

Economics

THE WEEK AHEAD

April 20 - 24, 2026

What to expect when you're expecting expectations

by Avery Shenfeld avery.shenfeld@cibc.com

Markets seem to have decided that the Iran war is all but over, judging by equities hitting new highs this week, cooling crude oil futures prices, and diminishing odds being placed on central bank rate hikes in Canada and elsewhere. While that's also our base case, and today's news from Iran was encouraging, we're surprised by the certitude that markets are conveying. So we're still watching for signals on where we would be headed if peace talks drag on and open navigation is disrupted again.

The coming week will see one such signal, in the form of various surveys from the Bank of Canada that take the temperature of the country's consumer and business sectors. Unfortunately, unless they opted to extend the normal survey period, the quarterly consumer and Business Outlook Surveys will have been largely or fully completed before the war's onset. But the monthly Business Leaders' Pulse survey, which gives a reading on inflation expectations, is more timely, and will show the extent to which the jump in crude oil and some other materials prices has lifted expectations.

Undoubtedly it will have, and we'll see the same impact in the other surveys if the Bank opted to redo them in early March. Inflation expectations for both consumers and businesses are disproportionately impacted by prices for items that are purchased frequently, at prices that are easy to track.

Fuel costs fit that bill perfectly. For Canadian consumers, previous research found a strong link between their perception of inflation and price trends for gasoline, bread, milk and, amusingly, beer. We don't have a long history for the Business Leaders' Pulse survey, but the US manufacturing ISM survey's prices-paid indicator has a roughly 0.6 correlation with the year-on-year price trend in crude oil.

The BoC's Business Pulse survey had yet to fully adjust to the fall in inflation over the last year. As of Q4, the average expected inflation rate still sat 2.8% to 3% over one to five year horizons. So it's highly likely that we'll now see readings north of 3%, particularly over shorter horizons.

But we caution against interpreting that as a worrisome signal in terms of a broadening in inflation risks that will pressure the Bank into rate hikes this year, even if the energy shock lasts a bit longer. For one, we don't expect to see a heating up in the business pulse measure for expected wage growth in the coming year. In the Q4 survey, that measure stood at a benign 2.4%, and with any productivity growth, that would have unit labour costs running at or below the Bank's 2% inflation target.

Not only does that help contain costs, but it also has a direct impact on business pricing power. If higher expected inflation doesn't spiral into wage rates, households won't have the spending power necessary to pay more for gasoline, and still have room to cover a broader range of price increases on their purchases.

Moreover, we would assume that the Bank is aware of the fact that if a spike in oil prices can bump these expectations up, a cooling in crude prices should readily reverse that. As a result, while they will want to talk about doing what it takes to defend their inflation targets, in terms of actual policy moves, the rise in inflation expectations should still leave them in a watchful waiting position, particularly given the degree of disinflationary slack in the economy these days.

So we're expecting some less-good news on expectations, but also expecting that to not mean anything material for monetary policy unless the Middle East conflict lasts a lot longer than we, or equity markets, seem to expect.

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, April 20	8:30 AM	CPI M/M	(Mar)	(H)	1.0%	1.1%	0.5%
Monday, April 20	8:30 AM	CPI Y/Y	(Mar)	(H)	2.5%	2.6%	1.8%
Monday, April 20	8:30 AM	Consumer Price Index	(Mar)	(M)	-	167.7	165.9
Monday, April 20	8:30 AM	CPI Core- Median Y/Y%	(Mar)	(M)	2.3%	2.4%	2.3%
Monday, April 20	8:30 AM	CPI Core- Trim Y/Y%	(Mar)	(M)	2.3%	2.3%	2.3%
Monday, April 20	11:30 AM	BUSINESS OUTLOOK SURVEY	(1Q)	(M)	-	-	-1.8
Monday, April 20	11:30 AM	Release: Canadian Survey of Consumer Expectation	-	-	-	-	-
Tuesday, April 21	-	AUCTION: 3-M BILLS \$16.4B, 6-M BILLS \$5.8B, 1-YR BILLS \$5.8B	-	-	-	-	-
Wednesday, April 22	-	-	-	-	-	-	-
Thursday, April 23	-	AUCTION: 10-YR CANADAS \$5B	-	-	-	-	-
Thursday, April 23	8:30 AM	INDUSTRIAL PROD. PRICES M/M	(Mar)	(M)	-	-	0.4%
Thursday, April 23	8:30 AM	RAW MATERIALS M/M	(Mar)	(M)	-	-	0.6%
Friday, April 24	8:30 AM	RETAIL TRADE TOTAL M/M	(Feb)	(H)	0.8%	0.9%	1.1%
Friday, April 24	8:30 AM	RETAIL TRADE EX-AUTO M/M	(Feb)	(H)	0.8%	0.8%	0.8%

