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Economic Update

Prepared by:

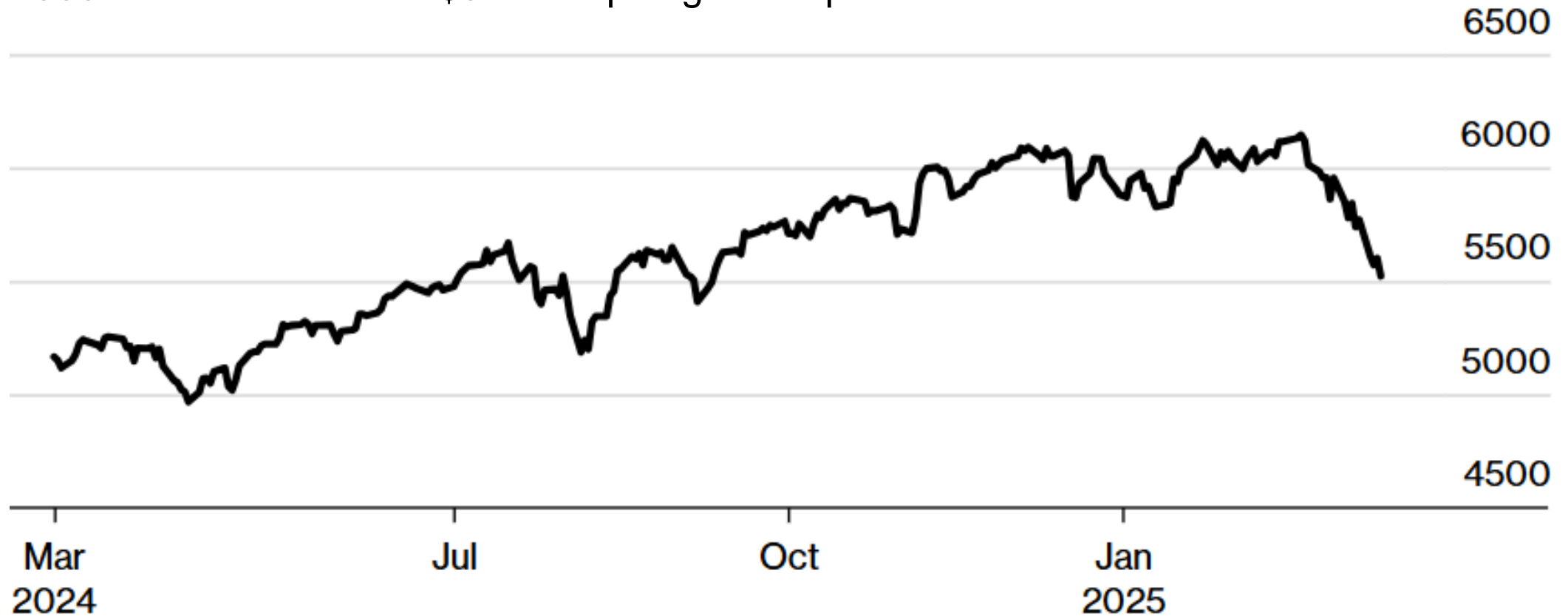
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April 2025



Market volatility

S&P 500 enters correction - \$5 trillion plunge from peak



Source: Bloomberg

Recent events and the current state of tariffs

The cost of retaliation

- US imposes 25% tariff on nearly all goods from Canada and Mexico and 10% on China
- US increases tariff on China to 20%. China responds with tariffs up to 15% on a wide array of key US farm exports
- Canada responds with 25% tariffs on \$155 billion of American goods
- Ontario retaliates with 25% surcharge on electricity, US increases tariff to 50%, Ontario cancels surcharge, US walks back tariff increase
- US announces 25% on all steel and aluminum including from EU. EU announces retaliatory tariffs of \$28 billion

No concern for markets

- “Markets are going to go up and they’re going to go down. But you know what, we have to rebuild our country” – President, Donald Trump

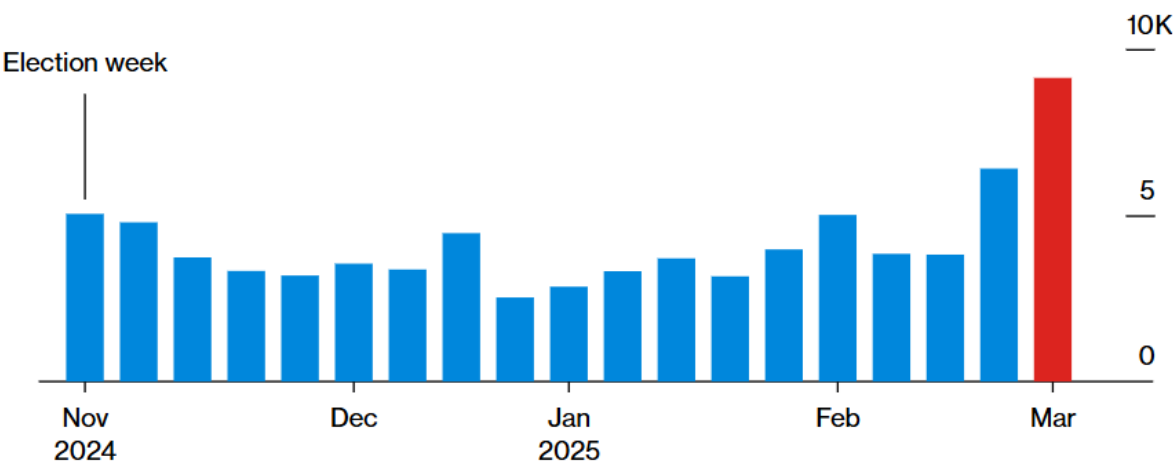
Gold surpasses \$3,000 an ounce for the first time

