



CIBC CAPITAL MARKETS

On the descent

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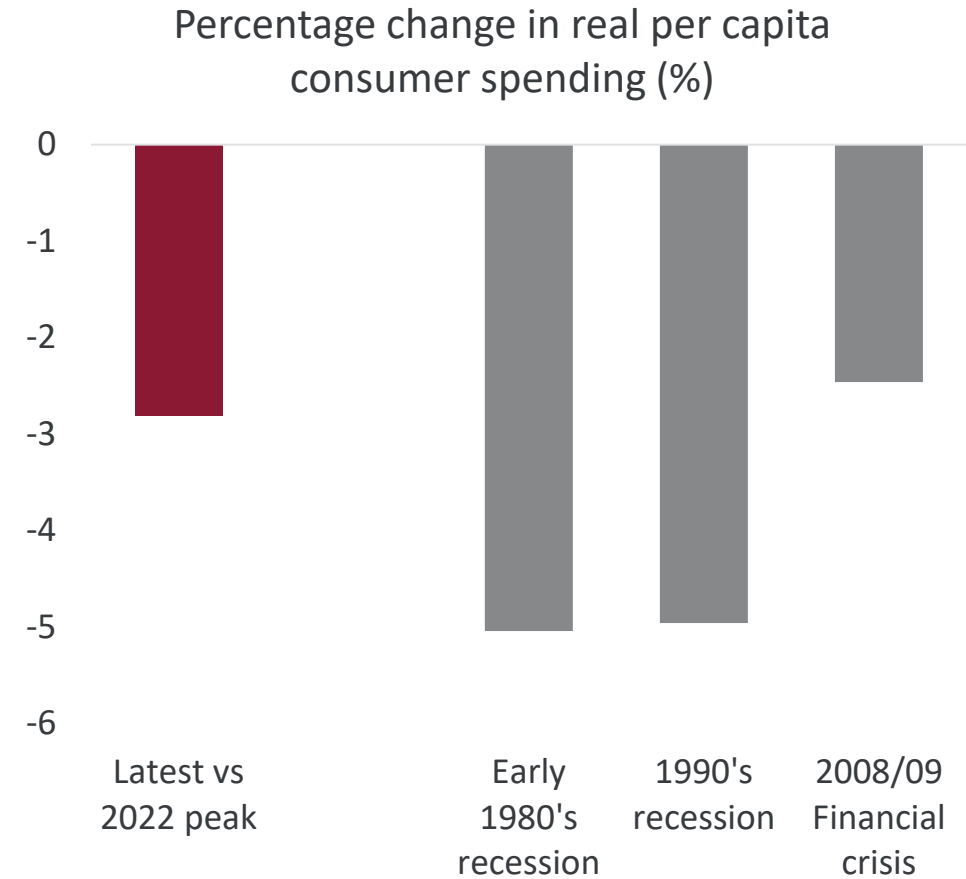
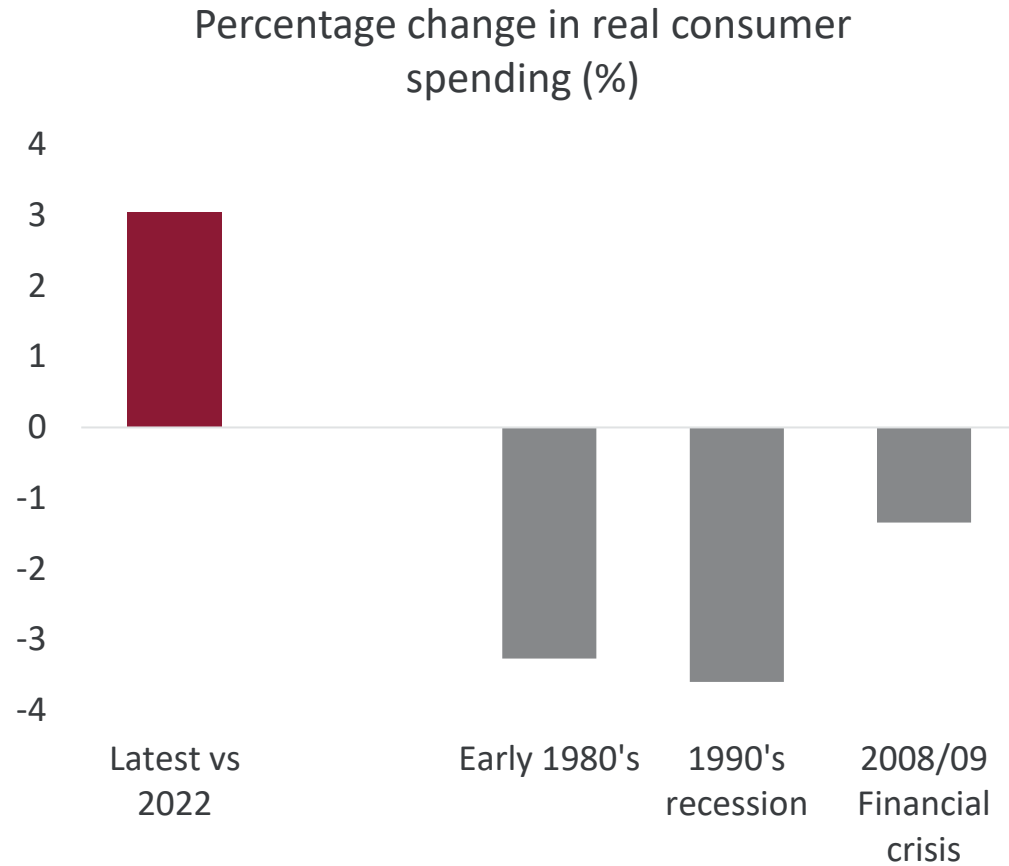
October 2024



