
November 14, 2025

Commentary

Weekly Economic Perspectives

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Contact

Simona Mocuta
Chief 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 Is Finally Over; Worries Flare Over UK Budget.

US: Small Business Optimism (Oct)

98.2

Tepid overall.

US: NFIB Higher Prices (Oct)

21

Second lowest since 2021.

US: NFIB Positions Unable to Fill (Oct)

32

Matched lowest since 2020.

UK: GDP (Q3, q/q, prelim)

0.1%

Below expectations

UK: Unemployment Rate (Sep, 3-month average)

5.0%

Higher than expectations.

UK: Average Earnings Growth Excluding Bonuses (Sep, 3m y/y,

4.6%

Lower than expectations.

JP: Goods PPI (Oct, y/y)

2.7%

Price pressures are alive.

AU: Unemployment Rate (Oct)

4.3%

Below expectations.

AU: Participation Rate (Oct)

67.0%

Unchanged.

US: More Anxiety, but Not More Data

The longest US government shutdown on record has finally ended, but it will take some time before the flow of statistical data releases resumes. When it does, it will initially be beset by unusual limitations. For instance, we should get the September employment report soon, but the one that we always said would matter more—the October one—may not be available at all. Or at least, the household survey portion of it, which would hold valuable information about the supply-demand dynamic in the labor market. Ever since the deferred DOGE layoffs in the spring, we penciled in a sizable negative print for October payrolls and an uptick in the unemployment rate. This should have left no doubt about a December Fed cut.

Instead, there are doubts aplenty, especially since the hawkish members of the FOMC (of which several are non-voters this year) have recently been out in force arguing against further cuts. From our vantage point, it feels that we've seen this scene not once, but twice before. First in the summer of 2024, when the FOMC turned quite hawkish on the basis of inflation fears before making a U-turn with 100 basis points of cuts on the basis of labor market concerns. The second time was this summer, when tariff/inflation concerns again delayed cuts until September. Given material relief in respect to tariff policy recently (China truce, Switzerland tariff reductions, seemingly imminent tariff reductions on key agricultural goods), one would presume that inflation concerns would be subsiding somewhat. And given the recent spike in private sector layoffs and multiplying headlines about further

workforce reductions, one would simultaneously presume that labor market concerns should move up the priority list.

That doesn't seem to necessarily be the case. Indeed, hawkish messaging from Fed officials drove market pricing for a December cut below 50% as of Friday the 14th. To some extent, it could be argued that a December and a January cut are interchangeable, so the Fed could wait till January. But if they are truly eyeing a January cut, then they might as well deliver it in December and recalibrate 2026 expectations in a more hawkish direction. Then, with three cuts under their belt, FOMC members can enter another extended pause to allow data to clarify the macro picture. This would be our preferred outcome, and we still believe this remains the most likely one. If new data in 2026 emphasize inflation concerns, the FOMC can blame the lack of data for the decision to cut in December. If instead it continues to emphasize labor market concerns, then the cut will be seen as that much more welcome and prescient. Seems like a win-win. Can the Chair convince the committee? We hope so.

Whatever little data is still trickling in is not offering decisive takeaways. But there are repeated reassurance about the lack of inflationary pressures stemming from the labor market, and that should be an important consideration for policymakers.

