

# WEEKLY NEWSLETTER

## The Federal Reserve Changes Its Tone

### MUSINGS OF THE WEEK

- ▶ Patience Has Its Limits. Even for the Federal Reserve (Fed)!

### KEY STATISTICS OF THE WEEK

- ▶ The Fed hints at first signs of monetary policy normalization.
- ▶ United States: Retail sales pulled back in May.
- ▶ The increase in U.S. housing starts in May was weaker than expected.
- ▶ Canada: The inflation rate climbs to 3.6%.
- ▶ Canada: Housing starts edge up in May.
- ▶ Canada: Existing home sales drop in May.

### A LOOK AHEAD

- ▶ United States: Home sales are expected to decline again.
- ▶ U.S. real household consumption probably rose modestly in May.
- ▶ Canada: Retail sales should retreat in April.

### FINANCIAL MARKETS

- ▶ Stock markets had a tough week as attention turned to the Fed.
- ▶ The Fed's message caused the bond yield curve to recalibrate.
- ▶ Strong overall appreciation of the U.S. dollar.

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## Musings of the Week

### Patience Has Its Limits. Even for the Federal Reserve!

By Jimmy Jean, Vice-President, Chief Economist and Strategist

The Federal Reserve (Fed) had a few surprises in store this week. First, with a significantly larger-than-expected shift in the federal funds rate projections. The median of projections, which previously signaled no rate hike until at least 2024, now shows that policymakers see not one, but two rate hikes in 2023. Even for 2022, one senses a more divided FOMC (Federal Open Market Committee): from only 4 (out of 18) participants anticipating higher rates at the end of 2022, this camp has now grown to 7. Only 2 more would be needed to effectively signal liftoff for 2022. As we expect the U.S. economy to remain very strong—we even anticipate annualized real GDP growth of 11.4% in the second quarter of 2021—it's not outlandish to think that by September, the dot-plot median would have adjusted upward for 2022. This would be in line with our scenario for the initiation of rate hikes at the end of 2022 in the United States.

We note how Fed Chair Jerome Powell was keen to downplay the importance of rate projections, reiterating that these were the individual opinions of the 18 members, based on as many economic scenarios. This is hardly a new story: even former Chair Janet Yellen was urging in 2014 not to take these projections as the Fed's primary forward-looking communication tool. In 2019, Jerome Powell even flatly claimed that these projections were confusing. Yet, hardly any Fed observer has really broken the habit of scrutinizing the dot plot every three months. The Fed can moralize all it wants, but as long as it continues to present these projections, they will be interpreted as the most accurate picture of the FOMC's intentions.

Aside from that, officials finally had a discussion about the beginning of tapering deliberations. This was a significant shift in Jerome Powell's rhetoric, as he had often said earlier this year that it was premature to even entertain discussing tapering. At the very least, the specter of a taper tantrum like as in 2013 appears less scary in the eyes of the Fed. Jerome Powell mentioned that the Fed would try as much as possible to avoid a strong market reaction, but that when economic conditions argued for it, taper would indeed take place. This inflection is reassuring, in that it helps set some boundaries on the Fed's tolerance of inflation overshoots. In particular, we note that Jerome Powell was a little less focused on the notion of transitory inflationary pressures this week, and in fact conceded that inflation could be higher and more persistent than expected. All that being said, no one doubts that the Fed will remain fairly accommodative and will want to continue to foster the most complete recovery possible. Jerome Powell again hammered home the need for further substantial progress and indicated

that we are still a long way from that goal. But at the very least, the Fed seems to have a better appreciation that there has been some significant progress, and that the outlook remains very robust.

On the Canadian side, inflation got a lot of attention this week, reaching its highest level in a decade in May at 3.6%. We noted how 42% of the components in the basket had an annual change above 3%, a proportion not seen since March 2010. What this also means is that base-year effects continue to amplify the inflation results. For example, gasoline shows a 43% annual change. If we were to compare May 2021 to May 2019, we would see an increase of merely 0.7%. This kind of distortion makes current readings somewhat unreliable, but we know that starting in June, the base-year influences will subside. Where the uncertainty lies is in the timing of the end of the bottlenecks and supply-chain problems that are causing prices of several components to rise sharply. Inflation for goods, which is currently running at over 4%, may take longer than many thoughts to subside if those pressures persist. Meanwhile, in services, inflation is still of little concern (1.9%), but here too, the upturn in demand that is beginning with the reopening tends to suggest that the risks are more tilted to the upside. For many services-sector businesses, the most in-demand input at the moment is labour, and if current worker shortages persist or even worsen, wages will have to adjust upwards. Bottom line: central banks have often said that inflationary pressures are mostly transitory but the Fed's change in tone this week reveals that their confidence in this narrative may be getting shakier amid current trends.

# Key Statistics of the Week

By Francis Généreux, Senior Economist, and Benoit P. Durocher, Senior Economist

## UNITED STATES

- ▶ Following Wednesday's closing meeting, the Federal Reserve (Fed) did not officially signal a change in its policy on key rates or securities purchases in the very short term. That said, the updated forecast from Fed leaders hints that changes in monetary policy will eventually occur. At the press conference, Fed Chair Jerome Powell also reported that discussions regarding a future reduction in bond purchases took place at the meeting. These discussions will continue over the next meetings.
- ▶ Retail sales retreated 1.3% in May, after gaining 0.9% in April and surging 11.3% in March. Motor vehicle sales fell 3.7%, but the value of service station sales rose 0.7%. Excluding motor vehicles and gas, sales were down 0.8% after a slight 0.1% increase in April.
- ▶ Industrial production advanced 0.8% in May after gaining only 0.1% in April. Manufacturing output also rose 0.8%. The mining sector added 1.2%, while energy production grew 0.2%.
- ▶ After a 12.1% decline in April, housing starts rose 3.6% in May. This gain is smaller than expected. Annualized housing starts rose from 1,725,000 units in March (the highest level since July 2006) to 1,517,000 in April, and then to 1,572,000 in May. For their part, building permits dropped 3.0% in May to 1,681,000 units, the lowest level since October 2020.
- ▶ The Federal Reserve Bank of Philadelphia manufacturing index remained relatively stable in June, falling from 31.5 to 30.7, still a relatively high level. The Federal Reserve Bank of New York Empire index fell more sharply, from 24.3 to 17.4, its lowest level since February.
- ▶ The Conference Board's leading indicator rose 1.3% in May, a showing similar to the monthly gains of 1.3% in April and 1.4% in March. Lower jobless claims contributed to more than two-thirds of the leading indicator's increase in May.
- ▶ Last week, initial jobless claims recorded their first weekly increase since mid-April, from 375,000 to 412,000.

