

# Monthly economic webcast: Soft landing narrative still intact

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# Report card

## POSITIVE THEMES



- Soft landing story continues to play out
- Prior Beige Book weakness has now unwound
- Some recession signals have reversed
- Chinese productivity growth is still decent
- Risk assets are very happy

## NEGATIVE THEMES



- Recession remains a key risk
- Interest rates are still fairly high
- Inflation trend is no longer improving as reliably
- Rate cuts may be quite cautious
- Chinese housing is still a problem

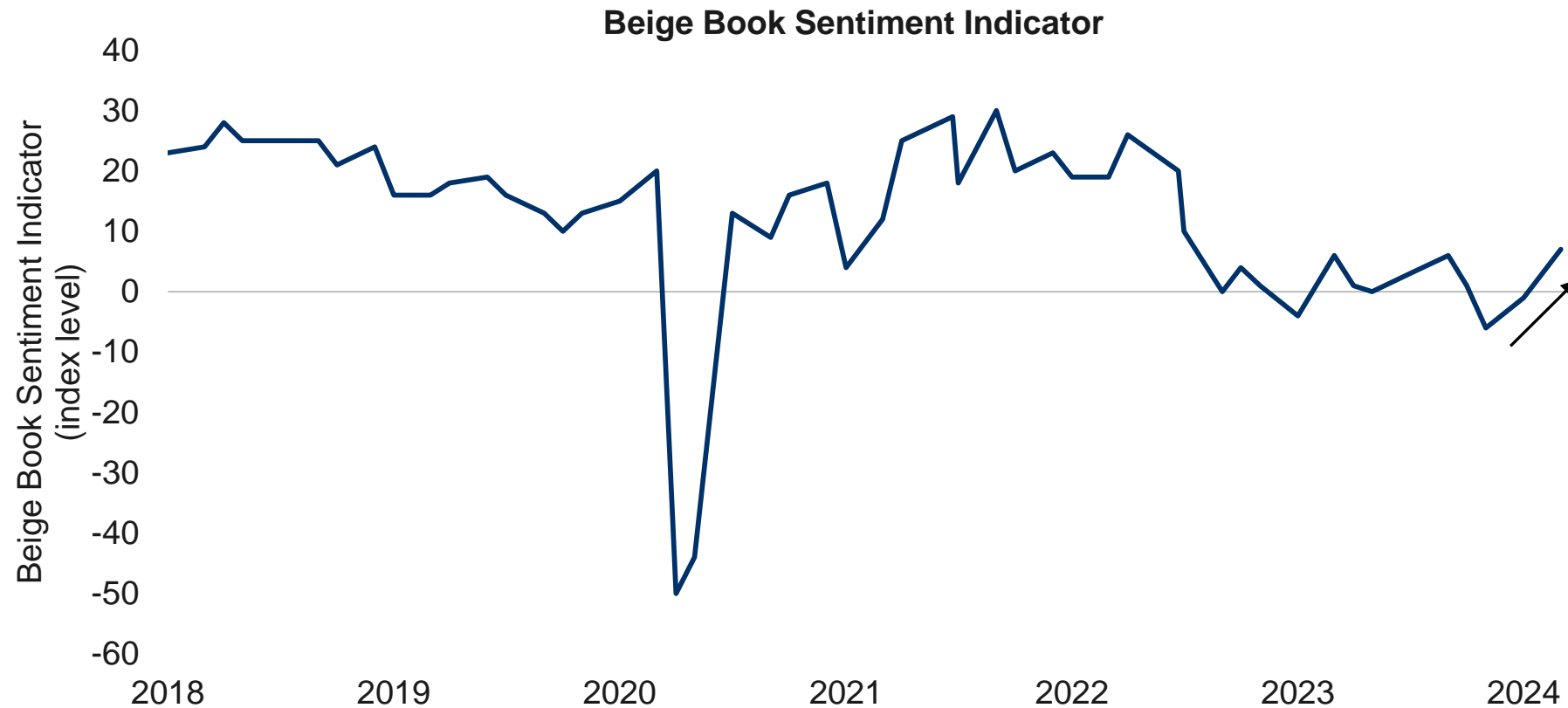
## INTERESTING



- BoJ, SNB go in opposite directions
- Tech boom not yet visible in economic data

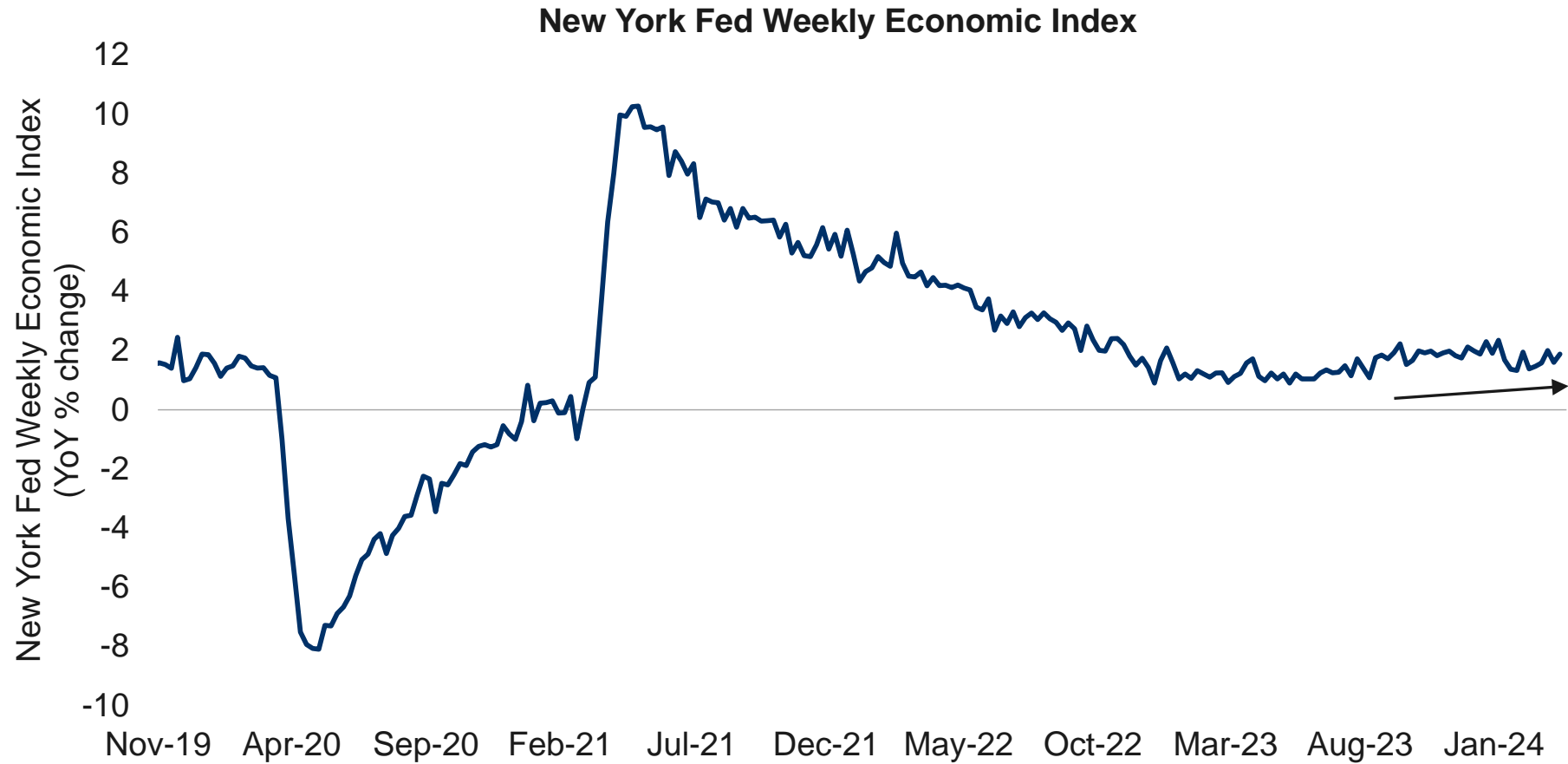
Note: As at 03/26/2024. Source: RBC GAM

# Soft landing still on track, with Beige Book weakness now unwound



Note: As of March 2024. The indicator quantifies the sentiment of local contacts by assigning different weights to a spectrum of positive and negative words used to describe overall economic conditions in the Fed Beige Book. Source: US Federal Reserve, RBC GAM