- Gold seen at new highs and WTI crude oil reaches lowest price since 2021

Trade uncertainty soars and recession fears increase

The R-word is back

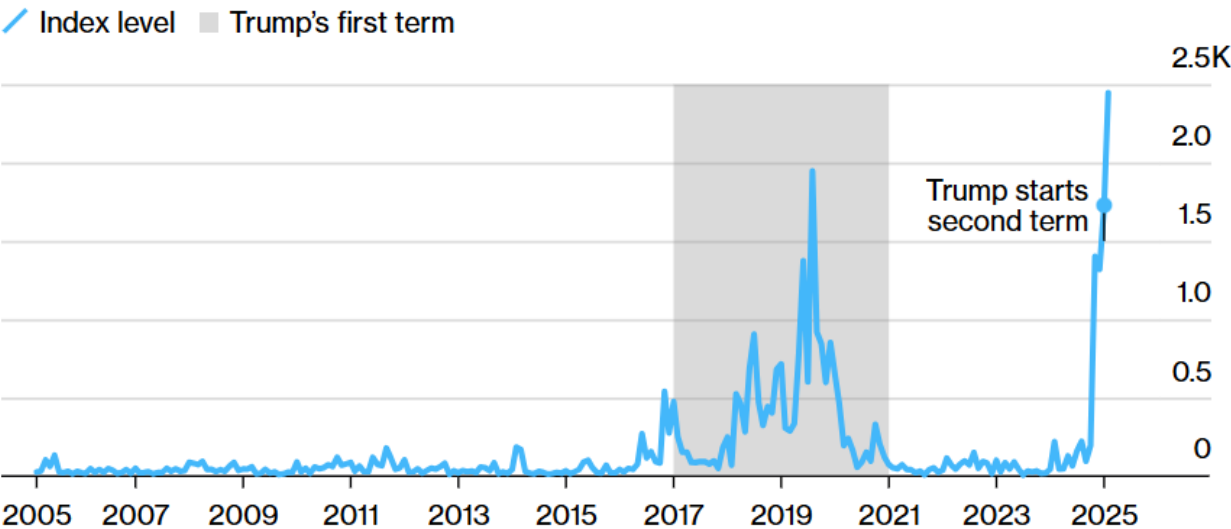
References to "recession" spiked last week



Source: Bloomberg
Note: Weekly count from search of all news sources, social media posts and other text carried on Bloomberg terminal

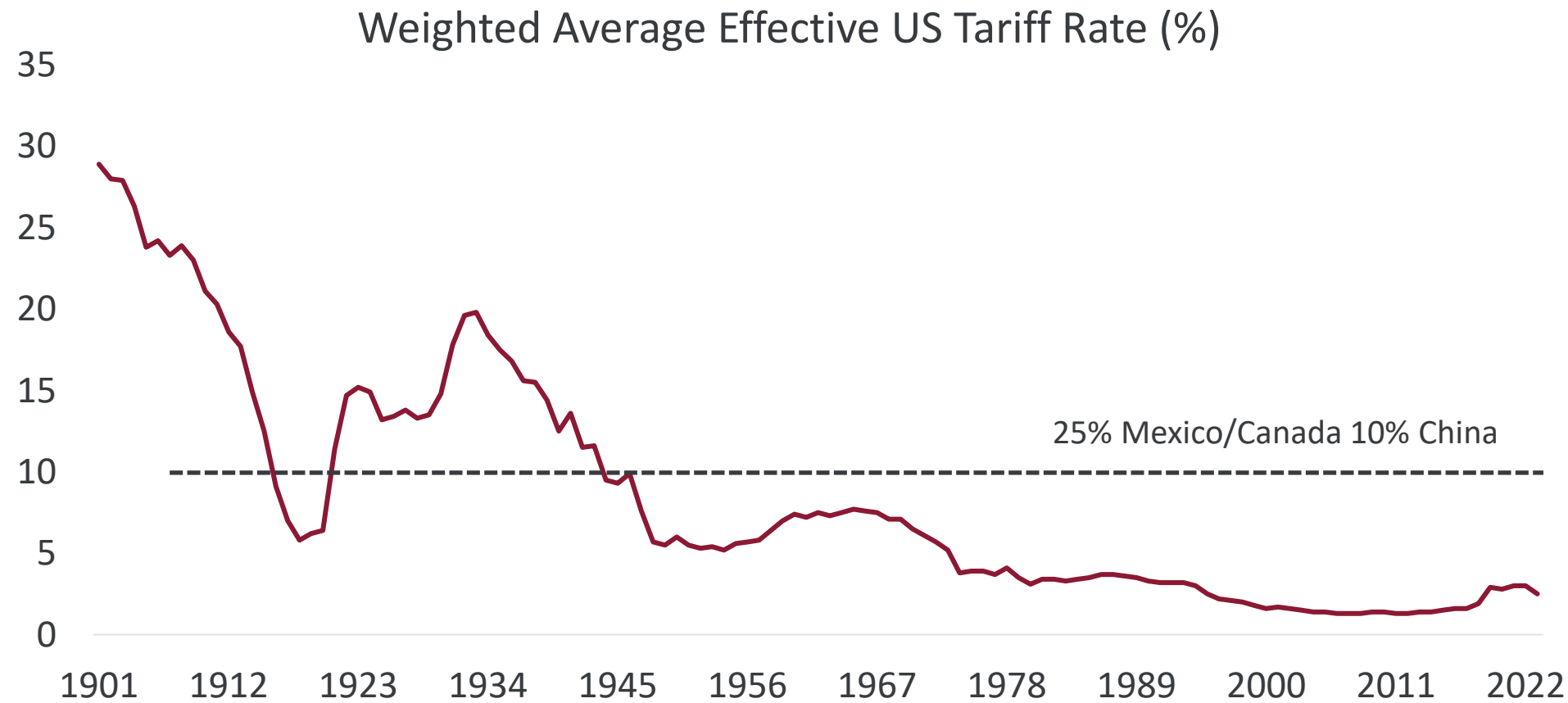
Trade uncertainty soars to highest on record

Trump's tariff threats have roiled markets and disrupted businesses



Source: Baker, Bloom & Davis

Tariffs on the scale threatened haven't been seen for a LOOONNNGGG time...



