

THE WEEK AHEAD

November 24 - 28, 2025

Tariffs: Not a San Francisco Treat

by Avery Shenfeld avery.shenfeld@cibc.com

Does anyone else remember those ads for Rice-a-Roni, which marketed itself as the San Francisco treat? Those who skimmed the headlines about a study by the Federal Reserve branch in that city might have the impression that they were saying they're ok with a heaping helping of tariffs along with our flavoured rice, but that's not in fact what their study concluded. Their study found that tariffs are no treat at all for the country imposing them even if inflation isn't the way those woes show up, although we're not sure that the authors really captured the impact of the past year's trade policy shifts on a modern US economy.

The authors undertook a purely empirical analysis of the very long, 150 year history of American tariffs, attempting to overcome some significant measurement challenges given that time span. As the news headlines trumpeted, they found that inflation actually fell following a jump in tariffs. But that wasn't a happy story at all. Instead, they found that past tariff increases were enough of an economic shock to materially raise the unemployment rate, providing a drag on inflation that more than offset any direct price increases on the tariffed goods.

The source of that hit to unemployment wasn't, however, identifiable in this analytical approach, which merely looked at how tariffs, inflation and unemployment rates covaried over time. Macro theory would typically rely on an initial upward shock to prices and costs, thereby suppressing purchasing power and exports, in order to generate the subsequent rise in unemployment.

The authors offered up a guess that the increase in uncertainty depressed spending, or perhaps weakened demand by depressing equities. Even if those factors did raise unemployment, other studies find that a rise in joblessness only cools inflation with a lag. But the study used only annual data, and might have missed an initial inflation upswing. As for equities, until recently, the US market was headed sharply higher, as rallies on days where tariffs came down a bit more than offset days when the market sold off on the initial hike in tariffs.

As always, in economics, there's also no such thing as a pure experiment, and a simple model with only a few variables could fail to capture the entire story. Other things, like the Great

Depression's bank failures, might have been pushing jobless rates up and inflation down when the Smoot Hawley tariffs were imposed in 1930. The Kennedy round of tariff reductions in the mid-1960s might not have pushed growth and inflation up, and unemployment down, since the driver might well have been the Vietnam war that was heating up at that time.

The relevance of 150 years of tariff history to what we'll see from the 2025 tariff wave also seems suspect. Trade was a very different beast the last time we really saw a dramatic rise in tariffs, way back in the 1930s. Nobody in the US was buying a Japanese car back then. Trade in intermediate goods would have been much less prevalent, especially with emerging markets. On prices, there are even more reasons to be doubtful of their conclusions. For starters, the inflation basket during most of their sample was overwhelmingly dominated by food. It also covered a period of major gains in agricultural productivity that would have put a downward trend in inflation, counteracting the influence of tariffs on foreign products, which likely had a small weight in overall CPI at the time.

Helpfully, the authors do split out the results for the years since 1945 where that may be less of a concern. But those results are for much smaller and more gradual shifts in tariffs than the pre-war years, and statistically are much less convincing. Tariffs do seem to raise unemployment, but in the OLS results, the drop in inflation after a tariff hike is very small, and doesn't last beyond the year the tariff was imposed. Indeed, by year two, unemployment and inflation are both higher after a tariff increase.

With those caveats in mind, one thing does jump out from the San Francisco study. Tariffs aren't good news for unemployment in the country imposing them, and we know that they are clearly a negative for their trading partners. For Canada, if US tariffs not only slow growth here, but growth abroad, the resulting slack in the global economy could indeed be an important downward force on inflation on this side of the border. If so, the Bank of Canada's concerns about inflation emanating from cost increases tied to a realignment of trade could prove to be unfounded.

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 24	-	-	-	-	-	-	-
Tuesday, November 25	-	-	-	-	-	-	-
Wednesday, November 26	-	AUCTION: 2-YR CANADAS \$6B	-	-	-	-	-
Thursday, November 27	8:30 AM	PAYROLL EMPLOYMENT, EARNINGS & HRS	(Sep)	-	-	-	3.3K
Thursday, November 27	8:30 AM	CURRENT ACCOUNT BAL.	(3Q)	(M)	-\$16.0B	-\$14.4B	-\$21.2B
Friday, November 28	8:30 AM	GDP ANNUALIZED	(3Q)	(H)	0.7%	0.5%	-1.6%
Friday, November 28	8:30 AM	GDP M/M	(Sep)	(H)	0.2%	0.2%	-0.3%

