



Press Release

For immediate release

CIBC Expects Federal Budget Cuts to Impede Economic Growth

Ottawa, August 30, 2012 – In a report published on August 28, the Canadian Imperial Bank of Commerce (CIBC) indicated that the budget cuts announced by four provinces and by the federal government in its recent budget will have a greater-than-anticipated impact on GDP growth.

In the report, the CIBC's Chief Economist stated: "We estimate that real government spending will decline by 0.9% in 2013/14, only slightly less than the projected dip in the current fiscal year. On a calendar year basis, that points to a roughly 0.2 percentage-point drag on real GDP growth." The report also notes that, had real government spending been advancing by 3% – its average 1997-2007 trend – year-on-year GDP growth in the 12-month period ending with the first quarter of 2012 would have also measured 3% rather than the current 1.8%.

In February 2012, the Canadian Association of Professional Employees (CAPE) predicted that the then anticipated federal budget cuts would have a negative impact on Canadian economic growth. However, CAPE's analysis findings were rejected at the time by federal Finance Minister Jim Flaherty, who gave his assurance that the budget cuts would not slow down economic growth.

According to CAPE President Claude Poirier, *"It is clear that the Canadian government is now getting a taste of reality. How could anyone believe that a \$5.3-billion reduction in government spending would stimulate the economy or that job growth could be achieved by cutting 19,200 federal public service jobs? The portrait painted by CIBC of an economy slowed by belt-tightening measures and by their negative impact on employment is closer to reality than the Finance Minister's rose-coloured statements. The Canadian government needs to make a change in strategy in order to support growth, not hamper it."*

CAPE used the information contained in the federal government's March 2012 budget to analyse the impact of the budget's cost-cutting measures on employment and economic growth. With an economic model developed by Statistics Canada, CAPE determined that, in addition to 19,200 job losses in the federal public service, the spending cuts will lead to the disappearance of no fewer than 40,000 jobs in the private sector.

CAPE represents approximately 13,000 economists and social science services employees who advise the government on public policy and provide legal services to the government, 1,000 translators, interpreters and terminologists who provide the bilingual face of the government, and 85 analysts and research assistants at the Library of Parliament.

-30-

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CIBC press release:
<http://micro.newswire.ca/release.cgi?rkey=2008289961&view=14730-0&Start=&htm=0>

CIBC's *Canadian Employment Insights*
Report: http://research.cibcwm.com/economic_public/download/eiaug12.pdf