

---

**November 29, 2024**

Commentary

## Weekly Economic Perspectives

---

**Contents**

- 
- 02 **US Housing Activity Shifts As Existing Home Segment Revives**  
Despite volatility, we anticipate lower mortgage rates over the next year, which should support housing demand, with disproportionate benefits in the existing home segment.
- 
- 03 **Canada: Weak And Below-Potential Growth**  
GDP growth is still below potential but there are signs that the effects of past interest rate hikes are fading. Still, another 50-bps cut in December is more likely.
- 
- 04 **Fading Market Pricing For RBA Cuts**  
Our concerns are materializing in Australia, with the consensus largely moving the first rate cut expectation to May 2025.
- 
- 06 **Week In Review**
- 

**Spotlight On Next Week**

US services sector to continue robust expansion. Australia's Q3 GDP to have risen 1.1% y/y, remaining well below the long-run average.

---

**Contact**

**Simona Mocuta**  
Senior Economist  
[simona\\_mocuta@ssga.com](mailto:simona_mocuta@ssga.com)  
+1-617-664-1133

**Amy Le**  
Macro-Investment Strategist  
[amy\\_le@ssga.com](mailto:amy_le@ssga.com)  
+44-203-395-6590

**Krishna Bhimavarapu**  
Economist  
[VenkataVamseaKrishna\\_Bhimavarapu@ssga.com](mailto:VenkataVamseaKrishna_Bhimavarapu@ssga.com)  
+91-806-741-5000

**Weekly Highlights**

Mixed data all around, investors' attention is still on US policy signals.

US New Home Sales  
(Oct, saar)

**610k**

Big miss, down 9.4% y/y.

US Pending Home Sales  
(Oct, % chg y/y)

**6.6%**

Best gain since May 2021.

Core PCE Inflation (Oct,  
y/y)

**2.8%**

Up a tenth.

Canada GDP (Q3, q/q  
saar)

**1.0%**

Below expectations.

CA Household  
Consumption (Q3, q/q,  
saar)

**3.5%**

Strong.

UK Mortgage Approvals  
(October, thousands)

**68.3**

26-month high.

JP Tokyo Core CPI (Nov,  
y/y)

**2.2%**

Heightens odds of December  
BoJ hike.

JP Retail Sales (Oct, y/y)

**1.6%**

Pick up from 0.7% last month,  
but below consensus.

AU Construction Work  
Done (Q3, q/q)

**1.6%**

Sharp pick-up, warranting upside  
potential to growth.

**US: Shifting Sands In  
US Housing Market**

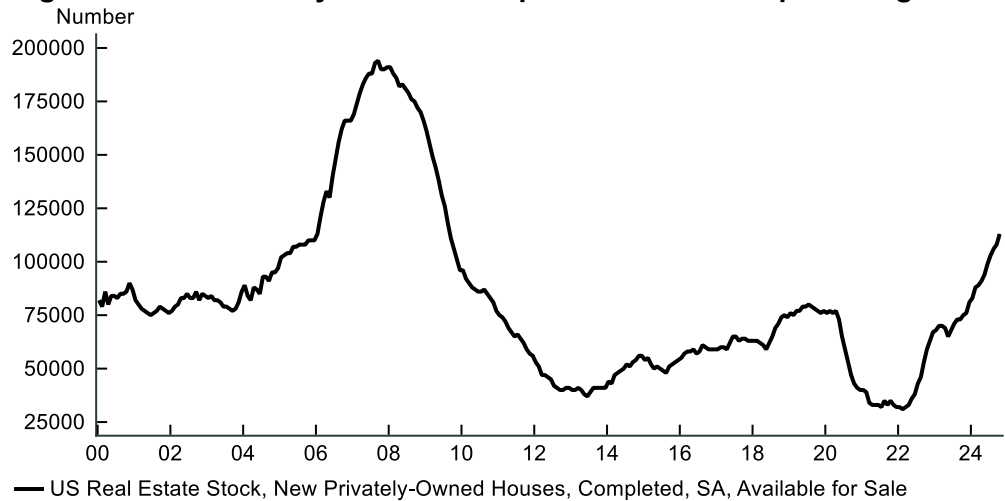
Amid the high mortgage rates of the past couple of years, whatever meager housing market activity still occurred was heavily concentrated in the new home segment. This was a space where builders had some leeway to tweak building specifications toward smaller footage or cheaper finishes and/or to offer potential buyers rate buydowns to make purchases more affordable. The other big reason for the shift towards newly built homes was the fact that high mortgage rates also had the effect of freezing up supply in the existing home market since homeowners who had secured low mortgage rates in 2020 and 2021 have been reluctant to move and lose those favorable terms.

