

An aerial photograph of a city, likely New York City, showing a dense urban grid. A large, green, circular park is visible in the center-right, surrounded by buildings and streets. The image has a blue tint.

Economic & Financial Outlook

Alain Forget & Carrie Freestone

October 13, 2022

Today's Facilitator



ALAIN FORGET

Head of Business Development

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.

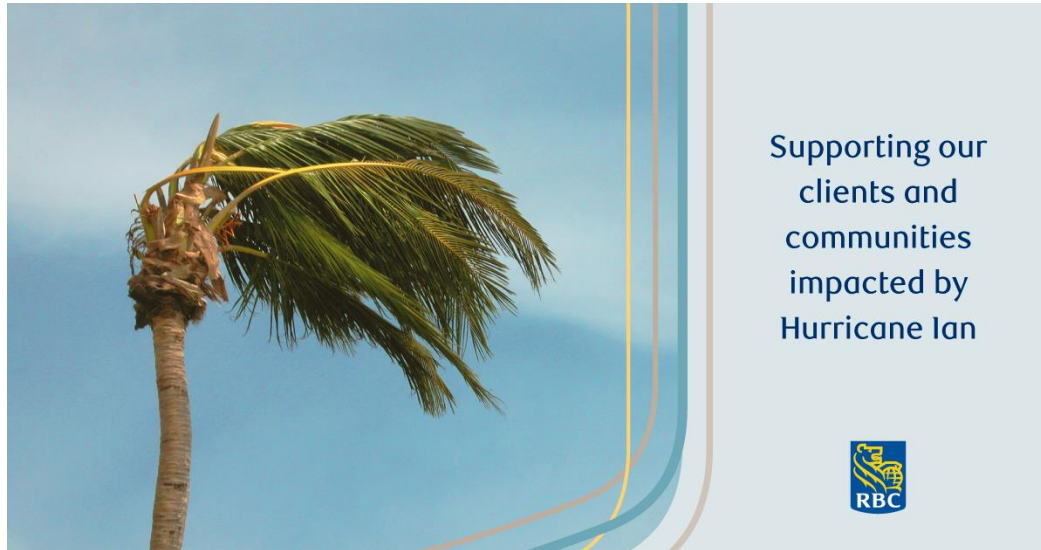
Questions



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

We're Here for You



We've donated \$150,000 USD to the American Red Cross to provide for the immediate basic needs of people displaced and impacted by the hurricane.

We've also launched a financial relief program to assist RBC Bank cross-border clients who were affected and need support. For more information, visit rbcbank.com or call 1-800-ROYAL-53

Today's Speaker



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.

Canadian Economic Update

October 2022

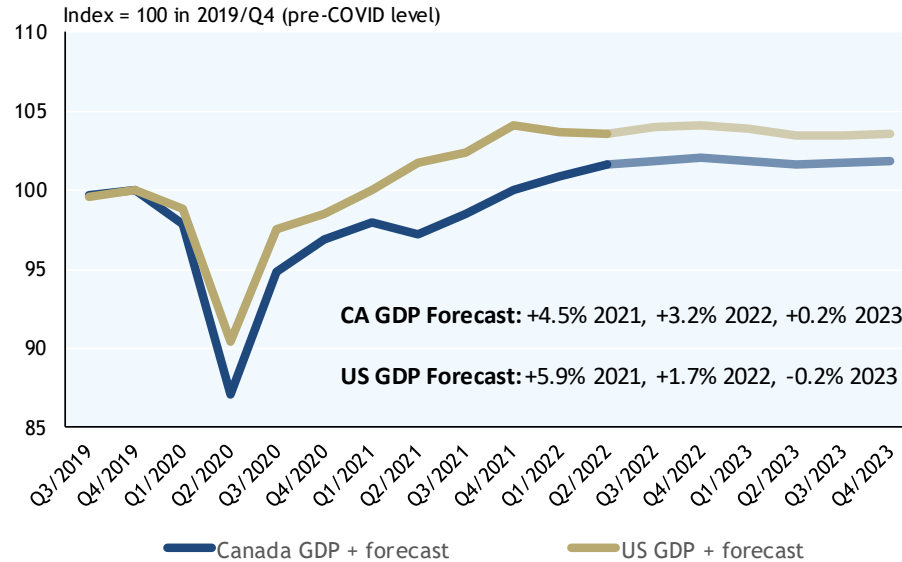
Carrie Freestone
Economist

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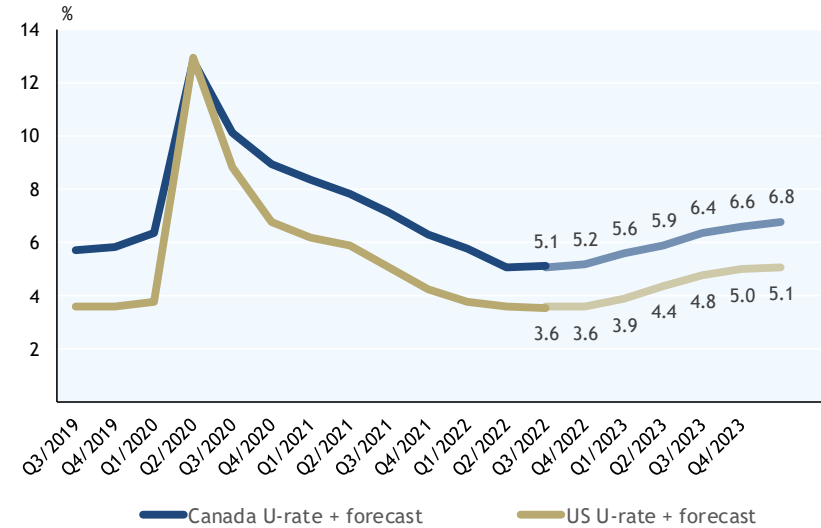
Canada/US GDP growth to slow from unsustainable pace

Canada and US GDP Forecasts



Source: Haver, RBC Economics

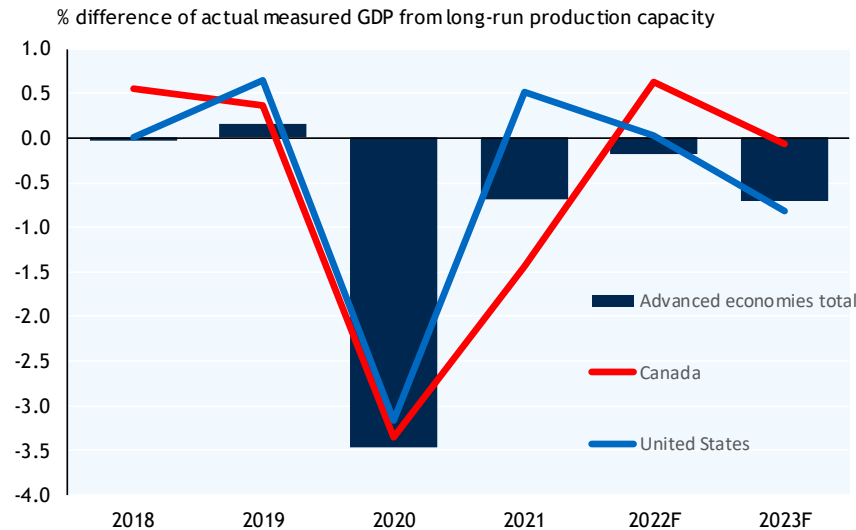
Unemployment rates will drift up from historic lows



Source: Haver, RBC Economics

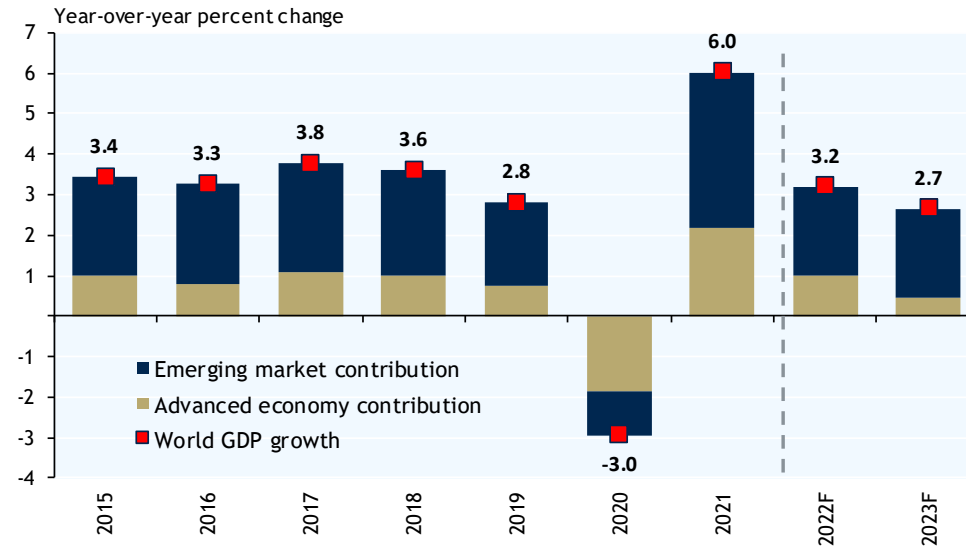
Global GDP growth slowing; advanced economies bumping up against capacity limits

