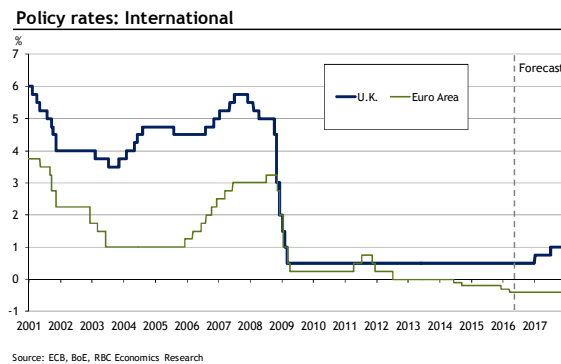
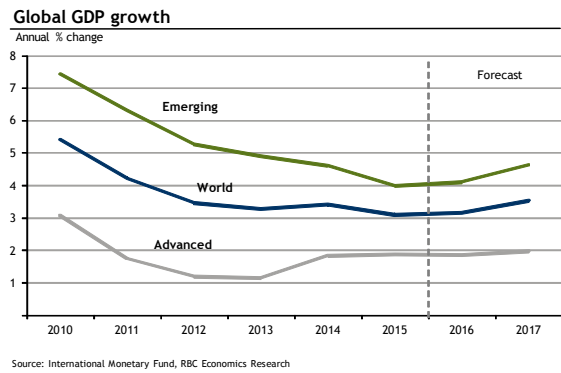


## ECONOMIC AND FINANCIAL MARKET OUTLOOK

June 2016

### WORLD ECONOMY SHUFFLING ALONG



The global economy has yet to emerge from 2015's moderate growth path with real GDP forecast to rise by 3.1% this year. Low energy prices and interest rates created the conditions for most advanced economies to accelerate in 2016 and were it not for the wavering in confidence early in the year that dampened activity, growth forecasts would be higher. With central banks committed to maintaining accommodative policy and governments no longer implementing fiscal policy restraint, we see the easing in financial market volatility as a precursor to firmer growth in the advanced economies as the year progresses.

Emerging market economies, conversely, are likely to remain on a slower growth trajectory in 2016. As the rebalancing in China's economy continues, the slowing in investment and industrial production will weigh against firmer consumption and service sector activity. Real GDP is forecast to expand by 6.5% this year, slower than 2015's 6.9% pace. The rebalancing saw Chinese import demand slump in 2015 and continue to fall at a double-digit clip in early 2016. This pullback in demand is acting as a headwind to other emerging economies that rely on China to purchase their exports. Combined with lower revenues earned by commodity exporters and rising financing costs, 2016 will mark a year of subdued economic activity in many emerging economies.

#### Risks to growth outlook to abate in UK

Anxiety within financial markets abated as the first quarter progressed however uncertainty about the outcome of the June 23 referendum on UK membership in the European Union will likely prevent an acceleration in UK growth until later in the year. Our baseline view is that the status quo will prevail and that growth will firm in the second half of the year. Monetary policy is very accommodative and we expect no reduction in stimulus in 2016. A revival in growth and resumption of the tightening in labour market conditions will likely see the Bank of England shift its policy stance in early 2017 although the path to higher rates will be a long one. The ECB will implement its aggressive plan to add liquidity via purchases of a wide-range of fixed income securities and maintain the key policy rate at -0.4% in order to stack the deck against any renewed bouts of disinflation.

The turnaround in oil prices in the second quarter is another factor that will underpin a pickup in headline inflation rates in the advanced economies. To-date, headline inflation rates are holding below central bank's targets that are largely centered around 2%. Oil prices started to recover in mid-February with the price of a barrel of WTI crude rising from a recent low of \$26.20 to close to \$50 by the end of May. Falling US production combined with temporary production outages in Canada and some of the emerging economies underpinned the sharp price movement. In Canada, the wildfires in Fort McMurray reduced output by over 1 million barrels per day for almost the entire month of May although some of the facilities are expecting to go back online in early June. The sharp pace of increase in prices over the past three months is unlikely to be sustained given that production continues to exceed demand. Our forecast assumes the persistent decline in US production will eventually result

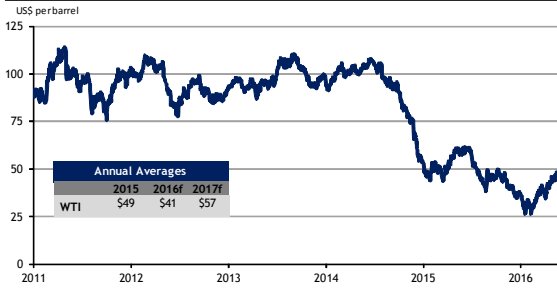
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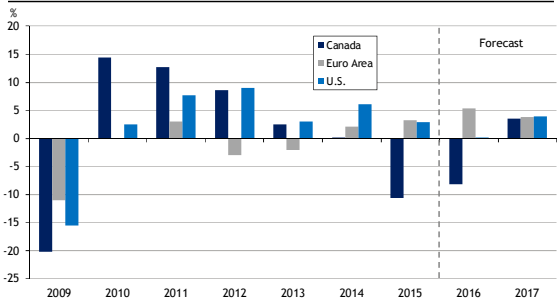
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### Spot Market Price for WTI



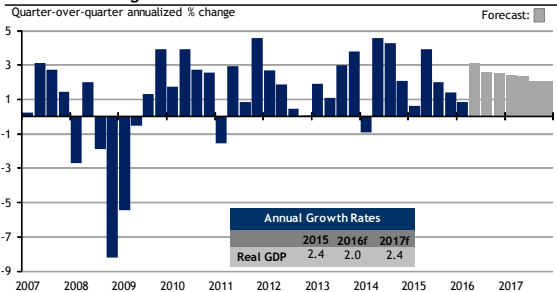
Source: EIA/CME, BOC/Haver, RBC Economics Research

### Nonresidential business investment



Source: Statistics Canada, Bureau of Economic Analysis, Eurostat, RBC Economics Research

### U.S.: real GDP growth



Source: Bureau of Economic Analysis, RBC Economics Research

in a narrowing in the demand/supply gap with the oil market likely to return to balance or a small deficit position late this year. Once excess oil production has been eliminated, we expect the upward climb in prices will resume and forecast a barrel of WTI will trade around \$60 by the end of 2017.

### Waiting for business investment to pickup

One of the key headwinds to growth in the advanced economies has been the slowing in business investment. This was notable in the first quarter US GDP report that showed the second consecutive decline in investment that was only partially due to the retrenchment by oil and gas companies. In Canada, a survey of investment intentions showed another sharp drop in spending in the energy industry. More worrying the report showed companies outside of energy also intend to spend less this year. In the Euro area, investment remains about 10% below 2008 levels and even with increases in 2016 and 2017 will only approach the 2008 level. In part the hesitancy to invest mirrored the decline in activity as indicated by the purchasing managers' indices that ticked lower in early 2016 and only started to recover in April. The recovery occurred as financial market volatility eased terminating earlier tightening in financial conditions thereby setting up for business confidence and spending activity to recover as 2016 progresses.

### US economy – a giant awakes!

The US economy is poised to emerge from its recent weak patch. After averaging just 1.1% in the six months ended March, April data point to a sharp acceleration in activity with our forecast calling for a 3.1% annualized increase real GDP in the second quarter. The easing in financial market volatility underpinned a recovery in business sentiment as indicated by the ISM purchasing managers' index. We expect this stronger momentum to persist throughout the remainder of this year and next.

