

Economic Update & Outlook



Carrie Freestone

Economist
RBC Economics

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Today's Presenter



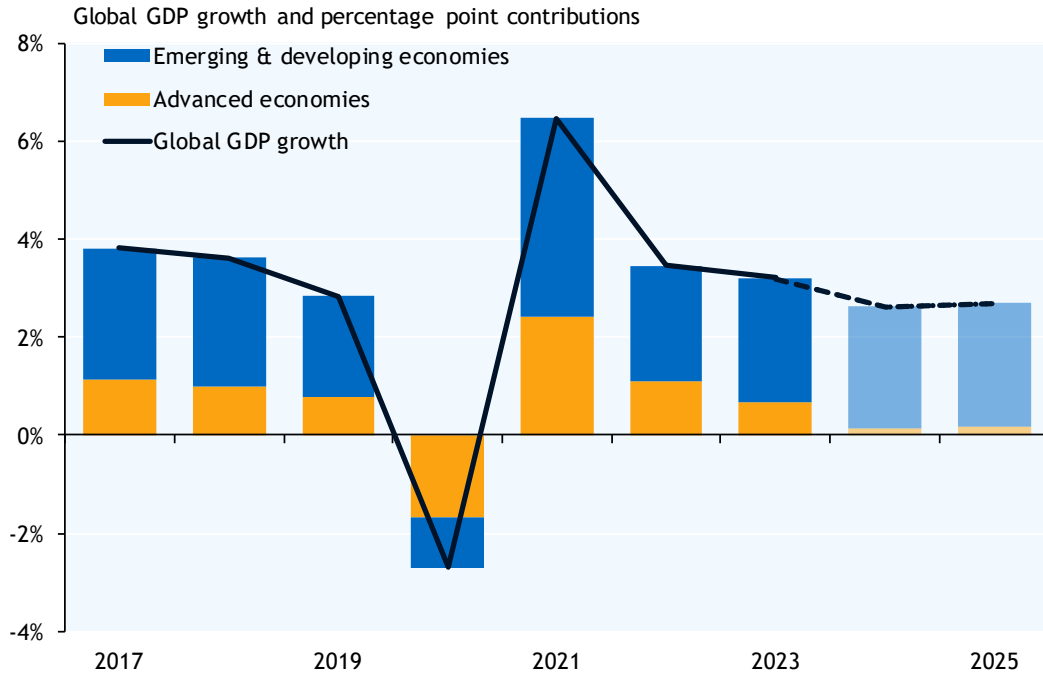
CARRIE FREESTONE

Economist, RBC Economic Research

Carrie Freestone is an economist at RBC. She is a member of the macroeconomic analysis group and is responsible for monitoring key indicators including consumer spending, labour markets, GDP, and inflation. Carrie produces economic analysis that she delivers to clients and the public through publications and presentations. She holds a Bachelor of Arts in Economics from Queen's University and a Master of Arts in Economics from the University of Ottawa.

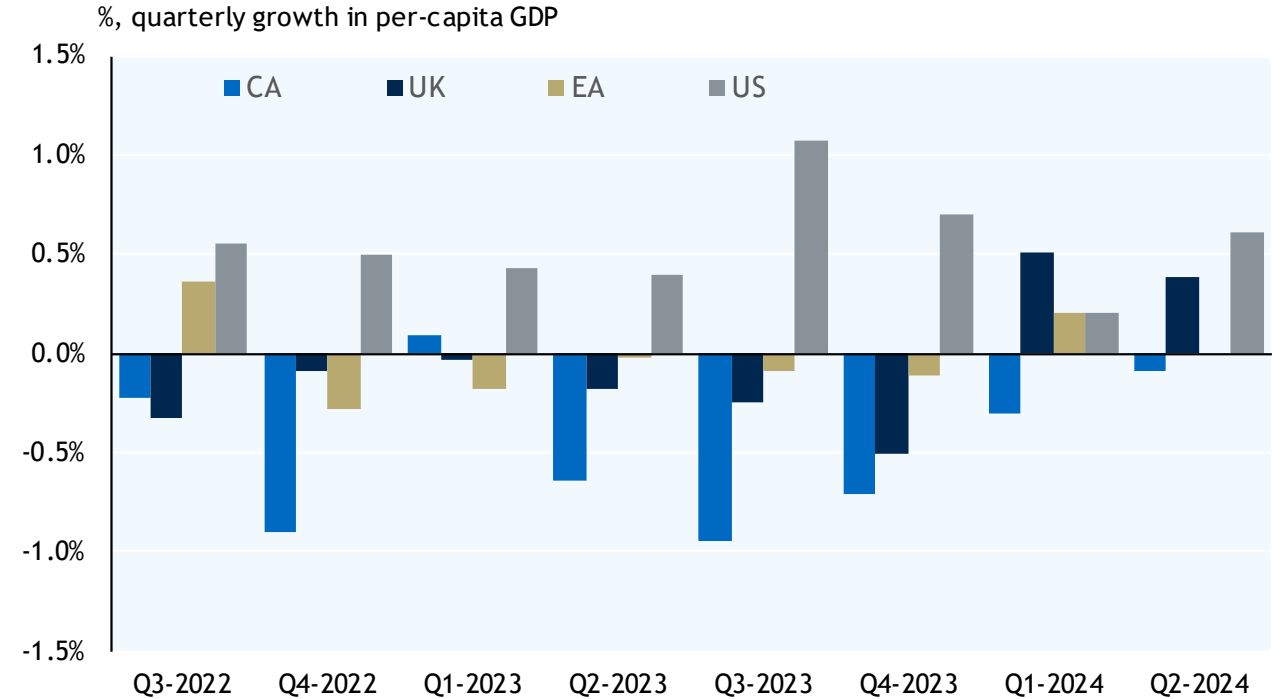
Canada Underperforms Global Peers

Global growth continues to slow



Source: IMF, RBC Economics

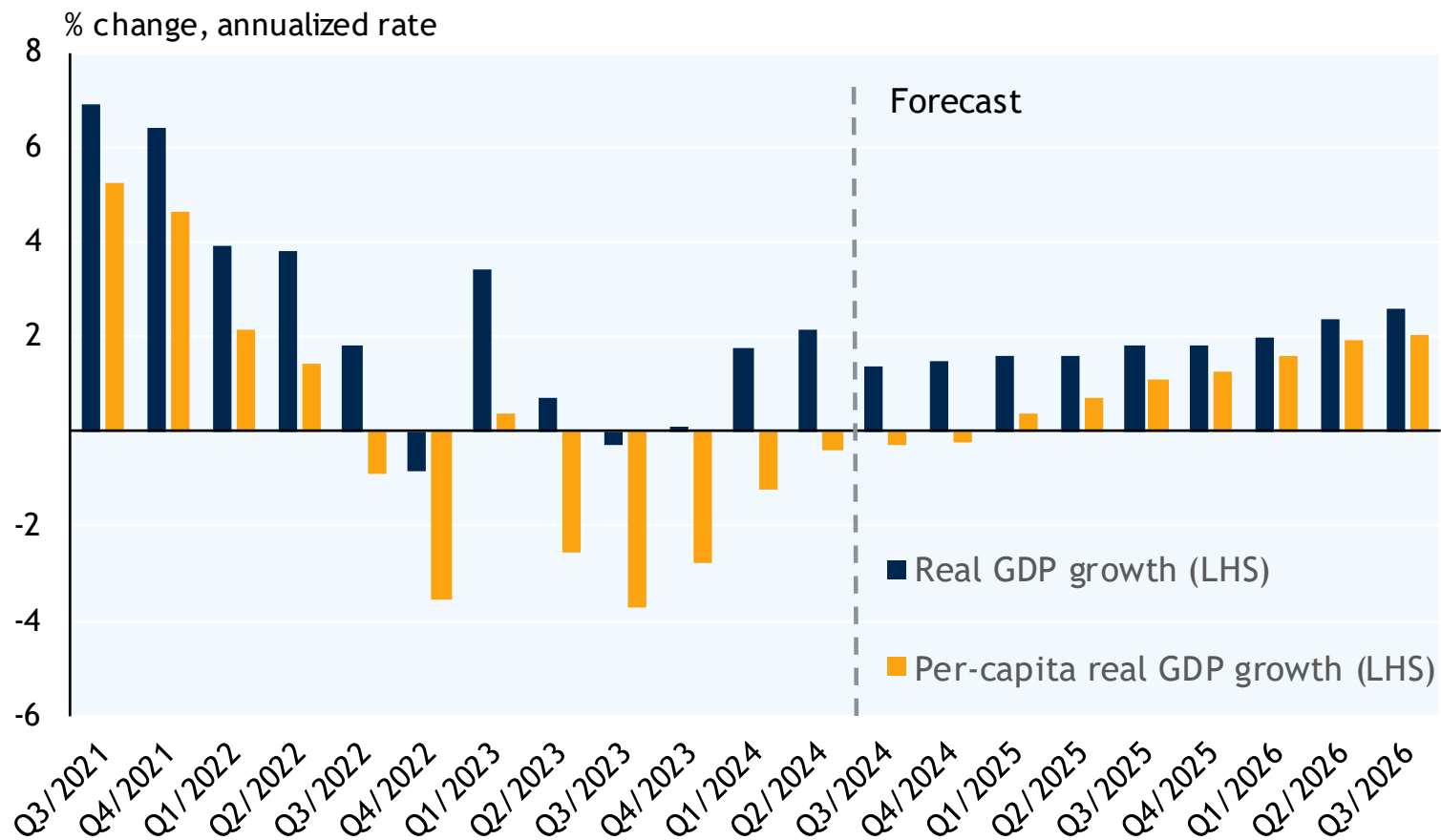
Canadian GDP growth underperforming peers



Source: Haver, RBC Economics calculations | *Estimates for UK and the EA are based on working age population

Population Growth Is Distorting Real GDP Growth – Households Are Worse Off Than They Appear