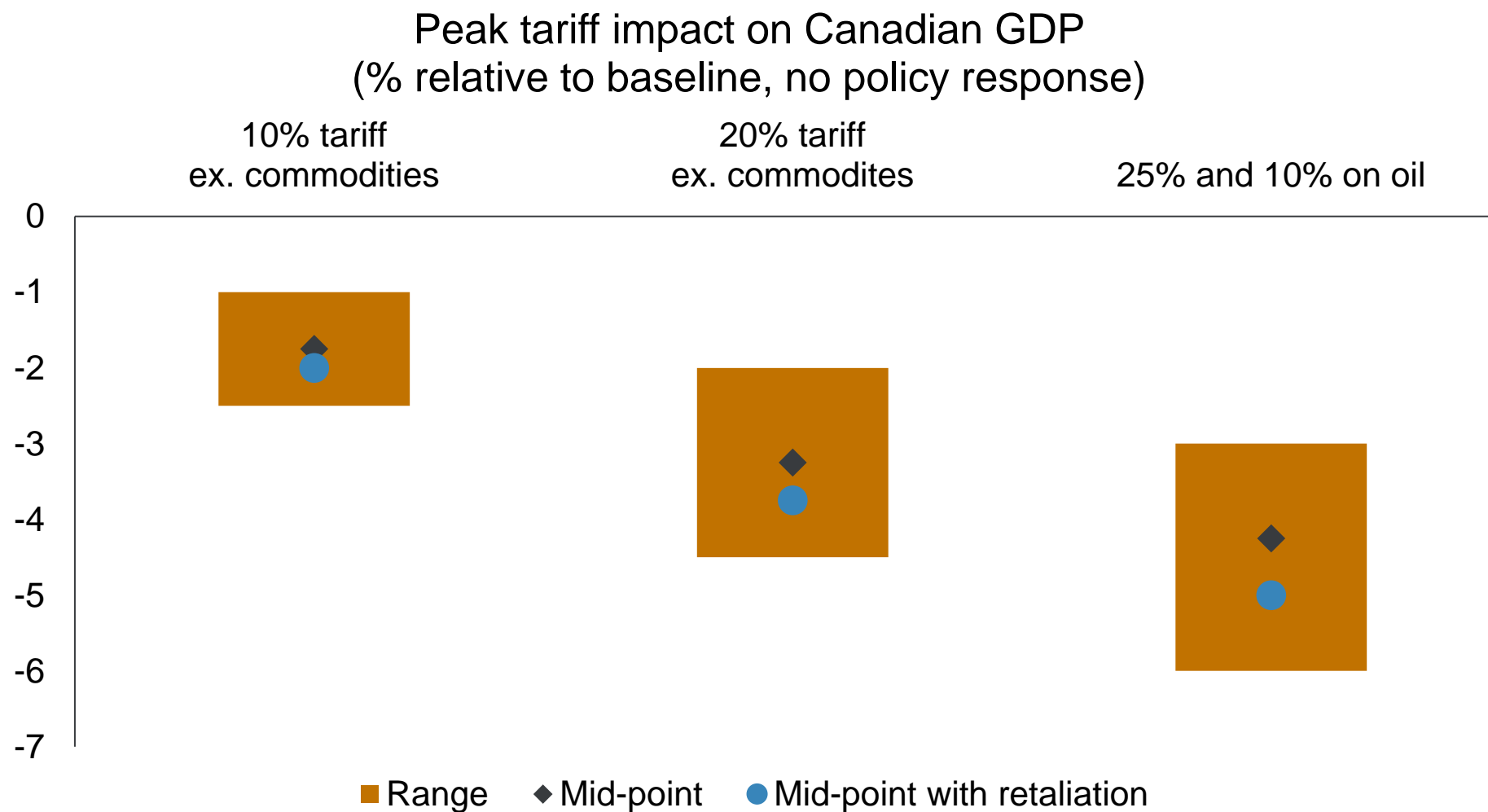
Source: Budget lab, Yale University

The model results are in...

