Economics

# THE WEEK AHEAD

November 3 - 7, 2025

## Nothing we can do, or is there?

by **Avery Shenfeld** avery.shenfeld@cibc.com

Sometimes, there's nothing more the doctor can do for you. That was essentially the message from the Bank of Canada this past week, when it delivered a much needed dose of interest rate relief, but suggested that its medicine chest might be bare in terms of any additional monetary easing unless the upcoming news is even more dire than its forecast. That was in line with our prior projection, dating back to this time last year, that had the overnight rate settling at a trough of 2.25%, and it still seems to be the most likely outcome given the latest statement. But has the Bank really run out of options, and does the patient really need to hear that just yet?

From our perspective, there would have been merit in the Bank staying silent on the issue of further interest rate relief. If you're not too sure where the economy is going, or even where the neutral rate lies, you can't really have much conviction on where policy is headed.

That was what Fed Chair Powell pointed out, on the grounds that the US government shutdown left the central bank in the dark about economic conditions. In contrast, Governor Macklem's team chose to opine that the current level of interest rates was now "at about the right level", even while saying that the economic outlook had heightened uncertainty. Markets reacted by sending term yields higher, at in opportune time, and the Bank has sometimes been too beholden to its prior guidance.

By setting a low bar in its forecast for 2026 economic growth, the Bank set a high bar in terms of the GDP surprise they would have to see to offer up any additional cuts. There's still a door open if inflation surprises on the downside, but one or two months of CPI reports aren't likely to sway the BoC. With a loaded buffet of underlying inflation measures to pick from, the Bank can always find one that doesn't look quite right. So if further cuts end up coming, it won't be soon, when we might really need them.

The real question is whether the Bank should be open to cutting interest rates further in the near term. Even its own forecast could be used to justify such a step, because only part of its projection for sluggish growth in 2026 is due to a structural reduction in the economy's potential. It seems to be telling Canadians that we'll have to live with a long wait to get back to that potential, and that it can't try to speed up the healing without risking an inflation upswing.

That inflation fear looks overdone. Yes, the economy's productive capacity has been cut, but nearly all of that is in export sectors, rather than in the goods and services that feed into the CPI. Nearly all of the upside risk the Bank sees is attributable to cost increases from trade disruptions, which it admits are "difficult to predict." The costs of imports from the US will have risen as American manufacturers are squeezed by tariffs on their inputs. But overseas, US tariffs are slowing growth and building excess capacity. That should put downward price pressure on Canadian imports from Europe and Asia. Moreover, the Bank itself cites slowing wage gains and weak job prospects that will cut into Canadians' purchasing power, and thereby restrain business' ability to charge more.

Even if the path to sustained 2% inflation has some risks, there's a more activist approach to monetary policy that should be given due consideration, although we doubt it will. Suppose we accept that a 2.25% overnight rate would be "about right" in terms of the annual average for 2026. The Bank could cut rates in upcoming quarter to below 2%, give a helpful push to housing and interest sensitive demand, and take less time to get to where the Bank wants economic activity to be. If we close the output gap earlier, it could then hike rates later in 2026 in anticipation of fiscal stimulus showing up more in 2027.

Monetary policy wouldn't be rock steady under that approach, but stability in interest rates isn't a policy objective. Stable 2% inflation, and as byproduct, an economy running close to its potential, is what we're looking for. Instead, after doing the right thing in easing rates materially over 2024-25, the Bank of Canada seems likely to keep its interest rate medicine on the shelf, and have us live through the pain for longer than might be necessary.

