

# **Economic update:** Canada's growth prospects brighten in 2025 but not without challenges

Economic Update

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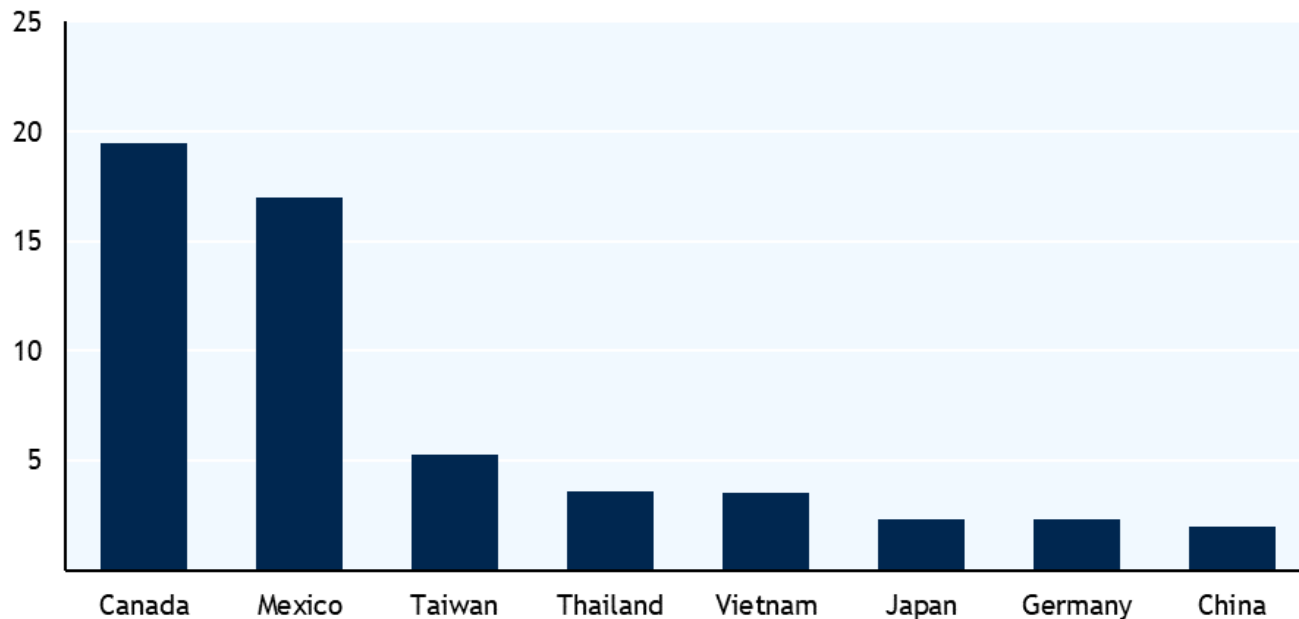
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# Risk of significant trade disruptions higher under new Trump administration

