

## Economics

# THE WEEK AHEAD

November 18 - 22, 2024

## The Taylor Rule

by Avery Shenfeld [avery.shenfeld@cibc.com](mailto:avery.shenfeld@cibc.com)

We've been giving some thought to the Taylor Rule. Not John Taylor's monetary policy guideline, but how one assesses the economic consequences of large scale events, prompted by Taylor Swift's swing through Toronto and Vancouver in November and December. We'll be repeating this sort of calculus when the World Cup comes to Toronto in 2026.

Supposedly, the tourist spending tied to the Eras tour is giving Toronto a nearly \$300 million economic lift, and if you added in the spending of those living here, and the Vancouver dates, you might easily double that. Technically, that could show up as few decimal places in monthly GDP over the November December period if measured on a gross spending basis. But there's less than meets the eye when you boil these sorts of events down to their net impacts on economic activity.

For one, many of these tourists are coming from other parts of Canada. The money that Emma and Claire saved up for flights to Toronto or Vancouver, tickets, meals and concert merch will eat into what they have left for other discretionary spending back home. Toronto's gain might be Fredricton's loss. Similarly, lucky Toronto and Vancouver ticket holders will have less to spend in upcoming months on other entertainment options.

There's also a strong import leakage from the gross spending figures, because, presumably, Taylor (and her entourage) are going to take their cut from the ticket sales back to America. Private jet flights to Kansas City Chief games don't come cheaply. It's unlikely that many of the t-shirts and friendship rings sold this week will have a made-in-Canada sticker.

Gross spending on hotels and restaurants also overstates the net impact on the hospitality sector, because those rooms and tables wouldn't otherwise have all sat empty. Some may have stayed away from the city to avoid elevated hotel rates and limited availability. Moreover, Toronto has placed restrictions on travel near the concert venue that could keep non-Swifties at home in fear of traffic or other hassles.

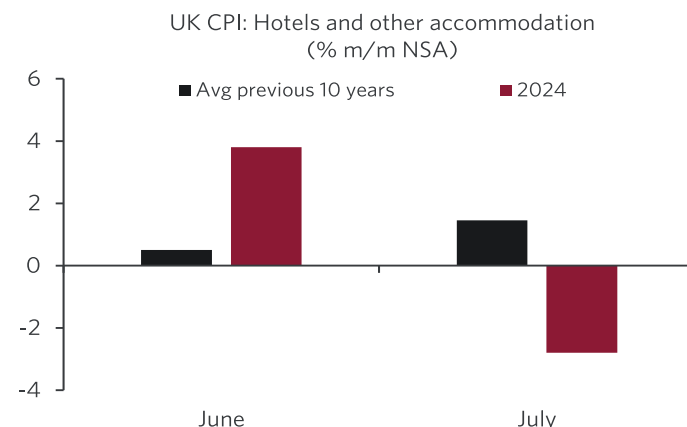
The World Cup story will be similar, but with its own twist. For that event, the Toronto city government will be on the

hook for nearly \$400 mn in costs, supposedly in return for a similarly-sized economic lift from tourism. But for the tourists coming from Canada, those funds might have been spent on other activities here, and the government will be using scarce tax dollars that would otherwise have flowed into the local economy on other programs. Once again, the net impact is much smaller than the gross impact.

None of this is to downplay the joy that Swifties and soccer fans will reap if their favourite song gets played or their team wins. But generating economic growth requires activities that create jobs that last more than a few days, which create ongoing income that can add to spending on a sustained basis. One-off events might, if large enough, create a blip, but one that gets reversed when the event is over, and the event-goers' depleted savings or credit car bills need attention.

A blip is also what we might see in the inflation data for November and December, given that hotel rates shot through the roof. That was apparent in the UK when Taylor came to town (Chart), but for the Bank of Canada, these one-off bumps are easy to spot and easy to ignore in setting interest rates.

