August 7, 2026
Commentary

Weekly Economic Perspectives

Contents

Contact

Simona Mocuta
Chief Economist
simona_mocuta@statestreet.com

Amy Le
Macro-Investment Strategist
amy_le@statestreet.com

Krishna Bhimavarapu
Economist
VenkataVamseaKrishna_Bhimavarapu@statestreet.com

Weekly Highlights

Better news from Iran and a big miss on US employment attenuate rate hike angst.

US: Non-farm Payrolls Change (July)	US: Unemployment Rate (July)	US: Average Hourly Earnings (July, y/y)
-23k	4.1%	3.2%
And huge downward revision.	Declined for “wrong” reasons.	Multi-year low.

CA: Unemployment Rate (July)	UK: Manufacturing PMI (July, final)	UK: Services PMI (Jul, final)
6.4%	51.9	51.2
Better than expected.	Expanding at slower rate.	Back to growth.

JP: Household Spending (June, m/m)	JP: Labor Cash Earnings (June, y/y)	AU: Household Spending (June, m/m)
-3.3%	3.4%	0.8%
Below expectations.	Strong wage growth.	Not solid, but not bad either.

US: No pre-emption needed

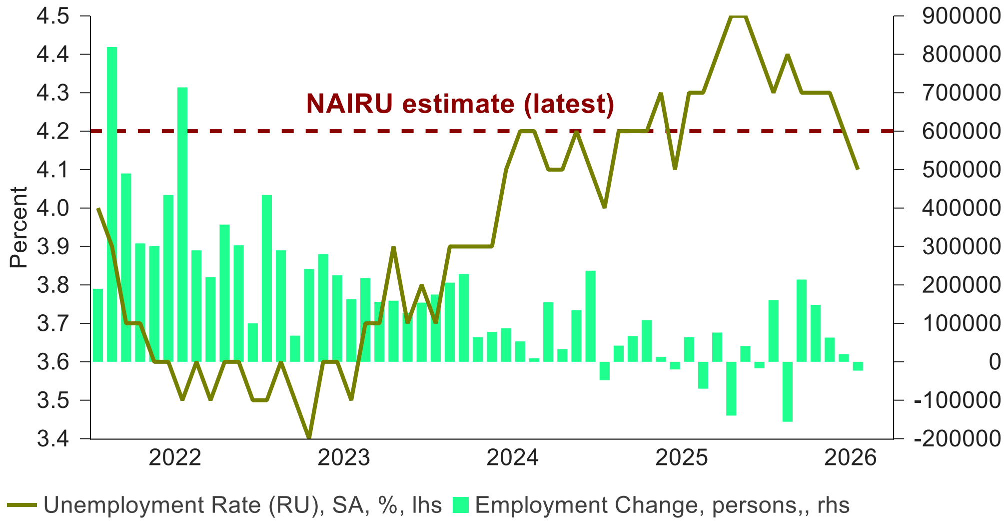
Last week we noted that the three dissents in favor of an immediate rate hike all implicitly viewed that hike as a pre-emptive move aimed to avoid larger/faster hikes down the road. This week’s employment update says that no pre-emption is needed. We reiterate our view of a Fed on hold through year-end on the basis of a “do no harm” approach to the labor market and better leading indicators for inflation.

The July employment report was a double-whammy miss. The economy lost 23k jobs (versus the 80k addition expected by Bloomberg consensus) and there was a massive 103k downward revision to the prior two months. The combination dramatically lowered the 3-month average change to just 20k, the lowest since February and a far cry from 142k in May. The weakness was concentrated in private services (only 5k jobs added overall) and in government (-53k). The former likely reflects pullback from earlier World Cup-related hiring, and the latter may reflect some seasonality skews in public education. Both could therefore reverse to some extent, suggesting that the July headline is likely weaker than the true underlying trend in hiring.

Nevertheless, wage inflation retreated further, with AHE (average hourly earnings) inflation easing to 3.2% y/y for both the overall population and for production and non-supervisory employees. Aside from a couple of months during the early days of Covid, these were the mildest increases since right before the pandemic. In conjunction with decent productivity gains, the message is clear: the labor market is

NOT a source of inflationary pressures, nor are labor income dynamics supportive of strong second-round inflation effects from the energy shock. There is no need for pre-emptive hikes.