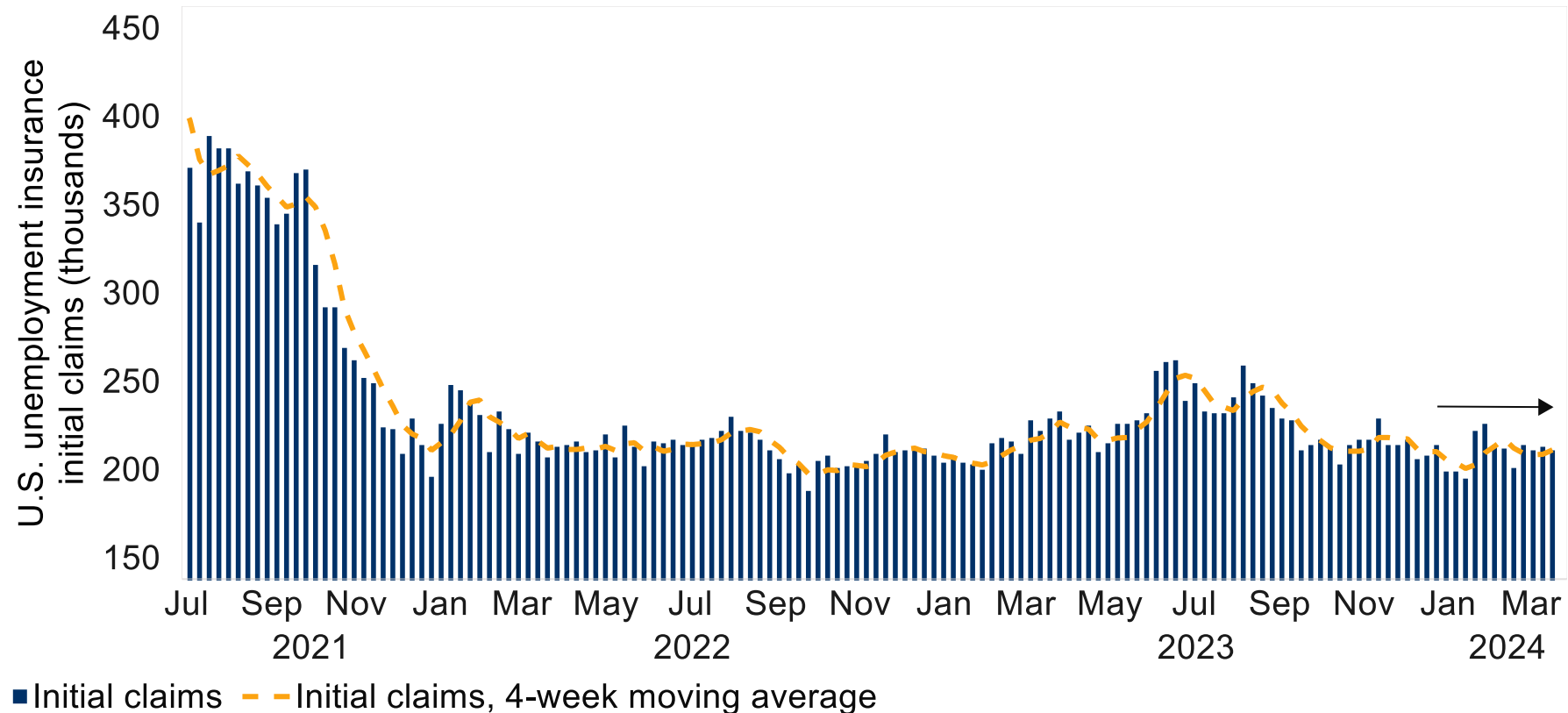
# High frequency economic data still looks good



Note: For the week ended 03/16/2024. Source: Federal Reserve Bank of New York, Macrobond, RBC GAM

