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Canada's Economy Strengthens

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Global Economic Growth Up Slightly In 2017



Canada and US Lead

China Slows

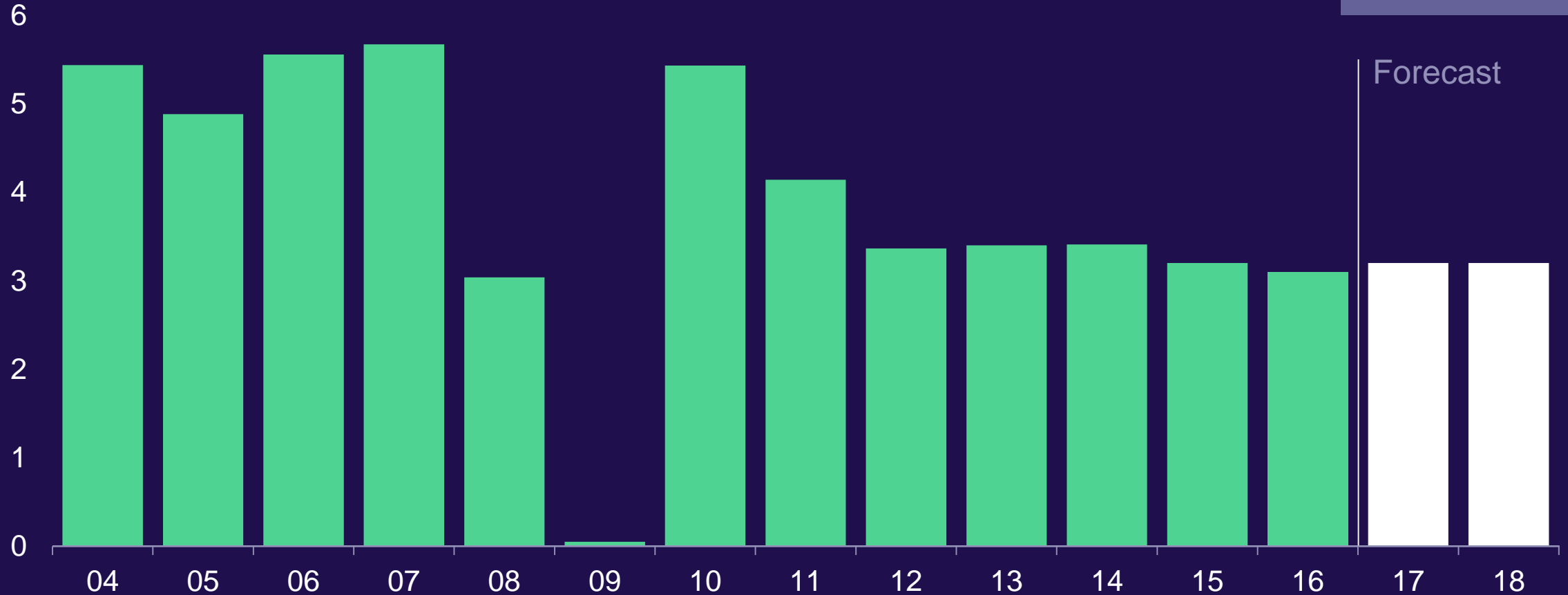
Europe Stable at 1.6% Growth

Oil Prices Under \$50 US

Global Growth Edges Upward in 2017

Real GDP
(year/year % change)

| | 2016 | 2017 | 2018 |
|-------|------|------|------|
| World | 3.1 | 3.2 | 3.2 |



Forecast = IMF World Economic Outlook, Update, January 2017
Source: IMF World Economic Outlook Database

U.S. Economy Accelerates From Last Year

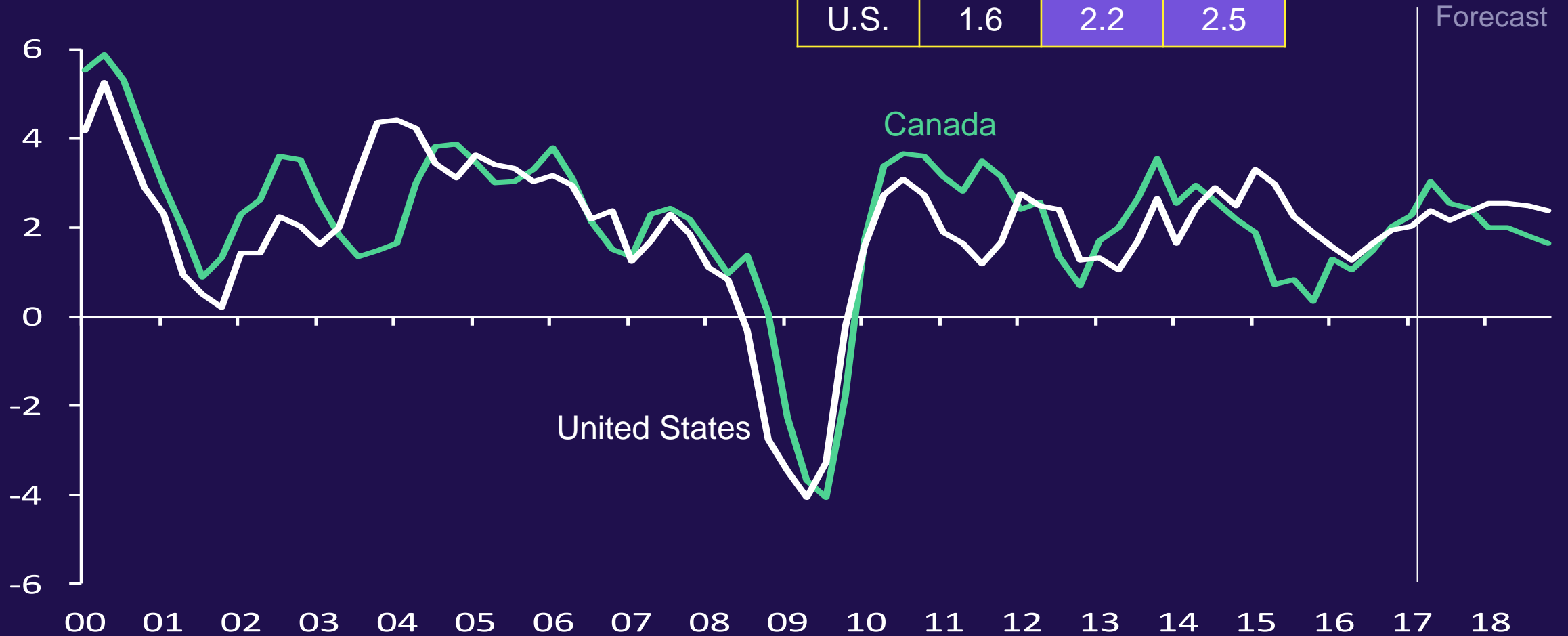


Business Investment Improves
Residential Construction Strong
Retail Stores Consolidate
Unemployment Low
Fed Reduces Liquidity
Fiscal Uncertainty

US Growth 2.2%

Real GDP
(year/year % percent)

| | 2016 | 2017 | 2018 |
|--------|------|------|------|
| Canada | 1.4 | 2.5 | 1.9 |
| U.S. | 1.6 | 2.2 | 2.5 |



Unemployment Rate Very Low

(percent)



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Canadian Economy Strengthening

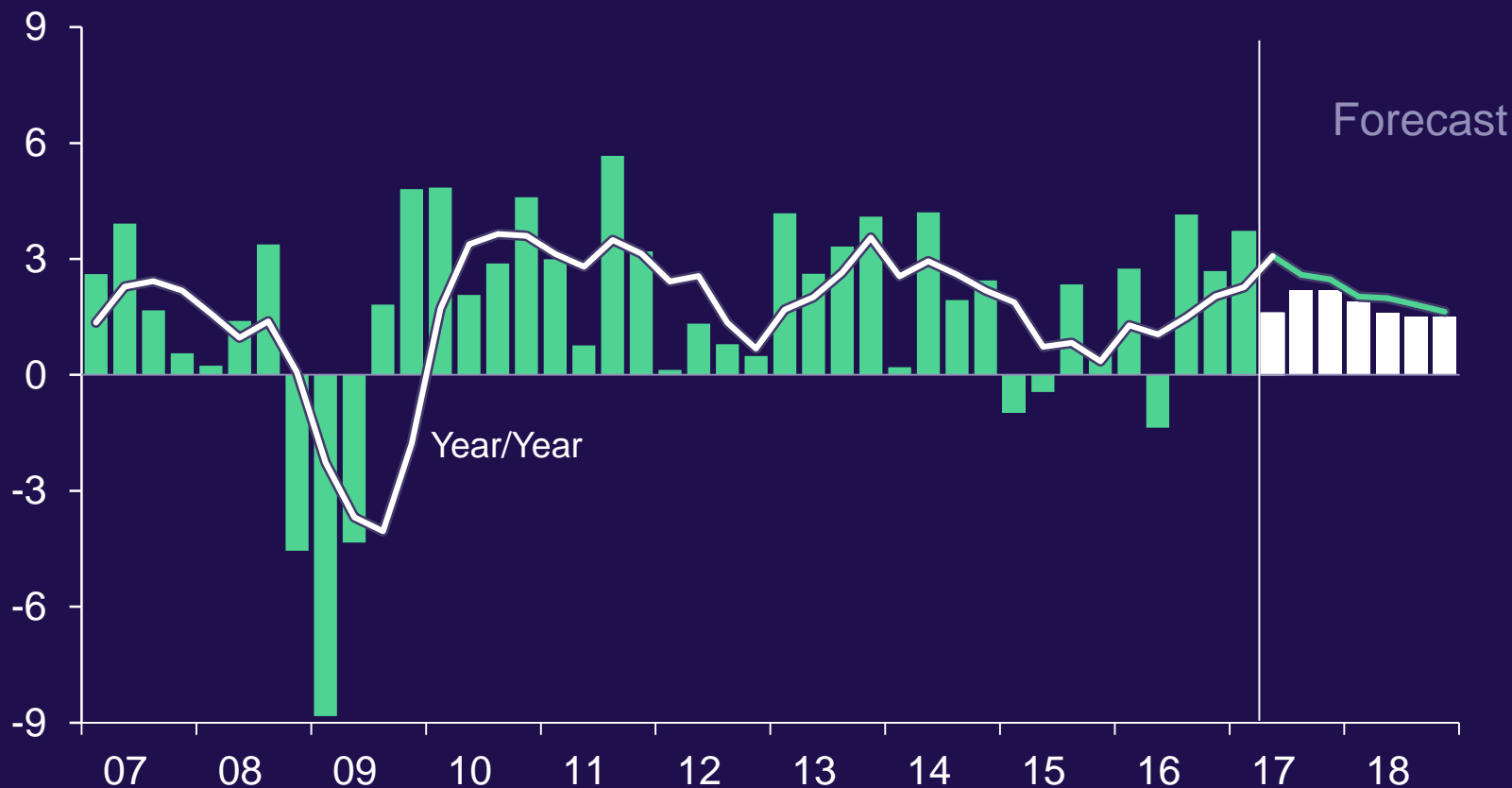


Overall Job Growth Strong
Exports Trend Higher
Alberta Begins Recovery
NAFTA Uncertainty
Housing Concerns

Canadian Growth Improves In 2017

Real GDP

(Q/Q at annual rate, percent change)



| 2016 | 2017 | 2018 |
|------|------|------|
| 1.4 | 2.5 | 1.9 |

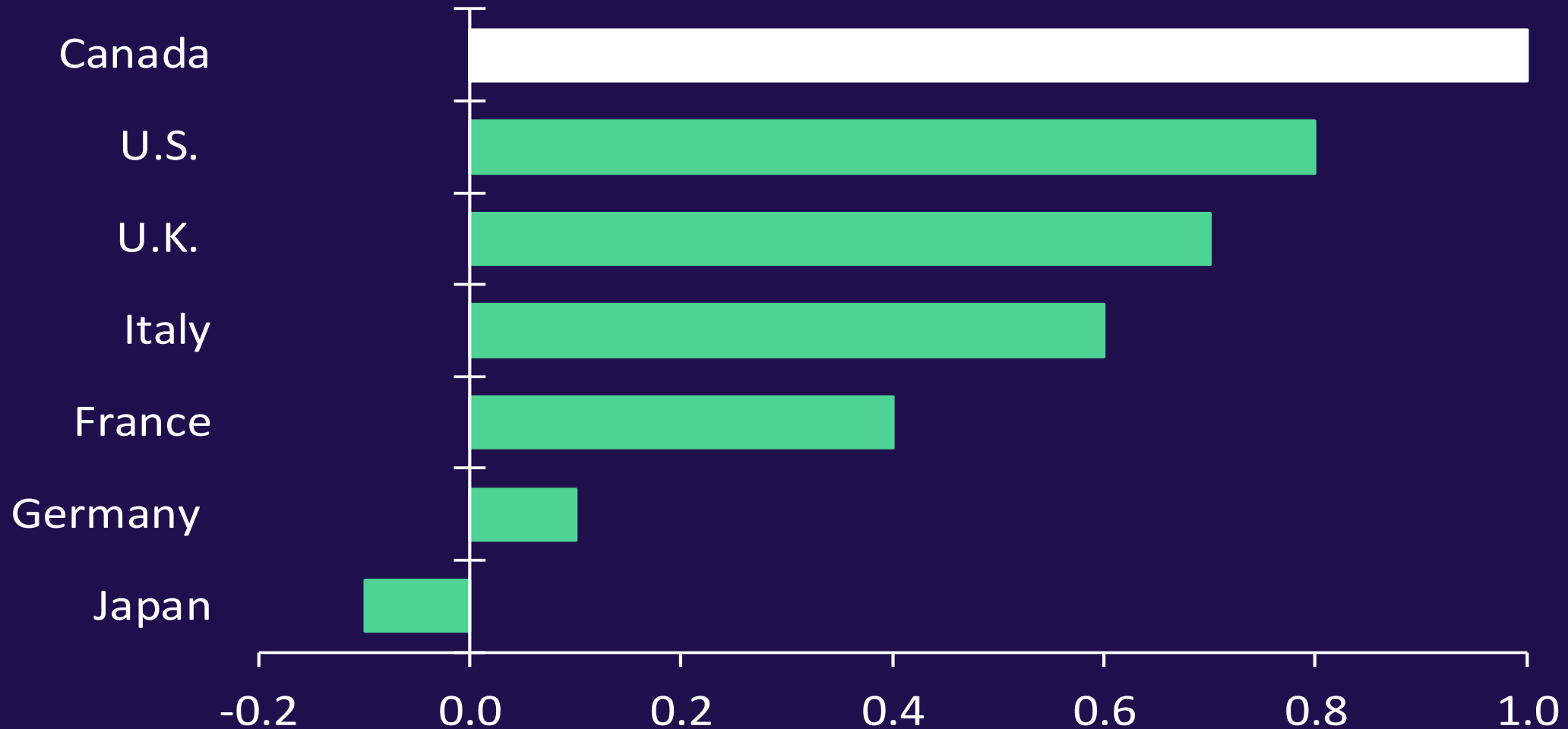
Forecast = BMO Capital Markets Economics