## CANADA

- ▶ The consumer price index rose 0.5% in May. The total annual inflation rate rose from 3.4% to 3.6%. The annual variations in the Bank of Canada's three benchmarks all reflected increases in May, lifting the average from 2.1% to 2.3%. This marks the highest level since May 2009. The annual inflation rate was expected to keep rising, while gasoline prices are still compared to the exceptionally low levels observed at this time last year. In theory, this base effect should begin to erode as early as June, kicking off a gradual pullback in the annual inflation rate.
- ▶ After reaching an all-time high in March, housing starts fell in April. As expected, housing starts went up slightly in May, bringing them closer to the trend in recent months. With the exception of Ontario, Quebec and Newfoundland and Labrador, provinces reported increases in May.
- ▶ For a second consecutive month, existing home sales dropped in May (-7.4%) due to declines in all provinces. Despite these declines, the level remains high from a historical perspective. However, the existing home price index continued to climb in May, reaching \$728,800.
- ▶ The value of manufacturing sales fell 2.1% in April, nearly twice as much as expected. The global semiconductor shortage led to a 36.5% decline in automobile sales for the month and a 19.0% drop in motor vehicle parts. Excluding automotive products, other sectors posted a 1.1% rise in sales.
- ▶ The value of wholesale sales rose 0.4% in April, exceeding expectations. With an 8.7% increase, wholesalers of building materials and supplies stood out the most. In real terms, total wholesale sales fell 0.2%.

# Financial Markets

## Federal Reserve's Change in Tone Sends Shockwaves Through the Markets

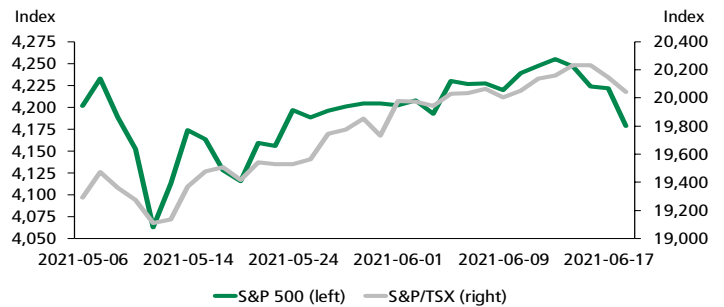
By Hendrix Vachon, Senior Economist, and Lorenzo Tessier-Moreau, Senior Economist

Unsurprisingly, the first signs of a change in tone by Federal Reserve (Fed) officials did not please investors. The U.S. stock markets were down at the start of the week in anticipation of Wednesday's meeting and plunged further following the release of the statement. Although the Fed did not announce a change to its monetary policy, the revision to participant forecasts for key rates and the tone of its press conference sent a clear message that it was on the path to normalization. Only the NASDAQ held steady after the announcement, benefiting from a shift toward "growth" stocks. The stock markets were down again on Friday morning, bringing weekly declines to more than 3.0% for the Dow Jones, 1.5% for the S&P 500 and around 0.5% for the S&P/TSX. The NASDAQ was stable compared to last Friday. After plummeting on Thursday, the price of a barrel of WTI (West Texas Intermediate) was on the rise on Friday. It was at US\$71.50 at the time of writing.

The Fed's meeting caused the U.S. yield curve to recalibrate. For the first time since the start of the pandemic, yields on 2-year federal bonds surged due to anticipated key rate hikes. However, 5-year yields were by far the most impacted, seeing a jump of nearly 18 basis points. Meanwhile, 10-year yields gained just a few points and 30-year yields fell due to lower inflation expectations for the long term.

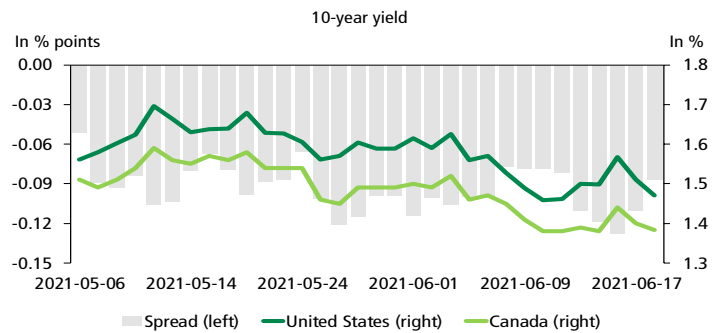
The change in the Fed's tone was particularly visible on the currency market, with the U.S. dollar appreciating significantly on Wednesday afternoon. The euro, which was worth about US\$1.21 at the beginning of the week, was trading at under US\$1.19 on Friday morning. This movement erased the bulk of the euro's gains since early April. The pound depreciated significantly in the same proportions, falling from US\$1.41 to less than US\$1.39. Although a number of fundamentals remained favourable to the Canadian dollar, it did not escape the effects of the greenback's appreciation, ticking down from just over US\$0.82 to less than US\$0.81. The loonie hardly budged against the euro and the pound over the week.

