

# THE WEEK AHEAD

June 15 - 19, 2026

## AI Investment: Are we overestimating short-term prospects?

by Benjamin Tal [benjamin.tal@cibc.com](mailto:benjamin.tal@cibc.com)

Last week's US job report highlighted the ongoing resilience of the American economy. However, resilience does not necessarily mean strong. While the current environment supports the Federal Reserve's decision to hold rates steady — with some even advocating for increases — the foundation of US economic strength is not as robust as it appears.

A key reason for this assertion, and our forecast that the Fed will ease policy by 50 basis points in 2027, is the waning impact of AI investment on economic growth. Although AI remains in a honeymoon phase, several factors now point toward a more subdued investment outlook.

**Energy demand:** The energy intensity of AI is becoming increasingly apparent, especially as America's 5,500 data centers require ever-greater power. Modern AI models, particularly large-scale deep learning systems, are highly resource-intensive. Data centers consumed 460 terawatt-hours (TWh) of electricity in 2022, a figure expected to exceed 1,000 TWh by 2026. As energy supply constraints tighten — driven by grid limitations, rising costs, and sustainability concerns — AI firms will likely face higher operational costs and new regulatory hurdles, potentially dampening investment.

**Rapid depreciation:** AI hardware and software evolve rapidly, leading to frequent obsolescence. Assets acquired today may become outdated within months as newer, more efficient technologies emerge. This running faster to stay in the same place dynamic can negatively impact returns on investment for AI projects.

**Reliability:** Earlier this week, my colleague Katherine Judge and I released a paper on the link between trade diversification and profitability. As part of the research process, we asked ChatGPT to find scholarly articles about the topic. With little hesitation the system supplied us with a reference to 5 articles with specific estimates. The problem: none of those articles really exist. As AI models increasingly train on data generated by other AI systems, the risk of compounding errors and biases rises, threatening factual accuracy and reliability. The industry is seeing more AI safety incidents, and the prevailing view is that limiting these incidents may require sacrifices in accuracy.

**Market saturation:** As AI adoption has become mainstream, the market is now crowded with similar products and services. Marginal returns on new AI investments are declining,

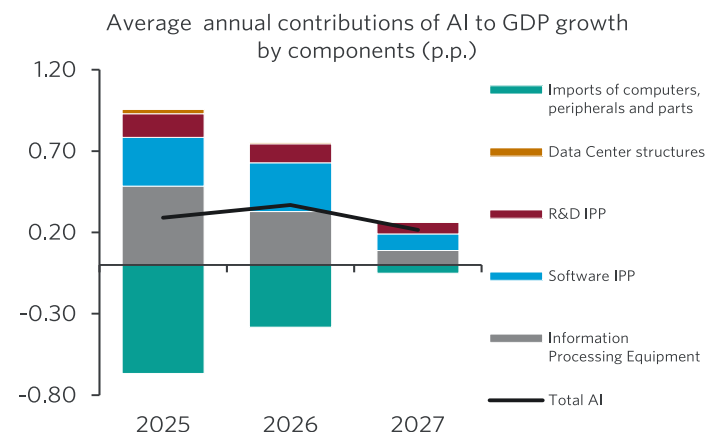
particularly in mature areas such as natural language processing and computer vision. This saturation may prompt investors to redirect capital toward emerging technologies or niche applications, reducing overall AI investment.

**Regulation:** Although still evolving, the regulatory landscape for AI is becoming more complex. The EU's AI Act, for instance, introduces strict requirements around transparency, explainability, and risk mitigation. Such regulatory uncertainty is another factor contributing to a softer investment outlook.

**Chips and talent:** The accelerated investment in artificial intelligence has made chip manufacturing a critical limiting factor in scaling AI compute capabilities. The supply of chips has not matched the exponential rise in demand, and this bottleneck is expected to persist for the foreseeable future. Similarly, the talent shortage is another significant bottleneck, with over 50% of U.S. technology leaders reporting a lack of workers possessing advanced AI skills — an issue that directly affects their competitive position.

**Bottom line:** While we are undoubtedly in the midst of a technological revolution, it is likely that short-term expectations for AI growth are overstated. Our assumption is that the contribution of AI-related components to GDP growth, estimated at 0.4 p.p., will slow to 0.2 p.p. in 2027 (Chart).

