

**Q&A – BOC Press Conference, June 4 2025 (Automatically transcribed and unedited by MNI, may contain mis-transcriptions)**

**Speaker 1**

Does inflation need to slow in both May and June before senior Bank officials would consider a rate cut on July 30?

**Tiff Macklem**

Well, as I think you're suggesting, we will get two more CPI reports before our next decision in July. And yes, we will be looking at those carefully. I guess what I would stress is we did see, well, CPI X tax moved up in April. And more significantly, if you look at our measure, our preferred measures of core, and in fact, if you look at a range of alternative measures of core if you look at the distribution of price changes the percentage above 3% what you can see is they all moved up in April. That has got our attention. I will say, though, that there is some underlying volatility in inflation. Some of the components, particularly travel tours, for example, have been very volatile, so you don't want to over rotate on one month's CPI data. But you know the fact that that quite a number of measures of core or alternative measures of core, all moved up does make you think that underlying inflation could be a little bit firmer than we thought. So that is something we will be watching. And what we've indicated is that, look, we're looking at both those downward pressure on inflation is coming from the weaker economy and the upward pressure on inflation coming from costs. And yeah, we'll have to factor all that in July.

**BOC Press Officer**

Okay? Kevin Carmichael, from the logic, please

**Speaker 2**

Something of a follow up on Paul's question, Governor, you said in your statement that you you could be persuaded to lower rates going forward, if inflation remains contained. What does contain? Mean, is that contained at current levels, or do you need to see inflation come off a bit? Well,

**Tiff Macklem**

I know you'd like us to give you like one number. Here it is. You know, that's a line in the sand. It just doesn't work like that. I mean, there is a lot of uncertainty. We're being less forward looking, we still need to be forward looking. So we're going to look. We're going to look and see. I think the big message here is, look, the Canadian economy is showing some resilience to tariffs. Yes, consumption was softer in the first quarter. You can see the impact of tariffs on consumption. But you know, despite a really big drop in consumer confidence, consumer spending did continue to grow in the first quarter, business investment was actually a bit stronger than we expected in the first quarter, so you can definitely see the impact of tariffs, but there is some resilience. Having said that, look, the longer these tariffs go on, the longer this uncertainty goes on, the more it's going to weigh on the Canadian economy, the more that is going to put downward pressure on inflation, and we will be watching that very carefully, but we are also conscious that there are there are cost effects of tariffs. We're seeing that already the trade disruption. I mean, what we're hearing from firms is that the trade disruption is already adding costs. They're looking for new suppliers. They're developing new markets. That's adding costs and the retaliatory tariffs put in place, that is, that is not in the yet in the CPI data that we have,

you will see that start to come in the months ahead. So we will be looking at at both those things. And you know, as as as I discussed in the opening statement in our deliberations, we did talk about the future path, and the Governing Council thought that there could be a need for a further reduction in the interest rate, if the weak, if the tariffs continue, if that creates more weakness in the Canadian economy, and if the cost pressures coming through inflation are contained, I wouldn't interpret that as forward guidance. That is, that was part of our deliberations, nothing more, nothing less. The only forward guidance we can give you, really is, as I've already indicated, given the unusual level of uncertainty, we are proceeding carefully, and what that means is that we're being less forward looking than usual.

**BOC Press Officer**

Okay, let's go to Eric Hertzberg from Bloomberg, please,

**Speaker 2**

good morning. Question on the on the loonie, given the potential for more hedging from Canadian investors, the very low starting point of hedge ratios right now, would the bank be willing to look through any material rally in CAD within the context of its policy framework? Or would you folks view that and weigh it as disinflationary?

**Carolyn Rogers**

I mean, as you know, Eric, we don't have a target for the Canadian dollar. We do the Canadian dollar is one of the sort of balancing factors in inflation dynamics. I mean, the governor just went through in a lot of detail what we're looking at. There's no single metric we're looking at. We do think that the Canadian dollar has strengthened recently. We do think that's had some effect on on inflation. But, I mean, we have to weigh it against all the other dynamics. There's not a sort of again, there's not a kind of magic formula or a single data point that we look at.

**BOC Press Officer**

Bucha from Thomson Reuters, please.

