Economics

THE WEEK AHEAD

October 6 - 10, 2025

Our top pick

by **Avery Shenfeld** avery.shenfeld@cibc.com

Forgive us for the click bait in the title. We like others, are often drawn to links promising to let us know the best restaurant, or the top running shoes. In this case, we're zeroing in on a less popular question: which of the many measures of Canadian core inflation is our top pick for its relevance for monetary policy. That was the subject of a recent speech by Bank of Canada Deputy Governor Rhys Mendes, and also touched on in our podcast with former Deputy Governor Lawrence Schembri. But we won't make you wait until the last paragraph to reveal our own answer: none of them really stands out among the crowd.

Canadian economists, for whatever reason, have paid a lot more attention to just how one should track the underlying inflation trend than those elsewhere. Most central banks are happy to just strip out food and energy prices and leave it at that.

Canada's central bank recognized that many highly processed foods were not particularly volatile, and neither was the price for electricity. So it replaced CPI excluding food and energy with CPIX, a measure that eliminated fresh produce, mortgage interest, gasoline, and other volatile components while leaving in some food and energy items.

When CPIX diverged for a while from other indicators of demand pressures on prices, it subsequently dumped CPIX in favour of three more sophisticated measures that trimmed out highs and lows, tracked the median rate of inflation among the items, or looked for a "common component" among them. The last measure had to be scrapped as the methodology ended up showing large backdated revisions, leaving median and trimmed mean as the two "preferred" measures.

"Preferred" seems to be a somewhat misleading label of late. In September, the BoC put underlying inflation at roughly 2.5% while these measures were still running at 3%. Mendes noted some of the shortcomings with its current core measures, including the way that mortgage interest costs, which were in our view rightly excluded in CPIX, could now make core inflation look more elevated when the Bank was raising interest rates in an effort to combat inflation.

Mendes' speech, which is worth a read, goes on to look at a number of alternatives to the current core benchmarks. None of these are a perfect fit. One might end up suffering from revisions in real time use, while another he charts, the share of items in the basket running above 3% versus below 1%, does well in identifying periods in which underling inflation trends are far from target, but would seem to have a large margin of error when inflation is in the 1-3% range.

So what's our top pick? None of them, or rather, all of them, and that may be where we are headed at the BoC. What the Bank seems to be doing these days is more of a dashboard approach that considers several measures, but also digs down to understand what is driving them. And importantly, it's really paying attention to what these details say about where inflation WILL be over the policy horizon, rather than to the decimal places for where it IS today.

That brings us to our podcast discussion with former Deputy Governor Schembri. What he underscored is that an important property for any measure of underlying inflation is that it should be correlated with demand pressures on prices, as captured by the "output gap", and less influenced by temporary factors impacting supply that the Bank shouldn't be quick to lean against. For the Bank's interest rate decision later this month, whether underlying inflation is really 2.5% or 3.0% shouldn't matter that much, because a sizeable output gap, as captured in an elevated 7.1% jobless rate, will put significant downward pressure on inflation ahead.

That's what the Bank was counting on when it cut rates in September, and why we put good odds on a follow-up cut in October. In a speech advertised with a non-click-bait title that looked to be more theoretical, Mendes went out of his way to include a digression into some of what lies in Canada's inflation future, noting reasons why shelter and non-energy goods inflation were both likely to soften. A forward-looking Bank of Canada has always been willing to ease when core inflation isn't exactly on target, or tighten when inflation has yet to really heat up, if the economy is cool enough, or overheated enough, to make that the right call.

