

DAILY POINTS

August 19, 2025 @ 7:35 EST

Contributors

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Chart 1

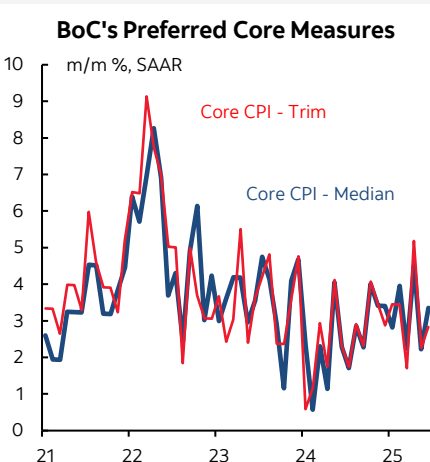


Chart 2

Canadian Core CPI Measures		
Month	Weighted Median	Trimmed Mean
Jan-2024	2.3	0.6
Feb-2024	0.6	1.2
Mar-2024	2.3	2.9
Apr-2024	1.1	1.7
May-2024	4.0	4.1
Jun-2024	2.3	2.3
Jul-2024	1.7	1.7
Aug-2024	2.9	2.9
Sep-2024	2.3	2.3
Oct-2024	4.0	4.1
Nov-2024	3.4	3.5
Dec-2024	3.4	2.9
Jan-2025	2.8	3.5
Feb-2025	4.0	3.4
Mar-2025	2.2	1.7
Apr-2025	4.5	5.2
May-2025	2.2	2.3
Jun-2025	3.3	2.8

Sources: Scotiabank Economics, Statistics Canada.

On Deck for Tuesday, August 19

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	08-19	08:30	Core CPI - Median (y/y)	Jul	--	3.1	3.1
CA	08-19	08:30	Core CPI - Trim (y/y)	Jul	--	3.1	3.0
CA	08-19	08:30	CPI, All items (m/m)	Jul	0.5	0.3	0.1
CA	08-19	08:30	CPI, All items (y/y)	Jul	1.9	1.8	1.9
CA	08-19	08:30	CPI, All items (index)	Jul	--	164.9	164.4
US	08-19	08:30	Building Permits (000s a.r.)	Jul P	--	1386.0	1393.0
US	08-19	08:30	Housing Starts (000s a.r.)	Jul	1321	1297.0	1321.0
US	08-19	08:30	Housing Starts (m/m)	Jul	0.0	-1.8	4.6
CA	08-19	08:30	Core CPI - Common (y/y)	Jul	--	--	2.6
CA	08-19	08:30	CPI SA, All items (m/m)	Jul	--	--	0.2
US	08-19	10:00	Fed's Bowman Speaks on BTV				
US	08-19	14:10	Fed's Bowman Speaks at Wyoming Blockchain Symposium 2025				

KEY POINTS:

- **Markets treading water until Jackson Hole**
- **Canadian CPI may spice up near-term market volatility...**
- **...but take it in stride with a lot more evidence ahead of September's BoC decision**
- **The costly macro context to ongoing labour strife in Canada**

Canadian CPI will be the main event today after a light overnight session with no truly fresh developments. More broadly speaking, all we're largely doing is treading water until Chair Powell's speech on Friday morning.

I'm sure we'll get some market noise in the aftermath, but nothing about September's BoC decision hangs in the balance on just this one reading. It is just one of two CPI readings before the next BoC decision on September 17th with the next one arriving the day before. A lot more data lies ahead including GDP for Q2, June, and July that we get a week from Friday, plus another jobs report, plus potential further developments in trade and fiscal policies among other factors.

My estimate is for a 0.5% m/m seasonally unadjusted rise in headline CPI based on limited observables such as gas prices, seasonal influences, and some housing and food price tracking. That could translate into about a 0.3% m/m seasonally adjusted rise based on the fact that SA factors for the month of July in recent years have been among the lowest on record due to the recency bias in how they are calculated. The median estimate is 0.3% m/m NSA with several in the 0.4% camp. As always, the consensus isn't known when we submit our numbers and frankly should never be a factor in anyone's own homework. There is high uncertainty into the reading not only due to normal uncertainty given limited observability of price components, but also because of potential tariff effects.

