

RBC
Economics

Canadian Economic Update



Carrie Freestone
Economist, RBC



Today's Facilitator



ALAIN FORGET

Head of Business Development, RBC Bank

Alain has been working for RBC for over 40 years, holding various business and sales leadership roles in Canada, the Caribbean and the U.S. He is passionate about helping Canadians purchase U.S. homes and works closely with consumers, real estate professionals and other strategic partners to provide education and opportunity to Canadian buyers in the U.S. Alain acts as spokesperson for the media and at real estate conferences as a subject matter expert. He is also a licensed real estate agent in Florida and holds a degree in Finance & Management.

Register Questions

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Note, this webinar is being recorded, and the presentation will be made available on our virtual advice event landing page.



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.

Global GDP Growth Slows

Global GDP growth slowing from pandemic highs as momentum fades



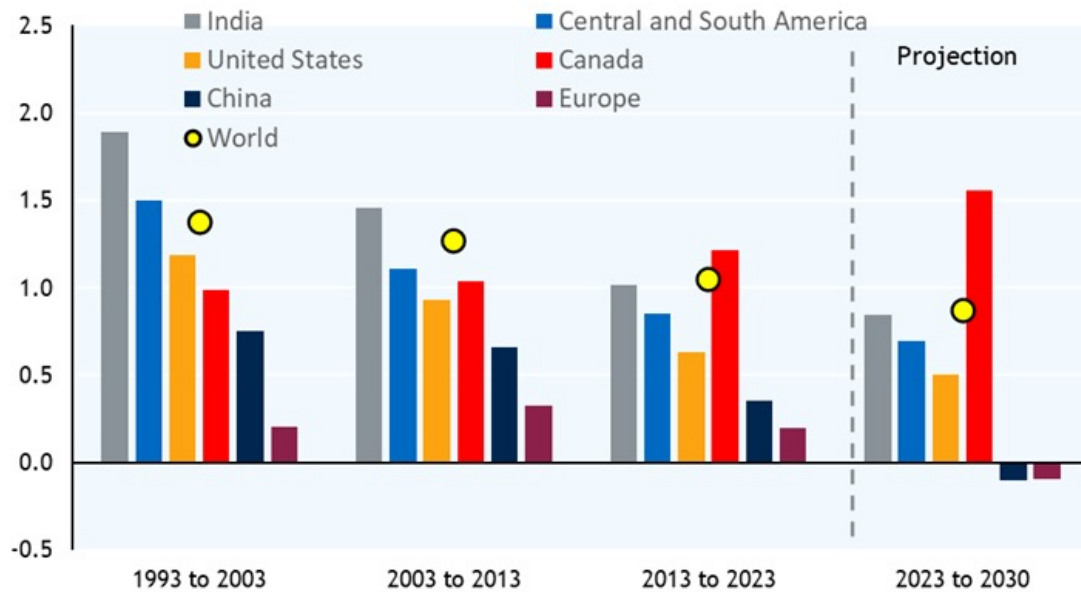
Source: IMF, RBC Economics

Population Growth Distorting Real GDP

Population growth is distorting real GDP growth – households are worse off than they appear

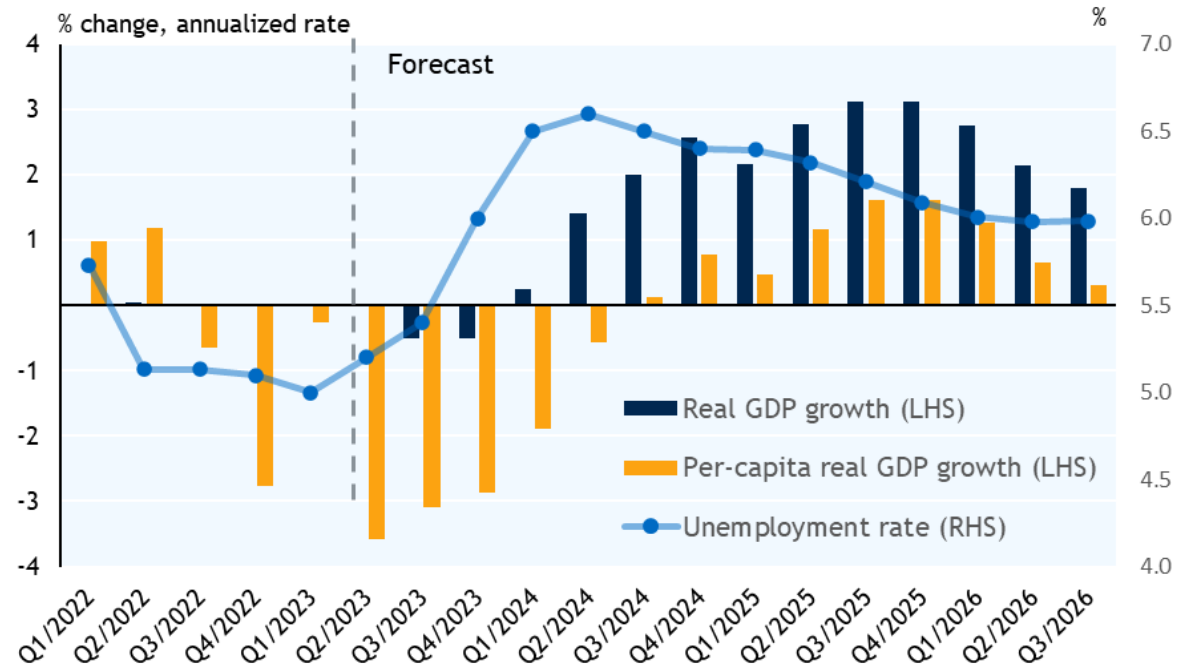
Population growth slowing (everywhere but Canada)

Average percent change per year



Source: UN population projections (Statistics Canada for Canada), RBC Economics Research

