

## Economics

# THE WEEK AHEAD

January 26 - 30, 2026

## Is No "K" OK for Canada?

 by Andrew Grantham [andrew.grantham@cibc.com](mailto: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.

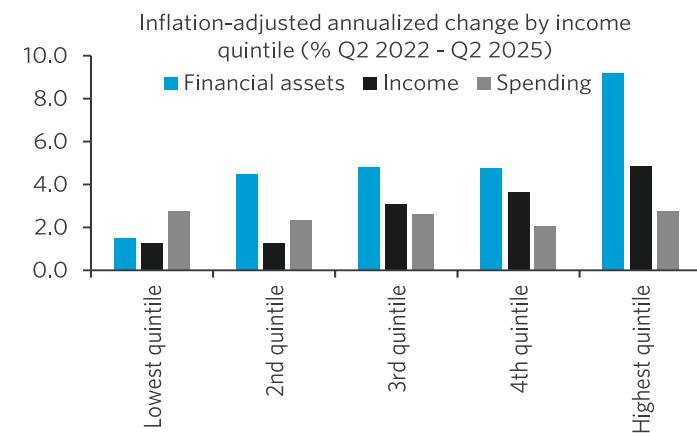
Another factor for concern is the seemingly cautious behaviour of higher income earners. While less pronounced than in the US, this income group has indeed seen stronger income and wealth gains relative to other households in recent years. Yet spending has been comparatively modest.

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.

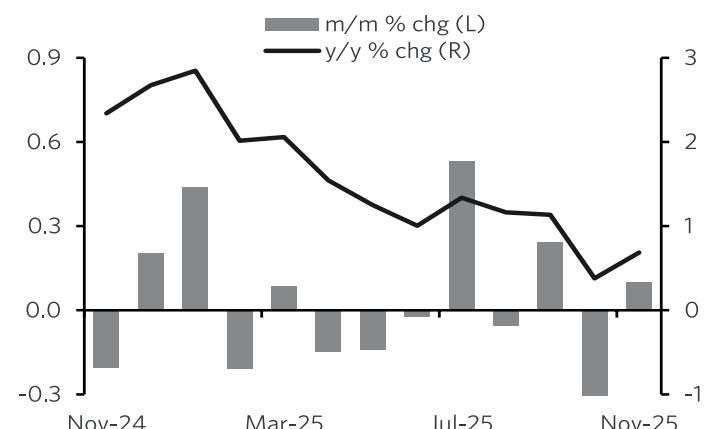
## Week Ahead's key Canadian number: GDP—November

(Friday, 8:30 am)

Andrew Grantham [andrew.grantham@cibc.com](mailto:andrew.grantham@cibc.com)

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  $\frac{1}{2}\%$ .

**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.**

## Contacts:

Avery Shenfeld  
[avery.shenfeld@cibc.com](mailto:avery.shenfeld@cibc.com)

Benjamin Tal  
[benjamin.tal@cibc.com](mailto:benjamin.tal@cibc.com)

Andrew Grantham  
[andrew.grantham@cibc.com](mailto:andrew.grantham@cibc.com)

Ali Jaffery  
[ali.jaffery@cibc.com](mailto:ali.jaffery@cibc.com)

Katherine Judge  
[katherine.judge@cibc.com](mailto:katherine.judge@cibc.com)

**CIBC Capital Markets**  
PO Box 500  
161 Bay Street, Brookfield Place  
Toronto, Canada, M5J 2S8  
[Bloomberg @ CIBC](mailto:Bloomberg@cibc.com)  
[ecconomics.cibccm.com](mailto:ecconomics.cibccm.com)

CIBC Capital Markets is a trademark brand name under which Canadian Imperial Bank of Commerce ("CIBC"), its subsidiaries and affiliates (including, without limitation, CIBC World Markets Inc., CIBC World Markets Corp. and CIBC Capital Markets (Europe) S.A.) provide different products and services to our customers around the world. Products and/or services offered by CIBC include corporate lending services, foreign exchange, money market instruments, structured notes, interest rate products and OTC derivatives. CIBC's Foreign Exchange Disclosure Statement relating to guidelines contained in the FX Global Code can be found at [www.cibccm.com/fxdisclosure](http://www.cibccm.com/fxdisclosure). Other products and services, such as exchange-traded equity and equity options, fixed income securities and futures execution of Canadian securities, are offered through directly or indirectly held subsidiaries of CIBC as indicated below.

