Economics

THE WEEK AHEAD

April 28 - May 2, 2025

One book, two books, Red Book, Blue Book

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Back in the days when documents were still handed out in hard copy, Canada's political parties issued their platforms in what they called a "book", a Red Book for the Liberals, Blue for the Conservatives. These days, it's a downloadable pdf, but the content is similarly glossy in tone if not physically so, comprising a sales pitch for the policy proposals, and a table that purports to show the fiscal implications.

Institutional investors were pouring over those tables this week in an effort to identify the implications for government bond supply, and to understand how much fiscal stimulus or restraint might impact the Bank of Canada's need to cut rates. But while we welcome the details provided by Canada's political parties, we would caution our clients that there could be quite a gap between what's there in print, or on their screens these days, and what we might see on budget day this spring or the following year.

For one, to preserve a level playing field, both major parties opted to use the baseline projections provided by the independent Parliamentary Budget Office. While the PBO allowed for heightened trade policy uncertainty, it didn't include the direct impact of any US tariffs on Canadian exports, and like our own forecasts, would be at risk if we don't see a sufficient moderation in US tariffs against Canada and others. Both projections were based on a 1.7% real growth rate for this year that might be only a tad optimistic, but also a steadily declining unemployment rate that could understate EI benefit costs.

So while the campaign has put a laser focus on US tariffs, and on how each party would respond to the resulting growth challenges for Canada, the projections are based on global trade risks easing up from here. Indeed, the Conservative figures allowed for much faster growth than the baseline forecast by including an estimated lift from their tax and regulatory changes. Both parties counted on significant revenues from Canada's retaliatory tariffs, which would also only be present if the US doesn't back off its tariffs on Canada.

Second, given the speed of the news flow, none of the candidates can be too sure of what the economic backdrop will look like at budget time this year, let alone where we'll be headed beyond fiscal 2025/26. We actually don't want a Prime Minister to set fiscal policy in stone before we have some clarity on the tariff battle. Remember that weeks ago we were hoping that the 30 day delay in auto tariffs would morph into more lasting relief, which so far hasn't been seen, and didn't expect the explosive tariff war between the US and China and its impact on these two Canadian export markets.

How US tariffs impact key export sectors like autos, metals, and lumber, and how supply chains get shaken as the ground shifts under the global trading system, should have implications for what types of relief measures are warranted in Canada. So we need to give our next prime minister, and his cabinet, elbow room to adjust policy on the fly to those changing circumstances. The parties might differ in how stimulus or restraint is delivered, but the overall fiscal balance tends to be first and foremost a function of economic conditions.

If everything comes up rosy in trade talks, aiming for lower deficits as the jobless rate declines and growth picks up would be the right call. If the trade war, or other developments throw us into a recession, or at least a slowdown, higher deficits would be warranted for the current fiscal year, above what either party has projected. Because the federal deficit is starting from only a third of what Washington is running as a share of GDP, there's some elbow room to do that.

Higher deficits during economic slowdowns have been a feature of Canadian politics, whether the plan was unveiled under a blue cover, as it was in a mid-year update under Harper during the 2008 global financial crisis, or bright red under Trudeau when COVID hit. The long end of the Canadian bond market might not yet be fully priced for even a milder version of that likely trend.