Source: Haver Analytics, Statistics Canada, Royal Bank of Canada Economics

Canada Leads G7 In Population Growth

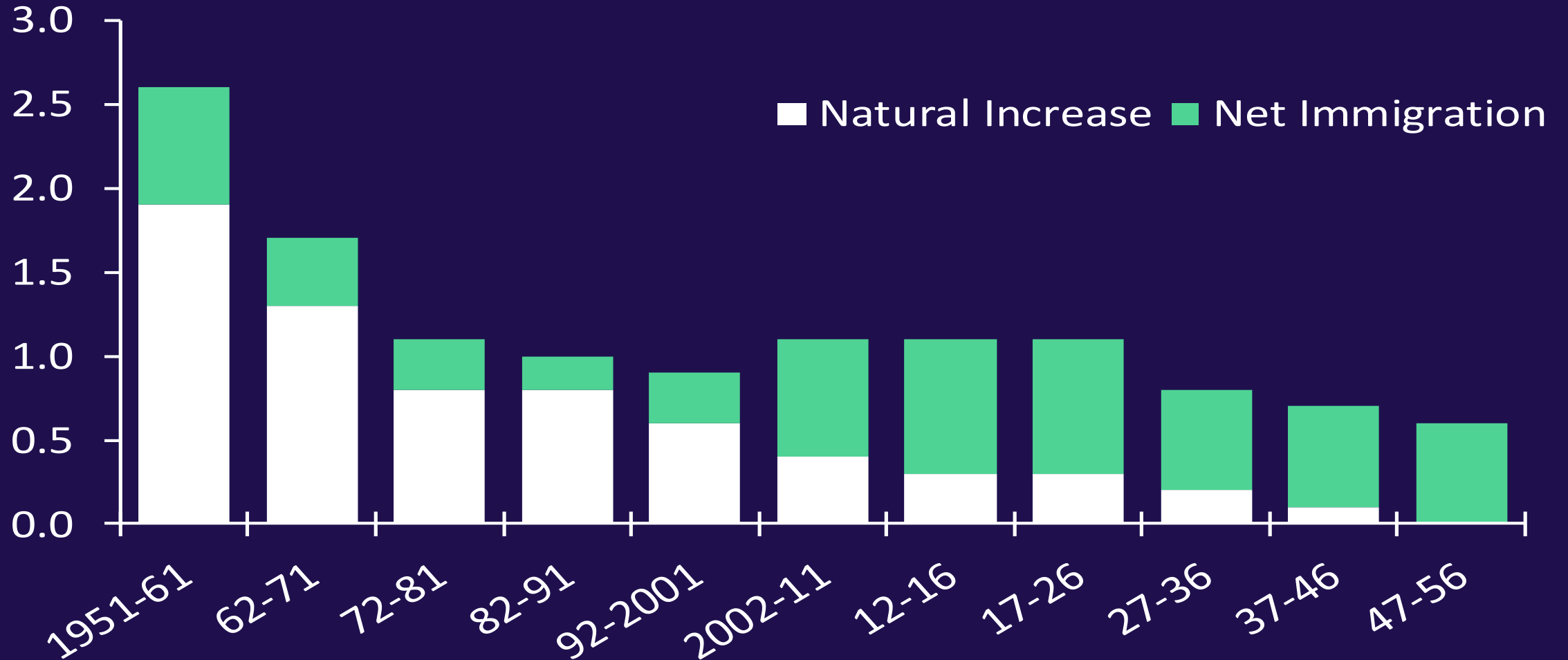
G7 Population Growth

(annual average growth from 2011-2016, percentage change)



Immigration Dominates Canadian Population Growth

Annual Population Growth
(annual average growth, percentage change)

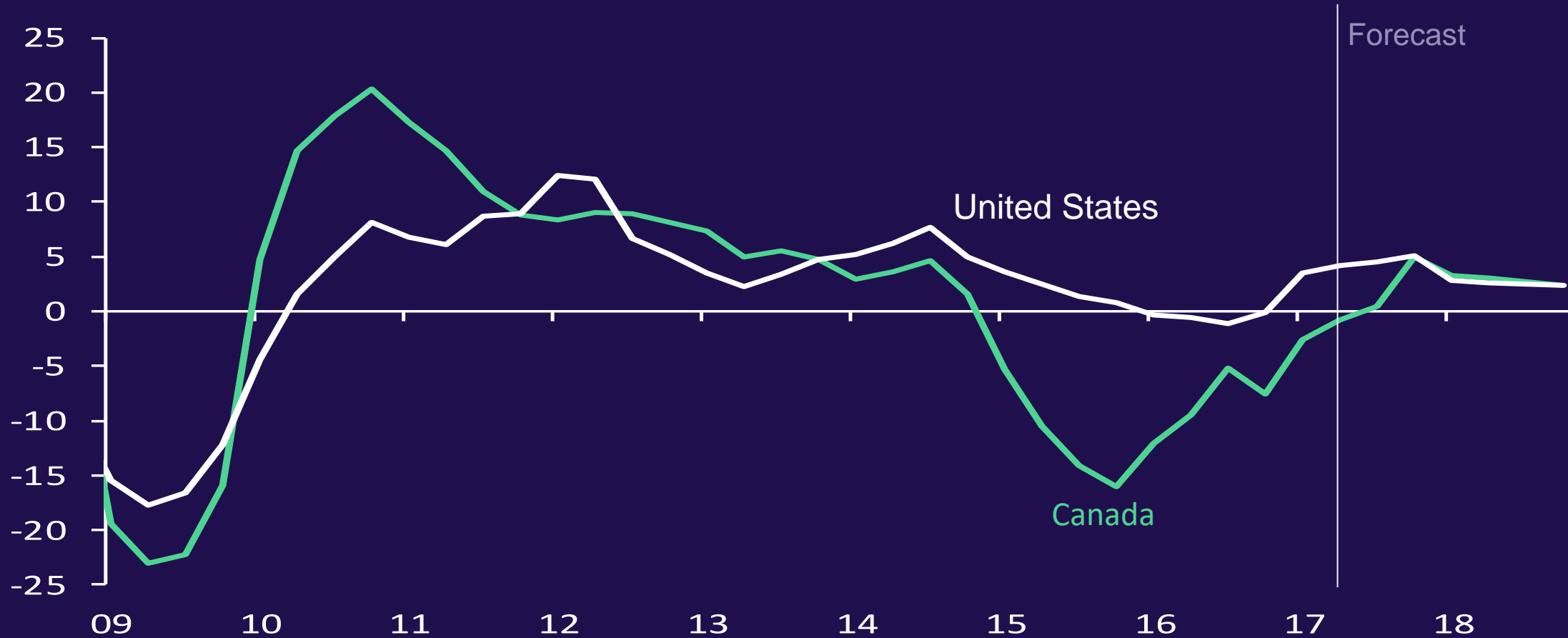


Business Investment Surge in Canada

Real Non-Residential Business Investment
(year/year % percent)



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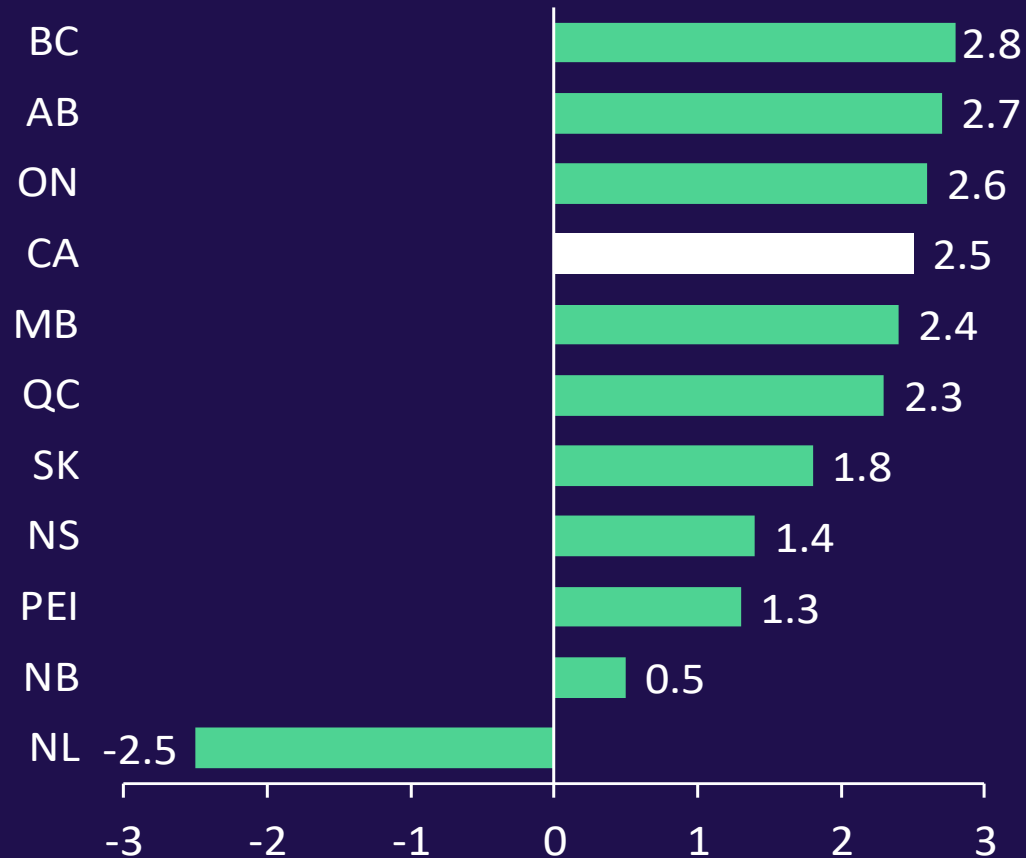


Forecast = BMO Capital Markets Economics
Source: Haver Analytics, Statistics Canada, Bureau of Economic Analysis

B.C. on Top As Alberta Climbs Back

Canada: Real GDP Provincial Forecast
(year/year % change)