Bad

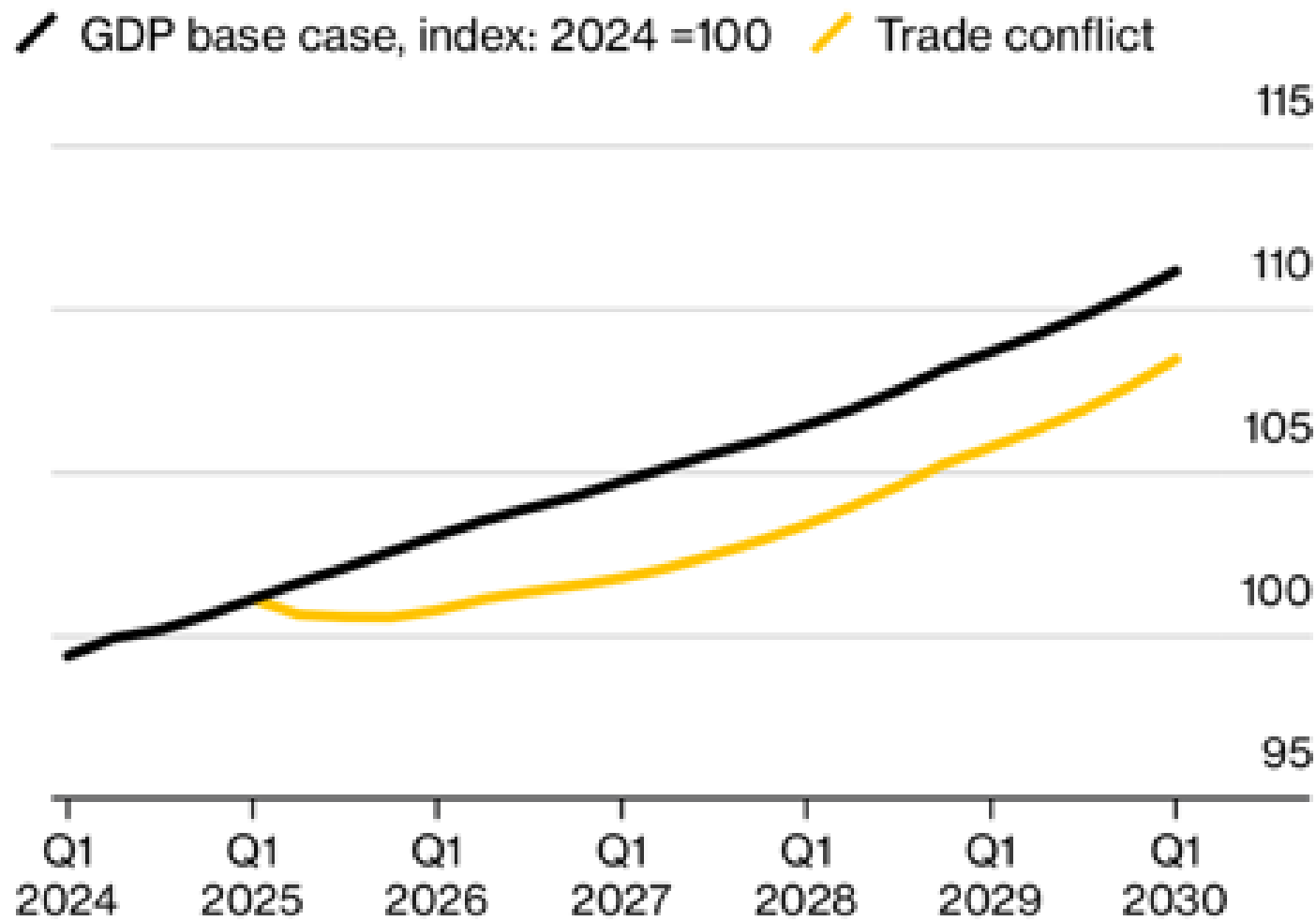


...GDP hit to Canada from tariffs is 2-5% across range of scenarios



Source: Statistics Canada, CIBC calculations

Tariff dispute would hit Canada GDP

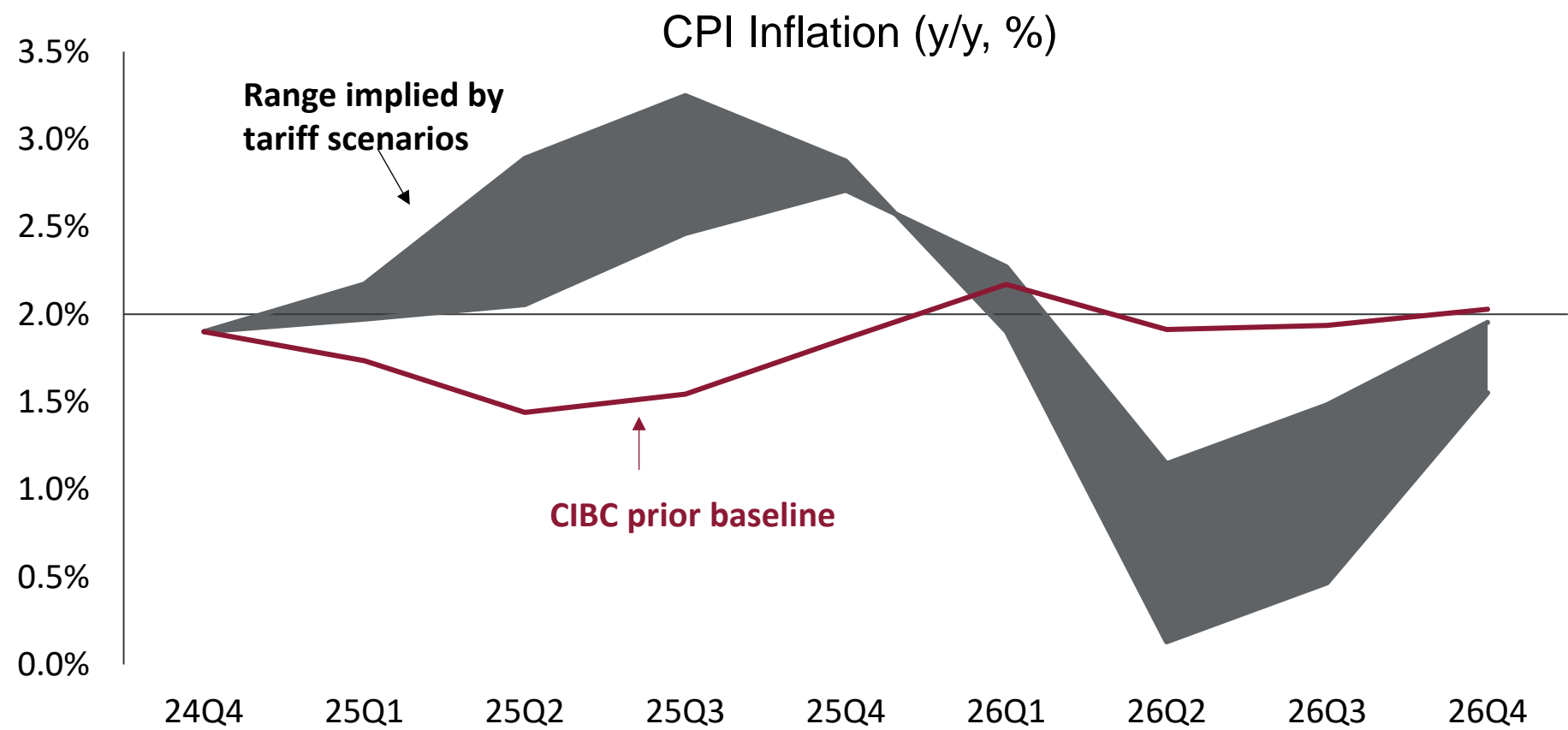


Source: Bank of Canada



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Tariffs have a negative impact on inflation longer-term

