.7%, which more than offset the fall in public investment (-2.3%). Net exports made a strong 0.6 ppts contribution to growth, due to lower imports and higher resources exports. The outlook for consumer spending remains encouraging, which, combined with the proposed fiscal stimulus, should help stabilize GDP in the second half of the year. The growth slowdown however, has been sharper than anticipated by the RBA, so we expect a further downgrade in projections in the Statement of Monetary Policy scheduled to be released on August 9th.

Figure 3. Domestic Demand Slowdown Will Hurt Aussie Labor Market



Sources: Australian Bureau of Statistics

Retail sales fell unexpectedly in July, down 0.1% for the second time this year. The decline was led by apparels which contracted 1.0% and sales at cafes and restaurants, down 0.6%. 'Other' retailing also fell 0.4%. Annual sales growth slowed to 2.4% y/y, same as May, and the lowest since February of last year. Most of the weakness was in 'discretionary' spending, which suggests that consumers might be holding back spending before the tax refunds are received. Consequently we expect a rebound in sales in August.

Financial Markets Review

It is no longer unusual, but the pound's wild ride this past week was nonetheless remarkable. As the government suffered multiple defeats at the hands of a Parliament set on blocking a no-deal Brexit, the pound rallied sharply off earlier lows. Still, this week's political drama did not decide anything except that Government lost control of Parliament and a general election must be held. A lot will depend on *when* the election will be held.

Figure 4: The Pound's Wild Ride Amid Brexit Drama

Sources: Bloomberg

Equities: Risk on mood prevailed this week amid plans for resumed US-China trade negotiations.

Bonds: Bond yields widen a little, but not that much given their levels.

Currencies: The pound revived on parliamentary votes intended to prevent no-deal Brexit.

Commodities: Oil rallies nicely while gold retreats.

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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®	2978.71	1.8%	18.8%	1.56	6	-113	98.422	-0.5%	2.3%
Canada	TSE 300	16535.33	0.6%	15.4%	1.28	12	-69	1.3181	-1.0%	-3.3%
UK	FTSE®	7282.34	1.0%	8.2%	0.51	3	-77	1.2292	1.1%	-3.6%
Germany	DAX	12191.73	2.1%	15.5%	-0.64	6	-88			
France	CAC-40	5603.99	2.3%	18.5%	-0.34	7	-105	1.1028	0.4%	-3.8%
Italy	FTSE® MIB	21947.33	2.9%	19.8%	0.88	-12	-187			
Japan	Nikkei 225	21199.57	2.4%	5.9%	-0.24	3	-24	106.92	0.6%	-2.5%
Australia	ASX 200	6647.328	0.7%	17.7%	1.09	20	-123	0.685	1.7%	-2.8%

Commodity Markets

Commodity	Unit	Source	Last Price	%Ch Week	%Ch YTD	%Ch Yr Ago
Oil (Brent)	US $/Barrel	Bloomberg	62.1	4.9%	16.8%	-18.7%
Gold	US $/troy oz	Bloomberg	1506.97	-0.9%	17.5%	25.6%

Source: Bloomberg®

Week in Review: Data Releases and Major Events (September 2 – September 6)

