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Economic Update

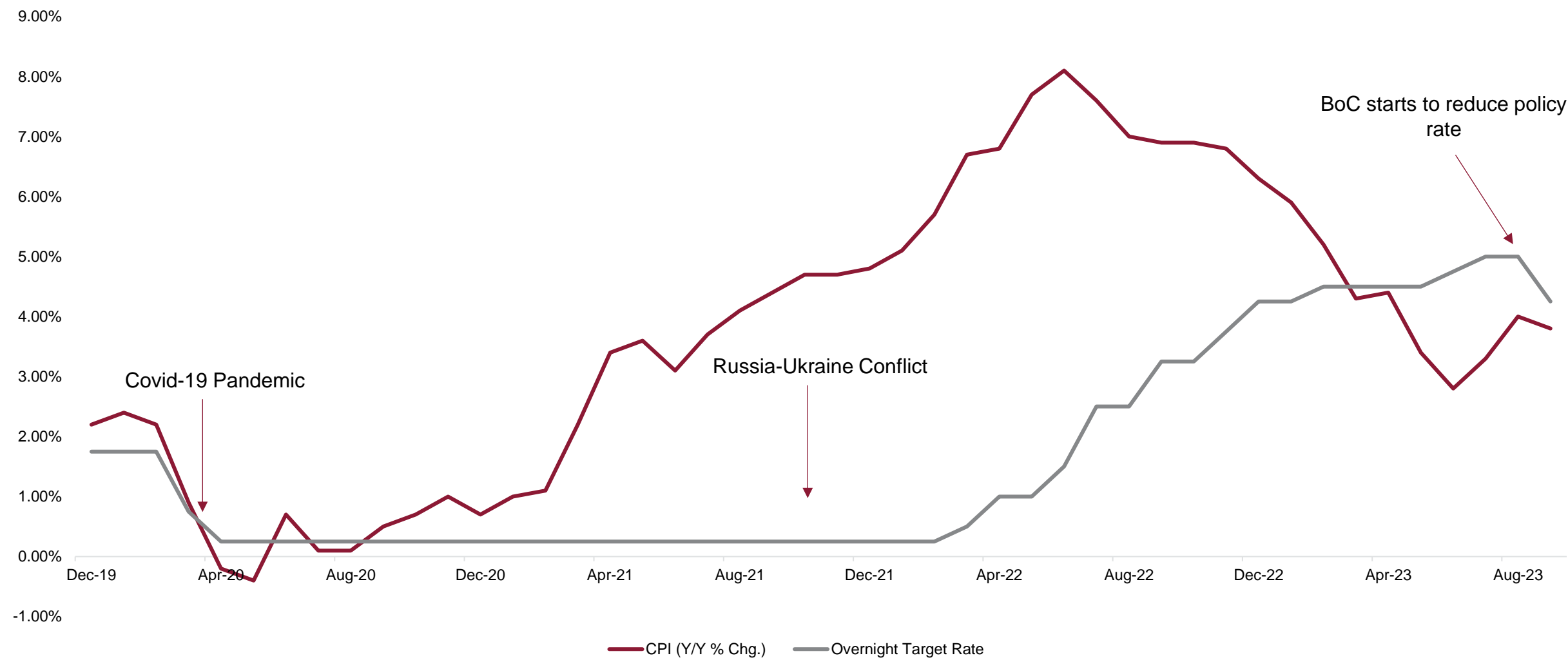
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October, 2024



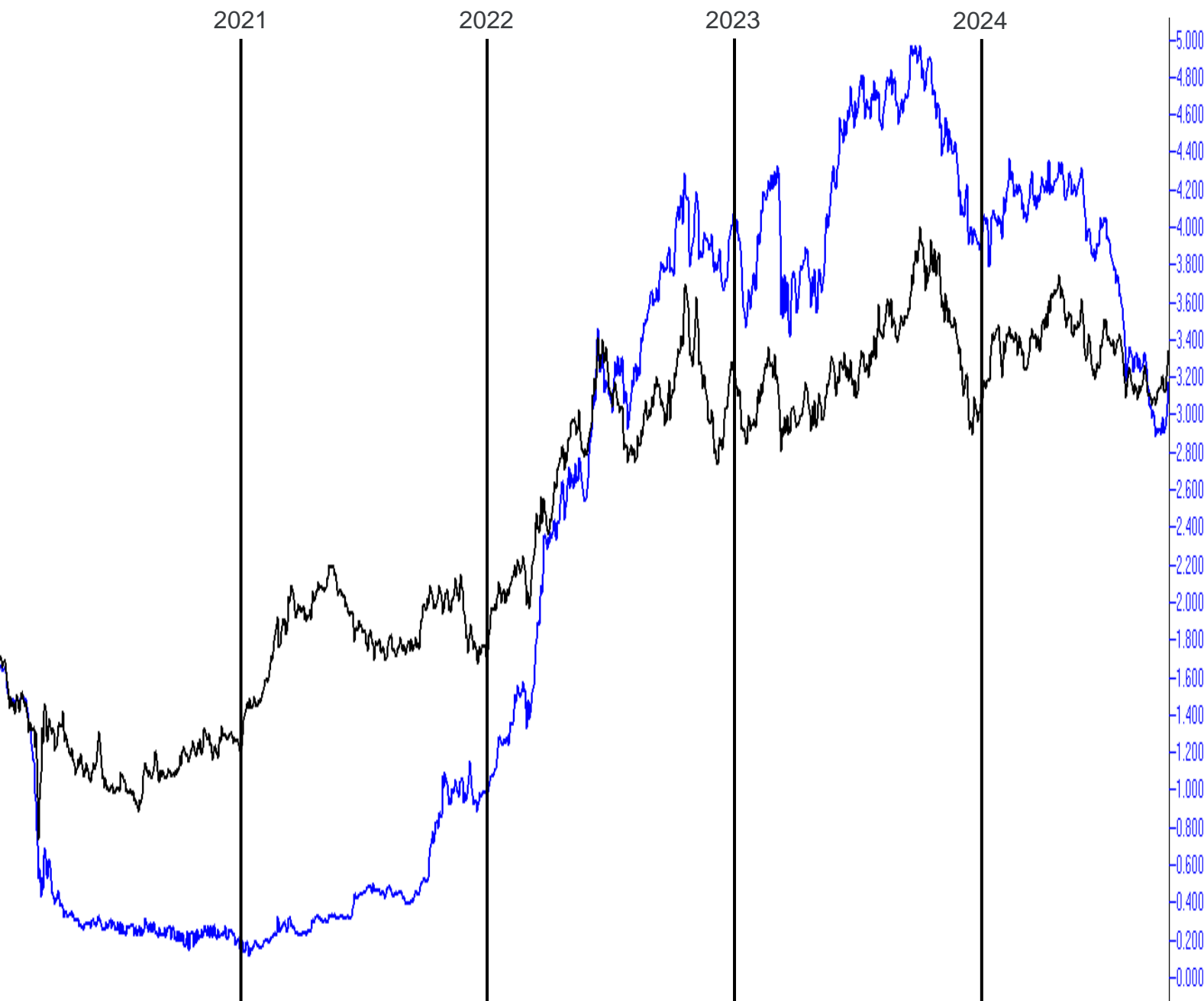
Bank of Canada increased policy rates alongside rising inflation