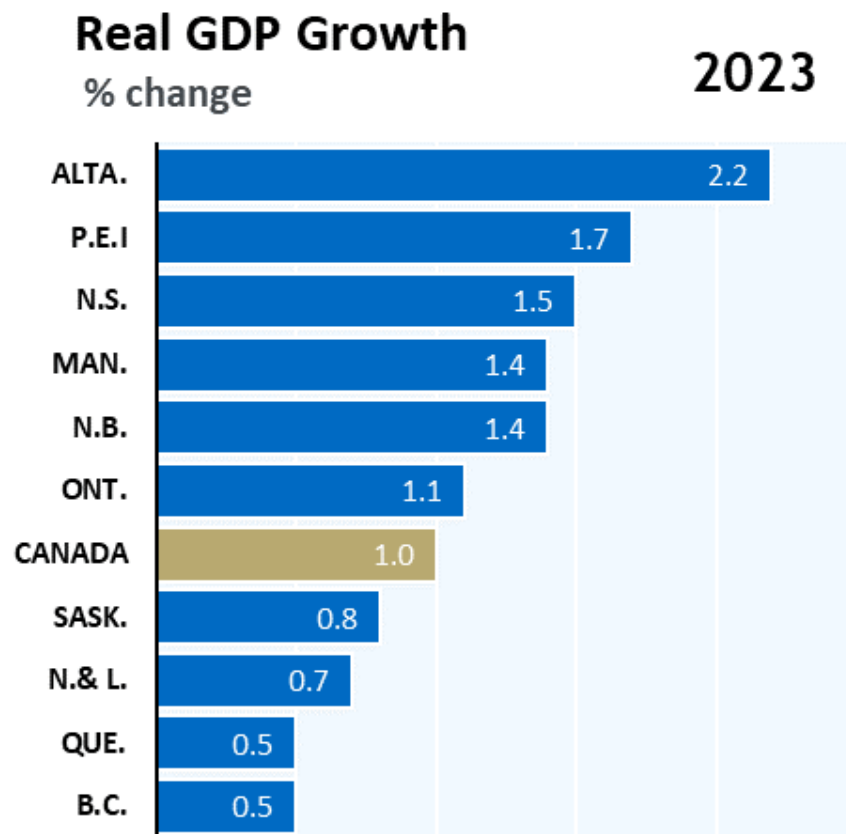
GDP vs. per-capita GDP growth



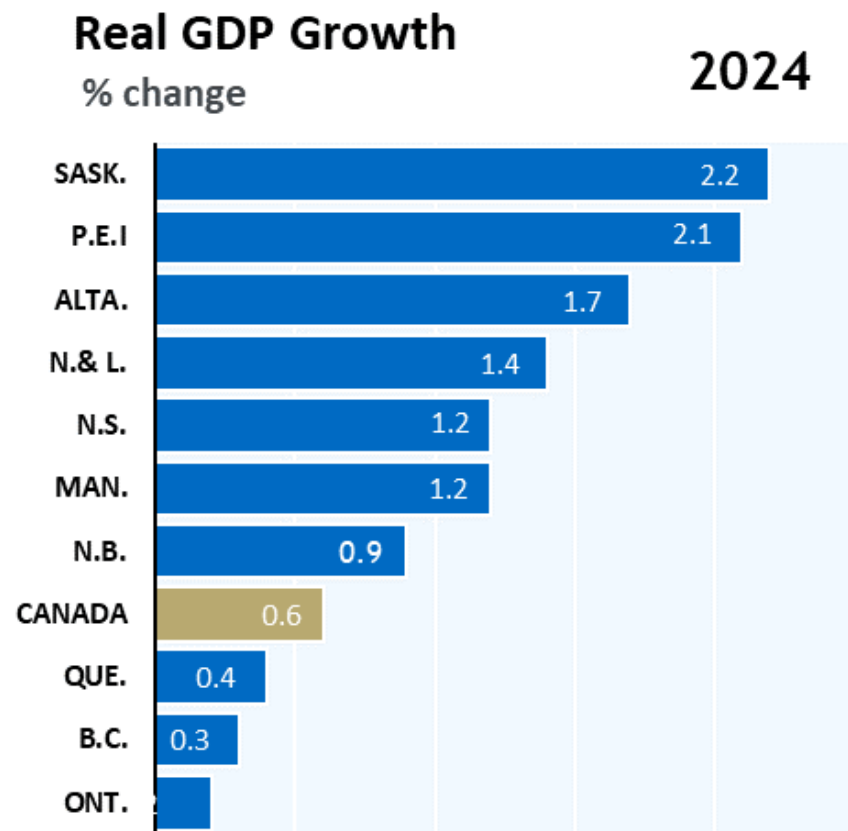
Source: Statistics Canada, RBC Economics

Canadian Provincial Snapshot

Economic growth to moderate across (almost) all provinces



Source: Statistics Canada, RBC Economics

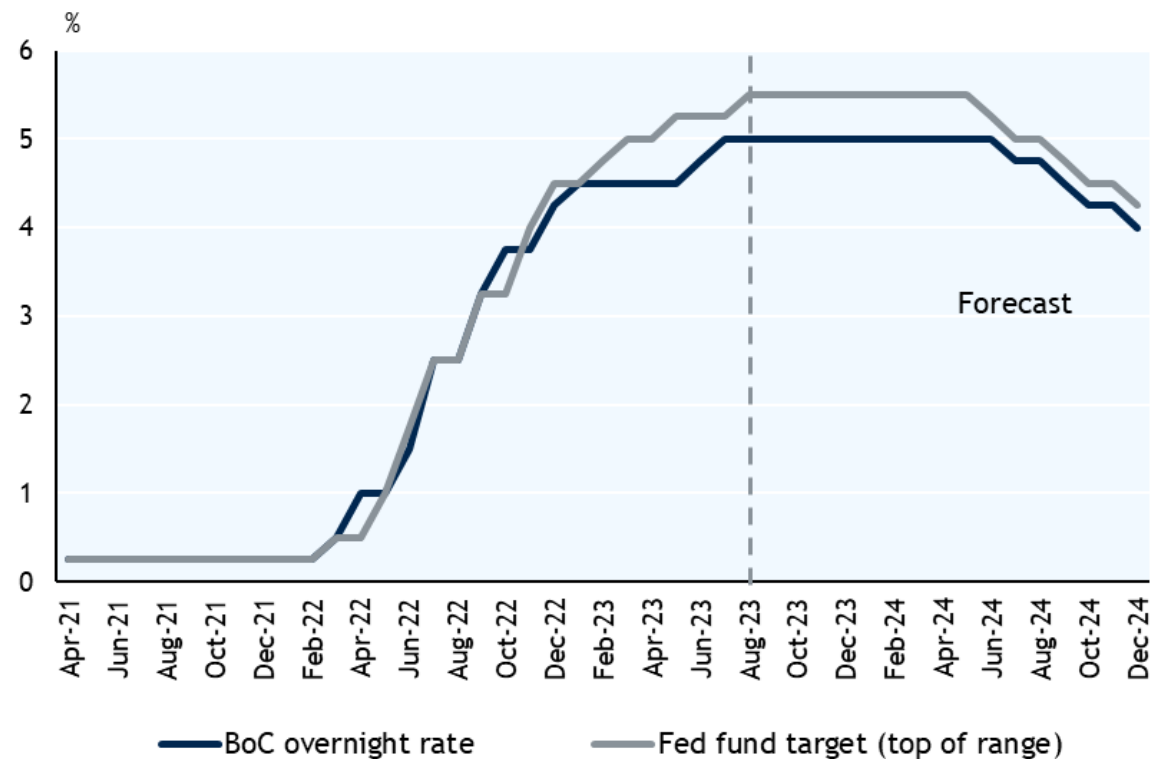


Source: Statistics Canada, RBC Economics

'Data Dependent' Hikes of BoC and Fed Rates

Further BoC & Fed rate hikes now 'data dependent' but would prefer not to hike again unless necessary