However, the soft start to the year sets up for real GDP growth to average 2.0%, slower than 2015's 2.4% gain. On a Q4-over-Q4 basis, the economy's growth rate will accelerate slightly to 2.2% from 2.0% in 2015. The economy's stronger momentum will continue in 2017 with real GDP forecast to increase by 2.4%.

### Weakness in Q1 real GDP overstated

The paltry 0.8% annualized rise in US real GDP in the first quarter didn't square with the underlying supports present early in the year suggesting that the anxiety in financial markets usurped these positive factors. Low gasoline prices, low interest rates and solid employment growth were not enough to prevent a slowing in consumer spending to a 1.9% annualized rate in the first quarter, trailing 2015's 3.1% pace. The weakness permeated most other areas of the economy with only housing market activity and government spending accelerating relative to 2015's average annual growth rates.

April's data suggest the economy is in for a stronger increase in the second quarter with home sales running at the fastest pace since late 2007; motor vehicle sales snapping back after printing a recent low in March and real consumer spending posting one of the strongest monthly gains in the post-recession period. Additionally, exports picked up in April, growing at the fastest pace in six months. Although the recovery in domestic demand will likely result in import growth reaccelerating as the quarter wears on, the April increase in exports tees up for growth in the second quarter, a marked improvement following declines or slow growth in the previous three quarters.

## Consumer is key

The US consumer is projected to maintain the dominant role in driving real GDP growth this year. The persistent tightening in labour market conditions is finally filtering into a strengthening in the pace of wage increases. At the same time, household net worth ended 2015 at \$86.8 trillion and homeowners' equity in real estate stood at a post-recession high of 57%. These firm underpinnings will provide consumers with the fire-power to spend with motor vehicle sales forecast to rise again in 2016 and the upward trend in home sales to continue.

## Slower monthly job gains are nothing to worry about

In April and May, gains in nonfarm payroll employment averaged 81,000, the slowest pace of increase since 2010. That said, the unemployment rate in May fell to 4.7% and broader measures of unemployment showed a further reduction in labour market slack. Looking forward we see the abrupt weakening in job gains as likely to reverse. That said, the pace of job creation is likely to run closer to 150,000 per month rather than the 223,000 average posted over the prior three year period. This reflects both the reduction in excess capacity in the labour market as well as the demographically driven weakening in growth in the working age population. On balance, these conditions will support the unemployment rate holding around the Fed's assumed full employment level of 4.8%.

## Inflation watch

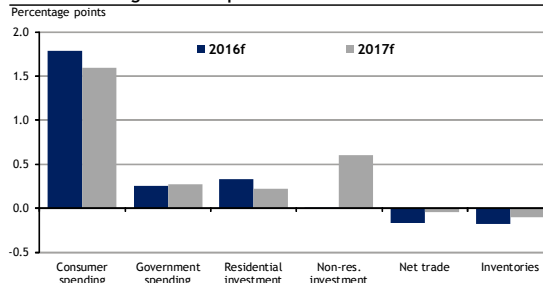
Headline inflation in the US continues to run well below the Fed's 2% target weighed down by falling energy prices. Core measures, conversely, are running much closer to 2%. The recent recovery in oil prices sets up for these two measures of inflation to converge over the remainder of 2016. The energy price recovery influenced inflation expectations, as implied in the TIPS market (Treasury Inflation Protected Securities), which rebounded after hitting a recent low in February 2016. The gradual acceleration in wage growth as labour market slack shrinks will also exert upward pressure on prices over time.

As of April, the core CPI rate was at or above the Fed's 2% objective for six months running, the longest such streak since 2012. Based on the inflation and labour market readings, the Fed would have little hesitation following up the December 2015 rate hike with another 25 bps increase. However, as the risks from global economic and financial developments increased early in the year, policymakers assumed a cautious stance about the pace of further tightening. The minutes of the April FOMC meeting suggested that members increasingly viewed the downside risks to the outlook as becoming less intense and that the labour market and inflation data support a gradual withdrawal of policy stimulus. The strong April data further opened the door to the Fed taking the next step in reducing monetary policy support as indicated by several Fed speakers in recent weeks. In the very near term, the Fed will likely remain on the sidelines monitoring international events including the UK referendum on membership in the European Union (June 23, 2016) and the negotiations regarding Greece's upcoming debt repayment. A benign outcome and continued strengthening in US activity would put a summer hike in play although given all the caveats to this occurring, our forecast is that the Fed will delay its next move until later in the year.

## US dollar rallies as odds of Fed rate hike rise

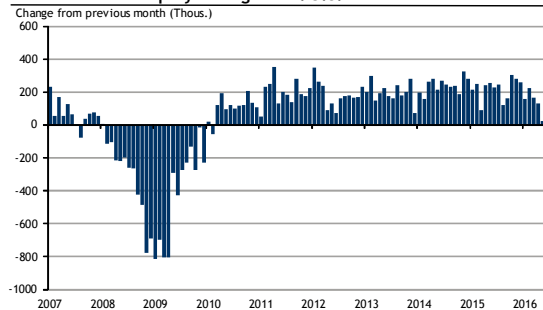
For most of 2016, the trade-weighted US dollar was under downward pressure as economic data sagged and markets factored in lower expectations of Fed rate hikes in 2016. Sentiment turned in early May as data reports soothed con-

### U.S. Real GDP growth composition



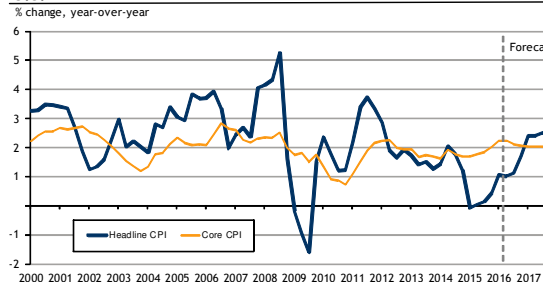
Source: Statistics Canada, RBC Economics Research

### Private sector employment growth: U.S.



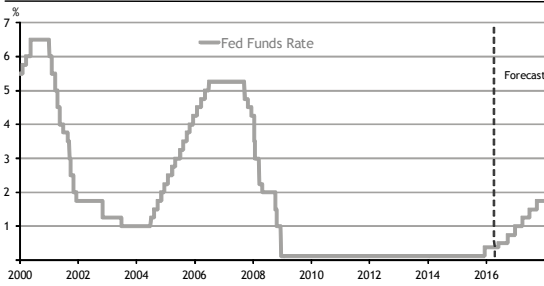
Source: Bureau of Labor Statistics, RBC Economics Research

### U.S. inflation



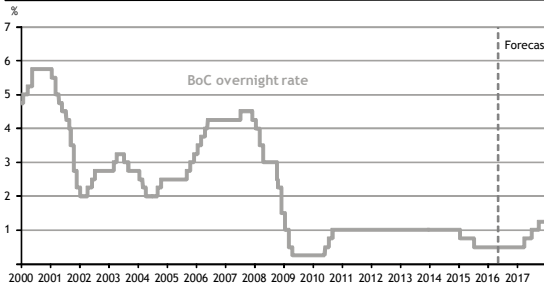
Source: Bureau of Labor Statistics, RBC Economics Research

**U.S.: interest rates**



Source: Federal Reserve Board, U.S. Treasury, RBC Economics Research

**Canada: interest rates**

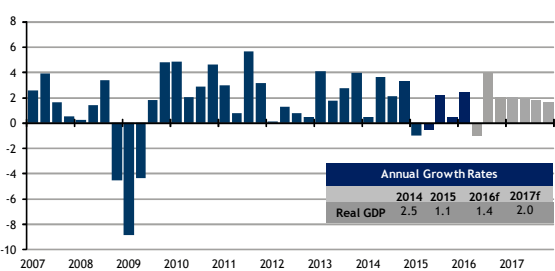


Source: Bank of Canada, RBC Economics

**Canada: real GDP growth**

Quarter-over-quarter % change, annualized rate

Forecast: ■



Source: Statistics Canada, RBC Economics Research

cerns that the economy would continue along Q1's modest growth path with April reports suggesting a much stronger outturn in the second quarter. We expect the US dollar will appreciate against both the Euro and Canadian dollar in the second half of 2016 as markets increasingly anticipate a Fed funds rate hike that is then realized while domestic issues ensure the BOC and ECB maintain their current policy stance.