2017



2018

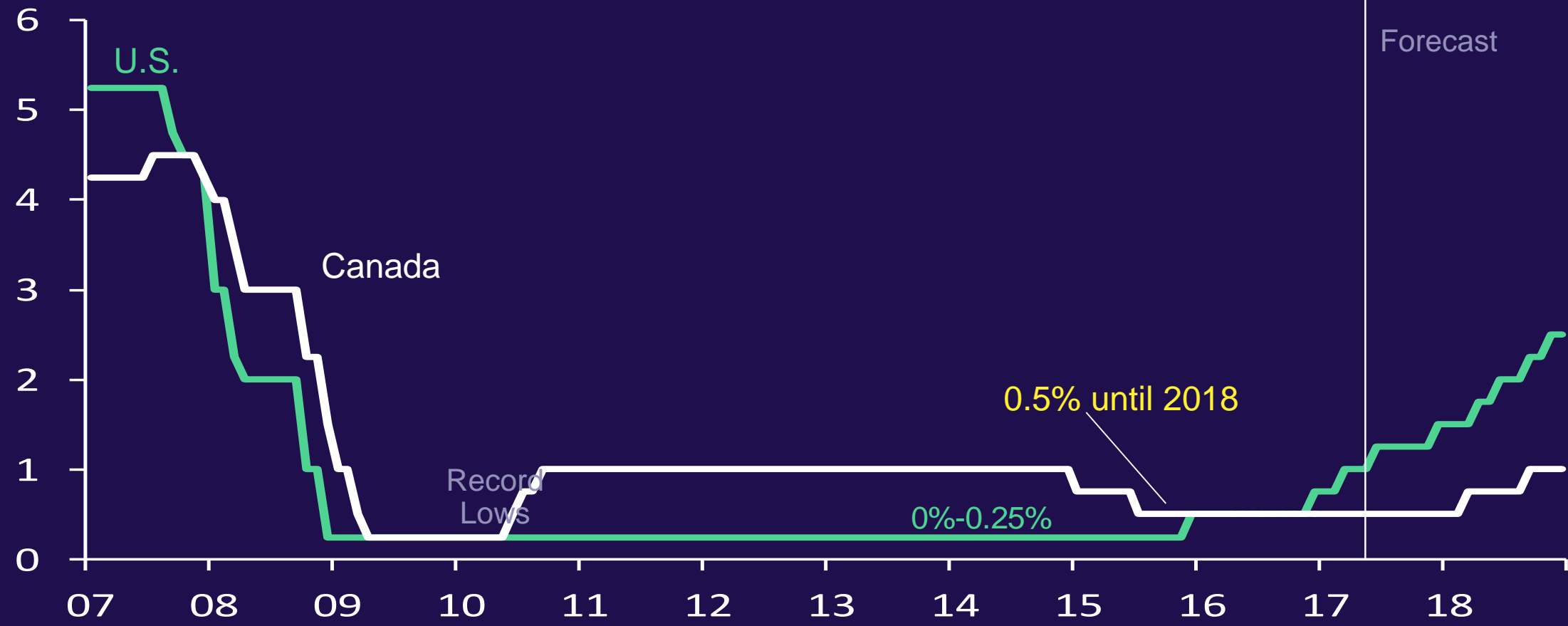


BoC On Hold ... While Fed Hikes Rate

Overnight Rate
(percent)



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Forecast = Sherry Cooper Assoc.
Source: Haver Analytics, Bank of Canada, Federal Reserve Board

Long Yields Edge Upward On Fed Rate Hikes

10-year Bond Yields
(percent)



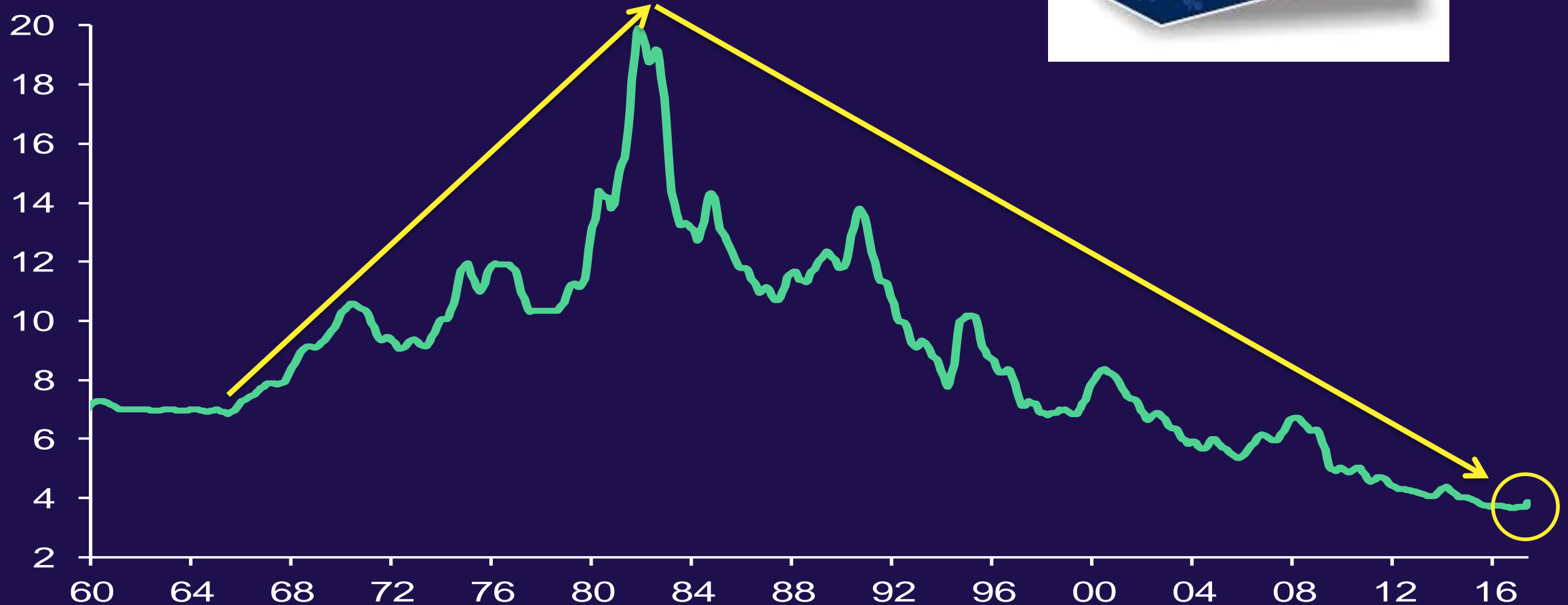
Forecast = BMO Capital Markets
Source: Bank of Canada, Federal Reserve Board

Mortgage Rates Have Bottomed

Canadian Conventional 5-Year Mortgage Rate
(percent, smoothed 6-month moving average, as of June 2)



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Loonie Under Downward Pressure



Oil Price Edges Back Under \$50 US

Export Duties

Home Capital

Banks Downgraded

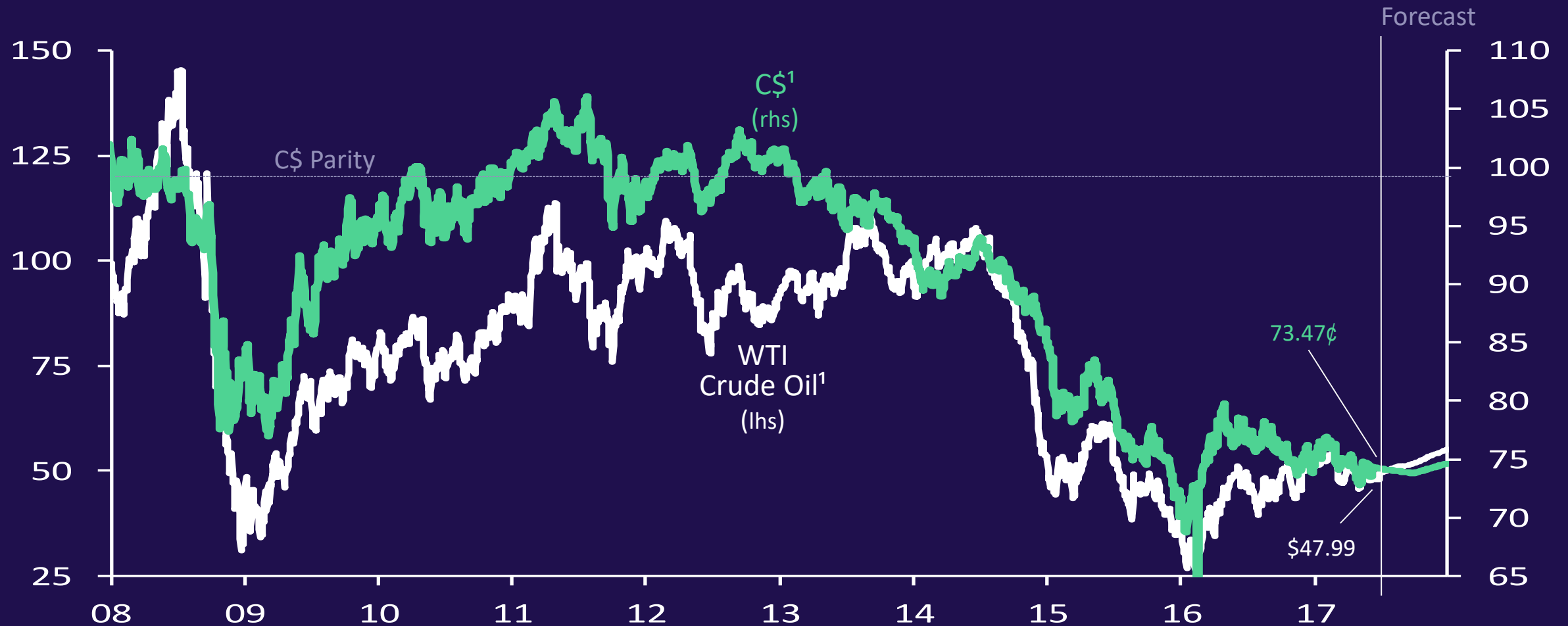
Bank of Canada On Hold

Oil Price And The Loonie

(as of June 6, 2017)

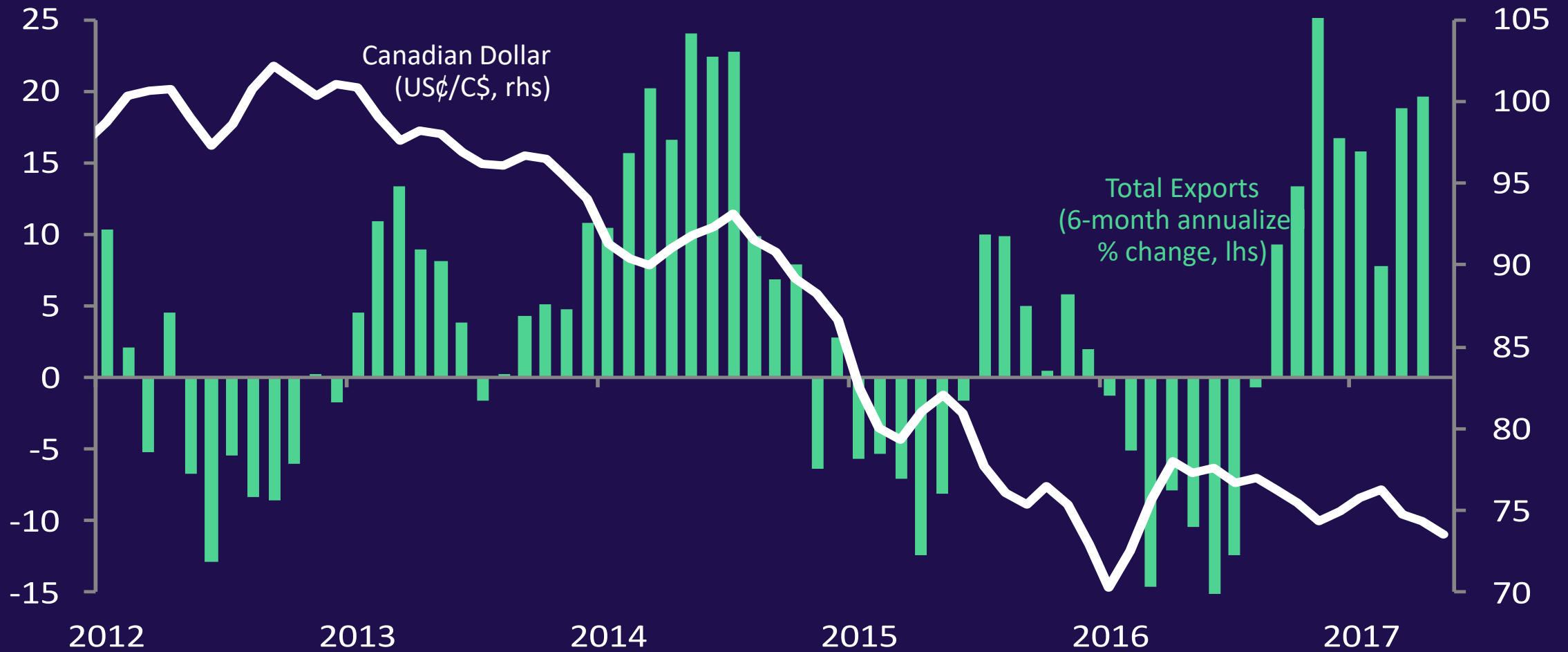


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Forecast = BMO Capital Markets ¹ (US\$/bbl) ² (US¢/C\$)
Source: Haver Analytics, Bank of Canada, Bloomberg, U.S. Energy Information Administration

Lower Canadian Dollar... Exports Respond



NAFTA Renegotiation A Risk To The Economy



Housing Looms Large ...