Hopes for a “soft landing”

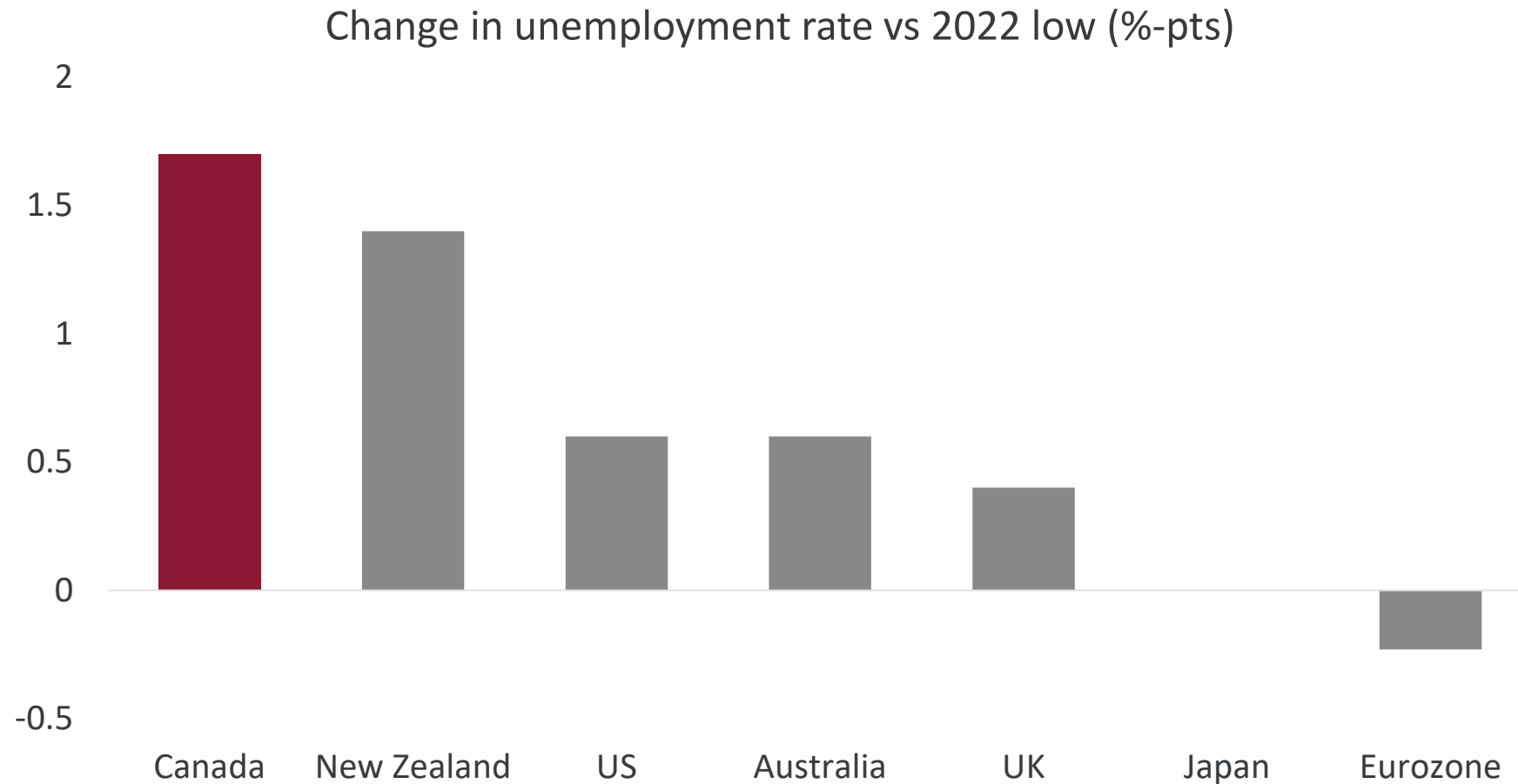
officials justified their decision to opt for a larger bout of easing by saying it was to “stick the soft landing”. **October 2024**