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, April 20	-	-	-	-	-	-	-
Tuesday, April 21	8:30 AM	PHILADELPHIA FED NON-MANUFACTURING	(Apr)	(M)	-	-	-23.9
Tuesday, April 21	8:30 AM	RETAIL SALES M/M	(Mar)	(H)	1.5%	1.3%	0.6%
Tuesday, April 21	8:30 AM	RETAIL SALES (X-AUTOS) M/M	(Mar)	(H)	1.2%	1.3%	0.5%
Tuesday, April 21	8:30 AM	RETAIL SALES CONTROL GROUP M/M	(Mar)	(H)	0.2%	0.2%	0.5%
Tuesday, April 21	10:00 AM	BUSINESS INVENTORIES M/M	(Feb)	(L)	-	0.3%	-0.1%
Tuesday, April 21	10:00 AM	PENDING HOME SALES M/M	(Mar)	(M)	-	0.8%	1.8%
Wednesday, April 22	-	AUCTION: 20-YR TREASURIES \$13B	-	-	-	-	-
Wednesday, April 22	7:00 AM	MBA-APPLICATIONS	(Apr 17)	(L)	-	-	1.8%
Thursday, April 23	-	AUCTION: 5-YR TIPS \$26B	-	-	-	-	-
Thursday, April 23	8:30 AM	INITIAL CLAIMS	(Apr 18)	(M)	-	210K	207K
Thursday, April 23	8:30 AM	CONTINUING CLAIMS	(Apr 11)	(L)	-	-	1818K
Thursday, April 23	8:30 AM	CHICAGO FED NAT.ACTIVITY INDEX	(Mar)	(M)	-	-	-0.1
Thursday, April 23	9:45 AM	S&P GLOBAL US SERVICES PMI	(Apr P)	(L)	-	50.3	49.8
Thursday, April 23	9:45 AM	S&P GLOBAL US COMPOSITE PMI	(Apr P)	(L)	-	50.5	50.3
Thursday, April 23	9:45 AM	S&P GLOBAL US MANUFACTURING PMI	(Apr P)	(L)	-	52.7	52.3
Friday, April 24	8:30 AM	MICHIGAN CONSUMER SENTIMENT	(Apr)	(H)	-	48.0	47.6

Week Ahead's market call

by Avery Shenfeld

In the **US**, all eyes are still going to be on the Straits of Hormuz and talks to reach a deal that gets shipments moving through it on a sustained basis. Retail sales will show spending being crimped in real terms by higher gasoline prices, but markets will continue to assume that this story will be relatively short lived. Consumer sentiment indicators had been much weaker than the state of the economy, or actual consumer spending, would have justified, and the Michigan survey, due in the week ahead, won't see a meaningful rebound as long as prices at the pump are still in the \$4/gallon range.

In **Canada**, nobody will be surprised to see headline CPI take a big jump on March increases in gasoline. But it will be too soon to pick up any real news on the spillover for core inflation given that plane tickets that month were bought in advance, and non-food goods on the shelf had been shipped before diesel prices escalated. Retail sales should show a hefty gain in February, and while March could suffer from volume weakness outside gas stations, the Q1 picture for consumption looks to have been quite good. While lower-income GST rebates and fuel excise tax cuts will cushion the blow, Q2 will take a hit from energy costs squeezing consumers, and we'll need stronger employment numbers to get the retail sector on a sustained growth path.

Week Ahead's key Canadian number: Consumer price index—March

(Monday, 8:30 am)

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Variable (%)	CIBC	Mkt	Prior
CPI NSA (m/m)	1.0	1.1	0.5
CPI (y/y)	2.5	2.6	1.8

Headline inflation is expected to jump to 2.5% y/y in March, from 1.8% in the prior month, largely due to the surge in gasoline prices seen since the start of the Iran conflict. The 1.0% monthly increase would represent a 0.7% gain following seasonal adjustment, which in turn would represent the largest gain since August 2023.

