

WEEKLY COMMENTARY

A Bumper Crop of Elections

By Francis Généreux, Principal Economist

There's a lot going on politically all over the world right now. Here in Canada, parliamentary sessions are coming to a close, while governments and opposition parties are getting ready to remind voters of what they've accomplished. Meanwhile in the United States, all eyes were on New York, where Donald Trump's criminal trial ended with a conviction. Farther from home, the wars in Ukraine and Gaza are ongoing.

A lot of countries are also holding elections this year. Of course, there's the US presidential election, which everyone's talking about. There will be a televised debate between Biden and Trump on June 27. The November 5 election looks like it will be close, and it could be decided by a handful of voters in a few swing states. We'll talk about it more in the future. In the meantime, let's take a closer look at key elections further afield that have either just been held or will be held soon.

India

The polls have closed in India, the world's biggest democracy. In a country of 968 million eligible voters, the voting lasted 44 days. The Bharatiya Janata Party and its leader Narendra Modi won the election, but unexpectedly lost their majority. Modi is expected to serve a third five-year term as prime minister of India. But he will do so as the head of a weaker coalition government. The shock result fuelled uncertainty, shaking investors and sending the Indian stock market tumbling this week. India recently overtook China as the world's most populous nation, and it's playing an increasingly important role in the global economy. The Indian economy has boomed in recent years, with real GDP growing 7.8% in 2023. But the country still faces many challenges, including persistently low per capita GDP and massive income inequality. Economic and diplomatic relations with several nations, including China, have run hot and cold for

some time. On top of all that, the government needs to manage the country's substantial public debt while also dealing with a number of priorities. These include the fight against climate change, which is significantly affecting vulnerable populations in the Indian subcontinent.

South Africa

The outcome of the May 24 elections in South Africa was disappointing for the African National Congress (ANC), which has ruled the country since apartheid ended in 1994. It will need to find a coalition partner to stay in power and, as of this writing, was still negotiating with other parties to find one. There are many economic challenges facing South Africa, which continues to be plagued by tepid real GDP growth that amounted to just 0.6% in 2023. The government of outgoing president and ANC leader Cyril Ramaphosa recently introduced economic reforms aimed at attracting investment, but the election result puts those reforms at risk. In addition, growth is still being hampered by a number of constraints, such as glaring infrastructure problems, especially for energy. At 32.9% in the first quarter of 2024, South African unemployment remains excessively high, with huge disparities that are heightening social tensions. It remains to be seen whether a new coalition government will be able to turn things around.

Mexico

In Mexico, the big surprise was the scale of Claudia Sheinbaum's victory. Sheinbaum, the protégée of outgoing President Andrés Manuel López Obrador, went home with nearly 60% of the total vote in the June 2 general election. Her party also won a supermajority in the lower house of Congress and a clear majority in the Senate. Although the unexpectedly narrow victories in India and South Africa stoked market fears, the

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landslide win by Mexico's ruling party also sparked uncertainty, as investors are afraid of left-wing reforms that could weigh on markets. That said, the Mexican economy is doing well, with real GDP up 3.2% in 2023 and unemployment at a record low of 2.3%. Mexico has also benefited from reshoring as companies move their supply chains out of China. In fact, the country has recently become the main source of imports to the US. It would be surprising if Claudia Sheinbaum's government decided to meddle with the policies that have left the economy in such good shape. But security and crime are still problems, with cartels playing a major role in smuggling drugs and people across the country's northern border, exacerbating tensions with the US government. The situation could get even more complex if Donald Trump returns to the White House.

Elections are also sweeping Europe. They include the European Parliamentary election, which has already begun, and the general election in the United Kingdom on July 4.