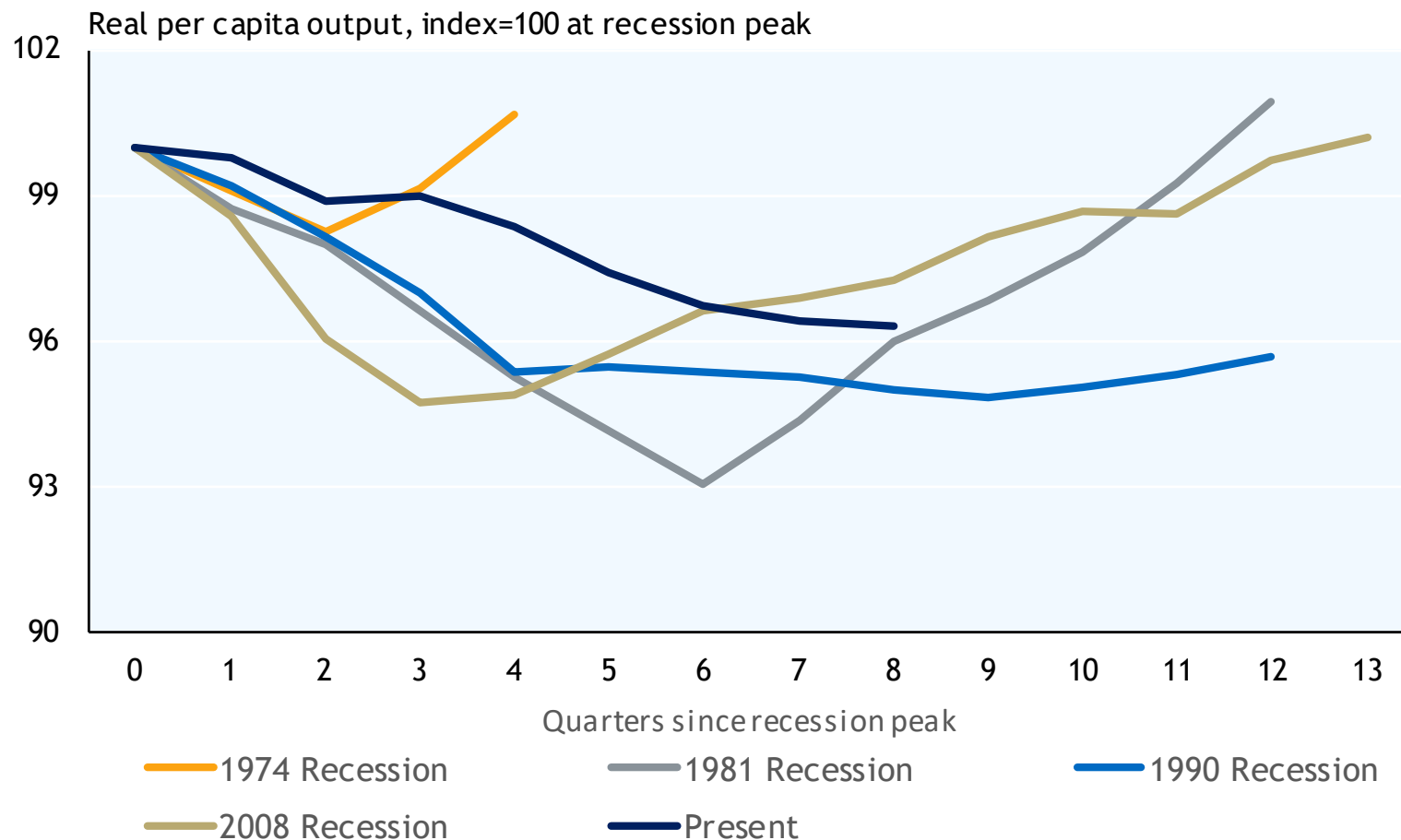
GDP vs. per-capita GDP growth



Source: Statistics Canada, RBC Economics Research

Population Growth Is Distorting Real GDP Growth – Households Are Worse Off Than They Appear

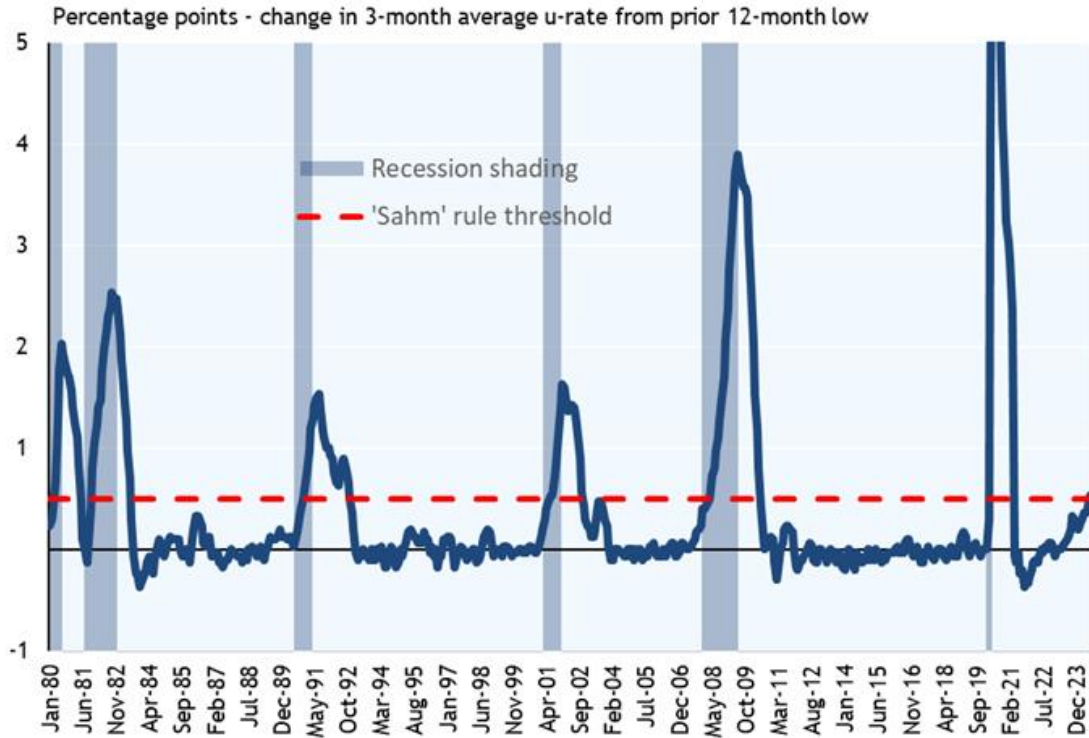
Real per capita GDP trends mimic prior recessions



Source: Statistics Canada, RBC Economics

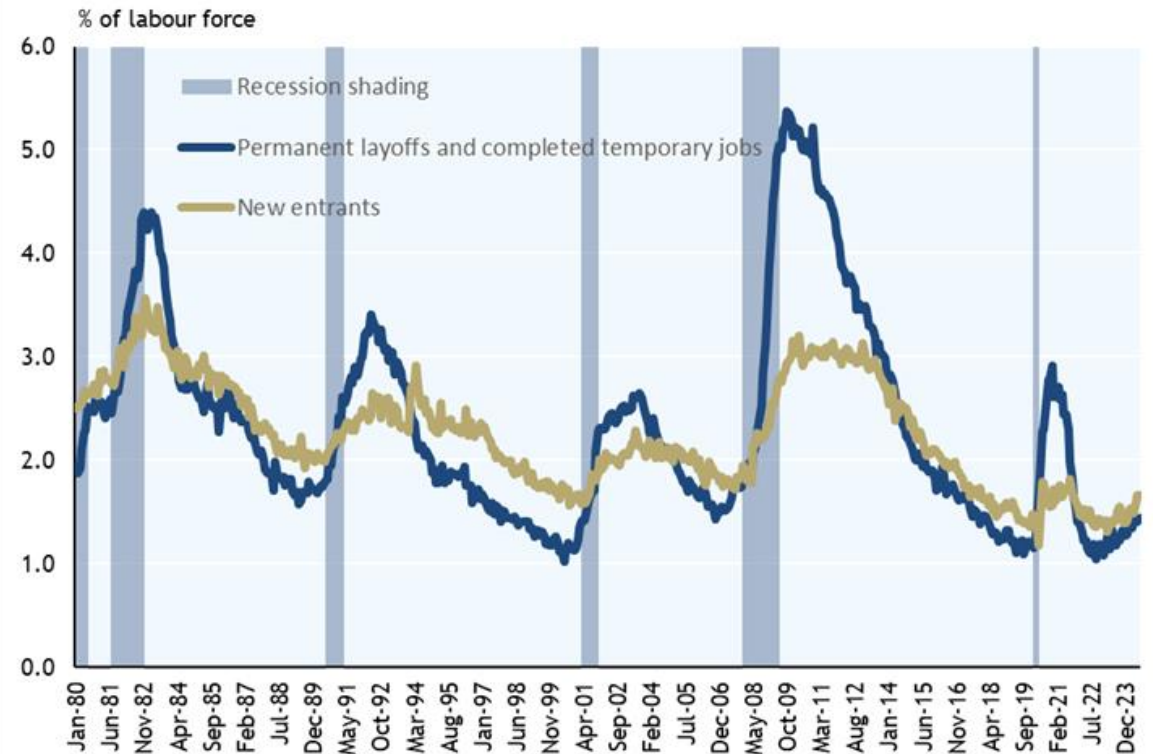
U.S. Labour Markets Are Not Crumbling, But Worries Are Building

U.S. unemployment hitting 'normal' recession thresholds



Source: Bureau of Labor Statistics, RBC Economics Research

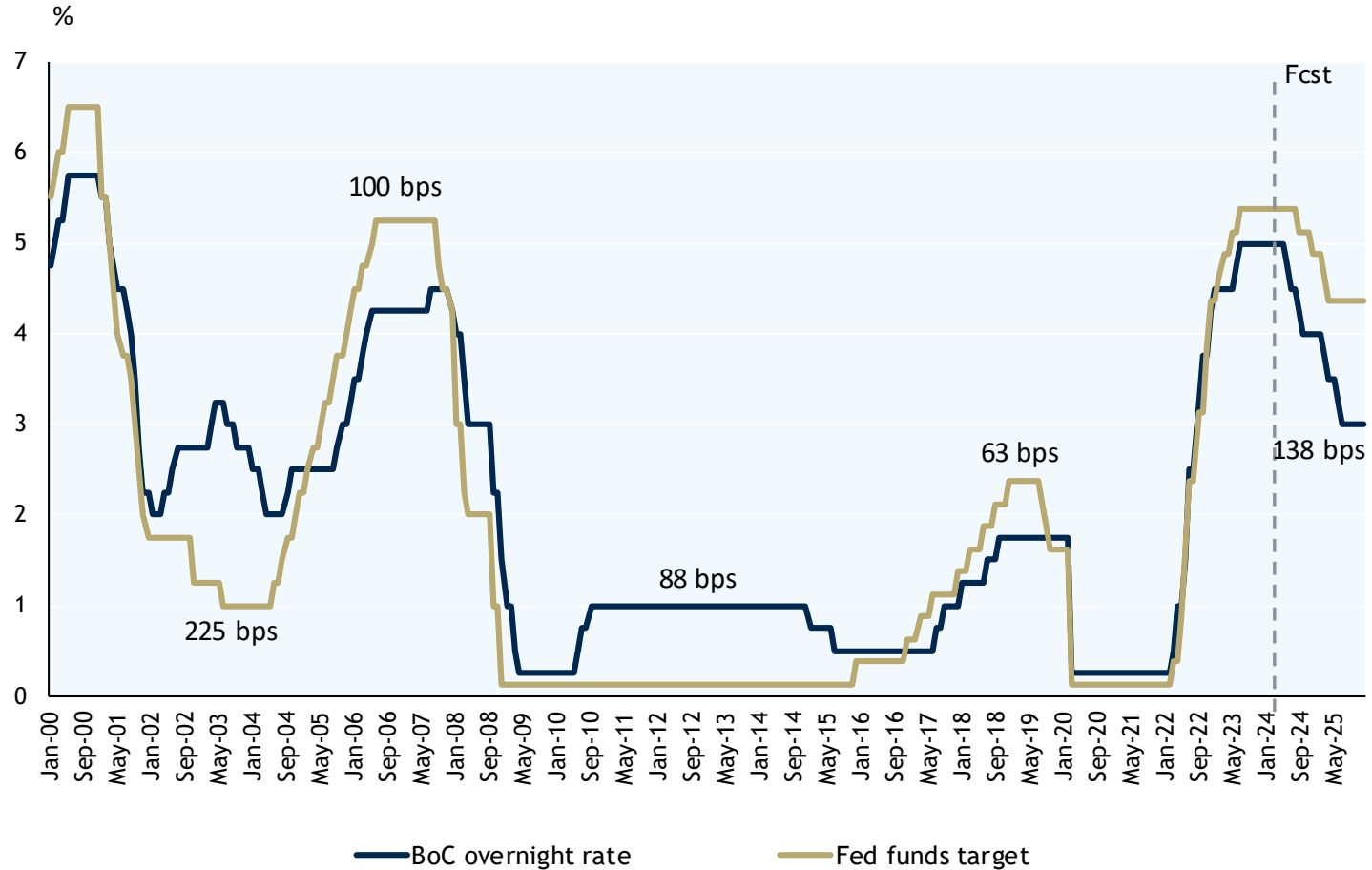
U.S. layoffs are still low but edging higher