Fed and BoC 'hopeful' additional rate hikes not needed



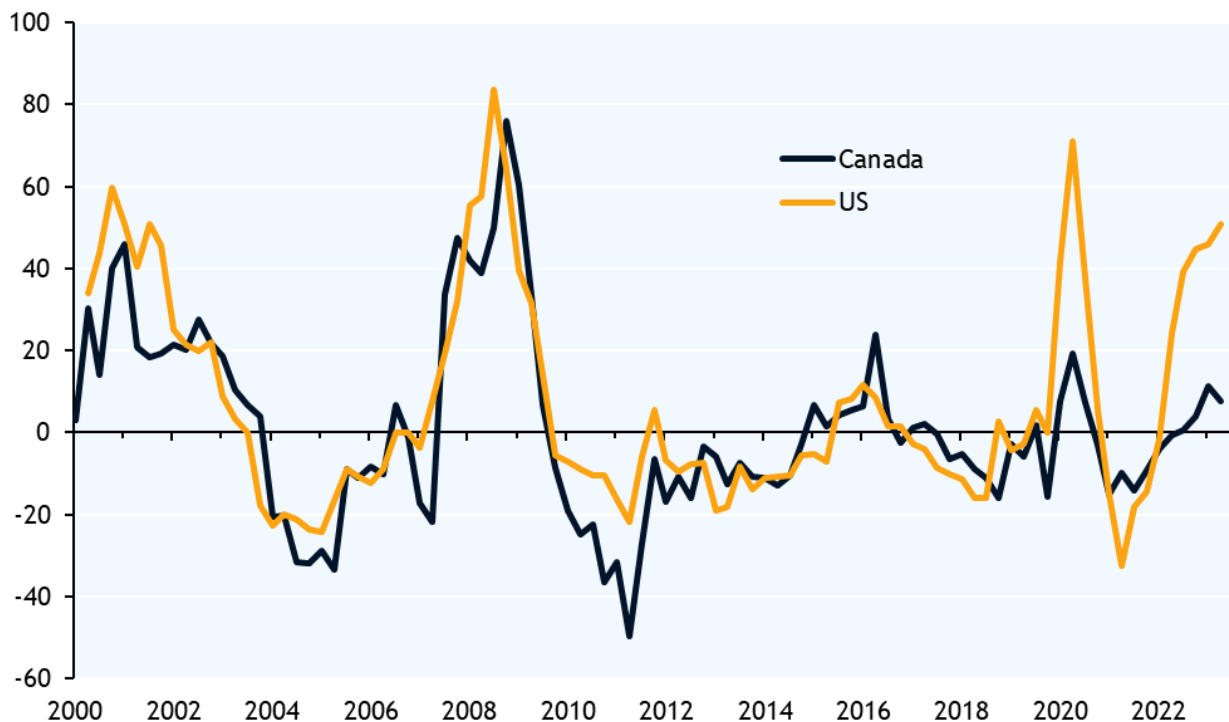
Source: Haver, RBC Economics

Credit Conditions Tighten

Credit conditions continue to tighten – U.S. lenders pulling back more than Canada’s

US credit conditions continue to tighten

Net percent of lenders expecting tightening in business loan conditions



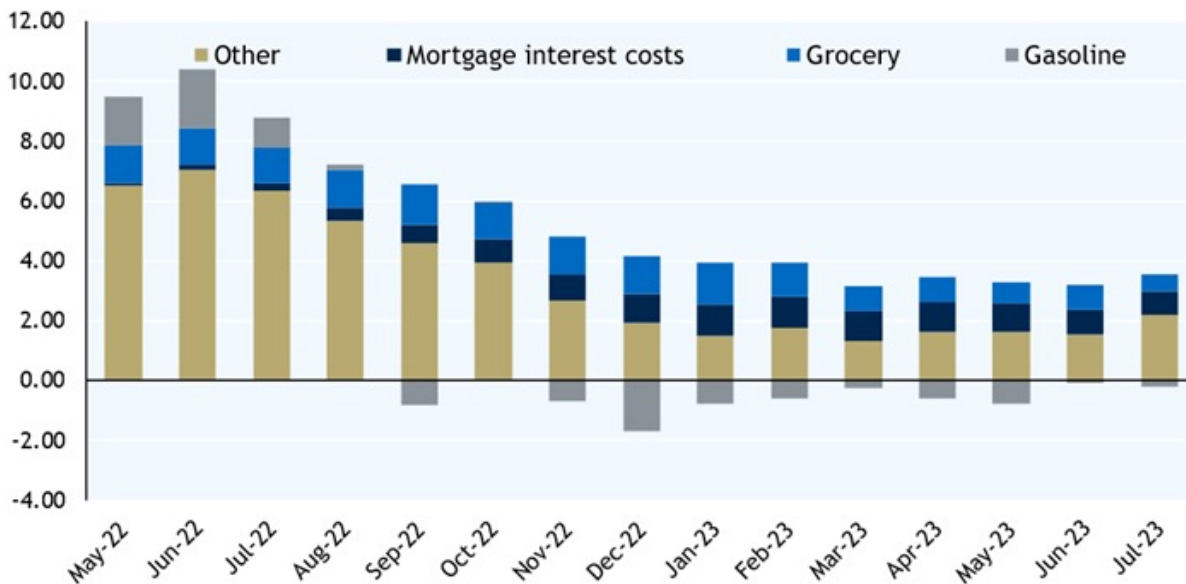
Source: BoC, Fed, RBC Economics

'Core' Measures Above Target

Canadian inflation growth has slowed but 'core' measures still running above target

