THE WEEK AHEAD

August 31 - September 4, 2026

We need to talk

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

Canadians of all political stripes fully understood why last week's trade talks broke down. But as much as we're dealing with a very challenging US administration, Canada still needs to talk to it about getting back to business with each other, lest this trade war continue to escalate.

Our prior forecast assumed that we would negotiate some partial relief from 2025 sectoral tariffs and escape new ones, so even a standstill at today's tariff rates would be a dent to the 2027 outlook. The auto/parts tariffs that the US has threatened for January would add to that toll. An ever-deepening trade war risks mushrooming into a US exit from the CUSMA trade pact, which is still providing tariff-free US access to much of Canada's export sector.

While Canada currently faces lower US tariffs than what many other trading partners have agreed to, other trading partners are not nearly as dependent on two-way trade with the US. As a result, the US tariffs that would be collected at today's rates, on our 2024 trade volumes, would be larger as a share of our GDP than would be the case for other major economies (Chart). Other G-7 countries have larger domestic markets. Europe's auto and steel producers, while challenged by imports, have a local EU market that is of similar order of magnitude as that of the US.

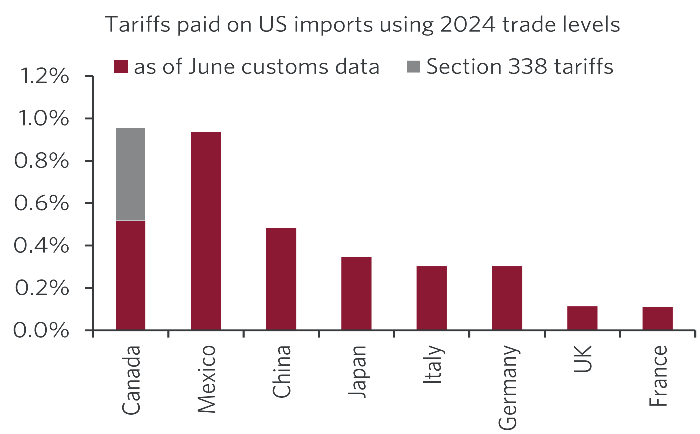
True, the US is unlikely to impose tariffs on Canadian energy or critical mineral exports given its need for these goods. Canada can and should decrease its US-dependence over time, by expanding production of natural gas, oil, minerals, defense equipment, and other products in demand worldwide. But that sort of reindustrialization takes time to add capacity, shift our product mix, build the required infrastructure, and transition our workforce.

We can cushion the overall economic hit from a trade war with the US by aiding affected businesses and workers, as Ottawa is doing. Fiscal measures can also be ramped up, and interest rates can be kept low for longer to stimulate growth, if not necessarily in the industries under siege. But we would still face economic challenges during a transition to a less-US-dependent economy.

If we therefore need to talk, the question is, with whom? First, with our natural allies on the US side of the border. We need American automakers, aircraft manufacturers, construction firms, hotel operators and wine and spirits producers, and importantly, their unions, to lobby just as hard as those in industries asking the White House for protectionism. We could encourage these allies to take the issue to US courts. The new 50% tariffs make use of century-old legislation that has never been applied in this fashion. Some legal scholars argue that the grounds cited for imposing the tariffs, and their magnitude, do not line up with what the statute stipulates.

But, ultimately, we'll need to talk again to the Trump Administration, and the White House might realize that's also the case on their side. While tariffs appeal to some in Trump's base, picking a fight with a close ally like Canada, and denting US exports, is not playing well with the broader American public and business community. The threatened additional auto sector tariffs were set to take effect in four months, presumably to leave a window for further talks, and recent remarks from Jamieson Greer hint at a willingness to back down from demands on side issues that would be non-starters for any Canadian government. So let's bide our time, be cautious about a war of words, and keep the door open for talks when the American side is ready.

Chart: US tariffs as a share of exporting country GDP



Source: US Census Bureau, World Bank, 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, August 31	-	-	-	-	-	-	-
Tuesday, September 1	-	-	-	-	-	-	-
Wednesday, September 2	9:45 AM	BANK OF CANADA RATE ANNOUNCEMENT	(Sep 2)	(H)	2.25%	2.25%	2.25%
Thursday, September 3	-	AUCTION: 2-YR CANADAS $5.5B	-	-	-	-	-
Thursday, September 3	8:30 AM	LABOUR PRODUCTIVITY Q/Q	(2Q)	(M)	-	-	-0.5%
Thursday, September 3	8:30 AM	MERCHANDISE TRADE BALANCE	(Jul)	(H)	$2.5B	-	$3.9B
Friday, September 4	8:30 AM	EMPLOYMENT CHANGE	(Aug)	(H)	10.0K	17.5K	75.1K
Friday, September 4	8:30 AM	UNEMPLOYMENT RATE	(Aug)	(H)	6.4%	6.4%	6.4%
Friday, September 4	10:00 AM	IVEY PMI	(Aug)	(L)	-	-	55.1