Advanced economies at long-run capacity limits



Source: International Monetary Fund, RBC Economics

Global GDP growth slows from pandemic highs

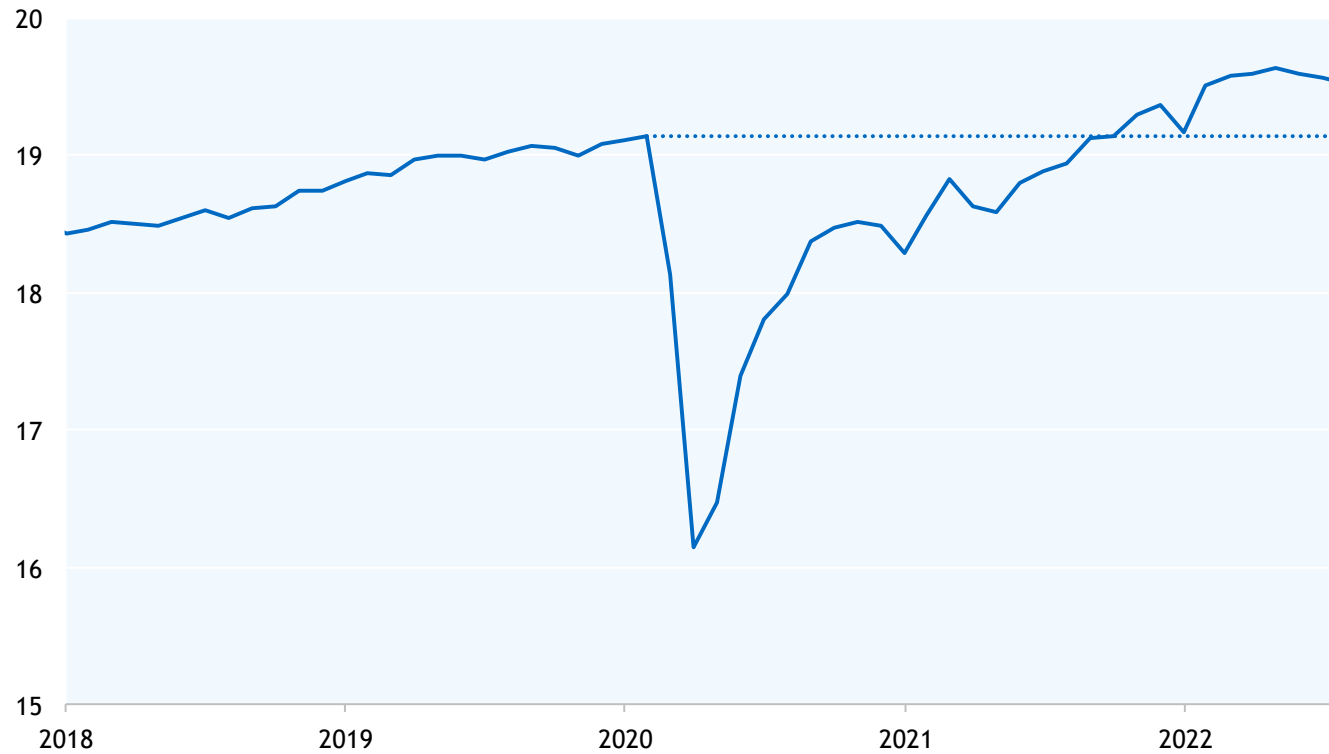


Source: International Monetary Fund, RBC Economics

No more economic slack

Employment: Canada

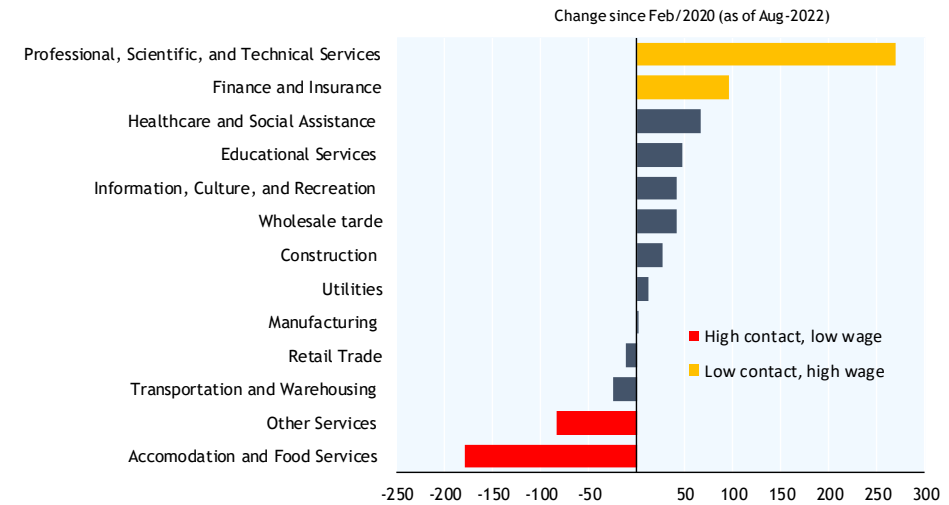
Millions



Source: Statistics Canada, RBC Economics

Labour markets still in drum-tight conditions

Workers have shifted to higher-wage, lower-contact, jobs

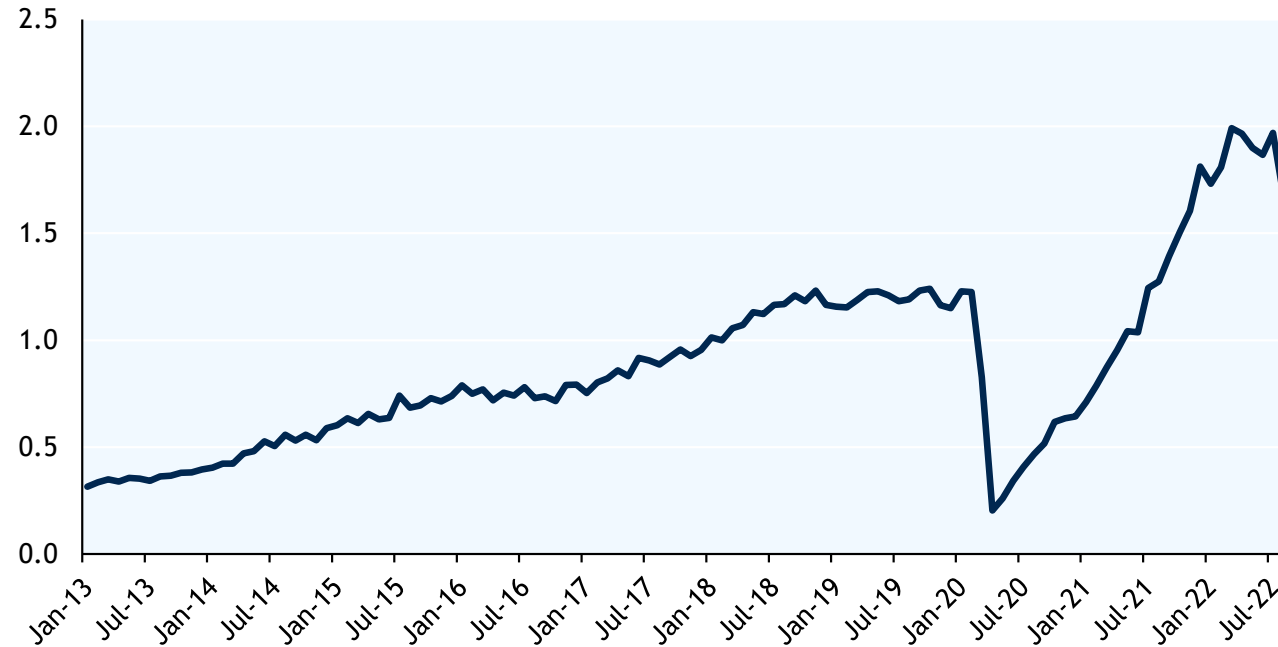


Source: StatCan, RBC Economics

U.S. labour markets getting tighter

Nearly 2 job openings for every unemployed person in the U.S.

