Economics

THE WEEK AHEAD

March 24 - 28, 2025

Misery loves company

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

Canadians were shocked to be the first country targeted for tariffs by the Trump Administration, alongside Mexico and China. But with a few exceptions, the tariffs were postponed until April 2nd for goods qualifying under USMCA. At that point, Canada could find itself joined by a long list of American trade partners being subject to "reciprocal tariffs", if not necessarily levies that US officials will be ready to implement immediately, as well as tariffs on specific sectors like autos.

In this case, in terms of the implications for Canada, misery loves company. Both the impacts on our exports to the US, as well as our odds of negotiating these tariffs down to a manageable size, would be improved by having many other US trading partners in the same boat.

If the tariffs stick, the damage to Canada's US market share will be reduced if all imports are facing a similar tariff as Canada. Otherwise, a vehicle assembled in Canada would be at a huge competitive disadvantage to one coming from Europe or Asia. There's still a bias against Canada if the auto tariffs are similar, because a Canadian vehicle will have faced tariffs on parts or metals that started in Canada, were hit by a tariff when sent to the US for the next stage of production, and then returned to Canada for the final assembly. But in less complex supply chains, we might end up on a more level playing field with other imports into the US.

That cushioning impact will be greater in sectors where Canada's share of total US imports is small, but where other imports have a significant share of the market in total, so that we're facing less competition from tariff-free US supplies. As shown in the table, fishing, base metal manufacturing and mining have sizeable foreign content, while Canada is largely competing with American suppliers in sectors like wood, metal products and paper products.

If other countries find themselves in a protracted trade war, their retaliatory tariffs, or consumer boycotts against US exports, will find them seeking non-US suppliers. At the margin, that may open up markets in Europe or Asia to some additional volumes from Canada, although frayed relations with China and India could cut into those opportunities.

Negotiating a cooling in tariff levels will also be easier if our misery is shared by other countries facing new US tariffs. Canada's retaliatory tariffs, or Canadians acting on their own to avoid American goods or travel destinations, will hurt US companies, who will lobby for a settlement. But that damage to US exports and tourism would be much higher if we also see retaliation from America's European and Asian trading partners. The inflation impacts will also be magnified, leaving greater pressure on the White House from consumers.

Finally, it may well be that, to fulfill an election pledge, the President feels that he needs to end up leaving some substantial tariffs in place when any negotiations come to an end. Perhaps some elevated tariffs on other countries that have greater barriers to US goods will help meet that political need, leaving more elbow room for Canada to escape some of the Administration's protectionist wrath. Unless, of course, the President is really set on having his 51st state.

Table: Shares of US final demand met by imports and domestic firms (2019)

Selected sectors	Canada	RoW	US
Fishing	6.9	74.7	18.4
Basic metals	3.3	46.4	50.3
Mining and quarrying	9.4	39.8	50.8
Motor vehicles	3.5	28.3	68.2
Wood products	5.5	20.9	73.6
Fabricated metals	2.0	20.6	77.4
Paper products	3.1	16.6	80.3

Source: OECD, 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, March 24	-	-	-	-	-	-	-
Tuesday, March 25	-	AUCTION: 3-M BILLS $12.8B, 6-M BILLS $4.6B, 1-YR BILLS $4.6B	-	-	-	-	-
Wednesday, March 26	1:30 PM	Publication: Summary of Deliberations	-	-	-	-	-
Thursday, March 27	-	AUCTION: 2-YR CANADAS $5.5B	-	-	-	-	-
Thursday, March 27	8:30 AM	PAYROLL EMPLOYMENT, EARNINGS & HRS	(Jan)	-	-	-	25.3K
Friday, March 28	8:30 AM	GDP M/M	(Jan)	(H)	0.3%	-	0.2%

