



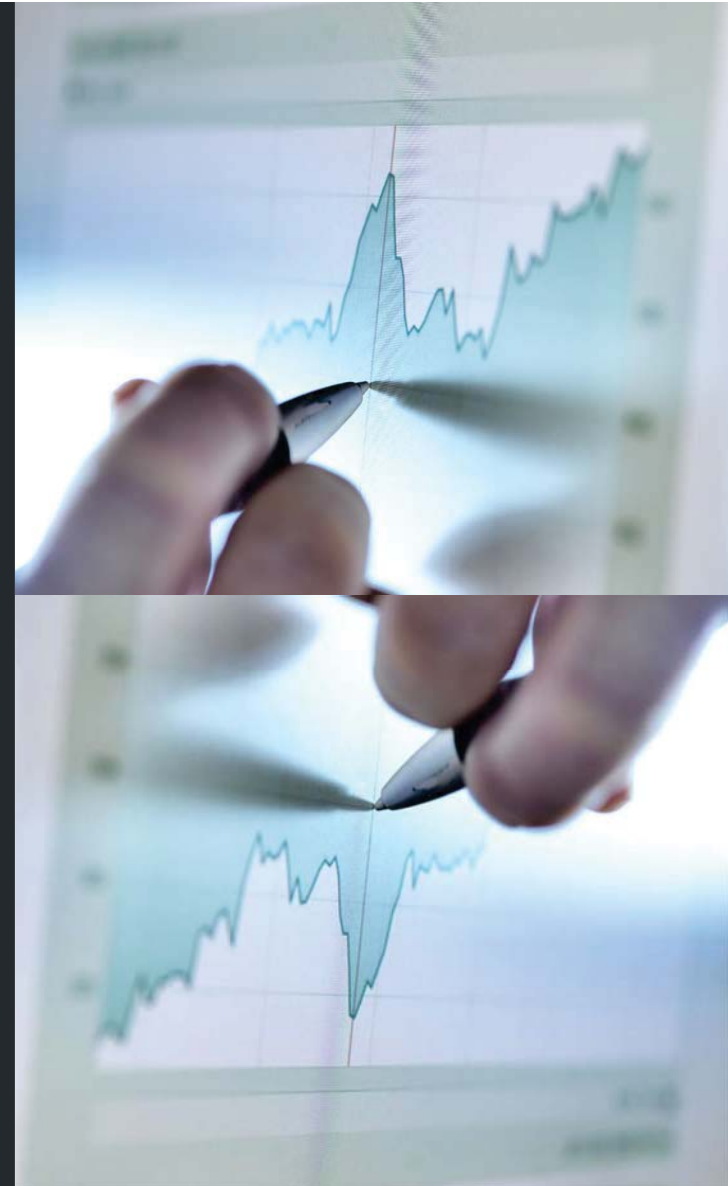
CIBC CAPITAL MARKETS

Economic Forecasts Turned Upside Down

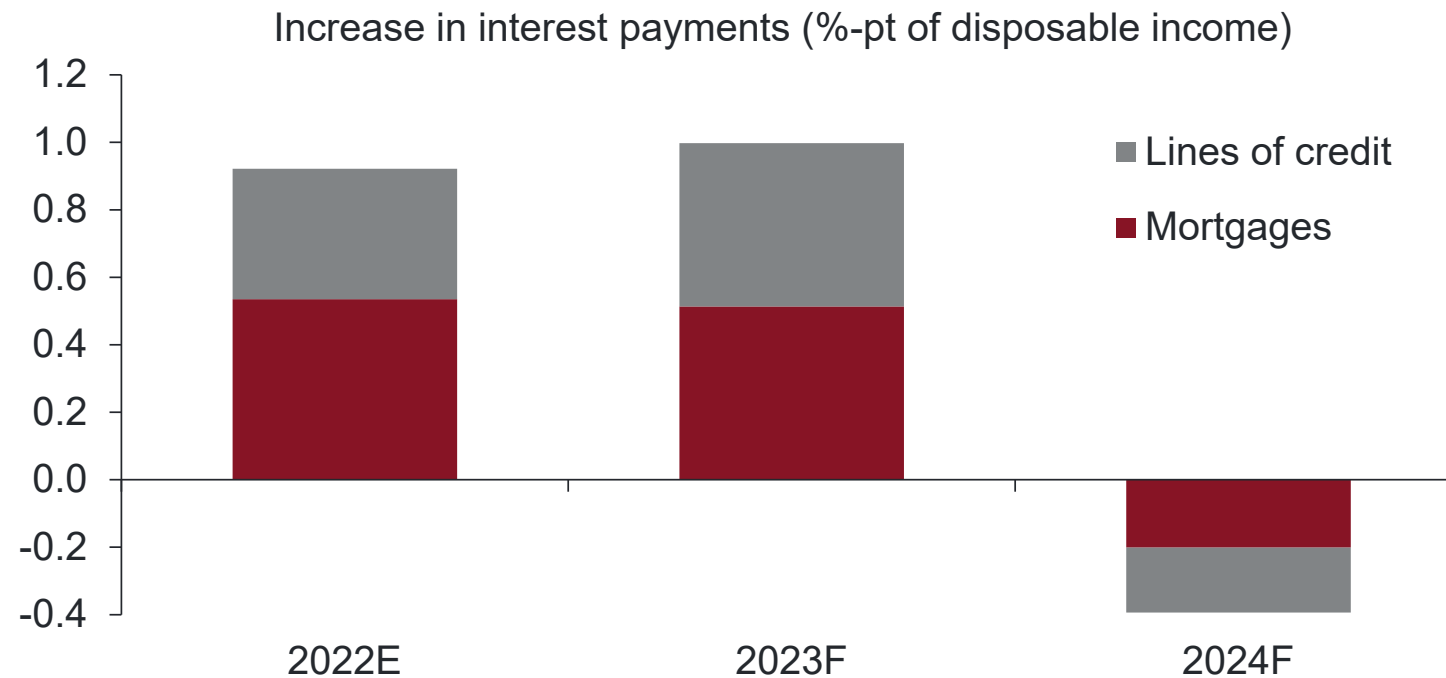
Andrew Grantham

