
October 17, 2025

Commentary

Weekly Economic Perspectives

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Weekly Highlights

Limited US data flow sends mixed signals, but housing seems to be reviving.

US: Homebuilder Sentiment (Oct, index)

37

Biggest jump in 21 months.

US: Empire Fed Manuf. (Oct, Index)

10.7

Big jump, but very volatile.

US: Philly Fed Manuf. (Oct, index)

-12.8

Huge reversal after prior gain.

UK: ILO Unemployment Rate (Aug, 3-months)

4.8%

Higher than expected.

UK: Private Sector Pay Growth (June-Aug, y/y)

4.4%

Lower than expected.

UK: Industrial Production (Aug, m/m)

0.4%

Above expectations.

AU: Unemployment Rate (Sep)

4.5%

Might continue rising.

AU: Participation Rate (Sep)

67.0%

More people looking for jobs.

AU: Employment Growth (thous, m/m)

14.9

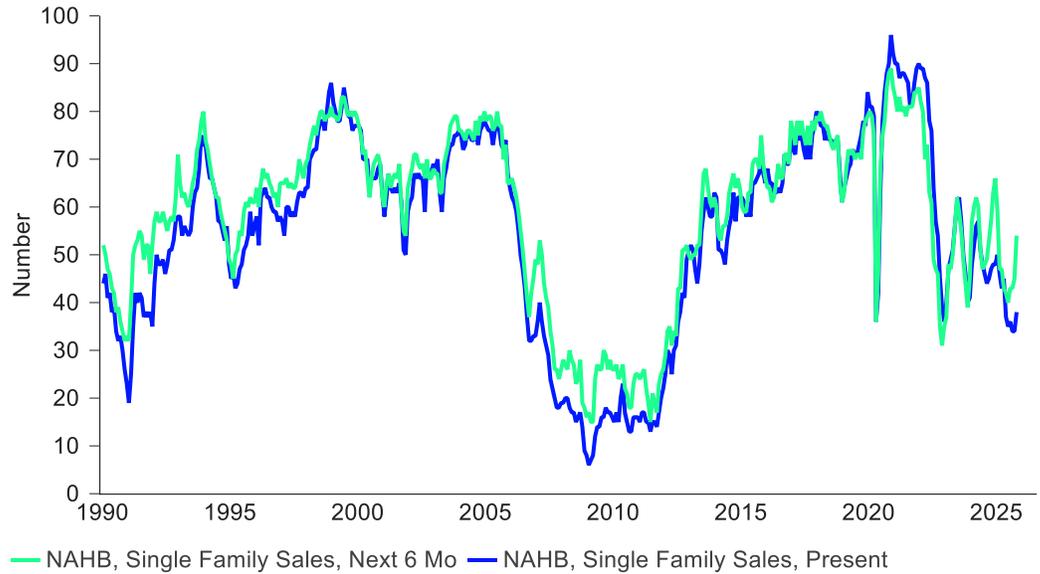
Below expectations.

US: Housing Revival?

Amid the ongoing government shutdown, the flow of US macroeconomic data has been limited to a few private data releases. Of these, perhaps the most hopeful this week was the update on homebuilder sentiment from the National Association of Homebuilders (NAHB). The 5-point jump in the headline was the largest single-month increase since January 2024 and highlights the sector’s sensitivity to the resumption of Fed rate cuts. Specifically, the “future sales” component surged nine points, also the most since January 2024.

Given our (and market’s) expectation for two more 25-bp cuts this year and more in 2026, it is not surprising to see sentiment around future home sales improve. While 30-year mortgage rates remain elevated at around 6.25%, they should ease further in coming months, improving affordability. The other side of this, of course, is that current sales activity is so depressed that it would not take much to bring about an improvement. Indeed, present sales sentiment is hovering at levels seen only briefly during Covid.

Figure 1: US Homebuilder Sentiment Improves, But From Low Levels



Source: Macrobond, State Street Investment Management, National Association of Home Builders

UK: Stagnant Job Market

This week's labor market report shows a stagnant job market. The ILO unemployment rate rose to 4.8% in the three months to August, despite forecasts of a drop to 4.6%. While LFS survey data varies, its larger sample and other surveys also confirm rising unemployment.

As the Bank of England considers slowing interest rate reductions, UK private sector wage growth is decreasing, reducing pressure on the Bank. Wage growth has dropped to 4.4% annually from 6% and there are signs that it may fall below 4% by November.

Most MPC members maintained their positions this week. However, Governor Bailey showed a more dovish approach in response to recent labor market data while noting ongoing high inflation. Meanwhile, Chief Economist Huw Pill advocates for further rate cuts but at a slower pace than the MPC's recent quarterly actions.