But headline is not what matters. It's too distorted in y/y terms by the ongoing effects of the elimination of the consumer portion of the carbon tax in early April and it's too volatile in m/m terms given swings in food and energy prices.

What will matter, however, is what will happen to the average of the two preferred core inflation readings used by the BoC that have remained hot and are impossible to estimate in advance in m/m SAAR terms. Over five dozen prices go into their calculations and what falls out of trimmed mean after lopping off the top and bottom 20% of prices, or exactly where the weighted median price sits, are both highly sensitive to the exact distribution of those prices. Forecasting y/y trimmed mean and weighted median CPI is largely just a matter of rotating out the first of twelve months and rotating in a guess at the latest month since they are not spot y/y calcs, but rather weighted m/m compounded annually readings. If you want a fresh measure of price pressures at the margin, then that's why I always argue you should use m/m SAAR and smooth it a bit.

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Yet the core readings have averaged 3.4% m/m SAAR over the past three months. Chart 1 shows the m/m SAAR pattern and chart 2 shows the numbers that have been elevated for a long time. Service price inflation has been trending warmly, the breadth of price pressures has been rising (chart 3), and key may be any early tariff effects on some goods prices both directly—through Canada's limited retaliatory measures— and indirectly—through supply chain effects. The core measures exclude tariffs, but not the possible pass-through incidence effects.

Other than that, we'll only get US housing starts and a pair of events featuring dovish Fed Governor Bowman—ever thankful to Trump for her posting and perhaps with an eye on Powell's job.

THE MACRO CONTEXT TO CANADIAN STRIKES

Labour strife is alive and kicking in Canada. We see that in the Air Canada strike that may have come to an end with tentative acceptance of a fresh offer by the union at a presumably higher gain than the 38% lift over four years including 25% in the first year that was rejected earlier. The agreement still has to go to a vote.

Good for them. Workers have been challenged by cost of living pressures over the years. Who can fault folks for seeking and getting higher pay if someone is willing to give it especially if creeping hours worked are being unpaid. I suspect that on the latter point the labour minister may have opened a whole can of worms by announcing a probe into unpaid hours; the line-up out the door is likely to be rather long.

But there is a broader macro context that isn't getting emphasized in the coverage. Canada is going through the ongoing effects of the pandemic in resetting contract wages higher and causing 1970s style workplace disruptions. Like everything in economics, there is a benefit and a cost and both have to be explored given a variety of interests and angles on the issues at hand.

Enter chart 4. It shows wage settlements being achieved in collective bargaining agreements in both the first year and on average over the typical 3–4 year contract period. The data is lagging because the government folks who update this [site](#) have once again stopped updating it and have not responded to two requests to do so. Statcan needs to take over this source as it's too untimely and unreliable but hopefully not politicized. Still, the point is that wage settlements are continuing to push through catch-up pay gains in the wake of the pandemic's disruptive effects. This is important in Canada where about one-in-three workers are unionized versus about 10% in the US.

The effects are also causing 1970s-style work stoppages (chart 5). This data comes from the same department that hasn't updated the wage figures since January but makes the point about disruptions to employers including ones that are directly impacted and those that are indirectly affected when what are basically essential services go on strike.

And it's not over yet. In just Ontario alone, about 1¼ million workers are under expiring contracts over 2025–27 (chart 6). Many—not all—are in the public sector with another example being support workers at Ontario's struggling community colleges. Chart 7 shows the number of affected workers under expiring agreements by month nationwide.

What happens in the collective bargaining sector can carry spillover effects in other parts of the labour market by raising everyone's wage pressures. Again, workers rejoice, but here's the clincher.

Canada is not getting the labour productivity gains to go along with such explosive real wage gains. Most economists would argue that real wage gains (ie: inflation adjusted) that are not accompanied by productivity gains can feed inflation risk. More inflation risk, means relatively more pressure on borrowing costs since the Bank of Canada's job is to manage inflation risk. Wage settlements on their own won't carry the day for the BoC outlook, but they serve as a cautionary flag on the rates outlook. More pay, pay more in interest.

