

THE WAR IN UKRAINE – ECONOMIC IMPACT ON CANADA

[Soft music plays]

[Avery Shenfeld, Chief Economist, CIBC World Markets]

Certainly, all of us are focused on the tragedy for the people of Ukraine and what it means for their future.

[The Ukrainian flag flies over Kiev.]

But at the same time, as investors, we have to think about what this means for our investments and what it means for the Canadian economy.

[Time-lapse of the Parliament of Canada building.]

Higher commodity prices are likely to persist even after this war is over because we do think that we will enter a Cold War relationship between Russia and the democratic world.

[Aerial view of the Kremlin. Aerial view of the Parliament of Canada. Time-lapse shot of the White House.]

There's not going to be a likely kiss and make up moment as long as Putin is in power.

[Low angle shot of the Canadian flag in downtown Toronto.]

And so, the issue is to what extent can Canadian companies actually fill in the gap for goods that Russia and to some of its and some of its allies sell to the rest of the world.

[Economic opportunities for Canada]

Canada and Russia don't trade a lot with each other, but Canada's exports do significantly overlap some of what Russia sells to the world.

[An oil refinery in Russia. An aerial view of a shipping tanker. Images of wheat.]

In grains, the world is desperate for greater supply. But Canada's ability to grow more will depend in part on the weather. We had some drought conditions out west that look to persist. There are some commodities. But we do have some opportunities in the near term to expand output.

[A close-up of green uranium. Aerial views of potash mines.]

Those would include things like uranium, for example, as well as potash. Russia and its allies' important sources of both of those products and some opportunities, I think, for Canada to sell to countries around the world that may be uncomfortable for the foreseeable future in relying on Russia as a source of supply.

[Aerial views of mines in Ontario.]

Ontario is looking at supporting more mining opportunity in the province and Canada does have some longer-term opportunities in the mineral sector, again to replace some critical minerals that Russia has been a supplier for, and the world is uncomfortable about.

[Oil and natural gas]

Of course, the headlines have all been about oil and natural gas.

[A row of oil derricks working away. A gas pipeline. A train rushes towards the camera.]

In the case of natural gas, unfortunately, we don't have the capacity to export LNG to the rest of the world. The major project on the West Coast is still under construction and in the very long term, this might give an incentive for that project to actually be upscaled. Again, this is something that we won't see in terms of the economic benefits for a few years, but it's a possibility.

[A low angle shot of an oil refinery.]

And even in the case of oil, again, a longer-term story. But the balancing act that Canada has to play between environmental concerns and also supplying energy from a politically safer country than many parts of the world that sell oil to the rest of the world currently are, that's certainly something that could come under consideration.

[The White House in the evening.]

In the U.S. there is certainly again, some political discussion about easing some of the restraints on the U.S. oil sector to try to get more oil out of the American ground to replace some of what Russia sells to the rest of the world.

[Conclusions]

So, certainly some opportunities, some near term perhaps, and things like potash, some quite longer term in the case of LNG for natural gas. But out of the foremost in our mind still of course is the tragedy that is going on.

The negative impacts of that on global business sentiment, certainly on Canada's trading partners in Europe can't be overlooked, even if there are potentially some silver lining behind these very dark clouds that we're seeing now.