



Economic outlook: Looking through the volatility

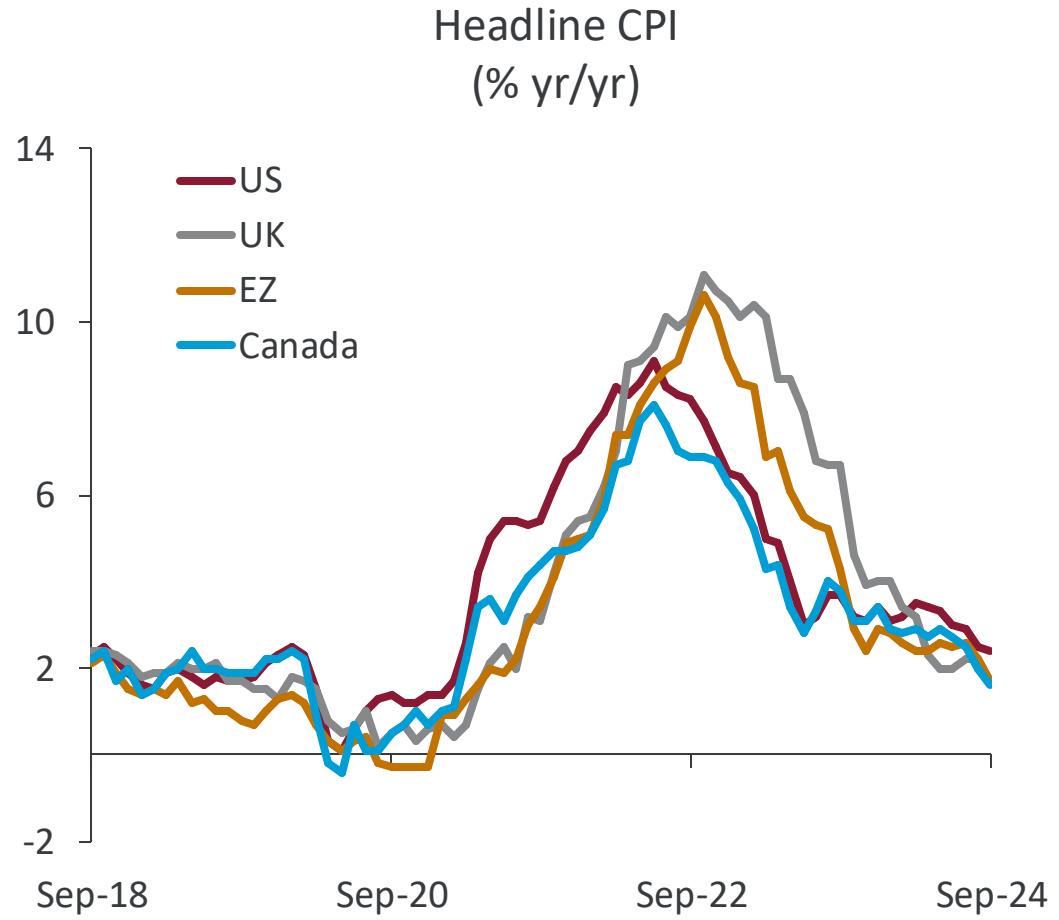
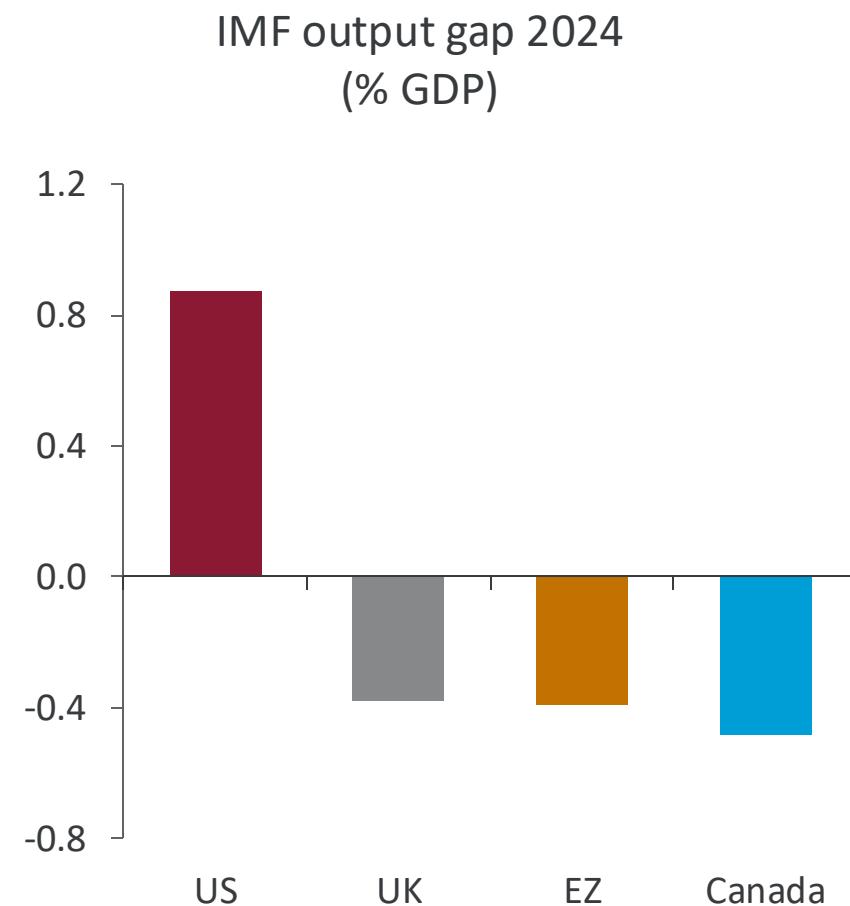
CIBC CAPITAL MARKETS

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Was the pain necessary? US didn't create economic slack (l), but achieved a similar inflation reduction as others (r)



Source: IMF, Bloomberg, CIBC

Global growth goes sideways, a soft landing for North America, and a middling outlook for commodities and related capital spending

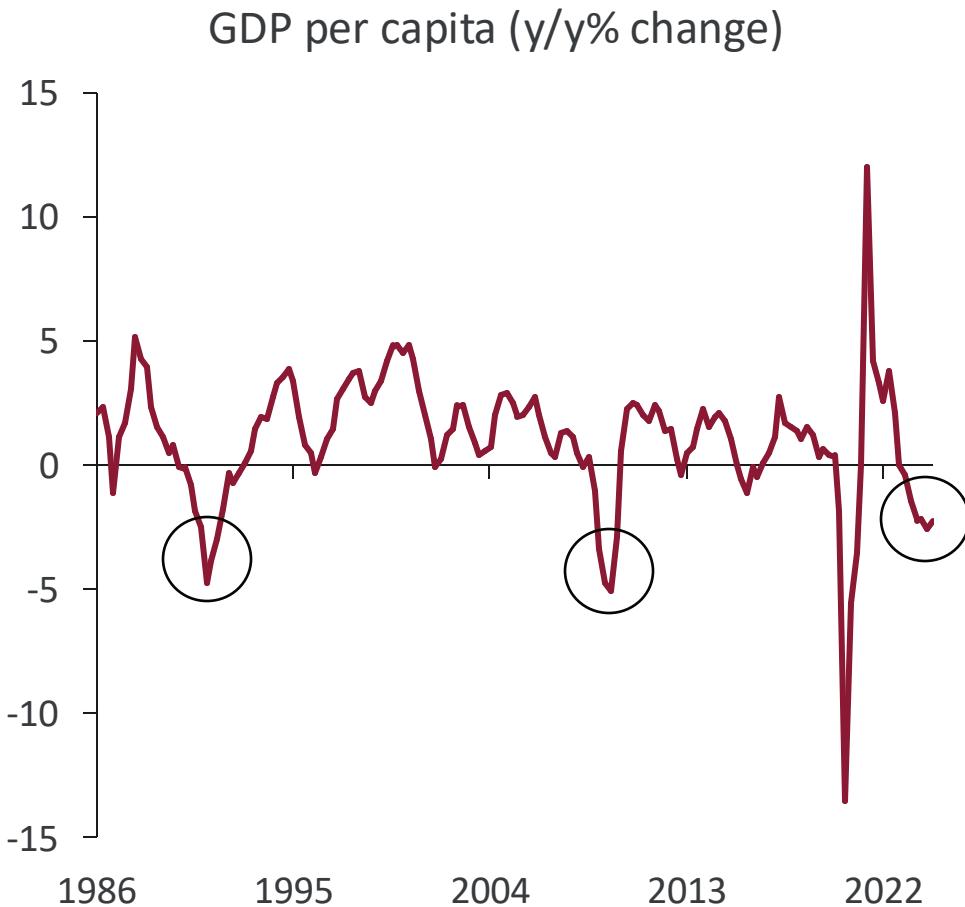
Real GDP Growth (Y/Y % change)

Region	2020A	2021A	2022A	2023A	2024F	2025F	2026F
World ¹	-2.7	6.5	3.5	3.3	3.0	2.9	3.1
United States	-2.2	6.1	2.5	2.9	2.7	2.0	2.3
Canada	-5.0	6.0	4.2	1.5	1.3	1.8	2.5
Eurozone	-6.1	6.3	3.5	0.4	0.7	1.5	1.7
United Kingdom	-10.3	9.5	5.0	0.4	0.9	1.2	1.5
Australia	-2.1	5.6	3.9	2.0	1.2	1.9	2.2
Japan	-4.2	2.8	1.2	1.7	0.2	1.2	1.0
China	2.2	8.4	3.0	5.2	4.6	4.2	4.0

