

Now For the Hard Part?

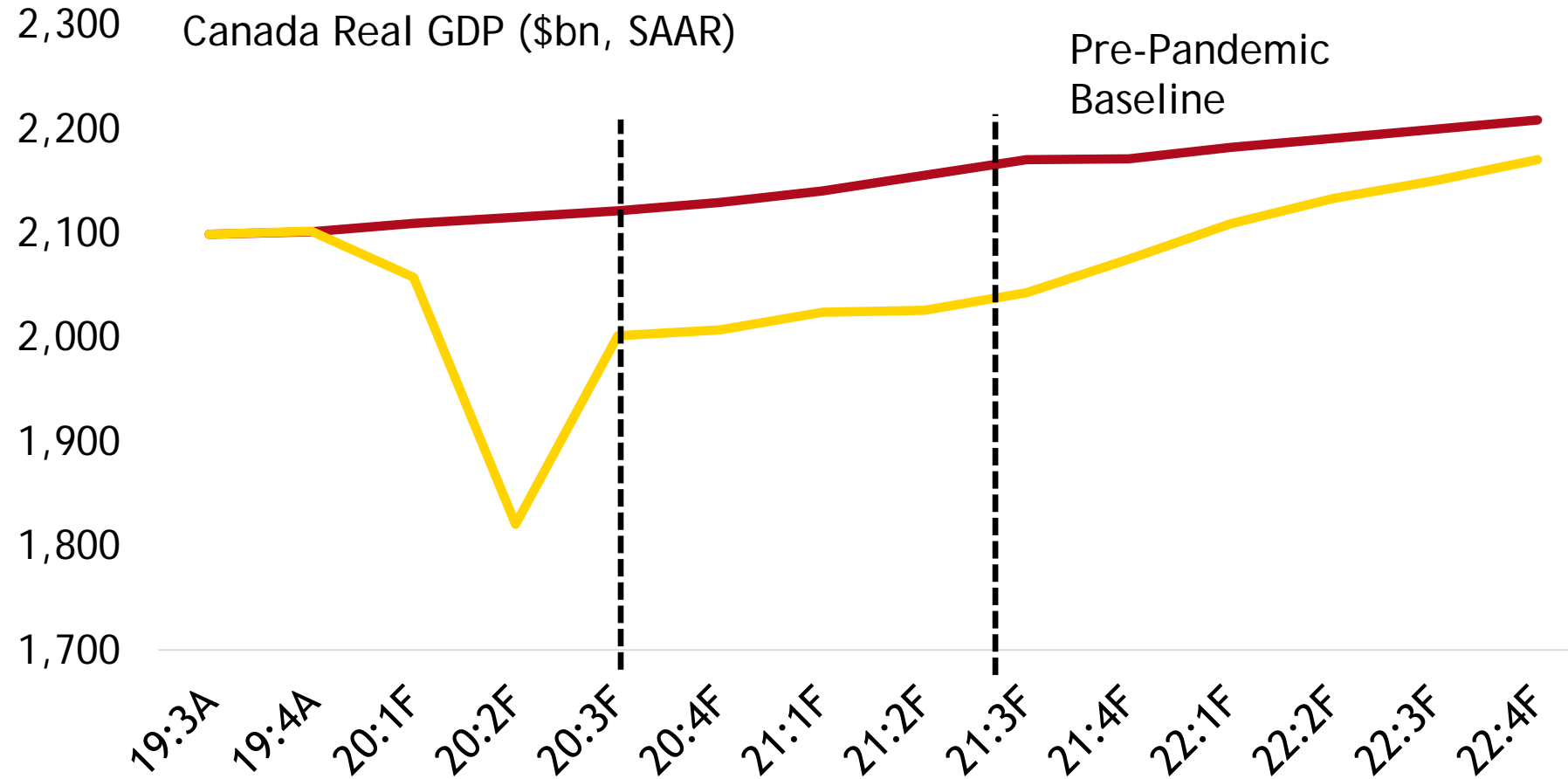


Andrew Grantham, Executive Director & Senior Economist

November 2020



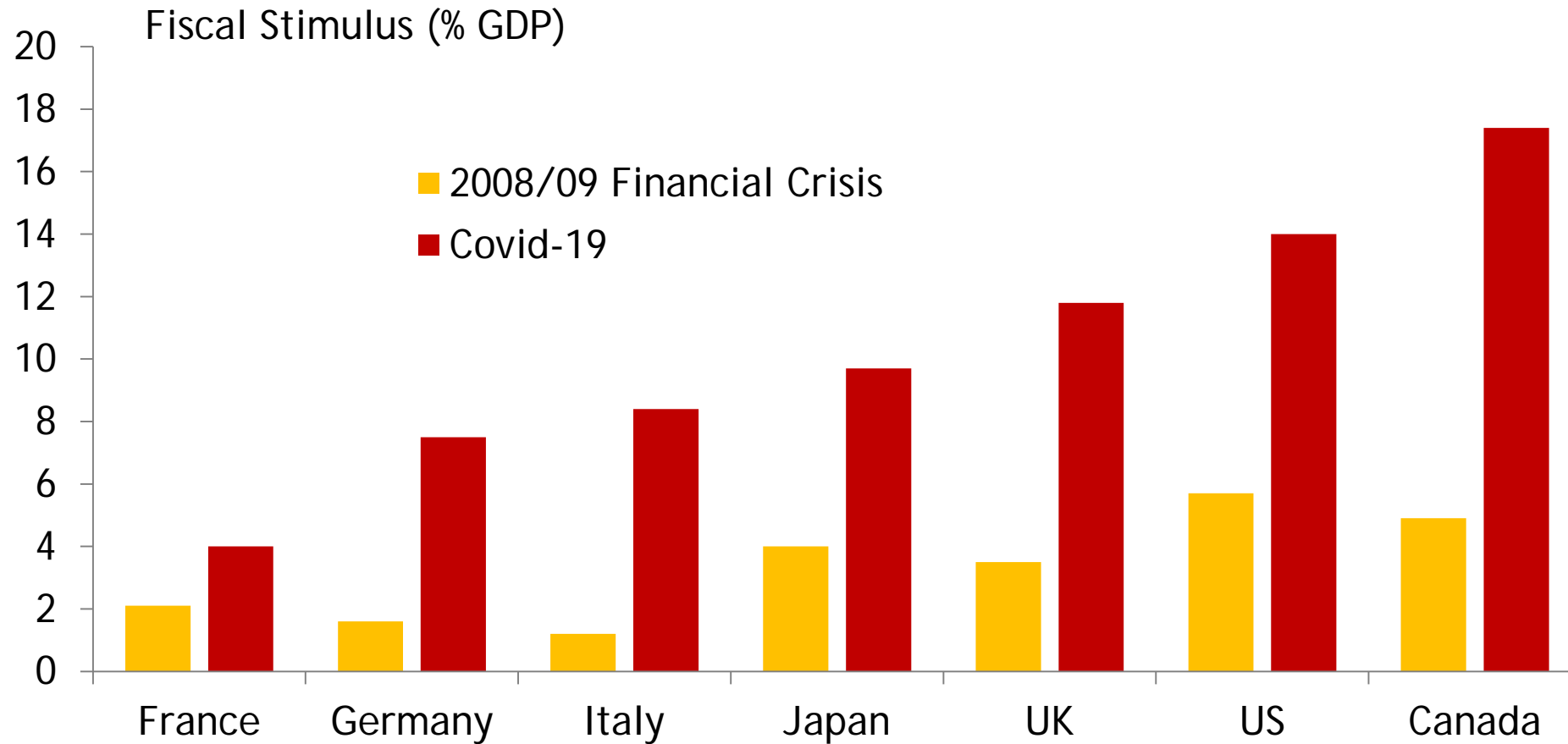
Entering a New Phase of the Recovery