**Bank of Canada keeps an even keel**

The news on the Canadian economy has been mixed since the Bank of Canada's last forecast update in April. The economy posted a healthy 2.4% annualized gain in the first quarter however the trend in the monthly reports set up for a weaker outcome in the second quarter. The weakening will be exacerbated by the wildfires in northern Alberta that took almost 50% of the production from the oil sands off-line for a month.

The volatility in the economy's performance in the near term makes it unlikely that the Bank will make any adjustments to monetary policy, with the effect of the wildfires viewed as a temporary factor. More worrying was the decline in export volumes in February and March and the weak tone in the 2016 investment intentions survey. In their May policy statement, the Bank appeared to look through the gyrations in export activity and the April trade report showed a modest recovery in exports of non-commodity products. The Bank asserted that the process of adjustment is continuing but "is proving to be uneven". On balance, even with business investment proving to be weaker than projected, the most likely course of action is that the Bank will hold the overnight rate at 0.5% for the remainder of 2016 to ensure that the transition in the drivers of growth proceeds.

Incorporating the soft hand-off in exports and drop in oil production resulted in a substantial downgrade to our forecast for real GDP in the second quarter which is now pegged to decline at a 1.0% annualized rate, rather than post a 2.1% increase as was expected in our March 2016 outlook. The subsequent recovery in oil production, rebuilding in the regions affected by the wildfires and expected rebound in exports yielded an upgrading of our third quarter forecast to 4.0% (from 2.0% in March) with the fourth quarter growth rate little changed at 2.1%. This erratic pattern of economic activity means that Canada's economy is headed for another year of moderate growth with our updated forecast showing a 1.4% increase in 2016, moderately faster than 2015's tepid 1.1% pace. 2017 is likely to be a firmer year for Canada as higher oil prices prevent another retrenchment in investment with the economy forecast to expand at a 2.0% pace.

**Canada's consumer stepping up again!**

The consumer will be the lead support for the economy once again in 2016. Record auto and home sales were reported in the first four months of the year with activity likely to remain at these lofty levels barring any interruption in the labour market. In the twelve months to April, the economy saw 144,000 jobs created and the pace of wage gains accelerated to 3.1% from 2.7% in 2015. This rise in employment occurred despite 50,000 jobs cut in the three oil-producing provinces (Alberta, Saskatchewan and Newfoundland & Labrador). The deterioration in labour markets conditions in the oil producers will likely keep downward pressure on their housing markets and retail activity leaving the remaining seven provinces to do the heavy lifting.

Building on the 8.9% drop in 2015, wages and salaries in the oil and gas industry continued to decline in the first quarter of 2016, albeit at a slightly slower 6.0% pace. Excluding oil and gas, wages and salaries posted an average gain of 3.0% last year and were up 2% at an annualized rate in the first quar-



ter. The rise in employment and firming in wage gains are forecast to lift personal incomes again in 2016 despite another expected decline in the energy sector. Further the tax changes in the federal government's budget will provide a lift to disposable incomes this year. On balance, consumer spending is forecast to increase by 2.1% in 2016 with auto sales projected to hit a record sales pace for the fourth year running.

Even with auto sales running at an elevated pace, Canadian households pared back their accumulation of nonmortgage loans in the first quarter with growth in this credit component sustaining a slowing trend. Conversely, households continued to take on residential mortgage debt at a robust rate. Rising home prices and low interest rates are underpinning demand for property loans with balances expanding by 6.3% in the first quarter, the quickest pace of accumulation since September 2012.

Despite the expansion in outstanding debt balances, service costs continue to run at 14% of disposable income, largely in line with the average over the past decade. Indicators of stress similarly do not show any deviation from recent trends with the number of consumer bankruptcies falling in 2015 and early 2016 data showing the 12-month run rate stayed at the lower level. The percent of mortgages that are in arrears also remain historically low although inched up slightly to start 2016. Thus while balance sheets bear watching, recent indicators do not signal a deterioration in the health of consumer balance sheets nor flag imminent risk to the consumer outlook.

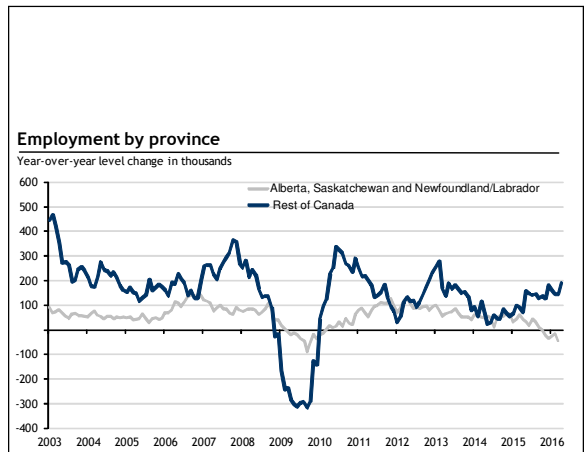
### Canada's housing market – hot start to 2016

Canada's housing market posted a record number of sales in early 2016 and prices, on average, increased at a double-digit pace. These headlines masked significant deviations across regions. In Alberta and Saskatchewan sales were below year ago levels while Ontario and BC sales soared and they posted the largest increases amongst provinces. This pattern was echoed in prices with Vancouver prices up 25% and Toronto prices running at a 12.6% clip compared to a year earlier. These strong price increases translated into a sharp deterioration in affordability in these two cities while most other markets are running close or slightly below their historical averages. The strong lift-off to 2016 led us to revise our forecasts for Canadian housing sales and prices such that we project this year will mark the highest number of sales on record with prices rising 5.0% to match 2015's gain.

This elevated pace of sales activity combined with the rebuilding in the aftermath of the Fort McMurray fire will likely keep building activity running above the pace of household formation with starts now expected to total 190,000 above our previous forecast of 186,000 units.