Figure 1: Subdued Signals On US Wages



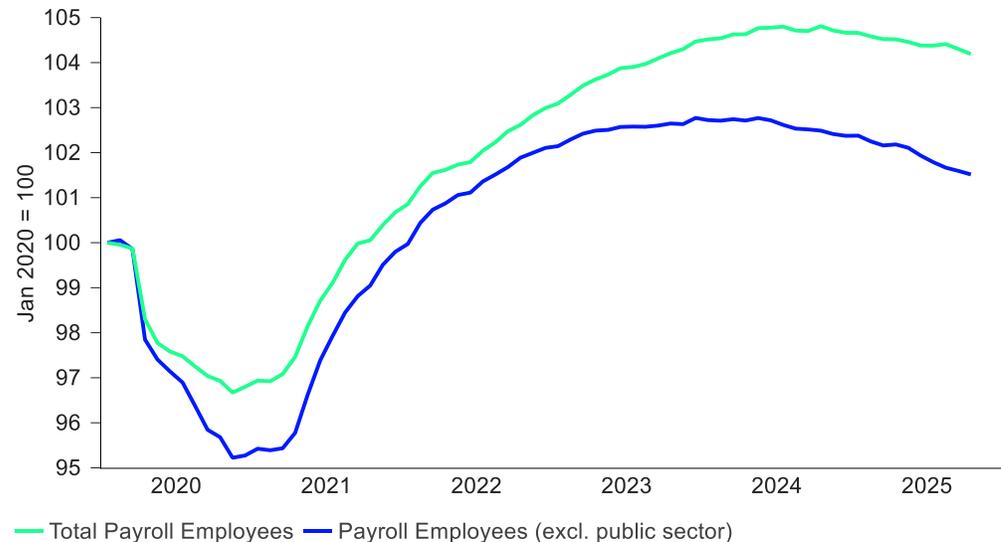
Source: Macrobond, State Street Investment Management, National Federation of Independent Business

UK: Labor Data Supports December Rate Cut

Weak labor market data and sluggish economic activity have raised the odds of a rate cut in December. Although further data are coming before the BoE's meeting, the Budget may further limit growth, with labor market softness persisting. In addition, while inflation risks may remain, these must be substantial to change existing forecasts.

In October, payroll employment declined by 32k, representing the 11th consecutive monthly decrease, reflecting the impact of increases in payroll taxes and the minimum wage. The **unemployment rate** also rose from 4.8% to 5.0%, though these figures should be interpreted with caution due to uncertainties inherent in the Labor Force Survey.

Figure 2: UK Labor Market Easing Continues



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

Labor market weakness is contributing to a slowdown in wage growth. The three-month y/y increase in average earnings including bonuses decreased from 5.0% in August to 4.8% in September, while growth excluding bonuses softened to 4.6%. Regular private sector pay increases moderated to 4.2%, and PAYE median earnings growth fell significantly from 5.9% in September to 3.1% in October.

Economic activity was also below expectations, with **GDP** expanding by only 0.1% q/q in Q3, impacted by temporary disruptions in the automotive sector. A recovery is expected for Q4. Domestic final demand increased by 0.5%, largely driven by household and government expenditure. Meanwhile, business investment, inventories, and net trade limited overall growth. Going forward, GDP growth will likely stay modest as earlier stimulus effects fade and further fiscal tightening is expected in the Autumn Budget.

In terms of inflation, we expect that recent declines in food inflation and indications that eurozone supermarket prices may have peaked suggest downside risks for the BoE's inflation projections.

Regarding **fiscal policy**, recent media briefings suggest that the Office for Budget Responsibility (OBR) may issue less pronounced forecast downgrades than previously expected, potentially resulting in a fiscal gap of approximately £20 billion or less. It has been reported that the Chancellor does not plan to increase income tax rates and is evaluating measures to enhance fiscal headroom by £5 - 10 billion,

with potential tax changes totaling around £25 billion. While increased fiscal headroom can alleviate short-term fiscal challenges, it is important to assess OBR's more favorable forecasts with due caution. Currently, we expect that the upcoming tax changes will have a limited effect on inflation and the Bank of England's interest rate decisions, with the Chancellor likely to refrain from implementing policies that could exacerbate inflationary pressures.

Overall, we continue to expect another rate cut in December, with two further reductions next year, which will bring the policy rate to 3.25% by mid 2026.