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January, 2023

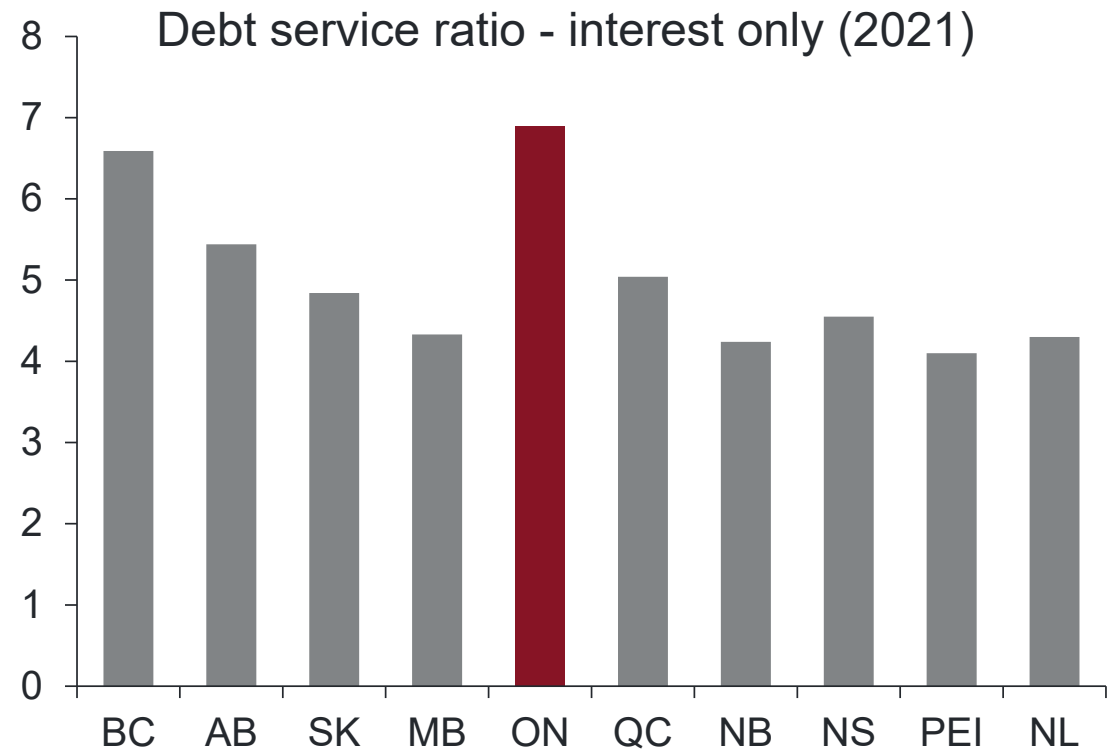
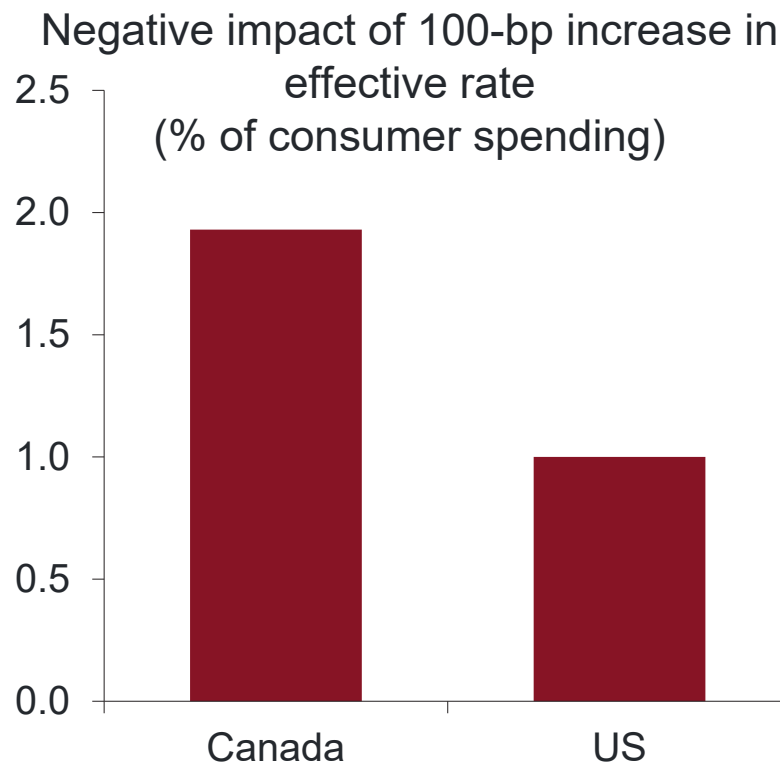