Figure 1: US Labor Market More Vulnerable Than What RU Suggests



Source: Macrobond, State Street Investment Management, U.S. Bureau of Labor Statistics (BLS)

The one data point that *could* be used to argue for a hike is the one tenth decline in the unemployment rate, now at 4.1% and just below the estimated neutral level. But this decline occurred for undesirable reasons, namely people leaving the labor force, not because unemployment itself declined. Given this, we see payrolls and wage inflation as the more important signal-carrying indicators for the Fed.

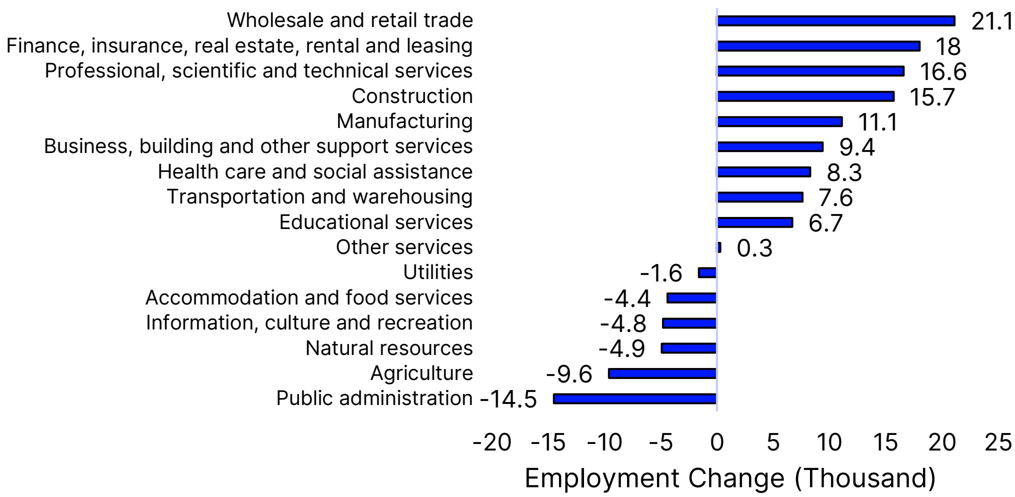
Canada: Unemployment rate edged down

July labor market report delivered a clear upside surprise, supporting our view that the economy is regaining momentum after a softer period. However, cooling wage growth, still-elevated unemployment at 6.4%, and lingering tariff risks argue for caution. Against this backdrop, we continue to expect the BoC to remain on hold through year-end.

The headline gain was impressive. Employment rose by 75k in July, well above consensus expectations for a 20k increase, with the gains almost evenly split between full-time jobs (+38.6k) and part-time roles (+36.6k). The unemployment rate edged down from 6.5% to 6.4%, its lowest level in two years. That mix is encouraging as job creation was strong enough not only to absorb new entrants into the labor market, but also to bring unemployment modestly lower.

The breadth of hiring also added credibility to the report. Gains were spread across several cyclical and service-oriented sectors, led by wholesale and retail trade (+21k), finance, insurance, real estate, rental and leasing (+18k). The few weak spots were concentrated in public administration (-15k) and agriculture (-9.6k), suggesting that July's improvement was not driven by a single sector or temporary distortion.

Figure 2: Canadian labor market improved in July



Source: Canada Statistics, State Street Investment Management

Still, the report does not remove the case for caution. Average hourly wage growth slowed to 2.8% y/y from 3.3% in June. Softer wage momentum should help ease inflation concerns, while the still-elevated unemployment rate points to remaining slack in the economy. With energy-price volatility and potential trade headwinds from new tariffs, the BoC has little reason to rush into either renewed tightening or early easing. The July data supports a more constructive growth narrative but also reinforces a patient policy stance.

Japan: Cautiously, decisively and independently

The focus remained firmly on Japan's interest rate outlook last week, with political developments dominating the headlines. Markets are now almost evenly split in pricing the next Bank of Japan (BoJ) rate hike in September and October. In our view, however, the BoJ increasingly has sufficient evidence to proceed cautiously, decisively, and independently.