Source: Statistics Canada, CIBC



Fiscal Stimulus Has Been Large Relative to 2008/09

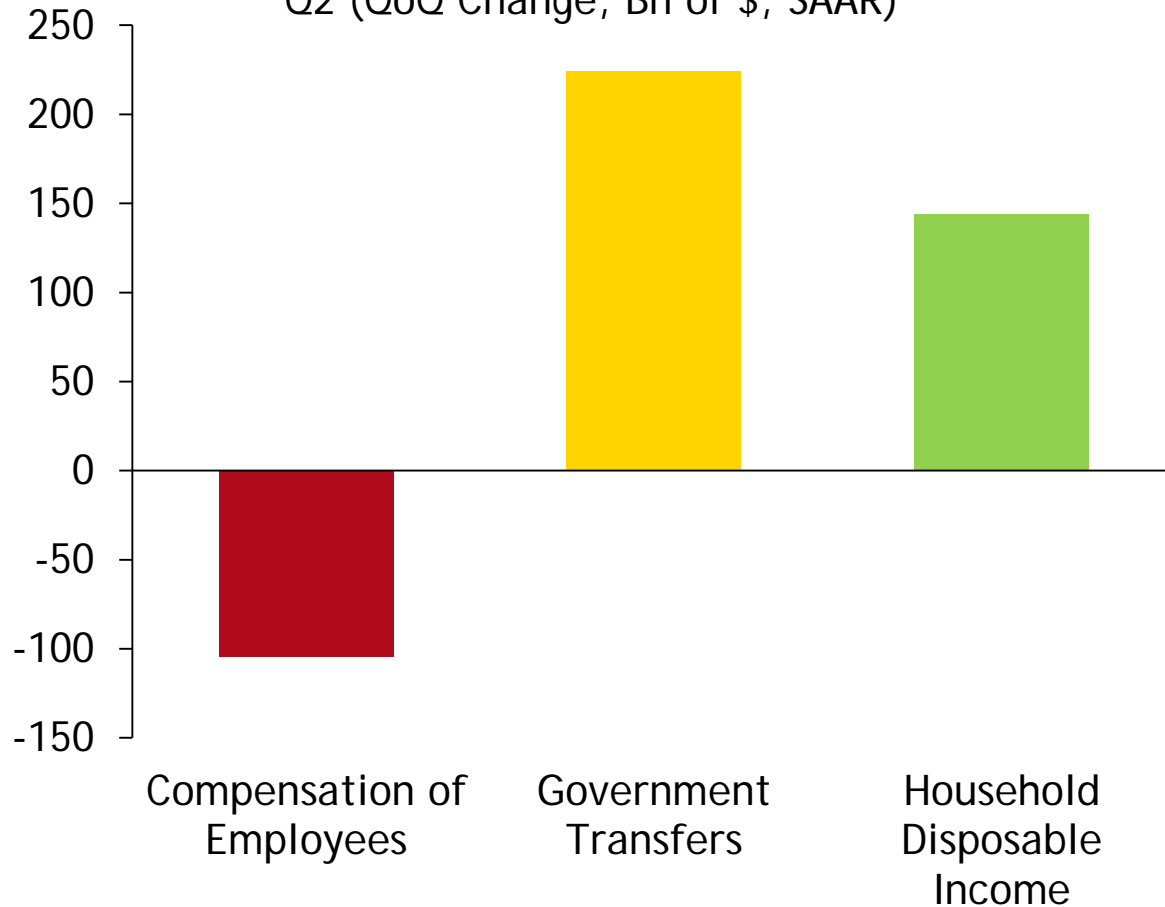


Source: IMF, CBO, CIBC



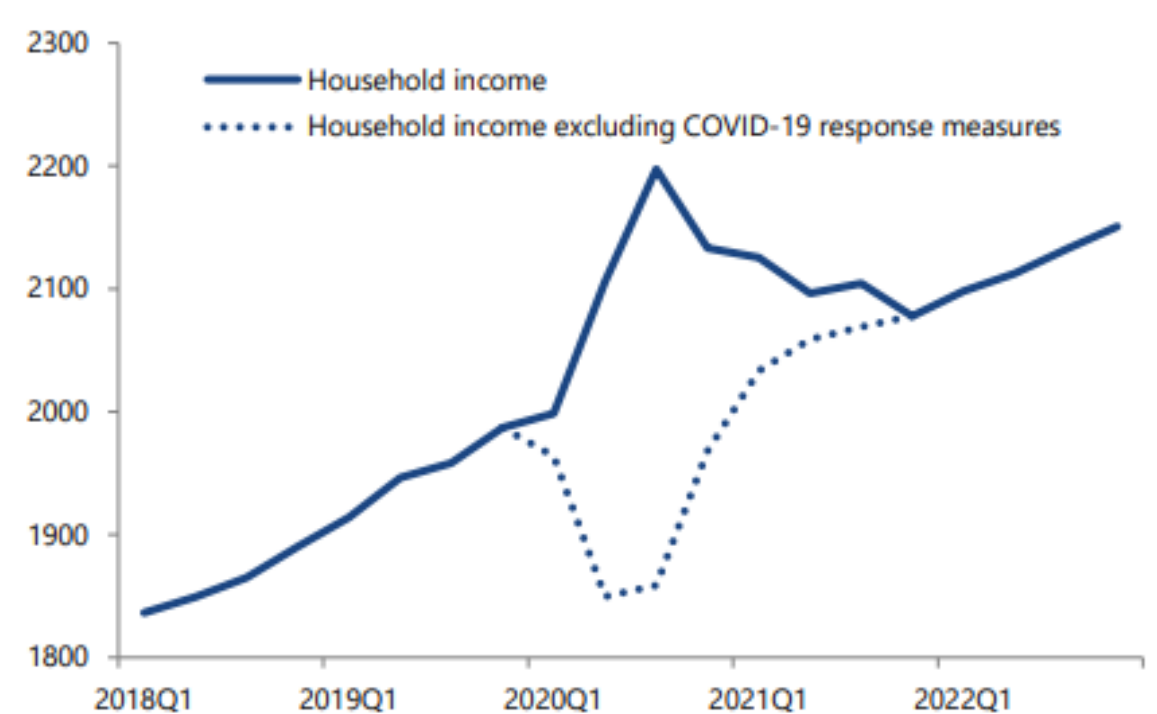
Show Me the Money: Ottawa Keeps Households Afloat