Source: Bureau of Labor Statistics, RBC Economics Research

BoC and Fed to Diverge Significantly

BoC and Fed policy rates to diverge significantly

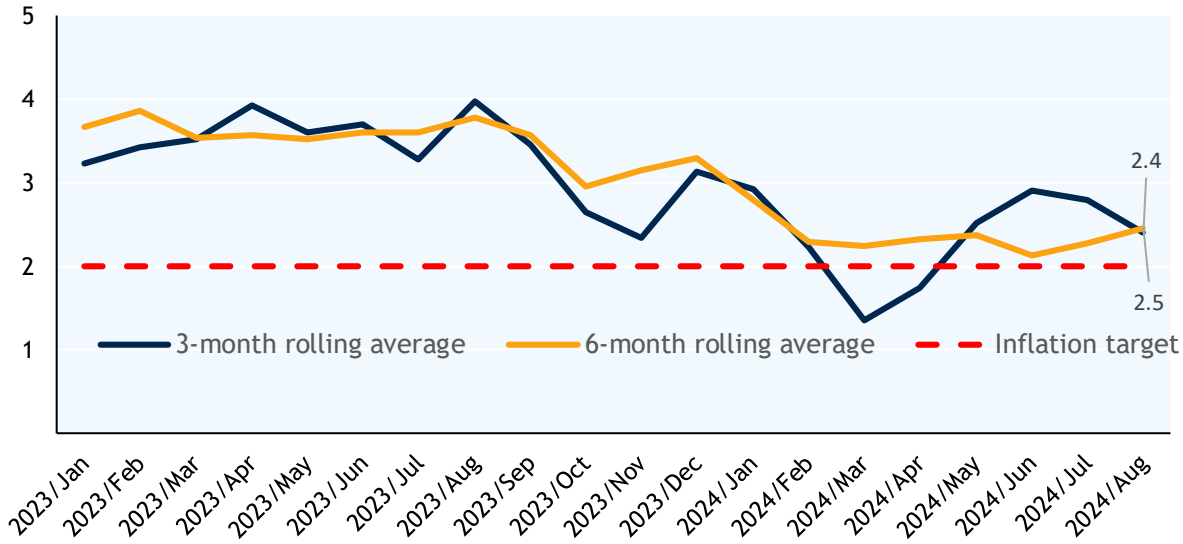


Source: Haver, RBC Economics

Canadian Inflation Growth Has Slowed – ‘Core’ Measures Now at Top End of Target Range

BoC's preferred core measures (on balance) edging lower

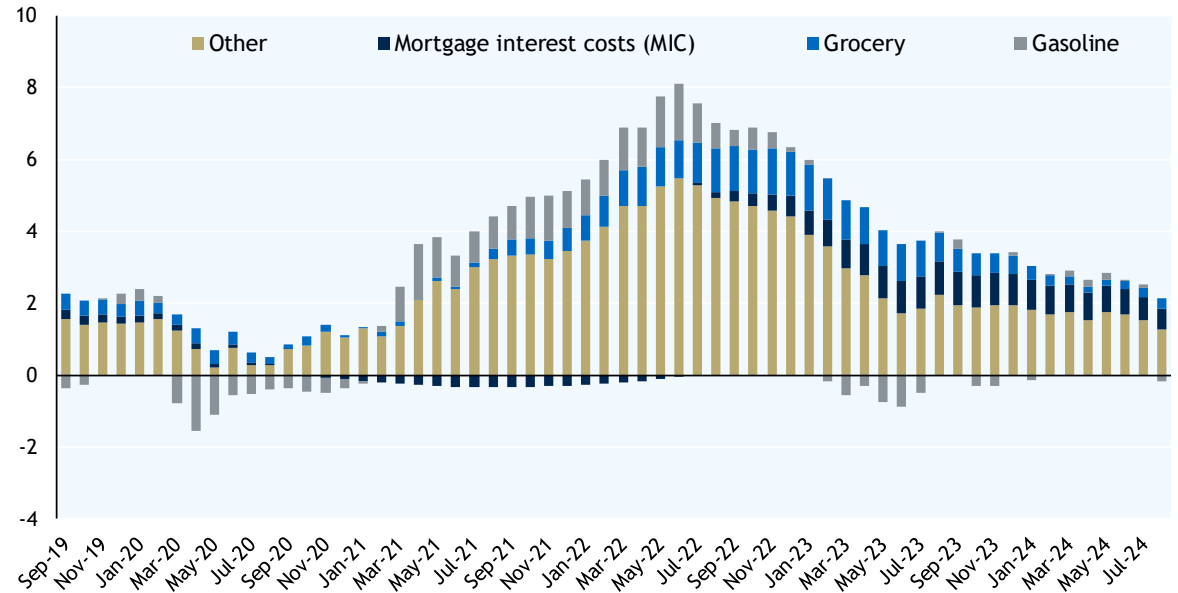
Average of median and trim CPI, annualized % change



Source: Statistics Canada, RBC Economics

Canadian inflation slowing persistently to rate below the BoC's 2% target

Annualized percentage point contribution to three-month CPI growth, seasonally



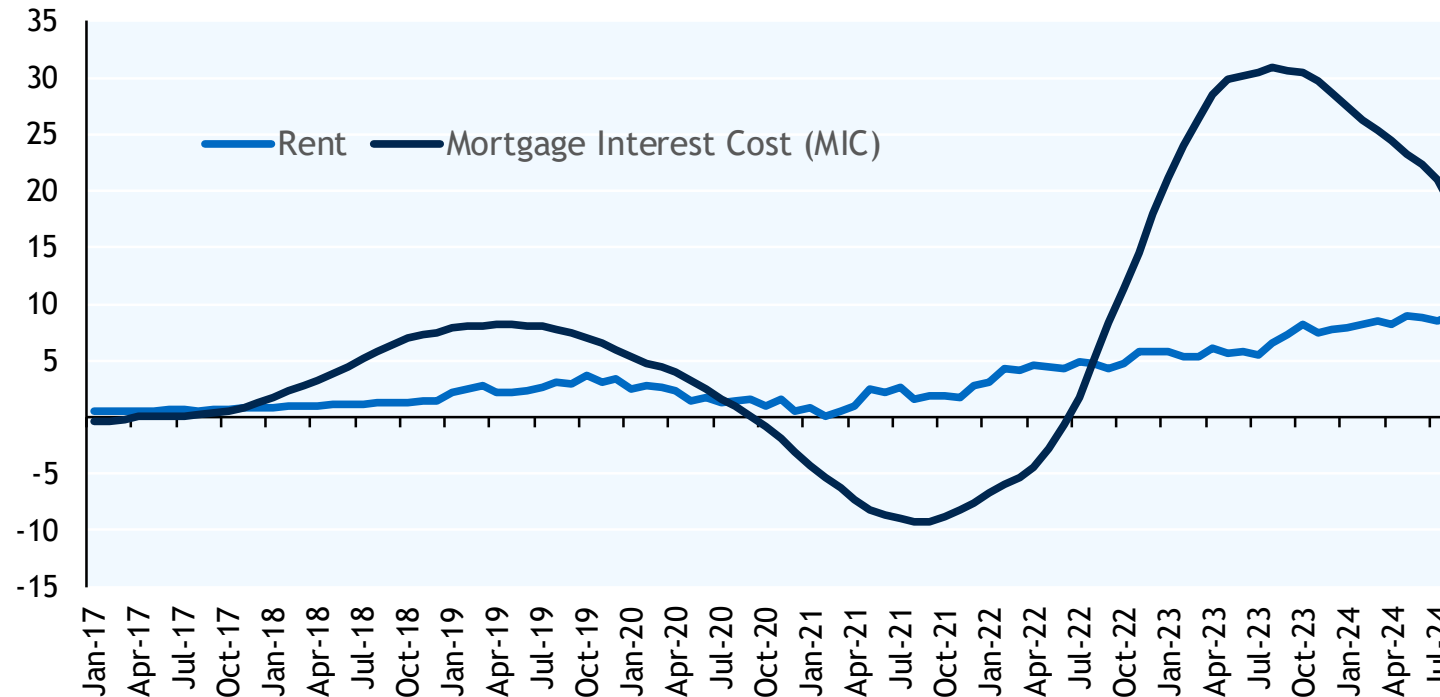
Source: Statistics Canada, RBC Economics

thoughtleadership.rbc.com/rbc-inflation-watch/

Growth in Mortgage Interest Costs Expected to Slow in Canada

Mortgage interest costs continued to trend lower while rent CPI drifted higher

%, year-over-year change



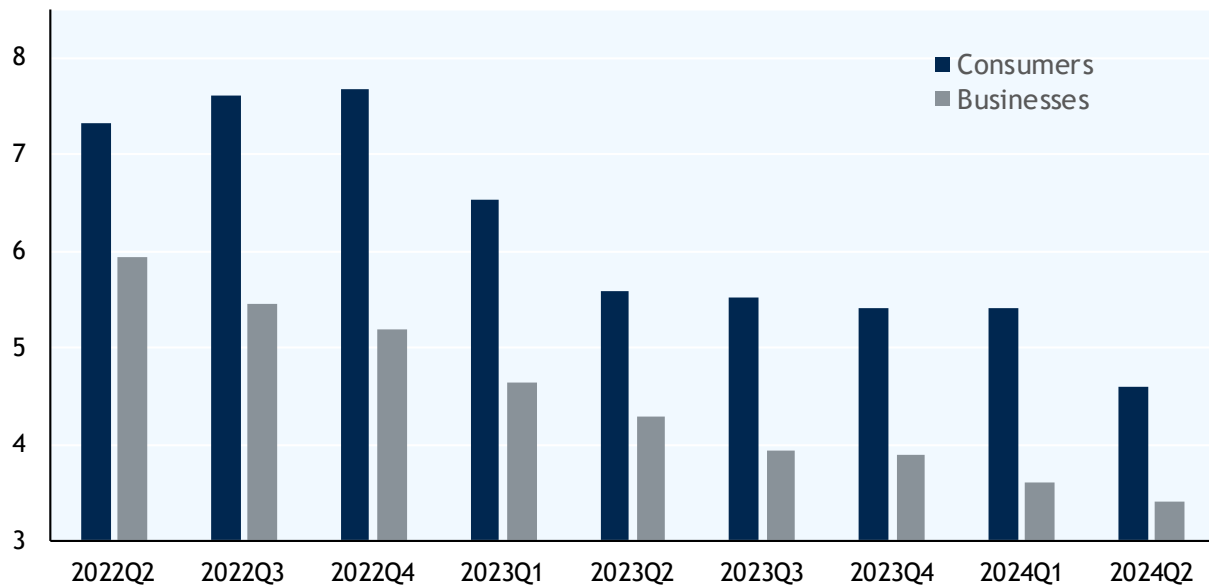
Source: Statistics Canada, RBC Economics

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Inflation Expectations Moderating Alongside Wage Growth

