

## Canada's economy navigating an uncertain global backdrop

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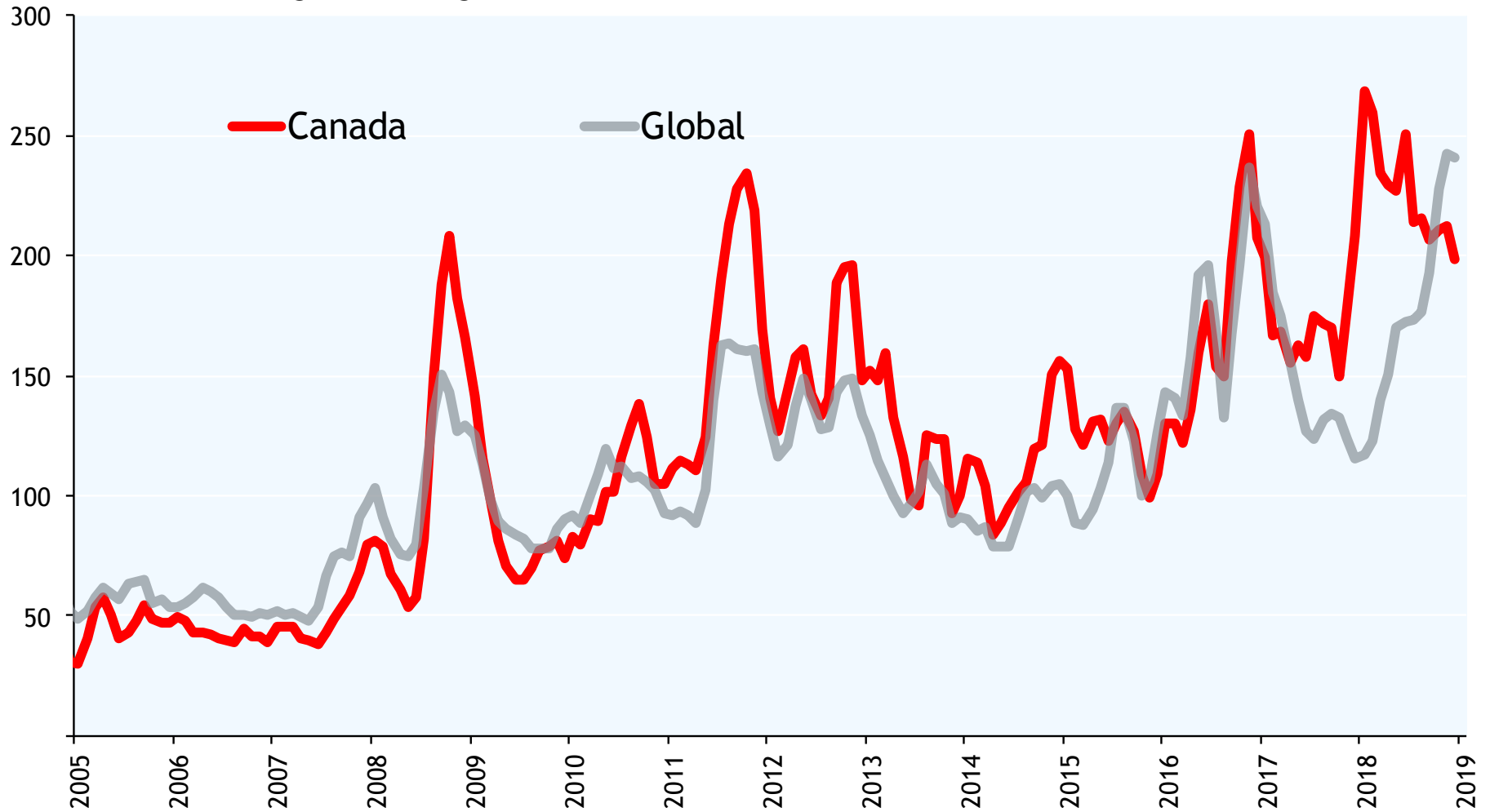
*March 2019*



