April 24, 2026
Commentary

Weekly Economic Perspectives

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Weekly Highlights

Visible momentum in global manufacturing, visible weakness in services.

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

1.7%

Led by gasoline, but broad.

EZ: Services PMI (Apr, prelim)

47.4

Lowest since February 2021!

EZ: Manufacturing PMI (Apr, prelim)

52.2

Best since May 2022!

CA: Headline CPI (Mar, y/y)

2.4%

Energy prices keep inflation elevated.

UK: Headline CPI (Mar, y/y)

3.3%

Fuel prices pushed up inflation.

UK: Average Weekly Earnings (Feb, 3m y/y)

3.8%

Slowing down.

JP: Flash Mfg. PMI (Apr)

54.9

We repeat – upside risks to nominal growth this year.

JP: Core CPI (Mar, y/y)

1.8%

As expected, but overall CPI was a touch below our pick.

JP: Services PPI (Mar, y/y)

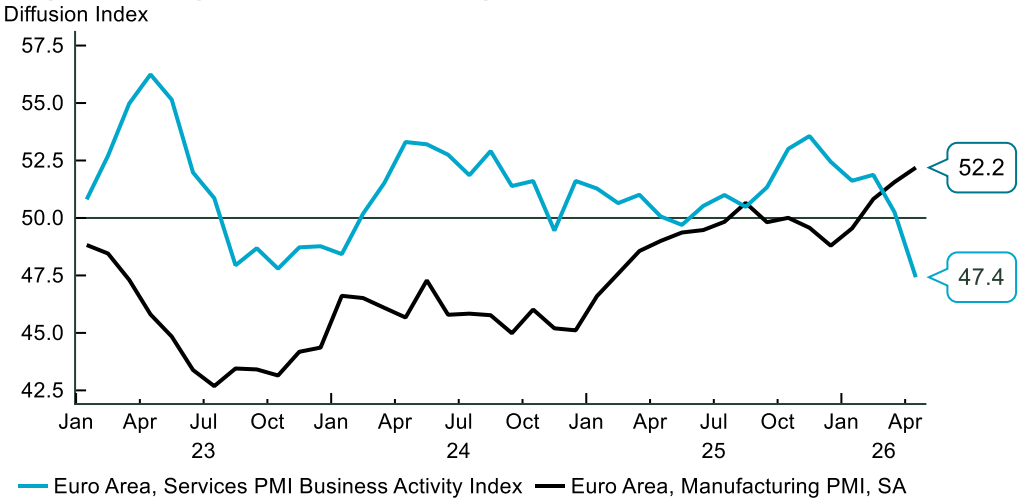
3.1%

Matches the highest since May 2025

Eurozone: No Need for the ECB to Rush

Preliminary purchasing managers data for April highlights an extraordinary divergence between the region's manufacturing and services sectors. Indeed, the manufacturing index rose another 0.6 point to 52.2, the highest level since May 2022, reflecting a broadening momentum in the industrial space that has been steadily taking shape over the past few months. We view this as the gradual manifestation of the anticipated upturn in eurozone defense-related activity amid generally renewed commitment to boosting defense spending across the region. There is more to come here. Notably, the recent surge in oil prices does not, at least at this stage, appear to be stalling this positive trend.

Figure 1: Huge Momentum Divergence Across EZ Economic Sectors



Sources: Macrobond, SSGA Economics, S&P Global
Updated as of 4/23/2026

The exact opposite is happening on the services side. The services PMI plunged 2.8 points in the preliminary April reading; it has come off 6.1 points since the recent November peak and is now at the lowest level since February 2021. This is clearly where the Iran war has hit hard. There is a direct impact on the air travel industry and, most importantly, a broader negative shock to consumer confidence with indirect effects on a whole range of other service industries. Given the relative importance of manufacturing versus services in eurozone GDP (about 72% versus 15%), this divergence is a big negative signal for growth. It is also a reminder why the ECB should not rush to respond to the inflationary impact of the Iran war by raising interest rates. A rate hike would be a mistake in our view, whether it happens in June or in September…