Source: Bank of Canada



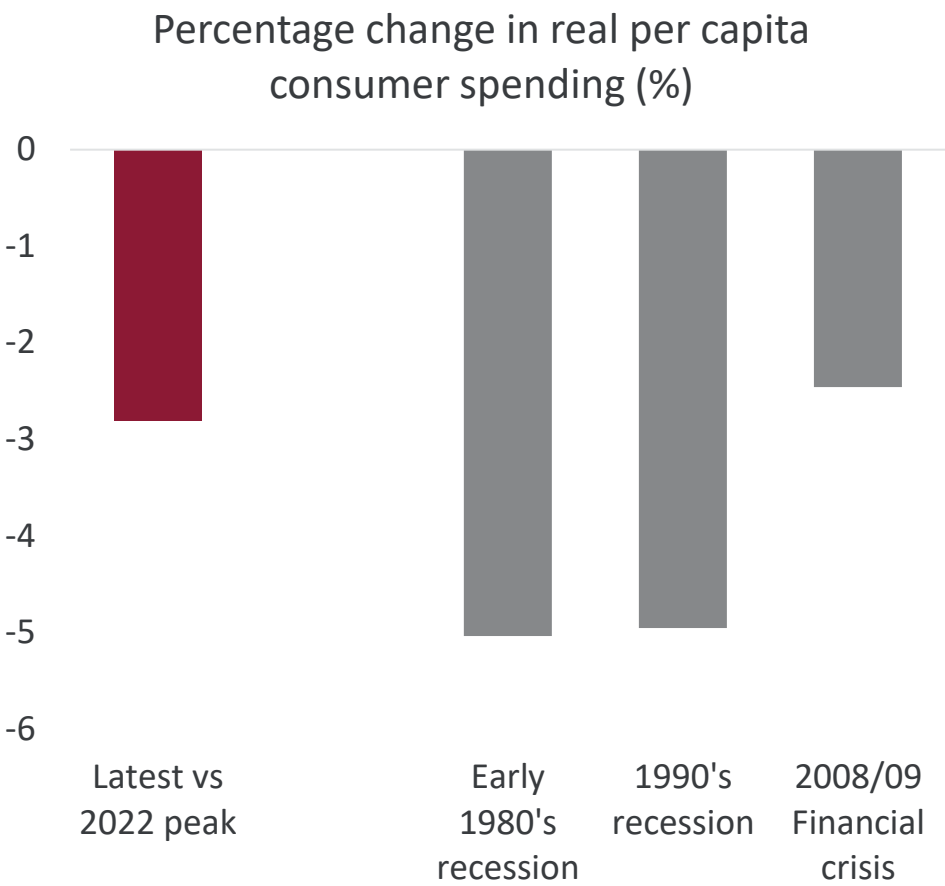
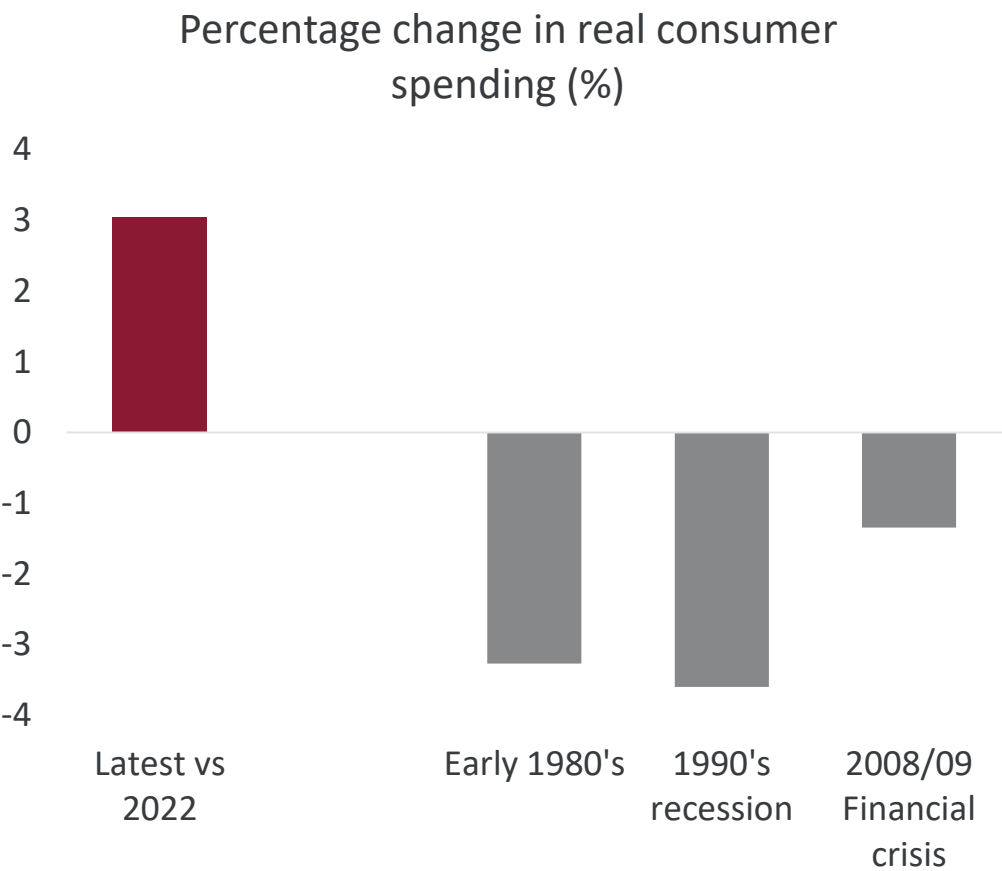
— Government of Canada 2 year
— Government of Canada 30 year



Yields

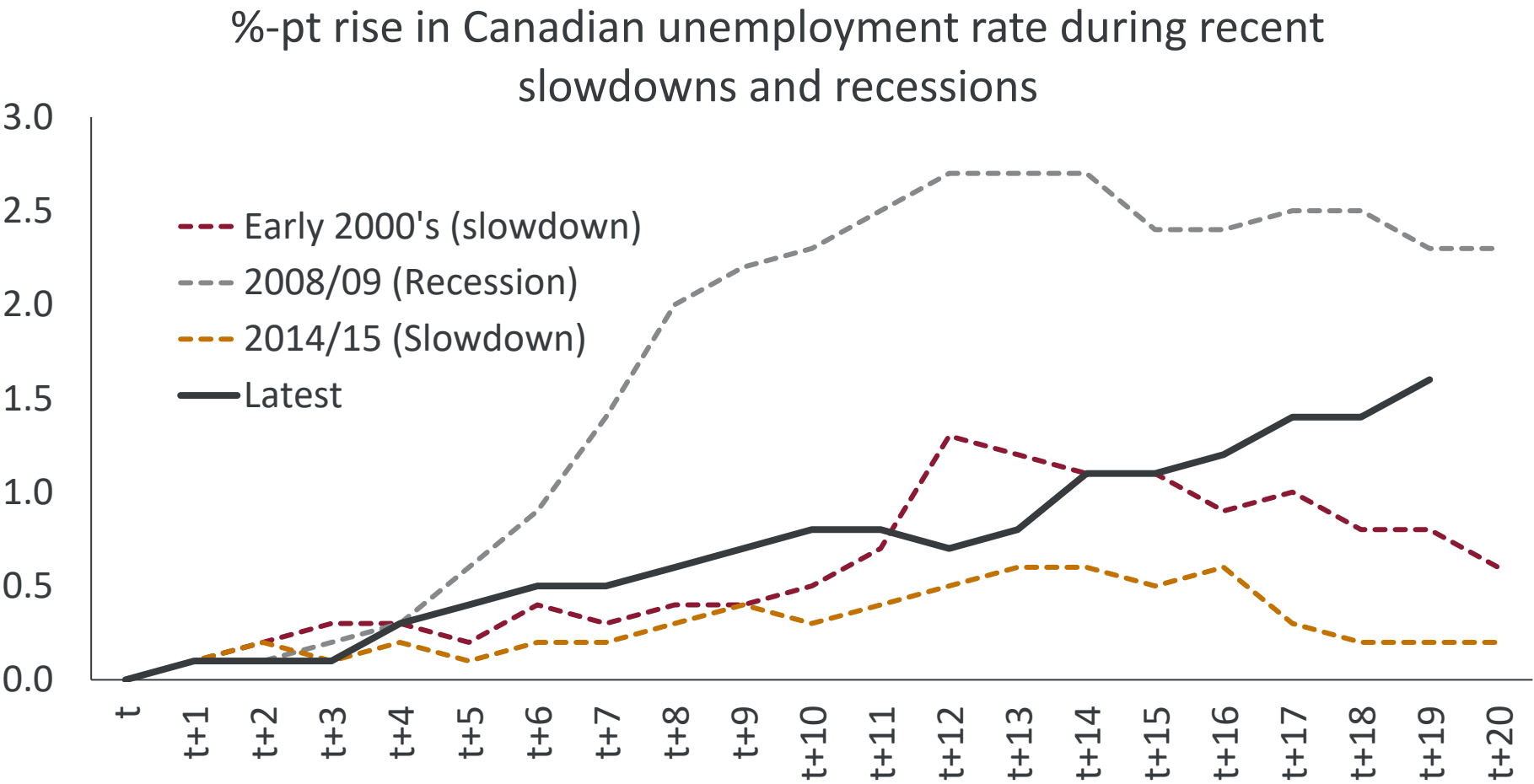
Yields peaked and have come down as central bankers focused on easing inflationary pressures