Higher interest rates will take a larger bite out of disposable incomes in 2023 than 2022



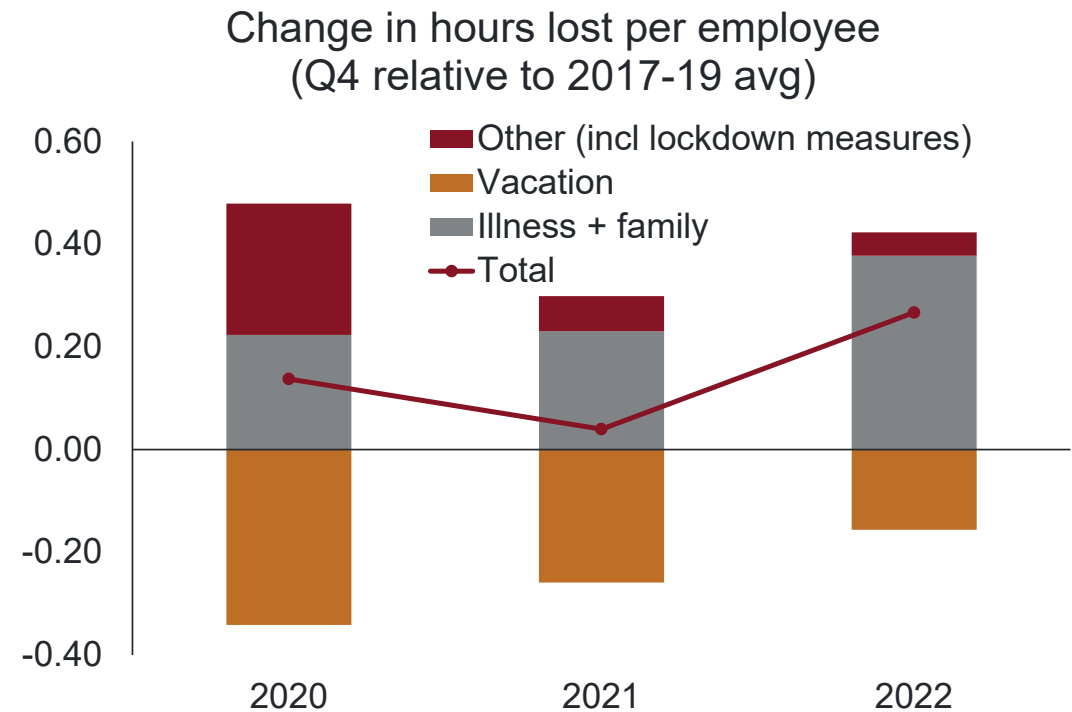
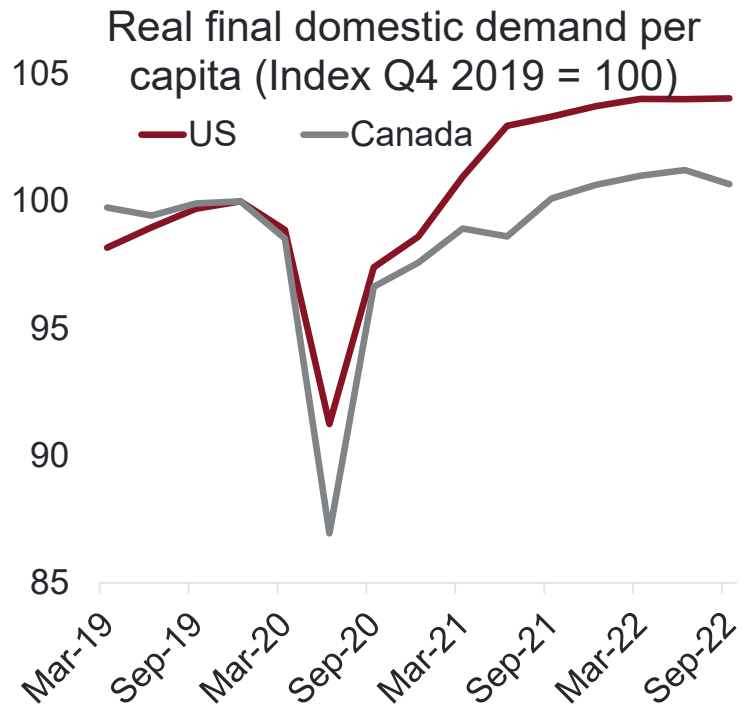
Source: StatCan, CIBC

Canada more sensitive to higher rates making a policy “mistake” more likely (L)
Ontario impacted most by higher interest rates (R)