Mortgage interest costs surge as grocery price growth slows

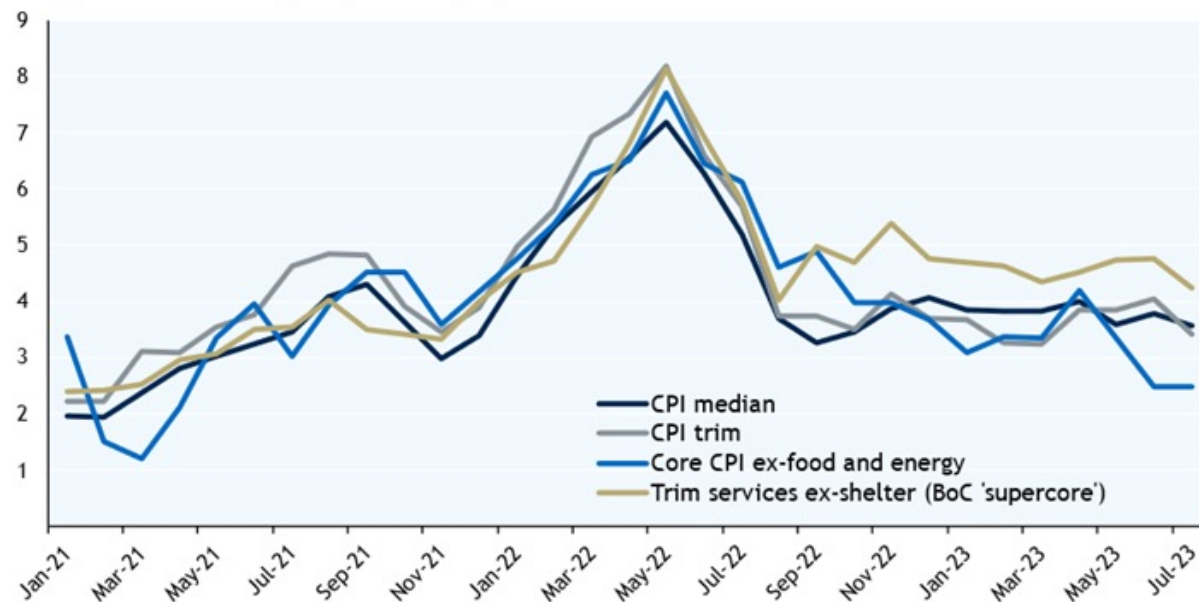
Annualized PPT contribution to 6-month CPI growth, seasonally adjusted



Source: Statistics Canada, RBC Economics

BoC's preferred inflation gauge hovers above 2% inflation target

%, annualized 3-month growth, seasonally adjusted

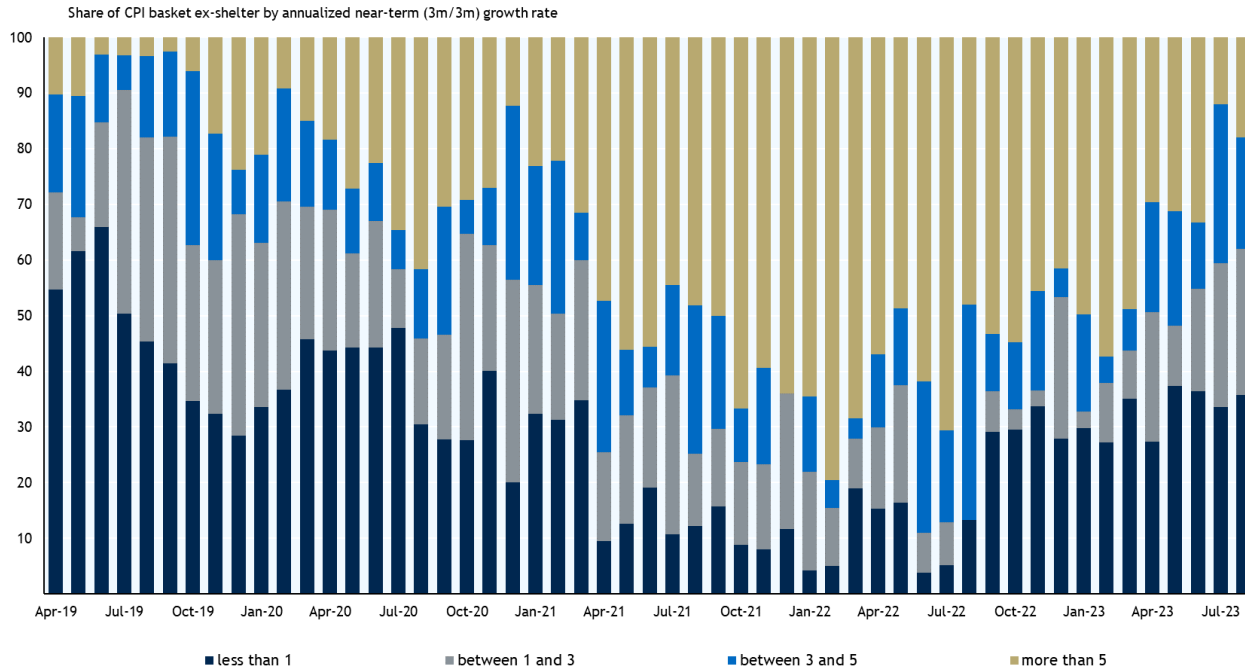


Source: Statistics Canada, RBC Economics

Softening in U.S. Price Growth

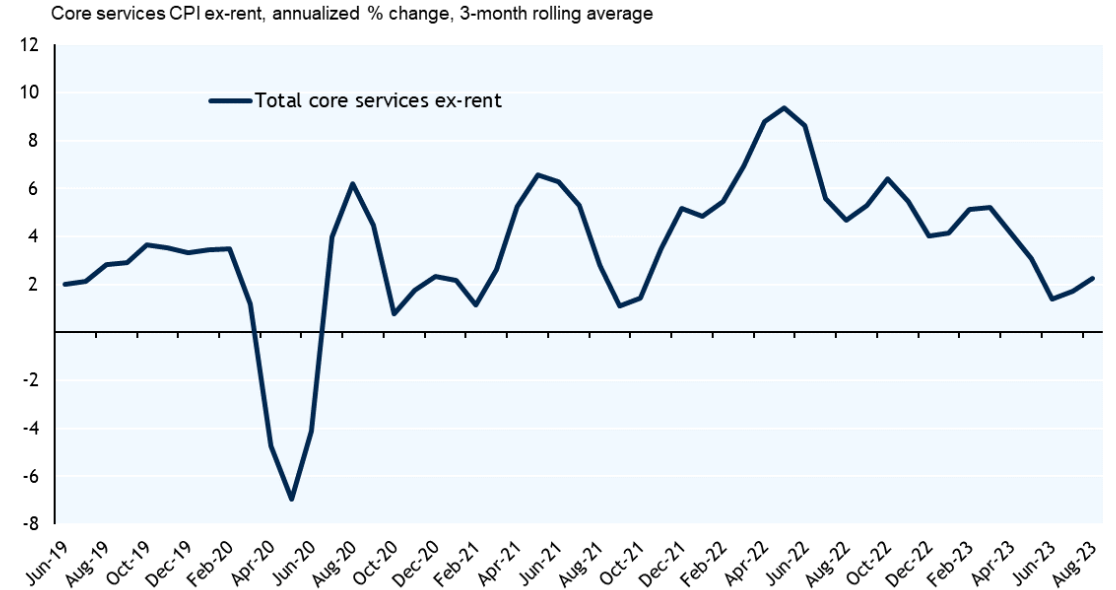
More signs of softening in U.S. price growth, despite resilient consumer spending

Scope of inflation pressures continues to narrow in the U.S.



