

Canadian Economic Update

November 2023

Carrie Freestone
Economist

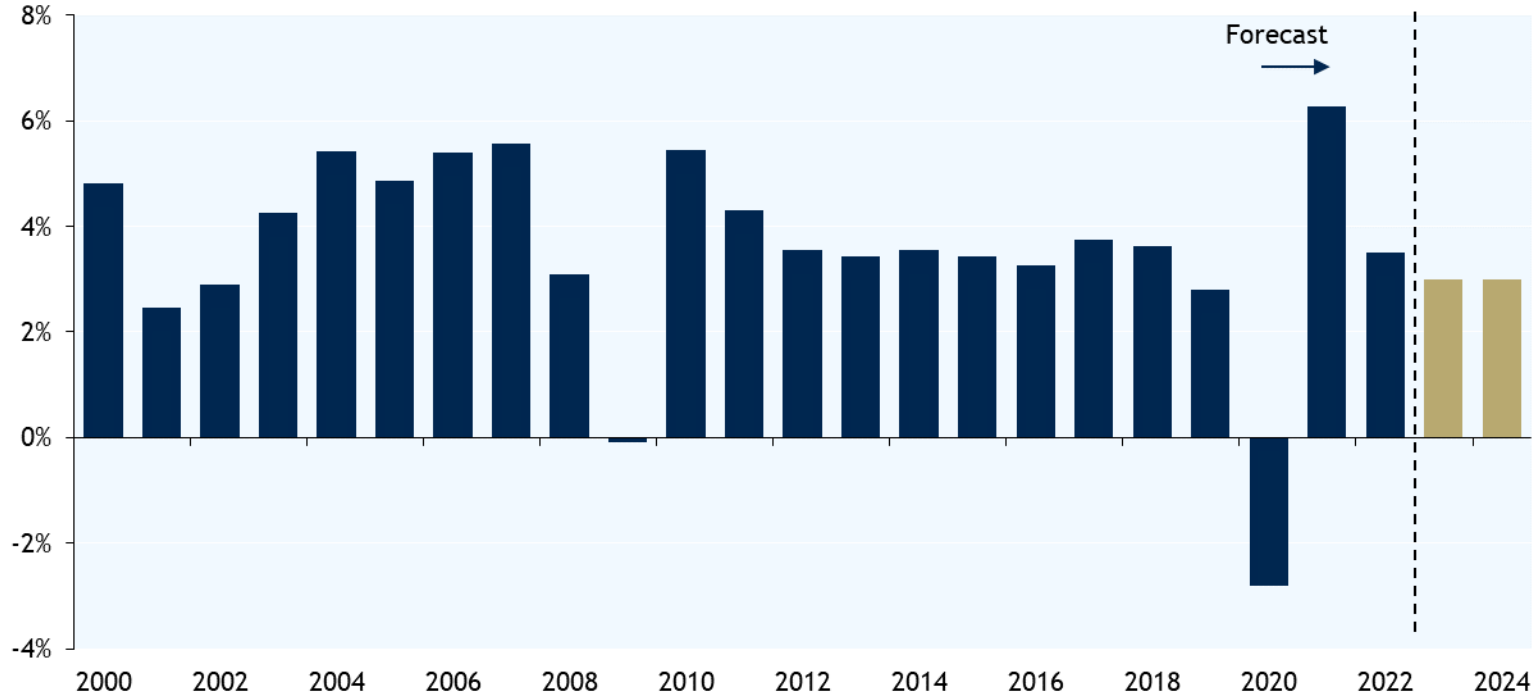
(416) 974-6930
carrie.freestone@rbc.com



Global GDP growth slowing from pandemic highs as momentum fades

Global GDP growth

year-over-year % change

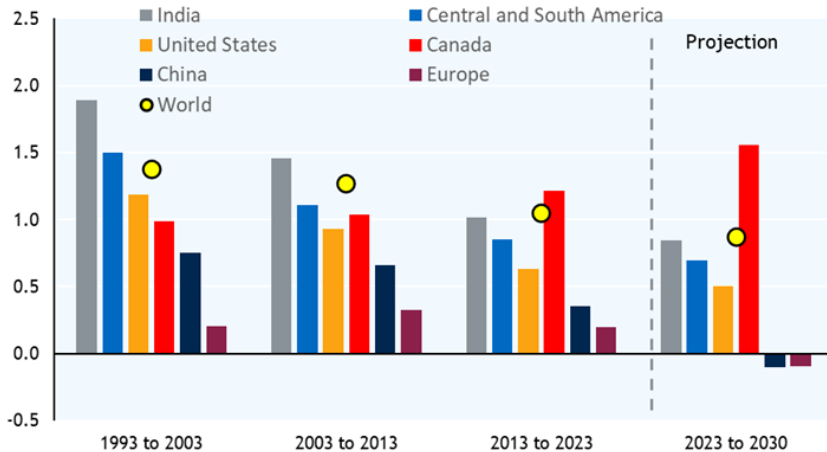


Source: IMF, RBC Economics

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

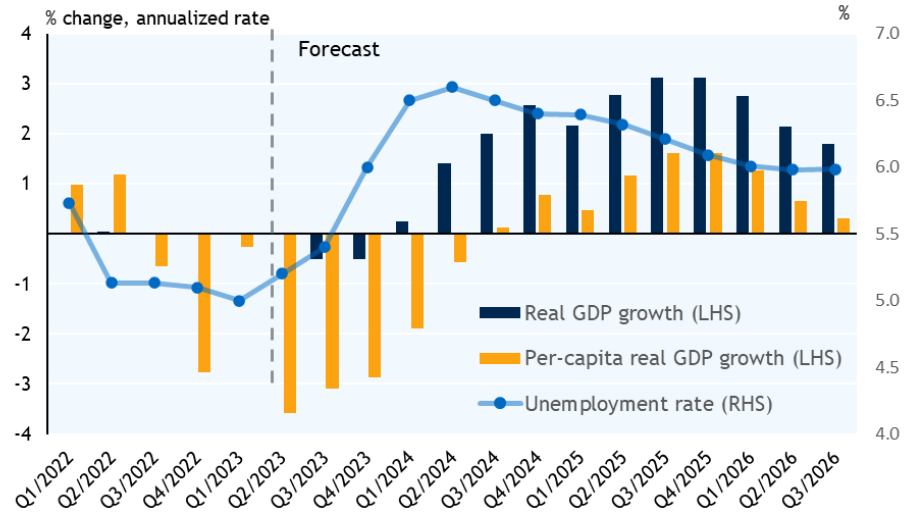
Population growth slowing (everywhere but Canada)

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

Global supply chain pressures have eased

Ocean shipping times have declined

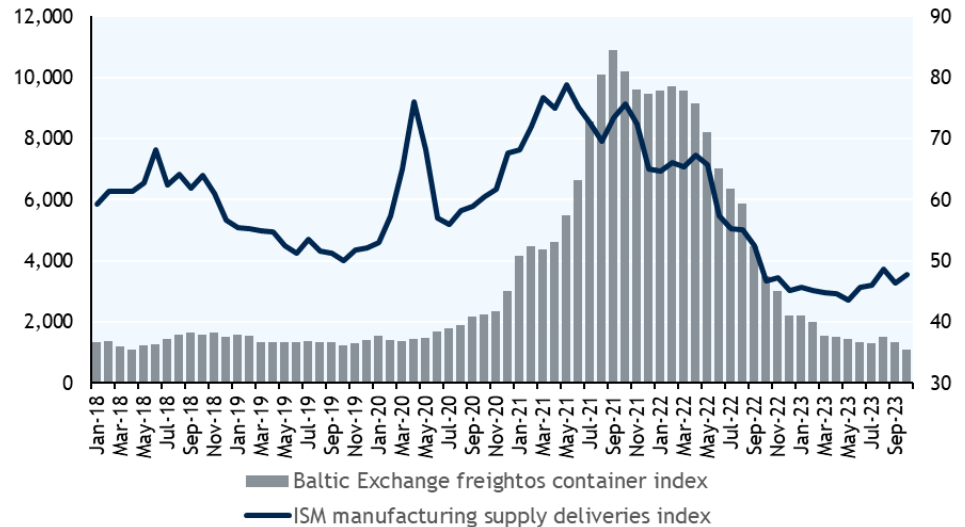
Days taken from Cargo Ready to Destination Port Departure