Per-capita consumer spending already declining similarly to prior recessions



Source: Statistics Canada, CIBC

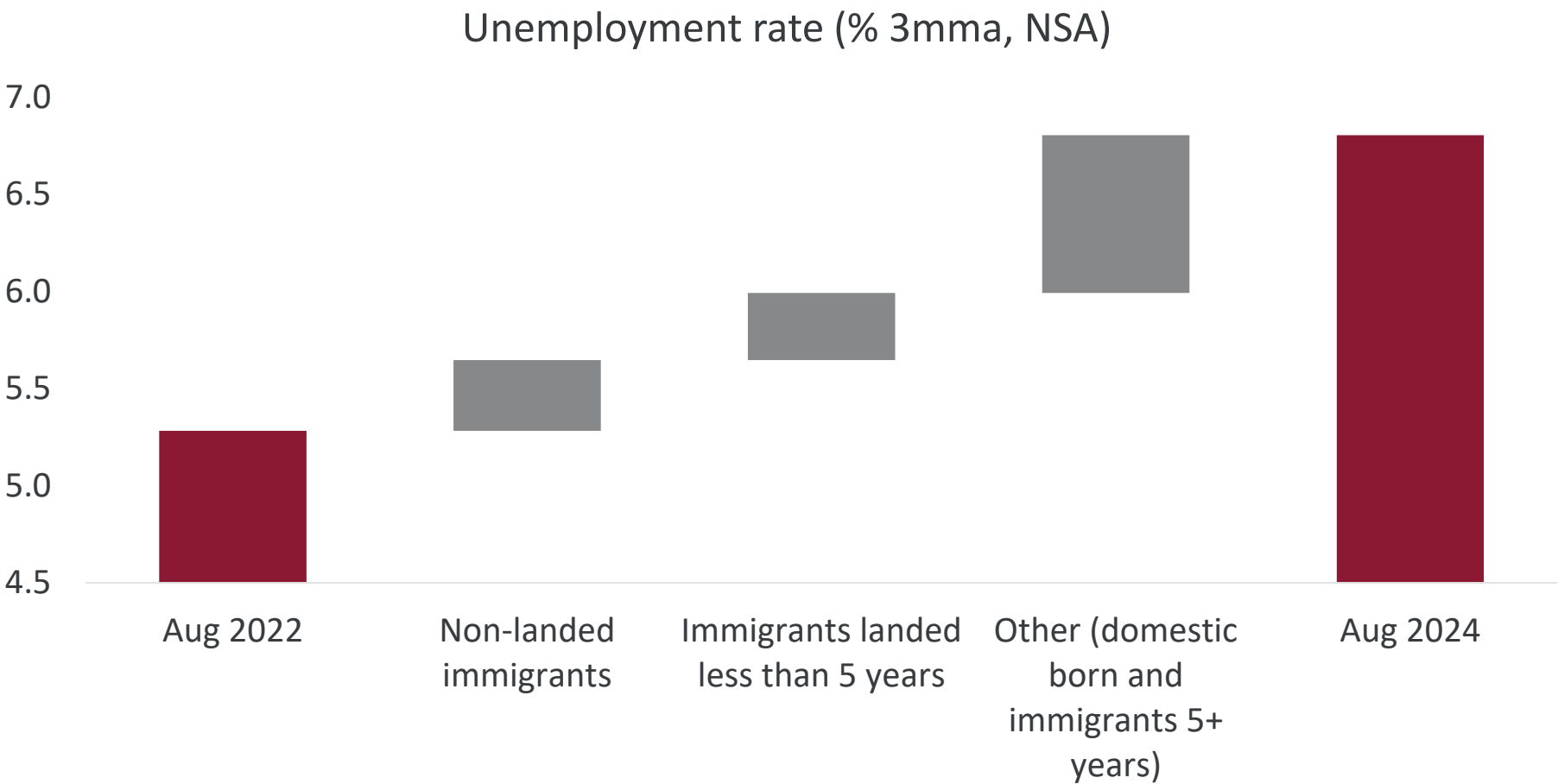
Rise in unemployment rate greater than previous slowdowns, not yet close to recessionary levels



