
May 29, 2026

Commentary

Weekly Economic Perspectives

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Weekly Highlights

Rising hopes for an Iran deal offers another lift for risk assets.

US: Core PCE Inflation
(Apr, y/y)

3.3%

But headline was 3.8% y/y.

US: Personal Saving
Rate (Apr)

2.6%

Ex-Covid, lowest since 2008.

US: Durable Goods
Orders (Apr, m/m)

7.9%

Up 19.1% y/y.

CA: Real GDP (Q1,
annualised q/q)

-0.1%

Underlying momentum remains
weak.

CA: Household
Consumption (Q1,
annualised q/q)

1.5%

Driven by stronger spending on
financial services and food.

CA: Business gross
fixed capital formation
(Q1, annualised q/q)

-3.0%

The fifth straight quarterly
decline.

AU: Capital
Expenditures (Q1, q/q)

6.5%

Blockbuster.

AU: CPI Inflation (Apr,
y/y)

4.2%

Below expectations.

JP: Tokyo CPI Inflation
(May, y/y)

1.4%

Downbeat headline.

**US: K-Shaped to the
Max!**

The phenomenon of divergent performance across consumer segments (the so-called “K-shaped economy”) is intensifying.

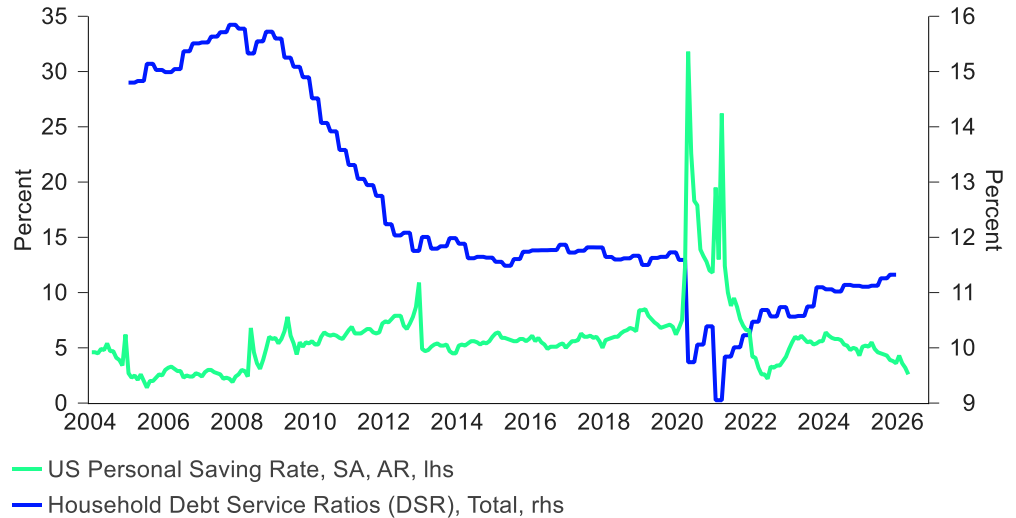
Aggregate data on consumer finances continue to show a robust picture. Debt service ratios have risen from pandemic “super lows”, but they have yet to fully return to the levels that prevailed in the late 2010s. Most importantly, they remain far below the pre-GFC peak (Figure 1, page 2). And although the personal savings rate fell to 2.6% in April (the lowest level since 2008 save for Covid!), the overall picture remains reassuring given record high household net worth.

Troubling signs appear when looking below the surface. Despite a labor market near full employment, consumer delinquencies have been steadily rising for years (Figure 2, page 2). The delinquency rate on auto loans has hit a record high, credit card delinquencies are approaching the GFC highs, and even the long-dormant mortgage segment is now registering early signs of deterioration. Even in the context of a stable labor market, delinquencies may deteriorate further given tepid household income growth. Indeed, data released this week showed flat nominal income growth m/m and a 1.1% y/y decline in real personal disposable income.

Revised Q1 GDP data showed slightly weaker consumer spending growth during the quarter, which better fits the income growth trajectory. Real GDP grew 1.6% q/q

seasonally adjusted annualized in Q1, versus the 2.0% earlier estimate. We do expect overall consumer spending to slow to 2.0% this year, compared with 2.6% in 2025 and 2.9% in 2024. Any deterioration in the employment picture would represent material downside risks to this forecast.