Source: U.S. Bureau of Labor Statistics, RBC Economics

Controlling for rent Fed's 'supercore' holding around the 2% target



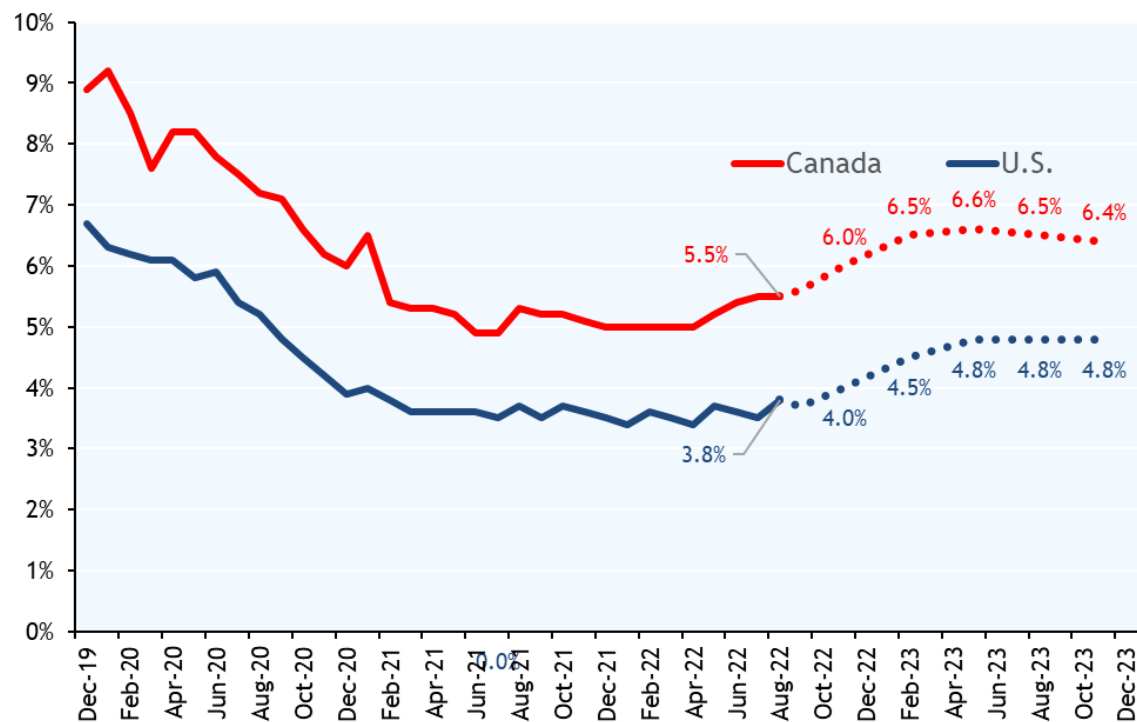
Source: U.S. Bureau of Labor Statistics, RBC Economics

Labour Market Tightness Eases

Signs of easing in labour market tightness Canada – long-expected Canadian unemployment rate upswing begins