Per-capita consumer spending already declining similarly to prior recessions



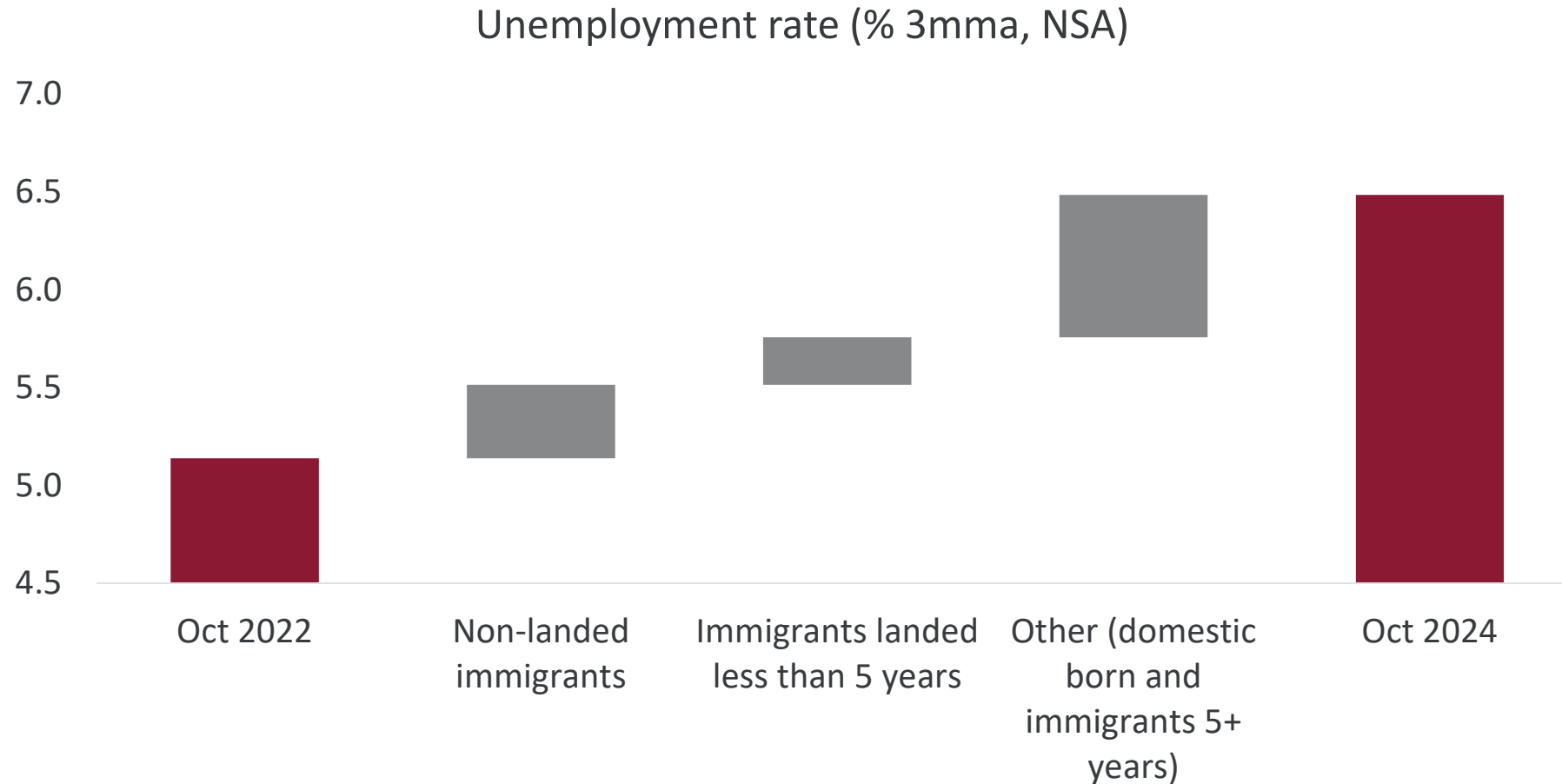
Source: Statistics Canada, CIBC

Canada has seen largest rise in unemployment rate since rate hikes began



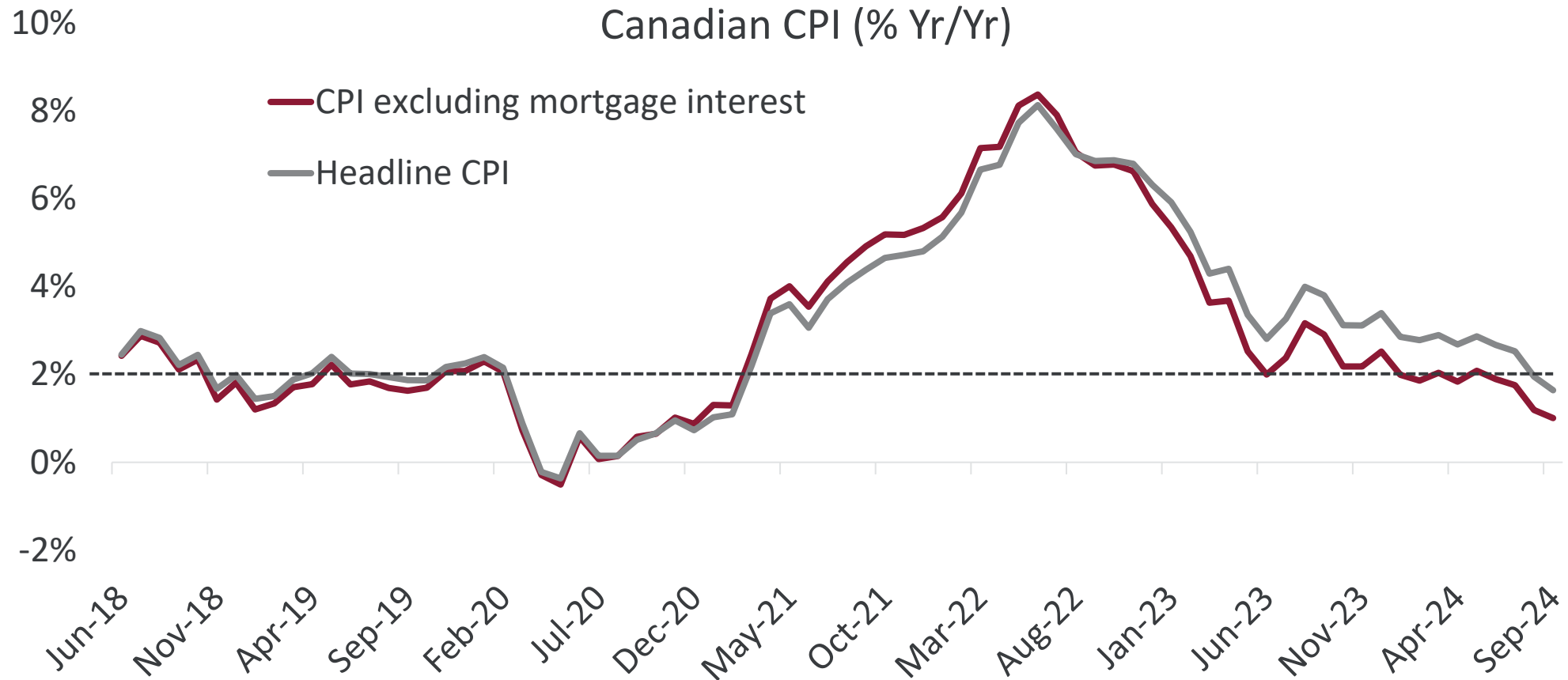
Source: Bloomberg, CIBC

Recent increase in unemployment not just a population growth story



