

WEEKLY COMMENTARY

Will We See a Burst of Post-Election Optimism?

By Francis Généreux, Principal Economist

Today is Black Friday: the perfect day to check in on US consumer spending and shopping intent for the holiday season ahead. It's safe to say that the last few weeks—and months, even—have been rather eventful for our southern neighbours. Were yesterday's Thanksgiving festivities joyful overall, or were Americans sharing their post-election woes?

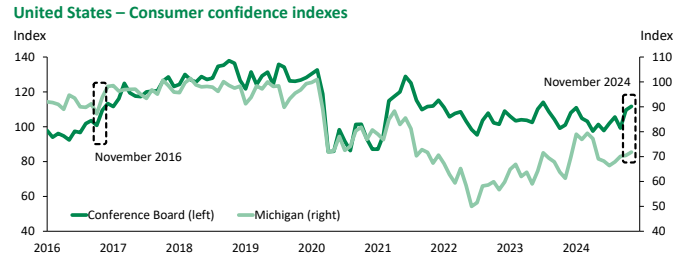
While voters may have believed that the economy is on the wrong track—a belief that helped hand Trump his victory—the truth is that the US economy and consumer spending are both on the upswing. The second estimate for third quarter GDP growth, released this Wednesday, showed that real GDP grew an annualized 2.8% over the summer. That includes a 3.53% gain in real consumer spending, which is its best performance since winter 2023. And the fourth quarter is off to a respectable start as well. While hurricanes may have put a temporary damper on spending growth (0.1% in October vs. 0.5% in September), real disposable income posted its best monthly increase since January.

That being said, a little boost in consumer confidence would be welcome this holiday season—US retailers would especially appreciate it. The [forecast](#) we published in November called for solid growth in the first quarters of 2025. Positive sentiment from households and businesses would shore up the US economy and help it stay the course in the face of uncertainty. This may prove necessary, given the impetuous nature of the incoming president.

We were hoping to see the same post-election euphoria that we witnessed back in 2016, the last time Trump won. That November, the Conference Board Consumer Confidence Index surged 8.6 points, while the University of Michigan index climbed by 6.6 points. Unfortunately, history did not repeat itself. This time around, the indexes rose just 2.1 points and

1.3 points respectively (graph 1). And the final version of the Michigan index came in lower than its preliminary results, which had only included data from before the election.

Graph 1
So Far, the Election's Effect on Confidence Has Been More Mixed than in 2016



Conference Board, University of Michigan and Desjardins Economic Studies

All the same, some factors were looking rather positive. The stock markets were generally up, while jobless claims fell and stayed down. Gas prices also continued to drop: on a national level, they were below US\$3 per gallon for the first time since last February.

So far, it seems that the election has had less of an impact than predicted. Confidence soared for Republicans in November but cooled for Democrats. The split is especially pronounced for consumer expectations (graph 2 on page 2). Republicans are looking forward to the change in government, and Democrats are dreading it. We also get the sense that independents have some lingering concerns. That being said, the situation is still

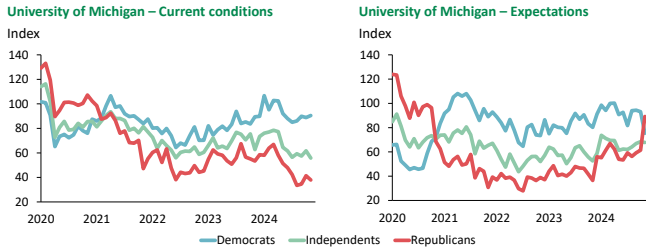
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Graph 2
Republicans Are Now Much More Optimistic About Future Economic Conditions



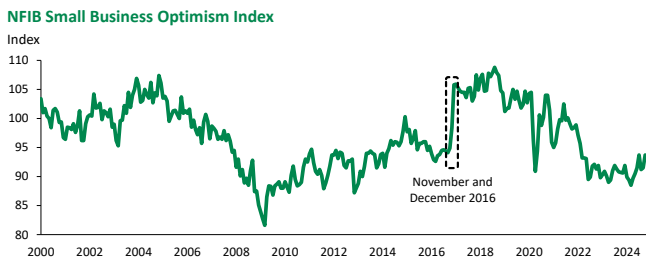
University of Michigan and Desjardins Economic Studies

new. As the confidence indexes continue to shift through December and the start of the new year, we'll see if the trend strengthens or dies out. We'll also have more data next Friday, when the University of Michigan's preliminary results for December are released.

