



CIBC CAPITAL MARKETS

# Defying gravity

Andrew Grantham

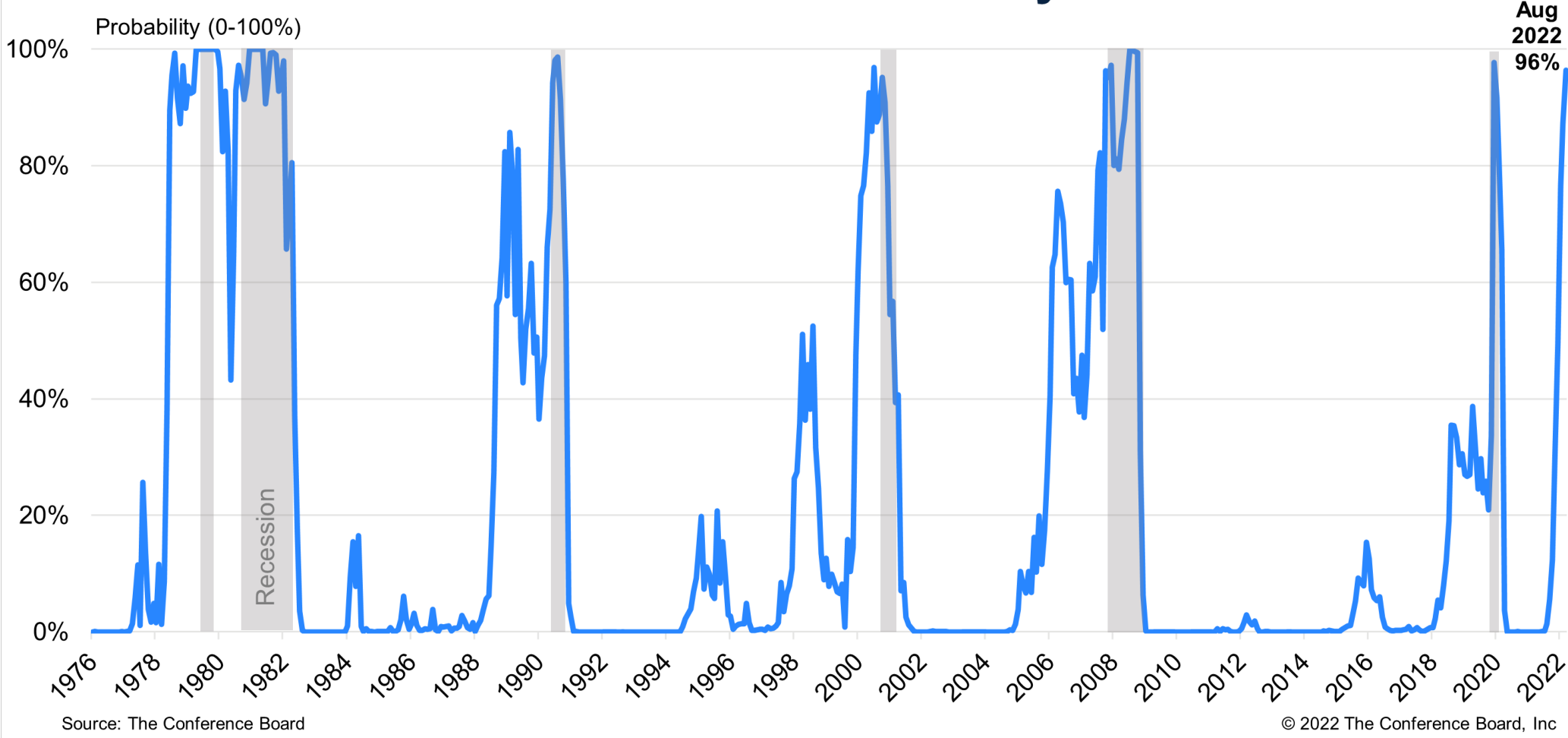
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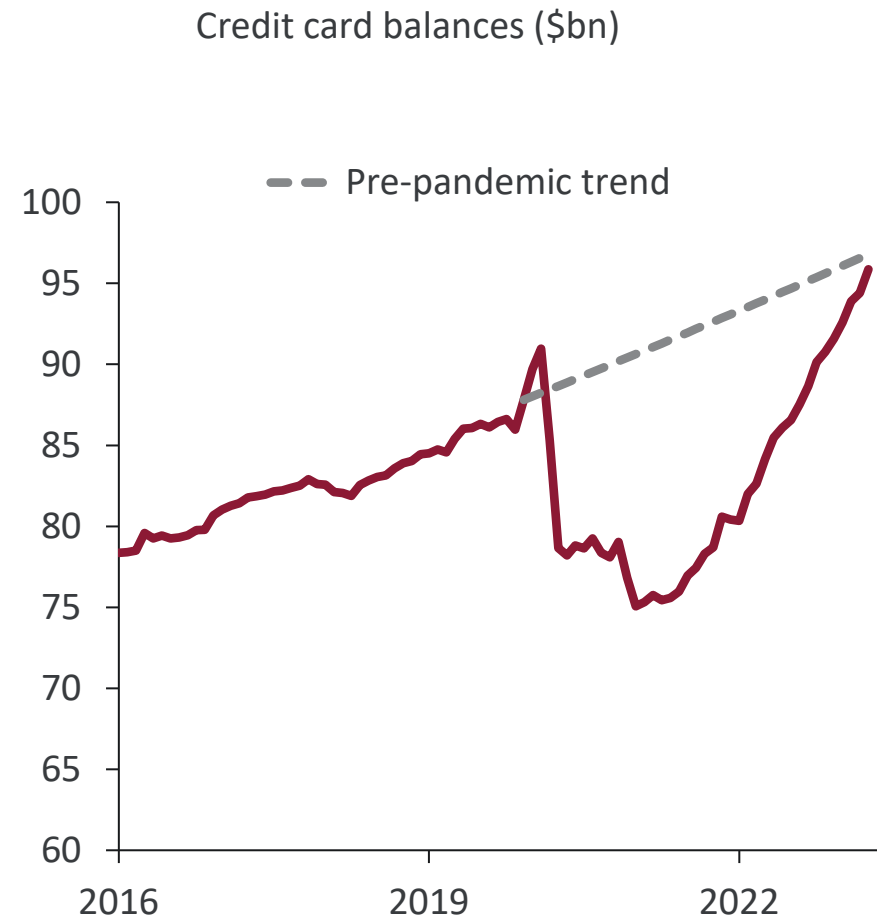
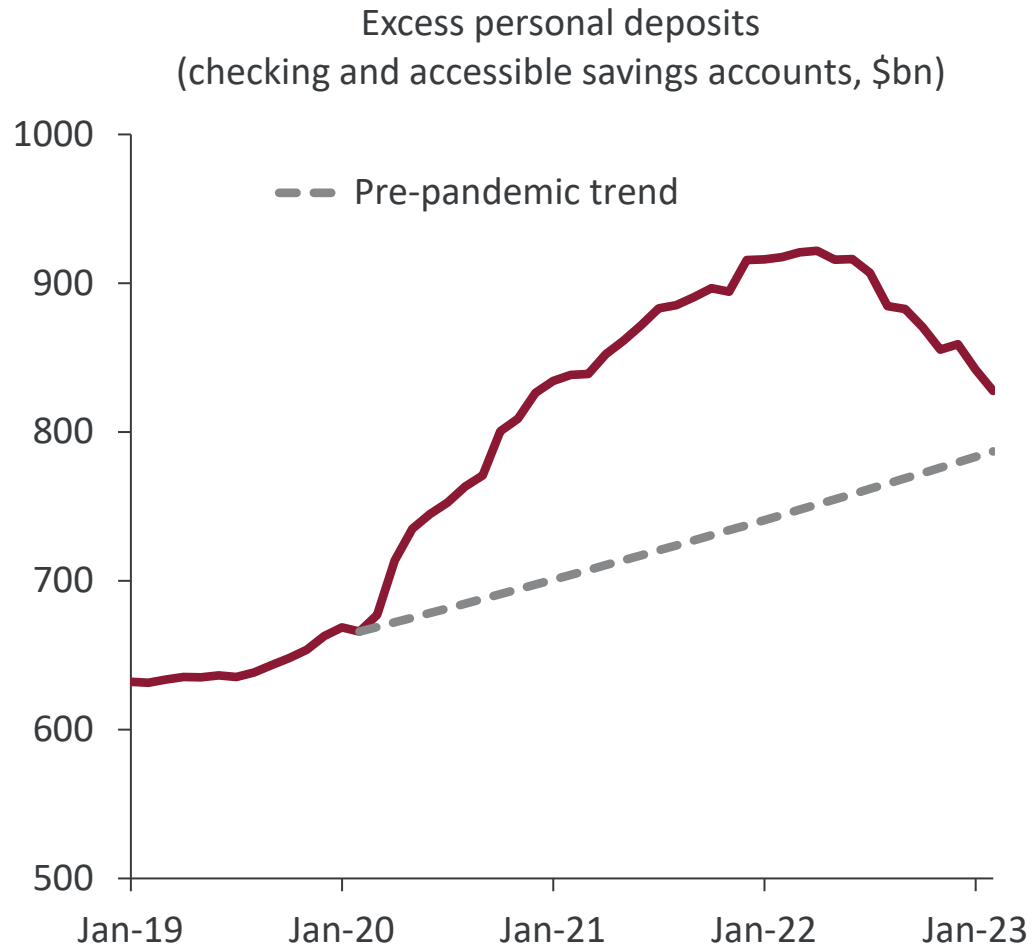