Components of Canadian Household Income in Q2 (QoQ Change, Bn of \$, SAAR)



Source: Statistics Canada, PBO, CIBC

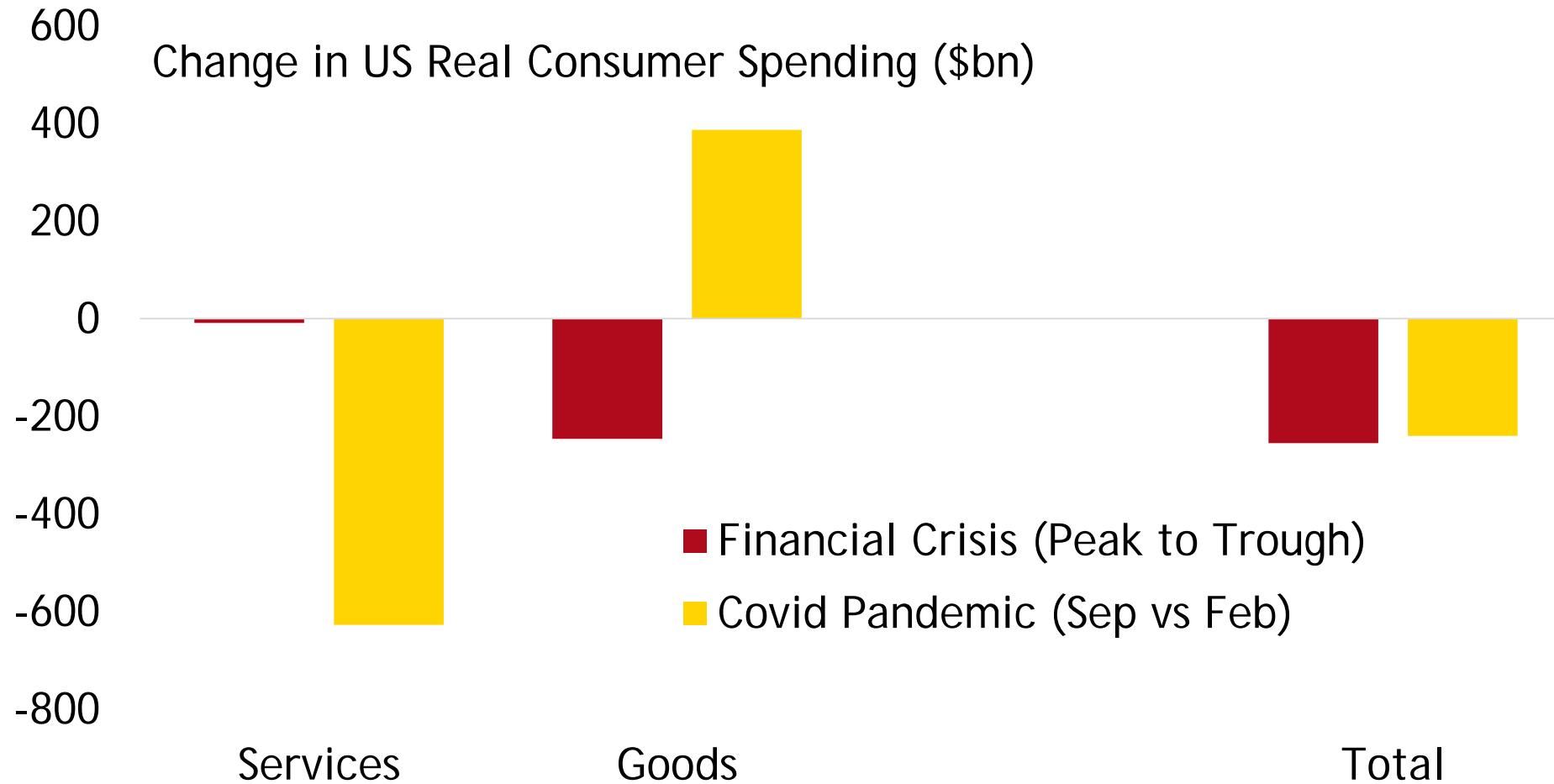
\$ billions



Sources: Statistics Canada and Parliamentary Budget Officer.



