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**November 28, 2025**

Commentary

# Weekly Economic Perspectives

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**Weekly Highlights**

Mixed data solidifies bets for December Fed rate cut.

US: Advance Retail Sales (Sep, m/m)

**0.2%**

Soft.

US: Control Retail Sales (Sep, m/m)

**-0.1%**

Weakest since April.

US: Conf. Board Cons. Confidence (Nov)

**88.7**

Weakest since April.

CA: GDP (Q3, q/q annualised)

**2.6%**

Above market expectations.

CA: Household Consumption (Q3, saar)

**-0.4%**

Weak.

CA: Business gross fixe investment (Q3, saar)

**0.2%**

Subdued.

JP: Industrial Production (Oct, m/m)

**1.4%**

Very strong print.

JP: Retail Sales (Oct, y/y)

**1.7%**

Twice as expected.

AU: CPI Inflation (Oct, y/y)

**3.8%**

Above expectations.

**US: Consumer Caution**

One must interpret current US macro updates with caution given the disruptions to data gathering associated with the government shutdown. Nevertheless, the totality of the releases this week sent a cautionary message on the consumer and a “more of the same” message on inflation.

The good news was that unemployment claims pulled back a little in mid-November, implying that the labor market is not in an acute phase of deterioration. The Conference Board labor differential—the difference between respondents saying jobs are plentiful and those saying jobs are hard to get—worsened a little but remains about a point above its September level. This seems to suggest a holding pattern, even if a precarious one.

The more troubling sign came from retail sales and consumer confidence, although there is no reason to panic. Overall retail sales rose a modest 0.2% m/m in September, and control sales (sales excluding food, gas, building materials and dollar stores) contracted 0.1%. While these readings undershot consensus expectations, they aren’t altogether shocking given the extended government shutdown that impacted the whole of September. More troubling is the fact that a retreat in motor vehicle sales in October could portend another soft print; moreover, the fact that consumer confidence dropped visibly in November means the soft patch could extend well into the fourth quarter.

**Figure 1: September US Retail Sales Modest But Not Terrible**



Source: Macrobond, State Street Investment Management, U.S. Census Bureau

On inflation, the PPI update was mixed but reassuring overall. Good prices rose 0.9% m/m, partly on account of higher gasoline prices, but core goods prices advanced a moderate 0.2%. Services prices were flat, allowing services PPI inflation to ease to 2.5% y/y, the lowest reading since February 2024.

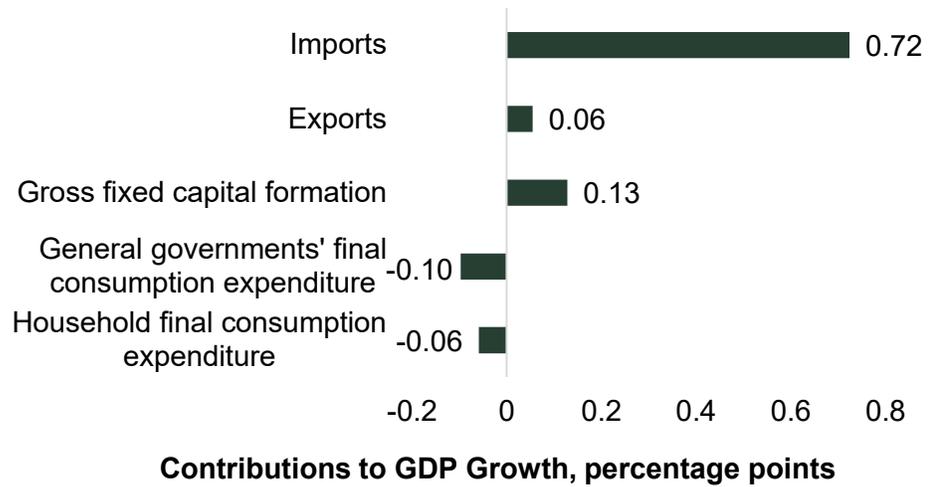
The net result of all this was that investors ended the week fully pricing a December rate cut, which had remained our call all along.

**CA: Weak Underlying Growth Continues**

Real GDP by expenditure grew 2.6% q/q saar in Q3, but underlying growth remains generally soft. Domestic demand declined more than expected, and Statistics Canada projects a 0.3% GDP drop by industry in October, partly due to a temporary education strike. At the same time, imports fell by 2.2% in Q3, the largest quarterly drop since late 2022. Exports also failed to show a strong recovery after their steep fall in Q2 following new US tariffs.

Overall, the economy continues to be vulnerable and is expected to experience modest growth in the coming quarters, given ongoing trade uncertainties and a deceleration in population growth.

**Figure 1: Canada's Underlying Growth Details Remain Weak in Q3**



Source: Canada Stats, State Street Investment Management

**UK: Autumn Budget Just Delayed Problems**

The early release of the UK's Autumn Budget details generated some uncertainty and a varied response from investors. Gilt yields experienced a brief decline following the Office for Budget Responsibility's (OBR) disclosure of Treasury plans. The government's fiscal buffer to achieve its target of balancing daily spending with tax revenue by 2029 has increased from £9.9 billion to £22 billion since the spring.

Despite persistent concerns about a potential budget deficit, recent updates from the OBR have reduced the government's fiscal headroom by only £6 billion. This reduction was largely due to short-term inflation and wage growth gains offsetting lower productivity growth in the UK.