Country	Release (Date, format)	Consensus	Actual	Last	Comments
Monday, September 2					
UK	Manufacturing PMI (Aug)	48.2	**47.4**	48.0	Weak but trying to stabilize.
EC	Manufacturing PMI (Aug, final)	47.0(p)	**47.0**	46.5	Weak but trying to stabilize.
GE	Manufacturing PMI (Aug, final)	43.6(p)	**43.5**	43.2	Extremely weak but trying to stabilize.
FR	Manufacturing PMI (Aug, final)	51.0(p)	**51.1**	49.7	Soft.
IT	Manufacturing PMI (Aug)	48.5	**48.7**	48.5	Weak but trying to stabilize.
JN	Manufacturing PMI (Aug, final)	49.5(p)	**49.3**	49.4	Weak, but not collapsing.
Tuesday, September 3					
US	ISM Manufacturing (Aug)	51.2	**49.1**	51.2	First contraction since August 2016.
AU	RBA Monetary Policy Decision	1.00%	**1.00%**	1.00%	On hold, for now.
AU	Retail Sales (Jul, m/m)	0.2%	**-0.1%**	0.4%	Holding off on spending till tax refunds.
Wednesday, September 4					
US	Fed Beige Book Report				Not much new here.
US	Vehicle Sales (Aug, mil.)	16.8	**17.0**	16.8	Good.
US	Trade Balance (Jul, $ bil.)	-53.5	**-54.0**	-55.5(↓r)	Pretty bad, but it has been worse.
CA	BoC Monetary Policy Decision	1.75%	**1.75%**	1.75%	A pre-emptive cut cannot be ruled out.
CA	Labor Productivity (Q2, q/q)	0.1%	**0.2%**	0.4%(↑r)	Slowed a little.
CA	Trade Balance (Jul, C$ bil.)	-0.3	**-1.1**	-0.1(↓r)	Imports were encouraging.
UK	PMI Services (Aug)	51.0	**50.6**	51.4	Very soft, verging on contraction.
EC	PMI Services (Aug, final)	53.4(p)	**53.5**	53.2	Decent.
GE	PMI Services (Aug, final)	54.4(p)	**54.8**	54.5	Encouraging.
AU	GDP (Q2, q/q)	0.5%	**0.5%**	0.5%(↑r)	Pulled down by private demand.
JN	PMI Services (Aug, final)	53.4(p)	**53.3**	51.8	Encouraging improvement.
Thursday, September 5					
US	Initial Jobless Claims (Aug 31, thous)	215	**217**	216(↑r)	Low and encouraging.
US	Nonfarm Productivity (Q2, final, q/q)	2.3%(p)	**2.3%**	3.5%	Has recently improved, but will this last?
US	Factory Orders (Jul, m/m)	1.0%	**1.4%**	0.5%(↓r)	Up just 0.4% y/y.
US	Durable Goods Orders (Jul, final, m/m)	2.1%(p)	**2.0%**	1.8%	Up 3.1% y/y, best since January.
US	ISM Non-Manufacturing (Aug)	54.0	**56.4**	53.7	Very encouraging, but details more mixed.
GE	Factory Orders (Jul, m/m)	-1.4%	**-2.7%**	2.7%(↑r)	Dismal!
Friday, September 6					
US	Change in Nonfarm Payrolls (Aug, thous)	160	**130**	159(↓r)	Pretty good details, actually...
US	Unemployment Rate (Aug)	3.7%	**3.7%**	3.7%	Despite two-tenth rise in participation!
CA	Unemployment Rate (Aug)	5.7%	**5.7%**	5.7%	Another stellar report.
CA	Ivey PMI (Aug)	na	**60.6**	54.2	Up on inventories component.
EC	GDP (Q2, final, q/q)	0.2%(p)	**0.2%**	0.4%	No surprise here.
GE	Industrial Production (Jul, m/m)	0.4%	**-0.6%**	-1.1%(↑r)	Unsurprising given orders.
GE	Labor Costs (Q2, y/y)	na	**3.2%**	2.5%	Will probably moderate again.
IT	Retail Sales (Jul, m/m)	na	**-0.5%**	1.9%	Not shocking given prior month's gain.
JN	Labor Cash Earnings (Jul, y/y)	0.1%	**-0.3%**	0.4%	Earnings ex-bonus were positive.
JN	Leading Index (Jul, prelim)	93.2	**93.6**	93.6(↑r)	At the lowest since April 2011.

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

Week in Preview: Releases and Major Events (September 9–September 13)

Country	Release (Date, format)	Consensus	Last	Comments
Monday, September 9				
US	Consumer Credit (Jul, $ bil.)	16.0	14.6	
UK	Industrial Production (Jul, m/m)	0.0%	-0.1%	
FR	Bank of France Ind. Sentiment (Aug)	na	95	
JN	GDP (Q2, final, q/q)	0.3%	0.4%	
Tuesday, September 10				
US	NFIB Small Business Optimism (Aug)	103.5	104.7	We need this to hold.
US	JOLTS Job Openings (Jul, thous)	7,311	7,348	Labor demand is still quite strong.
CA	Housing Starts (Aug, thous)	na	222.0	
CA	Building Permits (Jul, m/m)	na	-3.7%	
UK	ILO Unemployment Rate (Jul)	3.9%	3.9%	
UK	Average Weekly Earnings (Jul, 3m y/y)	3.7%	3.7%	Good for consumer spending.
FR	Industrial Production (Jul, m/m)	0.5%	-2.3%	
IT	Industrial Production (Jul, m/m)	-0.1%	-0.2%	Weak.
AU	NAB Business Confidence (Aug)	na	4	
Wednesday, September 11				
US	PPI Final Demand (Aug, y/y)	1.7%	1.7%	
CA	Capacity Utilization Rate (Q2)	na	80.9%	
Thursday, September 12				
US	Initial Jobless claims (Sep 7, thous)	na	217	
US	CPI (Aug, y/y)	1.8%	1.8%	Core poised to accelerate a tenth to 2.3% y/y.
US	Monthly Budget Statement (Aug, $ bil.)	na	-119.7	
CA	New Housing Price Index (Jul, m/m)	na	-0.1%	
EC	ECB Monetary Policy Decision	0.00%	0.00%	ECB poised to deliver additional policy support.
EC	Industrial Production (Jul, m/m)	-0.1%	-1.6%	Given Germany, not much hope of good news here.
GE	CPI (Aug, final, y/y)	1.4%(p)	1.7%	
FR	CPI (Aug, final, y/y)	1.1%(p)	1.2%	
JN	PPI (Aug, y/y)	-0.8%	-0.6%	
JN	Core Machine Orders (Jul, m/m)	-9.0%	13.9%	
JN	Tertiary Industry Index (Jul, m/m)	-0.3%	-0.1%	
Friday, September 13				
US	Import Price Index (Aug, y/y)	-1.9%	-1.8%	Stronger dollar, competitive pressures...
US	Retail Sales Advance (Aug, m/m)	0.2%	0.7%	
US	U of M Cons. Sentiment (Sep, prelim)	90.4	89.8	Important for this to stabilize.
US	Business Inventories (Jul, m/m)	0.3%	0.0%	
JN	Industrial Production (Jul, final, m/m)	1.3%(p)	-3.3%	

