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Q: We have the policy rate only at the lower end of kind of the neutral range. It's not in deeply stimulative territory, and yet, your projection for the economic outlook is pretty bad. It's pretty weak. And you talk about the kind of constraints on monetary policy in stimulating the economy when we're going through this kind of structural shift. Can you unpack that a little bit? Why are we not talking about more stimulus from the Bank of Canada when we are talking about a very weak economic outlook, and one that you know, there's going to be permanent scarring from from the US trade policy.

Tiff Macklem
Well, first point Mark is we're now at the the lower end of our our range of neutrals. So monetary policy is providing some stimulus. But as I tried to out, like in my opening remarks, the role of monetary policy in the current situation is somewhat limited. This. What we're going through is not just a cyclical downturn. And what do I mean by cyclical? Cyclical means you go down and you come back up, you go back to your previous trend path. It's not just a cyclical downturn. Part of it is a cyclical downturn. Demand for our products, particularly in the United States, is lower, and there's a cyclical element to that, but part of it is structural. The US has swerved to protectionism. It's harder to do business with the United States. That has destroyed some of the capacity in this country. It's also adding costs. Businesses are looking for new, new markets. They're they're reconfiguring their supply chains that that that adds costs. So, you know, the fact that this is partly structural, and the fact that it's it's adding costs, limits the ability of or limits the role of monetary policy in boosting demand while keeping inflation low. So, I mean, just to sort of unpack that a little bit more for you, you know, what can, what can monetary policy do? Well, first of all, you know, monetary policy, let me start with what it can't do. I mean, monetary policy can't it can't target specific sectors. It can't target the hard, hard hit sectors, aluminum, steel, autos. It can't help companies find new markets. It can't help companies reconfigure their supply chains. What it can do is it can, it can try to mitigate the spillovers from the hard hit sectors to the rest of the economy, and it can try and help the economy adjust to this structural change, but its role is limited, because, as I said, this is is more than a cyclical downturn, it's a structural change. There are added costs that limits how much we can boost demand and keep inflation well controlled.

Q: Are you signaling that your job is done today and is it now in the hands of fiscal authorities to help households and businesses further adjust to this, what you call structural transition in the economy. And I know you like to stay in your lane, but is there, is there anything you're looking at in terms of what fiscal policy should deliver next week?

Tiff Macklem
You're right. I do like to stay in my lane, and I will stay in my lane. But let me just get back to your the first part. Look, look, our work is our job is never done. The economy is always evolving. There is a lot of uncertainty out there. And you know, if we needed a reminder over the last weekend, we got one with the President's most President Trump's most recent comments, there's a lot of uncertainty about US trade policy. There's, you know, there's still a fair amount of uncertainty about, you know, what is the impact of us tariffs on the Canadian economy? How does this structural change play out? So what all that means is, yes, we've published an outlook today, but there is a wider than usual range of

outcomes around that outlook. What we're going to be doing is we're going to be assessing incoming data relative to this outlook that we have published and look if the, if the if the outlook changes, if the outlook changes materially, we're prepared to respond. But yes, our message today is that, with the cut we've we made today, and you know, with this out, you know, and if things evolve broadly in line with this outlook, we think the monetary policy, or the the current policy rate is about right to support the economy and and maintain low inflation. And with respect to fiscal policy, look, we're getting, we're all going to see the budget next, next week. Let's just, let's just wait for that. You know, as we always do, we will, we will take on board the the new fiscal outlook, in our projections, you know, it's going to be less about every specific measures, more about, you know, the add up, how it fits together, and what the implications are for both demand and supply and the economy. But let's see the budget first before we we get to that.

Q: Good morning. I want to ask about the listing of the Canadian dollar as part of the upside risks to the inflation outlook. And come back again to the idea that in past downturns, the Canadian dollar was seen as a shock absorber. It would tumble help exports, but also change the inflation outlook. I mean this MPR raises the assumed value of the dollar by a couple cents. I know there's a lot going on with on the side of the US dollar, but you know the questions around the Canada us exchange rate, are they becoming more permanent and trying to figure out the Canadians dollars role as a historical shock absorber?

Tiff Macklem
You she wants to talk about the Canadian dollar.