# Global economy faces high level of uncertainty

## Policy Uncertainty Elevated

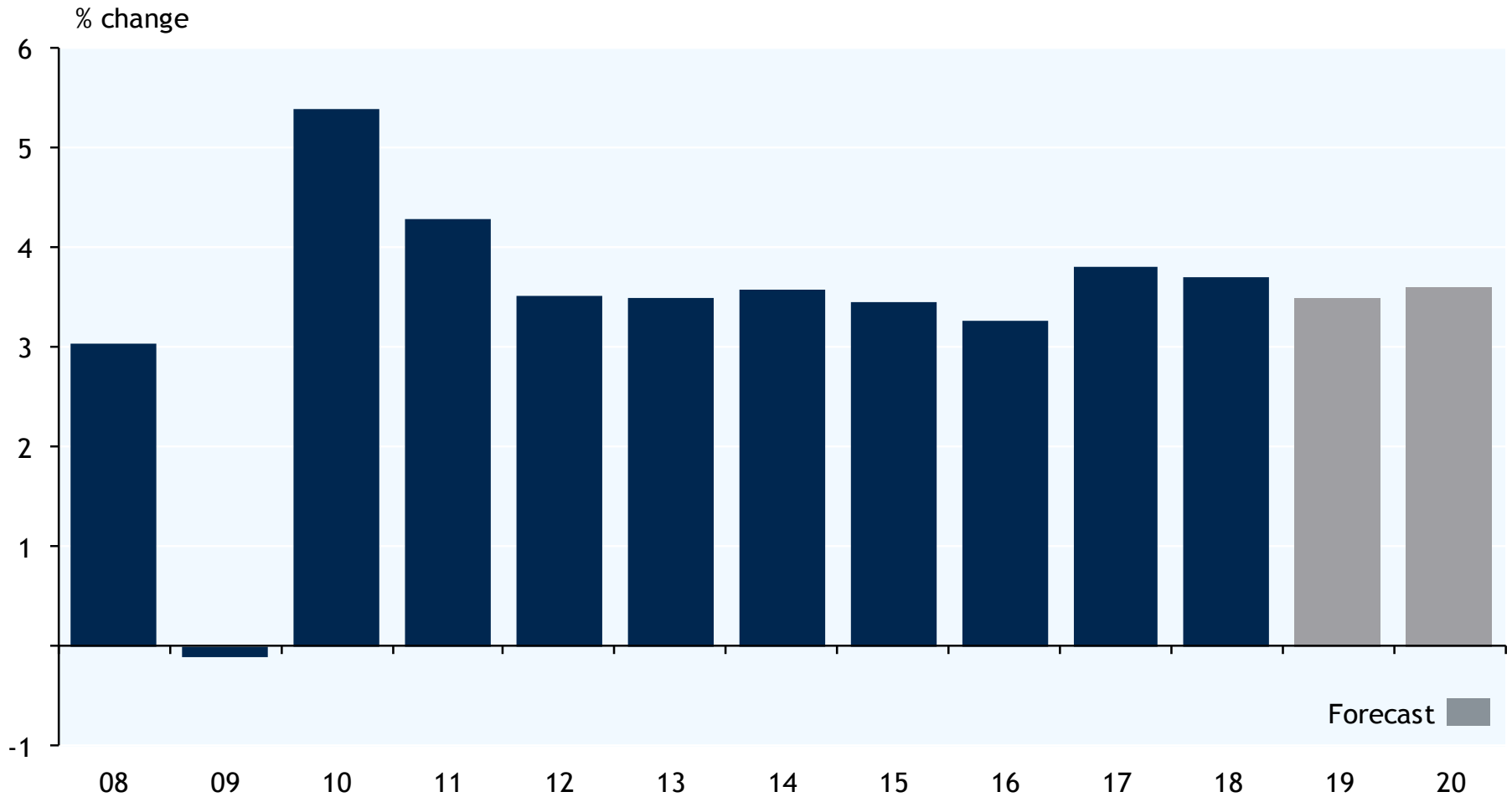
Indexed to long-run average = 100



Source: Policyuncertainty.com, RBC Economics Research

# The pace of global growth is easing

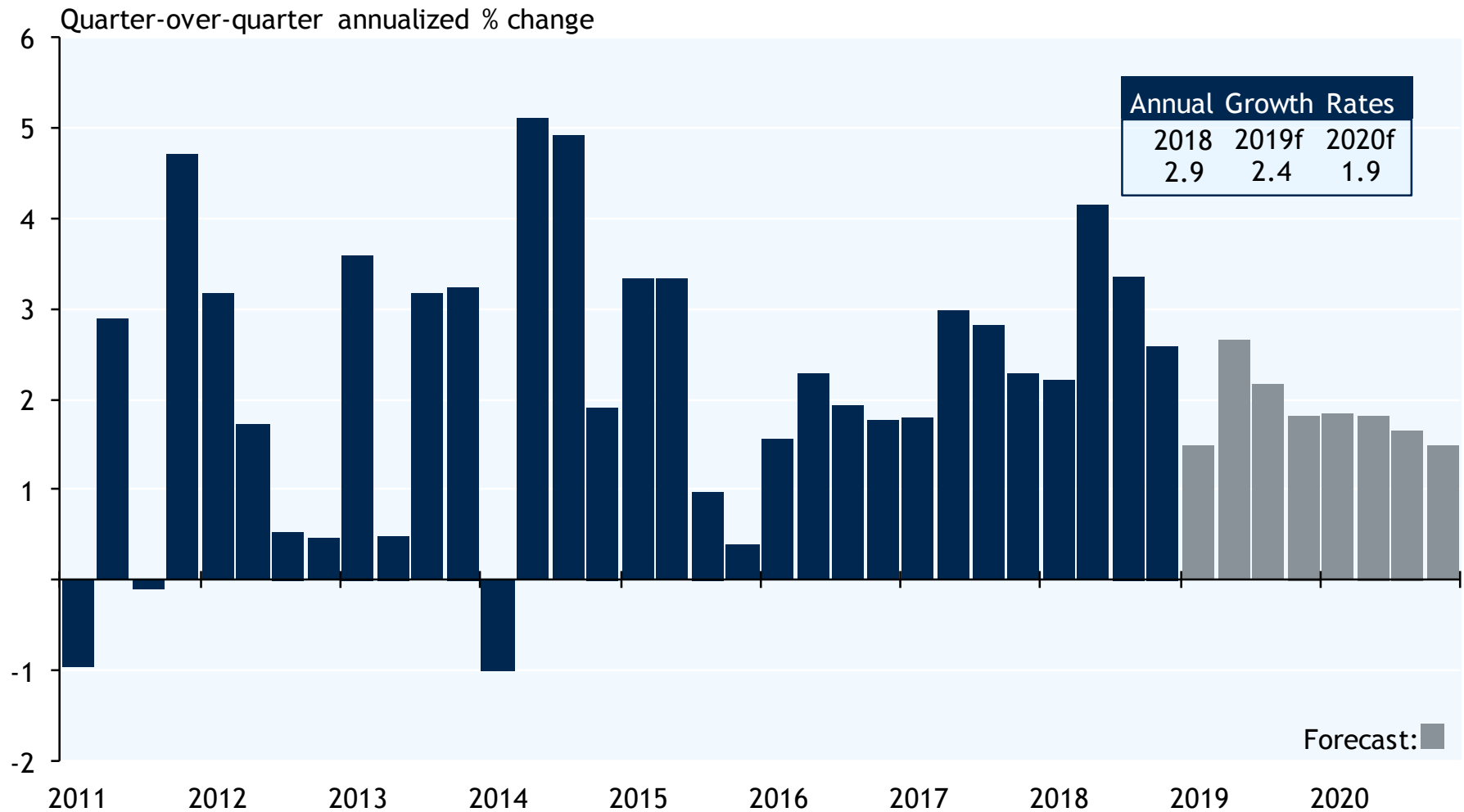
## World GDP growth



Source: International Monetary Fund, RBC Economic Research

# US economy headed for another year of solid growth

## U.S. real GDP growth

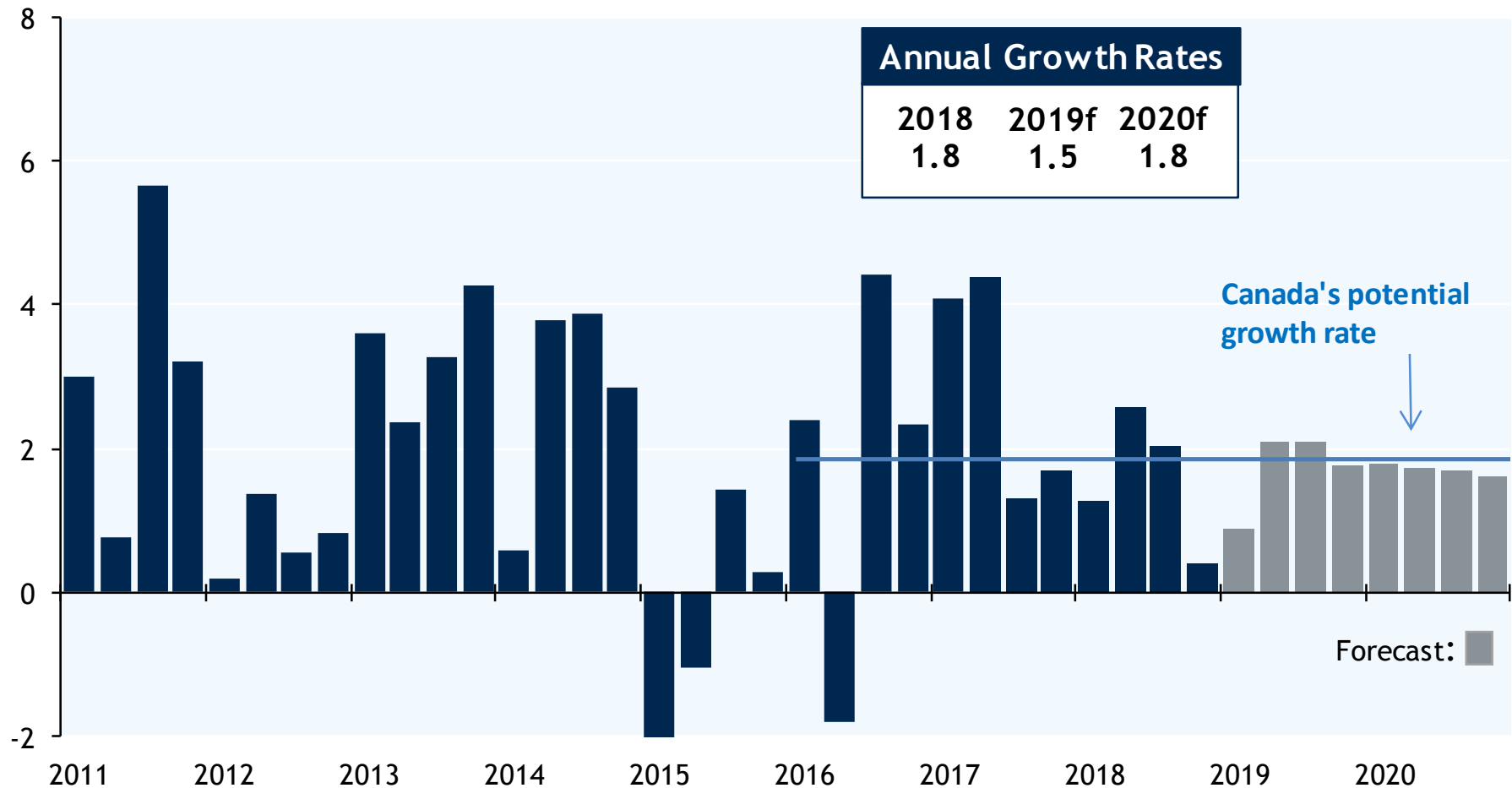


Source: Bureau of Economic Analysis, RBC Economics Research

# Canada's economy facing challenges: lower oil prices and higher rates

## Canada's real GDP

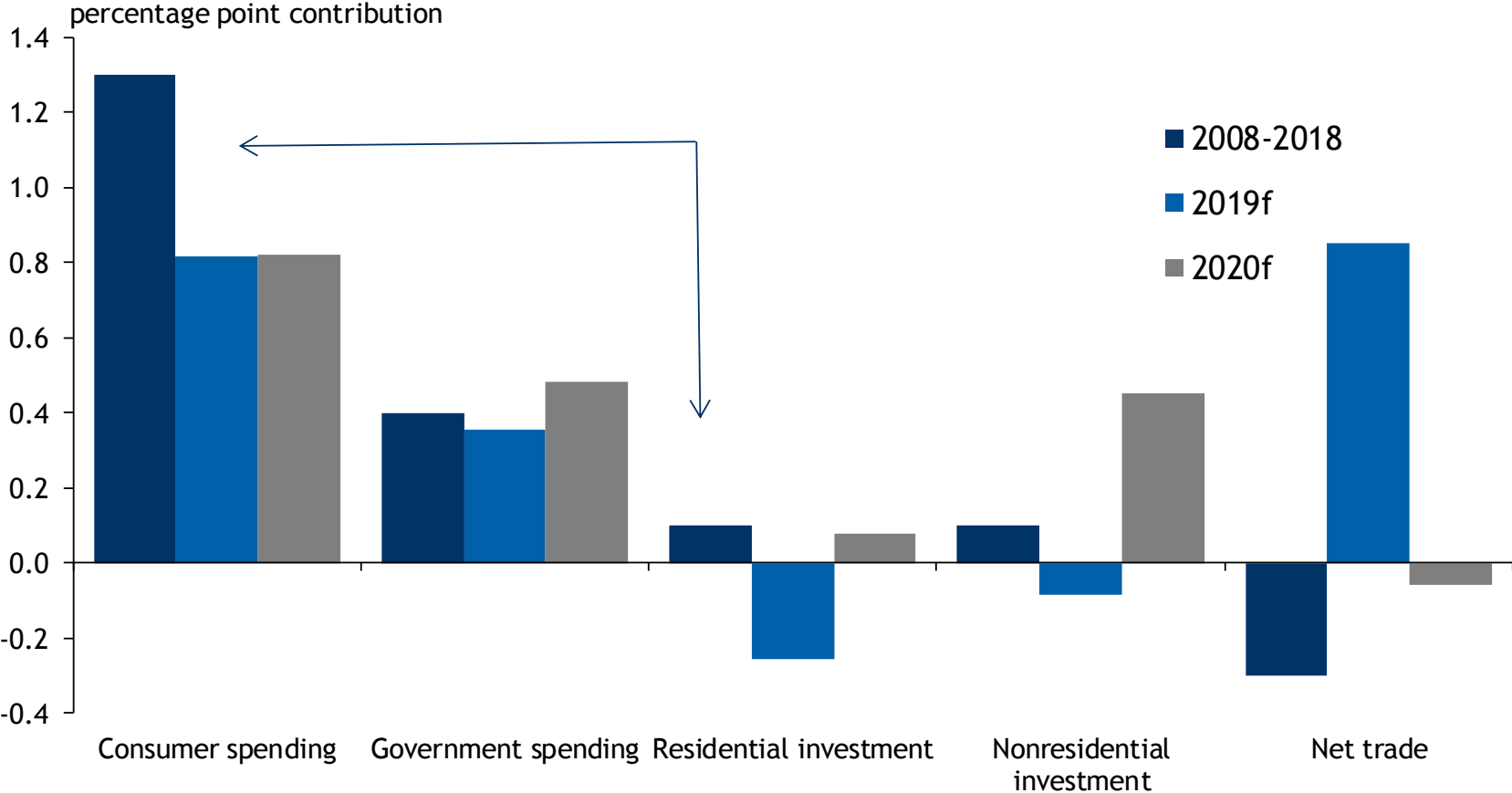
Quarter-over-quarter % change, annualized rate