How Are Businesses Feeling?

Back in 2016, business confidence also rose dramatically. The NFIB Small Business Optimism Index swiftly climbed to its highest point in more than twelve years (graph 3). This momentum was fuelled by Trump's promises of tax cuts and deregulation. The ISM Manufacturing index also spiked in late 2016, though the Services ISM index posted more muted growth. On this point as well, we'll be better able to gauge the current situation by this time next week. The ISM Manufacturing and Services indexes for November will be released on Monday and Wednesday respectively. It will be interesting to see if the components for new orders, import orders and inventory sentiment begin to trend up as businesses prepare for potential tariff increases. The November results for the NFIB Small Business Optimism Index will be released on Tuesday, December 10.

Graph 3
In 2016, Trump's Victory Boosted Small Business Confidence



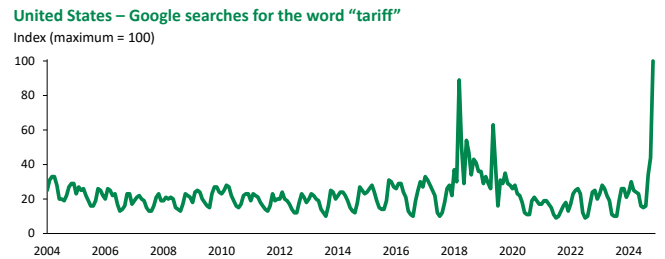
National Federation of Independent Business and Desjardins Economic Studies

Threats to Confidence

Obviously, certain factors may continue to weigh down business and consumer confidence. Even though inflation has slowed considerably, it hasn't disappeared—and it has even picked up a bit in recent months, especially for services. Consumers continue to be frustrated by the cost of living, which is higher than its pre-pandemic levels. According to the [American Farm Bureau](#), the average cost of Thanksgiving dinner was 5% lower than in 2023, which was in turn down 4.5% from 2022. All the same, "Two years of declines don't erase dramatic increases that led to a record high cost of \$64.06 in 2022. Despite the encouraging momentum, a Thanksgiving meal is still 19% higher than it was in 2019."

The policies promised by Donald Trump likely won't help bring these costs down: if anything, they'll have the opposite effect. Restrictions on immigration, or mass deportations, would harm the US farming operations that rely on this labour. Tariffs could also drive up producer and consumer prices. And even before these policies are implemented, the uncertainty surrounding these issues may be a drag on economic conditions. We had a preview this week, when Trump said he was ready to impose steep tariffs on Canadian, Mexican and Chinese goods on January 20. We can see that online searches for tariffs have skyrocketed (graph 4), likely reflecting the level of concern these policies elicit.

Graph 4
Tariffs Are Back in the Spotlight



Google Trends and Desjardins Economic Studies

All in all, there's still room for both optimism and pessimism in this post-election world. Will business and consumer confidence land on a net upward trajectory? For the good of the US and Canadian economies, we certainly hope so—but nothing's set in stone.