Canada
(percent)

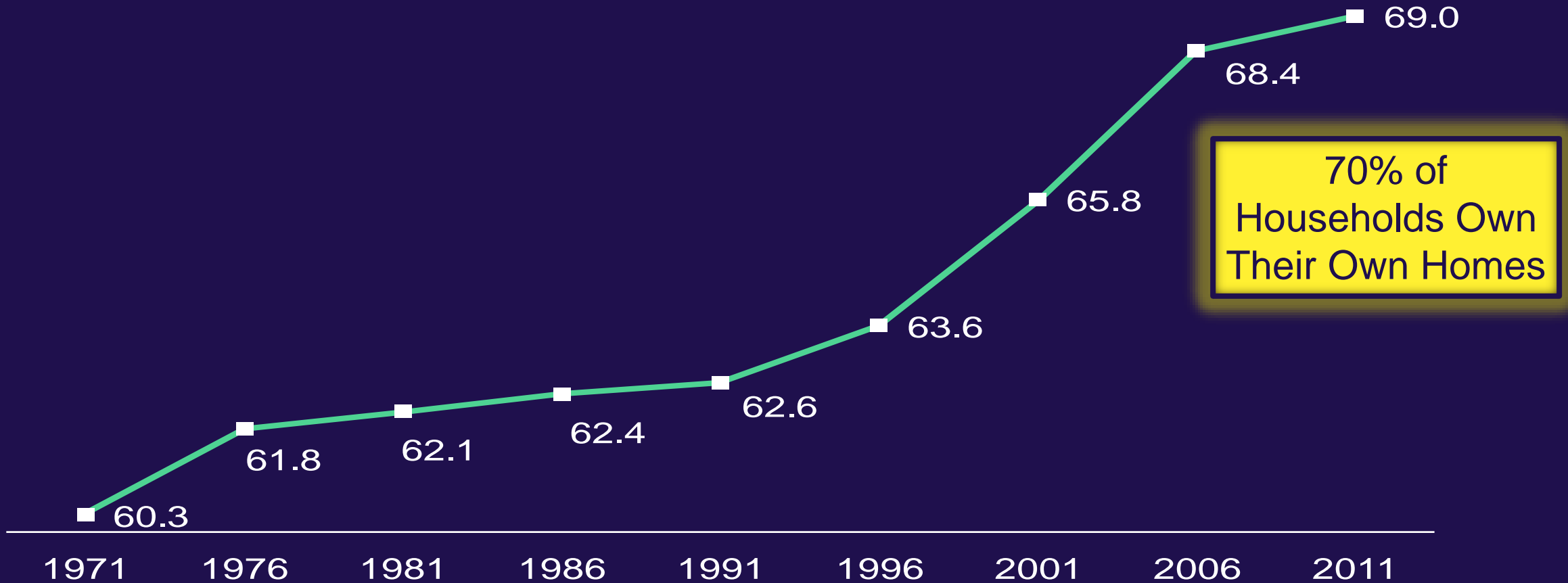


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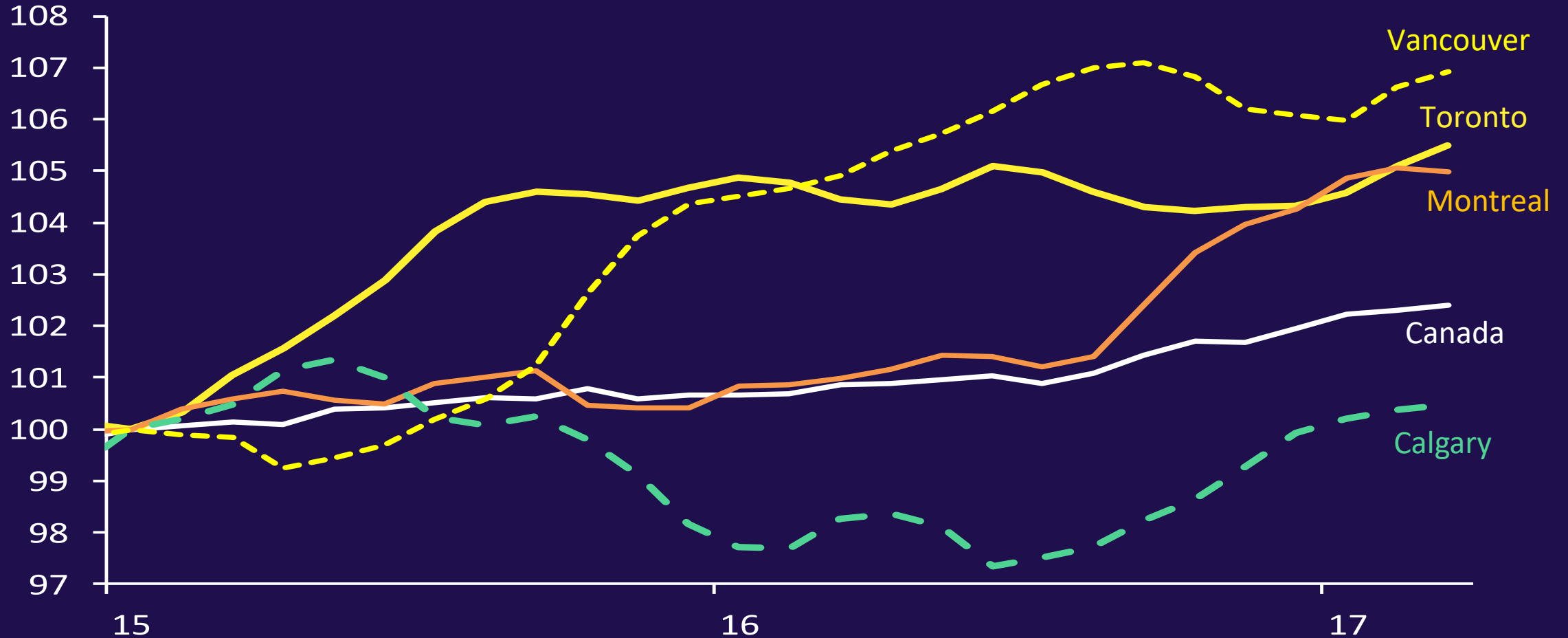
Canadian Homeownership At A Record High

Homeowners as a % of all Canadian Households
(percent)



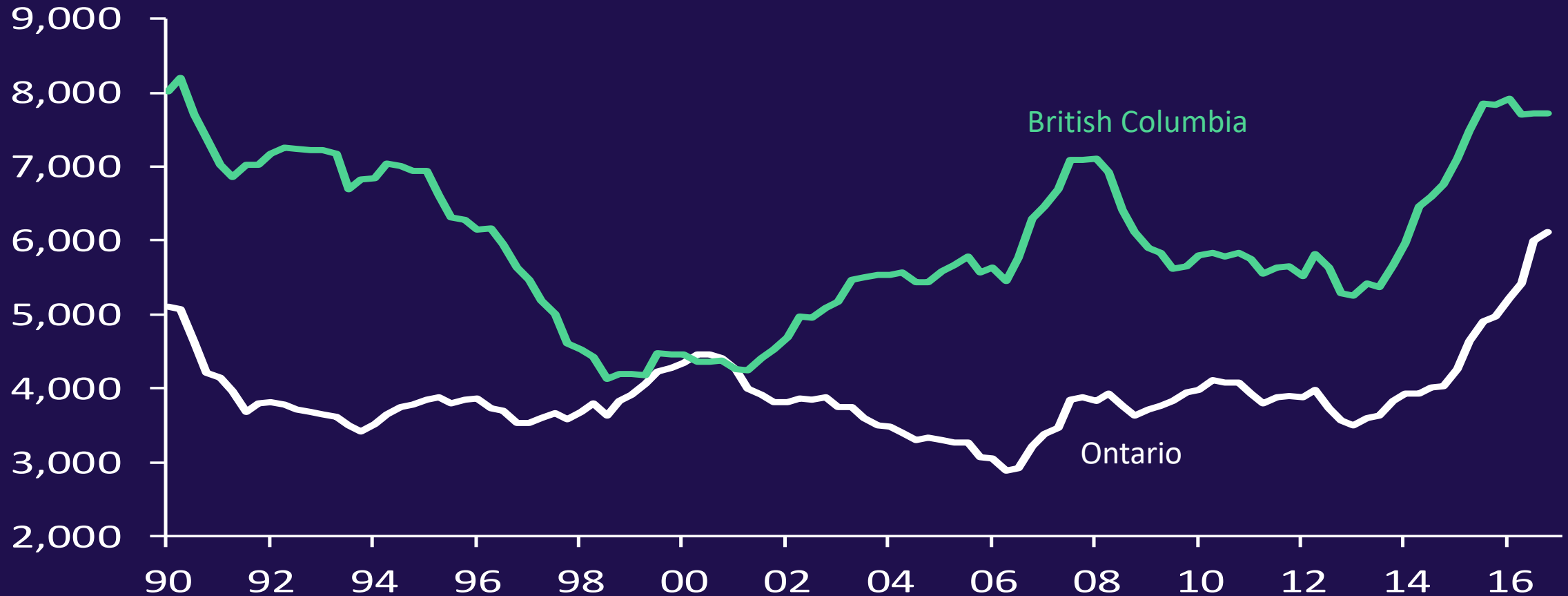
Job Creation Strongest in Vancouver and Toronto

Employment Level
(index: January 2015 = 100)

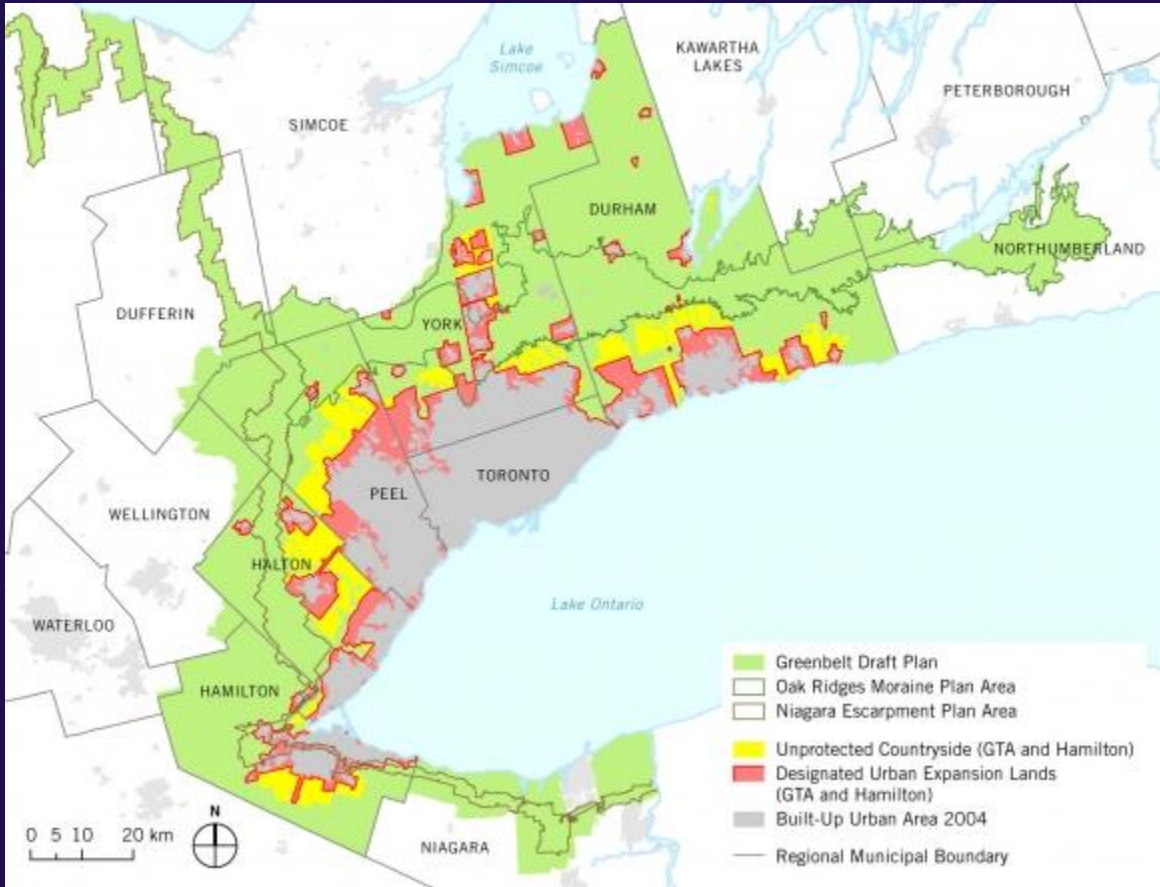


People Left Oil-Torn Provinces For Ontario and B.C.