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 24	-	AUCTION: 2-YR TREASURIES \$69B	-	-	-	-	-
Monday, November 24	8:30 AM	CHICAGO FED NAT.ACTIVITY INDEX	(Oct)	(M)	-	-	-
Monday, November 24	12:00 PM	Release: Industrial production annual revision	-	-	-	-	-
Tuesday, November 25	-	AUCTION: 1-YR TREASURIES \$50B	-	-	-	-	-
Tuesday, November 25	-	AUCTION: 5-YR TREASURIES \$70B	-	-	-	-	-
Tuesday, November 25	-	AUCTION: 2-YR FRN \$28B	-	-	-	-	-
Tuesday, November 25	8:30 AM	PHILADELPHIA FED NON-MANUFACTURING	(Nov)	(M)	-	-	-22.2
Tuesday, November 25	8:30 AM	RETAIL SALES M/M	(Sep)	(H)	0.4%	-	0.6%
Tuesday, November 25	8:30 AM	RETAIL SALES (X-AUTOS) M/M	(Sep)	(H)	0.4%	-	-
Tuesday, November 25	8:30 AM	RETAIL SALES CONTROL GROUP M/M	(Sep)	(H)	0.5%	-	-
Tuesday, November 25	8:30 AM	PPI M/M	(Sep)	(M)	0.2%	-	-0.1%
Tuesday, November 25	8:30 AM	PPI M/M (core)	(Sep)	(M)	0.3%	-	-0.1%
Tuesday, November 25	8:30 AM	PPI Y/Y	(Sep)	(M)	-	-	2.6%
Tuesday, November 25	8:30 AM	PPI Y/Y (core)	(Sep)	(M)	-	-	2.8%
Tuesday, November 25	9:00 AM	HOUSE PRICE INDEX M/M	(Sep)	(M)	-	-	0.4%
Tuesday, November 25	10:00 AM	BUSINESS INVENTORIES M/M	(Aug)	(L)	-	-	0.2%
Tuesday, November 25	10:00 AM	RICHMOND FED MANUF. INDEX	(Nov)	(M)	-	-	-4
Tuesday, November 25	10:00 AM	CONF.BOARD CONSUMER CONFIDENCE	(Nov)	(H)	94.5	93.3	94.6
Tuesday, November 25	10:00 AM	PENDING HOME SALES M/M	(Oct)	(M)	-	-	0.0%
Wednesday, November 26	-	AUCTION: 7-YR TREASURIES \$44B	-	-	-	-	-
Wednesday, November 26	7:00 AM	MBA-APPLICATIONS	(Nov 21)	(L)	-	-	-5.2%
Wednesday, November 26	8:30 AM	INITIAL CLAIMS	(Nov 22)	(M)	-	-	220K
Wednesday, November 26	8:30 AM	CONTINUING CLAIMS	(Nov 15)	(L)	-	-	1974K
Wednesday, November 26	8:30 AM	DURABLE GOODS ORDERS M/M	(Sep P)	(H)	-1.0%	-	2.9%
Wednesday, November 26	8:30 AM	DURABLE GOODS ORDERS EX-TRANS M/M	(Sep P)	(H)	0.3%	-	0.3%
Wednesday, November 26	9:45 AM	CHICAGO PMI	(Nov)	(M)	-	-	43.8
Wednesday, November 26	2:00 PM	FED'S BEIGE BOOK	-	-	-	-	-
Thursday, November 27	-	Markets Closed (Thanksgiving)	-	-	-	-	-
Friday, November 28	-	-	-	-	-	-	-

Week Ahead's market call

by Ali Jaffery and Andrew Grantham

In the **US**, retail sales and PPI will be main economic events. We're optimistic on retail sales, and expect another solid consumer spending report. Strong wealth and wage gains for employed workers continue to power the consumer. Core PPI should continue to run hot as firms bear the burden of rising input costs. We'll hear from a range of Fed speakers next week, and have a better read of how the FOMC is viewing the September jobs and retail reports, and our expectation is the Fed will be more firm about a December pause.

In **Canada**, GDP data should reveal a return to growth in Q3, albeit at only a modest pace that wouldn't be strong enough to reduce slack within the economy. However a stronger than initially reported end to the quarter could signal a slight acceleration in Q4, particularly if October's advance estimate points to continued growth.

