
November 7, 2025

Commentary

Weekly Economic Perspectives

Contents

-
- 01 **US: Mixed Data Signals Call for December Rate Cut**
The most important data updates (limited as they were given the ongoing government shutdown) reiterate the softening labor market narrative and by doing so, call for another rate cut in December.
-
- 02 **BoE: Increased Chance of December Rate Cut**
The Bank of England (BoE) maintained its policy rate but there is increased confidence that a rate reduction will occur in December, primarily due to Governor Bailey's dovish position.
-
- 03 **RBA: On Hold**
The RBA held policy as expected and revised their inflation forecasts higher on temporary factors.
-
- 06 **Week in Review**
-
- 05 **Spotlight on Next Week**
Australia's unemployment rate to remain at 4.5%. US government shutdown may finally end as contours of a deal take shape.
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Weekly Highlights

US government shutdown is now the longest on record, mixed data signals persist.

US: Motor Vehicle Sales
(Oct, mil, saar)

15.32

Big drop.

US: Michigan Consumer
Sentiment Index (Oct)

50.3

Lowest since June 2022.

US: Challenger Layoffs
(Oct, y/y)

175%

Cautionary signal.

CA: Unemployment Rate
(Oct)

6.9%

Stronger than expected.

BoE: Policy Rate

4.00%

In line with expectations.

UK: Manufacturing PMI
(Oct, final)

49.7

Unlikely to be sustained.

JP: Household Spending
(Sep, y/y)

1.8%

Below expectations.

JP: Overall Cash
Earnings (Sep, y/y)

1.9%

Retains underlying strength.

AU: Household
Spending (Q3, q/q)

0.2%

Important signal for the RBA.

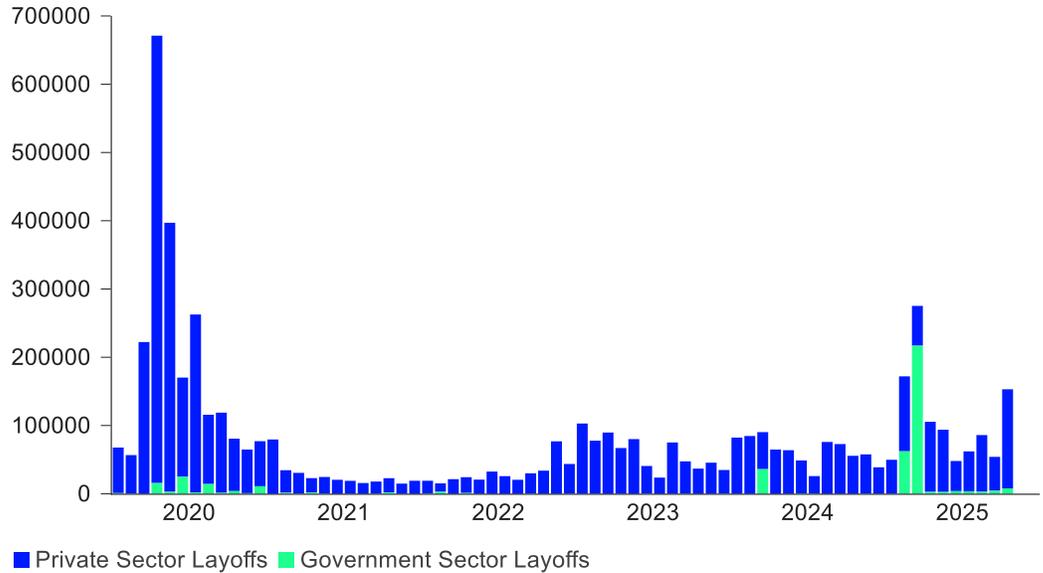
**US: Layoffs Say
Caution, Not Panic**

While the government shutdown continued, there has been a welcome uptick in the number of macro data updates during the week of November 3. The messages were mixed. On the upside, the ISM non-manufacturing index came in stronger than expected, offsetting the tepid manufacturing reading. But motor vehicle sales declined by over one million (seasonally adjusted annualized) to 15.32 million in October. It is too soon to worry given that the holiday shopping season is yet to fully begin, but it is a reminder of downside risks to consumer spending in an environment of expensive credit and softening labor market.