Carolyn Rogers
Okay? I mean, as you well know, Greg, we don't target the Canadian dollar. We put a number in as part of our forecast. I mean, in the type of shock we're dealing with, a trade shock, the Canadian dollar is a key factor. It's a key input to how we think about what's going on in the economy. It's still playing its shock absorber role. I mean, the things that are moving the Canadian dollar are the same things that always do. So there's price of oil, there's expectations around monetary policy, and then there's just sort of the sentiment around global risk. Some of those correlations have been a bit less tight than they've been historically, but, but basically, the Canadian dollar is behaving the way it usually does, in the way it's meant to, inside of our monetary policy framework. So not much more to say than that.

Q: Good morning. You've noted that household spending has been resilient so far, even as exports and investment have weakened, but the MPR projects consumption growth to slow quite a bit in the next two years. So I want to know how you're thinking about what's going to drive that deceleration, and where you get confidence that it's going to fade when it's been holding up.

Tiff Macklem
Well, if it's stronger than we forecast, great. But consumption growth was, was particularly strong in the second quarter, and we've also seen some we also saw a pickup in residential investment Looking forward, we we do expect some ongoing resilience in consumption and housing. We do expect consumption to continue to grow, we expect some modest, modest recovery in housing, and that is an important factor that I mean we we don't have a lot of growth in the forecast. Growth is modest, particularly in the near term, before picking up next year. But the economy we do have, we do have growth, and it's really consumption, that biggest part of GDP that is under underpinning that growth is is very weak in the near term, because of exports and investment, you start to see growth pick up next year in 2027 as exports and business investment start to start to recover. So, I mean, what, what's underpinning, what's both, you know, what's underpinning consumption growth? Well, we've seen some further easing in financial conditions. We've lowered interest rates further, 50 basis points. That

will, you know, those factors will provide some support from consumption on consumption growth, but there, look, there's also some drags on consumption growth. Uncertainty is elevated. Hopefully things become clear and and that takes down the level of uncertainty facing households and businesses. The other factor is unemployment rate at 7.1% is certainly above normal people, particularly in affected sectors, are feeling uncertainty about their jobs. When you're uncertain about your job, you're much more cautious about your spending. So those are some factors that are likely to weigh on consumption. So we don't think consumption is going to stay as strong as it was in the second quarter. We do think it's going to be resilient. It's going to be a source of growth, but we expect the pace of consumption growth to moderate the other the other factor I should have mentioned is is population growth is pretty low in the forecast. So if you've got less new consumers in the economy, you're going to get less consumption

Carolyn Rogers
growth. Just a detail to add to all of the points the governor just made. We also saw consumption starting to draw a bit on savings, so that would suggest it's likely to slow too.

Q: Given the close trading relationship that we have with the United States, what do you see as the most concerning long term impact of trades of Trump's trade policies? And also, what is your message to struggling businesses and job seekers about how bleak the economic forecast is?

Tiff Macklem
Well, maybe we'll tag team on this one. But look, I think the reality is, open trade with the United States has benefited both our countries for many years now. It allows for a more efficient allocation of production. It allows us to specialize in the production of certain goods, export those, import goods from the United States that they specialized in. We can both benefit from economies of scale. We can benefit from expertise different resource endowments across the country, increased trade, friction with the United States, means all that works less efficiently. And unfortunately, what that means is that unless something else changes, our incomes will be lower. The row along a lower this was the old path. Now there's a new path which is below the old path. There are things the country can do to to try to bend that curve up, but those aren't things monetary policy can do. These are more structural, structural changes. I mean fundamentally, as a senior deputy governor, is hammered many times we need to get our productivity growth up. And if we can do that as a country, we can bend that curve up. So, I mean, I think what's, you know, what's most concerning is that unless we do, unless we change some other things, our standard of living as a country, Canadians, is going to be lower than it otherwise would have been.

Carolyn Rogers
And in terms of our message about the outlook. I mean, I think if you talk to particularly if you talk to people in the sectors most affected by trade, they don't need us to tell them that things are tough out there, but what we can tell them is, we're going to do our job. We're going to support the economy and the transition as much as we can, but we're going to make sure that we don't add an inflation problem to a trade problem.

Q: Governor, you have said that if the outlook materially changes, then you will respond, in your view, what is a material change? How will you define this material change?