Source: Statistics Canada, RBC Economic Research Forecasts

# Drivers of economy shifting – less reliance on consumer

## Contributions to Canadian GDP growth

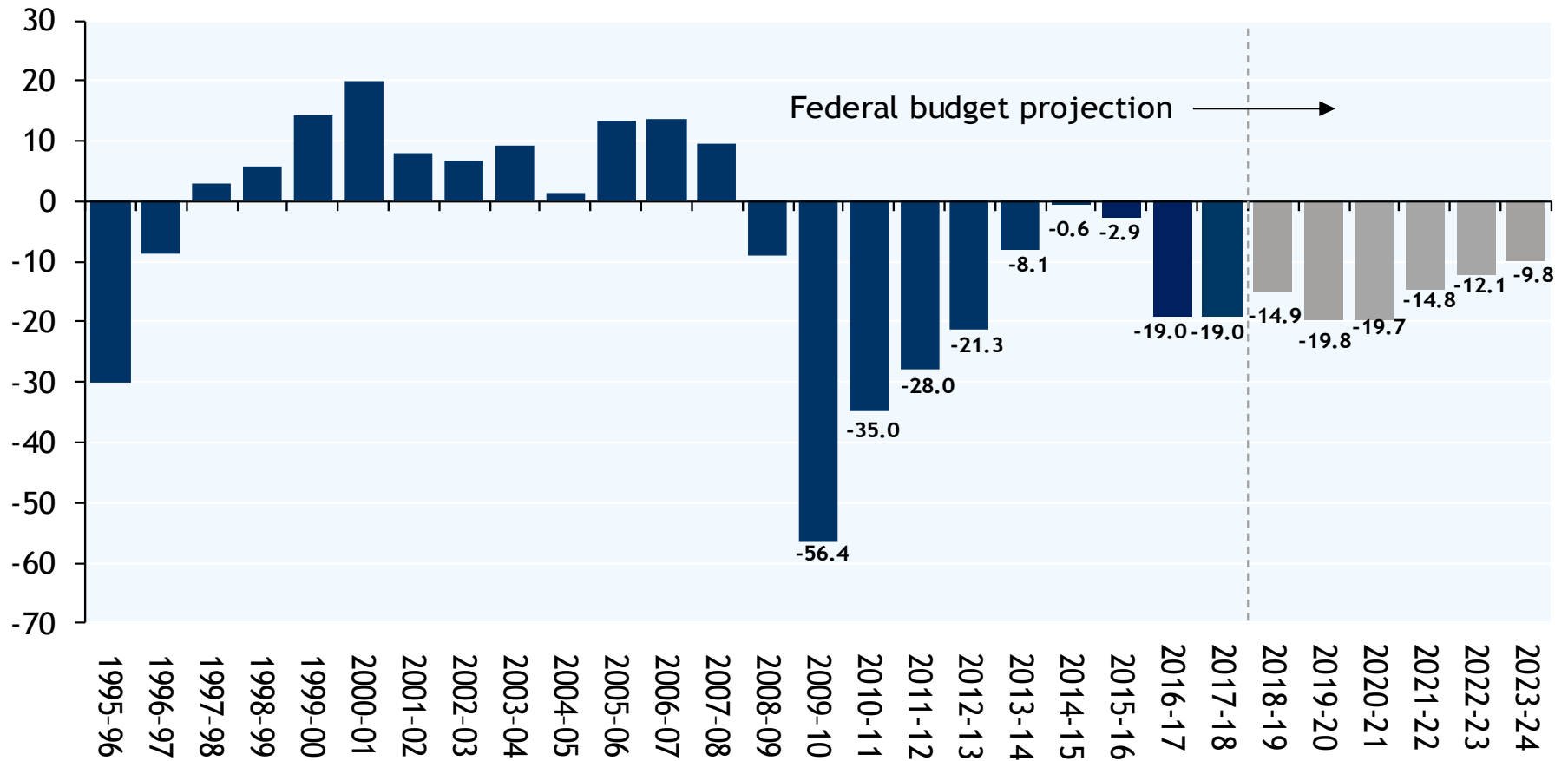


Source: Statistics Canada, RBC Economics Research

# Federal government stimulus to continue in 2019

## Federal government budgetary balance

Billions of dollars

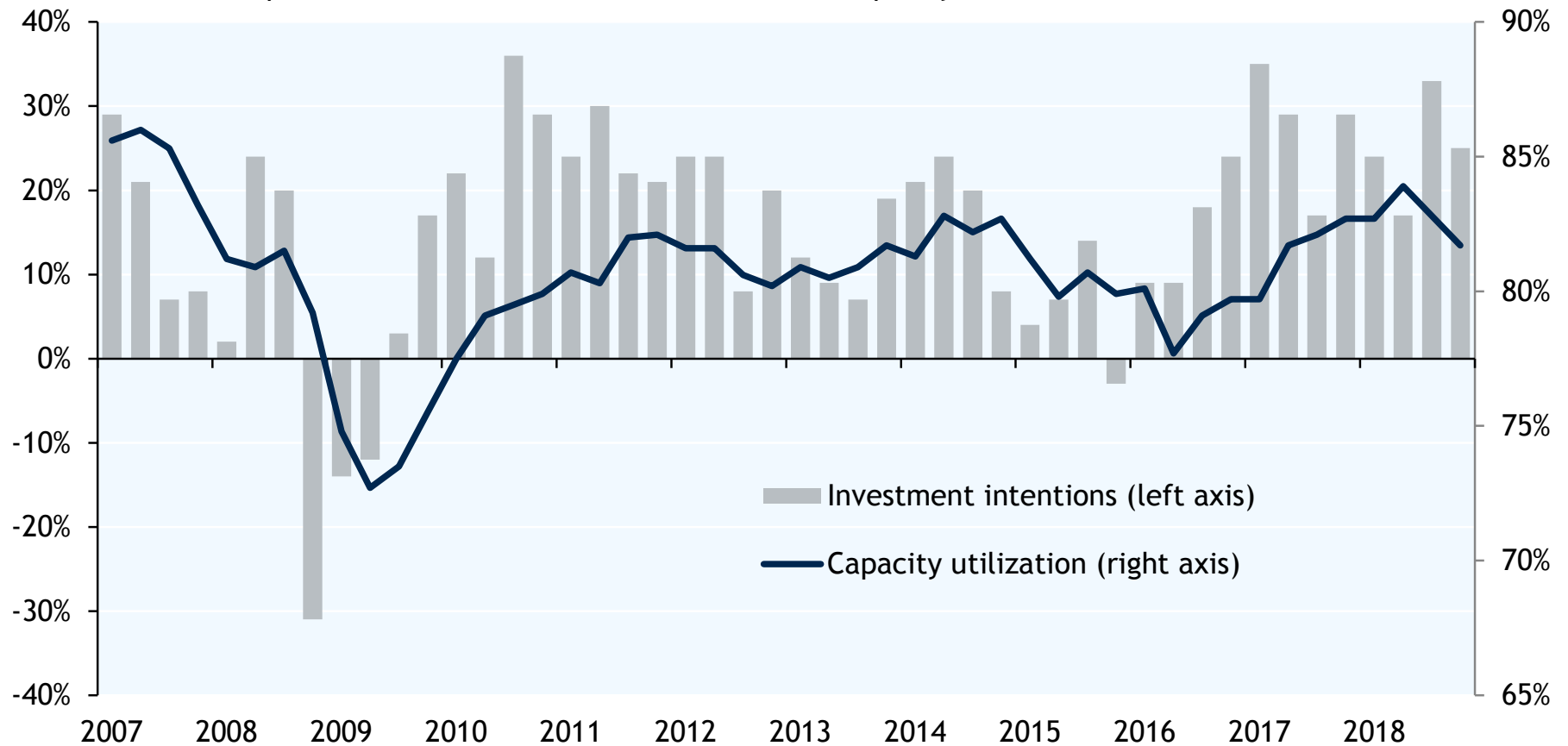


Source: Department of Finance, RBC Economics Research Forecasts