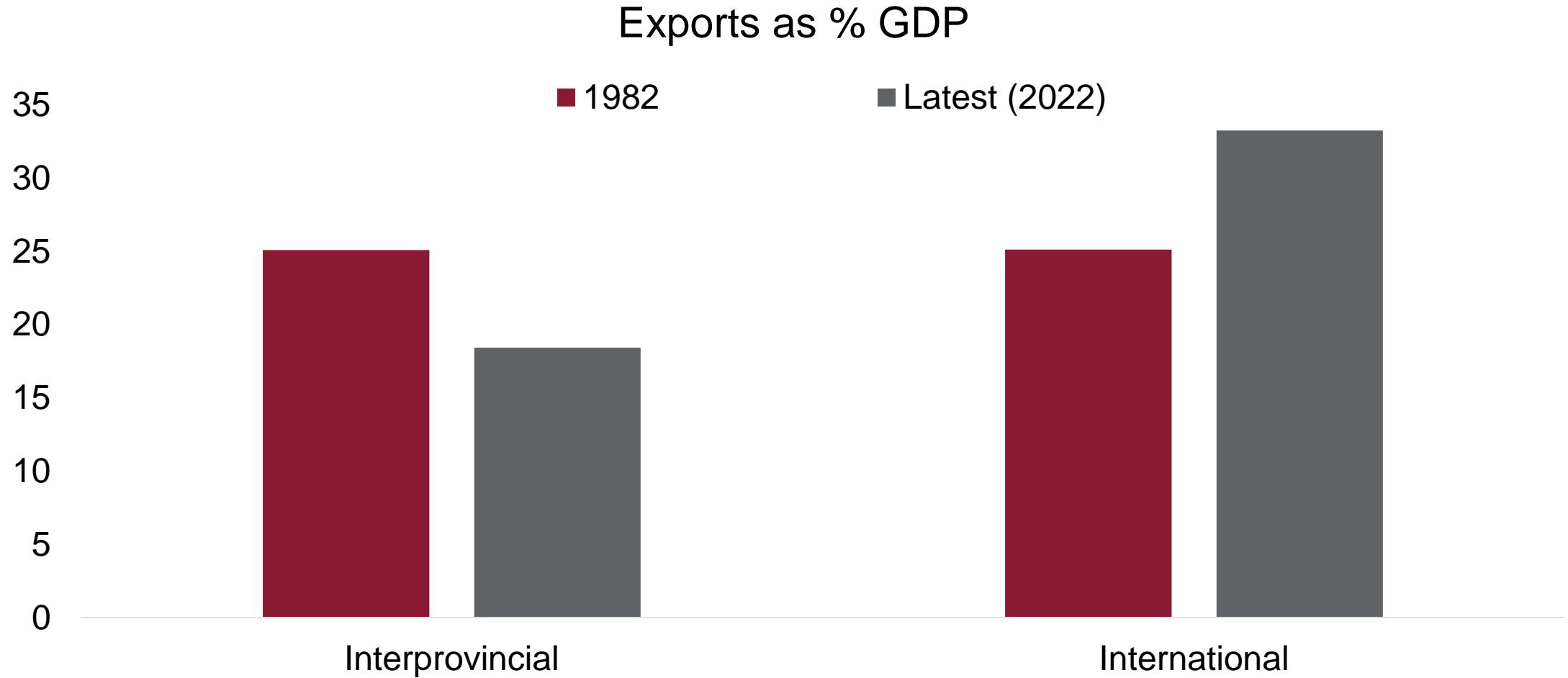


Source: CIBC



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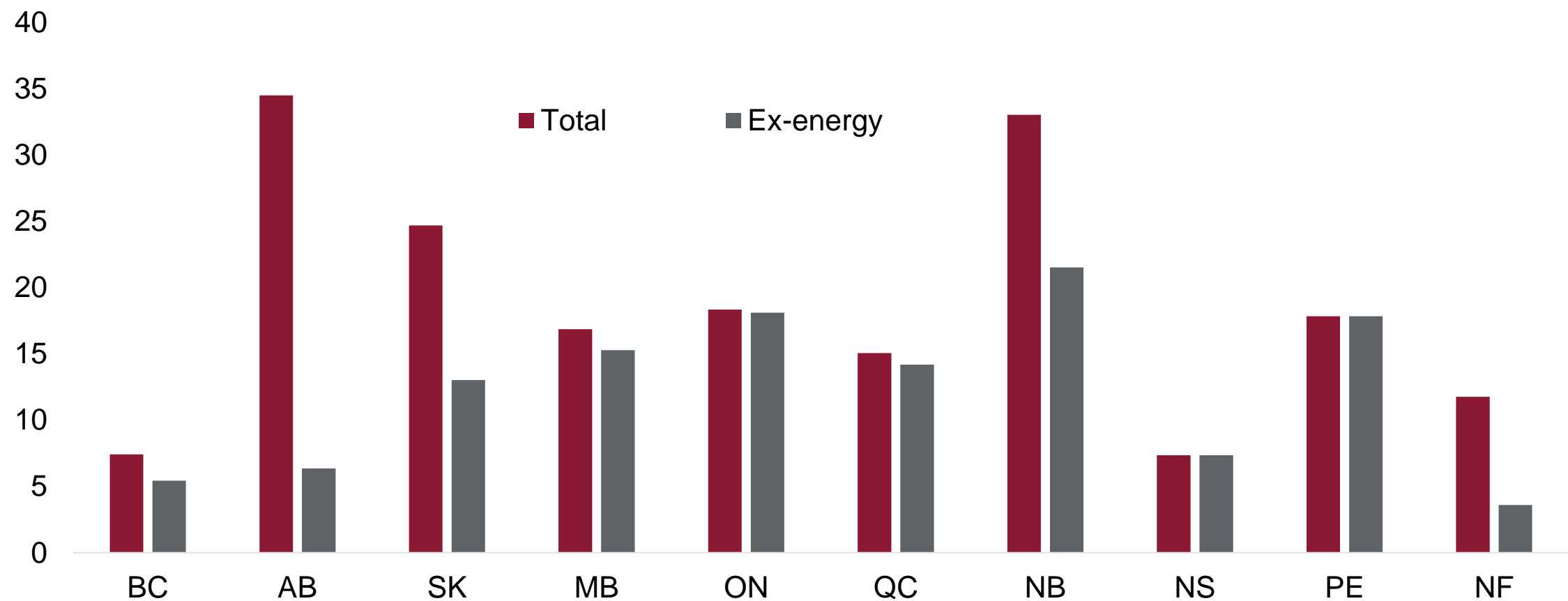
...and internally