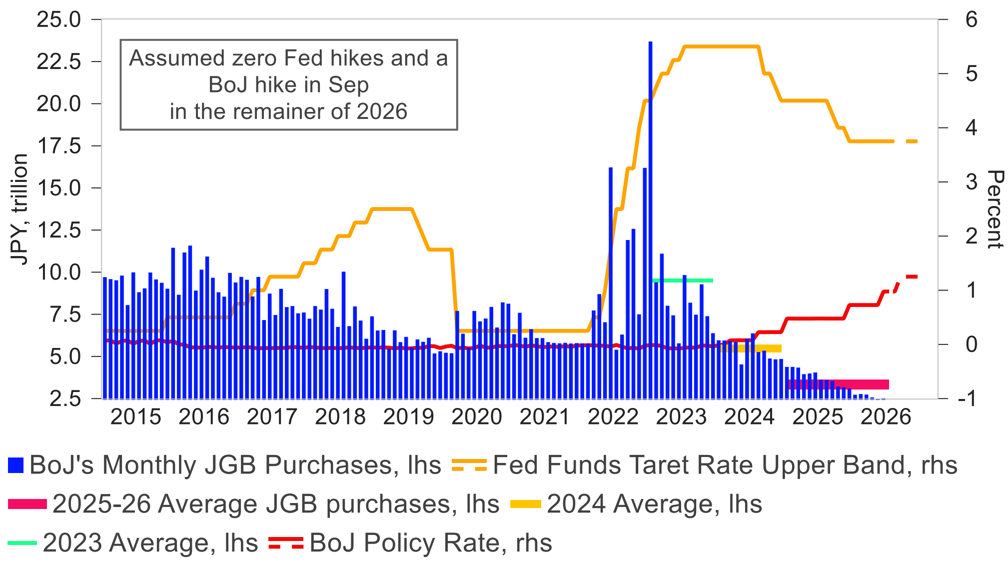
Economic growth remains resilient, domestic consumption continues to strengthen, and underlying inflation pressures remain consistent with further policy normalization. While political pressure on the central bank has intensified and fiscal policy is turning more accommodative, the macroeconomic backdrop appears strong enough for the BoJ to continue setting policy based on its inflation and growth objectives rather than external demands.

Recent activity data support our constructive growth outlook. The BoJ's Consumption Activity Index fell 1.7% m/m in June, but the decline largely reflects mean reversion after two consecutive strong gains. As a result, the index still rose 0.7% q/q in Q2, marking its strongest quarterly increase in two years. We believe this reinforces the view that private consumption remained firmly in the driver's seat and should help offset a likely drag from inventories, which were probably drawn down amid the energy shock linked to the Iran conflict. With Q2 GDP data due in two weeks before the September meeting, policymakers will receive further confirmation that economic momentum remains sufficiently robust to support policy normalization. We see growth surprising positively in the ballpark of 0.6% q/q.

The key risk will be composition; exports may have declined in a worst-case scenario, even if a similar decline in imports may lift net trade. Furthermore, as Q2 is dated and we are already in mid-Q3, there is a risk that markets may not grasp the importance of the resilient domestic spending. Nonetheless, that is the most important takeaway.

The growth backdrop is being complemented by persistent underlying inflation pressures and firm inflation expectations, both of which remain consistent with the BoJ's normalization agenda. At the same time, the political environment has become more challenging. Prime Minister Takaichi had reportedly urged Governor Ueda to increase JGB purchases, drawing attention to an often-overlooked aspect of policy normalization: the BoJ's balance sheet. While markets remain fixated on the path of the policy rate, balance-sheet normalization has been proceeding faster than widely appreciated, pushing the Bank's JGB purchases toward historic lows.

Figure 3: BoJ's JGB Buying Is Normalizing Faster Than Policy Rate



Source: Macrobond, State Street Investment Management, Bank of Japan (BOJ), Federal Reserve

Separately, the government has announced a two-year reduction in the consumption tax on food from 8% to 1%, alongside annual cash transfers worth ¥600 billion. The measures are intended to alleviate cost-of-living pressures and effectively reduce the household tax burden, but they are also expected to create an annual fiscal shortfall of roughly ¥5 trillion. Despite this, the government has indicated that it does not intend to fund the package through additional debt issuance, which is the most important takeaway. Against this backdrop, calls for greater BoJ support through increased JGB purchases have become more prominent, even as the Bank continues to shrink its balance sheet and reduce its footprint in the government bond market.

Despite the growing political scrutiny, we believe the BoJ retains sufficient policy space to act cautiously, decisively, and most importantly, independently. Stronger growth, resilient consumption, and persistent inflation pressures increase the likelihood of a September rate hike in our view. September also offers a cleaner window for policy normalization. The Federal Reserve will meet the day before and could remain on hold, reducing the risk of policy cross-currents, while the subsequent public holidays may provide a more favorable backdrop for absorbing any market volatility than an October move. As a result, we now see a higher probability of the BoJ delivering its next rate increase in September rather than waiting until October. The Summary of Opinions from the BoJ's July meeting should bring newer information next week about the Bank's thinking.

