

More of the same? Rising rates, slower growth and uncertainty in 2019

RBC/BridgeForce RRSP Roadshow

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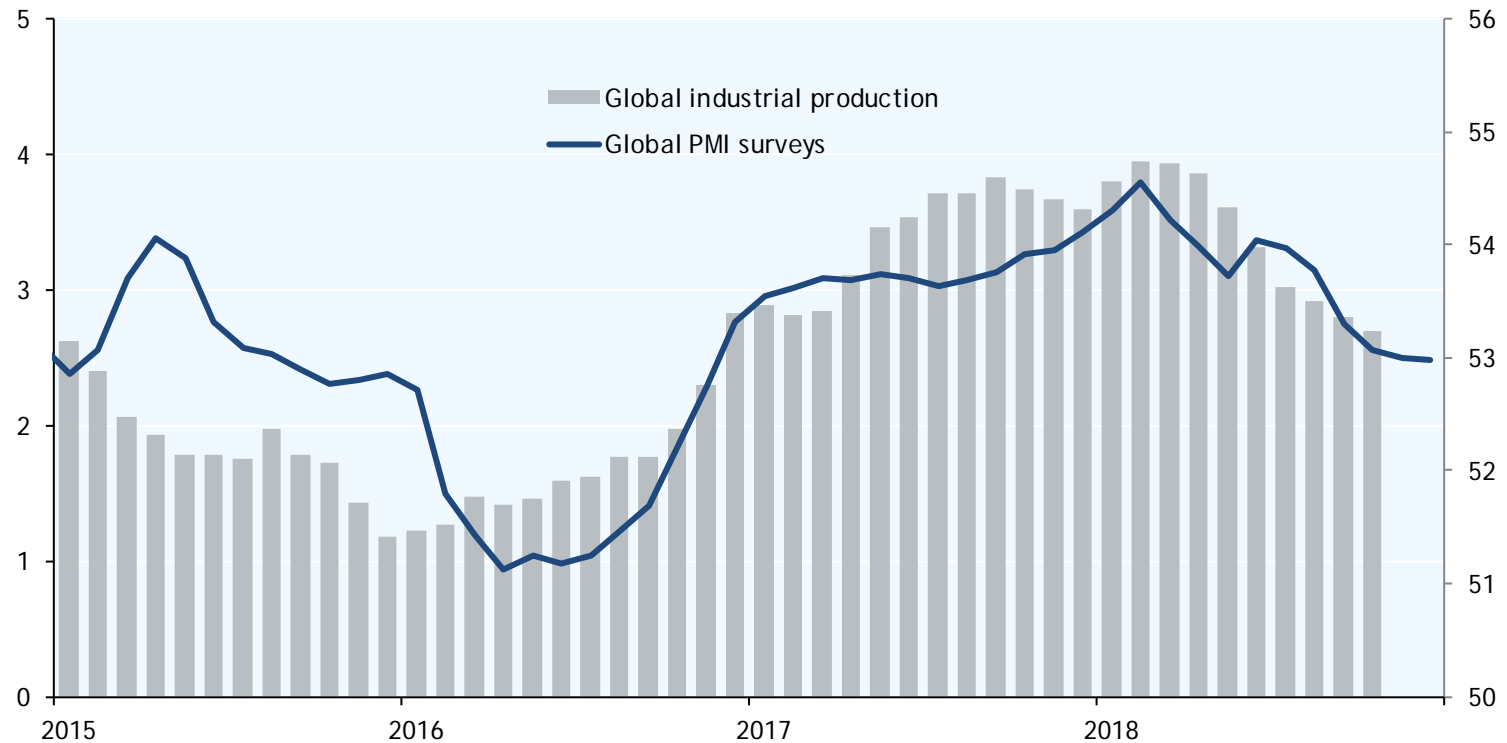
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2018 got off to a strong start but momentum faded over the second half of the year

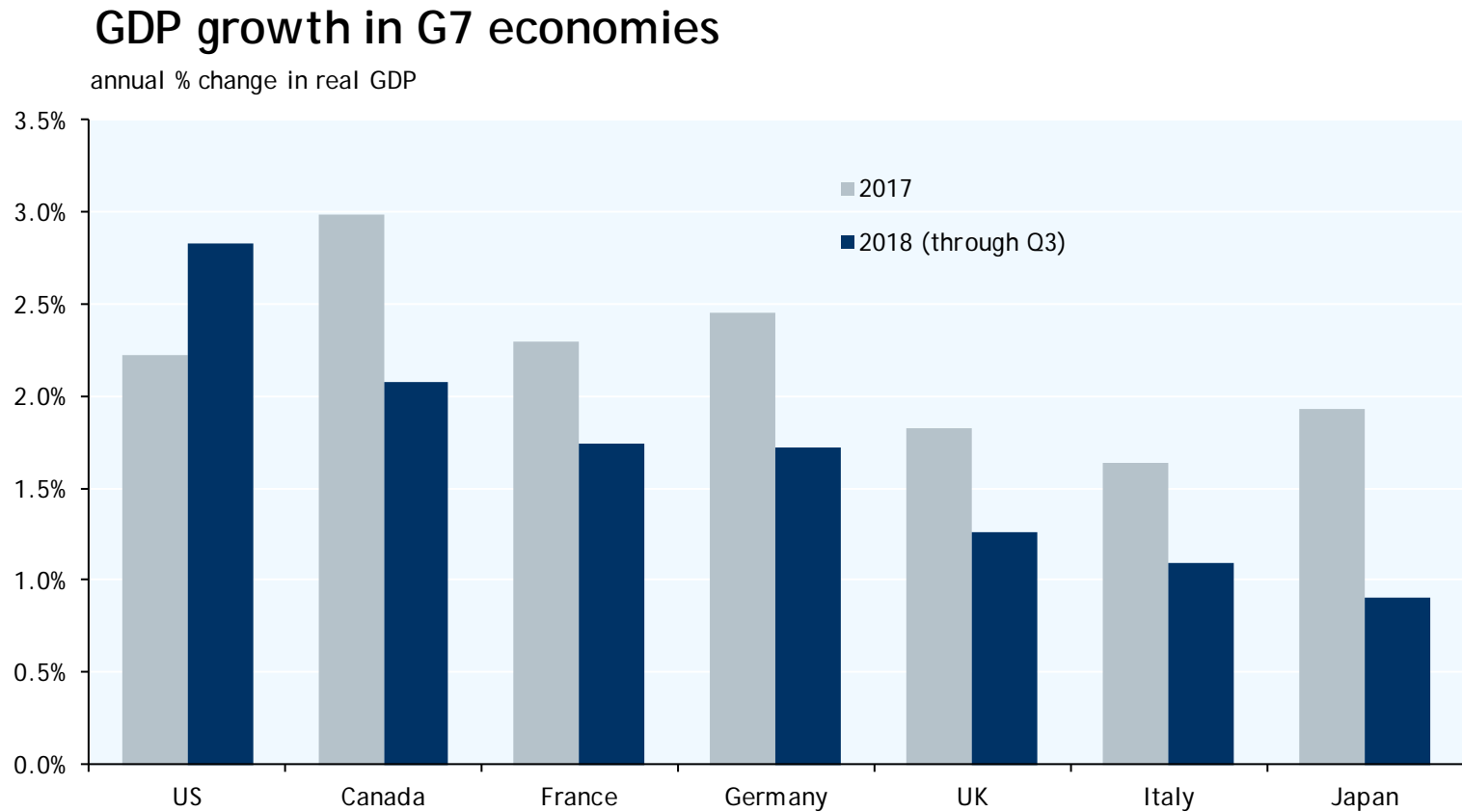
Global industrial production and manufacturing PMI

