

As the Credit Cycle Turns...

Benjamin Tal, Senior Economist

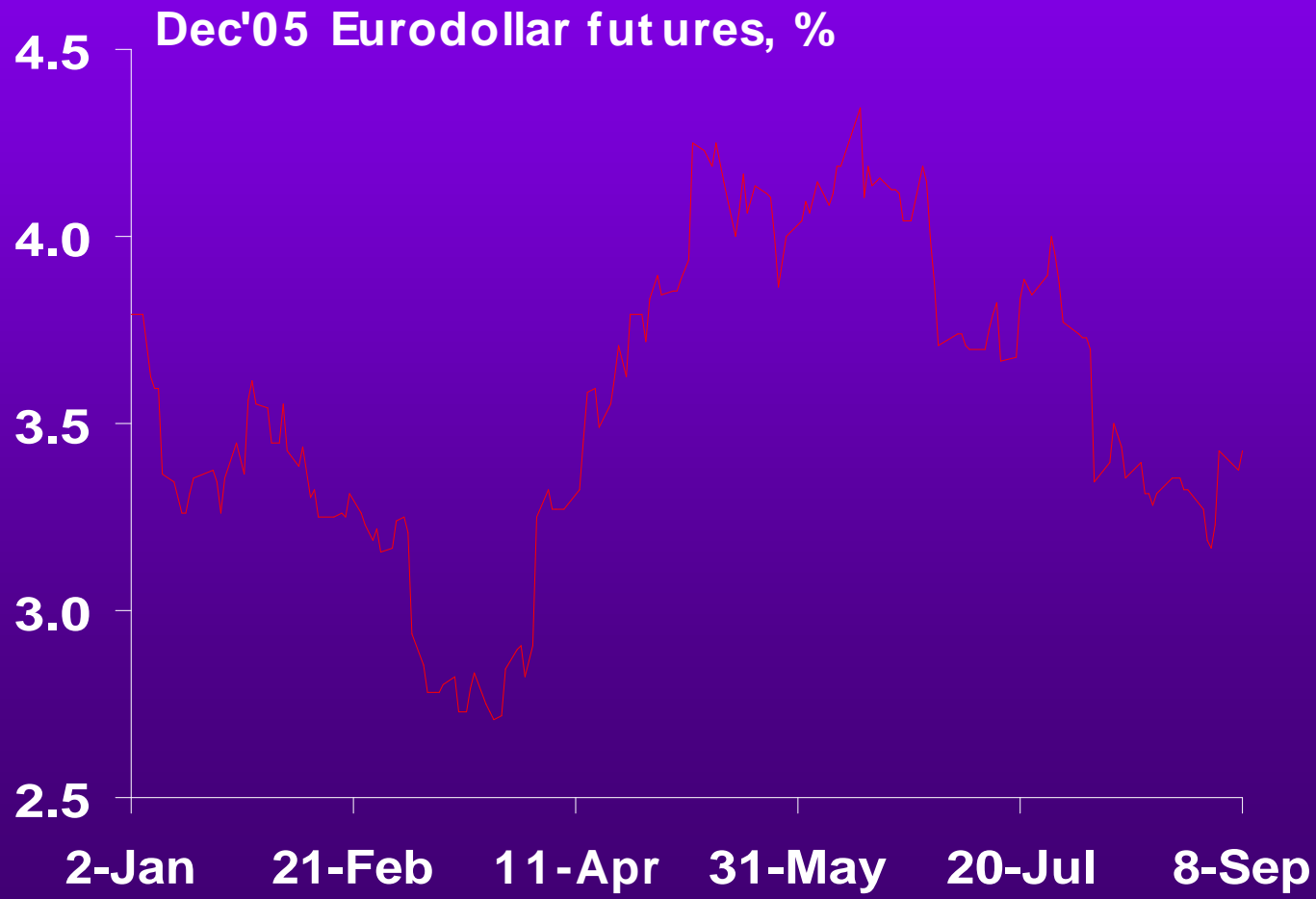
CIBC World Markets
Economics & Strategy

September 2004



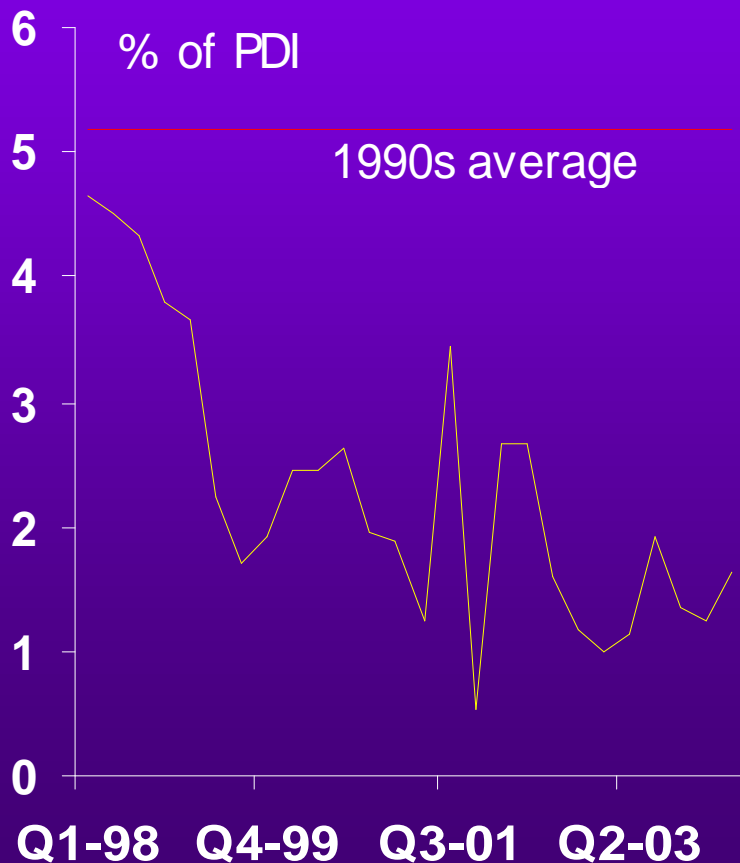
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Fed Hike Expectations Highly Volatile