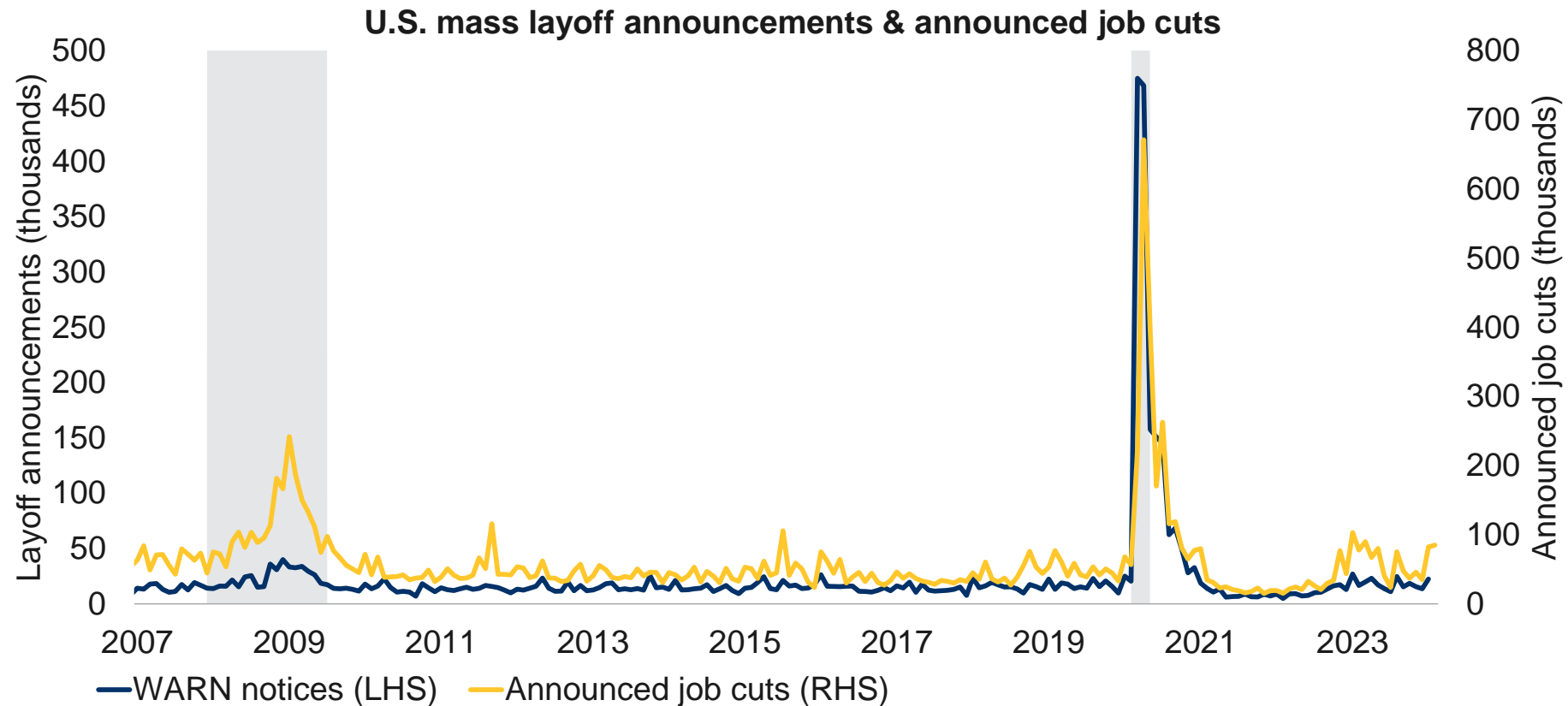
# Labour market mostly holding together

## U.S. jobless claims remain low



Note: As of the week ending 03/16/2024. Source: DOL, Macrobond, RBC GAM

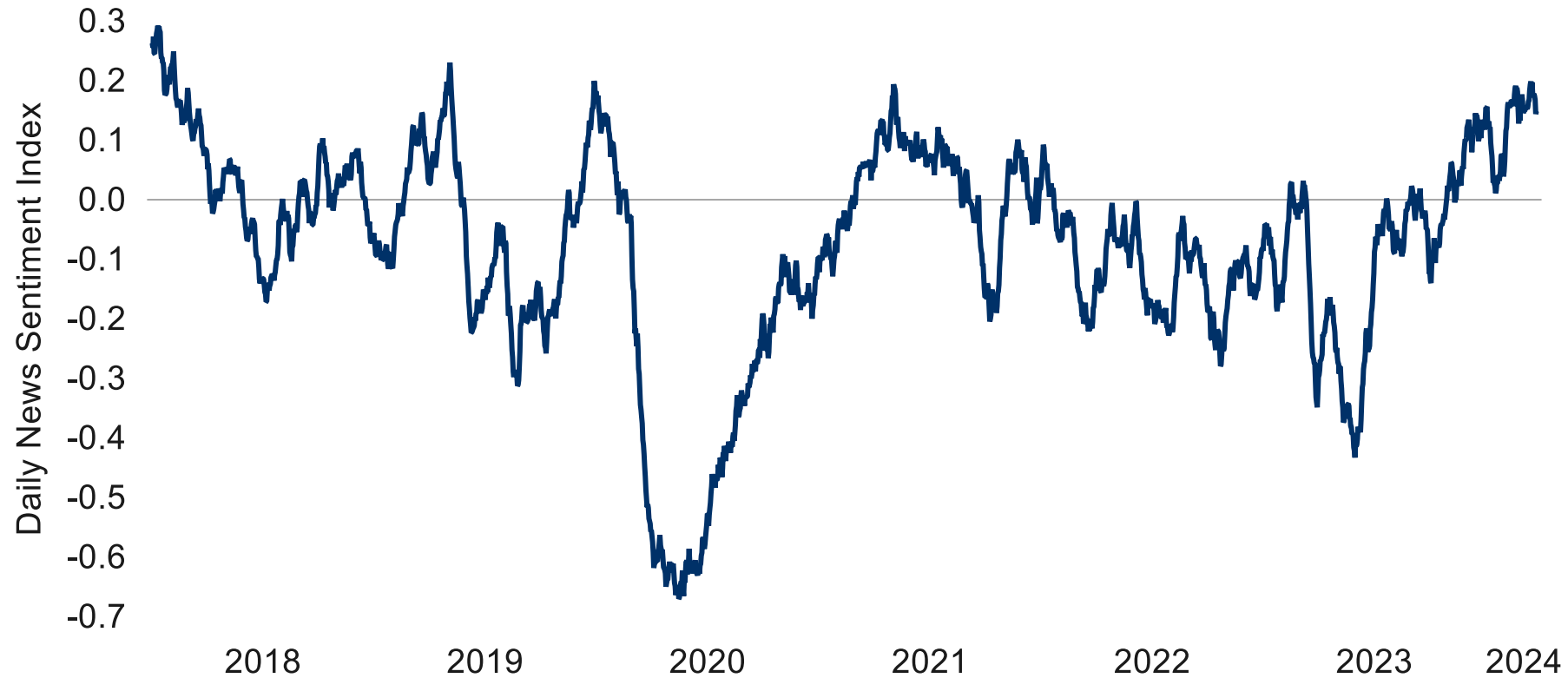
# Mass layoffs are somewhat higher than normal, but it is not a new development



Note: WARN notices as of Jan 2024, Challenger job cuts as of Feb 2024. Worker Adjustment and Retraining Notification (WARN) Notices for larger states: California, New York, Florida, Texas, Illinois, Pennsylvania, Ohio, Maryland, Washington & Virginia. Shaded area represents recession. Source: openICPSR, Challenger, Gray & Christmas, Federal Reserve Bank of St. Louis, Macrobond, RBC GAM

# News sentiment is soaring

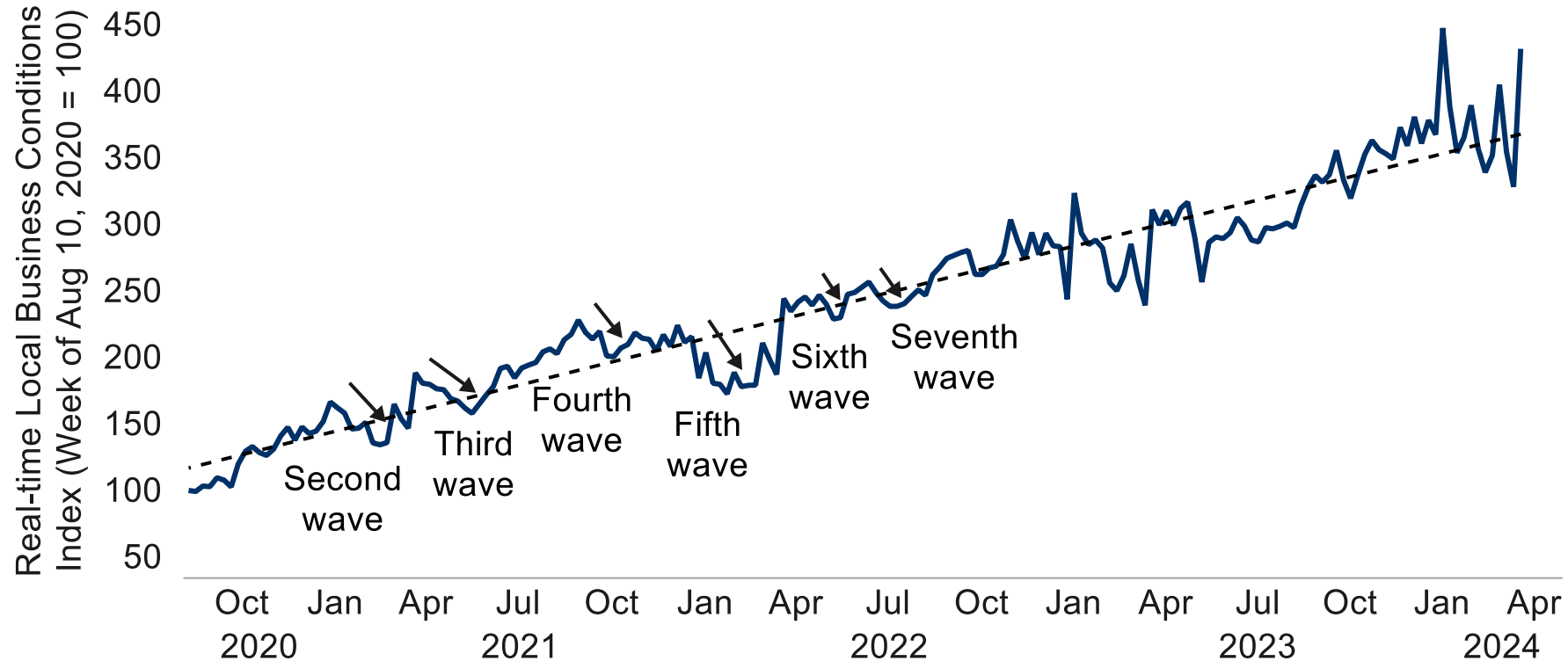
Daily news sentiment in the U.S.



