

February 19 - 23, 2024

## Let's talk about the weather

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

Mark Twain never uttered his supposed comment that “everybody talks about the weather, but nobody does anything about it.” But economists occasionally do blame atypical weather when their forecasts go awry. In North America, and particularly in Canada, the severity of the winter, or lack thereof, can have a material impact on GDP. This has been a particularly atypical winter, and we’re starting to see that show up in the data in some surprising ways.

Many Canadians, like the geese that share their country’s name, fly south, or drive there, to escape at least some of the winter. Other than skiers, foreigners usually stay clear of Canada in those months. But in many parts of the country, this winter has been less bitterly cold, and much less snowy, until this week. That may be part of the reason why Canada was able to post a surplus on travel trade in December, with foreigners’ spending here climbing (seasonally adjusted of course) and Canadians spending less abroad (Chart). The only other time we’ve seen that was when Canadians were prevented from travel during the pandemic.

Admittedly, there’s another factor in this story: Canada’s weaker economy and rising mortgage costs are pinching consumers’ discretionary spending. In contrast stronger job growth and locked-in mortgages has let Americans spend more freely, including outside their home base.

Even so, mild and less stormy weather may also have seen Canadians shopping more at home in December than they would have given the state of the economy, at least for retailing that isn’t done online. The “advance” reading from Statistics Canada showed a hefty 0.8% monthly gain. We’ll see if that gets revised in the December retail data due in the week ahead, and if generally favourable January weather in populous central Canada shows up in the advance reading for that month.

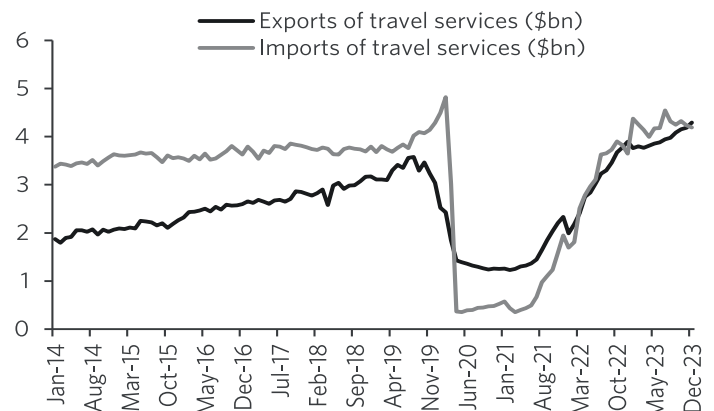
We did see a pick-up in existing home sales in December and January on a seasonally adjusted basis, helped by modestly lower mortgage rates. But perhaps sales were also lifted by milder weather that made it easier to show up at open houses and get excited about buying, relative to what are typically a very slow couple of months. More broadly, the whole of Q1, ski areas aside, could end up getting a one-off weather bounce.

Environment Canada’s seasonal forecast projects above-normal temperatures over the winter for much of the country.

US retail sales were decidedly weak in January, and the weather may have been to blame, because it came after a very mild December that lifted the prior month’s activity. Fortunately, a bad January isn’t really fatal for retailers, since in non-seasonally adjusted terms, it’s not a very important month. There were some benefits from more normal temperatures, as industrial production was prevented from seeing the sharp drop posted by manufacturers in January due to the upsurge in heating utility use as the weather turned a bit colder.

As we move further into 2024, weather could become less of a sunny issue for the Canadian economy. The mild winter will have pulled forward some shopping, homebuying and construction activity into Q1, leaving a less-than-normal seasonal pickup in the spring, which will depress seasonally adjusted quarterly growth. A dry winter risks creating drought conditions for farmers. More importantly, if above normal temperatures extend into the spring and summer, we’re at risk of seeing another troublesome year for forest fires that dented Canada’s 2023 economic results.