# Weren't we supposed to be in a recession already?

## US Recession Probability Model



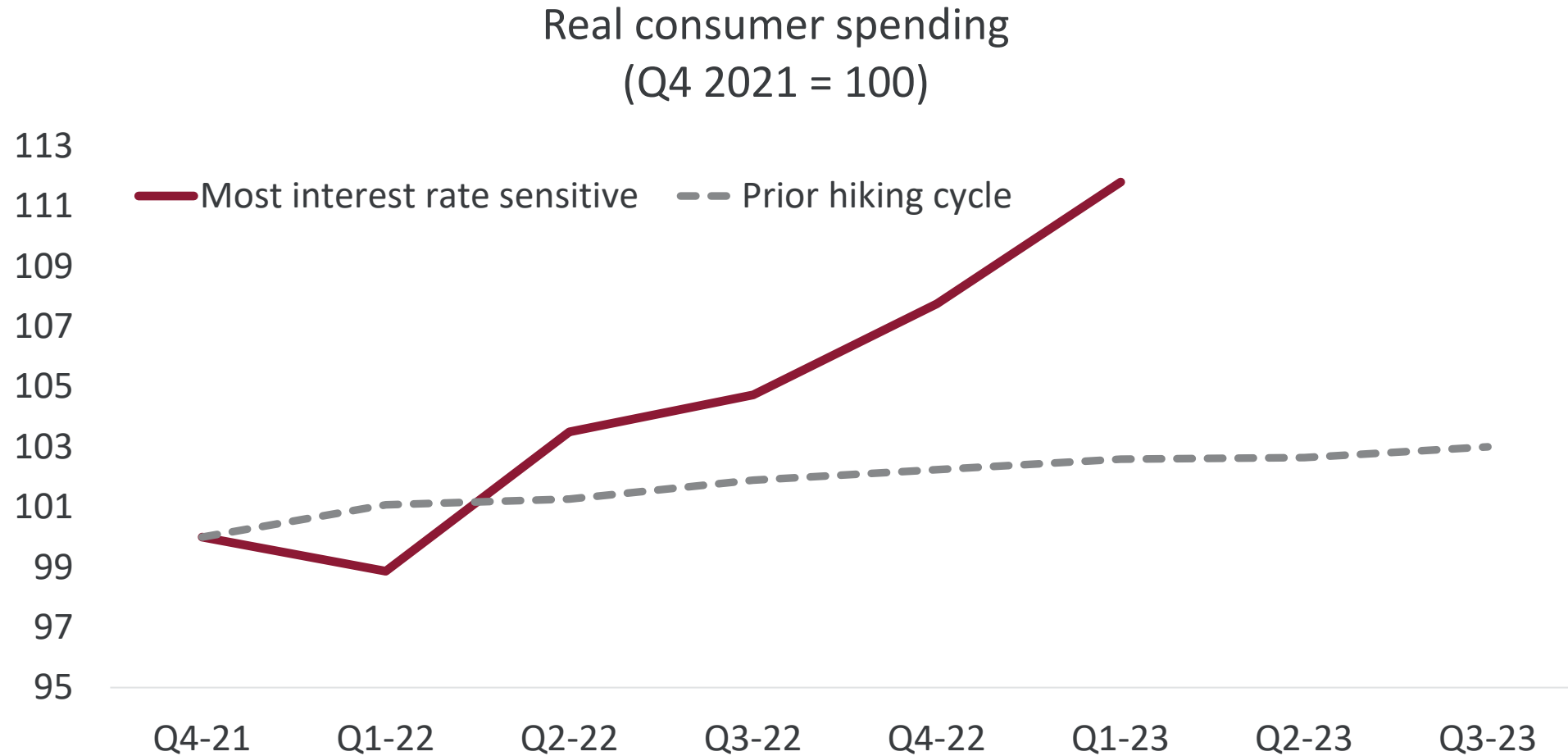
# Excess savings cushion mostly gone (l); credit card usage increasing (r)