# Companies are hitting capacity limits and plan to invest

## Capacity utilization and investment intentions

balance of opinion on investment intentions; industrial capacity utilization

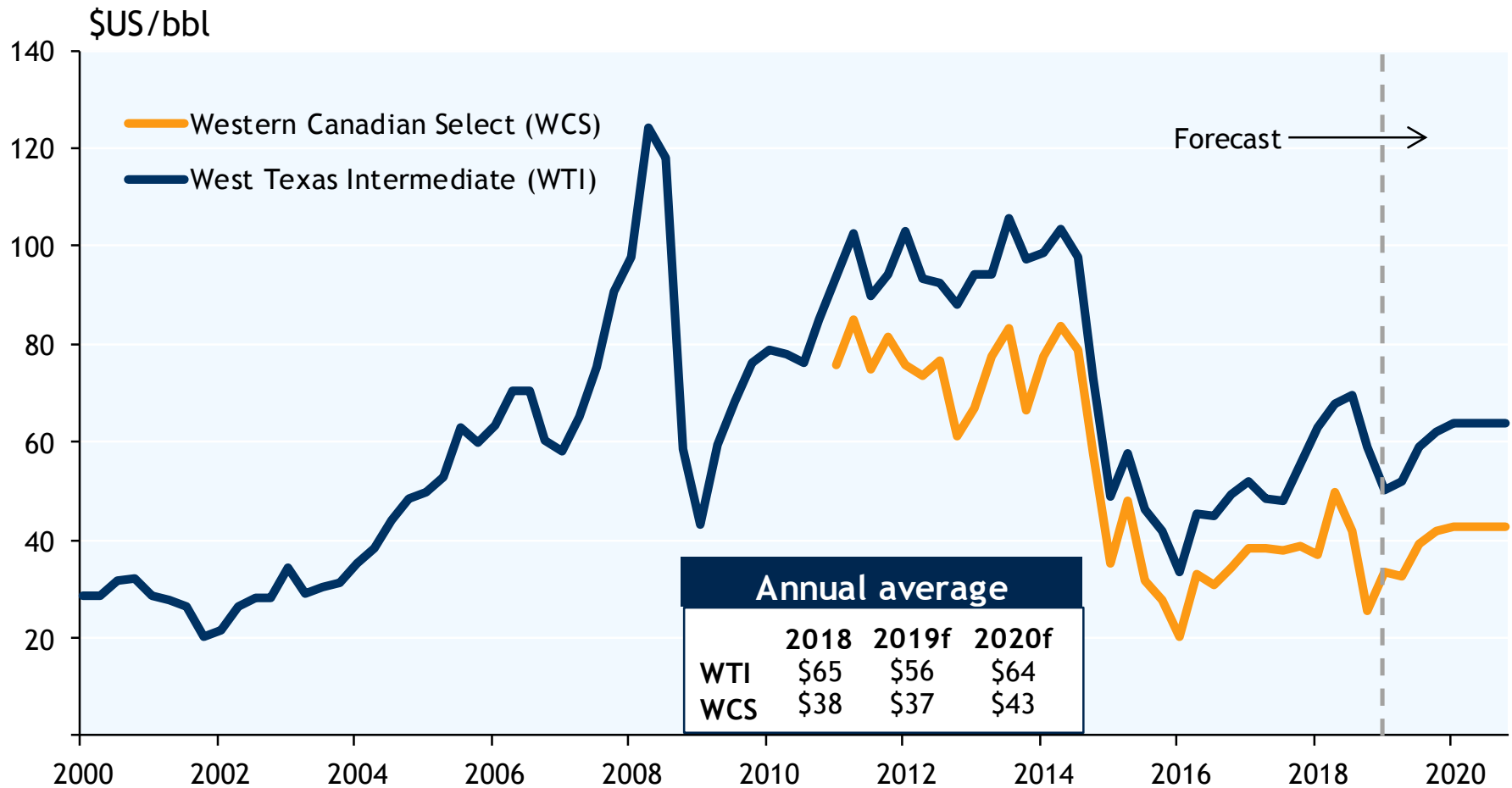


Source: Bank of Canada, Statistics Canada, RBC Economics Research



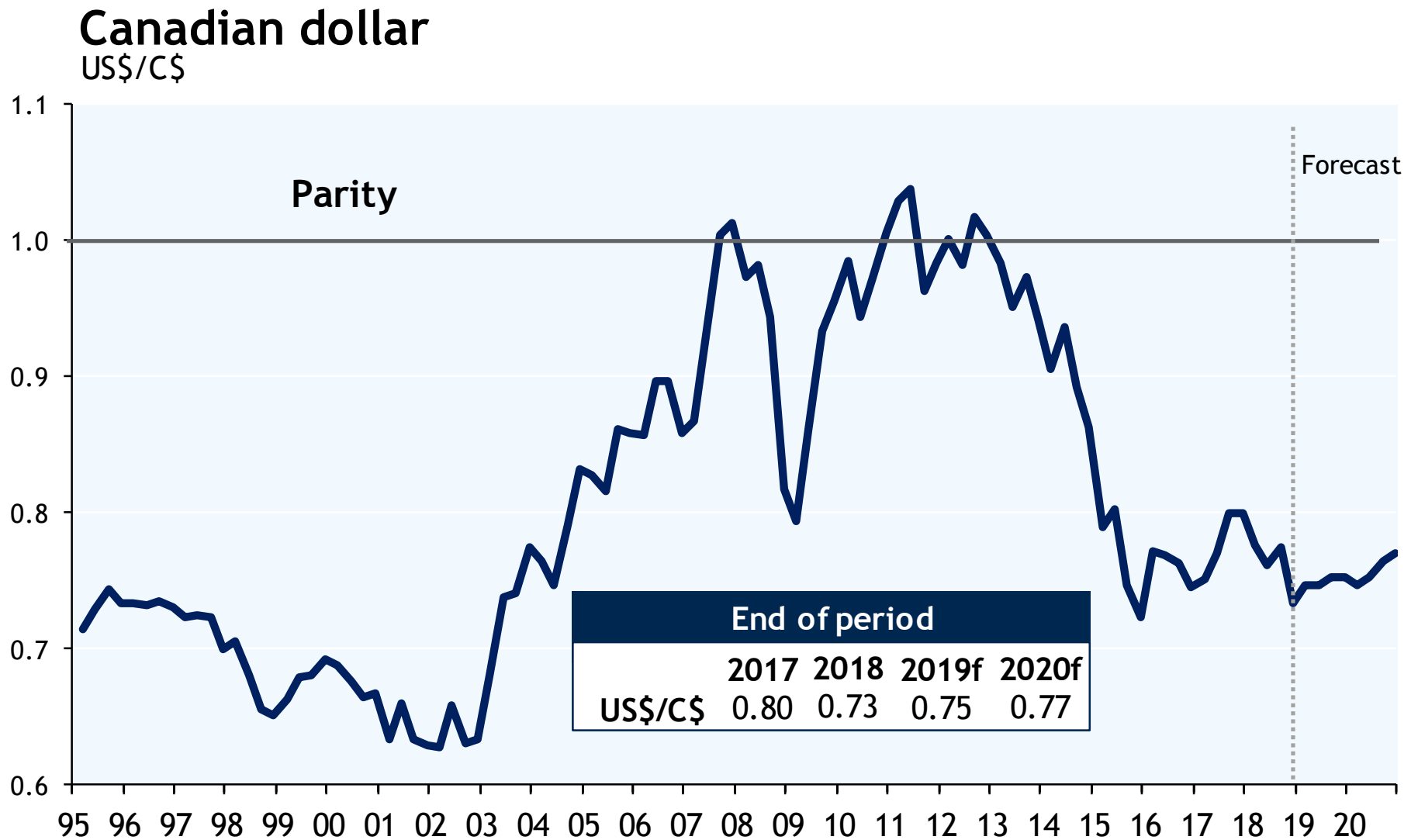
# Although the oil and gas sector will be sidelined by lower prices

## Oil prices: WTI and WCS



Source: Bloomberg, Wall Street Journal, RBC Equity Research

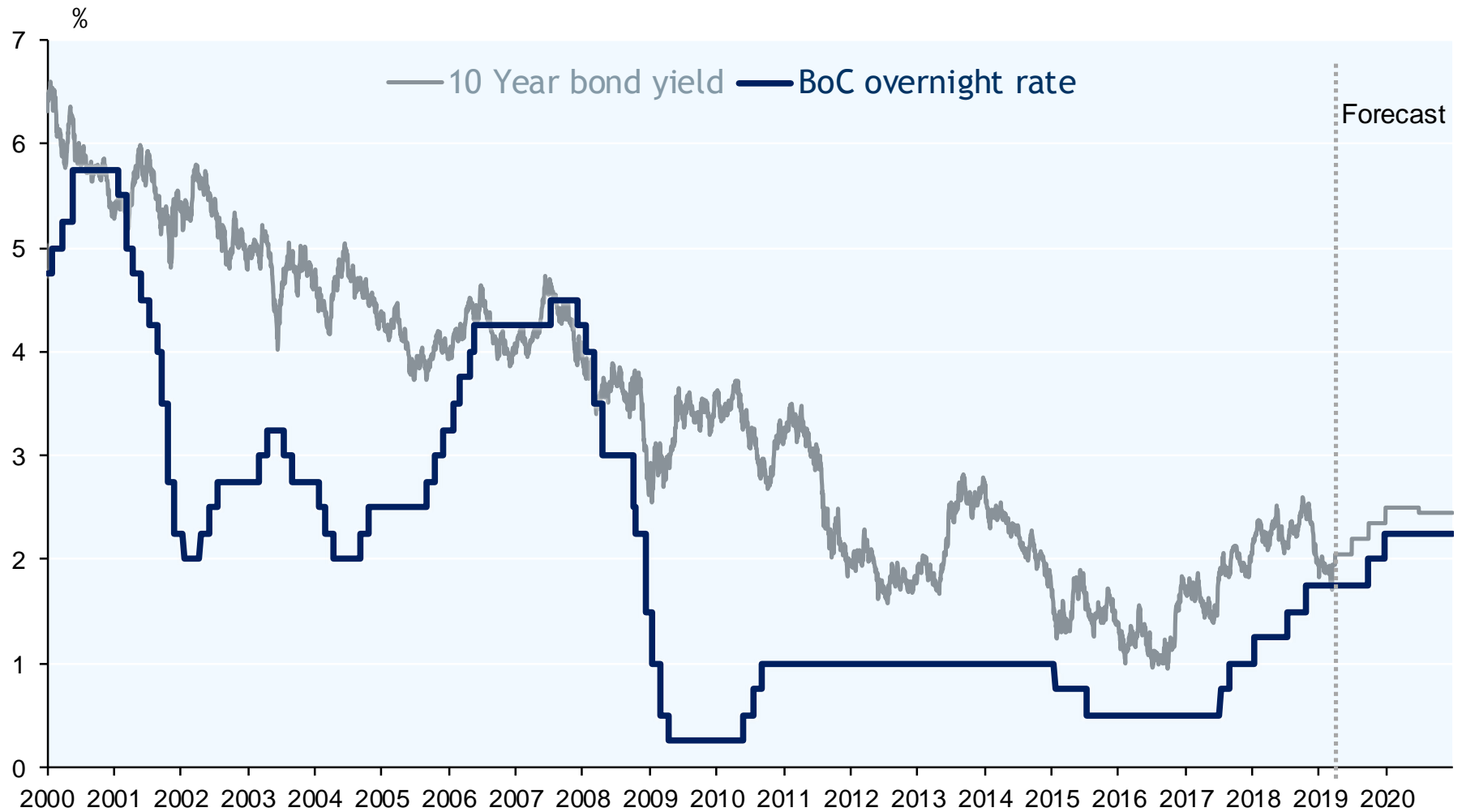
# Range-bound C\$ for now; conditions to improve in 2020