Source: Statistics Canada, CIBC

Provincial export exposure with the US

Merchandise exports to the US as % Provincial GDP

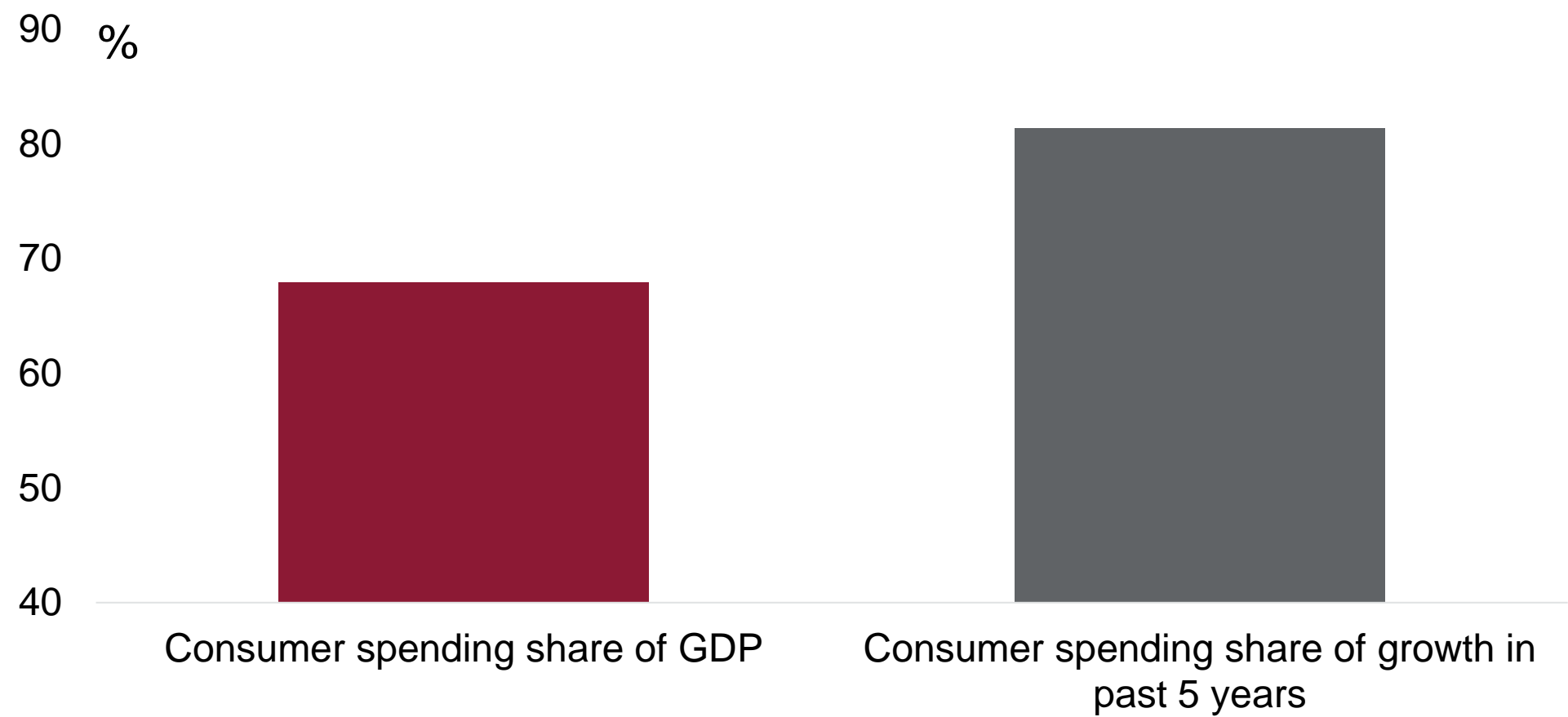


Source: Statistics Canada, CIBC



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US Economy has been even more reliant than normal on consumer spending recently



Source: BEA, CIBC



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Bank of Canada increased policy rates alongside rising inflation

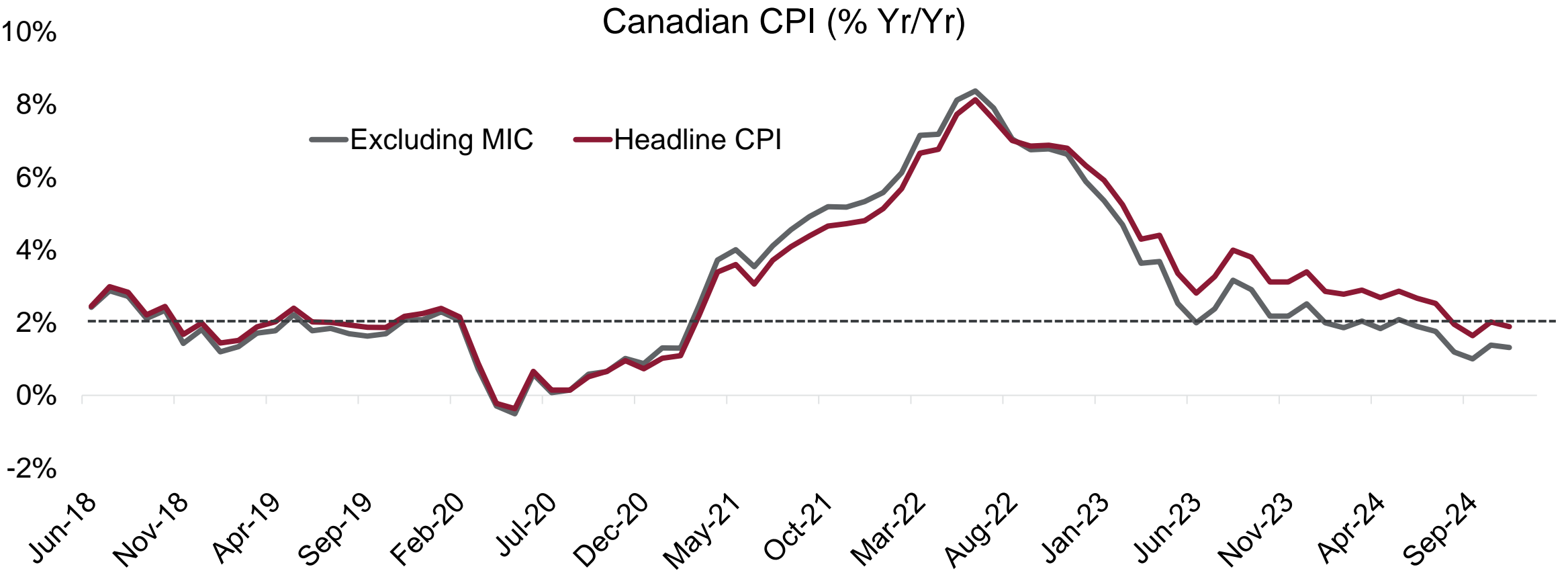


Source: Bank of Canada



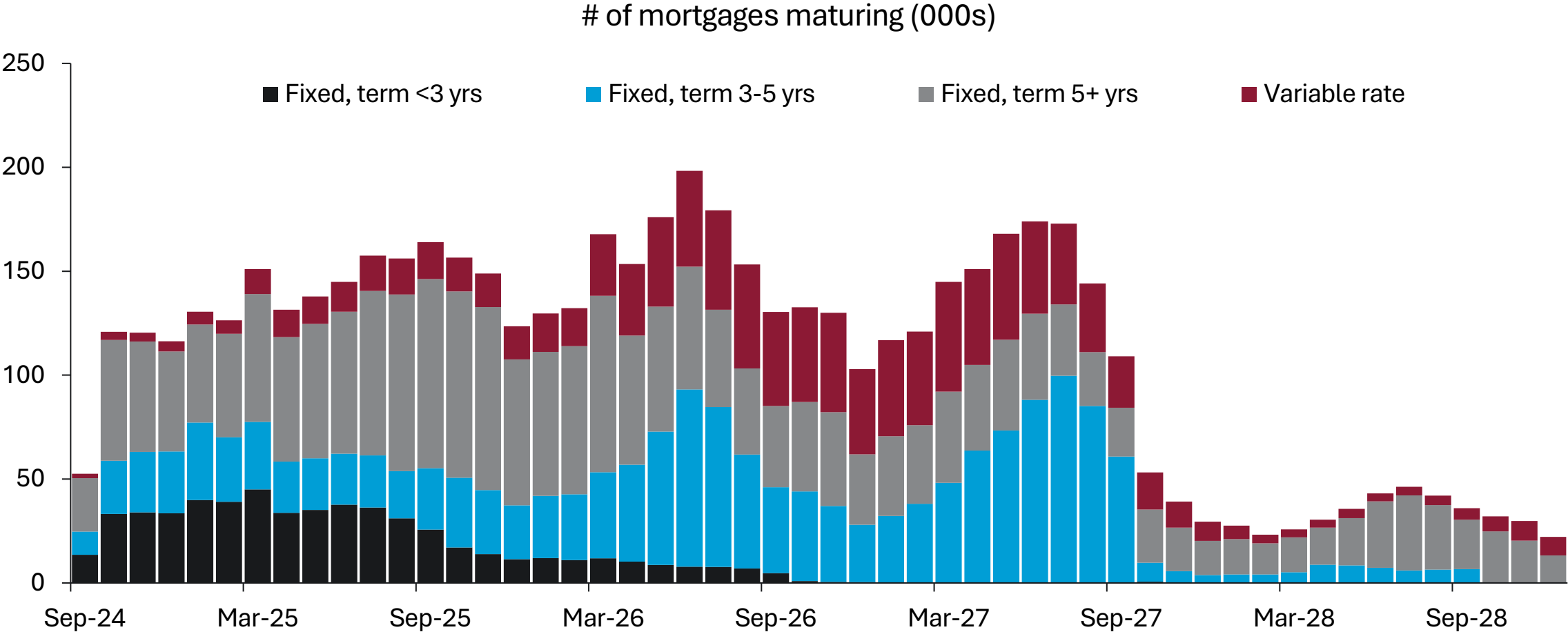
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Canadian inflation is weak, particularly excluding MIC (L)
Increased economic slack should balance out currency depreciation (R)