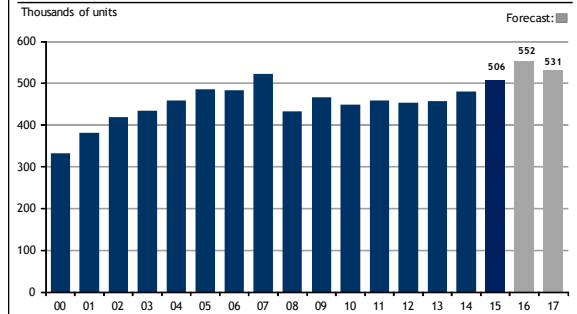
### Business fixed investment – down again 2016

After pulling back investment significantly in 2015, natural resource and particularly oil and gas companies intend to reduce investment again in 2016 with our monitoring showing a 30% drop. Outside of oil and gas, intentions were also soft although to a far lesser extent with a recent survey showing a 1.7% decline this year. Industry-wide non-residential construction activity by private companies is forecast to fall by 11.2% with spending on machinery and equipment projected to decline by 6.7%. Partially moderating this blow, government investment spending on construction and machinery and equipment is expected to rise 6.5% this year largely due to the federal government's stimulus plan announced in the March Budget. The Government's spending initiatives and tax changes are projected to lift GDP growth this year by 0.2 ppts and by 0.3 ppts in 2017.



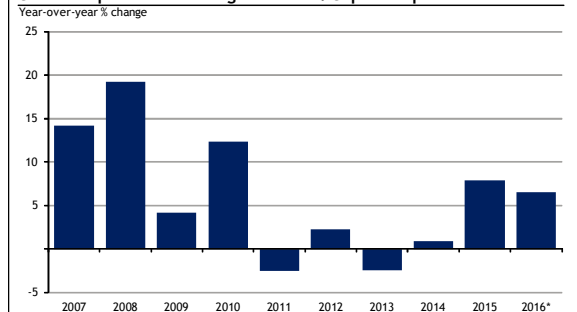
Source: Statistics Canada, RBC Economics Research

### Canada: Home resales



Source: Canadian Real Estate Association, RBC Economics Research

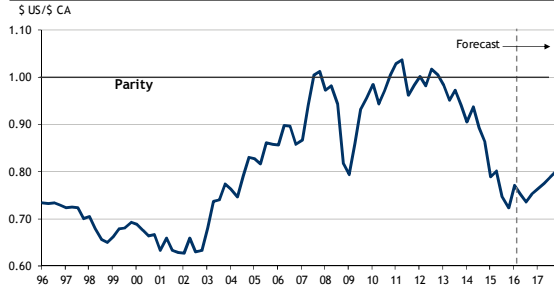
### Canadian public sector organizations: Capital expenditure



\*Intentions  
Source: Statistics Canada, RBC Economics Research



### Canadian Dollar Forecast



Source: Bank of Canada, RBC Economics Research

## Export conundrum

Canadian exporters posted sharply higher sales abroad in late 2015 and early 2016, only to falter unexpectedly in February and March. Overall in the first quarter, non-commodity exports were still up relative to a year earlier. The modest recovery in exports in April left sales of non-commodity products up almost 5% compared to a year earlier. Exports that were more closely aligned to US consumer spending and industrial production showed solid gains especially in products that are sensitive to the exchange rate. On net, February and March's pullback exacerbated the pressure on the economy heading into the second quarter that was compounded by the wildfires in May. Both of these factors are likely to prove to be temporary restraints on growth with exports forecast to reaccelerate in the second half of the year contributing to real GDP rising at an average 2.6% rate.

## Upturn in Canadian dollar expected to stall

Canada's dollar mirrored the move up in oil prices and rallied more than 8 cents against the US dollar from its January low of 68 US cents. The recovery stalled in May as markets priced in increased expectations of a US Federal Reserve rate hike with the Bank of Canada expected to maintain the overnight rate at 0.5% for the remainder of 2016. Looking forward, the Canadian dollar will continue to follow the ebb and flow of oil prices and we anticipate limited upside until later in the year when supply and demand are more closely aligned. As such the currency will likely take direction from changes in interest rate expectations. In 2017, our forecast anticipates oil prices will continue to rise and the Bank of Canada will be in position to increase the overnight rate as the economy gets closer to eliminating the output gap. Both of these developments will be positive for the currency and we are forecasting the Canadian dollar will appreciate to end next year at 80 US cents.

The global economy entered 2016 little changed from 2015 with the advanced economies showing signs of continued moderate expansion while the emerging market economies remained on a slower growth trajectory. Investors found little comfort in economic data and focused on the risks to the global outlook associated with slower Chinese demand, falling commodity prices, the prospect of the UK leaving the European Union, and an expected divergence in monetary policy across central banks. Risk aversion ballooned and the world stock market index posted a double-digit decline in the first six weeks of the year and yields on longer-term government bonds fell to challenge or establish all-time lows in Canada, the US, UK and Euro-area. Anxiety eased in mid-February and the global stock market index recovered about three quarters of the decline with 10-year bond yields reversing course. Economic data reported over this period meanwhile pointed to the global economy continuing along a modest growth path.