**GRAPH 1**  
Stock markets



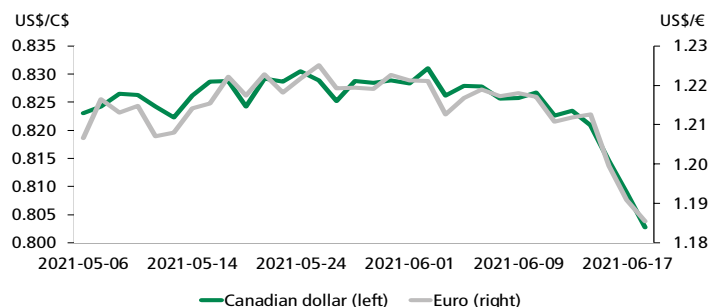
Sources: Datastream and Desjardins, Economic Studies

**GRAPH 2**  
Bond markets



Sources: Datastream and Desjardins, Economic Studies

**GRAPH 3**  
Currency markets



Sources: Datastream and Desjardins, Economic Studies

# A Look Ahead

By Francis Généreux, Senior Economist, and Benoit P. Durocher, Senior Economist

## TUESDAY June 22 - 10:00

| May          | ann. rate        |
|--------------|------------------|
| Consensus    | 5,710,000        |
| Desjardins   | 5,650,000        |
| <b>April</b> | <b>5,850,000</b> |

## WEDNESDAY June 23 - 10:00

| May          | ann. rate      |
|--------------|----------------|
| Consensus    | 875,000        |
| Desjardins   | 850,000        |
| <b>April</b> | <b>863,000</b> |

## THURSDAY June 24 - 8:30

| May          | m/m          |
|--------------|--------------|
| Consensus    | 3.0%         |
| Desjardins   | 3.7%         |
| <b>April</b> | <b>-1.3%</b> |

## FRIDAY June 25 - 8:30

| May          | m/m         |
|--------------|-------------|
| Consensus    | 0.3%        |
| Desjardins   | 0.6%        |
| <b>April</b> | <b>0.5%</b> |

## WEDNESDAY June 23 - 8:30

| April        | m/m         |
|--------------|-------------|
| Consensus    | -5.0%       |
| Desjardins   | -3.5%       |
| <b>March</b> | <b>3.6%</b> |

## UNITED STATES

**Sales of existing homes (May)** – Home resales saw a third straight decline in April. The 2.7% monthly decrease comes on the heels of a 3.7% drop in March and a 6.3% pullback in February. This negative trend is expected to continue in May. That is what the 4.4% contraction in pending sales of existing homes for April is suggesting. Regional data are also signalling a further retreat. Mortgage applications in view of purchase continued to fall in May as well. All in all, we expect existing home sales to settle at 5,650,000 units.

**New home sales (May)** – Sales of new single-family homes have been quite volatile over the past few months. After strong gains in December and January, they dropped 14.0% in February, to then increase 7.4% in March and fall back down 5.9% in April. This seesawing is not expected to continue, at least for May, when sales should decline further. This is signalled by the 1.6% pullback in building permits for single-family homes. This would also be in line with the decline in mortgage applications in view of purchase. The homebuilder confidence index, however, held steady at a high level in May, but is nonetheless down from the peak it hit at the end of 2020. All things considered, we expect new home sales to edge down to 850,000 units.

**New durable goods orders (May)** – New durable goods orders fell 1.3% in April as a result of steep declines in the auto sector. Although it is still dealing with supply issues, this sector seemed to be doing better in May, as evidenced by the 6.7% monthly gain in motor vehicle and parts production last month. As for aviation, an increase in orders at Boeing bodes well for that sector. Excluding transportation, a 1.8% rise is anticipated in connection with the “new orders” component of the ISM manufacturing, which is still high and which even improved in May. To sum up, a 3.7% increase in new durable goods orders is expected.

**Consumer spending (May)** – After strong monthly growth of 4.1% in real consumption in March, the meagre 0.1% decline in April (which could be revised upward) is pretty good news. It shows that no serious retreat followed the jump caused by the receipt of the US\$1,400 per person in federal assistance approved in March. It is worth remembering that real disposable income plummeted 15.1% in April. However, consumption seems to have been affected more in May. Retail sales fell 1.3% during the month. We expect a decrease in real consumption of durable goods, including motor vehicles. However, the easing of restrictions ought to have brought about a substantial increase on the services side. Overall, real consumption should see growth of 0.1%. Like the consumer price index, the consumption expenditure deflator should also post a sharp monthly increase. A 0.5% gain is expected, which would bring the monthly variation in nominal spending to 0.6%. Personal income should decline further.

## CANADA

**Retail sales (April)** – According to Statistics Canada’s interim figures, the value of motor vehicle sales was down 1.0% in April. The value of service station sales should also decrease during the month, as seasonally adjusted gas prices were down 3.4%. As for the other sectors, the introduction of public health restrictions to counter the third wave of COVID-19 should result in a significant drop in sales during the month. In the end, total retail sales could decline about 3.5% in April.

**WEDNESDAY June 23 - 4:00**

|             |             |
|-------------|-------------|
| <b>June</b> |             |
| Consensus   | 58.5        |
| <b>May</b>  | <b>57.1</b> |

**THURSDAY June 24 - 7:00**

|              |              |
|--------------|--------------|
| <b>June</b>  |              |
| Consensus    | 0.10%        |
| Desjardins   | 0.10%        |
| <b>May 6</b> | <b>0.10%</b> |

**OVERSEAS**


**Euro zone: PMI indexes (June – preliminary)** – The euro zone’s composite PMI index saw solid improvement in May, increasing from 53.8 to 57.1, its highest level of the cycle. The manufacturing index remained high (rising from 62.9 to 63.1), but the bulk of the gain came from improvement in the services index, which jumped 4.7 points to 55.2. This is reflective of the lifting of restrictions in May. Since restrictions generally continued to be eased in June, the composite and services PMI indexes can be expected to improve further, which would be a good sign for economic growth as summer gets underway.


**United Kingdom: Bank of England meeting (June)** – Britain’s monetary policy should not see new additions. The Bank of England already announced a decrease in its asset purchases, which should be completed by the end of the year. The upswing in COVID-19 cases in the United Kingdom, with the postponement of certain reopening measures, could still warrant a little more caution.