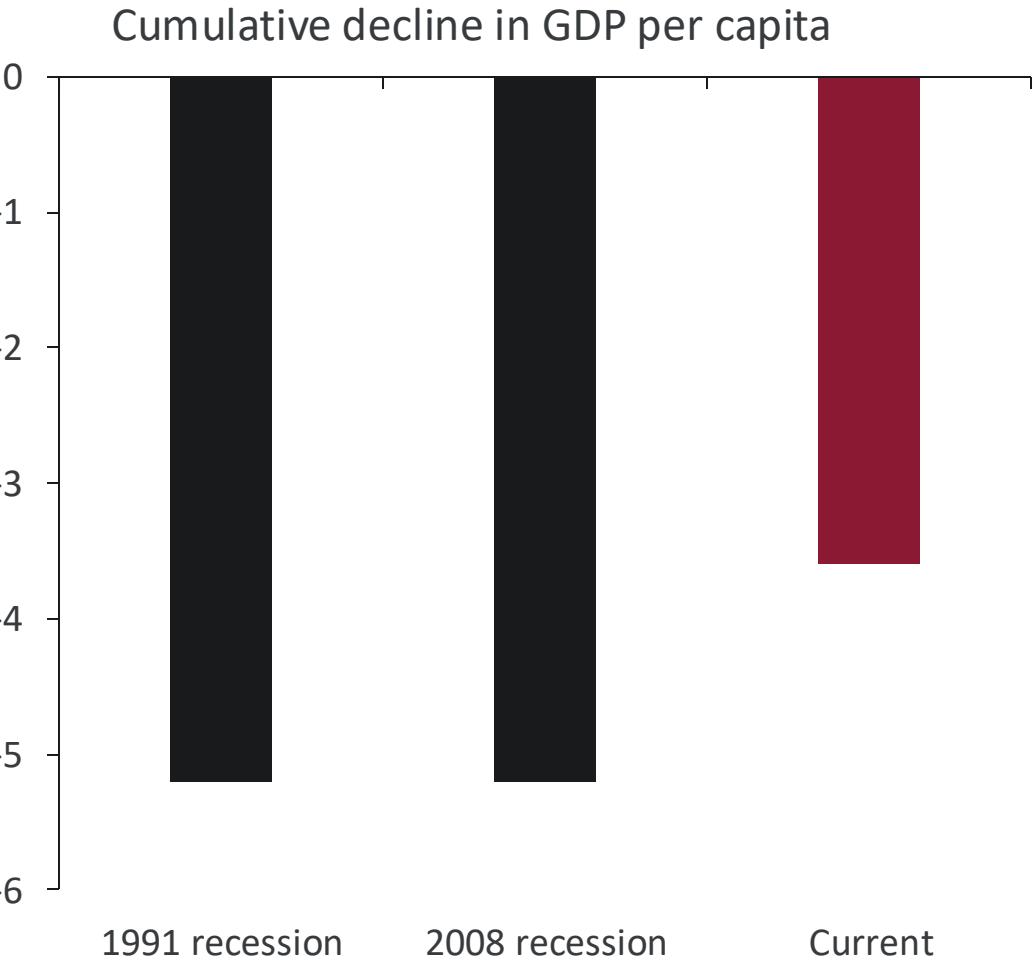
¹ At purchasing power parity

Source: IMF, Bloomberg, CIBC

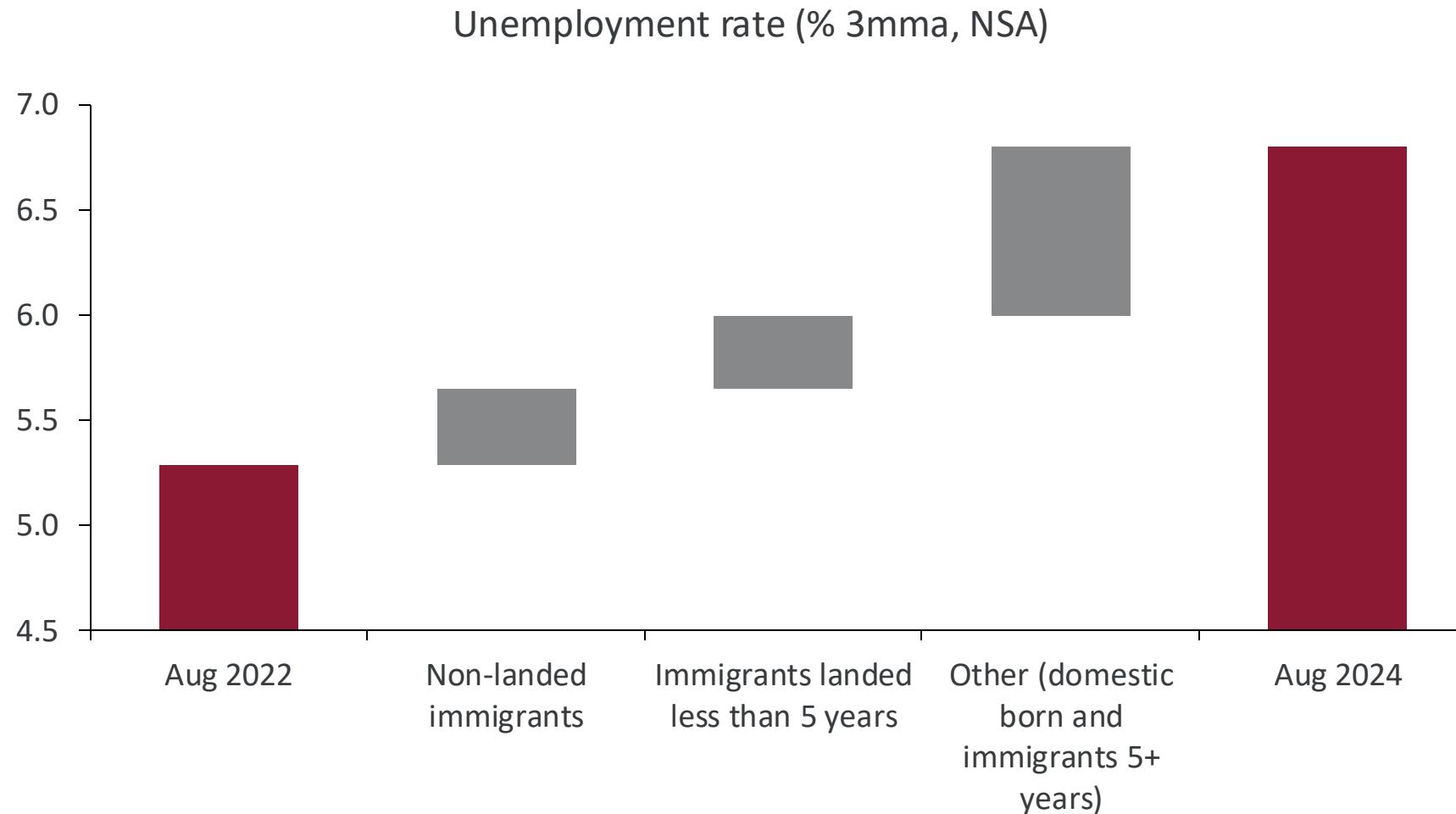
Canada's per-capita recession



Source: Haver Analytics, CIBC

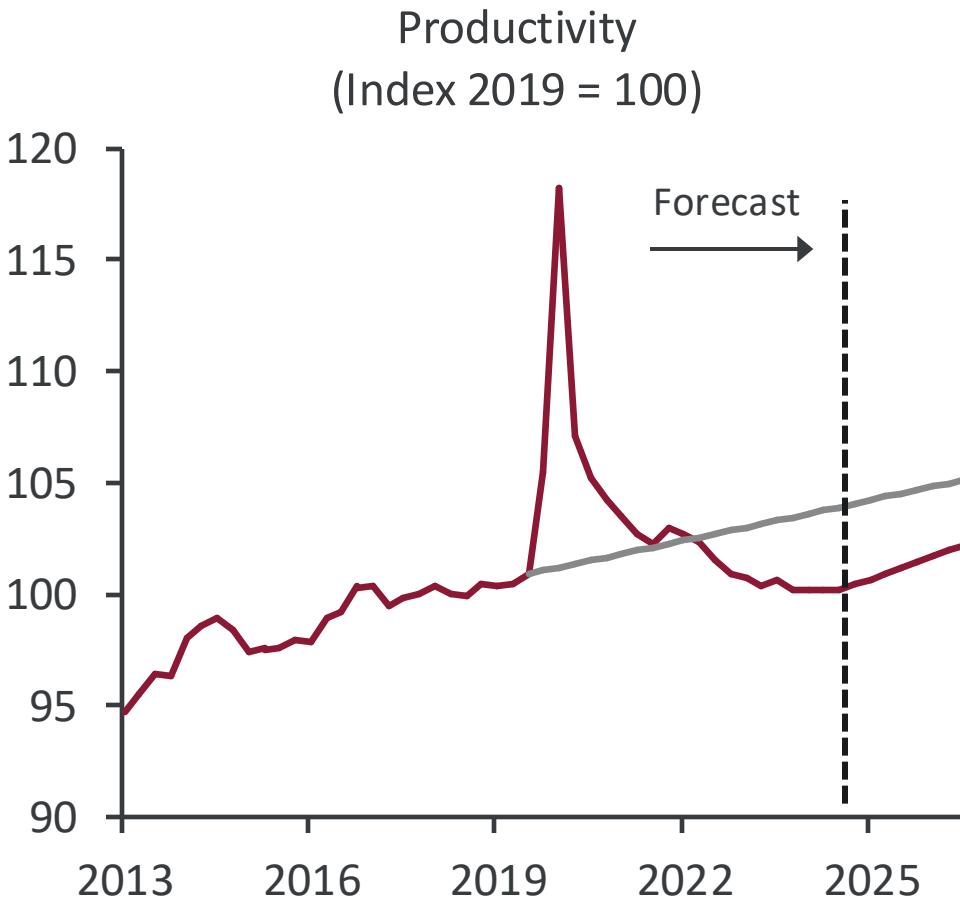
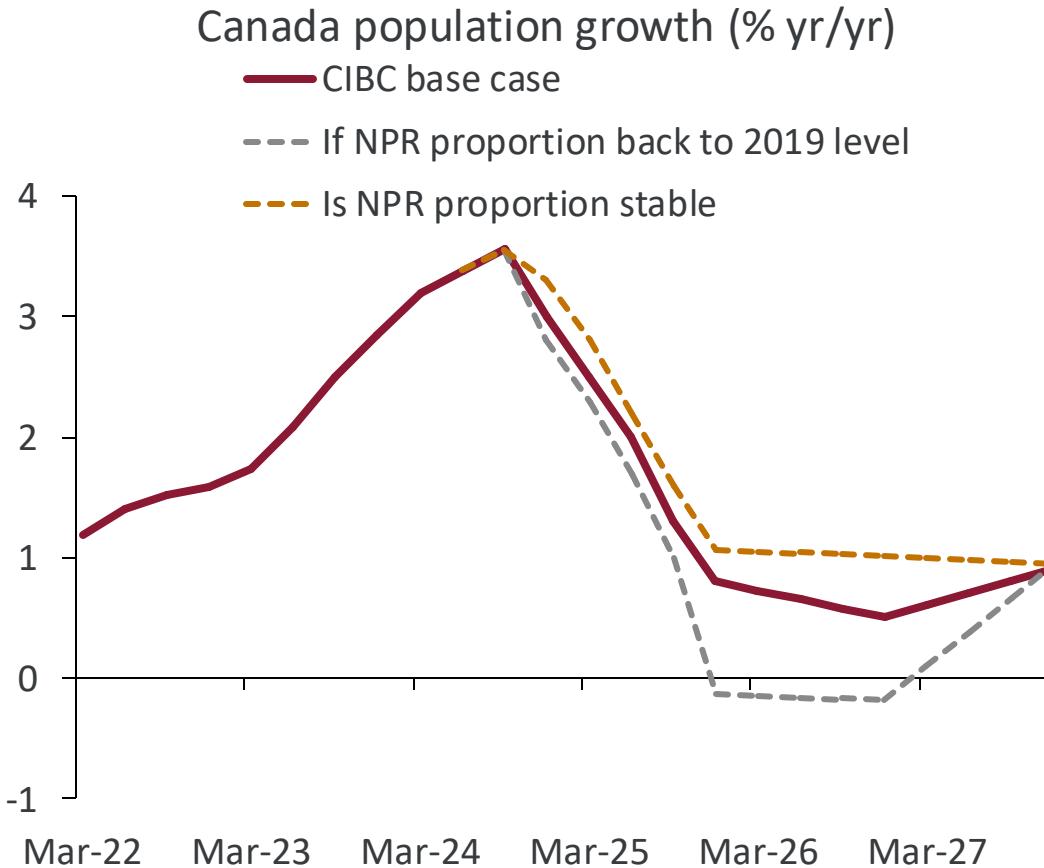


Jobless climb not just among new arrivals (or youth)



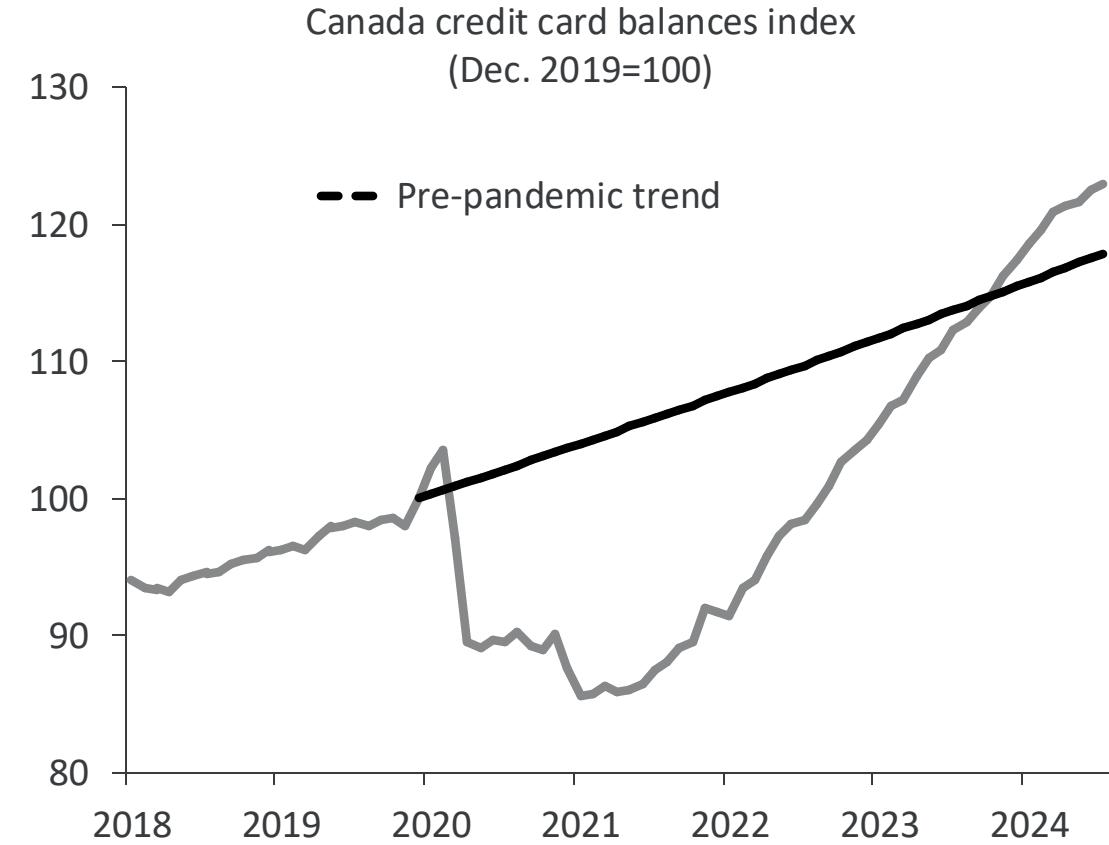
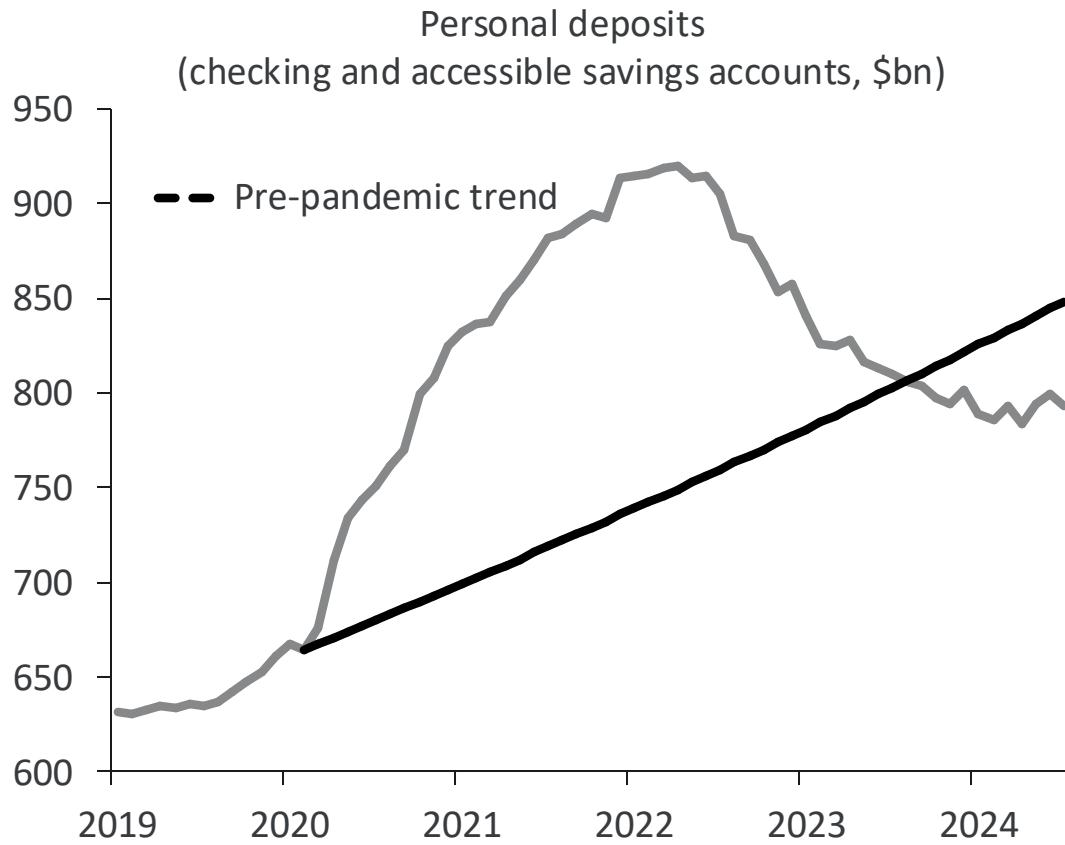
Source: StatCan, CIBC