## U.S., Mexico, Canada industrial supply chains are too integrated to withstand tariffs

U.S. produced share of the value of U.S. imports by country as of 2018

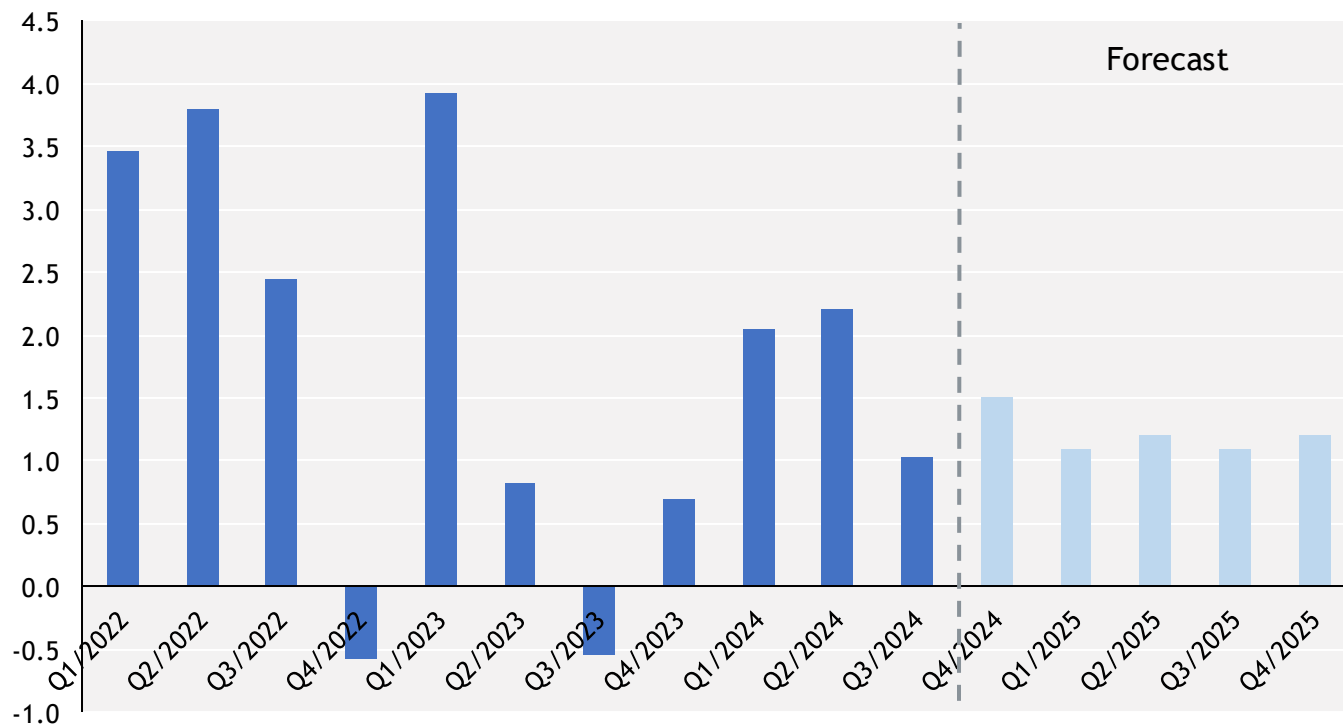


Source: OECD (TIVA data), RBC Economics Research

# Real GDP growth to remain slow

## Real GDP: Canada

Quarterly change (%), seasonally adjusted and annualized

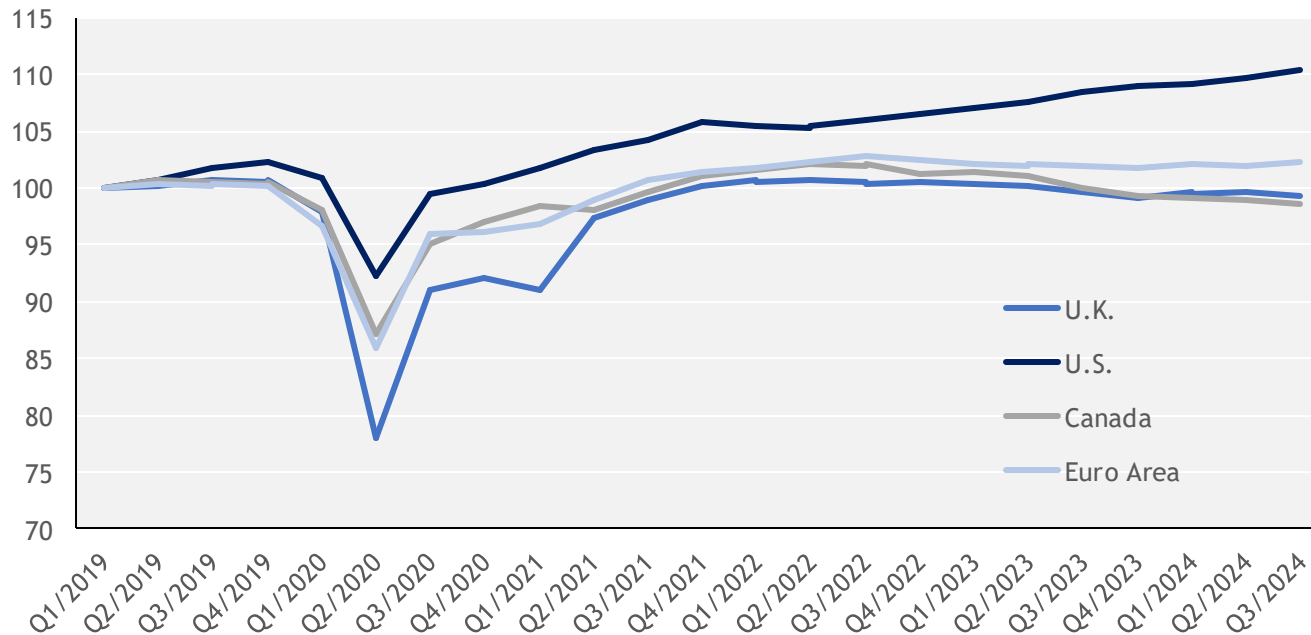


Source: Statistics Canada, RBC Economics