With the onset of the Fed rate cutting cycle in September, inventory in the existing home market has begun to improve ever so slightly, allowing existing home sales to post their first y/y increase in over three years in October. Moreover, **pending home sales** have also ticked up recently. Relative to August levels, they rose 9.6%

cumulatively during September and October; in October, they were 6.6% higher than their year-earlier levels, the first positive annual comparison since November 2021.

By contrast, activity in the new home segment has become choppy of late. **New home sales** badly missed expectations in October, plunging 17.3% m/m and dropping 9.4% y/y. The pullback in sales lifted inventory to 9.5 months' worth of sales, the highest since October 2022 (a time when the entire housing market was adjusting to Fed's aggressive rate hikes). Importantly, a growing share of this inventory is made up of completed homes, suggesting more pressure on homebuilders to manage inventory and, perhaps, a cap on price gains even as mortgage rates retreat.

**Figure 1: US Inventory Of New Completed Homes Keeps Rising**



Sources: Macrobond, SSGA Economics, USCB, Freddie Mac  
Updated as of 12/1/2024

Consumer spending remains quite strong, and early evidence suggests a robust start to the holiday season. Nominal **personal spending** increased 0.4% m/m in October, real spending up 0.1% m/m and 3.0% y/y. Nominal **personal income** posted a solid 0.6% m/m, with wage and salary income up 0.5%. The combination lifted the savings rate to 4.4%, which is not high but decent. As long as employment holds up, so should household consumption.

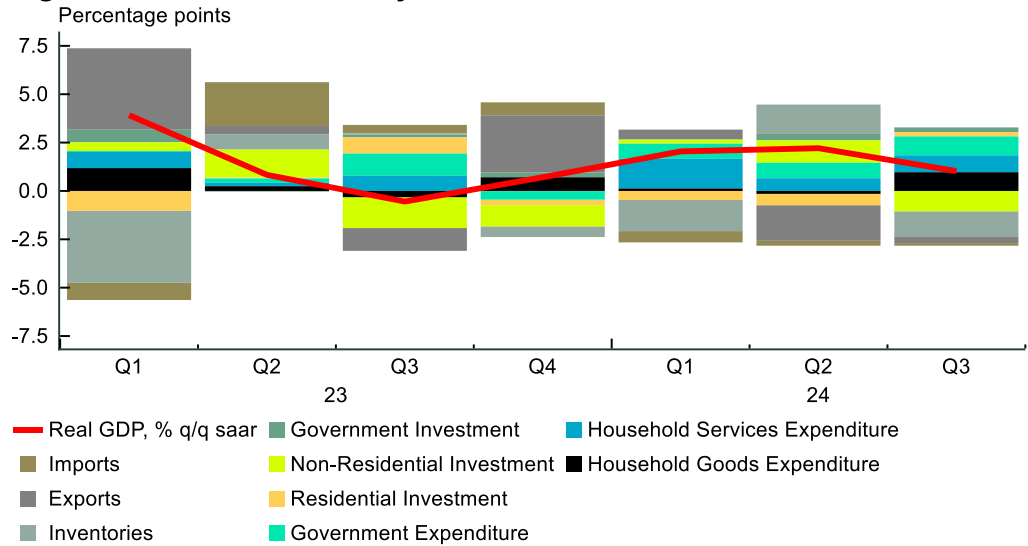
PCE inflation data came in as expected. The PCE deflator rose 0.2% m/m, with the core PCE deflator up 0.3% m/m, lifting the two respective inflation measures to 2.3% and 2.8% y/y, respectively. We still view the data consistent with a December Fed rate cut since an uptick in the fourth quarter had long been anticipated.