What to Watch For

MONDAY December 2 - 10:00

November

Consensus	47.6
Desjardins	46.9

October **46.5**

WEDNESDAY December 4 - 10:00

November

Consensus	55.5
Desjardins	55.6

October **56.0**

FRIDAY December 6 - 8:30

November

Consensus	200,000
Desjardins	200,000

October **12,000**

FRIDAY December 6 - 10:00

December

Consensus	73.0
Desjardins	73.0

November **71.8**

WEDNESDAY December 4 - 8:30

Q3 2024

Consensus	q/q
Desjardins	n/a

Q2 2024 **-0.2%**

UNITED STATES

ISM Manufacturing index (November) – The ISM Manufacturing index edged down in October from 47.2 to 46.5, its lowest level since June 2023. The production component was hit harder than new orders. Given the mixed messages from the regional manufacturing indexes published so far this month, we expect the index to inch up in November. It'll also be interesting to see whether index components and participants' comments show the election outcome to be a game changer for manufacturers, especially in terms of imports.

ISM Services index (November) – The ISM Services index has surged recently. After jumping 3.4 points in September, it rose another 1.1 points in October to 56.0, its highest level since August 2022. Regional indexes published so far have been mixed, while consumer confidence improved slightly, so we're expecting November's print to come in fairly flat.

Change in nonfarm payrolls (November) – After posting solid employment growth in September, the US labour market was much softer in October, adding just 12,000 jobs. However, this weakness was due to two main factors. First, the strike at Boeing that began in September probably subtracted 44,000 manufacturing sector jobs. Now that the parties have reached an agreement, sector employment should rise as the affected staff return to work. Second, Hurricanes Helene and Milton, which ripped through the United States in September and October, undoubtedly had a material negative impact—albeit one that we can't quantify exactly—on October's net hires. With the storms and the strike both behind us, we expect job growth to have rebounded in November. Unemployment claims have been lower in recent weeks, while the Conference Board Consumer Confidence Index showed that consumers were more optimistic about job availability in November. We expect net hires to come in at around 200,000 and unemployment to hold steady at 4.1%.

University of Michigan consumer sentiment index (December – preliminary) – As discussed in the Musing at the beginning of this *Weekly Commentary*, we need to keep a close eye on consumer sentiment indexes during this post-election period. The University of Michigan consumer sentiment index edged up between October and November, but this hides the dip that occurred between the preliminary and final versions. Several factors suggest that confidence is likely to rise again in December. The stock market is up, gasoline prices continue to fall and unemployment claims are low. On the flip side, mortgage rates are increasing. Shifts in confidence according to political affiliation may also drive volatility. However, we expect the University of Michigan index to have edged up.

CANADA

Labour productivity (Q3) – We anticipate that labour productivity declined 0.3% q/q in Q3 2024 following a 0.2% contraction in Q2. This expected drop likely reflected weak economic activity, as business sector real GDP probably increased 0.1% in Q3. In addition, while the labour market continues to show signs of cooling, business sector total actual hours worked increased by 0.4%, outpacing gains in business sector real GDP. That said, as the impacts of high interest rates continue to dampen economic activity, we expect labour productivity growth to stabilize as the economy experiences the conflicting forces of falling interest rates, increased oil exports, potential tariffs from the incoming Trump administration and slow population growth.

THURSDAY December 5 - 8:30

October	\$B
Consensus	n/a
Desjardins	1.40
September	-1.26

International trade (October) – Canada’s merchandise trade balance is expected to have returned to positive territory in October. On the export side, the anticipated increase was likely driven by rising prices, as non-energy commodity prices and the US import price index both rose in October on a seasonally adjusted basis. Additionally, the further depreciation of the Canadian dollar is predicted to have bolstered the value of exports due to the conversion effect. On the import side, the decline in US advanced exports in October, particularly in motor vehicles and parts (-3.8% m/m), suggests that Canadian imports decreased. Looking ahead, the lower value of the loonie should continue to support exports. However, Trump’s return to the White House and the lingering threat of tariffs could create unexpected fluctuations in both exports and imports.