Note: As of 03/24/2024. Source: Federal Reserve Bank of San Francisco, Macrobond, RBC GAM

# Canadian economic signals also look pretty decent

**Business conditions in Canada rebounded**



Note: As of the week of 03/18/2024. Equal-weighted average of Business Conditions Index of Calgary, Edmonton, Montreal, Ottawa-Gatineau, Toronto, Vancouver and Winnipeg. Source: Statistics Canada, Macrobond, RBC GAM

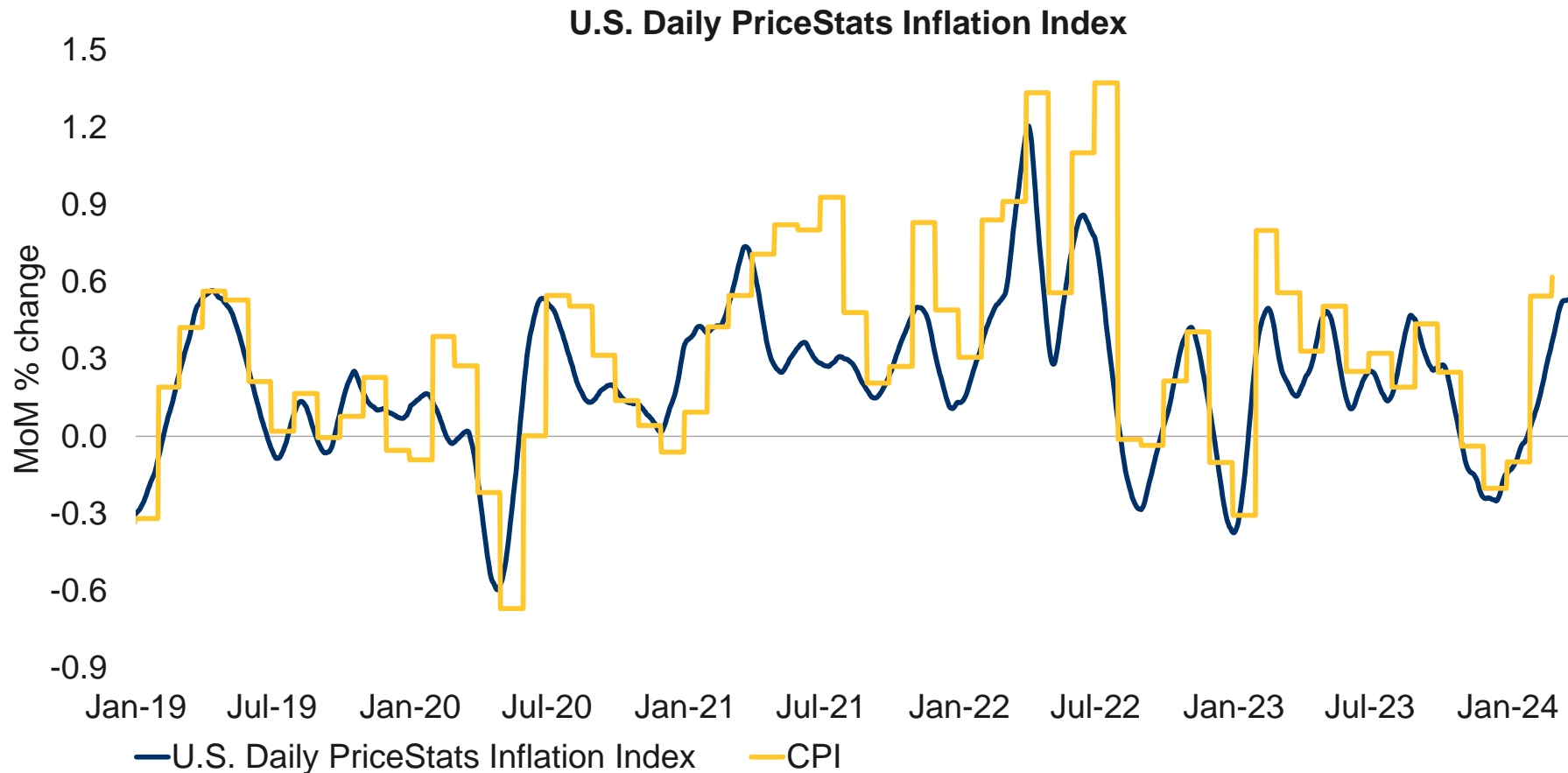


# Many economies are weak, but not actually suffering



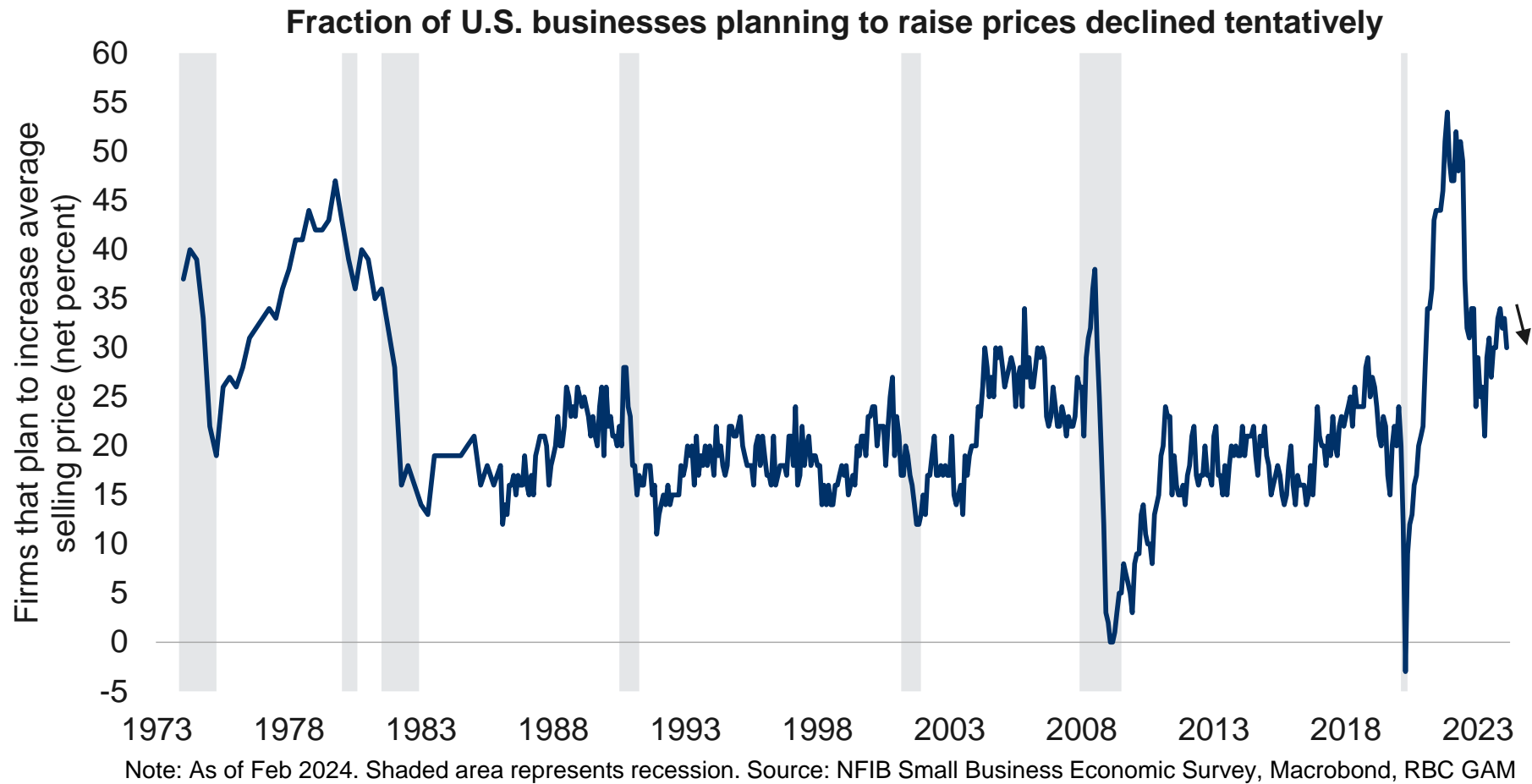
Note: GDP as of Q4 2023, unemployment as of Dec 2023. Unemployment rate normalized over the last decade and plotted on an inverted axis to display good economic data in the same direction. Source: U.K. ONS, Macronond, RBC GAM

