Economics

THE WEEK AHEAD

January 26 - 30, 2026

Is No "K" OK for Canada?

by **Andrew Grantham** andrew.grantham@cibc.com

There's been a lot of discussion recently of a "K"-shaped US economy, in particular when it comes to consumer spending. While estimates of the exact proportions vary, one thing that they all agree on is that high income earners are driving most of the growth in spending, with middle and lower income individuals getting left behind. The concern is that if the wealth and income gains fueling the spending of top earners fades, then aggregate consumption could slow dramatically.

In Canada, new data covering the distribution of income, spending and wealth will be released next week, hidden between the Bank of Canada decision on Wednesday and GDP on Friday. So far, there's been much less evidence of the same "K" shape pattern in spending, with lower, middle and higher income groups all seeing similar percentage increases over the past few years (Chart).

At first glance this would appear good news, with growth being spread out over more households. The lack of a "K" in Canada may also not be particularly surprising, given that high earners here have incomes and wealth that aren't quite as extreme relative to other groups as those seen south of the border. However, digging a bit deeper shows that it may not be OK that we aren't seeing a "K" in consumer spending here in Canada.

One of the reasons why we have seen less divergence in spending in Canada is that outlays of lower income households have risen at a moderate pace even during a time when unemployment has been on an uptrend. As a result of this, spending growth has been stronger than trends in incomes and wealth among lower income households over the same period, suggesting individuals have been dipping into savings to fuel some of the extra spending. This won't be able to last forever, and there is a risk that spending among lower/middle income groups will slow if the improvement seen recently within the labour market doesn't persist.

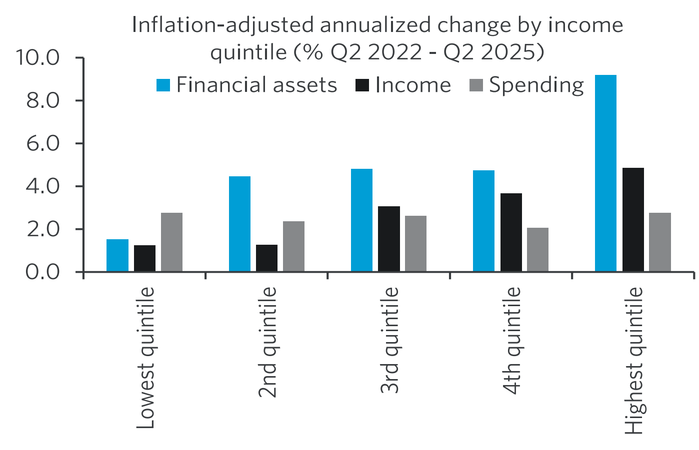
Another factor for concern is the seemingly cautious behaviour of higher income earners. While less pronounced than in the US, this income group has indeed seen stronger income and wealth gains relative to other households in recent years. Yet spending has been comparatively modest.

This could just be a timing issue, as the rise in Canadian equities that has supported wealth accumulation has been a fairly recent phenomenon, lagging what has been happening in the US for a number of years already. It could also reflect conservatism towards spending given ongoing trade uncertainty, and accumulated savings could possibly be spent if that fades.

But it could also reflect the fact that high-income households in Canada are more interest rate sensitive than their American counterparts, with a greater proportion still holding mortgages — some of which continue to reset at higher rates. It was interesting to see that, within the Bank of Canada's Survey of Consumer Expectations earlier this week, a survey high 5% of top income earners within this survey (albeit only over 100K) feared missing a debt payment over the coming year.

So overall, it may not actually be OK that we haven't seen a "K" shape in Canadian consumer spending. While new data released next week could change the narrative, without seeing a pick up in spending among higher income households, stronger income growth in lower brackets, or historic revisions, it's hard to envision that the economy will grow enough in 2026 to necessitate interest rate hikes before the end of the year.

