Economics

THE WEEK AHEAD

May 5 - 9, 2025

Hard data, soft data, weird data

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

A negative sign will do that to you. Anytime a quarterly real GDP growth rate dips below zero, the recession talk will escalate, as we've seen with the US Q1 results. But 2022 saw reports of two negative quarters in succession that wasn't the start of a true downturn, and there are no references to the 2022 recession. For various reasons, economic data in the first half of this year will be equally muddied, so here are some hints to how to interpret them.

First, unlike what you've heard, a surge in imports like we saw in Q1 doesn't necessarily "subtract" from real GDP growth. Imports show up as a negative in their own row in the accounts, but then are a hidden, but offsetting positive, in the figures for consumption, investment, government and inventory spending and even in exports, to the extent they have imported inputs. To that extent, they are neutral for real GDP. Normally it's only if imports crowd out spending in these categories on domestic goods and services, and gain market share, are imports a net a negative for growth.

If the data don't get revised, that would appear to be part of what we saw in Q1. Consumers and businesses may have been rushing to buy or stock up on imports or goods with imported content before tariffs hit to drive their prices higher, pulling back on domestic products to pay for them. Buy your Chinese baby stroller now, and delay those fully made-in-the-USA items and services. We'll see the same distortion in early Q2 numbers, because there are tariff-free items sitting in stores or car dealer lots that buyers realize will be a lot more expensive when they have to be re-ordered later. For the same reason, retail data in March and April will look deceptively strong, ahead of a slump if tariffs aren't reduced.

The same rush to stock up has distorted some other data as well. Already flush with inventories, retailers and wholesalers have slowed orders in the first month of the tariffs. Those reports of fewer ships headed for US ports don't necessarily mean that demand has seen a proportional drop. As well, some businesses are betting that tariffs are coming down, and are delaying orders, or shipping Chinese goods to park them in Canadian warehouses while they await a lower tariff to cross by truck into the US.

Consumer sentiment data have also been flashing signals that might be less alarming than they appear. What matters for growth is what people do, not what they say to pollsters. Headlines about soaring prices ahead, and for some in the crossfire, about government layoffs, will darken survey responses even while Americans are still out there spending. First quarter consumption did grow at a slower pace, but that came off a huge second half buying spree in 2024. Overall, the level of real consumption is still well above its typical trendline.

Commodity prices are typically a signpost for the global economy, but here too there are some unusual developments underway. Doctor Copper and Professor Petroleum are often said to be the experts on that global outlook, but oil has seen a lot more weakness than the red metal of late. For non-cyclical reasons, copper is seen to have a brighter demand picture over the medium term than oil, and geopolitical developments that could boost supply are also more important for the latter.

So what are we watching in the US economy where there's more signal than noise? When we're asked that question, clients are often disappointed to learn that it's not some obscure indicator that nobody else knows about. It's jobs. Employment is a contemporaneous rather than a leading indicator, but whether Americans are gaining or losing jobs is key to their actual spending patterns, and businesses adding workers do so because they have reason to be optimistic about their prospects.

While no longer red hot, and not yet capturing government job losers who are still getting severance, the trend through April has been reasonably healthy, and the 4.2% jobless rate isn't alarming either. The healthy jobs numbers in 2022 were why economists didn't declare a recession when we saw a spot of weakness in GDP that year, and we're similarly not in a US or global recession...yet. That leaves time to avoid a policy-induced dive if trade talks prove fruitful and the risks of an economic shock are dialed down.

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, May 5	-	-	-	-	-	-	-
Tuesday, May 6	-	AUCTION: 3-M BILLS $15.8B, 6-M BILLS $5.6B, 1-YR BILLS $5.6B	-	-	-	-	-
Tuesday, May 6	8:30 AM	MERCHANDISE TRADE BALANCE	(Mar)	(H)	-$1.2B	-	-$1.5B
Tuesday, May 6	10:00 AM	IVEY PMI	(Apr)	(L)	-	-	51.3
Wednesday, May 7	-	-	-	-	-	-	-
Thursday, May 8	-	AUCTION: 5-YR CANADAS $5.3B	-	-	-	-	-
Thursday, May 8	10:00 AM	Release: Financial Stability Report & Financial System Survey	-	-	-	-	-
Friday, May 9	8:30 AM	EMPLOYMENT CHANGE	(Apr)	(H)	10.0K	25.0K	-32.6K
Friday, May 9	8:30 AM	UNEMPLOYMENT RATE	(Apr)	(H)	6.8%	6.7%	6.7%