Population growth to slow (l), but output per worker has room for offsetting rebound (r)



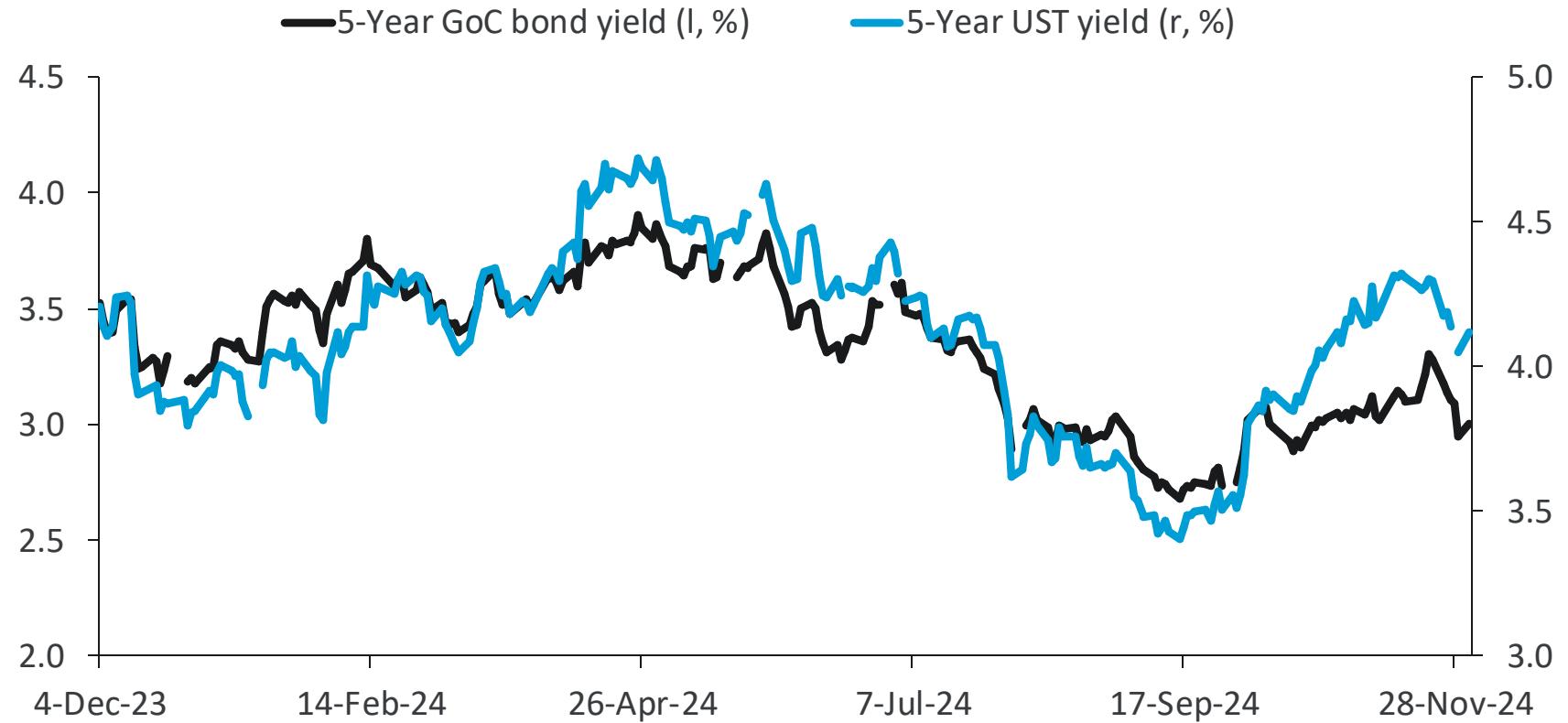
Source: Statistics Canada, CIBC

Canadians dipping into savings (l); credit card usage cushioning slowdown (r)



Source: Statistics Canada, CIBC

Canadian 5-Year bond yield followed US trend higher

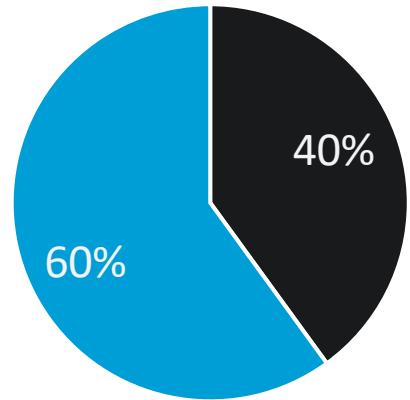


Source: CREA, CIBC

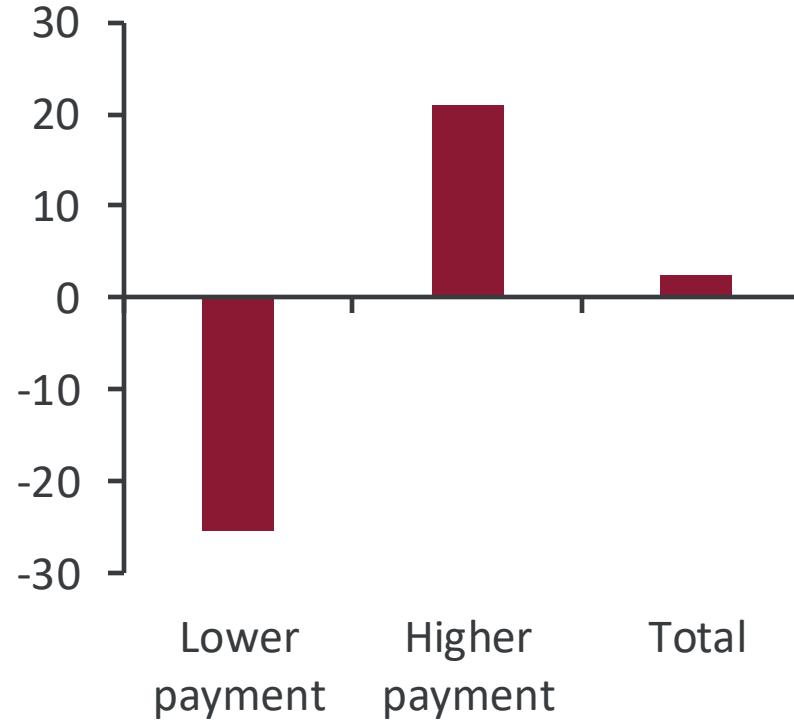
40% of mortgage renewals will face lower payments next year (l), leading to only a modest aggregate increase (r)