# Canadian economy still underperforming peers

## Canadian GDP per capita continues to underperform

Per capita GDP, Index = 100 at 2019

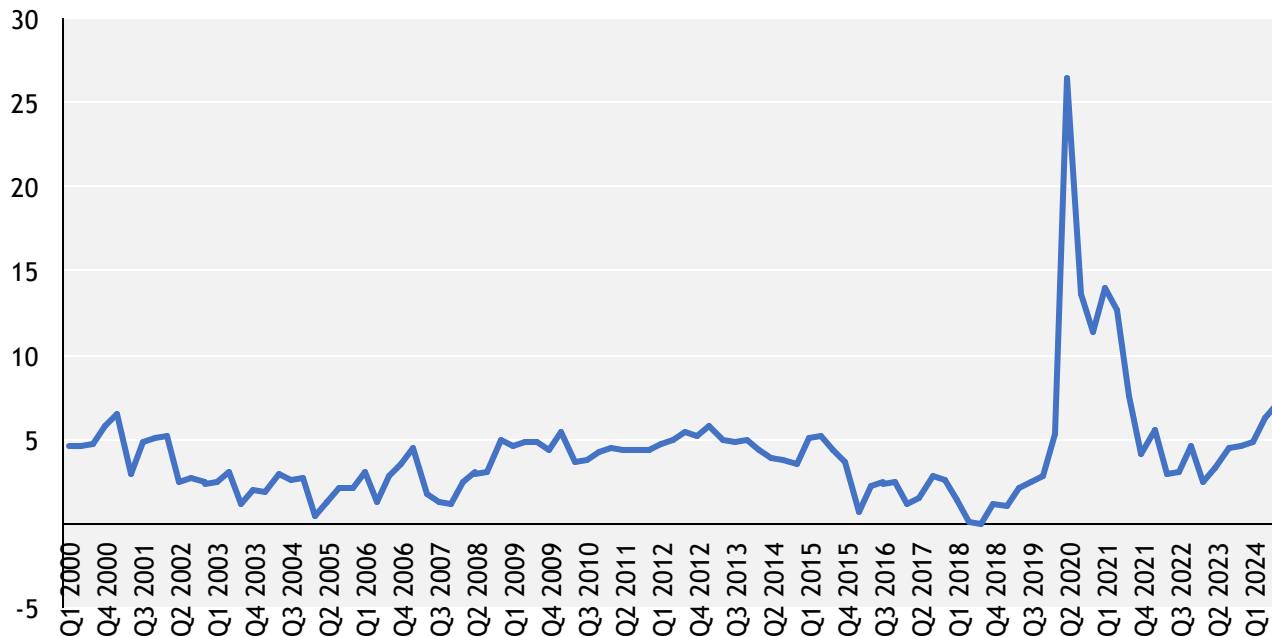


Source: Statistics Canada, RBC Economics

# Household savings picture improves

## Household saving rate: Canada

Household saving rate (seasonally adjusted), %

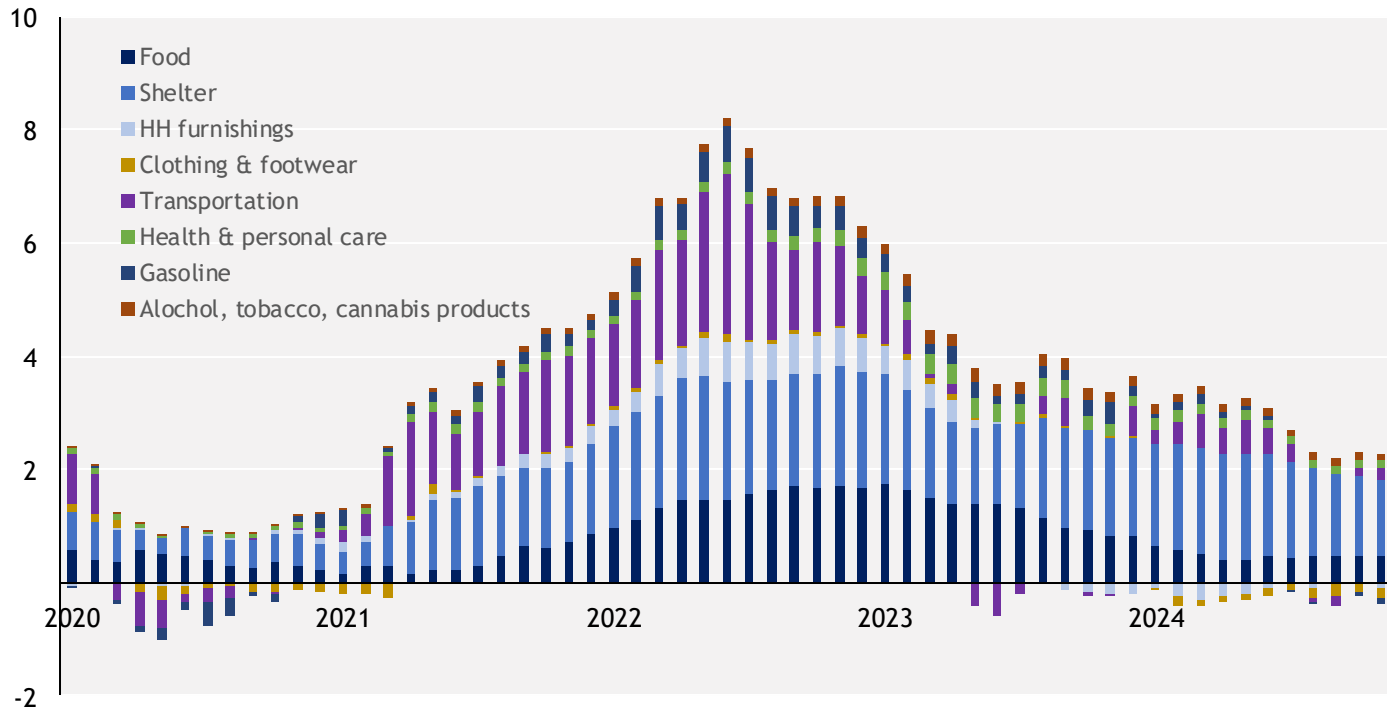


Source: Statistics Canada, RBC Economics

# Inflation slowing as economy softens

## Canadian inflation by source

Percentage-point contribution to 12-month CPI growth by category, percentage-points

