

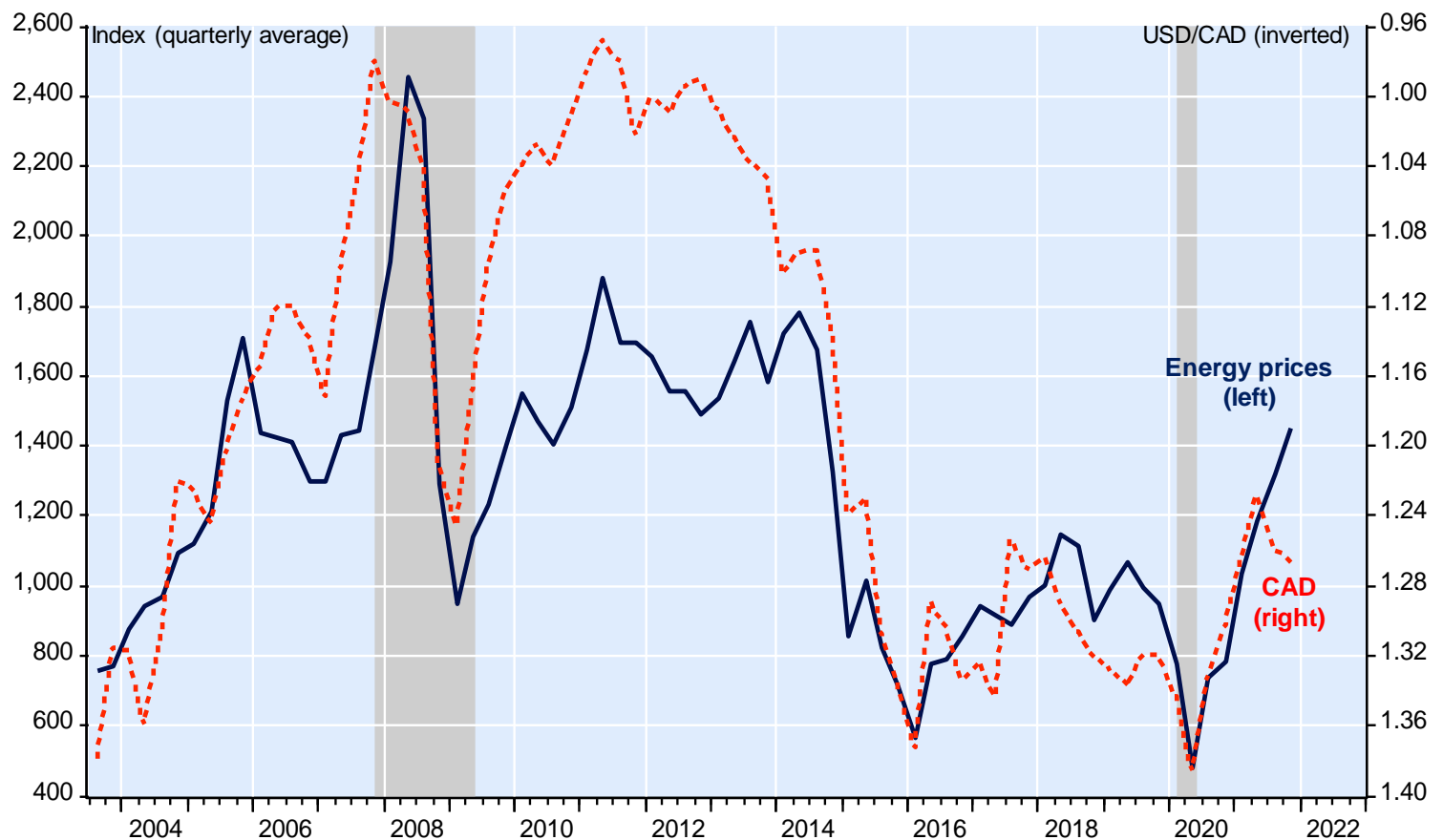
## Canada Watch

By Stéfane Marion

The price of electricity continues to soar in many parts of the world, amid high demand and supply shortages exacerbated by adverse weather conditions, droughts hitting hydroelectric generations, and soaring prices for carbon permits. The world's two most populous countries, China and India, are already facing power supply shortages that are beginning to curtail manufacturing activity. In response, Beijing has ordered its energy companies to secure fossil fuel supplies at all costs to avoid winter power shortages. India, whose coal stocks are dwindling, will probably be forced to do the same. In Europe, the situation is also difficult. Against this backdrop, Canadian fossil fuel producers are seeing much higher prices than expected. As shown in today's Hot Chart, the Bank of Canada's index for the price of energy commodities produced in Canada (oil, natural gas, coal) reached a multi-year high early in the fourth quarter. Despite this surge, the Canadian dollar has weakened in recent months. It is unprecedented to see the CAD so weak given current prices. Something has to happen: either energy prices fall or the loonie strengthens. Given that we don't see much downside to energy prices in the coming months, we think the CAD should improve.

### Canada: Loonie plummets despite surging energy prices

Price index for energy commodities produced in Canada vs. USD/CAD



NBF Economics and Strategy (Bank of Canada data via Refinitiv)

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