% of mortgage holders
renewing in 2025

- Lower payment
- Higher payment

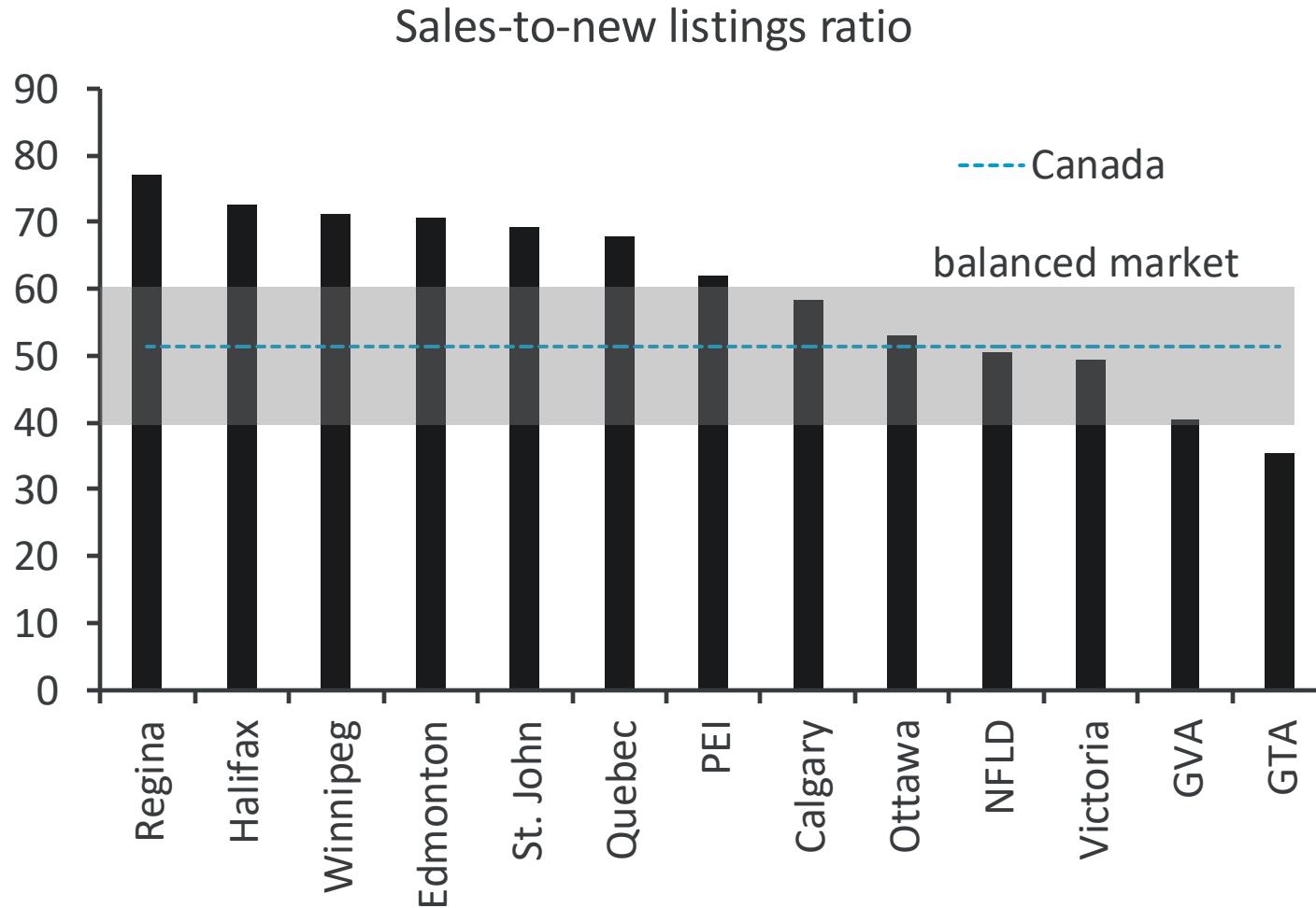


% change in average monthly
payment



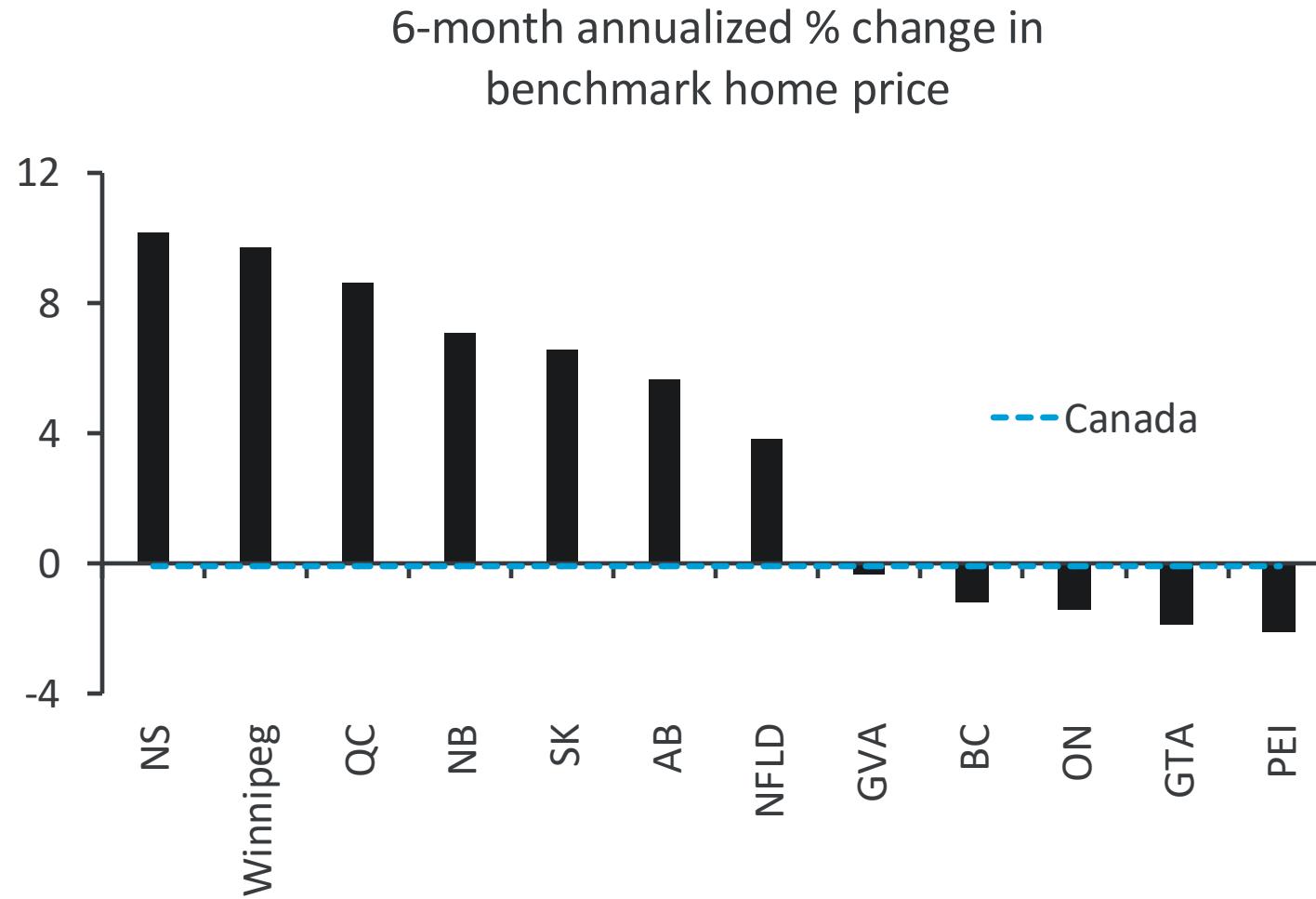
Source: CIBC

Most overvalued housing markets are still very weak



Source: CREA, CIBC

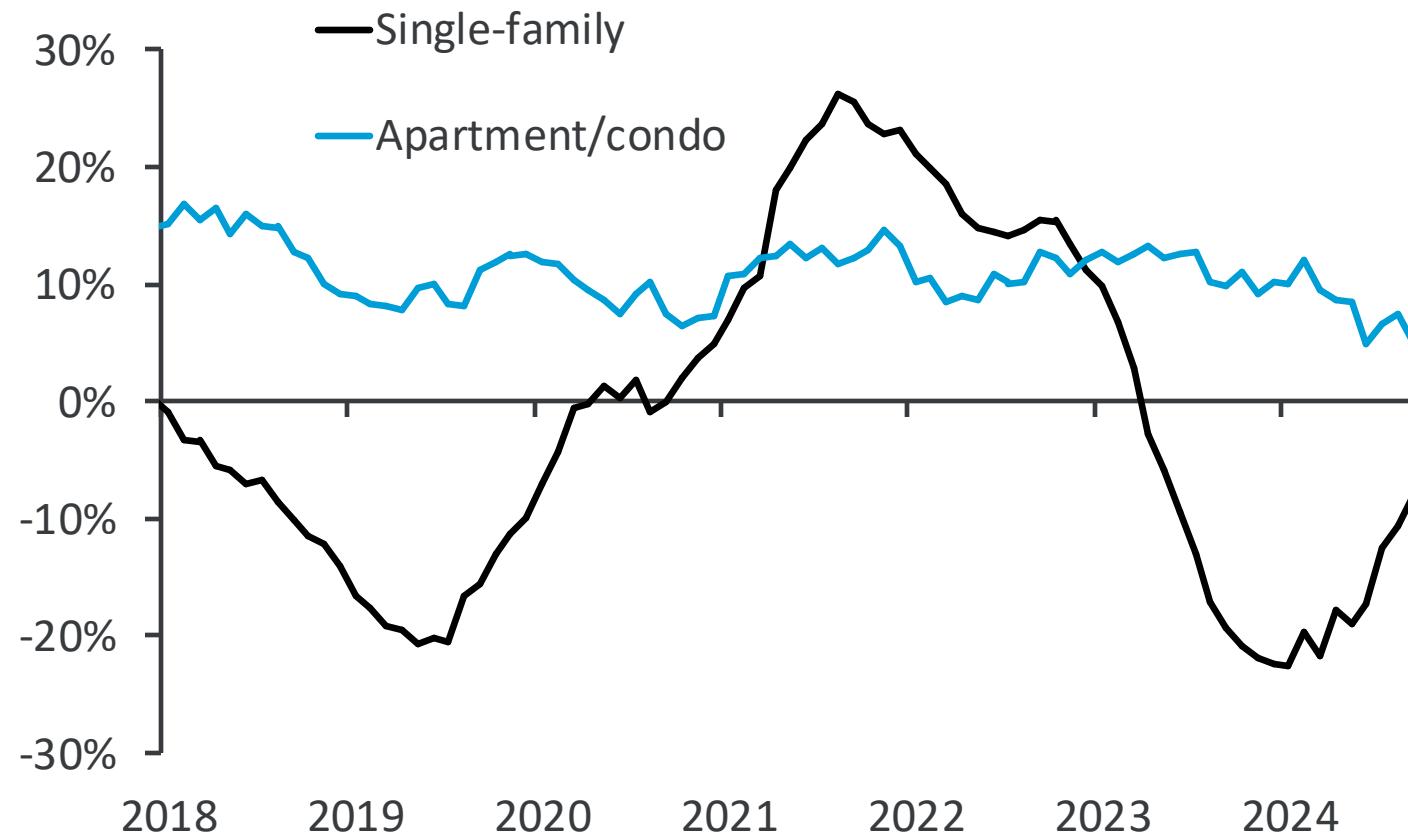
Home prices turning around in many areas



Source: CREA, CIBC

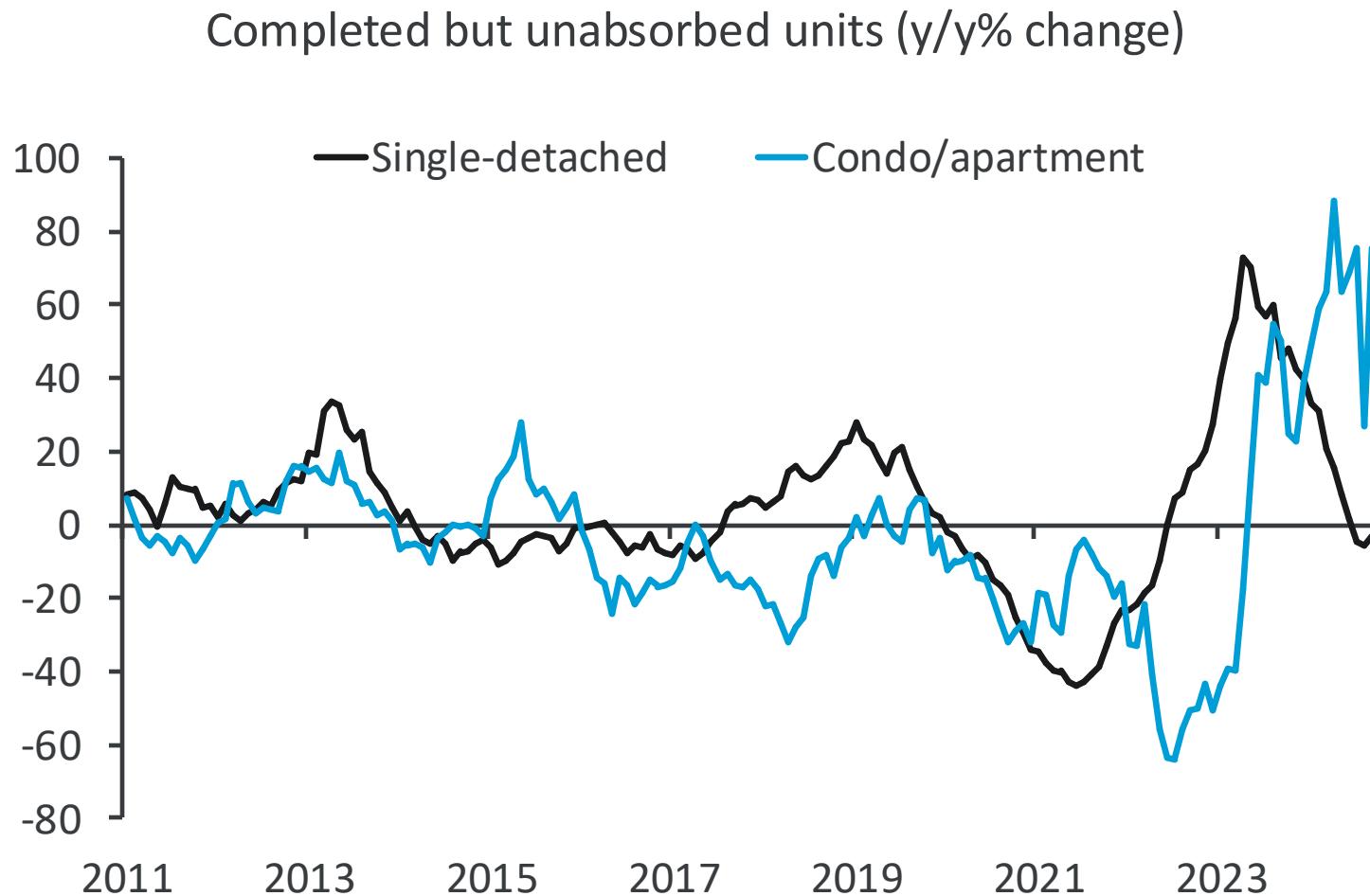
Building in low-rise market perking up, opposite for condo space

Dwellings under construction (y/y% change)



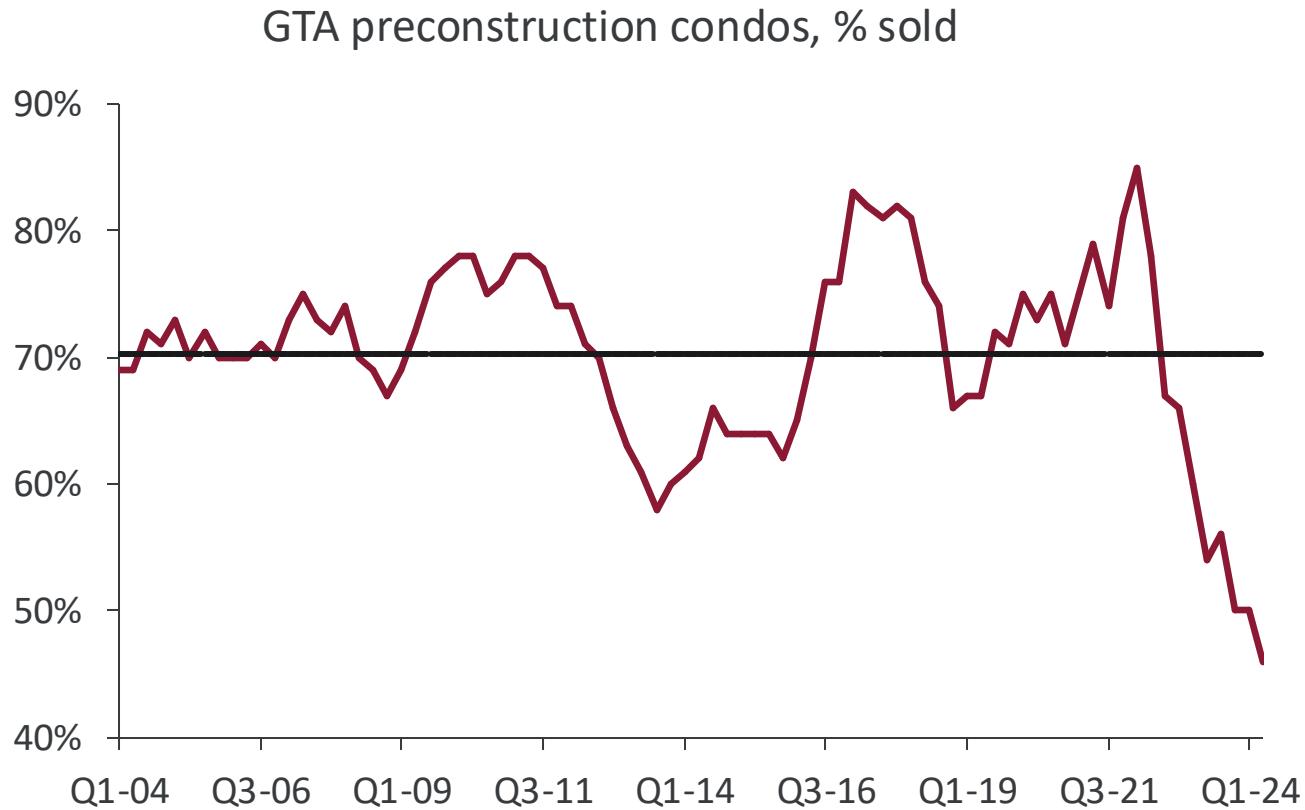
Source: CMHC, CIBC

Newly completed condos being left vacant



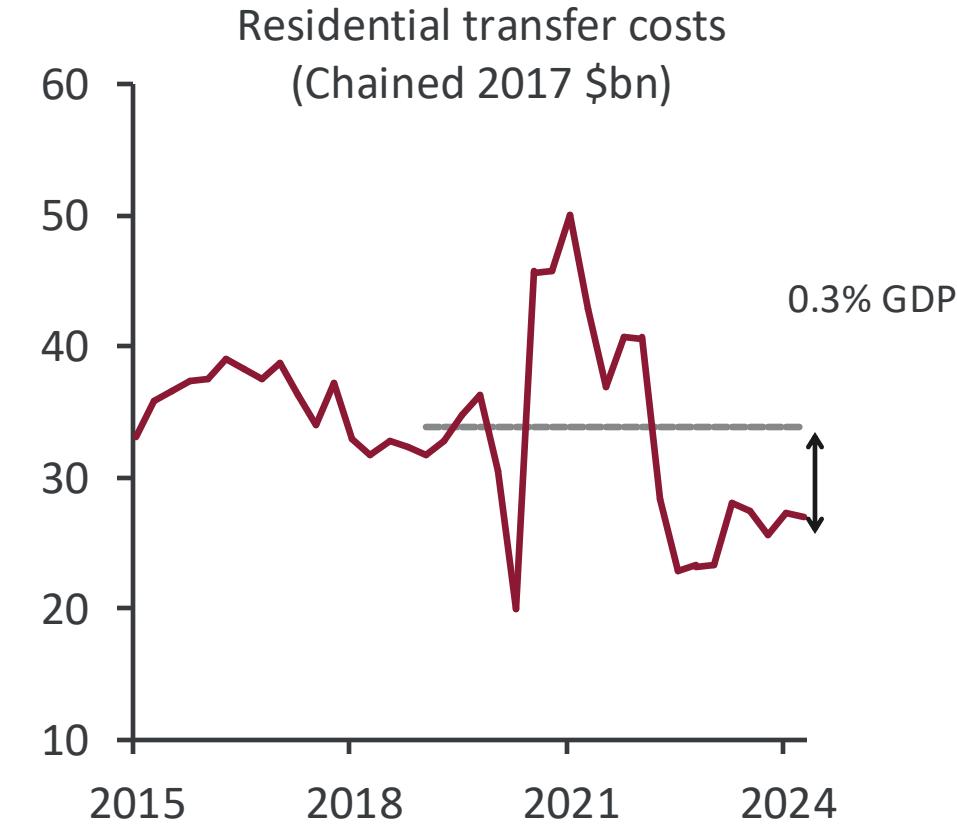
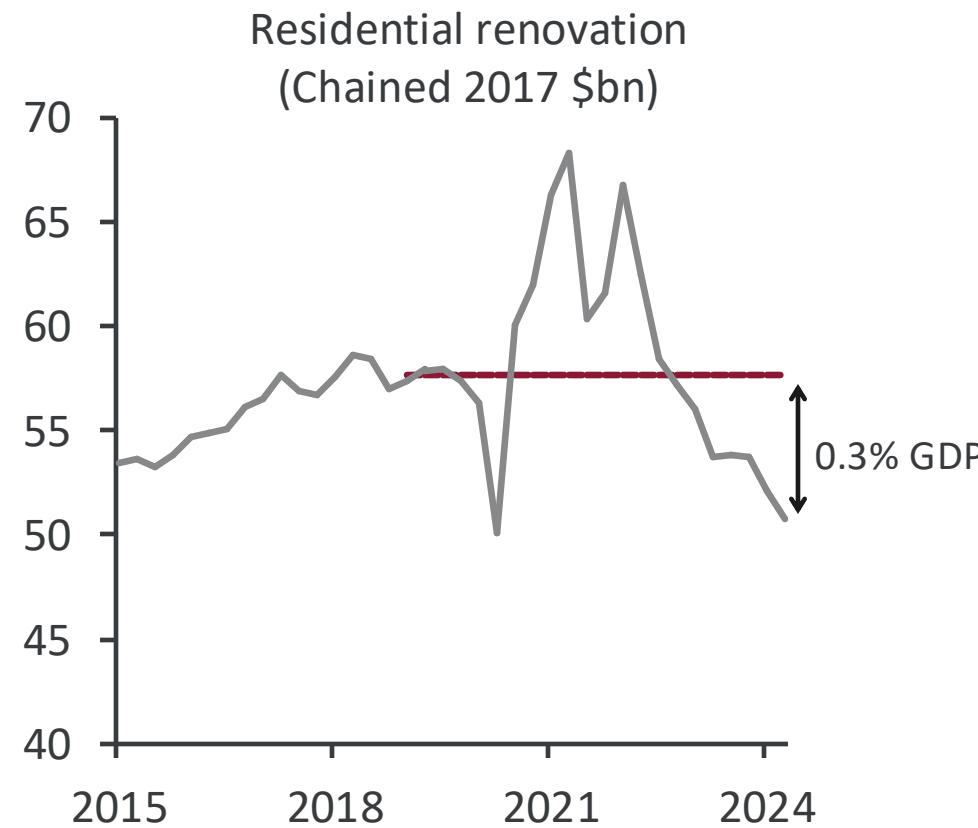
Source: CMHC, CIBC