**Speaker 3**

Good morning, Governor. Governor, considering the quarter one GDP data and the march data and the April flash estimate, where do you see the economy as currently relative to the two scenarios that you had given us in

**Tiff Macklem**

April. Yes, the two scenarios, well, I think the short version is US trade policy continues to be very unpredictable. You know, look at, look at the announcement today, or the coming into the force. The announcement today to raise double the tariffs on steel and aluminum since April. What have we seen? Well, we've seen President Trump continue to make announcements, rolling back some tariffs, increasing them, rolling them back. I think that, you know, the short answer is, we're, it's still a moving target. We're somewhere between the two scenarios, but it's still a moving target. And, you know, we'll, we'll have to see where things go. There's a reason why, you know, the first, the first line of the statement was, uncertainty is still high, and that's really what it's referring to. I will say, you know, since

April, you know, the likelihood of the the, you know, scenario two, which is a pretty extreme, protracted, severe trade war that the likelihood of that does appear to have come down somewhat. China and the US has stepped back from the extremely high tariffs that they had imposed and counter imposed, and the US is negotiating with a number of countries, including Canada, that has the potential to roll tariffs back at least some way. But at this point, you know, the outcome of those negotiations remains, remains pretty uncertain. Looking ahead to April, you know, as I said, coming out of the g7 meeting a couple of weeks ago, I hope the situation becomes clear and we can go back to a more usual forecast, or at least a central scenario with with some some risks, but that's really going to depend on on how things play out. So we'll see.

**BOC Press Officer**

Okay, we'll go to the back of the room now. And Craig Lord from the Canadian Press, please.

**Speaker 4**

Thanks, governors, how is the lack of a spring budget from the federal government affecting your decision making and forecasting at the bank?

**Tiff Macklem**

Well, I mean, we're doing what we always do when governments announce new spending plans, new fiscal plans, we take those on board. We build those into our outlook. So, you know, whatever announcements come out of the government that are they're concrete, clear plans with numbers on them, we will take those on board. You know, with respect to the government's plan to have a budget in the fall. To be frank, the budget is not the biggest source of uncertainty facing the Canadian economy. It's us tariffs. Okay,

**BOC Press Officer**

we'll come to this side of the room now, and I'll start with Jordan Gowling, please from the Financial Post,

**Carolyn Rogers**

hi governor. How much of a role did trade disruption play in the rise of core inflation? April, Can you unpack what you're seeing in the data? Because in your earlier remarks, you said that it's kind of having some impact.

**Tiff Macklem**

You know, to be really blunt, Jordan, it's a hard question to answer, and the reason it's hard is so we're not seeing yet in the published CPI data the effects of retaliatory tariffs. It's still too soon to see those. So those are the ones that you can track more directly, because you know what things have tariffs on them, and so you can track those prices in the CPI. And in addition to the published CPI, we also get desegregated, sort of micro CPI data. So we can, we will be able to see, you know, tariff versus non tariff goods going forward, or you know, how that is playing out, but that's it's too early to see that in the data that will come in the coming months. However, that doesn't mean that the trade disruption isn't having any impact on on prices, because certainly, what we hear from from businesses is they're looking for new suppliers to try to avoid tariffs. They're looking for new markets to sell their goods

overseas, not in the United States, where they're subject to tariffs. Those things have costs. You know if, if the if the new supplier had been less expensive, they would have already been buying from the new supplier. The fact that they're going to a new one suggests it's more expensive, that has costs. But because, you know, that's spread out through many goods, it's hard to say that, you know, it's hard to really pinpoint pointed at this point, the other thing that's going on. Getting back to a previous question about the exchange rate, the exchange rate depreciated. I mean, it was around 73 it went down as low as 68 it's now back 7273 cents. But that depreciate, some of that depreciation may also be coming through the goods prices we're seeing now, because it takes some time for that to get past, passed through, as as Carolyn suggested, you know, that's now going to if the assuming the dollar stays 70 to 73 cents, that'll start to work in the other direction. So, and then finally, look one month CPI, there's, there's always a bit of volatility. Month to month. Some of the components, like travel tours, have been quite volatile. So, you know, as I said, we're going to get two more CPI reports between now and our July decision. We will be parsing this question very carefully. Well,

### **Carolyn Rogers**

maybe just add to what the governor said this, this is where we're doing more outreach than we normally do. We're talking to businesses. So we're trying to, you know, the data tells us one thing, but talking to Canadian businesses gives us the kind of information the governor's talking about, looking for new suppliers, carrying more inventory. And every time an announcement is made, businesses are left to kind of figure out what it means. All of that has costs. You're also seeing it in what businesses are telling us they anticipate is going to happen to their to their costs and their prices and stuff. So, so we're really, we're putting a lot of weight right now on what we call soft data, or Intel. We're getting from from businesses, our colleague, Sharon, because icky deputy governor. Sharon, because if you'll be giving a speech tomorrow, that'll kind of outline some of this.

### **BOC Press Officer**

Okay. Nuis from the Globe and Mail, please.

### **Carolyn Rogers**

Hi, Governor. Eight weeks ago, you cited uncertainty now you're citing uncertainty again, and it doesn't look like that's going to change anytime soon. So I'm wondering if this constant evolution of trade policy continues, doesn't that uncertainty alone tilt things in favor of a rate cut?