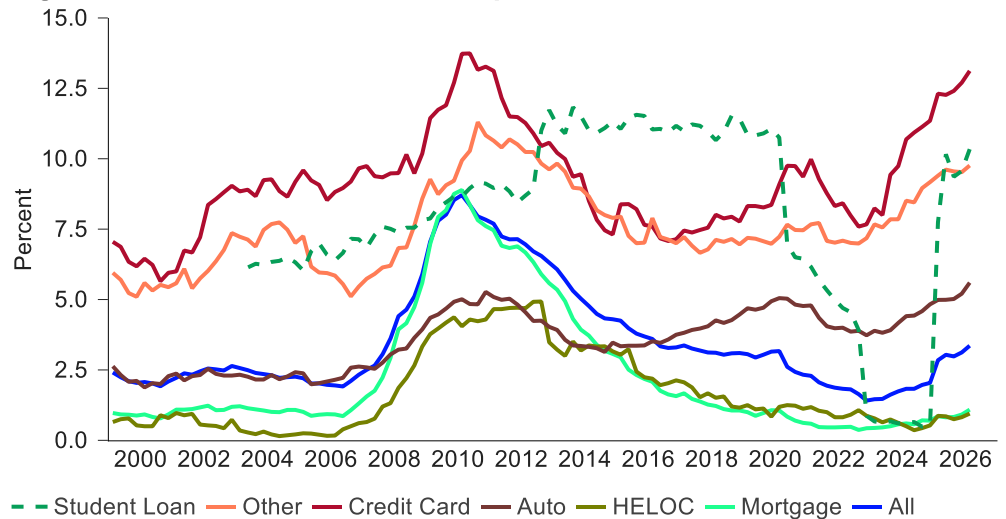
Figure 1: Aggregate Picture Of US Consumer Finances Still Strong



Source: Macrobond, State Street Investment Management, Federal Reserve, U.S. Bureau of Economic Analysis (BEA)

The weak income growth and rising delinquencies combo also implies a much more constrained pricing power environment than in 2022 during the height of the supply chain-related inflation surge. We see limited second-round effects from the energy price shock.

Figure 2: But US Consumer Delinquencies On the Rise



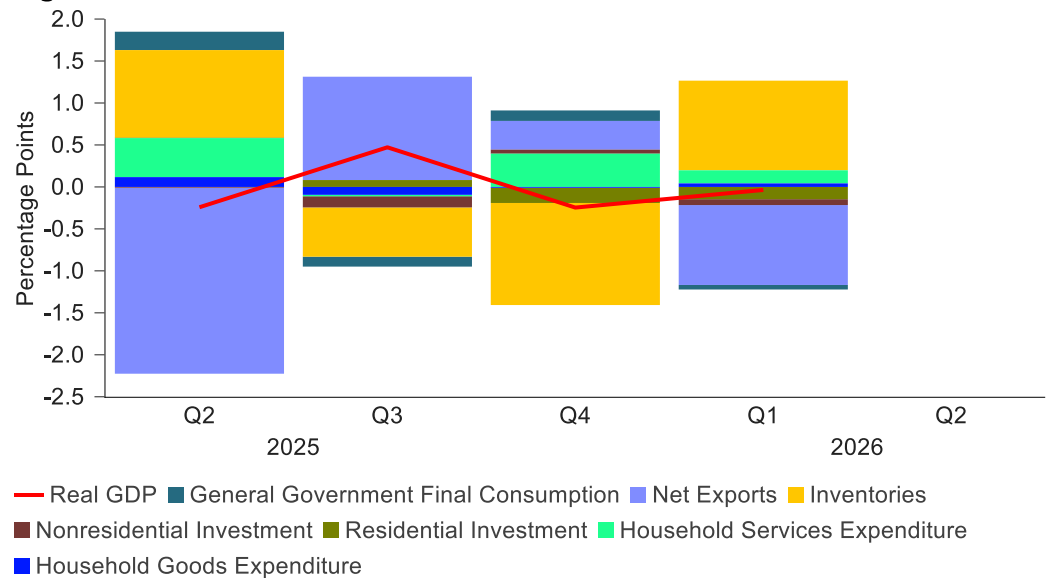
Source: Macrobond, State Street Investment Management, Federal Reserve Bank of New York

CA: Another Weak GDP Report

Q1 GDP growth was broadly flat (-0.1% q/q annualized), undershooting both consensus expectations and the BoC's 1.5% forecast.