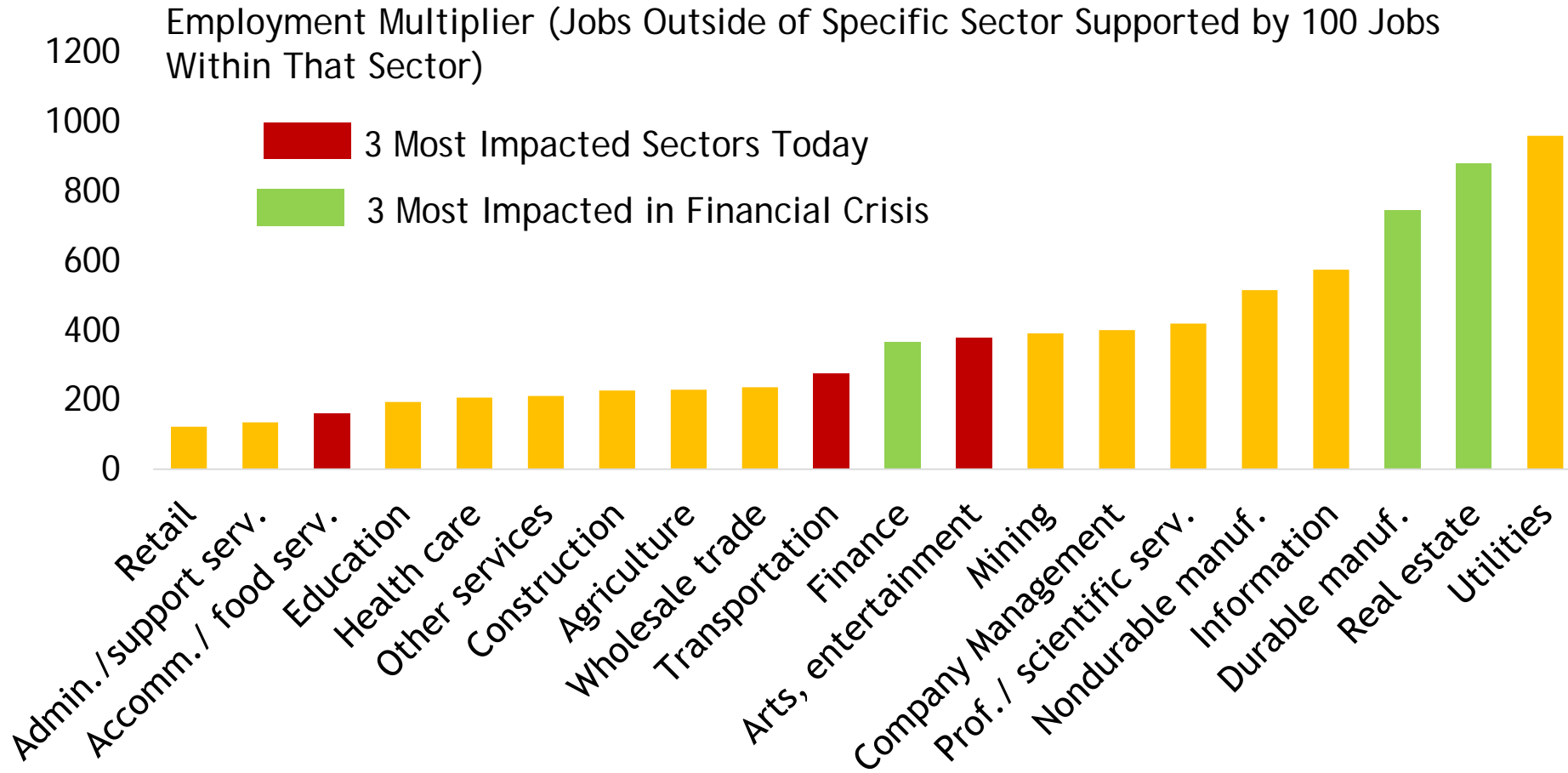
Not a "Normal" Recession - Services Driven