Job openings per unemployed worker, seasonally adjusted

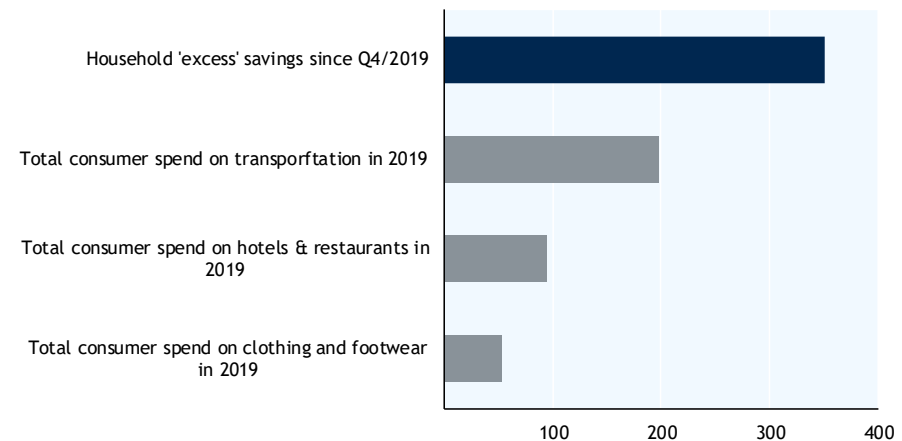


Source: Bureau of Labor Statistics

Pandemic cash savings supports household purchases

Canada Household Savings Stockpile in Context

C\$, Billions

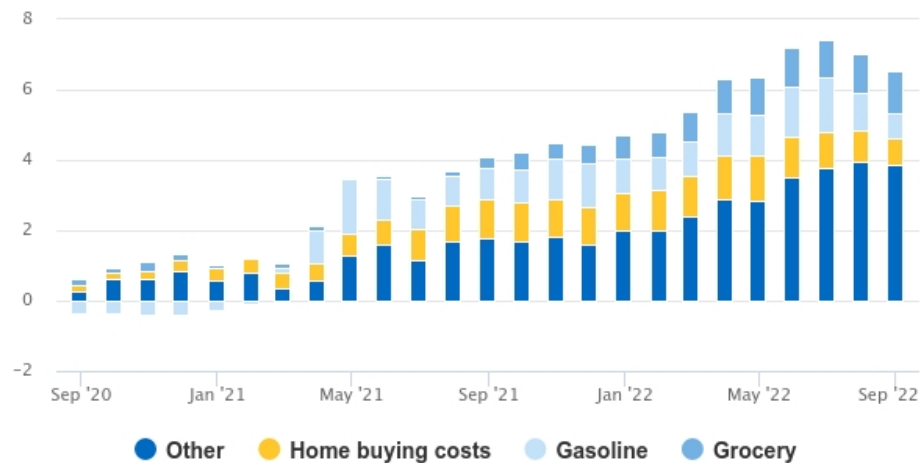


Source: Statistics Canada, RBC Economics

(Headline) inflation rates appear to have peaked...

Inflation in August falls as gas prices sink

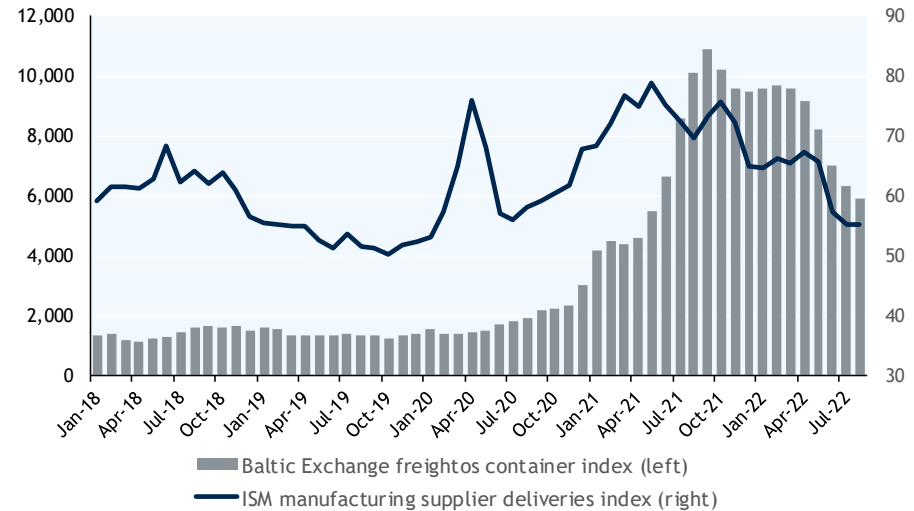
Annualized PPT contribution to 12-month CPI growth, seasonally adjusted



Source: Statistics Canada, RBC Economics Research

Global supply chain pressures continue to ease

Index levels



Source: Statistics Canada, RBC Economics

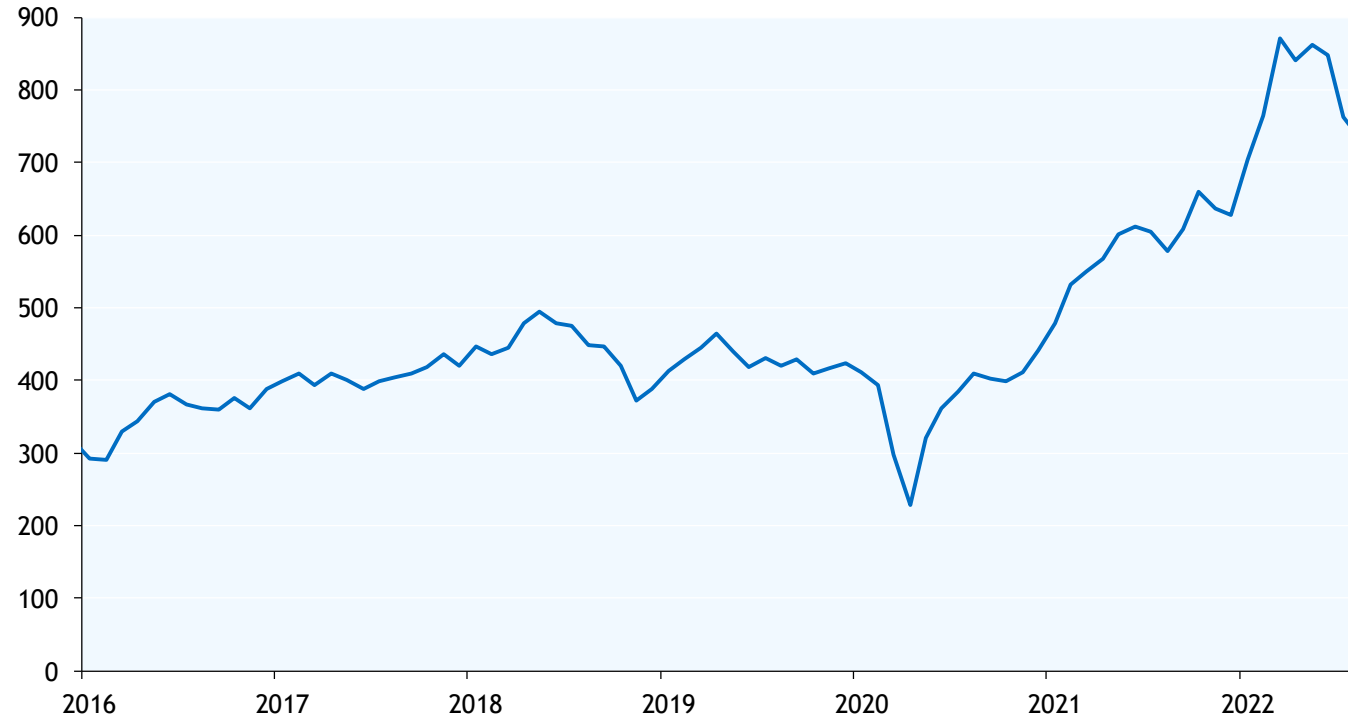
<https://thoughtleadership.rbc.com/rbc-inflation-watch/>
<https://thoughtleadership.rbc.com/rbc-us-inflation-watch/>