Canadian condo investors: we're not in Kansas anymore



Source: Urbanation, Teranet, CIBC

Room for housing to drive Canadian growth, even if pick-up in starts is delayed by multi-family segment



Source: Statistics Canada, CIBC

CPI rent costs still elevated, but asking rents no longer surging

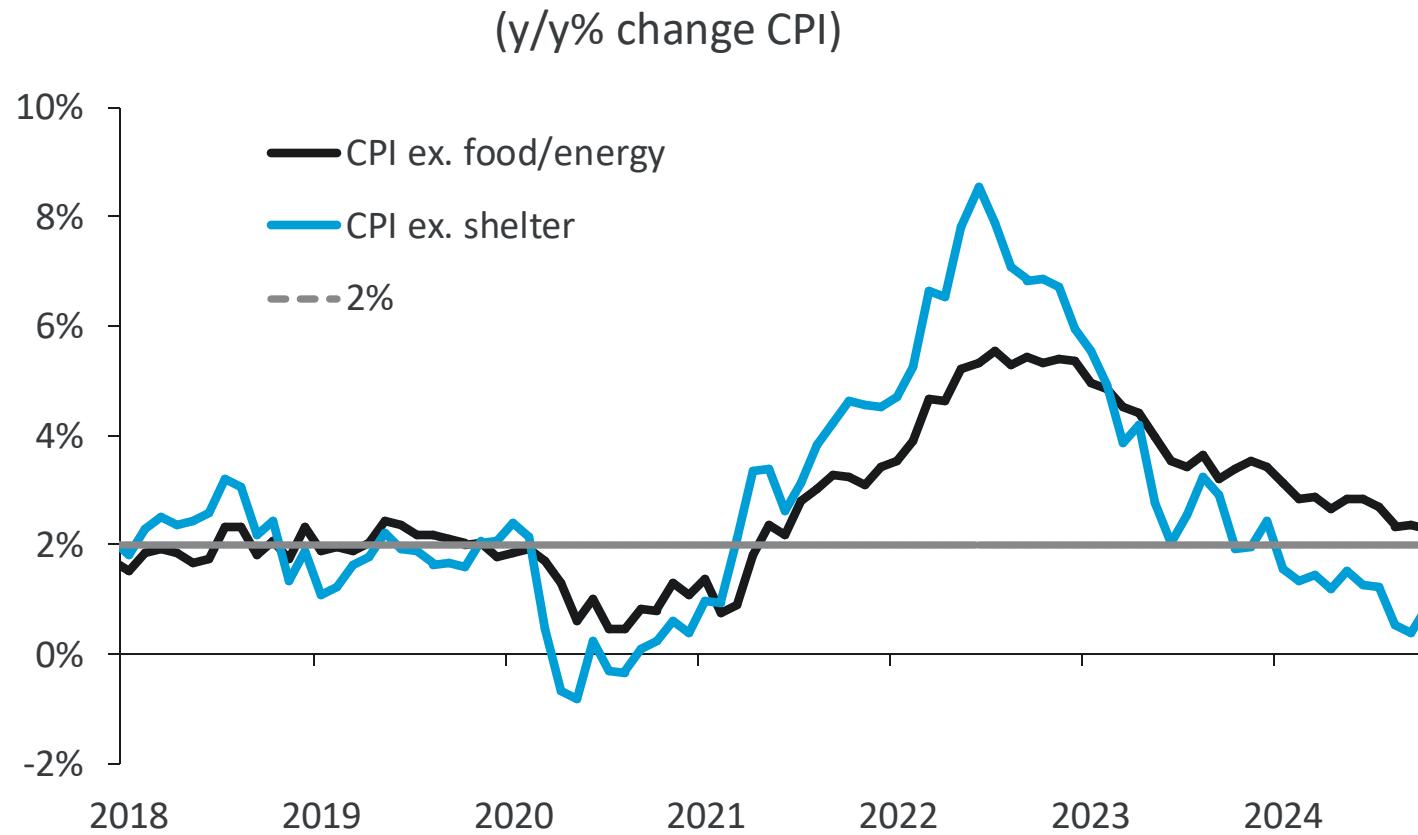
**Annual Change in Average Asking Rent
All Property Types, Canada**



Source: Urbanation Inc, Rentals.ca Network

Source: Urbanation, Rentals.ca Network, Statistics Canada

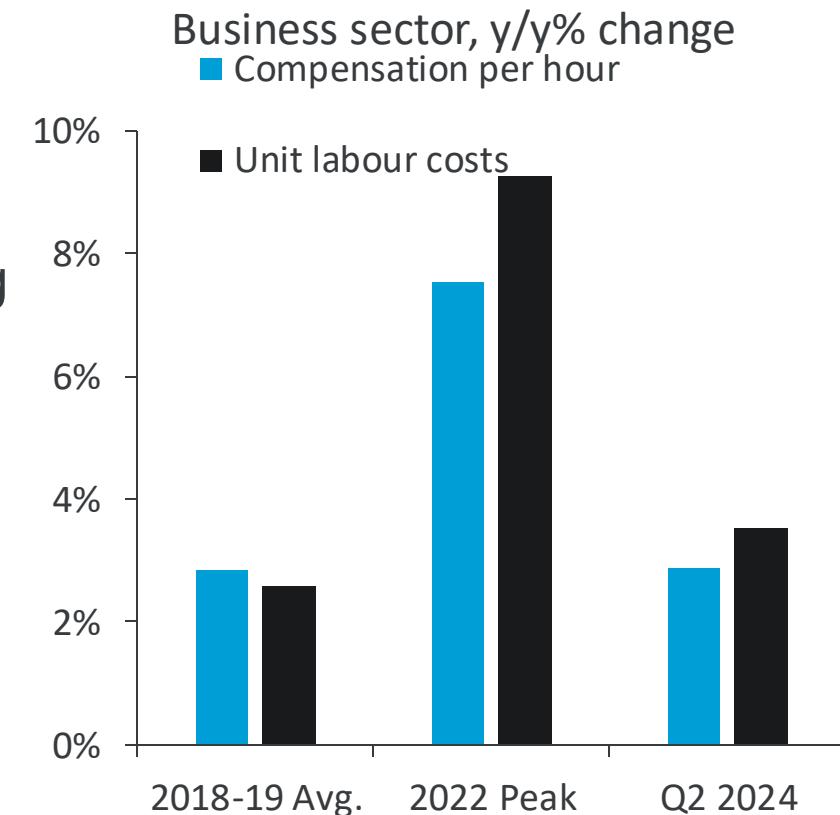
Inflation excluding shelter has been below target for a long time



Source: StatCan, CIBC

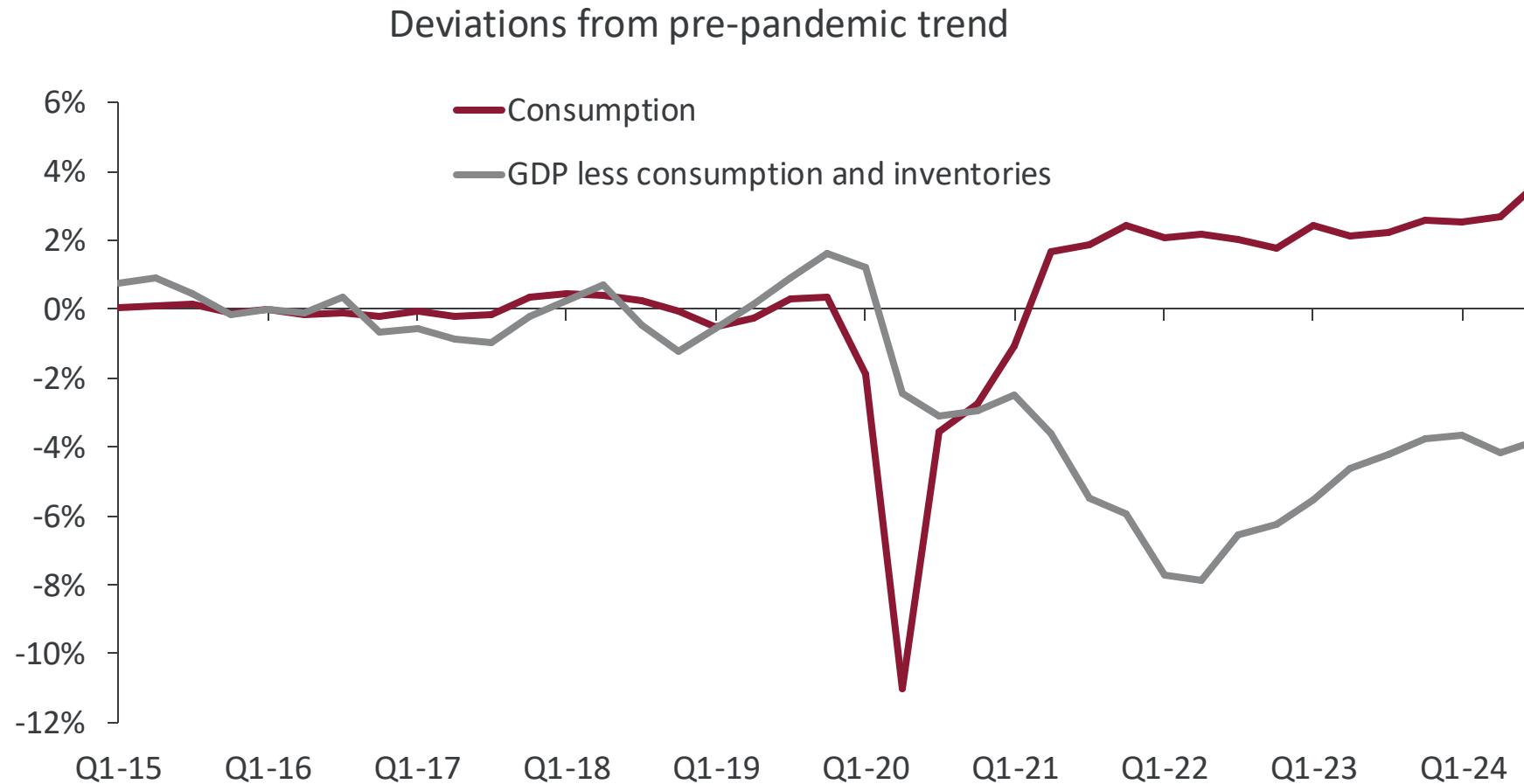
Labour costs set to cool in 2025

- Hourly wages rose at a roughly 2½% pace pre-pandemic, and accelerated to 5% this year
- Less volatile data on unit labour costs show a cooling
- Employers expect to slow wages to 3½% in coming year in latest Bank of Canada survey
- Productivity rebound would imply a slower pace in unit labour costs next year



Source: StatCan, CIBC

No stopping the US consumer?