Source: Statistics Canada, CIBC

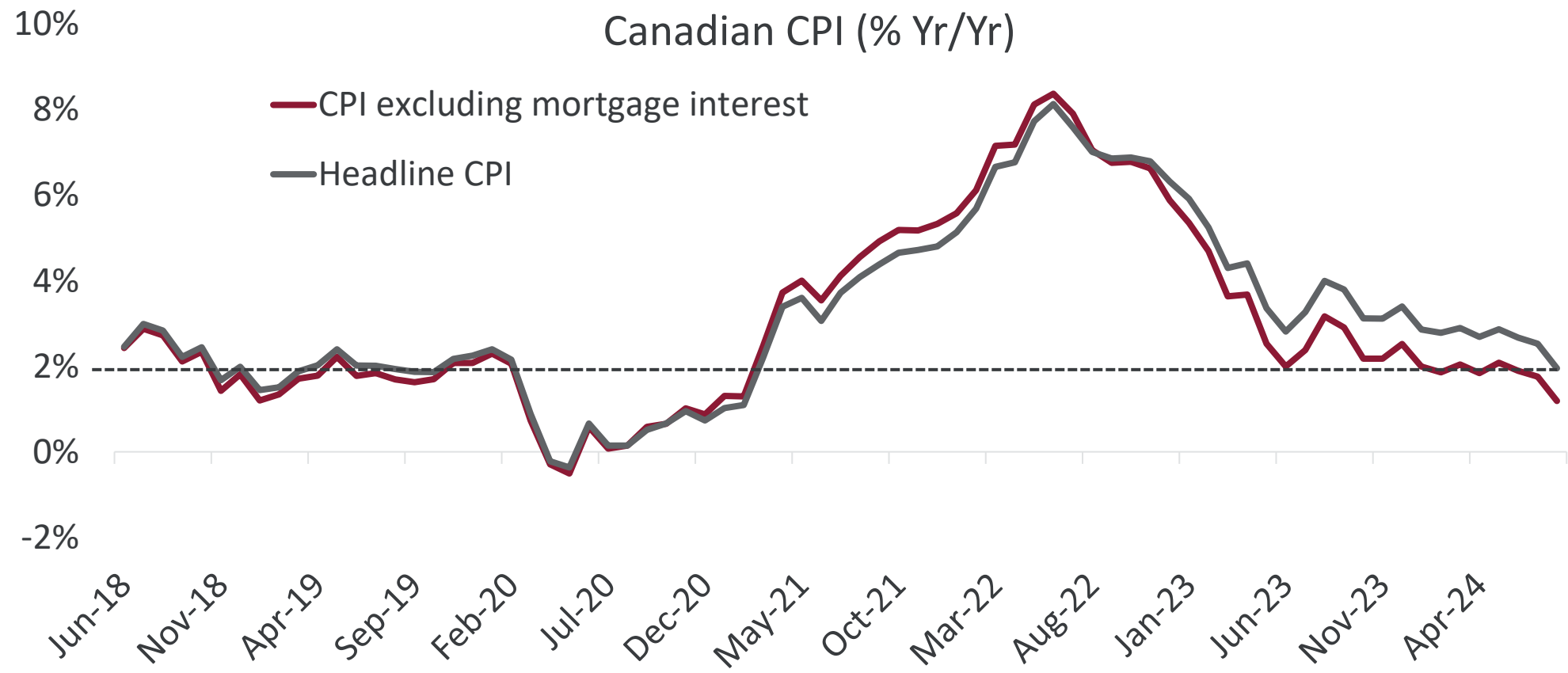


Recent increase in unemployment not just a population growth story



Source: Statistics Canada, CIBC

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

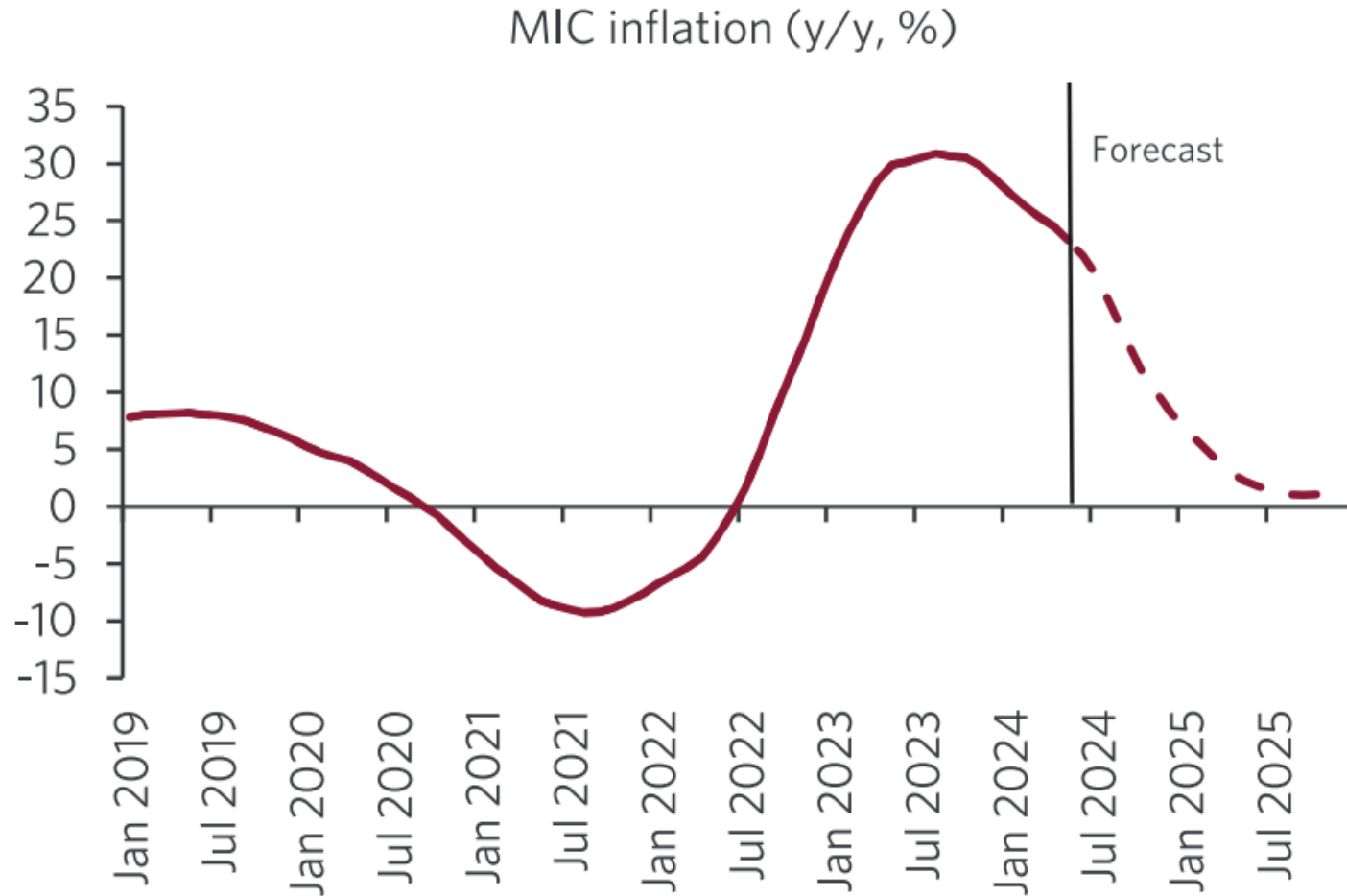


Source: Statistics Canada, CIBC



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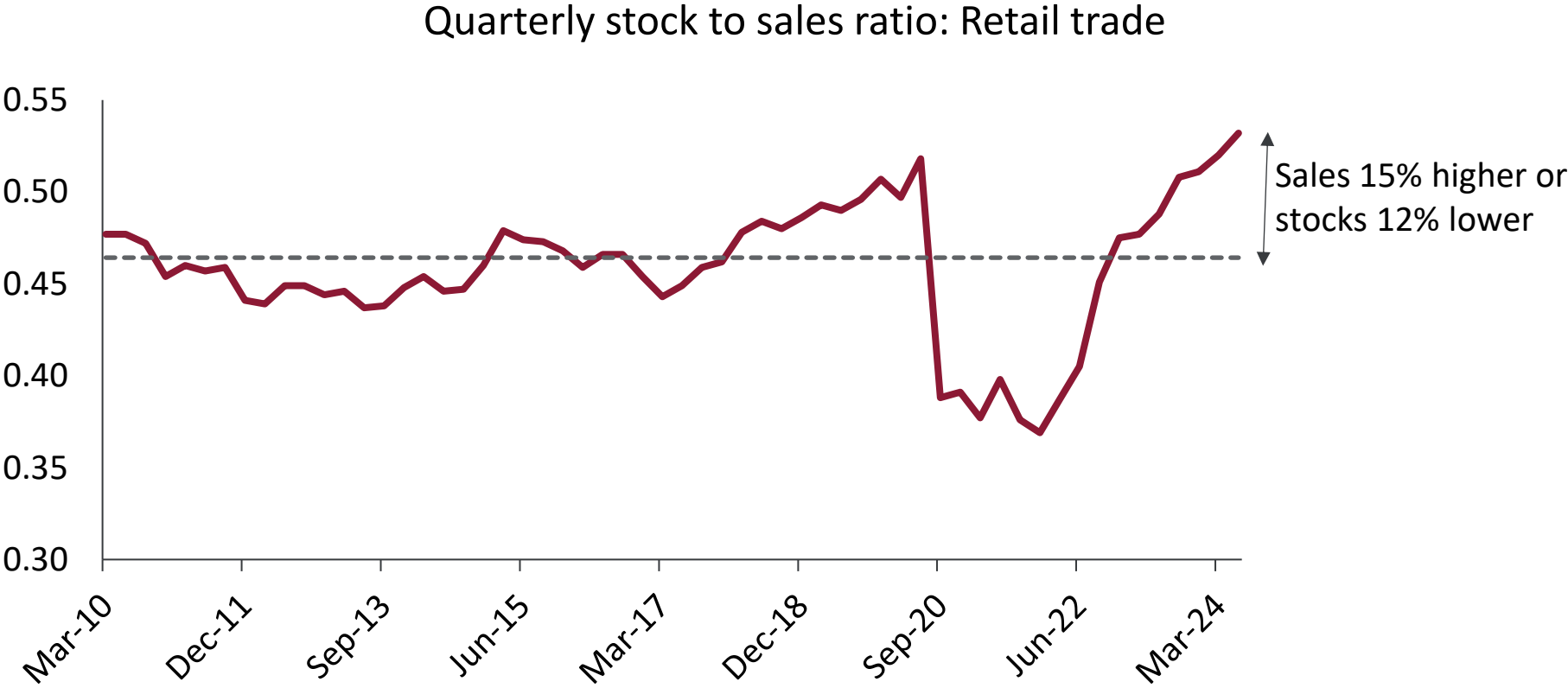
Mortgage Interest Costs (MIC) to cool dramatically over the coming year



- MIC has been the fastest growing item in the CPI, running 23% y/y as of May
- MIC to drop to around 1% y/y by end-2025, by then adding just 0.1%-points to inflation