# Economic Indicators

## Week of June 21 to 25, 2021

| Day                  | Hour          | Indicator   | Period                          | Consensus |  | Previous data |      |
|----------------------|---------------|---|---------------------------------|-----------|---|---------------|------|
| <b>UNITED STATES</b> |               |   |                                 |           |   |               |      |
| <b>MONDAY 21</b>     | 9:30          | Speech of the St. Louis Fed President, J. Bullard   |                                 |           |   |               |      |
|                      | 15:00         | Speech of the New York Fed President, J. Williams   |                                 |           |   |               |      |
| <b>TUESDAY 22</b>    | 10:00         | Existing home sales (ann. rate)   | May                             | 5,710,000 | 5,650,000   | 5,850,000     |      |
|                      | 10:30         | Speech of the Cleveland Fed President, L. Mester  |                                 |           |   |               |      |
|                      | 11:00         | Speech of the San Francisco Fed President, M. Daly  |                                 |           |   |               |      |
|                      | 14:00         | Testimony of the Federal Reserve Chair, J. Powell, before a Committee of Congress           |                                 |           |   |               |      |
| <b>WEDNESDAY 23</b>  | 8:30          | Current account (US\$B)   | Q1                              | -207.0    | -210.0  | -188.5        |      |
|                      | 10:00         | New home sales (ann. rate)  | May                             | 875,000   | 850,000   | 863,000       |      |
|                      | 16:30         | Speech of the Boston Fed President, E. Rosengren  |                                 |           |   |               |      |
| <b>THURSDAY 24</b>   | 8:30          | Initial unemployment claims   | June 14-18                      | 380,000   | 380,000   | 412,000       |      |
|                      | 8:30          | Real GDP (ann. rate)  | Q1t                             | 6.4%      | 6.4%  | 6.4%          |      |
|                      | 8:30          | Durable goods orders (m/m)  | May                             | 3.0%      | 3.7%  | -1.3%         |      |
|                      | 8:30          | Goods trade balance – preliminary (US\$B)   | May                             | -87.7     | -87.2   | -85.2         |      |
|                      | 8:30          | Retail inventories  | May                             | n/a       | n/a   | -1.6%         |      |
|                      | 8:30          | Wholesale inventories – preliminary (m/m)   | May                             | n/a       | n/a   | 0.8%          |      |
|                      | 9:30          | Speeches of the Atlanta Fed President, R. Bostic, and Philadelphia Fed President, P. Harker |                                 |           |   |               |      |
|                      | 13:00         | Speech of the St. Louis Fed President, J. Bullard   |                                 |           |   |               |      |
| <b>FRIDAY 25</b>     | 8:30          | Personal income (m/m)   | May                             | -2.8%     | -2.0%   | -13.1%        |      |
|                      | 8:30          | Personal consumption expenditures (m/m)   | May                             | 0.3%      | 0.6%  | 0.5%          |      |
|                      | 8:30          | Personal consumption expenditures deflator  | Total (m/m)                     | May       | 0.5%  | 0.5%          | 0.6% |
|                      |               |   | Excluding food and energy (m/m) | May       | 0.6%  | 0.5%          | 0.7% |
|                      |               |   | Total (y/y)                     | May       | 3.9%  | 3.9%          | 3.6% |
|                      |               |   | Excluding food and energy (y/y) | May       | 3.5%  | 3.4%          | 3.1% |
|                      | 10:00         | Michigan's consumer sentiment index – final   | June                            | 86.5      | 86.4  | 86.4          |      |
|                      | <b>CANADA</b> |   |                                 |           |   |               |      |
| <b>MONDAY 21</b>     | ---           | ---   |                                 |           |   |               |      |
| <b>TUESDAY 22</b>    | ---           | ---   |                                 |           |   |               |      |
| <b>WEDNESDAY 23</b>  | 8:30          | Retail sales  |                                 |           |   |               |      |
|                      |               | Total (m/m)   | April                           | -5.0%     | -3.5%   | 3.6%          |      |
|                      |               | Excluding automobiles (m/m)   | April                           | -4.5%     | -4.4%   | 4.3%          |      |
| <b>THURSDAY 24</b>   | 8:30          | Average weekly earnings (y/y)   | April                           | n/a       | 1.3%  | 7.4%          |      |
|                      | 8:30          | Number of salaried employees (m/m)  | April                           | n/a       | -1.2%   | 1.5%          |      |
|                      | ---           | Holiday in Quebec (National Day)  |                                 |           |   |               |      |
| <b>FRIDAY 25</b>     | ---           | ---   |                                 |           |   |               |      |

Note: Desjardins, Economic Studies are involved every week in the Bloomberg survey for Canada and the United States. Approximately 15 economists are consulted for the Canadian survey and a hundred or so for the United States. The abbreviations m/m, q/q and y/y correspond to monthly, quarterly and yearly variation respectively. Following the quarter, the abbreviations f, s and t correspond to first estimate, second estimate and third estimate respectively. The times shown are Daylight Saving Time (GMT - 4 hours).  Forecast of Desjardins, Economic Studies of the Desjardins Group.