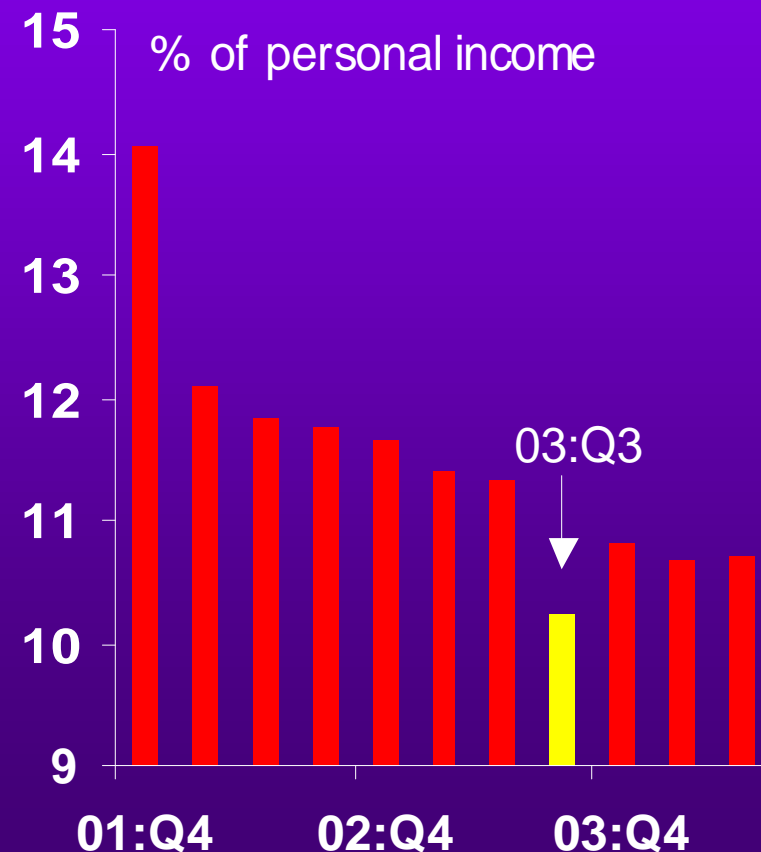


Savings Rate to Rise, Tax Cuts Fade

Savings Rate



Effective Tax Rate

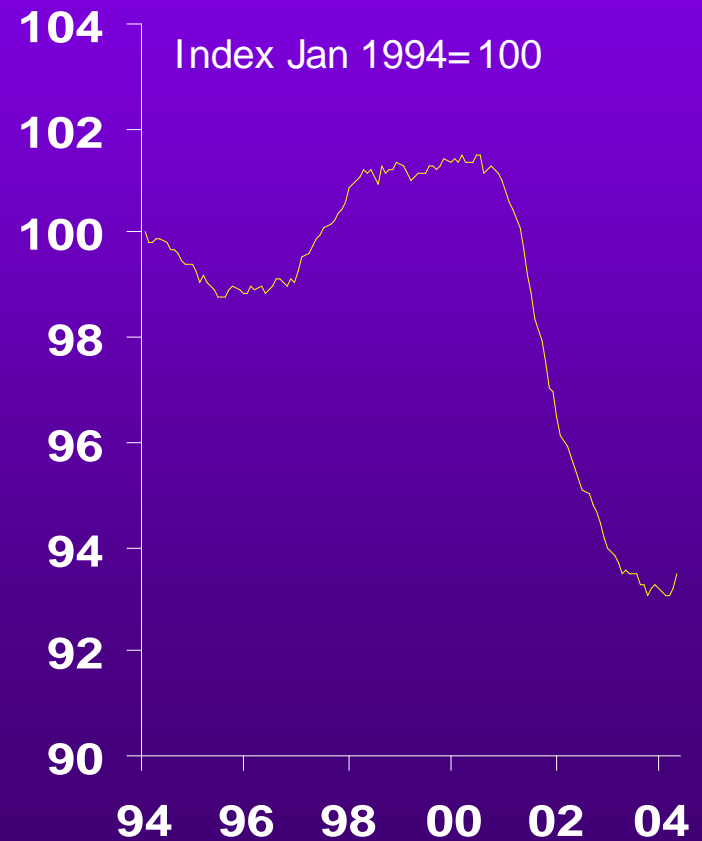


Weak Labour Market

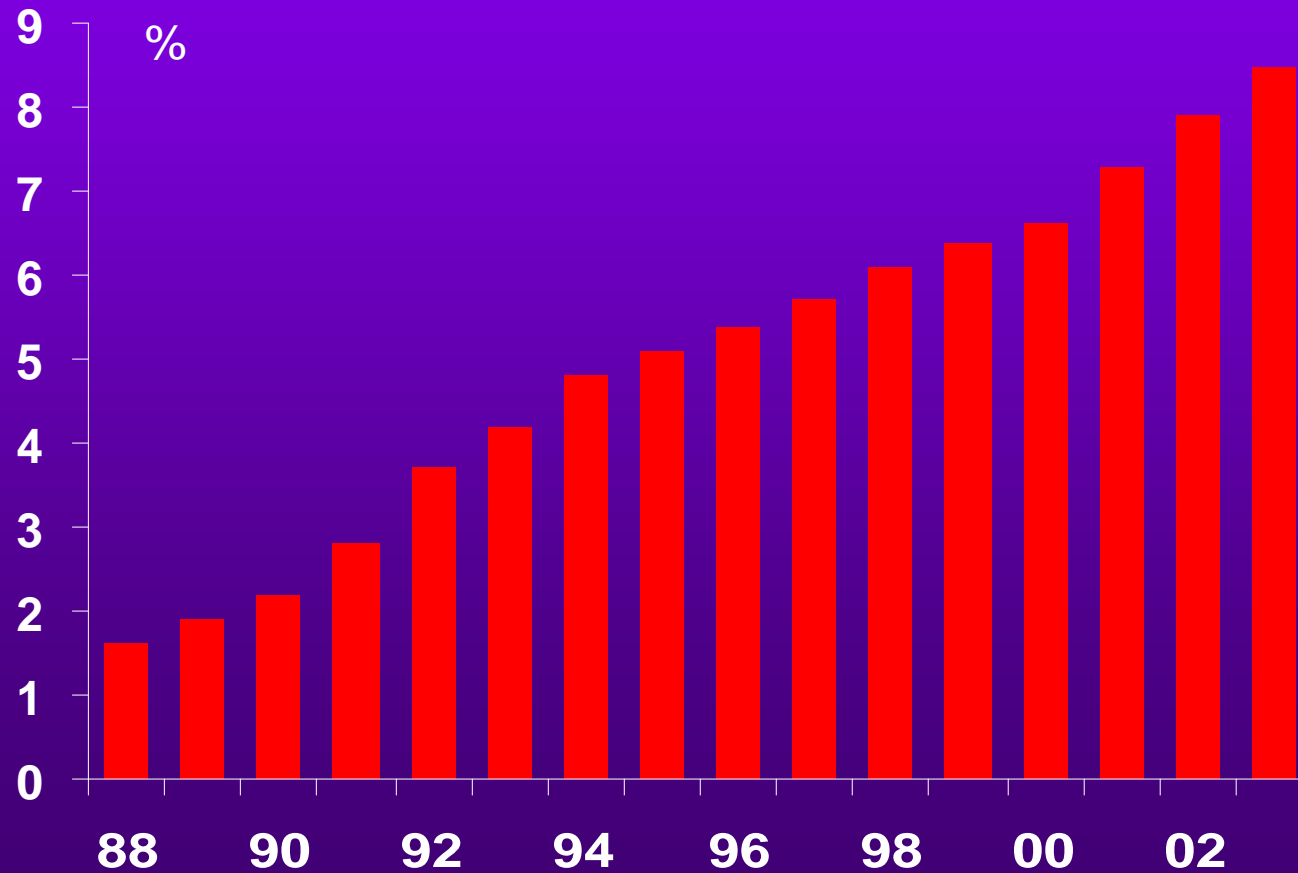
US Employment Rate



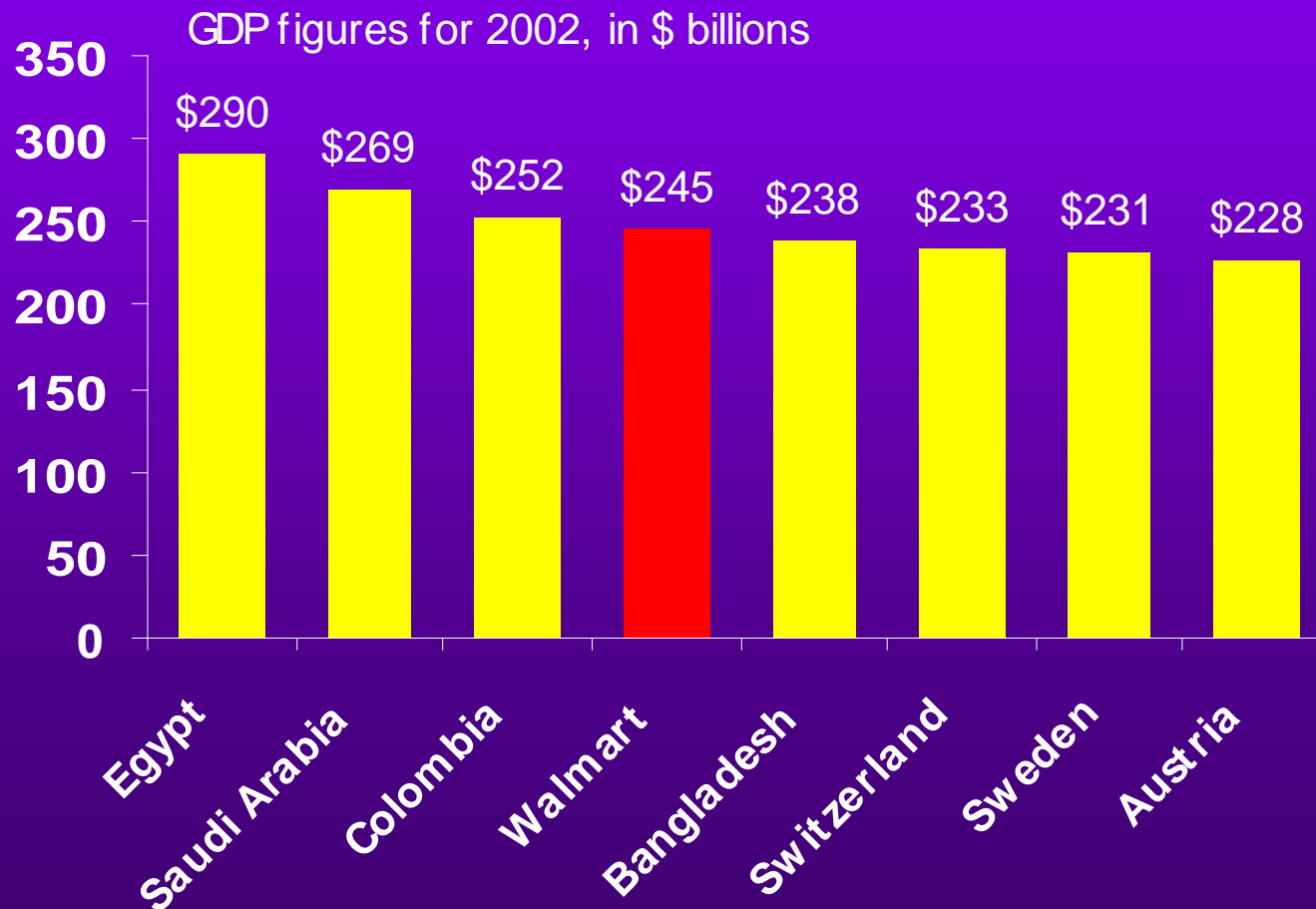
CIBCWM US Employment Quality Index



Wal-Mart % of US Retail Sales



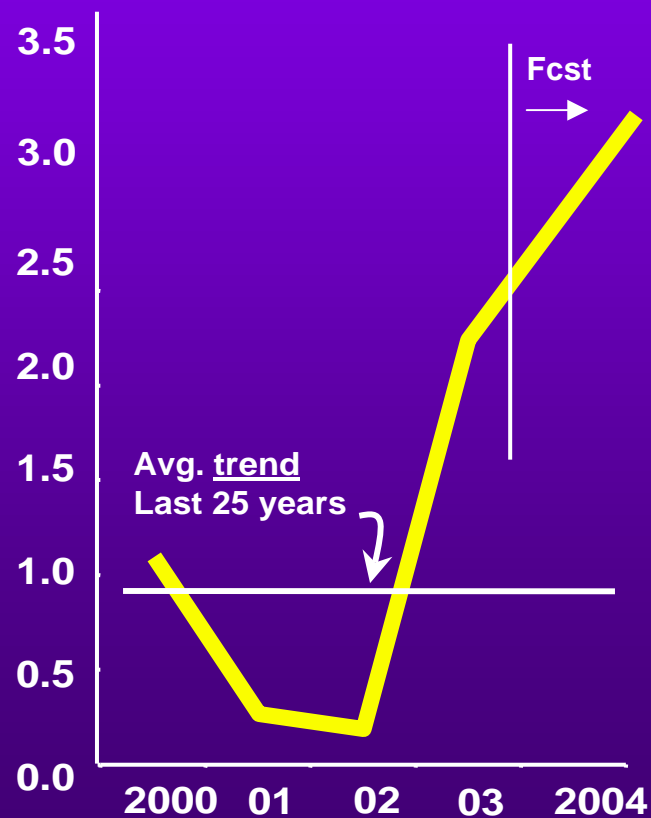
Wal-Mart as a Country