Week in review

A summary of macro data releases from the past week.

Country	Release (Date, format)	Consensus	Actual	Last	Comments
Monday, Aug 3					
US	ISM Manufacturing (Jul)	53.9	55.6	53.3	Solid.
US	Omdia Motor Vehicle Sales (Jul, mil, saar)	16.32	16.33	16.52	Down 0.5% y/y.
UK	Manufacturing PMI (Jul, final)	52.8	51.9	52.5	Still in positive territory.
GE	Manufacturing PMI (Jul, final)	52.2	52.2	50.3	Good.
FR	Manufacturing PMI (Jul, final)	50.0	49.8	51.2	Soft.
IT	Manufacturing PMI (Jul)	52.3	51.3	52.2	Modest.
JN	Manufacturing PMI (Jul, final)	n/a	54.5	54.8	Solid.
Tuesday, Aug 4					
US	Factory Orders (Jun)	0.2%	-0.3%	-1.1% (↓)	Up 7.4% y/y.
US	JOLTS Job Openings (Jun, thous)	7,504	7,359	7,537(↓)	Mixed details but pretty solid.
US	Durable Goods Orders (Jun, final)	0.3%	0.5%	0.3%	Up 9.2% y/y.
IT	Retail Sales (Jun, m/m)	0.3%	-0.1%	0.2%	Modest.
Wednesday, Aug 5					
US	MBA Mortgage Applications (Jul 31)	n/a	-2.9%	-6.4%	Weighed down by high interest rates.
US	ISM Services Index (Jul)	54.5	54.1	54.0	Employment contracted.
UK	Services PMI (Jul, final)	51.8	52.1	48.8	Returned to growth.
GE	Services PMI (Jul, final)	49.6	49.8	48.6	Weak.
FR	Industrial Production (Jun, m/m)	0.3%	0.1%	-0.1%	Weak; down 0.1% y/y.
FR	Services PMI (Jul, final)	49.8	49.6	46.8	Weak.
IT	Services PMI (Jul)	51.0	52.5	50.2	OK.
Thursday, Aug 6					
US	Initial Jobless Claims (Aug 1, thous)	202	199	198 (↑)	Very low, but how meaningful?
US	Continuing Claims (Jul 25, thous)	1,785	1,801	1,782	Very low, but how meaningful?
US	Nonfarm Productivity (Q2 prelim, q/q)	0.6%	1.4%	0.8% (↑)	Up 2.2% y/y.
GE	Factory Orders (Jun, m/m)	0.5%	3.1%	0.3%(↓)	Solid.
IT	Industrial Production (Jun, m/m)	0.3%	-1.0%	-0.3%	Soft.
Friday, Aug 7					
US	Change in Nonfarm Payrolls (Jul, thous)	80.0	-23	20.0 (↓)	Big miss, massive negative revision.
US	Unemployment Rate (Jul)	4.2%	4.1%	4.2%	Wages more relevant at the moment.
CA	Unemployment Rate (Jul)	6.5%	6.4%	6.5%	Slightly lower than expected.
GE	Industrial Production (Jun, m/m sa)	0.2%	0.2%	0.7%(↓)	As expected.

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

About State Street Investment Management

At State Street Investment Management, we have been helping create better outcomes for institutions, financial intermediaries, and investors for nearly half a century. Starting with our early innovations in indexing and ETFs, our rigorous approach continues to be driven by market-tested expertise and a relentless commitment to those we serve. With over $6 trillion in assets managed*, clients in 60 countries, and a global network of strategic partners, we use our scale to deliver a comprehensive and cost-effective suite of investment solutions that help investors get wherever they want to go.

*This figure is presented as of June 30, 2026 and includes ETF AUM of $2,203.98 billion USD of which approximately $156.81 billion USD in gold assets with respect to SPDR products for which State Street Global Advisors Funds Distributors, LLC (SSGA FD) acts solely as the marketing agent. SSGA FD and State Street Investment Management are affiliated. Please note all AUM is unaudited.

www.statestreet.com/im

Marketing Communication

Important Risk Discussion

Investing involves risk including the risk of loss of principal.