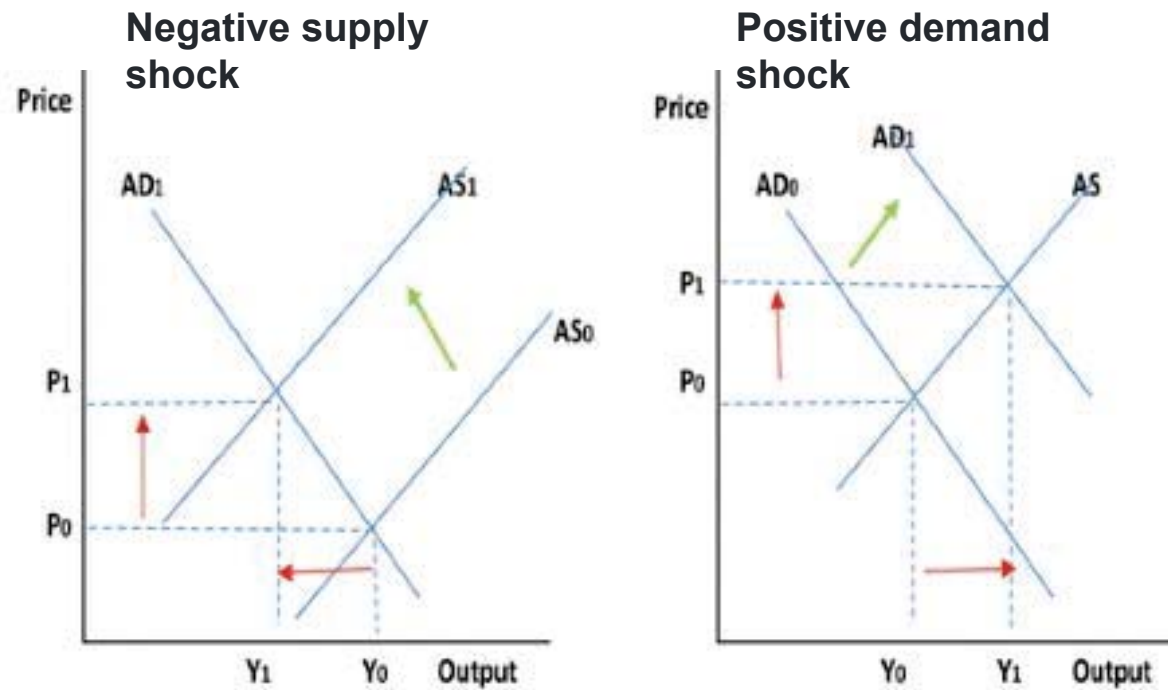
Source: BEA, Statistics Canada, CIBC

Demand not excessive relative to pre-pandemic in Canada (L) But it is excessive relative