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, October 6	-	-	-	-	-	-	-
Tuesday, October 7	-	AUCTION: 3-M BILLS $13.4B, 6-M BILLS $4.8B, 1-YR BILLS $4.8B	-	-	-	-	-
Tuesday, October 7	8:30 AM	MERCHANDISE TRADE BALANCE	(Aug)	(H)	-$5.0B	-$5.8B	-$4.9B
Tuesday, October 7	10:00 AM	IVEY PMI	(Sep)	(L)	-	-	50.1
Wednesday, October 8	-	AUCTION: 2-YR CANADAS $6B	-	-	-	-	-
Thursday, October 9	8:15 AM	Speaker: Carolyn Rogers (Sr. Deputy Gov.)	-	-	-	-	-
Friday, October 10	8:30 AM	EMPLOYMENT CHANGE	(Sep)	(H)	25.0K	5.0K	-65.5K
Friday, October 10	8:30 AM	UNEMPLOYMENT RATE	(Sep)	(H)	7.0%	7.2%	7.1%

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, October 6	-	-	-	-	-	-	-
Tuesday, October 7	-	AUCTION: 3-YR TREASURIES $58B	-	-	-	-	-
Tuesday, October 7	8:30 AM	GOODS & SERVICES TRADE BALANCE	(Aug)	(H)	-$80.0B	-$61.4B	-$78.3B
Tuesday, October 7	8:30 AM	IMPORT PRICE INDEX M/M	(Aug)	(L)	-	-	5.9%
Tuesday, October 7	8:30 AM	EXPORT PRICE INDEX M/M	(Aug)	(L)	-	-	0.3%
Tuesday, October 7	3:00 PM	CONSUMER CREDIT	(Aug)	(L)	-	$15.0B	$16.0B
Tuesday, October 7	10:00 AM	Speaker: Raphael W. Bostic (Atlanta) (Voter)	-	-	-	-	-
Tuesday, October 7	10:30 AM	Speaker: Stephen Miran (New York) (Voter)	-	-	-	-	-
Tuesday, October 7	11:30 AM	Speaker: Neel Kashkari (Minneapolis) (Non-Voter)	-	-	-	-	-
Wednesday, October 8	-	AUCTION: 10-YR TREASURIES $39B	-	-	-	-	-
Wednesday, October 8	7:00 AM	MBA-APPLICATIONS	(Oct 3)	(L)	-	-	-12.7%
Wednesday, October 8	2:00 PM	FOMC Meeting Minutes	(Sep 17)	-	-	-	-
Wednesday, October 8	9:20 AM	Speaker: Alberto G. Musalem (St Louis) (Non-Voter)	-	-	-	-	-
Wednesday, October 8	9:30 AM	Speaker: Michael S Barr (Governor) (Voter)	-	-	-	-	-
Wednesday, October 8	3:15 PM	Speaker: Neel Kashkari (Minneapolis) (Non-Voter)	-	-	-	-	-
Wednesday, October 8	4:30 PM	Speaker: Neel Kashkari (Minneapolis) (Non-Voter)	-	-	-	-	-
Thursday, October 9	-	AUCTION: 30-YR TREASURIES $22B	-	-	-	-	-
Thursday, October 9	8:30 AM	INITIAL CLAIMS	(Oct 4)	(M)	-	-	-
Thursday, October 9	8:30 AM	CONTINUING CLAIMS	(Sep 27)	(L)	-	-	-
Thursday, October 9	10:00 AM	WHOLESALE INVENTORIES M/M	(Aug)	(L)	-	-	-0.2%
Thursday, October 9	1:00 PM	Speaker: Neel Kashkari (Minneapolis) (Non-Voter) & Michael S Barr (Governor) (Voter)	-	-	-	-	-
Thursday, October 9	9:40 PM	Speaker: Mary C. Daly (San Francisco) (Voter)	-	-	-	-	-
Friday, October 10	10:00 AM	MICHIGAN CONSUMER SENTIMENT	(Oct P)	(H)	-	54.3	55.1
Friday, October 10	2:00 PM	FEDERAL BUDGET	(Sep)	(L)	-	-	-$344.8B
Friday, October 10	9:45 AM	Speaker: Austan D. Goolsbee, Chicago (Non-Voter)	-	-	-	-	-
Friday, October 10	1:00 PM	Speaker: Alberto G. Musalem (St Louis) (Non-Voter)	-	-	-	-	-

Week Ahead's market call

by Avery Shenfeld

In the **US**, we'll either get no data at all if the government shutdown continues, or a delayed payrolls report on Friday if the shutdown ends early in the week. In the event of the latter, our last week's issue of this publication put the likely gain at 45K jobs, leaving the jobless rate at 4.3% but with wages cooling to a 0.2% average gain. That's not really as weak as it looks in the face of a stall in population growth, but with the Fed emphasizing its full employment target over its inflation mandate for now, it would be sufficient to for the central bank to ease again later this month.