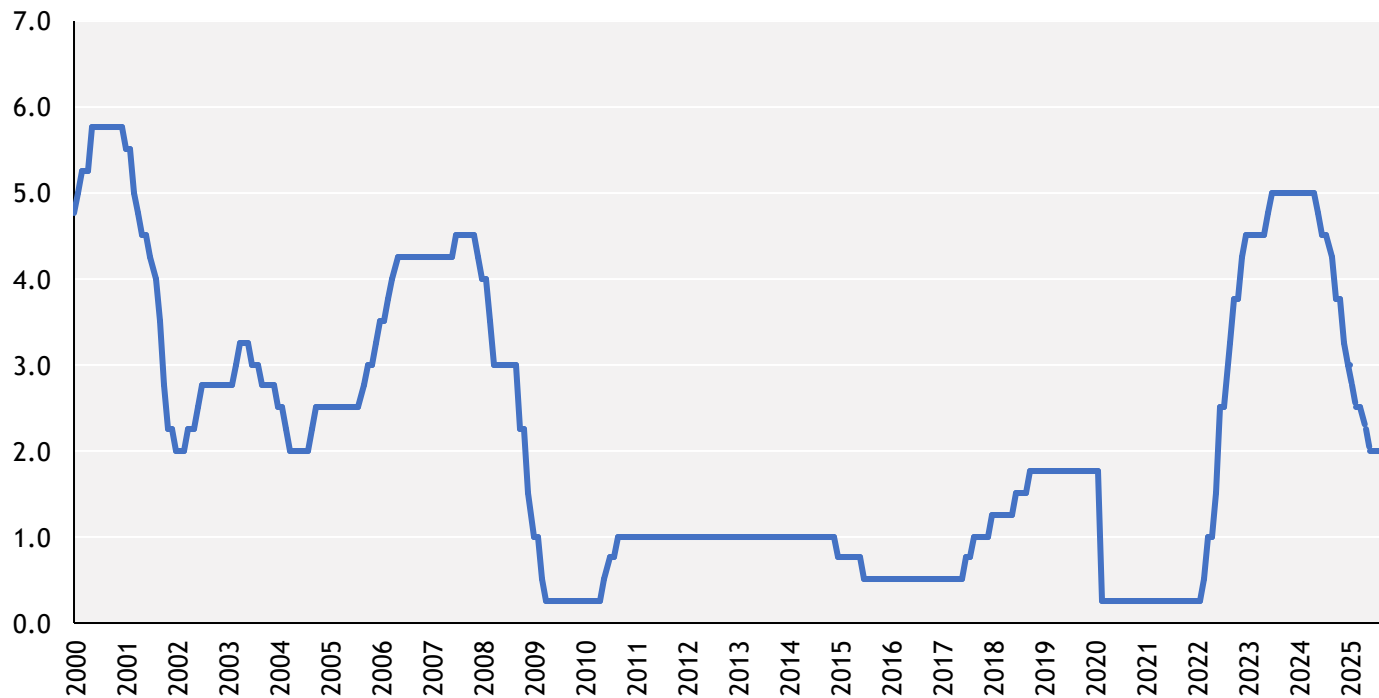


Source: Statistics Canada, RBC Economics

# Bank of Canada shifts to rate cuts

## BoC Overnight rate: Canada

Bank of Canada overnight rate, %

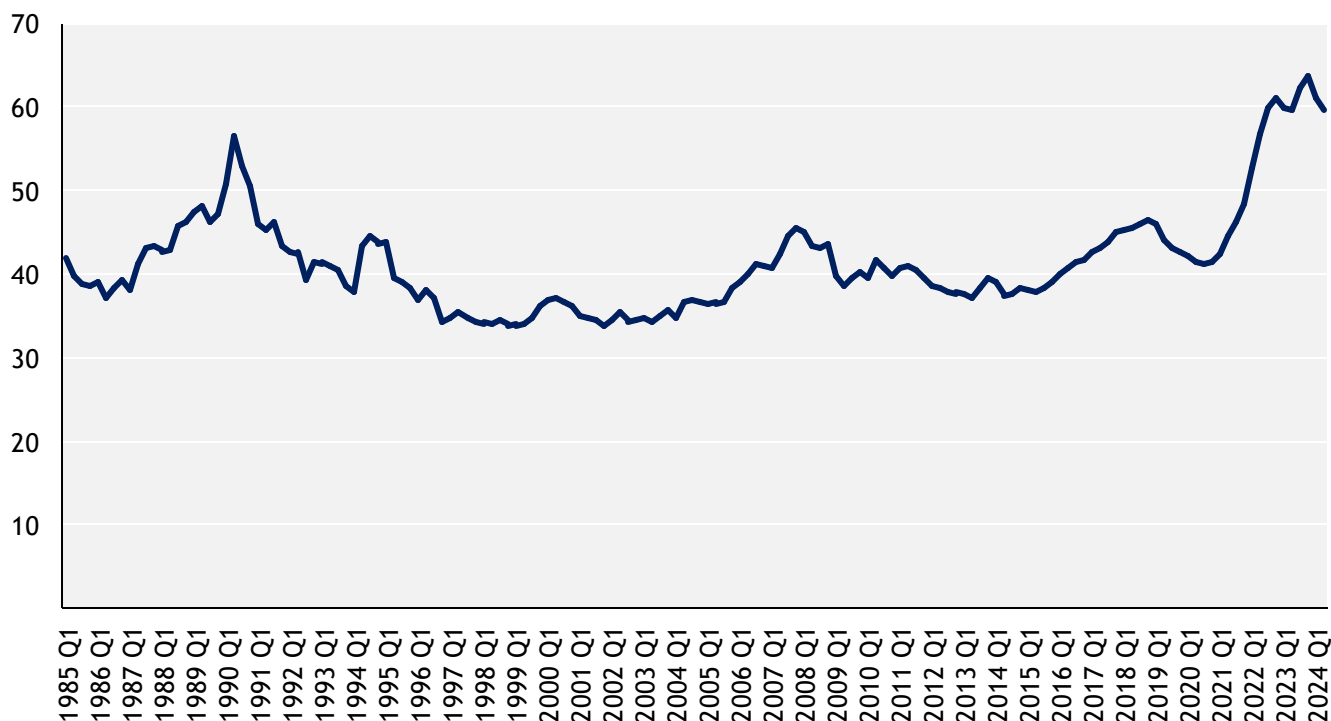


Source: Statistics Canada, RBC Economics

# Housing affordability comes down from worst-ever level

## Housing affordability: Canada

Ownership cost as share of pre-tax household income, composite of all housing categories



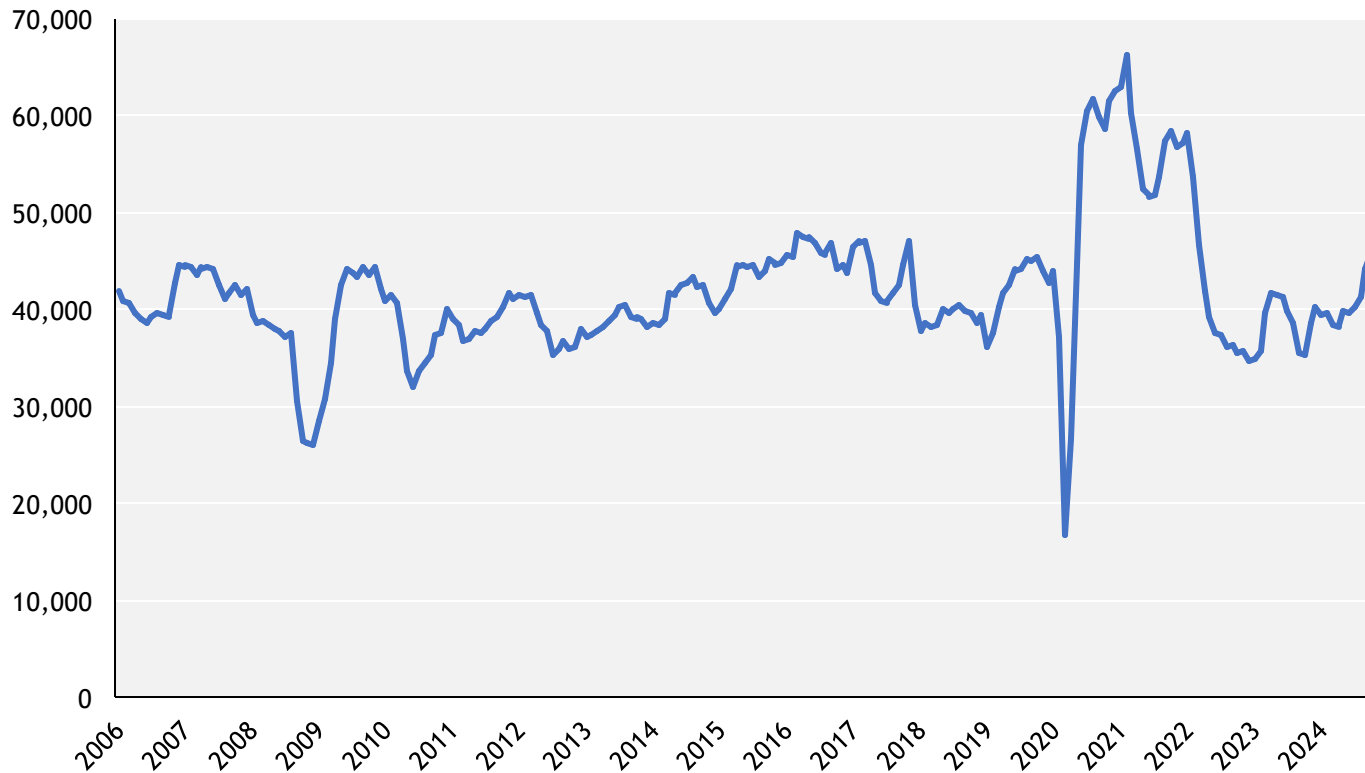
Source: Statistics Canada, RBC Economics



# Housing market recovery underway

## Home resales: Canada

Residential unit sales, thousands of units (seasonally adjusted and annualised)