All information is from SSIM unless otherwise noted and has been obtained from sources believed to be reliable, but its accuracy is not guaranteed. There is no representation or warranty as to the current accuracy, reliability, or completeness of, nor liability for, decisions based on such information, and it should not be relied on as such.

The information provided does not constitute investment advice and it should not be relied on as such. It should not be considered a solicitation to buy or an offer to sell a security. It does not take into account any investor's particular investment objectives, strategies, tax status or investment horizon. You should consult your tax and financial advisor.

The trademarks and service marks referenced herein are the property of their respective owners. Third party data providers make no warranties or representations of any kind relating to the accuracy, completeness or timeliness of the data and have no liability for damages of any kind relating to the use of such data.

The whole or any part of this work may not be reproduced, copied, or transmitted or any of its contents disclosed to third parties without SSIM's express written consent.

The views expressed in this material are the views of SSIM Economics Team through the period ended August 7, 2026, and are subject to change based on market and other conditions. This document may contain certain statements deemed to be forward-looking statements. All statements, other than historical facts, contained within this document that address activities, events or developments that SSIM expects, believes or anticipates will or may occur in the future are forward-looking statements. These statements are based on certain assumptions and analyses made by SSIM in light of its experience and perception of historical trends, current conditions, expected future developments and other factors it believes are appropriate in the circumstances, many of which are detailed herein. Such statements are subject to a number of assumptions, risks, uncertainties, many of which are beyond SSIM's control. Please note that any such statements are not guarantees of any future performance and that actual results or developments may differ materially from those projected in the forward-looking statements.

The information contained in this communication is not a research recommendation or 'investment research' and is classified as a 'Marketing Communication' in accordance with the Markets in Financial Instruments Directive (2014/65/EU) or applicable Swiss regulation. This means that this marketing communication (a) has not been prepared in accordance with legal requirements designed to promote the independence of investment research (b) is not subject to any prohibition on dealing ahead of the dissemination of investment research.

Intellectual Property Information

BLOOMBERG®, a trademark and service mark of Bloomberg Finance L.P. Standard & Poor's S&P 500 Index® is a registered trademark of Standard & Poor's Financial Services LLC. FTSE 100® is a trademark jointly owned by the London Stock Exchange Plc and The Financial Times Limited, and is used by FTSE International Limited under license. "All-World", "All-Share" and "All-Small" are trademarks of FTSE International Limited.

Australia: State Street Global Advisors, Australia, Limited (ABN 42 003 914 225) is the holder of an Australian Financial Services License (AFSL Number 238276). Registered office: Level 14, 420 George Street, Sydney, NSW 2000, Australia. T: +612 9240-7600. F: +612 9240-7611.

Belgium: State Street Global Advisors Belgium, Chaussée de La Hulpe 185, 1170 Brussels, Belgium. T: +32 2 663 2036. State Street Global Advisors Belgium is a branch office of State Street Global Advisors Europe Limited, registered in Ireland with company number 49934, authorised and regulated by the Central Bank of Ireland, and whose registered office is at 78 Sir John Rogerson's Quay, Dublin 2

Canada: State Street Global Advisors, Ltd., 1981 McGill College Avenue, Suite 500, Montreal, Qc, H3A 3A8, T: +514 282 2400 and 30 Adelaide Street East Suite 1100, Toronto, Ontario M5C 3G6. T: +647 775 5900.

Dubai: State Street Global Advisors Limited, DIFC branch is regulated by the Dubai Financial Services Authority (DFSA) as a category 4 regulated firm and is only active in arranging deals in investments and advising on financial products. This document is intended for Professional Clients or Market Counterparties only as defined by the DFSA and no other person should act upon it.

State Street Global Advisors Limited, DIFC Branch, OT 01-39, 1st Floor, Central Park Towers, DIFC, P.O Box 507448, Dubai, United Arab Emirates. Regulated by the DFSA under reference number: F009297. Telephone: +971 4 871 9100

France: State Street Global Advisors Europe Limited, France Branch ("State Street Global Advisors France") is a branch of State Street Global Advisors Europe Limited, registered in Ireland with company number 49934, authorised and regulated by the Central Bank of Ireland, and whose registered office is at 78 Sir John Rogerson's Quay, Dublin 2. State Street Global Advisors France is registered in France with company number RCS Nanterre 899 183 289, and its office is located at Coeur Défense — Tour A — La Défense 4, 33e étage, 100, Esplanade du Général de Gaulle, 92 931 Paris La Défense Cedex, France. T: +33 1 44 45 40 00. F: +33 1 44 45 41 92.