IP y/y % change and PMI level (both 3-month average)



Source: JP Morgan, IHS/Markit, Netherlands Bureau for Economic Policy Analysis, RBC Economics Research

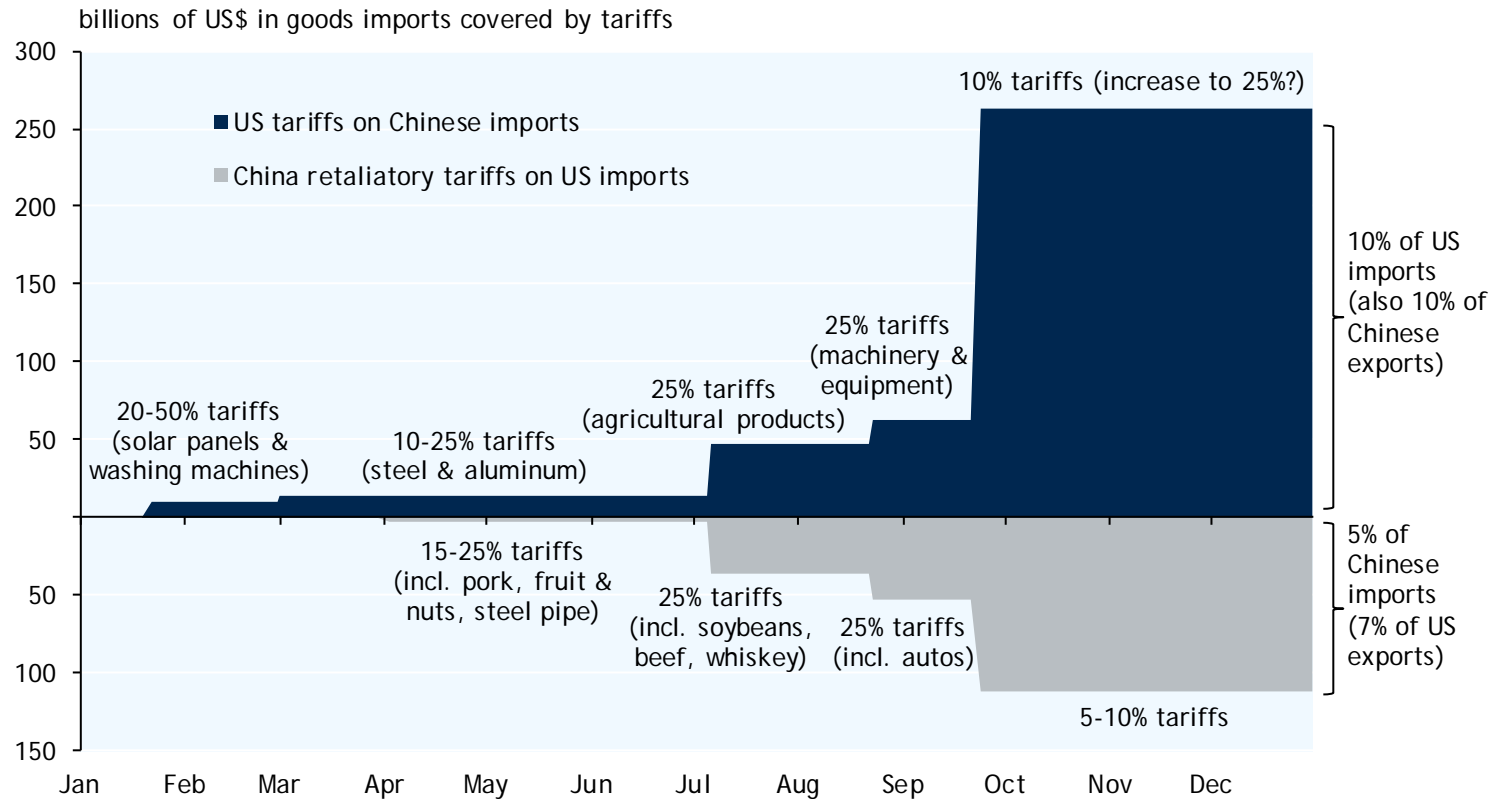
Aside from the US, growth slowed across the G7 last year



Source: Statistics Canada, BEA, ONS, EuroStat, Cabinet Office of Japan, RBC Economics Research

