

Economics

THE WEEK AHEAD

April 27 - May 1, 2026

Wherever the Canadian consumer goes...

by Andrew Grantham andrew.grantham@cibc.com

Wherever the consumer goes, interest rates will typically follow. That's especially the case in the current environment, as strength in spending would enable more companies to pass cost increases through to consumers, threatening the sort of broadening in inflationary pressures that would warrant a response from the Bank of Canada. Judging by recent retail sales figures, consumer spending on goods had its best quarter since late 2024 in Q1, and in per-capita terms it was the strongest performance since 2021.

However, we suspect that it's more likely that consumer spending will slow or even stall in the near-term, which will make this pass through of inflationary pressure less likely and enable interest rates to remain on hold through 2026.

For a start, the recent surge appears to have been built on shaky foundations, raising the possibility that spending cools again or that past strength was simply statistical noise. Even before the recent surge in gasoline prices drove inflation higher, real disposable incomes had fallen during the final quarter of 2025 thanks to the effect that a weak labour market had on nominal incomes. Evidence so far this year, suggesting little job growth and a broadly sideways trend in unemployment, doesn't inspire confidence for a pick-up in aggregate incomes. Energy prices will likely have to remain high for an extended period to boost hiring and wages in that sector.

But we already have to factor in the negative impact of the recent surge in gasoline prices, and on average since the start of March that surge has cost households the equivalent of roughly 0.7% of annualized aggregate incomes. While the temporary pause for the federal fuel excise tax is helping, it won't fully offset the squeeze from global oil prices unless we return to WTI at around \$75/bbl — a long way from where we are today.

There is another helping hand coming, with the federal government enhancing its benefit to low and modest-income households (and renaming it the Canada Groceries and Essentials Benefit) as well as providing a one-time payment in early June. For the households receiving this payment, it could well offset the damage that higher pump prices have caused to their pocketbooks so far. However, the aggregate figure, worth approximately 0.3% of disposable income, would fall short of offsetting the negative impact that higher gasoline prices are currently having on spending power.

So overall, it appears more likely that household spending will slow again rather than continue its recent uptrend, and a quicker reduction in gasoline prices and/or further support measures from either the federal or provincial governments would be needed to take a more positive view. The advance estimate for March retail sales released today could already be the first indication of this slowing. While the 0.6% figure looked solid in nominal terms, it would likely represent little growth or even a modest decline in volume terms.

For the upcoming week, the Bank of Canada will be in no rush to reach a definitive judgement regarding whether higher gasoline prices will flow through into broader inflationary pressure. The accompanying Monetary Policy Report will likely mimic the tone from March's meeting, forecasting a near-term spike in headline inflation but a much smaller and more gradual pick up in core inflation. Any improvement in the forecast for consumer spending will likely just reflect the upside surprise seen in Q1, rather than a more positive view regarding what lies ahead. And if what lies ahead turns out to be a much flatter trend in spending, interest rates likely won't need to go anywhere in 2026.