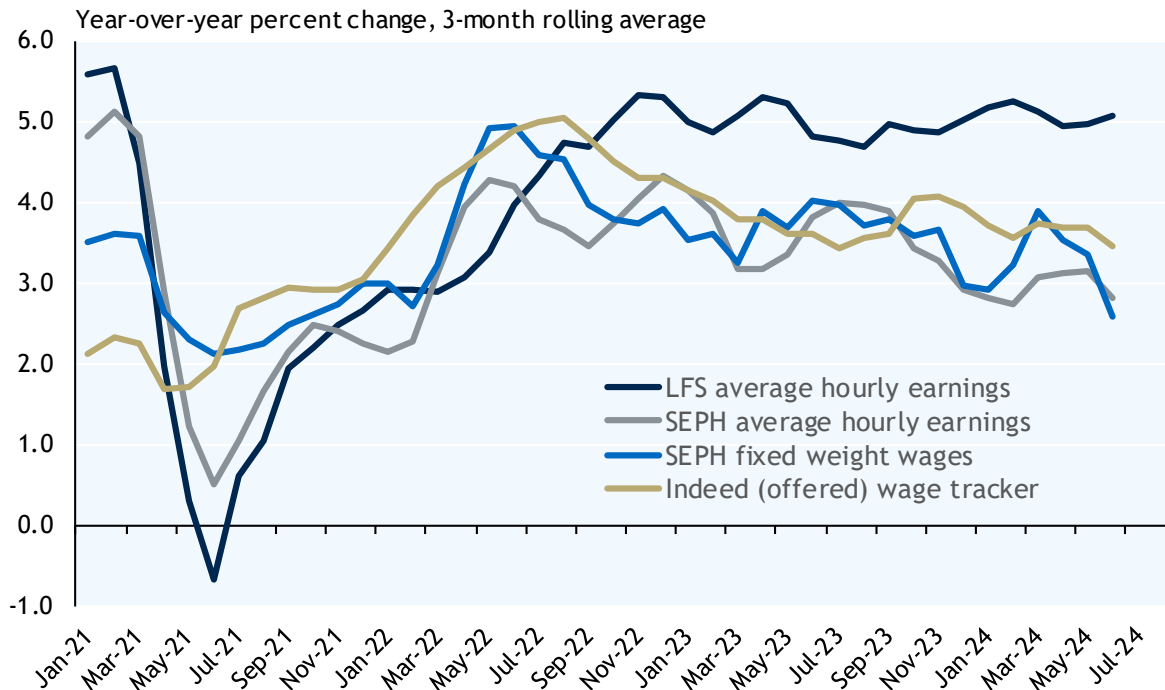
Both firms and consumers expect lower inflation in the year ahead

%, 1-year ahead inflation expectations



Source: Business Outlook Survey, Canadian Survey of Consumer Expectations, RBC Economics

Most Canadian measures of wage growth are lower



Source: Statistics Canada, RBC Economics Research

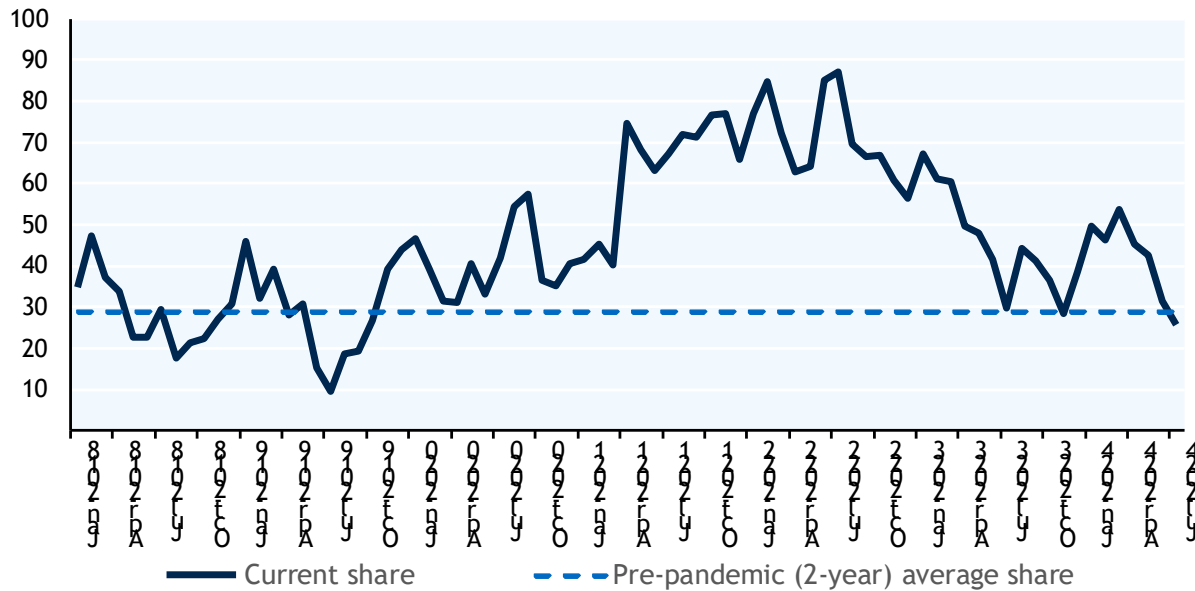
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Weaker U.S. Inflation Pressures Tees Up First Fed Interest Rate Cut Since 2020

Share of CPI basket items reporting price growth >3% falls below pre-pandemic average

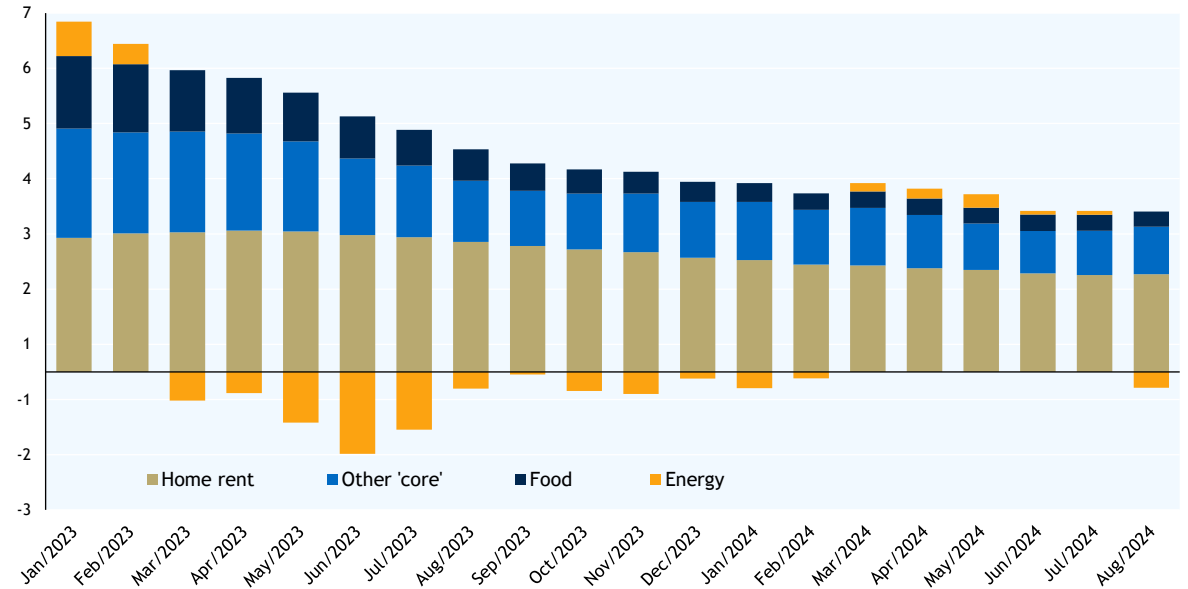
Share of CPI basket items (excluding shelter) reporting >3% year-over-year price growth, %



Source: Bureau of Labour Statistics, RBC Economics

Slower energy price growth pushed headline inflation lower in August

Percentage point contribution to twelve-month CPI growth (annual rate)

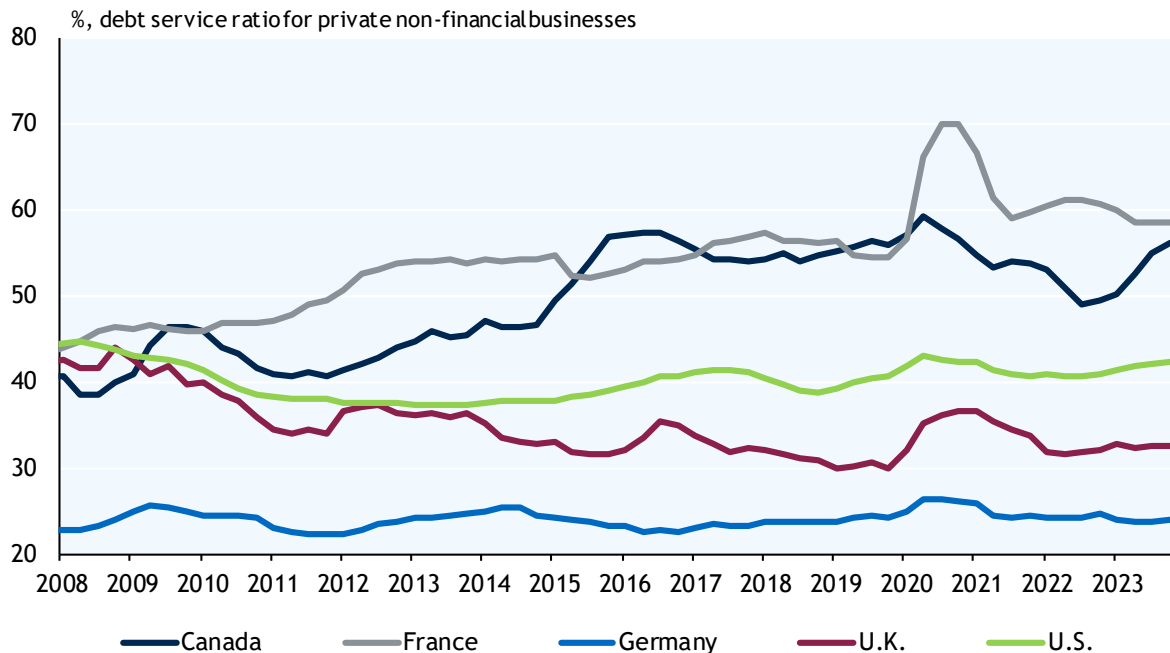


Source: Bureau of Labor Statistics, RBC Economics

thoughtleadership.rbc.com/rbc-us-inflation-watch/

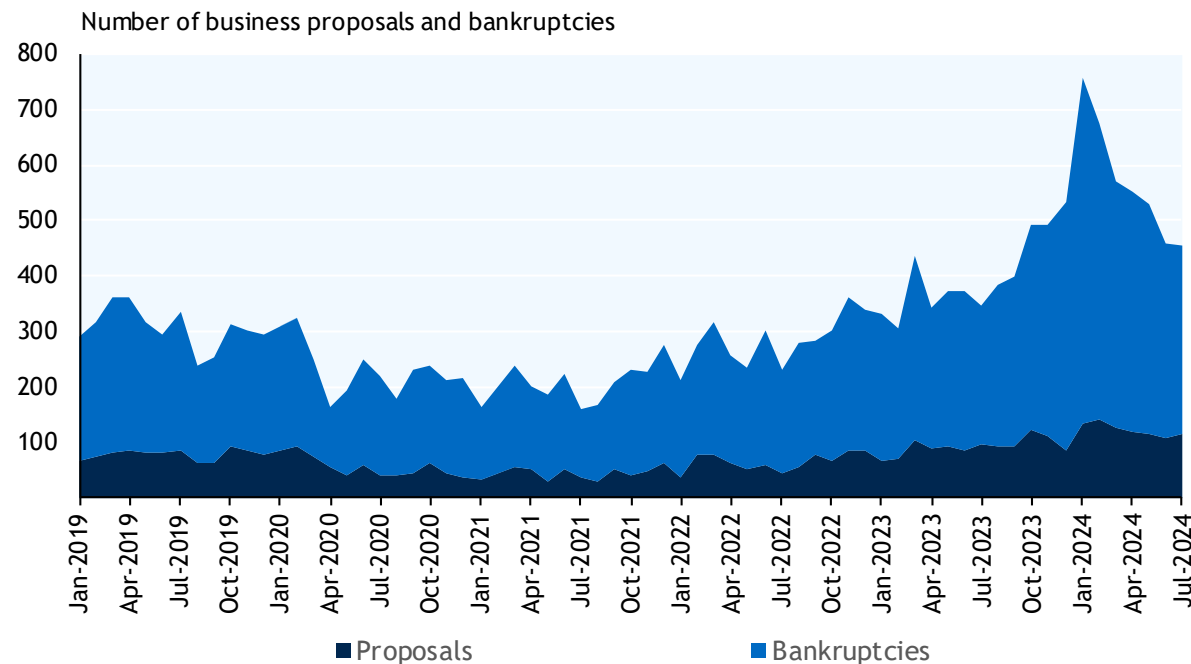
Business Bankruptcies Have Risen in Canada