Source: BEA, CIBC calculations

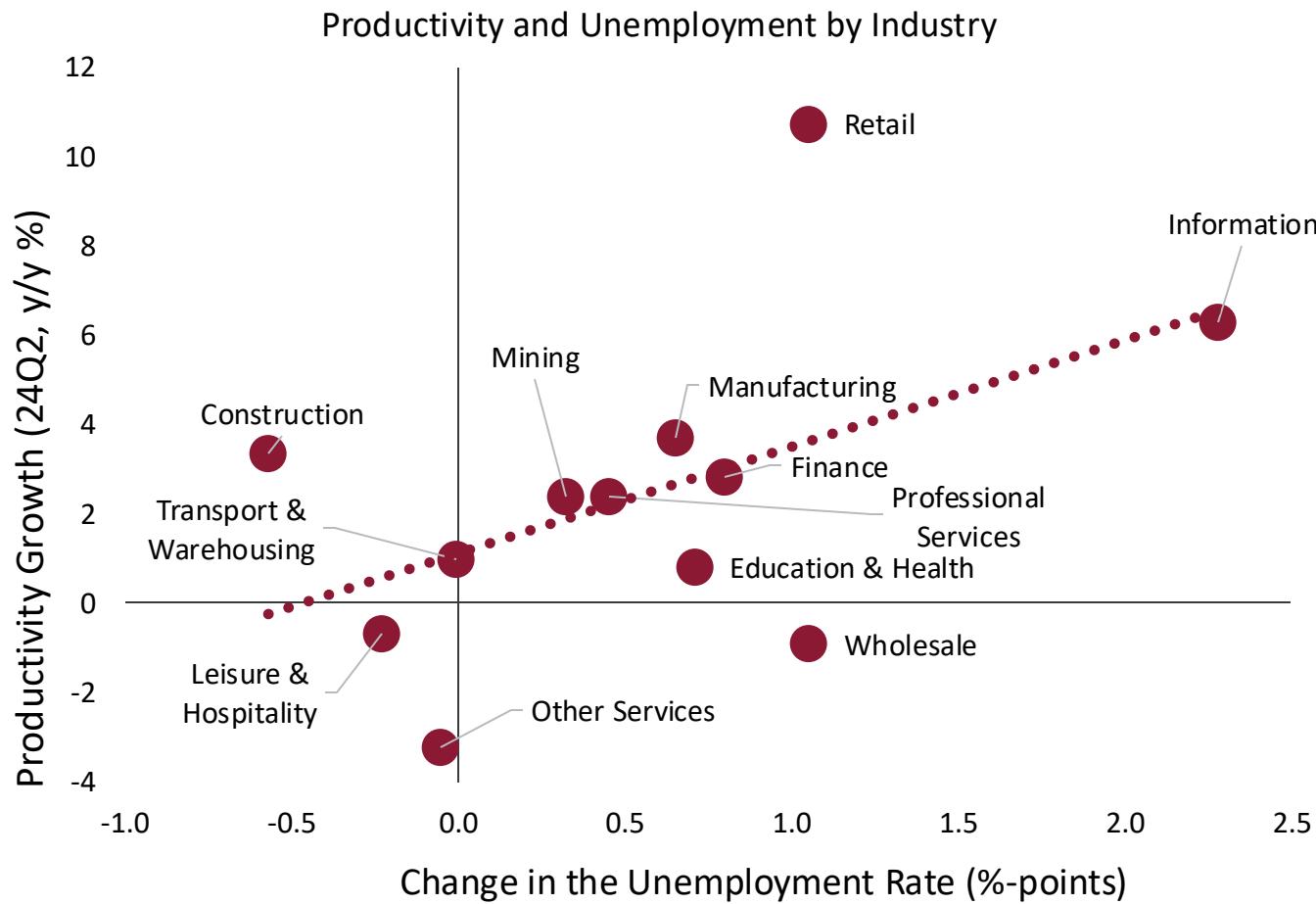
Slow hiring, not layoffs, leads US unemployment climb

Unemployment rate and job-finding rate



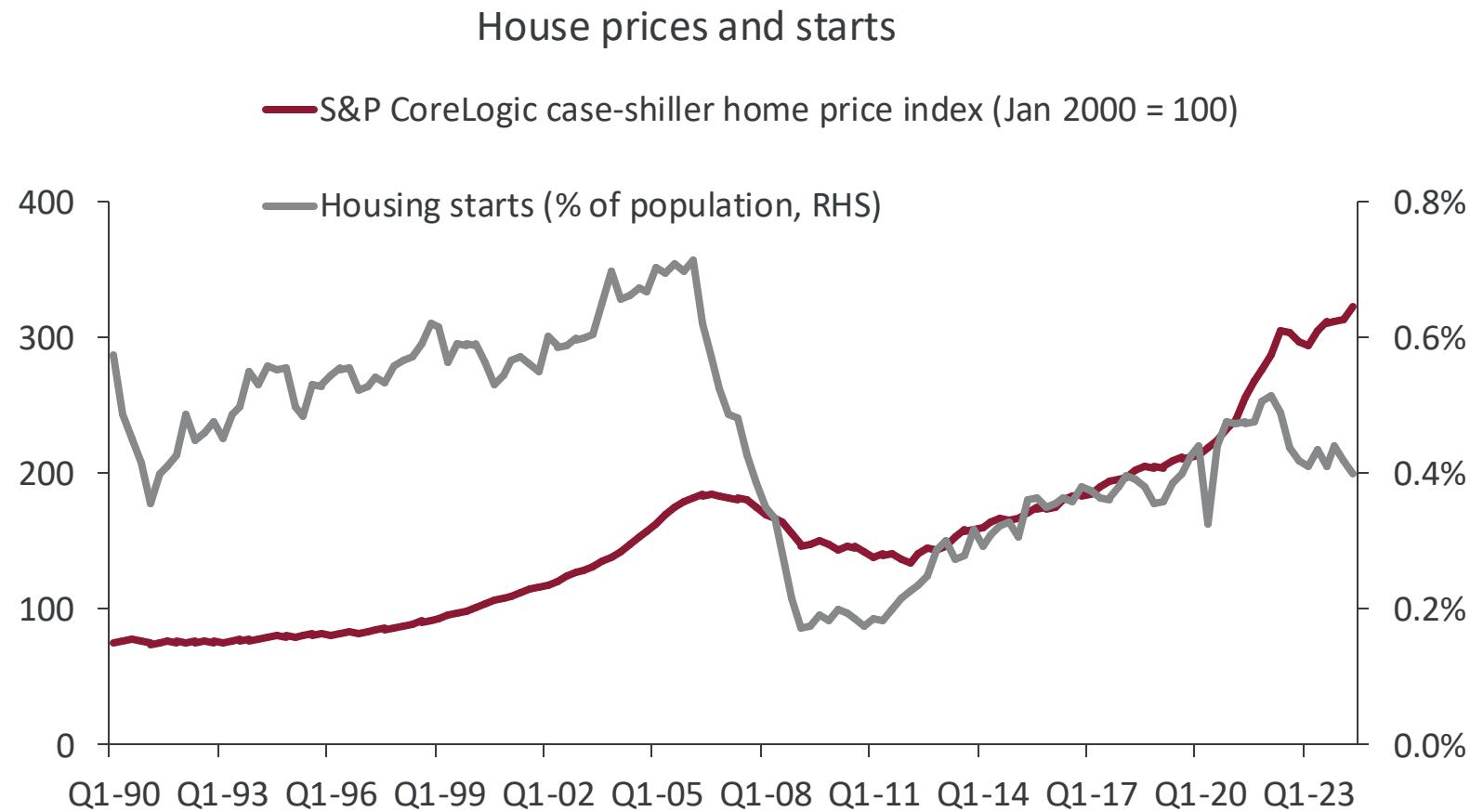
Source: BLS, CIBC

Reasons behind softer US job market are not all bad



Source: BEA, BLS, CIBC calculations

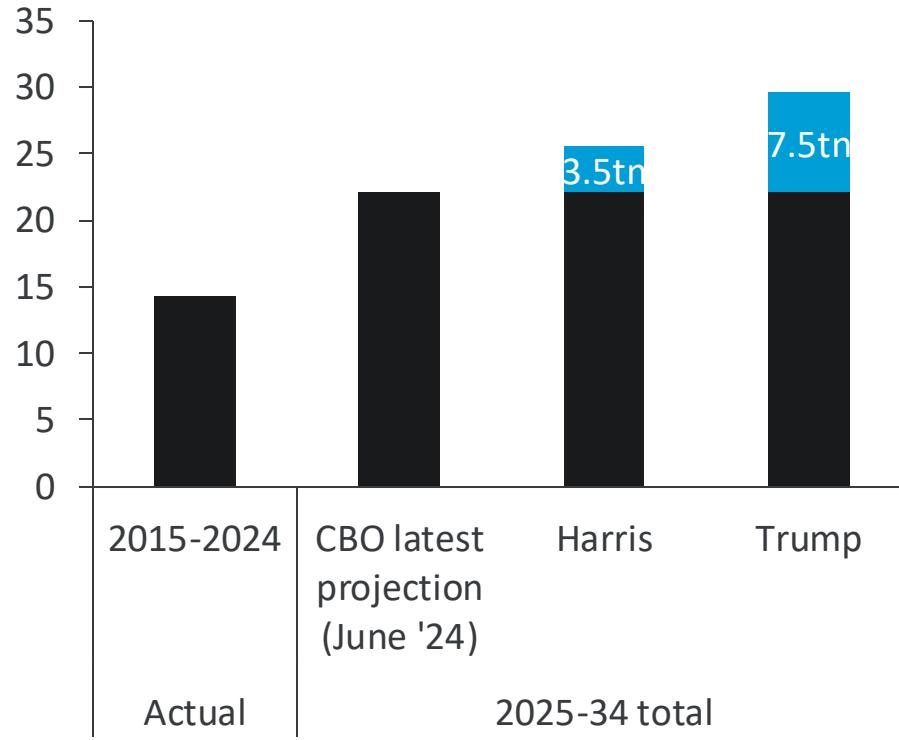
Weaker home building pushed prices higher, signalling pent-up demand



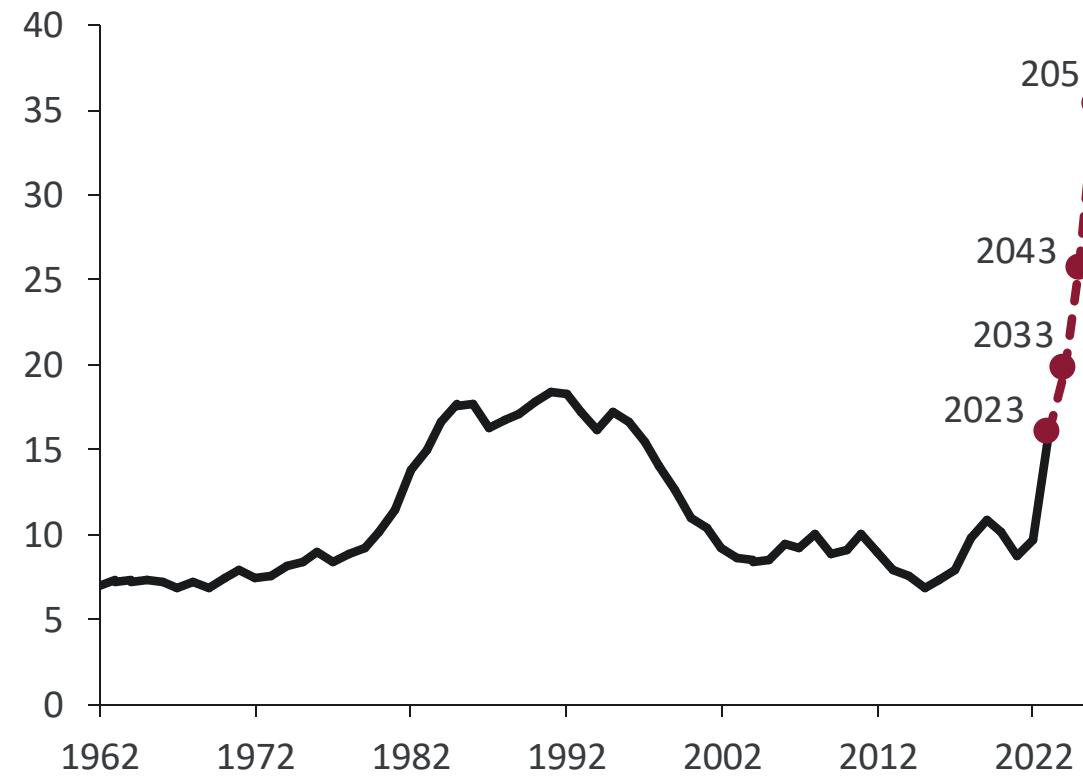
Source: Census Bureau, Haver Analytics, CIBC calculations

Deficit fears tied to campaign pledges (l), Current path was already unsustainable (r)

Federal deficit (\$tn)



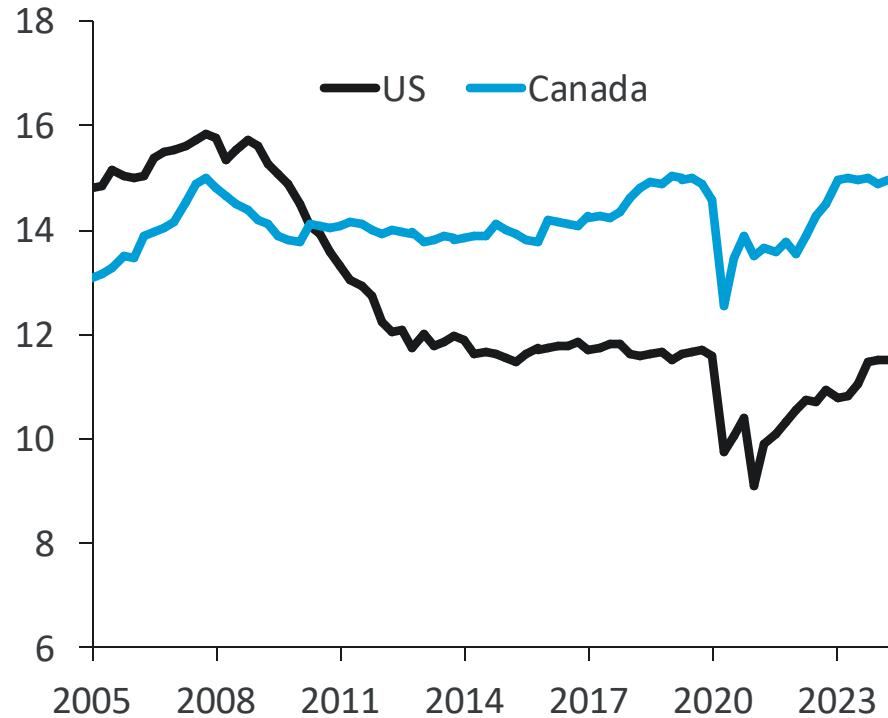
Net interest payments (% of revenue)



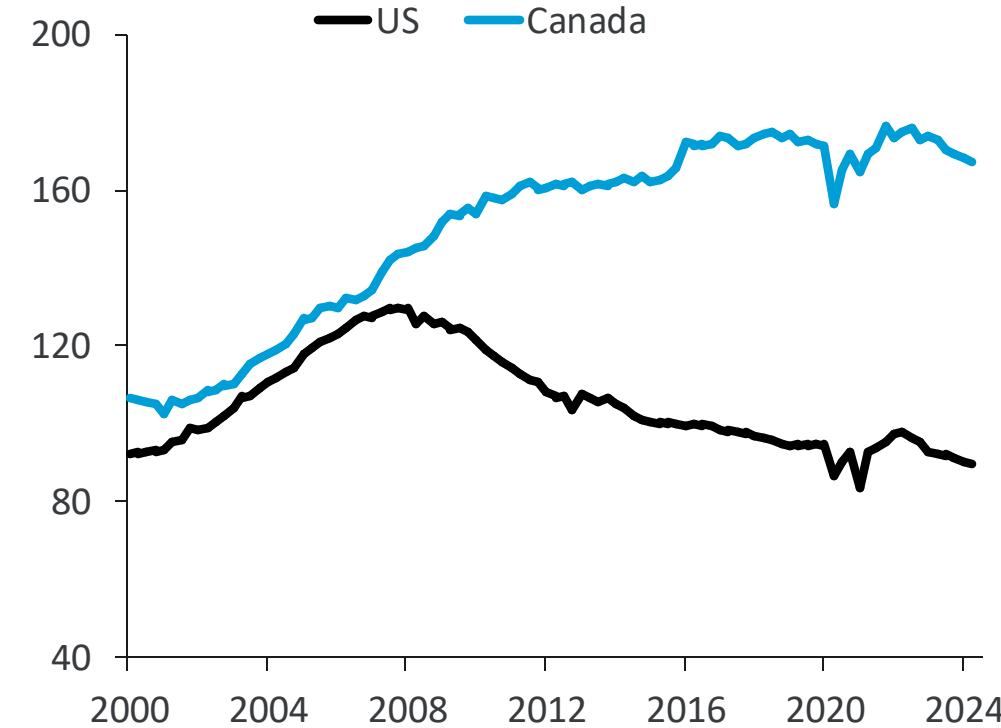
Source: CBO, Committee for a Responsible Federal Budget, CIBC

Why Canada needs lower interest rates than the US

Household debt service ratio (%)



Household debt to income ratio (%)



Source: FRB, StatCan, CIBC

Interest rate forecast: Another 50bps cut for Canada in December?