Peak commodity prices are behind us

Commodity price index: Canada

January 1972 = 100



Source: Bank of Canada, RBC Economics

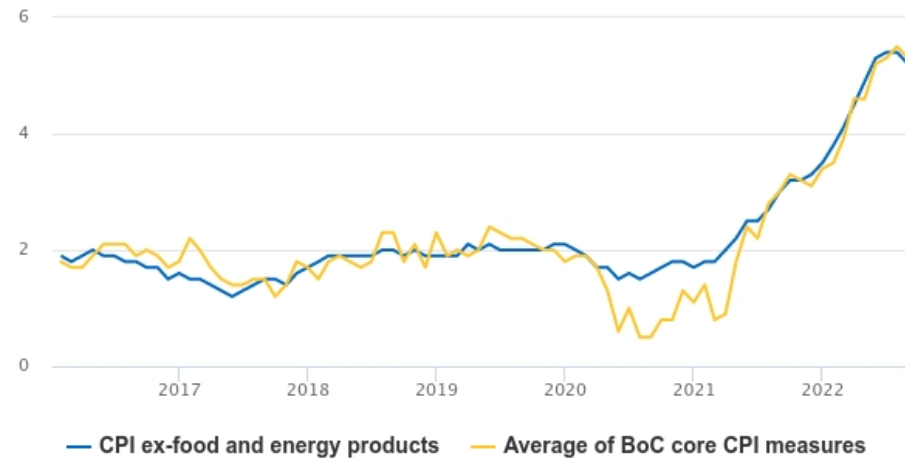
<https://thoughtleadership.rbc.com/rbc-inflation-watch/>
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...but price pressures way too broad to prevent further interest rate hikes

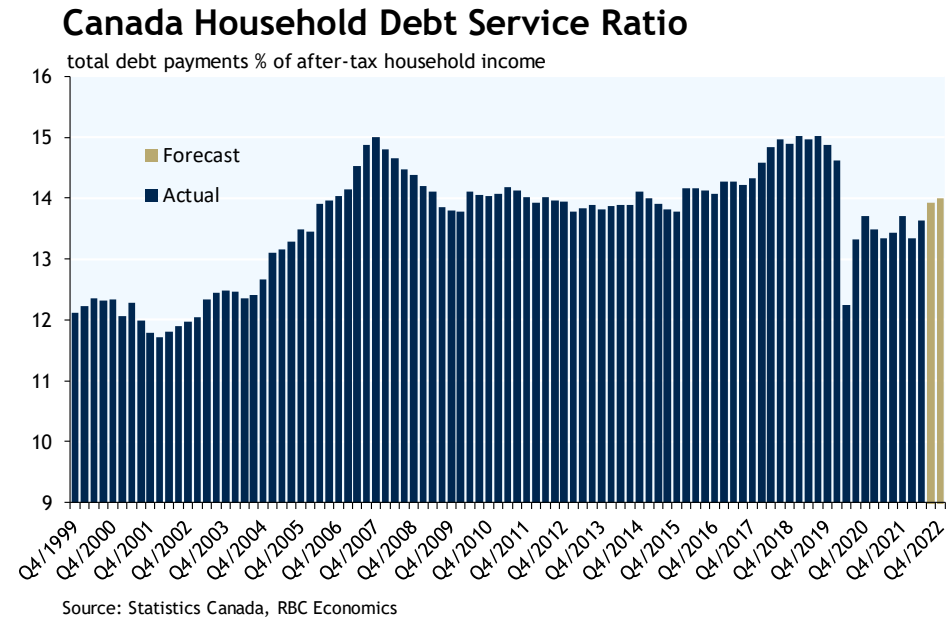
Core inflation ticked lower but still high