BoE: Expected To Pause Next Week

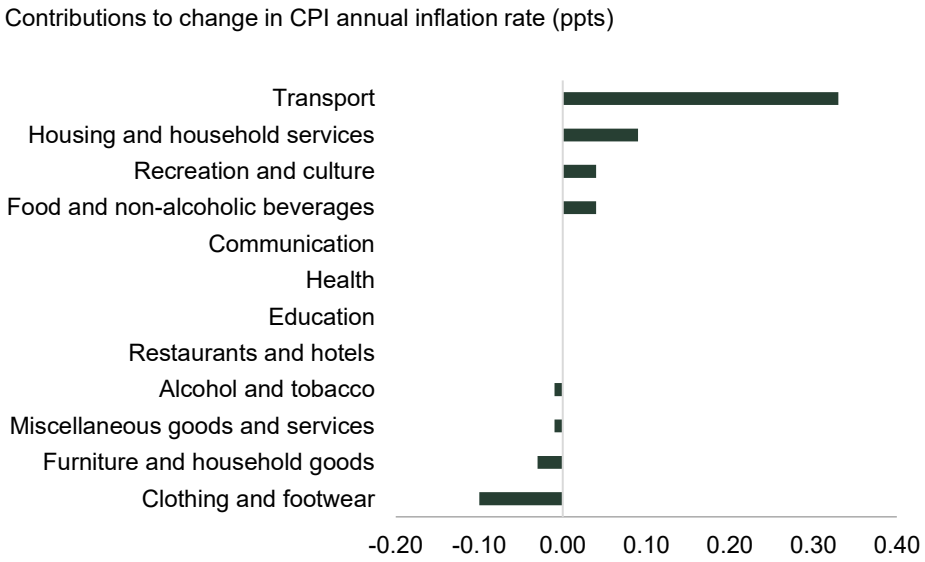
This week's inflation data did little to alter the prevailing policy outlook. The CPI closely matched forecasts, as higher fuel prices pushed up headline inflation, but core inflation remained low. As a result, there is no immediate reason for concern. Barring any unforeseen disruptions, we expect the BoE to maintain interest rates throughout the remainder of the year.

The latest CPI release reported headline inflation at 3.3% y/y, largely attributable to a significant increase in fuel costs. Nonetheless, this uptick was primarily restricted to energy-related components, with limited evidence of broader price pressures across the whole economy. There were some spillover effects into services, most notably within the transport sector, due to higher fuel expenses and seasonal pricing trends. However, the overall strength in services was mixed and concentrated in sectors closely linked to oil prices. Most other core service categories exhibited stability, consistent with the gradual disinflation trend observed prior to March.

Core CPI registered a modest decline mainly due to ongoing goods disinflation. Prices for clothing and footwear continued their downward trajectory, and non-

energy industrial goods inflation remained subdued, indicating waning demand. As a result, while headline inflation has been driven by temporary shocks and seasonal factors, core inflation persists on a declining trend.

Figure 2: Motor Fuels Pushed Up UK Headline CPI Inflation in March



Source: ONS, State Street Investment Management

March also saw a decrease in payroll employment and job vacancies, alongside slower growth in PAYE median pay, suggesting that higher energy costs linked to the conflict in Iran are exerting pressure on hiring and wage trends. Payroll employment fell by 11k while vacancies for January to March dropped by 29k to 711k, the lowest level since spring 2021. Additionally, the claimant count rose for the first time in a year. Although unemployment rate fell to recent low of 4.9%, wage growth declined, with average earnings at 3.8% and private earnings at 3.2%. These trends are consistent with the Bank of England's inflation target and also point to further labor market easing ahead.

Overall, the data aligns with our expectations. Higher fuel prices have pushed up headline inflation, but only a few services are impacted, and the labor market is still weakening. Factors like how long the Iran conflict lasts or potential fiscal actions could shift the inflation outlook. However, at present, the data do not give us additional cause for concern, and we continue to anticipate that the BoE will hold rates steady this month.

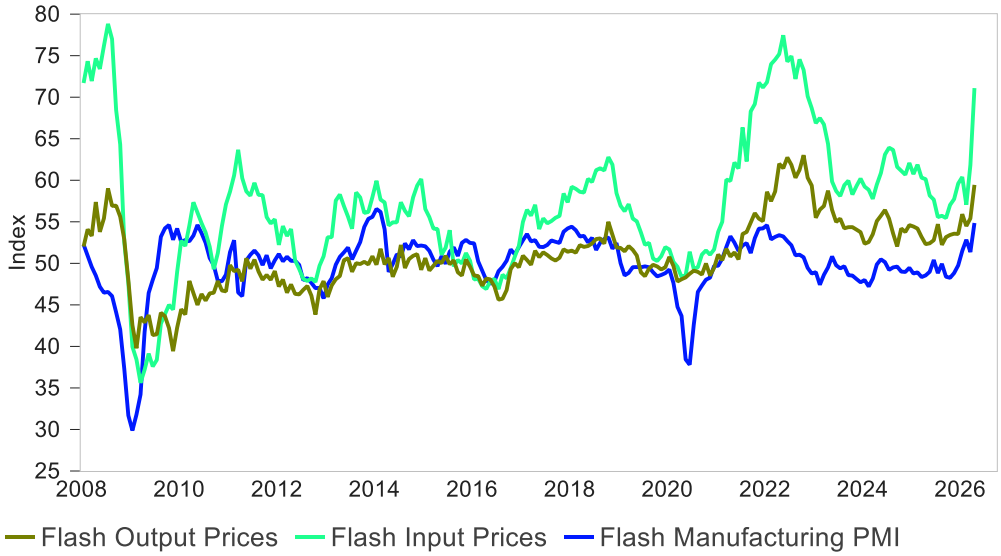
Japan: Upside Risks

March inflation data underscored upside risks. Core CPI (excluding fresh food) rose 0.5% m/m, lifting the annual rate by two-tenths to 1.8% y/y, in line with expectations. While higher fuel prices were largely offset by subsidies, the increase was driven mainly by goods inflation. Communication prices jumped 7.1% y/y, while furniture and household utensils rose 2.7% y/y, early signs of cost pass-through linked to the Iran conflict.