Source: Flexport, RBC Economics

Global supply chain pressures ease drastically

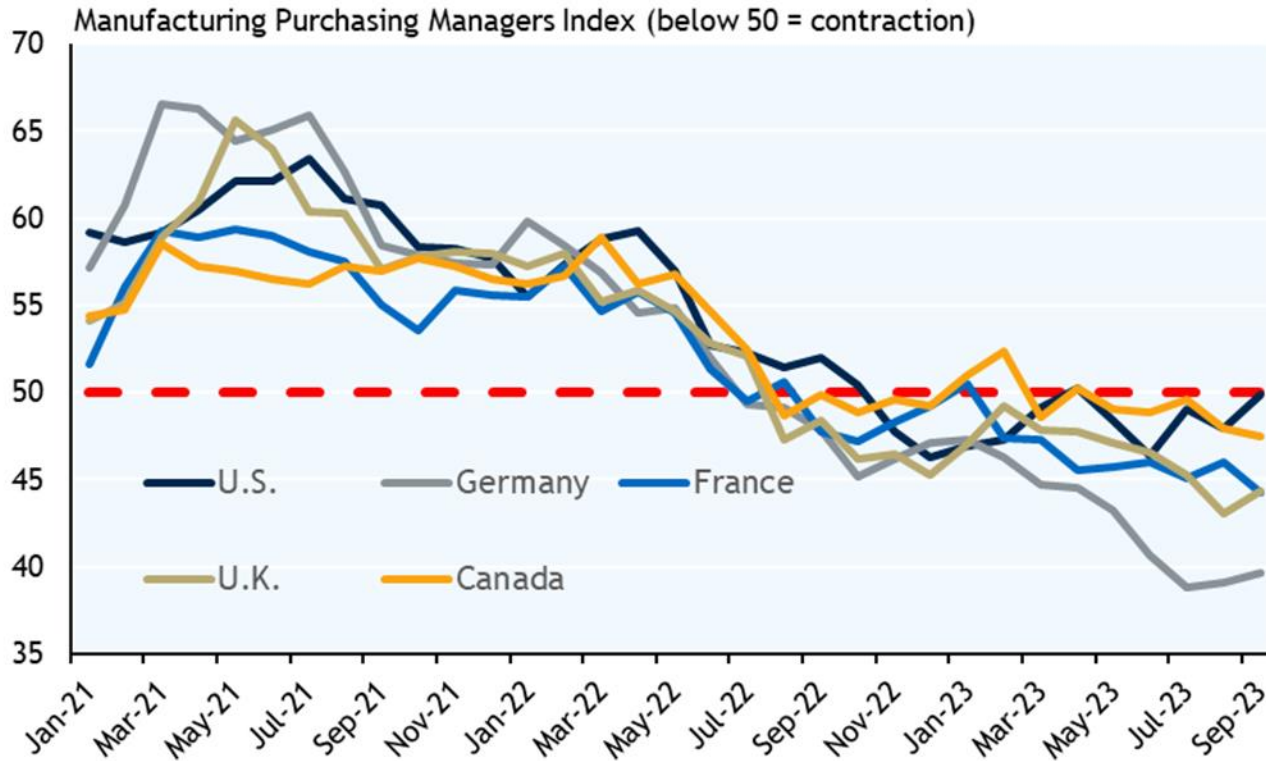
Index levels



Source: The Baltic Exchange, Institute for Supply Management, RBC Economics

Global manufacturing outlook still soft

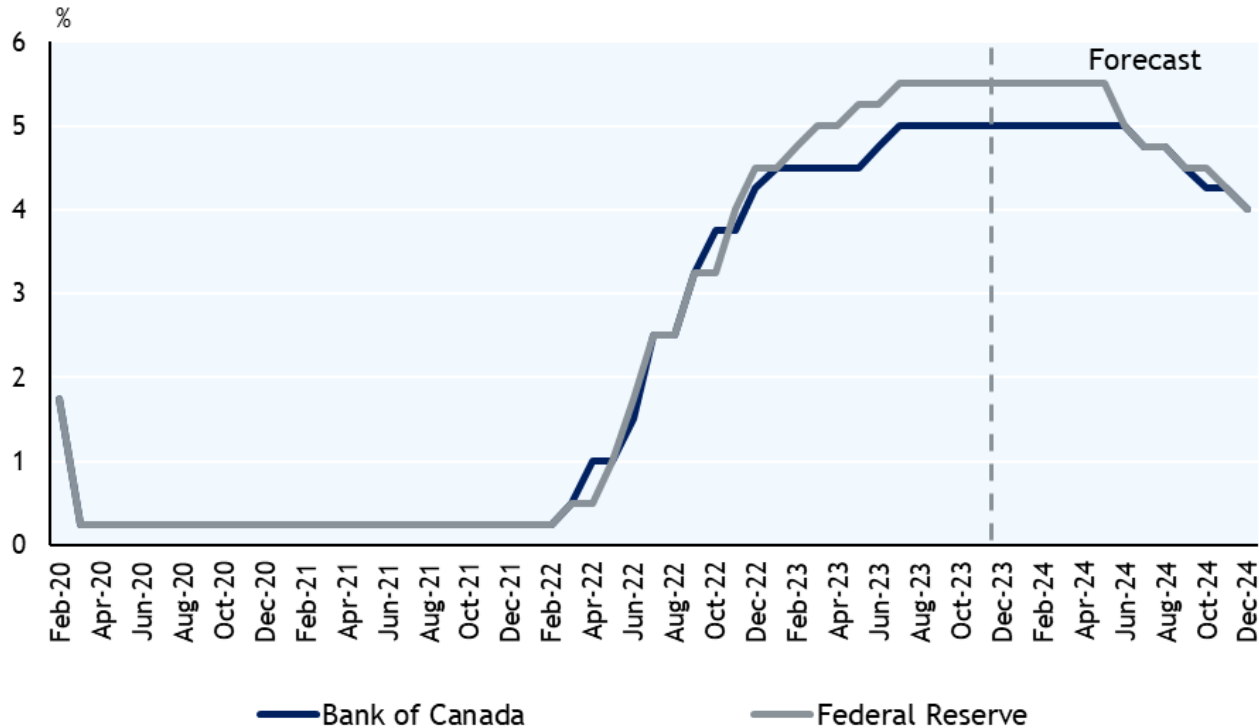
Global manufacturing outlook still soft



Source: Haver, RBC Economics

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

Central banks hike interest rates to fight inflation



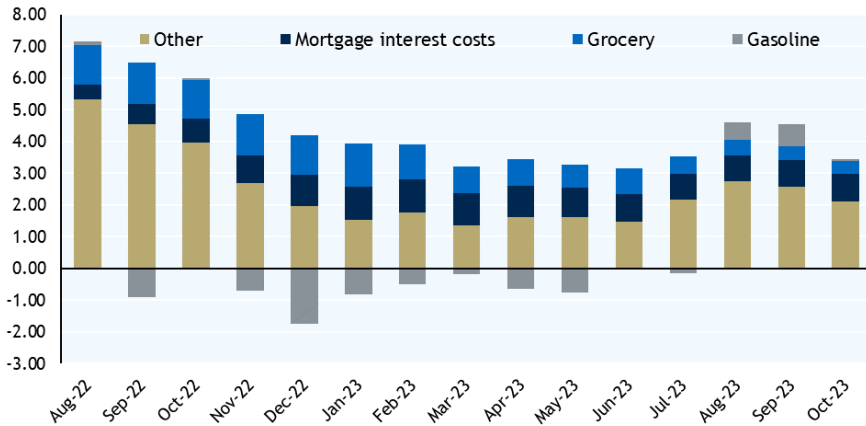
Source: Haver, RBC Economics



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