Source: Bank of Canada, RBC Economic Research

# Bank of Canada: waiting for economy to emerge from soft patch

## Interest rates: Canada

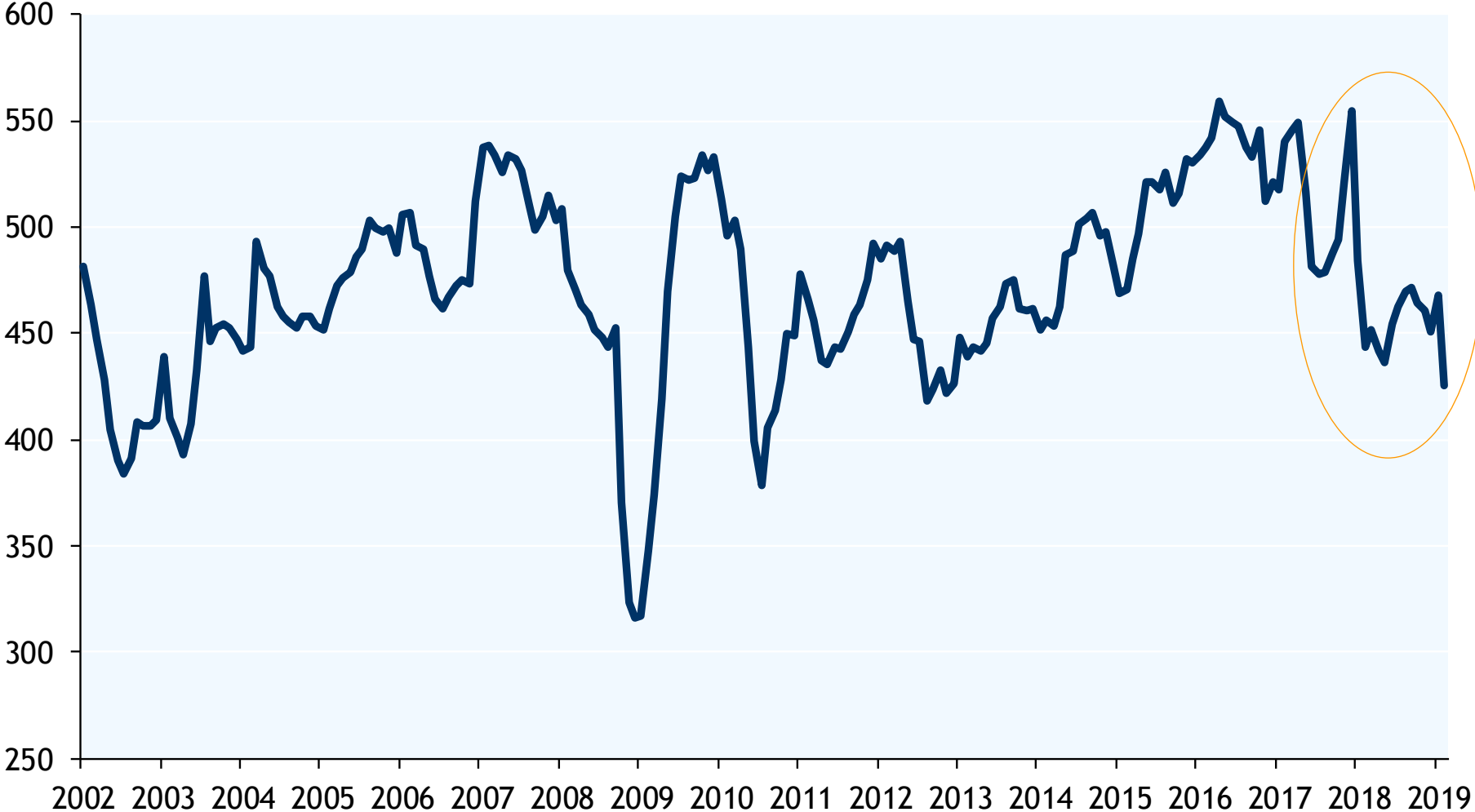


Source: Bank of Canada, RBC Economic Research

# Canadian housing sagged due to higher rates and regulatory changes

## Existing home sales in Canada

Thousands, SAAR

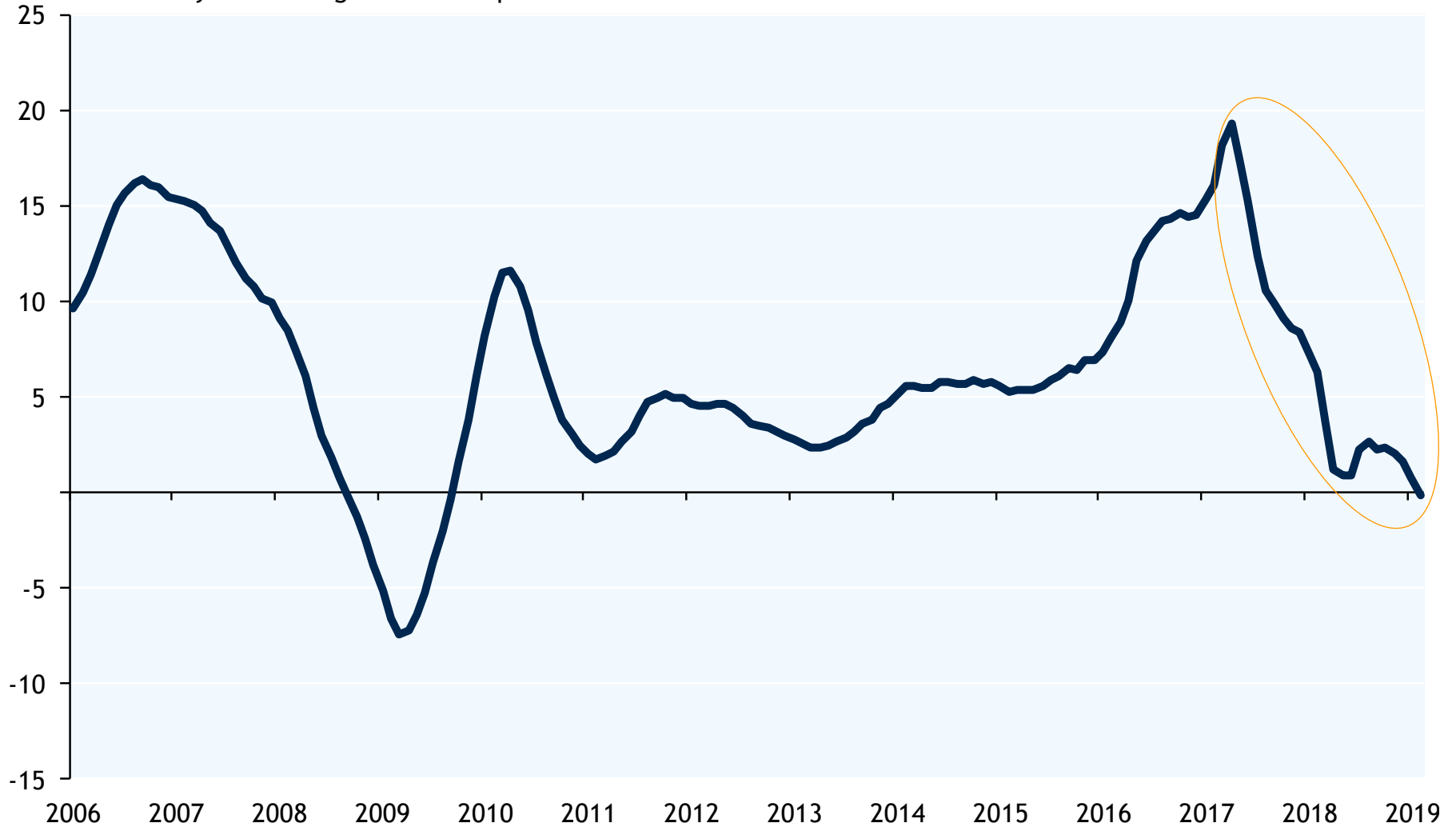


Source: CREA, RBC Economics Research

# Price gains moderated...

## MLS Home Price Index - Canada

Year-over-year % change in the composite index