Source: Statistics Canada, CIBC

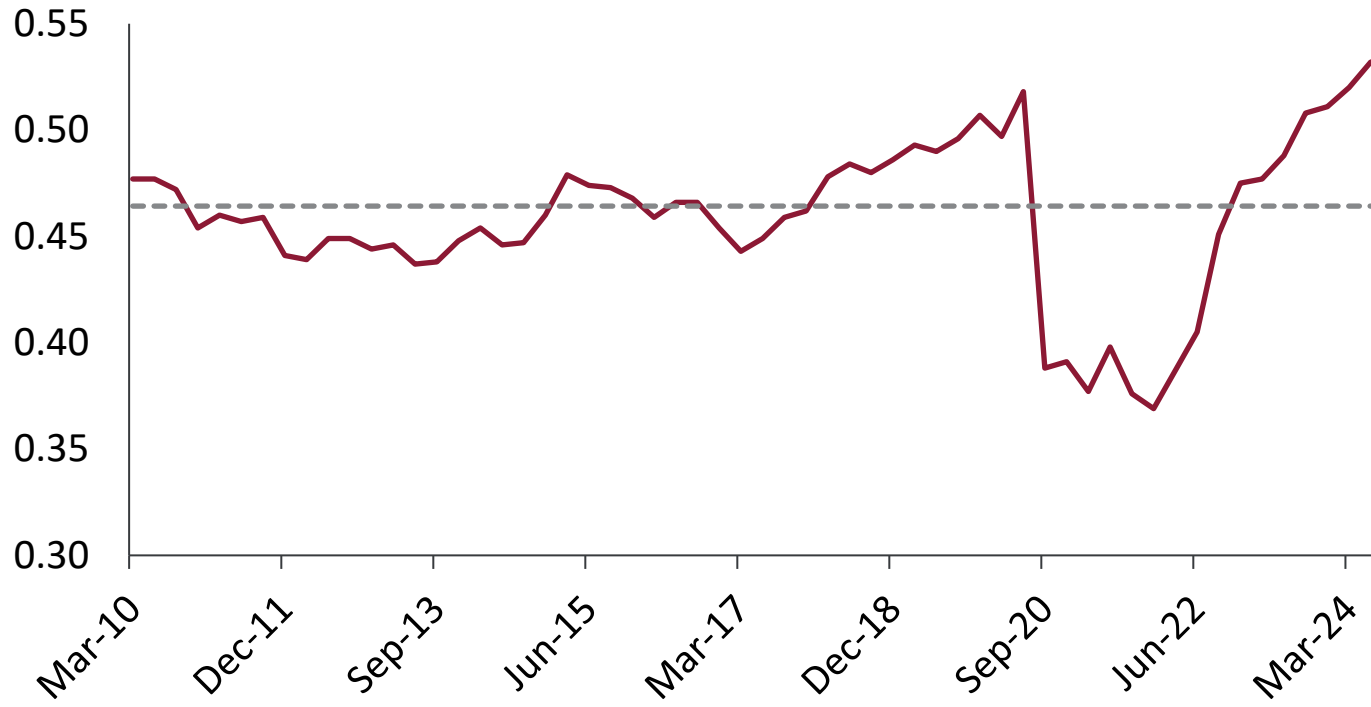
The Bank of Canada's own actions are driving one of the few remaining inflationary elements



Source: Statistics Canada, CIBC

Canadian economy now well stocked, could absorb a strengthening of demand or another supply shock

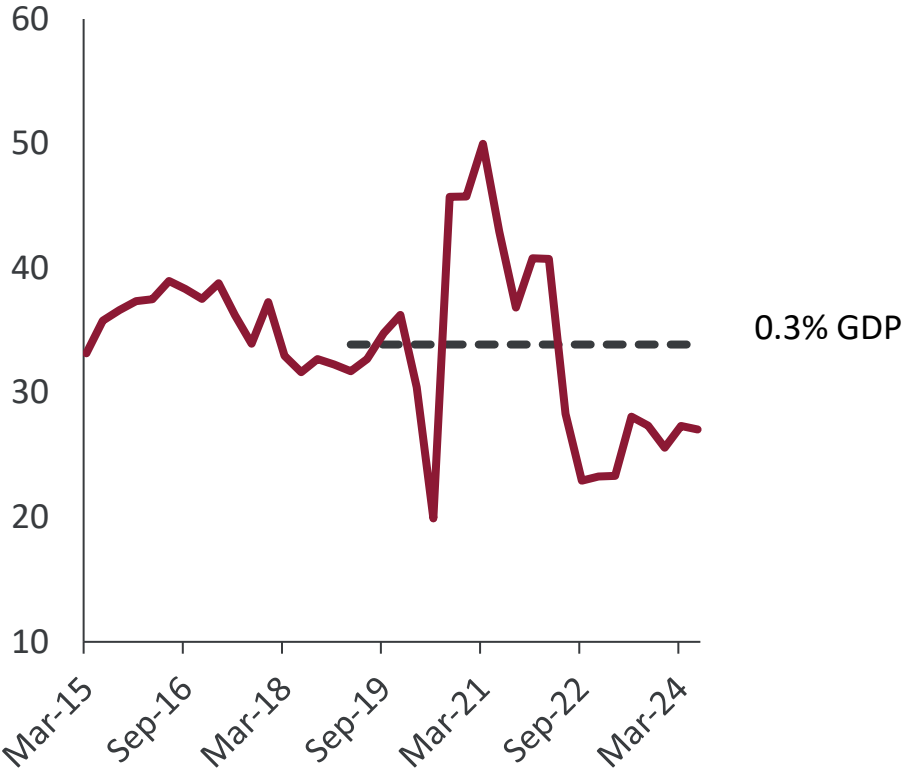
Quarterly stock to sales ratio: Retail trade



