

Economics

THE WEEK AHEAD

October 20 - 24, 2025

Will AI boost productivity? Which one?

by Avery Shenfeld avery.shenfeld@cibc.com

There's little doubt that artificial intelligence will boost labour productivity in the coming years. After all, that's really what it's all about, letting a machine, with some help from a human or two, do the work of a lot more people.

The economic benefit of that shift, however, depends on finding alternative work for those displaced by AI, and the output that they then generate. Saving on labour is a benefit to a particular company deploying AI to reduce labour hours, but only increases aggregate output if those hours get used in other tasks to produce other goods and services.

The good news is that we've achieved such shifts in the past. Over prior generations, technology reduced our need for farm labour, and later manual labour in goods production, and freed up workers to deliver a bounty of new services that were unheard of a century ago. Sometimes that's even within the same industry; electronic banking hasn't led to fewer financial services workers in total, but instead has allowed more sophisticated financial products and services to be offered. Still, that labour redeployment and retraining does take time, and if many employees are displaced over a short period, we'll have to be patient for those new opportunities for workers to emerge.

Even then, labour productivity, or real output per hour, won't be the only relevant measure in gauging whether AI was a true winner for the economy writ large. A restaurant could today have some very sophisticated robots constructed to open the fridge, take out the meat and potatoes, and serve up a nicely done steak frites. That's not done because with current technology, it would be cheaper to have a cook or two do the job.

In economic terms, total factor productivity (TFP), rather than labour productivity, is a better benchmark of progress. As in the kitchen example, total factor productivity looks at what it takes to get a unit of output in terms of all the resources used in the process: labour, capital equipment, energy, and the meat and potatoes, or raw materials.

New technologies can often increase both TFP and labour productivity. But the bar for AI to lift TFP may be higher, because developing and deploying AI isn't frugal in its use of capital or energy. That's apparent in the trillions of dollars of capital investment being deployed on software, chips, data centres and electric power plants. Those funds could have alternatively been devoted to current consumption, or invested in shiny new hospitals, highways, subways, schools, medical research centres or amusement parks that would have also generated economic returns.

Once up and running, AI systems will gobble up electricity and whatever fuels are used to generate it. As an example, the power needed to run the chips associated with just one recent order by an AI leader could meet the needs of all households in Massachusetts each year. In pushing up power costs for other sectors, or simply straining the capacity of utilities' networks, AI systems will squeeze out other potential uses of that electricity, including the lights in those forgone hospitals and amusement parks.

That's where the rubber will hit the road for this AI investment boom. Each player, of course, is devoting these huge investment dollars in the belief that their particular project will earn a solid rate of return, and easily cover the power and other costs to run their facilities in the future. But past tech waves that panned out in the aggregate, in operating systems, browsers, search engines and cell phones, didn't typically make winners of all comers. Pets.com didn't succeed in online retailing the way that Amazon.com did.

So there's no guarantee that the total factor productivity results from the aggregate use of labour, capital, materials and fuels will in the end look as good as the results for any one firm. Labour productivity is likely to be a winner at firms deploying AI, but on economy-wide total factor productivity, the jury is still out, and the sheer scale of the capital spending buildup and power demands are a reason to have some concerns at this point.

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 20	8:30 AM	INDUSTRIAL PROD. PRICES M/M	(Sep)	(M)	-	-	0.5%
Monday, October 20	8:30 AM	RAW MATERIALS M/M	(Sep)	(M)	-	-	-0.6%
Monday, October 20	10:30 AM	BUSINESS OUTLOOK SURVEY	(3Q)	(M)	-	-	-2.4
Monday, October 20	10:30 AM	Release: Canadian Survey of Consumer Expectations	-	-	-	-	-
Tuesday, October 21	-	AUCTION: 3-M BILLS \$14.6B, 6-M BILLS \$5.2B, 1-YR - BILLS \$5.2B	-	-	-	-	-
Tuesday, October 21	8:30 AM	CPI M/M	(Sep)	(H)	0.0%	-0.1%	-0.1%
Tuesday, October 21	8:30 AM	CPI Y/Y	(Sep)	(H)	2.3%	2.2%	1.9%
Tuesday, October 21	8:30 AM	Consumer Price Index	(Sep)	(M)	-	-	164.8
Tuesday, October 21	8:30 AM	CPI Core- Median Y/Y%	(Sep)	(M)	3.0%	3.0%	3.1%
Tuesday, October 21	8:30 AM	CPI Core- Trim Y/Y%	(Sep)	(M)	3.0%	3.0%	3.0%
Wednesday, October 22	-	AUCTION: 10-YR CANADAS \$5.3B	-	-	-	-	-
Thursday, October 23	8:30 AM	RETAIL TRADE TOTAL M/M	(Aug)	(H)	1.0%	1.0%	-0.8%
Thursday, October 23	8:30 AM	RETAIL TRADE EX-AUTO M/M	(Aug)	(H)	1.3%	1.5%	-1.2%
Friday, October 24	-	-	-	-	-	-	-