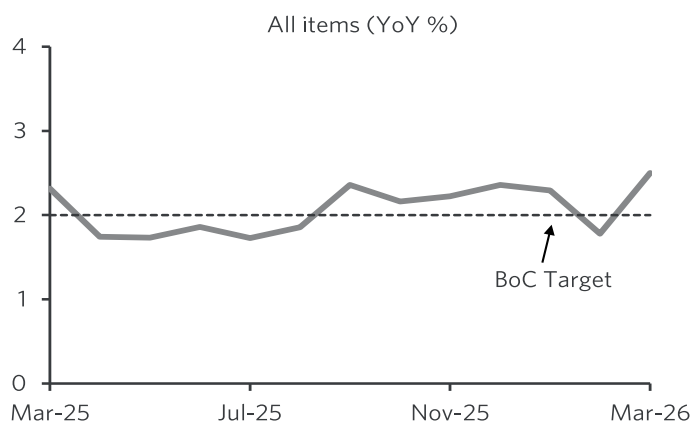
However, for now we expect few signs of increased inflationary pressures outside of the direct impact on energy costs. The annual pace of food inflation will ease, albeit only due to base effects stemming from last March's reinstatement of GST following the temporary tax holiday. Airlines are passing higher fuel costs onto customers, but this will show up in CPI during the period when the flights are taken (likely the summer months) rather than when they were purchased.

Other Canadian releases: Retail sales—February

(Friday, 8:30 am)

Retail sales likely rose by 0.8% in February, building on the solid start to the year. In nominal terms sales will likely look strong again in March's advance estimate but, with gasoline prices rising rapidly on the month, will look softer in volume terms.

Chart: Canadian consumer price index



Source: Statistics Canada, Haver Analytics, CIBC

Forecast implications — Further increases in gasoline price since the start of April will likely see inflation accelerate again next month to around 3%, with the removal of the fuel excise tax acting as only a partial offset. Core measures of inflation may reaccelerate slightly over the summer months as airline fares likely climb, but slack within the economy should continue to place downward pressure on domestically-driven services prices such as rents and result in tamer core prices again by year end and in 2027.

Week Ahead's key US number: Retail sales—March

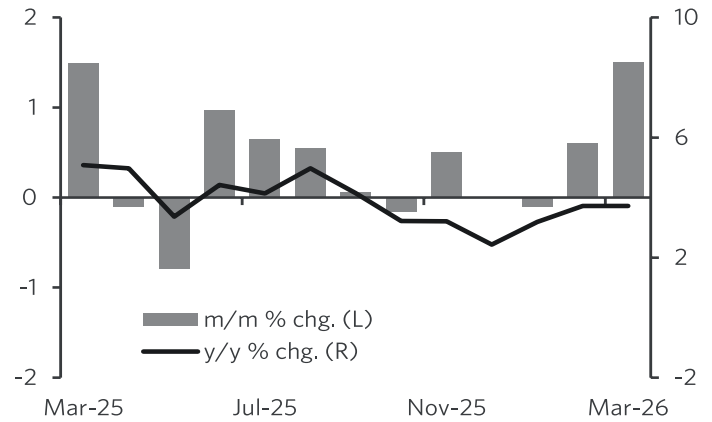
(Tuesday, 8:30 am)

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Variable (%)	CIBC	Mkt	Prior
Retail sales (m/m)	1.5	1.3	0.6
Retail sales - ex-auto	1.2	1.3	0.5
Retail sales - control group	0.2	0.2	0.5

The acceleration in retail sales expected in March will largely reflect higher prices at the pump combined with strong unit auto sales. Although employment rebounded during the month, wage growth slowed, and the downturn in equities would have weighed on consumer confidence. And with consumers being squeezed by higher gasoline prices, the control group of sales (ex. gasoline, autos, restaurants, and building materials) likely posted a tepid 0.2% advance, which would represent no growth in volume terms.

Chart: US retail sales



Source: Census Bureau, Haver Analytics, CIBC

Forecast implications — Consumers were losing momentum even before gasoline prices jumped, as the labor market was sluggish in Q1, and we expect consumers to spend only cautiously in the second quarter as purchasing power is dented by elevated gasoline prices.

Market impact — We are above the consensus on the headline but in line on the more important control group reading that feeds into GDP, which should limit any market reaction.

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