## Economic forecast detail – Canada

### Real growth in the economy

Quarter-over-quarter annualized % change unless otherwise indicated

|                                    | Actual      |             |            |            |            | Forecast    |            |            |            |            |            |            |            | Actual                  |            |            |  |
|------------------------------------|-------------|-------------|------------|------------|------------|-------------|------------|------------|------------|------------|------------|------------|------------|-------------------------|------------|------------|--|
|                                    | 2015        |             |            |            |            | 2016        |            |            |            | 2017       |            |            |            | year-over-year % change |            |            |  |
|                                    | Q1          | Q2          | Q3         | Q4         | Q1         | Q2          | Q3         | Q4         | Q1         | Q2         | Q3         | Q4         | 2014       | 2015                    | 2016       | 2017       |  |
| Household Consumption              | -0.1        | 2.3         | 2.3        | 1.8        | 2.3        | 1.8         | 2.1        | 2.2        | 2.1        | 2.0        | 1.8        | 1.7        | 2.6        | 1.9                     | 2.1        | 2.0        |  |
| Durables                           | -8.0        | 5.6         | 10.2       | 4.2        | 4.6        | 1.5         | 1.9        | 1.8        | 1.5        | 1.5        | 1.5        | 1.0        | 4.3        | 2.9                     | 4.1        | 1.6        |  |
| Semi-Durables                      | -1.9        | 5.2         | 0.9        | 6.9        | 7.7        | 1.8         | 2.0        | 3.4        | 2.5        | 2.1        | 1.8        | 1.8        | 3.1        | 2.5                     | 2.9        | 1.9        |  |
| Non-durables                       | 2.4         | -2.8        | 2.6        | -1.0       | 3.2        | 1.8         | 2.5        | 2.5        | 2.2        | 2.2        | 2.0        | 2.0        | 2.4        | 0.8                     | 2.0        | 2.4        |  |
| Services                           | 0.8         | 3.4         | 0.7        | 1.9        | 0.8        | 1.8         | 2.0        | 2.1        | 2.1        | 2.0        | 1.8        | 1.8        | 2.3        | 2.1                     | 1.9        | 2.1        |  |
| NPISH consumption                  | -2.6        | 6.2         | 0.8        | 0.4        | 2.3        | 1.8         | 2.1        | 2.2        | 2.1        | 2.0        | 1.8        | 1.7        | 0.2        | 2.3                     | 1.9        | 2.0        |  |
| Government expenditures            | 4.7         | 2.8         | 0.6        | 0.4        | 1.5        | 2.0         | 2.5        | 2.0        | 1.8        | 1.5        | 1.5        | 1.5        | 0.3        | 1.7                     | 1.5        | 1.8        |  |
| Government fixed investment        | 1.9         | -0.6        | -1.6       | -4.0       | -2.4       | 6.5         | 9.5        | 10.5       | 7.0        | 3.0        | 2.5        | 2.5        | 2.1        | 2.3                     | 1.4        | 6.3        |  |
| Residential investment             | 6.6         | 0.1         | 2.6        | 1.8        | 11.2       | 1.5         | -1.0       | -1.4       | -2.7       | -1.8       | -0.6       | 0.1        | 2.5        | 3.8                     | 3.5        | -1.4       |  |
| Non-residential investment         | -23.2       | -15.5       | -11.4      | -12.5      | -9.7       | -8.0        | 3.9        | 3.9        | 4.9        | 4.4        | 4.0        | 4.4        | 0.0        | -10.6                   | -8.2       | 3.5        |  |
| Non-residential structures         | -31.7       | -15.4       | -14.2      | -15.3      | -14.1      | -10.0       | 4.8        | 4.8        | 5.3        | 4.8        | 4.5        | 4.7        | -0.4       | -14.7                   | -10.5      | 3.9        |  |
| Machinery & equipment              | -5.1        | -15.7       | -6.7       | -8.1       | -2.7       | -5.0        | 2.5        | 2.5        | 4.3        | 3.8        | 3.3        | 4.0        | 1.0        | -2.4                    | -4.6       | 2.9        |  |
| Intellectual property              | -32.8       | -10.5       | -3.9       | -3.5       | -5.4       | -4.5        | 5.8        | 3.8        | 3.8        | 4.0        | 3.5        | 3.5        | -4.2       | -12.0                   | -3.1       | 3.5        |  |
| Final domestic demand              | -2.2        | -0.1        | 0.3        | -0.3       | 1.3        | 1.0         | 2.5        | 2.4        | 2.1        | 1.9        | 1.8        | 1.9        | 1.6        | 0.3                     | 0.9        | 2.1        |  |
| Exports                            | 0.9         | 1.2         | 9.0        | -1.5       | 6.9        | -5.5        | 6.8        | 2.9        | 2.9        | 2.8        | 2.1        | 1.9        | 5.3        | 3.4                     | 2.5        | 2.6        |  |
| Imports                            | 0.9         | -1.8        | -2.8       | -7.0       | 1.3        | 2.0         | 4.8        | 4.8        | 3.5        | 2.8        | 2.8        | 2.9        | 1.8        | 0.3                     | -0.3       | 3.5        |  |
| Inventories (change in \$b)        | 14.6        | 6.8         | -0.2       | -5.6       | -6.9       | -5.0        | -0.9       | 0.5        | 1.2        | 1.8        | 2.8        | 3.4        | 9.9        | 3.9                     | -3.1       | 2.3        |  |
| <b>Real gross domestic product</b> | <b>-1.0</b> | <b>-0.5</b> | <b>2.2</b> | <b>0.5</b> | <b>2.4</b> | <b>-1.0</b> | <b>4.0</b> | <b>2.1</b> | <b>2.1</b> | <b>2.0</b> | <b>1.8</b> | <b>1.7</b> | <b>2.5</b> | <b>1.1</b>              | <b>1.4</b> | <b>2.0</b> |  |

### Other indicators

Year-over-year % change unless otherwise indicated

#### Business and labour

|                                    |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |
|------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Productivity                       | 1.6   | -0.5  | -0.6  | -0.9  | -0.2  | 0.1   | 0.5   | 0.8   | 0.8   | 1.5   | 1.0   | 1.0   | 2.1   | -0.1  | 0.3   | 1.1   |
| Pre-tax corporate profits          | -12.1 | -14.2 | -17.4 | -19.6 | -9.1  | -9.5  | -2.0  | 6.3   | 11.8  | 14.4  | 9.7   | 7.4   | 7.0   | -15.8 | -3.8  | 10.7  |
| Unemployment rate (%)*             | 6.8   | 6.8   | 7.0   | 7.0   | 7.2   | 7.0   | 6.9   | 6.8   | 6.8   | 6.7   | 6.6   | 6.5   | 6.9   | 6.9   | 7.0   | 6.7   |
| Inflation                          |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |
| Headline CPI                       | 1.1   | 0.9   | 1.2   | 1.3   | 1.5   | 1.6   | 1.6   | 1.9   | 2.4   | 2.4   | 2.4   | 2.2   | 2.0   | 1.1   | 1.6   | 2.3   |
| Core CPI                           | 2.2   | 2.2   | 2.2   | 2.0   | 2.0   | 2.1   | 2.0   | 2.1   | 2.1   | 2.0   | 2.0   | 2.0   | 1.8   | 2.2   | 2.1   | 2.0   |
| External trade                     |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |
| Current account balance (\$b)      | -67.9 | -58.0 | -61.8 | -62.8 | -67.1 | -65.7 | -58.7 | -52.9 | -47.1 | -44.0 | -36.9 | -34.5 | -44.9 | -62.6 | -61.1 | -40.6 |
| % of GDP                           | -3.4  | -2.9  | -3.1  | -3.2  | -3.4  | -3.3  | -2.9  | -2.6  | -2.2  | -2.1  | -1.7  | -1.6  | -2.3  | -3.2  | -3.0  | -1.9  |
| Housing starts (000s)*             | 175   | 193   | 213   | 194   | 198   | 191   | 188   | 185   | 184   | 182   | 181   | 179   | 189   | 196   | 191   | 181   |
| Motor vehicle sales (mill., saar)* | 1.85  | 1.91  | 1.99  | 1.99  | 2.02  | 1.97  | 1.95  | 1.90  | 1.86  | 1.86  | 1.83  | 1.82  | 1.89  | 1.94  | 1.96  | 1.84  |