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, August 31	-	-	-	-	-	-	-
Tuesday, September 1	-	AUCTION: 1-YR TREASURIES $52B	-	-	-	-	-
Tuesday, September 1	9:45 AM	S&P GLOBAL US MANUFACTURING PMI	(Jan)	(L)	-	-	53.2
Tuesday, September 1	10:00 AM	ISM - MANUFACTURING	(Aug)	(H)	55.0	55.2	55.6
Tuesday, September 1	10:00 AM	CONSTRUCTION SPENDING M/M	(Jul)	(M)	-	0.2%	-0.1%
Tuesday, September 1	10:00 AM	JOLTS Job Openings	(Jul)	-	-	7380K	7359K
Wednesday, September 2	7:00 AM	MBA-APPLICATIONS	(Aug 28)	(L)	-	-	-1.0%
Wednesday, September 2	8:15 AM	ADP EMPLOYMENT CHANGE	(Aug)	(M)	-	48K	44K
Wednesday, September 2	10:00 AM	FACTORY ORDERS M/M	(Jul)	(M)	0.5%	0.6%	-0.3%
Wednesday, September 2	10:00 AM	DURABLE GOODS ORDERS M/M	(Jul)	(H)	1.1%	0.5%	1.1%
Wednesday, September 2	10:00 AM	DURABLE GOODS ORDERS EX-TRANS M/M	(Jul)	(H)	0.4%	-	0.4%
Wednesday, September 2	2:00 PM	FED'S BEIGE BOOK	-	-	-	-	-
Thursday, September 3	8:30 AM	INITIAL CLAIMS	(Aug 29)	(M)	-	205K	203K
Thursday, September 3	8:30 AM	CONTINUING CLAIMS	(Aug 22)	(L)	-	1795K	1778K
Thursday, September 3	8:30 AM	GOODS & SERVICES TRADE BALANCE	(Jul)	(H)	-$74.0B	-$74.5B	-$73.3B
Thursday, September 3	8:30 AM	NON-FARM PRODUCTIVITY	(2Q)	(M)	1.4%	1.4%	1.4%
Thursday, September 3	9:45 AM	S&P GLOBAL US SERVICES PMI	(Aug)	(L)	-	-	56.8
Thursday, September 3	9:45 AM	S&P GLOBAL US COMPOSITE PMI	(Aug)	(L)	-	-	56.0
Thursday, September 3	10:00 AM	ISM - SERVICES	(Aug)	(M)	54.4	54.3	54.1
Thursday, September 3	8:30 AM	Speaker: Christopher J. Waller (Governor) (Voter)	-	-	-	-	-
Friday, September 4	8:30 AM	NON-FARM PAYROLLS	(Aug)	(H)	40K	55K	-23K
Friday, September 4	8:30 AM	UNEMPLOYMENT RATE	(Aug)	(H)	4.1%	4.1%	4.1%
Friday, September 4	8:30 AM	AVERAGE HOURLY EARNINGS ALL EMPLOYEES M/M	(Aug)	(H)	0.2%	0.3%	0.1%
Friday, September 4	8:30 AM	AVERAGE WEEKLY HOURS ALL EMPLOYEES	(Aug)	(H)	-	34.3	34.3
Friday, September 4	8:30 AM	MANUFACTURING PAYROLLS	(Aug)	(H)	-	5K	5K

Week Ahead's market call

by Avery Shenfeld

In the **US**, the ISM survey will capture the rebound in energy costs in the prices-paid index, but will show growth continuing in that sector. The focus will, of course, be on the jobs data, where we see the "new normal" continuing: tame net hiring, the unemployment rate holding at a low 4.1% in the face of similarly modest gains in the working age population, but the year-on-year average wage growth still decelerating. That last indicator could help the Fed stay on hold this month. Chris Waller, a dove when in the running for Fed Chair, but less so now, gets an opportunity to outline his views. While he voted to stay on hold at the last FOMC, in July he quipped that "sternly staring at inflation until it melts before our withering gaze is not an option" . So we'll see whether the upturn in fuel prices, but some cooler monthly core measures, has changed that view.

In **Canada**, central bankers aren't in any better position than we are to know which way trade frictions will go from here. Should the trade war with the US continue to escalate, rate cuts would be in the offing, as the downward pressure on growth and a wider output gap would more than offset a modest one-time bump in prices due to Canadian counter-tariffs. If a deal can be reached to dial down last year's sectoral tariffs, and reverse the additional tariffs imposed in August, the recent brightening we've seen in growth would eventually enable the Bank of Canada to hike. Having not eased aggressively, that would still be a few quarters away. Given the stark differences between those two scenarios, this will have to be very much a wait-and-see statement with, of course, no change in the policy rate. We have no clear reason to expect Friday's job data to diverge one way or another from the recent trend, with a 10K employment gain enough to hold the unemployment rate at 6.4%.