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, May 5	-	AUCTION: 3-YR TREASURIES $58B	-	-	-	-	-
Monday, May 5	9:45 AM	S&P GLOBAL US SERVICES PMI	(Apr)	(L)	-	51.4	51.4
Monday, May 5	9:45 AM	S&P GLOBAL US COMPOSITE PMI	(Apr)	(L)	-	-	51.2
Monday, May 5	10:00 AM	ISM - SERVICES	(Apr)	(M)	50.3	50.2	50.8
Tuesday, May 6	-	AUCTION: 10-YR TREASURIES $42B	-	-	-	-	-
Tuesday, May 6	8:30 AM	GOODS & SERVICES TRADE BALANCE	(Mar)	(H)	-$125.0B	-$122.0B	-$122.7B
Wednesday, May 7	7:00 AM	MBA-APPLICATIONS	(May 2)	(L)	-	-	-4.2%
Wednesday, May 7	2:00 PM	FOMC RATE DECISION (UPPER BOUND)	(May 7)	(H)	4.50%	4.50%	4.50%
Wednesday, May 7	2:00 PM	FOMC RATE DECISION (LOWER BOUND)	(May 7)	(H)	4.25%	4.25%	4.25%
Wednesday, May 7	3:00 PM	CONSUMER CREDIT	(Mar)	(L)	-	$10.0B	-$0.8B
Thursday, May 8	-	AUCTION: 30-YR TREASURIES $25B	-	-	-	-	-
Thursday, May 8	8:30 AM	INITIAL CLAIMS	(May 3)	(M)	-	-	241K
Thursday, May 8	8:30 AM	CONTINUING CLAIMS	(Apr 26)	(L)	-	-	1916K
Thursday, May 8	8:30 AM	NON-FARM PRODUCTIVITY	(1Q P)	(M)	-0.5%	-0.5%	1.5%
Thursday, May 8	10:00 AM	WHOLESALE INVENTORIES M/M	(Mar)	(L)	-	-	0.5%
Friday, May 9	6:15 AM	Speaker: John C. Williams (Vice Chairman, New York) (Voter)	-	-	-	-	-
Friday, May 9	6:45 AM	Speaker: Michael S Barr (Governor) (Voter)	-	-	-	-	-
Friday, May 9	8:30 AM	Speaker: Adriana D. Kugler (Governor) (Voter)	-	-	-	-	-
Friday, May 9	10:00 AM	Speaker: Austan D. Goolsbee, Chicago (Non-Voter)	-	-	-	-	-
Friday, May 9	11:30 AM	Speaker: John C. Williams (Vice Chairman, New York) (Voter)	-	-	-	-	-
Friday, May 9	7:45 PM	Speaker: Alberto G. Musalem (St Louis) (Non-Voter)	-	-	-	-	-

Week Ahead's market call

by Avery Shenfeld

In the **US**, with little on the data calendar of much importance, the Fed will have the spotlight to itself. With employment holding up reasonably well, and no clarity on tariffs or fiscal policy just yet, it won't pay any heed to White House calls for an immediate rate cut. Indeed, the tone of Fed speakers will be decidedly non-committal. While our base case forecasts allows for a return to rate cutting in the second half of the year, for that outcome we'll need a reduction in tariffs to cool inflation threats, and a budget outcome that offsets any additional stimulus (i.e. beyond merely extending current tax rates) with material spending restraint.

In **Canada**, employment data in the months ahead could start to reflect the dent at some manufacturing plants from US tariffs, while not yet looking too alarming. These can be high productivity jobs, so the employment data needn't be that weak to show up more meaningfully in real GDP. Markets will also be paying close attention to any news on a meeting between Carney and Trump and whether that bears any early fruit in terms of progress on trade issues or at least seems amiable, and we would expect to see a new cabinet unveiled soon.

Week Ahead's key Canadian number: Labour force survey—April

(Friday, 8:30 am)

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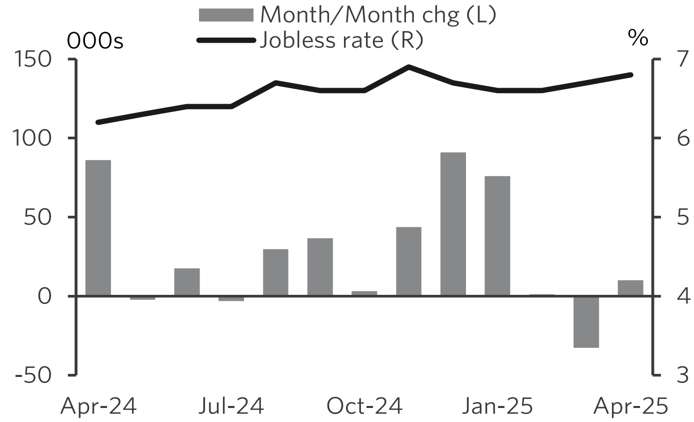
Variable	CIBC	Mkt	Prior
Employment (m/m)	10.0K	25.0K	-32.6K
Unemployment rate	6.8%	6.7%	6.7%

Chart: Canadian employment



Source: Statistics Canada, Haver Analytics, CIBC

Employment fell for the first time since January 2022 in March, and is unlikely to have recouped much of that lost ground in April. Reductions seen in manufacturing employment in prior months haven't yet offset the increases seen in December/ January, which were likely related to efforts in front-running tariffs. Given that tariffs are now in effect, a further reduction in the manufacturing workforce is likely. Hiring in other areas such as transportation and wholesaling could also be impacted. Acting as an offset, services sector that are less tariff-sensitive could post job gains.

The meagre 10K increase in employment that we forecast will likely see the unemployment rate tick up to 6.8%, even with the slowdown in population growth we have seen in recent months.

Forecast implications — While we don't think that the labour market is collapsing, further softness in hiring and a tick up in the unemployment rate would be a signal that slack is gradually opening up within the economy which should bring a 25bp cut from the Bank of Canada at its next meeting.

There are no major US data releases next week.

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