Central Bank Policy Rates

<table>
<thead>
<tr>
<th>Country</th>
<th>Policy Rate</th>
<th>Current</th>
<th>Last</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>Fed funds</td>
<td>1.50-1.75</td>
<td>1.75-2.00</td>
<td>October 31, 2019</td>
</tr>
<tr>
<td>Canada</td>
<td>Overnight rate</td>
<td>1.75</td>
<td>1.50</td>
<td>October 24, 2018</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>Bank rate</td>
<td>0.75</td>
<td>0.50</td>
<td>August 1, 2018</td>
</tr>
<tr>
<td>Eurozone</td>
<td>Deposit rate</td>
<td>-0.50</td>
<td>-0.40</td>
<td>September 18, 2019</td>
</tr>
<tr>
<td>Australia</td>
<td>Cash rate</td>
<td>0.75</td>
<td>1.00</td>
<td>October 1, 2019</td>
</tr>
</tbody>
</table>
Bank of Canada

A 1.3% increase in Q3 GDP was bang-on the BoC’s forecast, but the details were firmer than expected with a surprising increase in business investment.

We expect sub-trend growth will continue through the early stages of 2020, testing the BoC’s patience. We look for a rate cut in Q2, but acknowledge that persistent strength in housing and earlier fiscal stimulus could keep the bank on the sidelines.

Federal Reserve

We think the US economy continued to grow at an above-trend pace in Q4. Our 2020 growth forecast is slightly slower than the Fed’s 2% projection, but not enough so (in our view) to justify the central bank lowering rates further.

With inflation remaining well behaved (core PCE still sub-2%) we don’t see the Fed reversing this year’s rate cuts anytime soon.

European Central Bank

Euro area business sentiment is starting to stabilize, but we expect GDP growth will remain stuck at a modest 0.2% pace in Q4/19 and Q1/20.

With sub-trend activity unlikely to generate much inflationary pressure, the ECB is likely to keep monetary policy stimulus in place for the foreseeable future. The central bank is hoping for more fiscal support but that will be slow to come.

Bank of England

We think the UK economy grew at a sub-trend 0.1% pace in Q4. The unemployment rate’s downward trend has stalled out, but wage growth remains close to a post-recession high.

The next BoE governor will have to weigh slow growth and ongoing Brexit-related uncertainty against a tight labour market and solid wage growth. We expect no change in the bank rate in 2020.

Reserve Bank of Australia

Australian GDP growth slowed in Q3 and we think activity will continue at a sub-trend pace in 2020. With unemployment and underemployment already elevated, we think that will keep the RBA with an easing bias.

We look for another rate cut early next year, adding to 2019’s 75 basis points of easing, and think discussion around QE will intensify in 2020.

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.

Registered trademark of Royal Bank of Canada.
©Royal Bank of Canada.