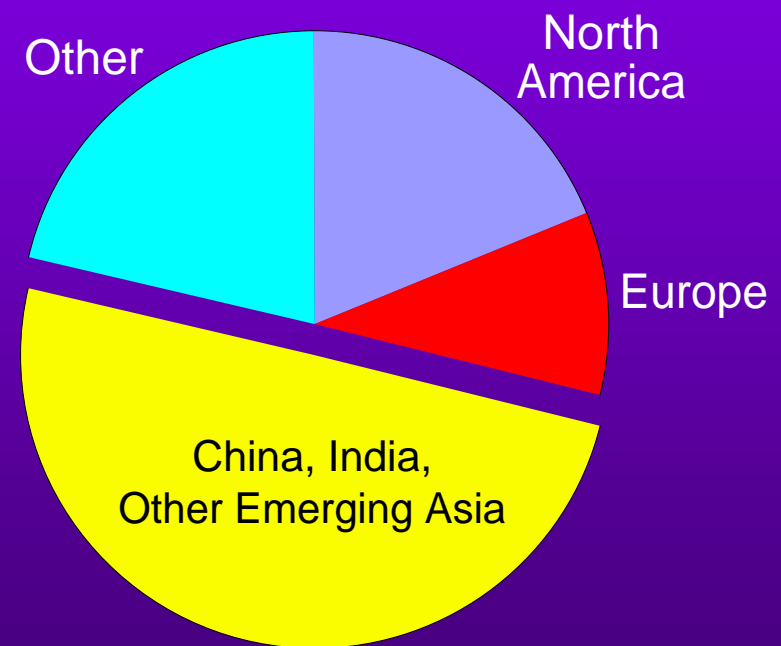
Source: CIA World Factbook

Asia Powering Strong World Oil Demand

World Oil Demand, % chg

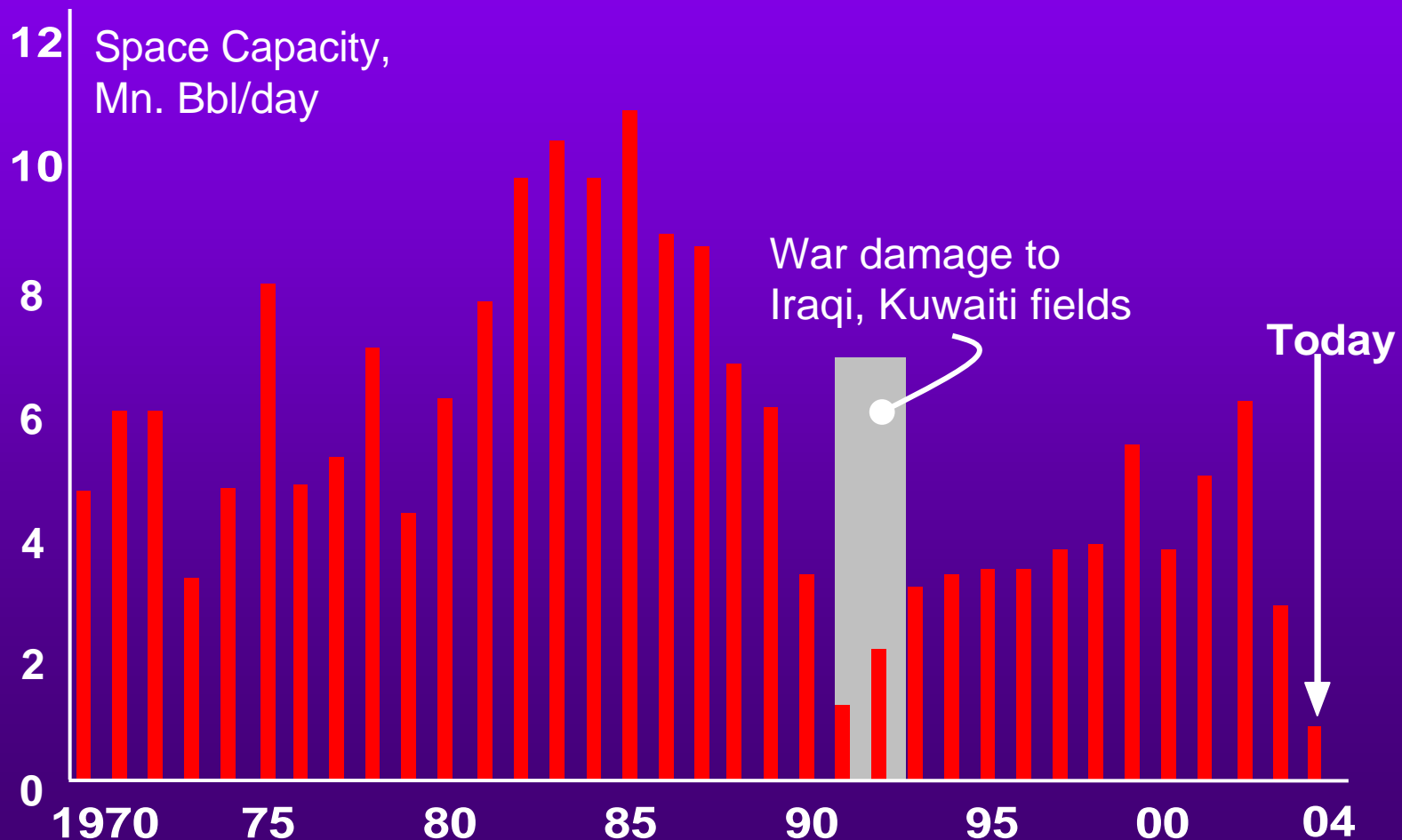


Breakdown of 2004 Increase

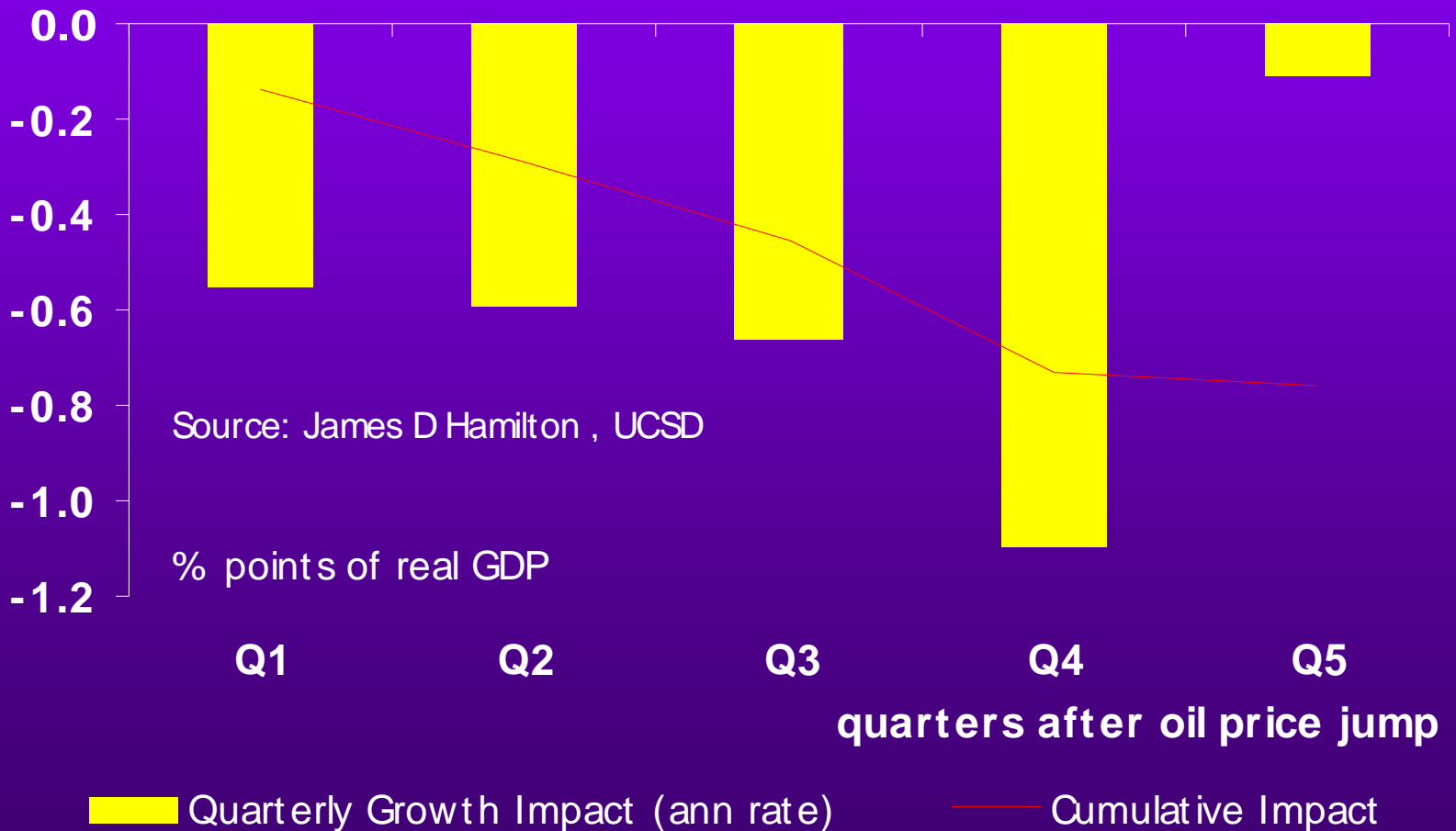


Source: International Energy Agency

Tight Global Capacity Leaves Little Room for Demand Growth

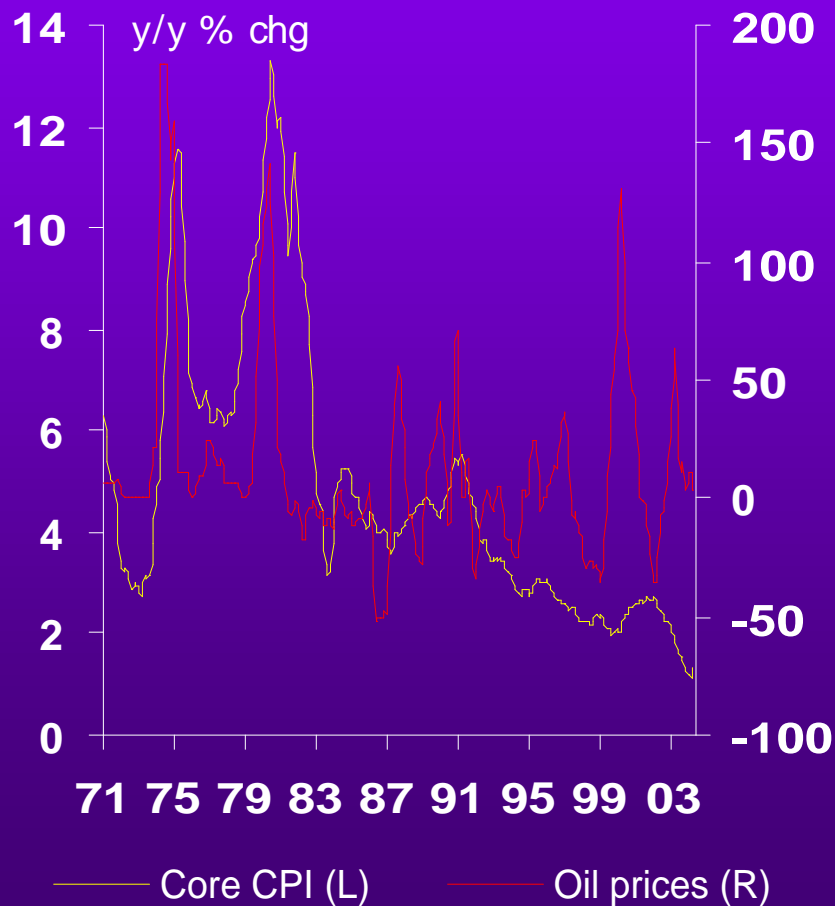