Jobless rate to rise from low level

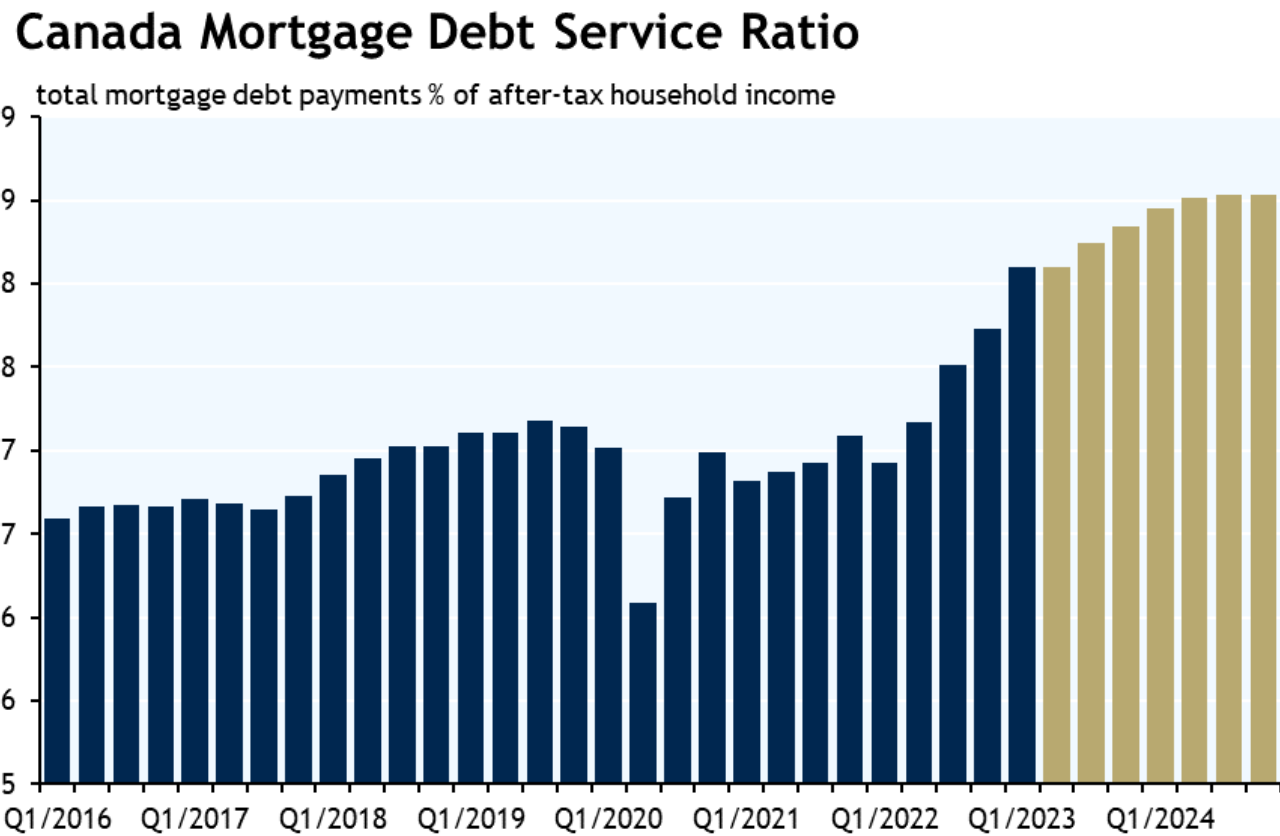
Canadian unemployment rate, percent



Source: Haver, RBC Economics

Record Amounts Spent on Mortgage Payments

Canadians spending a record share of take-home pay on mortgage payments



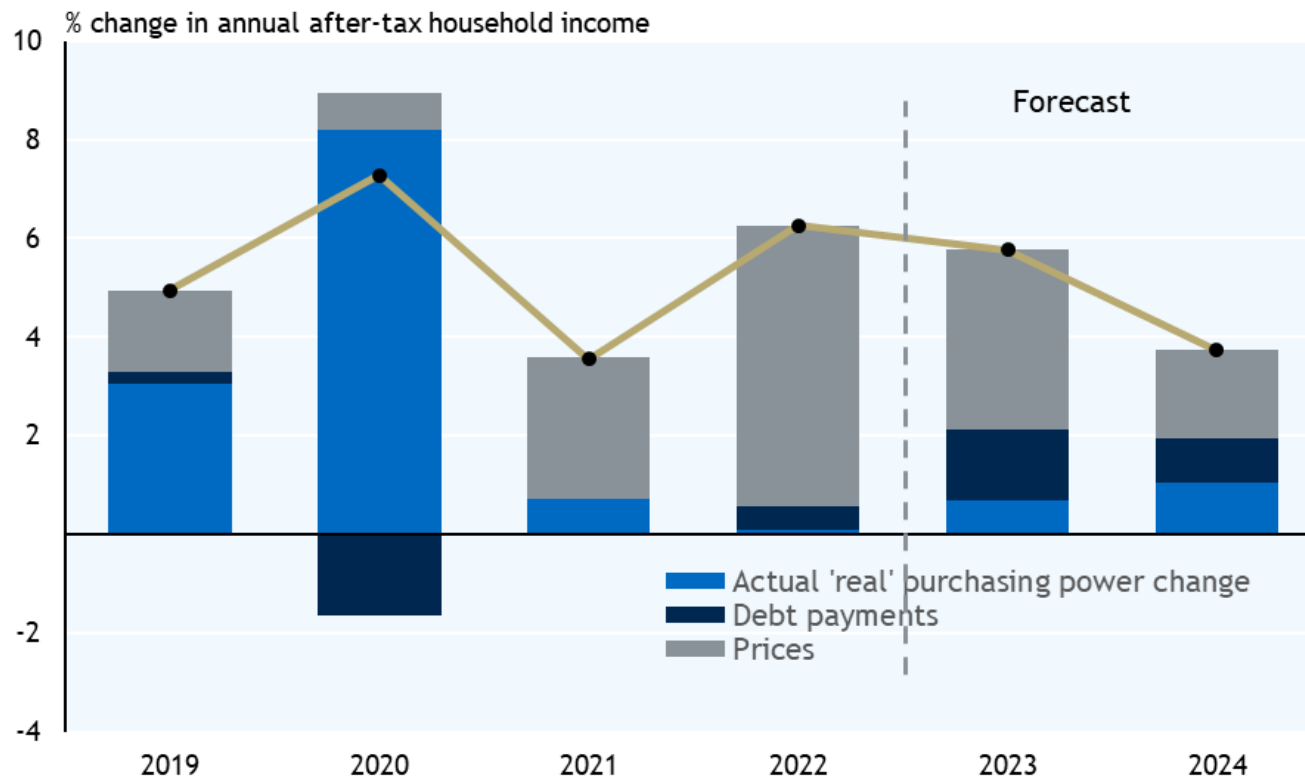
Source: Statistics Canada, RBC Economics Research



Debt and Inflation Impact Purchasing Power

Higher debt payments and inflation soaking up Canadian household purchasing power

Debt payments and inflation soaking up household incomes

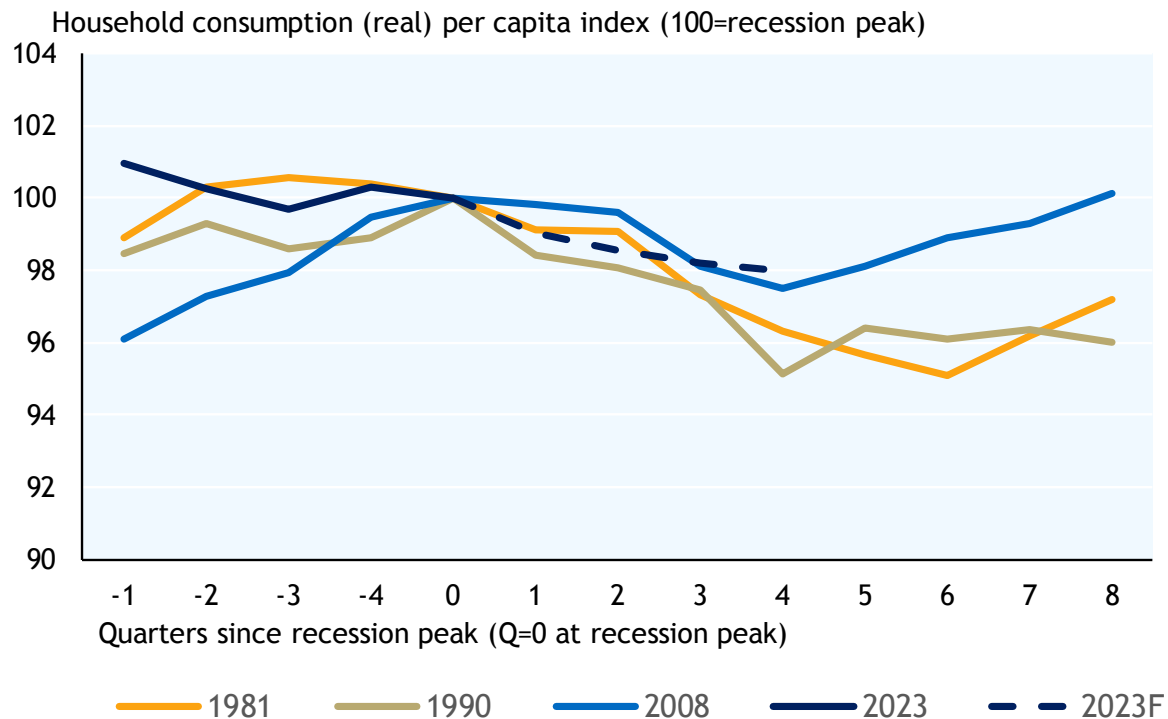


Source: Statistics Canada, RBC Economics Research

Consumption Flattening

Consumption has already flattened on a per capita basis

Canadian per capita consumption trends expected to be in line with prior recessions