Tiff Macklem
Well, how about this? I'll tell you when we see one look like I can't I think one of the benefits of getting back to a an Outlook, you know, we still have those scenarios, and they're still useful, given the amount of uncertainty there is out there. But you know, one of the advantages of getting back to a base case

outlook is we can now assess the incoming data relative to that outlook. And you know, what do I mean by material? You know, it's not, it's not a one month of data that shows some shift you need to see. You need to see some accumulation of evidence that you're coming in, you know, below that forecast, or above that forecast, enough that it actually changes your outlook of the future. You know, if something comes up a little above, but we think it's just going to come back roughly to the forecast. That's not a material change. But if the FAR, if the outlook really changes, yes, you know, we're certainly prepared to respond. You know, you know, I hope our message is fairly clear today that, you know, with this cut and based on this outlook, you know, we think the current policy rate is about right. But, you know, we recognize there's a lot of uncertainty out there. And if things you know, if, if the outlook changes, yeah, we're prepared to respond. Okay?

Q: governor was the intent to signal that policy rate is at the right level, because among senior officials, there remain concerns about upside risks to inflation as as fueled by tariffs and the change in the global economic backdrop.

Tiff Macklem
Well, I think you know, an important element is that, above all, our job is to make sure that Canadians have confidence in price stability above all, our job is to try to maintain low inflation. You know, as I've as I've outlined, there is a role for monetary policy to play in supporting the economy through this adjustment, but we can't lose sight of our inflation objective, and Canadians have lived through a painful bout of inflation, cost of living still very much in the minds of most Canadians, it's really important that the Bank of Canada is a source of confidence. It's a source of confidence in the value of money.

Q: The MPR mentions the unclear nature of how AI will affect the Canadian economy. Do you think that a further investment in AI could offset the hit from us tariffs, and you think AI has that potential, or is it too early to tell?

Tiff Macklem
I doubt we said it was unfair in the MPR, it doesn't sound like something we would say. But unclear, sorry. Oh, unclear, oh, okay, unclear. Sorry, yes. Well, look, AI does have great potential to improve productivity and raise standard of living, standards of living, you know, we've over history, we've seen a series of very important, you know, sometimes called general purpose technologies. You know, computers, the internet, and they have, you know, they've been fundamental in creating new products, changing the way people do business. And you know, those have been instrumental in raising the standard of living of Canadians. And, you know, frankly, people in around the world and AI, you know, I think you look at it, it is sort of the next one of these potential, general purpose technologies. It has great potential at the same time. It also has potential to disrupt, in fact, the most recent Nobel Prize in Economics, Peter Howard and Philip Aguilar, is about just that the creative destruction that the, you know, the the process of innovation can even as it's creating new industries and new products can can destroy others, that can put people out of work. So it can be disruptive. So, you know, when we say it's unclear, there are these two elements, and yes, it is unclear exactly just how transformative AI is, what that balance is between long term game and short term disruption. These things have played out at very different speeds and different innovations over history. Our sense is this will probably play out faster than previous ones, but we'll see.

Q: Deputy Governor Toni Gravelle said that the bank is going to restart purchases of treasury bills in the fourth quarter to get to the right level of settlement balances. Are your plans? Do they remain the same? Or are you waiting for more details from the

Tiff Macklem
budget? It is the fourth quarter. Turn to the senior deputy governor,

Carolyn Rogers
I'm going to give you the same update I've given you at the last two press conferences, which is our plan hasn't changed, and if it changes, we would provide advance notice. We would be very transparent and upfront about that. But the plan that that deputy governor Gravelle laid out some months ago remains on track, and we're getting pretty close to the end of normalizing, normalizing our balance sheet. So so everything remains on track. Okay?

Q: I have a follow on your remarks about AI or your answer to the AI question. You'll know as well that general purpose technologies also tend to align with terrible stock market crashes. I'm wondering to what extent you talked about financial stability in this round of deliberations, and just how you assess what you're seeing going on in US stock markets. Is that a is that a good bubble, as Jeff Bezos says, or is that a bad one, more akin to those terrible stock market crashes that that history shows us are all too common in moments like this?