US-China trade tensions are a key source of uncertainty

US-China tariffs

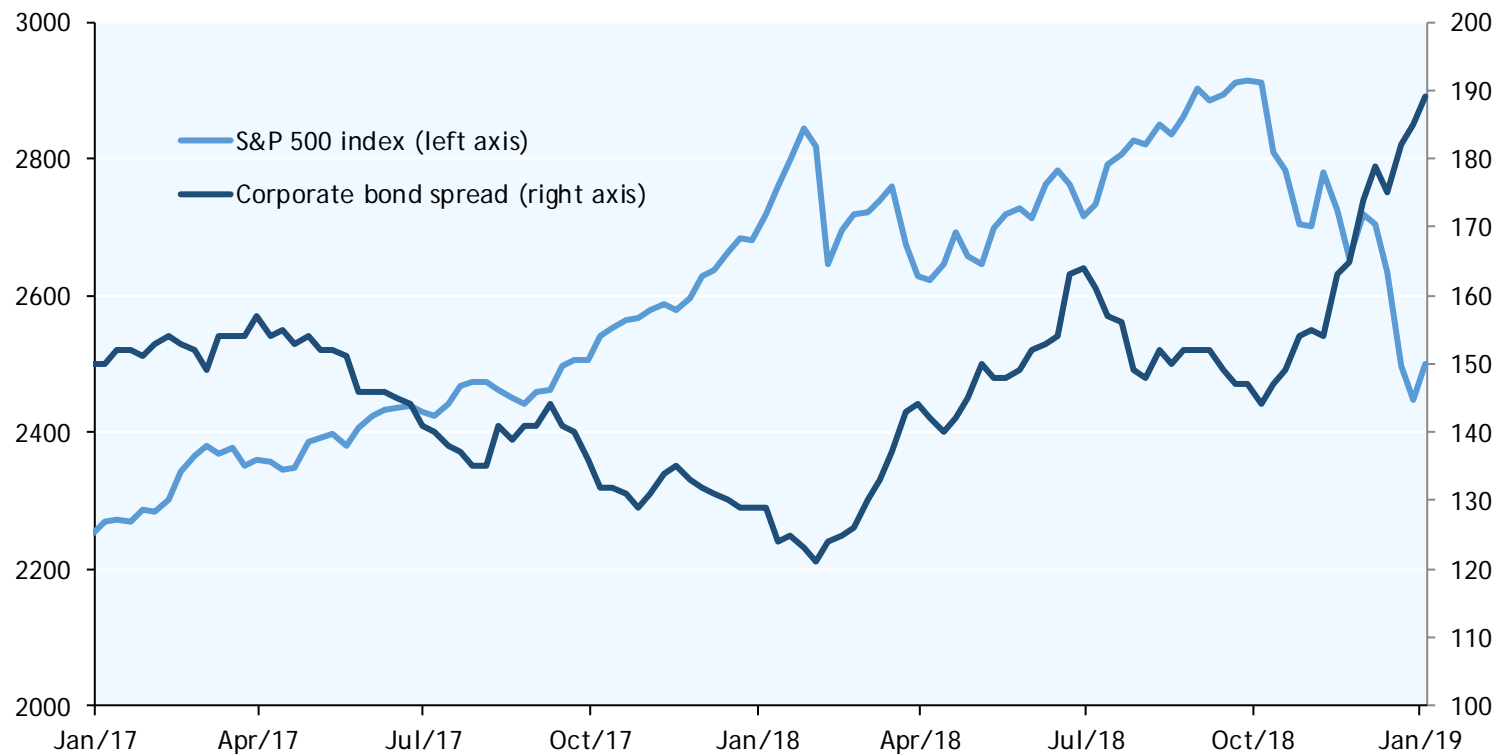


Source: RBC Economics Research

Growth concerns and trade tensions have driven a 'risk off' move in financial markets