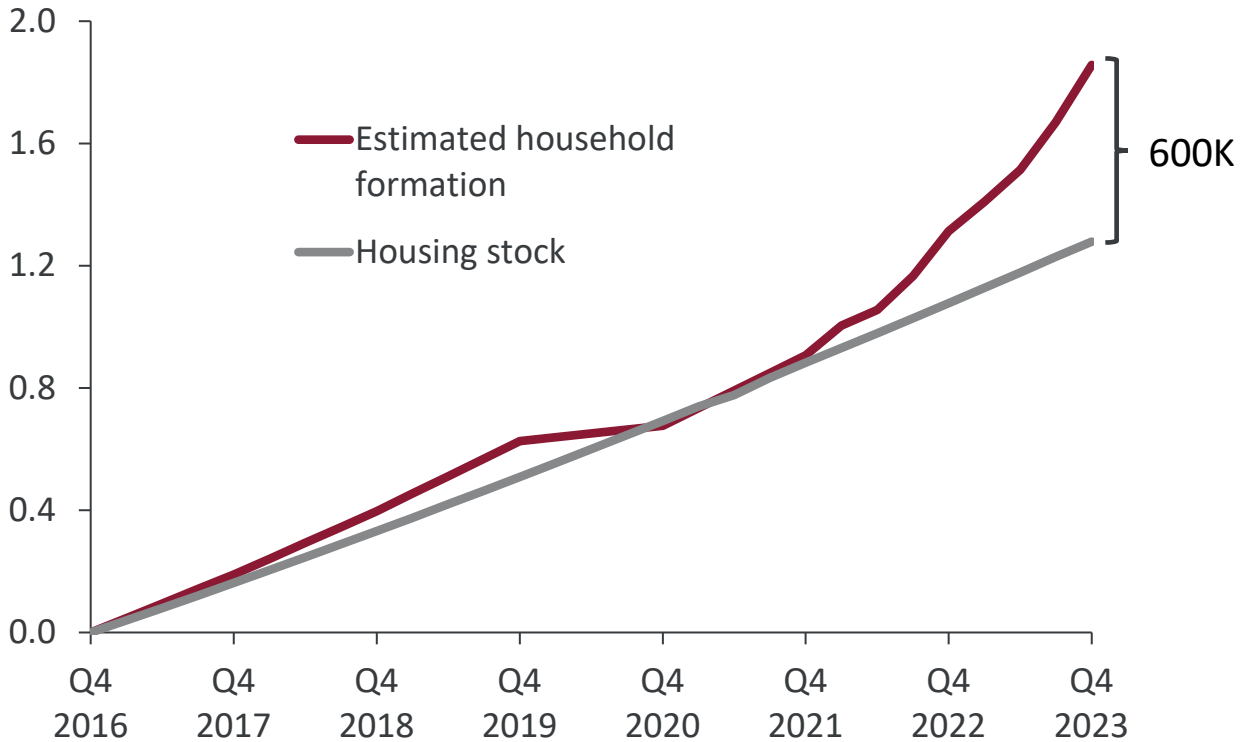
Source: Statistics Canada, BEA, Bloomberg, CIBC



We shouldn't fear a housing rebound from very depressed levels



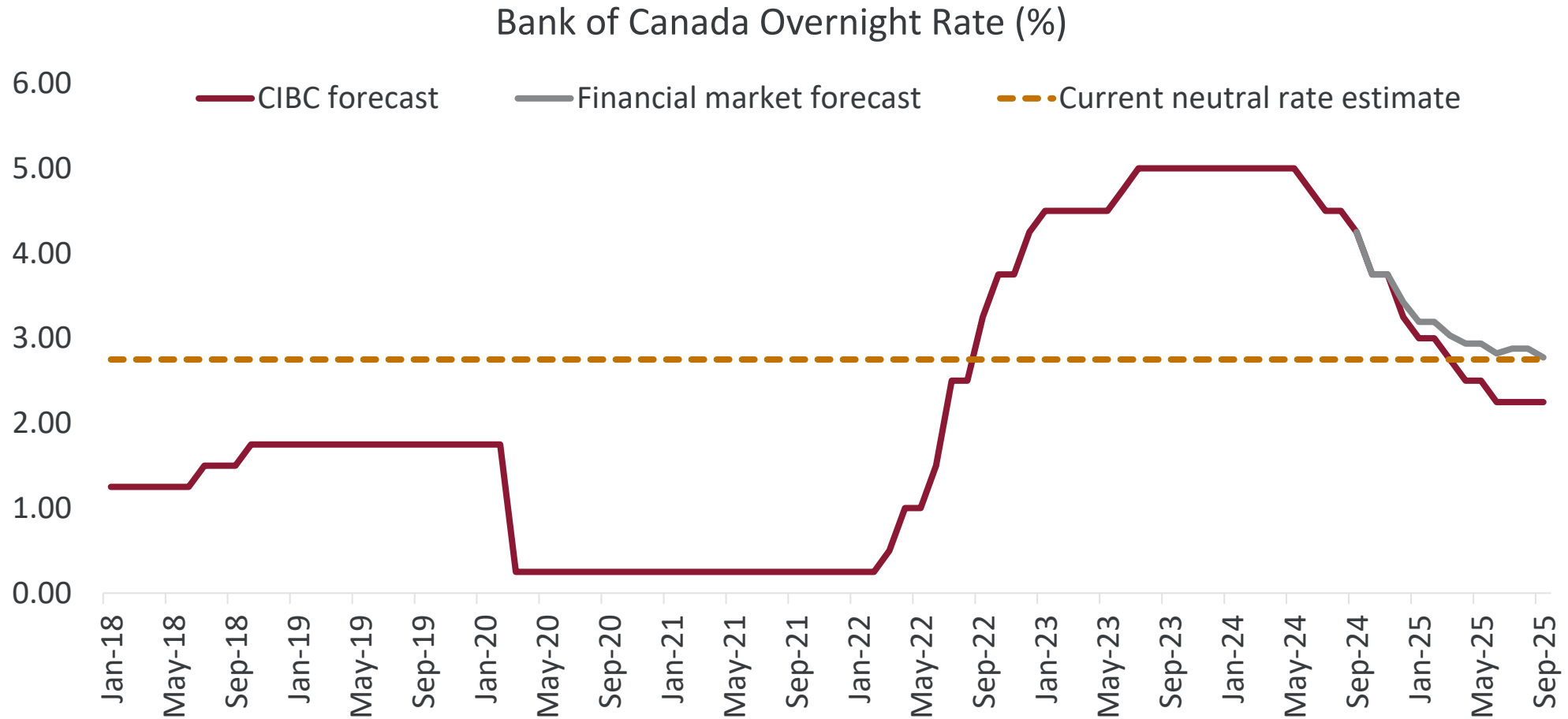
Cumulative change in housing stock and estimated household formation since 2016 (Mn)