Source: Statistics Canada, CIBC

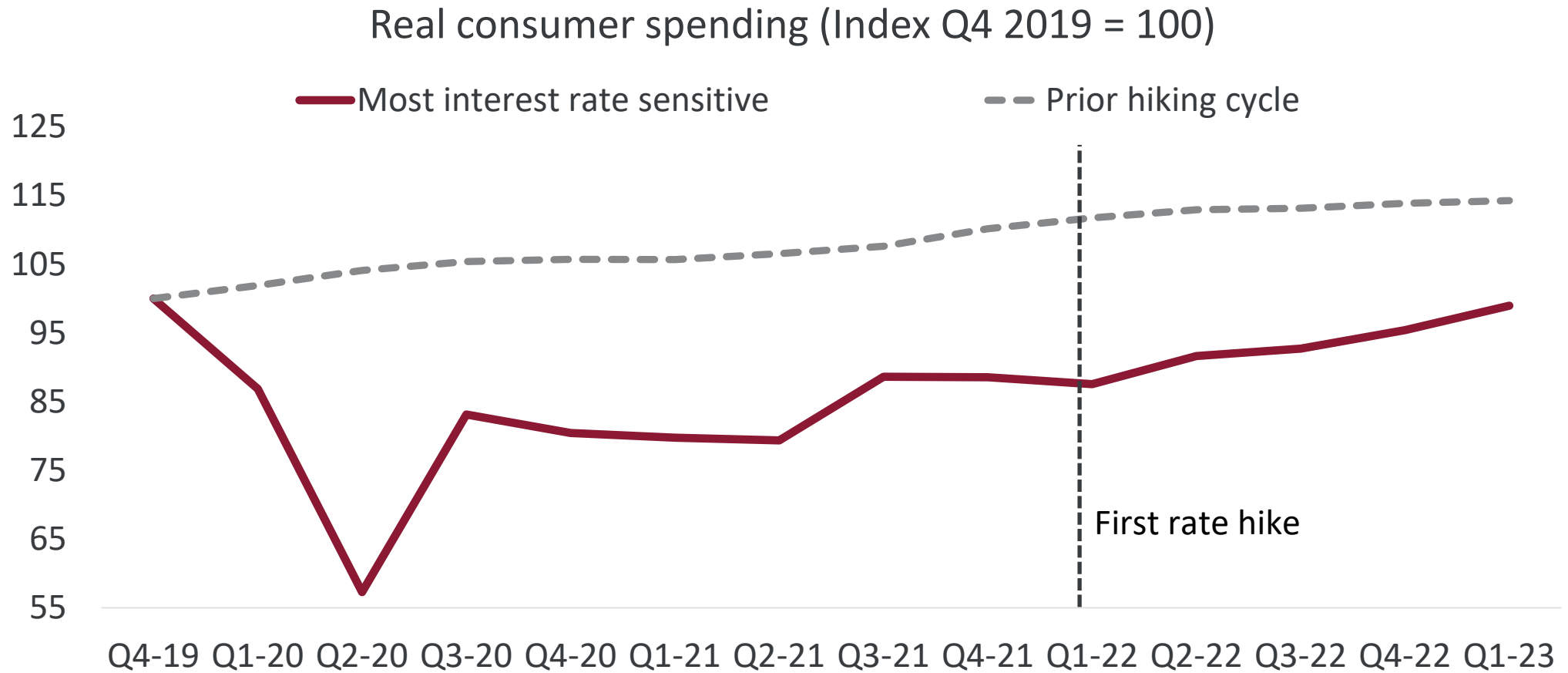


# Rate hikes aren't working...



Source: BoC, Statistics Canada, CIBC. Interest rate sensitive areas include auto sales, travel services, furniture, food & accommodation

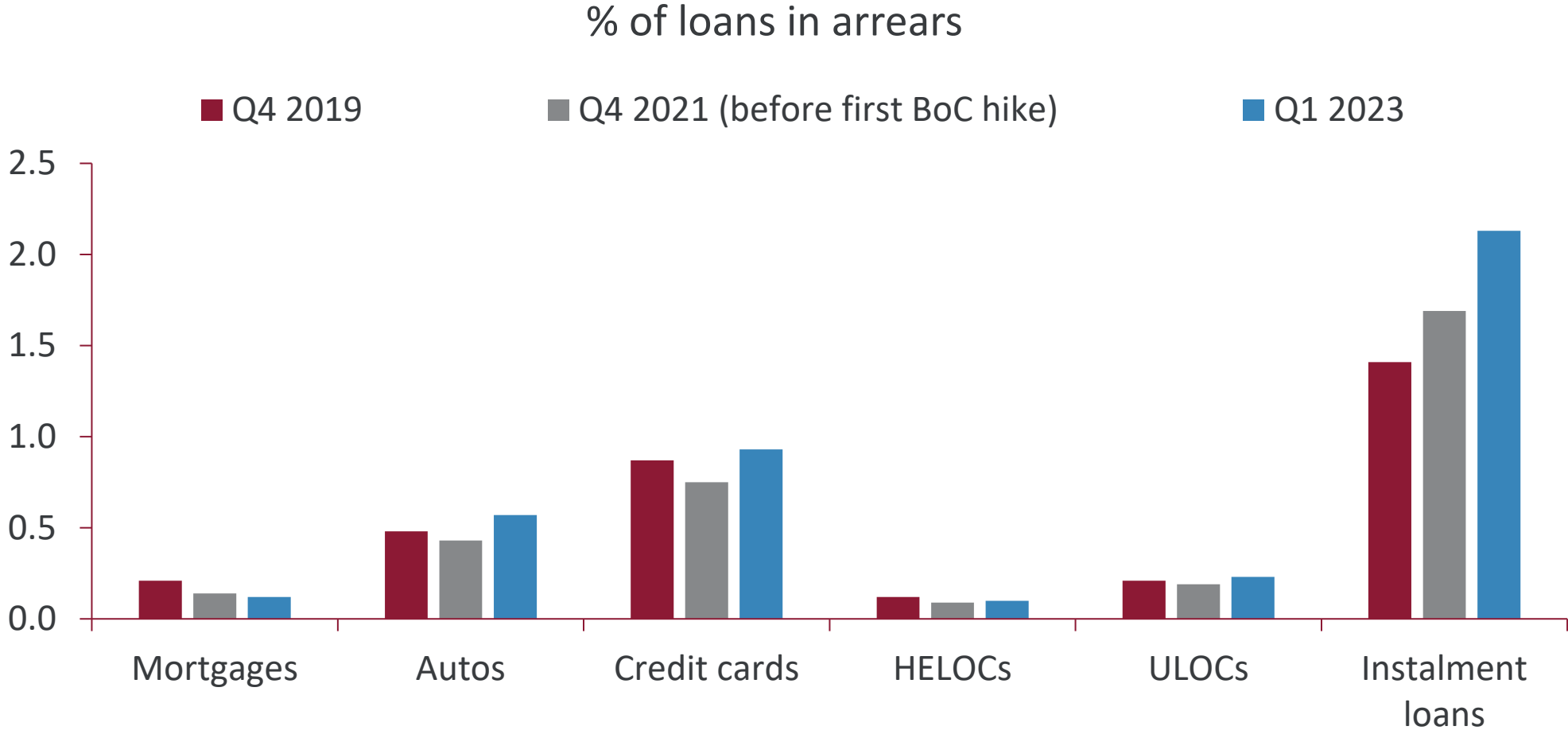
# ...or are they?



Source: BoC, Statistics Canada, CIBC. Interest rate sensitive areas include auto sales, travel services, furniture, food & accommodation

# Early signs of stress?

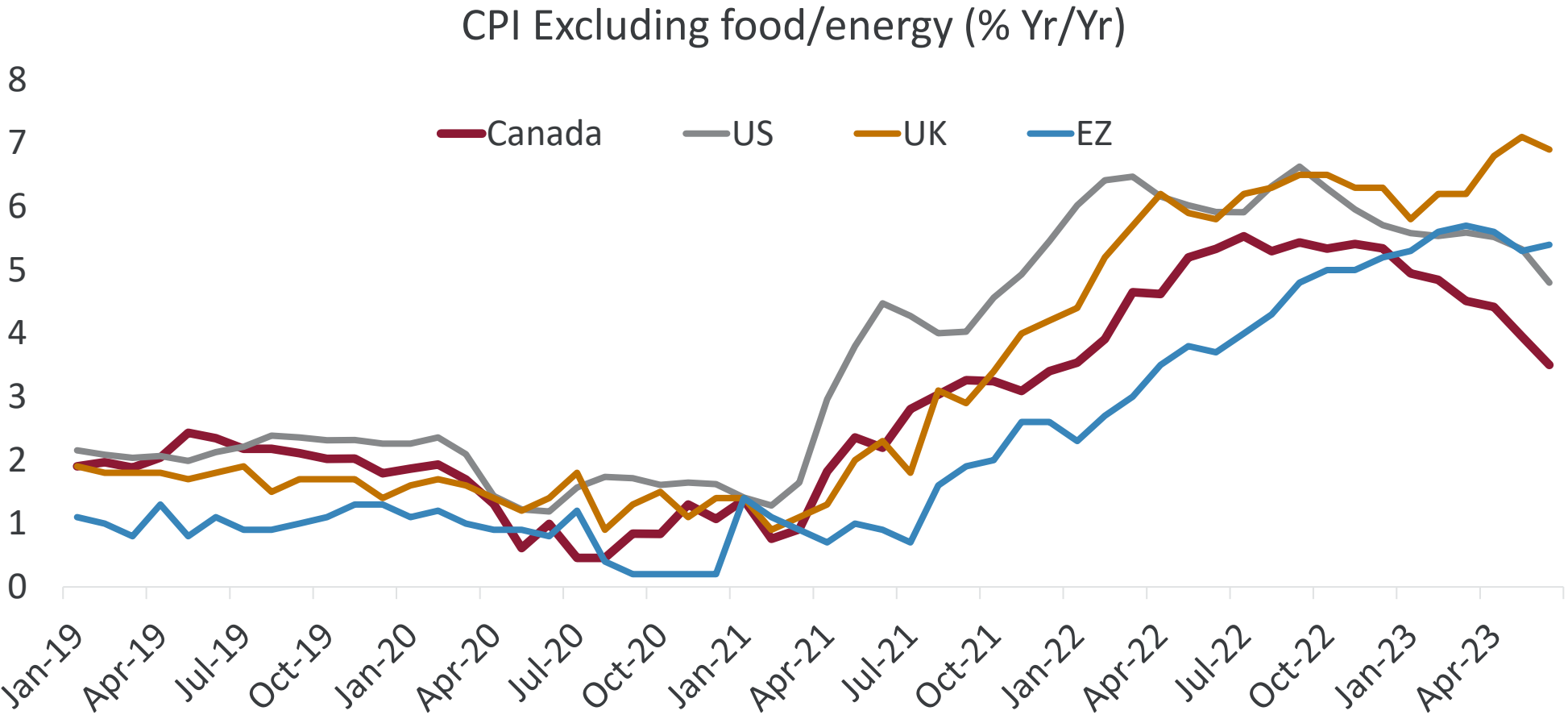
## Arrears on non-mortgage loans now above pre-pandemic levels



