AUSTIN PEARCE
CAPITAL RESEARCH

Monday 24th November

ECONOMIC DEVELOPMENTS
OF THE WEEK

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AUSTIN PEARCE
CAPITAL RESEARCH

The Week Ahead

November 24th - November 28th 2025

Economic Calendar

Monday
- DE: German Business Expectations
- US: Industrial Production (MoM)
- KR: Consumer Confidence

Tuesday
- DE: German GDP (QoQ) (Q3)
- NZ: RBNZ Interest Rate Decision
- AU: Trimmed Mean CPI

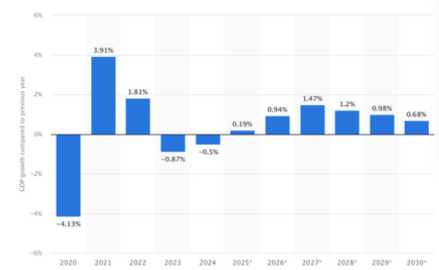
Wednesday
- JA: BOJ Core CPI (YoY)
- UK: Autumn Forecast Statement
- US: Core PCE Price Index (YoY)

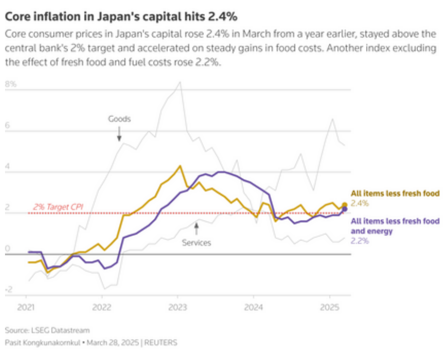
Thursday
- EU: ECB's De Guindos Speaks
- JA: Tokyo Core CPI (YoY)
- ES: Business Confidence

Friday
- FR: Consumer Spending (MoM)
- CH: KOF Leading Indicators
- BR: Gross Debt-to-GDP ratio (MoM)

Importance Level: Low Medium High

German GDP Q3





Eurozone Faces Crucial Inflation Tests

Stubborn services inflation and weakening German employment complicate ECB policy plans

The Eurozone enters the week ahead with a series of data releases that will shape its monetary-policy trajectory for 2025. Flash inflation estimates from Germany, France and Spain will coincide with fresh German labour-market data, offering a comprehensive snapshot of the region's economic condition.

Inflation across the Eurozone has eased substantially from the peaks driven by the 2022–23 energy shock. However, core inflation, particularly in labour-intensive service sectors remains persistently above the European Central Bank's 2% target. Early indications suggest that next week's flash estimates may show mild cooling, but underlying dynamics remain sticky. Wages are growing above pre-pandemic norms, especially in hospitality, healthcare and public services, raising concerns that price pressures may remain anchored at higher levels.

Germany remains the focal point. Once the Eurozone's industrial engine, it has struggled with weak global demand, elevated energy costs and structural challenges in automotive and chemical manufacturing. Labour-market data due next week are expected to show a slight increase in unemployment, but the distribution will matter: rising layoffs in energy-intensive sectors could indicate that Germany's competitiveness has deteriorated more sharply than policymakers anticipated.

This comes at a time when business investment remains subdued, and manufacturing PMIs hover near contraction territory. Southern European economies such as Spain and Portugal have shown more resilience, yet they cannot compensate for prolonged German weakness. A faltering German labour market raises questions about spillover effects through trade, capital flows and supply-chain linkages.

For the ECB, the policy puzzle grows more complicated. A softer inflation print paired with weaker employment could justify a gradual shift toward policy easing later in 2025. But if wage growth remains elevated and services inflation refuses to budge, the case for maintaining restrictive policy strengthens.

Japan BOJ Core CPI Forecast - Inflation Holding Above Target

Underlying price pressures remain sticky around the low-2% range as yen weakness and base effects support mild upward momentum.

Japan's latest BOJ Core CPI, excluding both fresh food and energy came in at 2.1% y/y, a slight uptick from the previous 2.0%, with markets expecting the next release to edge higher toward 2.2%. Meanwhile, broader inflation measures are running significantly hotter: national core CPI stands at 3.0%, while "core-core" inflation sits at 3.1%, underscoring that underlying price pressures remain persistent even as the narrower BOJ Core CPI stabilizes. Although this measure strips out the most volatile components, second-round effects from higher food and import costs continue to filter into processed goods and services, preventing a more pronounced disinflation trend.

Looking ahead, the inflation path will be shaped by three key drivers. First, yen depreciation continues to amplify import costs, contributing persistent upward pressure across domestic supply chains. Second, food-related price increases particularly in grains and processed foods are gradually spilling over into broader categories, affecting household consumption. Third, base effects from last year are turning less favourable, mechanically pushing up year-over-year readings even if monthly price gains are modest. These forces collectively support a baseline forecast of 2.2%–2.3% y/y through late 2025 and into early 2026, pointing to a mild but steady inflation environment consistent with, though slightly above, the BOJ's target.