Year over year % change



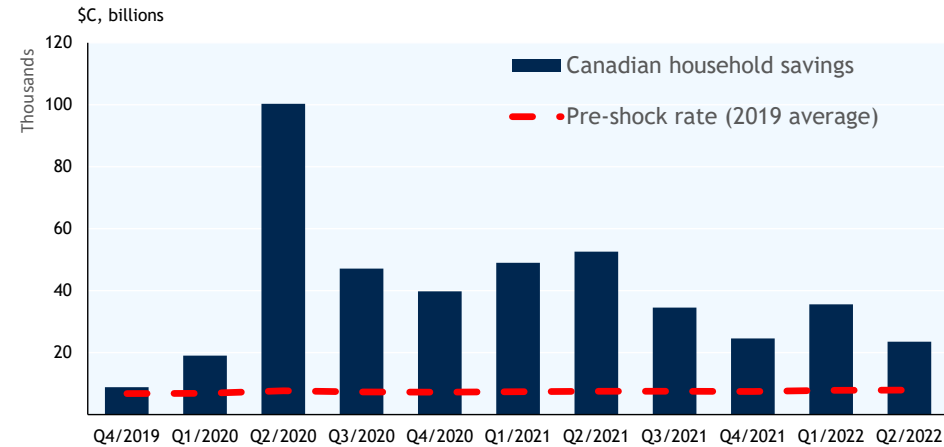
Source: StatCan, RBC Economics

Inflation, central banks rate hikes to squeeze household real purchasing power



Household net worth declining alongside home prices

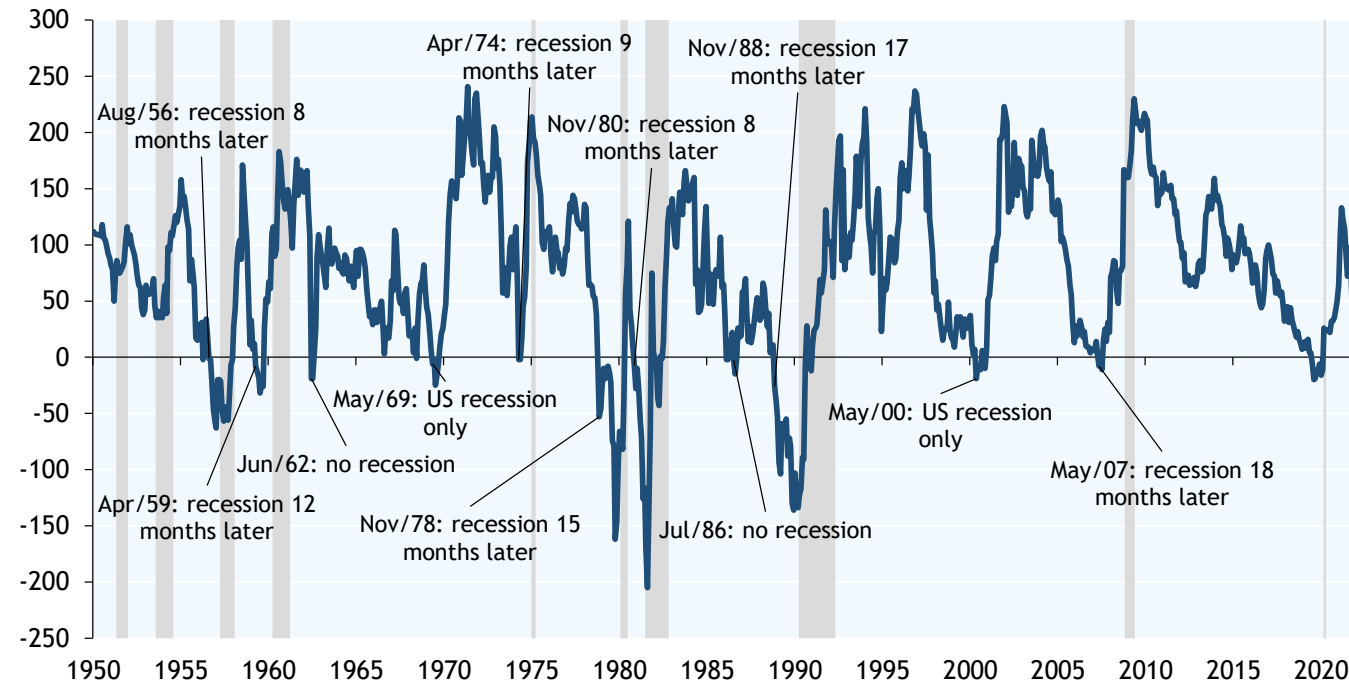
Canada's household savings stockpile



Source: Statistics Canada, Bureau of Economics Analysis, RBC Economics

Canadian yield curve and recessions

Spread between 10-year and 2-year* yield, basis points



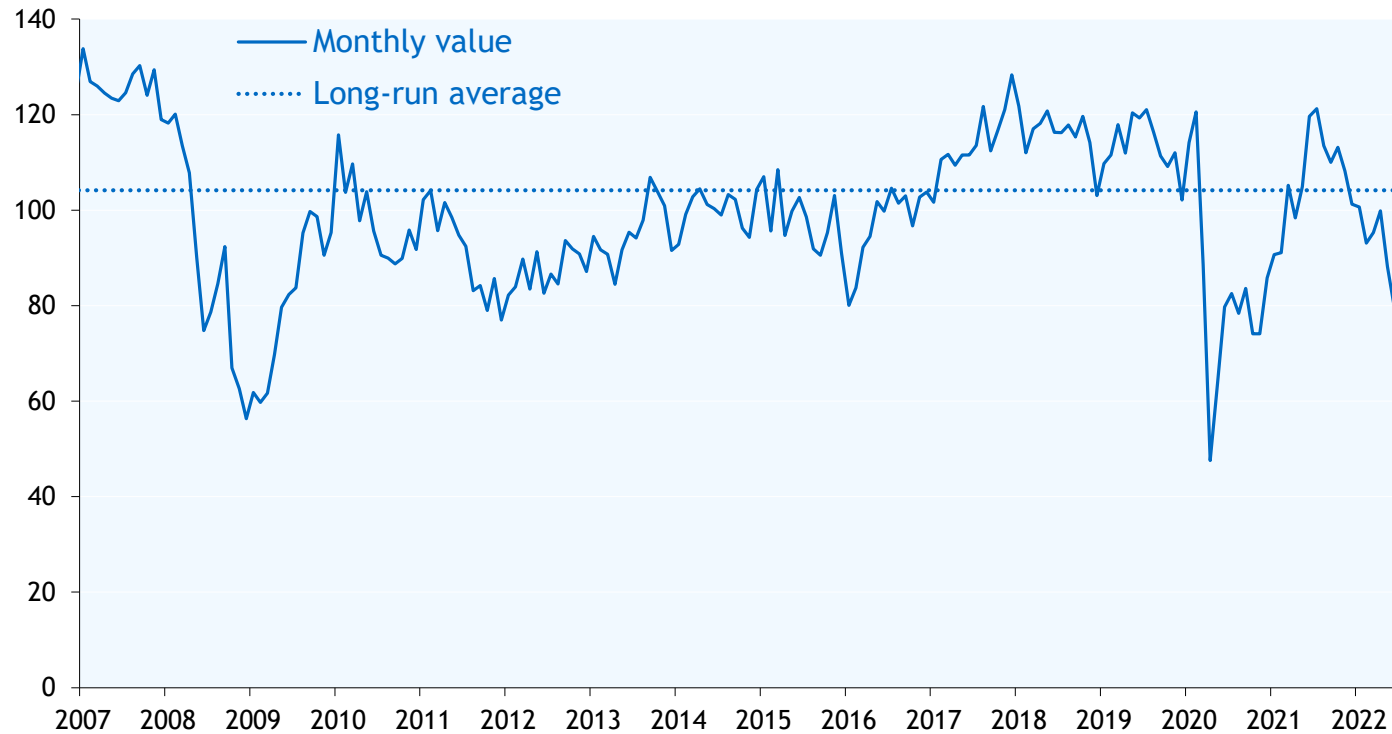
*10-year & over vs. 1 to 3-year yield pre-Jun/82

Source: Bank of Canada, CD Howe Institute, RBC Economics

Canadian consumer confidence falls

Consumer confidence: Canada

2014 = 100

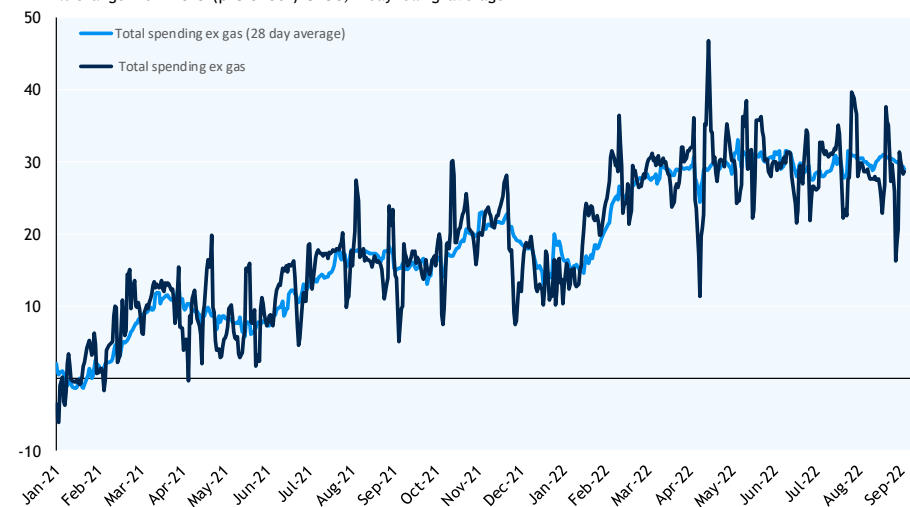


Source: Conference Board of Canada, RBC Economics

Wages are not keeping up with inflation; consumer spending plateaus

Cardholder spending plateaued into September

% change from 2019 (pre-shock) levels, 7-day rolling average

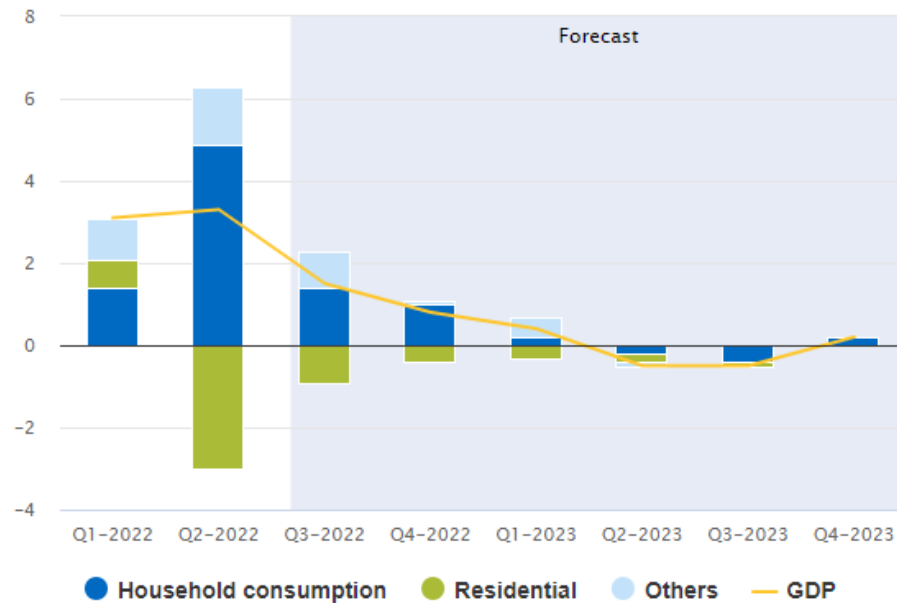


Source: RBC Economics, RBC Data & Analytics

Slowing consumer demand to tip the economy into a mild recession in 2023

Housing and spending slowdown to drive lower growth

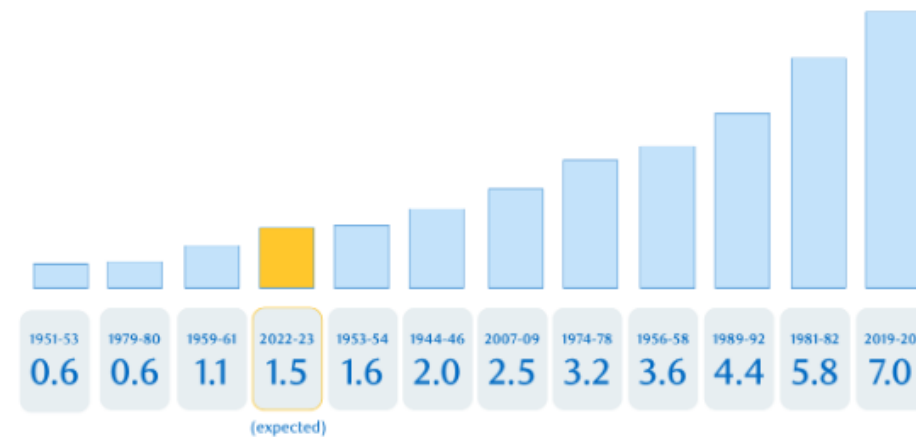
% contribution to quarter over quarter annualized GDP growth



