
October 3, 2025

Commentary

Weekly Economic Perspectives

Contents

-
- 01 **US: Labor Market Conditions Soften**
The government shutdown (see commentary [here](#)) has delayed the release of the premier employment report, but other indicators point to ongoing softness.
-
- 03 **UK: Growth Expected to Stay Weak**
Recent Q2 GDP revisions, using updated methods and a new base year, slightly raised the figures but left the subdued post-pandemic growth trend unchanged.
-
- 03 **Japan: New Leader**
Sanae Takaichi is likely to become Japan's next Prime Minister. We expect modest fiscal stimulus and do not see risks to the BoJ's next hike.
-
- 05 **Week in Review**
-
- Spotlight on Next Week**
US government shutdown continues. Japanese wage inflation set to ease.
-

Contact

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

Amy Le
Macro-Investment Strategist
amy_le@ssga.com
+44-203-395-6590

Krishna Bhimavarapu
Economist
VenkataVamseaKrishna_Bhimavarapu@ssga.com

Weekly Highlights

US government shutdown begins, likely to be short-lived.

US: Conf. Board
Consumer Conf. (Sep)

94.2

Soft.

US: Labor Differential
(Sep)

7.8

Very weak.

US: Job Openings (Aug
mil)

7.227

Modest.

UK: GDP (Q2, q/q, final)

0.3%

In line with expectations.

UK: Manufacturing PMI
(Sep, final)

46.2

Five-month low.

UK: Services PMI (Sep,
final)

50.8

Sharp slowdown.

JP: Large Manufacturers
Sentiment Index (Q3)

14

Solid sentiment.

JP: Expected Capex
Plans (y/y, Q3)

12.5%

Very strong.

JP: Retail Sales (Aug,
y/y)

-1.1%

8% fall in vehicle sales.

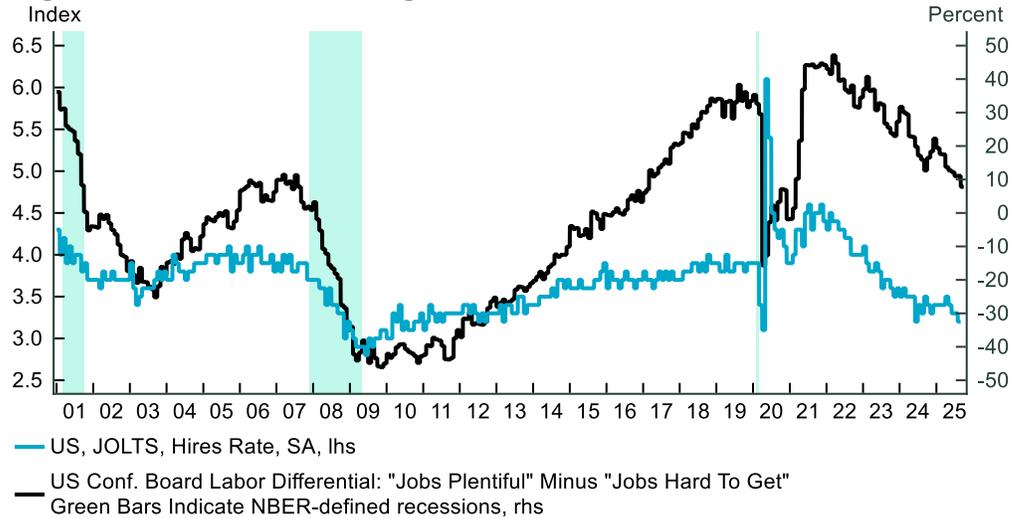
**US: Consistent
Messages of Labor
Market Softness**

Please see [here](#) our special commentary on the US government shutdown.

We have been arguing for quite a while that the US labor market is not nearly as robust as the unemployment rate makes it appear. The release of the premier employment report has been delayed due to the government shutdown that began on October 1, but other reliable signals offer a consistent message of labor market softness. The Conference Board labor differential slipped 3.3 points to 7.8, the second-largest monthly decline this year and the lowest level since February 2021. Meanwhile, the hire rate in the JOLTS report dipped to 3.2%, only a hairbreadth above the Covid low and otherwise the lowest since 2012 (Figure 1, page 2). The “slow hire” risks turning into a “no hire” narrative if this persists.

