
April 17, 2026
Commentary

Weekly Economic Perspectives

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Weekly Highlights

Better Iran news supports our house view of limited inflationary impact.

US: Existing Home Sales (m/m)

-3.6%

Weakest March since 2009.

US: NFIB Small Bis Sentiment (Mar)

95.8

Lowest since April 2025.

US: HAHB Housing Index (Apr)

34

Very weak.

UK: Industrial Production (Feb, m/m)

0.5%

Above expectations.

UK: Manufacturing Production (Feb, m/m)

-0.1%

Weaker than expected.

UK: GDP (Feb, m/m)

0.5%

Growth trend is likely to be exaggerated.

JP: Machinery Orders (Feb, m/m)

13.6%

Upside risks to growth in Q1.

AU: Unemployment Rate (Mar)

4.3%

In line with consensus.

AU: Employment Growth (Mar, m/m)

17.9

Enough space for RBA to hike.

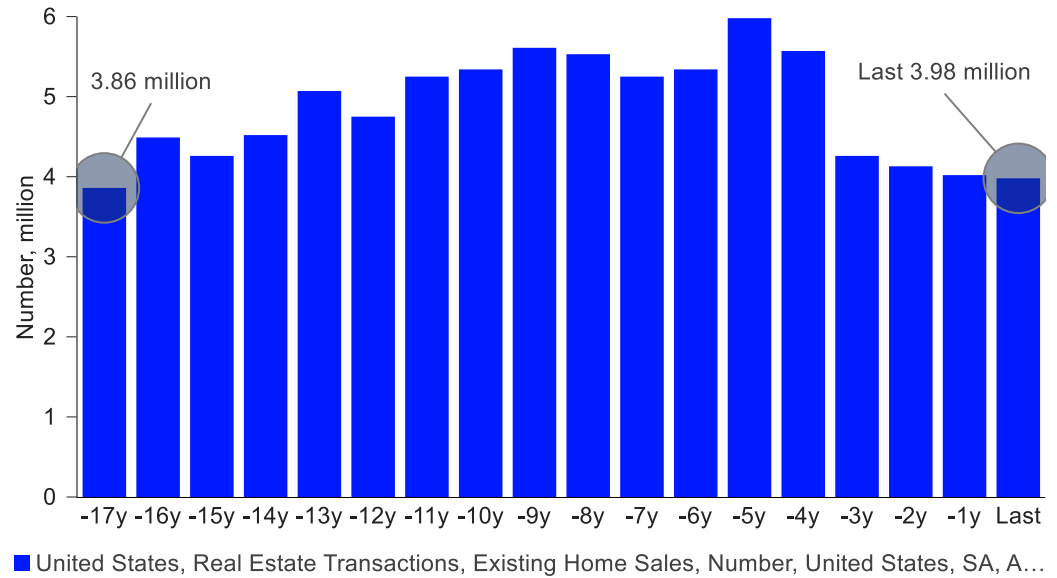
US: Better Iran News Supports Our House View

By far the biggest news this week was the Friday announcement of the reopening of the Straits of Hormuz to commercial traffic. It would be unwise to take this as the end of uncertainty, and we do not. Nevertheless, the cumulative retreat in global oil prices since the peak about 10 days ago is already meaningful enough to take us into territory we could consider manageable if indefinitely sustained (WTI prices in the \$85 range). Even if no further reductions occur and prices stabilize here, we would consider this consistent with our house view of an inflation hit that is largely contained to headline measures and limited broader spillover.

One key argument supporting that view—independent of oil prices—is our sense that pricing power today is dramatically weaker than it was back in 2022 during the major inflation spike. Real disposable personal income grew just 1.1% y/y in February; given the March inflation jump, whatever boost from tax refunds will likely be wiped away. Consumer sentiment has plunged—even as the unemployment rate holds at a seemingly unproblematic level. We link this to weak hiring, which is a significant challenge to accelerating consumer spending. Housing activity reflects consumers’ gloomy mood. At 3.98 million (saar) March existing home sales were the lowest level reported for any March since 2009—a sobering comparison indeed (Figure 1, page 2). Homebuilder sentiment dipped further in April to the lowest April reading since 2012 (save for a very brief blip in April 2020). The consumer is worried about poor employment prospects and poor affordability. The room to push

through broad price increases in small in our view, and this should help contain the broader inflationary impact of Middle East hostilities.

Figure 1: March US Existing Home Sales Were the Lowest Since 2009



Source: Macrobond, State Street Investment Management, National Association of Realtors (NAR)

Market pricing has shifted once again in favor of a cut late this year (63% for December); we retain our recently adjusted call for two rate cuts (September and December).

