

WEEKLY COMMENTARY

In Checks and Balances We Trust

By Jimmy Jean, Vice-President, Chief Economist and Strategist

While always present, the question of whether US economic institutions could withstand political pressure seemed relatively distant six months ago. Not that Trump hadn't criticized the Fed in his first term or on the campaign trail, but markets leaned heavily on the TACO (Trump Always Chickens Out) coping mechanism that shaped much of the post-election narrative. Today, the politicization of traditionally independent or apolitical institutions has become as central an economic issue as trade policy.

President Trump has made no secret of his desire to fire Fed Chair Jerome Powell, remove Governor Lisa Cook and replace them with loyalists who will deliver lower interest rates and, perhaps, a weaker dollar. He has already nominated Stephen Miran to the Fed board. Miran has publicly argued that Trump's supply-side agenda justified a reduced focus on upward inflation risks. Trump went further in August by firing the head of the Bureau of Labor Statistics (BLS) and replacing her with an ally.

The theme of institutional independence gained more traction this week after 600 economics scholars signed a [letter](#) condemning some of these moves. On its own, this letter carries little weight. But when it lands in a week when markets are digesting multiple risks, including fiscal sustainability concerns in Europe, legal twists on tariffs and negative data surprises, it adds to the mood. The result was volatile trading, with gold emerging as one of the few clear winners.

When it comes to institutional independence, there are still guardrails. The Federal Reserve was built to weather political cycles. Governors serve staggered 14-year terms and can be removed only "for cause," a phrase that has never been tested

in court. Powell's current term as chair expires in 2026, but his underlying governorship runs until 2028. If Trump tries to dismiss him prematurely, legal challenges would almost certainly follow and Powell could remain on the board even if stripped of the chairmanship. Similarly, while the BLS commissioner serves at the president's pleasure, the agency is bound by statistical policy directives that fix the timing of releases, restrict pre-release access and safeguard methods. These rules make abject manipulation harder, slower and more visible. As one former commissioner noted, it would take "a whole new cadre" of staff and sweeping process changes to rig the data.

While these guardrails don't necessarily guarantee stability, they still suggest that the immediate "Chinafication" of US institutions, where monetary policy is explicitly tied to the government's broader agenda and where the data sits halfway between truth and propaganda, isn't necessarily the baseline assumption to make at this point.

Even with a new chair, the addition of Stephen Miran to the board and Trump gaining the upper hand in the Lisa Cook case, influence would remain dispersed. There are twelve regional Fed presidents and several other board governors whose votes matter. To truly consolidate control, Trump would have to find a way to replace the regional presidents. Some have speculated that by ousting Cook and installing a loyalist, he could tilt the board majority toward allies, who in turn might refuse to grant the customary approval of regional presidents. That process comes up every five years, with the next cycle in February. Yet even in this far-fetched scenario, nothing would compel the regional reserve bank boards (composed of private sector and local representatives) to choose Trump loyalists. In any event,

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simply foraying in that direction would invite market backlash, and it's difficult to see how financial instability and runaway inflation would serve the administration's interests heading into the mid-terms.

Similar nuances apply to the BLS. Data production relies on hundreds of statisticians and multiple cross-checks, making outright manipulation difficult. Where interference could surface is in the handling of revisions or methodological reviews or in the tone of official communication. Revisions were what triggered Trump in August. It's conceivable that their release could be delayed or withheld under the pretext of a comprehensive methodological review. That would still be a long way from suppressing every adverse data point. Tellingly, a higher-than-expected producer price index and disappointing jobs reports were still released under the new commissioner.

In assessing politicization risks, it's best to resist the instinct of leaping straight to the worst-case scenario and instead acknowledge a wide distribution of possible outcomes. The "soft" version of politicization would involve new appointees aligning with Trump's preferences at the margin, but doing so with a veneer of competence and continuity to reassure investors. The "hard" version would involve direct control, doctored research and data, and a rapid loss of credibility. The former seems more likely in the near term, if only because the latter would carry such heavy costs. The bottom line is that the United States still has checks and balances. Many of these safeguards have never been tested, but that doesn't mean they would fail to operate as intended if challenged.