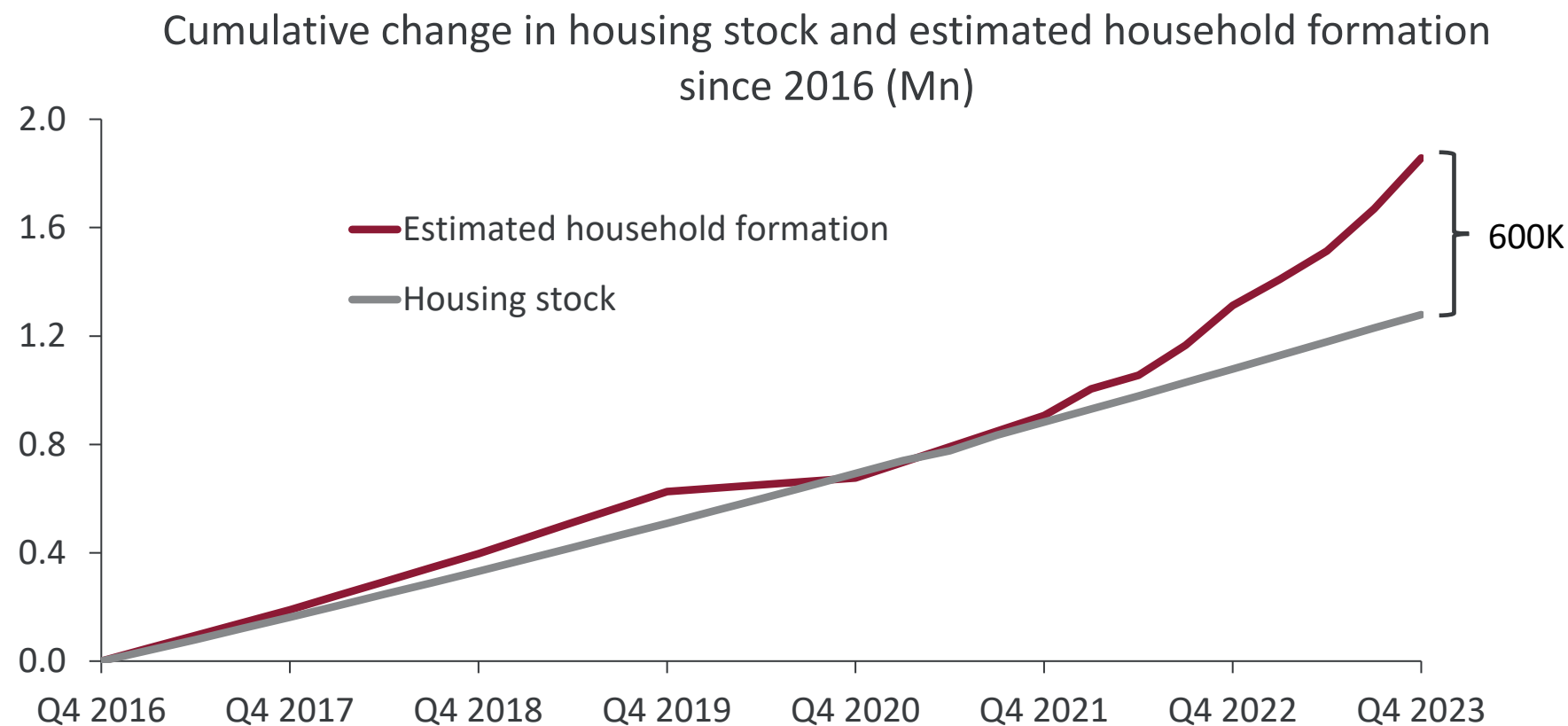
Source: Statistics Canada, CIBC Economics Calculations

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



Source: Statistics Canada, BEA, Bloomberg, CIBC

Housing supply shortfall equivalent to almost three years of building

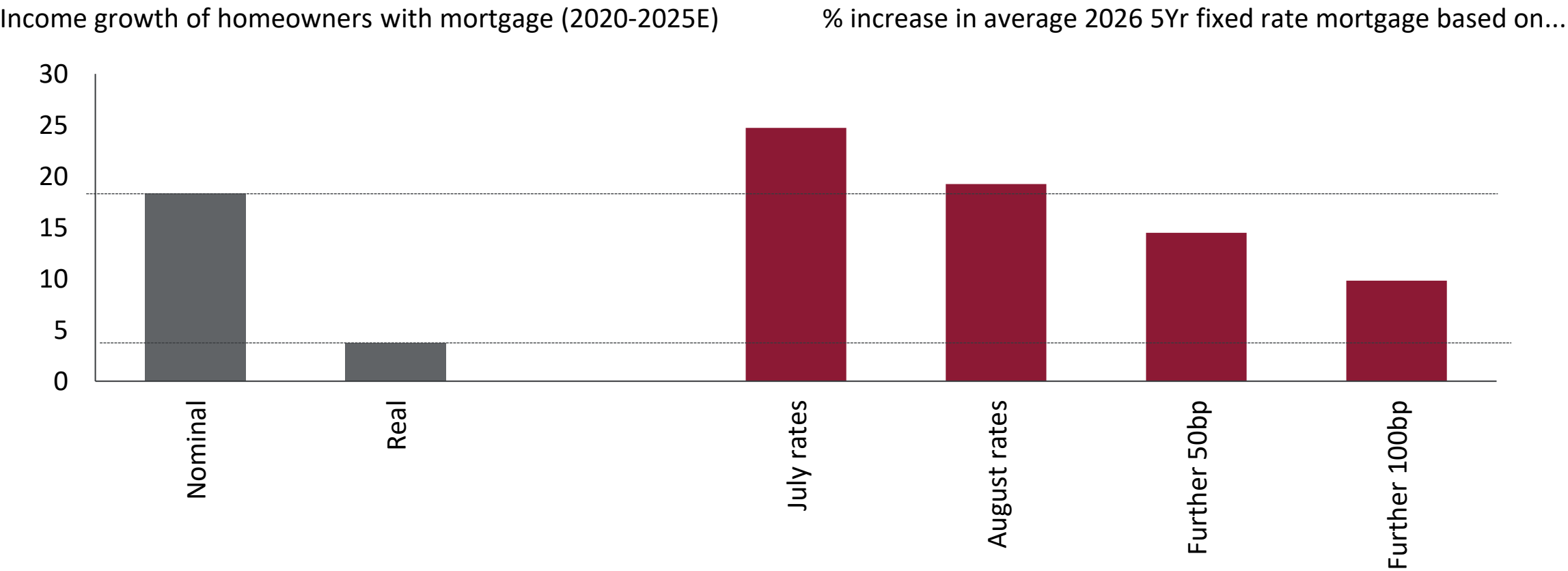


Source: StatCan, CMHC, CIBC



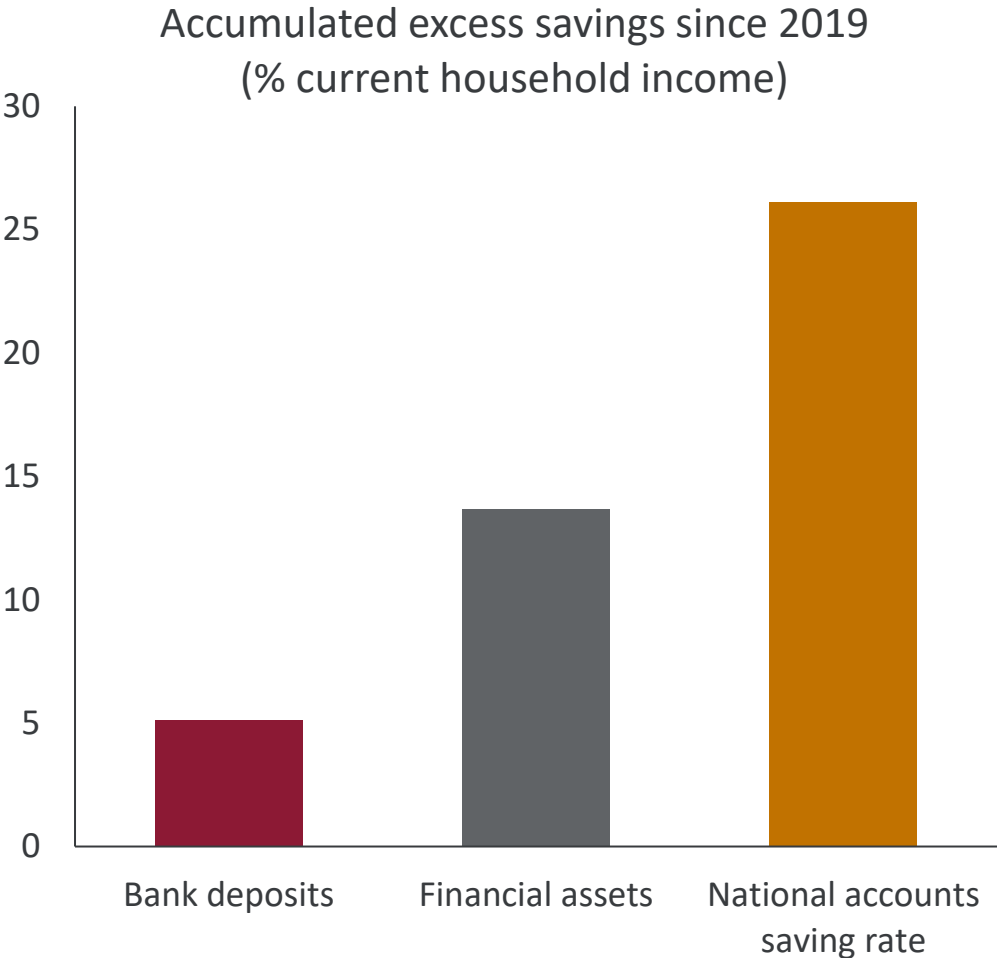
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Bank of Canada have to cut more than markets were previously expecting to ease threat from mortgage renewals