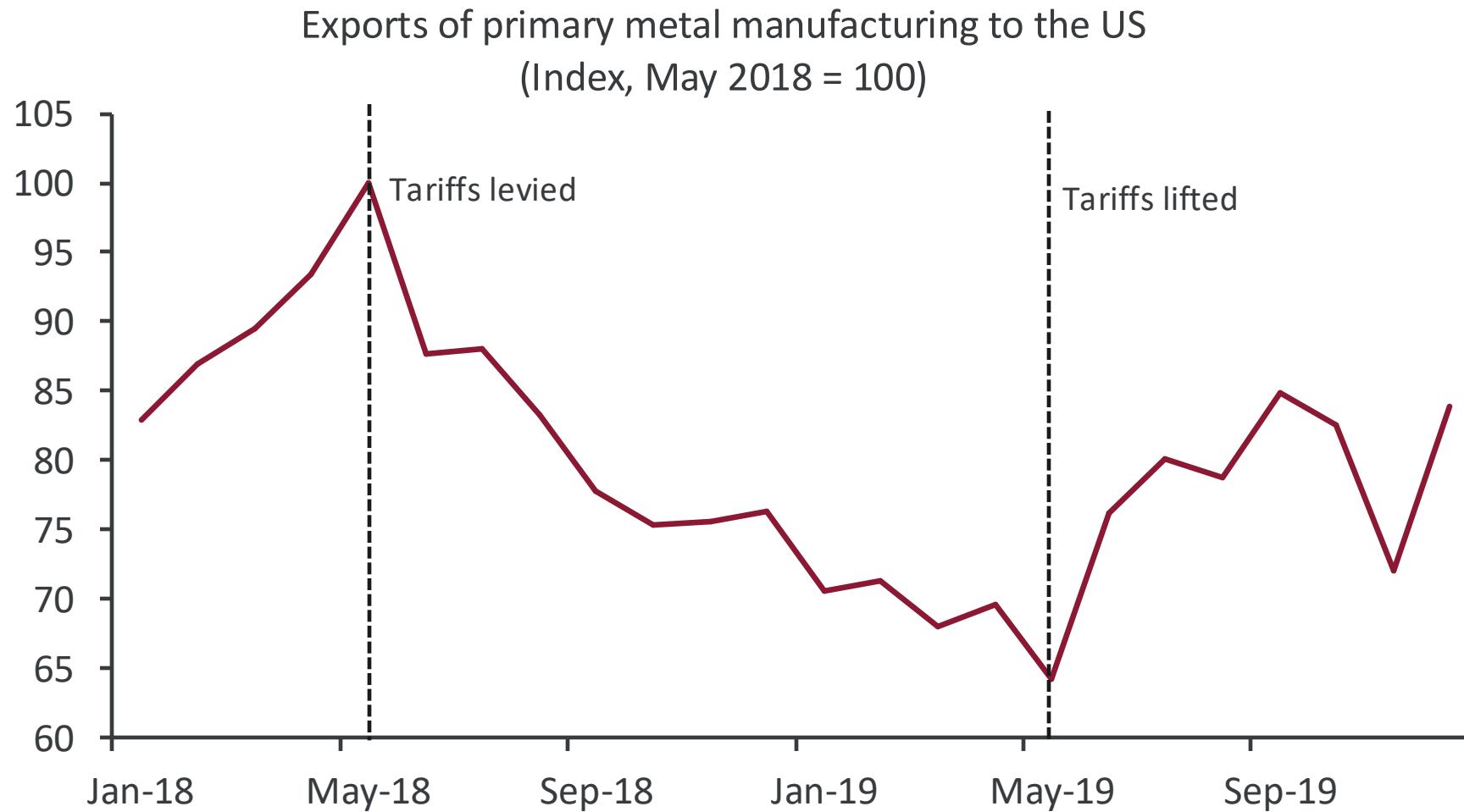
		2024		2025				2026			
		2-Dec	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec
END OF PERIOD:											
CDA	Overnight target rate	3.75	3.25	2.75	2.25	2.25	2.25	2.25	2.25	2.25	2.25
	98-Day Treasury Bills	3.40	3.05	2.55	2.20	2.10	2.10	2.15	2.20	2.20	2.20
	2-Year Gov't Bond	3.05	2.85	2.50	2.30	2.45	2.60	2.65	2.80	3.00	3.10
	5-Year Gov't Bond	2.95	2.95	2.65	2.55	2.65	2.85	2.95	3.00	3.00	3.05
	10-Year Gov't Bond	3.08	3.05	3.00	2.95	3.10	3.15	3.15	3.25	3.35	3.40
	30-Year Gov't Bond	3.12	3.25	3.20	3.10	3.15	3.20	3.20	3.25	3.30	3.35
U.S.	Federal Funds Rate (midpoint)	4.625	4.375	3.875	3.375	3.375	3.375	3.375	3.375	3.375	3.375
	91-Day Treasury Bills	4.50	4.20	3.70	3.30	3.25	3.25	3.30	3.30	3.35	3.40
	2-Year Gov't Note	4.20	4.10	3.85	3.45	3.35	3.30	3.40	3.45	3.60	3.75
	5-Year Gov't Note	4.09	4.10	3.95	3.60	3.45	3.40	3.55	3.60	3.65	3.60
	10-Year Gov't Note	4.19	4.25	4.00	3.85	3.65	3.50	3.55	3.60	3.70	3.80
	30-Year Gov't Bond	4.36	4.40	4.20	4.15	4.10	4.00	4.25	4.35	4.45	4.50
EXCHANGE RATES		CADUSD	0.71	0.71	0.71	0.72	0.72	0.73	0.73	0.74	0.73
		USDCAD	1.41	1.41	1.40	1.39	1.38	1.37	1.37	1.36	1.36

Source: CIBC

Economic forecast: A soft landing, but heightened uncertainty as Trump enters the White House

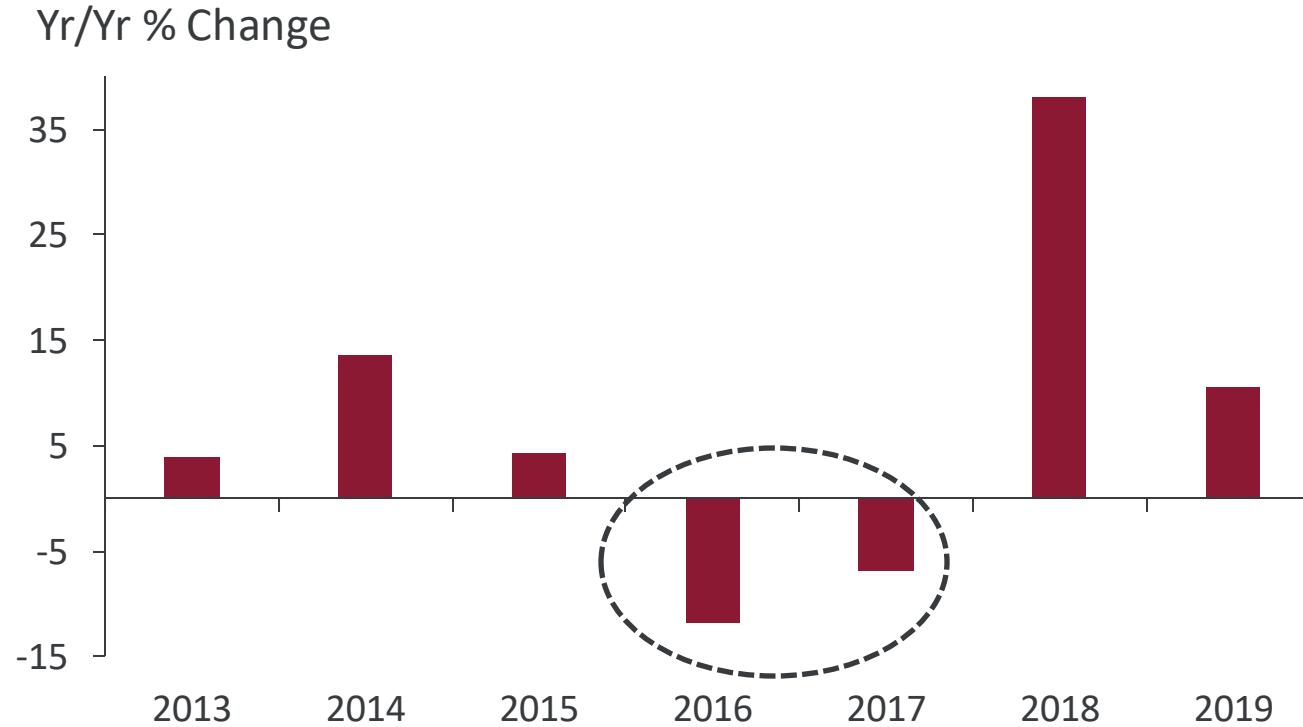
CANADA	24Q1A	24Q2A	24Q3A	24Q4F	25Q1F	25Q2F	25Q3F	25Q4F	2024F	2025F	2026F
Real GDP Growth (AR)	2.0	2.2	1.0	1.5	1.8	1.9	2.0	2.7	1.3	1.8	2.5
Real Final Domestic Demand (AR)	2.4	2.3	2.4	1.3	2.0	2.2	1.9	2.8	1.5	2.0	2.5
Household Consumption (AR)	3.1	0.9	3.5	0.9	1.9	1.5	1.9	2.4	1.8	1.8	2.6
All Items CPI Inflation (Y/Y)	2.8	2.7	2.0	2.1	2.2	1.7	1.7	1.9	2.4	1.9	1.9
Unemployment Rate (%)	5.9	6.3	6.5	6.7	6.6	6.5	6.4	6.2	6.3	6.4	5.8

Trump's steel tariffs were kryptonite for Canadian producers



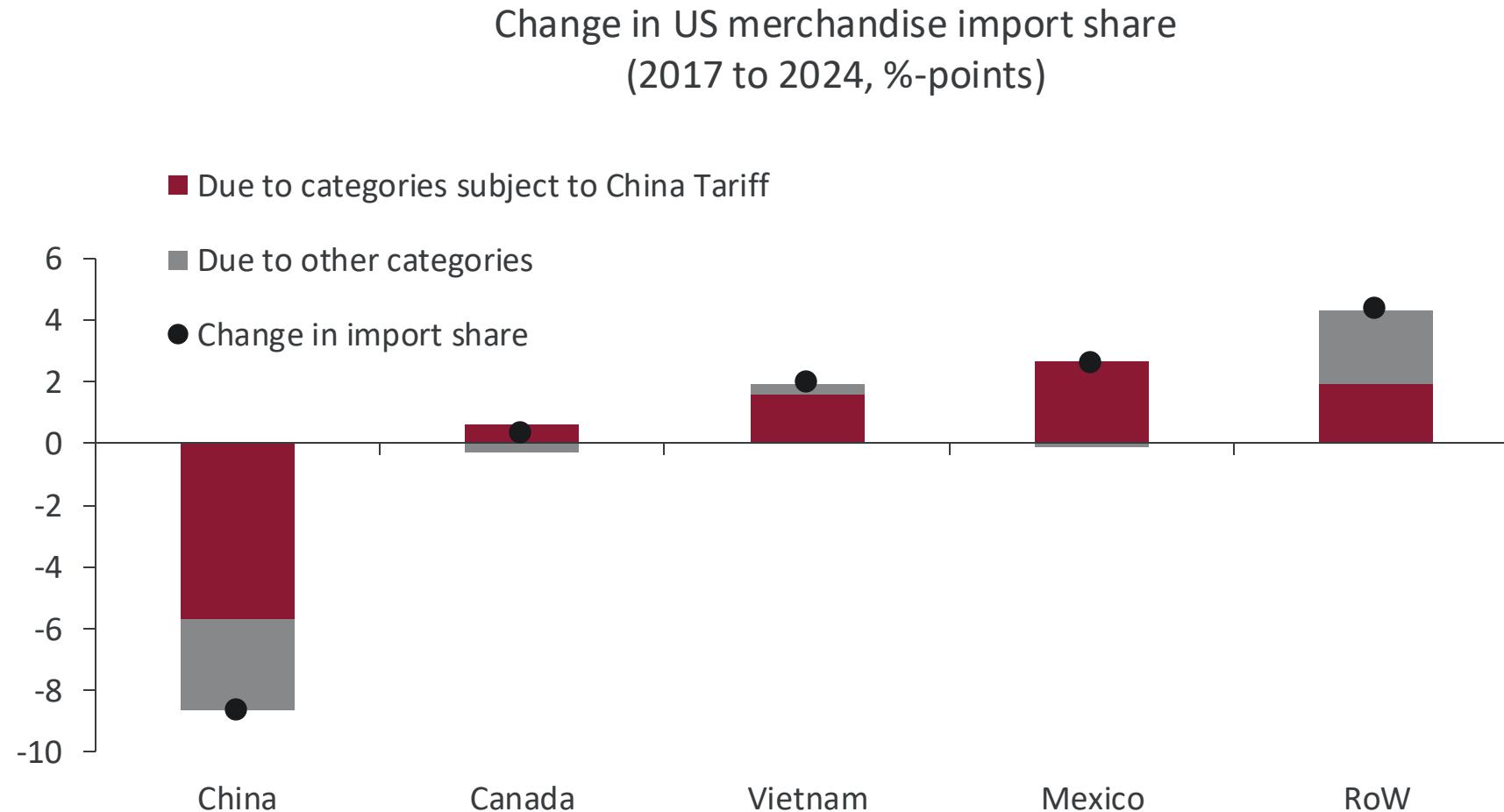
Source: Statistics Canada, CIBC calculations