Net trade was a material drag on GDP growth, largely reflecting a surge in gold imports. Weaker housing investment and a retrenchment in government spending on weapon systems, following a sharp increase in late 2025, also weighed on activity. More concerning, business investment contracted, pointing to a softer outlook amid uncertainty around oil prices, US tariffs, trade policy, and a declining population. Consumer spending rose 1.5% q/q annualized, down from 2.9% in Q4, with relative resilience in services offset by much weaker goods demand. Overall, underlying momentum remained subdued.

Figure 3: Canadian Domestic Demand Remains Weak



Source: Macrobond, State Street Investment Management, Statistics Canada

This marked a second straight quarterly contraction, keeping recession risks firmly in view. The recently announced fiscal stimulus, notably the Groceries and Essentials Benefit and the temporary suspension of the fuel excise tax, should provide some near-term support to household spending. Even so, our call for growth to strengthen in H2 still hinges on a favorable USMCA renegotiation and an early end to the Middle East conflict. More broadly, if spare capacity persists and the inflation shock continues to fade, we expect the Bank of Canada to remain on hold.

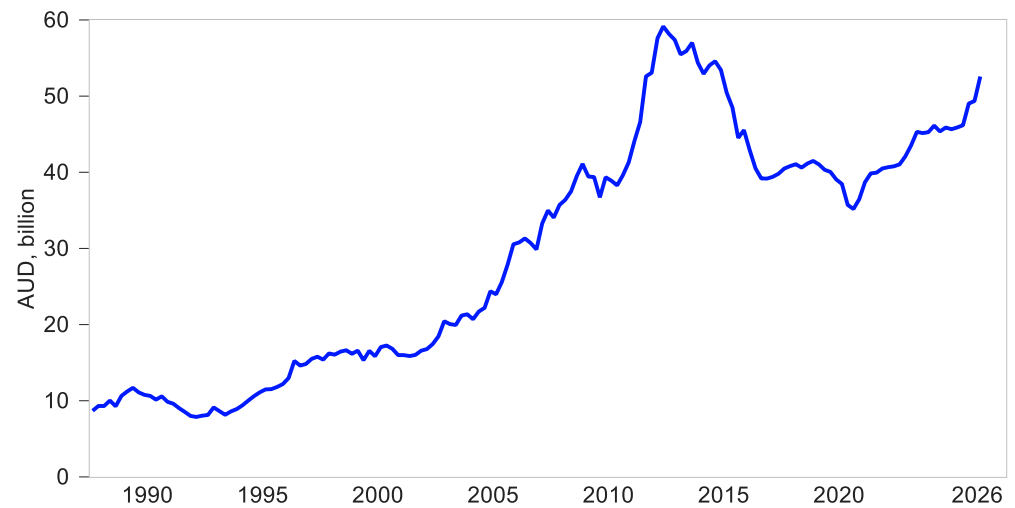
Australia: Strong Q1 on The Cards

Headline CPI featured a downside surprise after rising 'just' 4.2% y/y (down 0.4 pp from March) in April; the data supports our call for the Reserve Bank of Australia (RBA) to be on hold in June. The trimmed-mean metric printed in line with our expectations at 3.4%, up a tenth.

The easing in the headline was not only due to a 7.0% m/m fall in fuel prices as the government cut their fuel excise tax but also the easing in energy prices in general. Furthermore, without a similar rise in travel and accommodation costs, the headline would have printed even lower; the rise was due to seasonality amidst peak Easter and school holidays. New dwelling prices were up 0.7% - likely due to the continued passthrough of fuel prices by builders amid higher costs. We are now cautious if headline inflation may continue trending lower in the medium term as the Iran war is drawing to a close but continue seeing uncertainty at the margin as the passthrough in Australia is also stronger and faster than in most countries.