**Canada: Weak Headline GDP But Better Details**

Canada's headline **Q3 GDP** came in below expectations but, if delving into the details, the picture does not look that bad. While GDP growth is still below potential, there are signs that the effects of past interest rate hikes are fading.

The economy grew a modest 1.0% q/q annualized in Q3, with gains in household spending and government consumption partially offset by declines in business investment and net trade. Even so, underlying fundamentals appeared strong. Household consumption (3.5% q/q) and residential investment (3.0% q/q) picked up during the quarter as interest rates declined. In the next few months, consumption is likely to be further boosted by government stimulus and increased activity in the housing market. Meanwhile, uncertainty around US tariffs could dampen growth in business investment which has been already weak.

**Figure 2: Canada's Economy Lost Momentum In Q3**



Sources: Macrobond, SSGA Economics, StatCan  
Updated as of 30/11/2024

The Bank of Canada (BoC) cut rates 50bps in October as inflation fell well below its 2% target and downside risks to growth were rising. Since then, inflation has quickly reversed course but risks to the economy still loom large. The labor market is softening further, evidenced by declining job openings and rising unemployment. Below-potential growth is also likely to persist through the remainder of 2024 and much of 2025. Of note, while Q3 GDP growth is just slightly below consensus expectations of 1.1%, it is well below the BoC October estimate of 1.5%. That said, although we would not rule out a slower pace of easing, we think another 50-bps cut in December is more likely.

**Australia Inflation: Not Giving In Or Out**

Inflation remained at 2.1% y/y in October's monthly CPI data; sequentially, prices fell 0.3% m/m, primarily due to a 12.3% decline in electricity prices. This is because most households received two A\$75 rebates, while some in Western Australia got A\$150 in addition to the A\$200 local government rebate.

While this is the first month of the quarter, and the data is released as it is surveyed, it excludes most of the services prices, making this data incomplete. Furthermore, the Reserve Bank of Australia's (RBA) preferred core metric the trimmed-mean rose

three-tenths to 3.5% y/y due to a rise in rents. However, the CPI excluding fuel, fresh food & holiday travel eased 30 bps to 2.4% y/y.

Although the data supports our view that inflation is easing, it is muddied by subsidies and unclear progress across the core metrics. This lack of clarity further pushed out the market pricing and consensus picks of the first RBA rate cut into H2 2025. Our position is clear: the RBA should look at forward looking indicators and let economic growth rise towards potential. This means rate cuts need to begin sooner than what market participants expect.

This week's GDP partials implied some upside risks to our dovish GDP expectations. Construction work done outpaced expectations by rising 1.6% q/q. Private capex rose 1.1% q/q, as expected in a broad-based increase. Our model suggests that GDP may rise 1.1% y/y, significantly below the 2.6% average between 2010-2019 amid continued sluggishness in the household sector.

**Week in Review**

A summary of the key global data releases from the past week.