Interprovincial Migrants
(level, 4-quarter moving average)

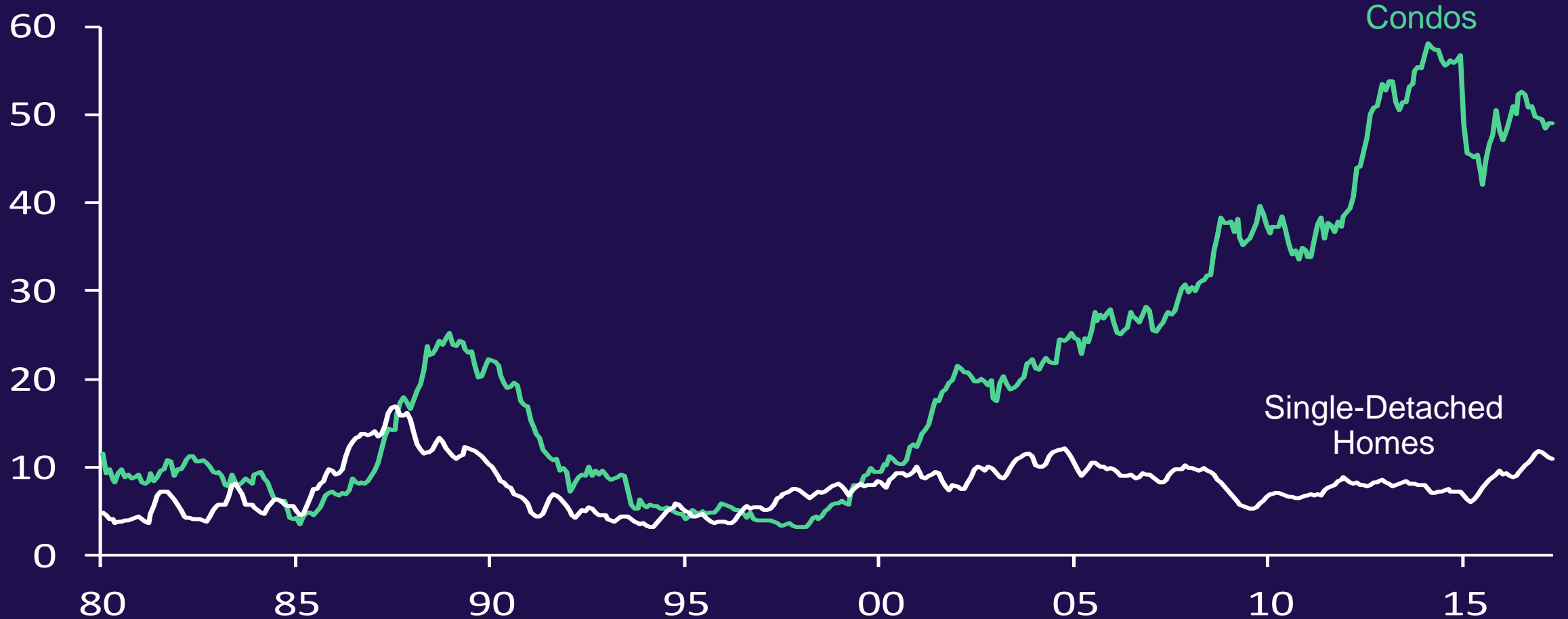


Greenbelt and Intensification Plan



Housing Supply Make-Up In Toronto Changing Dramatically

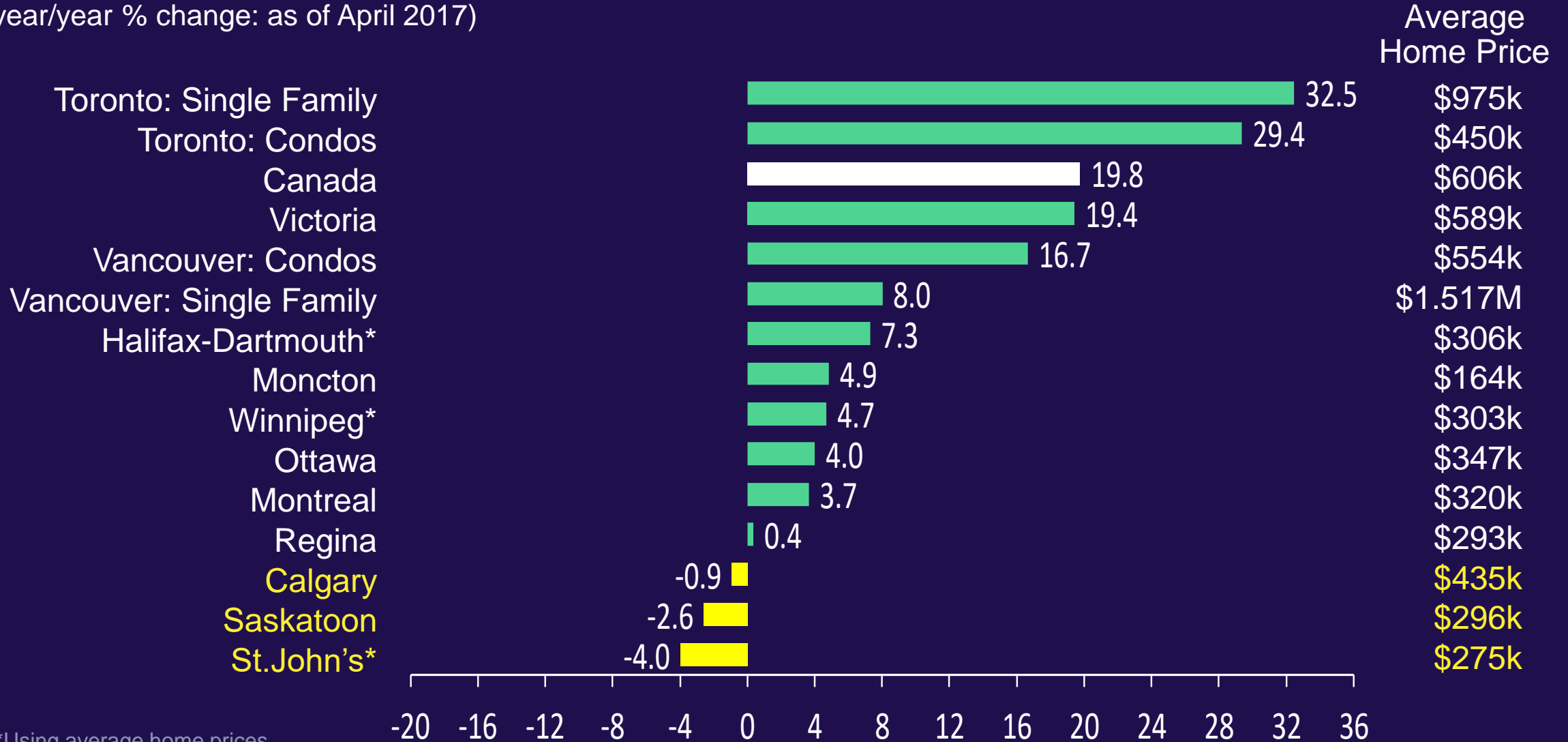
Toronto
(000s units)



Prices Surge In Toronto

MLS® Home Price Index (HPI)

(year/year % change: as of April 2017)

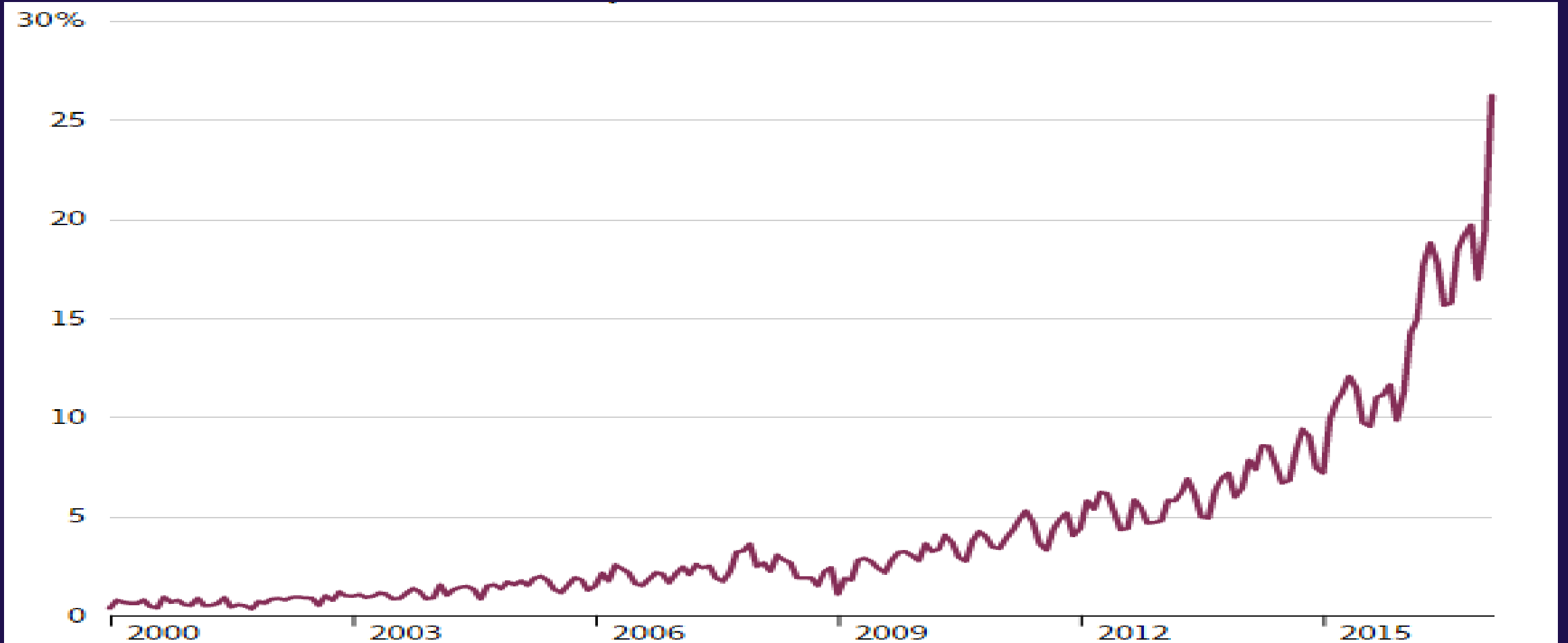


*Using average home prices

Source: Canadian Real Estate Association (CREA)

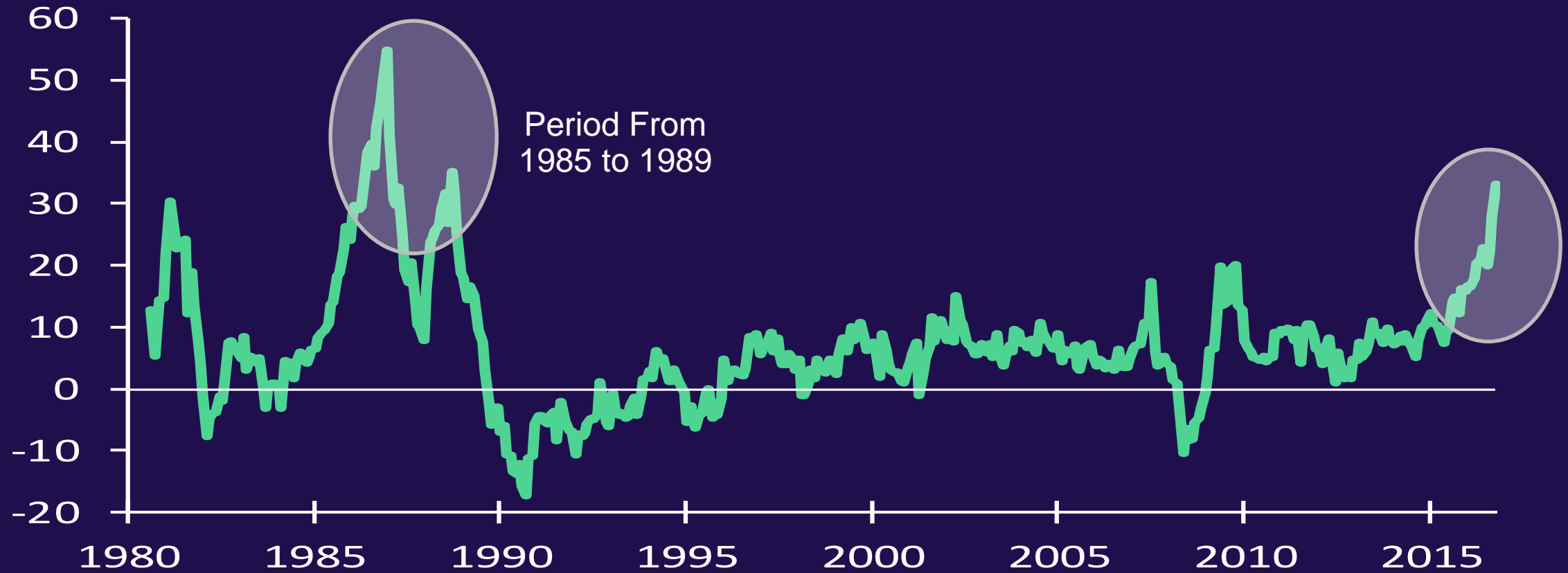
More Than 25% Of GTA Sales Above \$1 Million

Share of GTA Home Sales Above \$1 Million
(percentage)