FRIDAY December 6 - 8:30

November	
Consensus	n/a
Desjardins	25,000
October	14,500

Net change in employment (November) – The Canadian economy likely added 25K new jobs in November. Some of that increase may have been driven by a rebound in healthcare, which posted net job losses in September and October. Meanwhile, labour supply probably outpaced labour demand even with population growth showing signs of easing. Measures by the federal government aimed at curtailing population gains should continue to slow the growth of newcomers in the coming months and ultimately help bring the labour market back into balance. However, that will take a few quarters. As such, the unemployment rate is expected to have moved a tick higher in October to 6.6%. Outside of the headline unemployment figure, unemployment rates for those ages 25 to 54 have been rising. That’s a worrying sign, as that cohort has the greatest exposure to mortgages and tends to spend the most on average. Meanwhile, youth and newcomer unemployment rates appear to have hit a local peak and could move lower as the international student population shrinks.


OVERSEAS
FRIDAY December 6 - 2:00

October	m/m
Consensus	1.0%
September	-2.5%

Germany: Industrial production (October) – Germany’s economy has been up and down, with alternating positive and negative quarters. We’re seeing a similar trend in monthly industrial production prints. There haven’t been two consecutive increases or decreases since January and February 2024. August’s 2.7% rally was followed by a 2.5% drop in September. If the trend continues, we should see an improvement in October. However, a number of factors point to some weakness. News about the German automotive sector continues to be rather gloomy, while the country’s Manufacturing PMI remains mired in the contraction zone.


Economic Indicators

Week of December 2 to 6, 2024

Day	Time	Indicator	Period	Consensus		Previous reading
UNITED STATES						
MONDAY 2	10:00	Construction spending (m/m)	Oct.	0.2%	0.0%	0.1%
	10:00	ISM Manufacturing index	Nov.	47.6	46.9	46.5
	15:15	Speech by Federal Reserve Governor C. Waller				
	16:30	Speech by Federal Reserve Bank of New York President J. Williams				
TUESDAY 3	12:35	Speech by Federal Reserve Governor A. Kugler				
	---	Total vehicle sales (ann. rate)	Nov.	16,000,000	16,300,000	16,040,000
WEDNESDAY 4	8:45	Speech by Federal Reserve Bank of St. Louis President A. Musalem				
	10:00	ISM Services index	Nov.	55.5	55.6	56.0
	10:00	Factory orders (m/m)	Oct.	0.3%	0.1%	-0.5%
	13:45	Speech by Federal Reserve Chair J. Powell				
	14:00	Release of the Beige Book				
THURSDAY 5	8:30	Initial unemployment claims	Nov. 25–29	n/a	216,000	213,000
	8:30	Trade balance – goods and services (US\$B)	Oct.	-75.0	-74.7	-84.4
FRIDAY 6	8:30	Change in nonfarm payrolls	Nov.	200,000	200,000	12,000
	8:30	Unemployment rate	Nov.	4.2%	4.1%	4.1%
	8:30	Average weekly hours	Nov.	34.3	34.3	34.3
	8:30	Average hourly earnings (m/m)	Nov.	0.3%	0.3%	0.4%
	10:00	University of Michigan consumer sentiment index – prel.	Dec.	73.0	73.0	71.8
	10:30	Speech by Federal Reserve Bank of Chicago President A. Goolsbee				
	12:00	Speech by Federal Reserve Bank of Cleveland President B. Hammack				
	13:00	Speech by Federal Reserve Bank of San Francisco President M. Daly				
15:00	Consumer credit (US\$B)	Oct.	10.000	18.000	6.002	

CANADA

MONDAY 2	---	---				
TUESDAY 3	---	---				
WEDNESDAY 4	8:30	Labour productivity (q/q)	Q3	n/a	-0.3%	-0.2%
THURSDAY 5	8:30	International trade (\$B)	Oct.	n/a	1.40	-1.26
FRIDAY 6	8:30	Net change in employment	Nov.	n/a	25,000	14,500
	8:30	Unemployment rate	Nov.	n/a	6.6%	6.5%

Note: Each week, Desjardins Economic Studies takes part in the Bloomberg survey for Canada and the United States. Approximately 15 economists are consulted for the Canadian survey and a hundred or so for the United States. The abbreviations m/m, q/q and y/y correspond to month-over-month, quarter-over-quarter and year-over-year change respectively. Following the quarter, the abbreviations f, s and t correspond to first estimate, second estimate and third estimate respectively. Times shown are Eastern Standard Time (GMT -5 hours).  Desjardins Economic Studies forecast.