What to Watch For

THURSDAY September 11 - 8:30

| | |
|---------------|-------------|
| August | m/m |
| Consensus | 0.3% |
| Desjardins | 0.3% |
| July | 0.2% |

FRIDAY September 12 - 10:00

| | |
|------------------|-------------|
| September | |
| Consensus | 59.3 |
| Desjardins | 57.5 |
| August | 58.2 |

FRIDAY September 12 - 8:30

| | |
|------------|--------------|
| Q2 | |
| Consensus | 78.9% |
| Desjardins | 79.5% |
| Q1 | 80.1% |

TUESDAY September 9 - 8:30

| | |
|---------------|-------------|
| August | y/y |
| Consensus | -0.2% |
| July | 0.0% |

THURSDAY September 11 - 8:15

| | |
|------------------|--------------|
| September | |
| Consensus | 2.00% |
| Desjardins | 2.00% |
| July 24 | 2.00% |

UNITED STATES

Consumer price index (August) – The full impact of the Trump administration’s tariffs on consumer prices remains to be seen. Some signs of goods being affected are starting to emerge, but they remain fairly modest, with the month-over-month change in the consumer price index coming in at just 0.2% in July. Price growth was likely a little stronger in August at 0.3%. However, most of this pickup probably came from energy prices, while gasoline prices are expected to have risen after the previous month’s decline. As for core CPI, which excludes food and energy, we even expect a slight slowdown in August. Goods prices may have risen for the third month in a row, but services prices excluding shelter likely slowed after July’s 0.5% spike. Overall, we expect core CPI to have advanced 0.2%. The year-over-year change in the all items index should inch up from 2.7% to 2.8%, with core inflation edging down from 3.1% to 3.0%.

University of Michigan consumer sentiment index (September – preliminary) – After improving in June and July, the University of Michigan consumer sentiment index fell slightly in August. However, at 58.2, it remains above the low of 52.2 we saw in the spring. We expect a further modest dip in September. The stock market continues to trend up, but gains have been more muted in recent weeks. Gasoline prices have risen slightly. New tariffs, especially on low-value goods, could frustrate some consumers. The fact that the Conference Board Consumer Confidence Index edged down in August and the TIPP index softened in September also suggests another drop in the University of Michigan index.

CANADA

Industrial capacity utilization rate (Q2) – We anticipate that capacity utilization ticked down to 79.5% in Q2 2025 from 80.1% in Q1 2025. We expect this modest softening reflected broad weakness across key sectors, with utilities and forestry leading the decline. Looking ahead, capacity utilization should continue to fall modestly as tariff uncertainty, the mortgage renewal wall and slowing population growth drag down economic activity.

OVERSEAS

China: Consumer price index (August) – Consumer prices in China are extremely sluggish. After three consecutive monthly declines of 0.1%, the year-over-year change in the consumer price index was up to 0.1% in June and then down to 0.0% in July. As a result, price pressure is minimal and a reflection of weak Chinese domestic demand. That said, food prices are the biggest drag on the index. Excluding food and energy, the year-over-year change was 0.8% in July (although even that is still relatively low). We’ll see whether core and headline CPI remain far apart in August’s print.

Eurozone: European Central Bank meeting (September) – The ECB is set to hold rates next week at 2.00%. President Lagarde and several members of the committee have highlighted their comfort with the current level of rates. However, if growth disappoints, there is scope for further easing. We have left one 25bps cut in our forecast profile for the next six months mainly as a probability-weighted outcome. President Lagarde will likely be asked about the pressure on French government bonds, but we expect her to respond by noting that this is an issue for the French government and does not require the ECB’s intervention.


FRIDAY September 12 - 8:30


| | |
|-------------|-------------|
| July | m/m |
| Consensus | 0.0% |
| June | 0.4% |

United Kingdom: Monthly GDP (July) – UK monthly real GDP growth came in at a surprisingly strong 0.4% in June. This followed two consecutive 0.1% declines and put the UK’s non-annualized second-quarter growth slightly above expectations at 0.3%. That said, this advance was likely followed by lower monthly GDP in July, although the rise in retail sales is encouraging.