# Inflation picked up in recent months, and may remain robust in March

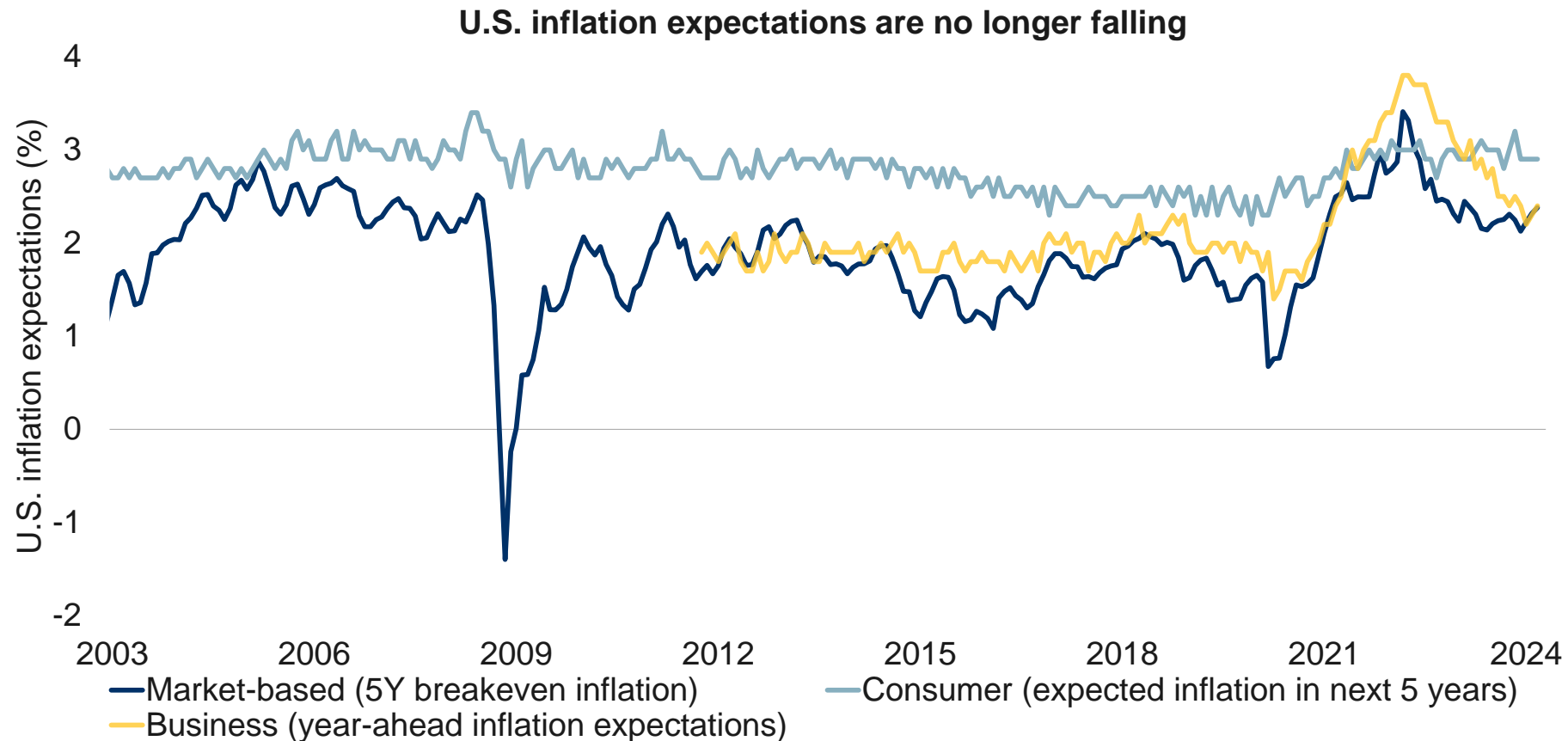


Note: PriceStats Inflation Index as of 03/24/2024, CPI as of Feb 2024. Source: State Street Global Markets Research, RBC GAM