Gas and grocery prices contribute to slower price growth

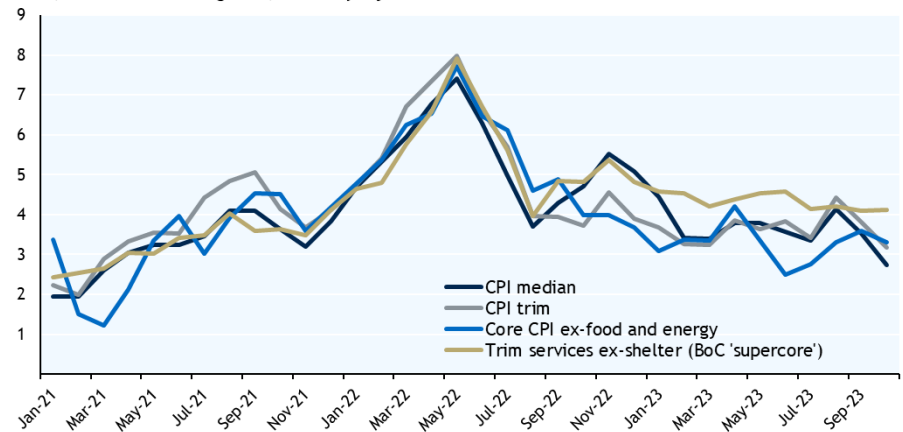
Annualized PPT contribution to 6-month CPI growth, seasonally adjusted



Source: Statistics Canada, RBC Economics

BoC preferred 'core' inflation measures still above target

%, annualized 3-month growth, seasonally adjusted



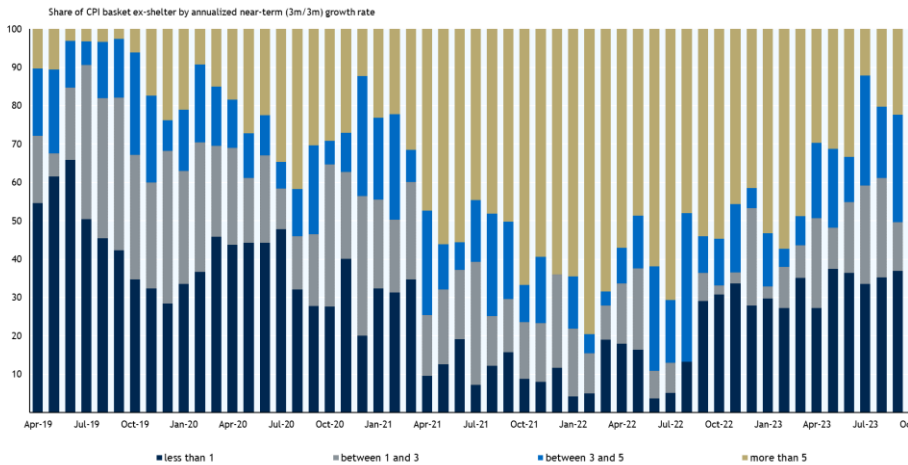
Source: Statistics Canada, RBC Economics

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



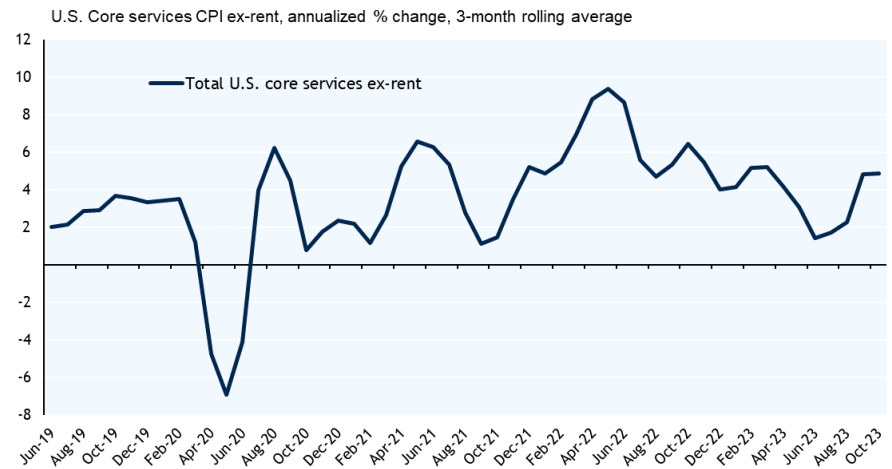
More signs of softening in U.S. price growth, despite resilient consumer spending

Price pressures still broadly-based in the U.S.