On that last point, the reported spike in October layoff announcements from Challenger, Gray & Christmas grabbed a lot of attention. While government sector layoffs remained low (as we've been arguing despite threats thereof during the government shutdown) private sector layoff announcements tripled from September and from a year earlier.

The data matches a string of recent layoff announcements from large US firms, some of which have been linked to AI deployment. As such, they need to be taken seriously; in light of this, there is no reason for the Fed to skip the December cut. At the same time, it is also not wise to panic, given that hiring announcements also jumped during the month so the net labor market deterioration implied by the totality of the data is less intense.

Figure 1: Spike in US Layoffs a Cautionary Sign, Not a Panic Signal



Source: Macrobond, State Street Investment Management, Challenger, Gray & Christmas, Inc.

BoE: Increased Chance of December Rate Cut

The Bank of England (BoE) maintained its policy rate but there is increased confidence that a rate reduction will occur in December, largely due to Governor Bailey's dovish position.

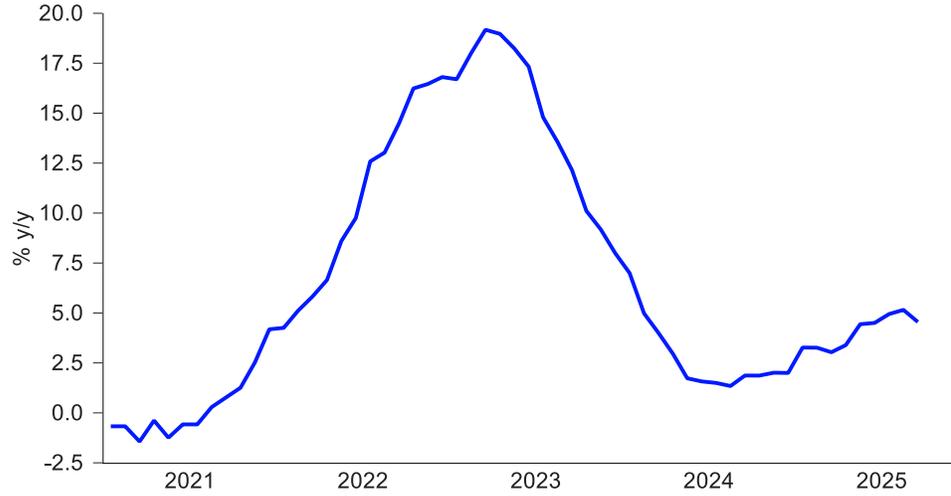
The BoE has held the policy rate steady at 4%, following a closely split 5-4 decision among policymakers (with Taylor, Dhingra, Ramsden and Breeden voting for a cut). The bank provided a modest adjustment to its forward guidance, now expecting interest rates to "continue on a gradual downward path." The accompanying statement also indicated that inflation concerns have moderated, and risk assessments are more balanced.

Governor Bailey cast the decisive vote, highlighting forthcoming budget data as a factor in the consideration of a potential rate cut in December. He further aligned with market expectations, which currently assign a probability greater than 50% to a December rate reduction.

Recent developments suggest that the upcoming Budget is likely to increase the chances of a December rate cut. In a speech on Tuesday, the Chancellor indicated that the forthcoming Budget may include an increase in the main income tax rate, implying additional immediate fiscal tightening. Chancellor Reeves is also anticipated to refrain from introducing measures that would lift near-term inflation.

On data, with recent decline in food inflation and signs that eurozone supermarket prices may have peaked, there appear to be downside risks to the Bank of England's inflation projections.