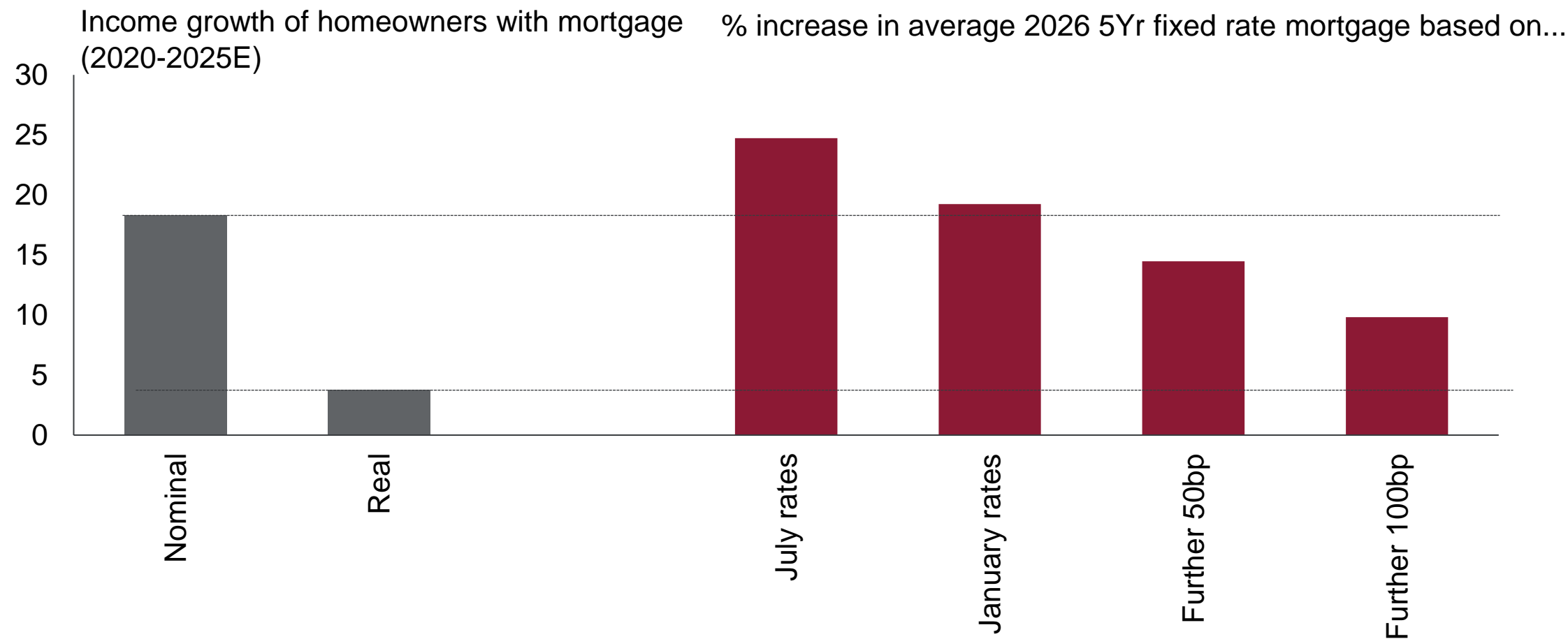
Source: Statistics Canada, CIBC

Wave of mortgage renewals upcoming



Source: BoC, CIBC

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



Source: Statistics Canada, BoC, CIBC



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Interest rate forecast

Canada

Variable	2025 Mar	2025 Jun	2025 Sep	2025 Dec	2026 Mar	2026 Jun	2026 Sep	2026 Dec
Overnight target rate	2.75	2.25	2.25	2.25	2.25	2.25	2.25	2.25
98-Day Treasury Bills	2.55	2.20	2.10	2.10	2.15	2.20	2.20	2.20
2-Year Government Bond	2.70	2.50	2.70	2.80	2.90	3.05	3.10	3.05
5-Year Government Bond	2.90	2.70	3.00	3.05	3.10	3.15	3.20	3.10
10-Year Government Bond	3.05	3.00	3.25	3.30	3.35	3.40	3.40	3.30