to what we can currently produce (R)



Source: Statistics Canada, CIBC

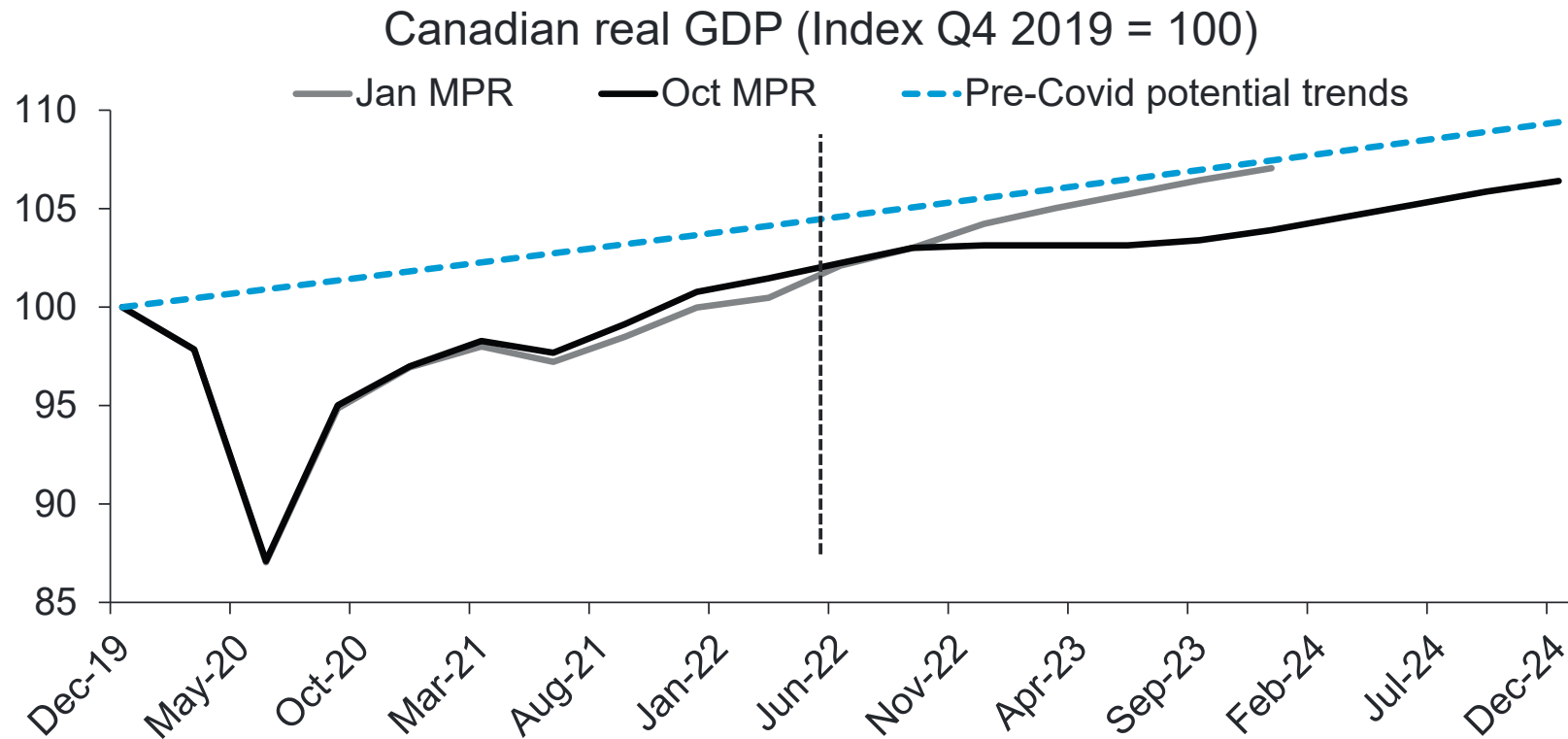
Going back to school; supply vs demand shocks