Germany: State Street Global Advisors Europe Limited, Branch in Germany, Brienner Strasse 59, D-80333 Hansastrasse 29a, D-81373 Munich, Germany with a representation office at Brüsseler Strasse 1-3, D-60327 Frankfurt am Main Germany ("State Street Global Advisors Germany"). Munich T +49 (0)89 55878 400. Frankfurt T +49 (0)69 667745 000. State Street Global Advisors Germany is a branch of State Street Global Advisors Europe Limited, registered in Ireland with company number 49934, authorised and regulated by the Central Bank of Ireland, and whose registered office is at 78 Sir John Rogerson's Quay, Dublin 2.

Hong Kong: State Street Global Advisors Asia Limited, 68/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong. T: +852 2103-0288. F: +852 2103-0200.

Ireland: State Street Global Advisors Europe Limited ("SSGAEL"), regulated by the Central Bank of Ireland. Registered office address 78 Sir John Rogerson's Quay, Dublin 2. Registered number 49934. T: +353 (0)1 776 3000. Fax: +353 (0)1 776 3300. Web: www.ssga.com.

Italy: State Street Global Advisors Europe Limited, Italy Branch ("State Street Global Advisors Italy") is a branch of State Street Global Advisors Europe Limited, registered in Ireland with company number 49934, authorised and regulated by the Central Bank of Ireland, and whose registered office is at 78 Sir John Rogerson's Quay, Dublin 2. State Street Global Advisors Italy is registered in Italy with company number 11871450968 — REA: 2628603 and VAT number 11871450968, and its office is located at Via Ferrante Aporti, 10 - 20125 Milan, Italy. T: +39 02 32066 100. F: +39 02 32066 155.

Japan: State Street Global Advisors (Japan) Co., Ltd., Toranomon Hills Mori Tower 25F 1-23-1 Toranomon, Minato-ku, Tokyo 105-6325 Japan. T: +81-3-4530-7380. Financial Instruments Business Operator, Kanto Local Financial Bureau (Kinsho #345), Membership: Japan Investment Advisers Association, The Investment Trust Association, Japan, Japan Securities Dealers' Association.

Netherlands: State Street Global Advisors Netherlands, B Vital, De Entree 201, 1101 HG Amsterdam, Netherlands. T: +31 20 7181701. State Street Global Advisors Netherlands is a branch office of State Street Global Advisors Europe Limited, registered in Ireland with company number 49934, authorised and regulated by the Central Bank of Ireland, and whose registered office is at 78 Sir John Rogerson's Quay, Dublin 2.

Singapore: State Street Global Advisors Singapore Limited, 168, Robinson Road, #33-01 Capital Tower, Singapore 068912 (Company Reg. No: 200002719D, regulated by the Monetary Authority of Singapore). T: +65 6826-7555. F: +65 6826-7501.

Spain: State Street Global Advisors Europe Limited, Spanish Representative Office ("State Street Global Advisors Europe Limited, Oficina de Representación en España") Calle Velázquez, 34, 28001 Madrid, Spain. State Street Global Advisors Europe Limited, Spanish Representative Office is the representative office of State Street Global Advisors Europe Limited in Spain. State Street Global Advisors Europe Limited is registered in Ireland with company number 49934, authorised and regulated by the Central Bank of Ireland, and whose registered office is at 78 Sir John Rogerson's Quay, Dublin 2.

South Africa: State Street Global Advisors Limited is regulated by the Financial Sector Conduct Authority in South Africa under license number 42670.

Switzerland: State Street Global Advisors AG, Beethovenstr. 19, CH-8027 Zurich. Registered with the Register of Commerce Zurich CHE-105.078.458. T: +41 (0)44 245 70 00. F: +41 (0)44 245 70 16.

United Kingdom: State Street Global Advisors Limited ("SSGAL"). Authorized and regulated by the Financial Conduct Authority, Registered No.2509928. VAT No. 5776591 81. Registered office: 20 Churchill Place, Canary Wharf, London, E14 5HJ. Telephone: 020 3395 6000. Facsimile: 020 3395 6350

United States: State Street Investment Management, One Congress Street, Boston, MA 02114.

2537623.346.1.GBL.RTL
Exp. Date: 08/31/2027