Economic Indicators

Week of September 8 to 12, 2025

| Date | Time | Indicator | Period | Consensus |  | Previous reading |
|----------------------|-------|---------------------------------------------------------|---------------|-----------|-------------------------------------------------------------------------------------|------------------|
| UNITED STATES | | | | | | |
| MONDAY 8 | 15:00 | Consumer credit (US\$B) | July | 10.200 | 17.500 | 7.371 |
| TUESDAY 9 | --- | --- | | | | |
| WEDNESDAY 10 | 8:30 | Producer price index | | | | |
| | | Total (m/m) | August | 0.3% | 0.4% | 0.9% |
| | | Excluding food and energy (m/m) | August | 0.3% | 0.4% | 0.9% |
| | 10:00 | Wholesale inventories – final (m/m) | July | 0.2% | 0.2% | 0.2% |
| THURSDAY 11 | 8:30 | Initial unemployment claims | September 1–5 | 235,000 | 235,000 | 237,000 |
| | 8:30 | Consumer price index | | | | |
| | | Total (m/m) | August | 0.3% | 0.3% | 0.2% |
| | | Excluding food and energy (m/m) | August | 0.3% | 0.2% | 0.3% |
| | | Total (y/y) | August | 2.9% | 2.8% | 2.7% |
| | | Excluding food and energy (y/y) | August | 3.1% | 3.0% | 3.1% |
| | 14:00 | Federal budget (US\$B) | August | n/a | n/a | -380.1 |
| FRIDAY 12 | 10:00 | University of Michigan consumer sentiment index – prel. | September | 58.0 | 57.5 | 58.2 |
| CANADA | | | | | | |
| MONDAY 8 | --- | --- | | | | |
| TUESDAY 9 | --- | --- | | | | |
| WEDNESDAY 10 | --- | --- | | | | |
| THURSDAY 11 | --- | --- | | | | |
| FRIDAY 12 | 8:30 | Building permits (m/m) | July | n/a | 4.3% | -9.0% |
| | 8:30 | Industrial capacity utilization rate | Q2 | 78.9% | 79.5% | 80.1% |

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 Daylight Time (GMT -4 hours).  Desjardins Economic Studies forecast.

Economic Indicators

Week of September 8 to 12, 2025

| Country | Time | Indicator | Period | Consensus | | Previous reading | |
|------------------------|-------|-------------------------------|-----------|-----------|-------|------------------|-------|
| | | | | m/m (q/q) | y/y | m/m (q/q) | y/y |
| OVERSEAS | | | | | | | |
| DURING THE WEEK | | | | | | | |
| China | --- | Trade balance (US\$B) | August | 99.30 | | 98.24 | |
| SUNDAY 7 | | | | | | | |
| Japan | 19:50 | Current account (¥B) | July | 2,580.5 | | 2,397.9 | |
| Japan | 19:50 | Real GDP – final | Q2 | 0.3% | | 0.3% | |
| MONDAY 8 | | | | | | | |
| Germany | 2:00 | Trade balance (€B) | July | 15.5 | | 14.9 | |
| Germany | 2:00 | Industrial production | July | 1.0% | -0.3% | -1.9% | -3.6% |
| TUESDAY 9 | | | | | | | |
| France | 2:45 | Industrial production | July | -1.3% | 0.7% | 3.8% | 2.0% |
| China | 21:30 | Consumer price index | August | | -0.2% | | 0.0% |
| China | 21:30 | Producer price index | August | | -2.9% | | -3.6% |
| WEDNESDAY 10 | | | | | | | |
| Italy | 4:00 | Industrial production | July | 0.0% | 0.0% | 0.2% | -0.9% |
| Japan | 19:50 | Producer price index | August | -0.1% | 2.7% | 0.2% | 2.6% |
| THURSDAY 11 | | | | | | | |
| Germany | --- | Current account (€B) | July | n/a | | 18.6 | |
| Eurozone | 8:15 | European Central Bank meeting | September | 2.00% | | 2.00% | |
| FRIDAY 12 | | | | | | | |
| Japan | 0:30 | Industrial production – final | July | n/a | n/a | -1.6% | -0.9% |
| United Kingdom | 2:00 | Trade balance (£M) | July | -4,200 | | -5,015 | |
| United Kingdom | 2:00 | Construction | July | -0.2% | 1.9% | 0.3% | 1.5% |
| United Kingdom | 2:00 | Index of services | July | 0.0% | | 0.3% | |
| United Kingdom | 2:00 | Monthly GDP | July | 0.0% | | 0.4% | |
| United Kingdom | 2:00 | Industrial production | July | 0.0% | 0.1% | 0.7% | 0.2% |
| Germany | 2:00 | Consumer price index – final | August | 0.1% | 2.2% | 0.1% | 2.2% |
| France | 2:45 | Consumer price index – final | August | 0.4% | 0.9% | 0.4% | 0.9% |
| Russia | 6:30 | Bank of Russia meeting | September | 16.00% | | 18.00% | |

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. Following the quarter, the abbreviations f, s and t correspond to first estimate, second estimate and third estimate respectively. Times shown are Eastern Daylight Time (GMT -4 hours).