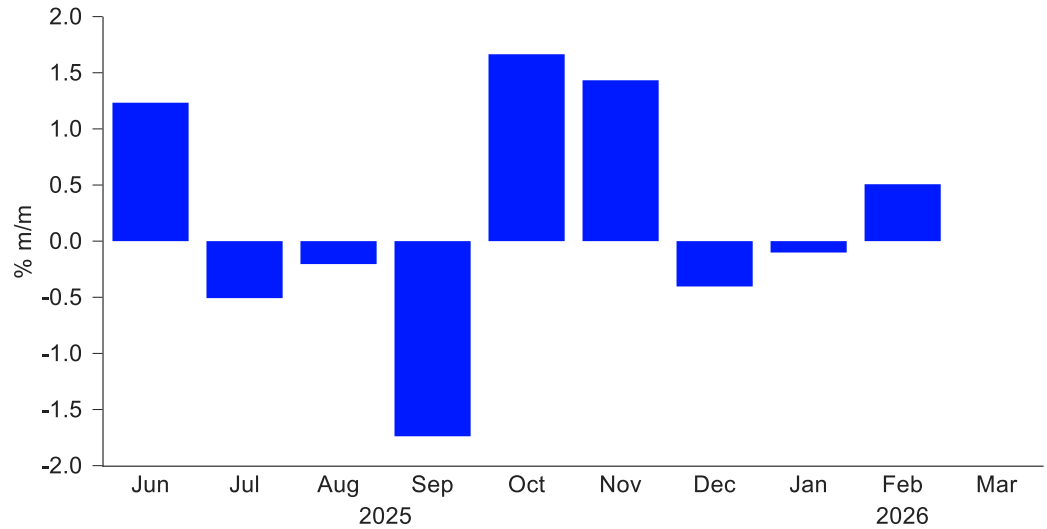
BoE: Rate Cuts Sharply Repriced

After an initial oil price spike and market overreaction following the BoE's March meeting, Governor Bailey called for caution in addressing energy shocks and suggested awaiting more data. The temporary reopening of the Strait of Hormuz and easing geopolitical tensions led to lower oil prices and revised market expectations, now suggesting less than a full hike from the BoE by year-end. This change has strengthened our view that the BoE policy rate will stay steady throughout 2026.

In our March Quarterly forecast, we expect disruptions to ease in Q2, oil to average \$85 per barrel in H2, and inflation to peak at 3.8% in Q3. The weak UK job market is keeping wage growth low, mitigating secondary inflation risks. Tighter fiscal policy also makes broad energy bill support unlikely. As a result, we expect that the BoE will keep rates unchanged this year unless there are significant energy price fluctuations.

Meanwhile, industrial production rose by 0.5% in February, exceeding market expectations and recovering from prior moderate declines, primarily due to strong growth in the mining and utilities sectors. This strong performance in industry also contributed to overall economic growth of 0.5% for the same month, also above market expectations.

Figure 2: UK Industrial Production Rose in February



■ United Kingdom, Industrial Production, Total, Constant Prices, SA, Index

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

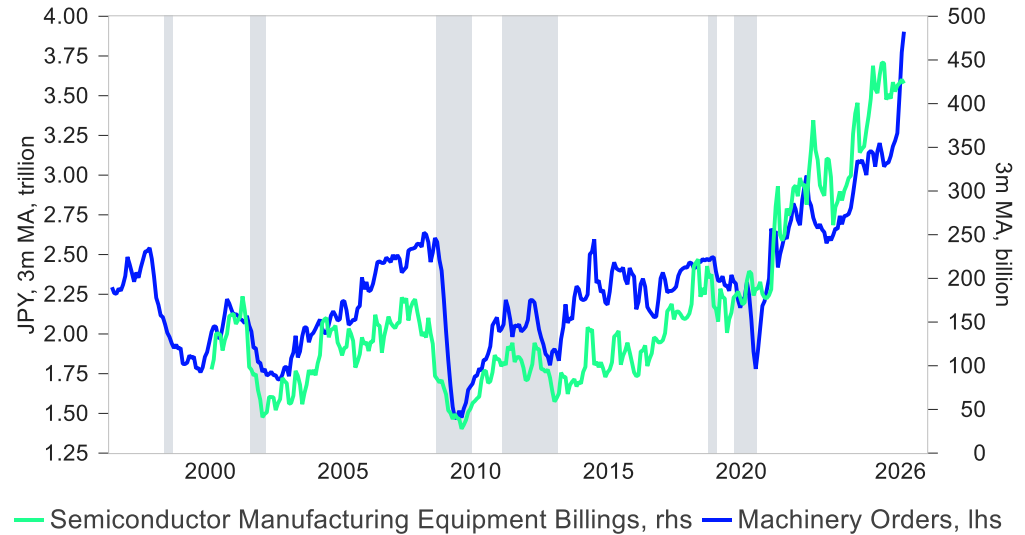
Japan: April Hike Is Still Very Plausible

Machinery orders in February surprised sharply to the upside, rising 13.6% m/m against a consensus expectation of a 1.1% decline and our own expectation of easing. On an annual basis, this translated into an eye-catching 24.7% y/y jump. The data reinforce the underlying resilience of the Japanese economy, consistent with our repeated call for stronger nominal growth (see [here](#) and [here](#)), which has been a key outcome of our macro modelling.