### **Tiff Macklem**

There's no question that. Look, uncertainty is bad for business. It's bad for households. You know, if you're a business and you don't know how much demand there's going to be for your product, you're obviously going to be much less to invest. So you're right. You know, uncertainty delays investment, it makes households more cautious. And so yes, that will tend to weaken activity. And yes, you're seeing, you know, you're seeing that in the Canadian economy. So as I indicated, you know, when the Governing Council deliberated about the future path for interest rates on balance, you know, I mean, you know, different members had, you know, somewhat different perspectives. There was, you know, it's not surprising, particularly given the uncertainty, there's going to be some diversity of views about how things are going to play out and what that means. But on balance, Governing Council thought that if this uncertainty continued, if US tariffs continued, and that continued to weaken the Canadian

economy, and if the costs, pressures coming through on inflation were contained, yeah, there might be a need for there could be a need for a further reduction in our policy interest rate.

**BOC Press Officer**

Okay. Mike lature, please. Hi, you

**Speaker 2**

governors, thanks for taking our question. I wanted to sort of build on what nuji was saying and maybe take a step back here as you attempt to try and provide this certainty to Canadians. How difficult is this for the two of you to sit there and try and balance all of this as things come from the United States that you can't predict and nobody else can predict. How unprecedented is this for you in the bank?

**Tiff Macklem**

Well, look, okay, it's difficult for us, but what I'm more worried about is it's difficult for businesses that are faced with new rules of the game. Every week, I'm much worried about households who are worrying about the possibility that they'll lose their job. They're they're also trying to navigate. They don't want to pay higher prices. They're trying to navigate. How are we going to find lower cost things, you know, goods, goods to buy that get around tariffs. So look it. It's really hard for it's very difficult for everyone. You know. I think looking forward, if Canada can get a renewed trade agreement with the United States that that reduces uncertainty. The rules are clearer, and that has some durability, I think you know that will help everybody get on with Decisions, decisions that will to get back to the Jude's question, that will reduce uncertainty, and you'll see some rebound in activity that hasn't happened yet. The prospect is there, you know, the sooner that happens, the better. And you know, we're certainly like everybody else. We're watching announcements coming out of the White House very closely. So yes, look, it makes forecasting the Canadian economy more difficult, but that's just a reflection of the fact that it's more difficult for everybody.

**BOC Press Officer**

Okay. And our final question here in the room in Ottawa's panel, Pamela Almeda-Sumayao from Market News.

**Speaker 5**

good morning, Governor, the last decision had a reference to the bank potentially acting decisively if the economy broke, clearly one direction or another, and that phrase is not here this time in this statement. So does that suggest that the two sided risks have moderated a bit?

**Tiff Macklem**

You know, I wouldn't over rotate on, you know, it was there last time. It's not there this time. I mean, each time we write these we have our deliberations, and then we, you know, we write down what came out of those deliberations? I think, what is there this time that wasn't there last time was we gave some indication of our our reaction function as we move forward. So, yes, I think, look, we, we did repeat that we're continuing, given the uncertainty remains high, we are continuing to proceed carefully. That means we're being less forward looking. And yes, look, you know, as the situation becomes clear, we we have been clear. We will support economic activity while ensuring that inflation is well controlled.

**BOC Press Officer**

Okay, that's it for Ottawa. We will now go to those reporters who have joined us remotely. I will remind you, folks on the line, please only come off mute, just to ask your question, then go back on mute as soon as you have finished, so that everyone can hear the response. I'm going to start with Max Sato from mace news, before calling on Anna Pereira of the Toronto Star. So Max, please go ahead.

**Speaker 6**

Thanks. Thank you for can you hear me? Yes, very well. Okay, Governor, my question is many Canadian companies are still heavily reliant on US market, and some obviously find it still easier to just sell their goods and services south of the border, instead of relying more on interprovincial trade, even though there's not much of a barrier there or seeking new markets overseas. How does this trend affect Canada? Canada's resilience in turn, in times of sorry, global crisis in the future, and how does it affect your policy at the Bank of Canada?