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

Fed's 'supercore' still well-above 2% target in October



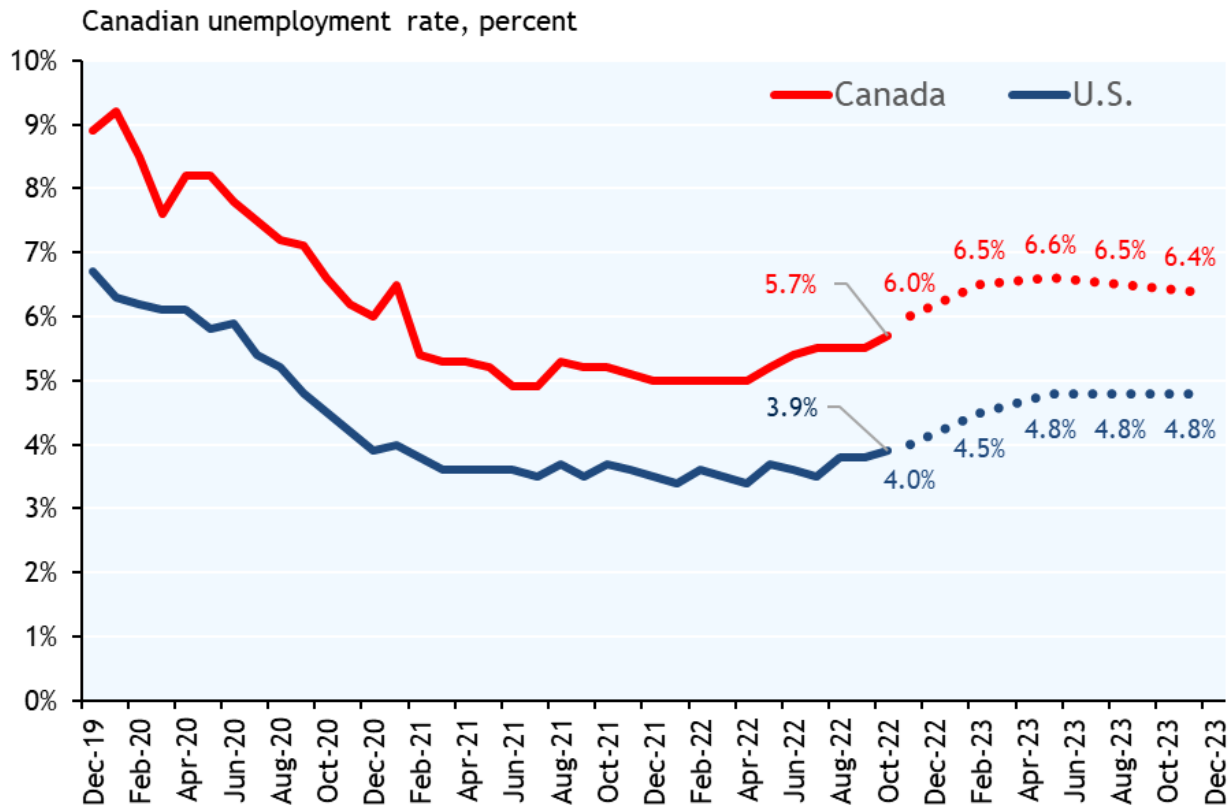
Source: U.S. Bureau of Labor Statistics, RBC Economics