Week Ahead's key Canadian number: Gross domestic product—September, Q3

(Friday, 8:30 am)

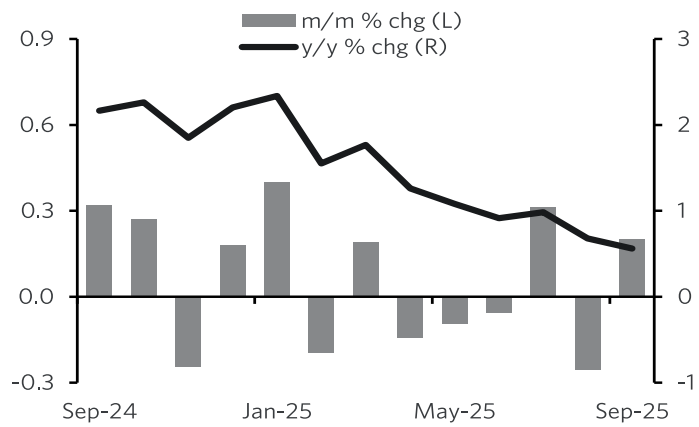
Andrew Grantham andrew.grantham@cibc.com

Variable (%)	CIBC	Mkt	Prior
GDP Q3 (SAAR)	0.7	0.5	-1.6
GDP Sep (m/m)	0.2	0.2	-0.3

The Canadian economy likely returned to growth in the third quarter, albeit at only a modest pace. The 0.7% annualized growth rate we expect would offset less than half of the decline seen in the prior quarter, and domestic demand growth likely decelerated from Q2's solid pace. Net trade will be a driver of growth, albeit largely due to a decline in imports which could also signal a drop in inventories. Exports appear to have rebounded only slightly relative to the prior quarter's slump.

Monthly data should signal a slightly better end to the quarter than suggested by the advance data, with September GDP expected to be up by 0.2% (initial estimate +0.1%) thanks to upward revisions to manufacturing and wholesaling figures. However, that increase follows a 0.3% decline in August, and as a result momentum heading into Q4 would still be limited. With little information regarding October available as yet, we have pencilled in a small 0.1% increase for that advance estimate.

Chart: Canadian GDP at basic price



Source: Statistics Canada, Haver Analytics, CIBC

Forecast implications — Growth is likely to remain fairly tame for a few quarters yet, with tariffs and continued uncertainty around trade restraining exports and business investment. Past interest rate cuts should support consumer spending and housing but, with rates only just below a neutral level, growth in those areas may be patchy and not particularly strong. We continue to forecast no more rate cuts from the Bank of Canada, but also no need to hikes until well into 2027.

Week Ahead's key US number: Retail sales—September

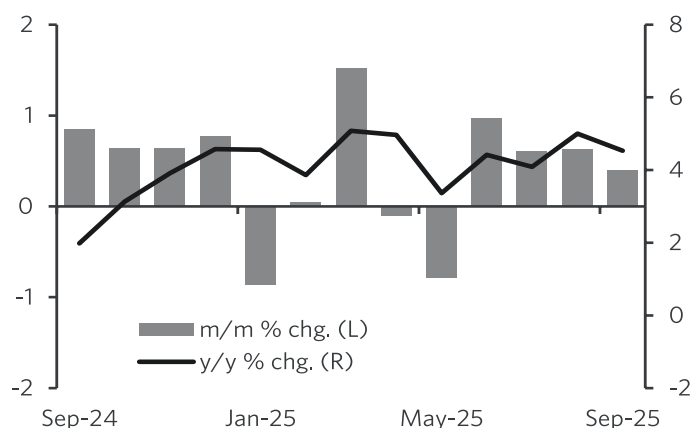
(Tuesday, 8:30 am)

Ali Jaffery ali.jaffery@cibc.com

Variable (%)	CIBC	Mkt	Prior
Retail sales (m/m)	0.4	-	0.6
Retail sales - ex auto	0.4	-	-
Retail sales - control group	0.5	-	-

We will get an update about the health of the consumer in September, and high frequency credit card data points to another solid month of retail spending. We expect spending in the control category to rise by 0.5% in the month, and the headline should come in a touch softer at 0.4%, due to modest gas price gains and weak auto sales in the month.

Chart: US Retail sales



Source: Census Bureau, Haver Analytics, CIBC

Forecast implications — Our expectation is growth will come in around 2.5% in the quarter, with the shutdown subtracting about 1%-point off of growth in Q3.

Market implications — The Fed views the job market as a better lead indicator for where the economy is headed and so has become less concerned with hot activity data. We expect markets to shrug off a strong report.