Source: Statistics Canada, BoC, CIBC

Excess savings? Yes, but how much and who is holding it

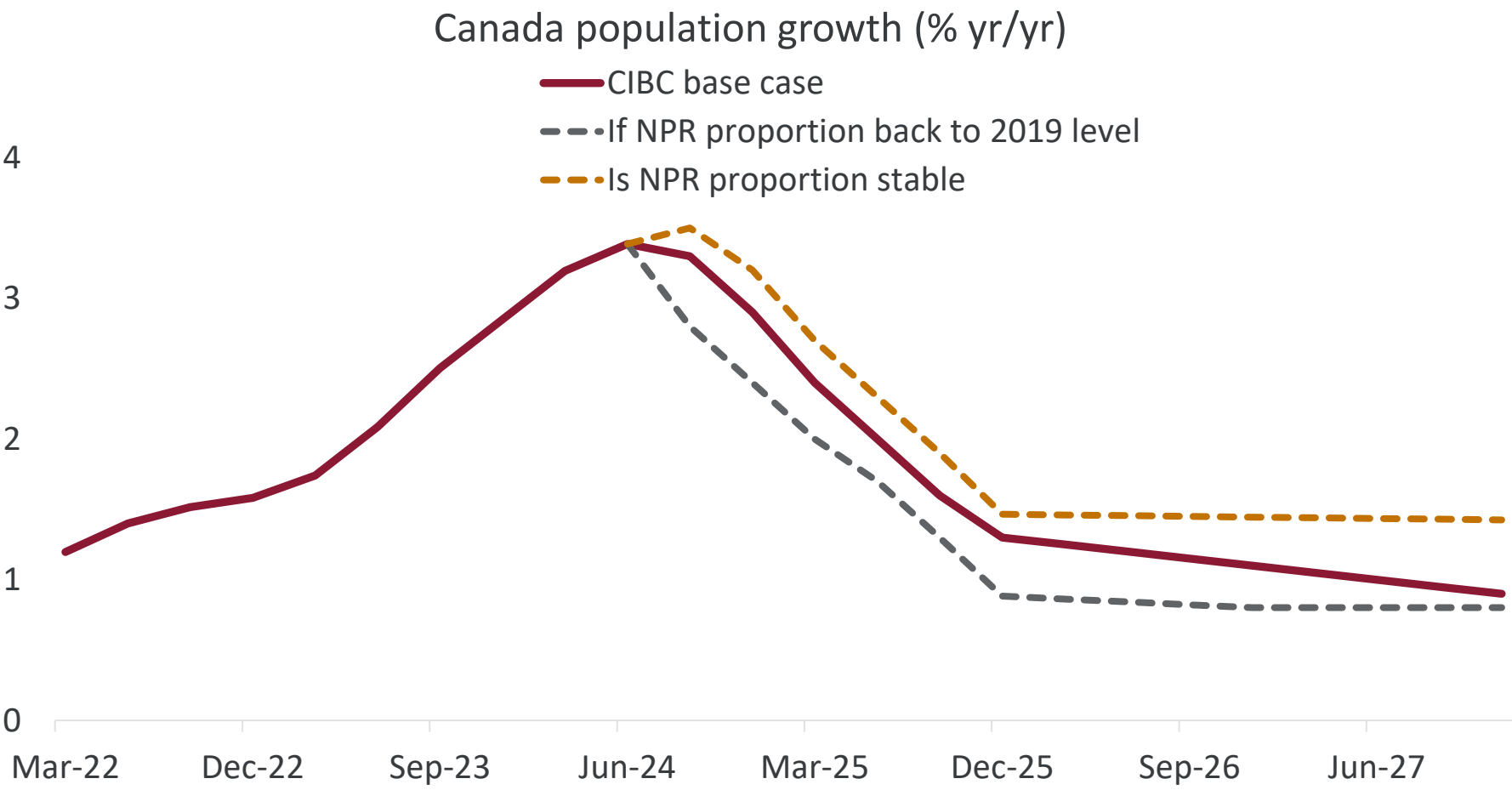


Source: Statistics Canada, BoC, CIBC



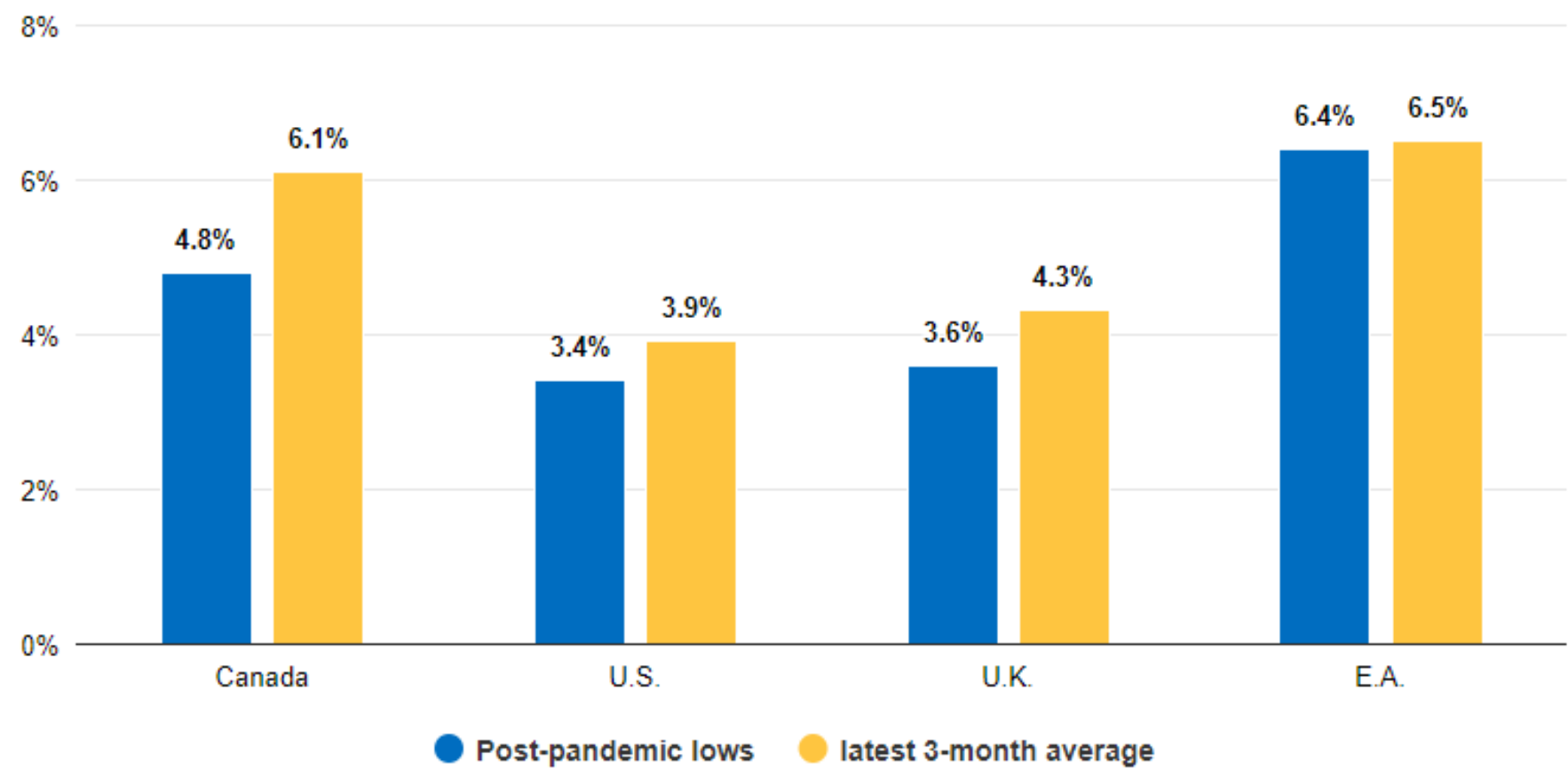
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Population growth to slow, but how much is uncertain