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



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

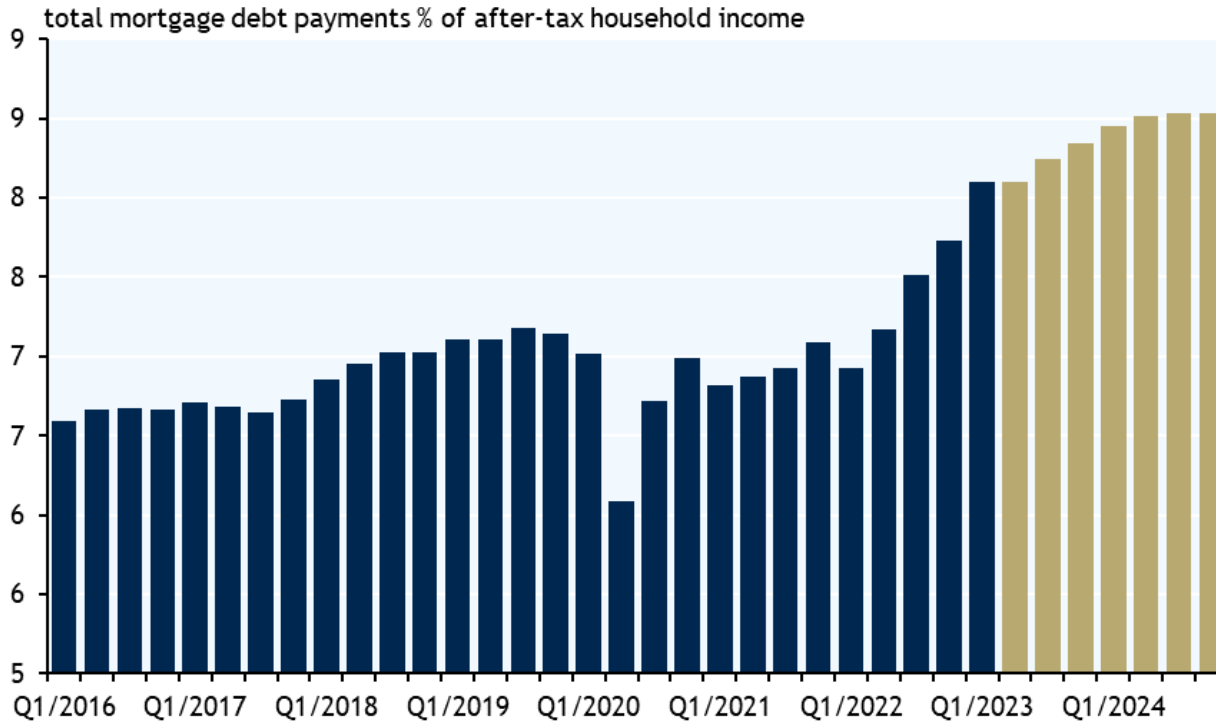
Jobless rate to rise from low levels



Source: Haver, RBC Economics

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

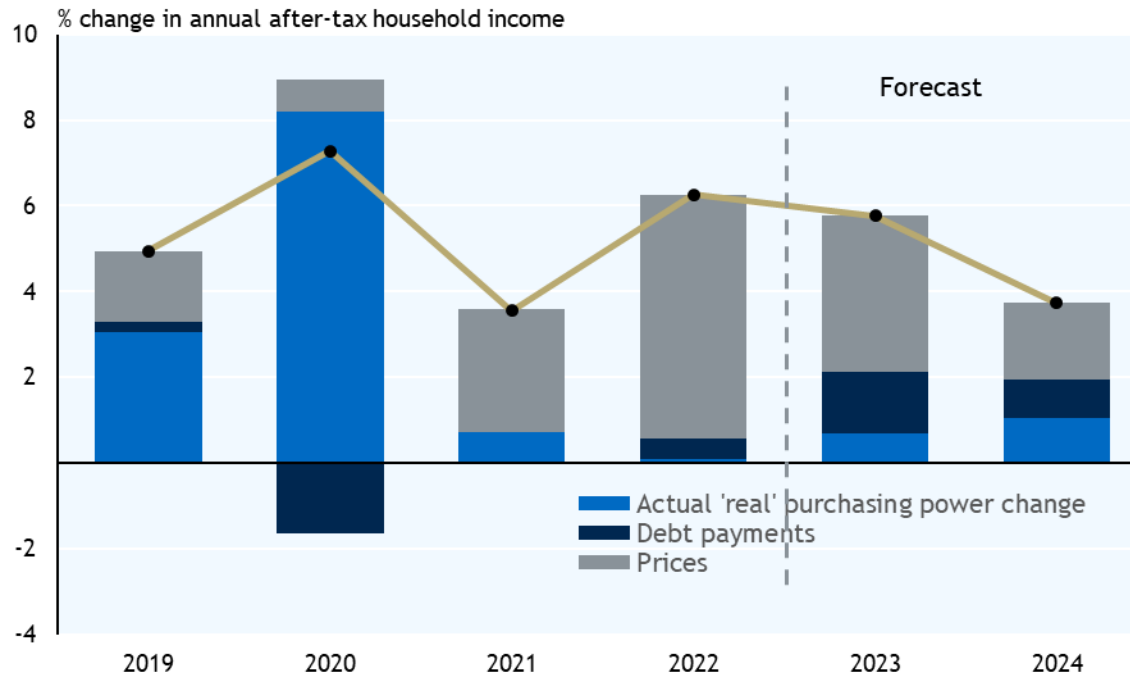
Canada Mortgage Debt Service Ratio



Source: Statistics Canada, RBC Economics Research