| Country                  | Release (Date, format)                   | Consensus | Actual | Last      | Comments                                     |
|--------------------------|--|-----------|--------|-----------|--|
| <b>Monday, Nov 25</b>    |  |           |        |           |  |
| GE                       | IFO Business Climate (Nov)               | 86        | 85.7   | 86.5      | Moving sideways.                             |
| JN                       | Leading Index CI (Sep, final)            | n/a       | 109.1  | 109.4     | Moving sideways.                             |
| JN                       | PPI Services (Oct, y/y)                  | 2.5%      | 2.9%   | 2.8% (↑)  | Price pressures in the pipeline.             |
| <b>Tuesday, Nov 26</b>   |  |           |        |           |  |
| US                       | Conf. Board Consumer Confidence (Nov)    | 111.8     | 111.7  | 109.6 (↑) | Highest since July 2023.                     |
| US                       | New Home Sales (Oct, thous)              | 725       | 610    | 738       | Big miss, down 9.4% y/y.                     |
| US                       | FHFA House Price Index (Sep, m/m)        | 0.3%      | 0.7%   | 0.4% (↑)  | Up 4.0% y/y.                                 |
| US                       | S&P CoreLogic CS 20-City (Sep, m/m)      | 0.3%      | 0.2%   | 0.3% (↓)  | Up 4.6% y/y.                                 |
| <b>Wednesday, Nov 27</b> |  |           |        |           |  |
| US                       | Initial Jobless Claims (23 Nov, thous)   | 215       | 213    | 215 (↑)   | Low.   |
| US                       | Continuing Claims (16 Nov, thous)        | 1,892     | 1,907  | 1,898 (↓) | Low but in very gentle uptrend.              |
| US                       | GDP (Q3, annualised q/q)                 | 2.8%      | 2.8%   | 2.8%      | Slight downward revision to consumption.     |
| US                       | Durable Goods Orders (Oct, prelim)       | 0.5%      | 0.2%   | -0.4% (↑) | Up 5.3% y/y.                                 |
| US                       | Personal Income (Oct)                    | 0.3%      | 0.6%   | 0.3%      | Up 5.3% y/y.                                 |
| US                       | Personal Spending (Oct)                  | 0.4%      | 0.4%   | 0.6% (↑)  | Savings rate rose to 4.4%.                   |
| US                       | Pending Home Sales (Oct, m/m)            | -2.0%     | 2.0%   | 7.5% (↑)  | Up 6.6% y/y, best comparison since May 2021. |
| GE                       | GfK Consumer Confidence (Dec)            | -18.8     | -23.3  | -18.4 (↓) | Has flatlined.                               |
| FR                       | Consumer Confidence (Nov)                | 94        | 90     | 93 (↓)    | Pull back after recent gains.                |
| <b>Thursday, Nov 28</b>  |  |           |        |           |  |
| GE                       | CPI (Nov, y/y, prelim)                   | 2.3%      | 2.2%   | 2.0%      | Core inflation at 3.0% y/y.                  |
| JN                       | Industrial Production (Oct, m/m, prelim) | 4.0%      | 3.0%   | 1.6%      | Good pick-up to support growth in Q4.        |
| JN                       | Jobless Rate (Oct)                       | 2.5%      | 2.5%   | 2.4%      | Moving sideways.                             |
| JN                       | Retail Sales (Oct, m/m)                  | 0.4%      | 0.1%   | -2.2%     | Slightly disappointing data.                 |
| <b>Friday, Nov 29</b>    |  |           |        |           |  |
| CA                       | GDP (Q3, q/q annualised)                 | 1.1%      | 1.0%   | 2.1%      | Weak.  |
| UK                       | Mortgage Approvals (Oct, thous)          | 64.5      | 68.3   | 66.1 (↑)  | 26-month high                                |
| GE                       | Unemployment Claims Rate (Nov, sa)       | 6.1%      | 6.1%   | 6.1%      | Steady.                                      |
| GE                       | Retail Sales (Oct, m/m)                  | -0.5%     | -1.5%  | 1.6% (↑)  | Volatile and modest but may be improving.    |
| FR                       | CPI (Nov, y/y, prelim)                   | 1.4%      | 1.3%   | 1.2%      | Lots of room for more ECB cuts.              |
| FR                       | GDP (Q3, q/q, final)                     | 0.4%      | 0.4%   | 0.2%      | Still modest.                                |
| IT                       | CPI NIC incl. tobacco (Nov, y/y, prelim) | 1.4%      | 1.4%   | 0.9%      | Lots of room for more ECB cuts.              |
| JN                       | Consumer Confidence Index (Nov)          | 36.5      | 36.4   | 36.2      | Modest improvement, needs to pick up more.   |

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

---

**About State Street  
Global Advisors**

For four decades, State Street Global Advisors has served the world's governments, institutions, and financial advisors. With a rigorous, risk-aware approach built on research, analysis, and market-tested experience, we build from a breadth of index and active strategies to create cost-effective solutions. As pioneers in index and ETF investing, we are always inventing new ways to invest. As a result, we have become the world's fourth-largest asset manager\* with US \$4.42 trillion† under our care.

---

\* Pensions & Investments Research Center, as of December 31, 2023.

† This figure is presented as of June 30, 2024 and includes ETF AUM of \$1,393.92 billion USD of which approximately \$69.35 billion USD is in gold assets with respect to SPDR products for which State Street Global Advisors Funds Distributors, LLC (SSGA FD) acts solely as the marketing agent. SSGA FD and State Street Global Advisors are affiliated. Please note all AUM is unaudited.

ssga.com

## Marketing Communication

### Important Risk Discussion

Investing involves risk including the risk of loss of principal.