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 27	-	-	-	-	-	-	-
Tuesday, April 28	-	Federal Spring Economic Update	-	-	-	-	-
Wednesday, April 29	9:45 AM	BANK OF CANADA RATE ANNOUNCE.	(Apr 29)	(H)	2.25%	2.25%	2.25%
Wednesday, April 29	-	Newfoundland & Labrador Budget	-	-	-	-	-
Thursday, April 30	-	AUCTION: 5-YR CANADAS \$5B	-	-	-	-	-
Thursday, April 30	8:30 AM	PAYROLL EMPLOYMENT, EARNINGS & HRS	(Feb)	-	-	-	45.6K
Thursday, April 30	8:30 AM	GDP M/M	(Feb)	(H)	0.2%	0.2%	0.1%
Friday, May 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, April 27	-	AUCTION: 2-YR TREASURIES \$69B	-	-	-	-	-
Monday, April 27	-	AUCTION: 5-YR TREASURIES \$70B	-	-	-	-	-
Tuesday, April 28	-	AUCTION: 7-YR TREASURIES \$44B	-	-	-	-	-
Tuesday, April 28	-	AUCTION: 2-YR FRN \$30B	-	-	-	-	-
Tuesday, April 28	9:00 AM	HOUSE PRICE INDEX M/M	(Feb)	(M)	-	-	0.1%
Tuesday, April 28	9:00 AM	S&P CORELOGIC CS Y/Y	(Feb)	(H)	-	-	1.2%
Tuesday, April 28	10:00 AM	RICHMOND FED MANUF. INDEX	(Apr)	(M)	-	-	0.0
Tuesday, April 28	10:00 AM	CONF.BOARD CONSUMER CONFIDENCE	(Apr)	(H)	-	89.3	91.8
Wednesday, April 29	7:00 AM	MBA-APPLICATIONS	(Apr 24)	(L)	-	-	7.9%
Wednesday, April 29	8:30 AM	RETAIL INVENTORIES M/M	(Mar)	(H)	-	-	0.1%
Wednesday, April 29	8:30 AM	ADVANCE GOODS TRADE BALANCE	(Mar)	(M)	-	-\$86.9B	-\$98.5B
Wednesday, April 29	8:30 AM	WHOLESALE INVENTORIES M/M	(Mar P)	(L)	-	-	0.8%
Wednesday, April 29	8:30 AM	HOUSING STARTS SAAR	(Mar)	(M)	1375K	1400K	1487K
Wednesday, April 29	8:30 AM	DURABLE GOODS ORDERS M/M	(Mar P)	(H)	0.4%	0.5%	-1.3%
Wednesday, April 29	8:30 AM	DURABLE GOODS ORDERS EX-TRANS M/M	(Mar P)	(H)	0.5%	0.4%	0.9%
Wednesday, April 29	8:30 AM	BUILDING PERMITS SAAR	(Mar P)	(H)	1350K	1390K	1386K
Wednesday, April 29	2:00 PM	FOMC RATE DECISION (UPPER BOUND)	(Apr 29)	(H)	3.75%	3.75%	3.75%
Wednesday, April 29	2:00 PM	FOMC RATE DECISION (LOWER BOUND)	(Apr 29)	(H)	3.50%	3.50%	3.50%
Thursday, April 30	8:30 AM	INITIAL CLAIMS	(Apr 25)	(M)	-	-	214K
Thursday, April 30	8:30 AM	CONTINUING CLAIMS	(Apr 18)	(L)	-	-	1821K
Thursday, April 30	8:30 AM	PCE DEFLATOR Y/Y	(Mar)	(H)	3.5%	3.5%	2.8%
Thursday, April 30	8:30 AM	PCE DEFLATOR Y/Y (core)	(Mar)	(H)	3.1%	3.2%	3.0%
Thursday, April 30	8:30 AM	PERSONAL INCOME M/M	(Mar)	(H)	0.2%	0.4%	-0.1%
Thursday, April 30	8:30 AM	PERSONAL SPENDING M/M	(Mar)	(H)	0.7%	0.9%	0.5%
Thursday, April 30	8:30 AM	EMPLOYMENT COST INDEX	(1Q)	(M)	-	0.8%	0.7%
Thursday, April 30	8:30 AM	GDP (annualized)	(1Q A)	(H)	1.9%	2.0%	0.5%
Thursday, April 30	8:30 AM	GDP DEFLATOR (annualized)	(1Q A)	(H)	3.8%	4.0%	3.7%
Thursday, April 30	9:45 AM	CHICAGO PMI	(Apr)	(M)	-	-	52.8
Thursday, April 30	10:00 AM	LEADING INDICATORS M/M	(Mar)	(M)	-	-	-
Friday, May 1	9:45 AM	S&P GLOBAL US MANUFACTURING PMI	(Apr)	(L)	-	-	54.0
Friday, May 1	10:00 AM	ISM - MANUFACTURING	(Apr)	(H)	53.5	53.3	52.7

Week Ahead's market call

by Katherine Judge and Andrew Grantham

In the **US**, it's a busy week, with hopes remaining for a peace deal between the US and Iran to ease bottlenecks in the Strait of Hormuz. Attention will also be turning back to the domestic economy as the Fed decision and first quarter GDP are on deck. The Fed is widely expected to remain on hold as it assesses the passthrough to inflation from the Iran war, and will be concerned with keeping inflation expectations contained. First quarter GDP is set to show a rebound but that will largely reflect a bounce back from the government shutdown in the prior quarter. We look for services consumption to slow as a result of higher pump prices squeezing consumers combined with a sluggish labor market, something that will extend into the second quarter.

In **Canada**, the Bank is expected to leave interest rates on hold and reiterate messaging that interest rate increases would only be needed if there was sufficient evidence that higher oil prices are passing through into wider inflationary pressures. That still seems unlikely in our book, and data later in the week will likely show the economy continuing to grow at only a modest pace that would reduce slack in the economy only very slowly. The Federal government's fiscal update will likely show little change in deficit projections, with positive developments on the revenue side likely offset by already-announced measures such as the fuel tax holiday and enhanced tax credits for households.