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
Tuesday, October 21	8:30 AM	PHILADELPHIA FED NON-MANUFACTURING	(Oct)	(M)	-	-	-12.3
Wednesday, October 22	-	AUCTION: 20-YR TREASURIES \$13B	-	-	-	-	-
Wednesday, October 22	7:00 AM	MBA-APPLICATIONS	(Oct 17)	(L)	-	-	-1.8%
Thursday, October 23	-	AUCTION: 5-YR TIPS \$26B	-	-	-	-	-
Thursday, October 23	10:00 AM	EXISTING HOME SALES SAAR	(Sep)	(M)	-	4.1M	4.0M
Thursday, October 23	10:00 AM	EXISTING HOME SALES M/M	(Sep)	(M)	-	1.5%	-0.2%
Friday, October 24	8:30 AM	CPI M/M	(Sep)	(H)	0.3%	0.4%	0.4%
Friday, October 24	8:30 AM	CPI M/M (core)	(Sep)	(H)	0.3%	0.3%	0.3%
Friday, October 24	8:30 AM	CPI Y/Y	(Sep)	(H)	3.1%	3.1%	2.9%
Friday, October 24	8:30 AM	CPI Y/Y (core)	(Sep)	(H)	3.1%	3.1%	3.1%
Friday, October 24	9:45 AM	S&P GLOBAL US SERVICES PMI	(Oct P)	(L)	-	53.5	54.2
Friday, October 24	9:45 AM	S&P GLOBAL US COMPOSITE PMI	(Oct P)	(L)	-	-	53.9
Friday, October 24	9:45 AM	S&P GLOBAL US MANUFACTURING PMI	(Oct P)	(L)	-	51.8	52.0
Friday, October 24	10:00 AM	MICHIGAN CONSUMER SENTIMENT	(Oct)	(H)	-	55.0	55.0

Week Ahead's market call

by Avery Shenfeld

In the **US**, the government has allowed BLS workers to compile and release the CPI despite the shutdown, as it's needed to calculate the inflation adjustment for upcoming social security payments. While we see the monthly data still running a tick hotter than what the Fed wants to see, it's clear that for now the central bank is paying more attention to employment risks, so the inflation news is unlikely to alter market expectations for an October quarter point cut. Markets are eyeing other issues these days, including competing views on whether there's an AI or equity bubble, as well as risks in non-bank lenders.

In **Canada**, while we're a tick above consensus on headline inflation, the underlying story is still supportive for an October Bank of Canada rate cut. The two core measures will still have a 3-handle on a 12-month basis, but should look tamer on the 3-month moving average that the Bank has cited, and the headline will be lifted by a short-lived bump in gasoline prices. Look for the see-saw in retail sales data to continue, with an upward bump in August coming on the heels of a prior dip, but the early read on September potentially seeing nothing much to cheer about beyond than the impact of those gasoline prices on nominal sales.

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

(Tuesday, 8:30 am)

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Variable (%)	CIBC	Mkt	Prior
CPI NSA (m/m)	0.0	-0.1	-0.1
CPI (y/y)	2.3	2.2	1.9

Inflation likely accelerated in September, due partly to base effects but also due to refinery and pipeline issues that contributed to higher gasoline prices during the month. In a month where pump prices usually decline due a switch from summer to winter blends mid-month, average prices were actually slightly higher this September than in the prior month. On a monthly basis, headline CPI is expected to be flat, but up 0.4% in seasonally adjusted terms.