### Distribution

This report is written by the economics team at CIBC Capital Markets and is not the product of a CIBC Capital Markets research department. This report is issued and approved for distribution: (a) in Canada, by CIBC World Markets Inc., a member of the Canadian Investment Regulatory Organization, the Toronto Stock Exchange, the TSX Venture Exchange and a Member of the Canadian Investor Protection Fund; and (b) in the United States, by either: (i) CIBC World Markets Inc. for distribution only to U.S. Major Institutional Investors ("MII") (as such term is defined in SEC Rule 15a-6) or (ii) CIBC World Markets Corp., a member of the Financial Industry Regulatory Authority. U.S. MIs receiving this report from CIBC World Markets Inc. (the Canadian broker-dealer) are required to effect transactions (other than negotiating their terms) in securities discussed in the report through CIBC World Markets Corp. (the U.S. broker-dealer).

This report is provided, for informational purposes only, to institutional investor and retail clients of CIBC World Markets Inc. in Canada and does not constitute an offer or solicitation to buy or sell any securities discussed herein, including (without limitation) in any jurisdiction where such offer or solicitation would be prohibited.

The distribution of this report in the United Kingdom is being made only to, or directed only at, persons falling within one or more of the exemptions from the financial promotion regime in section 21 of the UK Financial Services and Markets Act 2000 (as amended) ("FSMA") including, without limitation, to the following:

- authorised firms under FSMA and certain other investment professionals falling within article 19 of the FSMA (Financial Promotion) Order 2005 ("FPO") and directors, officers and employees acting for such entities in relation to investment;
- high value entities falling within article 49 FPO and directors, officers and employees acting for such entities in relation to investment; and
- persons who receive this presentation outside the United Kingdom.

The distribution of this report to any other person in the United Kingdom is unauthorised and may contravene FSMA. No person falling outside such categories should treat this report as constituting a promotion to them or rely or act on it for any purposes whatsoever. This report is distributed solely to eligible counterparties or professional clients and not retail clients as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018.

For all other jurisdictions, this report is distributed solely to institutional clients and not retail clients as defined by the applicable securities legislation and regulation to which CIBC Capital Markets may be subject in any jurisdiction.

### Miscellaneous

This report does not take into account the investment objectives, financial situation or specific needs of any particular client of CIBC. Before making an investment decision on the basis of any information contained in this report, the recipient should consider whether such information is appropriate given the recipient's particular investment needs, objectives and financial circumstances. CIBC suggests that, prior to acting on any information contained herein, you contact one of our client advisers in your jurisdiction to discuss your particular circumstances. Since the levels and bases of taxation can change, any reference in this report to the impact of taxation should not be construed as offering tax advice; as with any transaction having potential tax implications, clients should consult with their own tax advisors. Past performance is not a guarantee of future results.

The information and any statistical data contained herein were obtained from sources that we believe to be reliable, but we do not represent that they are accurate or complete, and they should not be relied upon as such. All estimates and opinions expressed herein constitute judgments as of the date of this report and are subject to change without notice.

This report may provide addresses of, or contain hyperlinks to, Internet web sites. CIBC has not reviewed the linked Internet web site of any third party and takes no responsibility for the contents thereof. Each such address or hyperlink is provided solely for the recipient's convenience and information, and the content of linked third-party web sites is not in any way incorporated into this document. Recipients who choose to access such third-party web sites or follow such hyperlinks do so at their own risk.

Unauthorized use, distribution, duplication or disclosure without the prior written permission of CIBC World Markets Inc. is prohibited by law and may result in prosecution.

CIBC Capital Markets and the CIBC Logo Design are trademarks of CIBC, used under license.