# Inflation is still in a tricky place, as per business pricing plans

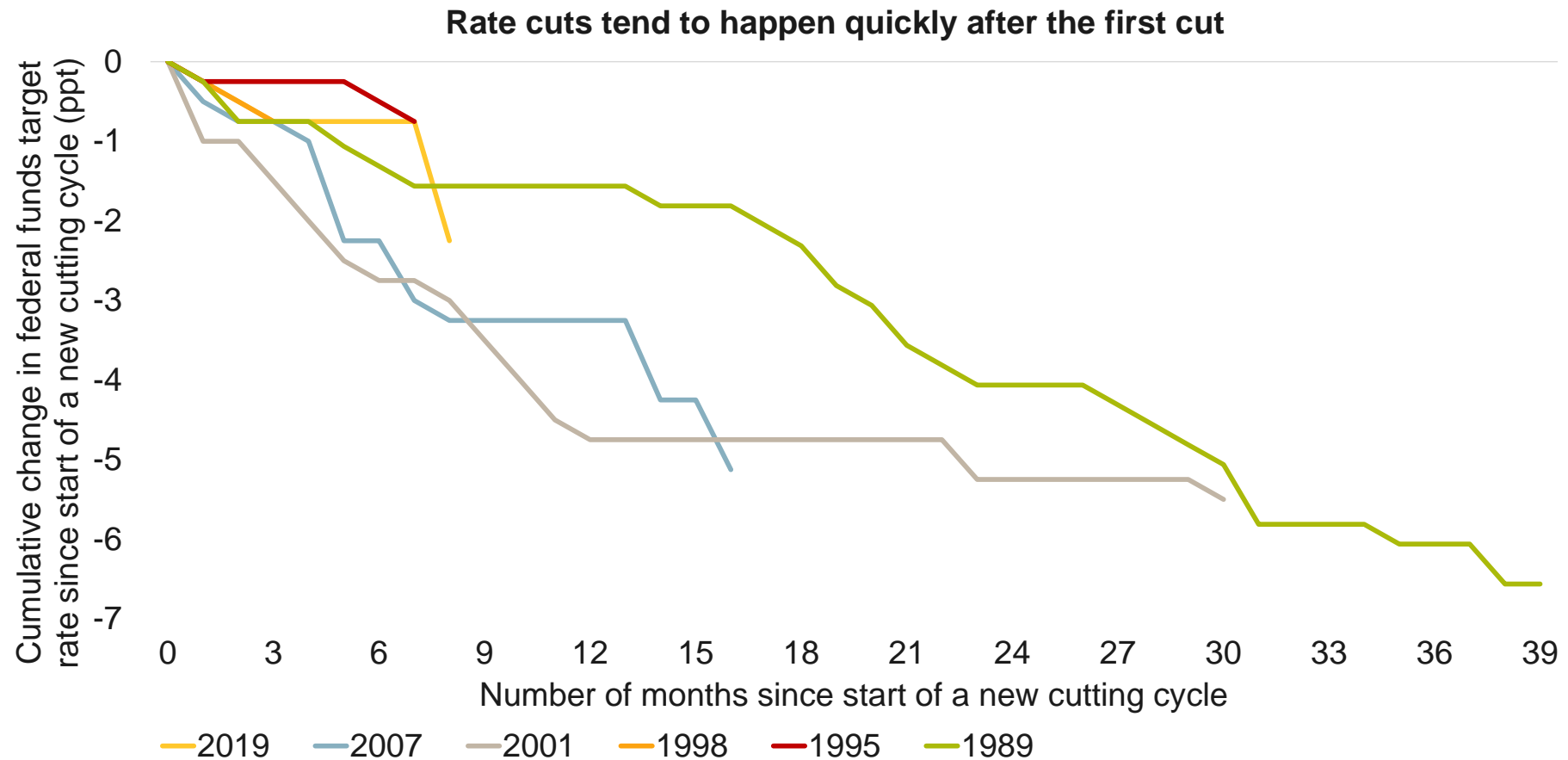


# Inflation expectations believe inflation could get stuck in the 2.5-3.0% range



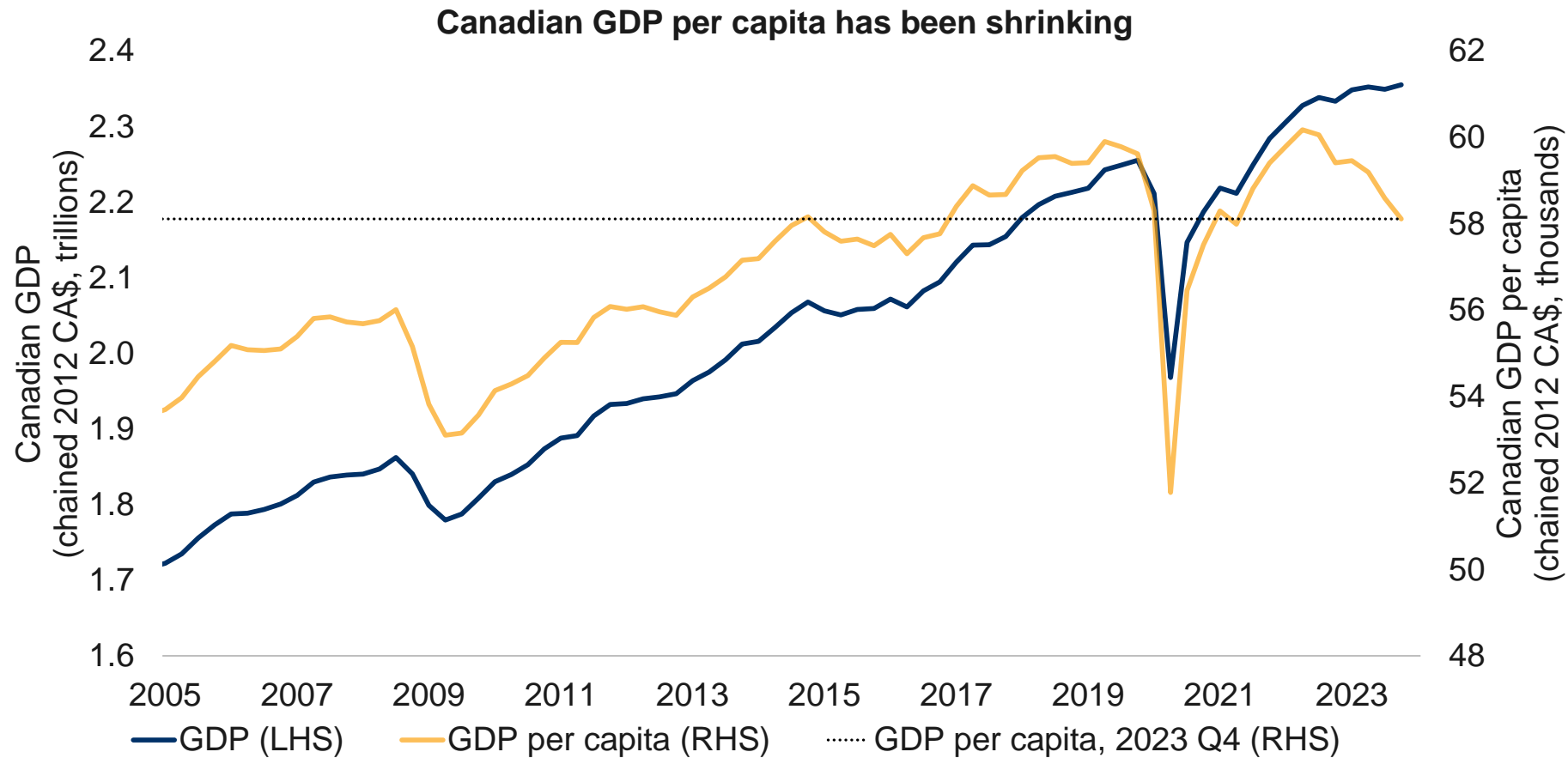
Note: Market-based expectations as of 03/26/2024, survey-based consumer and business expectations as of Mar 2024. Source: Federal Reserve Bank of Atlanta, Federal Reserve Board, University of Michigan Surveys of Consumers, Haver Analytics, RBC GAM

# Soft landing and stubborn inflation argue for only gradual rate cuts, but historical easing cycles have been fast



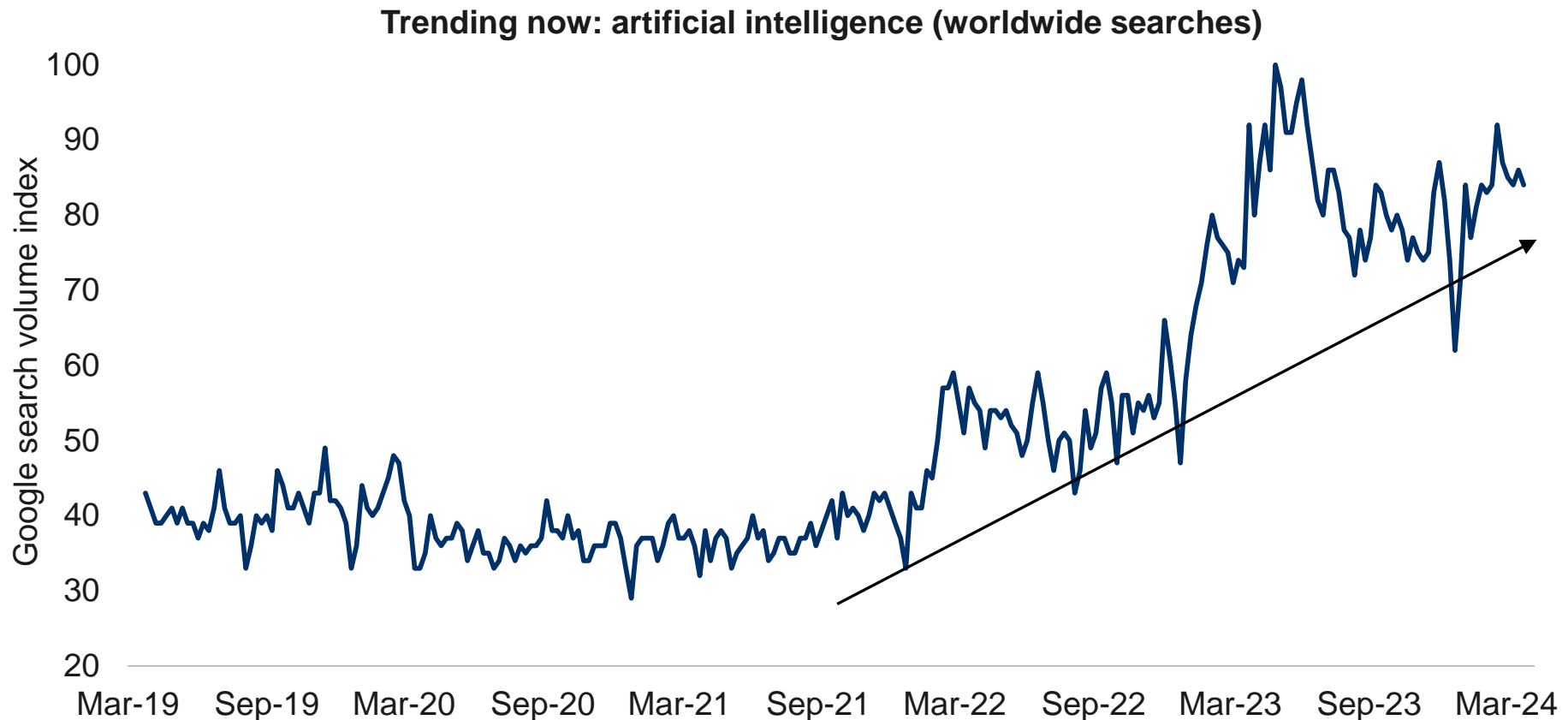
Note: As of Mar 2024. Source: Federal Reserve Board, Macrobond, RBC GAM