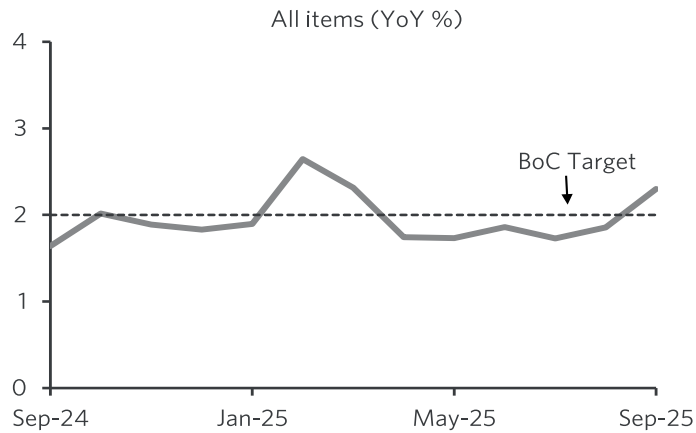
However, pockets of softness in other areas should partly offset the impact of higher gasoline prices. The removal of most of Canada's retaliatory tariffs at the start of September could feed through to lower goods prices, particularly food where the lag between tariffs and sticker prices can be shorter. We also continue to forecast a slowing in rent price inflation to something closer in line with the declines seen in asking rents. While headline inflation will be mainly driven by gasoline prices,

Other Canadian releases:
Retail sales—August

(Thursday, 8:30 am)

Retail sales likely posted a solid 1% gain in August, although that would simply offset the decline seen in the prior month. For September, sales likely flatlined in nominal terms, which would represent a slight decline in volume terms after accounting for the rise in gasoline prices.

Chart: Canadian consumer price index



Source: Statistics Canada, Haver Analytics, CIBC

these other factors could contribute to weaker increases for core measures. Ex food/energy, CPI-X, CPI-trim and CPI-median are all forecast to increase 0.1% after seasonal adjustment, which would bring 3-month annualized rates down from 2 ½% closer to 2%.

Forecast implications — A further cooling in core inflation would support our call for a further 25bp cut from the Bank of Canada at this month's meeting.

Week Ahead's key US number:
Consumer price index—September

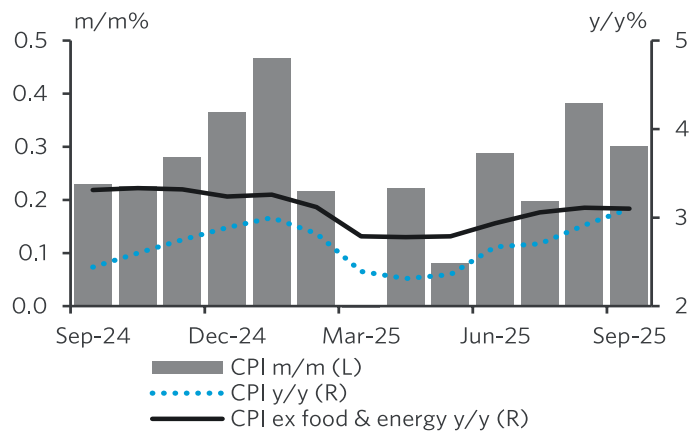
(Friday, 8:30 am)

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Variable (%)	CIBC	Mkt	Prior
Headline CPI (m/m)	0.3	0.4	0.4
Headline CPI (y/y)	3.1	3.1	2.9
Core CPI (m/m)	0.3	0.3	0.3
Core CPI (y/y)	3.1	3.1	3.1

The government is bringing back some BLS staff to prepare the September CPI report to calculate cost-of-living adjustments for social security cheques, giving us all a reprieve from the data blackout of the past few weeks. We expect the September CPI report to show continued sticky price pressures, with headline and core inflation printing another 0.3% m/m rise in prices. The imprint of tariffs on goods prices will be more evident and non-shelter services inflation should also remain elevated in the month, offsetting moderating shelter inflation.

Chart: US consumer price index



Source: BLS, Haver Analytics, CIBC

Forecast implications — We expect the 0.3% m/m in core CPI to be consistent with 0.3% reading in the Fed’s preferred inflation gauge, core PCE (whenever that comes out). Despite another sticky inflation print, we expect the Fed to cut once more in October as more insurance for the job market. Powell’s latest speech leaned in that direction.

Market implications — Despite being the first data the market has seen in some time now, we don’t expect any major reaction or repricing.

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