US equities and corporate bond spreads

S&P 500 index level, US BBB corporate bond spread in basis points

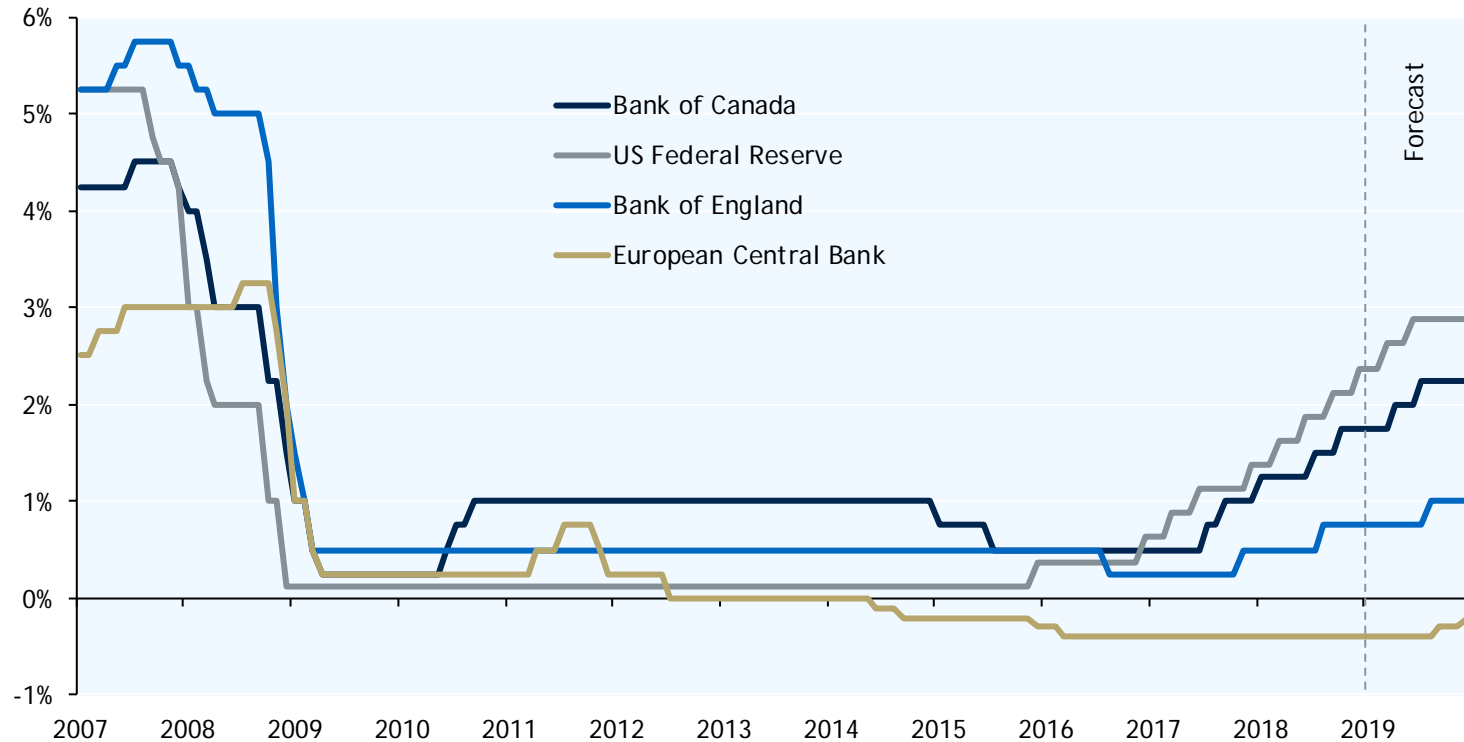


Source: Wall Street Journal, Bloomberg, RBC Economics Research

Central banks will keep raising rates, but at a more gradual pace in 2019

Central bank policy rates

policy rate, EOP

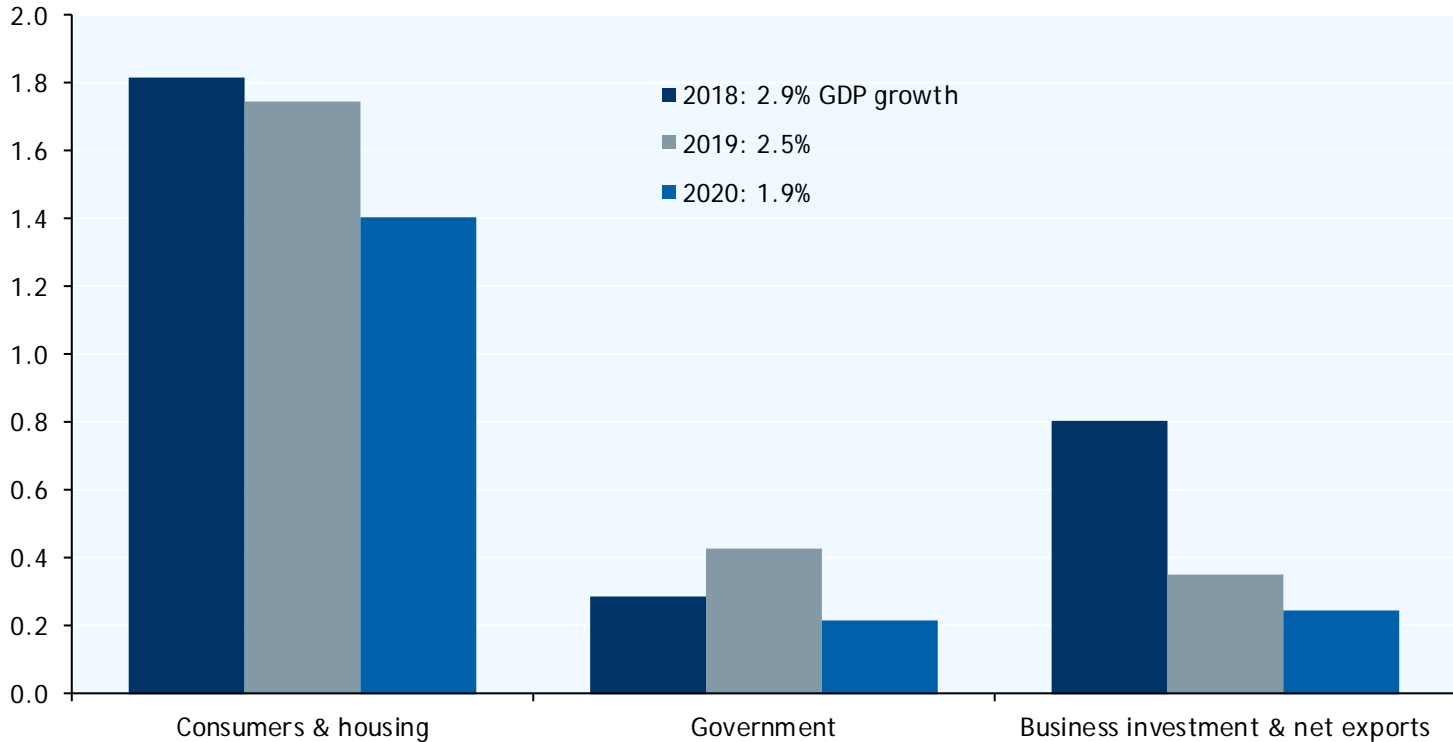


Source: BoC, Fed, BoE, ECB, RBC Economics Research

The US economy won't maintain last year's 3% pace, but growth should remain above trend in 2019

Contributions to US GDP growth

percentage points

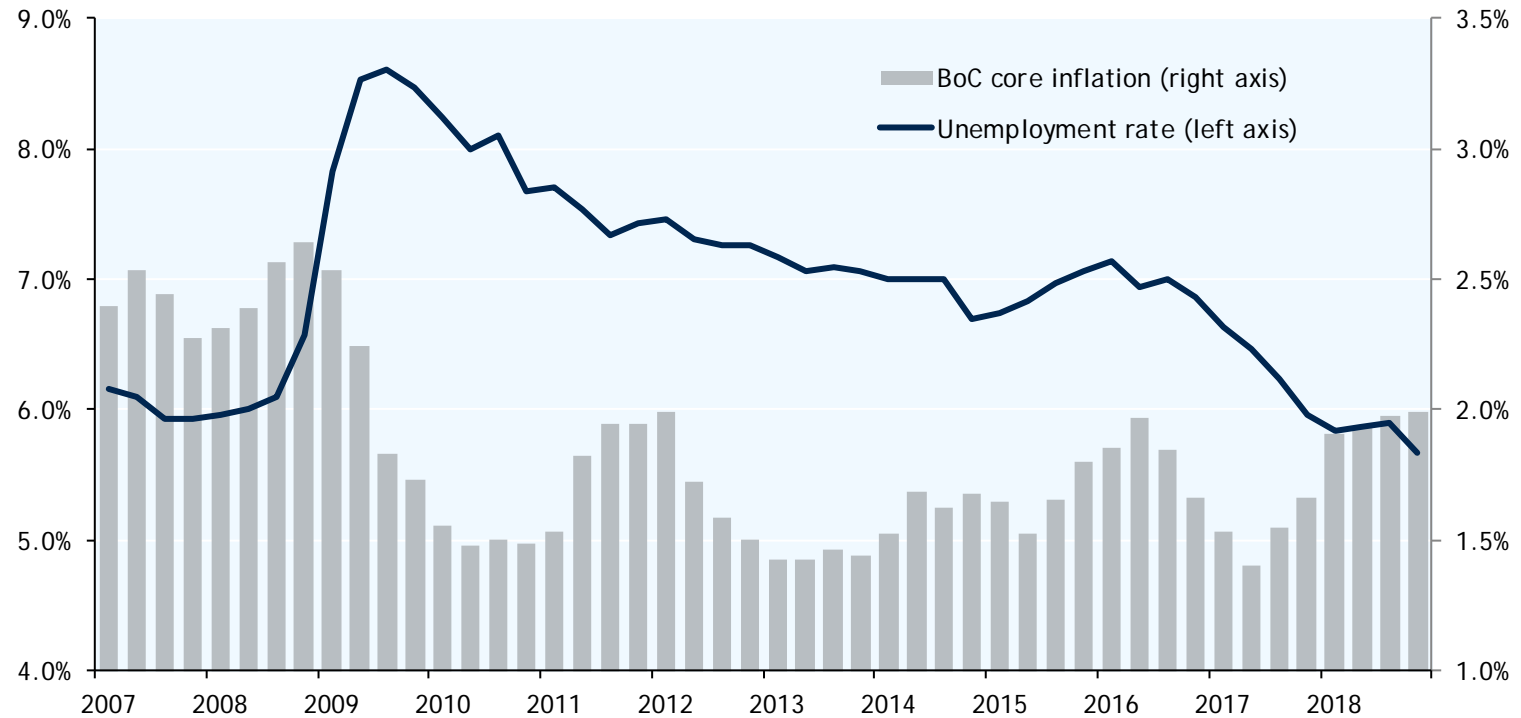


Source: Bureau of Economics Analysis, RBC Economics Research

After two years of solid growth, Canadian unemployment is low and inflation is at the BoC's 2% target

