
October 24, 2025

Commentary

Weekly Economic Perspectives

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Weekly Highlights

US inflation data offers reassurance ahead of busy central bank week.

US: Headline CPI
Inflation (Sep, y/y)

3.0%

Slightly softer than expected.

US: Core CPI Inflation
(Sep, y/y)

3.0%

Slightly softer than expected.

US: Existing Home Sale
(Sep, m/m)

1.5%

Still very depressed.

CA: Headline CPI (Sep,
y/y)

2.4%

Upside surprise.

UK: Headline CPI (Sep,
y/y)

3.8%

In line with our expectations.

UK: Retail Sales Inc
Auto Fuel (Sep, m/m)

0.5%

Above expectations.

JP: Core CPI Inflation
(Sep, y/y)

2.9%

Inflation to remain high.

JP: Real Exports (Sep,
m/m)

2.9%

AI related tech is the key driver.

JP: Manufacturing PMI
(Oct)

48.3

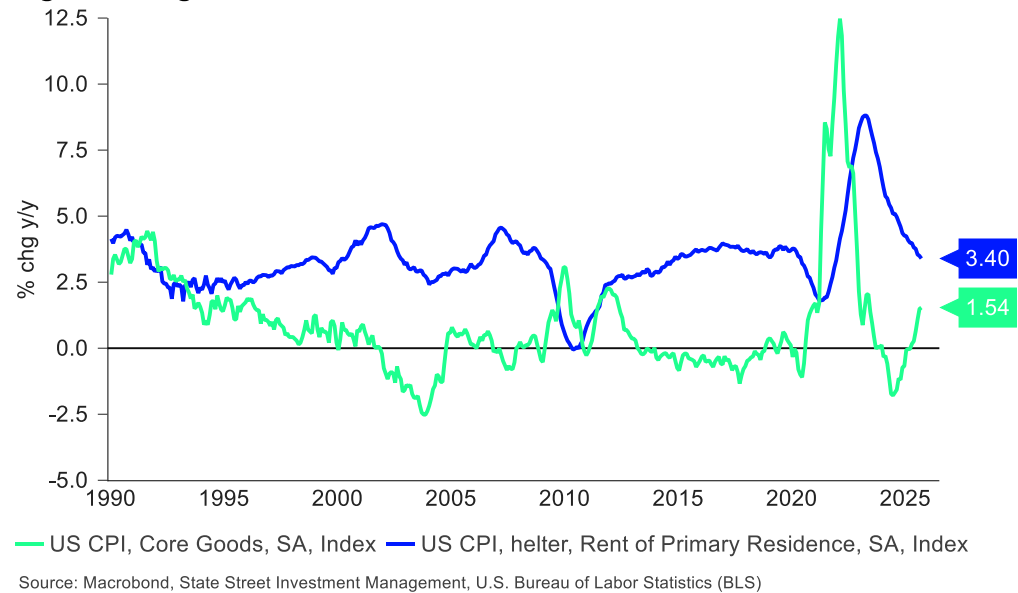
No turnaround yet.

US: Good to Go for Back-to-Back Cuts

After an unusually long delay caused by the government shutdown, we finally got the September consumer price inflation data. It was fine. Better than expected, in fact, as both headline and core CPI inflation came in a tenth lower than the Bloomberg consensus. Overall prices rose 0.3% and the headline inflation rate quickened by a tenth to 3.0% y/y, while core prices rose 0.2%, allowing the core inflation rate to ease a tenth to 3.0% y/y.

Energy commodities were a big contributor to the overall rise with a 3.8% m/m jump, but food prices (both at home and away from home) were well-behaved. Most importantly, shelter inflation continues to moderate. This offers a powerful disinflationary offset to the visible rise in goods prices because of tariffs. Rent of shelter costs increased 0.21% m/m, the second-smallest increase since February 2021, allowing this component of inflation to ease another tenth to 3.5% y/y. It has come down almost a full percentage point since January and now stands at the lowest level since September 2021. The good news is that given how backward-looking shelter inflation data is in the CPI report (methodology related), this gentle downtrend should continue throughout 2026. Core goods inflation is moving higher, but remains contained, suggesting modest passthrough from tariffs so far (Figure 1, page 2). Prices of non-durable commodities excluding food—where one may look for clear tariff impact—rose 1.8% m/m, the most since December.

Figure 1: Tug Of War In US Inflation Continues



The data should allow the Fed to cut at each of the remaining meetings this year, on October 29 and December 10.

Canada: Another Rate Cut?