Debt servicing for Canadian businesses jumps as rates rise



Source: Bank of International Settlement, RBC Economics

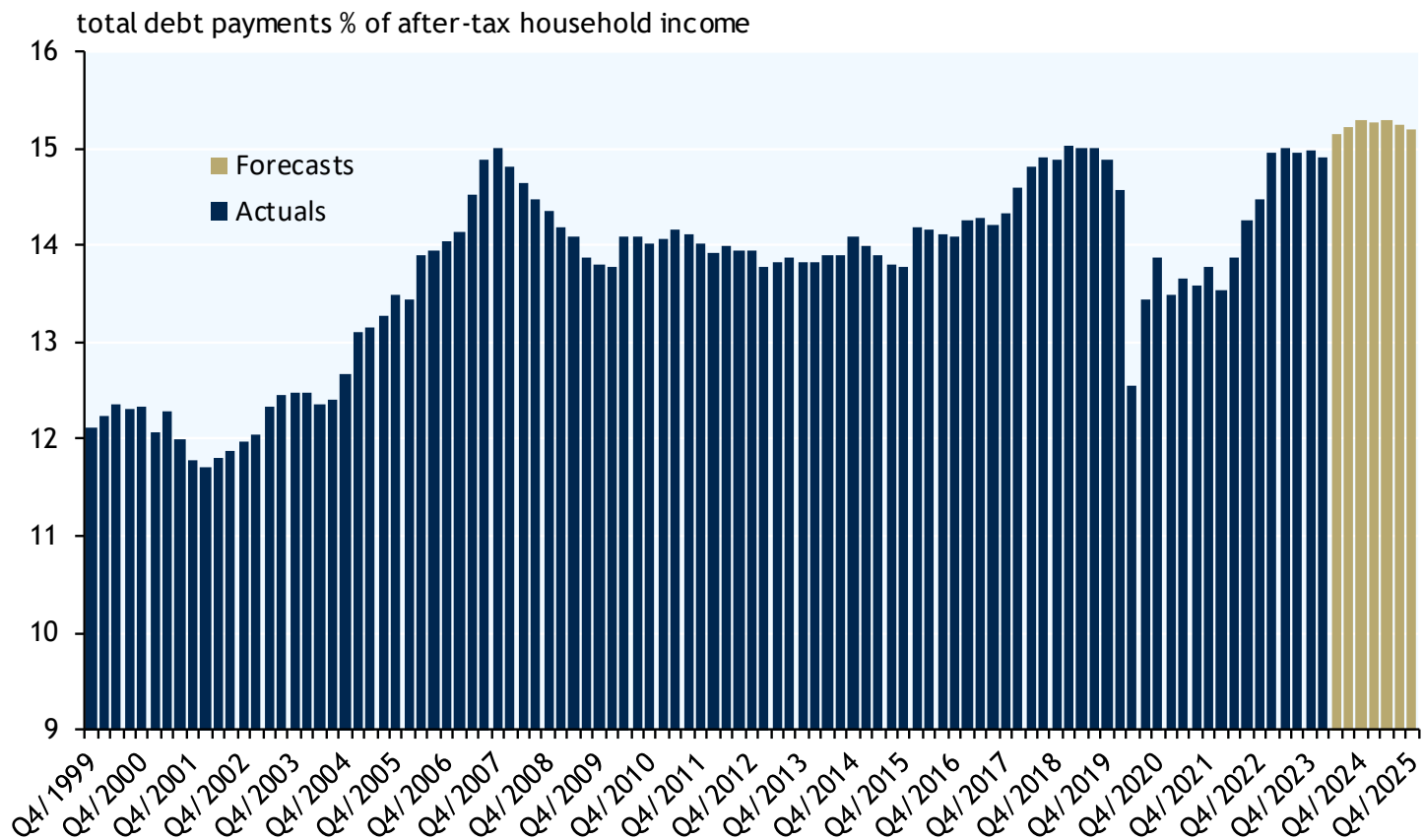
Canadian business insolvencies surged over early 2024



Source: Innovation, Science and Economic Development, RBC Economics

Canadians Spending a Record Share of Take – Home Pay on Mortgage Payments

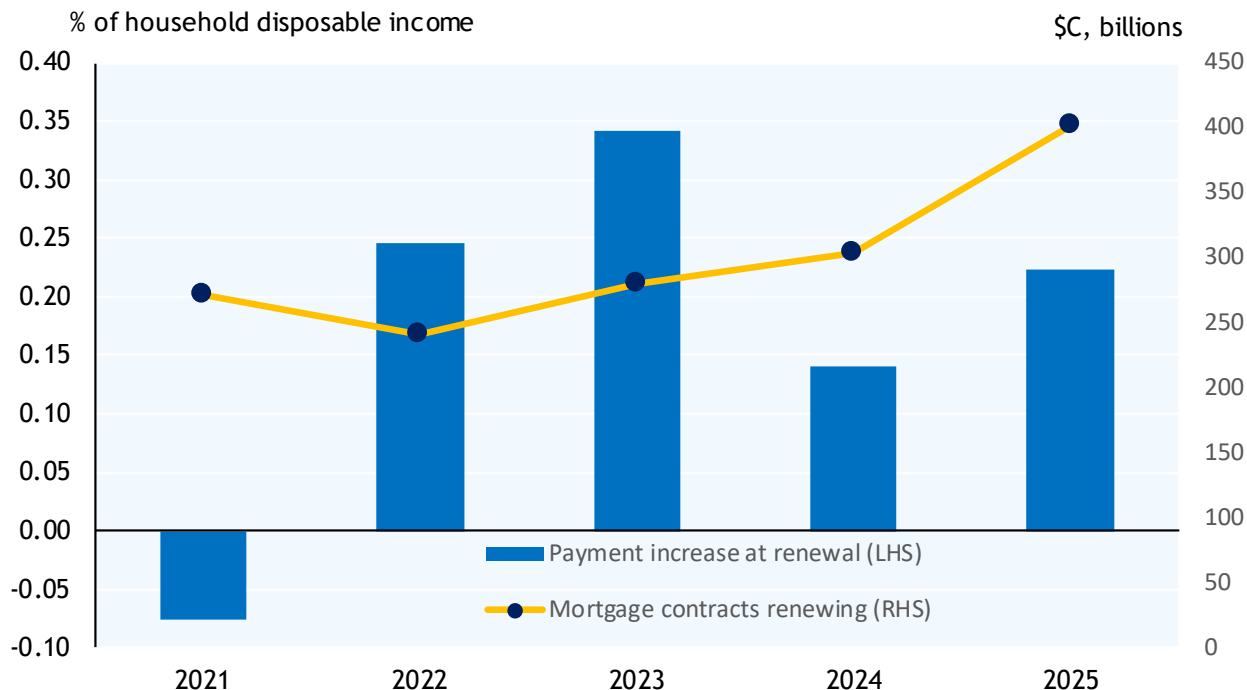
Canada Household Debt Service Ratio to rise further



Source: Statistics Canada, RBC Economics

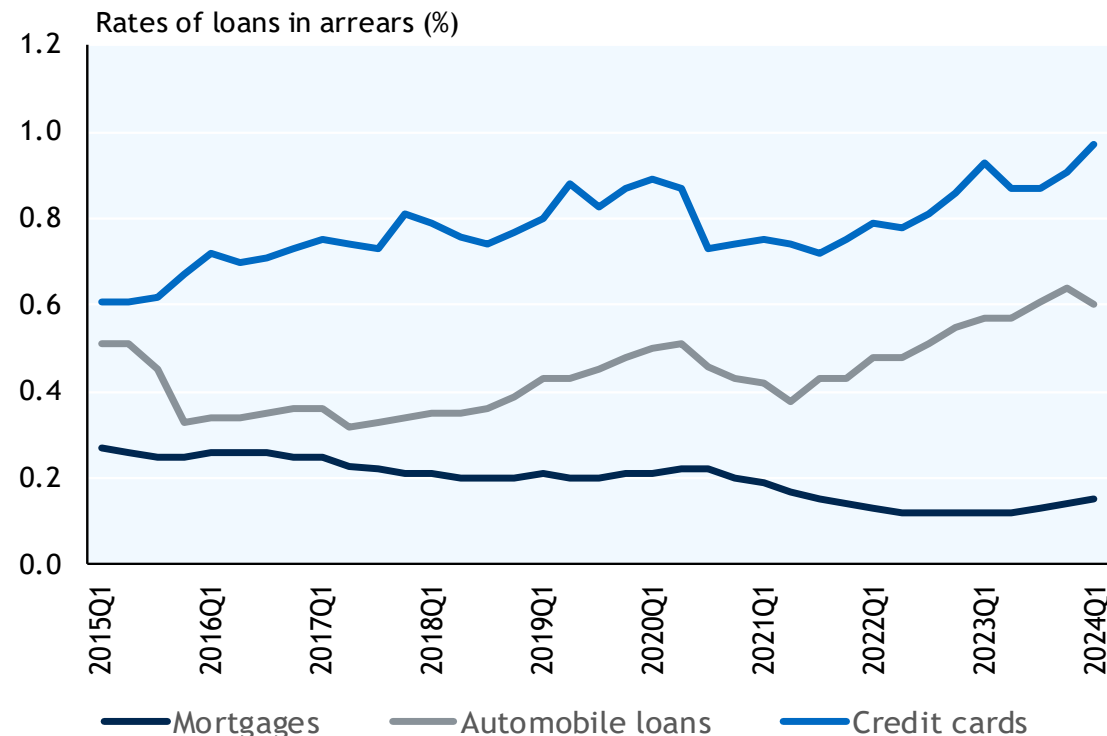
Households Stretched from Mortgage Renewal Shocks