Canadian inflation and unemployment rate

unemployment rate; average of CPI-trim, CPI-median and CPI-common

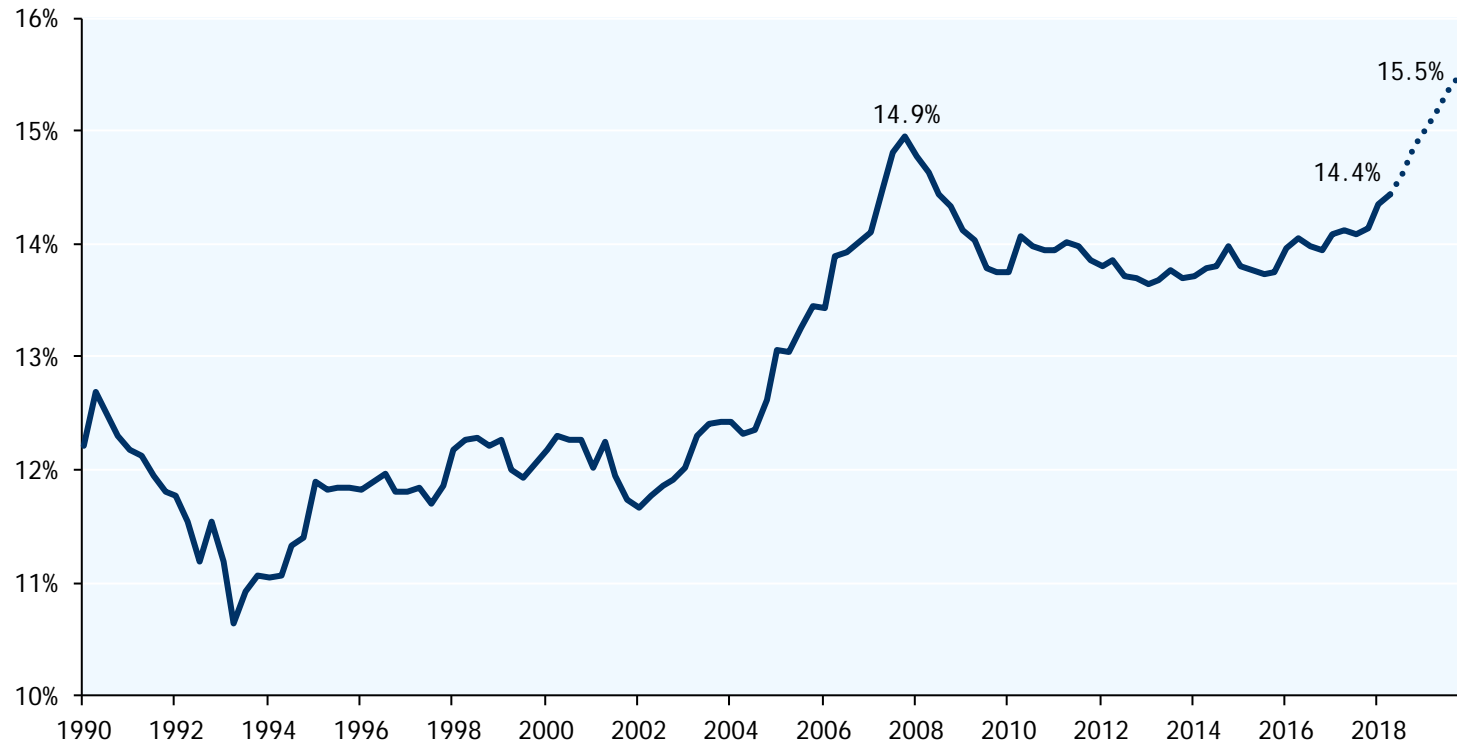


Source: Statistics Canada, RBC Economics Research

Rising interest rates will put upward pressure on households' debt service costs

Canada's household debt service ratio

debt payments as a share of personal disposable income

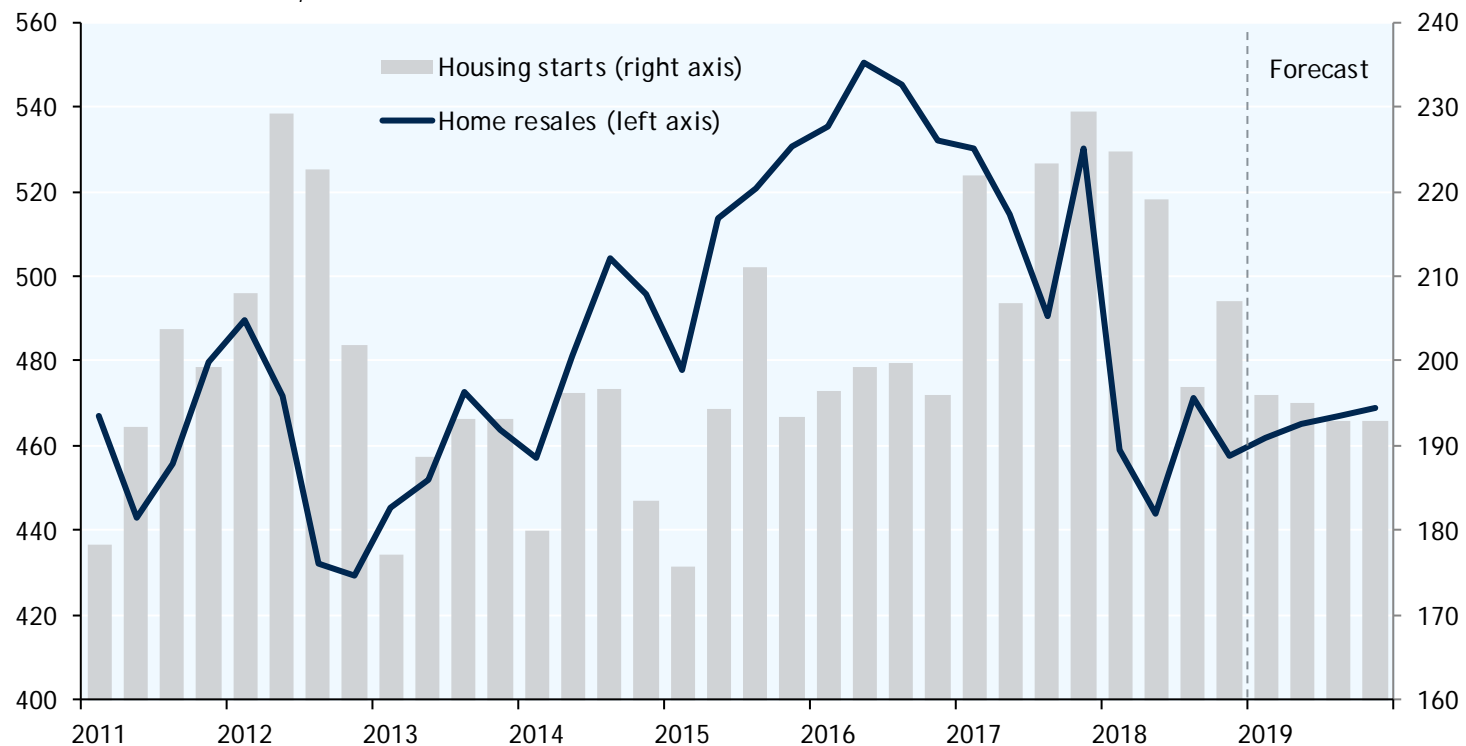


Source: Statistics Canada, RBC Economics Research

Regulatory changes and rising interest rates have weighed on home sales, and building activity is starting to slow