September's CPI inflation data surpassed expectations, but underlying inflationary pressures remain contained. Given ongoing economic headwinds and continued labor market slack, we expect a further 25 basis point rate cut to be announced next week.

Headline CPI inflation increased to 2.4% year-over-year in September, up from 1.9% in August and slightly surpassing forecasts. Core inflation measures rose marginally, with most components aligning with our expectations except for higher food prices. Rental inflation remained persistent but may moderate in response to lower immigration and declining home prices. Additionally, fewer items recorded increases above 3%, suggesting that overall inflationary pressures remain limited.

Meanwhile, retail sales remained volatile in August, rebounding following a July decline, but forecasts suggest a renewed contraction in September. Factors including a softening labor market, ongoing global trade uncertainties, and muted demand imply consumer spending will remain limited. Importantly, a notable decrease in consumer expenditures is unlikely unless job losses exceed currently moderate projections.

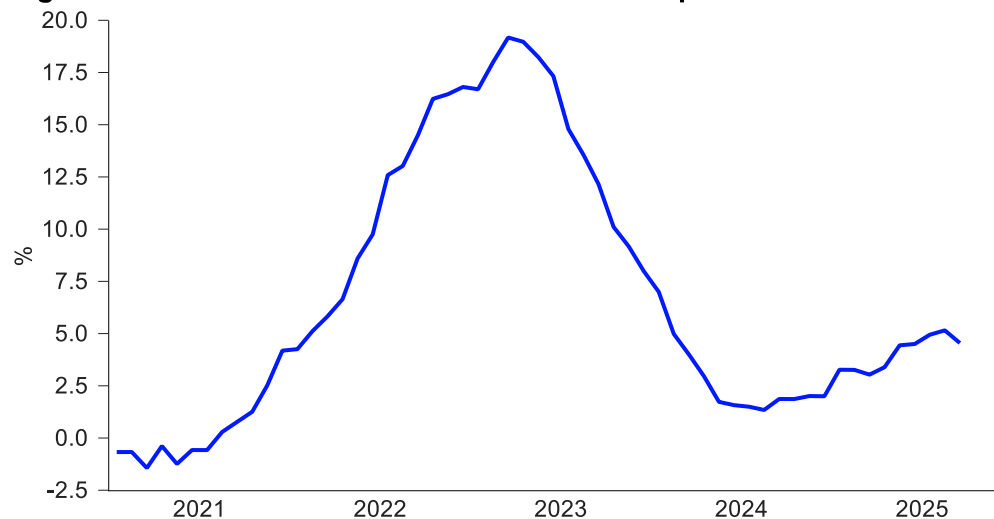
Collectively, we expect that these factors will support the BoC's decision to lower the overnight rate by an additional 25 basis points to 2.25%, placing it at the lower boundary of its neutral range for the upcoming week.

UK: Inflation May Have Peaked

The headline inflation rate for September was 3.8%, matching our forecasts and undershooting the 4.0% market estimate. UK inflation may have peaked.

Recent figures show that food inflation has moderated, with a decrease in September contributing to annual food inflation falling below 5%, which is well below the Bank of England's August projection. Policymakers have been monitoring cost increases related to tax and wage adjustments made earlier in the year due to concerns about persistent inflation; however, the latest data points to some easing.

Figure 2: UK Food Inflation Slowed Down In September



Source: Macrobond, State Street Investment Management, U.K. Office for National Statistics (ONS)

Services inflation is also lower than the Bank of England's August forecast, with core services inflation recorded at 4.1% year-over-year. The Bank will continue to monitor trends in catering, an important segment within services, although annual rates in this area declined last month.

We project that inflation will average 3.5% in Q4, with further declines expected from January. Positive wage growth data, combined with current inflation figures, has increased the probability of an interest rate reduction later this year.