Trade uncertainty dented Canadian manufacturing capital spending in first half of Trump's term



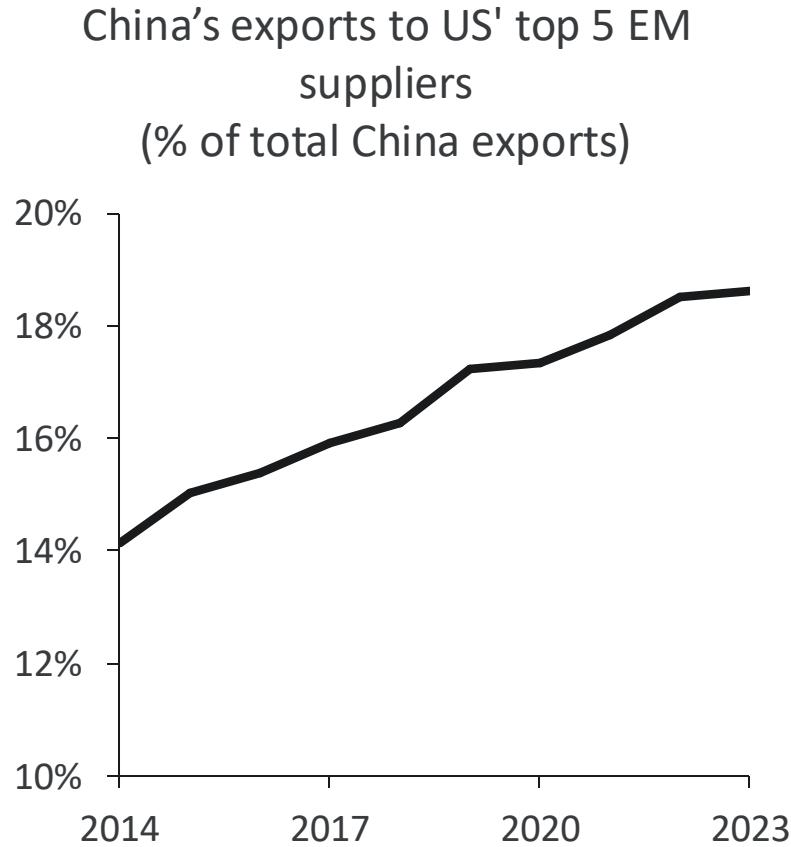
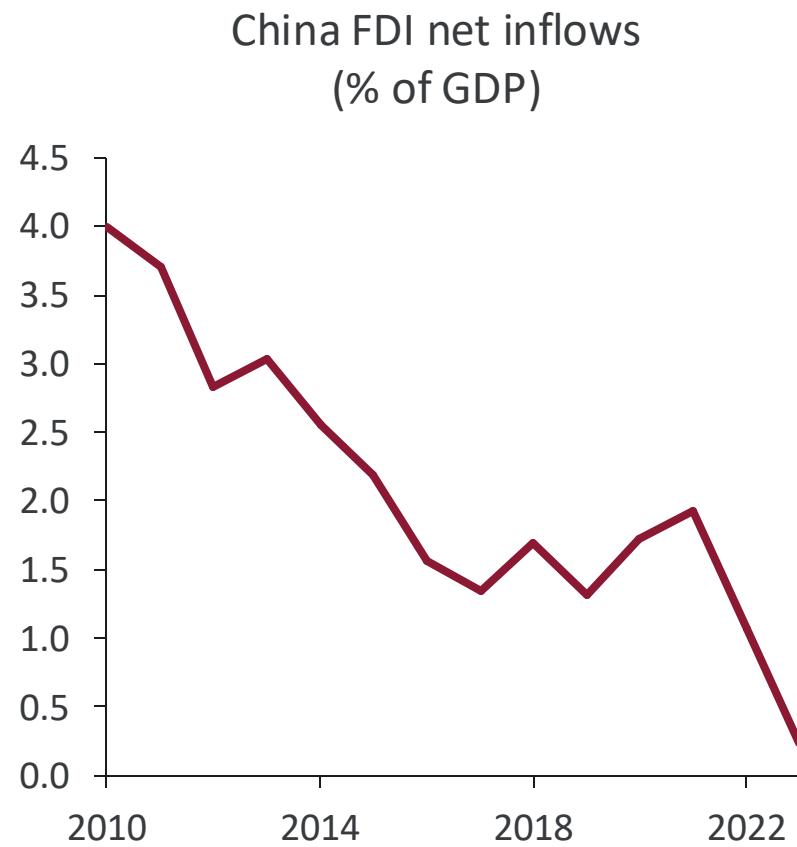
Source: Statistics Canada, CIBC calculations

Trump's China tariffs highlight re-globalization rather than de-globalization



Source: Census Bureau, CIBC

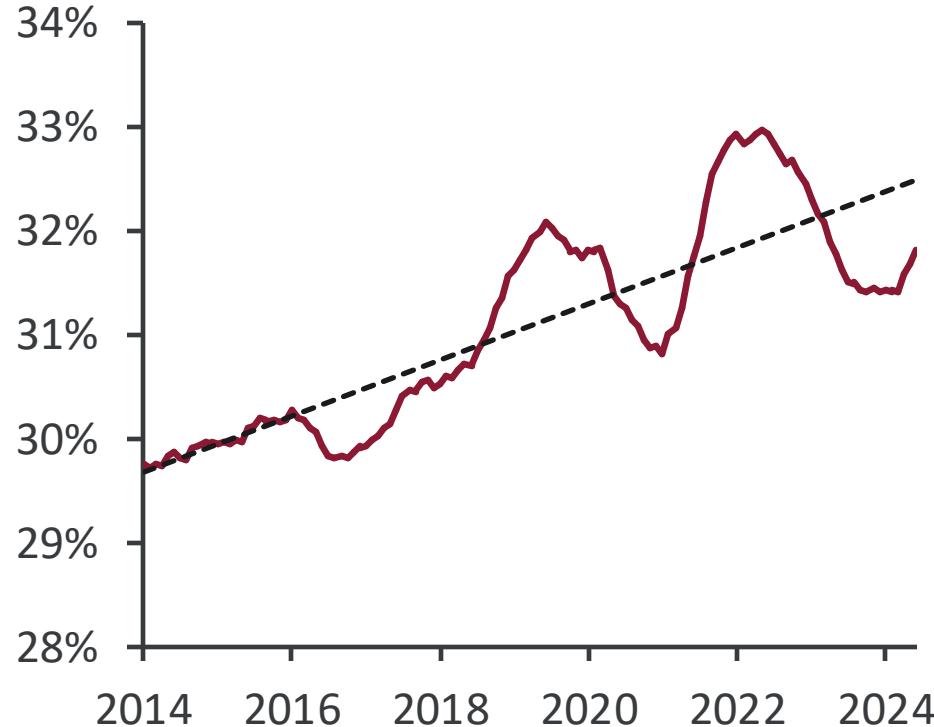
Foreign direct investment plummets in China (l); Chinese firms sending parts and equipment to EMs that export to US (r)



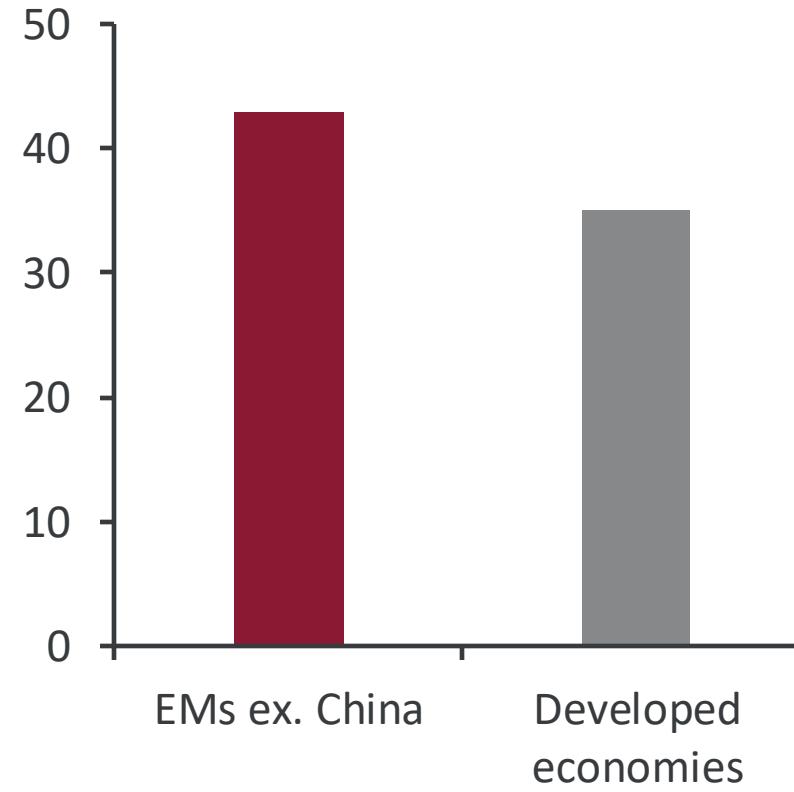
Source: Census Bureau, Bloomberg, CIBC

EMs outside of China are increasingly important for US exporters

Share of US exports going to EMs ex.
China (% 12mma)

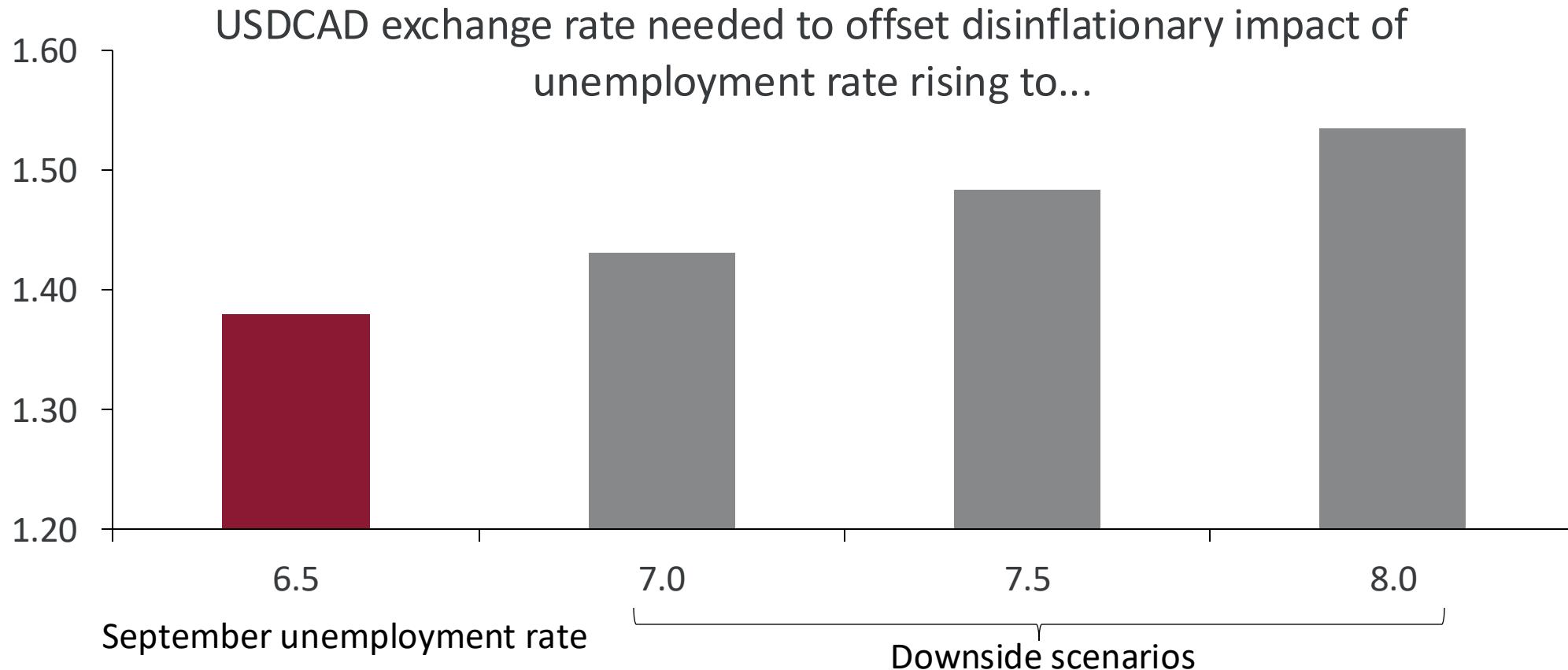


US export growth
(%, since 2016/17)



Source: Census Bureau, CIBC

Bank of Canada would risk a wider spread and weaker currency if the domestic economy REALLY needed it.



Source: Statistics Canada, BLS, CIBC

A sluggish year, but better growth prospects in 2025-26

- Overnight rate hits 2.25% in Canada. But more than 1% above that in the US.
- Less room for rally at Canadian long end.
- Dividend-paying stocks benefit from flow of funds out of deposits.
- Growth led by interest sensitive sectors like housing, discretionary consumption.
- No commodities supercycle, but regulatory relief coming?
- If US tariffs hit Canada: more rate cuts and weaker C\$
- In the US: trade war threatens higher near-term inflation, slower growth versus base case

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