

Economics

THE WEEK AHEAD

March 2 - 6, 2026

Is the BOC standing on guard for thee?

by Avery Shenfeld avery.shenfeld@cibc.com

The court ruling on tariffs brought only short-lived sighs of relief in America's trading partners. Trump immediately announced a 10%, (or is it 15%?) tariff using a legally questionable reference to a Section 122 authority to act against balance of payments deficits. While Canada was largely exempted from the both the "fentanyl" tariff struck down by the court and its Section 122 replacement, it's what could come next that raises concerns.

Over the next few months, Trump's team will be aggressively seeking other tariffs open to him, and the USMCA treaty doesn't exempt Canada from national security tariffs under Section 232. Moreover, the White House has taken a very expansive view of "national security"; where are the risks to the Defence Department in American imports of wood bathroom vanities and pickup trucks? Or even in steel when it comes from a long-time ally like Canada?

The upcoming trade negotiations are the first line of defence for Canada's economy against these additional burdens. Our forecast for steady monetary policy assumes that tariffs don't climb. But if these talks fail to achieve that outcome, we'll need the Bank of Canada to be standing on guard for thee, ready to cut interest rates to defend against a material economic slowdown.

The Bank has explicitly stated that their published forecasts assume that current tariffs remain as is. In the event that US tariffs on Canada are hiked, that would lower both their growth and inflation projections, typically the key ingredients for further rate relief.

But the Bank has argued that much of Canada's labour market slack has been opened up by structural changes facing a narrow group of industries hit by trade disruptions. The Governor opined that "monetary policy should not try to mitigate structural change" and that cutting rates "risks stoking future inflation if the weakness is due to lower productive capacity rather than a cyclical downturn in demand."

True, if slower growth simply reflected weaker population growth, that would be the case. But we've seen unemployment

running higher, and outright declines in payroll employment data that outstrip what's happening to the size of the workforce.

Macklem's point would also apply if we'd simply seen some shutdowns in one or two industries that can't be revived, and if we were quickly redeploying the affected workers. But a CIBC Economics report found that variances in employment growth across sectors or demographic groups haven't actually been unusually wide in recent quarters. If potential supplies of consumer goods had been shut down, and inflation was heating up, we would indeed "stoke inflation" by stimulating demand with lower rates. But the loss of capacity has been in exports, and the deceleration we've seen in CPI and wages also runs counter to any inflation fears.

That cooling in inflation metrics will likely open the door to rate cuts that aren't in our current forecast if the trade news turns darker, or if Q1 GDP materially disappoints. Past Bank of Canada actions to raise or trim interest rates didn't directly target the specific segments of the economy that were overheated and driving inflation, or suffering and putting downward pressure on jobs and prices. The Bank cut interest rates in 2015 when virtually all of the initial softness was in oil sector capital spending after a plunge in crude prices.

Unless you believe that "once an auto worker, always an auto worker", boosting activity in one part of the economy can help speed the redeployment of those losing jobs in industries facing adverse structural change. Indeed, lowering the cost of debt financing would facilitate the large capital projects that Ottawa aims to get off the ground. Interest rate relief could even stand on guard for some trade-oriented sectors now feeling the pain, helping them invest to realign their product mix and target markets. We'll need that help if tariffs end up higher than they are today.

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 2	-	-	-	-	-	-	-
Tuesday, March 3	-	-	-	-	-	-	-
Wednesday, March 4	8:30 AM	LABOUR PRODUCTIVITY Q/Q	(4Q)	(M)	-	-	0.9%
Thursday, March 5	-	AUCTION: 30-YR CANADAS \$3B	-	-	-	-	-
Friday, March 6	10:00 AM	IVEY PMI	(Feb)	(L)	-	-	50.9