All information is from SSGA unless otherwise noted and has been obtained from sources believed to be reliable, but its accuracy is not guaranteed. There is no representation or warranty as to the current accuracy, reliability, or completeness of, nor liability for, decisions based on such information, and it should not be relied on as such.

The information provided does not constitute investment advice and it should not be relied on as such. It should not be considered a solicitation to buy or an offer to sell a security. It does not take into account any investor's particular investment objectives, strategies, tax status or investment horizon. You should consult your tax and financial advisor.

The trademarks and service marks referenced herein are the property of their respective owners. Third party data providers make no warranties or representations of any kind relating to the accuracy, completeness or timeliness of the data and have no liability for damages of any kind relating to the use of such data.

The whole or any part of this work may not be reproduced, copied, or transmitted or any of its contents disclosed to third parties without SSGA's express written consent.

The views expressed in this material are the views of SSGA Economics Team through the period ended November 29, 2024 and are subject to change based on market and other conditions. This document contains certain statements that may be deemed forward-looking statements. Please note that any such statements are not guarantees of any future performance and actual results or developments may differ materially from those projected.

**The information contained in this communication is not a research recommendation or 'investment research' and is classified as a 'Marketing Communication' in accordance with the Markets in Financial Instruments Directive (2014/65/EU) or applicable Swiss regulation. This means that this marketing communication.**

**(a) has not been prepared in accordance with legal requirements designed to promote the independence of investment research (b) is not subject to any prohibition on dealing ahead of the**

### dissemination of investment research.

This communication is directed at professional clients (this includes eligible counterparties as defined by the "appropriate EU regulator" who are deemed both knowledgeable and experienced in matters relating to investments. The products and services to which this communication relates are only available to such persons and persons of any other description (including retail clients) should not rely on this communication.

### Intellectual Property Information

BLOOMBERG®, a trademark and service mark of Bloomberg Finance L.P. Standard & Poor's S&P 500 Index® is a registered trademark of Standard & Poor's Financial Services LLC. FTSE 100® is a trademark jointly owned by the London Stock Exchange Plc and The Financial Times Limited, and is used by FTSE International Limited under license. "All-World", "All-Share" and "All-Small" are trademarks of FTSE International Limited.

**Australia:** State Street Global Advisors, Australia, Limited (ABN 42 003 914 225) is the holder of an Australian Financial Services License (AFSL Number 238276). Registered office: Level 14, 420 George Street, Sydney, NSW 2000, Australia. T: +612 9240-7600. F: +612 9240-7611.

**Belgium:** State Street Global Advisors Belgium, Chaussée de La Hulpe 185, 1170 Brussels, Belgium. T: +32 2 663 2036. State Street Global Advisors Belgium is a branch office of State Street Global Advisors Europe Limited, registered in Ireland with company number 49934, authorised and regulated by the Central Bank of Ireland, and whose registered office is at 78 Sir John Rogerson's Quay, Dublin 2

**Canada:** State Street Global Advisors, Ltd., 1981 McGill College Avenue, Suite 500, Montreal, Qc, H3A 3A8, T: +514 282 2400 and 30 Adelaide Street East Suite 1100, Toronto, Ontario M5C 3G6. T: +647 775 5900.

**Dubai:** State Street Global Advisors Limited, DIFC branch is regulated by the Dubai Financial Services Authority (DFSA) as a category 4 regulated firm and is only active in arranging deals in investments and advising on financial products. This document is intended for Professional Clients or Market Counterparties only as defined by the DFSA and no other person should act upon it.

State Street Global Advisors Limited, DIFC Branch, OT 01-39, 1st Floor, Central Park Towers, DIFC, P.O Box 507448, Dubai, United Arab Emirates. Regulated by the DFSA under

reference number: F009297. Telephone: +971 4 871 9100

**France:** State Street Global Advisors Europe Limited, France Branch ("State Street Global Advisors France") is a branch of State Street Global Advisors Europe Limited, registered in Ireland with company number 49934, authorised and regulated by the Central Bank of Ireland, and whose registered office is at 78 Sir John Rogerson's Quay, Dublin 2. State Street Global Advisors France is registered in France with company number RCS Nanterre 899 183 289, and its office is located at Coeur Défense — Tour A — La Défense 4, 33e étage, 100, Esplanade du Général de Gaulle, 92 931 Paris La Défense Cedex, France. T: +33 1 44 45 40 00. F: +33 1 44 45 41 92.