A rate cut in November now appears unlikely, but December remains possible if wage growth declines further and services inflation undershoots expectations. On balance, we now view February as the most likely timing, permitting the incorporation of additional economic data.

Australia: Upside Risks to Unemployment Rate

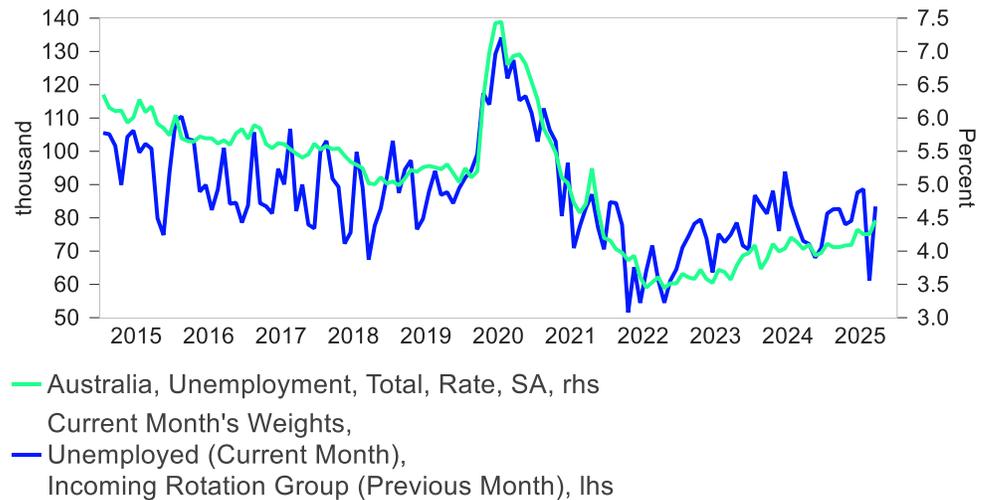
The unemployment rate surged to 4.5% in September, up from the originally reported 4.2% in August (subsequently revised to 4.3%). This was in line with our expectations (see [here](#) and [here](#)) but a big negative surprise relative to consensus and the Reserve Bank of Australia (RBA) whose Statement of

Monetary Policy forecasted the rate to remain at 4.3% through December 2027! Regular readers would remember our [August commentary](#) on the underappreciated of the risks in the labor market.

The deterioration was a combination of softer hiring, higher participation, and also a pickup in the incoming rotation group's rate to 4.4% from last month's 3.3%. Although the unemployment rates of the samples change every month, we believe the higher incoming group's rate also indicates that the labor market has changed from last year. Overall employment growth also underwhelmed expectations at 14.9k.

There was also a negative revision to last month's data; the unemployment rate was revised up a tenth to 4.3%, while employment is revised to show a loss of 11.9k jobs, instead of the initially reported 5.1k decline (Figure 2).

Figure 2: Australia's Unemployment Rate May Rise



Source: Macrobond, State Street Investment Management, Australian Bureau of Statistics

We view the November RBA meeting to be a close call, as the Q3 CPI data is due on October 29 may show a pickup, with our own Australia Inflation Tracker showing a modest upside risk. Nonetheless, our forecast remains unchanged as we expect the RBA to cut at least once in the next two meetings.

Week in Review

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

Country	Release (Date, format)	Consensus	Actual	Last	Comments
Monday, Oct 13					
No major data releases.					
Tuesday, Oct 14					
UK	ILO Unemployment Rate (Aug, 3-months)	4.7%	4.8%	4.7%	Softer wage growth.
GE	CPI (Sep, y/y, final)	2.4%	2.4%	2.4%	Has bottomed.
GE	ZEW Survey Expectations	41.1	39.3	37.3	Modest.
Wednesday, Oct 15					
US	Empire Manufacturing (Oct)	-1.8	10.7	-8.7	Quite volatile.
FR	CPI (Sep, y/y, final)	1.2%	1.2%	0.9%	Low.
JN	Industrial Production (Aug, m/m, final)	n/a	-1.5%	-1.2%	Underwhelming.
Thursday, Oct 16					
UK	Industrial Production (Aug, m/m)	0.2%	0.4%	-0.4% (↑)	Better than expected.
JN	Tertiary Industry Index (Aug, m/m)	-0.2%	-0.4%	0.2% (↓)	Not looking good.
JN	Core Machine Orders (Aug, m/m)	0.5%	-0.9%	-4.6%	Not looking good.
AU	Unemployment Rate (Sep)	4.3%	4.5%	4.3% (↑)	In line with our expectations.
Friday, Oct 17					
EC	CPI (Sep, final)	2.2%	2.2%	2.0%	Highest since April.

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

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