Chart: UK inflation from June 2024 Swift concerts



Source: ONS, Bloomberg, 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, November 18	8:15 AM	HOUSING STARTS SAAR	(Oct)	(M)	245.0K	240.0K	223.8K
Monday, November 18	8:30 AM	INT'L SEC. TRANSACTIONS	(Sep)	(M)	-	-	\$1.0B
Tuesday, November 19	-	AUCTION: 3-M BILLS \$13.1B, 6-M BILLS \$4.7B, 1-YR BILLS \$4.7B	-	-	-	-	-
Tuesday, November 19	8:30 AM	CPI M/M	(Oct)	(H)	0.2%	0.3%	-0.4%
Tuesday, November 19	8:30 AM	CPI Y/Y	(Oct)	(H)	1.8%	1.9%	1.6%
Tuesday, November 19	8:30 AM	Consumer Price Index	(Oct)	(M)	-	-	161.1
Tuesday, November 19	8:30 AM	CPI Core- Median Y/Y%	(Oct)	(M)	2.4%	-	2.3%
Tuesday, November 19	8:30 AM	CPI Core- Trim Y/Y%	(Oct)	(M)	2.4%	-	2.4%
Wednesday, November 20	-	AUCTION: 10-YR CANADAS \$5B	-	-	-	-	-
Thursday, November 21	-	AUCTION: 5-YR CANADAS \$5B	-	-	-	-	-
Thursday, November 21	8:30 AM	INDUSTRIAL PROD. PRICES M/M	(Oct)	(M)	-	-	-0.6%
Thursday, November 21	8:30 AM	RAW MATERIALS M/M	(Oct)	(M)	-	-	-3.1%
Friday, November 22	8:30 AM	RETAIL TRADE TOTAL M/M	(Sep)	(H)	0.4%	0.3%	0.4%
Friday, November 22	8:30 AM	RETAIL TRADE EX-AUTO M/M	(Sep)	(H)	0.4%	-	-0.7%

## 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, November 18	10:00 AM	NAHB HOUSING INDEX	(Nov)	(L)	-	42.0	43.0
Monday, November 18	4:00 PM	NET CAPITAL INFLOWS (TICS)	(Sep)	(L)	-	-	\$111.4B
Monday, November 18	10:00 AM	Speaker: Austan D. Goolsbee, Chicago (Non-Voter)	-	-	-	-	-
Tuesday, November 19	8:30 AM	BUILDING PERMITS SAAR	(Oct)	(H)	1425K	1442K	1425K
Tuesday, November 19	8:30 AM	HOUSING STARTS SAAR	(Oct)	(M)	1300K	1335K	1354K
Wednesday, November 20	-	AUCTION: 20-YR TREASURIES \$16B	-	-	-	-	-
Wednesday, November 20	7:00 AM	MBA-APPLICATIONS	(Nov 15)	(L)	-	-	-
Thursday, November 21	-	AUCTION: 10-YR TIPS \$17B	-	-	-	-	-
Thursday, November 21	8:30 AM	INITIAL CLAIMS	(Nov 16)	(M)	-	-	217K
Thursday, November 21	8:30 AM	CONTINUING CLAIMS	(Nov 9)	(L)	-	-	1873K
Thursday, November 21	10:00 AM	LEADING INDICATORS M/M	(Oct)	(M)	-	-0.3%	-0.5%
Thursday, November 21	10:00 AM	EXISTING HOME SALES SAAR	(Oct)	(M)	-	3.9M	3.8M
Thursday, November 21	10:00 AM	EXISTING HOME SALES M/M	(Oct)	(M)	-	2.3%	-1.0%
Thursday, November 21	12:25 PM	Speaker: Austan D. Goolsbee, Chicago (Non-Voter)	-	-	-	-	-
Friday, November 22	9:45 AM	S&P GLOBAL US SERVICES PMI	(Nov P)	(L)	-	55.0	55.0
Friday, November 22	9:45 AM	S&P GLOBAL US COMPOSITE PMI	(Nov P)	(L)	-	-	54.1
Friday, November 22	9:45 AM	S&P GLOBAL US MANUFACTURING PMI	(Nov P)	(L)	-	48.0	48.5
Friday, November 22	10:00 AM	MICHIGAN CONSUMER SENTIMENT	(Nov)	(H)	-	73.0	73.0

## Week Ahead's market call

by Avery Shenfeld

In the **US**, it's a very light week for data, with nothing that's market moving on tap. We'll continue to keep an eye on Fed speakers, but the overall message about December seems to be quite non-committal at this point. That said, we haven't heard any Fed speaking voice the view that they are done with rate cutting, so while we forecast another quarter point move in December, even a pause wouldn't alter our view that they can get to the mid-3% range by the middle of next year. We'll also be watching for who gets the nod for key economic portfolios in the incoming Trump administration, and hoping to see a bit of gravitas in those names.