European Parliamentary Election

From June 6 to 9, voters in the 27 member states of the European Union (EU) will select the 720 members of the European Parliament. The European Parliament is one of the EU's main political institutions, along with the European Council (composed of the heads of state or heads of government of member countries), the Council of the European Union (consisting of the ministers of member states) and the European Commission (similar to the council of EU ministers). While the last three decision-making bodies mainly represent the governments of member states, the European Parliament represents the people and is voted in through direct, proportional elections held every five years. Members of the European Parliament (MEPs) have fairly limited powers, as they cannot propose new laws directly. Instead, they can adopt and amend bills submitted by the European Commission. The results of European Parliamentary elections are generally viewed as a natural consequence of each country's internal political tensions (and an indicator of discontent with each national government) rather than a reflection of a true political platform that spans Europe. That said, the outcome of these elections can still significantly affect the political path followed by the EU. This is because it will determine the share of seats held by different political groups (made up of MEPs from different member states who share the same political leanings). The President of the European Commission is usually chosen by the group that's won the most seats in Parliament. In addition, the makeup of Parliament may influence the decisions made by the European Commission and determine which bills are ultimately adopted. Various national polls suggest the current election could result in a shift to the right. This could affect the EU's climate change initiatives and lead to a greater focus on security and immigration, along with a certain economic nationalism.

UK Election

The elections in India, South Africa and Mexico kept the governing parties in power (although to varying degrees of success), and we expect the European Parliamentary election to result in a shift to the right. But it looks like we'll see the opposite of both these trends in the United Kingdom. After 14 years of Conservative Party rule (albeit with 5 different prime ministers), polls suggest Keir Starmer's Labour Party will win an overwhelming majority. Brexit isn't one of the big issues in the campaign, which will end with the July 4 vote. However, the various ways that the different Conservative governments have botched Brexit are nevertheless among the factors boosting support for the official opposition. The UK's weak economy, which for the most part has underperformed the eurozone and the US since the Brexit referendum, is another big reason why voters are unhappy. As in the rest of the world, the rising cost of living, funding of public services and the fight against climate change are also major campaign issues. Another factor is tensions over migrants crossing the English Channel. Economically speaking, the rapid succession of Conservative governments over the past 14 years and the lack of a clear political vision since the 2016 Brexit vote have undermined investment and growth. The UK economy nevertheless appears to be improving. Real GDP grew at a non-annualized 0.6% in early 2024 after contracting slightly for two consecutive quarters. Furthermore, inflation is cooling, which should allow the Bank of England to start gradually easing monetary policy this summer. But that would be too late for Prime Minister Rishi Sunak to defy expectations and win the election, especially since he also has to deal with Brexiteer Nigel Farage and his Reform party siphoning away votes on the right.

Taken individually, none of these elections is likely to substantially affect the Canadian economy, and their impact pales in comparison to the US vote in November. But the decisions that these new governments will (or won't) make—and their willingness to work with one another in the years to come—are still important in a world with no shortage of [global challenges over the medium and long term](#).

What to Watch For

WEDNESDAY June 12 - 8:30

May	m/m
Consensus	0.1%
Desjardins	0.1%
April	0.3%

WEDNESDAY June 12 - 14:00

June	
Consensus	5.50%
Desjardins	5.50%
May 1	5.50%

FRIDAY June 14 - 10:00

June	Index
Consensus	73.0
Desjardins	73.5
May	69.1

FRIDAY June 14 - 8:30

April	m/m
Consensus	1.3%
Desjardins	1.2%
March	-2.1%

TUESDAY June 11 - 21:30

May	y/y
Consensus	0.4%
April	0.3%

UNITED STATES

Consumer price index (May) – Inflation in the United States remains sticky. The year-over-year change in the consumer price index (CPI) was 3.4% in April, down slightly from 3.5% in March but higher than the 3.2% seen in the previous five months. With a 0.3% month-over-month gain in April, the recent trend is rather disappointing. We expect monthly inflation to have edged down a little further in May, mainly on the back of lower gasoline prices. Pump prices tend to climb more than 3% in May, but they were down 0.2% last month. As such, seasonally adjusted prices likely fell sharply, which will lead to a drop in energy costs. We think food prices edged up by around 0.1%, continuing the trend seen over the last three months. Less food and energy, we're predicting another 0.3% gain, in line with April's print. We still expect to see a significant discrepancy between goods and services prices. Overall, the all items index probably rose just 0.1% in May, its smallest increase since October 2023. That said, total annual inflation and core inflation will likely remain at 3.4% and 3.6%, respectively.