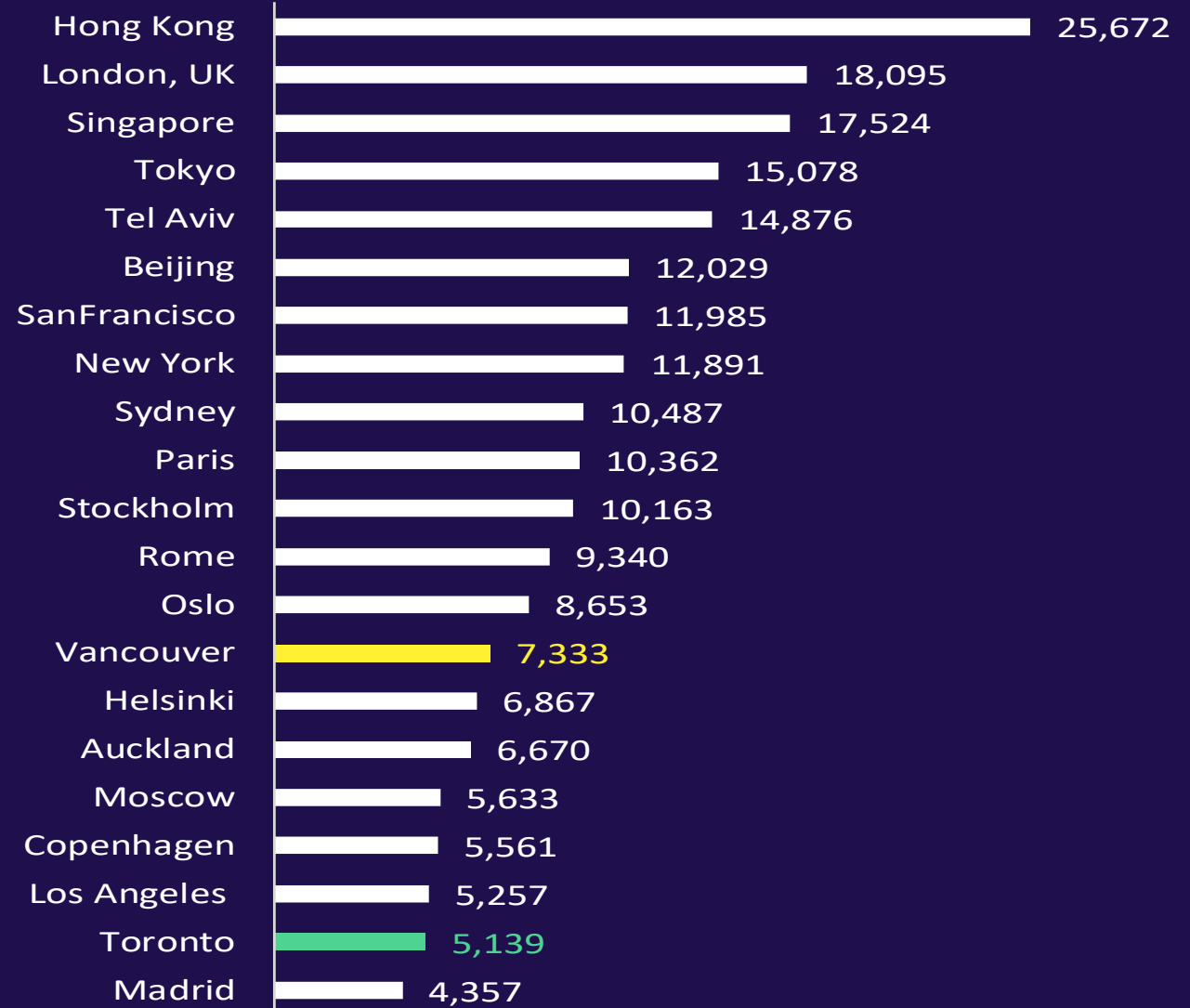
GTA Average Home Price Growth Still Below Late '80s

Greater Toronto Area Average Home Price
(year/year % change, as of April 2017)



Toronto and Vancouver Prices Lag Global Cities

Buyer price per square meter, Apartment
(US\$/square meter)



Canadian Housing-to-Income Disconnect

(seasonally adjusted: January 1995 = 100)



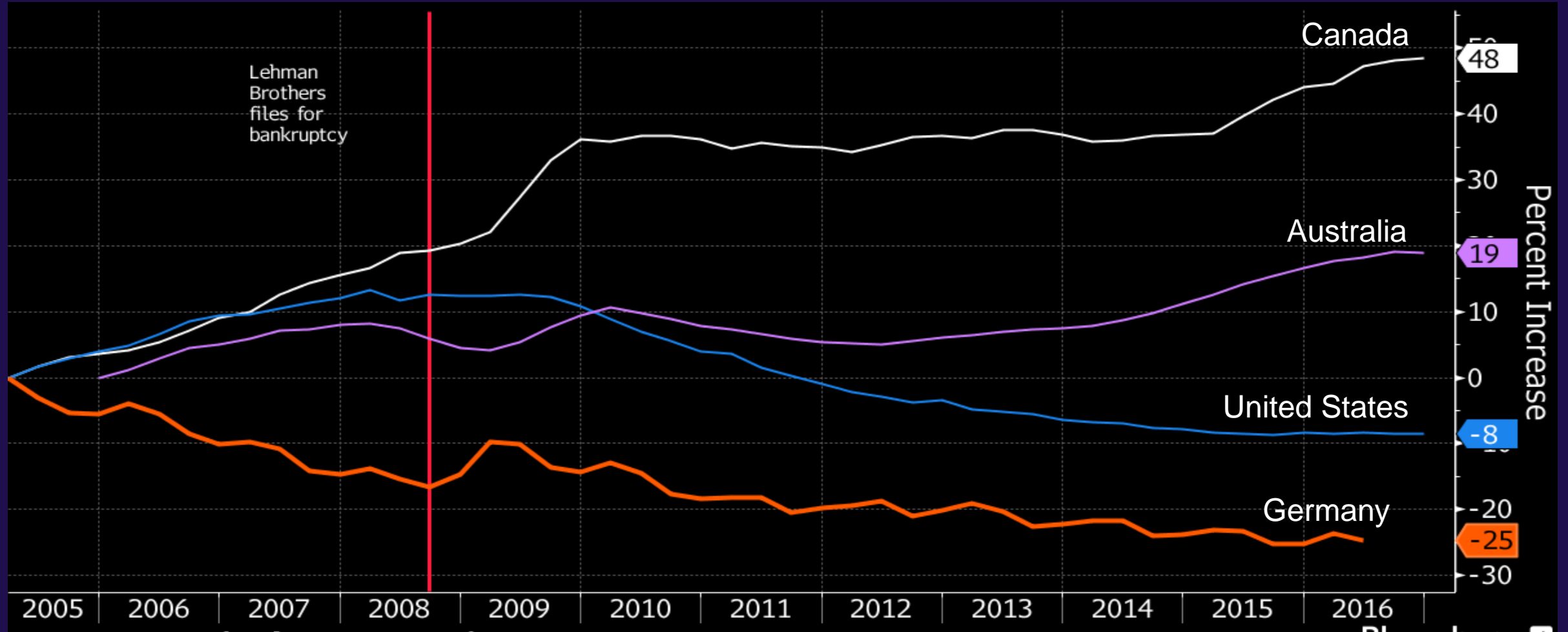
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Rising Risks: Record High Debt-to-GDP

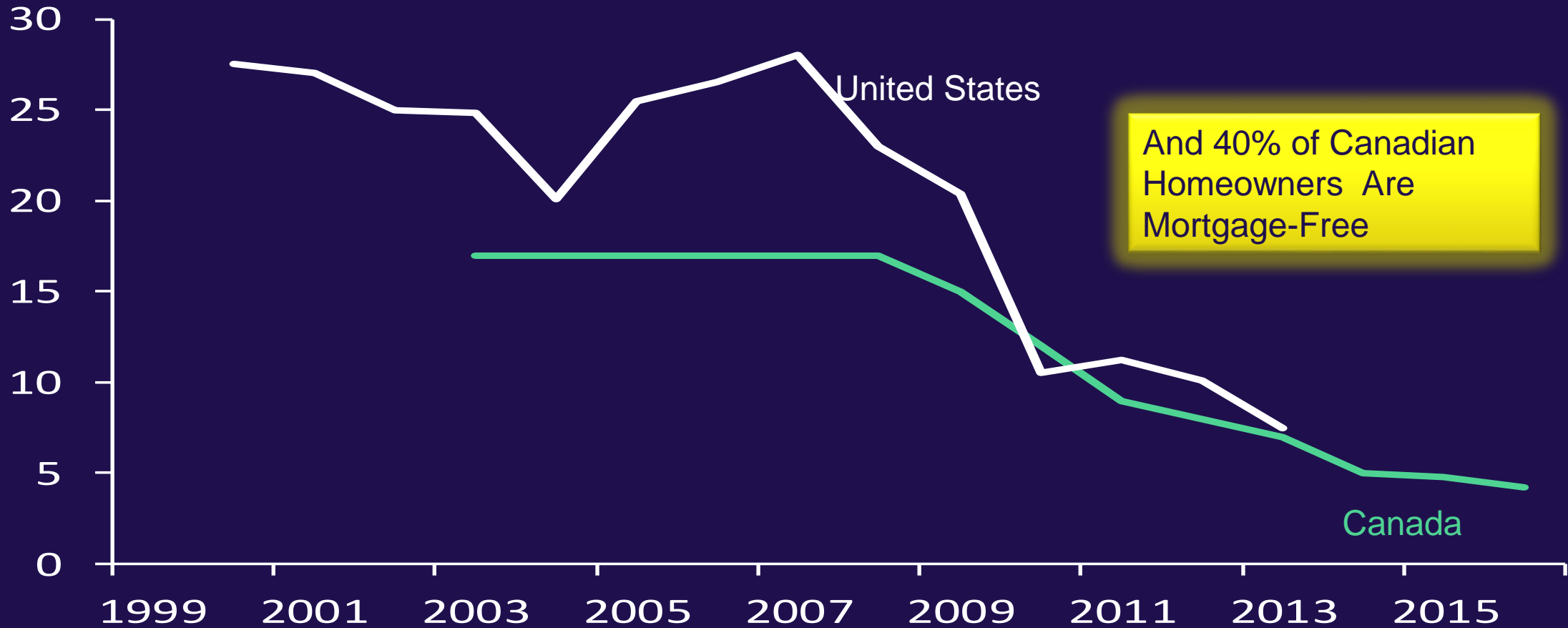
Household Debt as a Percentage of GDP

(March 2005 = 100)



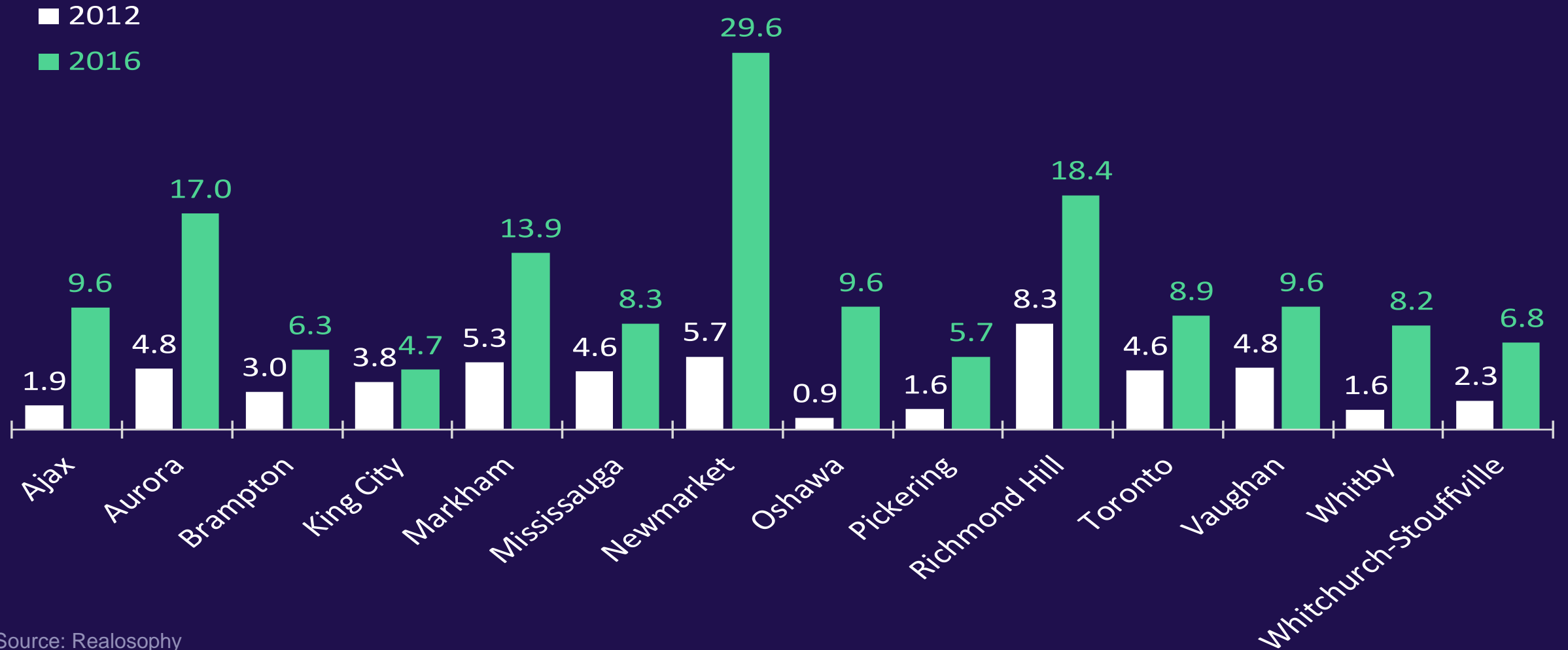
Share of First-Time Home Buyers With Low Credit Scores

FICO <620 and Beacon <660
(percent)