22% Rise in Crude Price a Big Negative for US Growth

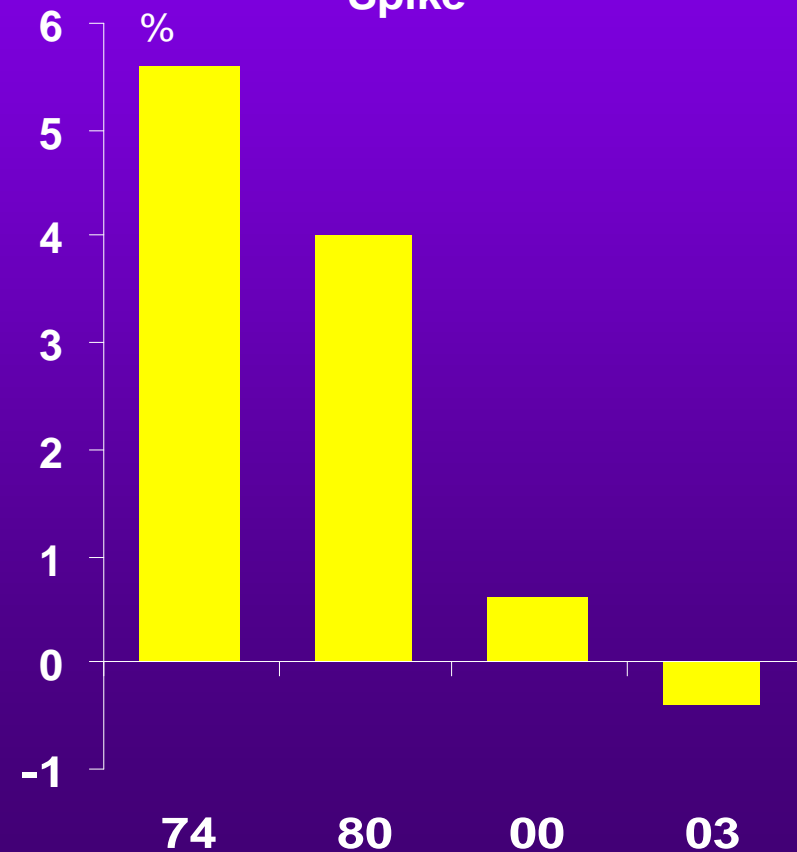


Oil Price Spikes and US Core Inflation

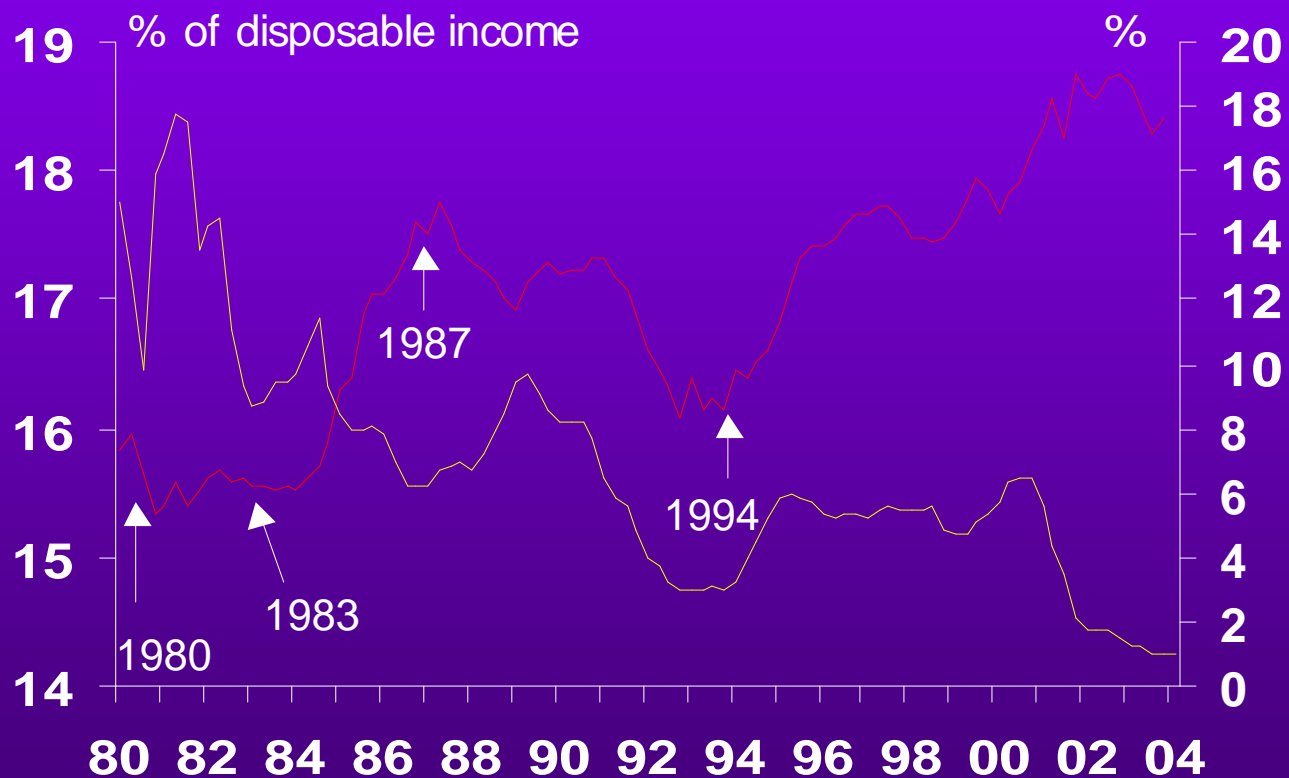
Oil Prices vs. Core CPI



Acceleration in Core CPI 12 months following an Oil Spike

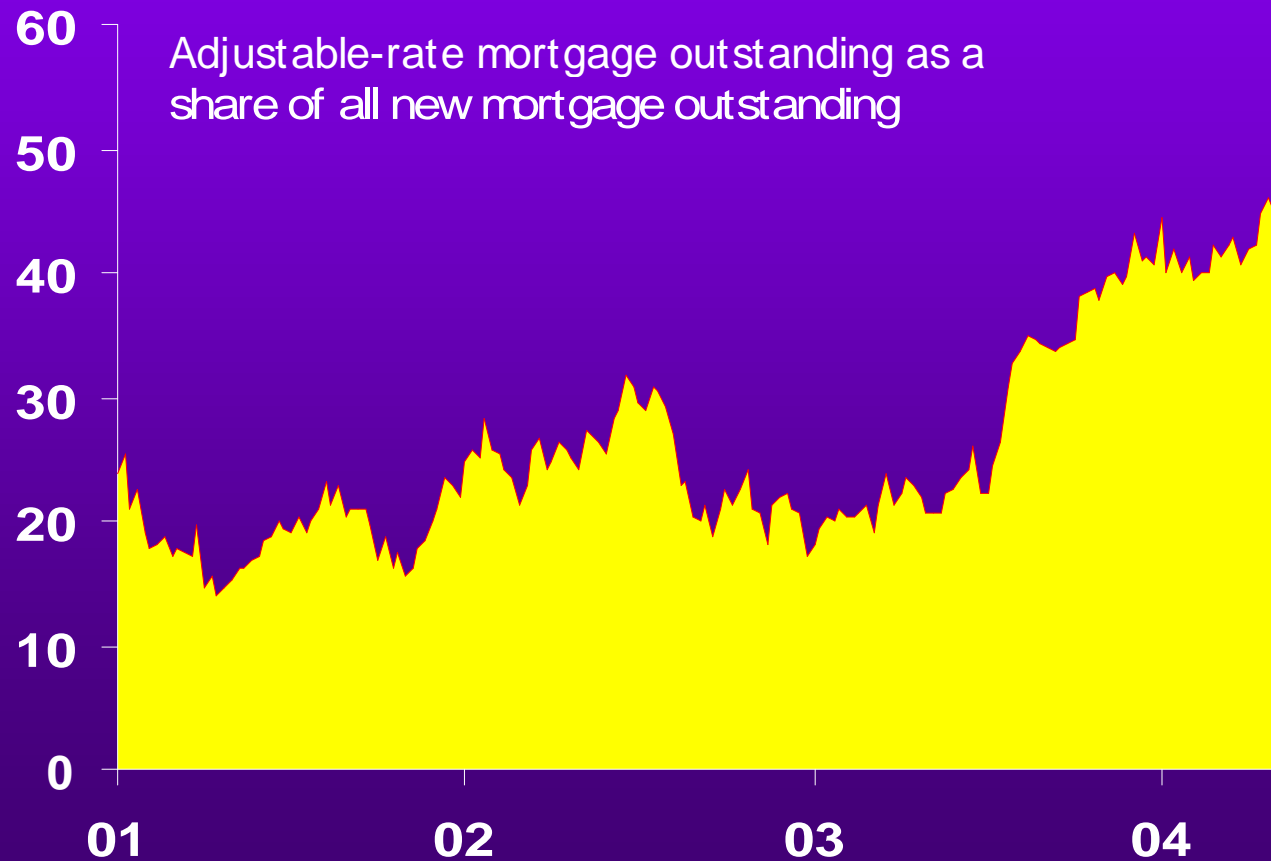


American Households Are Stretched



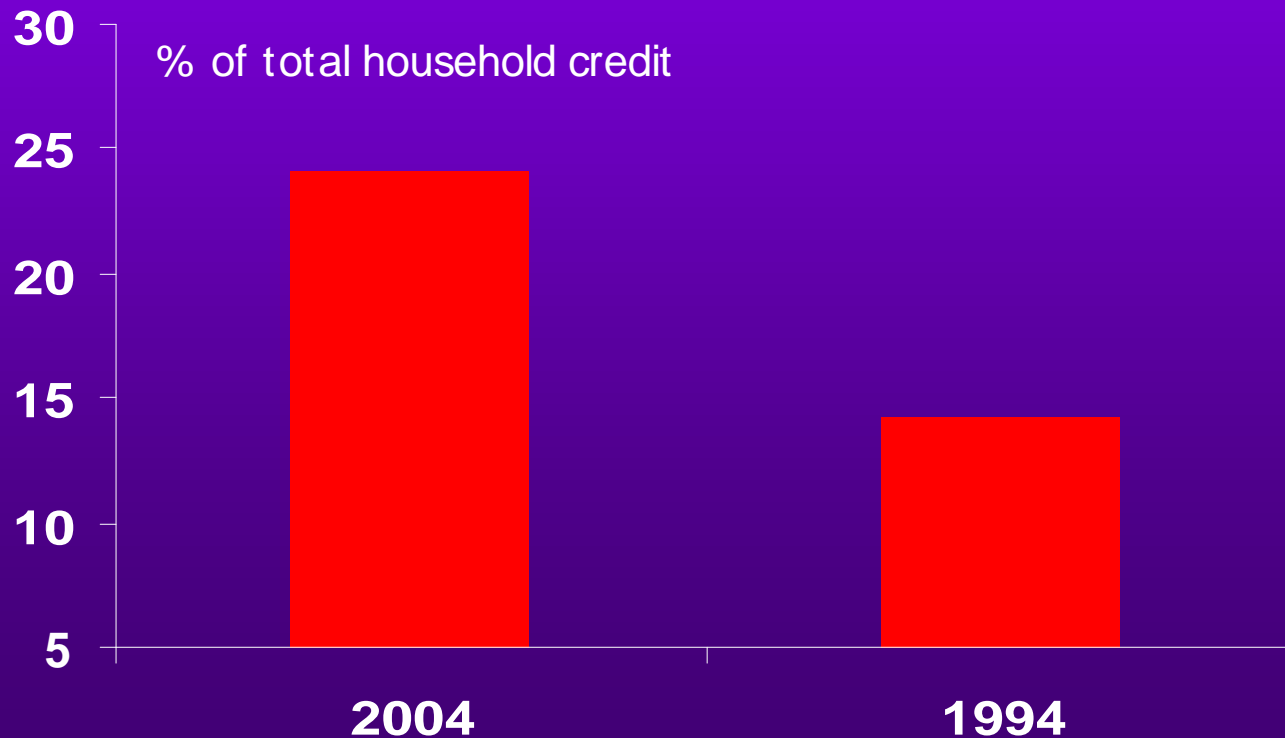
— Household Financial Obligations (L) — Fed Funds (R)