Federal Reserve meeting (June) – The Bank of Canada and European Central Bank have now begun cutting rates, and the Bank of England is expected to follow suit this summer. However, the Federal Reserve (Fed) may have to wait several more months before pulling the trigger. Inflation has shown some signs of slowing recently, but not enough to get Jerome Powell and his FOMC colleagues to start loosening monetary policy. They want to see several months of similar progress before making a move. Fed officials' latest forecasts and Powell's remarks at the press conference will give us more insight into what they expect, how confident they are that inflation will fall quickly and convincingly, and how they see their next rate moves.

University of Michigan consumer sentiment index (June – preliminary) – The University of Michigan consumer sentiment index fell 8.1 points in May, its biggest monthly decline since June 2022. We expect a better performance in June. Lower gasoline prices over the last few weeks should support consumer sentiment. Mortgage interest rates are also down slightly from last month, and the Conference Board's improvement in May is another encouraging sign. However, these positive impacts will be tempered by the stock market's decline from its mid-May peak. Overall, we expect the University of Michigan index to edge up to around 73.5.

CANADA

Manufacturing sales (April) – Manufacturing sales are expected to have advanced by 1.2% in April, in line with Statistics Canada's flash estimate. Much of this gain is likely to be chalked up to higher prices, with the seasonally adjusted Industrial Products Price Index having increased by about 1% in the month. This suggests volumes probably eked out just a modest gain.

OVERSEAS

China: Consumer price index (May) – With year-over-year consumer price growth coming in at 0.7% in February, 0.1% in March and 0.3% in April, China is no longer in deflation, but it's not far off. There is very little inflationary pressure in China, although import prices have picked up recently. If inflation remained virtually non-existent in May, it could be a sign that Chinese domestic demand remains sluggish.

WEDNESDAY June 12 - 2:00

April	m/m
Consensus	0.0%
March	0.4%

United Kingdom: Monthly GDP (April) – UK real GDP posted solid monthly growth of 0.4% in March. It was the biggest gain since June 2023 and helped put quarterly real GDP (0.6%, non-annualized) back on a growth path after two consecutive quarters of decline. However, initial indicators for April are mixed. PMIs—especially for services—improved significantly in April. Meanwhile retail sales fell 2.3%, which is likely to be a drag on the monthly GDP print. It will be interesting to see how the second quarter of 2024 started.


THURSDAY June 13


June	
Consensus	0.10%
Desjardins	0.10%
April 25	0.10%

Bank of Japan meeting (June) – The Bank of Japan may remain on the sidelines in June. Recent economic data showed a contraction of economic activity, which is likely to trigger disinflationary pressure. Inflation has also come down, although it remains above the 2% target. However, the Japanese currency is very weak at 156 yen/US\$ and could continue to generate inflationary pressure. Hiking interest rates would help the yen appreciate. That said, the prospect of lower US bond yields over the coming months could help the yen as much as a higher BoJ policy rate, perhaps even more.