From a policy perspective, the Bank of Japan remains focused on determining whether wage growth can sustainably support inflation above its 2% goal. A stronger-than-expected core CPI print above 2.2% would likely be interpreted as a hawkish signal, bolstering expectations of a rate hike and supporting yen appreciation. Conversely, any downside surprise could ease pressure on policymakers, weaken the currency, and delay tightening expectations. Overall, Japan appears to be entering a period of sticky underlying inflation, hovering in the low-2% range, keeping the BOJ's policy trajectory finely balanced between caution and the emerging need to normalize rates further.

Concluding Evaluation

Japan's inflation dynamics are entering a phase defined less by volatility and more by stubborn persistence, with BOJ Core CPI stabilising just above the central bank's 2% target. The forces shaping this environment yen weakness, food-price spillovers, and shifting base effects are unlikely to dissipate in the near term, keeping underlying inflation supported even as headline measures fluctuate. While the Bank of Japan continues to prioritise evidence of wage-driven, demand-led inflation, the current trajectory suggests that price pressures are resilient enough to maintain policy debate around future tightening.

Against this backdrop, our forecast sees BOJ Core CPI holding in the 2.2%–2.3% range through late 2025 and early 2026, reflecting a mild upward bias but not a re-acceleration. This profile implies that the BOJ is unlikely to rush into aggressive action, yet it also cannot ignore the persistence of inflation above its target. The balance of risks leans slightly to the upside, reinforcing the view that Japan's return to a low-inflation regime is far from assured.

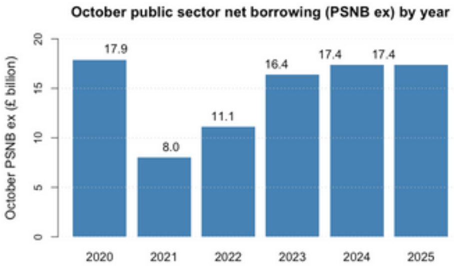
Written by Ben McGartland

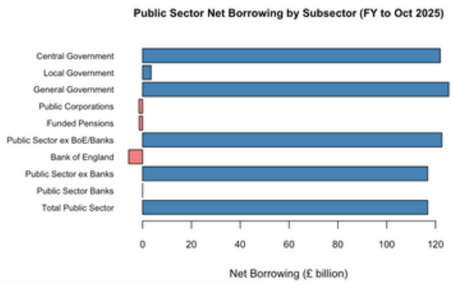
The Week Prior

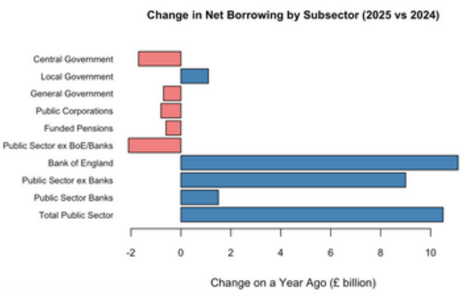
November 17th - November 21st 2025

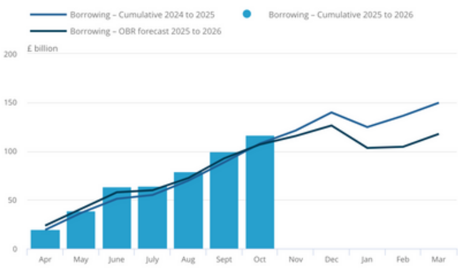
Dow Jones	SNP500	FSTE 100	GOOGL	NVDA	META	GOLD
-1.75%	-1.65%	-1.64%	0.78%	-3.90%	-2.46%	-0.62%

UK Government Borrowing and Its Economic Implications









Trends in Government Borrowing

Government borrowing plays a crucial role in shaping macroeconomic conditions, influencing interest rates, fiscal policy, and long-term growth prospects. Recent data shows that UK borrowing remains historically high, even as inflation eases and economic growth slows.

In recent years, UK government borrowing has remained persistently high, reflecting a combination of structural pressures and economic weakness that has persisted beyond the immediate effects of the COVID-19 pandemic. Borrowing surged to record levels in 2020 as the government introduced extensive support schemes to protect households and businesses. Although borrowing fell sharply in 2021 when these emergency programmes were wound down, the improvement proved temporary. From 2022 onward, borrowing began to rise again, driven not by crisis spending but by deeper, long-standing fiscal challenges. Rising debt interest payments particularly on inflation-linked gilts have placed increasing pressure on the public finances, while welfare and state pension spending has continued to grow due to inflation indexation and demographic trends. At the same time, public sector pay settlements, introduced to stabilise essential services after years of wage restraint, have increased day-to-day spending. These factors have combined with weak productivity growth and a sluggish tax base to keep borrowing at elevated levels, even as inflation has eased and the economy has slowed.