Week Ahead's key Canadian number: Gross domestic product—February

(Thursday, 8:30 am)

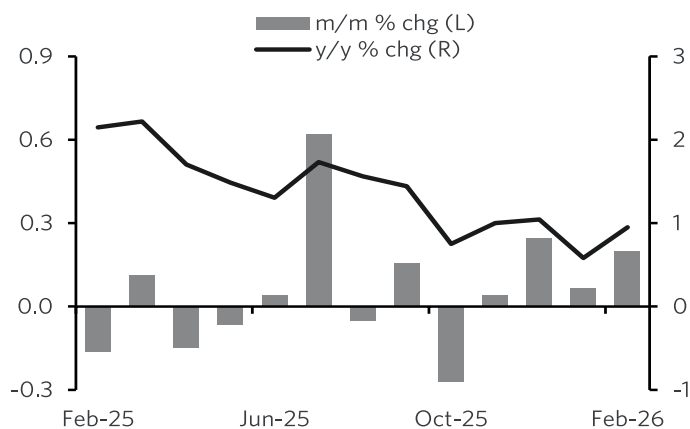
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Variable (%)	CIBC	Mkt	Prior
GDP (m/m)	0.2	0.2	0.1

Growth within the Canadian economy likely accelerated slightly in February, with the 0.2% forecast matching the advance estimate and driven in large part by a rebound in manufacturing production as well as further growth in mining, oil & gas. Those would likely only be partly offset by a further drag from the real estate sector.

Looking ahead to March, further modest growth is expected, with evidence that manufacturing and wholesaling activity is continuing to recover. That would leave Q1 GDP as a whole tracking around a 1.8% annualized pace, following the slight decline seen in Q4 last year.

Chart: Canadian GDP at basic prices



Source: Statistics Canada, Haver Analytics, CIBC

Forecast implications — The Canadian economy was starting to recover prior to the war in the Middle East and surge in oil prices. While growth isn't strong, neither is the economy's underlying potential due to the stall in population growth, and as a result GDP in the 1.5-2% range would be strong enough to gradually reduce slack within the economy. However, with consumer spending likely to slow again thanks to the squeeze from higher gasoline prices, GDP growth will also slow again in the near-term before reaccelerating later in the year.

Week Ahead's key US number: Gross domestic product—1Q (Advanced)

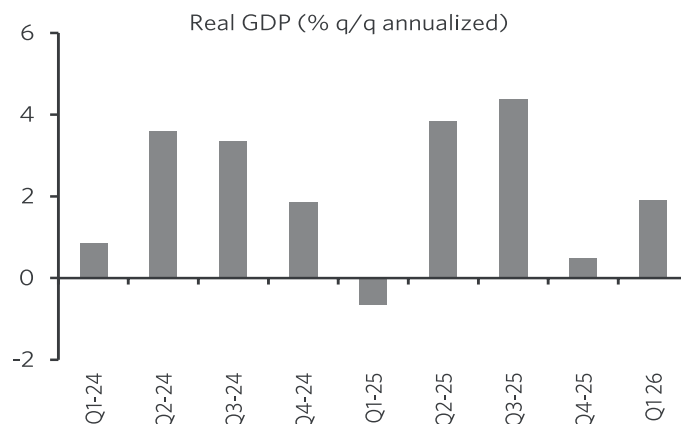
(Thursday, 8:30 am)

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Variable (%)	CIBC	Mkt	Prior
GDP q/q annualized	1.9	2.0	0.5
GDP deflator	3.8	4.0	3.7

GDP likely rebounded in the first quarter, helped by a bounce back in government spending following the shutdown in the prior quarter. Adding to the momentum will be business investment in equipment, in line with surging core capital goods shipments tied to computers and electronics as firms continued to upgrade technology in line with AI expansion. That will mask a drawdown in inventories for the fourth quarter in a row as firms continued to use up pre-tariff inventories and also likely opted to delay production and draw from inventories in order to avoid higher energy input costs. Stripping out the noise from government, trade and inventories, will reveal a cautious consumer, with spending on services likely to cool further due to a sluggish labor market and the hit to purchasing power from higher gasoline prices in March.

Chart: US GDP



Source: BEA, Haver Analytics, CIBC

Forecast implications — Growth is set to slow in the second quarter, as higher energy costs and uncertainty tied to the war will restrain business investment. That will also weigh on consumption, compounding the negative impacts of population restrictions and a cooling labor market. We also expect investment enthusiasm tied to AI expansion to slow as the year progresses, and if the oil shock fades over the summer months as we expect, the Fed will be on track to cut rates before the end of the year.

Market impact — We are only a little below the consensus expectation, which could see bond yields ease off.

Other US Releases: Housing starts—February and March

(Wednesday, 8:30 am)

Following a jump to start the year, housing starts could have taken a step back to 1400K in February, and eased further to a 1375K pace in March. We expect building to remain under pressure ahead, as new home sales have been stagnant, while months of supply of existing homes on the market remains elevated, resulting in home price decreases for several consecutive months. The climb in bond yields since the war in Iran began will be a deterrent for buyers, and homebuilders are reporting material cost increases associated with the war, which will limit building in the near term.

ISM Manufacturing—April

(Friday, 10:00 am)

Increases in some regional PMIs suggest that the ISM's manufacturing index could have risen to 53.5 in April. However, that could have included a further climb in the supplier deliveries sub-index tied to war disruptions and therefore wouldn't reflect healthy factory activity. Any deterioration in the production sub-index would be more in line with what was shown by the pull back in manufacturing in the Fed's hard data at the onset of the war.

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