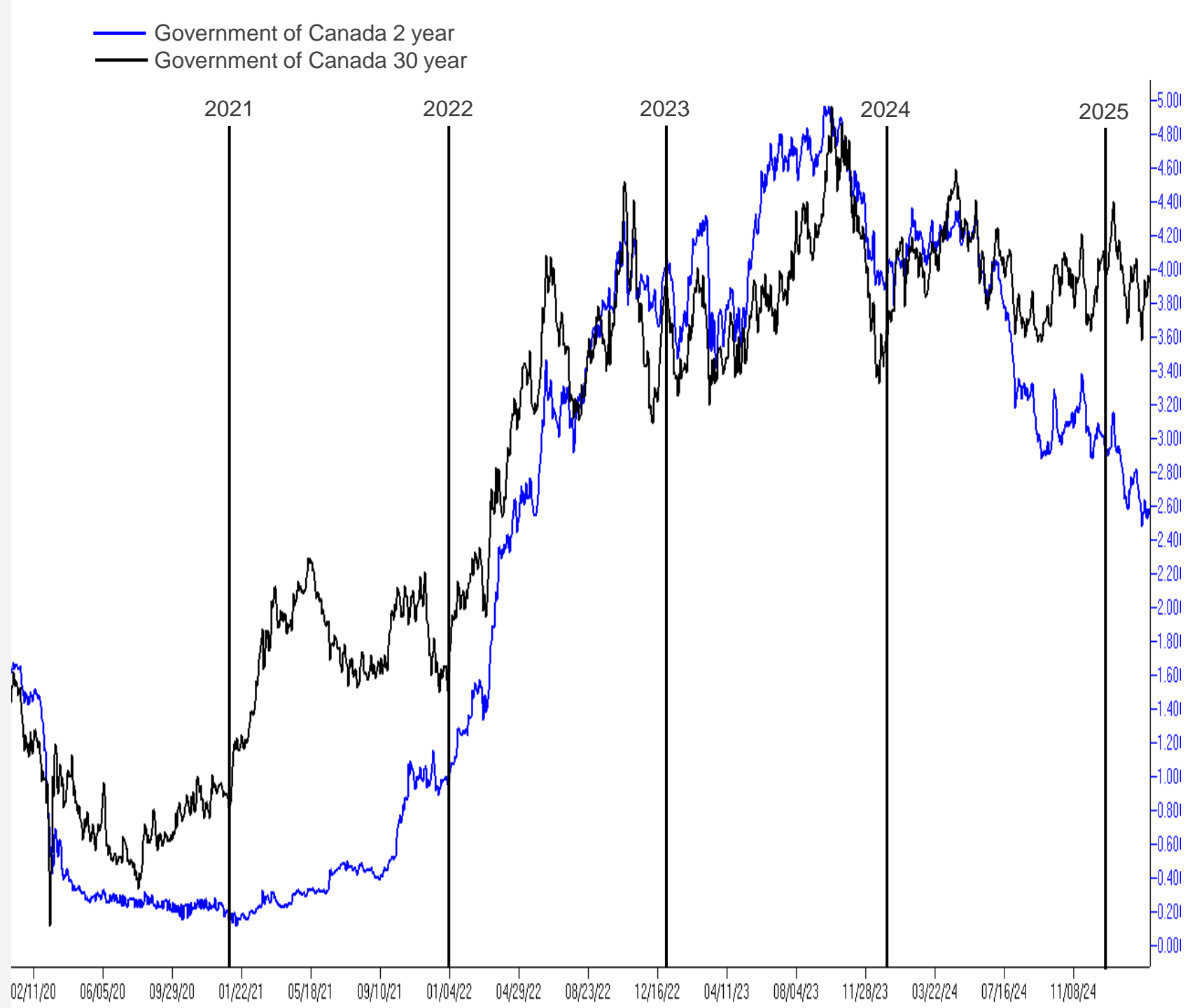
United States

Variable	2025 Mar	2025 Jun	2025 Sep	2025 Dec	2026 Mar	2026 Jun	2026 Sep	2026 Dec
Federal funds rate (midpoint)	4.375	4.375	3.875	3.625	3.375	3.375	3.375	3.375
91-Day Treasury Bills	4.30	4.20	3.80	3.60	3.45	3.45	3.50	3.55
2-Year Government Note	4.15	4.00	3.70	3.55	3.40	3.65	3.75	3.85
5-Year Government Note	4.15	4.00	3.85	3.80	3.60	3.70	3.75	3.85
10-Year Government Note	4.30	4.20	4.00	3.95	3.85	3.90	4.10	4.15

Source: CIBC Economics as of Mar 13, 2025

Yields

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



Provincial economic forecasts

	Real GDP Y/Y % Chg					Unemployment rate %					Consumer Price Index Y/Y % Chg				
	2022A	2023A	2024F	2025F	2026F	2022A	2023A	2024A	2025F	2026F	2022A	2023A	2024A	2025F	2026F
BC	4.0	2.4	1.1	1.3	2.0	4.6	5.2	5.6	6.1	5.4	6.9	4.0	2.6	2.8	1.5
Alta	6.0	2.3	2.2	1.7	2.2	5.8	5.9	7.1	7.4	6.4	6.5	3.3	2.9	3.0	1.5
Sask	7.2	2.3	2.0	1.2	1.8	4.6	4.7	5.5	5.8	5.3	6.6	3.9	1.4	3.0	1.5
Man	4.2	1.7	1.3	1.1	1.6	4.5	4.9	5.5	5.9	5.6	7.9	3.6	1.0	4.1	1.6
Ont	4.1	1.7	1.5	0.8	2.1	5.6	5.6	7.0	7.6	6.9	6.8	3.8	2.4	2.3	1.5
Qué	3.4	0.6	1.1	0.9	1.9	4.3	4.4	5.4	5.8	5.4	6.7	4.5	2.3	2.5	1.5
NB	2.0	1.6	1.5	0.9	1.5	7.2	6.6	7.1	7.3	6.9	7.3	3.5	2.2	1.5	1.5
NS	3.5	2.0	1.7	1.2	1.3	6.6	6.4	6.5	6.9	6.6	7.5	4.0	2.3	2.2	1.5
PEI	4.4	2.2	2.5	1.9	1.8	7.7	7.3	7.8	8.2	7.8	8.9	2.9	1.9	1.8	1.5
N&L	-1.9	-2.6	3.5	1.8	2.2	11.1	9.8	10.0	9.9	9.7	6.4	3.3	1.8	1.7	1.5
Canada	4.2	1.5	1.5	1.0	2.0	5.3	5.4	6.4	6.9	6.2	6.8	3.9	2.4	2.5	1.5

Sources: CIBC, Statistics Canada, CMHC

Source: CIBC



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Alberta Budget

Fiscal Measure	2023/24 Actual	2024/25 Budget (previous)	2024/25 Budget (current)	2024/25 Change	2025/26 Budget	2026/27 Budget	2027/28 Budget
Revenue	\$74.732	\$73.537	\$80.692	+\$7.154	\$74.138	\$77.39	\$79.969
Expenses	(\$70.447)	(\$73.182)	(\$74.932)	(\$1.75)	(\$79.349)	(\$79.818)	(\$82.016)
Surplus/ (deficit)	\$4.285	\$0.355	\$5.760	\$5.404	(\$5.211)	(\$2.428)	(\$2.047)
Heritage fund	\$20.9	\$23.8	\$23.4	(\$0.4)	\$24.4	\$25.7	\$27.1

- The budget reflects a \$1.2b tax cut that will dent revenues, along with a doubling of the contingency fund in the face of tariff threats, and dim growth prospects due to tariff assumptions
 - The province's economic outlook assumes a 10% tariff on energy products and an average tariff of 15% on all other goods
 - Oil prices are expected to average lower at US\$68/bbl in 2025/26, down from US\$74/bbl in the current fiscal year. A US\$1/bbl drop in the price of WTI has a net impact of -\$750mn
- Key themes:**
 - Price uncertainty - Prolonged tariffs can potentially lead to widening of Canadian crude differentials
 - Investment uncertainty - Tariff volatility can create potential capital spending uncertainty
 - Diversification pressure - Highlights the need for alternative market access infrastructure investment (pipeline or rail)

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