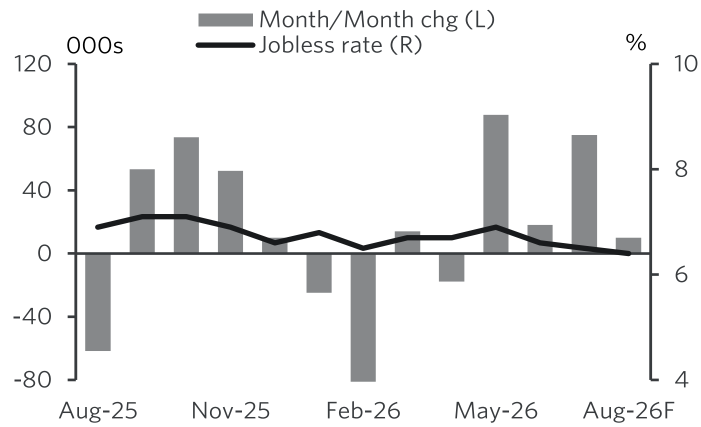
Week Ahead's key Canadian number: Labour force survey—August

(Friday, 8:30 am)

Andrew Grantham andrew.grantham@cibc.com

Variable	CIBC	Mkt	Prior
Employment change	10.0K	17.5K	75.1K
Unemployment rate	6.4%	6.4%	6.4%

Chart: Canadian employment



Source: Statistics Canada, Haver Analytics, CIBC

Following July's surprise surge, employment growth likely slowed to a more sustainable pace in August. The 10K gain that we forecast is roughly in line with the current pace of labour force growth (assuming no change in participation) and as such the unemployment rate is projected to hold steady at 6.4%. New US tariffs didn't come into effect until after the survey week, and so are not expected to impact this month's data. In fact, efforts to front run that tariff threat may have boosted employment and (more likely) hours worked in impacted sectors.

Forecast implications — While investment and hiring intentions in the Canadian economy had appeared to be improving before the latest escalation of tariff threats, that improvement may now be delayed. In fact, unemployment may tick up slightly in the near term, before our assumption that a trade deal is eventually reached will bring improved sentiment and a further decline in unemployment in 2027.

Other Canadian releases: Merchandise trade balance—July

(Thursday, 8:30 am)

Slightly lower oil prices and an expected reversal in gold exports following a surge in the prior month are expected to see the trade surplus narrow in July. The $2.5bn surplus that we forecast is down from $3.9bn in the prior month and would be the smallest since March.

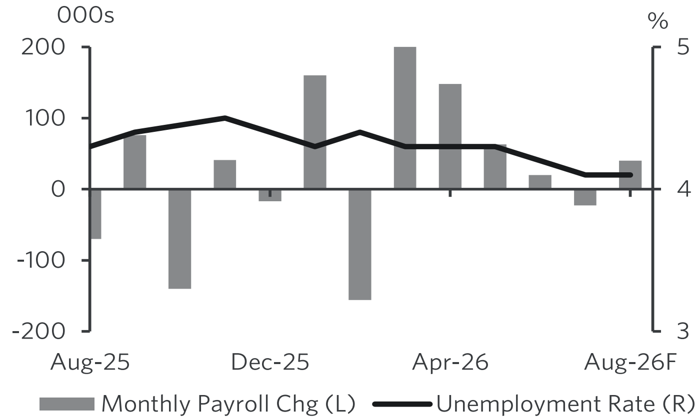
Week Ahead's key US number: Employment situation—August

(Friday, 8:30 am)

Helen Lao helen.lao@cibc.com

Variable	CIBC	Mkt	Prior
Employment (m/m)	40K	55K	-23K
Unemployment rate	4.1%	4.1%	4.1%
Avg hourly earnings (m/m)	0.2%	0.3%	0.1%

Chart: US payroll employment



Source: BLS, Haver Analytics, CIBC

US employment likely recovered after last month's contraction, with much of July's decline reflecting a drop in local government and education jobs that is unlikely to recur. Leisure and hospitality payrolls may also rebound after two months of declines. Our forecast of a payroll gains of 40K is in line with the six-month average through July and consistent with a stable unemployment rate amid recent declines in labour force participation. Average hourly earnings are projected to increase 0.2% month over month, which would bring the annual growth down further from 3.2% to 2.9% in August.

Forecast implications — While an expected rebound in employment may seem like good news, average job gains over the past four months would still be much lower than in Q1. That, combined with the slowing annual pace of wages, suggests there is still underlying weakness in the labour market and the recent declines in unemployment rate are unlikely to be sustained.

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