Chart: Diminishing AI contribution to growth



Source: BEA, CIBC

## Week Ahead Calendar And Forecast—Canada

H, M, L = High, Medium or Low Priority

SAAR = Seasonally Adjusted Annual Rate

Consensus Source: Bloomberg

Date	Time	Economic Releases, Auctions and Speakers	Month	Priority	CIBC	Consensus	Prior
Monday, June 15	8:15 AM	HOUSING STARTS SAAR	(May)	(M)	255.0K	255.2K	\$279.3K
Monday, June 15	8:30 AM	MANUFACTURING SHIPMENTS M/M	(Apr)	(M)	4.5%	4.5%	3.0%
Monday, June 15	8:30 AM	WHOLESALE SALES EX-PETROLEUM M/M	(Apr)	(M)	0.2%	0.2%	1.9%
Tuesday, June 16	-	AUCTION: 3-M BILLS \$13.4B, 6-M BILLS \$4.8B, 1-YR - BILLS \$4.8B	-	-	-	-	-
Tuesday, June 16	5:00 AM	EXISTING HOME SALES M/M	(May)	(M)	-	-	0.7%
Tuesday, June 16	8:30 AM	INT'L. SEC. TRANSACTIONS	(Apr)	(M)	-	-	\$4.6B
Wednesday, June 17	-	-	-	-	-	-	-
Thursday, June 18	-	AUCTION: 30-YR CANADAS \$3B	-	-	-	-	-
Thursday, June 18	8:30 AM	INDUSTRIAL PROD. PRICES M/M	(May)	(M)	-	-	2.0%
Thursday, June 18	8:30 AM	RAW MATERIALS M/M	(May)	(M)	-	-	2.6%
Friday, June 19	8:30 AM	RETAIL TRADE TOTAL M/M	(Apr)	(H)	0.5%	0.6%	0.9%
Friday, June 19	8:30 AM	RETAIL TRADE EX-AUTO M/M	(Apr)	(H)	0.5%	0.7%	1.4%

## Week Ahead Calendar And Forecast—United States

H, M, L = High, Medium or Low Priority

SAAR = Seasonally Adjusted Annual Rate

Consensus Source: Bloomberg

Date	Time	Economic Releases, Auctions and Speakers	Month	Priority	CIBC	Consensus	Prior
Monday, June 15	8:30 AM	NEW YORK FED (EMPIRE)	(Jun)	(M)	-	12.5	19.6
Monday, June 15	9:15 AM	INDUSTRIAL PRODUCTION M/M	(May)	(H)	0.3%	0.2%	0.7%
Monday, June 15	9:15 AM	CAPACITY UTILIZATION	(May)	(M)	76.3%	76.2%	76.1%
Monday, June 15	10:00 AM	NAHB HOUSING INDEX	(Jun)	(L)	-	36.0	37.0
Tuesday, June 16	-	AUCTION: 20-YR TREASURIES \$13B	-	-	-	-	-
Tuesday, June 16	8:30 AM	IMPORT PRICE INDEX M/M	(May)	(L)	-	-	1.9%
Tuesday, June 16	8:30 AM	EXPORT PRICE INDEX M/M	(May)	(L)	-	-	3.3%
Tuesday, June 16	8:30 AM	HOUSING STARTS SAAR	(May)	(M)	1450K	1430K	1465K
Tuesday, June 16	8:30 AM	BUILDING PERMITS SAAR	(May P)	(H)	1435K	1428K	1423K
Wednesday, June 17	7:00 AM	MBA-APPLICATIONS	(Jun 12)	(L)	-	-	10.8%
Wednesday, June 17	8:30 AM	RETAIL SALES M/M	(May)	(H)	0.5%	0.5%	0.5%
Wednesday, June 17	8:30 AM	RETAIL SALES (X-AUTOS) M/M	(May)	(H)	0.5%	0.4%	0.7%
Wednesday, June 17	8:30 AM	RETAIL SALES CONTROL GROUP M/M	(May)	(H)	0.4%	0.4%	0.5%
Wednesday, June 17	10:00 AM	PENDING HOME SALES M/M	(May)	(M)	-	-	1.4%
Wednesday, June 17	10:00 AM	BUSINESS INVENTORIES M/M	(Apr)	(L)	-	0.5%	0.9%
Wednesday, June 17	2:00 PM	FOMC RATE DECISION (UPPER BOUND)	(Jun 17)	(H)	3.75%	3.75%	3.75%
Wednesday, June 17	2:00 PM	FOMC RATE DECISION (LOWER BOUND)	(Jun 17)	(H)	3.50%	3.50%	3.50%
Wednesday, June 17	2:30 PM	Fed Press Conference	-	-	-	-	-
Thursday, June 18	-	AUCTION: 5-YR TIPS \$24B	-	-	-	-	-
Thursday, June 18	8:30 AM	INITIAL CLAIMS	(Jun 13)	(M)	-	-	229K
Thursday, June 18	8:30 AM	CONTINUING CLAIMS	(Jun 6)	(L)	-	-	1795K
Thursday, June 18	8:30 AM	PHILADELPHIA FED BUSINESS OUTLOOK	(Jun)	(M)	-	12.0	-0.4
Thursday, June 18	10:00 AM	LEADING INDICATORS M/M	(May)	(M)	-	-	0.1%
Thursday, June 18	4:00 PM	NET CAPITAL INFLOWS (TICS)	(Apr)	(L)	-	-	\$81.3B
Friday, June 19	-	-	-	-	-	-	-

## Week Ahead's market call

by Helen Lao and Andrew Grantham

In the **US**, all eyes will be on next Wednesday's FOMC decision, the first involving the new Fed Chair Kevin Warsh. With inflation hot and a resilient labour market, the communication next week could see some removal of easing bias language in the policy statement, something Fed Governor Chris Waller had advocated. Alongside the closely scrutinized summary of economic projection, the press conference will be interesting as this is the chance for Warsh to set the new tone for Fed communication, but we expect Warsh to strike a neutral tone and stick to data dependence.