Higher debt payments and inflation soaking up Canadian household purchasing power

Debt payments and inflation soaking up household incomes

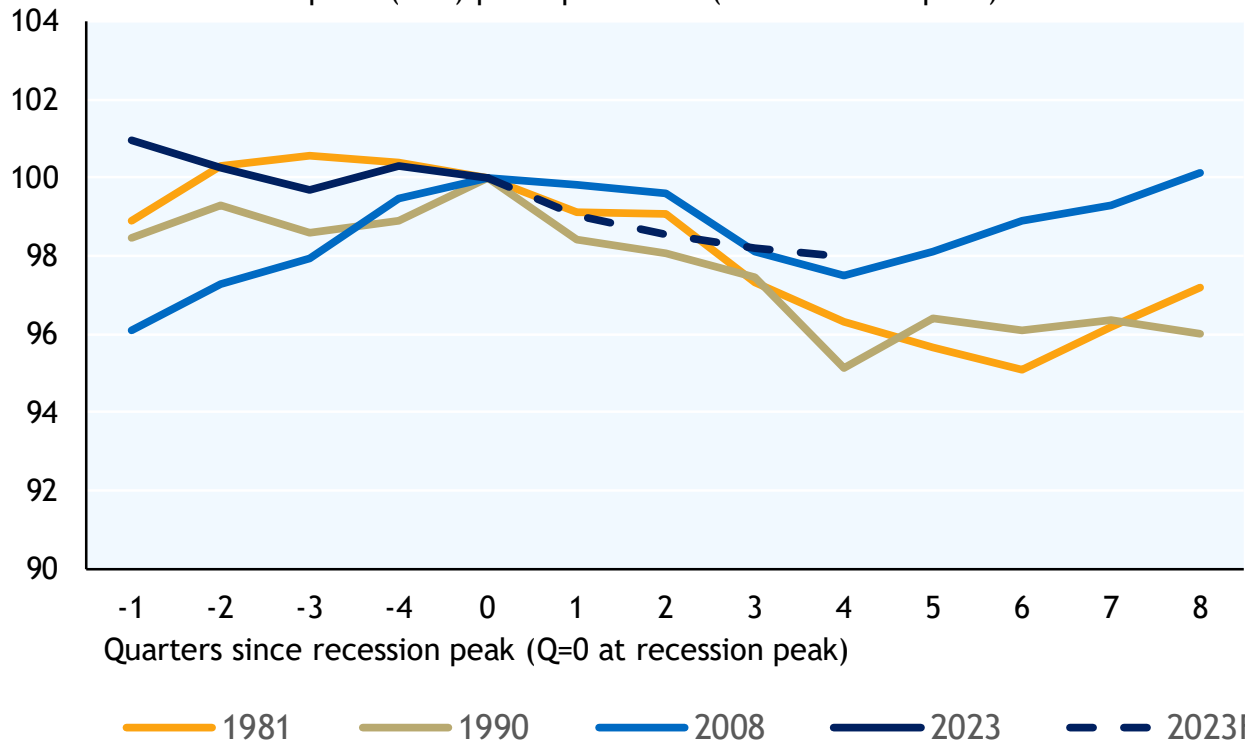


Source: Statistics Canada, RBC Economics Research

Consumption has already flattened on a per capita basis

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

Household consumption (real) per capita index (100=recession peak)