Beyond current CPI prints, pipeline pressures continue to build. Services PPI rose 3.1% y/y, as highlighted in our key data table, pointing to mounting cost pressure in price-setting sectors. In parallel, firms are increasingly signaling price hikes. Airline fares are set to nearly double from June after All Nippon Airways and Japan Airlines announced higher fuel surcharges. A Reuters survey further showed that 7% of firms have already raised prices, while another 62% are considering doing so. That said, we still expect headline inflation to rise only modestly in the near term, reflecting fuel subsidies and the lagged nature of price pass-through.

At the same time, upside risks to nominal growth are becoming more visible. The flash manufacturing PMI jumped to 54.9, the highest reading since January 2014. This follows last week's sharp rise in machinery orders, our preferred leading indicator for capex and real economic momentum.

Figure 3: Upside Risks to Japan's Inflation and Nominal Growth



Source: Macrobond, State Street Investment Management, S&P Global

What does this mean for the Bank of Japan's outlook? Media leaks suggest the Bank will deliver a hawkish hold at next week's meeting. However, we see a roughly 20% chance of a surprise hike if policymakers place greater weight on improving growth momentum, wage dynamics, and nominal conditions. That said, the ceasefire between Iran and the US remains fragile, with the risk of renewed hostilities still elevated. This uncertainty is likely to argue for caution at the upcoming meeting.

Looking beyond April, the risk for the BoJ is one of timing. If the Bank delays for too long, it may lose the opportunity to hike later this year, particularly if real growth undershoots in the second half.

Week in Review

A summary of macro data releases from the past week.

Country	Release (Date, format)	Consensus	Actual	Last	Comments
Monday, Apr 20					
CA	CPI (Mar, y/y)	2.6%	2.4%	1.8%	Energy prices keep inflation elevated.
JN	Tertiary Industry Index (Feb, m/m)	-0.5%	-0.4%	2.0% (↑)	Broader orders retain momentum.
Tuesday, Apr 21					
US	Retail Sales Advance (Mar, m/m)	1.4%	1.7%	0.7%(↑)	Broad gains led by 15.5% surge in gasoline.
US	Pending Home Sales (Mar, m/m)	0.5%	1.5%	2.5%(↑)	Up 1.8% y/y.
UK	Average Weekly Earnings (Feb, 3m y/y)	3.6%	3.8%	4.1%	Slowing down.
UK	ILO Unemployment Rate (Feb, 3mths)	5.2%	4.9%	5.2%	Sharp fall, due to a rise in economic inactivity.
GE	ZEW Survey Expectations	-5.8	-17.2	-0.5	Weakest since December 2022.
Wednesday, Apr 22					
UK	CPI (Mar, y/y)	3.3%	3.3%	3.0%	As broadly expected.
AU	Westpac Leading Index (Mar, m/m)	n/a	-0.09%	-0.06%	Quite stable.
Thursday, Apr 23					
US	Initial Jobless Claims (Apr 18, thous)	210	214	208 (↑)	Consistently low.
US	Continuing Claims (Apr 11, thous)	1,816	1,821	1,809 (↓)	Oddly, trending lower.
UK	Manufacturing PMI (Apr, prelim)	50.3	53.6	51.0	47-month high.
GE	Manufacturing PMI (Apr, prelim)	51.4	51.2	52.2	OK.
FR	Manufacturing PMI (Apr, prelim)	49.5	52.8	50.0	Welcome improvement.
Friday, Apr 24					
US	U. of Mich. Sentiment (Apr, final)	48.5	49.8	53.3	Still a hit, just less severe than initially reported.
CA	Retail Sales (Feb, m/m)	0.9%	0.7%	1.2% (↑)	Lower than expected.
UK	Retail Sales (Mar, m/m)	0.0%	0.7%	-0.6%	Strong growth, but driven by fuel sales.
UK	GfK Consumer Confidence (Apr)	-25	-25	-21	Weakening.
GE	IFO Business Climate (Apr)	85.7	84.4	86.3 (↓)	Big downshift, lowest since 2020!
FR	Consumer Confidence (Apr)	88	84	89	Lowest since May 2023.
JN	Natl CPI (Mar, y/y)	1.4%	1.5%	1.3%	Subsidy effect.

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

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