Source: Statistics Canada, CIBC



# Canadian inflation is easing more than others



Source: Bloomberg, CIBC

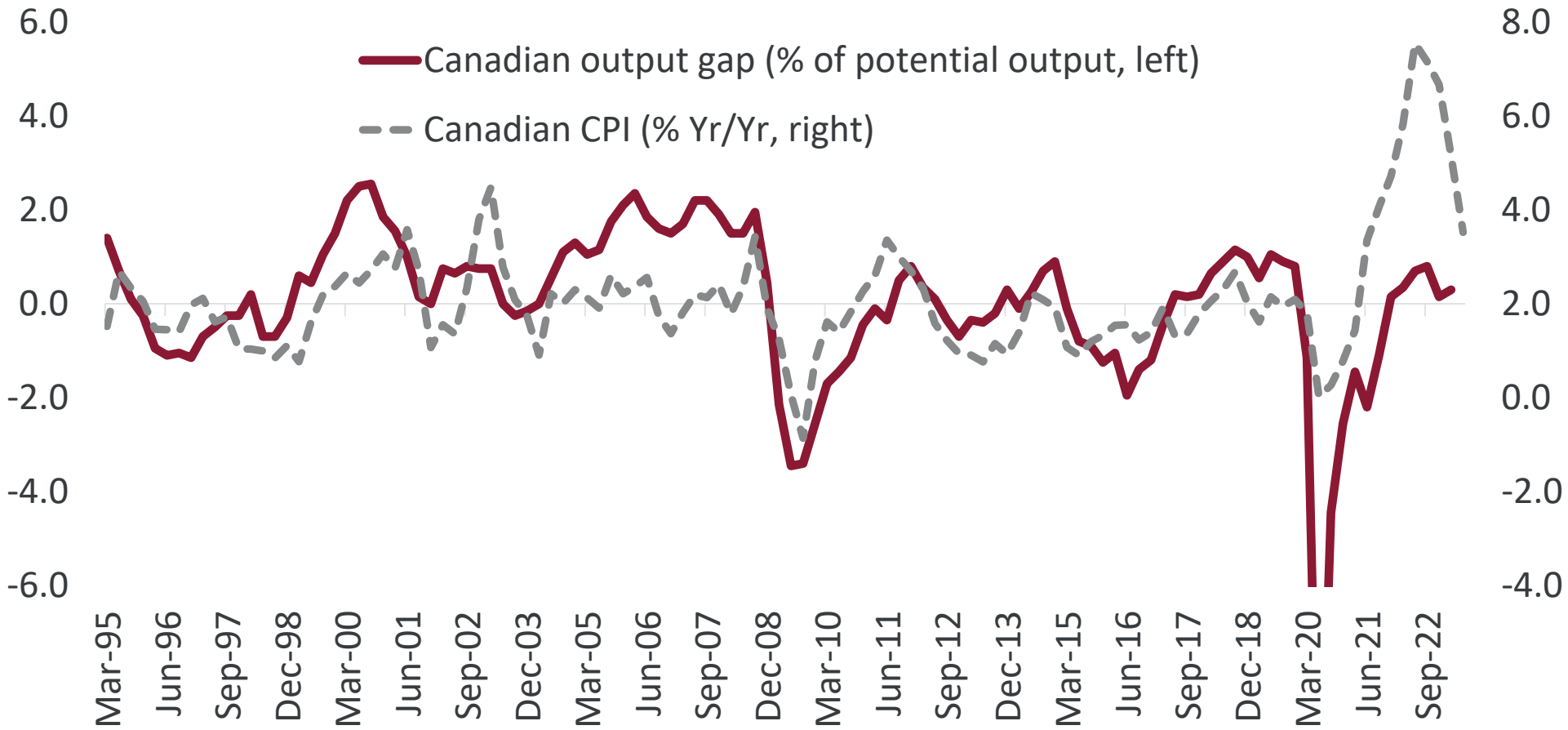


# Do Central Bankers Need to go Back to School?





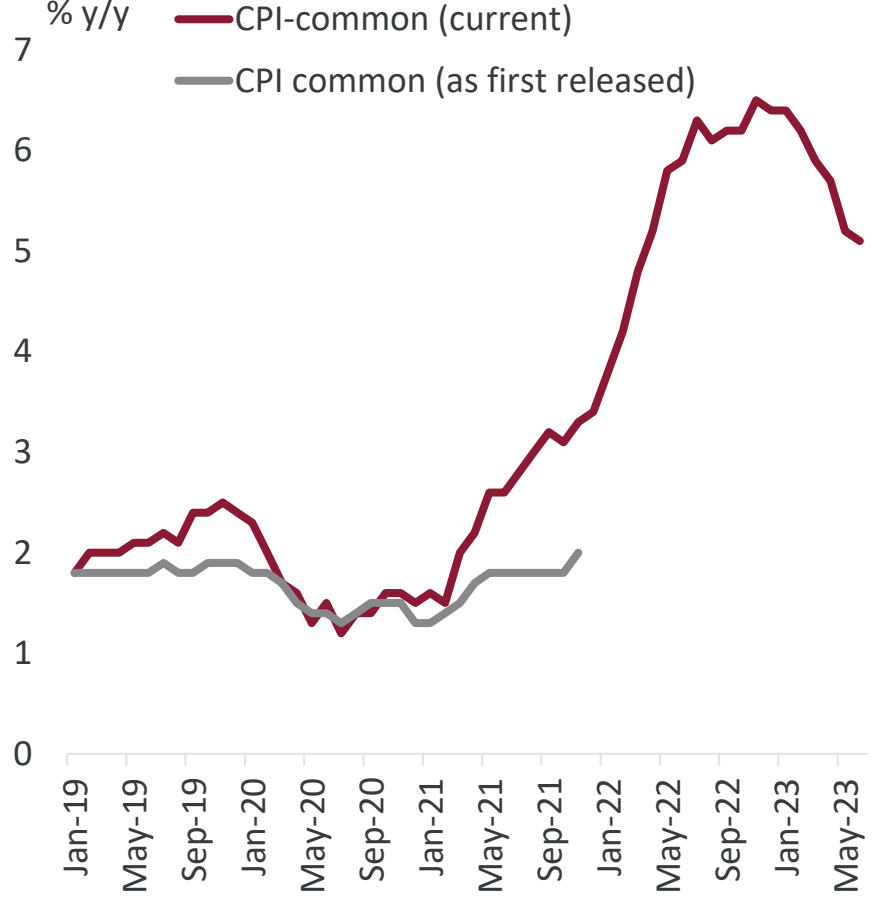
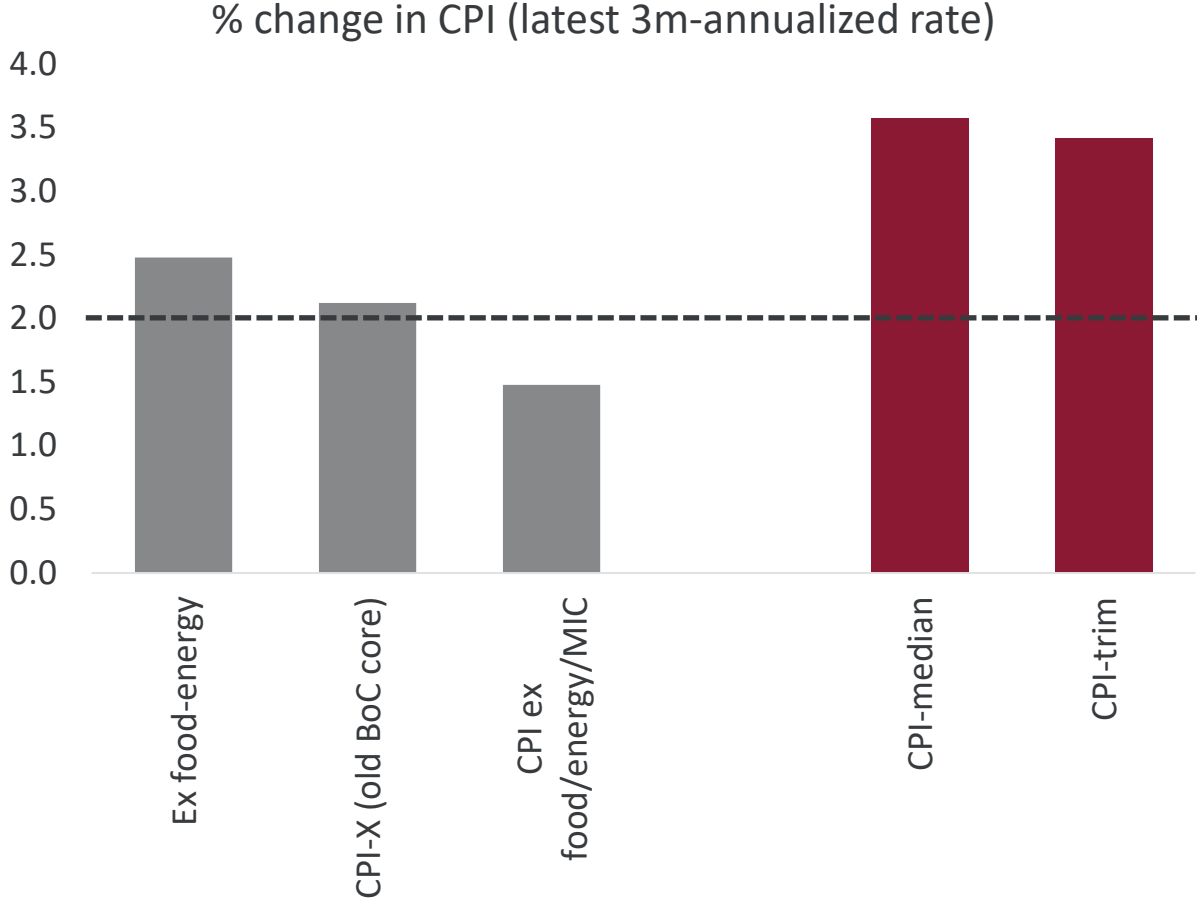
# The output gap – a guideline for monetary policy that has failed miserably post-pandemic