Record High Use of Adjustable Rate Mortgages



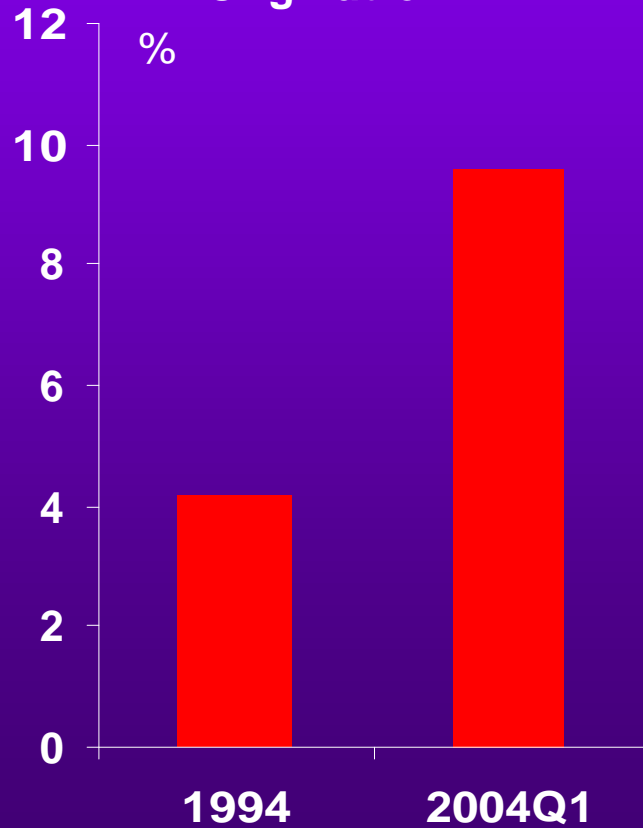
More Immediate Exposure to Higher Rates

Share of Household Credit Immediately Impacted by Change in Interest Rates

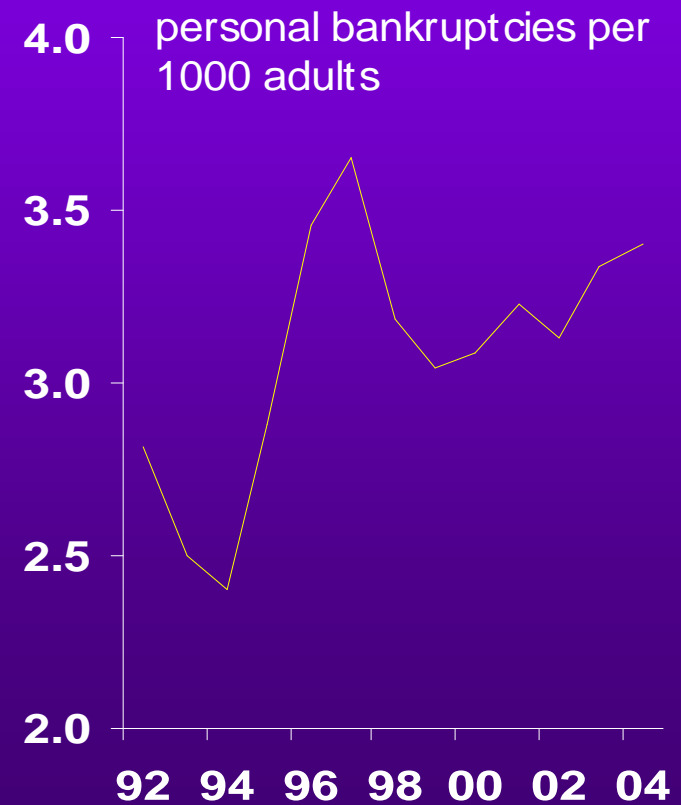


Risky Business

Sub-Prime as a Share of Total Mortgage Origination

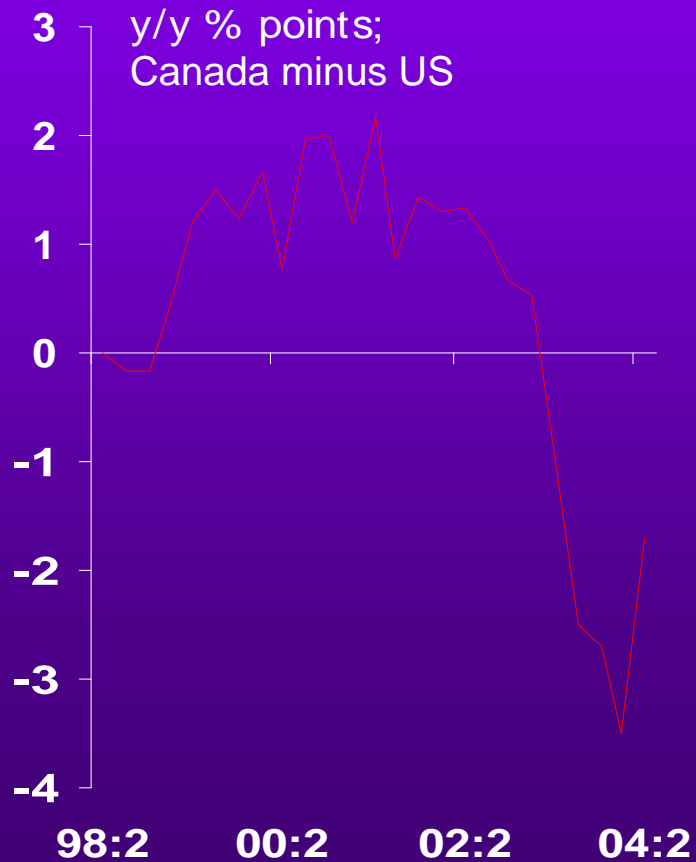


Personal Bankruptcy Rate

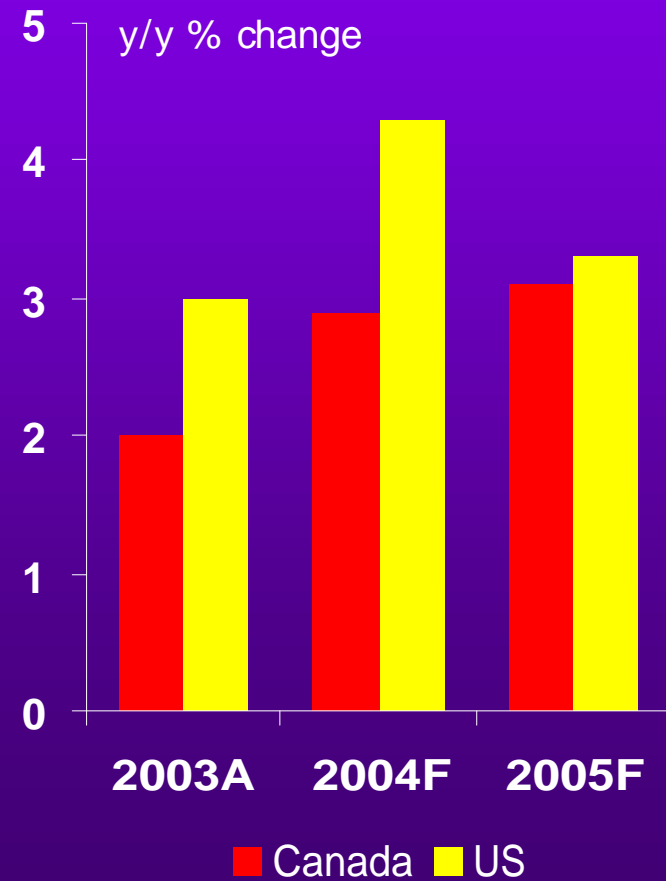


Canada Catching Up to US Growth

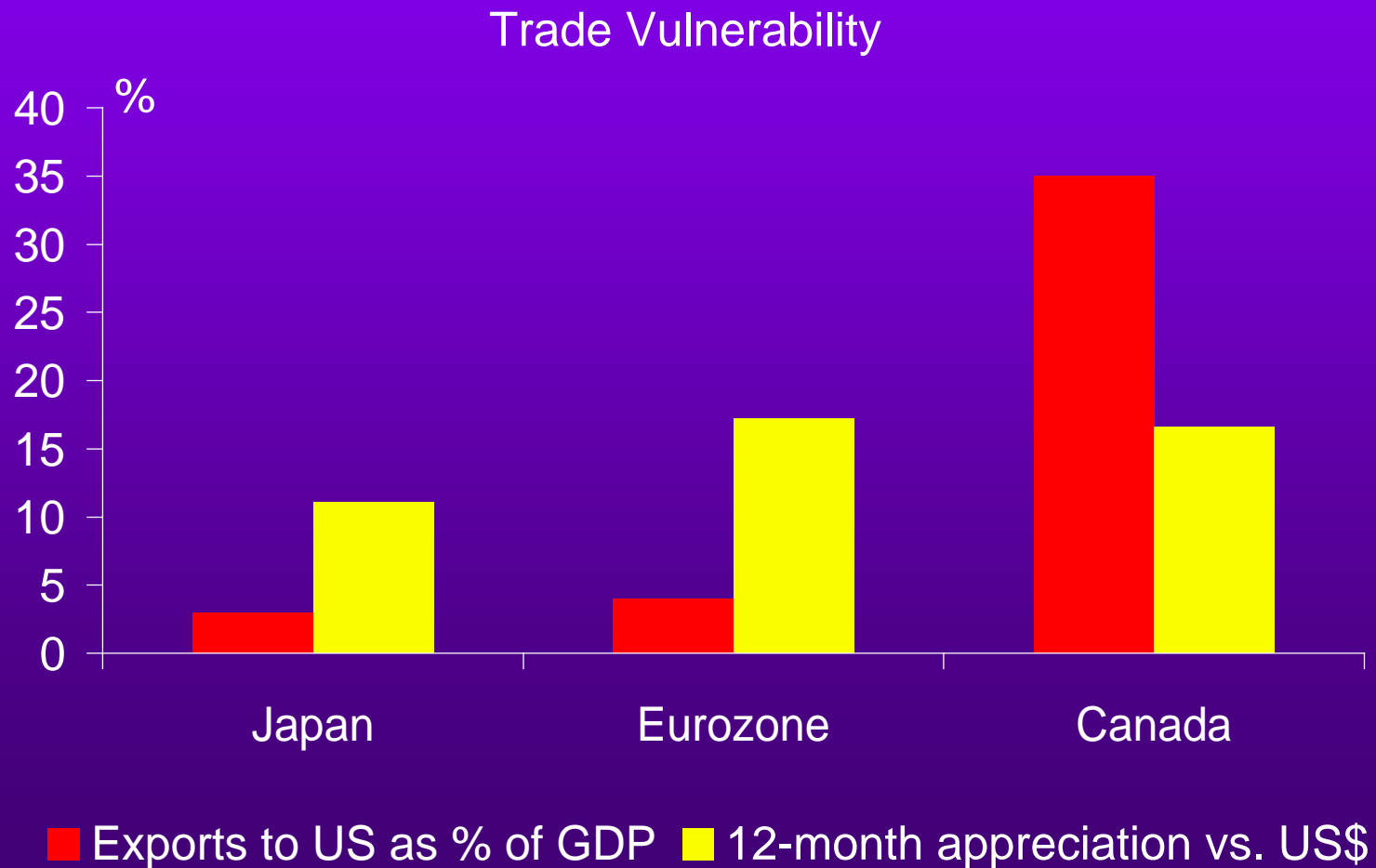
Real GDP Growth Gap



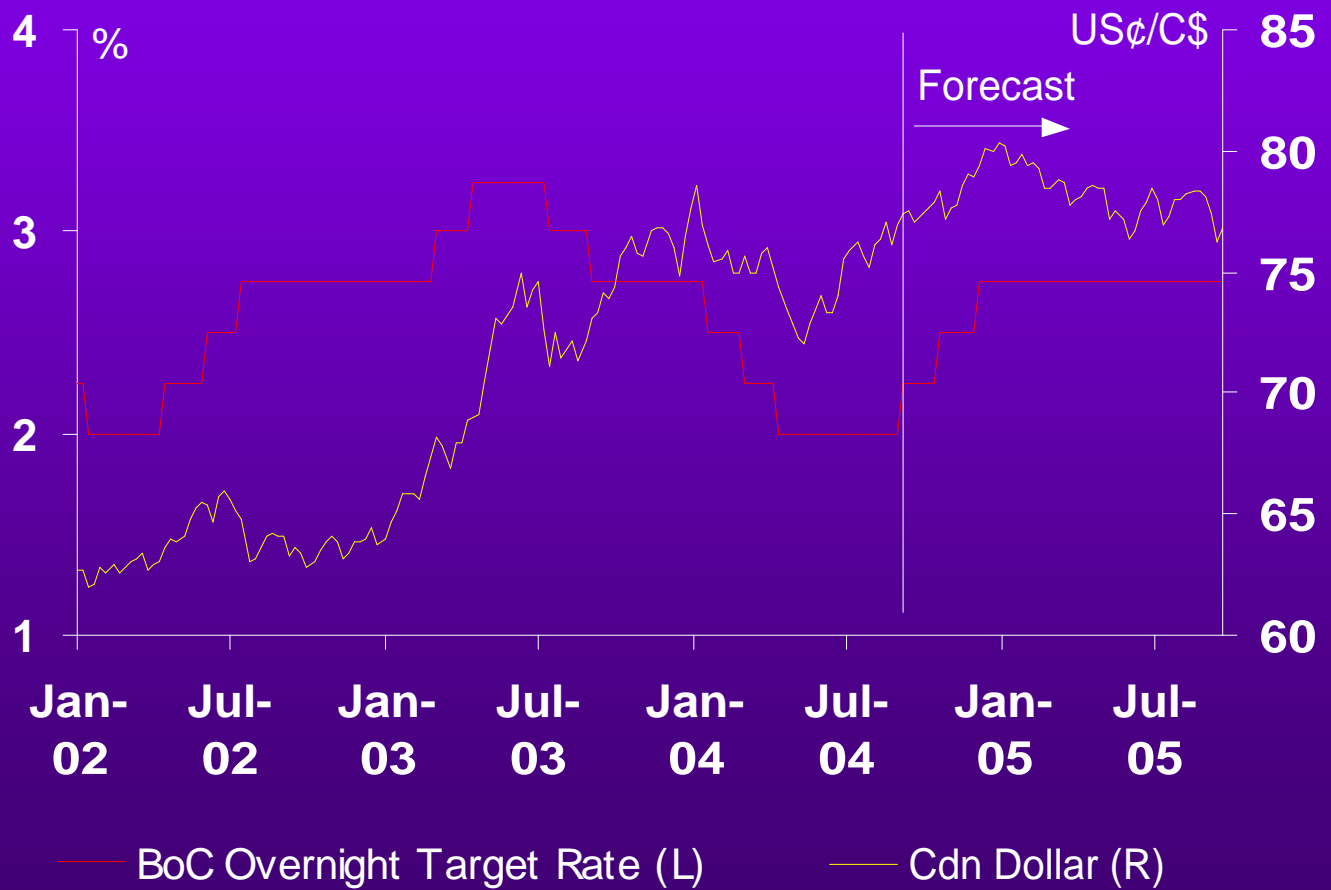
Annual GDP Growth



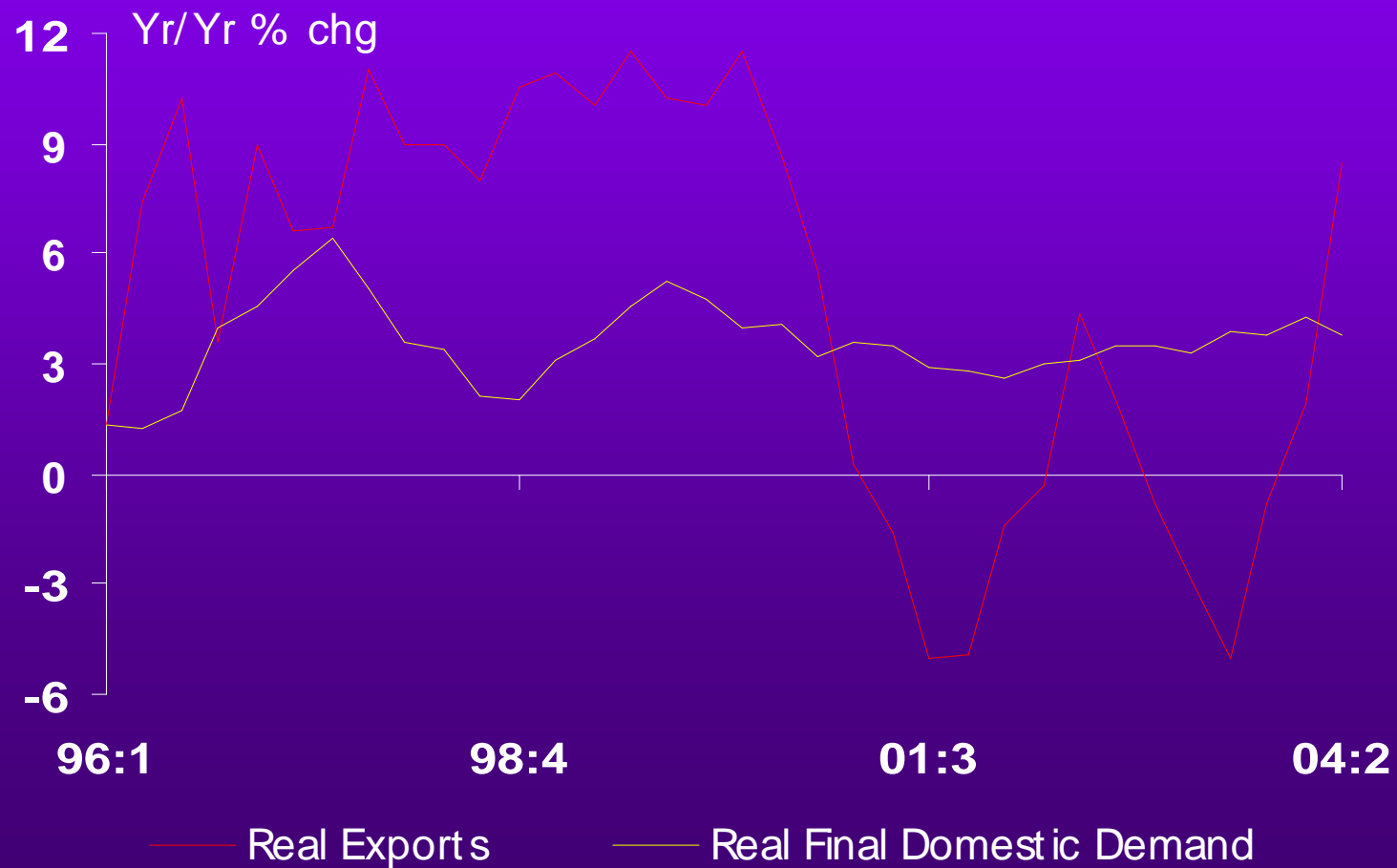
Canada Most Vulnerable to Rising Currency