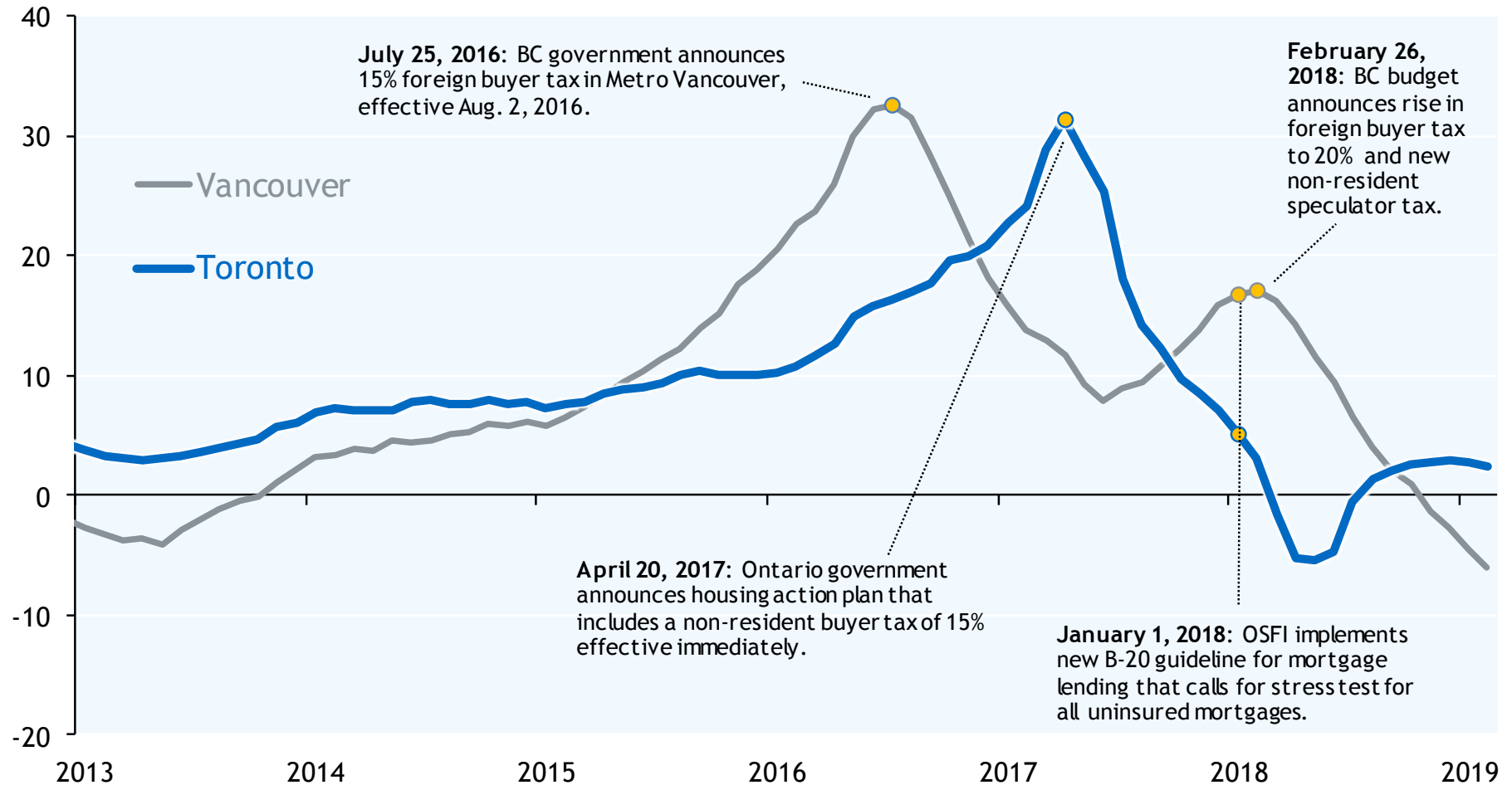


Source: CREA, RBC Economics Research

## ...especially in high-priced markets

### MLS Home Price Index

Year-over-year % change

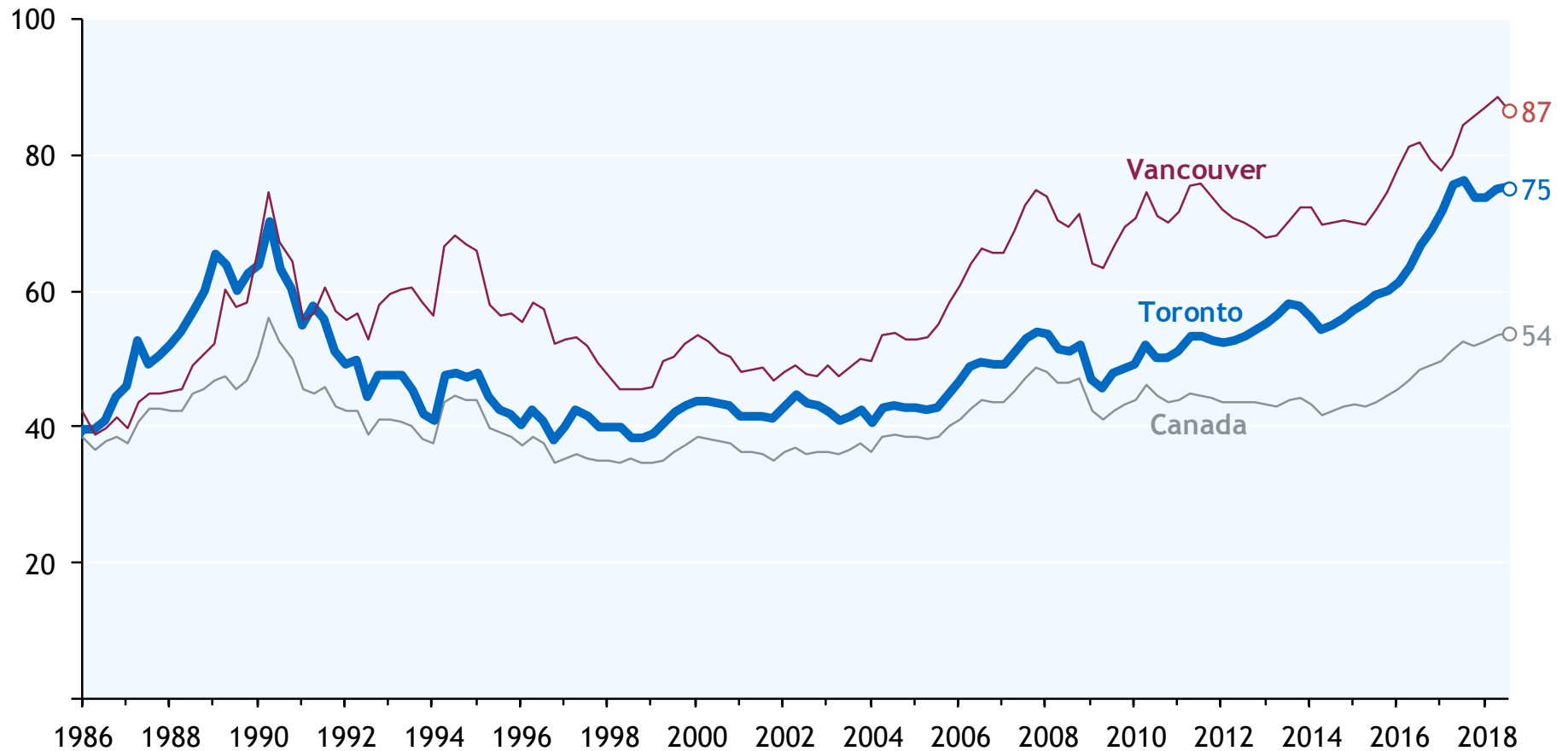


Source: CREA, TREB, REBGV, RBC Economic Research

# Affordability pressures will remain intense

## RBC Housing Affordability Measures - aggregate

Ownership costs as % of household income

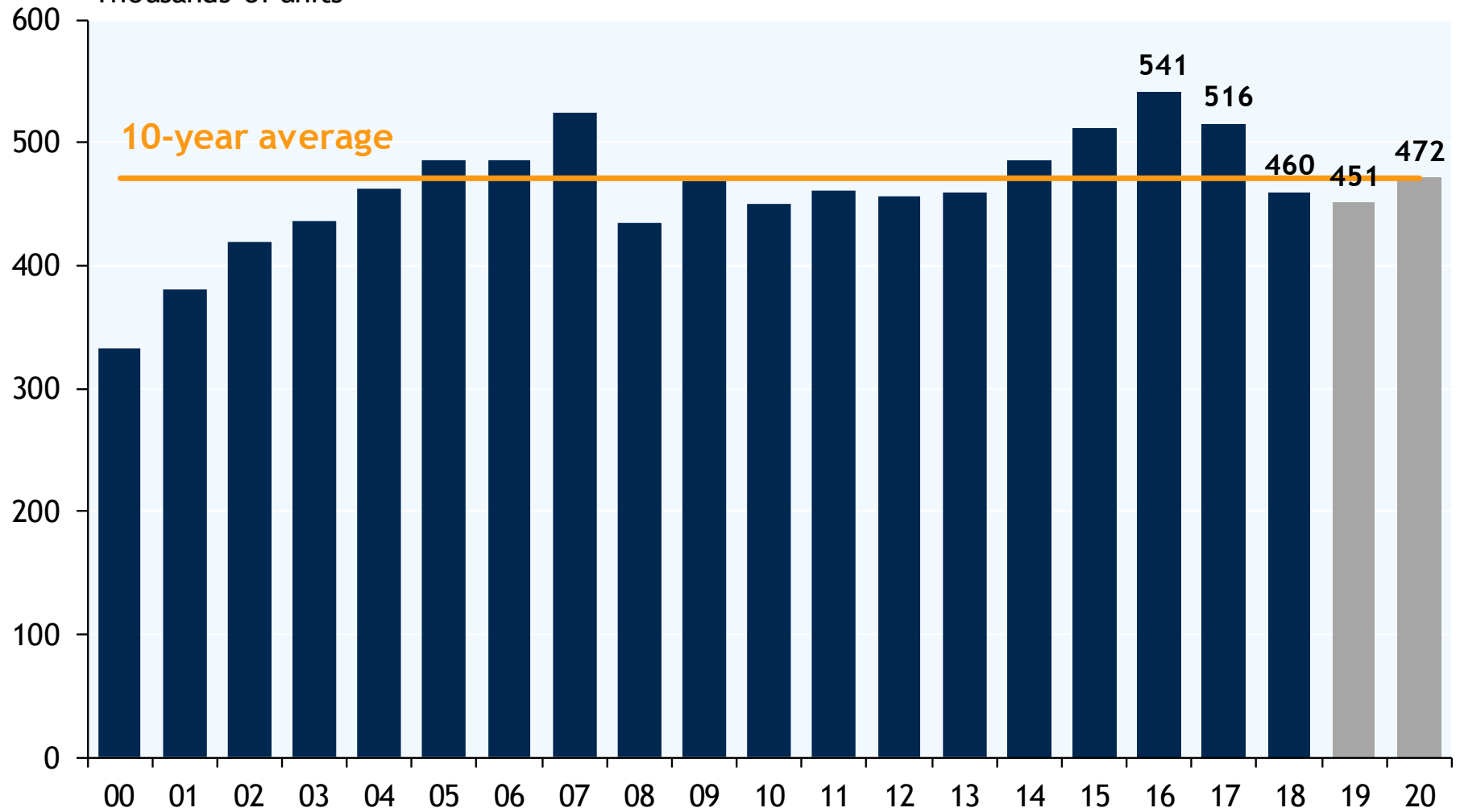