# Economic Indicators

## Week of June 21 to 25, 2021

| Country             | Hour  | Indicator                             | Period | Consensus |       | Previous data |       |
|---------------------|-------|---------------------------------------|--------|-----------|-------|---------------|-------|
|                     |       |                                       |        | m/m (q/q) | y/y   | m/m (q/q)     | y/y   |
| <b>OVERSEAS</b>     |       |                                       |        |           |       |               |       |
| <b>MONDAY 21</b>    |       |                                       |        |           |       |               |       |
| ---                 | ---   | ---                                   |        |           |       |               |       |
| <b>TUESDAY 22</b>   |       |                                       |        |           |       |               |       |
| Euro zone           | 10:00 | Consumer confidence – preliminary     | June   | -3.5      |       | -5.1          |       |
| Japan               | 20:30 | PMI composite index – preliminary     | June   | n/a       |       | 48.8          |       |
| Japan               | 20:30 | PMI manufacturing index – preliminary | June   | n/a       |       | 53.0          |       |
| Japan               | 20:30 | PMI services index – preliminary      | June   | n/a       |       | 46.5          |       |
| <b>WEDNESDAY 23</b> |       |                                       |        |           |       |               |       |
| Japan               | 1:00  | Leading indicator – final             | April  | n/a       |       | 103.0         |       |
| Japan               | 1:00  | Coincident indicator – final          | April  | n/a       |       | 95.5          |       |
| France              | 3:15  | PMI composite index – preliminary     | June   | 59.3      |       | 57.0          |       |
| France              | 3:15  | PMI manufacturing index – preliminary | June   | 59.0      |       | 59.4          |       |
| France              | 3:15  | PMI services index – preliminary      | June   | 59.6      |       | 56.6          |       |
| Germany             | 3:30  | PMI composite index – preliminary     | June   | 57.5      |       | 56.2          |       |
| Germany             | 3:30  | PMI manufacturing index – preliminary | June   | 63.0      |       | 64.4          |       |
| Germany             | 3:30  | PMI services index – preliminary      | June   | 55.5      |       | 52.8          |       |
| Euro zone           | 4:00  | PMI composite index – preliminary     | June   | 58.5      |       | 57.1          |       |
| Euro zone           | 4:00  | PMI manufacturing index – preliminary | June   | 62.2      |       | 63.1          |       |
| Euro zone           | 4:00  | PMI services index – preliminary      | June   | 57.8      |       | 55.2          |       |
| United Kingdom      | 4:30  | PMI composite index – preliminary     | June   | 62.9      |       | 62.9          |       |
| United Kingdom      | 4:30  | PMI manufacturing index – preliminary | June   | 64.0      |       | 65.6          |       |
| United Kingdom      | 4:30  | PMI services index – preliminary      | June   | 63.0      |       | 62.9          |       |
| <b>THURSDAY 24</b>  |       |                                       |        |           |       |               |       |
| France              | 2:45  | Business confidence                   | June   | 110       |       | 108           |       |
| France              | 2:45  | Production outlook                    | June   | 20        |       | 18            |       |
| Germany             | 4:00  | Ifo survey – Business climate         | June   | 100.6     |       | 99.2          |       |
| Germany             | 4:00  | Ifo survey – Current situation        | June   | 97.8      |       | 95.7          |       |
| Germany             | 4:00  | Ifo survey – Expectations             | June   | 103.6     |       | 102.9         |       |
| United Kingdom      | 7:00  | Bank of England meeting               | June   | 0.10%     |       | 0.10%         |       |
| Mexico              | 14:00 | Bank of Mexico meeting                | June   | 4.00%     |       | 4.00%         |       |
| United Kingdom      | 19:01 | Consumer confidence                   | June   | -7        |       | -9            |       |
| Japan               | 19:30 | Consumer price index – Tokyo          | June   |           | -0.3% |               | -0.4% |
| <b>FRIDAY 25</b>    |       |                                       |        |           |       |               |       |
| Germany             | 2:00  | Consumer confidence                   | July   | -4.0      |       | -7.0          |       |
| Euro zone           | 4:00  | Money supply M3                       | May    |           | 8.5%  |               | 9.2%  |
| Italy               | 4:00  | Consumer confidence                   | June   | 112.0     |       | 110.6         |       |
| Italy               | 4:00  | Economic confidence                   | June   | n/a       |       | 106.7         |       |

Note: In contrast to the situation in Canada and the United States, disclosure of overseas economic figures is much more approximate. The day of publication is therefore shown for information purposes only. The abbreviations m/m, q/q and y/y correspond to monthly, quarterly and yearly variation respectively. The times shown are Daylight Saving Time (GMT - 4 hours).



**UNITED STATES**
**Quarterly economic indicators**

|   | REF. QUART. | LEVEL  | VARIATION (%) |        | ANNUAL VARIATION (%) |        |        |
|---|-------------|--------|---------------|--------|----------------------|--------|--------|
|   |             |        | Quart. ann.   | 1 year | 2020                 | 2019   | 2018   |
| Gross domestic product (2012 \$B)                 | 2021 Q1     | 19,088 | 6.4           | 0.4    | -3.5                 | 2.2    | 3.0    |
| Consumption (2012 \$B)                            | 2021 Q1     | 13,352 | 11.3          | 1.8    | -3.9                 | 2.4    | 2.7    |
| Government spending (2012 \$B)                    | 2021 Q1     | 3,367  | 5.8           | 0.6    | 1.1                  | 2.3    | 1.8    |
| Residential investment (2012 \$B)                 | 2021 Q1     | 719.1  | 12.7          | 12.8   | 6.1                  | -1.7   | -0.6   |
| Non-residential investment (2012 \$B)             | 2021 Q1     | 2,813  | 10.8          | 2.9    | -4.0                 | 2.9    | 6.9    |
| Business inventory change (2012 \$B) <sup>1</sup> | 2021 Q1     | -92.9  | ---           | ---    | -77.4                | 48.5   | 53.4   |
| Exports (2012 \$B)                                | 2021 Q1     | 2,262  | -2.9          | -9.3   | -12.9                | -0.1   | 3.0    |
| Imports (2012 \$B)                                | 2021 Q1     | 3,456  | 6.7           | 5.3    | -9.3                 | 1.1    | 4.1    |
| Final domestic demand (2012 \$B)                  | 2021 Q1     | 20,267 | 10.3          | 2.2    | -2.7                 | 2.3    | 3.0    |
| GDP deflator (2012 = 100)                         | 2021 Q1     | 115.6  | 4.3           | 2.0    | 1.2                  | 1.8    | 2.4    |
| Labor productivity (2012 = 100)                   | 2021 Q1     | 112.7  | 5.4           | 4.1    | 2.6                  | 1.8    | 1.4    |
| Unit labor cost (2012 = 100)                      | 2021 Q1     | 119.1  | 1.7           | 4.1    | 4.3                  | 1.9    | 1.9    |
| Employment cost index (Dec. 2005 = 100)           | 2021 Q1     | 143.7  | 3.7           | 2.7    | 2.6                  | 2.8    | 2.8    |
| Current account balance (\$B) <sup>1</sup>        | 2020 Q4     | -188.5 | ---           | ---    | -647.2               | -480.2 | -449.7 |

<sup>1</sup> Statistics representing the level during the period; \* New statistic in comparison with last week.