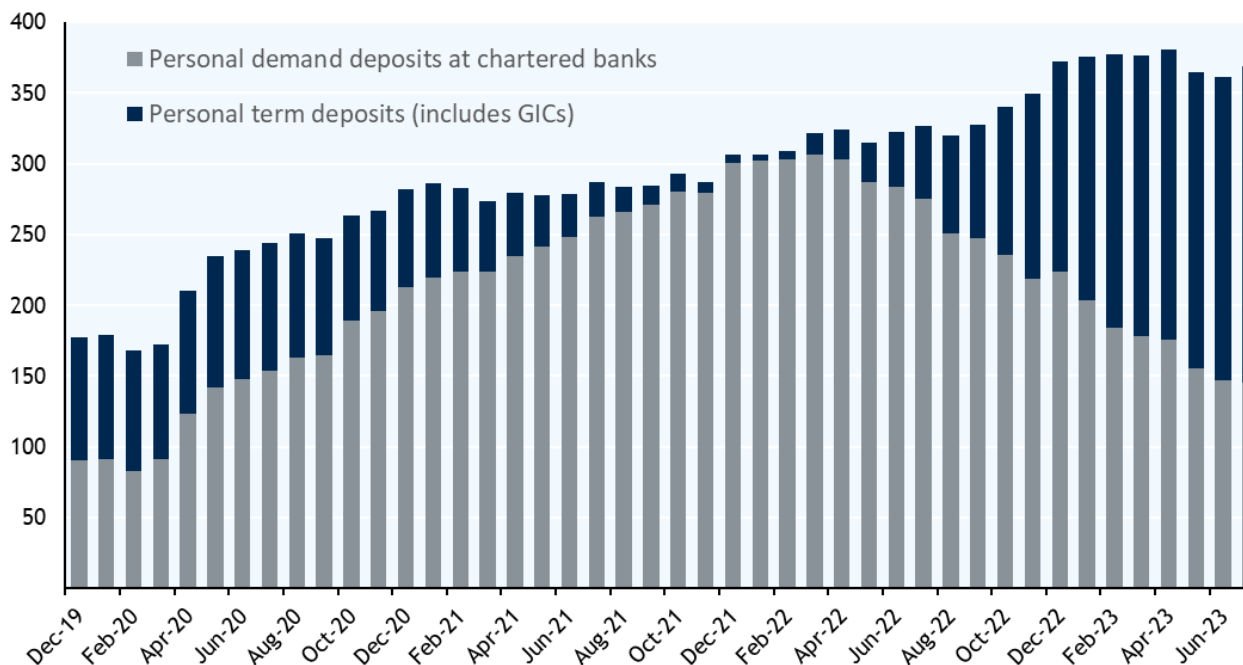
Source: Statistics Canada, RBC Economics

Cash Savings Shift to Term Deposits

Cash savings are still high, but shifting to term deposits (less likely to be spent)

Canadians still sitting on huge cash stockpile vs. pre-pandemic

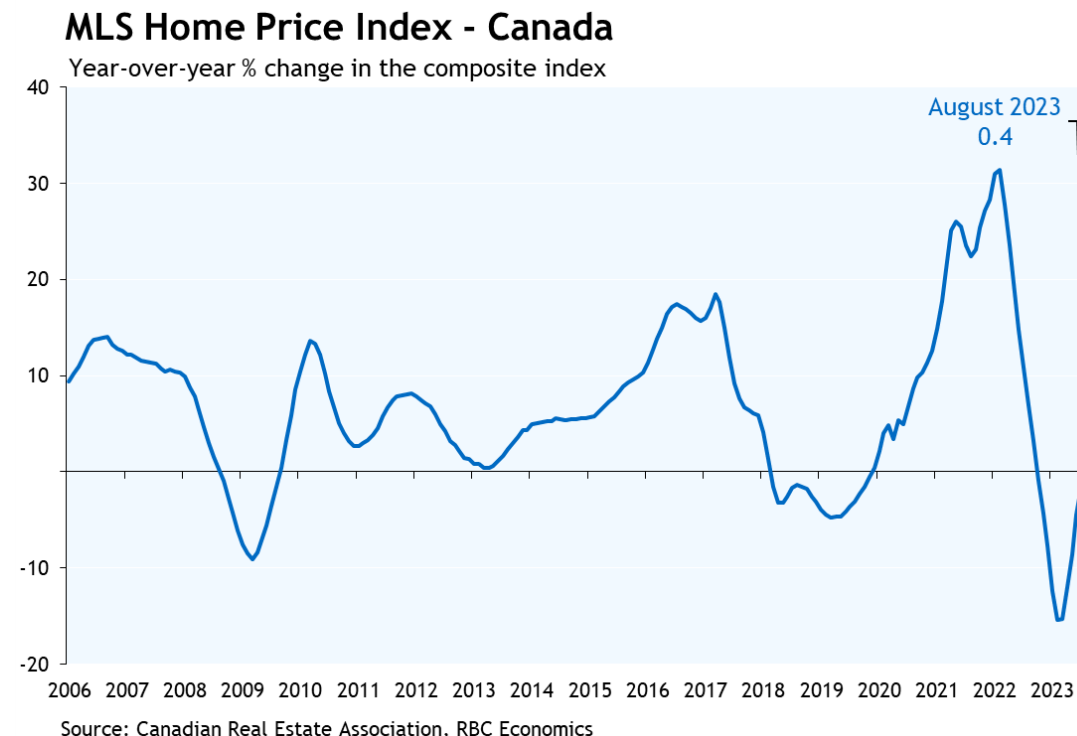
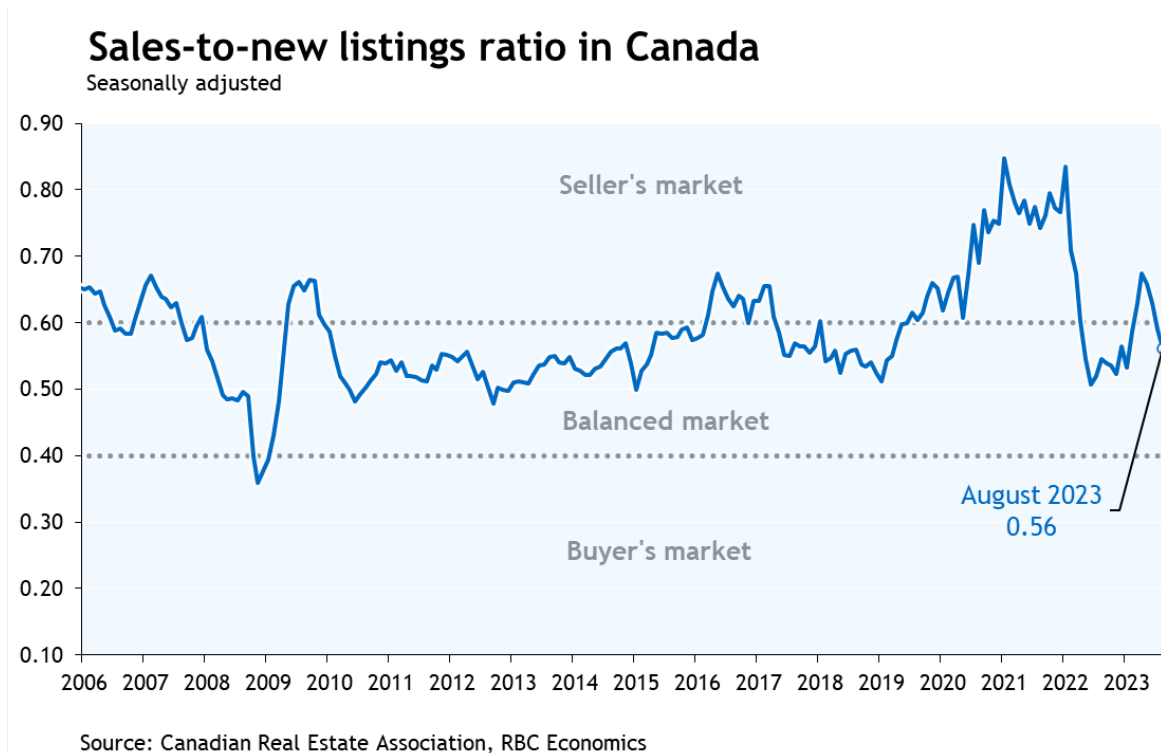
41- mth change (latest data shows accumulation from Feb-2020 to Jul-2023 in billions)