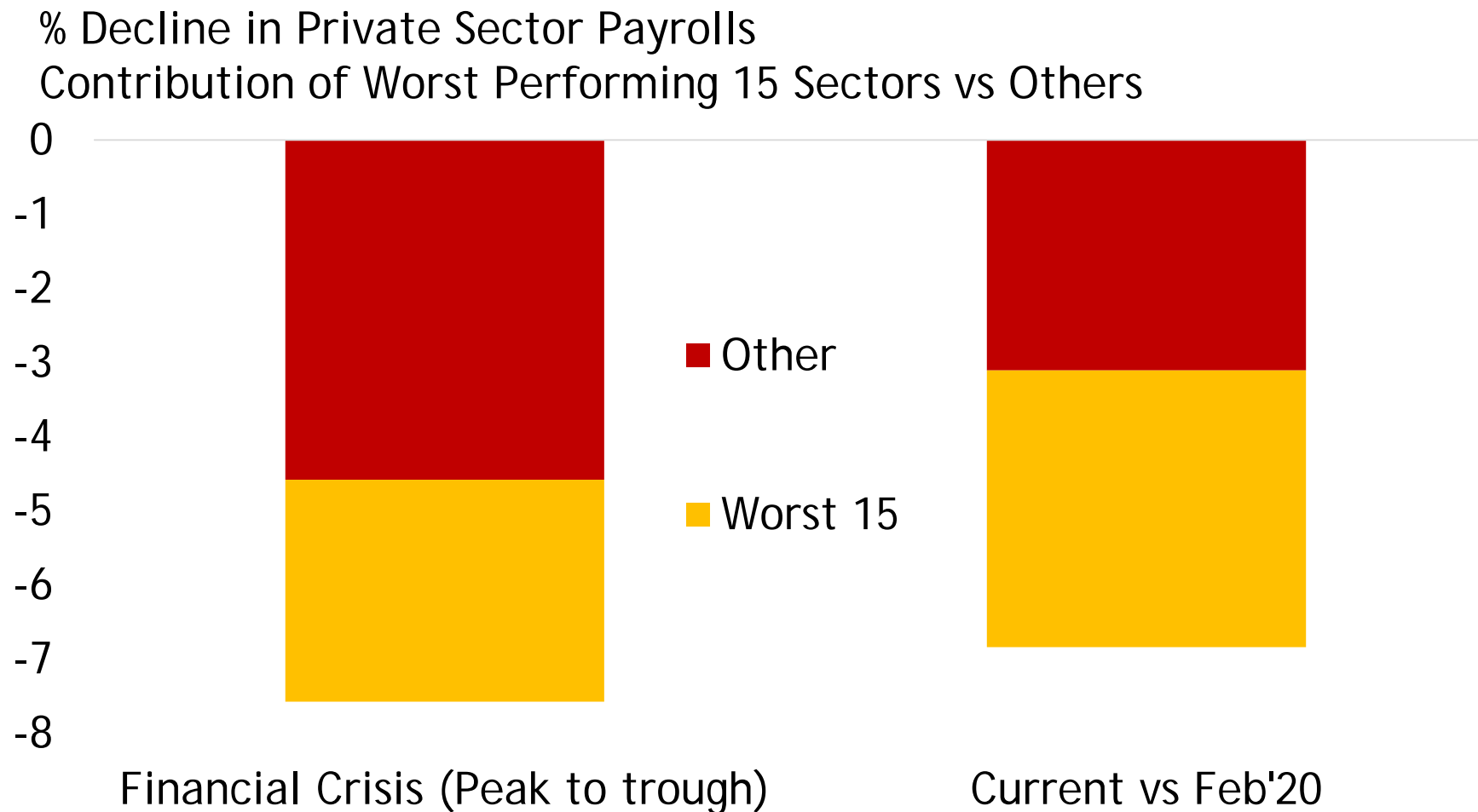
Source: BEA, CIBC



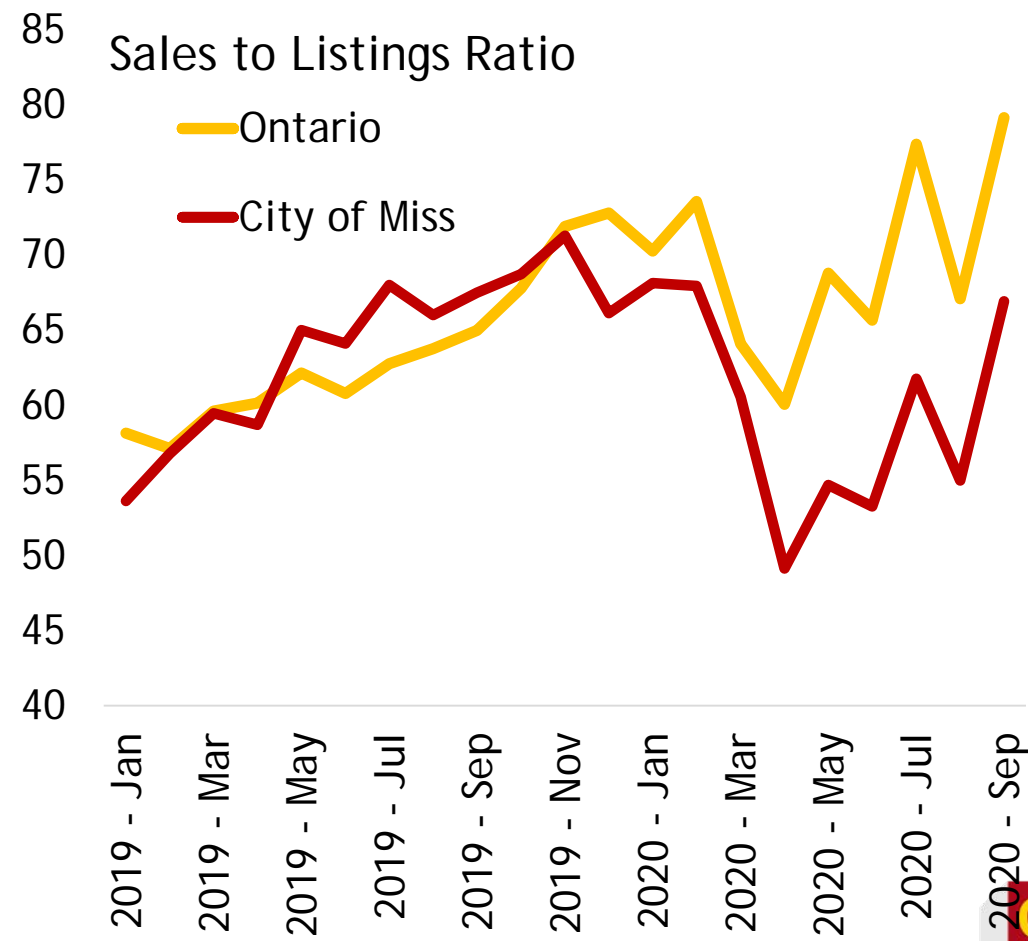
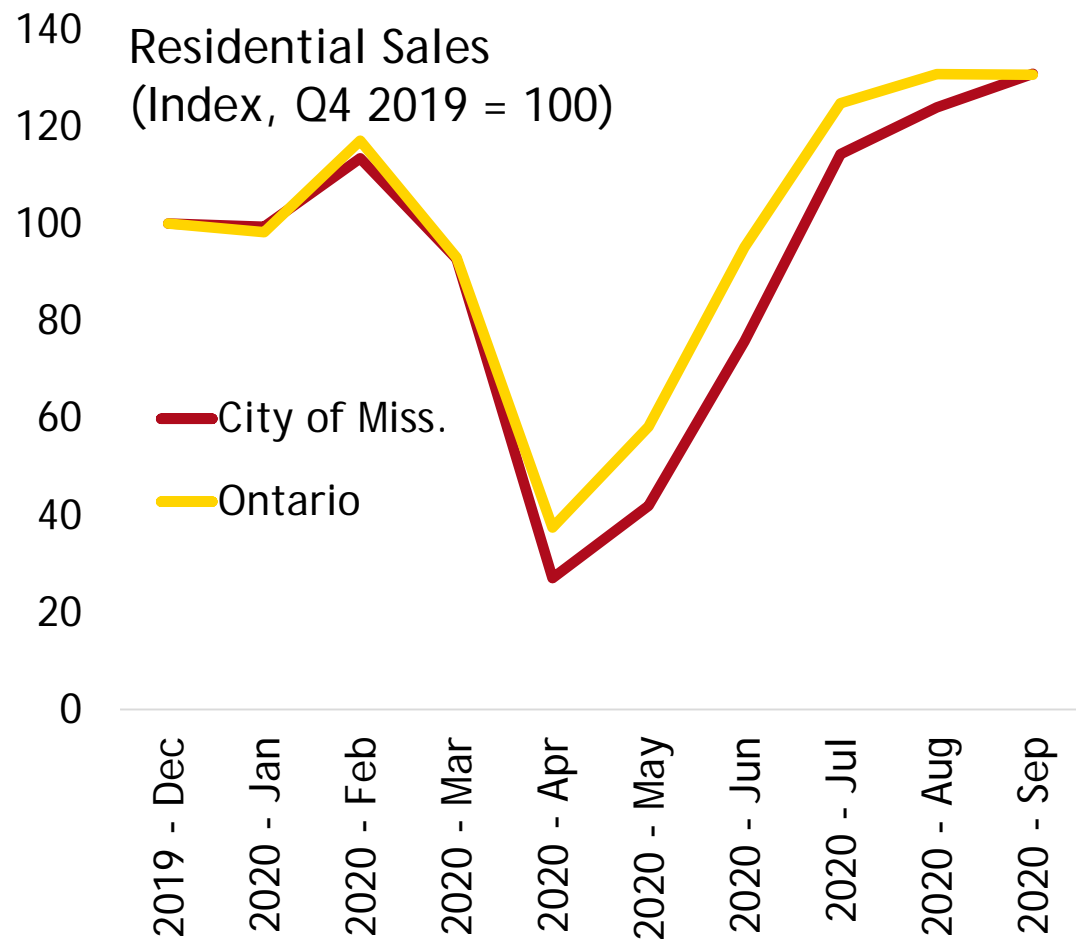
Multiplier From Affected Areas Tends to be Smaller