Source: StatCan, RBC Projections

Unemployment rate increases in Canadian recessions

Percentage point increase from pre-shock level

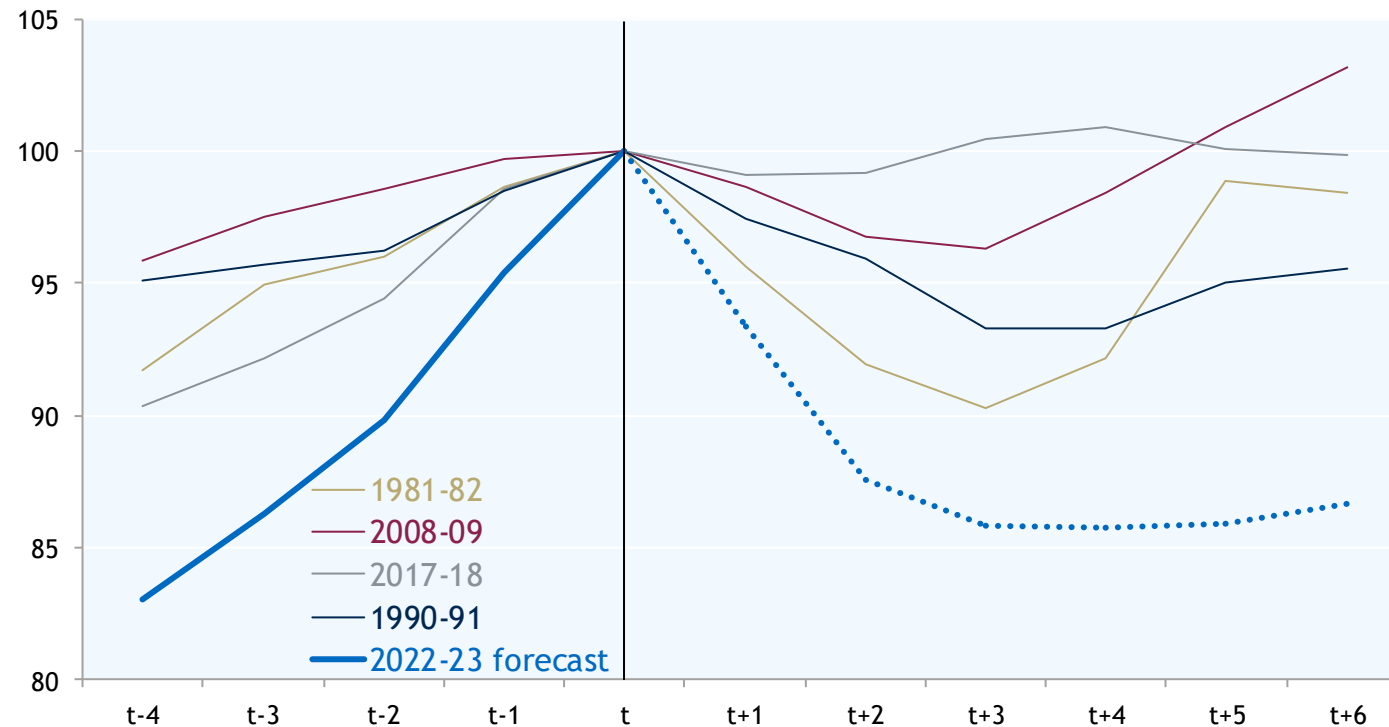


Source: Statistics Canada, RBC Economics

Material housing market correction unfolding

Home price downturns: Canada

RPS/Royal LePage aggregate Home Price Index for Canada, cyclical peak = 100, quarterly