Economic Indicators

Week of June 10 to 14, 2024

Date	Time	Indicator	Period	Consensus		Previous reading
UNITED STATES						
MONDAY 10	---	---				
TUESDAY 11	---	---				
WEDNESDAY 12	8:30	Consumer price index				
		Total (m/m)	May	0.1%	0.1%	0.3%
		Excluding food and energy (m/m)	May	0.3%	0.3%	0.3%
		Total (y/y)	May	3.4%	3.4%	3.4%
		Excluding food and energy (y/y)	May	3.5%	3.6%	3.6%
	14:00	Federal budget (US\$B)	June	n/a	n/a	209.5
	14:00	Federal Reserve meeting	June	5.50%	5.50%	5.50%
	14:30	Speech by Federal Reserve Chair J. Powell				
THURSDAY 13	8:30	Initial unemployment claims	June 3–7	225,000	222,000	229,000
	8:30	Producer price index				
		Total (m/m)	May	0.1%	0.1%	0.5%
		Excluding food and energy (m/m)	May	0.3%	0.2%	0.5%
	12:00	Speech by Federal Reserve Bank of New York President J. Williams				
FRIDAY 14	8:30	Export prices (m/m)	May	0.2%	-0.2%	0.5%
	8:30	Import prices (m/m)	May	0.1%	-0.6%	0.9%
	10:00	University of Michigan consumer sentiment index – prel.	June	73.0	73.5	69.1
	14:00	Speech by Federal Reserve Bank of Chicago President A. Goolsbee				
	19:00	Speech by Federal Reserve Governor L. Cook				
CANADA						
MONDAY 10	---	---				
TUESDAY 11	8:30	Building permits (m/m)	April	5.0%	4.1%	-11.7%
WEDNESDAY 12	15:15	Speech by Bank of Canada Governor T. Macklem				
THURSDAY 13	8:30	National balance sheet	Q1			
	9:35	Speech by Bank of Canada Deputy Governor S. Kozicki				
FRIDAY 14	8:30	Wholesale sales (m/m)	April	n/a	2.8%	-1.1%
	8:30	Manufacturing sales (m/m)	April	1.3%	1.2%	-2.1%

NOTE: Each week, Desjardins Economic Studies takes part 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 month-over-month, quarter-over-quarter and year-over-year change respectively. Following the quarter, the abbreviations f, s and t correspond to first estimate, second estimate and third estimate respectively. Times shown are Eastern Daylight Time (GMT - 4 hours).  Desjardins Economic Studies forecast.

Economic Indicators

Week of June 10 to 14, 2024

Country	Time	Indicator	Period	Consensus		Previous reading		
				m/m (q/q)	y/y	m/m (q/q)	y/y	
OVERSEAS								
SUNDAY 9								
Japan	19:50	Current account (¥B)	April	2,081.7		2,010.6		
Japan	19:50	Real GDP – final	Q1	-0.5%		-0.5%		
MONDAY 10								
Italy	4:00	Industrial production	April	0.2%	-2.1%	-0.5%	-3.5%	
TUESDAY 11								
United Kingdom	2:00	ILO unemployment rate	April	4.3%		4.3%		
Japan	19:50	Producer price index	May	0.5%	2.0%	0.3%	0.9%	
China	21:30	Consumer price index	May		0.4%		0.3%	
China	21:30	Producer price index	May		-1.5%		-2.5%	
WEDNESDAY 12								
Germany	---	Current account (€B)	April	n/a		27.6		
United Kingdom	2:00	Trade balance (€M)	April	-1,500		-1,098		
United Kingdom	2:00	Construction	April	0.1%	-1.6%	-0.4%	-2.2%	
United Kingdom	2:00	Index of services	April	-0.1%		0.5%		
United Kingdom	2:00	Monthly GDP	April	0.0%		0.4%		
United Kingdom	2:00	Industrial production	April	-0.1%	0.3%	0.2%	0.5%	
Germany	2:00	Consumer price index – final	May	0.1%	2.4%	0.1%	2.4%	
THURSDAY 13								
Japan	---	Bank of Japan meeting	June	0.10%		0.10%		
Eurozone	5:00	Industrial production	April	0.1%	-2.0%	0.6%	-1.0%	
FRIDAY 14								
Japan	0:30	Tertiary Industry Activity Index	April	0.4%		-2.4%		
Japan	0:30	Industrial production – final	April	n/a	n/a	-0.1%	-1.0%	
France	2:45	Consumer price index – final	May	0.0%	2.2%	0.0%	2.2%	
France	2:45	Wages – final	Q1	1.3%		1.3%		
Italy	4:00	Trade balance (€M)	April	n/a		4,341		
Eurozone	5:00	Trade balance (€B)	April	n/a		17.3		

Note: Unlike release times for US and Canadian economic data, release times for overseas economic data are approximate. Publication dates are provided for information only. The abbreviations m/m, q/q and y/y correspond to month-over-month, quarter-over-quarter and year-over-year change respectively. Times shown are Eastern Daylight Time (GMT - 4 hours).