Yes, it will be good for the Fed to have updated labor market data in hand before the October 29 meeting (and they most likely will). However, there is more than enough information already available to justify another 25-basis-point cut at that meeting. If anything, we are watching with some anxiety to see how the data will reflect the end of the deferred retirement deal which about 75,000 federal employees took. In addition to the shutdown itself, this, too, will create data noise in coming weeks. Amid all the noise, however, the message is consistent and clear: the labor market needs some help from the Fed.

Figure 1: Consistent Messages Of US Labor Market Softness



Sources: SSGA Economics, TCB, Fed, DOL, BLS

UK: Growth Expected to Stay Weak

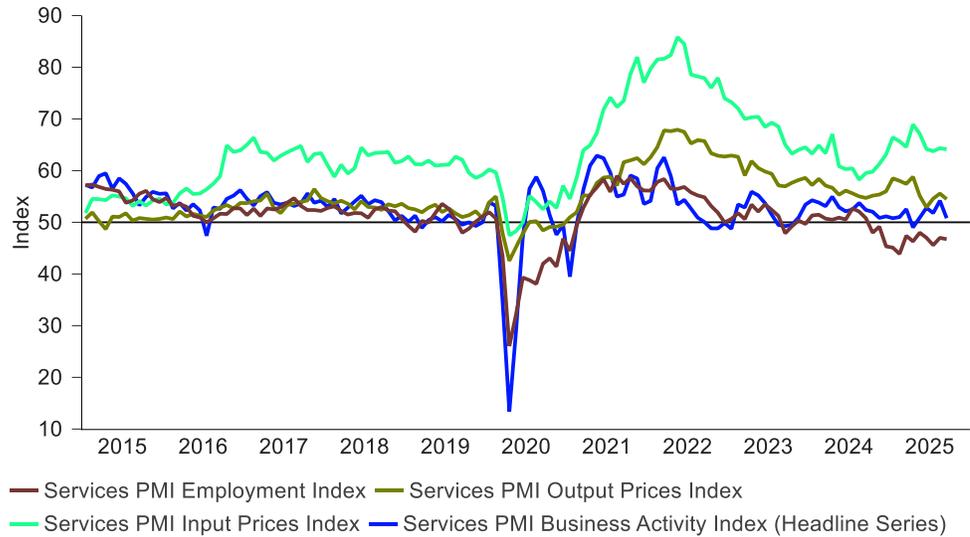
Final Q2 GDP data reveal that economic growth slowed to 0.3% in the second quarter, down from 0.7% at the start of the year. This modest rise was mainly fueled by government spending, as consumer spending held steady and business investment fell by 1.1%. Recent revisions, incorporating improved methodologies and an updated base year, led to a slight upward adjustment of GDP figures but did not alter the overall trend of subdued post-pandemic growth. The savings ratio climbed to 10.7%, indicating increased consumer saving; nevertheless, there is cautious optimism that rising sentiment could eventually boost spending, despite ongoing inflationary pressures and slow wage growth.

Looking ahead, the UK economic expansion is likely to remain subdued, with continued strain on household incomes and possible tax increases expected in the forthcoming Autumn Budget. Additionally, some households will face higher mortgage payments as fixed-rate deals come to an end.

September brought further hurdles for manufacturing, as the PMI slipped to a five-month low of 46.2 amid soft demand both domestically and abroad. Temporary factors, such as auto plant closures, affected activity, though these challenges are predicted to be short-lived. US tariffs and tax hikes remained barriers for exporters and domestic sales, prompting manufacturers to cut staffing costs. Although price pressures eased somewhat, it remains too early to determine more broad-based trends, with core goods inflation likely to remain stable for now.

The services sector echoed this slowdown toward quarter's end, reflecting muted consumer confidence, deferred business investment, and lower export orders. Activity reached its own five-month low as new orders and employment dropped amid persistent uncertainty. As cost pressures diminish and the labor market weakens, the Bank of England may be influenced to consider a more accommodative monetary policy approach.