In **Canada**, while there are some major data releases in the coming week, none of them look to be earth shattering. Retail sales should match the advance reading, and conclude a decent quarter in terms of the gain in real volumes, but that comes after major weakness in Q2. The CPI will be impacted by base effects, but neither our forecast nor the consensus for the monthly change would entail anything newsworthy for the Bank of Canada.

# Week Ahead's key Canadian number: Consumer price index—October

(Tuesday, 8:30 am)

Katherine Judge [katherine.judge@cibc.com](mailto:katherine.judge@cibc.com)

Variable (%)	CIBC	Mkt	Prior
CPI NSA (m/m)	0.2	0.3	-0.4
CPI (y/y)	1.8	1.9	1.6

Inflation likely perked up in October, but remained below the BoC's target at 1.8% y/y. The pickup in the annual pace will reflect an acceleration in monthly prices to 0.2% in non-seasonally adjusted terms, as prices at the pump rose. The ex. food and energy group could have remained at 0.2% m/m SA, which would include a slight bump up from property tax increases that are updated each year with the October data.

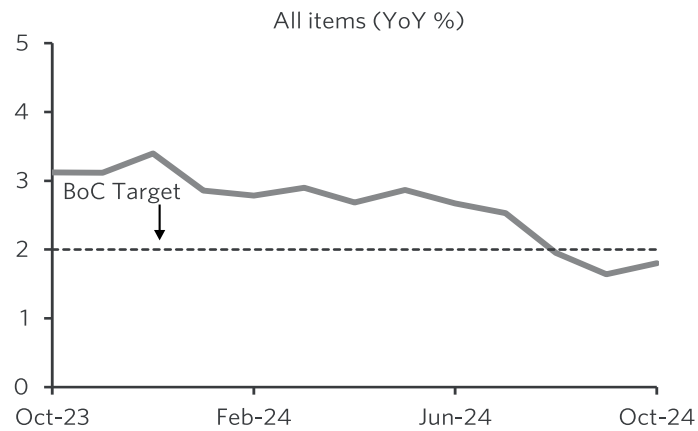
The Bank of Canada's preferred measures of core inflation, CPI-trim and median will likely both advance by 0.2% m/m SA, leaving both measures at 2.4% y/y, with that representing an acceleration for median entirely on base effects. In three-month annualized terms, that implies that trim and median are running at 2.0% and 2.1%, respectively, reflecting widespread slack in the economy.

## Other Canadian releases: Retail sales—September

(Friday, 8:30 am)

The advance estimate for retail sales suggested a 0.4% nominal increase in September, which should match the volume gain given flat goods prices in the month. For the quarter as a whole that implies a solid volume gain of just under 4% annualized, but that follows a 3.2% drop in the prior quarter, and would represent no growth in per-capita terms.

Chart: Canadian consumer price index



Source: Statistics Canada, Haver Analytics, CIBC

**Forecast implications** — Inflation measures look even more subdued when excluding shelter, which will give the BoC plenty of reason to trim interest rates by another 50bps in December. Within the shelter group, rent inflation appears to have stabilized and is set to decelerate due to population restrictions, and the annual pace of mortgage interest costs will continue to ease off. That will likely result in inflation averaging well below target by mid-2025, until the impact of rate cuts on activity becomes apparent.

## Housing starts—October

(Monday, 8:15 am)

Homebuilding could have gained a bit of momentum in October. The 245K pace of housing starts that we expect would be in line with the pace seen in the first half of the year, and is still too slow to accommodate population growth. And while we look for an acceleration to an average of 263K next year, it likely won't be until 2026 when we see a more substantial pickup in building as starts in the multi-family space are currently tapering off in response to weak condo pre-sales.

**There are no major US data releases next week.**

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