Economic Indicators

Week of December 2 to 6, 2024

Country	Time	Indicator	Period	Consensus		Previous reading		
				m/m (q/q)	y/y	m/m (q/q)	y/y	
OVERSEAS								
SUNDAY 1								
Japan	19:30	Manufacturing PMI – final	Nov.	n/a		49.0		
MONDAY 2								
United Kingdom	2:00	Nationwide house prices	Nov.	0.2%	2.4%	0.1%	2.4%	
Italy	3:45	Manufacturing PMI	Nov.	46.0		46.9		
France	3:50	Manufacturing PMI – final	Nov.	43.2		43.2		
Germany	3:55	Manufacturing PMI – final	Nov.	43.2		43.2		
Eurozone	4:00	Manufacturing PMI – final	Nov.	45.2		45.2		
Italy	4:00	Real GDP – final	Q3	0.0%	0.4%	0.0%	0.4%	
Italy	4:00	Unemployment rate	Oct.	6.1%		6.1%		
United Kingdom	4:30	Manufacturing PMI – final	Nov.	48.6		48.6		
Eurozone	5:00	Unemployment rate	Oct.	6.3%		6.3%		
TUESDAY 3								
Japan	19:30	Composite PMI – final	Nov.	n/a		49.8		
Japan	19:30	Services PMI – final	Nov.	n/a		50.2		
WEDNESDAY 4								
Italy	3:45	Composite PMI	Nov.	49.7		51.0		
Italy	3:45	Services PMI	Nov.	51.0		52.4		
France	3:50	Composite PMI – final	Nov.	44.8		44.8		
France	3:50	Services PMI – final	Nov.	45.7		45.7		
Germany	3:55	Composite PMI – final	Nov.	47.3		47.3		
Germany	3:55	Services PMI – final	Nov.	49.4		49.4		
Eurozone	4:00	Composite PMI – final	Nov.	48.1		48.1		
Eurozone	4:00	Services PMI – final	Nov.	49.2		49.2		
United Kingdom	4:30	Composite PMI – final	Nov.	49.9		49.9		
United Kingdom	4:30	Services PMI – final	Nov.	50.0		50.0		
Eurozone	5:00	Producer price index	Oct.	0.4%	-3.3%	-0.6%	-3.4%	
THURSDAY 5								
Germany	2:00	Factory orders	Oct.	-2.1%	1.3%	4.2%	1.0%	
France	2:45	Industrial production	Oct.	0.3%	-0.1%	-0.9%	-0.6%	
Eurozone	5:00	Retail sales	Oct.	-0.4%	1.7%	0.5%	2.9%	
India	23:30	Reserve Bank of India meeting	Dec.	6.50%		6.50%		
FRIDAY 6								
Germany	2:00	Trade balance (€B)	Oct.	16.0		16.9		
Germany	2:00	Industrial production	Oct.	1.0%	-3.3%	-2.5%	-4.6%	
France	2:45	Trade balance (€M)	Oct.	n/a		-8,266		
France	2:45	Current account (€B)	Oct.	n/a		-2.1		
Eurozone	5:00	Net change in employment – final	Q3	n/a	n/a	0.2%	1.0%	
Eurozone	5:00	Real GDP – final	Q3	0.4%	0.9%	0.4%	0.9%	
Italy	5:00	Retail sales	Oct.	n/a	n/a	1.2%	0.7%	

Note: Unlike release times for US and Canadian economic data, release times for overseas economic data are approximate. Publication dates are provided for information only. The abbreviations m/m, q/q and y/y correspond to month-over-month, quarter-over-quarter and year-over-year change respectively. Times shown are Eastern Standard Time (GMT -5 hours).