With a reduced fiscal gap, less stringent budgetary measures are required. Planned tax increases are expected to raise £26 billion by 2029/30, though the majority of this revenue will be realized after 2027. Tax threshold freezes will remain in place until 2028 and extending them further could yield an additional £8 billion, albeit with delayed benefits. Changes to pension and property taxation have been postponed, prolonging investor uncertainty as many of these adjustments coincide with the forthcoming election.

Looking more broadly, public finances are projected to improve next year regardless of the Budget, with net borrowing forecasted to decrease from 4.5% to 3.5%, primarily due to the freeze on income tax thresholds.

The Autumn Budget has not materially influenced the Bank of England's monetary policy stance. While a more substantial fiscal consolidation in 2026 might have prompted greater monetary easing, a rate cut is still anticipated in December. A decline in energy costs may modestly reduce inflation in 2026, helping to address concerns over persistently high inflation, although current data suggests such fears

may be overstated. We continue to anticipate three interest rate reductions from the Bank, commencing in December, and our outlook remains unchanged following the latest budget.

Looking forward, it is unclear whether the Chancellor will need to introduce further tax increases in 2026. Although tax hikes were anticipated this year, improved fiscal headroom, supported by Treasury rules permitting a 0.5% of GDP deficit in 2026, provides at least £15 billion in additional flexibility. Unless there is a deterioration in economic conditions, we think that further tax rises next year are unlikely.

Nevertheless, the UK's public finances remain vulnerable, with annual gilt issuance projected at around £300 billion for the next three years. Rising demand for public services may require higher spending, potentially leading to further tax increases or major tax reforms, as minor adjustments have largely been made.

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### **Australia: Hawkish Winds**

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The latest full monthly CPI report indicates that price pressures stalled on a sequential basis, contrary to our expectation of a -0.2% m/m decline, resulting in a 3.8% y/y increase. The trimmed mean edged up by 0.1 percentage point to 3.3% y/y, remaining above the upper bound of the Reserve Bank of Australia's (RBA) target range.

Key drivers remain broadly unchanged but are broadening. Housing was the largest contributor, rising 5.9% m/m, with sequential acceleration evident in ABS data. Electricity prices, despite a monthly decline, surged 37.1% y/y as rebates continued to unwind. New dwelling costs increased 0.4% m/m as builders scaled back discounts and raised prices amid gradually improving demand. Rents rose 0.2%, though the increase would have been higher without the Commonwealth Rent Assistance indexation, which partially offset the impact.

These developments reinforce the case for the RBA to maintain the cash rate at 3.6% for the foreseeable future. Attention now shifts to next week's Q3 GDP release, which we expect to exceed consensus at 0.8% q/q—likely eliminating near-term prospects for rate cuts. However, labor market risks remain underappreciated and are further amplified by the government's recent decision to reduce the public services budget by 5% in the upcoming federal budget. While the Treasurer has dismissed the likelihood of significant job losses, this represents a clear headwind for the second-largest employment-generating sector post-pandemic. Even if outright job cuts are avoided, we anticipate a marked slowdown in job creation.

While there is time to assess labor market dynamics, it is increasingly evident that inflation will remain skewed toward the hawkish side in the medium term, supporting an extended RBA hold.

## Week in Review

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

Country	Release (Date, format)	Consensus	Actual	Last	Comments
<b>Monday, November 24</b>					
GE	IFO Business Climate (Nov)	88.5	88.1	88.4	Moving sideways, trying to pick up.
<b>Tuesday, Nov 25</b>					
US	Retail Sales Advance (Sep, m/m)	0.4%	0.2%	0.6%	Modest. Control sales declined 0.1%.
US	PPI Final Demand (Sep, m/m)	0.3%	0.3%	-0.1%	Details looked fine.
US	Conf. Board Consumer Confidence (Nov)	93.3	88.7	95.5 (↑)	Notable drop, somewhat surprising.
<b>Wednesday, Nov 26</b>					
US	Initial Jobless Claims (Nov 22, thous)	225	216	220	Interesting pullback. Will it last?
US	Continuing Jobless Claims (Nov 15, thous)	1,963	1,960	1,953	Look fine.
US	Durable Goods Orders (Sep, prelim)	0.5%	0.5%	2.9%	Core orders rose 0.9%.
<b>Thursday, Nov 27</b>					
IT	Consumer Confidence Index (Nov)	97.6	95.0	97.6	Moving sideways, is it about to turn lower ?
JN	Jobless Rate (Oct)	2.5%	2.6%	2.6%	Lack of labor a constraining factor for Japan.
JN	Industrial Production (Oct, m/m, prelim)	-0.6%	1.4%	2.6%	Very good print.
<b>Friday, Nov 28</b>					
CA	GDP (Q3, q/q, annualised)	0.5%	2.6%	-1.6%	Underlying growth remains weak.
GE	Unemployment Rate (Nov)	6.3%	6.3%	6.3%	Has it peaked?
GE	CPI (Nov, y/y, prelim)	2.4%	2.3%	2.3%	Steady.
FR	CPI (Nov, y/y, prelim)	1.0%	0.9%	0.9%	Steady.
FR	GDP (Q3, q/q, final)	0.5%(p)	0.5%	0.3%	Weak consumption.
IT	GDP (Q3, q/q wda, final)	0.0%(p)	0.1%	-0.1%	Weak consumption.

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

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