Not a "Normal" Recession - Job Losses More Concentrated



Not a "Normal" Recession - Housing Rebuilds Quickly (L), Mississauga Market Not as Tight (R)



All in the Same Boat, But Some Boats are Leaking Oil

	Real GDP Y/Y % Chg				Unemployment Rate %				Consumer Price Index Y/Y % Chg			
	2019E	2020F	2021F	2022F	2019A	2020F	2021F	2022F	2019A	2020F	2021F	2022F
BC	2.8	-5.2	4.4	4.2	4.7	9.7	8.6	6.4	2.3	0.7	1.7	2.0
Alta	-0.6	-7.5	4.2	6.1	6.9	11.4	10.4	8.3	1.7	1.1	2.0	2.0
Sask	-0.8	-5.0	3.6	4.5	5.4	8.3	6.7	5.7	1.7	0.5	1.9	1.9
Man	1.0	-3.8	3.6	3.6	5.3	7.9	6.2	5.3	2.3	0.4	1.6	1.9
Ont	1.9	-5.3	4.1	4.7	5.6	9.4	8.1	6.8	1.9	0.5	1.6	1.8
Qué	2.7	-5.4	4.2	4.6	5.1	8.9	7.6	6.1	2.1	0.6	1.5	1.9
NB	1.0	-4.0	3.2	4.2	8.0	9.5	8.7	8.2	1.7	0.1	1.6	1.9
NS	2.1	-4.7	3.4	4.9	7.2	10.1	9.1	7.7	1.6	0.1	1.6	1.9
PEI	4.5	-5.4	3.2	5.2	8.8	10.8	9.7	9.0	1.2	0.0	2.0	1.9
N&L	4.0	-7.8	4.1	5.9	11.9	14.1	12.7	12.4	1.0	0.0	1.8	1.9
Canada	1.7	-5.5	4.1	4.8	5.7	9.6	8.3	6.8	1.9	0.6	1.7	1.9

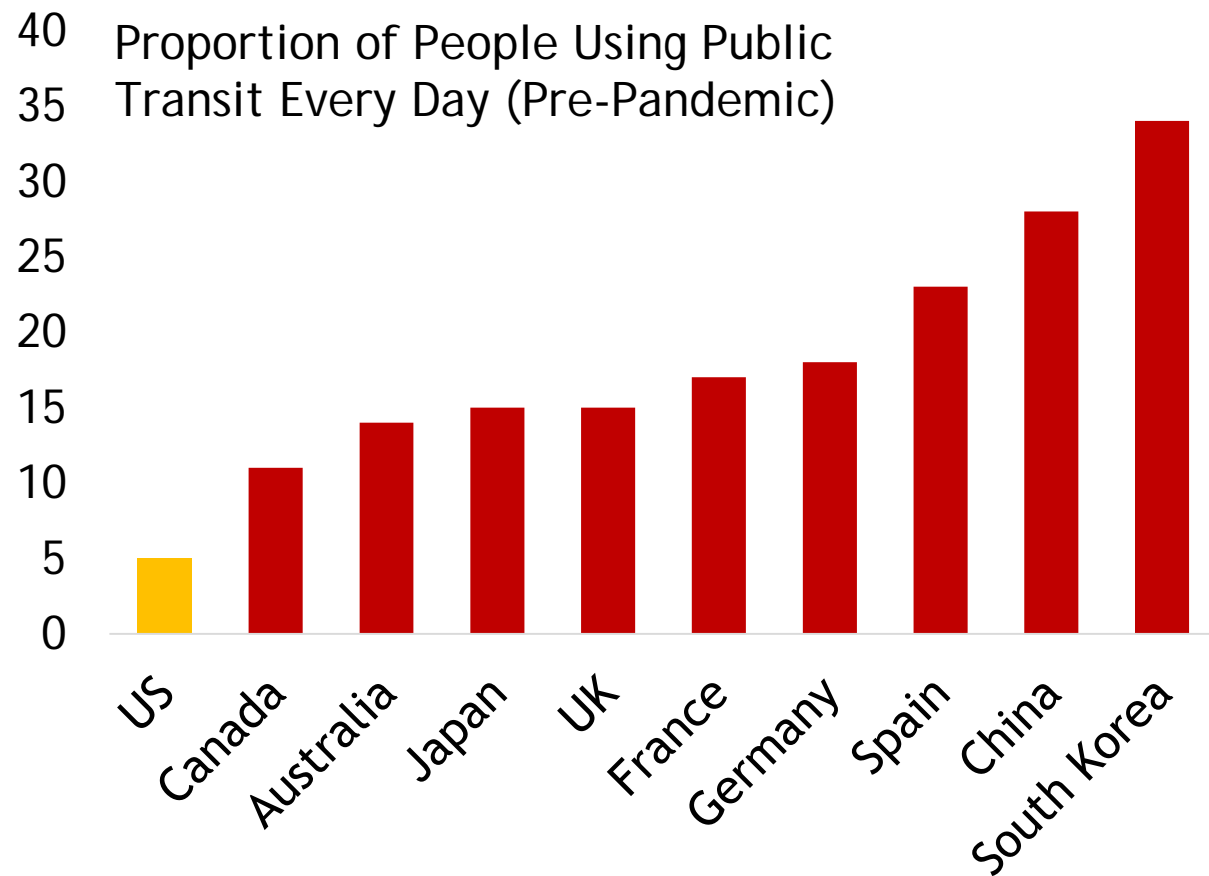
Sources: CIBC, Statistics Canada, CMHC



Will Work From Home Change US Auto Demand Longer-Term? ¹⁰

40
35
30
25
20
15
10
5
0

Proportion of People Using Public Transit Every Day (Pre-Pandemic)