**UNITED STATES**
**Monthly economic indicators**

|   | REF. MONTH | LEVEL   | VARIATION (%) |           |           |         |
|---|------------|---------|---------------|-----------|-----------|---------|
|   |            |         | -1 month      | -3 months | -6 months | -1 year |
| Leading indicator (2016 = 100)                              | May*       | 114.5   | 1.3           | 4.0       | 4.9       | 14.7    |
| ISM manufacturing index <sup>1</sup>                        | May        | 61.2    | 60.7          | 60.8      | 57.7      | 43.1    |
| ISM non-manufacturing index <sup>1</sup>                    | May        | 64.0    | 62.7          | 55.3      | 56.8      | 45.4    |
| Cons. confidence Conference Board (1985 = 100) <sup>1</sup> | May        | 117.2   | 117.5         | 95.2      | 92.9      | 85.9    |
| Personal consumption expenditure (2012 \$B)                 | April      | 13,642  | -0.1          | 2.7       | 4.2       | 24.0    |
| Disposable personal income (2012 \$B)                       | April      | 16,521  | -15.1         | -4.2      | 5.6       | -4.4    |
| Consumer credit (\$B)                                       | April      | 4,237   | 0.4           | 1.3       | 1.7       | 2.4     |
| Retail sales (\$M)  | May*       | 620,214 | -1.3          | 10.8      | 14.3      | 28.1    |
| <i>Excluding automobiles (\$M)</i>                          | May*       | 484,235 | -0.7          | 9.0       | 12.5      | 26.4    |
| Industrial production (2012 = 100)                          | May*       | 99.9    | 0.8           | 3.5       | 2.8       | 16.3    |
| Production capacity utilization rate (%) <sup>1</sup>       | May*       | 75.2    | 74.6          | 72.7      | 73.3      | 64.7    |
| New machinery orders (\$M)                                  | April      | 485,156 | -0.6          | 1.3       | 7.1       | 34.1    |
| New durable good orders (\$M)                               | April      | 246,303 | -1.3          | 1.3       | 7.6       | 52.2    |
| Business inventories (\$B)                                  | April*     | 2,024   | -0.2          | 0.7       | 2.5       | 1.3     |
| Housing starts (k) <sup>1</sup>                             | May*       | 1,572   | 1,517         | 1,447     | 1,551     | 1,046   |
| Building permits (k) <sup>1</sup>                           | May*       | 1,681   | 1,733         | 1,726     | 1,696     | 1,246   |
| New home sales (k) <sup>1</sup>                             | April      | 863.0   | 917.0         | 993.0     | 969.0     | 582.0   |
| Existing home sales (k) <sup>1</sup>                        | April      | 5,850   | 6,010         | 6,660     | 6,730     | 4,370   |
| Commercial surplus (\$M) <sup>1</sup>                       | April      | -68,899 | -75,025       | -67,092   | -63,678   | -52,959 |
| Nonfarm employment (k) <sup>2</sup>                         | May        | 144,894 | 559.0         | 1,622     | 2,085     | 11,900  |
| Unemployment rate (%) <sup>1</sup>                          | May        | 5.8     | 6.1           | 6.2       | 6.7       | 13.3    |
| Consumer price (1982-1984 = 100)                            | May        | 268.6   | 0.6           | 2.0       | 2.9       | 4.9     |
| <i>Excluding food and energy</i>                            | May        | 275.7   | 0.7           | 2.0       | 2.2       | 3.8     |
| Personal cons. expenditure deflator (2012 = 100)            | April      | 114.1   | 0.6           | 1.4       | 2.1       | 3.6     |
| <i>Excluding food and energy</i>                            | April      | 116.0   | 0.7           | 1.2       | 1.7       | 3.1     |
| Producer price (2009 = 100)                                 | May*       | 124.8   | 0.8           | 2.4       | 4.5       | 6.5     |
| Export prices (2000 = 100)                                  | May*       | 138.8   | 2.2           | 6.0       | 11.9      | 17.4    |
| Import prices (2000 = 100)                                  | May*       | 132.5   | 1.1           | 3.5       | 7.4       | 11.3    |

<sup>1</sup> Statistic shows the level of the month of the column; <sup>2</sup> Statistic shows the variation since the reference month; \* New statistic in comparison with last week.

**CANADA**
**Quarterly economic indicators**

|   | REF. QUART. | LEVEL     | VARIATION (%) |        | ANNUAL VARIATION (%) |         |         |
|---|-------------|-----------|---------------|--------|----------------------|---------|---------|
|   |             |           | Quart. ann.   | 1 year | 2020                 | 2019    | 2018    |
| Gross domestic product (2012 \$M)                     | 2021 Q1     | 2,077,771 | 5.6           | 0.3    | -5.3                 | 1.9     | 2.4     |
| Household consumption (2012 \$M)                      | 2021 Q1     | 1,148,288 | 2.7           | -1.9   | -6.0                 | 1.6     | 2.5     |
| Government consumption (2012 \$M)                     | 2021 Q1     | 440,315   | 6.2           | 3.7    | -0.3                 | 2.0     | 2.9     |
| Residential investment (2012 \$M)                     | 2021 Q1     | 178,493   | 43.3          | 26.5   | 4.1                  | -0.2    | -1.7    |
| Non-residential investment (2012 \$M)                 | 2021 Q1     | 156,424   | -2.7          | -13.5  | -13.6                | 1.1     | 3.1     |
| Business inventory change (2012 \$M) <sup>1</sup>     | 2021 Q1     | -8,463    | ---           | ---    | -15,937              | 18,766  | 15,486  |
| Exports (2012 \$M)                                    | 2021 Q1     | 631,947   | 6.0           | -3.0   | -10.0                | 1.3     | 3.7     |
| Imports (2012 \$M)                                    | 2021 Q1     | 634,951   | 4.3           | -2.8   | -11.2                | 0.4     | 3.4     |
| Final domestic demand (2012 \$M)                      | 2021 Q1     | 2,083,799 | 6.4           | 0.9    | -4.3                 | 1.4     | 2.5     |
| GDP deflator (2012 = 100)                             | 2021 Q1     | 116.2     | 12.2          | 6.0    | 0.7                  | 1.7     | 1.8     |
| Labour productivity (2012 = 100)                      | 2021 Q1     | 110.0     | -6.7          | -2.1   | 8.1                  | 1.0     | 0.6     |
| Unit labour cost (2012 = 100)                         | 2021 Q1     | 114.0     | 0.4           | 2.0    | 3.1                  | 2.9     | 3.1     |
| Current account balance (\$M) <sup>1</sup>            | 2021 Q1     | 1,184     | ---           | ---    | -40,087              | -47,384 | -52,224 |
| Production capacity utilization rate (%) <sup>1</sup> | 2021 Q1     | 81.7      | ---           | ---    | 77.6                 | 82.6    | 83.7    |
| Disposable personal income (\$M)                      | 2021 Q1     | 1,435,000 | 9.5           | 9.1    | 10.4                 | 3.8     | 3.1     |
| Corporate net operating surplus (\$M)                 | 2021 Q1     | 376,556   | 95.6          | 45.1   | -4.0                 | 0.6     | 3.8     |

