Global trade tensions are ratcheting up. Whilst the US and China trade blows President Trump warned of a 5% increase in tariffs on Mexican imports, rising 5% a month up to a maximum 25% in October. Meanwhile China’s manufacturing PMI came in a little soft. But tariffs can only partly be blamed there.

Collateral damage. US/China trade tensions continue to escalate, compounding a domestically generated slowdown in China. Witness a return to contraction in the country’s official manufacturing PMI in May (49.4) following two months of modest growth. Export orders also saw a marked decline. Perhaps of most concern for the Chinese leadership was the plunge in the employment index to a decade low. Beijing is sensitive to the link between unemployment and social unrest. The policy response so far has been sizeable. But there may just be some more in store for the second half of the year.

Subdued…that’s the word to describe US Inflationary pressure. The Fed’s preferred measure showed prices rose 1.6%y/y in April, up from 1.5% in March. It’s only touched 2% or above a mere 11 months in the past seven years. Some of the tariff-impacted categories have been ticking up recently, and that’s before the rise to 25% on $200bn worth of goods that began last month (or of course the freshly minted 5% Mexican tariffs!). Separate data showed personal income grew 3.9%y/y, that’s lower than the 4%+ figure this time last year but given low inflation it’s a decent real terms uplift.

Broadening out? Here’s something a bit unusual – bad news from a major developed economy labour market. The German unemployment rate rose for the first time since 2013 in May, inching up from 4.9% to 5%. 60k jobs were shed (slightly misleading as reclassification of some workers played a role), the most in a decade. But it still adds to the signs of strain on Germany’s economy that have been evident since last year. Cue the typical financial market response, bonds rose as investors sought safety (pushing the ten-year government yield back below 0%) while shares fell.

Improving. Euro area monetary growth inched higher to 4.7%y/y in April, from 4.6%yoy in March, above market expectations. Credit lending also picked up in April, rising 3.7%y/y, the biggest annual increase since summer 2018. Lending to households and non-financial companies both moved higher, providing a glimmer of light for the fragile euro area economy. Country-wise the picture was mixed with core EU members faring better than peripherals.

Appetite. Brexit cliff edges come and go but most people just get on with their lives. That was the message coming from April's household borrowing data. Far from being put off making the biggest purchase of their lives, 66,000 people applied for a mortgage to buy a house in April, similar to January and February. For evidence of a Brexit borrowing effect instead you have to look to businesses. Small businesses have less appetite to borrow than we'd normally expect, owing just 0.2% versus a year ago. But large businesses have taken up some of slack, with borrowing up 4.9% driven by the manufacturing sector. Greater inventories and a pre-March rush of orders probably lie behind the greater need for finance.

Helping hand. Tax and benefits work hard at reducing income inequality in the UK. Before they intervene, household income for the richest fifth is 11.2 times that of the poorest, £88,200 vs. £7,900. Redistribution reduces this to 5.2, mainly via cash benefits & income tax. Add benefits-in-kind, like the NHS, and the ratio is 3.5. Not bad eh? Well, boosting earned income by raising allowances and minimum wages has helped offset the benefit cap and freeze. Largely okay if you're working but awful for the very poorest. Most of our peers manage to make welfare produce more equitable ends. So on balance we do okay, but not more.

Global ambitions. Very large multinationals dominate Foreign Direct Investment (FDI) into and out of the UK. Just 25 British companies held almost half (46%) of all investments in overseas businesses in 2017, whilst 25 foreign multinationals were responsible for two-fifths of all UK holdings. But a broader range of British businesses are showing signs of becoming serious international players at last. The top 25 British investors have seen their share of overseas assets decline 5% over the past three years, whilst the rest of the top 200 British firms have increased theirs by the same. And, what's more, the new players are doing remarkably well; contributing the most to FDI earnings growth.

Dense at the core. Experimental ONS data for public sector finance in 2018 continued to show a disparity between the capital and other regions. London, South East and East of England registered a surplus whereas other regions witnessed a deficit. London had the highest net fiscal surplus per head at £4k and Northern Ireland had the highest net fiscal deficit at £5k. On a national basis, total public sector revenue raised last year was £753bn with expenditure at £795bn.