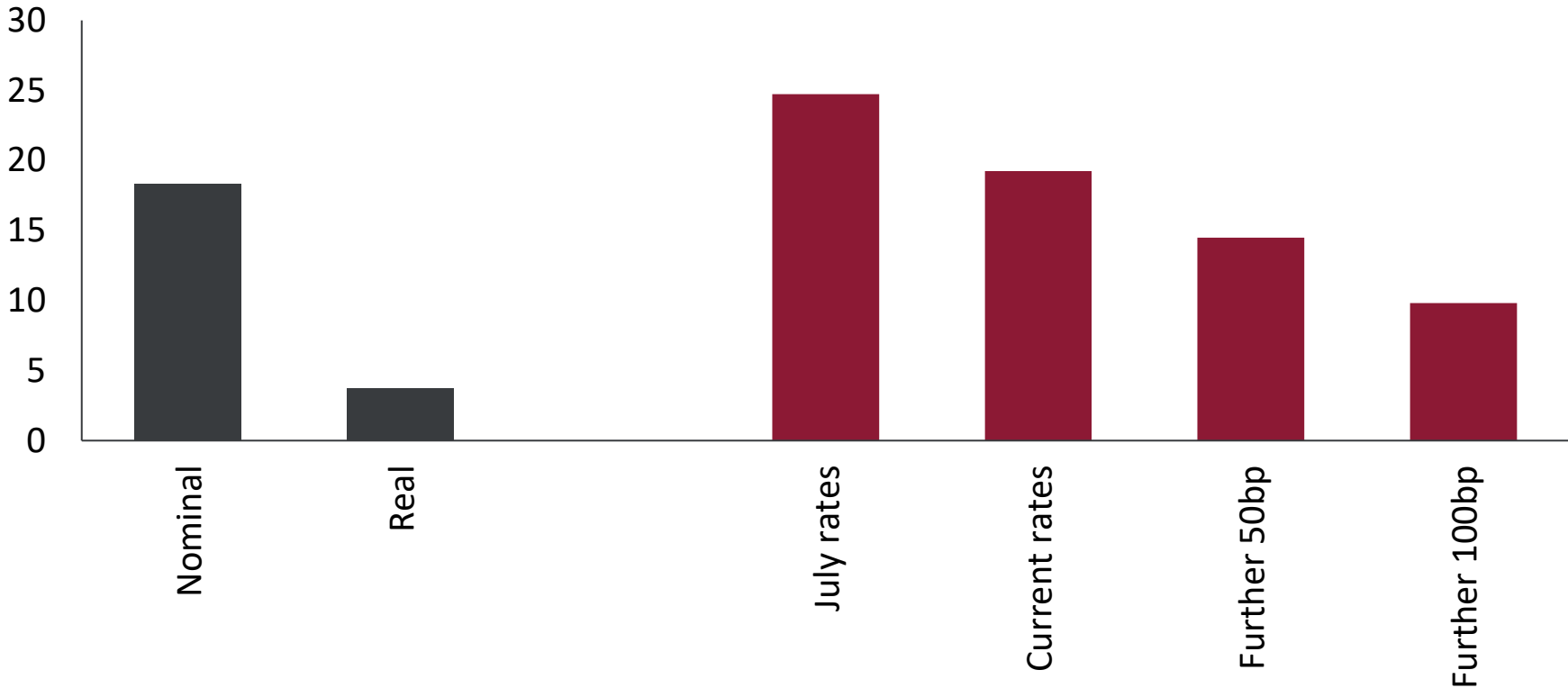
Source: Statistics Canada, CIBC



Interest rates need to fall below “Neutral” to accelerate growth



Bank of Canada will also have to cut more than markets currently expect to ease threat from mortgage renewals ^{7.1}