# Canadian productivity woes got even worse in the latest quarter



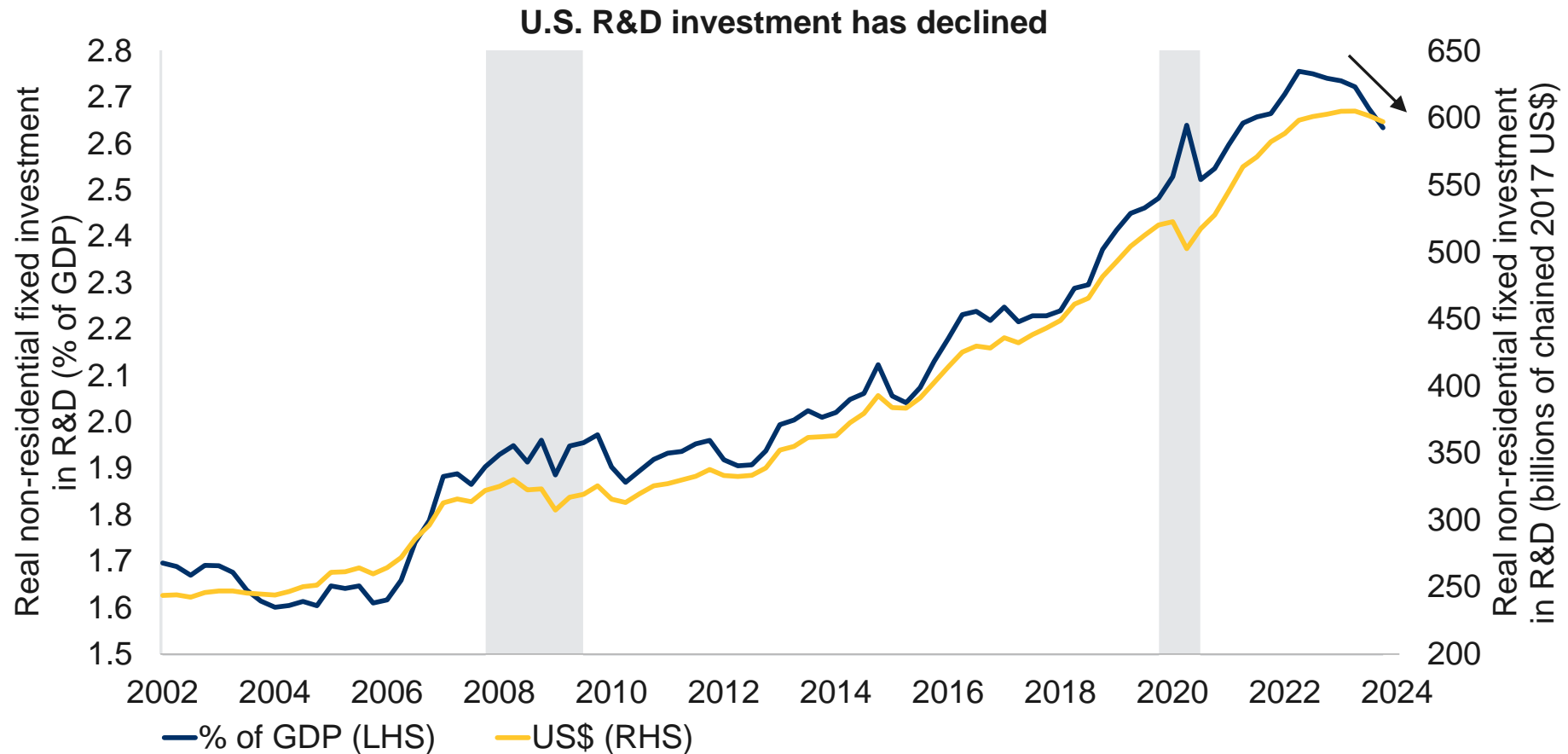
Note: As of Q4 2023. Source: Statistics Canada, Macrobond, RBC GAM

# Excitement about artificial intelligence swells



Note: As of 02/04/2024. The weekly number of Google web searches for the topic relative to the total number of searches on Google over time is scaled and normalized to arrive at the search interest over time. Source: Google Trends, RBC GAM

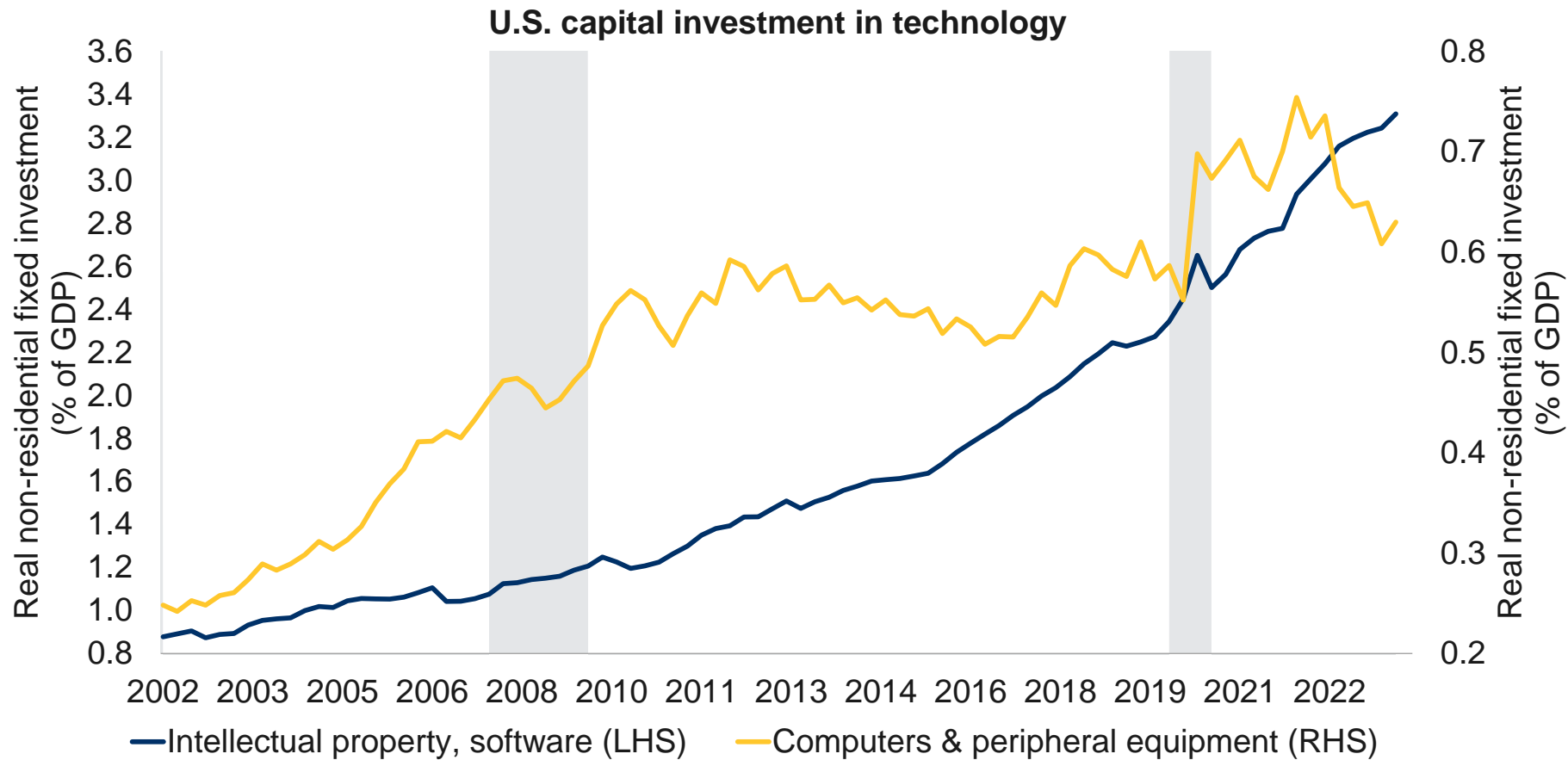
# But research and development isn't surging yet



