November 13, 2026
Commentary

Weekly Economic Perspectives

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Information Classification: General

Weekly Highlights

Hot US inflation data reinforces the higher for longer theme.

US: CPI Index (Oct, m/m)
0.4%
Another upside surprise!

US: Core CPI Index (Oct, m/m)
0.3%
Broad increases.

US: Existing Home Sales (Oct, m/m)
-5.5%
Lowest level since 2010!

CA: Building Permits (Sep, m/m)
-4.1%
Weakening.

UK: GDP (Q3, q/q, prelim)
0.7%
Resilient.

UK: Industrial Production (Sep, m/m)
0.3%
Unexpectedly rose...

AU: Housing Finance (Q3, q/q)
-15.5%
Negative for 3rd quarter.

AU: Consumer Sentiment (October)
-2.7%
Near Record lows.

JP: Goods PPI (Oct, y/y)
7.1%
Above consensus, but turning.

US: Inflation Distress

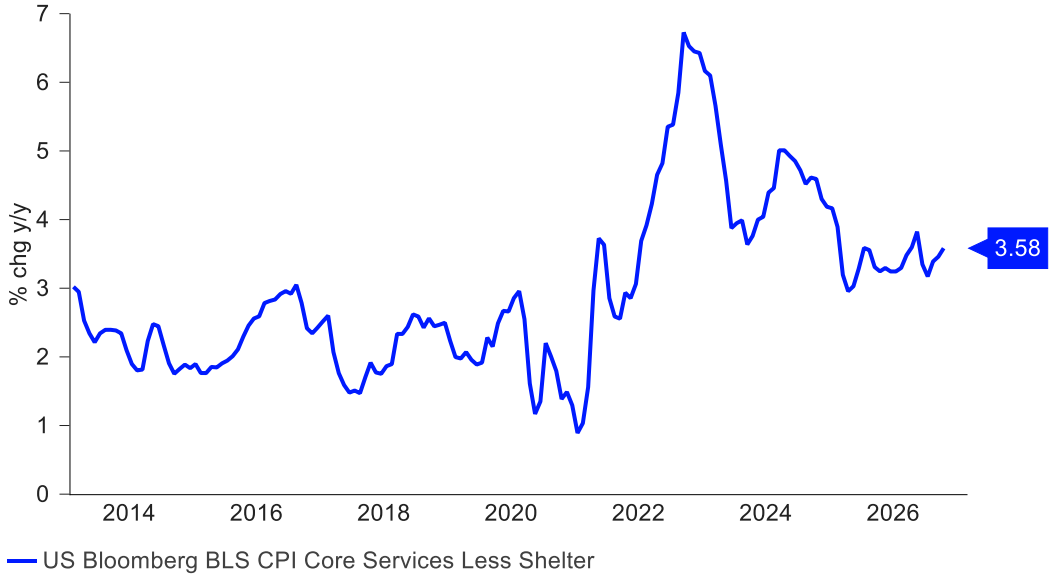
With the October data in hand, we now have two consecutive monthly inflation prints that surprised to the upside in broad-based fashion. Chicago Fed President Goolsbee described the latest data as “distressing” and “borderline disturbing”, an assessment that likely is shared by others on the FOMC. A December hike is a done deal, although we do not believe that current speculation around a jumbo 50-bp move will materialize. Rather, the odds of another hike in Q1 2027 have risen materially. January is on the table, although March remains more likely.

The BLS (Bureau of Labor Statistics) did not release official data for the y/y inflation rate because the government shutdown prevented the release of October 2025 price index data. Annual growth rates are therefore estimated.

Overall consumer prices rose 0.4% m/m in October and core prices rose 0.3%, each topping expectations by a tenth. There was a sharp 0.5% m/m jump in food prices that built on the 0.7% m/m rise in energy prices to boost overall inflation. Both goods and services prices rose 0.4% m/m, the latter matching the September read and pointing to more sustained and broader price pressures in the services space than had been evident in the prior few months. This is the space that the Fed will want to monitor most closely. On the more encouraging side, although shelter costs rose 0.3% m/m, which is a bit too high for comfort, rent of primary residence advanced 0.2% m/m, the same as in September.