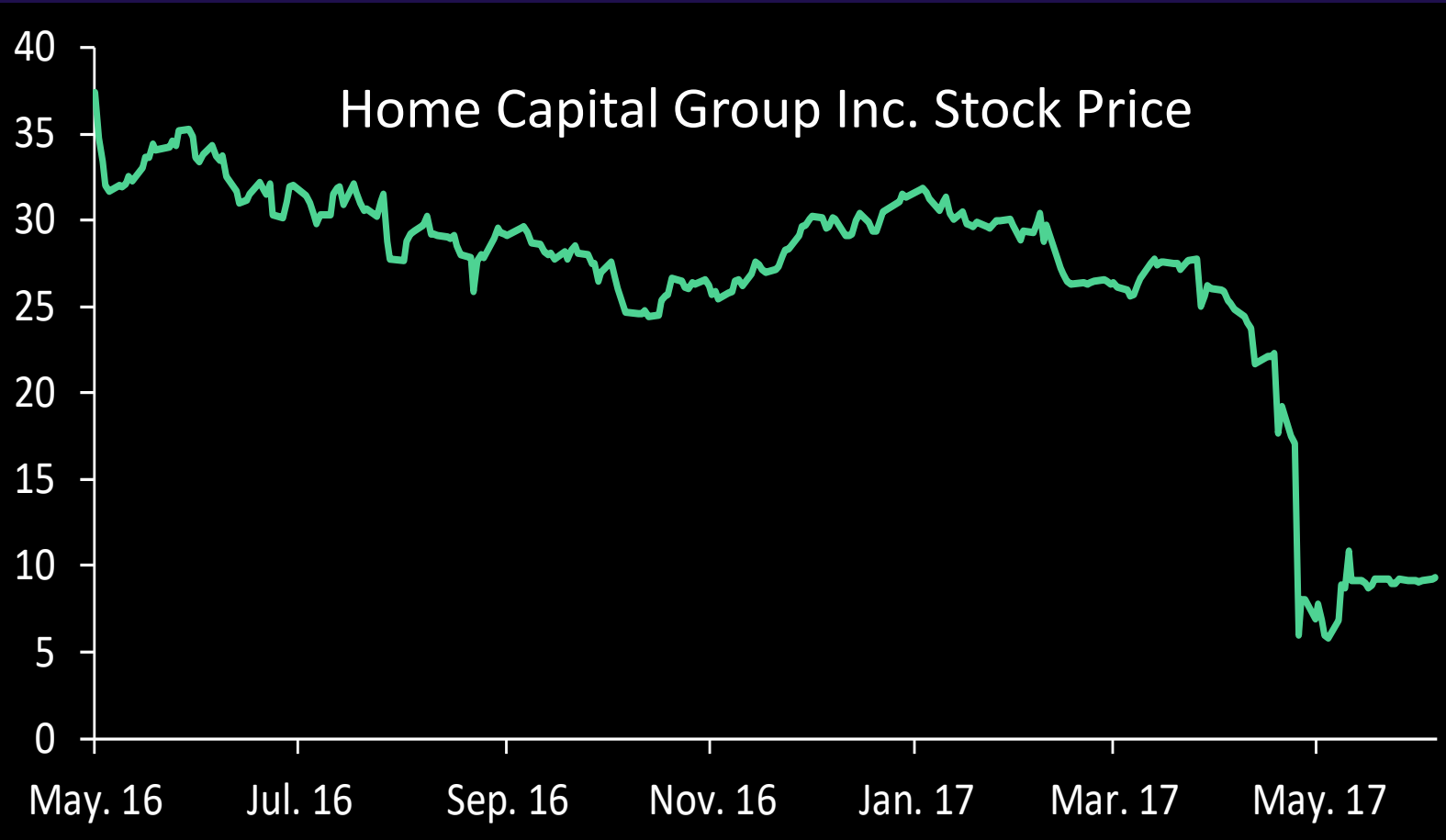
Investors or Speculators Buying In GTA Surges

Percentage of GTA Home Purchased by Investors
(percent)



Greater Than Normal Uncertainty in Housing

(June 6, 2017: C\$)



Ontario Budget Actions

- Foreign Buyer's Tax
- Expanded Rent Controls

Coming To GTA?

- Vacant Property Tax
- Flipping Tax

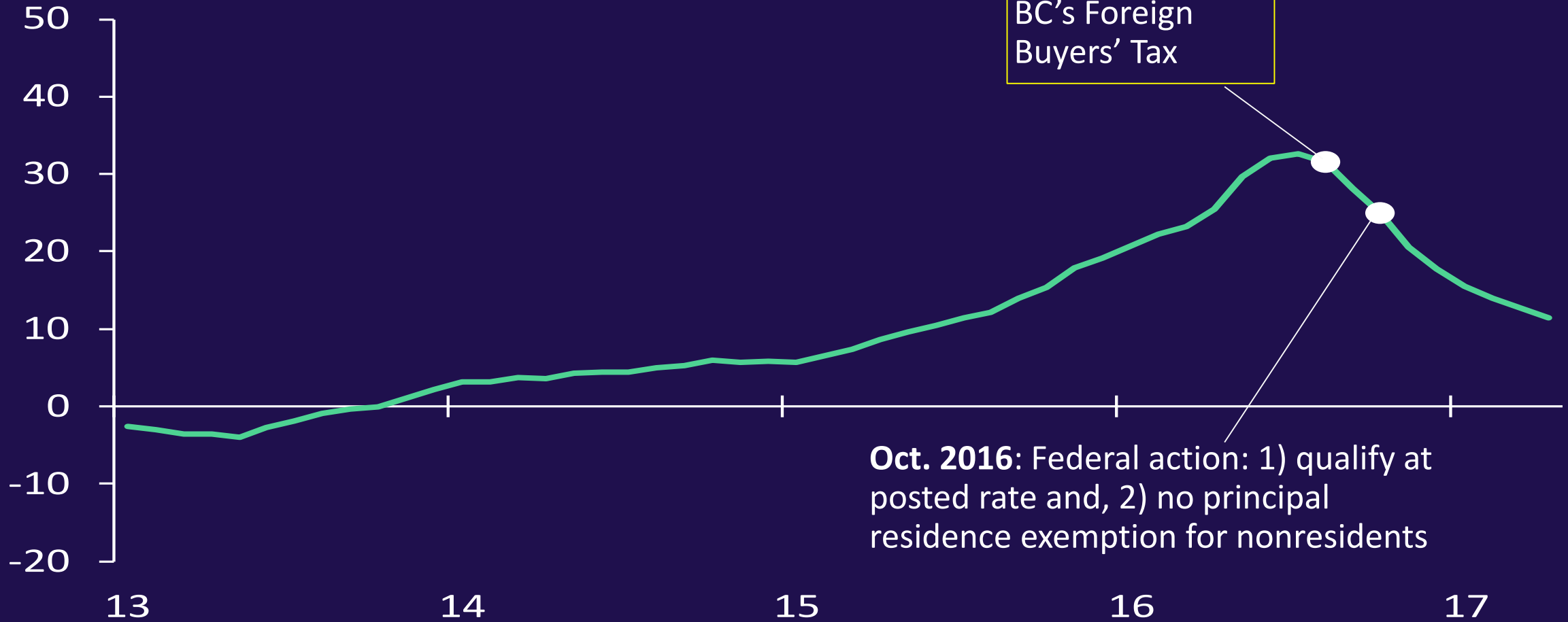
Home Capital Meltdown

Banks Downgraded

Unintended Consequences Impact Psychology

The Cooling Vancouver Price Gains

Vancouver Composite Home Price Index
(year-over-year % change)



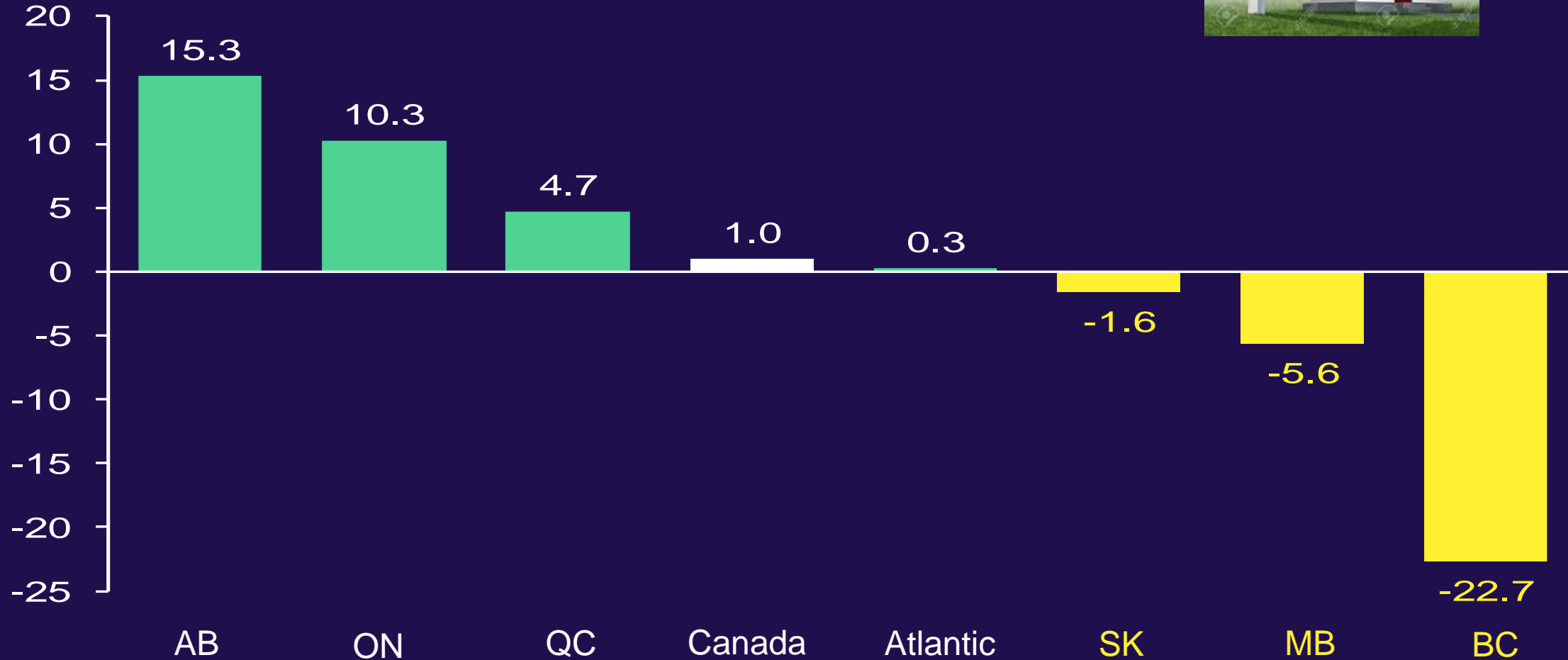
Vancouver Sales Plummet After Foreign Tax

Existing Home Sales

(% change from a year ago, YTD April 2017)



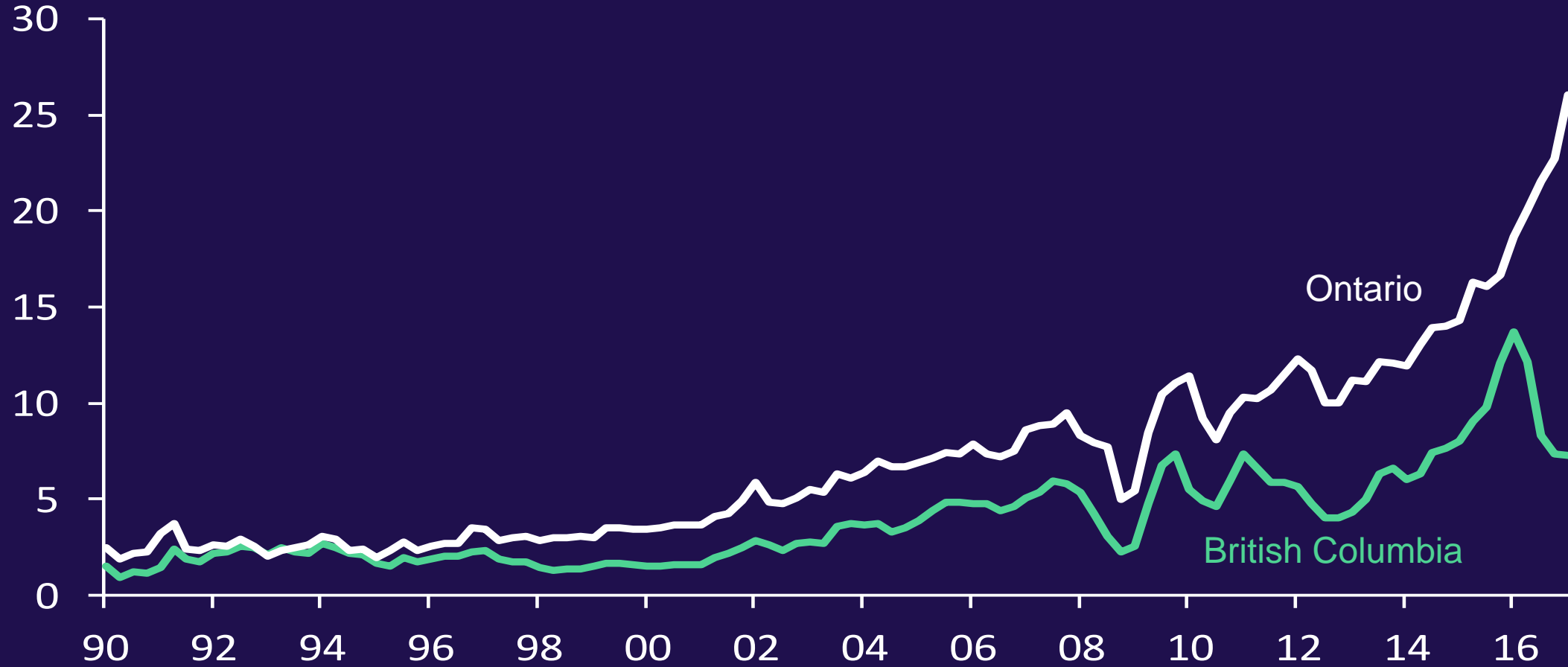
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Source: Canadian Real Estate Association, Haver Analytics

Value of Existing Home Transactions

Existing Home Sales
(C\$ millions)



Toronto Housing Slowdown In May



- Active listings surged 43% y/y
- Sales plunged 20% y/y
- Buyers more cautious
- Mortgage lending slowed
- Fewer homebuyers qualify
- Sharp drop in CMHC insurance volumes
- Average selling price dropped 6.2% from April
- But, still 14.9% y/y

This, after a 33% y/y spike in home prices in March and a 25% surge in April.