Source: Statistics Canada, CIBC

Employment: Canada's unemployment rising more than other regions



Source: Haver, RBC Economics



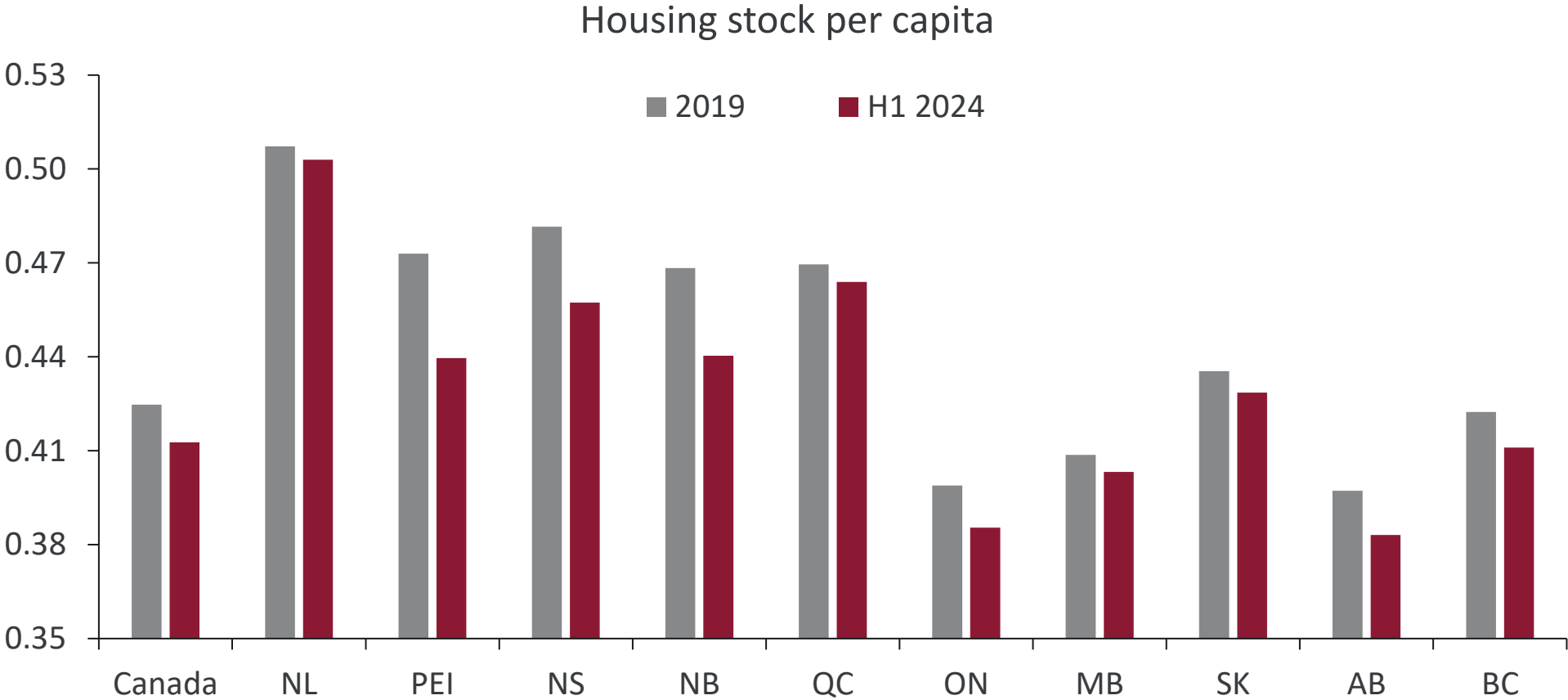
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Provincial growth – Alberta has room to run above the national average

	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	3.8	1.6	0.8	1.7	2.8	4.6	5.1	5.5	5.5	5.0	6.9	4.0	2.5	1.8	1.9
Alta	5.0	1.5	2.2	2.5	3.1	5.8	5.9	7.1	7.1	6.3	6.5	3.3	2.9	1.9	1.9
Sask	6.0	1.6	2.0	1.8	2.4	4.7	4.8	5.4	5.3	4.8	6.6	3.9	1.5	1.8	1.9
Man	3.3	1.3	1.3	1.6	2.3	4.5	4.8	5.1	5.3	4.9	7.9	3.6	1.2	2.5	2.0
Ont	3.9	1.6	0.7	1.5	2.9	5.6	5.6	6.9	6.9	6.3	6.8	3.8	2.4	1.7	1.9
Qué	2.5	0.2	0.8	1.9	2.5	4.3	4.4	5.5	5.6	5.1	6.7	4.5	2.2	1.5	1.9
NB	1.1	1.3	1.5	1.7	2.1	7.2	6.6	7.0	7.0	6.7	7.3	3.5	2.5	1.8	1.9
NS	2.9	1.3	1.7	1.8	2.2	6.6	6.3	6.6	6.9	6.4	7.5	4.0	2.5	1.8	1.9
PEI	2.9	2.2	2.5	2.1	2.5	7.5	7.4	7.8	8.2	7.8	8.9	2.9	2.1	1.7	1.9
N&L	-1.7	-2.5	3.5	2.1	2.3	11.2	9.9	10.0	9.7	9.5	6.4	3.3	2.0	1.6	1.9
Canada	3.8	1.2	1.1	1.8	2.7	5.3	5.4	6.4	6.4	5.8	6.8	3.9	2.4	1.7	1.9