Mortgage renewal payment shock will stretch into 2025



Source: Statistics Canada, RBC Economics Research

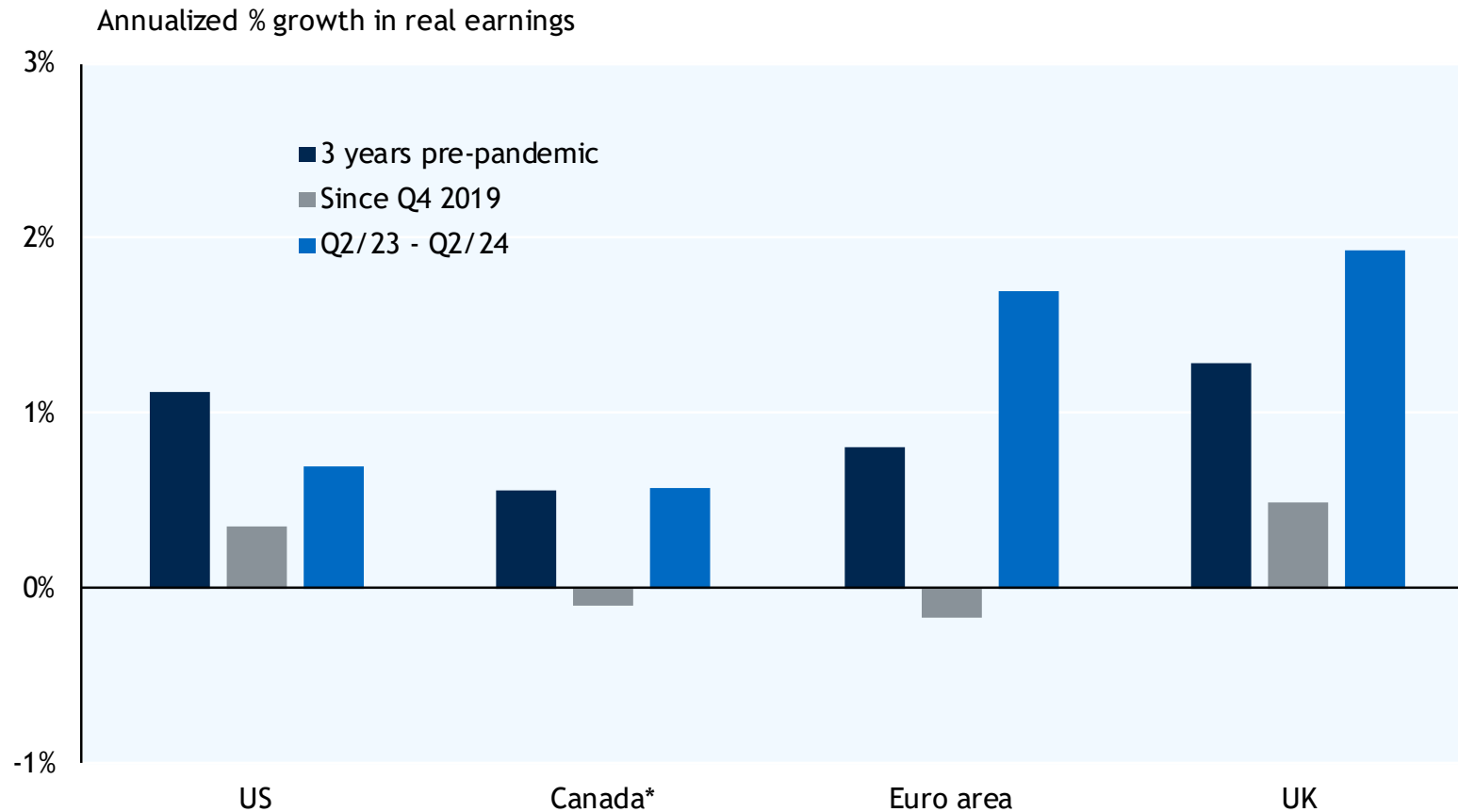
Household delinquencies edging higher



Source: Bank of Canada, RBC Economics Research

Wage Growth – by Some Measures – **Still Lagging Inflation in Canada**

Wage growth everywhere still playing catch up with inflation

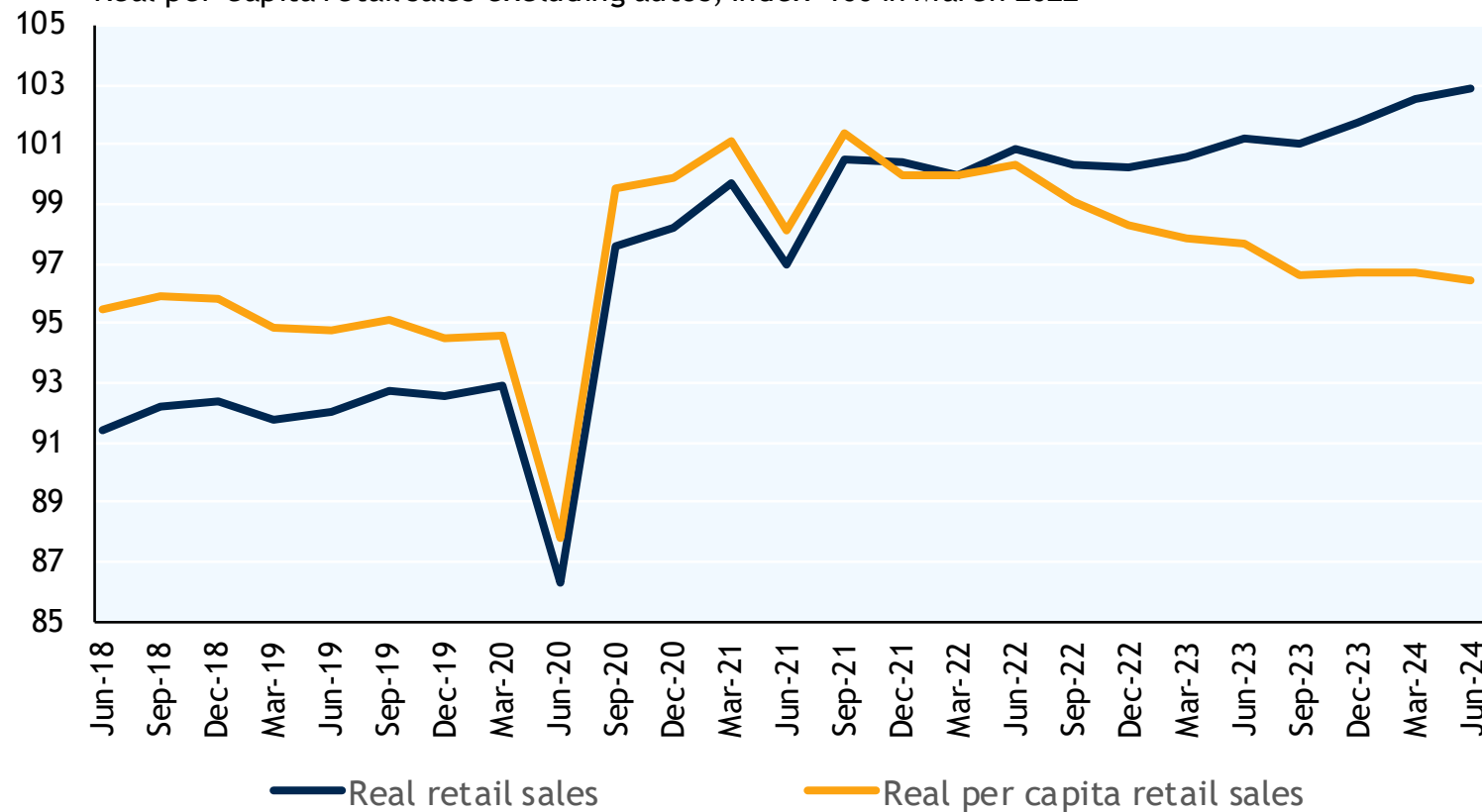


Source: Haver, RBC Economics | *Canada uses SEPH data for average hourly earnings

Consumers Pull Back Spending as Higher Rates Bite

Real per capita retail spending declined again in Q2

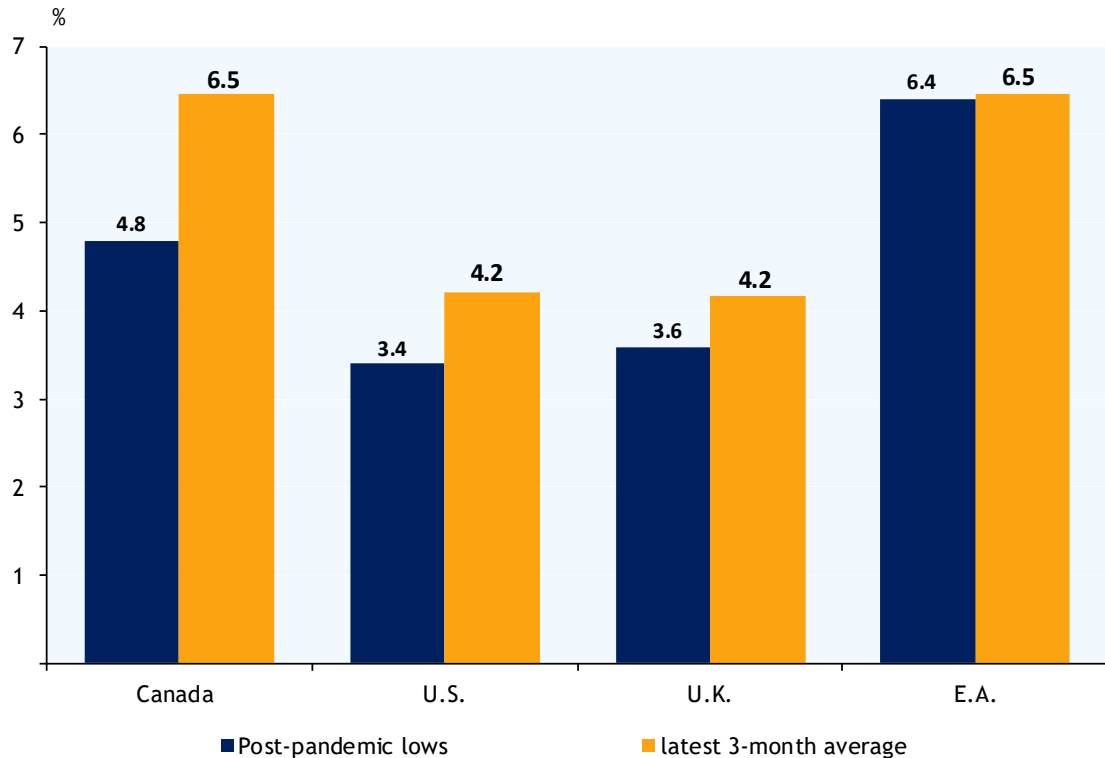
Real per-capita retail sales excluding autos, Index=100 in March 2022



Source: Statistics Canada, RBC Economics

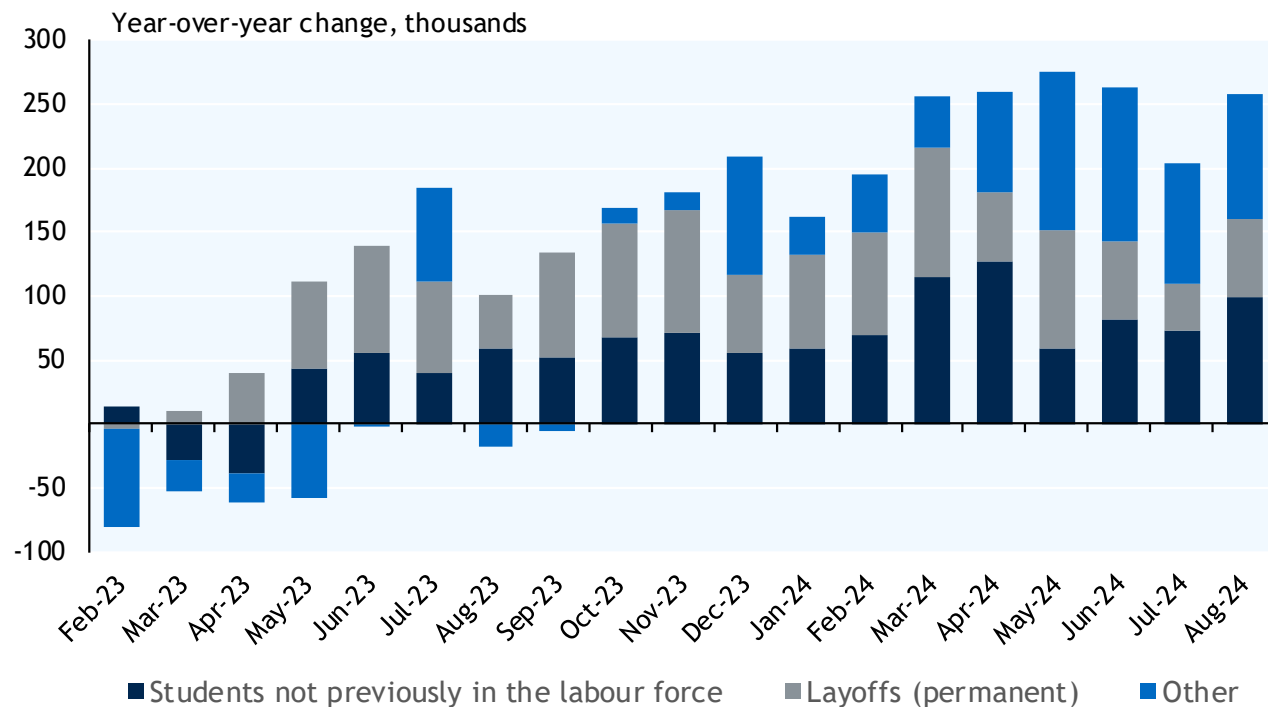
Student and New Grads Especially Impacted by Rising Unemployment