**Germany:** State Street Global Advisors Europe Limited, Branch in Germany, Briener Strasse 59, D-80333 Munich, Germany with a representation office at 'Brüsseler Strasse' 1-3, D-60327 Frankfurt am Main Germany ("State Street Global Advisors Germany"). Munich T +49 (0)89 55878 400. Frankfurt T +49 (0)69 667745 000. State Street Global Advisors Germany is a branch of State Street Global Advisors Europe Limited, registered in Ireland with company number 49934, authorised and regulated by the Central Bank of Ireland, and whose registered office is at 78 Sir John Rogerson's Quay, Dublin 2.

**Hong Kong:** State Street Global Advisors Asia Limited, 68/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong. T: +852 2103-0288. F: +852 2103-0200.

**Ireland:** State Street Global Advisors Europe Limited is regulated by the Central Bank of Ireland. Registered office address 78 Sir John Rogerson's Quay, Dublin 2. Registered Number: 49934. T: +353 (0)1 776 3000. F: +353 (0)1 776 3300.

**Italy:** State Street Global Advisors Europe Limited, Italy Branch ("State Street Global Advisors Italy") is a branch of State Street Global Advisors Europe Limited, registered in Ireland with company number 49934, authorised and regulated by the Central Bank of Ireland, and whose registered office is at 78 Sir John Rogerson's Quay, Dublin 2. State Street Global Advisors Italy is registered in Italy with company number 11871450968 — REA: 2628603 and VAT number 11871450968, and its office is located at Via Ferrante Aporti, 10 - 20125 Milan, Italy. T: +39 02 32066 100. F: +39 02 32066 155.

**Japan:** State Street Global Advisors (Japan) Co., Ltd., Toranomon Hills Mori Tower 25F 1-23-1 Toranomon,

Minato-ku, Tokyo 105-6325 Japan. T: +81-3-4530-7380. Financial Instruments Business Operator, Kanto Local Financial Bureau (Kinsho #345), Membership: Japan Investment Advisers Association, The Investment Trust Association, Japan, Japan Securities Dealers' Association.

**Netherlands:** State Street Global Advisors Netherlands, Apollo Building 7th floor, Herikerbergweg 29, 1101 CN Amsterdam, Netherlands. T: +31 20 7181 000. State Street Global Advisors Netherlands is a branch office of State Street Global Advisors Europe Limited, registered in Ireland with company number 49934, authorised and regulated by the Central Bank of Ireland, and whose registered office is at 78 Sir John Rogerson's Quay, Dublin 2.

**Singapore:** State Street Global Advisors Singapore Limited, 168, Robinson Road, #33-01 Capital Tower, Singapore 068912 (Company Reg. No: 200002719D, regulated by the Monetary Authority of Singapore). T: +65 6826-7555. F: +65 6826-7501.

**South Africa:** State Street Global Advisors Limited is regulated by the Financial Sector Conduct Authority in South Africa under license number 42670.

**Switzerland:** State Street Global Advisors AG, Beethovenstr. 19, CH-8027 Zurich. Registered with the Register of Commerce Zurich CHE-105.078.458. T: +41 (0)44 245 70 00. F: +41 (0)44 245 70 16.

**United Kingdom:** State Street Global Advisors Limited. Authorised and regulated by the Financial Conduct Authority. Registered in England. Registered No. 2509928. VAT No. 5776591 81. Registered office: 20 Churchill Place, Canary Wharf, London, E14 5HJ. T: 020 3395 6000. F: 020 3395 6350.

**United States:** State Street Global Advisors, 1 Iron Street, Boston, MA 02210-1641.

© 2024 State Street Corporation. All Rights Reserved. 2537623.265.1.GBL.RTL Exp. Date: 12/31/2025