Chart: No "K" in Canadian spending, but there is in income and wealth



Source: Statistics Canada, 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, January 26	-	-	-	-	-	-	-
Tuesday, January 27	-	AUCTION: 3-M BILLS $11.6B, 6-M BILLS $4.2B, 1-YR BILLS $4.2B	-	-	-	-	-
Wednesday, January 28	8:30 AM	BANK OF CANADA RATE ANNOUNCE.	(Jan 28)	(H)	2.25%	2.25%	2.25%
Thursday, January 29	-	AUCTION: 10-YR CANADAS $5.3B	-	-	-	-	-
Thursday, January 29	8:30 AM	PAYROLL EMPLOYMENT, EARNINGS & HRS	(Nov)	-	-	-	21.2K
Thursday, January 29	8:30 AM	MERCHANDISE TRADE BALANCE	(Nov)	(H)	-$1.2B	-$0.7B	-$0.6B
Friday, January 30	8:30 AM	GDP M/M	(Nov)	(H)	0.1%	0.1%	-0.3%

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, January 26	-	AUCTION: 2-YR TREASURIES $69B	-	-	-	-	-
Monday, January 26	8:30 AM	CHICAGO FED NAT.ACTIVITY INDEX	(Nov)	(M)	-	-	-0.2
Monday, January 26	8:30 AM	DURABLE GOODS ORDERS M/M	(Nov P)	(H)	1.0%	3.0%	-2.2%
Monday, January 26	8:30 AM	DURABLE GOODS ORDERS EX-TRANS M/M	(Nov P)	(H)	0.3%	0.3%	0.1%
Tuesday, January 27	-	AUCTION: 5-YR TREASURIES $70B	-	-	-	-	-
Tuesday, January 27	9:00 AM	HOUSE PRICE INDEX M/M	(Nov)	(M)	-	-	0.4%
Tuesday, January 27	10:00 AM	RICHMOND FED MANUF. INDEX	(Jan)	(M)	-	-	-7
Tuesday, January 27	10:00 AM	CONF.BOARD CONSUMER CONFIDENCE	(Jan)	(H)	89.5	90.0	89.1
Wednesday, January 28	-	AUCTION: 2-YR FRN $30B	-	-	-	-	-
Wednesday, January 28	7:00 AM	MBA-APPLICATIONS	(Jan 23)	(L)	-	-	14.1%
Wednesday, January 28	8:30 AM	ADVANCE GOODS TRADE BALANCE	(Dec)	(M)	-	-	-$84.7B
Wednesday, January 28	8:30 AM	RETAIL INVENTORIES M/M	(Dec)	(H)	-	-	0.0%
Wednesday, January 28	2:00 PM	FOMC RATE DECISION (UPPER BOUND)	(Jan 28)	(H)	3.75%	3.75%	3.75%
Wednesday, January 28	2:00 PM	FOMC RATE DECISION (LOWER BOUND)	(Jan 28)	(H)	3.50%	3.50%	3.50%
Thursday, January 29	-	AUCTION: 7-YR TREASURIES $44B	-	-	-	-	-
Thursday, January 29	8:30 AM	INITIAL CLAIMS	(Jan 24)	(M)	-	-	200K
Thursday, January 29	8:30 AM	CONTINUING CLAIMS	(Jan 17)	(L)	-	-	1849K
Thursday, January 29	8:30 AM	NON-FARM PRODUCTIVITY	(3Q)	(M)	-	4.9%	4.9%
Thursday, January 29	8:30 AM	GOODS & SERVICES TRADE BALANCE	(Nov)	(H)	-$50.0B	-$45.0B	-$29.4B
Thursday, January 29	10:00 AM	FACTORY ORDERS M/M	(Nov)	(M)	-	0.5%	-1.3%
Thursday, January 29	10:00 AM	WHOLESALE INVENTORIES M/M	(Nov)	(L)	-	-	0.2%
Friday, January 30	8:30 AM	PPI M/M	(Dec)	(M)	0.2%	0.3%	0.2%
Friday, January 30	8:30 AM	PPI M/M (core)	(Dec)	(M)	0.2%	0.3%	0.0%
Friday, January 30	8:30 AM	PPI Y/Y	(Dec)	(M)	-	-	3.0%
Friday, January 30	8:30 AM	PPI Y/Y (core)	(Dec)	(M)	-	-	3.0%
Friday, January 30	9:45 AM	CHICAGO PMI	(Jan)	(M)	-	44.0	42.7
Friday, January 30	1:30 PM	Speaker: Alberto G. Musalem (St Louis) (Non-Voter)	-	-	-	-	-