Canada's unemployment rate rising more than other regions



Source: Haver, RBC Economics

Longer job searches and layoffs pushing Canadian unemployment up

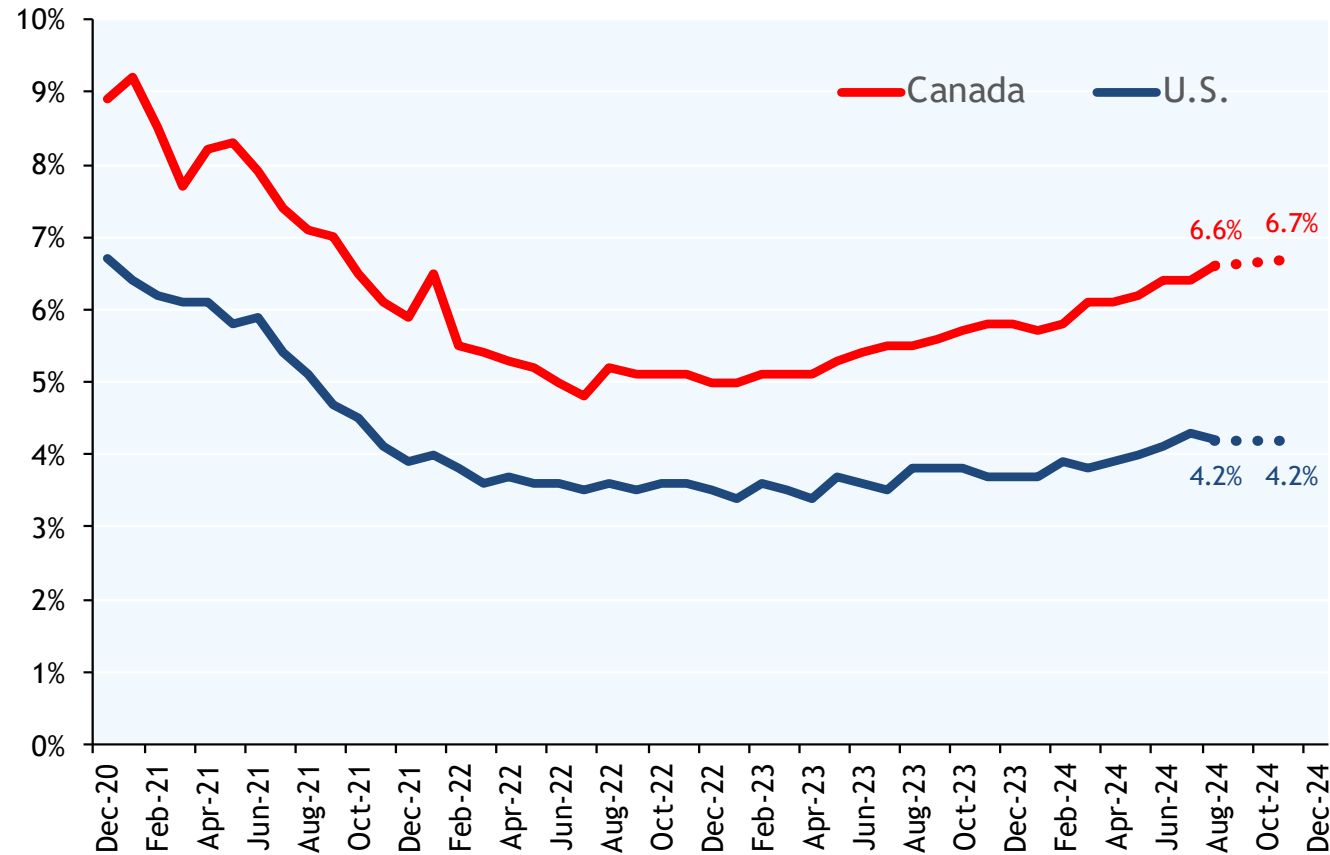


Source: Statistics Canada, RBC Economics

Unemployment Continues to Tick Higher

Jobless rate continues to rise

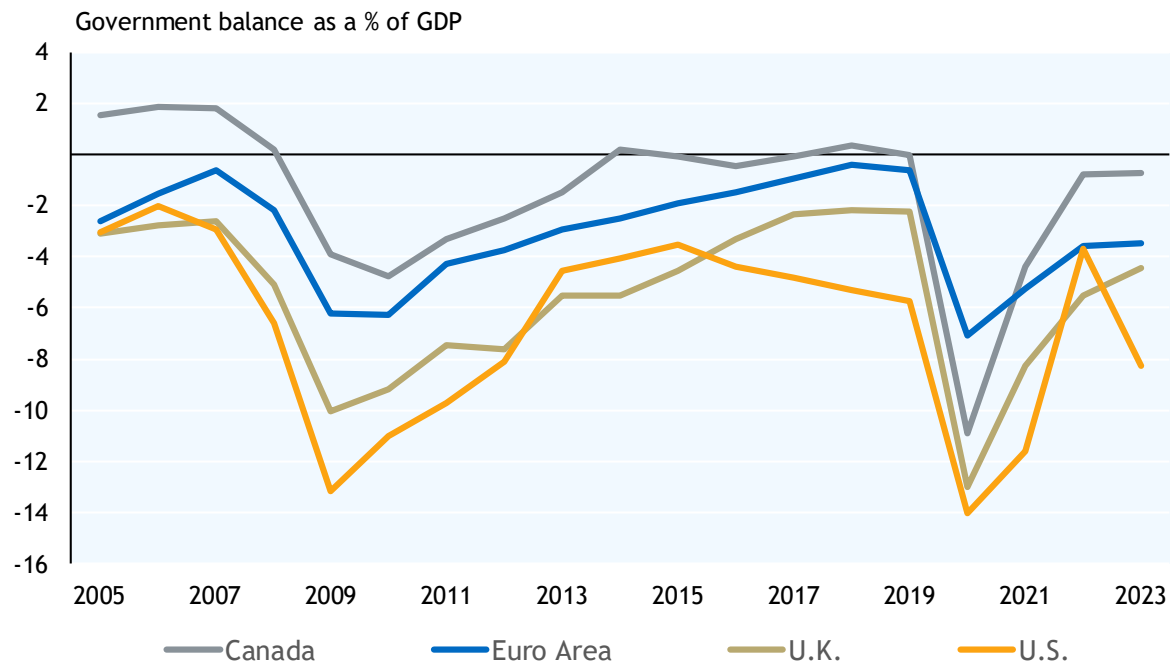
Canadian unemployment rate, percent



Source: Haver, RBC Economics

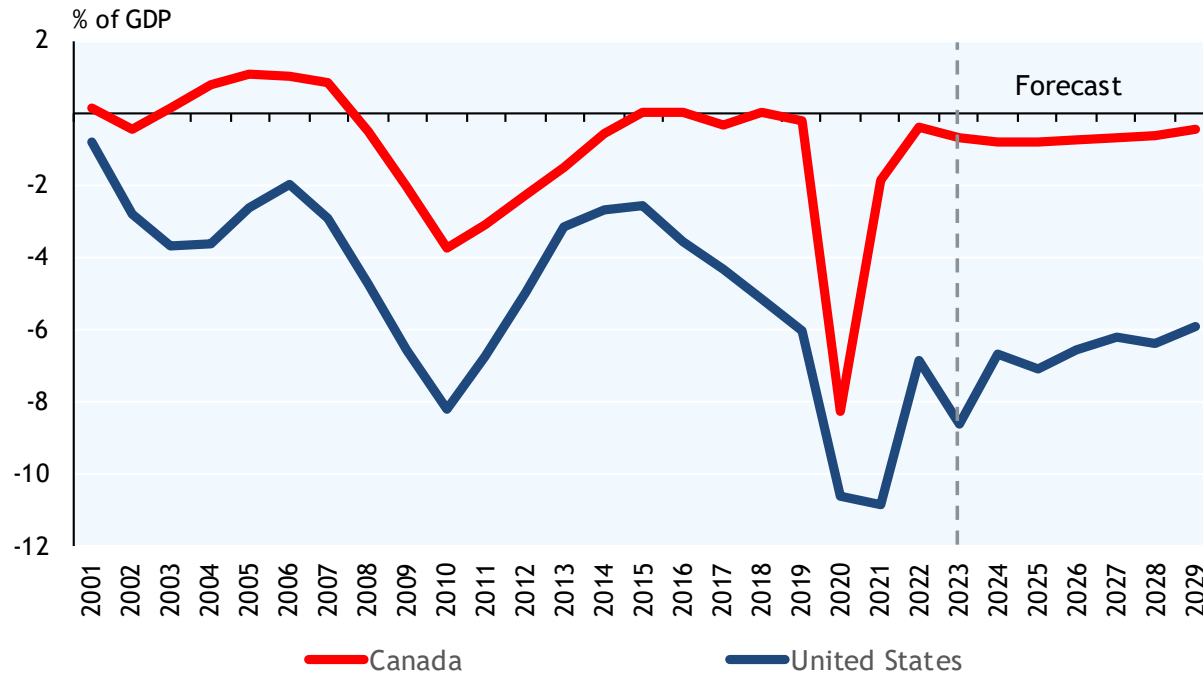
Fiscal Spending Propping Up U.S. Outperformance