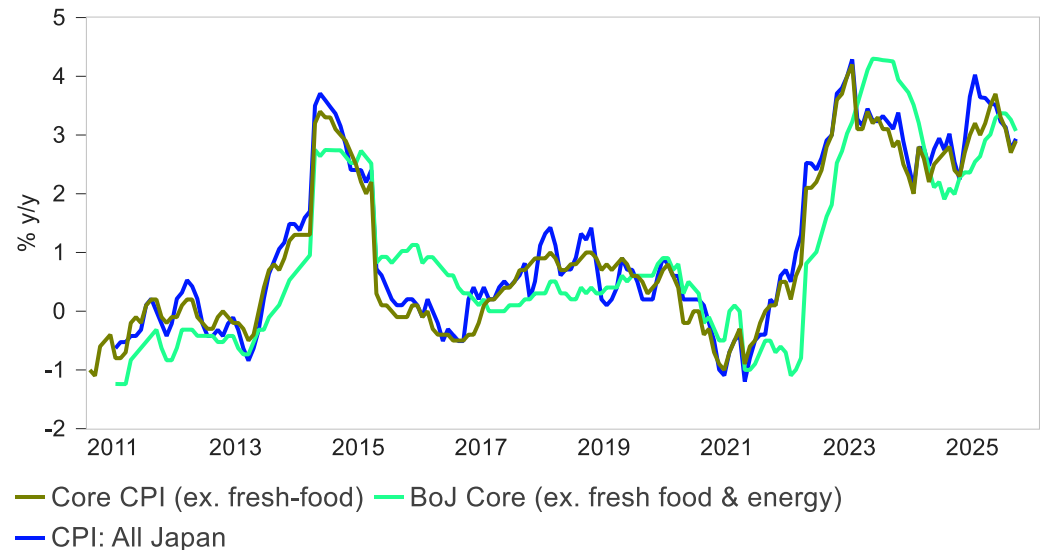
Japan: Persistent Inflation

Are investors missing the playbook in Japan? Find out in our latest thought leadership piece: [“Sanaenomics”: A Truss or a Meloni moment? | State Street](#)

Inflation data from September reaffirmed its persistence, with the headline and core CPI (excluding fresh food) at 2.9% y/y. The BoJ core (excluding fresh food and energy) printed 3.1%, which is quite strong. However, we expect it to re-anchor at a lower level due to government subsidies targeting key household expenses such as electricity, gas, water charges, and childcare fees in Tokyo.

The decision to keep public transportation and healthcare fees steady has also contributed to moderating price pressures.

Figure 3: Price Pressures Remain Intense In Japan



Source: Macrobond, State Street Investment Management, Japanese Statistics Bureau, Ministry of Internal Affairs & Communications

A deeper examination of the data highlights the tangible effects of government-imposed price controls. Educational expenses declined by 5.6%, driven by targeted subsidies, while the elimination of childcare fees in Tokyo led to a drop in recreation-related inflation—bringing it below 2% for the first time since March 2023. Despite these disinflationary measures, food inflation remains elevated at 7.6%, though it has started to retreat from its peak.

Looking ahead, we expect the government's influence through subsidies and price controls to intensify, particularly as Sanae Takaichi's administration takes shape. While her leadership is likely to exert a dampening effect on headline inflation, we expect it to remain intense due to resilient food prices and strengthening services prices.

Although the BoJ is likely to stand pat, we see a 30% chance of a hike; markets are pricing a 20% probability. We expect the hawkish members (Takata and Tamura) to make a strong case for the Bank falling behind. Most crucially, Prime Minister Takaichi has offered limited guidance on monetary policy thus far. Nonetheless, this meeting could serve as a litmus test for the BoJ's independence, as political considerations may delay action. Given the overdue nature of a hike, a prudent approach might be to raise rates now and then adopt a prolonged pause—especially as headline inflation is expected to soften in the coming months due to base effects and continued government intervention.

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 20					
No major data releases.					
Tuesday, Oct 21					
CA	CPI (Sep, y/y)	2.2%	2.4%	1.9%	Above expectations.
Wednesday, Oct 22					
UK	CPI (Sep, y/y)	4.0%	3.8%	3.8%	Inflation may have peaked.
Thursday, Oct 23					
US	Existing Home Sales (Sep, mn)	4.06	4.06	4.00	Still very weak.
Friday, Oct 24					
US	CPI (Sep, y/y)	3.1%	3.0%	2.9%	Good headline, good details.
US	U. of Mich. Sentiment (Oct, final)	54.6	53.6	55.1	Soft.
UK	Services PMI (Oct, prelim)	51	51.1	50.8	Good.
UK	Manufacturing (Oct, prelim)	46.6	49.2	46.2	Stronger than expected.
UK	Retail Sales Inc Auto Fuel (Sep, m/m)	-0.3%	0.5%	0.6%	Upside surprise.
GE	Manufacturing (Oct, prelim)	49.5	49.6	49.5	Modest.
FR	Manufacturing PMI (Oct, prelim)	48.2	48.3	48.2	Modest.
JN	Natl CPI (Sep, y/y)	2.9%	2.9%	2.7%	Persistent.
JN	Manufacturing PMI (Oct, prelim)	n/a	48.3	48.5	Modest.

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

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