The strength in headline machinery orders was driven primarily by a 30.7% jump in manufacturing orders. Some of this surge likely reflects one-off factors. For instance, non-ferrous metal orders surged an extraordinary 419.1% m/m, a magnitude that is unlikely to be repeated consistently. As such, we would caution against extrapolating the monthly pace of growth mechanically.

That said, the broader signal remains constructive. Machinery orders continue to move in lock-step with semiconductor manufacturing equipment orders, an underappreciated but increasingly important strength of the Japanese economy in the 2020s (Figure 3). What matters here is not short-term volatility in individual order categories, but the persistent co-movement between Japan's capital-expenditure cycle and the global semiconductor investment cycle.

Figure 3: Japan's Machinery Orders Are Driven By AI Related Industries



Source: Macrobond, State Street Investment Management, Japanese Cabinet Office (CAO), Semiconductor Equipment Association of Japan

This linkage is important because semiconductor activity in Japan operates through a high-multiplier investment channel. The semiconductor “micro-economy” generates meaningful spillovers into precision machinery, factory automation, robotics, and other capital-goods industries where Japan has long-standing competitive advantages. In effect, semiconductor investment acts as a catalyst that energizes much larger segments of the industrial base.

Concrete examples underscore this mechanism. Tokyo Electron is undertaking capacity expansion with planned capital expenditure of roughly ¥170–240 billion per year at peak through FY2026, focused on etching, deposition, and production facilities. At the same time, AI-driven demand is lifting capital spending in semiconductor testing, with Advantest expanding capacity to meet rising demand for advanced logic and high-bandwidth-memory testing. In parallel, the Rapidus project represents a large-scale ecosystem build-out, supported by cumulative public-private funding exceeding ¥2.3 trillion for advanced-node fabrication and back-end capabilities. Together, these investments are driving demand for ultra-precision machine tools, automated wafer-handling systems, process-control equipment, specialty materials processing, and inspection and metrology tools.

While headline semiconductor capex remains modest relative to total machinery investment at the aggregate level, Japan’s dominance across these upstream and adjacent segments means that semiconductor-led spending propagates through multiple layers of the machinery supply chain. From a macro perspective, the relevant concept is therefore the capex multiplier embedded in Japan’s industrial ecosystem, rather than the standalone size of semiconductor spending itself.

Week in Review

A summary of macro data releases from the past week.

Country	Release (Date, format)	Consensus	Actual	Last	Comments
Monday, Apr 13					
US	Existing Home Sales (Mar, mil)	4.05	3.98	4.13 (↑)	Lowest March number since March 2009!
Tuesday, Apr 14					
US	PPI Final Demand (Mar, y/y)	4.6%	4.0%	3.4% (↓)	Highest since February 2023.
US	NFIB Small Business Optimism (Mar)	97.9	95.8	98.8	Twin-lowest since April 2025.
JN	Industrial Production (Feb, m/m, final)	n/a	-2.0%	-2.1%	Signal from machinery orders instead.
AU	Westpac Consumer Conf (Apr, m/m sa)	n/a	-12.5%	1.2%	Record decline.
Wednesday, Apr 15					
US	Empire Manufacturing (Apr)	0	11	-0.2	Surge in new orders, price measures.
EC	Industrial Production (Feb, m/m)	0.3%	0.4%	-0.8%(↑)	Lifeless.
JN	Core Machine Orders (Feb, m/m)	-1.1%	13.6%	-5.5%	Fantastic and amazing.
Thursday, Apr 16					
US	Initial Jobless Claims (Apr 11, thous)	213	207	218	Very low. Surprisingly so.
US	Continuing Jobless Claims (Apr 4, Thous)	1,810	1,818	1,787(↓)	Very low. Surprisingly so.
US	Industrial Production (Mar, m/m)	0.1%	-0.5%	0.7% (↑)	Big declines in utilities and mining.
UK	Industrial Production (Feb, m/m)	0.2%	0.5%	-0.1%	Better than expected.
AU	Unemployment Rate (Mar)	4.3%	4.3%	4.3%	Focus shifts to inflation data next week.
Friday, Apr 17					
No major data releases/					

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

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