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Figure 1: US Core Services Inflation Is Too High For Comfort



Source: Macrobond, State Street Investment Management, <Property Source not found.>

The higher for longer theme implied by these inflation figures means the housing sector will remain under pressure for the foreseeable future. Existing home sales dropped 5.5% m/m in October to their lowest level since August 2010. At 3.75 million annualized, they are currently running about 32% below 2016-17 levels and almost 40% below 2021 levels. The inventory of existing homes available for sale increased to 5.1 months worth of sales, the highest since November 2015. The only silver lining here is that higher inventory may weigh on prices, helping to cap shelter inflation down the line.

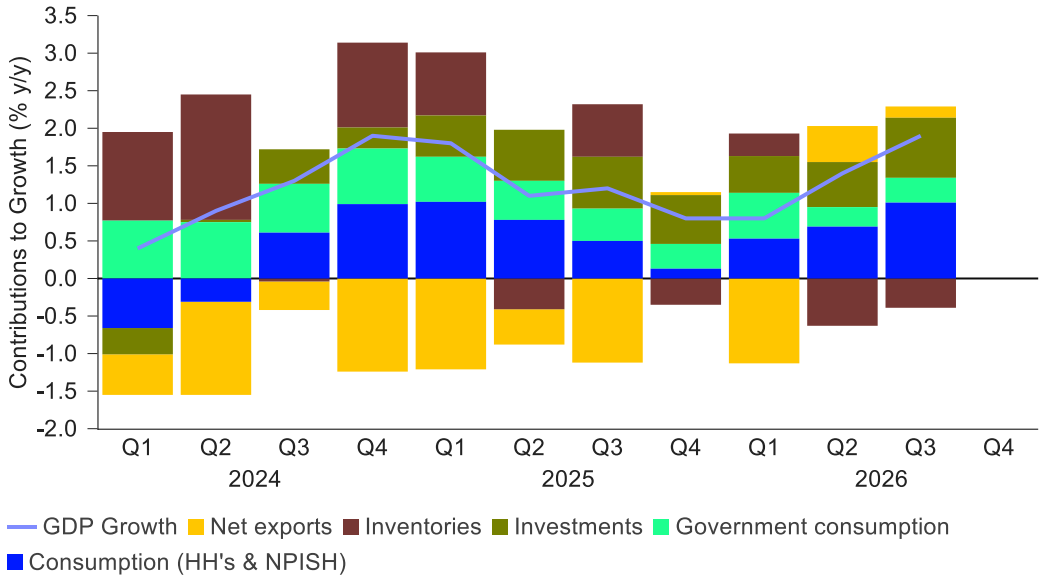
UK: Growth Remains Resilient

The economy ended Q3 on a strong note. GDP grew 0.7%q/q, as expected, with broad-based demand: consumption rose 0.6%q/q as households saved less, and gross fixed capital formation rose 1.7%. Business investment slowed to 0.4%q/q but still had its strongest three-quarter run since early 2022, as firms showed more interest in AI. That momentum looks set to last. September GDP rose more than expected while October PMI shows activity holding up.

That resilience is pulling the MPC in a hawkish direction. Last week's meeting signalled December hike firmly in play, with five of the nine members open to back-to-back hikes. Deputy Governor Clare Lombardelli struck a more measured note this week: a further rise is likely "in the near term", but "that judgement is conditional", and uncertainty is "a reason to proceed gradually". Her message points to February rather than December.

Energy prices are the wild card. Oil is well above this summer's levels but still below the BoE's forecasts, while natural gas is near its recent highs. Our call is that the MPC holds off until February for its next hike, though it could easily go the other way.