# 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, November 3 | 1:30 PM | Speaker: Tiff Macklem (Governor) | - | - | - | - | - |
| Tuesday, November 4 | - | AUCTION: 3-M BILLS $13.4B, 6-M BILLS $4.8B, 1-YR BILLS $4.8B | - | - | - | - | - |
| Tuesday, November 4 | 4:00 PM | Federal Budget | - | - | - | - | - |
| Wednesday, November 5 | - | AUCTION: 5-YR CANADAS $5.3B | - | - | - | - | - |
| Thursday, November 6 | - | AUCTION: 10-YR CANADAS $5.3B | - | - | - | - | - |
| Thursday, November 6 | 10:00 AM | IVEY PMI | (Oct) | (L) | - | - | 59.8 |
| Friday, November 7 | 8:30 AM | EMPLOYMENT CHANGE | (Oct) | (H) | 10.0K | -20.0K | 60.4K |
| Friday, November 7 | 8:30 AM | UNEMPLOYMENT RATE | (Oct) | (H) | 7.1% | 7.2% | 7.1% |

# 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, November 3 | 10:00 AM | ISM - MANUFACTURING | (Oct) | (H) | 49.0 | 49.2 | 49.1 |
| Monday, November 3 | 12:00 PM | Speaker: Mary C. Daly (San Francisco) (Voter) | - | - | - | - | - |
| Monday, November 3 | 2:00 PM | Speaker: Lisa D Cook (Governor) (Voter) | - | - | - | - | - |
| Tuesday, November 4 | 6:35 AM | Speaker: Michelle W Bowman (Governor) (Voter) | - | - | - | - | - |
| Wednesday, November 5 | 10:00 AM | ISM - SERVICES | (Oct) | (M) | 50.5 | 51.0 | 50.0 |
| Thursday, November 6 | 11:00 AM | Speaker: John C. Williams (Vice Chairman, New York) (Voter) & Michael S Barr (Governor) (Voter) | - | - | - | - | - |
| Thursday, November 6 | 12:00 PM | Speaker: Beth Hammack (Cleveland) (Voter) | - | - | - | - | - |
| Thursday, November 6 | 3:30 PM | Speaker: Christopher J. Waller (Governor) (Voter) | - | - | - | - | - |
| Thursday, November 6 | 4:30 PM | Speaker: Anna Paulson (Philadelphia) (Non-Voter) | - | - | - | - | - |
| Thursday, November 6 | 5:30 PM | Speaker: Alberto G. Musalem (St Louis) (Non-Voter) | - | - | - | - | - |
| Friday, November 7 | 3:00 AM | Speaker: John C. Williams (Vice Chairman, New York) (Voter) | - | - | - | - | - |
| Friday, November 7 | 7:00 AM | Speaker: Philip N Jefferson (Governor) (Voter) | - | - | - | - | - |
| Friday, November 7 | 3:00 PM | Speaker: Stephen Miran (New York) (Voter) | - | - | - | - | - |

# Week Ahead's market call

by Avery Shenfeld

In the **US**, data hungry investors will be served a lean meal, as the government shutdown leaves only the two ISM readings on tap. We don't expect to see much movement in either the factory or services measures. Fed speak will therefore be in focus, and we'll be looking for signs of division beyond what we saw in the two dissenting votes. But remember that these speakers are also starved for data, and their views could shift a lot once reports start flowing if there are surprises in what they show.

In **Canada**, we're expecting to see an employment report that's roughly in line with the tame six month pace, but potentially just enough to keep the jobless rate at an elevated 7.1% pace. If so, that might undo a bit of a sting from a disappointing August GDP report. Macklem is speaking on Monday, and my guess is that he might want to try to undo some of the hawkish market reaction to their rate announcement, by sounding a bit less definitive about whether they are done or not. As we wrote in the cover, even if a steady 2.25% overnight rate is the most likely outcome, the central bank can't be so sure of that when the whole macro outlook is still this uncertain. A federal deficit in the $80-90 billion range for fiscal 2025-2026 shouldn't create any major waves in the bond market, provided Tuesday's budget shows a credible path to lower deficits ahead.