Canadian home sales and housing starts

thousands of units, SAAR

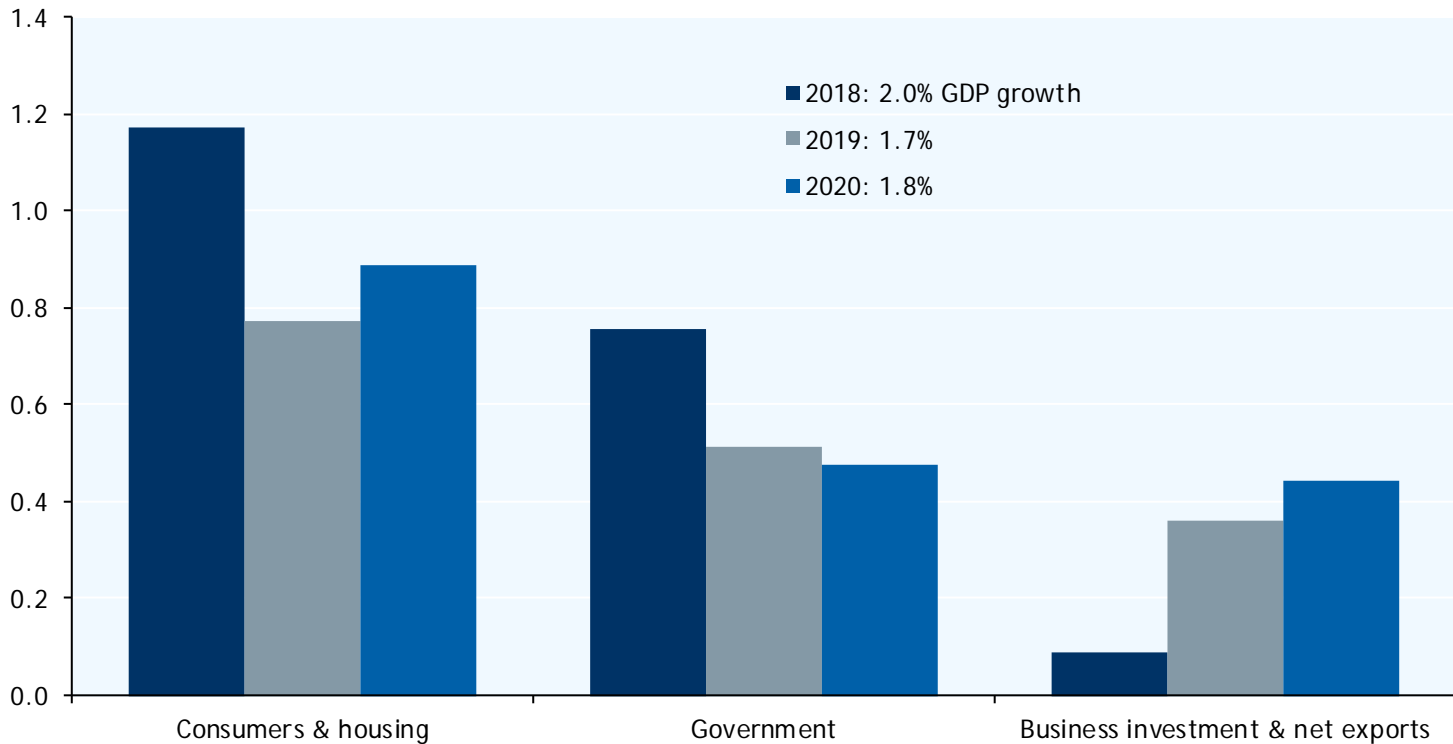


Source: CREA, CMHC, RBC Economics Research

Less support from consumers and housing will be the main factor behind slower growth this year

Contributions to Canadian GDP growth

percentage points

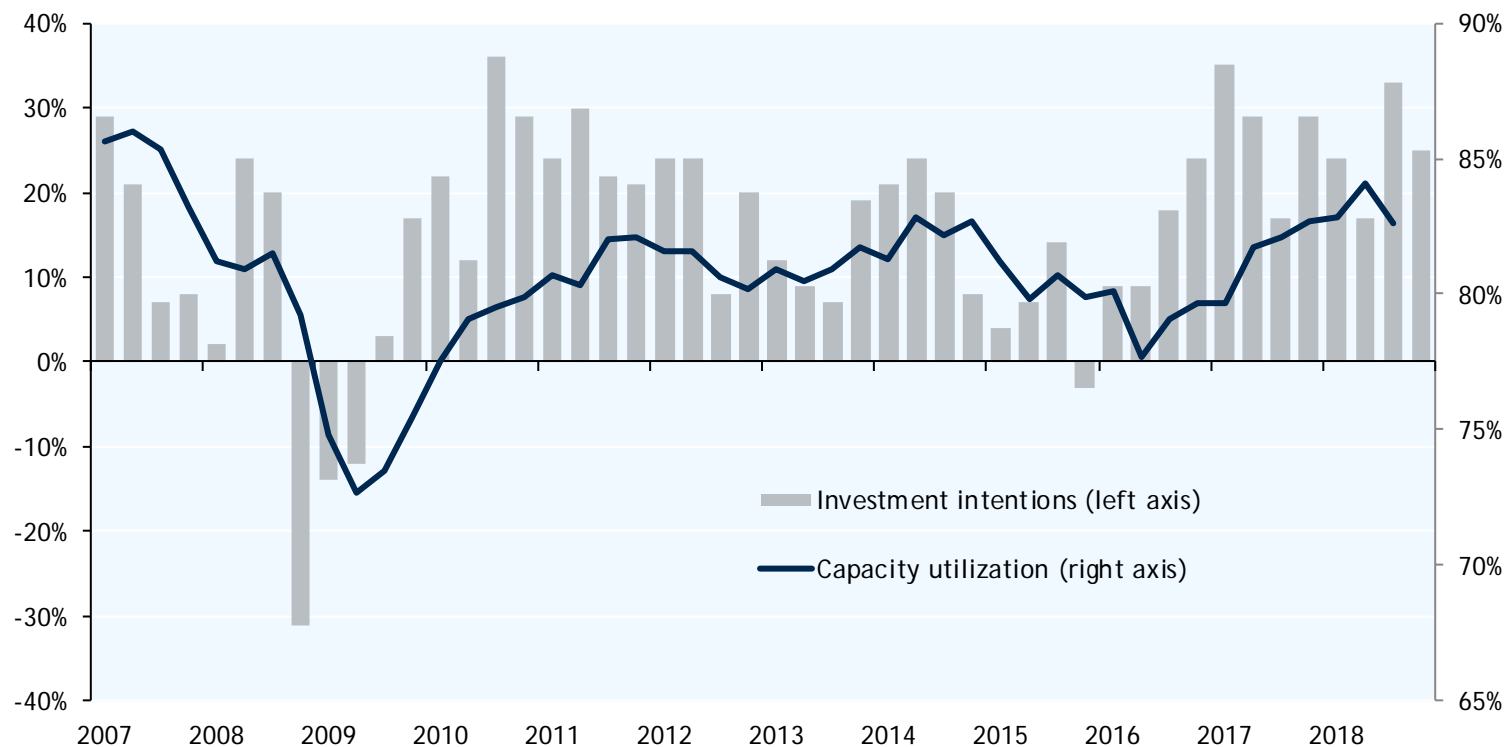


Source: Statistics Canada, RBC Economics Research

Businesses plan to invest amid growing capacity pressures, less uncertainty over NAFTA