\*Period average

Source: Statistics Canada, RBC Economics Research forecasts

## Economic forecast detail – United States

### Real growth in the economy

Quarter-over-quarter annualized % change unless otherwise indicated

|                                    | Actual     |            |            |            | Forecast   |            |            |            |            |            |            |            | Actual                  |            | Forecast   |            |
|------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|-------------------------|------------|------------|------------|
|                                    | 2015       |            |            |            | 2016       |            |            | 2017       |            |            |            |            | year-over-year % change |            |            |            |
|                                    | Q1         | Q2         | Q3         | Q4         | Q1         | Q2         | Q3         | Q4         | Q1         | Q2         | Q3         | Q4         | 2014                    | 2015       | 2016       | 2017       |
| Consumer spending                  | 1.7        | 3.6        | 3.0        | 2.4        | 1.9        | 3.2        | 2.6        | 2.4        | 2.3        | 2.1        | 2.0        | 2.0        | 2.7                     | 3.1        | 2.6        | 2.3        |
| Durables                           | 2.0        | 8.0        | 6.6        | 3.8        | -1.3       | 10.5       | 4.8        | 4.5        | 4.0        | 3.5        | 3.1        | 3.1        | 5.9                     | 6.0        | 4.5        | 4.3        |
| Non-durables                       | 0.7        | 4.3        | 4.2        | 0.6        | 1.3        | 3.5        | 2.3        | 2.1        | 2.0        | 1.9        | 1.7        | 1.6        | 2.1                     | 2.6        | 2.3        | 2.1        |
| Services                           | 2.1        | 2.7        | 2.1        | 2.8        | 2.6        | 2.0        | 2.3        | 2.2        | 2.1        | 2.0        | 1.9        | 1.9        | 2.4                     | 2.8        | 2.4        | 2.1        |
| Government spending                | -0.1       | 2.6        | 1.8        | 0.1        | 1.2        | 1.8        | 2.0        | 1.8        | 1.5        | 1.2        | 1.2        | 1.0        | -0.6                    | 0.7        | 1.4        | 1.5        |
| Residential investment             | 10.1       | 9.4        | 8.2        | 10.1       | 17.2       | 6.5        | 3.4        | 7.0        | 6.8        | 6.3        | 6.0        | 5.6        | 1.8                     | 8.9        | 9.8        | 6.1        |
| Non-residential investment         | 1.6        | 4.1        | 2.6        | -2.1       | -6.2       | 4.3        | 3.7        | 3.9        | 3.9        | 4.0        | 3.9        | 3.8        | 6.2                     | 2.8        | 0.1        | 3.9        |
| Non-residential structures         | -7.4       | 6.3        | -7.2       | -5.1       | -8.9       | -1.0       | 2.6        | 2.5        | 2.6        | 2.7        | 2.7        | 2.7        | 8.1                     | -1.5       | -3.5       | 2.4        |
| Equipment & software               | 2.3        | 0.3        | 9.9        | -2.1       | -9.0       | 6.8        | 3.9        | 4.3        | 4.4        | 4.4        | 4.3        | 4.1        | 5.8                     | 3.1        | 0.4        | 4.4        |
| Intellectual property              | 7.4        | 8.3        | -0.8       | -0.1       | -0.1       | 4.1        | 4.1        | 4.2        | 4.2        | 4.2        | 4.1        | 4.0        | 5.2                     | 5.7        | 1.9        | 4.2        |
| Final domestic demand              | 1.7        | 3.7        | 2.9        | 1.7        | 1.2        | 3.2        | 2.6        | 2.7        | 2.5        | 2.3        | 2.2        | 2.2        | 2.5                     | 2.8        | 2.3        | 2.5        |
| Exports                            | -6.0       | 5.1        | 0.7        | -2.0       | -2.0       | 4.3        | 4.4        | 2.8        | 2.8        | 2.7        | 2.4        | 2.2        | 3.4                     | 1.1        | 1.0        | 3.0        |
| Imports                            | 7.1        | 3.0        | 2.3        | -0.7       | -0.2       | 5.0        | 4.4        | 2.3        | 2.3        | 2.5        | 2.0        | 2.0        | 3.8                     | 4.9        | 1.9        | 2.7        |
| Inventories (change in \$b)        | 112.8      | 113.5      | 85.5       | 78.3       | 69.6       | 71.0       | 70.0       | 62.0       | 57.0       | 56.0       | 48.0       | 45.0       | 68.0                    | 97.5       | 68.2       | 51.5       |
| <b>Real gross domestic product</b> | <b>0.6</b> | <b>3.9</b> | <b>2.0</b> | <b>1.4</b> | <b>0.8</b> | <b>3.1</b> | <b>2.6</b> | <b>2.5</b> | <b>2.4</b> | <b>2.3</b> | <b>2.1</b> | <b>2.1</b> | <b>2.4</b>              | <b>2.4</b> | <b>2.0</b> | <b>2.4</b> |

### Other indicators

Year-over-year % change unless otherwise indicated

|                                       |      |      |      |       |      |      |      |      |      |      |      |      |      |      |      |      |
|---------------------------------------|------|------|------|-------|------|------|------|------|------|------|------|------|------|------|------|------|
| Business and labour                   |      |      |      |       |      |      |      |      |      |      |      |      |      |      |      |      |
| Productivity                          | 0.5  | 0.7  | 0.7  | 0.7   | 0.8  | 0.4  | 0.2  | 1.0  | 1.6  | 1.5  | 1.5  | 1.4  | 0.7  | 0.6  | 0.6  | 1.5  |
| Pre-tax corporate profits             | 4.6  | 0.6  | -5.1 | -11.5 | -5.7 | -8.5 | -6.5 | 2.2  | 2.6  | 2.8  | 2.5  | 2.4  | 1.7  | -3.1 | -4.8 | 2.6  |
| Unemployment rate (%)*                | 5.6  | 5.4  | 5.2  | 5.0   | 4.9  | 4.8  | 4.8  | 4.7  | 4.7  | 4.6  | 4.6  | 4.6  | 6.2  | 5.3  | 4.8  | 4.6  |
| Inflation                             |      |      |      |       |      |      |      |      |      |      |      |      |      |      |      |      |
| Headline CPI                          | -0.1 | 0.0  | 0.1  | 0.5   | 1.1  | 1.0  | 1.1  | 1.7  | 2.4  | 2.4  | 2.5  | 2.4  | 1.6  | 0.1  | 1.2  | 2.4  |
| Core CPI                              | 1.7  | 1.8  | 1.8  | 2.0   | 2.2  | 2.2  | 2.1  | 2.1  | 2.0  | 2.0  | 2.0  | 2.0  | 1.7  | 1.8  | 2.2  | 2.0  |
| External trade                        |      |      |      |       |      |      |      |      |      |      |      |      |      |      |      |      |
| Current account balance (\$b)         | -472 | -443 | -520 | -501  | -480 | -507 | -524 | -537 | -545 | -549 | -559 | -564 | -390 | -484 | -512 | -554 |
| % of GDP                              | -2.7 | -2.5 | -2.9 | -2.8  | -2.6 | -2.8 | -2.8 | -2.9 | -2.9 | -2.9 | -2.9 | -2.9 | -2.2 | -2.7 | -2.8 | -2.9 |
| Housing starts (000s)*                | 986  | 1156 | 1156 | 1135  | 1147 | 1180 | 1218 | 1253 | 1286 | 1313 | 1342 | 1368 | 1001 | 1108 | 1199 | 1327 |
| Motor vehicle sales (millions, saar)* | 16.7 | 17.1 | 17.8 | 17.8  | 17.1 | 17.7 | 18.1 | 18.2 | 18.3 | 18.4 | 18.5 | 18.5 | 16.4 | 17.4 | 17.8 | 18.4 |