Source: Bank of Canada, CIBC



# Is the BoC once again overcomplicating how it thinks about core inflation?

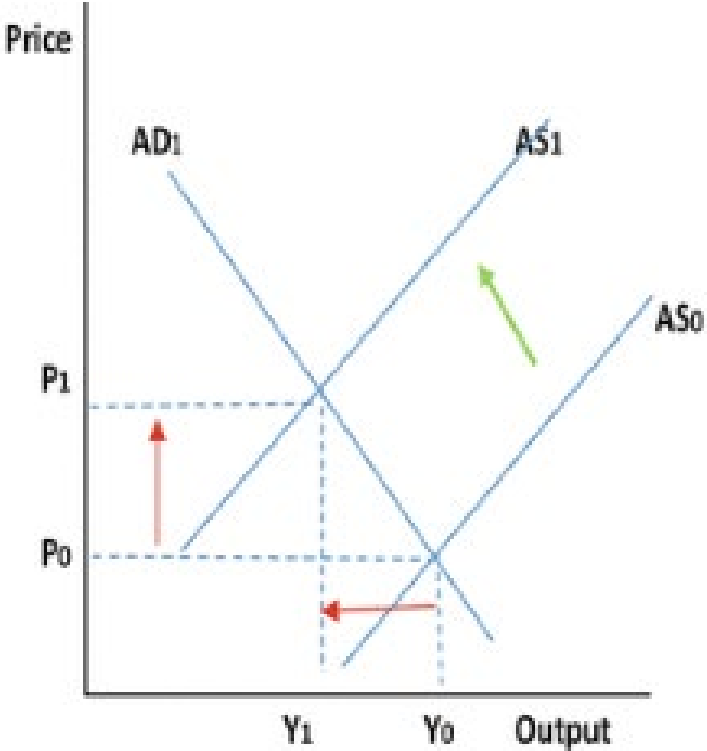


Source: Statistics Canada, CIBC

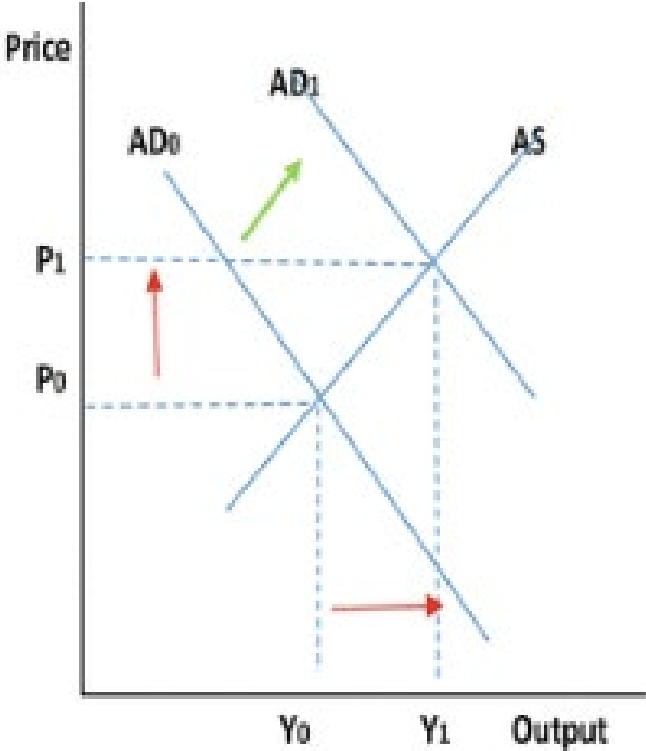


# Explaining “higher for longer”

Negative supply shock



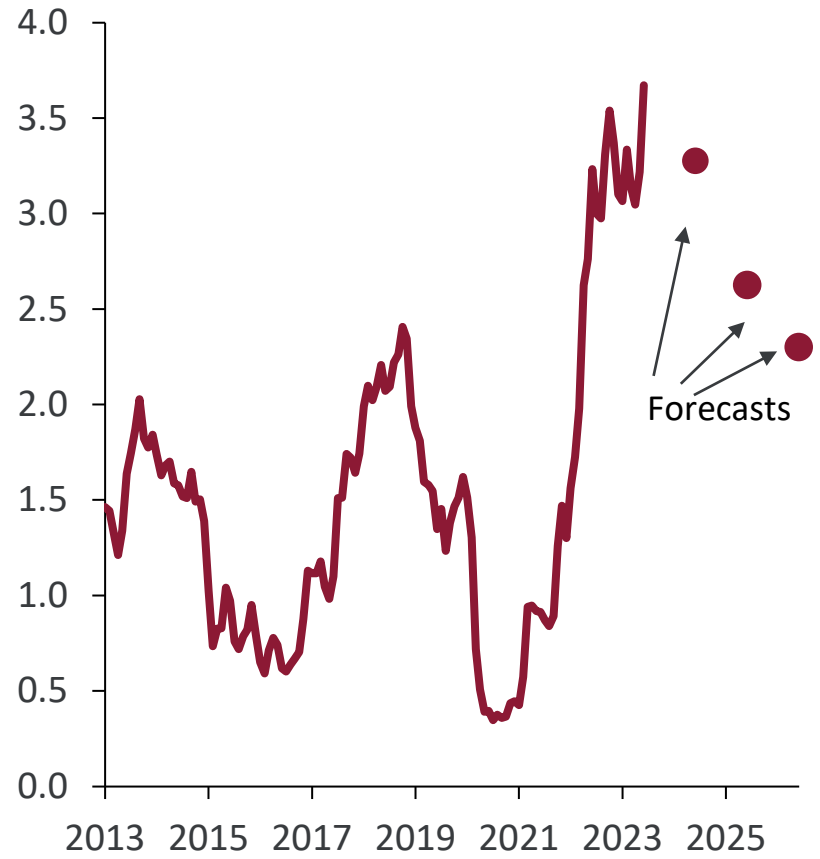