Capacity utilization and investment intentions

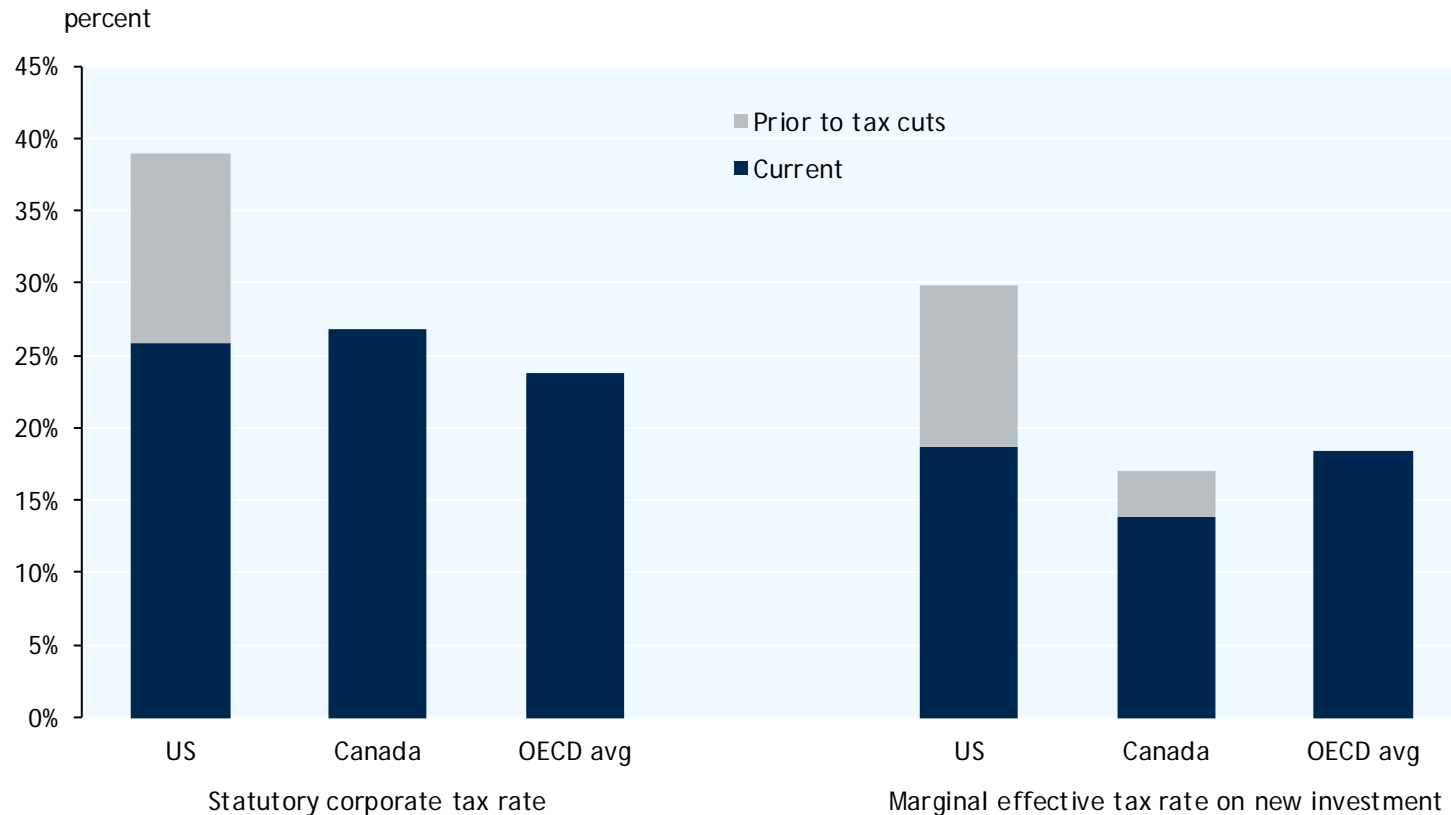
balance of opinion on investment intentions; industrial capacity utilization



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

The federal government recently announced tax incentives to encourage new capital spending

Corporate income tax rate comparison

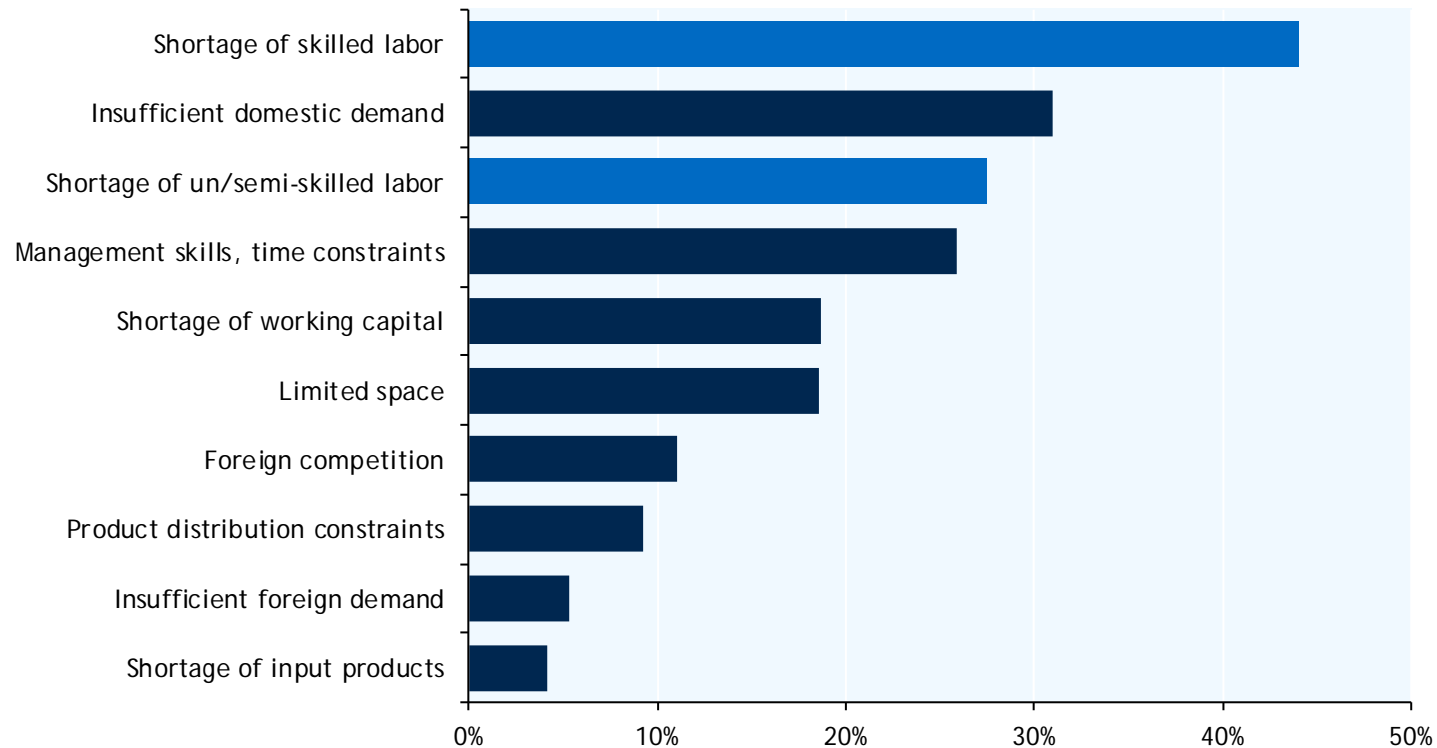


Source: OECD, Department of Finance, RBC Economics Research

Low unemployment is encouraging, but labour shortages have become a challenge for businesses