Source: Statistics Canada, BoC, CIBC



Interest rates will fall close, but not all the way back, to pre-pandemic levels

		2024		2025			2026		
END OF PERIOD:		9-Nov	Dec	Mar	Jun	Sep	Dec	Jun	Dec
CDA	Overnight target rate	3.75	3.25	2.75	2.25	2.25	2.25	2.25	2.25
	98-Day Treasury Bills	3.51	3.05	2.55	2.20	2.10	2.10	2.20	2.20
	2-Year Gov't Bond	3.10	2.85	2.50	2.30	2.45	2.60	2.80	3.10
	10-Year Gov't Bond	3.25	3.05	3.00	2.95	3.10	3.15	3.25	3.40
	30-Year Gov't Bond	3.27	3.25	3.20	3.10	3.15	3.20	3.25	3.35
	Canada - US T-Bill Spread	-1.03	-1.15	-1.15	-1.10	-1.15	-1.15	-1.10	-1.20
Canada - US 10-Year Bond Spread	-1.12	-1.20	-1.00	-0.90	-0.55	-0.35	-0.35	-0.40	
Canada Yield Curve (10-Year — 2-Year)	0.15	0.20	0.50	0.65	0.65	0.55	0.45	0.30	
U.S.	Federal Funds Rate (midpoint)	4.625	4.375	3.875	3.375	3.375	3.375	3.375	3.375
	91-Day Treasury Bills	4.54	4.20	3.70	3.30	3.25	3.25	3.30	3.40
	2-Year Gov't Note	4.24	4.10	3.85	3.45	3.35	3.30	3.45	3.75
	10-Year Gov't Note	4.37	4.25	4.00	3.85	3.65	3.50	3.60	3.80
	30-Year Gov't Bond	4.56	4.40	4.20	4.15	4.10	4.00	4.35	4.50
	US Yield Curve (10-Year — 2-Year)	0.12	0.15	0.15	0.40	0.30	0.20	0.15	0.05
EXCHANGE RATES	CADUSD	0.72	0.71	0.71	0.72	0.72	0.73	0.73	0.73
	USDCAD	1.39	1.41	1.40	1.39	1.38	1.37	1.37	1.36