Positive demand shock



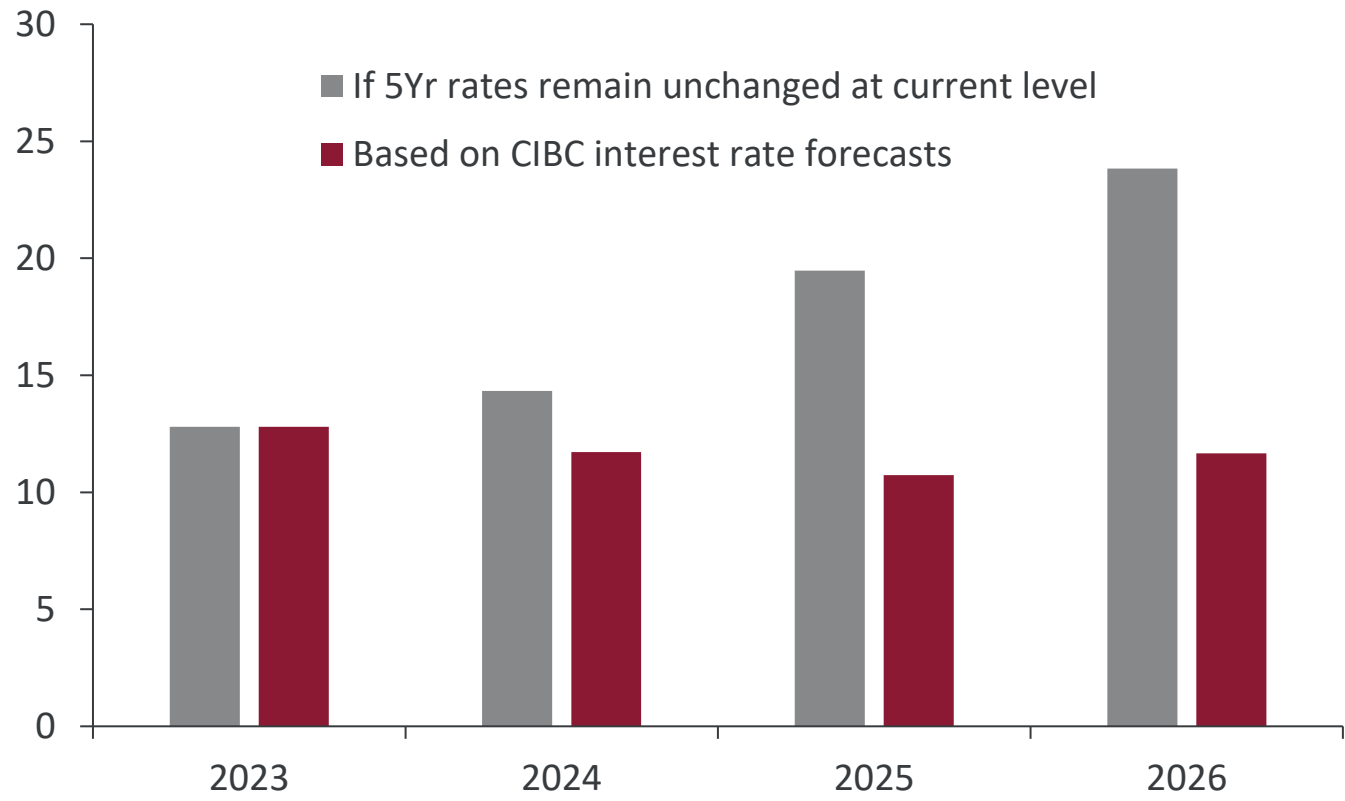
# How much higher?

## Lower rates needed by 2025 to avoid a big refinancing hit

Canadian 5Yr bond yield (%)



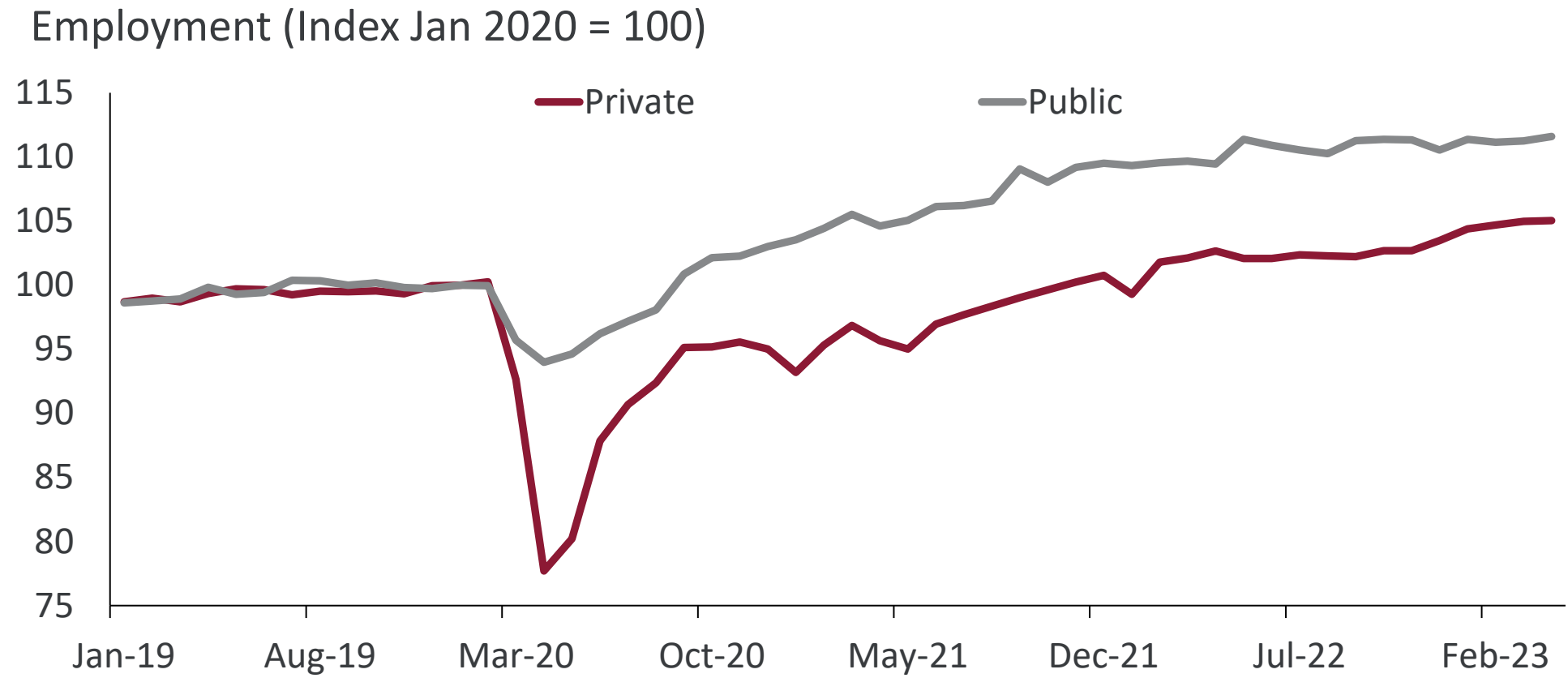
% change in average monthly payment for 5-year mortgage at renewal