Source: CBA, RBC Economics Research

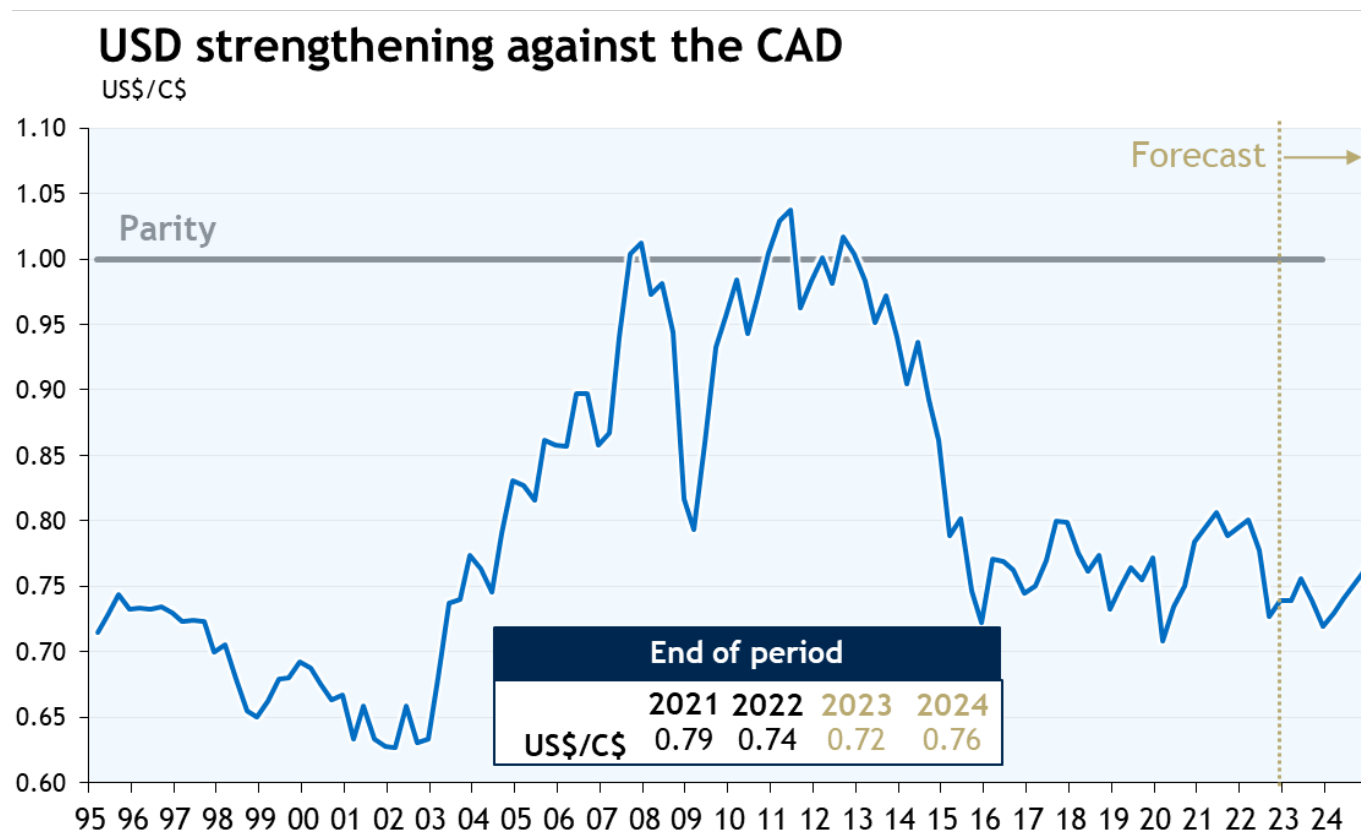
Population Growth Impacts Housing Market

Housing markets bottomed earlier than expected in the spring – population growth underpinning demand



CAD Outlook Flat

CAD outlook flattish with BoC and Fed moving (mostly) in tandem



Source: Bank of Canada, RBC Economics



For more information please visit: [rbc.com/economics](https://www.rbc.com/economics)

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Additional 2023 Virtual Advice Events



- **Cross-Border Lifestyles: From Digital Nomad to Retiree**
 - *October 17, 2023, 1-2:30 p.m. ET*
- **The U.S. Real Estate Market and Home Insurance: What You Need to Know**
 - *October 24, 2023, 1-2:30 p.m. ET*
- **Ask the Expert: Tax, Legal and Estate Considerations for Owning a U.S. Property**
 - *October 31, 2023, 1-2:30 p.m. ET*

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