Figure 2: UK GDP Growth Remains Resilient In Q3



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

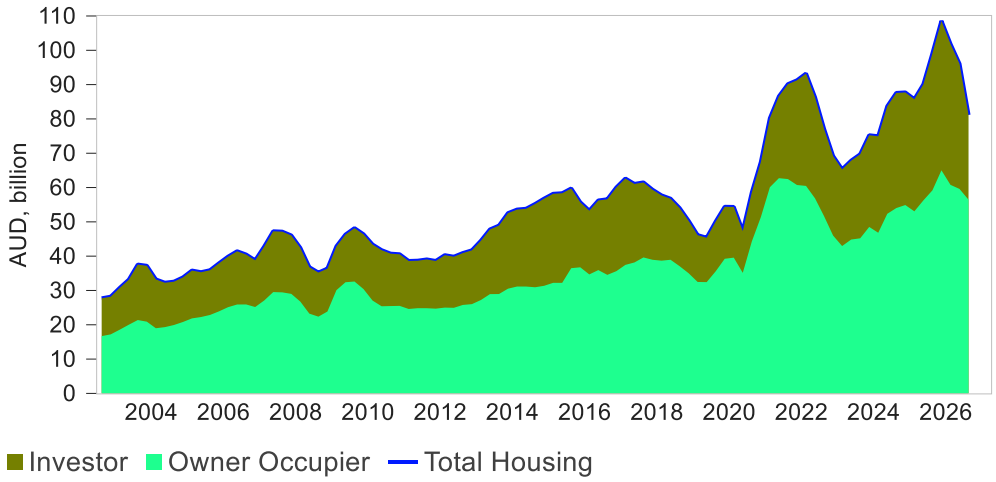
Australia: Peak Rates Beckon

The impact of higher interest rates is becoming harder to miss. Falling property prices have attracted most of the attention so far, but the slowdown is now showing up more clearly in housing finance as well. The value of new home loan commitments fell 15.5% q/q in Q3, nearly twice the consensus and a third consecutive quarterly fall. The number of commitments fell by a similarly sharp 15.0%, underscoring the unusually abrupt pullback in housing finance.

Higher rates are not the only factor at work, with this year's tax changes likely contributing to the particularly sharp 32.2% fall in investor lending; lending to owner-occupiers declined 5.3%. Still, the breadth and speed of the decline suggest the housing response to higher rates is now considerably sharper than during the previous tightening cycle.

Figure 3: Australia's Housing Finance Declines

New Loan Commitments for Housing Finance



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

Leading surveys tell a similar story. NAB business confidence slipped another point to -15 in October, while new orders, a useful gauge of forward demand, fell to -12, the weakest reading since the pandemic. Construction was unsurprisingly among the softer areas, with new orders falling very sharply to -23, consistent with the broader cooling underway in housing.

The Westpac-Melbourne Institute Consumer Sentiment Index fell 2.7% to 78.2 in November, leaving sentiment broadly consistent with the weakness in business surveys. Labor-market expectations remain relatively contained and have deteriorated only gradually, but households remain wary of interest rates and housing. More than 70% expect mortgage rates to rise further over the coming year, house-price expectations have been marked down substantially, and consumers appear cautious about their Christmas spending plans.

Taken together, the data suggest that higher rates are doing what they are supposed to do, with the adjustment most visible in housing but increasingly apparent in demand more broadly. It is becoming reasonable to wonder whether peak demand, and perhaps peak rates, are behind us this cycle. However, we would not quite make that call yet; consumer spending likely remained stronger than the sentiment surveys would suggest, so for now we retain our forecast for at least one further hike to the cash rate. Next week's labor data should add another piece to the puzzle, with employment expected to have risen by just 2k in October.

Week in Review

A summary of key macro data releases from the past week.

Country	Release (Date, format)	Consensus	Actual	Last	Comments
Monday, Nov 09					
AU	Westpac Consumer Conf (Nov, m/m)	n/a	78.2	-4.7%	Very weak.
Tuesday, Nov 10					
US	NFIB Small Business Optimism (Oct)	97.9	97.8	97.9	Broadening price pressures.
US	CPI (Oct, m/m)	0.3%	0.4%	0.6%	Second upside surprise in a row.
AU	NAB Business Confidence (Oct)	n/a	-15.0	-14.0 (↓)	Very weak.
Wednesday, Nov 11					
GE	CPI (Oct, y/y, final)	2.8%	2.8%	3.3%	As already indicated.
IT	Industrial Production (Sep, m/m)	0.7%	1.2%	-1.2%	Volatile.
Thursday, Nov 12					
US	Initial Jobless Claims (Nov 7, thous)	195	200	191 (↑)	Very low.
US	Continuing Claims (Oct 31, thous)	1,709	1,697	1,717 (↓)	Incredibly low.
US	Existing Home Sales (Oct, mils)	3.85	3.75	3.99 (↓)	Lowest since 2010!
US	Federal Budget Balance (Oct, USD bn)	-321.0	-404.1	-284.3	Record deficit for October.
CA	Building Permits (Sep, m/m)	-4.1%	-4.1%	7.6% (↓)	Weak
UK	GDP (Q3, q/q, prelim)	0.7%	0.7%	0.5%	Resilient.
UK	Industrial Production (Sep, m/m)	-0.4%	0.3%	0.7% (↓)	Upside surprise.
Friday, Nov 13					
US	PPI Final Demand (Oct, y/y)	6.6%	6.5%	6.3%	Elevated.

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

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