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](https://www.bloomberg.com/profile/company/CIBCCM:CA)

economics.cibccm.com

CIBC Capital Markets is a trademark brand name under which Canadian Imperial Bank of Commerce ("CIBC"), its subsidiaries and affiliates (including, without limitation, CIBC World Markets Inc., CIBC World Markets Corp. and CIBC Capital Markets (Europe) S.A.) provide different products and services to our customers around the world. Products and/or services offered by CIBC include corporate lending services, foreign exchange, money market instruments, structured notes, interest rate products and OTC derivatives. CIBC's Foreign Exchange Disclosure Statement relating to guidelines contained in the FX Global Code can be found at www.cibccm.com/fxdisclosure. Other products and services, such as exchange-traded equity and equity options, fixed income securities and futures execution of Canadian securities, are offered through directly or indirectly held subsidiaries of CIBC as indicated below.

Distribution

This report is written by the economics team at CIBC Capital Markets and is not the product of a CIBC Capital Markets research department. This report is issued and approved for distribution: (a) in Canada, by CIBC World Markets Inc., a member of the Canadian Investment Regulatory Organization, the Toronto Stock Exchange, the TSX Venture Exchange and a Member of the Canadian Investor Protection Fund; and (b) in the United States, by either: (i) CIBC World Markets Inc. for distribution only to U.S. Major Institutional Investors ("MII") (as such term is defined in SEC Rule 15a-6) or (ii) CIBC World Markets Corp., a member of the Financial Industry Regulatory Authority. U.S. MIs receiving this report from CIBC World Markets Inc. (the Canadian broker-dealer) are required to effect transactions (other than negotiating their terms) in securities discussed in the report through CIBC World Markets Corp. (the U.S. broker-dealer).

This report is provided, for informational purposes only, to institutional investor and retail clients of CIBC World Markets Inc. in Canada and does not constitute an offer or solicitation to buy or sell any securities discussed herein, including (without limitation) in any jurisdiction where such offer or solicitation would be prohibited.

The distribution of this report in the United Kingdom is being made only to, or directed only at, persons falling within one or more of the exemptions from the financial promotion regime in section 21 of the UK Financial Services and Markets Act 2000 (as amended) ("FSMA") including, without limitation, to the following:

- authorised firms under FSMA and certain other investment professionals falling within article 19 of the FSMA (Financial Promotion) Order 2005 ("FPO") and directors, officers and employees acting for such entities in relation to investment;
- high value entities falling within article 49 FPO and directors, officers and employees acting for such entities in relation to investment; and
- persons who receive this presentation outside the United Kingdom.

The distribution of this report to any other person in the United Kingdom is unauthorised and may contravene FSMA. No person falling outside such categories should treat this report as constituting a promotion to them or rely or act on it for any purposes whatsoever. This report is distributed solely to eligible counterparties or professional clients and not retail clients as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018.

For all other jurisdictions, this report is distributed solely to institutional clients and not retail clients as defined by the applicable securities legislation and regulation to which CIBC Capital Markets may be subject in any jurisdiction.

Miscellaneous

This report does not take into account the investment objectives, financial situation or specific needs of any particular client of CIBC. Before making an investment decision on the basis of any information contained in this report, the recipient should consider whether such information is appropriate given the recipient's particular investment needs, objectives and financial circumstances. CIBC suggests that, prior to acting on any information contained herein, you contact one of our client advisers in your jurisdiction to discuss your particular circumstances. Since the levels and bases of taxation can change, any reference in this report to the impact of taxation should not be construed as offering tax advice; as with any transaction having potential tax implications, clients should consult with their own tax advisors. Past performance is not a guarantee of future results.

The information and any statistical data contained herein were obtained from sources that we believe to be reliable, but we do not represent that they are accurate or complete, and they should not be relied upon as such. All estimates and opinions expressed herein constitute judgments as of the date of this report and are subject to change without notice.

This report may provide addresses of, or contain hyperlinks to, Internet web sites. CIBC has not reviewed the linked Internet web site of any third party and takes no responsibility for the contents thereof. Each such address or hyperlink is provided solely for the recipient's convenience and information, and the content of linked third-party web sites is not in any way incorporated into this document. Recipients who choose to access such third-party web sites or follow such hyperlinks do so at their own risk.

Unauthorized use, distribution, duplication or disclosure without the prior written permission of CIBC World Markets Inc. is prohibited by law and may result in prosecution.

CIBC Capital Markets and the CIBC Logo Design are trademarks of CIBC, used under license.