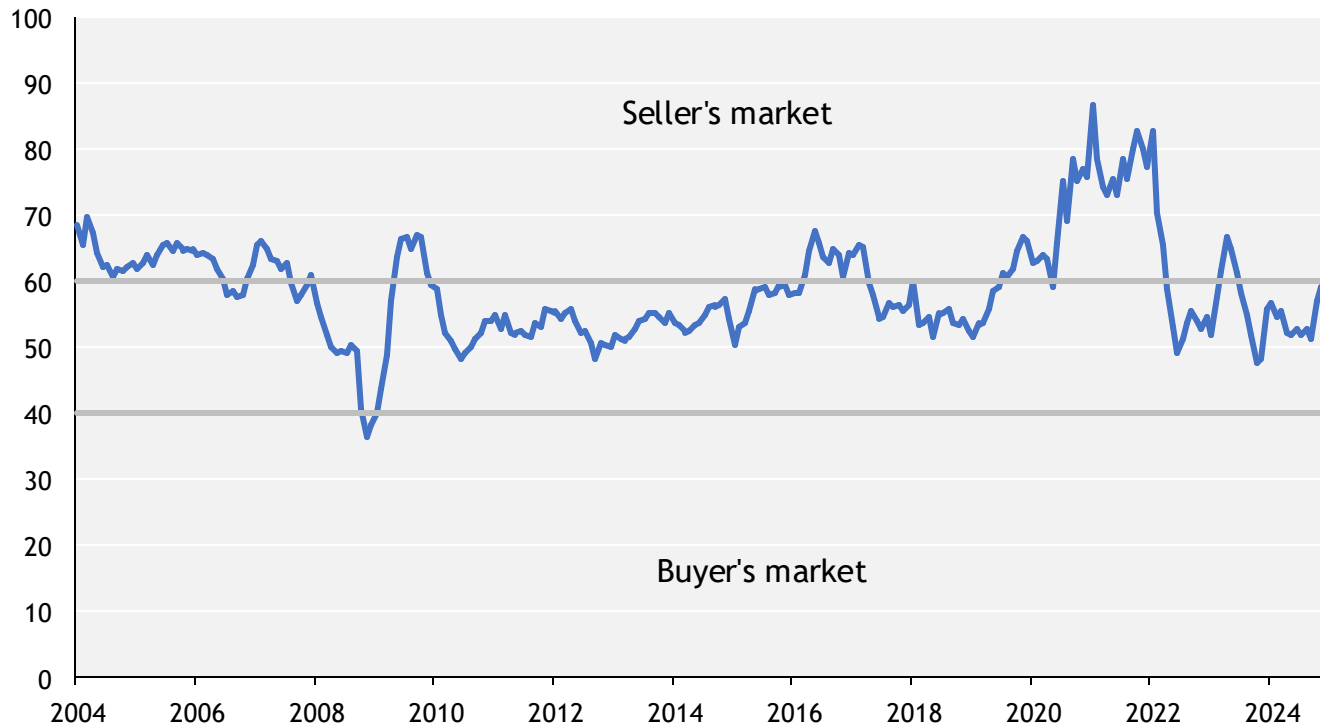


Source: Canadian Real Estate Association, RBC Economics

# Market conditions beginning to favour sellers

## Sales-to-new listings ratio: Canada

Sales-to-new listings ratio, seasonally adjusted (%)