\*Period average

Source: Bureau of Economic Analysis, RBC Economics Research forecasts



## Financial market forecast detail

### Interest rates—North America

%, end of period

|                      | Actual |       |       |       |       | Forecast |       |       |       |       |       |       | Actual |       | Forecast |       |
|----------------------|--------|-------|-------|-------|-------|----------|-------|-------|-------|-------|-------|-------|--------|-------|----------|-------|
|                      | 15Q1   | 15Q2  | 15Q3  | 15Q4  | 16Q1  | 16Q2     | 16Q3  | 16Q4  | 17Q1  | 17Q2  | 17Q3  | 17Q4  | 2014   | 2015  | 2016     | 2017  |
| <b>Canada</b>        |        |       |       |       |       |          |       |       |       |       |       |       |        |       |          |       |
| Overnight            | 0.75   | 0.75  | 0.50  | 0.50  | 0.50  | 0.50     | 0.50  | 0.50  | 0.50  | 0.75  | 1.00  | 1.25  | 1.00   | 0.50  | 0.50     | 1.25  |
| Three-month          | 0.55   | 0.58  | 0.43  | 0.51  | 0.45  | 0.40     | 0.50  | 0.55  | 0.60  | 0.85  | 1.10  | 1.35  | 0.91   | 0.51  | 0.55     | 1.35  |
| Two-year             | 0.50   | 0.48  | 0.52  | 0.48  | 0.54  | 0.60     | 0.65  | 0.75  | 0.90  | 1.20  | 1.50  | 1.85  | 1.01   | 0.48  | 0.75     | 1.85  |
| Five-year            | 0.77   | 0.82  | 0.80  | 0.73  | 0.67  | 0.80     | 0.85  | 1.10  | 1.25  | 1.65  | 1.90  | 2.15  | 1.34   | 0.73  | 1.10     | 2.15  |
| 10-year              | 1.36   | 1.69  | 1.43  | 1.40  | 1.23  | 1.35     | 1.50  | 1.80  | 1.95  | 2.25  | 2.50  | 2.70  | 1.79   | 1.40  | 1.80     | 2.70  |
| 30-year              | 1.98   | 2.31  | 2.20  | 2.15  | 2.00  | 2.10     | 2.25  | 2.55  | 2.65  | 2.90  | 3.05  | 3.20  | 2.34   | 2.15  | 2.55     | 3.20  |
| Yield curve (10s-2s) | 86     | 121   | 91    | 92    | 69    | 75       | 85    | 105   | 105   | 105   | 100   | 85    | 78     | 92    | 105      | 85    |
| <b>United States</b> |        |       |       |       |       |          |       |       |       |       |       |       |        |       |          |       |
| Fed funds*           | 0.25   | 0.25  | 0.25  | 0.50  | 0.50  | 0.50     | 0.50  | 0.75  | 1.00  | 1.25  | 1.50  | 1.75  | 0.25   | 0.50  | 0.75     | 1.75  |
| Three-month          | 0.04   | 0.03  | 0.00  | 0.17  | 0.21  | 0.20     | 0.10  | 0.35  | 0.75  | 1.00  | 1.25  | 1.50  | 0.04   | 0.17  | 0.35     | 1.50  |
| Two-year             | 0.56   | 0.64  | 0.64  | 1.05  | 0.73  | 0.85     | 0.90  | 1.15  | 1.25  | 1.50  | 1.75  | 1.95  | 0.67   | 1.05  | 1.15     | 1.95  |
| Five-year            | 1.37   | 1.64  | 1.37  | 1.76  | 1.22  | 1.40     | 1.55  | 1.80  | 1.90  | 2.20  | 2.45  | 2.65  | 1.65   | 1.76  | 1.80     | 2.65  |
| 10-year              | 1.93   | 2.35  | 2.04  | 2.27  | 1.79  | 2.00     | 2.20  | 2.45  | 2.55  | 2.85  | 3.05  | 3.20  | 2.17   | 2.27  | 2.45     | 3.20  |
| 30-year              | 2.54   | 3.12  | 2.86  | 3.02  | 2.63  | 2.75     | 2.95  | 3.25  | 3.30  | 3.55  | 3.65  | 3.75  | 2.75   | 3.02  | 3.25     | 3.75  |
| Yield curve (10s-2s) | 137    | 171   | 140   | 122   | 106   | 115      | 130   | 130   | 130   | 135   | 130   | 125   | 150    | 122   | 130      | 125   |
| <b>Yield spreads</b> |        |       |       |       |       |          |       |       |       |       |       |       |        |       |          |       |
| Three-month T-bills  | 0.51   | 0.55  | 0.43  | 0.34  | 0.24  | 0.20     | 0.40  | 0.20  | -0.15 | -0.15 | -0.15 | -0.15 | 0.87   | 0.34  | 0.20     | -0.15 |
| Two-year             | -0.06  | -0.16 | -0.12 | -0.57 | -0.19 | -0.25    | -0.25 | -0.40 | -0.35 | -0.30 | -0.25 | -0.10 | 0.34   | -0.57 | -0.40    | -0.10 |
| Five-year            | -0.60  | -0.82 | -0.57 | -1.03 | -0.55 | -0.60    | -0.70 | -0.70 | -0.65 | -0.55 | -0.55 | -0.50 | -0.31  | -1.03 | -0.70    | -0.50 |
| 10-year              | -0.57  | -0.66 | -0.61 | -0.87 | -0.56 | -0.65    | -0.70 | -0.65 | -0.60 | -0.60 | -0.55 | -0.50 | -0.38  | -0.87 | -0.65    | -0.50 |
| 30-year              | -0.56  | -0.81 | -0.66 | -0.87 | -0.63 | -0.65    | -0.70 | -0.70 | -0.65 | -0.65 | -0.60 | -0.55 | -0.41  | -0.87 | -0.70    | -0.55 |

Note: Interest Rates are end of period rates. \* Top of 25 basis point range

### Interest rates—International

%, end of period

|                       | Actual |       |       |       |       | Forecast |       |       |       |       |       |       | Actual |       | Forecast |       |
|-----------------------|--------|-------|-------|-------|-------|----------|-------|-------|-------|-------|-------|-------|--------|-------|----------|-------|
|                       | 15Q1   | 15Q2  | 15Q3  | 15Q4  | 16Q1  | 16Q2     | 16Q3  | 16Q4  | 17Q1  | 17Q2  | 17Q3  | 17Q4  | 2014   | 2015  | 2016     | 2017  |
| <b>United Kingdom</b> |        |       |       |       |       |          |       |       |       |       |       |       |        |       |          |       |
| Repo                  | 0.50   | 0.50  | 0.50  | 0.50  | 0.50  | 0.50     | 0.50  | 0.50  | 0.75  | 0.75  | 1.00  | 1.00  | 0.50   | 0.50  | 0.50     | 1.00  |
| Two-year              | 0.43   | 0.55  | 0.56  | 0.66  | 0.45  | 0.55     | 0.60  | 0.75  | 0.85  | 0.95  | 1.10  | 1.10  | 0.45   | 0.66  | 0.75     | 1.10  |
| 10-year               | 1.58   | 2.01  | 1.76  | 1.96  | 1.43  | 1.70     | 1.75  | 2.10  | 2.40  | 2.50  | 2.75  | 3.00  | 1.76   | 1.96  | 2.10     | 3.00  |
| <b>Euro Area</b>      |        |       |       |       |       |          |       |       |       |       |       |       |        |       |          |       |
| Deposit rate          | -0.20  | -0.20 | -0.20 | -0.30 | -0.40 | -0.40    | -0.40 | -0.40 | -0.40 | -0.40 | -0.40 | -0.40 | -0.20  | -0.30 | -0.40    | -0.40 |
| Two-year              | -0.25  | -0.23 | -0.26 | -0.34 | -0.48 | -0.50    | -0.50 | -0.50 | -0.50 | -0.50 | -0.50 | -0.50 | -0.11  | -0.34 | -0.50    | -0.50 |
| 10-year               | 0.18   | 0.77  | 0.59  | 0.63  | 0.15  | 0.35     | 0.40  | 0.55  | 0.75  | 0.95  | 1.10  | 1.25  | 0.54   | 0.63  | 0.55     | 1.25  |
| <b>Australia</b>      |        |       |       |       |       |          |       |       |       |       |       |       |        |       |          |       |
| Cash target rate      | 2.25   | 2.00  | 2.00  | 2.00  | 2.00  | 1.75     | 1.50  | 1.50  | 1.50  | 1.50  | 1.50  | 1.50  | 2.50   | 2.00  | 1.50     | 1.50  |
| Two-year swap         | 1.72   | 2.01  | 1.81  | 2.02  | 1.89  | 1.50     | 1.40  | 1.40  | 1.40  | 1.40  | 1.50  | 1.50  | 2.19   | 2.02  | 1.40     | 1.50  |
| 10-year swap          | 2.32   | 3.01  | 2.61  | 2.88  | 2.49  | 2.45     | 2.60  | 2.85  | 2.95  | 3.25  | 3.45  | 3.70  | 2.81   | 2.88  | 2.85     | 3.70  |
| <b>New Zealand</b>    |        |       |       |       |       |          |       |       |       |       |       |       |        |       |          |       |
| Cash target rate      | 3.50   | 3.25  | 2.75  | 2.50  | 2.25  | 2.25     | 2.00  | 2.00  | 2.00  | 2.00  | 2.25  | 2.50  | 3.50   | 2.50  | 2.00     | 2.50  |
| Two-year              | 3.48   | 3.09  | 2.69  | 2.83  | 2.19  | 2.20     | 2.20  | 2.30  | 2.50  | 2.70  | 3.00  | 3.20  | 3.76   | 2.83  | 2.30     | 3.20  |
| 10-year               | 3.71   | 3.89  | 3.48  | 3.73  | 2.97  | 3.00     | 3.20  | 3.60  | 4.00  | 4.25  | 4.50  | 4.75  | 4.07   | 3.73  | 3.60     | 4.75  |