Source: RPS, Royal LePage, RBC Economics

March was the turning point for the market

Home resales: Canada

Thousand units, seasonally adjusted and annualized

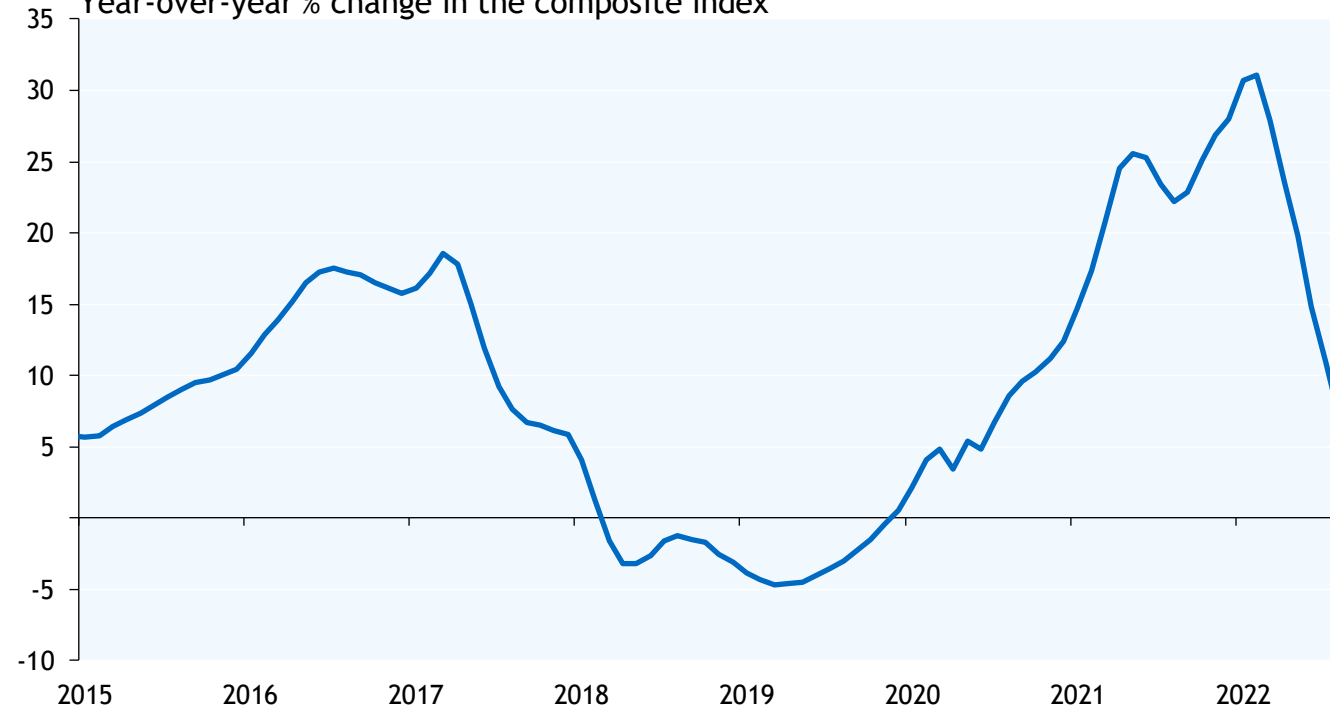


Source: Canadian Real Estate Association, RBC Economics

Prices now reversing earlier gains

MLS Home Price Index: Canada

Year-over-year % change in the composite index

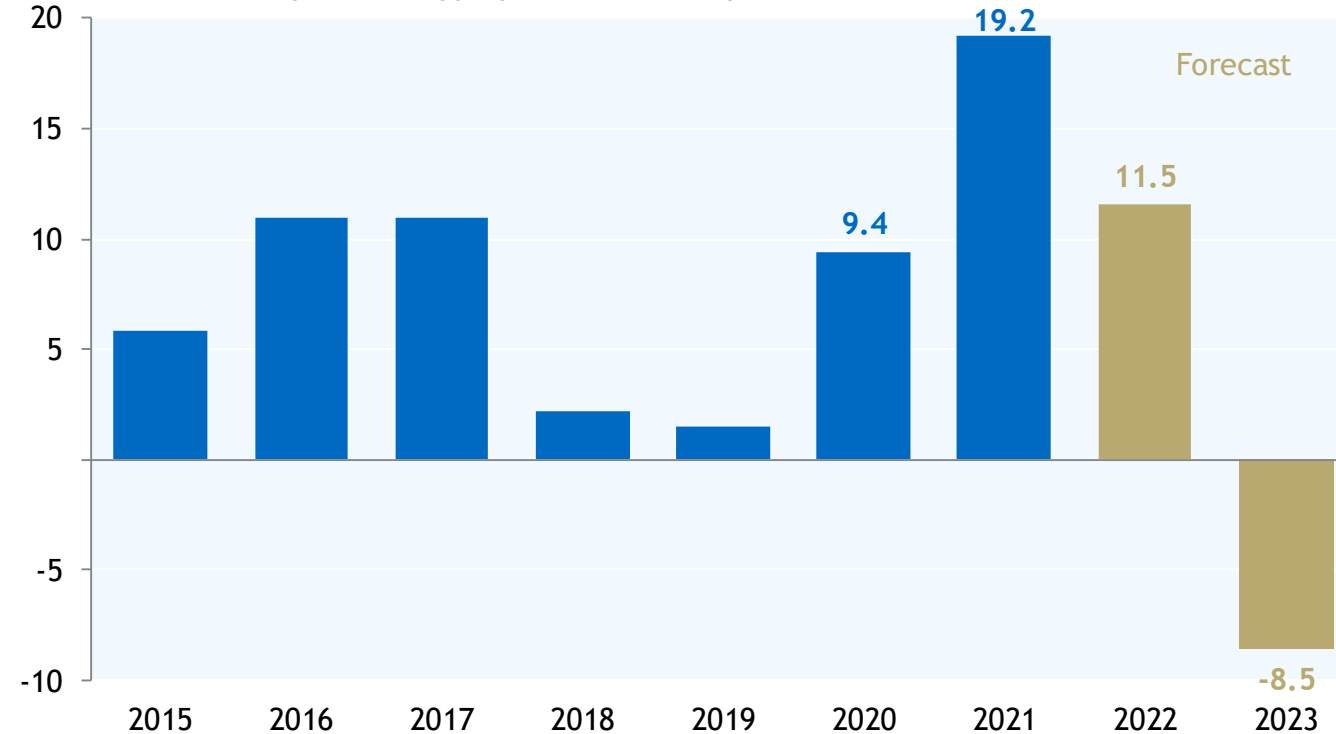


Source: Canadian Real Estate Association, RBC Economics

Price weakness to spread

Home prices: Canada

Annual % change in the aggregate benchmark price for Canada

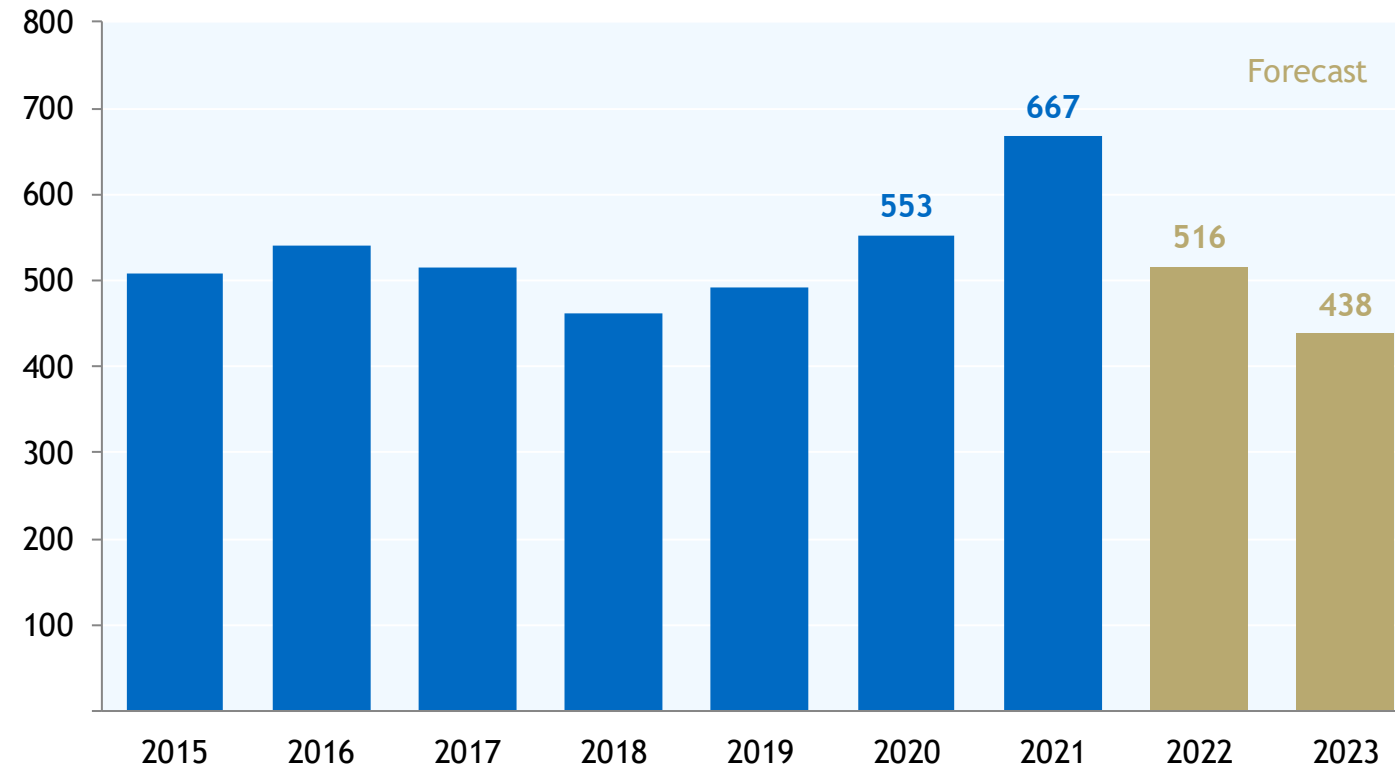


Source: RPS, RBC Economics

Correction expected to extend into 2023

Home resales: Canada

In thousands of units

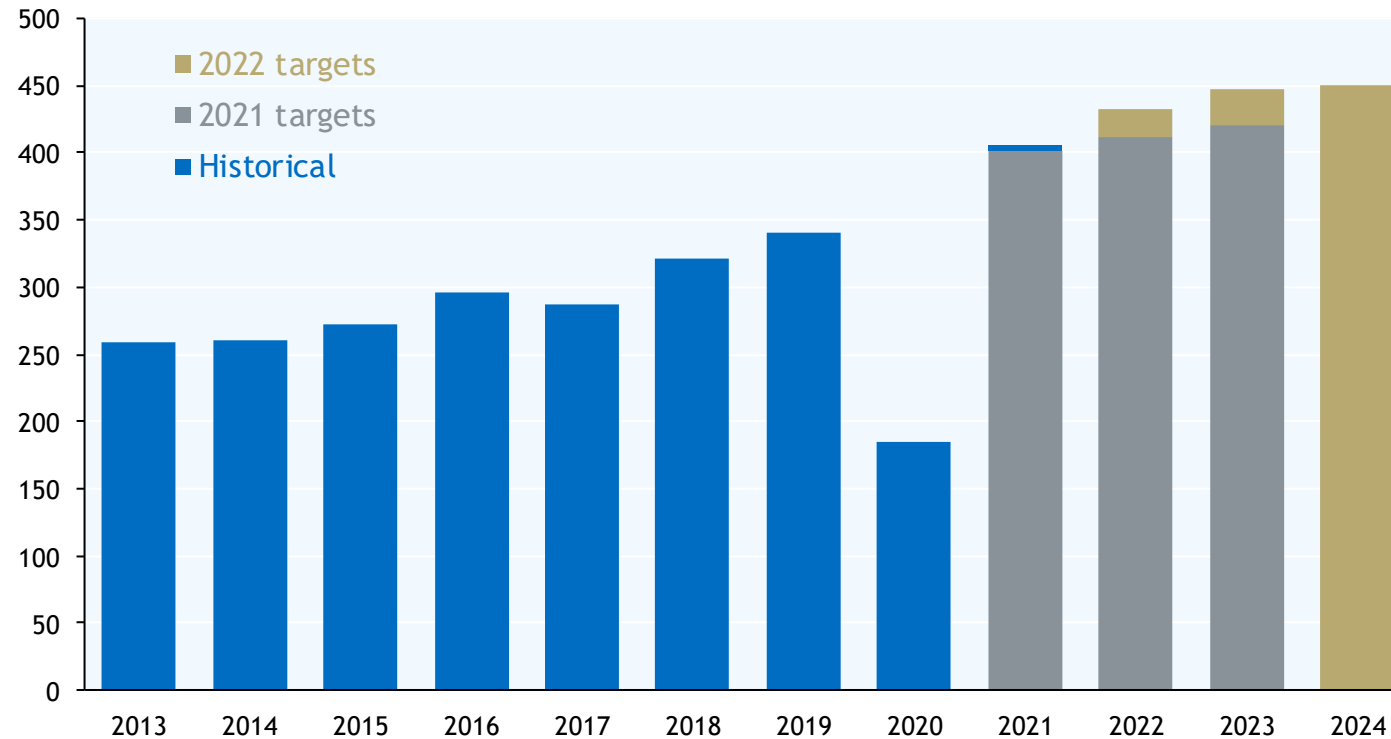


Source: Canadian Real Estate Association, RBC Economics

Still, housing is unlikely to collapse

Immigration: Canada

New permanent residents in Canada, in thousands