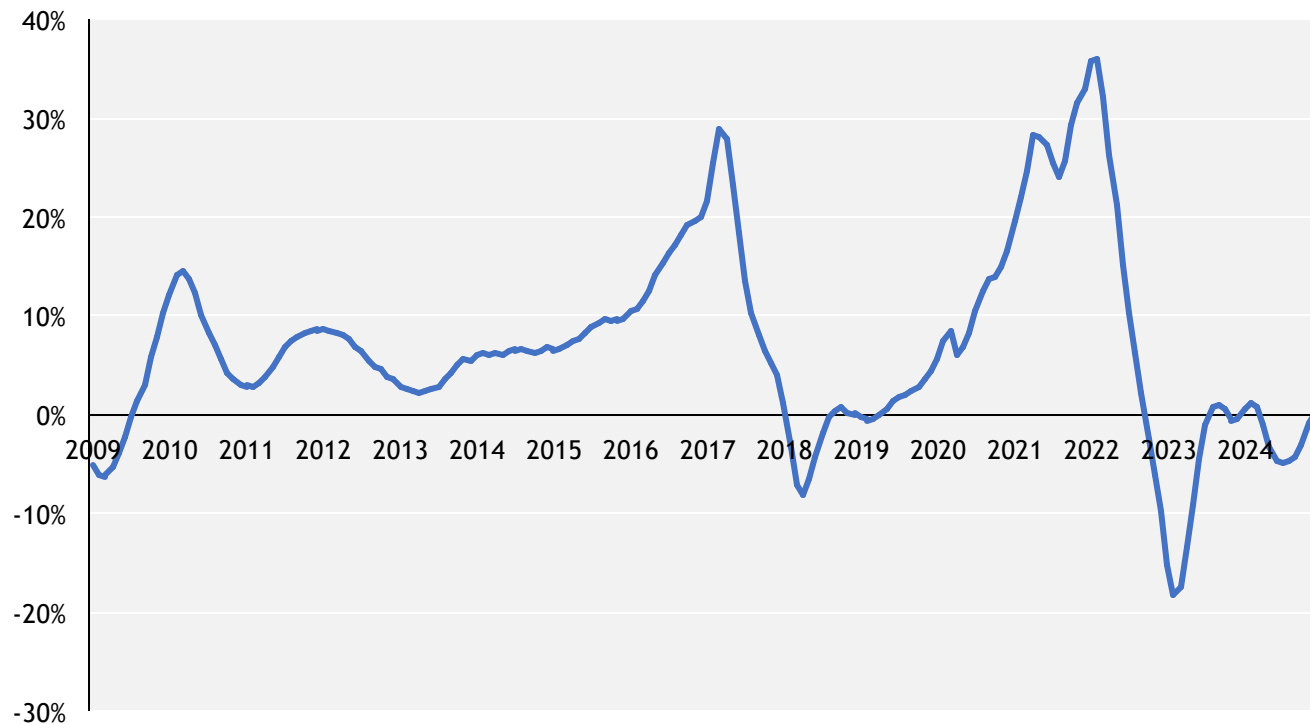


Source: CREA, RBC Economics

# Home prices firming up

## MLS Home Price Index: Canada

Year-over-year change in the composite index, %

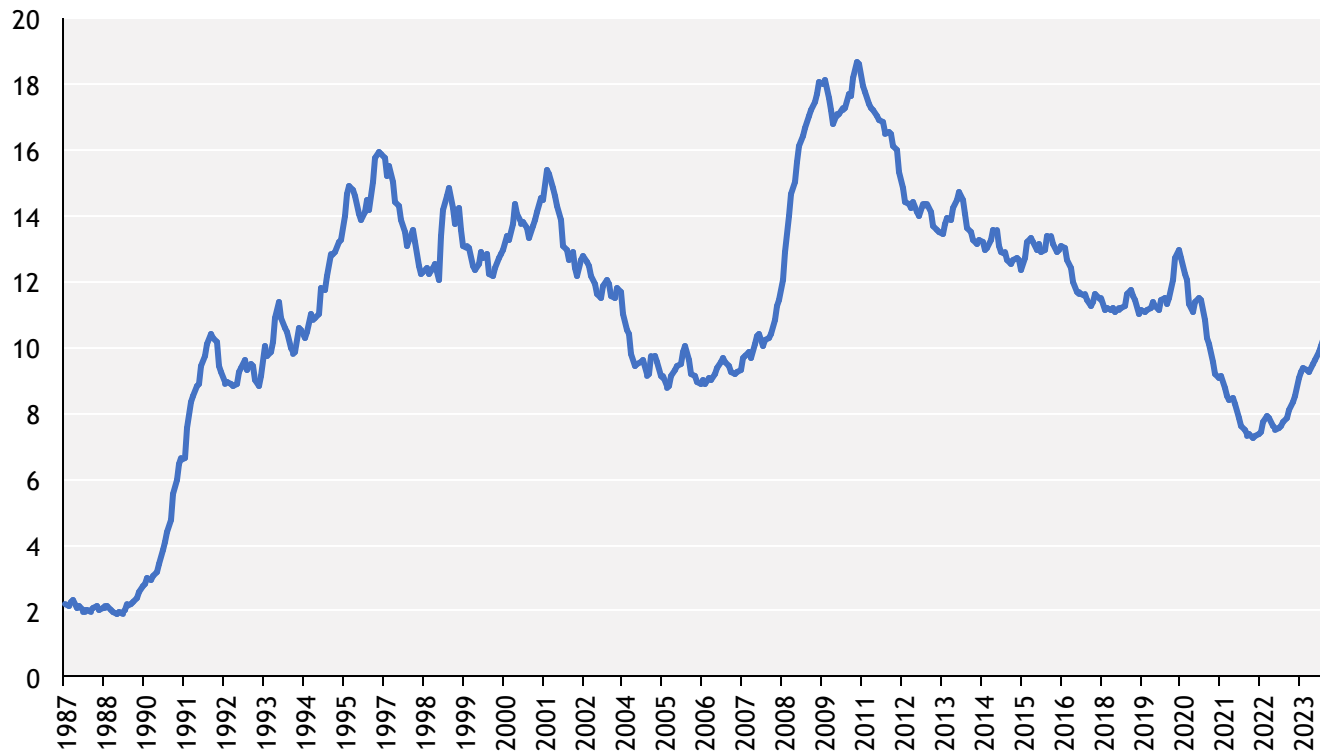


Source: CREA, RBC Economics

# Mortgages in arrears still historically low

## Residential mortgages in arrears: Canada

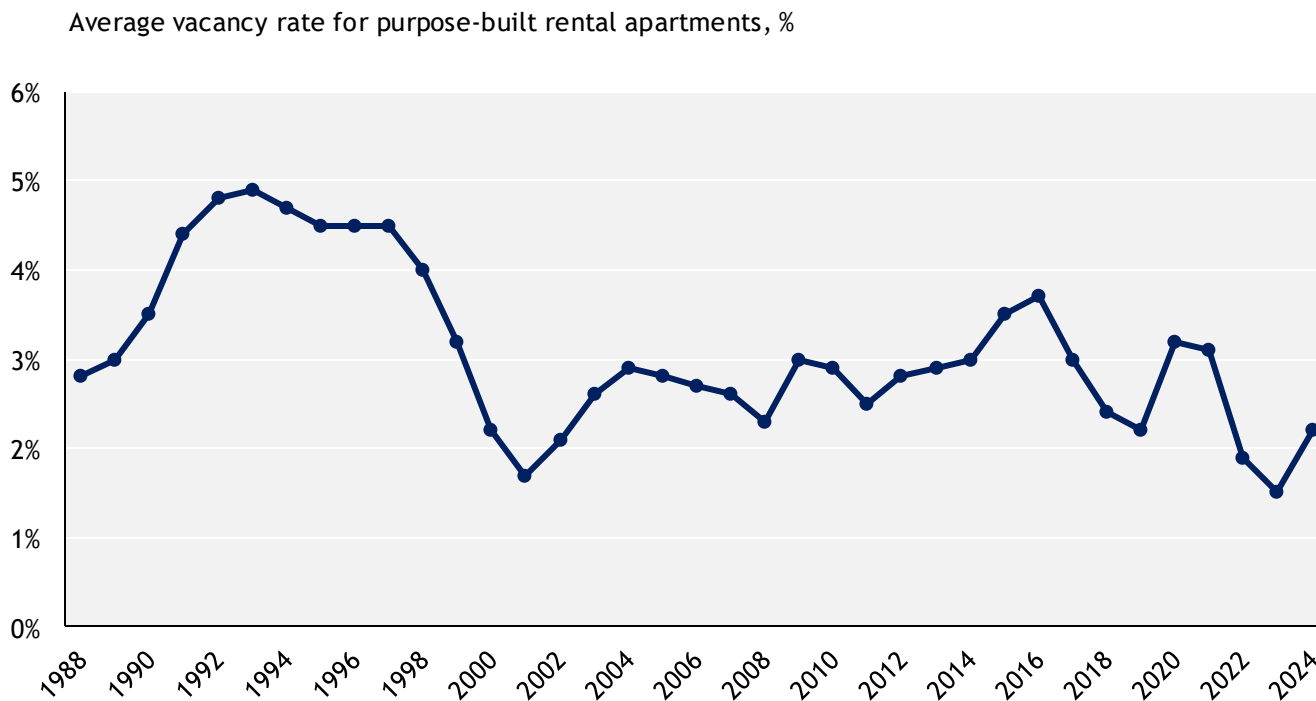
Residential mortgages in arrears, thousands