# Do Politicians Need to go Back to School?



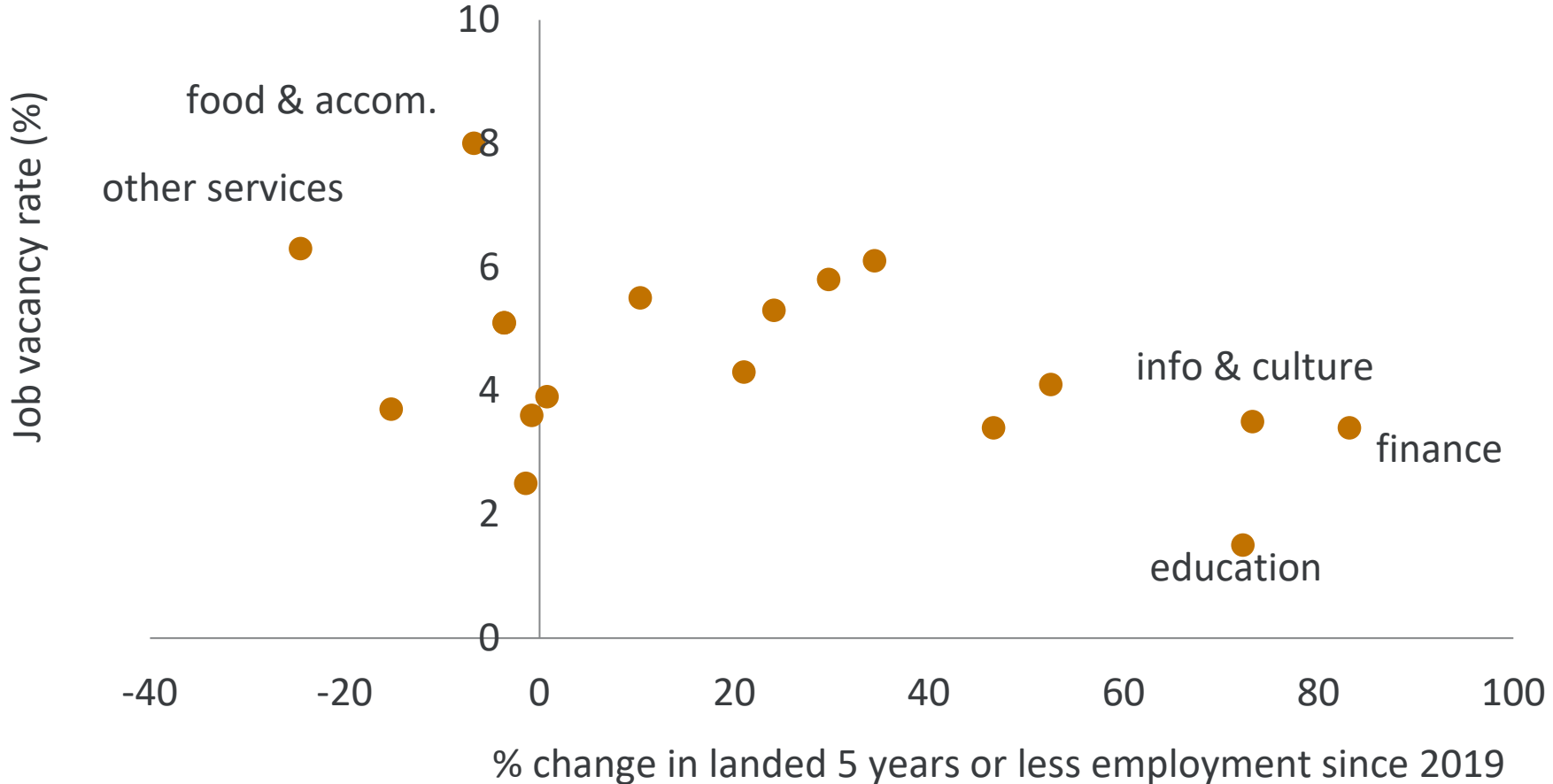
# Public sector employment growth has vastly outpaced private sector, helping to tighten the labour market



Source: Statistics Canada, cbc



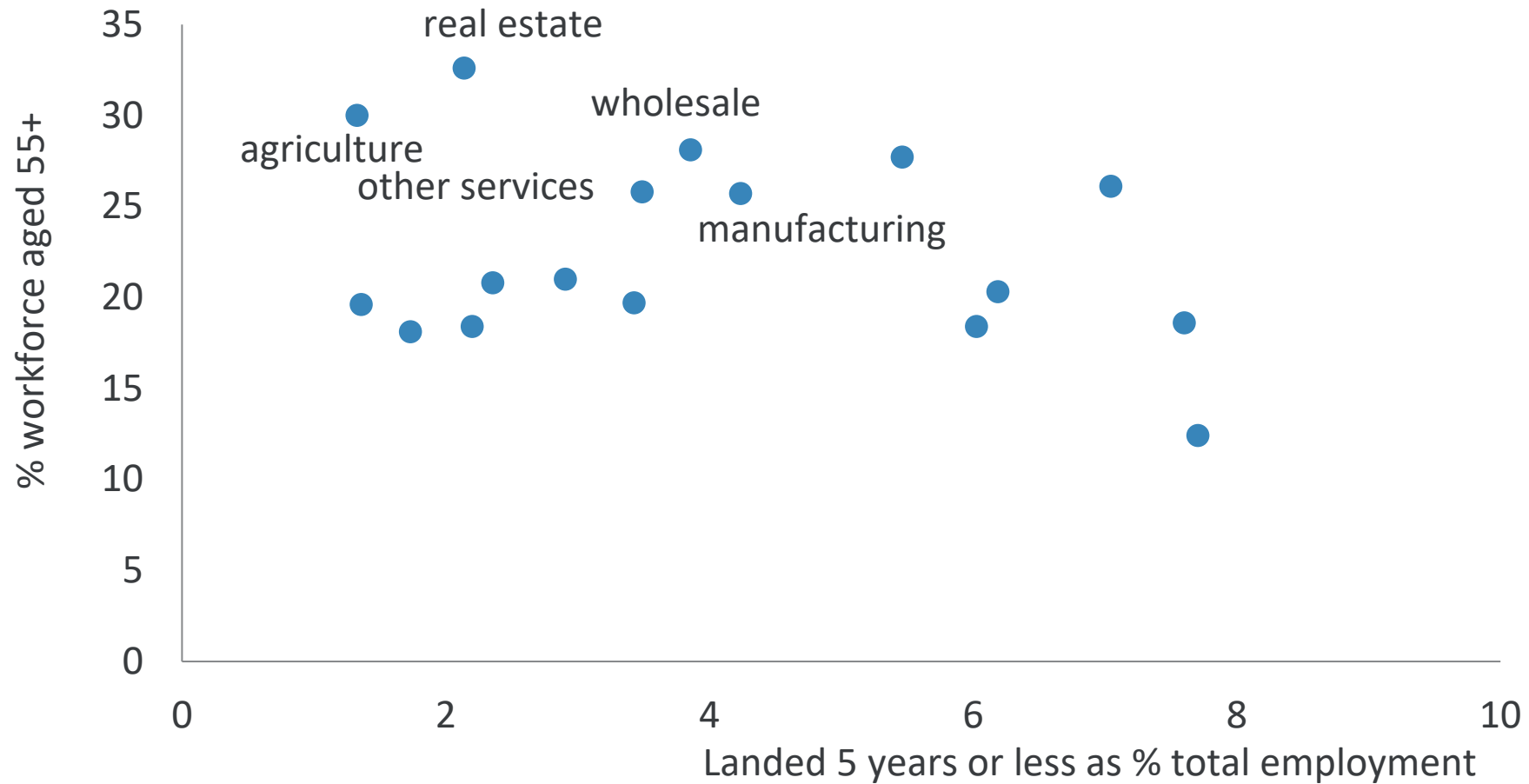
# Job vacancy rates are low in areas new immigrants have found jobs...