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, March 24	8:30 AM	CHICAGO FED NAT.ACTIVITY INDEX	(Feb)	(M)	-0.1	-	-0.0
Monday, March 24	9:45 AM	S&P GLOBAL US SERVICES PMI	(Mar P)	(L)	-	51.2	51.0
Monday, March 24	9:45 AM	S&P GLOBAL US COMPOSITE PMI	(Mar P)	(L)	-	-	51.6
Monday, March 24	9:45 AM	S&P GLOBAL US MANUFACTURING PMI	(Mar P)	(L)	-	51.8	52.7
Monday, March 24	1:45 PM	Speaker: Raphael W. Bostic (Atlanta) (Voter)	-	-	-	-	-
Monday, March 24	3:10 PM	Speaker: Michael S Barr (Governor) (Voter)	-	-	-	-	-
Tuesday, March 25	-	AUCTION: 2-YR TREASURIES $69B	-	-	-	-	-
Tuesday, March 25	8:30 AM	PHILADELPHIA FED - NON-MANUFACTURING	(Mar)	(M)	-	-	-13.1
Tuesday, March 25	9:00 AM	HOUSE PRICE INDEX M/M	(Jan)	(M)	-	-	0.4%
Tuesday, March 25	9:00 AM	S&P CORELOGIC CS Y/Y	(Jan)	(H)	-	-	4.5%
Tuesday, March 25	10:00 AM	NEW HOME SALES SAAR	(Feb)	(M)	700K	680K	657K
Tuesday, March 25	10:00 AM	NEW HOME SALES M/M	(Feb)	(M)	6.5%	3.5%	-10.5%
Tuesday, March 25	10:00 AM	CONF.BOARD CONSUMER CONFIDENCE	(Mar)	(H)	95.0	94.0	98.3
Tuesday, March 25	10:00 AM	RICHMOND FED MANUF. INDEX	(Mar)	(M)	-	-	6.0
Tuesday, March 25	8:40 AM	Speaker: Adriana D. Kugler (Governor) (Voter)	-	-	-	-	-
Tuesday, March 25	9:05 AM	Speaker: John C. Williams (Vice Chairman, New York) (Voter)	-	-	-	-	-
Wednesday, March 26	-	AUCTION: 5-YR TREASURIES $70B	-	-	-	-	-
Wednesday, March 26	-	AUCTION: 2-YR FRN $28B	-	-	-	-	-
Wednesday, March 26	7:00 AM	MBA-APPLICATIONS	(Mar 21)	(L)	-	-	-6.2%
Wednesday, March 26	8:30 AM	DURABLE GOODS ORDERS M/M	(Feb P)	(H)	-1.0%	-0.7%	3.2%
Wednesday, March 26	8:30 AM	DURABLE GOODS ORDERS EX-TRANS M/M	(Feb P)	(H)	0.4%	0.3%	0.0%
Wednesday, March 26	10:00 AM	Speaker: Neel Kashkari (Minneapolis) (Non-Voter)	-	-	-	-	-
Wednesday, March 26	1:10 PM	Speaker: Alberto G. Musalem (St Louis) (Non-Voter)	-	-	-	-	-
Thursday, March 27	-	AUCTION: 7-YR TREASURIES $44B	-	-	-	-	-
Thursday, March 27	8:30 AM	INITIAL CLAIMS	(Mar 22)	(M)	-	-	223K
Thursday, March 27	8:30 AM	CONTINUING CLAIMS	(Mar 15)	(L)	-	-	1892K
Thursday, March 27	8:30 AM	GDP (annualized)	(4Q T)	(H)	2.4%	2.4%	2.3%
Thursday, March 27	8:30 AM	GDP DEFLATOR (annualized)	(4Q T)	(H)	-	-	2.4%
Thursday, March 27	8:30 AM	WHOLESALE INVENTORIES M/M	(Feb P)	(L)	-	-	0.8%
Thursday, March 27	8:30 AM	ADVANCE GOODS TRADE BALANCE	(Feb)	(M)	-$145.0B	-$134.5B	-$155.6B
Thursday, March 27	8:30 AM	RETAIL INVENTORIES M/M	(Feb)	(H)	-	-	-0.1%
Thursday, March 27	10:00 AM	PENDING HOME SALES M/M	(Feb)	(M)	-	-	-4.6%
Thursday, March 27	4:30 PM	Speaker: Thomas I. Barkin (Richmond) (Voter)	-	-	-	-	-
Friday, March 28	8:30 AM	PCE DEFLATOR Y/Y	(Feb)	(H)	2.4%	2.5%	2.5%
Friday, March 28	8:30 AM	PCE DEFLATOR Y/Y (core)	(Feb)	(H)	2.6%	2.7%	2.6%
Friday, March 28	8:30 AM	PCE DEFLATOR M/M (core)	(Feb)	(H)	0.2%	0.3%	0.3%
Friday, March 28	8:30 AM	PERSONAL INCOME M/M	(Feb)	(H)	0.6%	0.4%	0.9%
Friday, March 28	8:30 AM	PERSONAL SPENDING M/M	(Feb)	(H)	0.7%	0.6%	-0.2%
Friday, March 28	10:00 AM	MICHIGAN CONSUMER SENTIMENT	(Mar)	(H)	-	-	57.9
Friday, March 28	12:15 PM	Speaker: Michael S Barr (Governor) (Voter)	-	-	-	-	-
Friday, March 28	3:30 PM	Speaker: Raphael W. Bostic (Atlanta) (Voter)	-	-	-	-	-

Week Ahead's market call

by Avery Shenfeld

In the **US**, there will be a happy day for markets if we're right that personal income and consumption readings both edge above expectations while the inflation readings in that report are a touch cooler than consensus. Keep an eye on the Conference Board measure of confidence, which might garner more than the usual attention after the deep dive in the last UMich survey. But this week could end up seeing calmer waters as investors await news on US tariff policy due on April 2nd.