Source: Statistics Canada, RBC Economics

# Canada's rental vacancy rate remains below 3%

## Rental vacancy rate: Canada

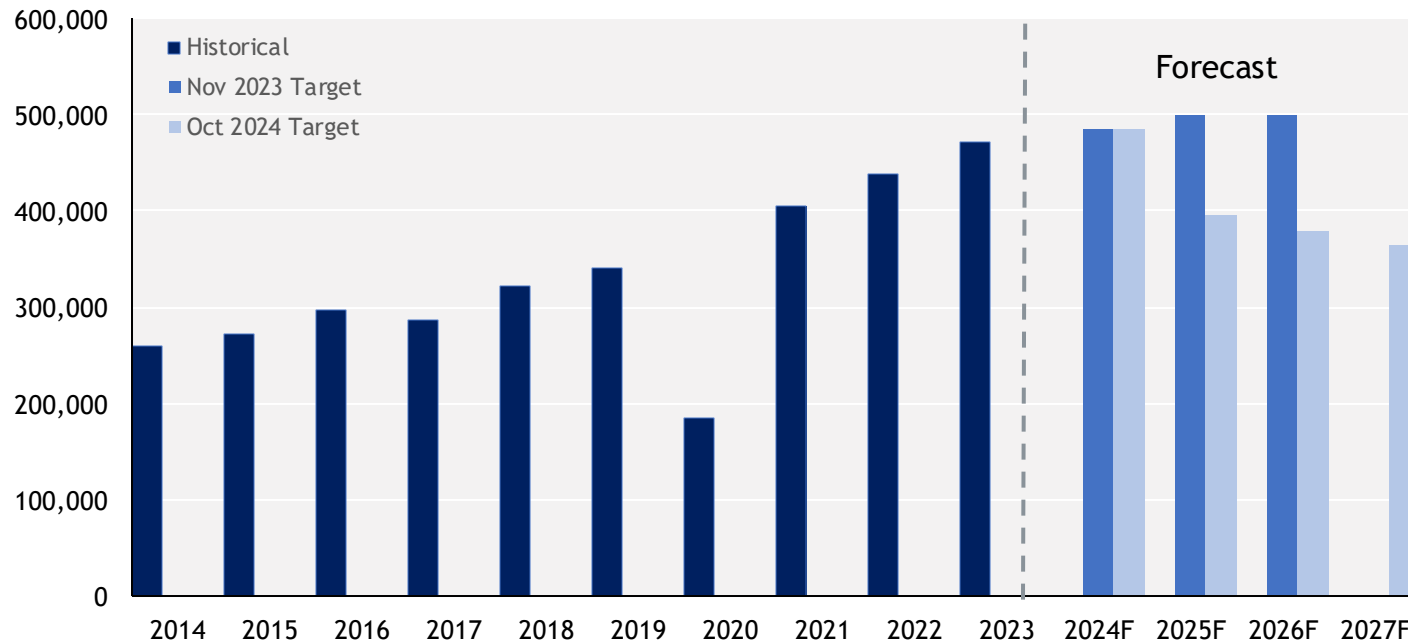


Source: CMHC Rental Market Reports, RBC Economics

# IRCC slashes immigration targets

## Immigration: Canada

New permanent residents in Canada, annual

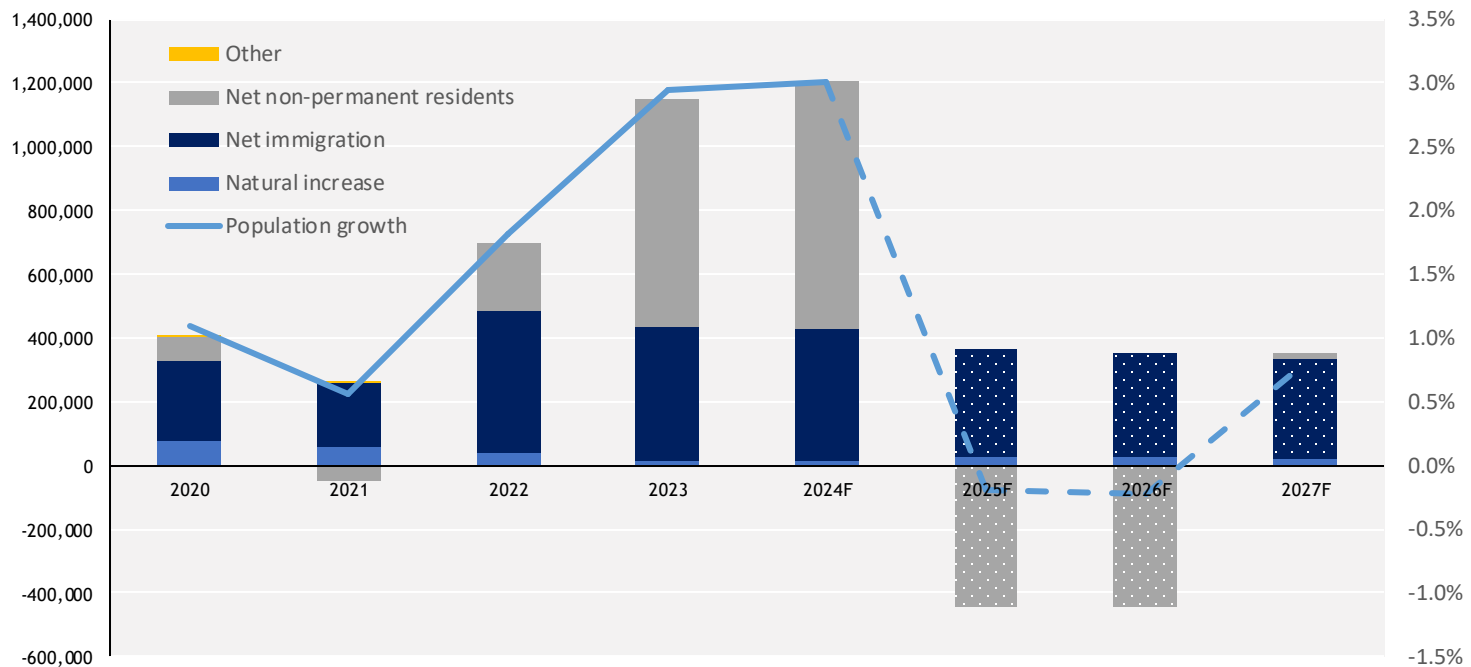


Source: IRCC, RBC Economics

# Reduced immigration targets would eradicate population growth in 2025 and 2026...

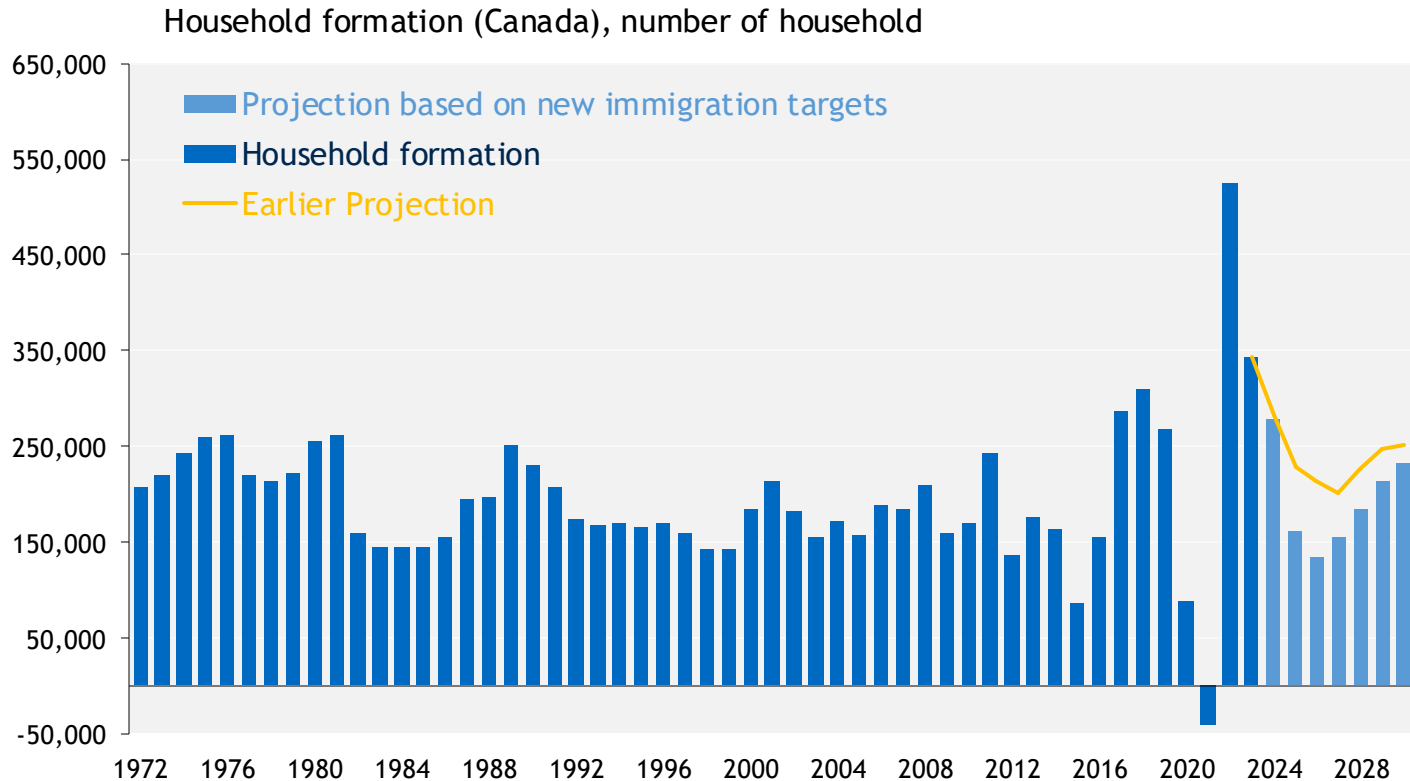