Interpreting the October Borrowing Data

The October borrowing figures from 2020 to 2025 illustrate clearly how the UK's fiscal position has evolved over the past five years. Borrowing in October 2020 reached £17.9 billion, reflecting the exceptional fiscal support deployed during the pandemic. A year later, borrowing fell to £8.0 billion as the government rolled back temporary measures and the economy began reopening. However, this downward trend did not continue. By October 2022, borrowing had risen again to £11.1 billion, largely because structural fiscal pressures were beginning to dominate the public finances. The increase accelerated in 2023, when borrowing climbed to £16.4 billion, and by 2024 and 2025 it had stabilised at £17.4 billion in both years. This J-shaped pattern reveals that while the pandemic caused an initial surge in borrowing, structural rather than cyclical factors are now keeping borrowing high. The fact that the last three Octobers represent some of the highest borrowing totals on record emphasises how deeply fiscal pressures have become embedded. Rather than reflecting emergency conditions, the current level of borrowing signals persistent and underlying strains within the UK's economic and fiscal framework.

Why October 2025 borrowing remains high

Although inflation has fallen and tax receipts are rising, borrowing remains high because:

- Debt interest payments remain "stubbornly high" due to inflation-linked gilts.
- Welfare and pensions spending continues to rise via triple-lock indexation.
- Public services require more funding, especially health, education, and local government.
- The economy is weakening, with unemployment reaching 5%, reducing tax revenue growth.

The combination of high spending and sluggish revenue growth explains why borrowing is stuck at 2024 levels.

Overall Evaluation

The UK faces a challenging fiscal position. Borrowing is not rising sharply, but it is locked at a structurally high level, sustained by weak growth and high expenditure needs. The October data indicates a stabilisation but not an improvement. Without productivity-enhancing investment, fiscal tightening alone will not significantly reduce borrowing, and may even suppress long-term growth.

Written by Ali Shafiq

Earnings Release

November 24th - November 28th 2025

Monday	Tuesday	Wednesday	Thursday	Friday
Agilent Technologies	Alibaba Group 阿里巴巴集团	John Deere	AXIA Energia	Frontline
Symbotic	BHP	JBS	LG Display	Buckle
Keysight Technologies	Analog Devices	Li Auto	Intuitive Machines	趣店
Zoom	Dell Technologies	cheetahmobile	Strive	SciNai Immunotherapeutics
Woodward	Autodesk		Cracker Barrel	
Semtech	W	Hafnia Member of BW Group	NewFortress energy	
	zscaler	CMB.TECH	IsoEnergy	

Markets Report

November 14th - November 21st 2025

Currency	21.11.2025	14.11.2025	31.12.2024	21.11.2024
$ per €	1.15	1.16	1.04	1.05
£ per €	0.88	0.88	0.83	0.83
$ per £	1.31	1.31	1.25	1.26
¥ per €	180	179	163	162
¥ per $	157	154	157	154
CN¥ per $	7.11	7.1	7.34	7.25
CHF per €	0.93	0.92	0.94	0.93

Commodity	21.11.2025	31.12.2024	21.11.2024
Oil (WTI)	59.03	72.44	70.39
Gasoline	3.06	3.01	3.05
Natural Gas	4.48	3.4	2.84
Gold	4073	2609	2665
Silver	48.91	28.91	31.07
Copper	10686	8706	8946
Corn	4.26	4.53	4.26
BBG Idx	269.69	238.62	237.82

Equities	Level	1 week	QTD	YTD	1 year	3-yr. Cum.
S&P 500	6603	-1.91	-1.11	13.56	12.44	74.61
Dow Jones 30	46245	-1.85	-0.11	10.35	7.22	45.31
Russell 2000	5889	-0.75	-2.61	7.5	1.61	34.58
Russell 1000 Growth	3043	-2.85	-2.37	14.47	16.87	109.24
Russell 1000 Value	1232	-0.81	-0.27	11.35	5.66	40.04
MSCI EAFE	2723	-3.39	-1.38	23.99	23.62	57.76
MSCI EM	1334	-3.71	-0.76	27.24	26.34	56.38
NASDAQ	22273	-2.71	-1.63	16.01	18.17	106.61

Macro	GDP %	CPI %
Eurozone	0.9	2.1
UK	0.3	3.6
US	3.8	3
Japan	-1.8	3
China	4.5	0.2

Valuation	Forward P/E
MSCI Europe	14.5
FTSE 100	12.7
S&P 500	22
MSCI EM	13.1
MSCI World	19.7

Volatility	21.11.2025	14.11.2025	31.12.2024	21.11.2024
VIX	23	20	17	17

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