
February 27, 2026

Commentary

Weekly Economic Perspectives

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Weekly Highlights

A quieter data week overshadowed by debate over tariff policy.

US: Consumer Confidence (Feb)

91.2

Only minimal improvement.

US: PPI Final Demand (Jan, y/y)

2.9%

Upside surprise.

US: Kansas Fed Manuf. Index

5.0

Better than expected.

CA: Real GDP (Q4, saar)

-0.6%

Below expectations.

CA: Household Spending (Q4, saar)

1.7%

Led by spending on services.

CA: Business Investment (Q4, saar)

2.0%

Equipment investment.

JP: Industrial Production (Jan, m/m)

2.2%

Below expectations, but strong.

JP: Retail Sales (Jan, y/y)

1.8%

Way above expectations.

AU: CPI Inflation (Jan, y/y)

3.8%

Another electricity-driven beat.

US: Industrial Revival Afoot

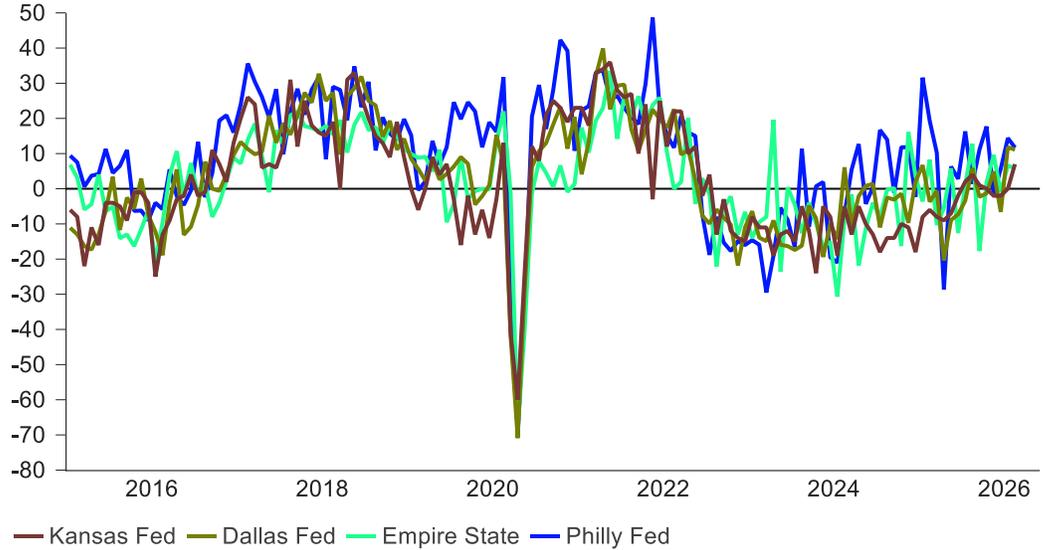
Over the last several months, we've highlighted three main "sub-plots" in the broader US macro narrative: resilient growth, gradually easing inflation, and softening labor market.

To these, we can perhaps add another: a gradual yet unmistakable revival in industrial activity. After an extensive period of weakness spanning 2023-2024, US industrial production returned to positive y/y growth in January 2025. However, those gains did not cross above 1.0% y/y until last July. Since then, there has been a slight further uptrend, with output up 2.3% y/y in January 2026, the best print since September 2022.

Recent data from various industrial and manufacturing surveys point to further gains in this space. Although not universal and in some cases, volatile, the underlying signal from leading indicators such as new orders, nevertheless remains one of improvement (Figure 1, page 2). Further gains in this space would certainly align with national policy priorities around strategic manufacturing resilience and could prove to be a lasting theme.

Unfolding hostilities in the Middle East are already pushing oil prices higher; if sustained, that could create an incentive for US energy producers to scale up output further, even as US oil production is already at a record.

Figure 1: Stronger New Orders In US Regional Fed Surveys

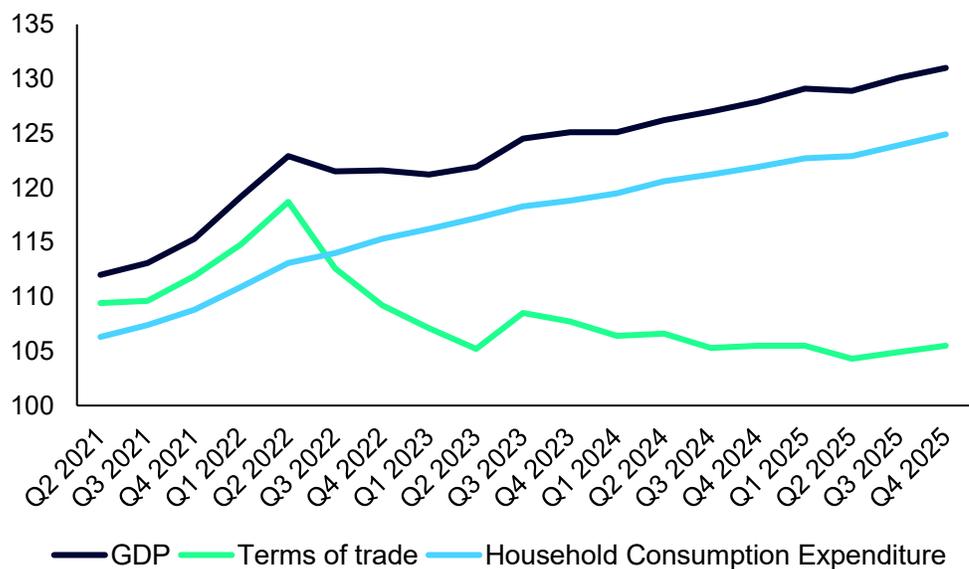


Source: Macrobond, State Street Investment Management, Federal Reserve Bank of Philadelphia, Federal Reserve Bank of New York, Federal Reserve Bank of Dallas, Federal Reserve Bank of Kansas City