**Chart: Visitors to Canada are spending more than Canadians abroad**



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, February 19	-	Markets Closed (Ontario Family Day)	-	-	-	-	-
Monday, February 19	8:30 AM	INDUSTRIAL PROD. PRICES M/M	(Jan)	(M)	-	-	-1.5%
Monday, February 19	8:30 AM	RAW MATERIALS M/M	(Jan)	(M)	-	-	-4.9%
Tuesday, February 20	8:30 AM	CPI M/M	(Jan)	(H)	0.4%	0.4%	-0.3%
Tuesday, February 20	8:30 AM	CPI Y/Y	(Jan)	(H)	3.2%	3.3%	3.4%
Tuesday, February 20	8:30 AM	Consumer Price Index	(Jan)	(M)	-	-	158.3
Tuesday, February 20	8:30 AM	CPI Core- Median Y/Y%	(Jan)	(M)	3.6%	-	3.6%
Tuesday, February 20	8:30 AM	CPI Core- Trim Y/Y%	(Jan)	(M)	3.6%	-	3.7%
Wednesday, February 21	-	AUCTION: 10-YR CANADAS \$5B	-	-	-	-	-
Thursday, February 22	8:30 AM	RETAIL TRADE TOTAL M/M	(Dec)	(H)	0.8%	-	-0.2%
Thursday, February 22	8:30 AM	RETAIL TRADE EX-AUTO M/M	(Dec)	(H)	0.5%	-	-0.5%
Friday, February 23	-	-	-	-	-	-	-

## 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, February 19	-	Markets Closed (President's Day)	-	-	-	-	-
Tuesday, February 20	-	AUCTION: 1-YR TREASURIES \$46B	-	-	-	-	-
Tuesday, February 20	8:30 AM	PHILADELPHIA FED	(Feb)	(M)	-	-	-3.7
Tuesday, February 20	10:00 AM	LEADING INDICATORS M/M	(Jan)	(M)	-	-0.3%	-0.1%
Wednesday, February 21	-	AUCTION: 20-YR TREASURIES \$16B	-	-	-	-	-
Wednesday, February 21	-	AUCTION: 2-YR FRN \$28B	-	-	-	-	-
Wednesday, February 21	7:00 AM	MBA-APPLICATIONS	(Feb 16)	(L)	-	-	-2.3%
Wednesday, February 21	2:00 PM	FOMC Meeting Minutes	(Jan 31)	-	-	-	-
Wednesday, February 21	8:00 AM	Speaker: Raphael W. Bostic (Atlanta) (Voter)	-	-	-	-	-
Thursday, February 22	-	AUCTION: 30-YR TIPS \$9B	-	-	-	-	-
Thursday, February 22	8:30 AM	INITIAL CLAIMS	(Feb 17)	(M)	-	-	212K
Thursday, February 22	8:30 AM	CONTINUING CLAIMS	(Feb 10)	(L)	-	-	1895K
Thursday, February 22	8:30 AM	CHICAGO FED NAT.ACTIVITY INDEX	(Jan)	(M)	-	-	-0.2
Thursday, February 22	9:45 AM	S&P GLOBAL US SERVICES PMI	(Feb P)	(L)	-	52.0	52.5
Thursday, February 22	9:45 AM	S&P GLOBAL US COMPOSITE PMI	(Feb P)	(L)	-	-	52.0
Thursday, February 22	9:45 AM	S&P GLOBAL US MANUFACTURING PMI	(Feb P)	(L)	-	50.1	50.7
Thursday, February 22	10:00 AM	EXISTING HOME SALES SAAR	(Jan)	(M)	-	4.0M	3.9M
Thursday, February 22	10:00 AM	EXISTING HOME SALES M/M	(Jan)	(M)	-	5.0%	-1.0%
Thursday, February 22	10:00 AM	Speaker: Philip N Jefferson (Governor) (Voter)	-	-	-	-	-
Thursday, February 22	1:00 PM	Speaker: Michelle W Bowman (Governor) (Voter)	-	-	-	-	-
Thursday, February 22	2:00 PM	Speaker: Patrick Harker (Philadelphia) (Non-Voter)	-	-	-	-	-
Thursday, February 22	5:00 PM	Speaker: Lisa D Cook (Governor) (Voter) & Neel Kashkari (Minneapolis) (Non-Voter)	-	-	-	-	-
Thursday, February 22	7:35 PM	Speaker: Christopher J. Waller (Governor) (Voter)	-	-	-	-	-
Friday, February 23	-	-	-	-	-	-	-