<sup>1</sup> Statistics representing the level during the period; \* New statistic in comparison with last week.

**CANADA**
**Monthly economic indicators**

|   | REF. MONTH | LEVEL     | VARIATION (%) |           |           |         |
|---|------------|-----------|---------------|-----------|-----------|---------|
|   |            |           | -1 month      | -3 months | -6 months | -1 year |
| Gross domestic product (2012 \$M)             | March      | 1,979,920 | 1.1           | 2.1       | 3.7       | 6.6     |
| Industrial production (2012 \$M)              | March      | 384,675   | 0.7           | 0.6       | 3.3       | 2.0     |
| Manufacturing sales (\$M)                     | April*     | 57,095    | -2.1          | 0.9       | 5.8       | 57.1    |
| Housing starts (k) <sup>1</sup>               | May*       | 275.9     | 267.4         | 270.8     | 262.0     | 195.1   |
| Building permits (\$M)                        | April      | 11,107    | -0.5          | 10.9      | 27.2      | 76.1    |
| Retail sales (\$M)                            | March      | 57,609    | 3.6           | 9.7       | 6.6       | 23.7    |
| <i>Excluding automobiles (\$M)</i>            | March      | 42,827    | 4.3           | 10.3      | 8.1       | 13.4    |
| Wholesale trade sales (\$M)                   | April*     | 71,520    | 0.4           | 2.7       | 7.0       | 45.9    |
| Commercial surplus (\$M) <sup>1</sup>         | April      | 593.9     | -1,347        | 1,224     | -4,114    | -5,447  |
| <i>Exports (\$M)</i>                          | April      | 50,207    | -1.0          | -2.4      | 8.1       | 58.8    |
| <i>Imports (\$M)</i>                          | April      | 49,613    | -4.7          | -1.2      | -1.9      | 33.8    |
| Employment (k) <sup>2</sup>                   | May        | 18,559    | -68.0         | 9.3       | 3.6       | 176.3   |
| Unemployment rate (%) <sup>1</sup>            | May        | 8.2       | 8.1           | 8.2       | 8.6       | 13.7    |
| Average weekly earnings (\$)                  | March      | 1,125     | -0.8          | 0.9       | 1.6       | 7.4     |
| Number of salaried employees (k) <sup>2</sup> | March      | 16,144    | 245.8         | 55.7      | 56.3      | 3.5     |
| Consumer price (2002 = 100)                   | May*       | 141.0     | 0.5           | 1.5       | 2.4       | 3.6     |
| <i>Excluding food and energy</i>              | May*       | 134.6     | 0.3           | 1.1       | 1.4       | 2.4     |
| <i>Excluding 8 volatile items</i>             | May*       | 138.8     | 0.4           | 1.2       | 1.6       | 2.8     |
| Industrial product price (2010 = 100)         | April      | 110.9     | 1.6           | 6.3       | 9.9       | 14.3    |
| Raw materials price (2010 = 100)              | April      | 116.5     | 1.0           | 10.1      | 21.0      | 56.4    |
| Money supply M1+ (\$M)                        | March      | 1,460,600 | 1.1           | 5.1       | 7.9       | 28.0    |

<sup>1</sup> Statistic shows the level of the month of the column; <sup>2</sup> Statistic shows the variation since the reference month; \* New statistic in comparison with last week.