45

40

35

30

25

20

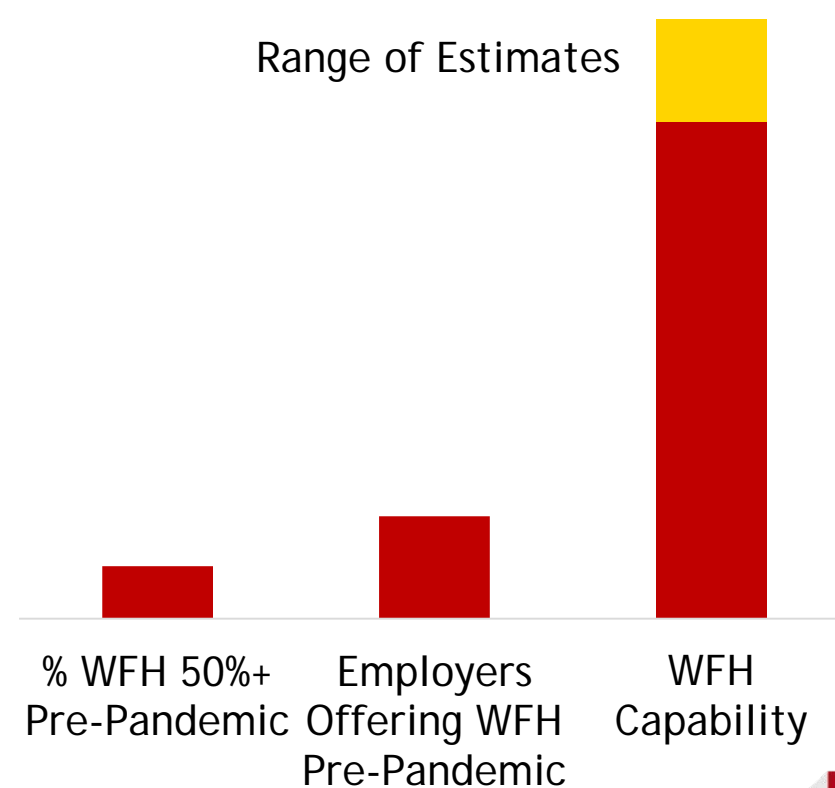
15

10

5

0

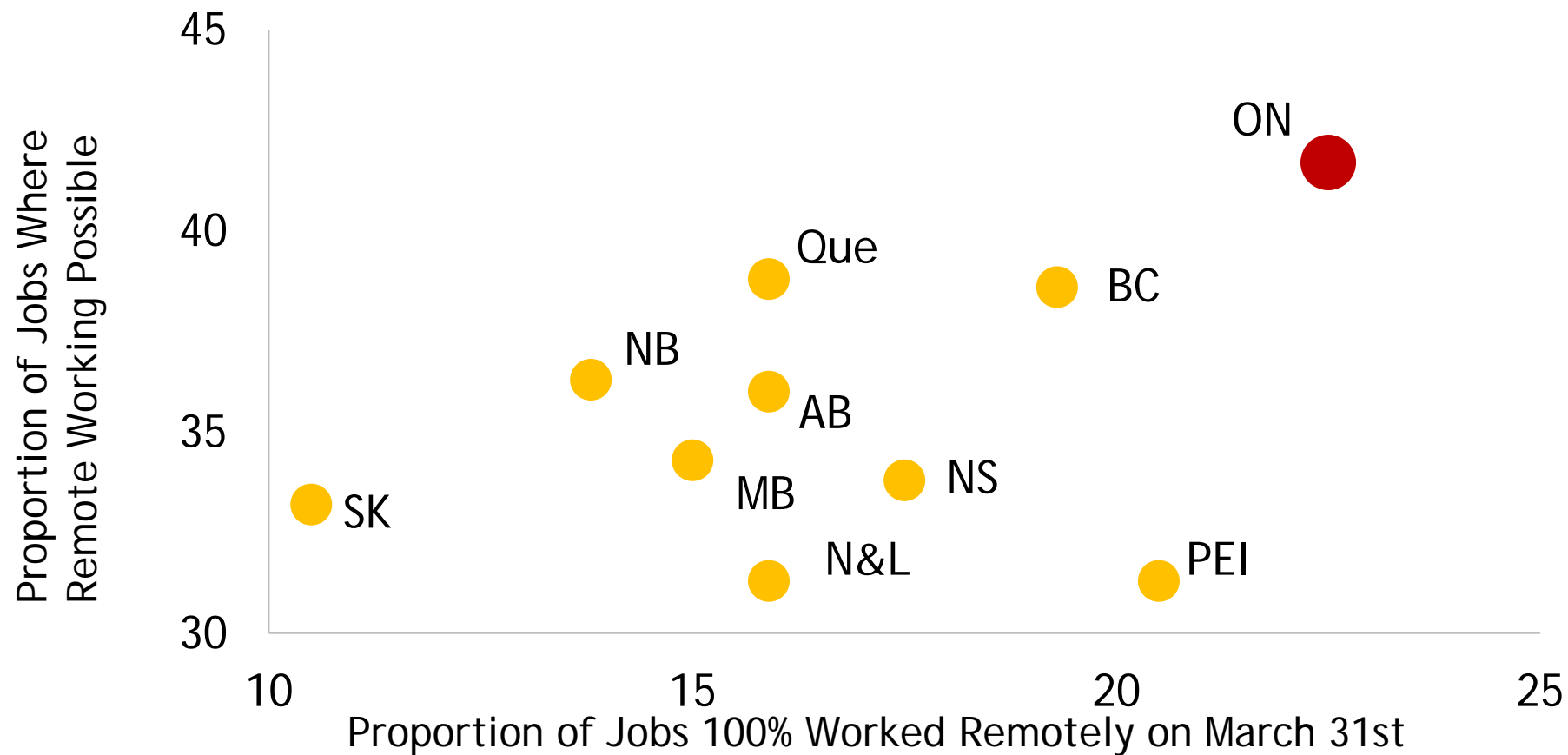
Range of Estimates



Source: National Geographic, BEA, BLS, CIBC



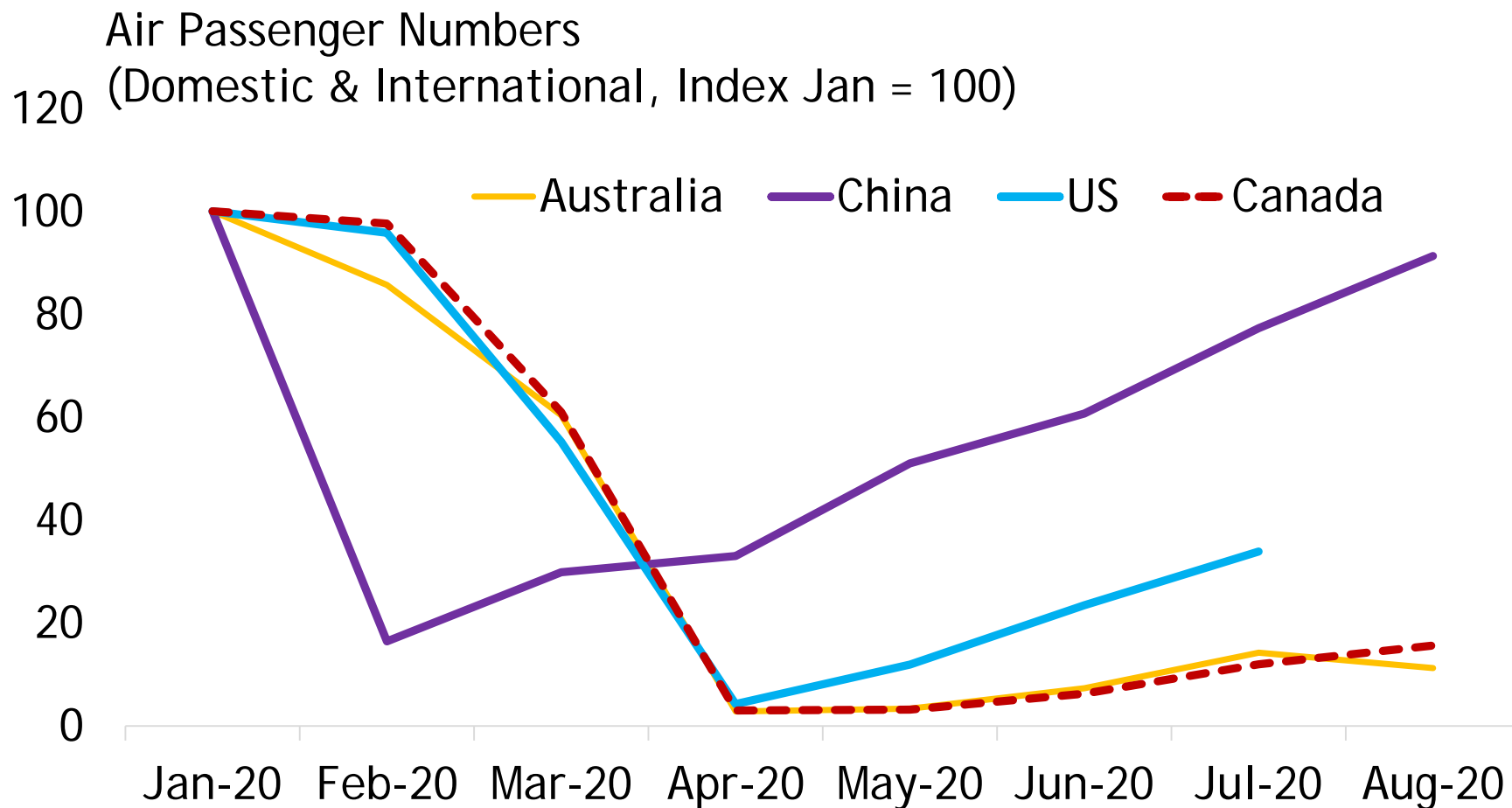
Remote Working Has Been Tried Most Extensively in Ontario



Source: Bloomberg, Statistics Canada, CIBC



Room For Canadian Air Travel to Improve, Even Before Vaccine



Source: Bloomberg, Statistics Canada, CIBC



Now For The Hard Part?

- Next 3-6 months will be choppy. Backsteps in economic activity as likely as further improvement.
- Strong government support has helped limit the spread of acute weakness in some sectors (air travel, hotels etc) onto other areas of the economy.
- Economy appears well placed for a post-vaccine stage of the recovery.
- Ontario and Mississauga should benefit from pick up in travel, culture etc. However, possible long-term implications for US auto demand and office space.



Interest Rate and FX Forecast

END OF PERIOD:	2020		2021				2022			
	6-Nov	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec
CDA Overnight target rate	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
98-Day Treasury Bills	0.09	0.25	0.25	0.35	0.35	0.35	0.35	0.50	0.55	0.75
2-Year Gov't Bond	0.23	0.35	0.35	0.40	0.40	0.65	0.50	0.50	0.75	1.00