Rising C\$ Reins in Bank of Canada

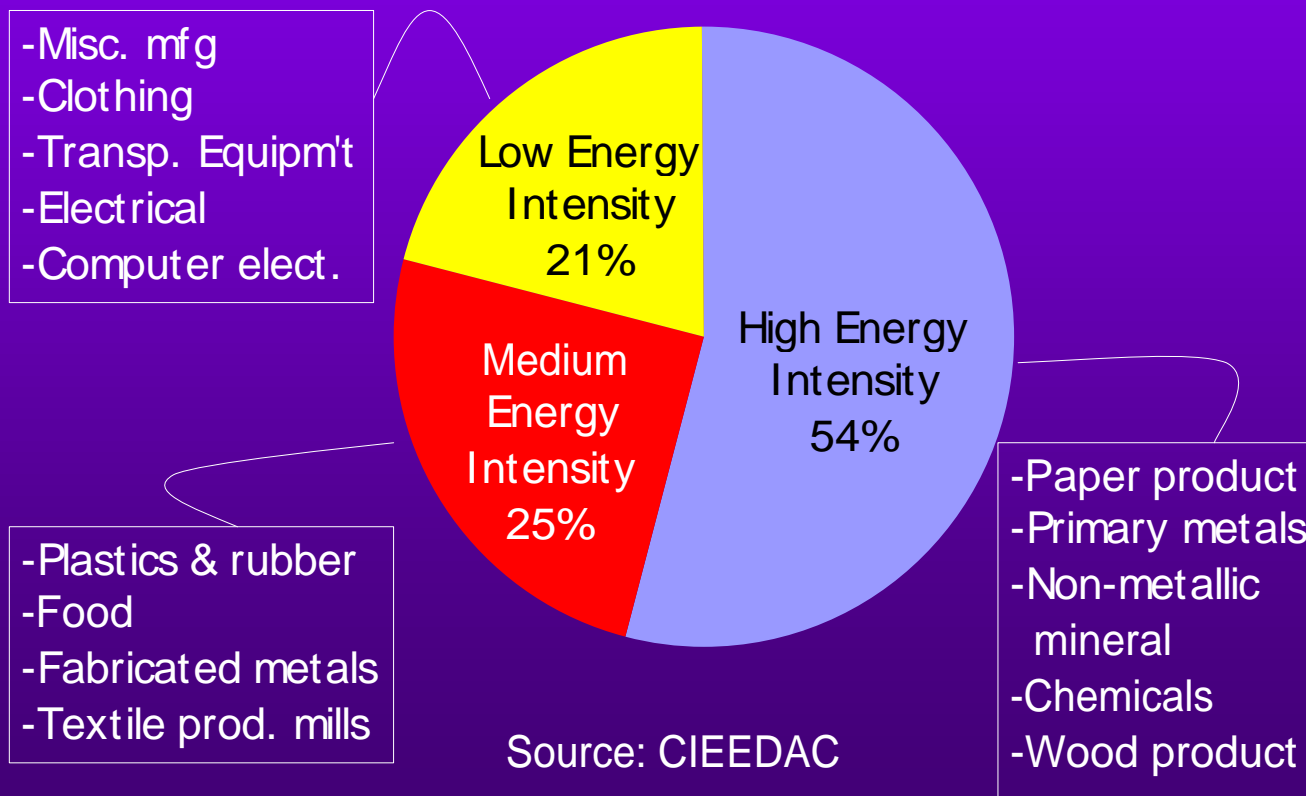


Growth Driven by Exports



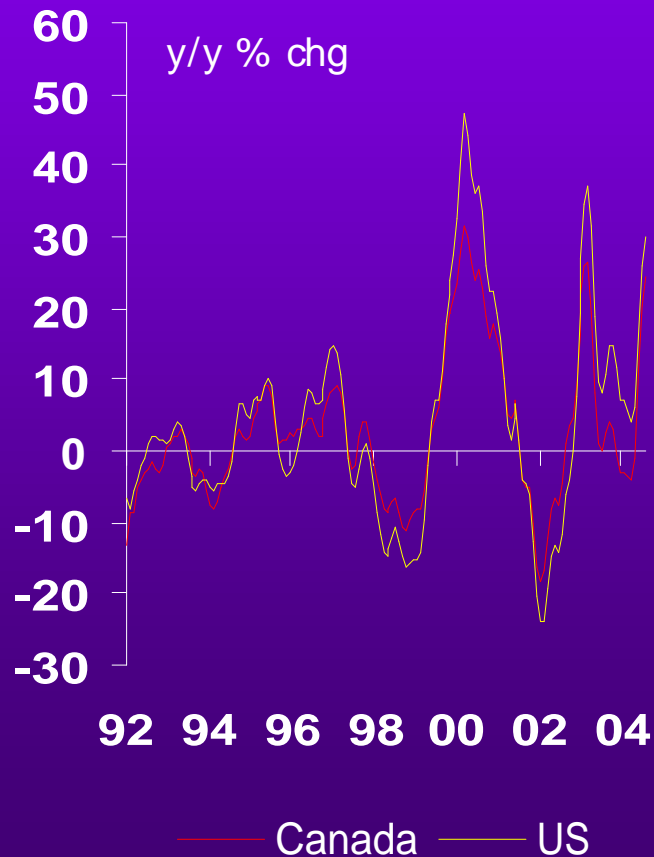
Non-Energy Industries Are Energy Intensive

Non-Oil & Gas Manufacturing

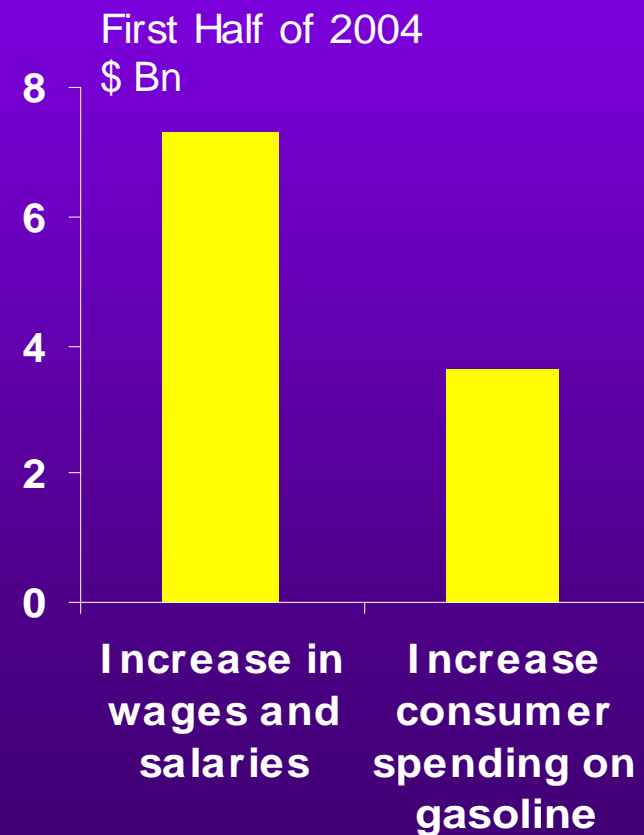


Drivers Pay the Price

Rising Gasoline Prices...

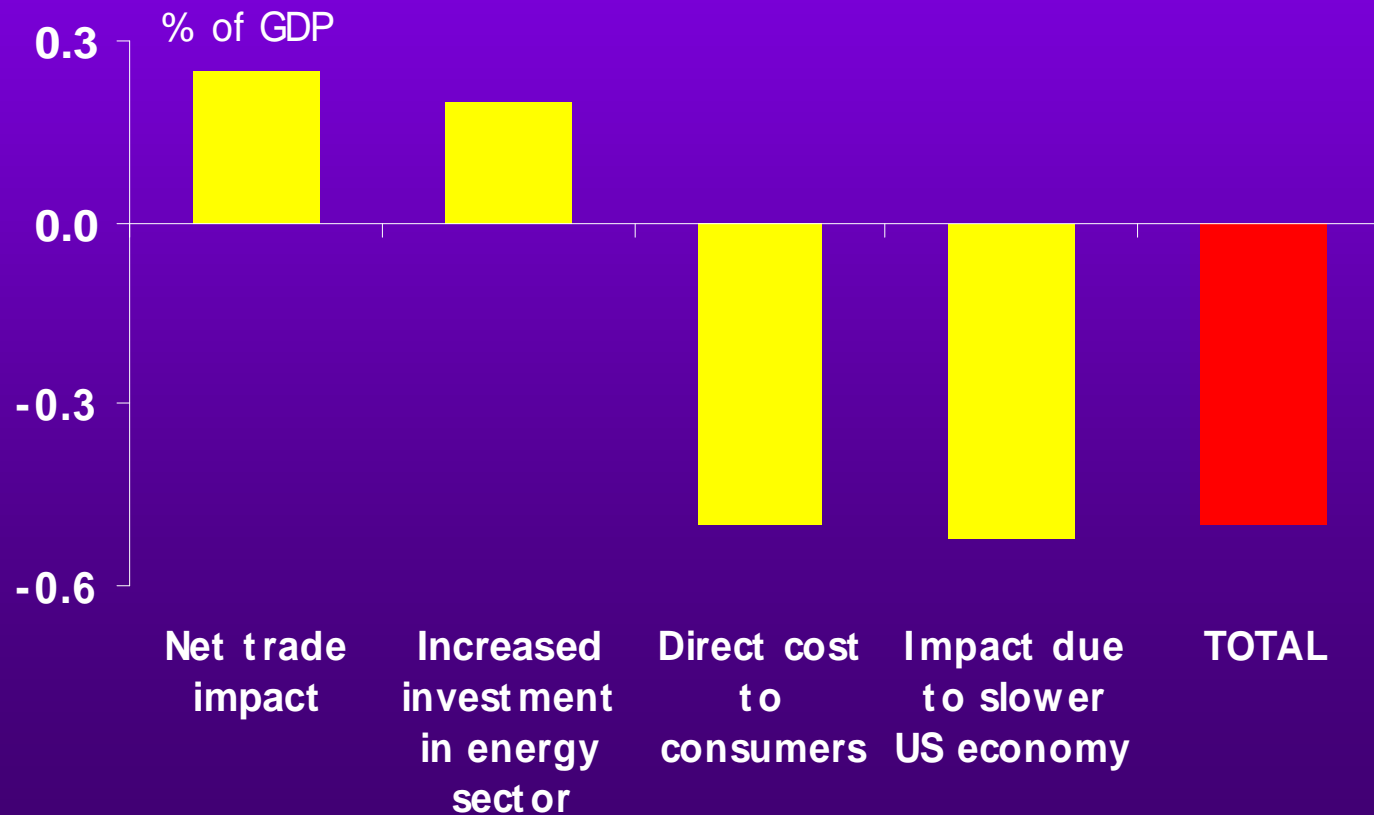


...Wiped Out Half of Canadians' Wage Gain



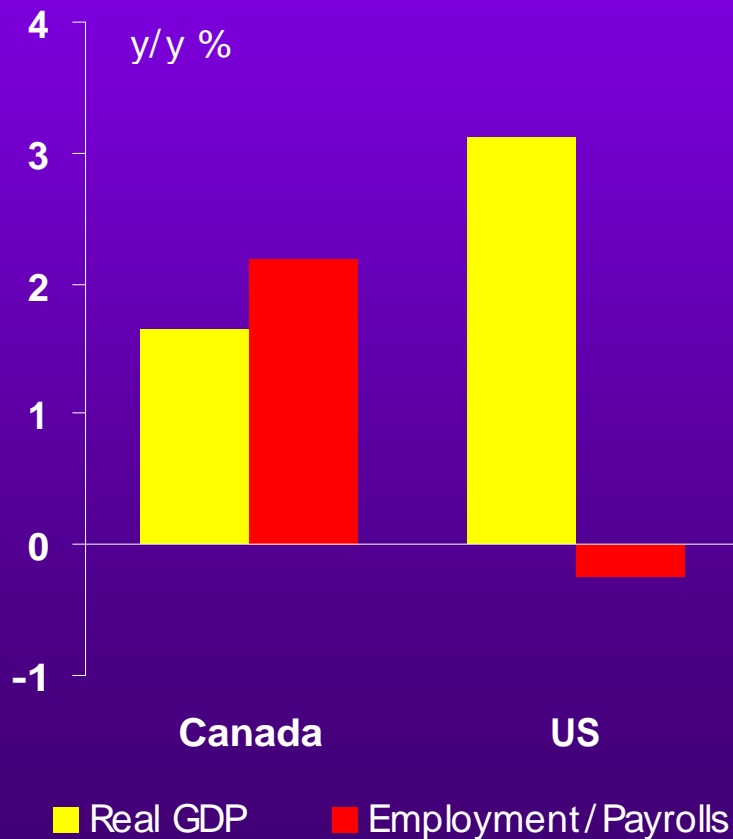
Oil a Net Negative for Canada

Impact of Energy Prices Remaining at Current Level on the Canadian Economy in the Coming 12 Months