Central bankers also going back to school to understand supply side



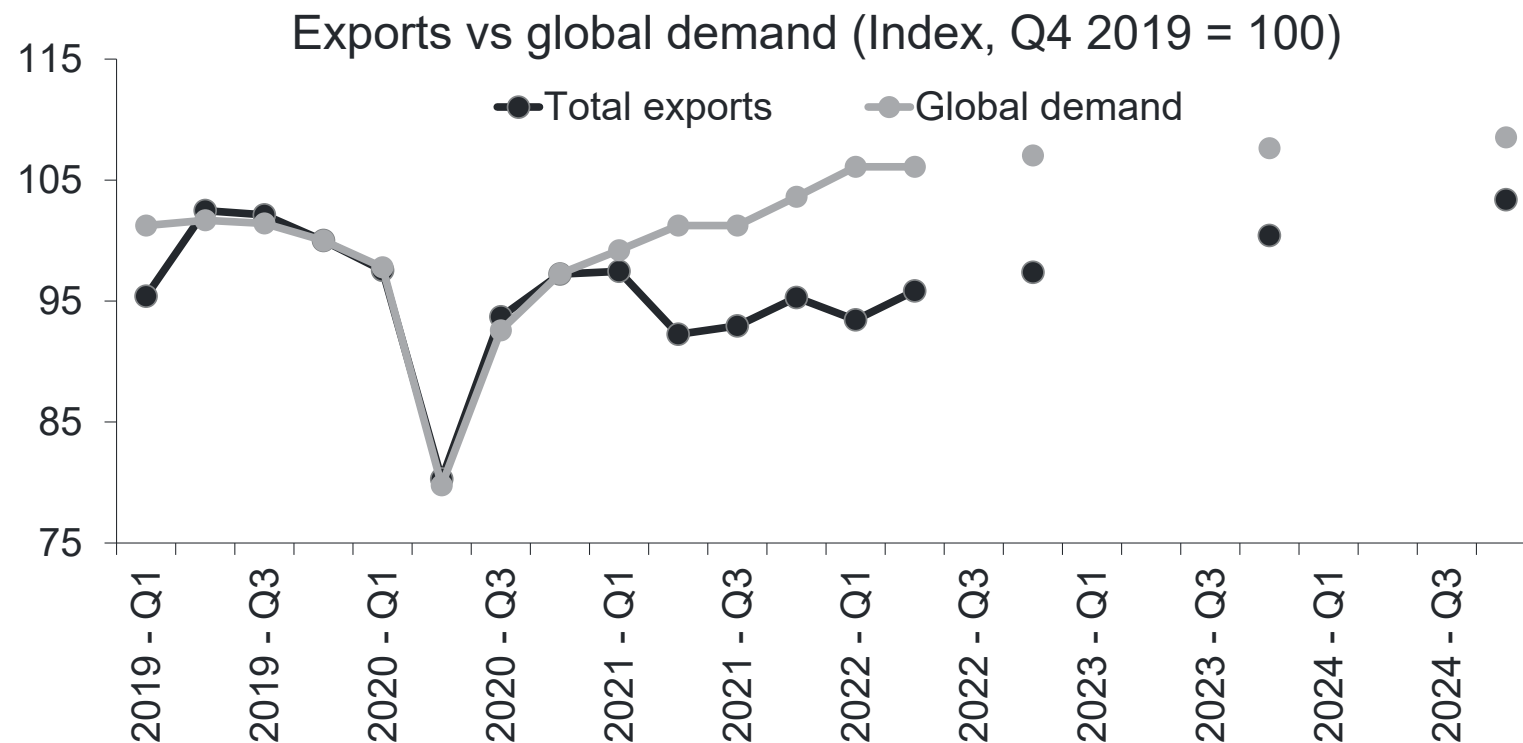
Forecasters no longer believe that a return to the pre-pandemic growth path is possible