## Components of population growth: Canada

Components of population growth (left), percentage change in population (right)



Source: Statistics Canada, IRCC, RBC Economics

## Immigration cuts will stunt household formation



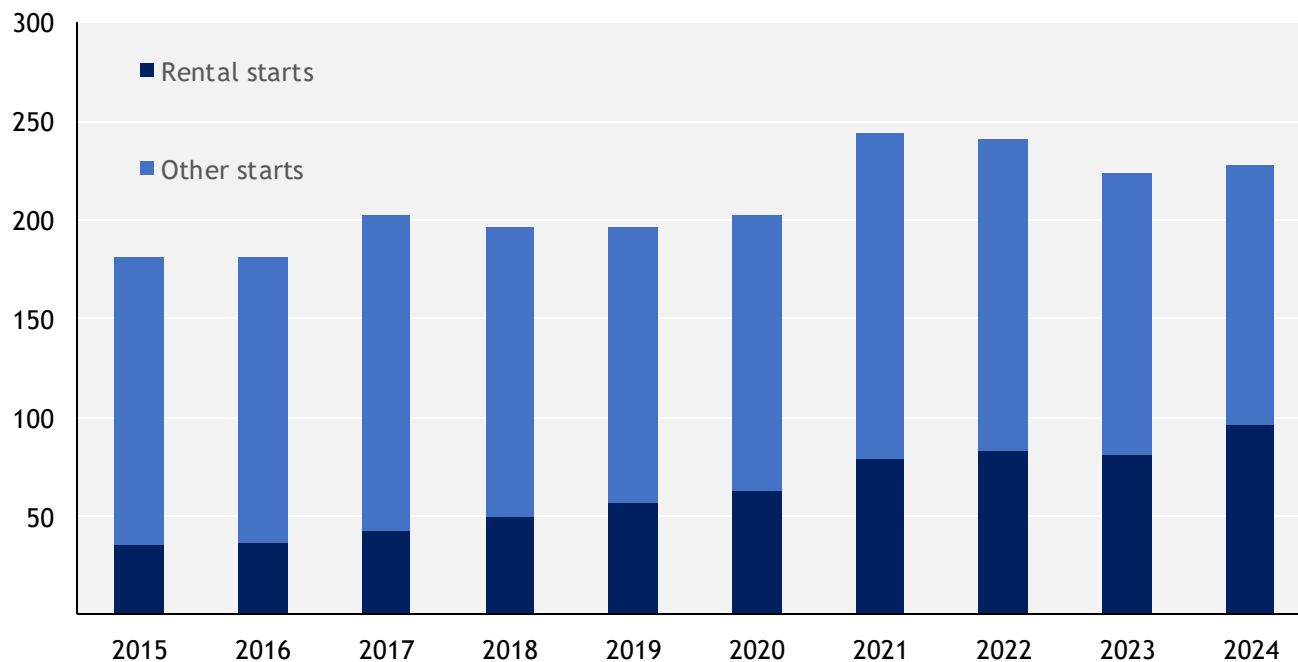
Source: Statistics Canada RBC Economics



# Housing starts dominated by rentals

## Canadian housing starts

Housing starts by market type, thousands of units



Source: Statistics Canada, RBC Economics



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