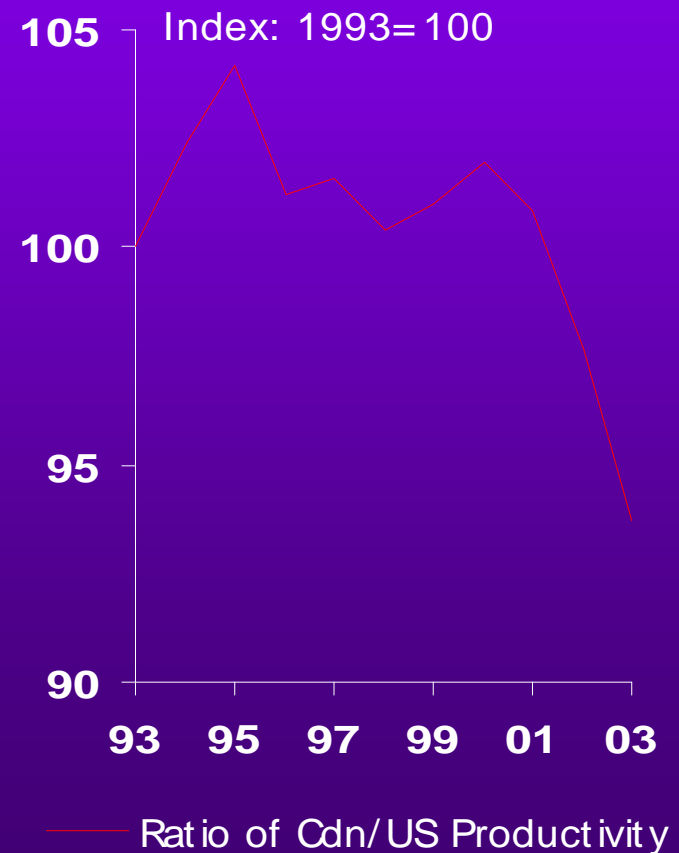


Weak Productivity Makes Job Trend Questionable

Jobs & Growth in 2003

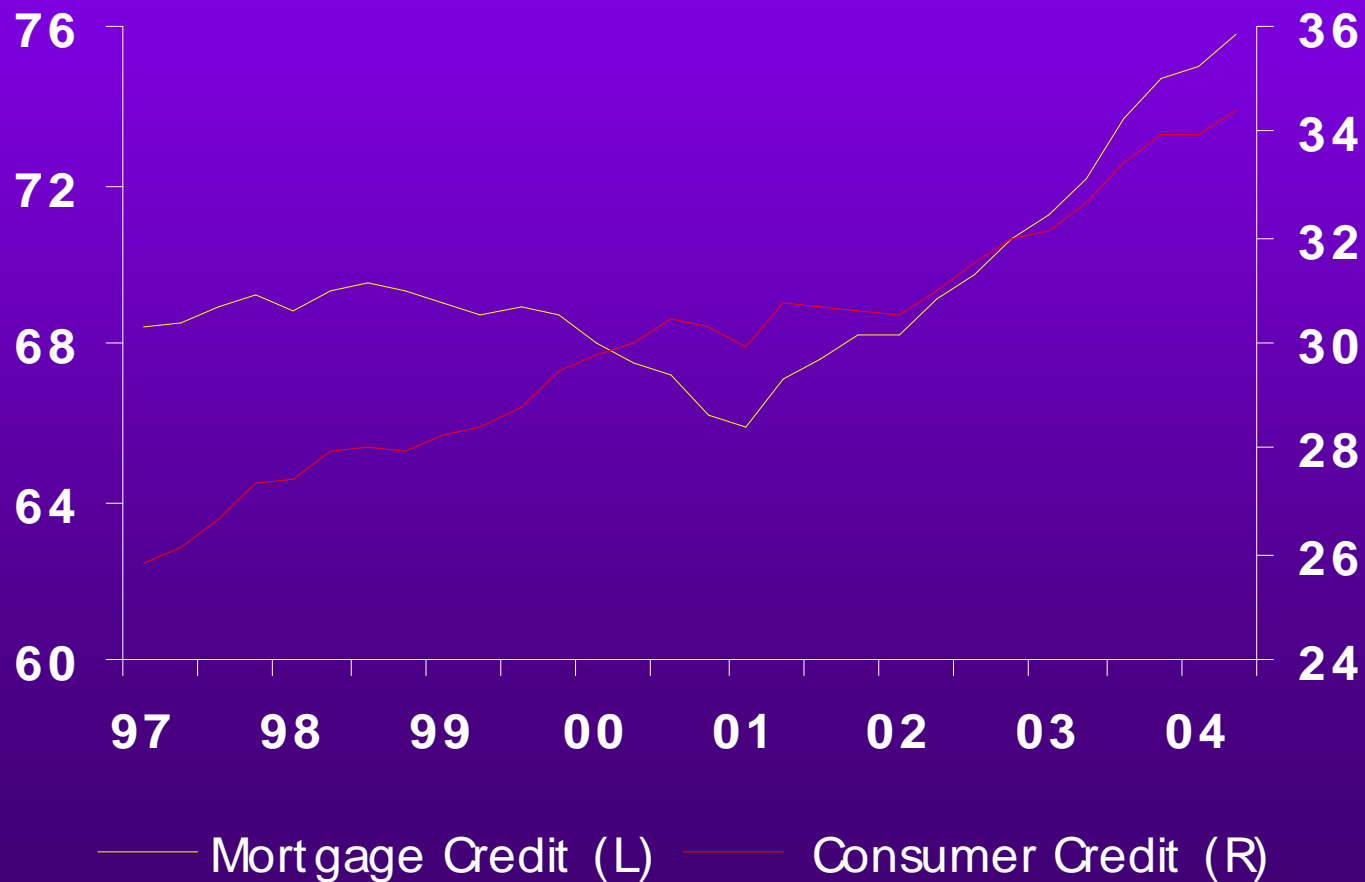


Business Sector



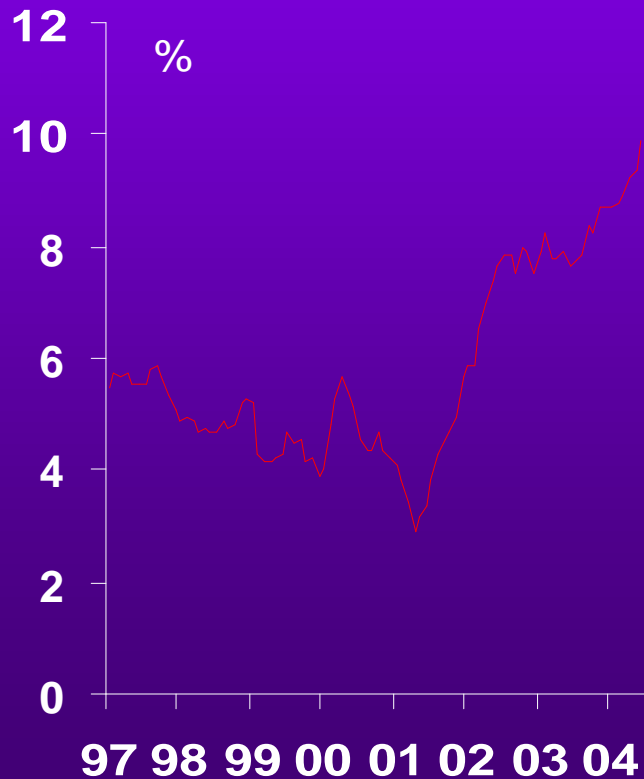
Household Credit Growing Rapidly

(% of personal disposable income)