Figure 2: UK Service Sector Expansion Slowed Down



Source: Macrobond, State Street Investment Management, S&P Global

Japan: New Leader

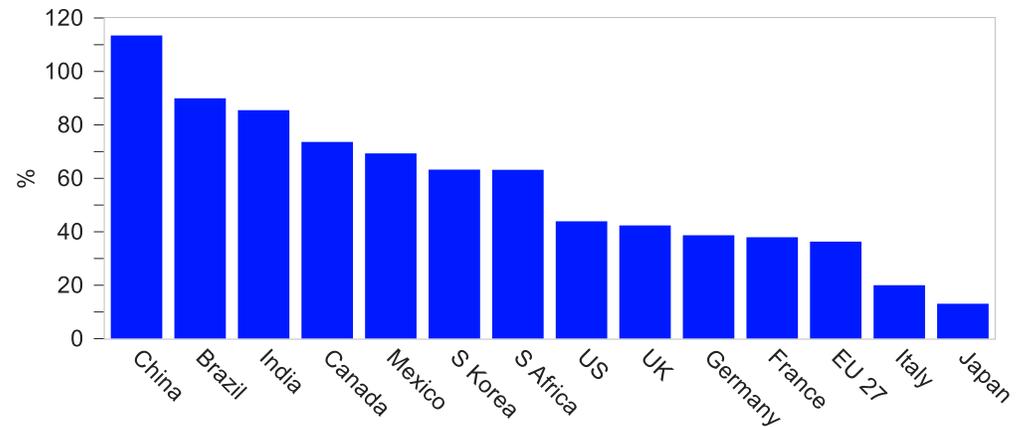
Sanae Takaichi was elected president of the ruling Liberal Democratic Party (LDP) over the weekend and is expected to succeed Shigeru Ishiba as Prime Minister following a formal Diet session on October 15. The LDP-Komeito coalition lost its majority in both the Upper and Lower houses over the past year, and Takaichi aims to restore public confidence.

Takaichi supports procyclical fiscal policy but has indicated her support for fiscal prudence during elections by removing a consumption tax cut from her policy pitch. The new government may adopt a moderately expansive approach, particularly as she prioritizes measures to address rising prices “first”. However, we do not anticipate a large supplementary budget package at this time, given the LDP’s limited political capital. Japan’s prudent fiscal stance remains notable, with the country recording the smallest increase in government debt among major economies since the pandemic (Figure 3).

We also do not foresee immediate risks to the Bank of Japan’s (BoJ) policy normalization. An October rate hike is plausible with current odds at 30%, and a hike is still expected within the next four months.

President Donald Trump is expected to visit Japan shortly after Takaichi assumes office, potentially highlighting Japan’s \$550 billion investment commitment under the U.S. trade agreement. Recent uncertainty over who holds ‘absolute discretion’ on the investment prompted Takaichi to clarify that she will not overturn the agreement but will assert Japan’s position should any issues arise.

Figure 3: Japan's Fiscal Policy Has Been Responsible Post-Pandemic
Change In Nominal Public Debt since Jan 1, 2020



Source: Macrobond, State Street Investment Management, BCB, MOF, Canadian Department of Finance, Eurostat, AFT, German Ministry of Finance, Bank of Italy, BOJ, ONS, U.S. Treasury, MOEF, MoF, SARB, SHCP
Updated as of 10/5/2025

The Q3 Tankan Survey by the BoJ showed resilient business sentiment for a second consecutive quarter, with strong capital expenditure plans, despite being conducted prior to the recent U.S. trade deal. These findings are likely to reinforce the BoJ's confidence in pursuing a near-term rate hike.

Sector-wise, sentiment improved modestly in automobiles and machinery, while weakening in accommodation services. Corporate profit expectations remained subdued, particularly in manufacturing, suggesting firms may continue absorbing elevated tariffs. Nonetheless, the capital expenditure diffusion index (DI) remained robust, with large enterprises planning a 12.5% increase in capex, supporting our view that investment will drive medium-term growth.

Corporate inflation expectations edged up, with firms anticipating a 2.4% rise over the next five years, up 0.1 percentage points. This gradual increase should support a firmer inflation outlook into next year. Governor Ueda maintained a cautiously optimistic tone, supported by growing confidence that U.S. tariffs may not significantly disrupt Japan's economic trajectory.