More positively, in line with our recent thought leadership that focused on Australia’s long-term infrastructure needs – private capital expenditures rose an eye-popping 6.5% q/q in Q1 led by a sharp jump in machinery and equipment (18.1%) as investments in data centers seem to pick up and starting to show in macro data finally. Our GDP model had penciled 0.56% q/q or 2.69% y/y, but we see good chance of an upside surprise as consumption likely may have held strong in Q1 as private capex printed strongly.

Figure 4: Australia's Private Capex Is Inching Higher



— Total Capital Expenditure, Constant Prices, SA, AUD

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

Week in Review

A summary of macro data releases from the past week.

| Country | Release (Date, format) | Consensus | Actual | Last | Comments |
|--------------------------|--|-----------|--------|-----------|--|
| Monday, May 25 | | | | | |
| No major data releases. | | | | | |
| Tuesday, May 26 | | | | | |
| US | Conf. Board Consumer Confidence (May) | 92.0 | 93.1 | 93.8 (↑) | At lower end of 4-year range. |
| US | FHFA House Price Index (Mar, m/m) | 0.1% | 0.1% | -0.1% (↓) | Up 1.7% y/y, twin lowest since 2012! |
| Wednesday, May 27 | | | | | |
| FR | Consumer Confidence (May) | 83 | 82 | 84 | Has plunged amid Iran conflict. |
| AU | Westpac Leading Index (Apr, m/m) | n/a | 0.0% | -0.1% (↑) | Sideways. |
| AU | CPI (Apr, y/y) | 4.4% | 4.2% | 4.6% | Fuel excise cut dragged headline. |
| Thursday, May 28 | | | | | |
| US | Personal Income (Apr,m/m) | 0.4% | 0.0% | 0.5% (↓) | Real disposable income down 1.1% y/y. |
| US | Personal Spending (Apr, m/m) | 0.5% | 0.5% | 1.0% (↑) | Saving rate plunged 0.6 ppt to 2.6%. |
| US | Initial Jobless Claims (May 23, thous) | 212 | 215 | 210 | Very low. |
| US | Continuing Claims (May 16, thous) | 1,781 | 1,786 | 1,782 | Very low. |
| US | Durable Goods Orders (Apr, prelim) | 4.0% | 7.9% | 1.3% (↑) | Up 19.1% y/y! |
| US | GDP (Q1, annualised q/q) | 2.0% | 1.6% | 0.5% | Slightly weaker consumption. |
| US | New Home Sales (Apr, thous) | 661 | 622 | 663 (↓) | Down 11.3% y/y. |
| US | Building Permits (Apr, final, thous) | 1,442 | 1,423 | 1,363 | Down 1.5% y/y, down 2.1% y/y year to date. |
| IT | Consumer Confidence Index (May) | 90.1 | 93.4 | 90.8 | Still at lower end of 3-year range. |
| Friday, May 29 | | | | | |
| CA | GDP (Q1, annualised q/q) | 1.5% | -0.1% | -1.0% (↓) | Underlying momentum remains weak. |
| GE | CPI (May, y/y, prelim) | 2.9% | 2.6% | 2.9% | Core at 2.5% y/y, in line with recent range. |
| GE | Unemployment Rate (May) | 6.4% | 6.3% | 6.4% | First improvement in a very long time! |
| FR | CPI (May, y/y, prelim) | 2.5% | 2.4% | 2.2% | Surge in energy. |
| FR | GDP (Q1, q/q, final) | 0.0% | -0.1% | 0.0% | Weak household spending, OK investment. |
| IT | GDP (Q1, q/q wda, final) | 0.2% | 0.3% | 0.3% | Up 0.8% y/y. |
| IT | CPI (May, y/y, prelim) | 3.2% | 3.2% | 2.7% | Highest since September 2023. |
| JN | Jobless Rate (Apr) | 2.7% | 2.5% | 2.7% | Nothing new here. |
| JN | Industrial Production (Apr, m/m, prelim) | -0.6% | 0.8% | -0.4% | Strength continues. |
| JN | Retail Sales (Apr, y/y) | 1.3% | 2.1% | 1.4% (↓) | Good data print. |

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

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* This figure is presented as of March 31, 2026 and includes ETF AUM of \$1,940.32 billion USD of which approximately \$184.18 billion USD in gold assets with respect to SPDR products for which State Street Global

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