**UNITED STATES, CANADA, OVERSEAS**
**Major financial indicators**

| IN % (EXPECTED IF INDICATED)                | ACTUAL  | PREVIOUS DATA |          |           |           |         | LAST 52 WEEKS |         |        |
|---|---------|---------------|----------|-----------|-----------|---------|---------------|---------|--------|
|   | June 18 | June 11       | -1 month | -3 months | -6 months | -1 year | Higher        | Average | Lower  |
| <b>United States</b>                        |         |               |          |           |           |         |               |         |        |
| Federal funds – target                      | 0.25    | 0.25          | 0.25     | 0.25      | 0.25      | 0.25    | 0.25          | 0.25    | 0.25   |
| Treasury bill – 3 months                    | 0.03    | 0.03          | 0.01     | 0.01      | 0.08      | 0.15    | 0.16          | 0.07    | 0.01   |
| Treasury bonds – 2 years                    | 0.27    | 0.15          | 0.16     | 0.15      | 0.13      | 0.19    | 0.27          | 0.15    | 0.11   |
| – 5 years                                   | 0.90    | 0.75          | 0.83     | 0.88      | 0.38      | 0.32    | 0.92          | 0.50    | 0.19   |
| – 10 years                                  | 1.47    | 1.46          | 1.63     | 1.73      | 0.95      | 0.69    | 1.75          | 1.07    | 0.51   |
| – 30 years                                  | 2.05    | 2.15          | 2.35     | 2.45      | 1.70      | 1.46    | 2.48          | 1.81    | 1.19   |
| S&P 500 index (level)                       | 4,179   | 4,247         | 4,156    | 3,913     | 3,709     | 3,098   | 4,255         | 3,694   | 3,009  |
| DJIA index (level)                          | 33,332  | 34,480        | 34,208   | 32,628    | 30,179    | 25,871  | 34,778        | 30,247  | 25,016 |
| Gold price (US\$/ounce)                     | 1,776   | 1,882         | 1,875    | 1,740     | 1,884     | 1,741   | 2,053         | 1,850   | 1,682  |
| CRB index (level)                           | 205.55  | 212.25        | 200.87   | 188.79    | 166.45    | 137.97  | 212.25        | 169.58  | 134.41 |
| WTI oil (US\$/barrel)                       | 71.83   | 70.91         | 62.06    | 60.01     | 49.10     | 39.75   | 72.15         | 50.76   | 35.61  |
| <b>Canada</b>                               |         |               |          |           |           |         |               |         |        |
| Overnight – target                          | 0.25    | 0.25          | 0.25     | 0.25      | 0.25      | 0.25    | 0.25          | 0.25    | 0.25   |
| Treasury bill – 3 months                    | 0.12    | 0.11          | 0.09     | 0.09      | 0.10      | 0.20    | 0.21          | 0.12    | 0.05   |
| Treasury bonds – 2 years                    | 0.41    | 0.31          | 0.33     | 0.26      | 0.24      | 0.30    | 0.41          | 0.26    | 0.15   |
| – 5 years                                   | 0.96    | 0.82          | 0.93     | 1.00      | 0.45      | 0.38    | 1.03          | 0.57    | 0.30   |
| – 10 years                                  | 1.38    | 1.38          | 1.54     | 1.59      | 0.74      | 0.53    | 1.61          | 0.93    | 0.43   |
| – 30 years                                  | 1.82    | 1.94          | 2.15     | 2.05      | 1.29      | 1.00    | 2.19          | 1.47    | 0.89   |
| <u>Spread with the U.S. rate (% points)</u> |         |               |          |           |           |         |               |         |        |
| Overnight – target                          | 0.00    | 0.00          | 0.00     | 0.00      | 0.00      | 0.00    | 0.00          | 0.00    | 0.00   |
| Treasury bill – 3 months                    | 0.09    | 0.08          | 0.08     | 0.08      | 0.02      | 0.05    | 0.11          | 0.04    | -0.04  |
| Treasury bonds – 2 years                    | 0.15    | 0.16          | 0.17     | 0.11      | 0.11      | 0.11    | 0.18          | 0.11    | 0.01   |
| – 5 years                                   | 0.06    | 0.07          | 0.10     | 0.12      | 0.07      | 0.06    | 0.21          | 0.07    | -0.04  |
| – 10 years                                  | -0.09   | -0.08         | -0.09    | -0.14     | -0.21     | -0.16   | -0.04         | -0.14   | -0.30  |
| – 30 years                                  | -0.23   | -0.21         | -0.20    | -0.40     | -0.41     | -0.46   | -0.17         | -0.34   | -0.48  |
| S&P/TSX index (level)                       | 20,044  | 20,138        | 19,527   | 18,854    | 17,535    | 15,474  | 20,231        | 17,579  | 15,189 |
| Exchange rate (C\$/US\$)                    | 1.2458  | 1.2157        | 1.2068   | 1.2499    | 1.2785    | 1.3606  | 1.3690        | 1.2862  | 1.2034 |
| Exchange rate (C\$/€)                       | 1.4767  | 1.4720        | 1.4700   | 1.4879    | 1.5671    | 1.5207  | 1.5903        | 1.5312  | 1.4646 |
| <b>Overseas</b>                             |         |               |          |           |           |         |               |         |        |
| <u>Euro zone</u>                            |         |               |          |           |           |         |               |         |        |
| ECB – Refinancing rate                      | 0.00    | 0.00          | 0.00     | 0.00      | 0.00      | 0.00    | 0.00          | 0.00    | 0.00   |
| Exchange rate (US\$/€)                      | 1.1854  | 1.2108        | 1.2181   | 1.1904    | 1.2257    | 1.1177  | 1.2327        | 1.1911  | 1.1218 |
| <u>United Kingdom</u>                       |         |               |          |           |           |         |               |         |        |
| BoE – Base rate                             | 0.10    | 0.10          | 0.10     | 0.10      | 0.10      | 0.10    | 0.10          | 0.10    | 0.10   |
| Bonds – 10 years                            | 0.76    | 0.75          | 0.86     | 0.88      | 0.26      | 0.19    | 0.93          | 0.44    | 0.04   |
| FTSE index (level)                          | 7,027   | 7,134         | 7,018    | 6,709     | 6,529     | 6,293   | 7,185         | 6,453   | 5,577  |
| Exchange rate (US\$/£)                      | 1.3800  | 1.4108        | 1.4150   | 1.3870    | 1.3522    | 1.2358  | 1.4212        | 1.3432  | 1.2299 |
| <u>Germany</u>                              |         |               |          |           |           |         |               |         |        |
| Bonds – 10 years                            | -0.20   | -0.27         | -0.13    | -0.33     | -0.57     | -0.45   | -0.11         | -0.44   | -0.64  |
| DAX index (level)                           | 15,463  | 15,693        | 15,438   | 14,621    | 13,631    | 12,331  | 15,730        | 13,737  | 11,556 |
| <u>Japan</u>                                |         |               |          |           |           |         |               |         |        |
| BoJ – Main policy rate                      | -0.10   | -0.10         | -0.10    | -0.10     | -0.10     | -0.10   | -0.10         | -0.10   | -0.10  |
| Nikkei index (level)                        | 28,964  | 28,949        | 28,318   | 29,792    | 26,763    | 22,479  | 30,468        | 26,310  | 21,710 |
| Exchange rate (US\$/¥)                      | 110.30  | 109.67        | 108.96   | 108.89    | 103.33    | 106.89  | 110.73        | 106.40  | 102.74 |

CRB: Commodity Research Bureau; WTI: West Texas Intermediate; ECB: European Central Bank; BoE: Bank of England; BoJ: Bank of Japan

Note: Data taken at markets closing, with the exception of the current day where they were taken at 11:00 a.m.