10-Year Gov't Bond	0.60	0.75	0.80	0.85	0.85	1.25	1.10	1.20	1.35	1.40
30-Year Gov't Bond	1.20	1.20	1.30	1.40	1.50	1.80	1.60	1.60	1.65	1.65
U.S. Federal Funds Rate	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125
91-Day Treasury Bills	0.10	0.20	0.25	0.25	0.30	0.50	0.40	0.45	0.55	0.75
2-Year Gov't Note	0.15	0.25	0.30	0.30	0.35	0.55	0.45	0.50	0.60	0.80
10-Year Gov't Note	0.79	0.80	1.00	1.10	1.25	1.45	1.30	1.35	1.50	1.55
30-Year Gov't Bond	1.59	1.55	1.70	1.75	1.85	2.20	2.00	2.05	2.10	2.10
Canada - US T-Bill Spread	-0.01	0.05	0.00	0.10	0.05	-0.15	-0.05	0.05	0.00	0.00
Canada - US 10-Year Bond Spread	-0.19	-0.05	-0.20	-0.25	-0.40	-0.20	-0.20	-0.15	-0.15	-0.15
Canada Yield Curve (10-Year — 2-Year)	0.37	0.40	0.45	0.45	0.45	0.60	0.60	0.70	0.60	0.40
US Yield Curve (10-Year — 2-Year)	0.64	0.55	0.70	0.80	0.90	0.90	0.85	0.85	0.90	0.75
EXCHANGE RATES										
CADUSD	0.75	0.75	0.76	0.75	0.75	0.74	0.72	0.71	0.72	0.72
USDCAD	1.33	1.33	1.32	1.33	1.34	1.36	1.39	1.40	1.39	1.39
USDJPY	104	103	101	100	100	99	99	99	99	99
EURUSD	1.17	1.17	1.18	1.18	1.19	1.20	1.21	1.20	1.20	1.20
GBPUSD	1.30	1.29	1.31	1.31	1.31	1.32	1.33	1.32	1.33	1.33
AUDUSD	0.71	0.69	0.69	0.70	0.71	0.72	0.73	0.74	0.75	0.76
USDCHF	0.91	0.92	0.92	0.92	0.91	0.91	0.90	0.90	0.90	0.89