Figure 2: UK Food Inflation Has Likely Peaked



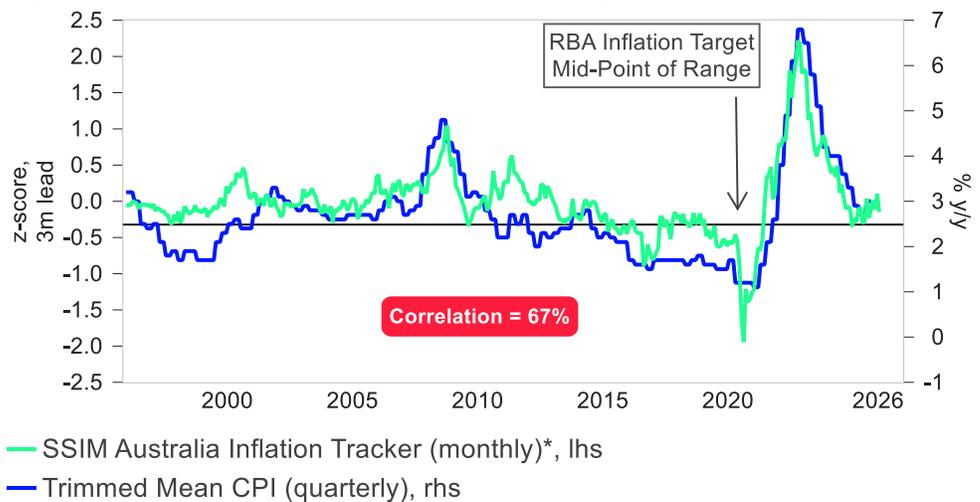
Source: Macrobond, State Street Investment Management, U.K. Office for National Statistics (ONS)

Overall, we continue to expect a rate cut in December, followed by two additional reductions in 2026.

RBA: On Hold

The Reserve Bank of Australia (RBA) held their policy rate at 3.60% as expected, turned marginally hawkish in tone, and revised inflation forecasts higher in the Statement of Monetary Policy (SoMP). The Bank might remain on hold for an extended period unless labor market risks materialize.

Figure 3: Australia's Inflation Uncomfortably Numb



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

The Bank sees the Q3 surprise due to 'temporary factors', much like we do but does not expect headline inflation to return to the target band until June 2027.

The SoMP forecasts headline CPI at 3.7% in June 2026 which is up by 0.6 pp from last forecast, largely incorporating the recent bump. The Trimmed mean inflation is also revised higher at 3.2%, up by the same magnitude. Our State Street Investment Management Australia Inflation Tracker is signaling inflation remaining around 3% on a very gradual creep up (figure 3). This data is supportive of the RBA's view that further rate cuts might be hard to achieve. Purely based on inflation, we agree.

However, the door on rate cuts is not completely closed and will depend on how the labor market evolves. The unemployment rate in September rose to 4.5% in a surprise move recently and will be in focus next week. We see a fair chance for it to remain at 4.5%, unless participation eases. As such, we are noticing that labor demand has eased materially this year putting focus on how supply might evolve.

Quite interestingly, the Bank sees unemployment rate at 4.4% throughout the forecast horizon, mostly only a tenth higher from their last forecast round, indicating that it still sees the labor market as relatively tight. However, the rate could rise further to 4.7% by mid-2026 and we do not rule out happening sooner.

Week in Review

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

Country	Release (Date, format)	Consensus	Actual	Last	Comments
Monday, November 3					
US	ISM Manufacturing (Oct)	49.5	48.7	49.1	Softish.
UK	Manufacturing PMI (Oct, final)	49.6	49.7	46.2	Still weak.
GE	Manufacturing PMI (Oct, final)	49.6	49.6	49.5	Tepid.
FR	Manufacturing PMI (Oct, final)	48.3	48.8	48.2	Tepid.
IT	Manufacturing PMI (Oct)	49.3	49.9	49	Tepid.
AU	Building Approvals (Sep, m/m)	5.0%	12.0%	-3.6% (↑)	Still no clear signal.
Tuesday, Nov 4					
JN	Manufacturing PMI (Oct, final)	n/a	48.2	48.3	Softish.
AU	RBA Cash Rate Target	3.60%	3.60%	3.60%	The RBA turns marginally hawkish.
Wednesday, Nov 5					
US	ISM Services Index (Oct)	50.8	52.4	50.0	Welcome improvement, but will it last?
UK	Services PMI (Oct, final)	51.1	52.3	50.8	Better than expected.
FR	Industrial Production (Sep, m/m)	0.1%	0.8%	-0.9% (↓)	Soft.
FR	Services PMI (Oct, final)	47.1	48.0	48.5	Soft.
Thursday, Nov 6					
UK	Bank of England Policy Rate	4.00%	4.00%	4.00%	In line with expectations.
GE	Industrial Production (Sep, m/m)	3.0%	1.3%	-3.7% (↑)	Soft.
Friday, Nov 7					
US	U. of Mich. Sentiment (Nov, prelim)	53.0	50.3	53.6	Very weak, lowest since June 2022.
CA	Unemployment Rate (Oct)	7.1%	6.9%	7.1%	Unexpected improvement.

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

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