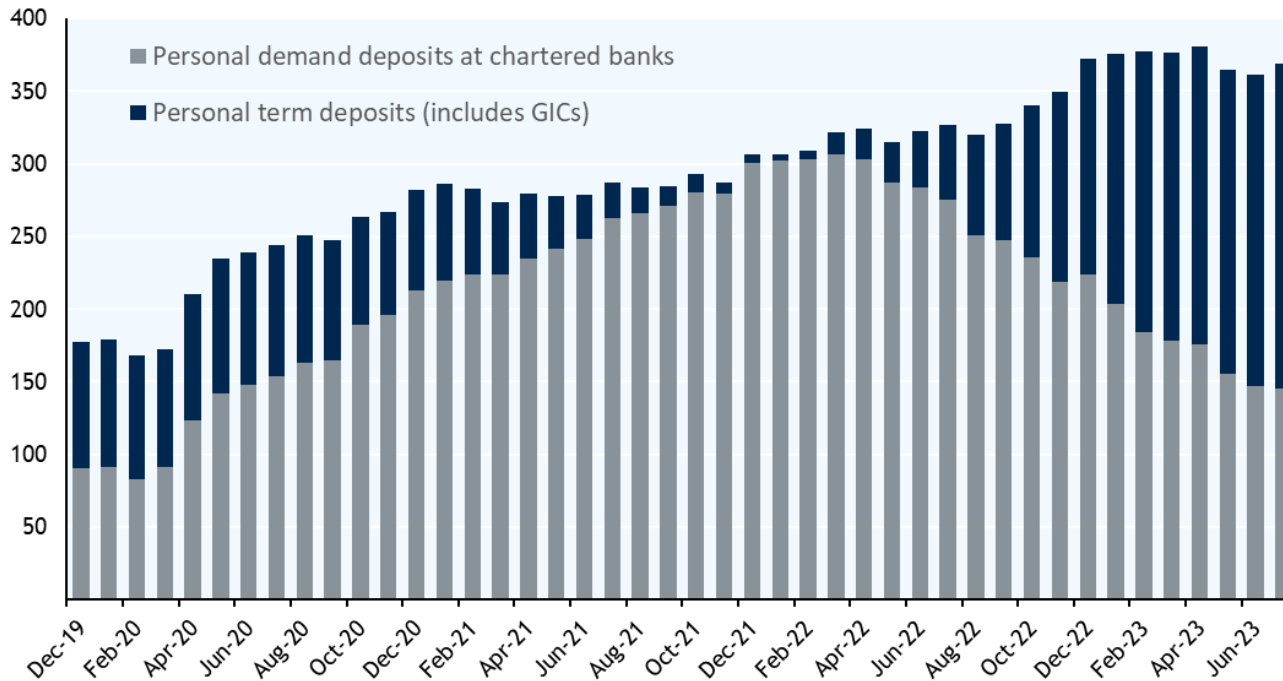


Source: Statistics Canada, RBC Economics

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)