Listings Surge 43% in GTA in May

Number of Active Listings
(000s units, May)

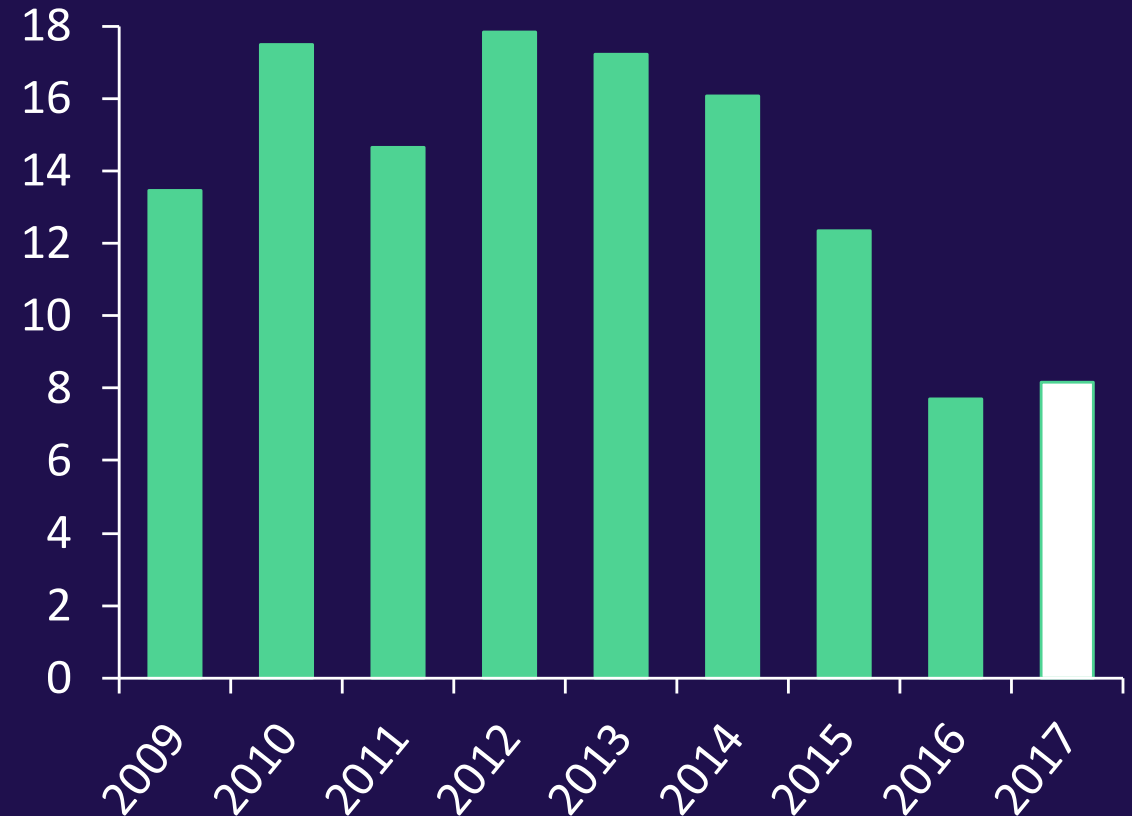


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Toronto



Vancouver

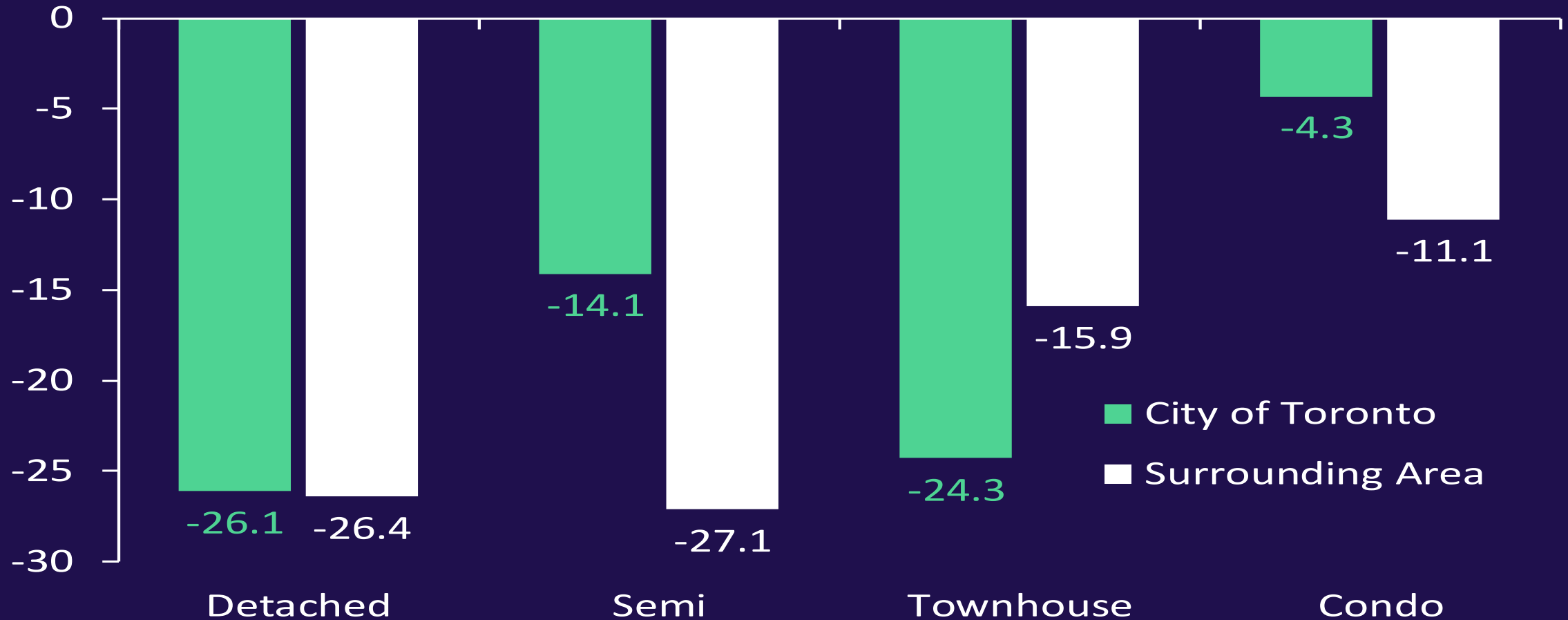


GTA Sales Decline

Residential Sales: May 2017
(year/year % percent)



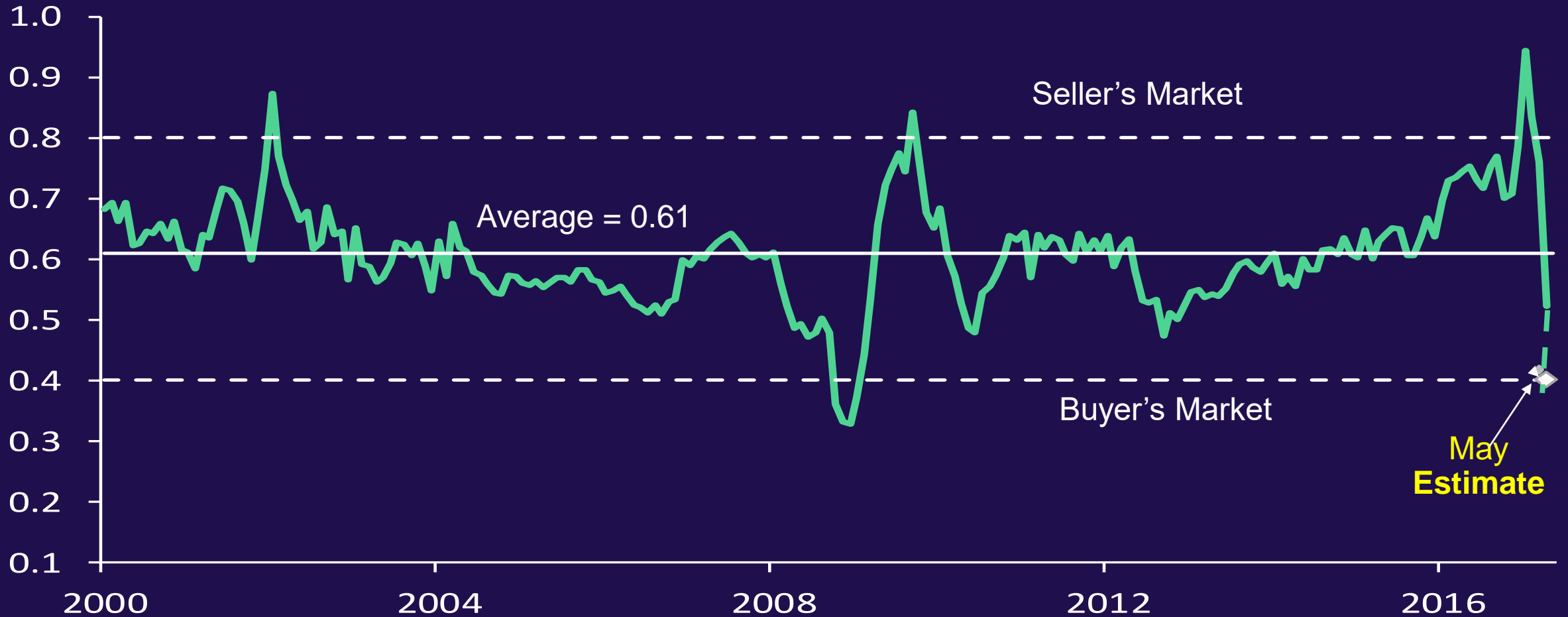
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Source: Toronto Real Estate Board (TREB)

A Cooling Housing Market in Toronto

Sales-to-New Listings – GTA
(ratio)

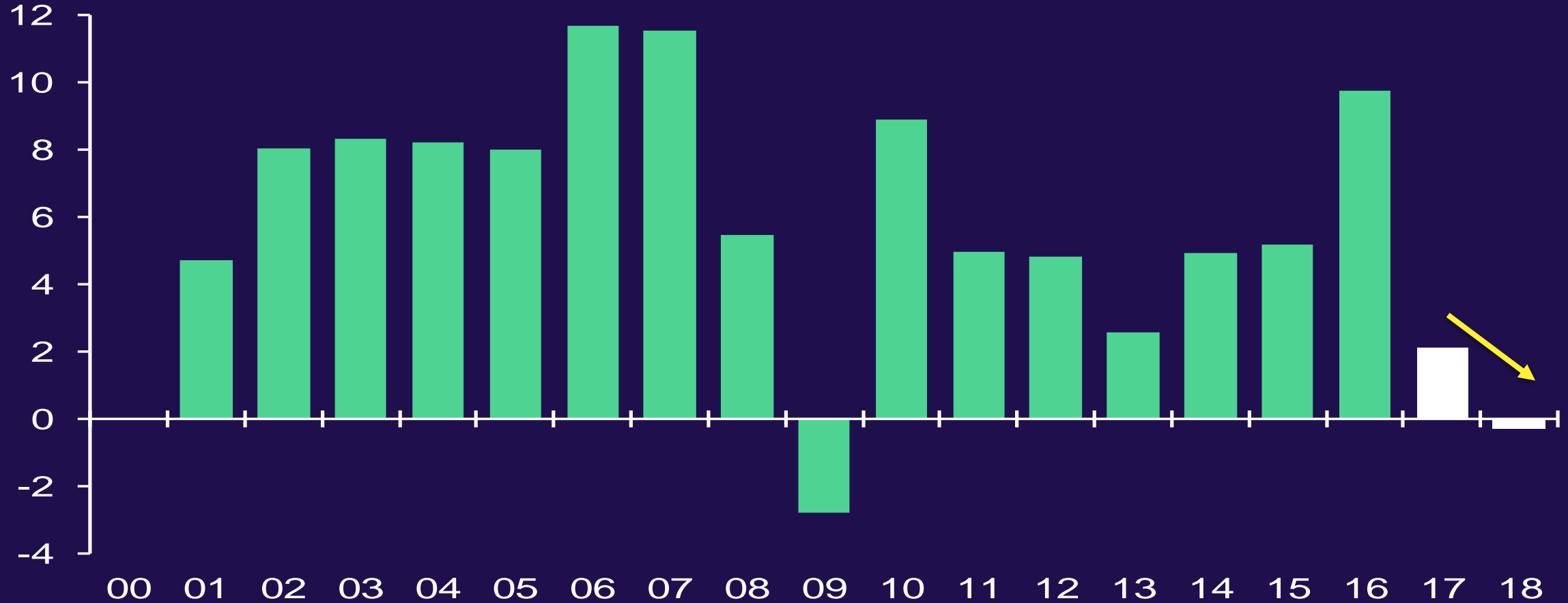


Canadian Home Price Inflation Needs To Slow

House Price Index: Composite 11
(year/year % change)



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White bars indicate forecasts. Forecast provided by Royal LePage and RBC Research
Source: Teranet/National Bank, Haver Analytics

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