Source: Bank of Canada, CIBC

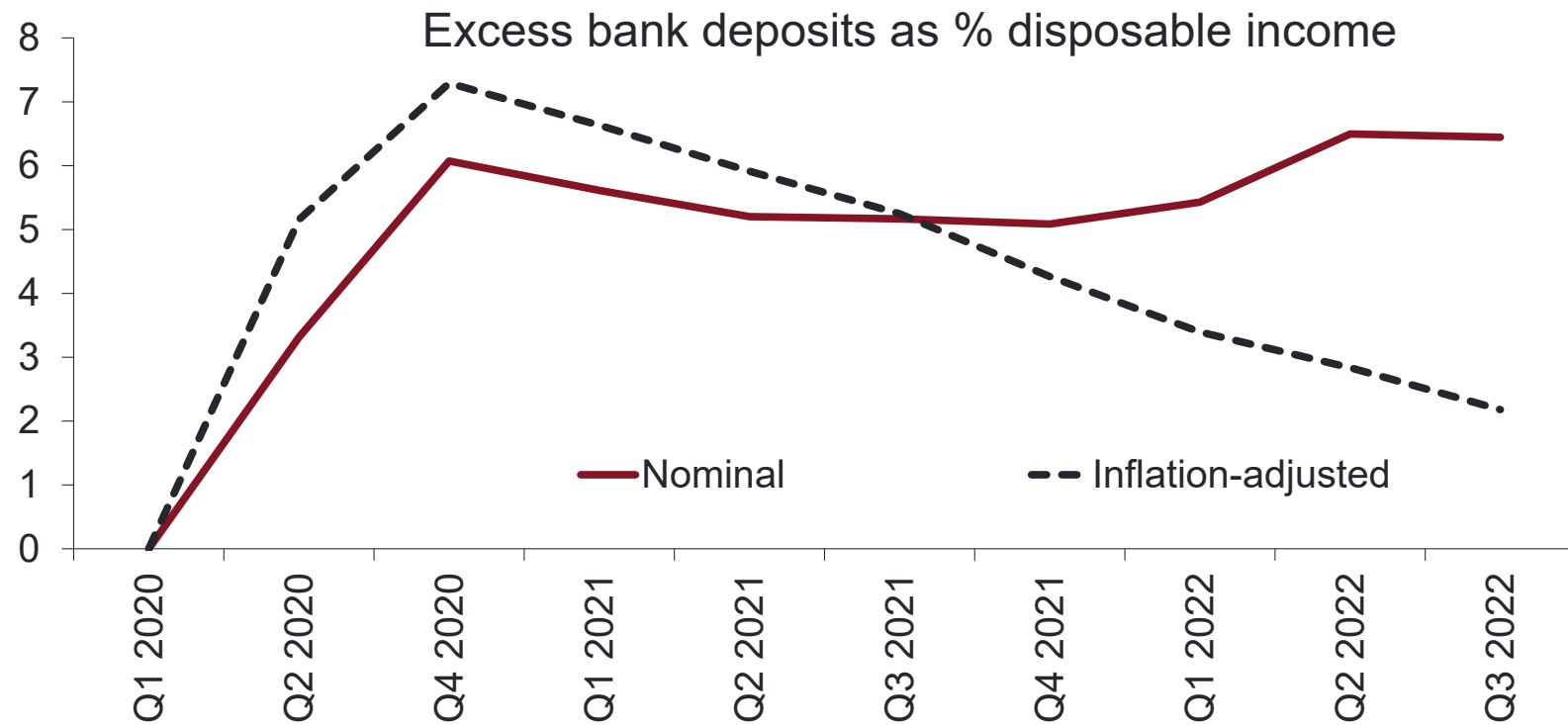


Canadian exports didn't benefit fully from the recovery, so may not fall as much during a downturn