## Growth outlook

% change, quarter-over-quarter in real GDP

|                | 15Q1 | 15Q2 | 15Q3 | 15Q4 | 16Q1 | 16Q2 | 16Q3 | 16Q4 | 17Q1 | 17Q2 | 17Q3 | 17Q4 | 2014 | 2015F | 2016F | 2017F |
|----------------|------|------|------|------|------|------|------|------|------|------|------|------|------|-------|-------|-------|
| Canada*        | -1.0 | -0.5 | 2.2  | 0.5  | 2.4  | -1.0 | 4.0  | 2.1  | 2.1  | 2.0  | 1.8  | 1.7  | 2.5  | 1.1   | 1.4   | 2.0   |
| United States* | 0.6  | 3.9  | 2.0  | 1.4  | 0.8  | 3.1  | 2.6  | 2.5  | 2.4  | 2.3  | 2.1  | 2.1  | 2.4  | 2.4   | 2.0   | 2.4   |
| United Kingdom | 0.5  | 0.6  | 0.4  | 0.6  | 0.4  | 0.3  | 0.5  | 0.5  | 0.6  | 0.5  | 0.6  | 0.6  | 2.9  | 2.3   | 1.8   | 2.1   |
| Euro Area      | 0.6  | 0.4  | 0.3  | 0.4  | 0.6  | 0.4  | 0.4  | 0.4  | 0.5  | 0.4  | 0.4  | 0.4  | 0.9  | 1.6   | 1.5   | 1.8   |
| Australia      | 0.8  | 0.3  | 1.0  | 0.7  | 1.1  | 0.3  | 0.6  | 0.7  | 0.7  | 0.7  | 0.7  | 0.8  | 2.7  | 2.5   | 3.0   | 2.7   |
| New Zealand    | 0.3  | 0.3  | 0.9  | 0.9  | 0.4  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.6  | 0.6  | 3.7  | 2.5   | 1.8   | 2.1   |

\*Seasonally adjusted annualized rates

## Inflation outlook

% change, year-over-year

|                | 15Q1 | 15Q2 | 15Q3 | 15Q4 | 16Q1 | 16Q2 | 16Q3 | 16Q4 | 17Q1 | 17Q2 | 17Q3 | 17Q4 | 2014 | 2015F | 2016F | 2017F |
|----------------|------|------|------|------|------|------|------|------|------|------|------|------|------|-------|-------|-------|
| Canada         | 1.1  | 0.9  | 1.2  | 1.3  | 1.5  | 1.6  | 1.6  | 1.9  | 2.4  | 2.4  | 2.4  | 2.2  | 2.0  | 1.1   | 1.6   | 2.3   |
| United States  | -0.1 | 0.0  | 0.1  | 0.5  | 1.1  | 1.0  | 1.1  | 1.7  | 2.4  | 2.4  | 2.5  | 2.4  | 1.6  | 0.1   | 1.2   | 2.4   |
| United Kingdom | 0.1  | 0.0  | 0.0  | 0.1  | 0.3  | 0.7  | 0.7  | 0.8  | 1.3  | 1.4  | 1.6  | 1.8  | 1.5  | 0.0   | 0.7   | 1.6   |
| Eurozone       | -0.3 | 0.2  | 0.1  | 0.2  | 0.0  | -0.2 | 0.2  | 0.2  | 0.8  | 1.2  | 1.4  | 1.5  | 0.4  | 0.0   | 0.1   | 1.2   |
| Australia      | 1.3  | 1.5  | 1.5  | 1.7  | 1.3  | 1.4  | 1.5  | 1.7  | 2.5  | 2.5  | 2.6  | 2.7  | 2.5  | 1.5   | 1.5   | 2.6   |
| New Zealand    | 0.3  | 0.4  | 0.4  | 0.1  | 0.4  | 0.5  | 0.6  | 1.4  | 1.5  | 1.5  | 1.5  | 1.6  | 1.2  | 0.3   | 0.7   | 1.6   |

\*\* Actual

## Exchange rates

%, end of period

|         | Actual |       |       |       |       | Forecast |      |       |       |       |       |       | Actual |       | Forecast |       |
|---------|--------|-------|-------|-------|-------|----------|------|-------|-------|-------|-------|-------|--------|-------|----------|-------|
|         | 15Q1   | 15Q2  | 15Q3  | 15Q4  | 16Q1  | 16Q2     | 16Q3 | 16Q4  | 17Q1  | 17Q2  | 17Q3  | 17Q4  | 2014   | 2015  | 2016     | 2017  |
| AUD/USD | 0.76   | 0.77  | 0.70  | 0.73  | 0.77  | 0.75     | 0.72 | 0.69  | 0.66  | 0.66  | 0.67  | 0.68  | 0.82   | 0.73  | 0.69     | 0.68  |
| USD/CAD | 1.27   | 1.25  | 1.33  | 1.38  | 1.30  | 1.33     | 1.36 | 1.33  | 1.31  | 1.29  | 1.27  | 1.25  | 1.16   | 1.38  | 1.33     | 1.25  |
| EUR/USD | 1.07   | 1.11  | 1.12  | 1.09  | 1.14  | 1.11     | 1.08 | 1.08  | 1.06  | 1.04  | 1.05  | 1.04  | 1.21   | 1.09  | 1.08     | 1.04  |
| USD/JPY | 120.1  | 122.5 | 119.9 | 120.2 | 112.6 | 102.0    | 99.0 | 101.0 | 104.0 | 108.0 | 112.0 | 115.0 | 119.8  | 120.2 | 101.0    | 115.0 |
| NZD/USD | 0.75   | 0.68  | 0.64  | 0.68  | 0.69  | 0.72     | 0.69 | 0.65  | 0.62  | 0.58  | 0.59  | 0.60  | 0.78   | 0.68  | 0.65     | 0.60  |
| USD/CHF | 0.97   | 0.94  | 0.97  | 1.00  | 0.96  | 0.99     | 1.03 | 1.04  | 1.07  | 1.10  | 1.10  | 1.12  | 0.99   | 1.00  | 1.04     | 1.12  |
| GBP/USD | 1.48   | 1.57  | 1.51  | 1.47  | 1.44  | 1.56     | 1.54 | 1.57  | 1.56  | 1.55  | 1.59  | 1.60  | 1.56   | 1.47  | 1.57     | 1.60  |

Note: Exchange rates are expressed in units per USD, with the exception of the euro, GBP, AUD, and NZD, which are expressed in USD per local currency unit.

Source: Reuters, RBC Economics Research forecasts

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