Week Ahead's market call

by Ali Jaffery and Andrew Grantham

In the **US**, the FOMC meeting will be center stage. The Fed will pause rate cuts at this meeting and establish a higher bar for future rate cuts as the jobless rate may be stabilizing and underlying inflation momentum is not far from target again. Powell will be peppered with questions about Fed independence, but he will likely duck most of them. In terms of data, there are no top tier data releases next week, with durable goods and PPI the main prints. We're are in line with consensus on durable goods, expecting solid underlying growth to continue, and a notch below expectations on PPI. The Supreme Court is scheduled to go on a four week recess, meaning it could be at least another month before we hear about the top court's views on fate of the IEEPA tariffs.

In **Canada**, the Bank is widely expected to hold rates steady this month as, through the quarterly volatility, economic growth during the second half of 2025 was broadly in line with the Bank's October MPR projections. That said, a nod towards the apparent slowing in activity again towards the end of the year may be perceived as a dovish signpost by a market still pricing in a greater risk of rate hikes this year than further cuts. GDP data on Friday could well point to a mild contraction in Q4, although these industry figures have diverged more than normal with the quarterly expenditure data recently thanks to the wild swings seen in trade.

Week Ahead's key Canadian number: GDP—November

(Friday, 8:30 am)

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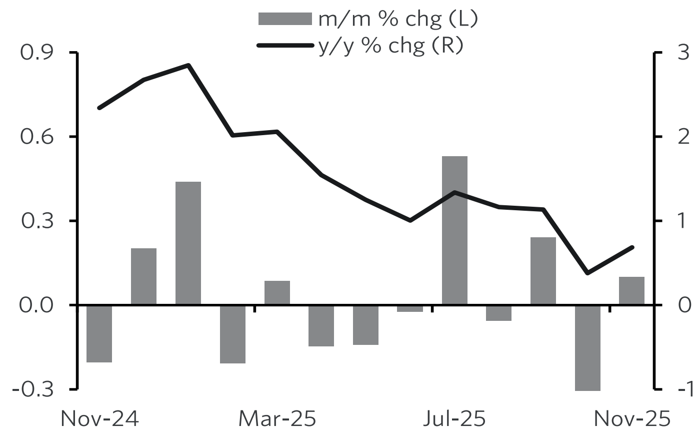
Variable (%)	CIBC	Mkt	Prior
GDP (m/m)	0.1	0.1	-0.3

Chart: Canadian GDP at basic prices



Source: Statistics Canada, Haver Analytics, CIBC

Following a contraction in October, economic activity appears poised for only a partial recovery in November. That will mainly come from areas that were negatively impacted by strike activity in the prior month, including education and transportation. Partly offsetting that, manufacturing and wholesaling appear to have been drags on growth, with final industry data for the latter showing a larger decline than the initial estimate. Assuming a further small increase in activity during December, the initial forecast for Q4 GDP as a whole would likely be a small contraction of close to ½%.

Forecast implications — A modest contraction in Q4 would only slightly offset the upside surprise seen in the third quarter, leaving average growth during the second half of the year at around 1%. While we expect growth to accelerate later this year on the assumption that trade relations don't worsen further, we don't expect that growth will be strong enough to fully close slack within the economy.

Other Canadian releases: Merchandise trade—November

(Thursday, 8:30 am)

Energy exports may have crept higher due to a rebound in volumes headed to the US, but some weakness still in tariff-exposed sectors, combined with a further recovery in imports, could still bring a wider trade deficit. We expect a shortfall of $1.2bn in November.

There are no major US data releases next week.

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