Factors limiting Canadian businesses from increasing sales

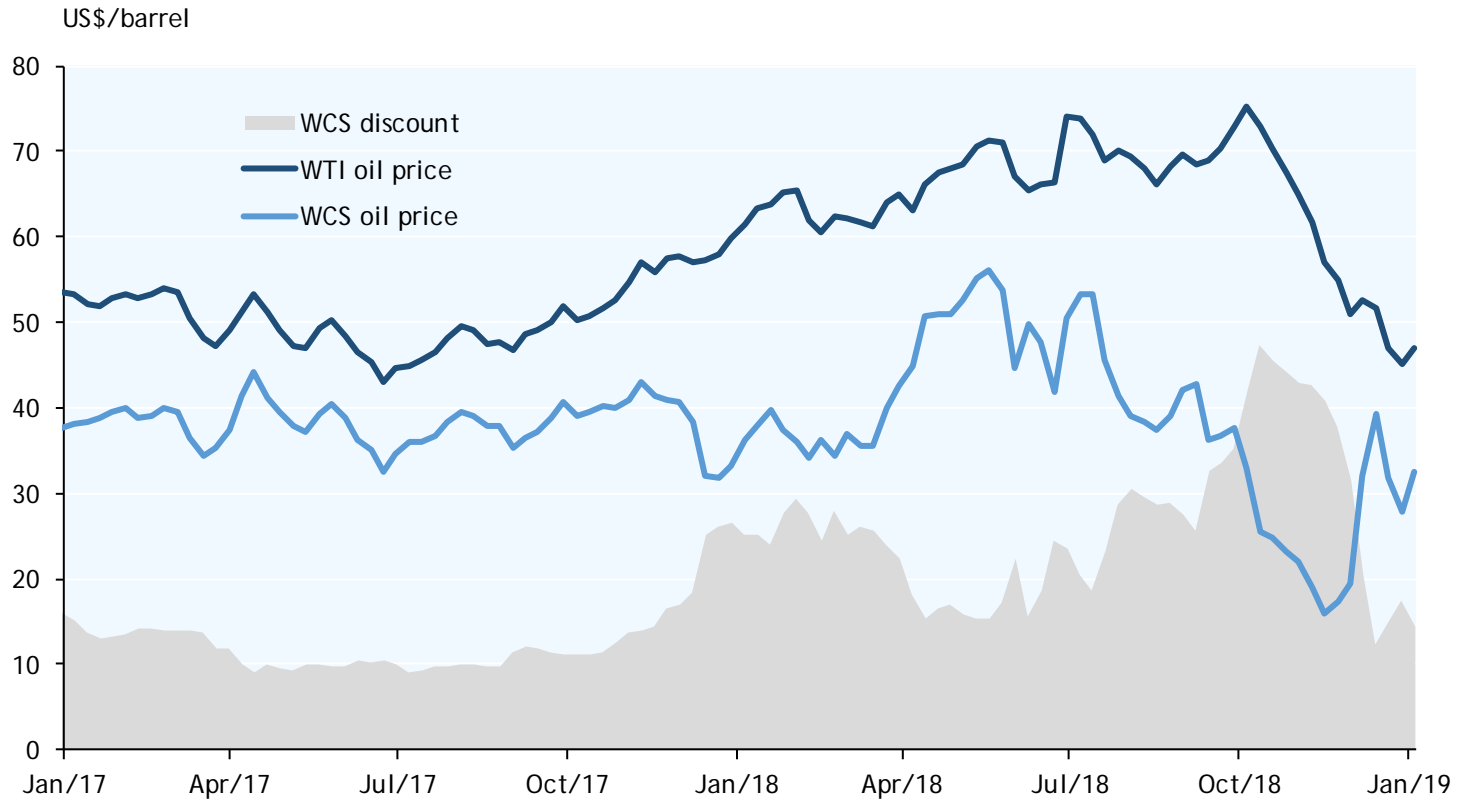
% of firms reporting, Q4/2018



Source: Canadian Federation of Independent Business, RBC Economics Research

A sharp decline in oil prices and mandated production cuts will weigh on Alberta's economy this year

WTI and WCS oil prices

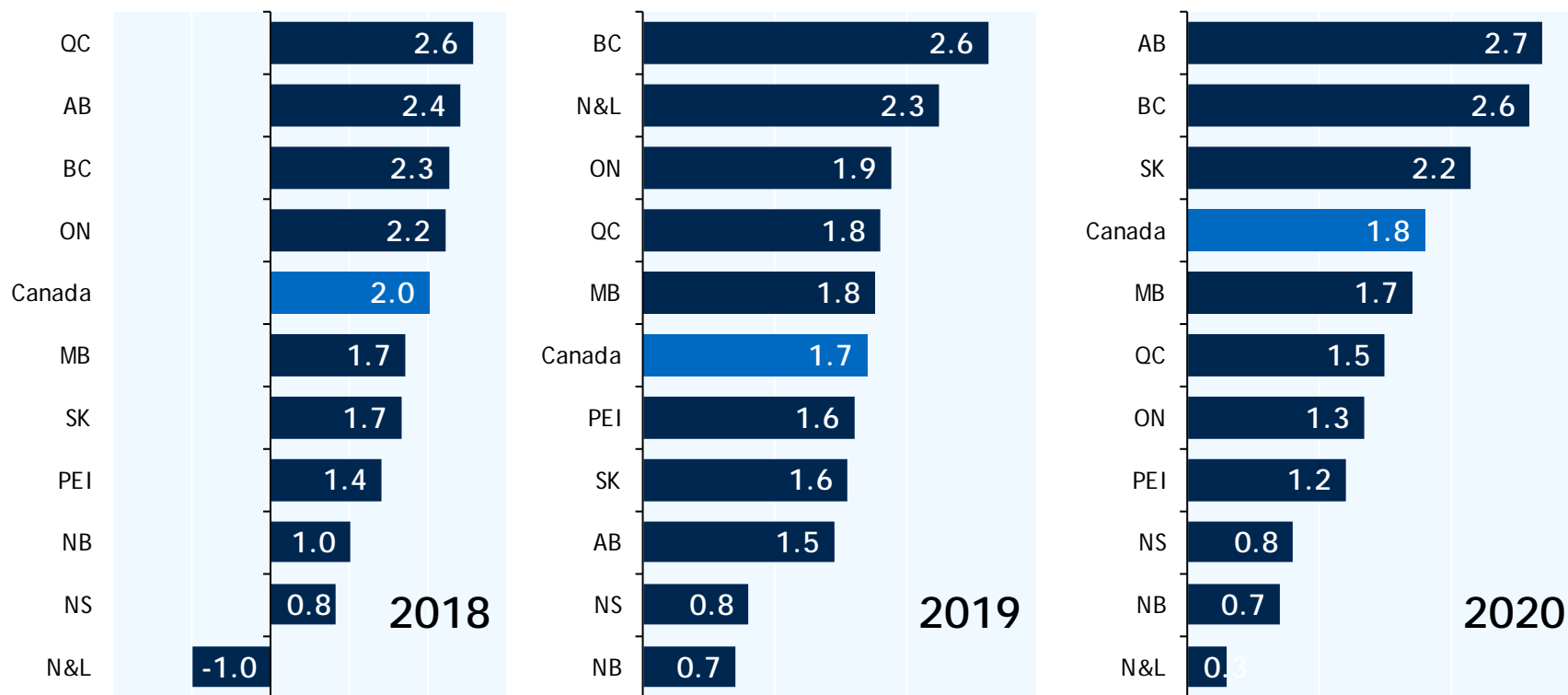


Source: Bloomberg, EIA, Wall Street Journal, RBC Economics Research

Growth is expected to moderate in 2019 amid growing capacity pressures and energy sector woes (except in BC)

Provincial GDP growth

real GDP, year-over-year % change



Source: Statistics Canada, RBC Economics

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