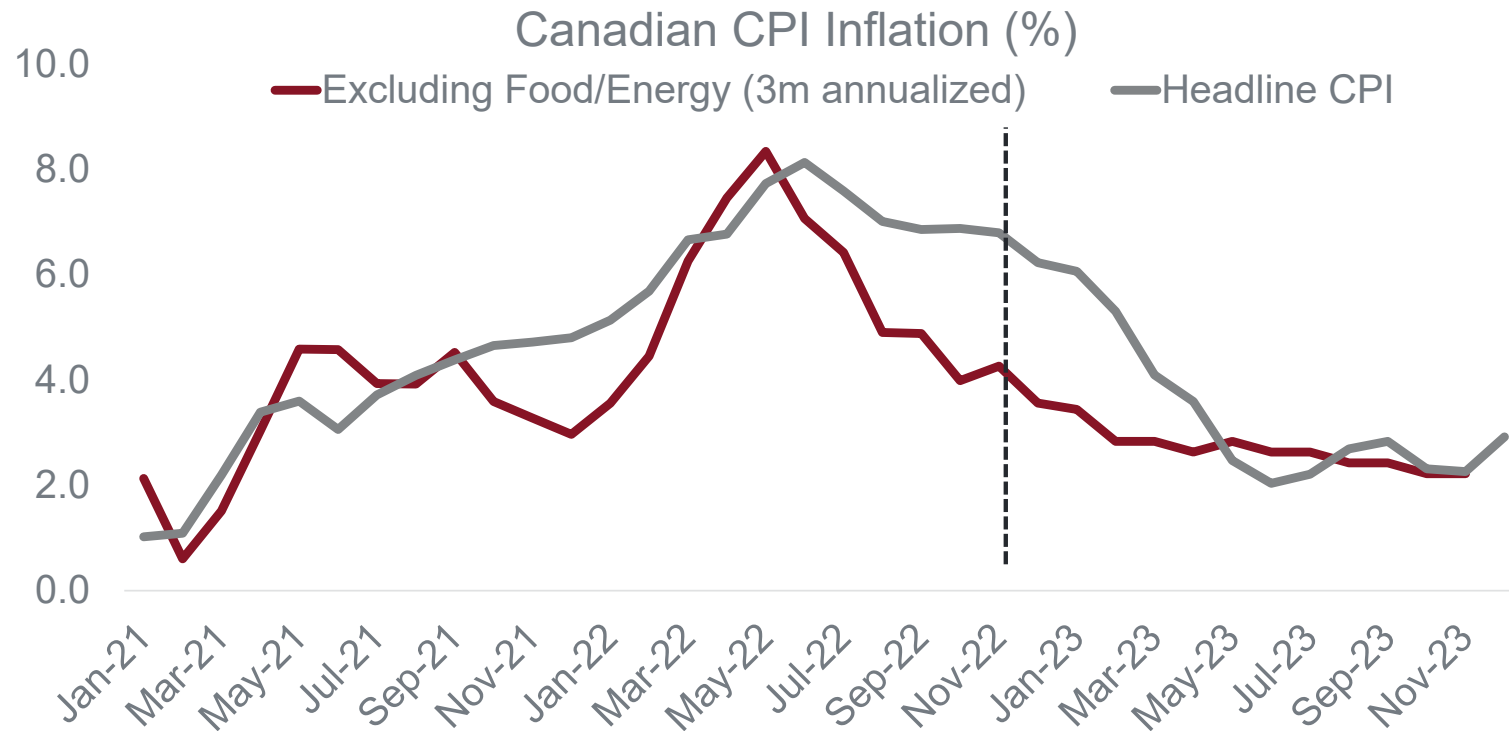
Source, Bank of Canada, Statistics Canada, CIBC

Households still have a small savings cushion, even accounting for inflation



Source: Haver, CIBC

Inflation has already eased, it's just not showing up in year-over-year rate yet



Source: Statistics Canada, CIBC

Provincial Economic Forecasts

	Real GDP Y/Y % Chg				Consumer Price Index Y/Y % Chg			
	2021A	2022F	2023F	2024F	2021A	2022F	2023F	2024F
BC	6.1	3.0	0.3	0.7	2.8	6.9	3.1	2.1
Alta	4.8	4.6	2.0	1.8	3.2	6.5	3.1	2.1
Sask	-0.9	5.3	2.4	1.5	2.6	6.6	3.4	2.1
Man	1.8	3.6	1.4	1.1	3.2	7.9	3.9	2.0
Ont	5.2	3.6	0.2	0.6	3.5	6.8	3.0	2.1
Qué	6.0	3.2	0.4	0.8	3.8	6.7	3.5	2.1
NB	5.9	1.9	0.7	1.1	3.8	7.4	3.6	2.1
NS	6.2	2.1	0.8	1.1	4.1	7.6	3.8	2.1
PEI	7.9	1.4	1.1	1.4	5.1	9.0	4.1	2.1
N&L	0.6	3.5	1.1	1.0	3.7	6.5	3.2	2.1
Canada	5.0	3.6	0.7	0.9	3.4	6.8	3.2	2.1

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