Tiff Macklem
Well, maybe I'll start here and say a couple things, and senior deputy governor can can add, I mean, I think people can have different, different views on some of these things. But I mean, as you probably saw in the risk section of the monetary policy report, we did highlight one of the downside risks. Yes, equity valuations by many metrics, look stretched. The you know, the AI boom is in full flight, and there there are, there are great expectations for for that to pay off. If there were, I'm not saying there will be, but if there were a shift in sentiment about the payoff of that, you could see a sharp revaluation downwards and against, against a background of a market that is is pretty buoyant. Yes, that that, that could, that could have some economic consequences.

Carolyn Rogers
I mean, what to add to that? I mean, bubbles are good until they burst, right? We did have some discussion to directly to your question, Kevin, about the potential for financial stability effects, both, you know, as well as macro effects. When we're when we're deliberating a rate decision, we're pretty focused on macro in May, if we're still seeing the type of activity and the type of capital flowing into AI when we do our financial stability report, I'm sure we'll deliberate a bit more on that and the potential risks, but for now, we're doing what everybody else is doing, and watching it closely and hoping that it doesn't turn into a financial stability risk. Okay?

Q: With respect specifically to housing activity, do your models provide any indication of whether a 25 basis point cut is enough to offset the impact of the trade shock and slowing population growth, or in other words, is there any meaningful risk that cutting rates today could reinvigorate real estate and cause inflation to remain stickier for longer?

Carolyn Rogers
If I understand your question right, Rob, I think we don't specifically model what a rate cut is likely to do directly on housing activity. I mean, we always look at housing activity as part of the overall economy and every rate decision. I mean, I think the difficult thing about the housing market in Canada right now is there's a lot of regional disparity. I mean, if you look at the big urban centers, Vancouver and Toronto, you're seeing pretty soft activity and some steeper declines. But of course, those are on much higher price increases, and you still see pretty acute affordability challenges in those markets. If you move into the prairies, you see a bit more momentum. Housing starts are a bit healthier. Price declines aren't as as big there. And then as you go east, it's you've got even a more balanced market, and even

a bit of price up uptick in the Atlantic provinces. So it's a it's a really diverse housing market right now. There's a some more acute challenges in the in the Toronto area, in the condo market. So we do see some pick up in housing activity in the forecast. You'll see it's, it's, it's in the MPR we published today, but we'll watch it closely,

Q: My question has two parts, so does the Bank of Canada still think that Canada will avoid a recession in 2025 and the second part, I see that you're forecasting some growth in 2026 where is that growth coming from? Is it from potentially increased government spending or consumer spending or something else?

Tiff Macklem
So with respect to recession, the second quarter was negative. Negative. Economy contracted 1.6% in the second quarter. Our outlook has growth resuming, but certainly in the second the second half of this year, we expect that growth to be very modest. Specifically, we have, we're monitoring only half a percentage point of growth, point 5% in q3 and 1% in q4 so certainly, you know, for q3 it's positive, but it's pretty close to zero. And you know, when you when you're forecasting a small positive, you can't rule, rule out that there could be a small negative So, yes, we could get two negative quarters. That's not our forecast. We're forecasting modest growth, but we could get a couple of negative quarters, I guess. What I would emphasize is look whether it's q3 q4, small positives, small negatives. They're not going to feel very good. This is pretty modest growth, even in our forecast. And, you know, the other thing I would stress, though, is that, you know, what we're not forecasting is, you know, a sharp downdraft in the Canadian economy with a, you know, a big rise in the unemployment rate, which is what is typical of recessions. But if you're just looking at, sort of the quarterly growth profile. It, you know, our own forecast is, is positive, but very modest in the near term and then picking up. So, what, you know, why? Why? What is supporting growth and why will it? Why do we think it will pick up? So consumption, consumption and housing actually have been pretty resilient. They were actually quite strong in the second quarter in terms of growth rates. We think consumption growth will moderate for a number of reasons, job uncertainty about jobs lower population growth, but it is being, you know, we by lowering interest rates, we are providing a bit more support to consumption and housing. So we, you know, we expect that that they will continue to contribute to growth. Government spending is also contributing to growth. In our forecast, that will also help support growth. What's weak in the near term is exports and business investment, and that's why growth is is so weak through the second half of this year, coming into next year, they start to recover, although their path is is permanently lower, but they do start to recover, and with that, GDP growth picks up in 2026 and 2027.