They could also serve to make the household sector relatively more resilient in the face of tariffs and other pressures. That's a plus for consumer spending and housing markets—but not necessarily housing affordability—at least in the relatively short- to medium-term. Over time, productivity gains must catch up to such real wage pressures. If not, then competitiveness deteriorates even more and with that could be a more vulnerable labour market especially in the face of trade threats. Canada may not be helping itself here.

Chart 3

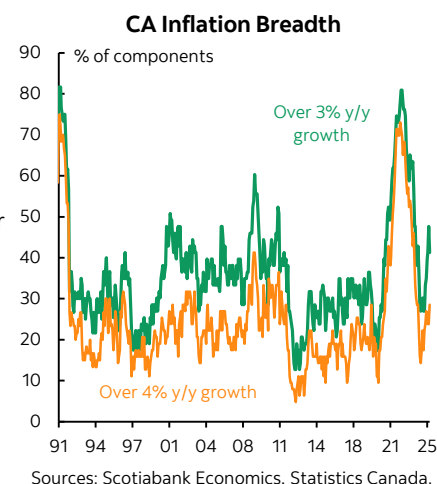


Chart 4

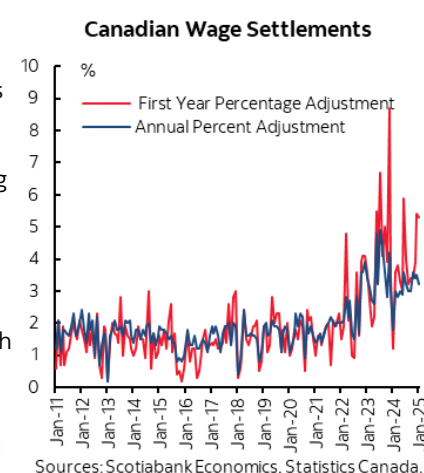


Chart 5

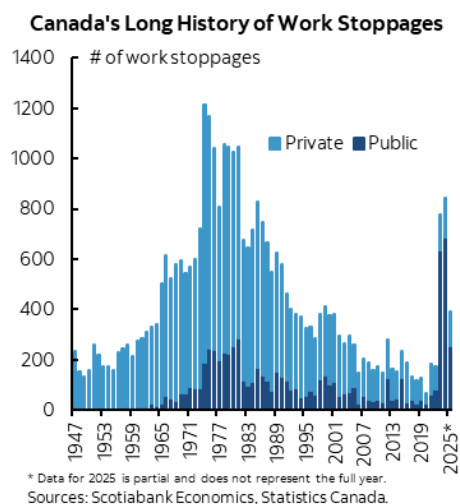


Chart 6

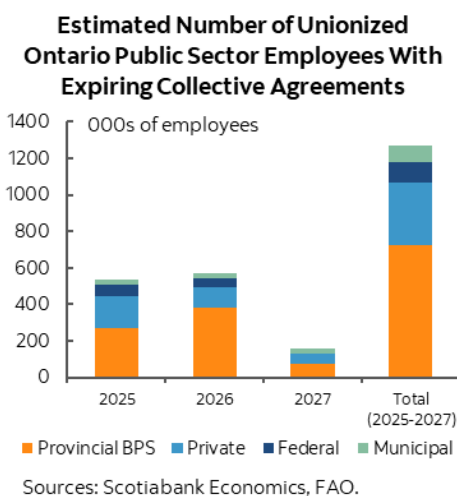
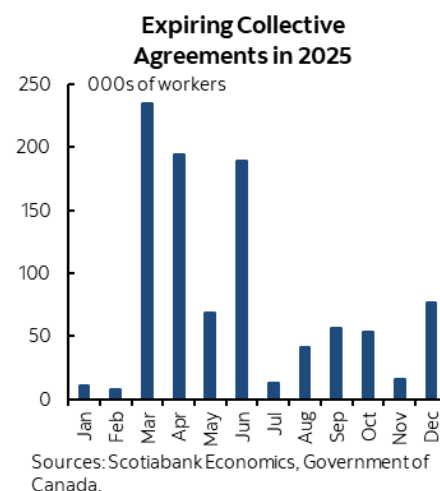