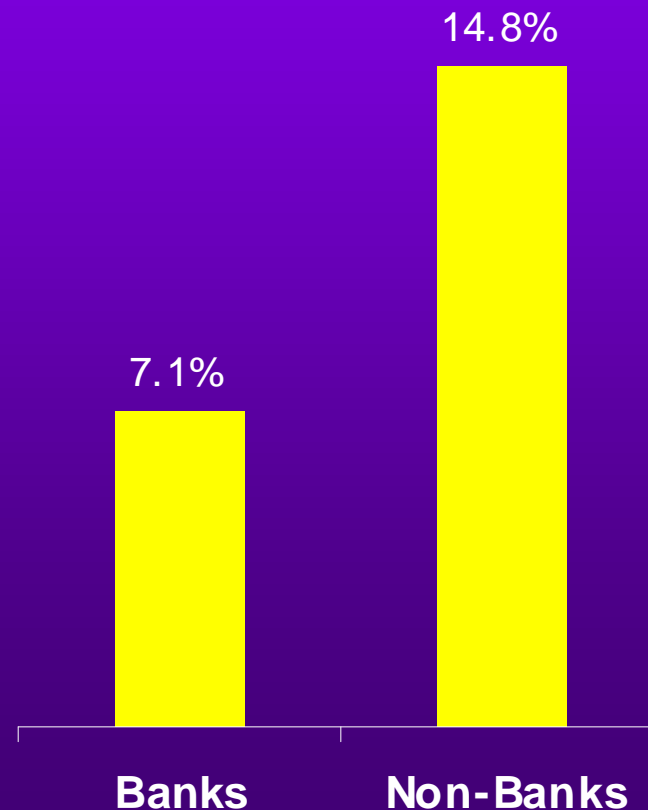


The Mortgage Market

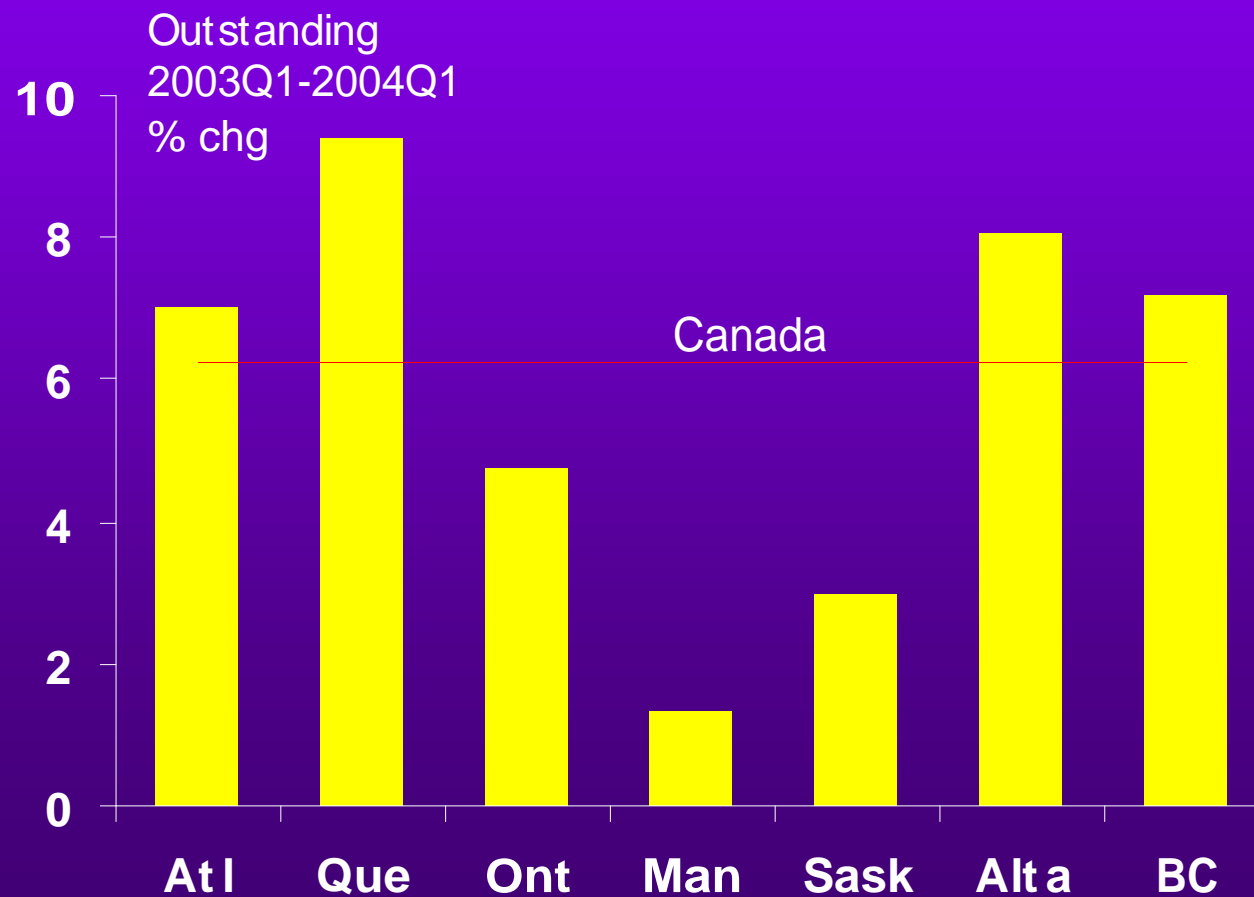
Y/ Y change in Mortgage Outstanding



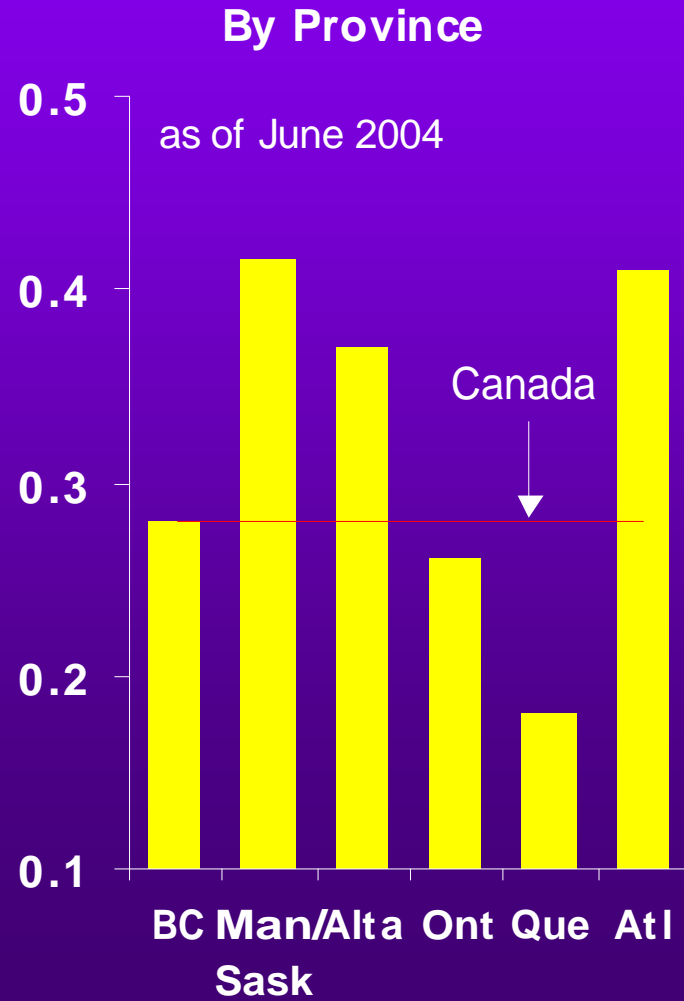
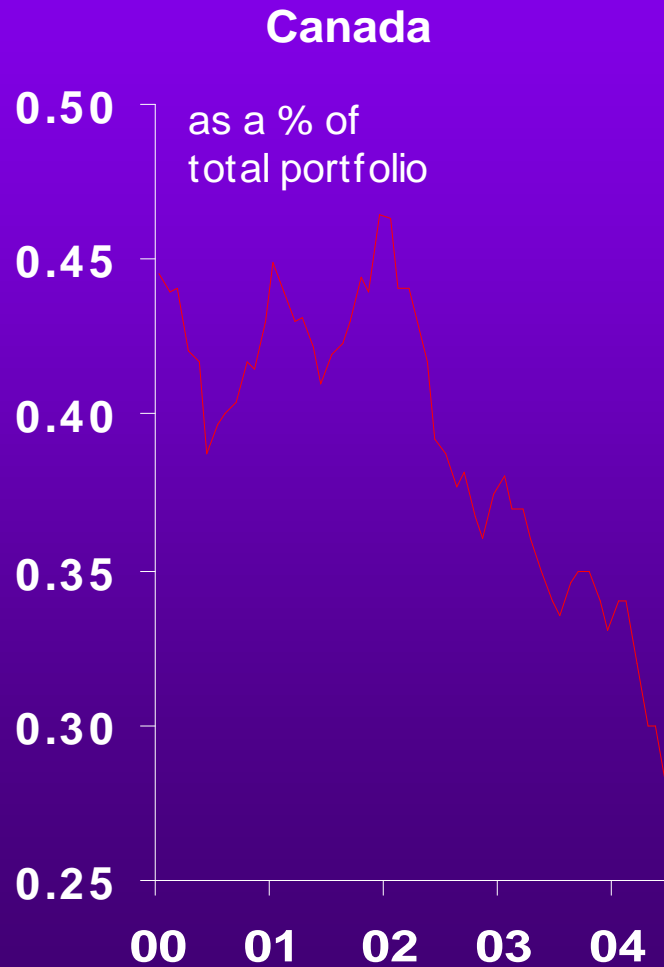
Mortgage Outstanding (Year Ending June 2004)



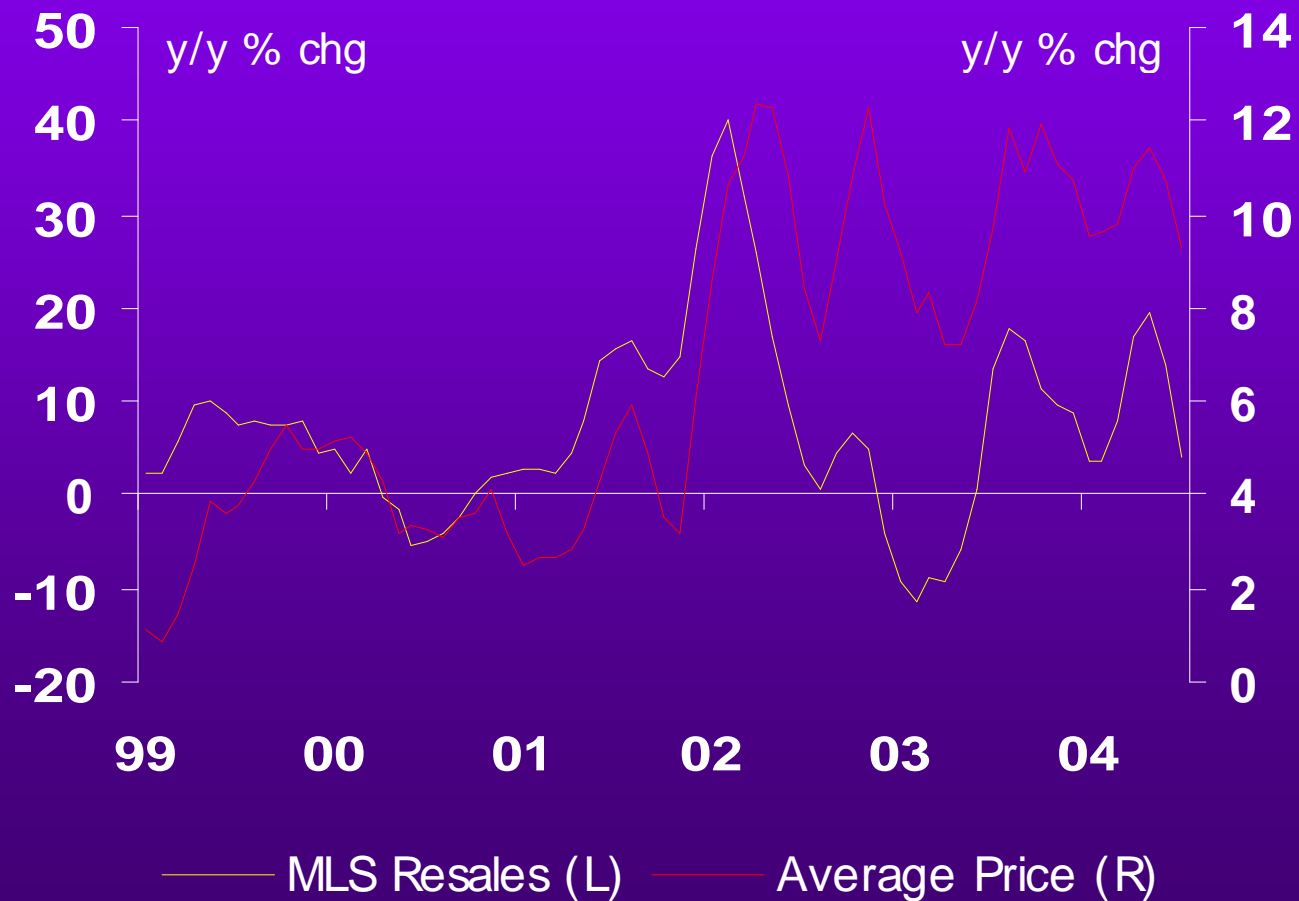
Residential Mortgages



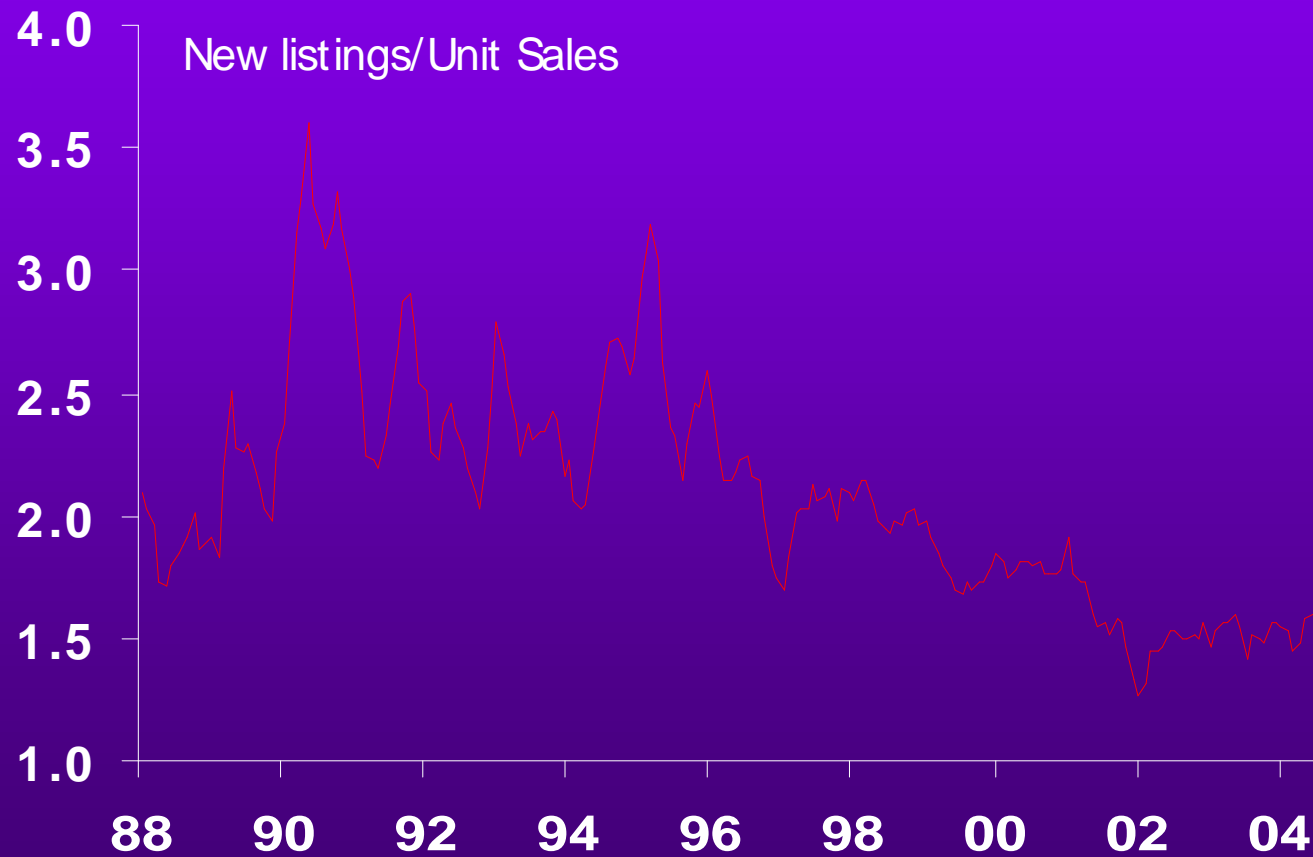
Mortgage Arrears



The Housing Market (3-month Moving Average)



Limited Inventory of Housing



Source: CREA

THE END