Source: RPS, Royal LePage, Statistics Canada, Bank of Canada, RBC Economic Research

# Housing outlook: we expect a soft landing in Canada, not a collapse...

## Home resales: Canada

Thousands of units



Source: Canadian Real Estate Association, RBC Economics Research

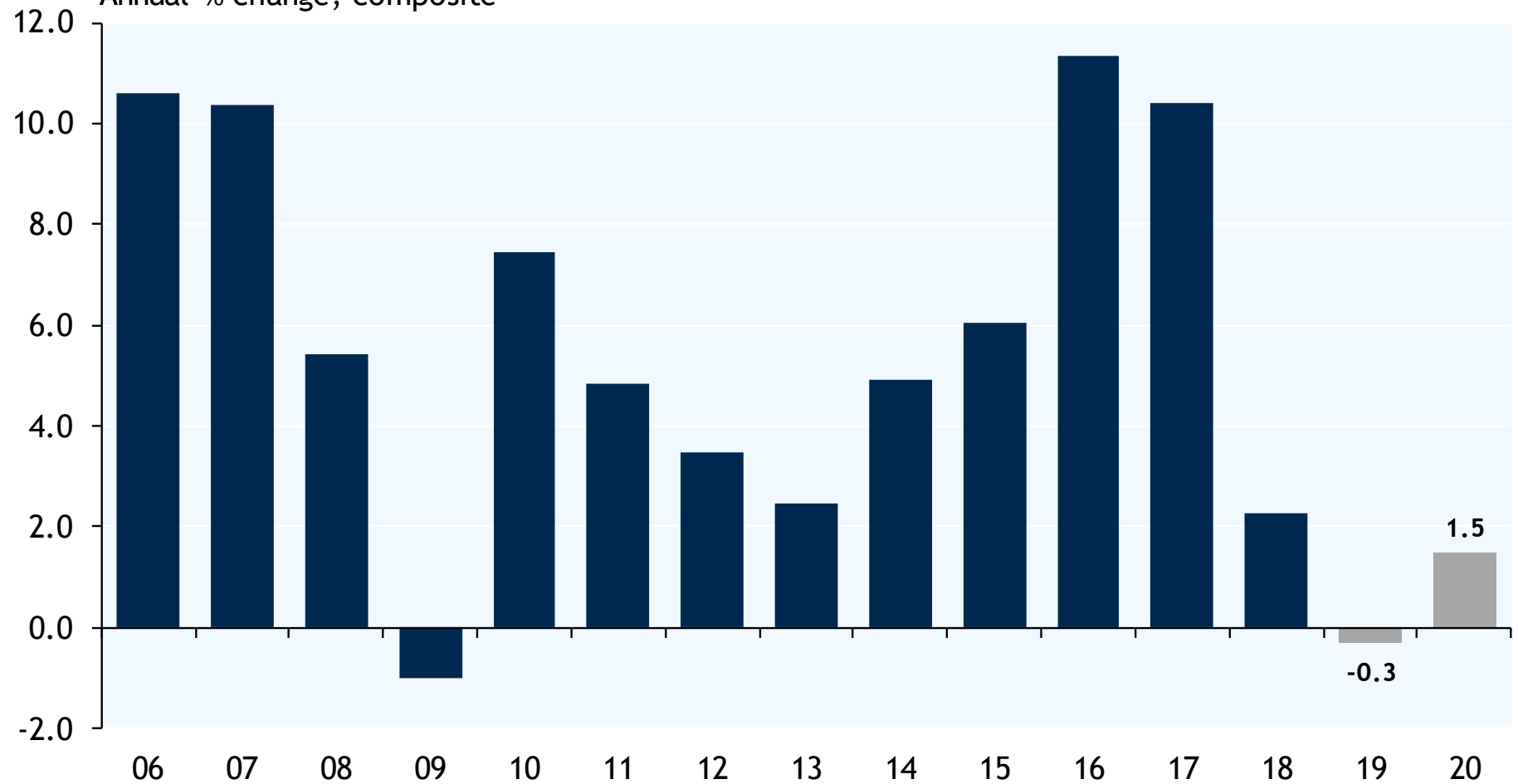
Forecast: ■



## ...accompanied by stable prices

### Home prices in Canada

Annual % change, composite



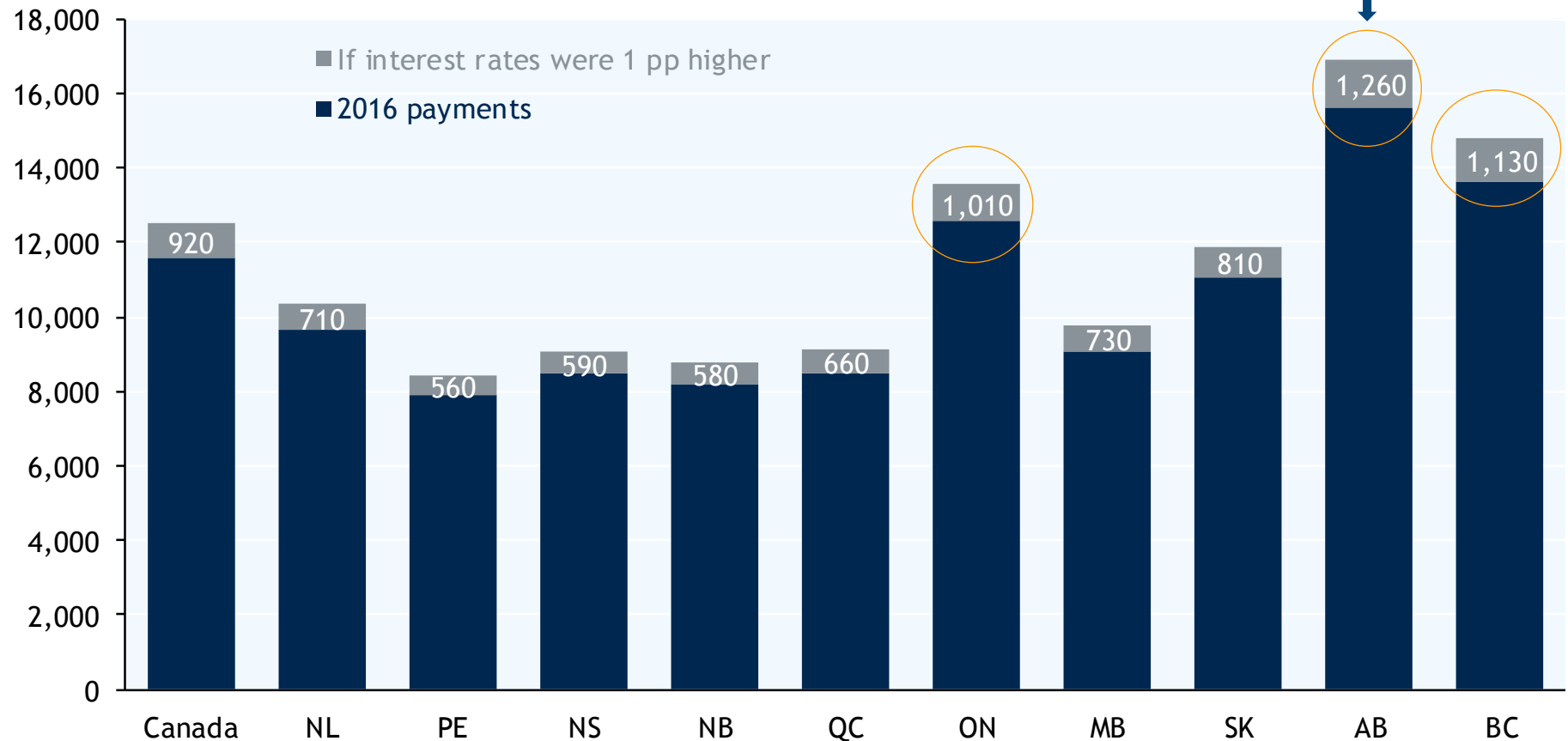
Source: Brookfield, RPS, RBC Economic Research

