

Dear clients,

This month the mail out will be short and sweet, but important for those of you who have variable mortgages or are considering obtaining a variable on your upcoming purchase.

Economic growth in Canada nose-dived in the fourth quarter of 2018. Gross Domestic Product expanded at an annualized rate of just 0.4%, helping to drag overall growth for the year down to 1.8%.

The sudden slowdown pretty much ensures the Bank of Canada will not be raising its benchmark interest rate when it announces its next setting on Wednesday.

Fourth quarter GDP growth came in well below the 1.2% increase forecast by economists and was off dramatically from a 2.0% increase in the third quarter. Statistics Canada also made downward revisions to earlier growth figures, dropping the first quarter of 2018 to 1.3% and trimming the second quarter to 2.6%.

StatsCan says the fourth quarter slowdown was largely due to reductions in household and investment spending. Canadian businesses remain concerned about global uncertainties such as U.S./China trade relations, ongoing American tariffs and the slump in oil prices. Debt-burdened Canadian households continue to adjust to earlier interest rate hikes that began back in the summer of 2017. The downturn in the housing market is also cited as a notable drag on the economy.

Looking ahead, expectations for the first quarter of 2019 are low. Declining sentiment along with the federal budget, later this month, and the October federal election will likely combine to keep the Bank of Canada on the sidelines until late this year. Notions of an interest rate cut are being held in check by the country's – so far – good employment numbers.

If you have any questions regarding your current variable rate, or you are looking at a property and want some further information on fixed rates vs. variable rates, please do not hesitate to contact me.



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