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Canadian Banks See Largest Economic Contraction Since 1960s (1)

- GDP to shrink as much as 24% in second quarter: forecasters
- Jobless rate may rise to as high as 10% with broad layoffs

By Shelly Hagan

(Bloomberg) -- Some of Canada's largest banks are revising down their growth forecasts once again as industry shutdowns and layoffs suggest the recession will be deeper than originally expected.

The nation's economy is likely to shrink by somewhere between 10% and 24% in the second quarter on an annualized basis, the latest forecasts show. That would mark the largest quarterly decline since at least the early 1960s, when comparable data began.

That would also be much deeper than the current record of -8.7% during the 2008-09 financial crisis. The labor market will take a beating as well with predictions for the unemployment rate to rise as high as 10%. To put that in perspective, Canada's job market was in fairly healthy condition until a month ago, with the unemployment rate below 6%, close to all-time lows. The half-million jobless claims filed last week, representing 2.5% of the labor force, has only reinforced the concerns.



Here are the latest revisions by Canada's largest banks:

Bank of Montreal

- Predicts 2020 growth at -1%, down a full percentage point from last week's call of zero
- Sees contractions of 2.5% in 1Q and 10% in 2Q, on annualized basis; big rebound in 2H
- Expects Bank of Canada to cut by 50 basis points by mid-April meeting

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Bank of Nova Scotia

- Forecasts 2020 growth at -2.2%
- Also predicts three straight quarters of negative growth
- Sees 1Q at -1.3%, 2Q at -10.7%, 3Q at -3.4%, all annualized

Canadian Imperial Bank of Commerce

- Expects 2020 GDP at -2.6%
- Sees contractions in 1Q of 1.7% and 2Q of 18.4%; also sees unemployment rate peaking at 9.3% in 3Q
- Predicts Bank of Canada to cut by 50 basis points, bringing target in line with the U.S. Fed

Toronto-Dominion Bank

- Predicts 2020 GDP growth at -3.3%
- Forecasts 1Q contraction of 1.2% and 2Q of 24% before 2H rebound
- Sees unemployment rate peaking at 9.8% in 2Q

(A previous version of this story corrected the record contraction figure in the third paragraph.)

(Updates with chart in fourth paragraph.)

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