Forecast: ■

# Rising payments will take a bigger bite out of household incomes

## Effect of 1 pp rise in interest rates on debt service payments

Average annual debt service payments per household\*, in \$



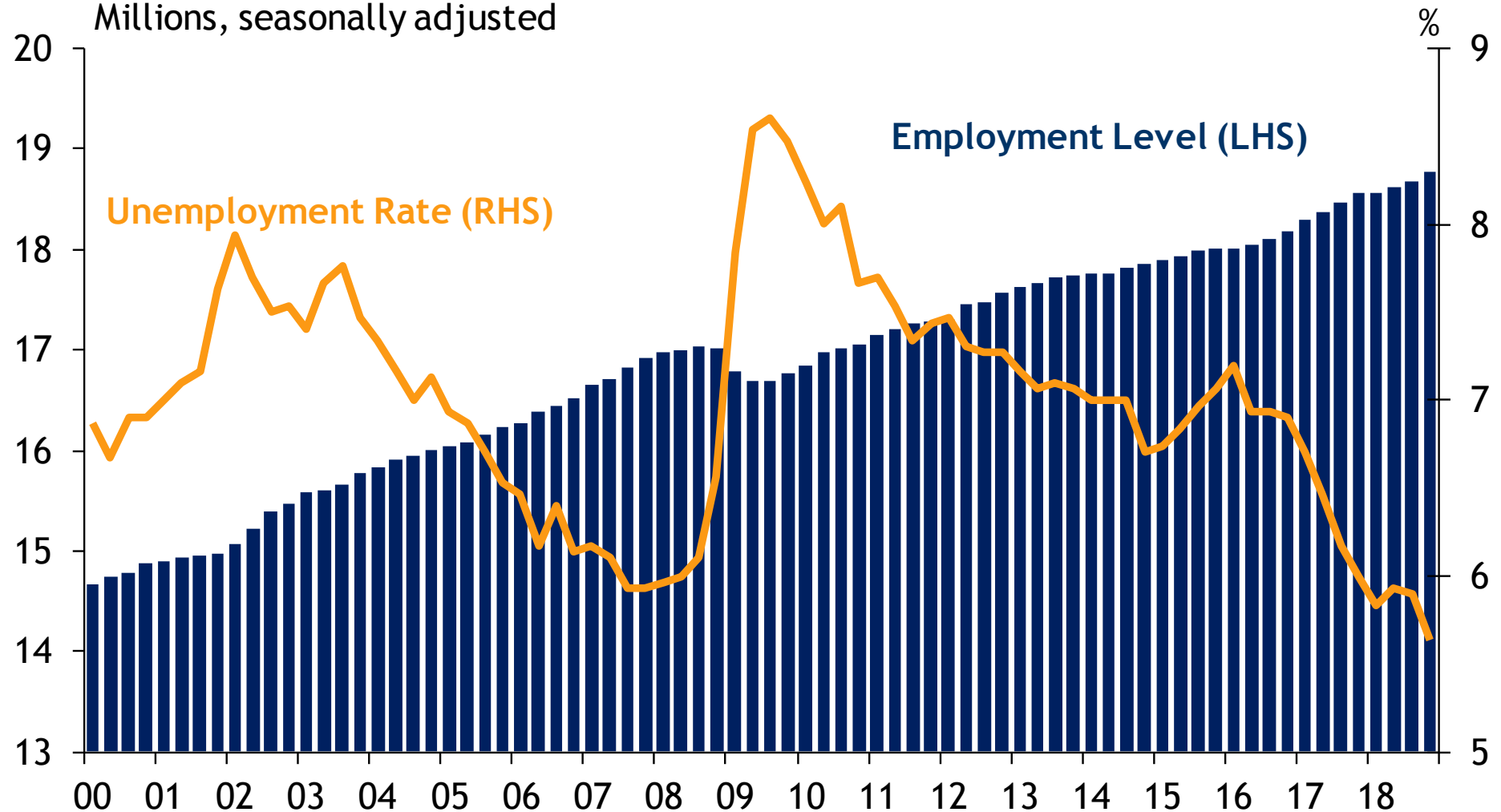
\* Including debt-free households.

Source: Statistics Canada, RBC Economic Research

# Strong labour market will allow consumers to absorb higher costs

## Labour market: Canada

Millions, seasonally adjusted

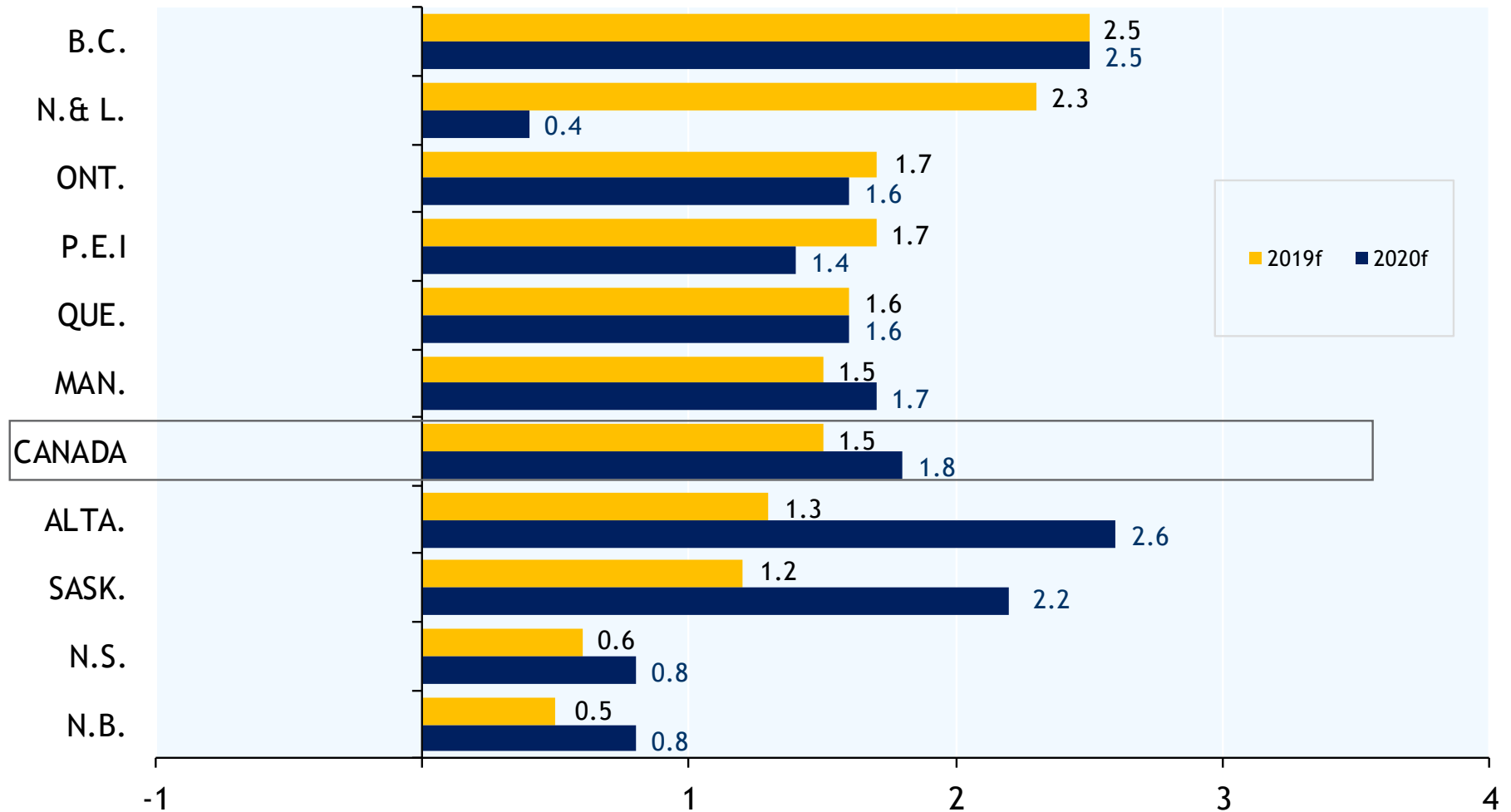


Source: Statistics Canada, RBC Economics Research

# Fastest growth coming from the coasts!

## Provincial real GDP growth

Annual % change, ranked by 2019 growth



Sources: Statistics Canada, RBC Economics Research

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