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

Economic Indicators

Central Bank Policy Targets

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

Source: Macrobond

Key Interest Rates

	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	####	Jun-19	Jul-19	Aug-19
US (top of target range)	2.25	2.25	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.25
Canada (Overnight Rate)	1.75	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)	-0.07	-0.06	-0.06	-0.06	-0.05	-0.06	-0.07	-0.06	-0.08	-0.07	-0.06
Australia (OCR)	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.28	1.02	1.00

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				
	Apr	May	Jun	Jul	Aug	Mar	Apr	May	Jun	Jul
US	2.0	1.8	1.6	1.8		2.0	2.2	1.8	1.7	1.7
Canada	2.0	2.4	2.0	2.0		1.5	1.7	0.4	-1.7	-1.7
UK	2.1	2.0	2.0	2.1		2.2	2.1	1.9	1.6	1.8
Eurozone	1.7	1.2	1.3	1.0		2.9	2.6	1.6	0.7	0.2
Germany	2.0	1.4	1.6	1.7	1.4	2.4	2.5	1.9	1.2	1.1
France	1.3	0.9	1.2	1.1	1.1	1.7	1.9	0.9	0.0	0.0
Italy	1.1	0.8	0.7	0.4	0.5	2.9	2.1	1.5	0.9	-0.5
Japan	0.9	0.7	0.7	0.5		1.3	1.2	0.6	-0.1	-0.6
Australia	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	0.9	1.8	2.0	1.6	1.4	1.6
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	0.3	0.4	0.2	2.3	1.7	1.2	1.3	1.2
Germany	0.4	-0.1	0.2	0.4	-0.1	2.1	1.1	0.6	0.9	0.4
France	0.2	0.3	0.4	0.3	0.3	1.9	1.5	1.2	1.3	1.4
Italy	0.0	-0.1	-0.1	0.1	0.0	1.0	0.5	0.0	-0.1	-0.1
Japan	0.4	-0.5	0.4	0.7	0.4	1.4	0.2	0.3	1.0	1.1
Australia	0.7	0.3	0.1	0.5	0.5	3.1	2.6	2.2	1.7	1.4

Source: Macrobond

Industrial Production Index (M/M Seasonally Adjusted)

	Month/Month % Change					Year/Year % Change				
	Mar	Apr	May	Jun	Jul	Mar	Apr	May	Jun	Jul
US	0.1	-0.6	0.2	0.2	-0.2	2.3	0.7	1.7	1.1	0.5
Canada	1.9	1.1	0.4	-0.5		0.3	2.1	2.2	1.1	
UK	1.4	-3.1	1.2	-0.1		1.4	-1.4	0.5	-0.6	
Germany	0.5	-2.0	0.1	-1.1	-0.6	-1.3	-2.8	-4.5	-4.8	-4.2
France	-1.3	0.5	2.0	-2.3		-0.8	1.1	3.9	0.0	
Italy	-1.0	-0.8	1.0	-0.2		-1.7	-1.4	-0.7	-1.2	
Japan	-0.6	0.6	2.0	-3.3	1.3	-2.8	-1.6	0.1	-2.2	-1.1

Source: Macrobond

Unemployment Rate (Seasonally Adjusted)

	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	####	Jun-19	Jul-19	Aug-19
US	3.8	3.7	3.9	4.0	3.8	3.8	3.6	3.6	3.7	3.7	3.7
Canada	5.7	5.6	5.6	5.8	5.8	5.8	5.7	5.4	5.5	5.7	5.7
UK	4.0	4.0	3.9	3.9	3.8	3.8	3.8	3.9			
Eurozone	8.0	7.9	7.9	7.8	7.8	7.7	7.6	7.6	7.5	7.5	
Germany	5.1	5.0	5.0	5.0	5.0	4.9	4.9	5.0	5.0	5.0	5.0
France	9.0	8.9	8.9	8.8	8.6	8.6	8.5	8.5	8.5	8.5	
Italy	10.7	10.5	10.4	10.4	10.5	10.1	10.1	9.9	9.8	9.9	
Japan	2.4	2.5	2.4	2.5	2.3	2.5	2.4	2.4	2.3	2.2	
Australia	5.0	5.1	5.0	5.1	4.9	5.1	5.2	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	-3.0	-1.1
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	2.4
Germany	8.0	8.3	6.9	8.6	8.6	8.4	7.5	6.5	7.4	7.9	7.4
France	-0.7	-1.3	-0.7	-0.7	-0.3	-0.3	-1.4	-0.4	-0.4	-0.7	-0.4
Japan	4.1	4.3	3.7	4.6	4.2	3.6	4.0	3.4	3.1	3.4	3.5
Australia	-1.5	-1.5	-2.5	-2.8	-3.5	-2.2	-2.7	-2.2	-1.4	-0.2	1.2

Source: Macrobond

Important Risk Discussion

Intellectual Property Information

2537623.18.1.GBL.RTL

EXP: September 30, 2020