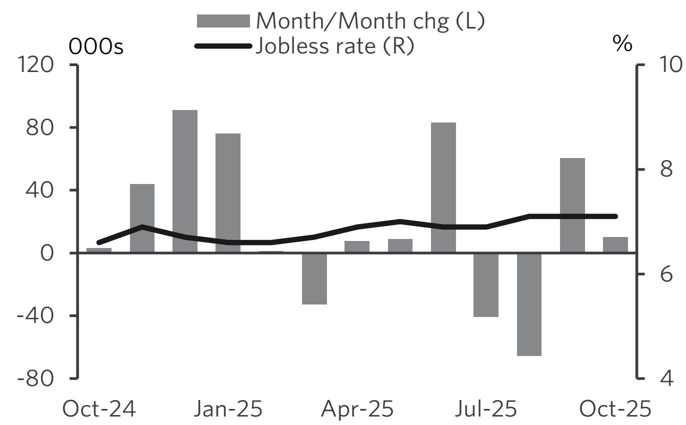
## Week Ahead's key Canadian number: Labour force survey—October

(Friday, 8:30 am)

Andrew Grantham andrew.grantham@cibc.com

| Variable | CIBC | Mkt | Prior |
|---|---|---|---|
| Employment change | 10.0K | -20.0K | 60.4K |
| Unemployment rate | 7.1% | 7.2% | 7.1% |

Chart: Canadian employment




Source: Statistics Canada, Haver Analytics, CIBC

Following the extreme volatility seen over the past three months, we expect a relatively tame 10K increase in employment during October. That would be in line with the 6-month average and enough to hold the unemployment rate steady at 7.1%. Teachers in Alberta were on strike during the survey week, although in the Labour Force Survey they should still be classed as employed and therefore having no direct impact on the headline figure. There will, however, be a negative impact on working hours, both directly and potentially indirectly as well if families with children had to cut back their hours during the strike.

**Forecast implications —** Signs of stabilization in the unemployment rate would confirm that the Bank of Canada will be on hold at their December meeting, but with considerable slack remaining in the labour market we wouldn't be opposed to policymakers opting to resume cuts in 2026 in order to speed up the recovery (see cover).

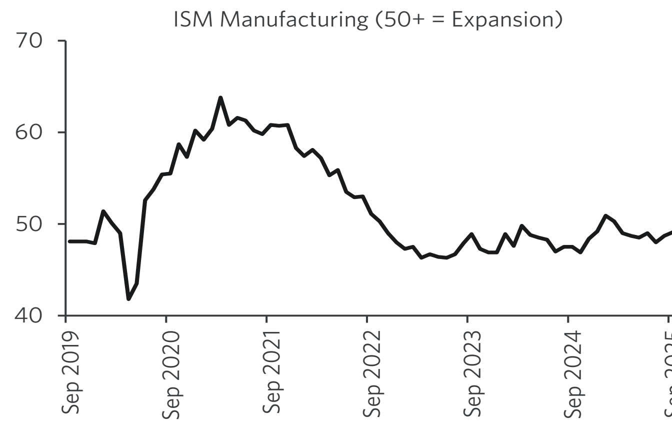
# Week Ahead's key US number: ISM Surveys—October

(Monday & Wednesday, 10:00 am)

Ali Jaffery ali.jaffery@cibc.com

| Variable | CIBC | Mkt | Prior |
|---|---|---|---|
| ISM Manufacturing | 49.0 | 49.2 | 49.1 |
| ISM Services | 50.5 | 51.0 | 50.0 |

Chart: US ISM Manufacturing Index




Source: BLS, Haver Analytics, CIBC

We're still likely to be without official data next week with the Democrats and Republicans are still far apart on a deal, leaving the ISM surveys to take some of the spotlight. Regional manufacturing surveys point to ISM manufacturing index moving modestly further into contractionary territory to 49.0 from 49.1 in the prior month, while the service index should move up to 50.5 from 50.0. These surveys should confirm Powell's view this past week, that everything appears much as it was. While some trade-exposed sectors are showing weakness, the overall level of activity is solid. The job market has cooled but is not stalling significantly more than expected, and inflation is steady, albeit near 3%.

**Forecast implications —** Powell seemed to imply that the Fed would likely be on hold in the event that we don't get data by the next FOMC meeting and also suggested there were growing divisions within the committee as views on the economy have shifted. We continue to expect the Fed will be on hold in December.

**Market impact —** We're slightly below consensus on both surveys. Markets will likely be more focused on Fedspeak than these surveys.

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