Source: Statistics Canada



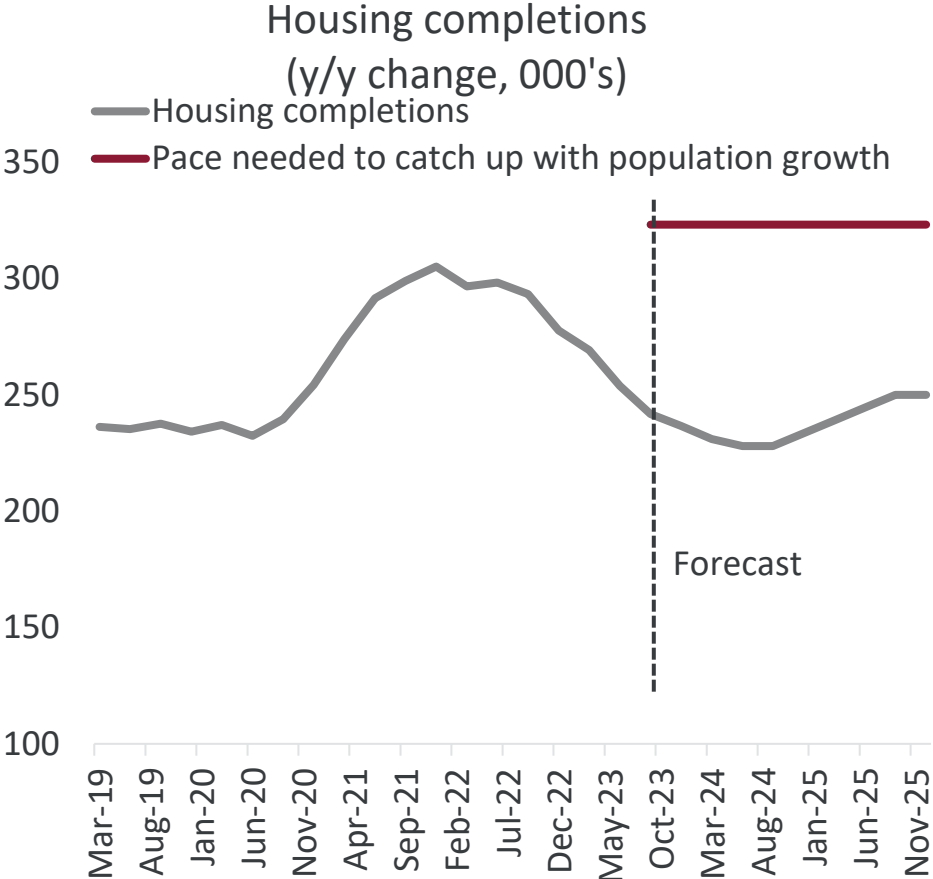
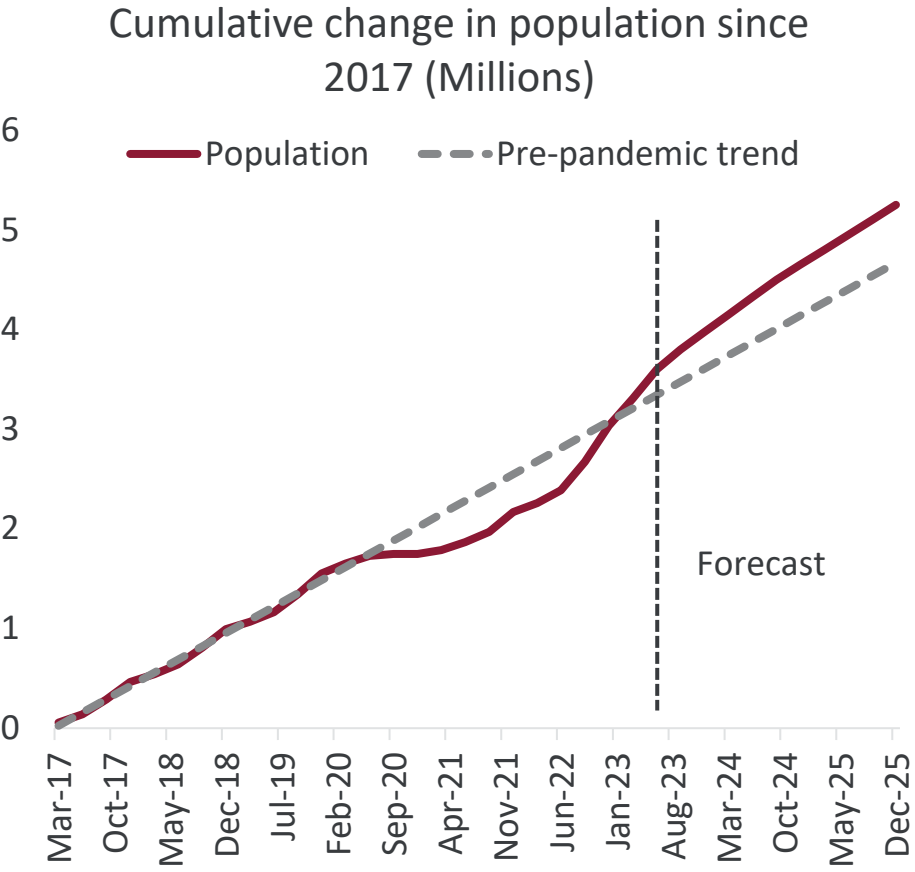
## ...but future needs of the economy may lie elsewhere



Source: Statistics Canada



# Recent surge has taken population above pre-pandemic trend (L) Homebuilding needs to accelerate to make up and keep up (R)



Source: Statistics Canada, CIBC



# Provincial economic forecasts

	Real GDP Y/Y % Chg				Unemployment rate %				Consumer Price Index Y/Y % Chg			
	2021A	2022E	2023F	2024F	2021A	2022A	2023F	2024F	2021A	2022A	2023F	2024F
BC	6.1	3.4	1.2	0.5	6.5	4.7	5.1	5.8	2.8	6.9	4.0	2.2
Alta	4.8	5.0	2.6	1.5	8.6	5.8	5.5	5.9	3.2	6.5	3.5	2.6
Sask	-0.9	5.5	3.2	1.3	6.5	4.6	4.6	5.0	2.6	6.6	4.1	2.1
Man	1.8	3.7	1.8	1.0	6.4	4.6	4.9	5.3	3.2	7.9	3.7	1.8
Ont	5.2	3.4	1.5	0.3	8.0	5.6	5.4	6.2	3.5	6.8	3.8	2.2
Qué	6.0	2.4	0.9	0.5	6.1	4.3	4.6	5.3	3.8	6.7	4.4	2.3
NB	5.9	1.8	1.3	1.1	9.0	7.3	7.8	7.9	3.8	7.3	3.6	2.1
NS	6.2	2.6	1.4	1.1	8.4	6.6	7.2	7.4	4.1	7.5	4.1	2.6
PEI	7.9	2.9	1.5	1.0	9.4	7.2	7.6	8.0	5.1	8.9	3.1	2.4
N&L	0.6	-1.7	2.9	2.1	12.9	10.8	10.8	11.2	3.7	6.4	3.3	2.2
<b>Canada</b>	<b>5.0</b>	<b>3.4</b>	<b>1.6</b>	<b>0.7</b>	<b>7.4</b>	<b>5.3</b>	<b>5.3</b>	<b>6.0</b>	<b>3.4</b>	<b>6.8</b>	<b>3.9</b>	<b>2.3</b>

Source: Statistics Canada, CIBC



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