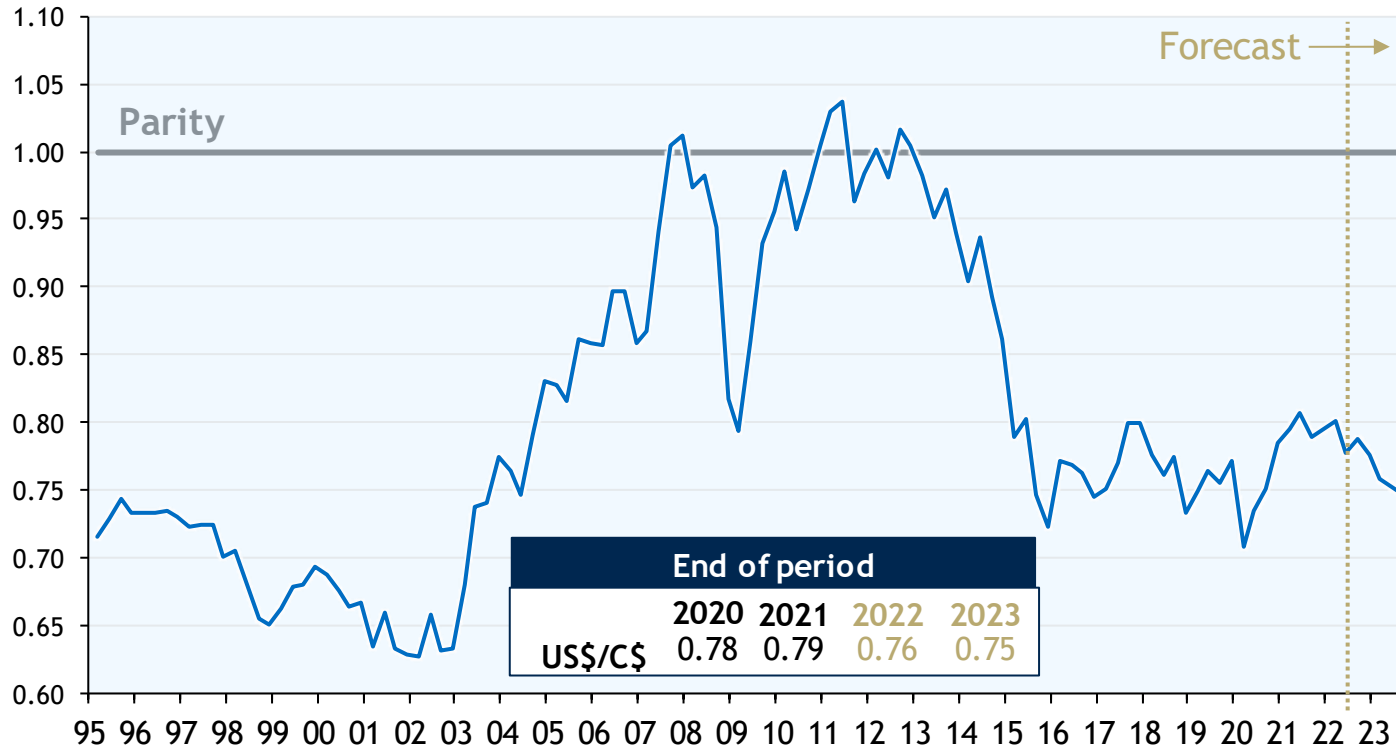


Source: Statistics Canada, IRCC, RBC Economics

USD strengthening against the CAD

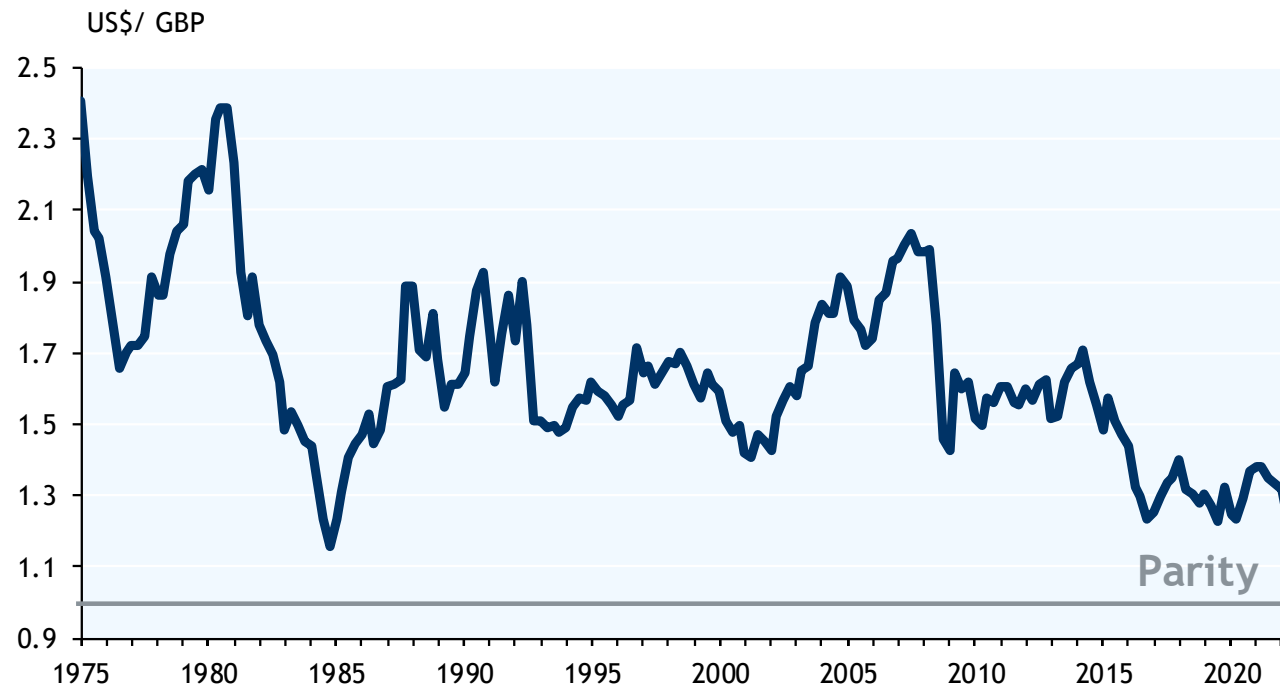
USD strengthening

US\$/C\$



Source: Bank of Canada, RBC Economics

GBP approaches parity



Source: Federal Reserve Board, RBC Economics

For more information please visit:
rbc.com/economics and
thoughtleadership.rbc.com



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Upcoming Advice Events

Everything You Need to Know about U.S. Real Estate Markets

- October 18, 2022
- 1-2:30 p.m. ET

Ask the Expert - Tax, Legal and Estate Considerations for Owning a U.S. Property

- October 20, 2022
- 1-2:30 p.m. ET

Cross-border Lifestyles - Everything You Need to Know from Banking with Perks to Buying U.S. Property

- October 25, 2022
- 1-2:30 p.m. ET

Register at rbcbank.com/vae

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