Note: As of Q4 2023. Shaded area represents recession. Source: BEA, Macrobond, RBC GAM

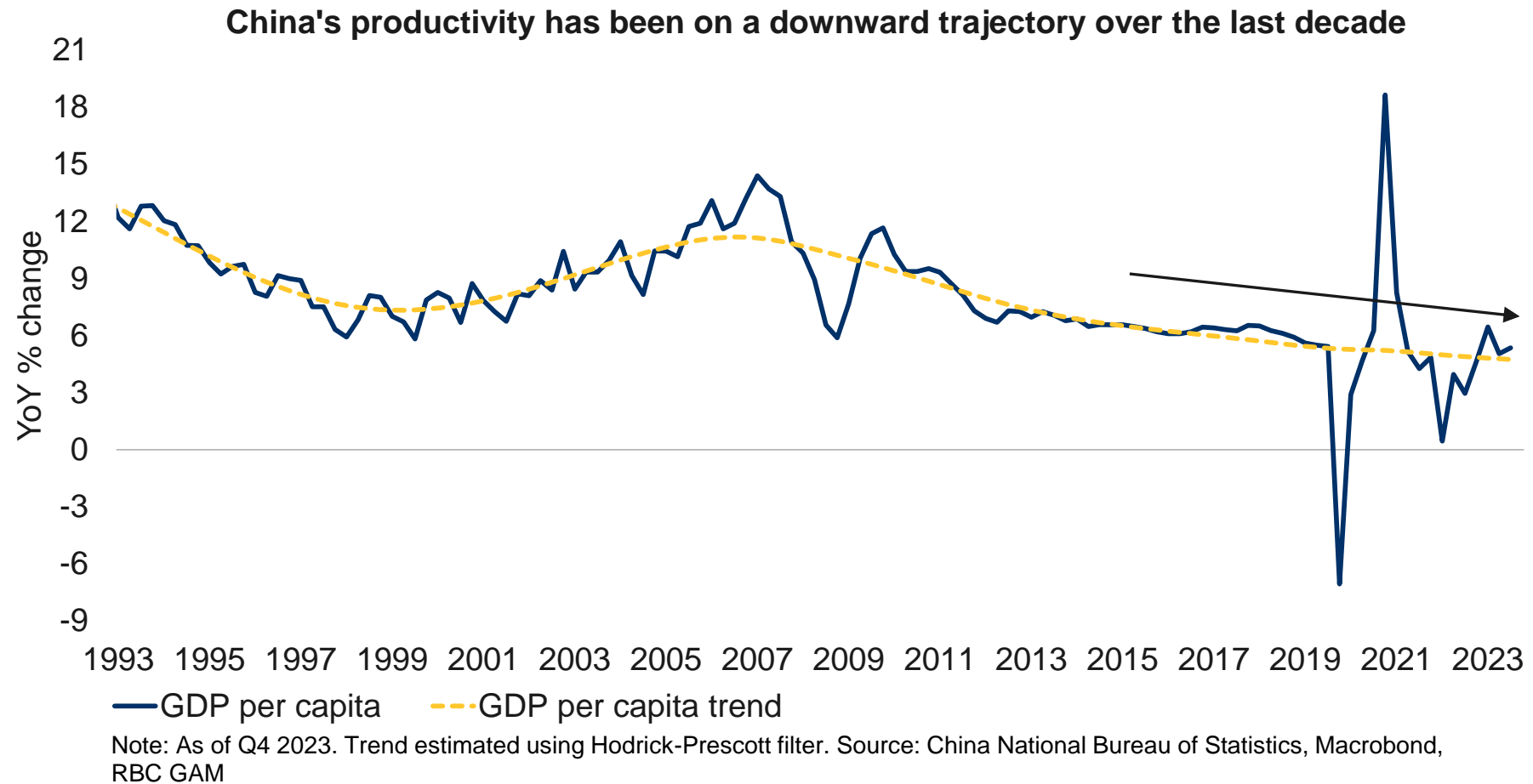


# And capital expenditures on computers have fallen recently



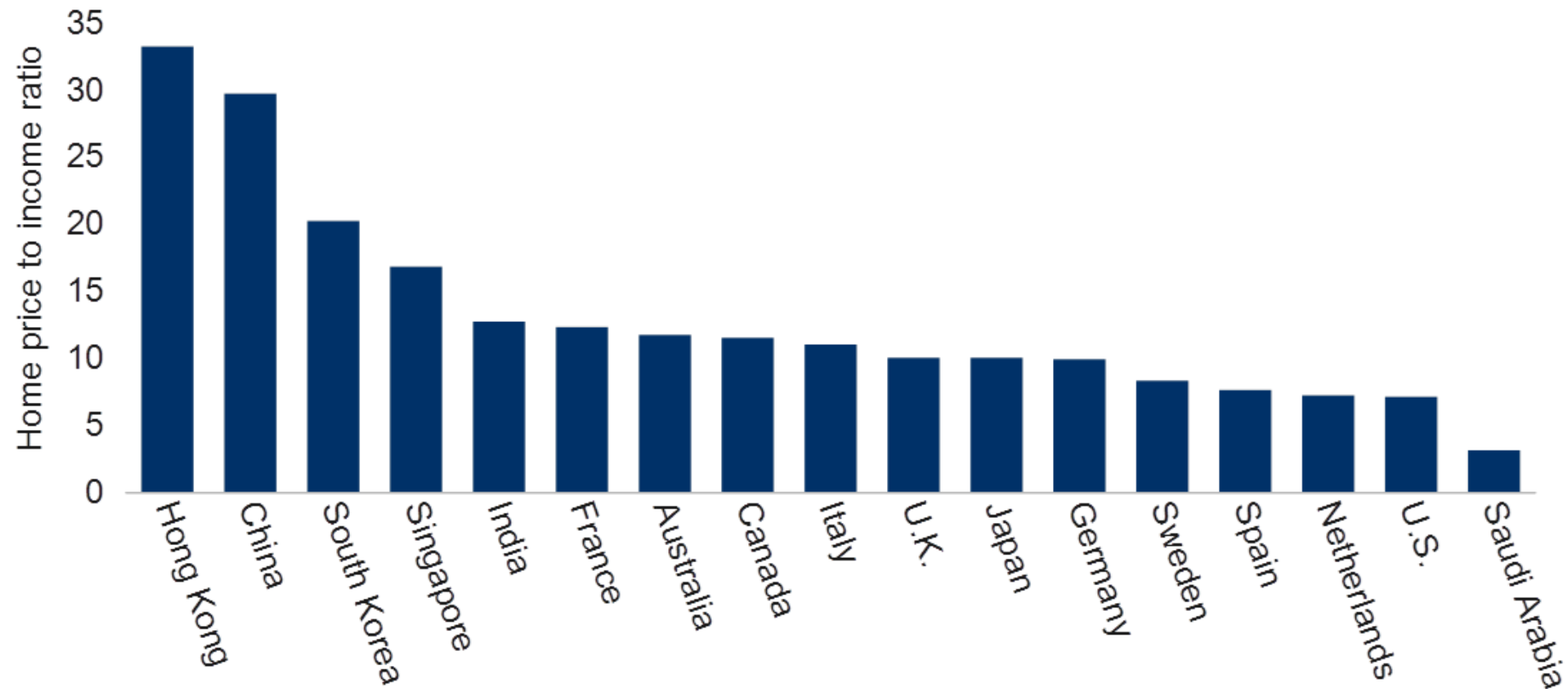
Note: As of Q4 2023. Shaded area represents recession. Source: BEA, Macrobond, RBC GAM

# Chinese productivity growth is declining, but still good



# China's housing market remains problematic, including poor affordability

China's home price-to-income is among the highest in the world



Note: As of 2024. Source: Numbeo, Macrobond, RBC GAM

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