Chart 7



Fixed Income	Government Yield Curves (%):												Central Banks		
U.S. CANADA GERMANY JAPAN U.K. CANADA GERMANY JAPAN U.K.	2-YEAR			5-YEAR			10-YEAR			30-YEAR			Current Rate		
	Last	1-day	1-wk	Last	1-day	1-wk	Last	1-day	1-wk	Last	1-day	1-wk	Canada - BoC	2.75	
	3.76	3.77	3.73	3.84	3.85	3.82	4.33	4.33	4.29	4.92	4.93	4.88			
	2.74	2.74	2.71	3.01	3.01	2.96	3.49	3.49	3.43	3.90	3.89	3.81	US - Fed	4.50	
	1.96	1.96	1.97	2.31	2.32	2.32	2.76	2.76	2.74	3.34	3.34	3.30			
	0.85	0.83	0.77	1.15	1.12	1.04	1.60	1.57	1.50	3.15	3.11	3.09	England - BoE	4.00	
	3.97	3.97	3.89	4.13	4.12	4.04	4.74	4.74	4.63	5.60	5.61	5.47			
	Spreads vs. U.S. (bps):													Euro zone - ECB	2.15
	CANADA	-102	-103	-103	-83	-84	-86	-83	-85	-86	-103	-104	-107		
	GERMANY	-180	-181	-176	-153	-153	-151	-156	-157	-155	-158	-160	-158		
JAPAN	-291	-293	-296	-270	-273	-278	-272	-276	-279	-177	-182	-179			
U.K.	21	20	15	29	28	22	41	40	34	68	68	59	Japan - BoJ	0.50	
Equities	Level						% change:						Mexico - Banxico	7.75	
S&P/TSX Dow 30 S&P 500 Nasdaq DAX FTSE Nikkei Hang Seng CAC	Last	Change					1 Day	1-wk	1-mo	1-yr	Australia - RBA	3.60			
	27923	17.4					0.1	0.5	2.2	20.8					
	44912	-34.3					-0.1	2.1	1.3	9.8					
	6449	-0.7					-0.0	1.2	2.4	15.0			New Zealand - RBNZ	3.25	
	21630	6.8					0.0	1.1	3.5	21.0					
	24377	62.0					0.3	1.5	0.4	32.3			Next Meeting Date		
	9186	28.1					0.3	0.4	2.2	9.9			Canada - BoC	Sep 17, 2025	
	43546	-168.0					-0.4	1.9	9.4	16.5					
	25123	-53.9					-0.2	0.6	1.2	43.0			US - Fed	Sep 17, 2025	
	7940	56.4					0.7	2.4	1.5	5.8					
Commodities	Level						% change:						England - BoE	Sep 18, 2025	
WTI Crude	62.62	-0.80					-1.3	-0.9	-7.0	-15.8					
Natural Gas	2.86	-0.03					-1.2	1.7	-19.9	27.8	Euro zone - ECB	Sep 11, 2025			
Gold	3341.66	8.94					0.3	-0.2	-0.2	33.4					
Silver	38.09	0.36					0.9	0.9	-0.5	35.4	Japan - BoJ	Sep 19, 2025			
CRB Index	296.02	0.48					0.2	0.1	-3.3	7.1					
Currencies	Level						% change:						Mexico - Banxico	Sep 25, 2025	
USDCAD	1.3813	0.0010					0.1	0.3	1.0	1.3					
EURUSD	1.1680	0.0019					0.2	0.0	-0.1	5.4	Australia - RBA	Sep 30, 2025			
USDJPY	147.80	-0.0900					-0.1	-0.0	0.3	0.8					
AUDUSD	0.6488	-0.0003					-0.0	-0.6	-0.6	-3.6	New Zealand - RBNZ	Aug 19, 2025			
GBPUSD	1.3515	0.0011					0.1	0.1	0.2	4.0					
USDCHF	0.8057	-0.0018					-0.2	-0.1	1.0	-6.6					

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