Canada: Final Demand Remains Stable

GDP declined by 0.6% in Q4, which was larger than market expectation of a drop of 0.2% and also did not meet the Bank of Canada (BoC)'s forecasts of flat growth. However, stronger underlying data suggest the central bank is unlikely to lower interest rates further.

Figure 2: Canadian Final Consumption Demand Supports Q4 Growth



Source: Canada Statistics, State Street Investment Management

Toward year-end, Canada's economic growth slowed as businesses cut back on inventories, impacting overall performance. Q4 GDP was also affected by short-term disruptions not related to tariffs, including labor stoppages in education and postal services and reduced auto production due to semiconductor shortages.

In 2025, the economy grew at a slower rate of 1.7%, mainly due to decreased exports to the US. In contrast, domestic demand was robust, growing by 2.3%, supported by increased government spending and lower interest rates. Consumer activity recovered, and non-residential investment improved late in the year, signaling stable underlying demand.

Australia: Change In Our RBA Call

Headline CPI rose 0.4% m/m in January, leaving annual inflation unchanged at 3.8% y/y. The upside surprise was again driven primarily by electricity prices, as government rebates continued to roll off. This comes against a broader backdrop of strength in other categories, particularly rents.

Taken together with recent downside surprises in the unemployment rate, the data increases the likelihood of another rate hike by the Reserve Bank of Australia (RBA). While market pricing currently favors a move in May, a strong beat in next week's Q4 GDP release could pull expectations forward to March.

Turning to underlying inflation, trimmed-mean CPI rose 0.3% m/m. Due to revisions, the annual pace edged up by a tenth to 3.4%. Once again, headline inflation was heavily influenced by electricity prices, which surged 18.5% m/m in January. Beyond energy, there was modest strength across several categories, most notably clothing (2.9%) and health (2.7%). Housing costs rose 2.2%, a figure that also reflects the impact of electricity prices.

We continue to emphasize where inflation is likely to move directionally. With electricity rebates expected to fully roll off in February, volatility in this category should begin to fade, allowing a clearer read on underlying inflation pressures.

Since our last annual outlook, the ABS has released three inflation reports, all of which surprised our forecasts to the upside by an average of 0.2 pp. This reinforces the signal, also likely being drawn by the RBA, that residual strength across non-energy categories remains inconsistent with a durable return to mid-point of their inflation target of 2.5%, particularly given the Bank's strong focus on its inflation mandate.

Attention now turns to the Q4 GDP release. Our models point to a 0.75% q/q expansion, a notch above consensus even as recent partial indicators were mixed. Construction work eased, contrary to expectations for a solid rebound, while total capital expenditure rose a strong 2.3% q/q. That said, plant and machinery investment weakened, driven by a sharp decline in technology capex (-14.2% q/q). Despite this softness, the forward estimates for capital expenditure intentions remain robust. This forward-looking strength is the key takeaway and supports our upbeat growth forecast for now. However, we do wonder whether a hawkish RBA might undermine consumption and, eventually, GDP.

Week in Review

A summary of macro data releases from the past week.

Country	Release (Date, format)	Consensus	Actual	Last	Comments
Monday, Feb 23					
US	Factory Orders (Dec)	-0.7%	-0.7%	2.7%	Up 4.3% y/y, improving trend.
US	Durable Goods Orders (Dec, final)	-1.4%	-1.4%	-1.4%	Up 12.6% y/y!
GE	IFO Business Climate (Feb)	88.3	88.6	87.6	Moving sideways for past nine months.
Tuesday, Feb 24					
US	Conf. Board Consumer Confidence (Feb)	87.1	91.2	89 (↑)	Modest improvement.
Wednesday, Feb 25					
No major data releases.					
Thursday, Feb 26					
US	Initial Jobless Claims (Feb 21, thous)	216	212	208	Continuing claims eased.
JN	Industrial Production (Jan, m/m, prelim)	5.5%	2.2%	-0.1%	Still the strongest m/m in four months.
Friday, Feb 27					
US	PPI Final Demand (Jan, m/m)	0.3%	0.5%	0.4%	Driven by core, especially services.
CA	GDP (Q4, q/q annualized)	-0.2%	-0.6%	2.4% (↓)	Consumer expenditure remains stable.
GE	Unemployment Rate (Feb)	6.3%	6.3%	6.3%	Non-seasonally adjusted rate is on the rise.
GE	CPI (Feb, y/y, prelim)	2.0%	1.9%	2.1%	Rangebound.
FR	CPI (Feb, y/y, prelim)	0.8%	1.0%	0.3%	Rebound to more normal range.
FR	GDP (Q4, q/q, final)	0.2%	0.2%	0.5%	Real GDP grew 0.9% in 2025.

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

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