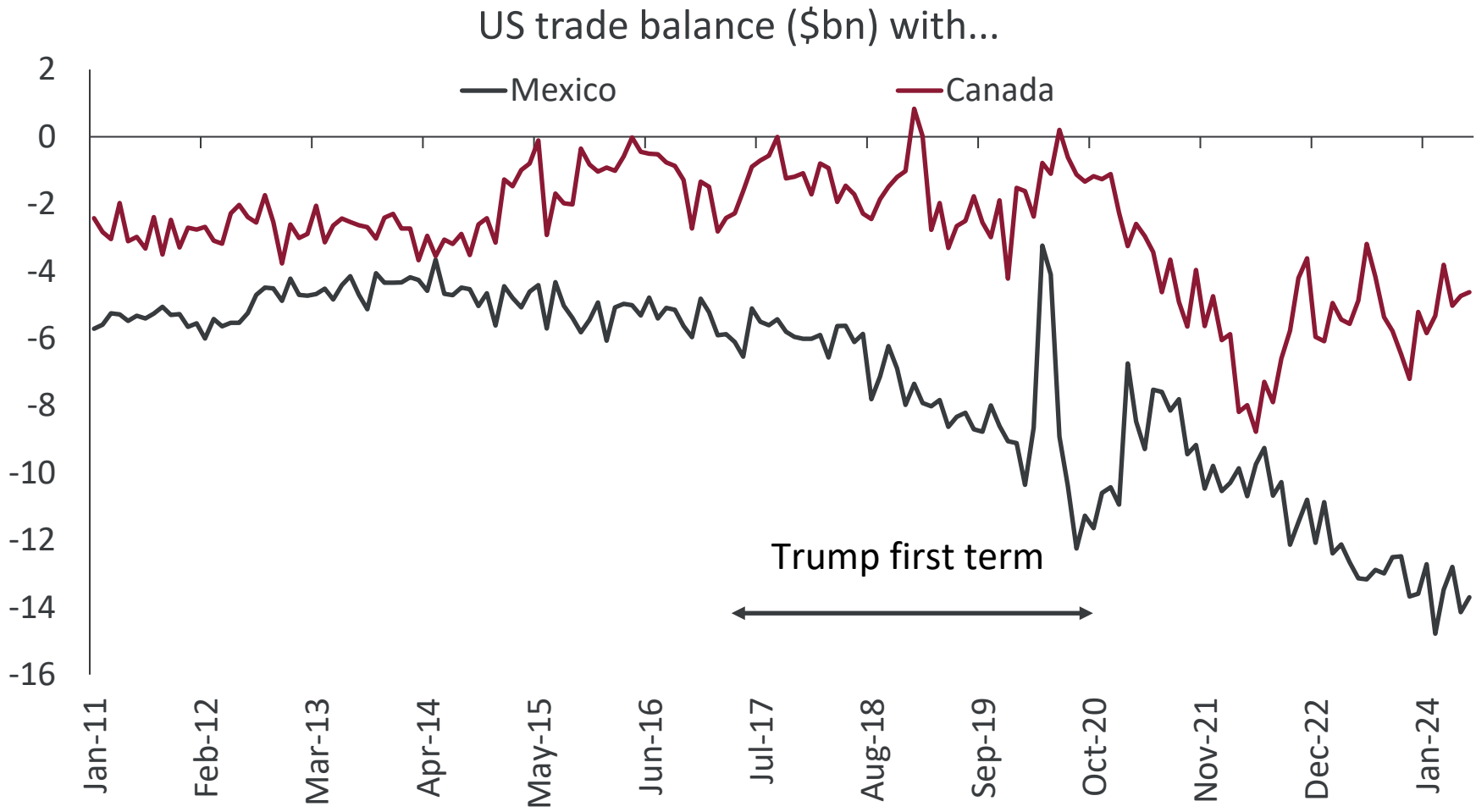
Source: CIBC



Provincial growth – Ontario has room to accelerate as rates fall

	Real GDP Y/Y % Chg					Unemployment rate %					Consumer Price Index Y/Y % Chg				
	2022A	2023E	2024F	2025F	2026F	2022A	2023A	2024F	2025F	2026F	2022A	2023A	2024F	2025F	2026F
BC	4.0	2.4	0.8	1.7	2.4	4.6	5.1	5.5	5.5	5.0	6.9	4.0	2.6	2.0	1.9
Alta	6.0	2.3	2.2	2.5	2.7	5.8	5.9	7.1	7.1	6.3	6.5	3.3	2.8	1.8	1.9
Sask	7.2	2.3	2.0	1.8	2.2	4.7	4.8	5.4	5.3	4.8	6.6	3.9	1.4	1.7	1.9
Man	4.2	1.7	1.3	1.6	1.9	4.5	4.8	5.1	5.3	4.9	7.9	3.6	1.0	2.2	2.0
Ont	4.1	1.7	0.7	1.5	2.7	5.6	5.6	5.6	6.8	6.2	6.8	3.8	2.4	1.7	1.9
Qué	3.4	0.6	0.8	1.9	2.3	4.3	4.4	5.5	5.6	5.1	6.7	4.5	2.3	1.7	1.9
NB	2.0	1.6	1.5	1.7	1.9	7.2	6.6	7.0	7.0	6.7	7.3	3.5	2.2	1.4	1.9
NS	3.5	2.0	1.7	1.8	2.0	6.6	6.3	6.6	6.9	6.4	7.5	4.0	2.3	1.5	1.9
PEI	4.4	2.2	2.5	2.1	2.5	7.5	7.4	7.8	8.2	7.8	8.9	2.9	2.0	1.5	1.9
N&L	-1.9	-2.6	3.5	2.1	2.5	11.2	9.9	10.0	9.7	9.5	6.4	3.3	1.9	1.5	1.9
Canada	3.8	1.5	1.1	1.8	2.5	5.3	5.4	6.3	6.4	5.8	6.8	3.9	2.3	1.7	1.9

Will Canadian trade be Trumped?

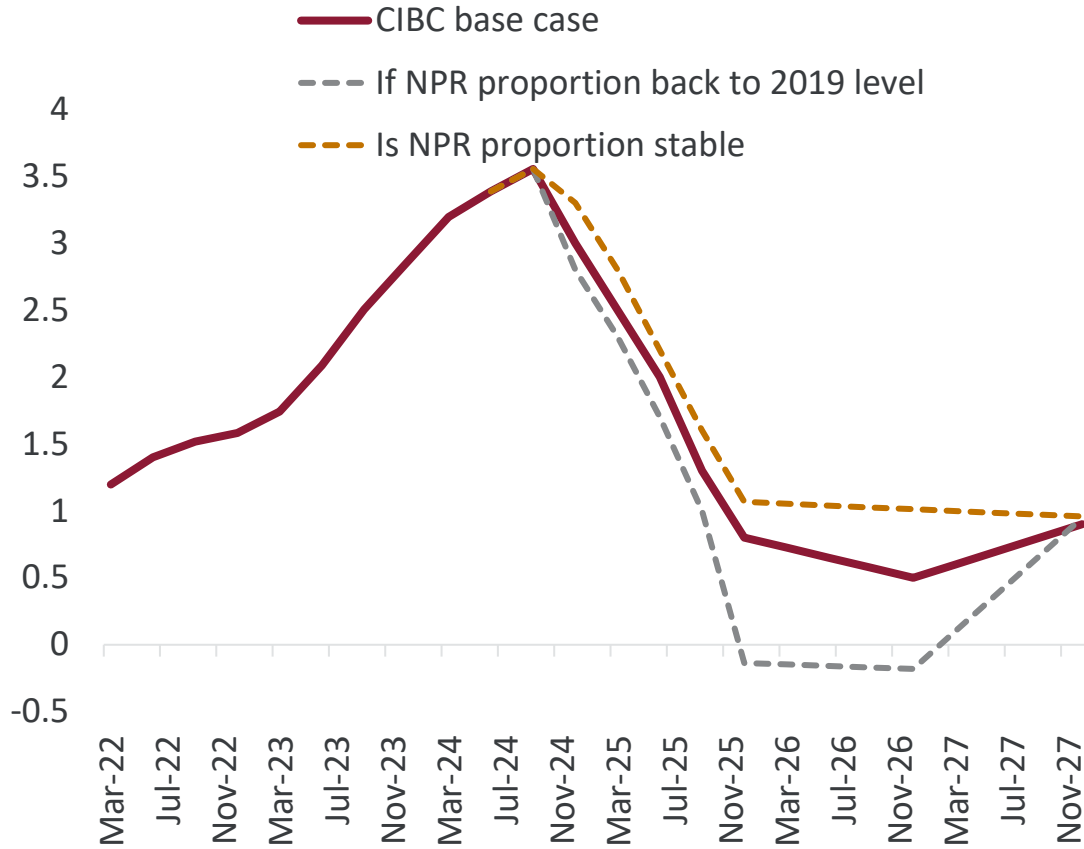


Source: BEA, CIBC



Population growth to slow, but how much is uncertain (L); Plenty of labour market slack to use up before worker shortages a concern (R)

Canada population growth (% yr/yr)



Source: Statistics Canada, CIBC

Estimate of spare capacity in the labour market (000's persons)