In **Canada**, while January GDP should look quite respectable, the flash reading for February will likely be less rosy based on readings we have so far from retailing and employment. If so, quarterly GDP could be tracking in the 1½% range. That's not bad coming off a strong second half in 2024, but could prove largely irrelevant for markets given the potential trade war hit ahead. As in the US, this could be a calmer week for markets unless we get an advance peek from White House on what it plans to reveal about tariffs on April 2nd.

Week Ahead's key Canadian number: Gross domestic product—January

Friday, 8:30 am)

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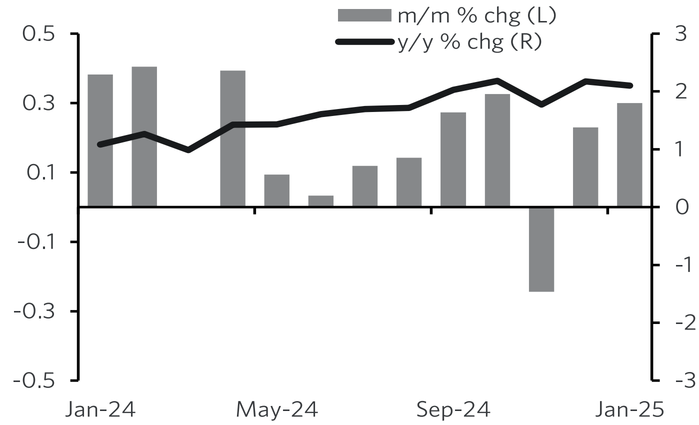
Variable (%)	CIBC	Mkt	Prior
GDP m/m	0.3	-	0.2

Chart: Canadian GDP at basic prices



Source: Statistics Canada, Haver Analytics, CIBC

The Canadian economy started the year by accelerating on tariff front-running efforts. There is some upside risk to the 0.3% m/m advance estimate for January, as the final readings on manufacturing and wholesale sales were stronger than initially reported, and the trade surplus ballooned, but the retailing data was a little worse on second release. We expect the February advance estimate to show some softness, in line with the escalation in the trade war, the weak jobs data, and the retail sales advance indicator.

Forecast implications — GDP growth in the first quarter likely slowed to roughly 2 % annualized. But the damage from the tariff uncertainty will show up more in the March and Q2 GDP readings, as business confidence has plummeted and indicates a drop in capital spending, which will likely see Q2 GDP decline and the overnight rate fall to 2.25%, even if policymakers pause at the April meeting.

Week Ahead's key US number: Personal income & outlays—February

(Friday, 8:30 am)

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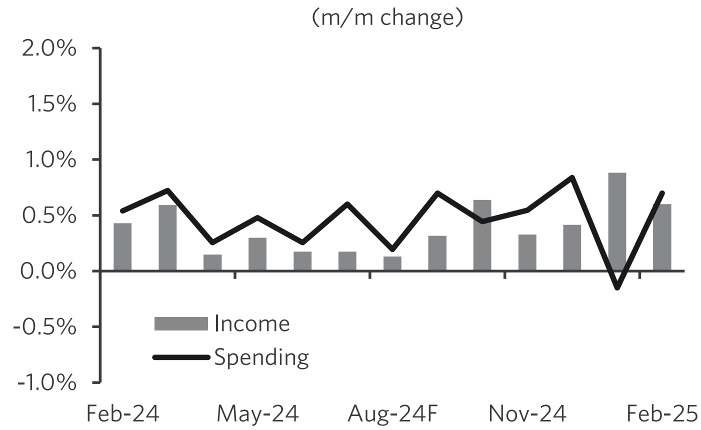
Variable (%)	CIBC	Mkt	Prior
Personal income (m/m)	0.6	0.4	0.9
Personal spending (m/m)	0.7	0.6	-0.2
Core PCE price index (m/m)	0.2	0.3	0.3

Chart: US personal income and spending



Source: BEA, Haver Analytics, CIBC

Price pressures will cool in February, as we expect headline and core PCE price index to both come in at 0.2% m/m after a stronger January reading. Consumption growth will be strong at 0.7% in the month, or 0.5% inflation-adjusted. Personal income growth will also look solid, gaining by 0.6% and the saving rate will tick down two notches to 4.4%. Overall the data will reinforce Powell's message that the US economy enters the trade war on solid footing.

Forecast implications — A strong consumption rebound in February will be driven by durable goods spending yet again. Our nowcast tracking has GDP around 1% in Q1 after the strength in February retail sales (control group).

Market implications — We are one tick below consensus on core inflation, because we expect services ex. shelter costs to look tame in the month, pulling back after January price resetting.

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