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, April 28	-	Canadian Federal Election	-	-	-	-	-
Monday, April 28	10:30 AM	Release: Market Participants Survey	-	-	-	-	-
Tuesday, April 29	-	-	-	-	-	-	-
Wednesday, April 30	-	AUCTION: 2-YR CANADAS $6B	-	-	-	-	-
Wednesday, April 30	8:30 AM	GDP M/M	(Feb)	(H)	0.0%	-	0.4%
Wednesday, April 30	1:30 PM	Publication: Summary of Deliberations	-	-	-	-	-
Thursday, May 1	-	AUCTION: 10-YR CANADAS $5.3B	-	-	-	-	-
Friday, May 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, April 28	-	-	-	-	-	-	-
Tuesday, April 29	8:30 AM	WHOLESALE INVENTORIES M/M	(Mar P)	(L)	-	-	0.3%
Tuesday, April 29	8:30 AM	ADVANCE GOODS TRADE BALANCE	(Mar)	(M)	-$145.0B	-$146.0B	-$147.8B
Tuesday, April 29	8:30 AM	RETAIL INVENTORIES M/M	(Mar)	(H)	-	-	0.1%
Tuesday, April 29	9:00 AM	HOUSE PRICE INDEX M/M	(Feb)	(M)	-	-	0.2%
Tuesday, April 29	9:00 AM	S&P CORELOGIC CS Y/Y	(Feb)	(H)	-	-	4.7%
Tuesday, April 29	10:00 AM	JOLTS Job Openings	(Mar)	-	7300K	-	7568K
Tuesday, April 29	10:00 AM	CONF.BOARD CONSUMER CONFIDENCE	(Apr)	(H)	89.0	87.0	92.9
Wednesday, April 30	7:00 AM	MBA-APPLICATIONS	(Apr 25)	(L)	-	-	-12.7%
Wednesday, April 30	8:15 AM	ADP EMPLOYMENT CHANGE	(Apr)	(M)	-	128K	155K
Wednesday, April 30	8:30 AM	EMPLOYMENT COST INDEX	(1Q)	(M)	-	0.9%	0.9%
Wednesday, April 30	8:30 AM	GDP (annualized)	(1Q A)	(H)	0.1%	0.2%	2.4%
Wednesday, April 30	8:30 AM	GDP DEFLATOR (annualized)	(1Q A)	(H)	3.3%	-	2.3%
Wednesday, April 30	9:45 AM	CHICAGO PMI	(Apr)	(M)	-	45.5	47.6
Wednesday, April 30	10:00 AM	PCE DEFLATOR Y/Y	(Mar)	(H)	2.2%	2.2%	2.5%
Wednesday, April 30	10:00 AM	PCE DEFLATOR Y/Y (core)	(Mar)	(H)	2.6%	2.6%	2.8%
Wednesday, April 30	10:00 AM	PERSONAL INCOME M/M	(Mar)	(H)	0.3%	0.4%	0.8%
Wednesday, April 30	10:00 AM	PERSONAL SPENDING M/M	(Mar)	(H)	0.4%	0.6%	0.4%
Wednesday, April 30	10:00 AM	PENDING HOME SALES M/M	(Mar)	(M)	-	-	2.0%
Thursday, May 1	8:30 AM	INITIAL CLAIMS	(Apr 26)	(M)	-	-	222K
Thursday, May 1	8:30 AM	CONTINUING CLAIMS	(Apr 19)	(L)	-	-	1841K
Thursday, May 1	9:45 AM	S&P GLOBAL US MANUFACTURING PMI	(Apr)	(L)	-	-	50.7
Thursday, May 1	10:00 AM	ISM - MANUFACTURING	(Apr)	(H)	48.5	48.1	49.0
Thursday, May 1	10:00 AM	CONSTRUCTION SPENDING M/M	(May)	(M)	-	0.3%	0.7%
Friday, May 2	8:30 AM	NON-FARM PAYROLLS	(Apr)	(H)	115K	130K	228K
Friday, May 2	8:30 AM	UNEMPLOYMENT RATE	(Apr)	(H)	4.2%	4.2%	4.2%
Friday, May 2	8:30 AM	AVERAGE HOURLY EARNINGS ALL EMPLOYEES M/M	(Apr)	(H)	0.3%	0.3%	0.3%
Friday, May 2	8:30 AM	AVERAGE WEEKLY HOURS ALL EMPLOYEES	(Apr)	(H)	-	34.2	34.2
Friday, May 2	8:30 AM	MANUFACTURING PAYROLLS	(Apr)	(H)	-	-10K	1K
Friday, May 2	10:00 AM	FACTORY ORDERS M/M	(Mar)	(M)	4.5%	4.5%	0.6%
Friday, May 2	10:00 AM	DURABLE GOODS ORDERS M/M	(Mar)	(H)	-	-	9.2%
Friday, May 2	10:00 AM	DURABLE GOODS ORDERS EX-TRANS M/M	(Mar)	(H)	-	-	0.0%

Week Ahead's market call

by Avery Shenfeld

In the **US**, we might actually have a week in which economic data, rather than White House news, has a chance to impact markets. Payrolls top the calendar, and we're expecting the first month in which government layoffs tilt the odds towards a softer reading, although jobless claims don't suggest a spike in the unemployment rate. GDP growth will be close to zero, but the weakness will largely be driven more by a pullback by consumers after an unsustainable spending spree at the end of 2024, rather than as a signpost of trade war impacts, which mostly lie ahead, although the surge in imports and inventories was the result of pre-tariff stockpiling.

In **Canada**, polls tracking voter intentions for Monday's federal election have tightened up in recent days. That said, CBC's Poll Tracker and 338Canada are still projecting a Liberal majority as the most likely, but not quite as certain, outcome. The Liberals have shifted more to the political centre under Mark Carney, but actual fiscal outcomes will depend on how Canada fares at the negotiating table in discussions on trade matters with the US, and the impact of global trade developments (see cover). GDP for February could be only flat, but healthy base effects still point to roughly 2% Q1 growth. It's in Q2 where we would expect to see tariffs and trade uncertainties take a bite out of the economy in terms of the full quarter's pace.