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 2	9:45 AM	S&P GLOBAL US MANUFACTURING PMI	(Feb)	(L)	-	-	51.2
Monday, March 2	10:00 AM	ISM - MANUFACTURING	(Feb)	(H)	52.1	51.8	52.6
Tuesday, March 3	9:55 AM	Speaker: John C. Williams (Vice Chairman, New York) (Voter)	-	-	-	-	-
Tuesday, March 3	11:55 AM	Speaker: Neel Kashkari (Minneapolis) (Voter)	-	-	-	-	-
Wednesday, March 4	7:00 AM	MBA-APPLICATIONS	(Feb 27)	(L)	-	-	0.4%
Wednesday, March 4	8:15 AM	ADP EMPLOYMENT CHANGE	(Feb)	(M)	-	42K	22K
Wednesday, March 4	9:45 AM	S&P GLOBAL US SERVICES PMI	(Feb)	(L)	-	-	52.3
Wednesday, March 4	9:45 AM	S&P GLOBAL US COMPOSITE PMI	(Feb)	(L)	-	-	52.3
Wednesday, March 4	10:00 AM	ISM - SERVICES	(Feb)	(M)	53.2	53.8	53.8
Wednesday, March 4	2:00 PM	FED'S BEIGE BOOK	-	-	-	-	-
Thursday, March 5	8:30 AM	INITIAL CLAIMS	(Feb 28)	(M)	-	-	212K
Thursday, March 5	8:30 AM	CONTINUING CLAIMS	(Feb 21)	(L)	-	-	1833K
Thursday, March 5	8:30 AM	IMPORT PRICE INDEX M/M	(Jan)	(L)	-	-	0.1%
Thursday, March 5	8:30 AM	EXPORT PRICE INDEX M/M	(Jan)	(L)	-	-	0.3%
Thursday, March 5	8:30 AM	NON-FARM PRODUCTIVITY	(4Q P)	(M)	-	1.6%	4.9%
Friday, March 6	8:30 AM	RETAIL SALES M/M	(Jan)	(H)	-0.5%	-0.3%	0.0%
Friday, March 6	8:30 AM	RETAIL SALES (X-AUTOS) M/M	(Jan)	(H)	0.1%	0.0%	0.0%
Friday, March 6	8:30 AM	RETAIL SALES CONTROL GROUP M/M	(Jan)	(H)	0.2%	-	-0.1%
Friday, March 6	8:30 AM	NON-FARM PAYROLLS	(Feb)	(H)	40K	60K	130K
Friday, March 6	8:30 AM	UNEMPLOYMENT RATE	(Feb)	(H)	4.4%	4.3%	4.3%
Friday, March 6	8:30 AM	AVERAGE HOURLY EARNINGS ALL EMPLOYEES M/M	(Feb)	(H)	0.3%	0.3%	0.4%
Friday, March 6	8:30 AM	AVERAGE WEEKLY HOURS ALL EMPLOYEES	(Feb)	(H)	-	34.3	34.3
Friday, March 6	8:30 AM	MANUFACTURING PAYROLLS	(Feb)	(H)	-	-	5K
Friday, March 6	10:00 AM	BUSINESS INVENTORIES M/M	(Dec)	(L)	-	-	0.1%
Friday, March 6	3:00 PM	CONSUMER CREDIT	(Jan)	(L)	-	\$11.8B	\$24.0B
Friday, March 6	1:30 PM	Speaker: Beth M. Hammack (Cleveland) (Voter)	-	-	-	-	-

Week Ahead's market call

by Avery Shenfeld

In the **US**, we're a bit weaker than the consensus on the upcoming payrolls report, and see retail sales posting a soft month. GDP for Q1 will get a nice lift from a rebound in real government spending after the Q4 shutdown, but a key driver of last year's gains, consumer spending, does seem to be decelerating. That won't be enough to get the Fed off the fence just yet, with core PCE still elevated. But it's part of the backdrop for our projection for two further quarter point cuts in June and July.

In **Canada**, a light week for economic data will see markets guided by developments stateside, as well as by any further news on US trade issues. Both markets will also be watching the situation in Iran, which has the potential to create a big swing in crude prices in either direction depending on what transpires.

There are no major Canadian data releases next week.

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

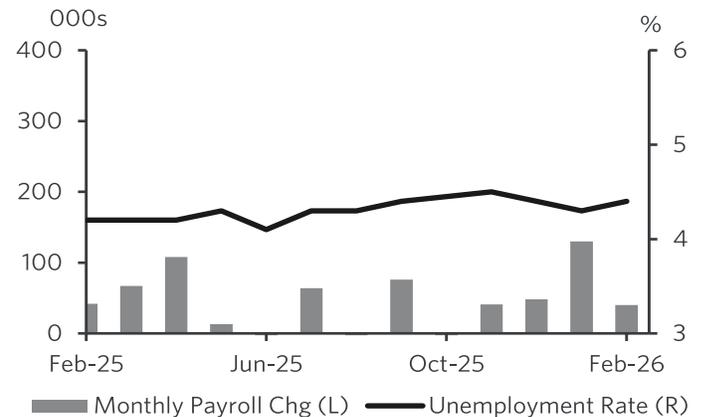
(Friday, 8:30 am)

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Variable	CIBC	Mkt	Prior
Employment (m/m)	40K	60K	130K
Unemployment rate	4.4%	4.3%	4.3%
Avg hourly earnings (m/m)	0.3%	0.3%	0.4%

The jump in hiring to start the year likely wasn't maintained in February, as it was driven by abnormally strong gains in the healthcare sector. Our forecast for a 40K gain in jobs in February would leave the three-month pace at a respectable 73K. The unemployment rate is likely to tick up to 4.4%, leaving it within the range observed over the prior several months. Along with the release, new population controls will be incorporated into the February data, which could show a step down in the household survey's population series given deportations being picked up from last year.

Chart: US payroll employment



Source: BLS, Haver Analytics, CIBC

Forecast implications — A pullback following an unusually strong January print will still leave the three-month trend in payrolls running firm enough to stabilize the jobless rate given weak population growth. That will leave the Fed on the sidelines for now, until it accumulates more evidence of a slowing in the labor market and decelerating core inflation. We're projecting two quarter point cuts with the first one in June.

Market impact — Our forecasts are somewhat weaker than consensus, which could imply a bit of support for fixed income markets.

Other US Releases: Retail sales—January

(Friday, 8:30 am)

Unit auto sales plummeted in January, which will weigh on headline retail sales, along with adverse weather conditions that could have prevented consumers from shopping in person. However, the control group of sales (ex. autos, gasoline, restaurants, and building materials), could have seen a rebound on higher core goods prices, but in volume terms was likely down. Consumer spending appears to be tracking a somewhat less robust growth rate, in line with softer gains in real disposable incomes, although tax refunds could create a one-off bounce ahead.

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