## Week Ahead's market call

by Avery Shenfeld

In the **US**, a holiday-shortened trading week will also be short on economic news, with no market-moving indicators on the schedule. The January Fed minutes might be viewed as out of date, because that meeting came before the more heated jobs and inflation readings we had since then, but also the softer retail report. Better, then, to lend your ears to the various Fed members due to speak in the coming week, to get a sense on how much weight they seem to be putting on these latest surprises in the data. In all likelihood, most of them will want to avoid being too precise in any talk about when lower rates might be in the offing, given these conflicting signals.

In **Canada**, mild December and January weather in key population centres may have kept shoppers out and about, with December's retail sales likely to be in line with the strong advance reading, and the first look at January building on that gain. Remember, however, that we saw a similar bounce in consumer activity in Q1 2023, and that proved to be a one-off amidst softness in the quarters before and subsequent to it. Headline CPI could ease two ticks on a year-on-year basis, but ex-food/energy and other core measures will remain stubbornly above where the Bank of Canada wants them. But what's key is to look at how much of that is isolated in shelter inflation. Planned reductions in the inflow of foreign students, and perhaps other measures still to come, might be more potent than high interest rates in calming rising rents, while the mortgage interest cost component would be helped by Bank of Canada rate cuts.

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

(Tuesday, 8:30 am)

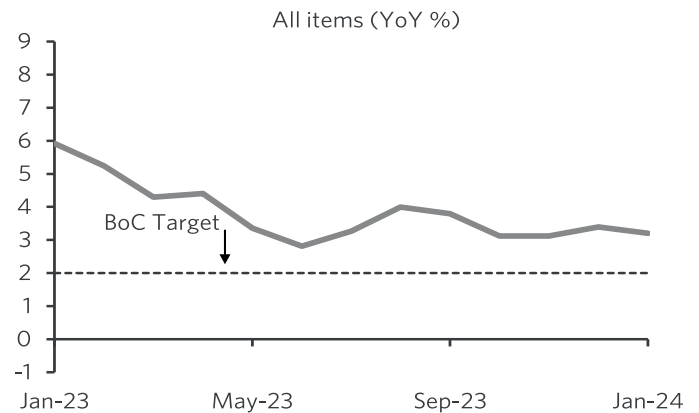
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Variable (%)	CIBC	Mkt	Prior
CPI NSA (m/m)	0.4	0.4	-0.3
CPI (y/y)	3.2	3.3	3.4

After accelerating in the prior month, headline inflation should partially ease again in January with gasoline prices falling on the month and food price inflation easing. However, mortgage interest costs and rising rental prices should keep the monthly trend in ex food/energy prices on a firmer track than would be consistent with a 2% inflation target. On a year-over-year basis, inflation excluding food/energy could actually accelerate slightly.

The Bank of Canada's CPI-trim and median measures of inflation accelerated in December, and are unlikely to show much improvement in the latest month. Indeed, the 3-month annualized rates will likely accelerate, and on a year-over-year basis we only forecast a slight deceleration in the trim measure.

Chart: Canadian consumer price index



Source: Statistics Canada, Haver Analytics, CIBC

**Forecast implications** — Headline inflation will likely remain in a 3-3.5% range throughout the first quarter, before easing back underneath the top end of the Bank's 1-3% band in April. While the trim and median measures of inflation could remain sticky above 3%, the BoC has been more open to talking about exclusionary measures such as CPI-X and CPI excluding shelter recently. Those measures should continue to run softer than headline inflation, keeping the door open to a June interest rate cut.

## Other Canadian releases: Retail sales—December

(Thursday, 8:30 am)

Retail sales look likely to have made solid gains in December and January, albeit led by a continued recovery in auto sales as supply chain issues are being resolved. We expect a 0.8% gain in December, with ex-auto sales rising by a more moderate 0.5%. The advance estimate for January could show a further advance of around 1%.

**There are no major US data releases next week.**

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