In **Canada**, the jobs data could be a bit of a head fake. Students who never got summer jobs this year can't lose them in September, so that will show up as a seasonally-adjusted "rise" in youth employment. We see that contributing to a 25K climb in total employment and a one-tick drop in the jobless rate, but 7.0% for the latter still represents an ocean of economic slack.

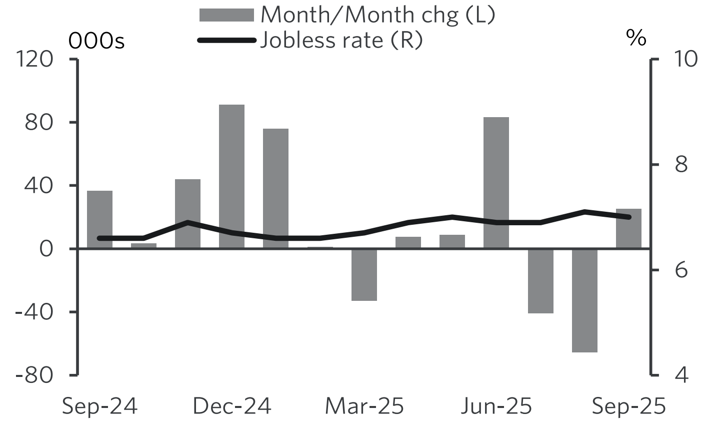
Week Ahead's key Canadian number: Employment—September

(Friday, 8:30 am)

Andrew Grantham andrew.grantham@cibc.com

Variable	CIBC	Mkt	Prior
Employment (m/m)	25.0K	5.0K	-65.5K
Unemployment rate	7.0%	7.2%	7.1%

Chart: Canadian emloyment



Source: Statistics Canada, Haver Analytics, CIBC

The Canadian labour market weakened notably over the summer, with consecutive declines taking the level of employment to its lowest since December 2024. While that was partly driven by job losses in trade sensitive sectors, it also reflected weakness in other sectors and another tough summer for students looking for part-time work. However, that latter factor will fade in September, potentially resulting in a seasonally adjusted "gain" in jobs as employment levels for young Canadians move closer to their normal seasonal trend. This is the primary reason why we expect that to see a 25K gain in total employment and a tick down in the unemployment rate to 7.0%. We would suggest looking at employment trends for prime aged (25-54) year old workers will provide a clearer picture of underlying labour market dynamics, which we still view as quite weak.

Forecast implications — A rebound in employment would be seen as a further sign that the Canadian economy is stabilizing following a tough second quarter. However, an unemployment rate at or above 7% is still elevated and would put downward pressure on wages and inflation over time, and as a result we still see the need for at least one more interest rate cut from the Bank of Canada.

Other Canadian releases: Merchandise trade—August

(Tuesday, 8:30am)

Exports started to rebound in July, with the clear exception of sectors such as steel and aluminum which have been hit hard by sectoral tariffs. For August, US advance trade data pointed to a narrowing deficit stateside due to a slump in imports, which poses downside risk for Canada. At the same time, the combination of a weaker exchange rate and higher volumes should have broadly offset a decline in global prices when it comes to energy exports. We expect that Canada's goods trade deficit will stay broadly unchanged at $5bn in August.

There are no major US data releases next week.

Contacts:

Avery Shenfeld
avery.shenfeld@cibc.com

Benjamin Tal
benjamin.tal@cibc.com

Andrew Grantham
andrew.grantham@cibc.com

Ali Jaffery
ali.jaffery@cibc.com

Katherine Judge
katherine.judge@cibc.com

CIBC Capital Markets
PO Box 500
161 Bay Street, Brookfield Place
Toronto, Canada, M5J 2S8
Bloomberg @ CIBC

economics.cibccm.com