In **Canada**, manufacturing data should confirm another strong month for that sector, even if the increase isn't quite as impressive in volume terms. Retail sales, however, likely struggled after adjusting for inflation, with more discretionary areas likely to struggle as households had to spend more at the pumps.

## Week Ahead's key Canadian number: Retail sales—April

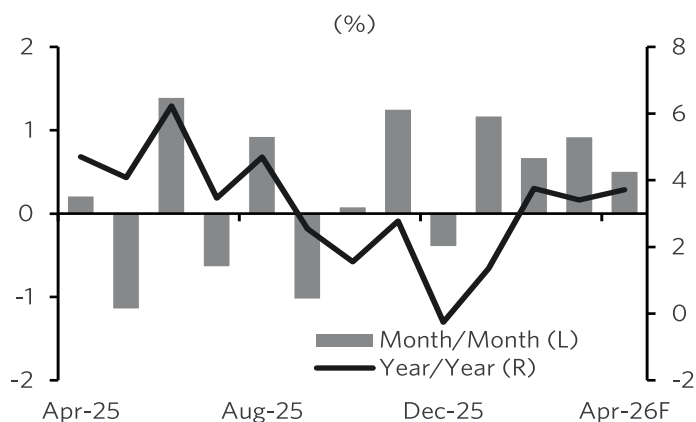
(Friday, 8:30 am)

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Variable (%)	CIBC	Mkt	Prior
Retail sales (m/m)	0.5	0.6	0.9

Retail sales likely rose in nominal terms in April but, much like in the prior month, may have fallen slightly in volume terms. Gasoline prices will once again be a primary driver behind the headline increase expected in retail sales, even though the percentage increase in pump prices wasn't as dramatic as March's. Total retail sales volumes may have edged down for the second consecutive month, with the squeeze to disposable incomes from higher pump prices likely to contribute to weakness in more discretionary areas.

Chart: Canadian retail sales



Source: Statistics Canada, Haver Analytics, CIBC

**Forecast implications** — Following a strong first quarter, consumer spending appears to be stalling again in Q2 with higher pump prices leaving less for disposable income to fuel spending in other areas. However, the recent boost in employment, combined with expanded household benefits paid by the Federal government, should support a pick-up in spending again later in the year.

## Week Ahead's key US number: Retail sales—May

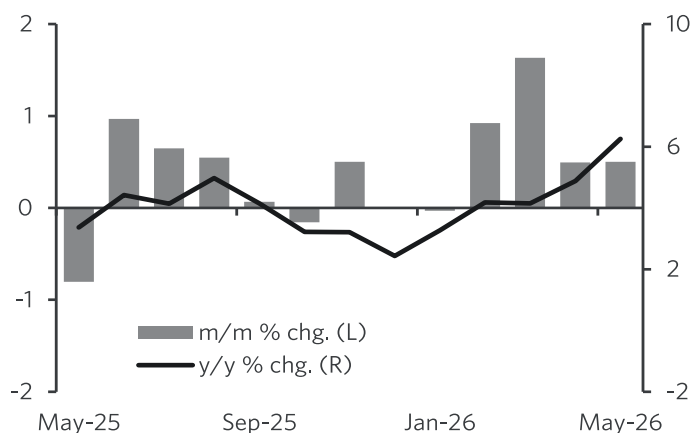
(Wednesday, 8:30 am)

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Variable (m/m, %)	CIBC	Mkt	Prior
Retail sales	0.5	0.5	0.5
Retail sales - ex-auto	0.5	0.4	0.7
Retail sales - control group	0.4	0.4	0.5

This week's CPI report showed that gasoline prices increased even further in May, which likely implies less money for households to spend on discretionary goods and services. The savings rate already plunged to 2.6% in April, the lowest since 2022 as inflation outpaces paychecks. However, auto sales posted a small increase in May and this month's employment report showed hours worked in retail unchanged and steady job gains. That combined with higher than last year tax refunds could still provide some buffer for consumers, leaving the control group spending at a steady 0.4% pace.

Chart: US retail sales



Source: Census Bureau, Haver Analytics, CIBC

**Forecast implications** — Signs of easing consumption were evident in the April personal outlays data. With high inflation continuing to outpace wage growth, this should constrain real household spending, and we continue to expect consumption growth to slow in Q2.

## Other US Releases: Industrial production—May

(Monday, 9:15 am)

We expect industrial production to grow at a steady pace of 0.3% in May. Boeing increased its deliveries in the month, and net new orders jumped over the past two months which could imply strong aerospace and transportation equipment production in manufacturing. The computer and electronic sector had posted solid monthly gains in the last two months and with AI demand remaining strong, we expect that strength to continue. The temperature in May was still slightly higher than average in the US, so utilities production could also post a moderate increase.

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