Sources: CIBC, Statistics Canada, CMHC

Alberta housing stock per capita now the lowest in the country

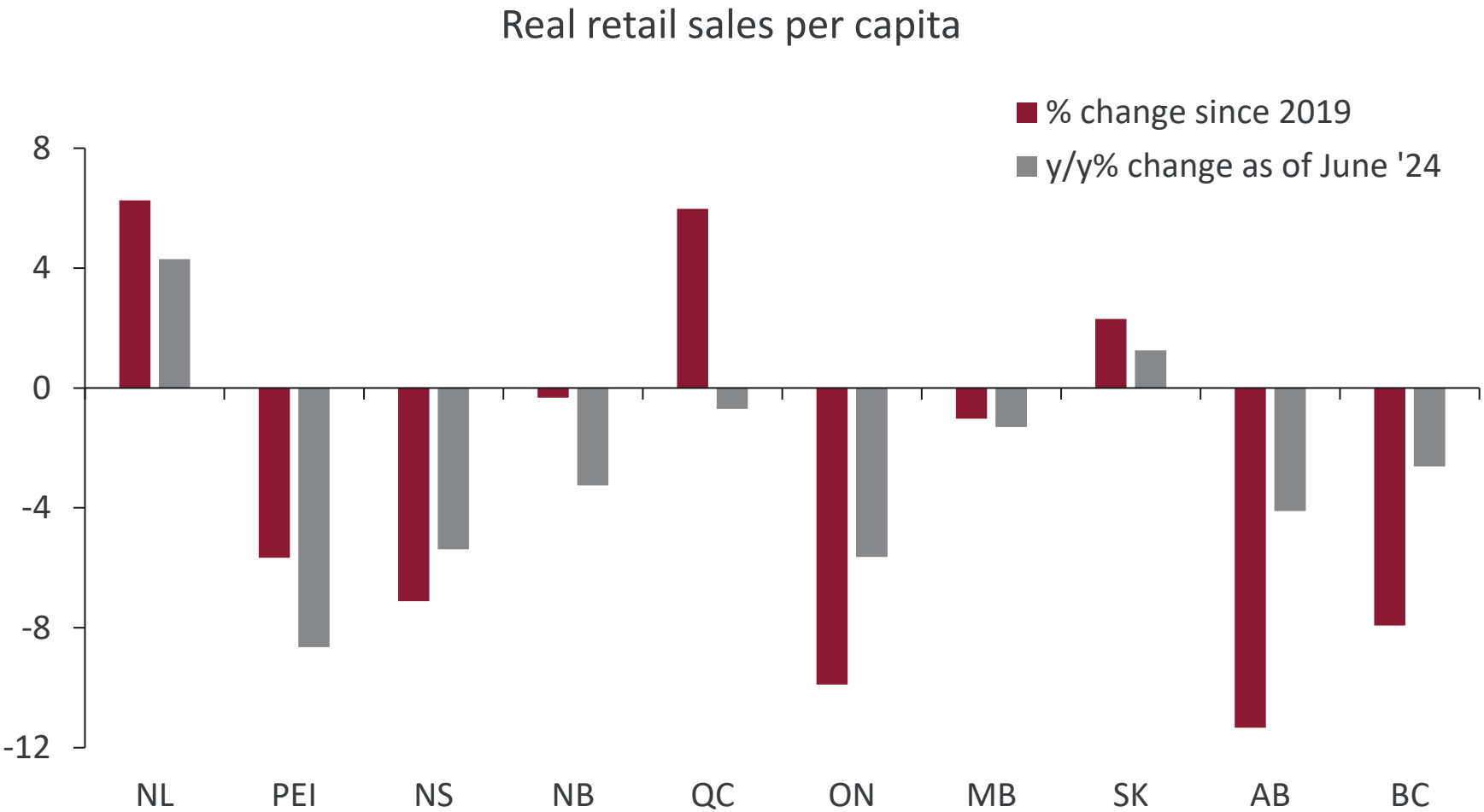


Source: StatCan, CIBC



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Households in Alberta have been hardest hit by high rates, room for growth as rates come down

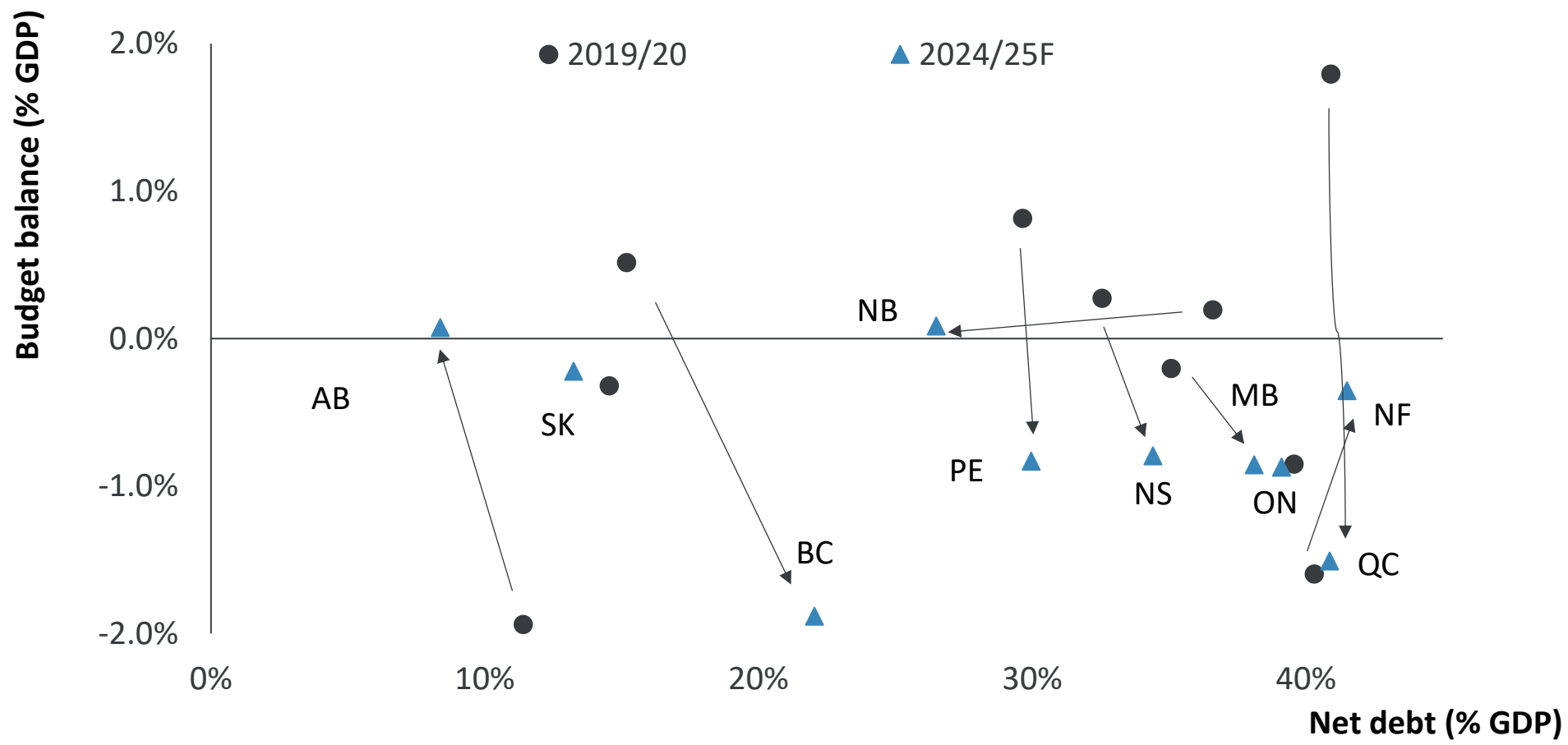


Source: StatCan, CIBC



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Alberta has more room to stimulate than it used to as public finances have improved



Source: Provincial budgets, CIBC

Interest rate forecast

Canada

Variable	2024 11-Sep	2024 Dec	2025 Mar	2025 Jun	2025 Sep	2025 Dec	2026 Jun	2026 Dec
Overnight target rate	4.25	3.50	2.75	2.25	2.25	2.25	2.25	2.25
98-Day Treasury Bills	4.03	3.40	2.60	2.10	2.00	2.00	2.15	2.15
2-Year Government Bond	2.99	2.75	2.45	2.25	2.45	2.60	2.80	3.00
10-Year Government Bond	2.88	2.90	2.90	2.95	3.00	3.10	3.15	3.40

United States

Variable	2024 11-Sep	2024 Dec	2025 Mar	2025 Jun	2025 Sep	2025 Dec	2026 Jun	2026 Dec
Federal funds rate (midpoint)	5.375	4.125	3.625	3.375	3.375	3.375	3.375	3.375
91-Day Treasury Bills	4.99	3.90	3.40	3.20	3.25	3.25	3.30	3.40
2-Year Government Note	3.59	3.35	3.25	3.10	3.15	3.20	3.35	3.60
10-Year Government Note	3.63	3.65	3.55	3.50	3.45	3.50	3.60	3.80

Source: CIBC Economics as of July 29, 2024

Summary – What does this all mean?

- **Inflation:**

- Even though inflation has eased and will continue to do so, the cost of past inflationary pressures has already been incurred and will need to be offset
- There is room for growth before inflation becomes a concern again

- **Interest Rates:**

- In Canada, there is a need to accelerate growth, so interest rates will need to fall below the neutral rate unlike the US
- Rates likely to remain low through 2026 due to mortgage renewal considerations

- **Alberta:**

- Our province leads in growth potential due to a diversity of factors, not just commodities

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