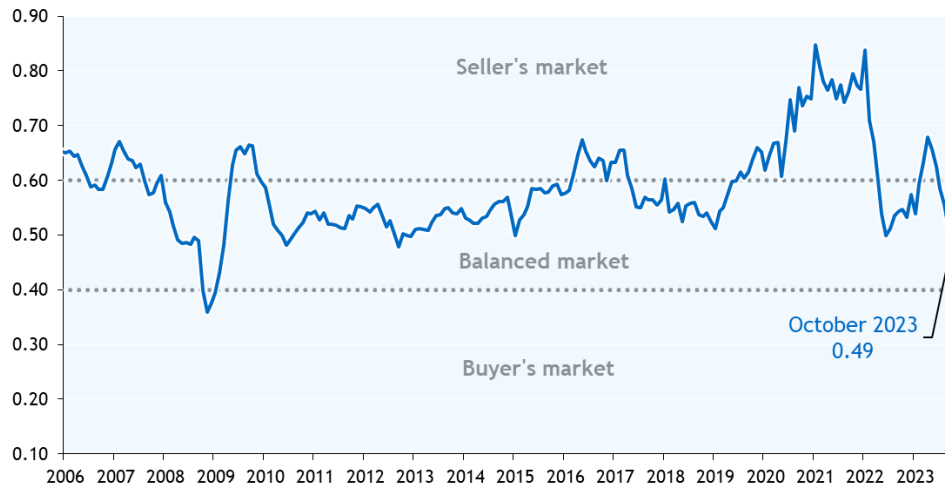


Source: CBA, RBC Economics Research

Spring rebound has largely reversed in Canada

Sales-to-new listings ratio in Canada

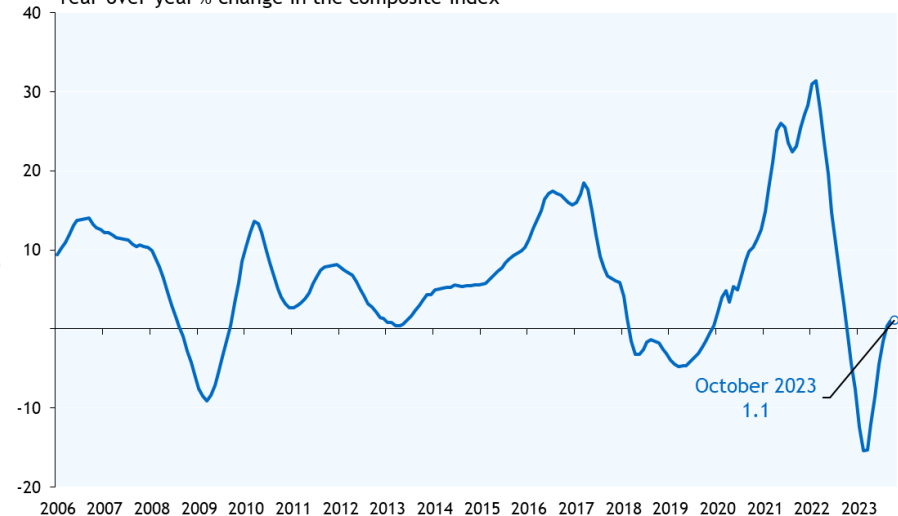
Seasonally adjusted



Source: Canadian Real Estate Association, RBC Economics

MLS Home Price Index - Canada

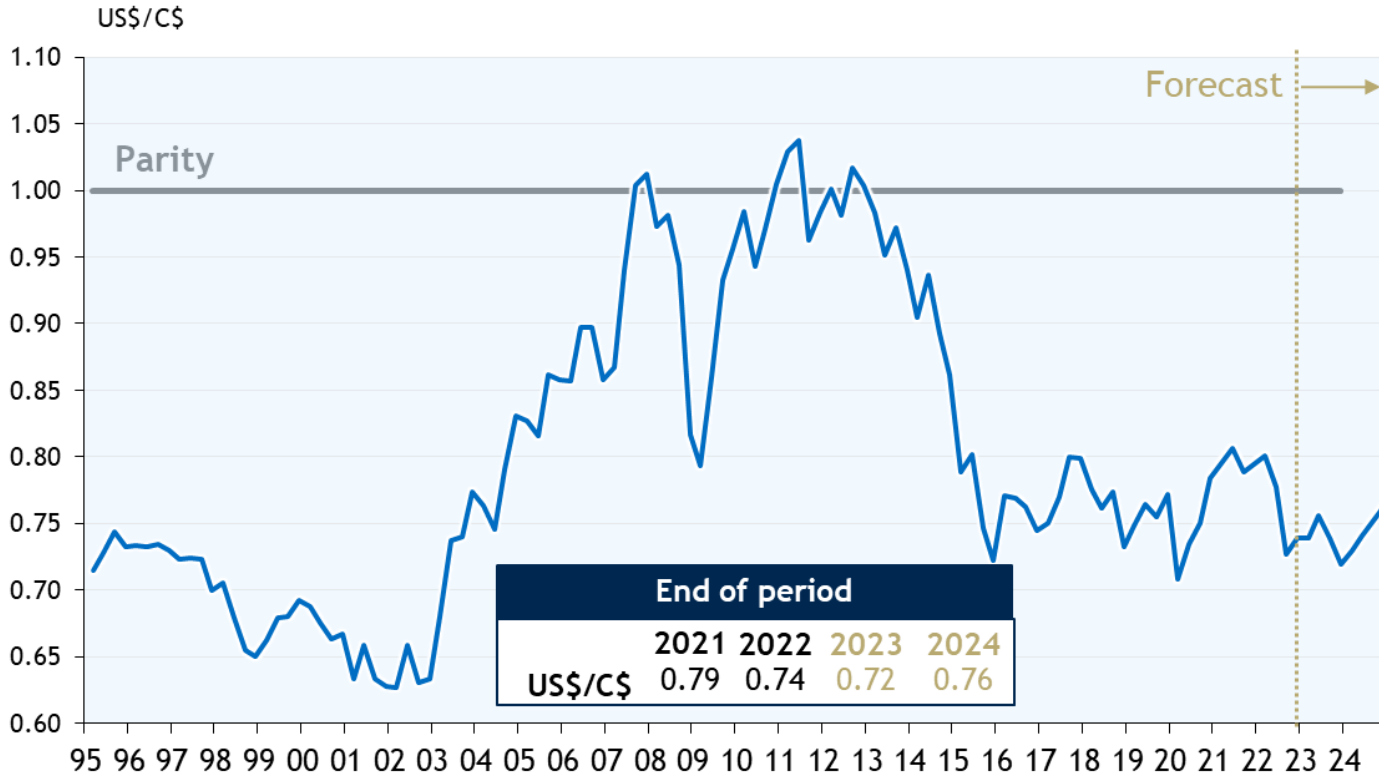
Year-over-year % change in the composite index



Source: Canadian Real Estate Association, RBC Economics

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

USD strengthening against the CAD



Source: Bank of Canada, RBC Economics

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

The material contained in this report is the property of Royal Bank of Canada and may not be reproduced in any way, in whole or in part, without express authorization of the copyright holder in writing. The statements and statistics contained herein have been prepared by RBC Economics Research based on information from sources considered to be reliable. We make no representation or warranty, express or implied, as to its accuracy or completeness. This publication is for the information of investors and business persons and does not constitute an offer to sell or a solicitation to buy securities.