On the consumer side, retail sales declined by 1.1% month-on-month in August, missing consensus expectations. The drop was mainly due to a 7.8% contraction in vehicle sales, the lowest since December 2022. Other categories showed mixed results: home appliances rose by 2.6%, general merchandise by 2.9%, while food sales fell by 0.9%, indicating households may be adjusting spending in response to inflationary pressures.

Week in Review

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

Country	Release (Date, format)	Consensus	Actual	Last	Comments
Monday, Sep 29					
UK	Mortgage Approvals (Aug, thous)	64.7	64.7	65.2	UK
Tuesday, Sep 30					
US	Conf. Board Consumer Confidence (Sep)	96.0	94.2	97.8 (↑)	Soft labor differential.
US	JOLTS Job Openings (Aug, thous)	7,200	7,227	7,208	Hiring rate dipped.
UK	GDP (Q2, q/q, final)	0.3%	0.3%	0.3%	Modest.
GE	Unemployment Claims Rate (Sep, sa)	6.3%	6.3%	6.3%	Edging higher.
GE	CPI (Sep, y/y, prelim)	2.3%	2.4%	2.2%	Looks to have bottomed.
JN	Industrial Production (Aug, m/m, prelim)	-0.9%	-1.2%	-1.2%	Needs to improve.
AU	Building Approvals (Aug, m/m)	2.6%	-6.0%	-10.0% (↓)	Driven by a large fall in high density approvals.
AU	RBA Cash Rate Target	3.60%	3.60%	3.60%	As expected.
Wednesday, Oct 1					
US	ISM Manufacturing (Sep)	49.0	49.1	48.7	OK.
UK	Nationwide House PX (Sep, m/m)	0.2%	0.5%	-0.1%	Rebound.
UK	Manufacturing PMI (Sep, final)	46.2	46.2	47.0	five-month low
GE	Manufacturing PMI (Sep, final)	48.5	49.5	49.8	Soft.
FR	Manufacturing PMI (Sep, final)	48.1	48.2	50.4	Soft.
IT	Manufacturing PMI (Sep)	49.9	49.0	50.4	Soft.
JN	Manufacturing PMI (Sep, final)	n/a	48.5	49.7	Needs to improve.
Thursday, Oct 2					
IT	Unemployment Rate (Aug)	6.0%	6.0%	5.9%	Still low.
Friday, Oct 3					
US	ISM Services Index (Sep)	51.7	50.0	52.0	Soft details.
UK	Services PMI (Sep, final)	51.9	50.8	54.2	Sharp slowdown.
GE	Services PMI (Sep, final)	52.5	51.5	49.3	Modest.
FR	Services PMI (Sep, final)	48.9	48.5	49.8	Soft.
IT	Retail Sales (Aug, m/m)	n/a	-0.1%	0.0%	Soft.
JN	Jobless Rate (Aug)	2.4%	2.6%	2.3%	Still very low.

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

About State Street Investment Management

At State Street Investment Management, we have been helping to deliver better outcomes to institutions, financial intermediaries, and investors for nearly half a century. Starting with our early innovations in indexing and ETFs, our rigorous approach continues to be driven by market-tested expertise and a relentless commitment to those we serve. With over \$4 trillion in assets managed*, clients in over 60 countries, and a global network of strategic partners, we use our scale to create a comprehensive and cost-effective suite of investment solutions that help investors get wherever they want to go.

*This figure is presented as of March 31, 2025 and includes ETF AUM of \$1,553.58 billion USD of which approximately \$106.42 billion USD 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

State Street Global Advisors (SSGA) is now State Street Investment Management. Please go to statestreet.com/investment-management for more information.

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 October 3, 2025, 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 AG, Kalandersplatz 5, 8045 Zürich. Registered with the Register of Commerce Zurich CHE-105.078.458. Tel: + 41 44 245 7000.

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 ("SSGAE"), 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. Fax: +353 (0)1 776 3300. Web: www.ssga.com.

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 ("SSGAL"). Authorized and regulated by the Financial Conduct Authority, Registered No.2509928. VAT No. 5776591 81. Registered office: 20 Churchill Place, Canary Wharf, London, E14 5HJ. Telephone: 020 3395 6000. Facsimile: 020 3395 6350

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

© 2025 State Street Corporation. All Rights Reserved. 2537623.304.2.GBL.RTL Exp. Date: 10/31/2026