Outperformance in the U.S. propped up by fiscal spending



Source: IMF, RBC Economics

Government budget deficit, % of GDP

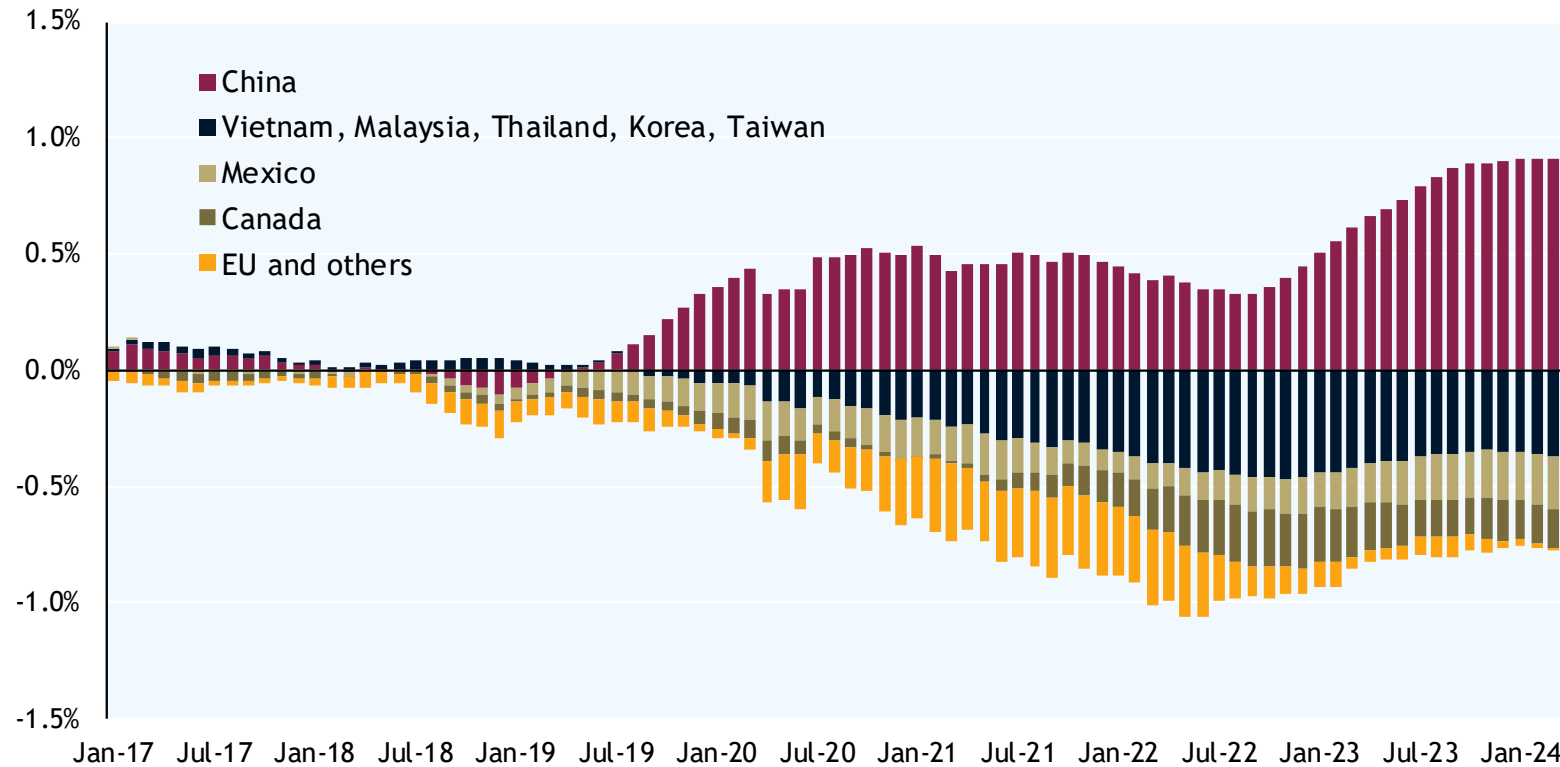


Source: International Monetary Fund, RBC Economics

U.S. Tariffs Did Not Produce Intended Effects

U.S. trade deficit narrows with China but widens elsewhere

Change in U.S. trade deficit as a % of GDP, relative to 2016



Source: Haver, RBC Economics Research

CAD to Weaken into 2025

CAD to weaken vs. USD



Source: Statistics Canada, RBC CapitalMarkets

Canada's Price Correction Has Run Its Course – But Affordability Continues to Restrain Buyers

Home resales in Canada

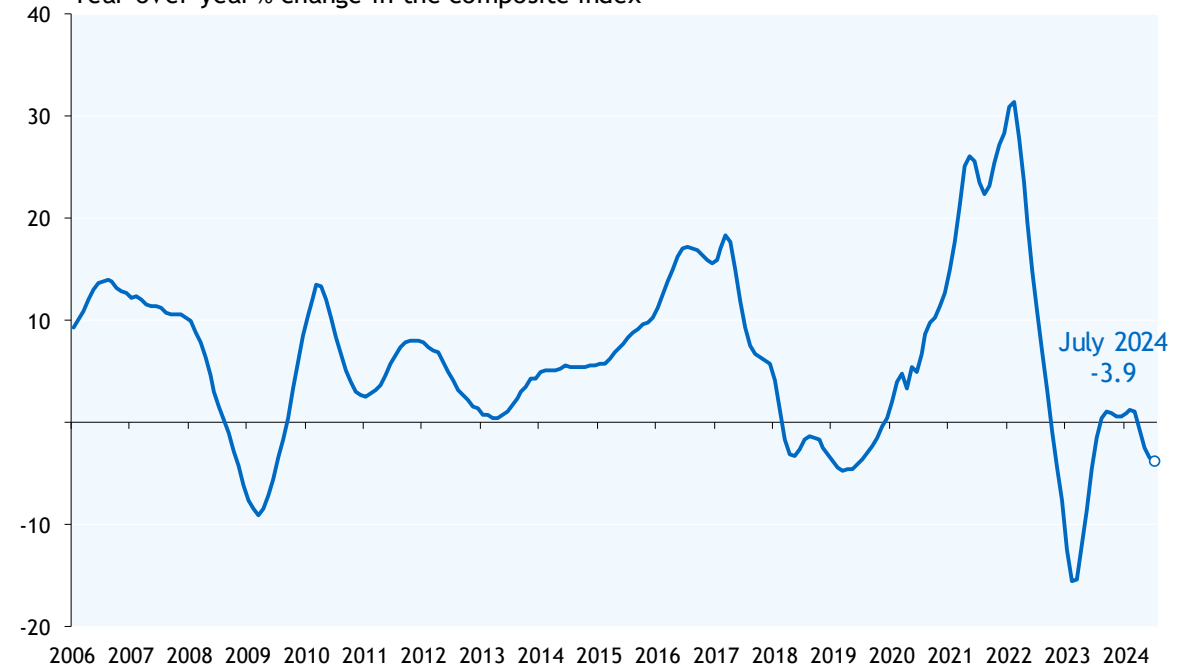
Thousand units, seasonally adjusted and annualized



Source: Canadian Real Estate Association, RBC Economics

MLS Home Price Index - Canada

Year-over-year % change in the composite index

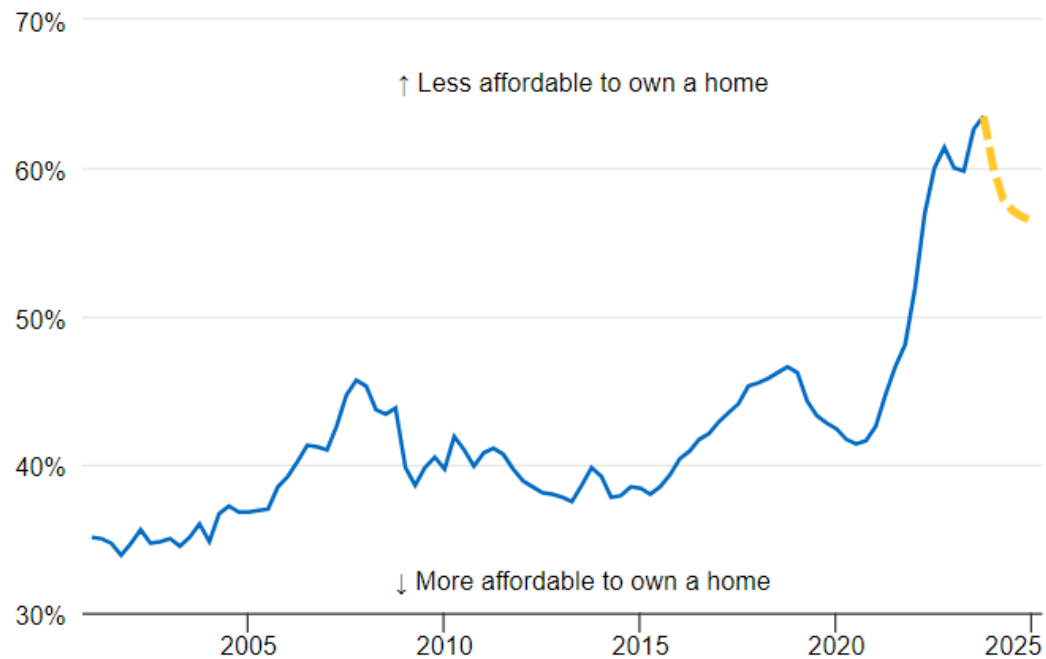


Source: Canadian Real Estate Association, RBC Economics

Housing Affordability Challenges Driving Policies to Slow Population Growth

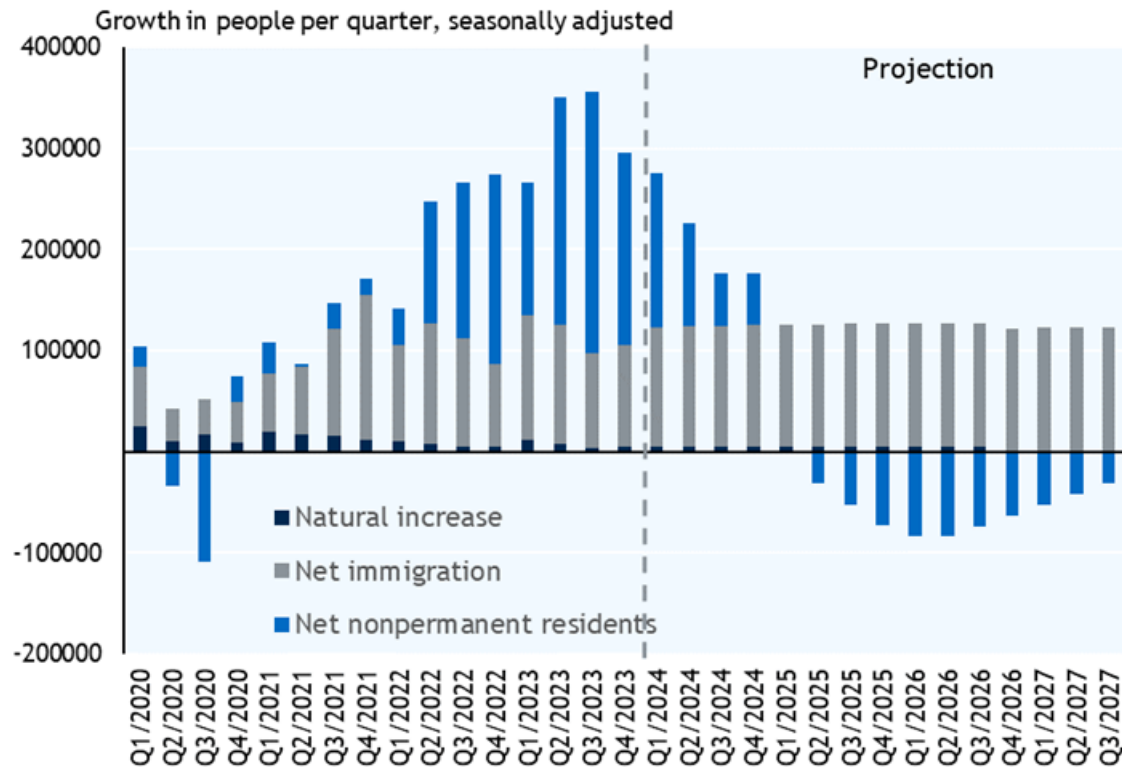
Affordability relief from rate drop is likely to disappoint

Ownership costs as % of household income, Canada, composite of all housing categories



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

Canada population growth by source



Source: Statistics Canada, RBC Economics Research

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 - *October 10, 2024, 1-2:30 p.m. ET*
- **Immigration & Cross-Border Financial Planning**
 - *October 16, 2024, 1-2:30 p.m. ET*
- **Cross-Border Essentials: Your Guide to U.S. Home Financing, Banking & More**
 - *October 23, 2024, 1-2:30 p.m. ET*

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