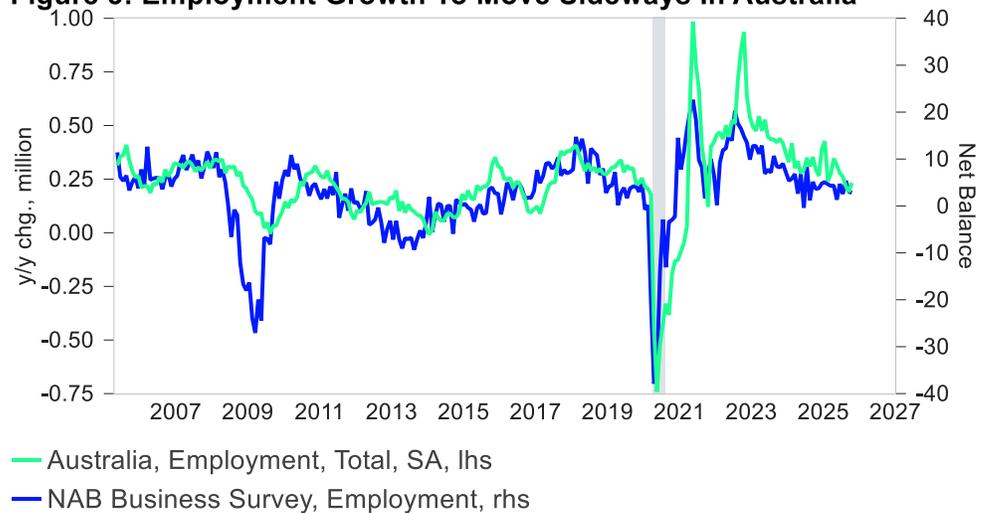
**Australia:
Unemployment
Reverts**

The unemployment rate eased back down to 4.3% in October, against our expectations of remaining at 4.5% and consensus's 4.4%. The step down was supported by a strong 42.2k job additions and participation rate remaining at 67.0% and also rhyme with hours worked rising 0.5% m/m.

The data indicates that the labor market is on a strong footing, despite rising risks that we highlighted here [Are rate cuts off the table in Australia? | State Street](#).

The data affirms the Reserve Bank of Australia's (RBA) stance that the labor market remains strong, but we still think that the unemployment rate has some more room to run higher. Youth unemployment rate eased back to 9.6% as their participation rate remained stable, indicating that most of the young people who could not find employment last month could do so this month. We think that the labor market remains at an inflection point and needs more data to form a clearer view. As such, leading indicators point to some more wiggle room for the unemployment rate moving upward.

Figure 3: Employment Growth To Move Sideways In Australia



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

The consumer sentiment meanwhile showed a surprisingly sharp increase to a four year high in November. The Westpac Consumer Sentiment rose 12.8% m/m, but the recovery was broad based, but a notable exception was the views on labor market, which worsened. Furthermore, the NAB Business Survey showed improvement in conditions to the highest level since March 2024.

All these data developments support the RBA to remain on hold not just in December but for an extended period of time. But we reiterate that labor market developments over the next few months will be crucial and need monitoring.

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 10					
AU	Westpac Consumer Conf (Nov, m/m sa)	n/a	12.8%	-3.5%	K-shaped recovery.
Tuesday, Nov 11					
US	NFIB Small Business Optimism (Oct, index)	98.3	98.2	98.8	Tepid.
UK	ILO Unemployment Rate (Sep, 3-m average)	4.9%	5.0%	4.8%	Easing continues.
GE	ZEW Survey Expectations (Nov)	41	38.5	39.3	
Wednesday, Nov 12					
GE	CPI (Oct, y/y, final)	2.3%	2.3%	2.4%	Mild pressures.
IT	Industrial Production (Sep, m/m)	1.5%	2.8%	-2.7% (↓)	Volatile.
Thursday, Nov 13					
UK	GDP (Q3, q/q, prelim)	0.2%	0.1%	0.3%	Weak.
UK	Industrial Production (Sep, m/m)	-0.2%	-2.0%	0.3% (↓)	Weak.
Friday, Nov 14					
FR	CPI (Oct, y/y, final)	1.0%	0.9%	1.2%	
JN	Tertiary Industry Index (Sep, m/m)	0.3%	0.3%	0.1% (↑)	

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

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

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