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

(Wednesday, 8:30 am)

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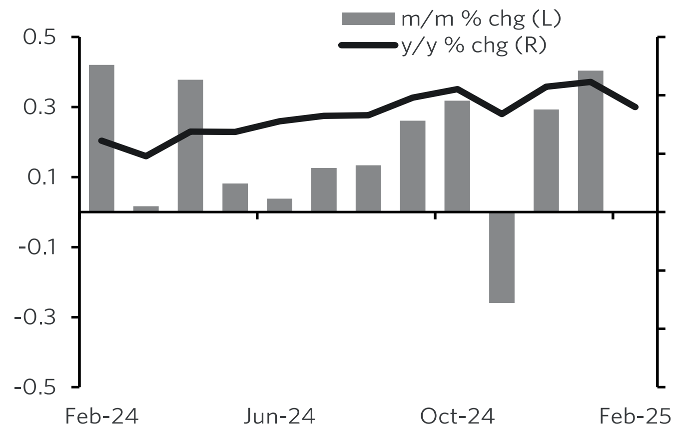
Variable (%)	CIBC	Mkt	Prior
GDP (m/m)	0.0	-	0.4

Chart: Canadian GDP at basic prices



Source: Statistics Canada, Haver Analytics, CIBC

Canadian GDP started the year strong, although growth in January was flattered by the return of postal workers following strike activity as well as efforts among manufacturers to front-run potential US tariffs. Trade data suggests that the latter factor partially unwound in February, and retail sales pulled back as the GST holiday ended mid-month. Housing market activity also fell, likely due to a combination of worse than normal winter weather and tariff uncertainty.

The end result is likely to be a stall in activity during February, and we have penciled in a slight decline for March's advance estimate assuming a further pull back in exports. That would still leave Q1 GDP tracking a respectable growth rate of just below 2%, but with no momentum heading into Q2.

Forecast implications — The advance estimate for Q1 will likely be close to the 1.8% predicted by the Bank of Canada in it's recent MPR. More interesting, however, will be the advance estimate for March and any indication that provides as to whether we may be trending closer to the BoC's scenario 2 prediction for Q2 GDP (-1.3%) as we fear, rather than the less pessimistic scenario 1 (0.0% SAAR for Q2).

Week Ahead's key US number: Employment situation—April

(Friday, 8:30 am)

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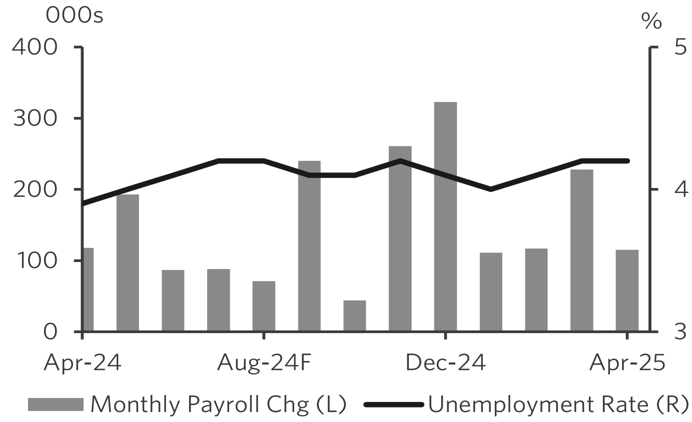
Variable	CIBC	Mkt	Prior
Employment (m/m)	115K	130K	228K
Unemployment rate	4.2%	4.2%	4.2%
Avg hourly earnings (m/m)	0.3%	0.3%	0.3%

Chart: US payroll employment



Source: BLS, Haver Analytics, CIBC

In what will be a star-studded data week, the main attraction will be Friday's April payroll report, giving a look at the first piece of major data post-Liberation Day. We expect a weak report with just 115K jobs gain in the month but that is mostly due to the impact of the DOGE resignations and firing of contractors showing up in the month. WARN notices in the Washington DC and surrounding area have risen sharply in recent months, as have US Challenger Layoff announcements, with businesses citing "DOGE Impact" as the lead job cut reason for the latter. Trade tensions don't appear to have materially weakened the job market in April. Initial claims were well behaved, and there were only a few reports of manufacturers idling factories. Overall, while businesses are unlikely to be firing much, they won't also be hiring too much. We expect the jobless rate to stay at 4.2% in the household survey.

Forecast implications — The pace of hiring, average hours worked and wage growth is likely to cool this quarter, crimping labor income and having a knock-off effect on consumption.

Market impact — Markets, already worried about the hit to the economy, will likely modestly raise bets of more Fed action this year if the job report comes in weak.

Other US Releases: Real GDP—Q1 (Advanced)

(Wednesday, 8:30 am)

The advanced reading of Q1 GDP should come in about flat in to begin 2025. We are a notch below consensus, expecting growth of 0.1% Q/Q SAAR, but slightly above the gold-import adjusted Atlanta Fed GDPNow which sits at -0.4% as of writing. This will be a weird report, with a surge in imports weighing on growth, and a large offset from an inventory build as businesses were front-loading ahead of tariffs threats. That will be the noise, but the signal to focus is weak consumption growth that suggests the economy downshifted in the quarter. Goods consumption pulled back in Q1, estimated to contract by 2% after registering 6% annualized growth in the second half of 2024.

Forecast implications — Momentum heading into Q2 looks soft, and trade tensions are likely to start to weigh on the economy gradually unless the administration reaches a major deal.

Market impact — Trade and inventory data are notoriously volatile even during normal times, and likely even more so during a trade war creating a larger risk of a big miss (in either direction) this time around. The market will likely keep a cooler head, focusing on underlying inflation and the job market.

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