**Tiff Macklem**

Well, you are right that this is not a new feature of the Canadian economy, and in periods where we face much weaker demand from the United States. It has had major repercussions our Canadian economy. It happened in 0809 the banking crisis in the United States created a very severe recession. In the United States, demand for Canadian exports plummeted, and that really side swiped the Canadian economy. It's happening again now, a very different source, but US, US tariffs will reduce demand for Canadian exports. You know, so far we saw, in the first quarter, we saw a big boost in Canadian exports as they tried to get ahead of tariffs. But unfortunately, the flip, you know by when you when you pull it forward, that's going to reverse. And so we think the second quarter will be substantially weaker than the first. We think exports and inventories will kick into reverse, and that will pull GDP growth down. So you are seeing the consequences. And I guess what I would stress is that, look, the longer this goes on, the bigger the consequences will be. You know, coming back to sort of broader Canadian policy. Look, I do think this underlines something that we've actually been talking about for more than a decade. Canada's trade is very concentrated with the United States. Look, it's always going to be concentrated with the United States. Just look at a map in Canada, United States. I mean, geography is determinant, but that doesn't mean we can't diversify our trade. And I think you know, this experience underlines the need to diversify our trade to overseas markets. It also underlines the opportunity to do a better job of developing our internal Canadian market if we can substantially, comprehensively reduce interprovincial trade barriers, and at the same time improve east west transportation, there is a potential to have more trade within the country and grow our internal market, rather than relying as much on north south trade. So look, I think, unfortunately, this where we are now underlines again, that you know, there is a need for us to diversify our trade as well as develop our own internal market.

**BOC Press Officer**

Okay, next, I am calling on Anna Pereira from the Toronto Star, and then I'll go to John McFarland from Yahoo Finance, Anna, please.

**Speaker 7**

Hello. Good morning. Given the the current US administration, it sounds like we'll be living under uncertainty for a while. So what will it take for the Bank of Canada to provide an efficient forecast for the economy again, and given that we've already received, you know, some insight into this. There are some patterns, some news. Do you expect it to be ready to deliver one in in July at the monetary policy report release,

**Carolyn Rogers**

it is absolutely our hope that we can get back to delivering a forecast, or at least a central scenario, by July. Anna, you know, a lot depends on on the news we get. We just had a question about the sort of pace and and volatility of of trade policy announcements coming out of the US. So we're a little bit at the mercy of that, but, but certainly it is our intention to get back to a central scenario. I mean, we've we've talked about, really the two types of uncertainty we're dealing with there is the policy level of uncertainty, just what announcements are made and and how long they actually remain in place. They have to be there long enough that we can actually digest them and produce a scenario with them. But even once we have that level of certainty, there is the next layer, which is, how do those policy announcements feed through the economy and affect things like growth and inflation and employment and all those things? So you sort of need to get to a certain level of resolution on the first layer of uncertainty to get to the next one. And that's really what a forecast does, is it gets to that second layer of of variables. So, so it is. It is our hope and our expectation that that by July, we'll be back there, but we'll need to wait and see.

**BOC Press Officer**

Okay, John McFarland from medical finance, before we wrap it up with Rob mcIister, go ahead, John.

**Speaker 2**

Hi. Thanks for taking my question. You said there's a diversity of views on the path ahead, and that there could be a need for a cut. We'll see the summary of deliberations coming up, of course, but I wonder if you could say more of the views expressed there, and especially the potential that we could be at what ends up being a terminal rate for now.

**Tiff Macklem**

Well, I think you're going to have to wait for the deliberate summary of deliberations. Look, I think the message was, was pretty clear. We discussed this. Different members of council have some differences. You know, there's some differences of view on what exactly the most likely outcomes, you know, the most likely path for US policy is. There's some differences of views on, you know, on the impacts those will have on the Canadian economy. But, but as I said, you know, on balance, there there was agreement across the Governing Council, in the sense that Governing Council thought that if, if the tariffs continued, if the uncertainty continued, if the weakness, if there's further weakness, and if inflation is those cost pressures on inflation are contained, there could be a need for a further reduction in our policy rate. As I said, don't take that as forward guidance. Take that as part of our deliberations. No more, no less, the forward guidance, the very limited forward guidance we can give, really is what I've already said. We're proceeding carefully, and we're being less forward looking than usual.

**BOC Press Officer**

And our final question is from Rob mclister of mortgage logic news. Go ahead, Rob,

**Speaker 6**

good morning despite all the uncertainty, Canada's stock market is hitting record highs, and that suggests at least some optimism for an eventual trade resolution and economic bounce back. So while the bank doesn't comment on specific asset prices, do you consider the market's confidence to be a leading indicator, and how does it inform your outlook on growth and monetary policy. I

**Carolyn Rogers**

mean, we've been saying for a while, Rob that the markets appear to be optimistic that prices are pretty high. Just a month or so ago, in our financial stability report, we noted that markets look at least in some sectors, to be priced to perfection. So, and you know, our our advice or our comment on that really would just be you. You need to keep in mind the the level of uncertainty and the potential for volatility. We saw a huge bout of volatility in early April as a result of the sort of initial round of policy announcements out of the White House. You know, we didn't see market dysfunction, so that was a good thing. That means that there's enough sort of buffers built in for markets to absorb a certain amount of volatility. But we, we think that we're not out of the woods yet, on on that volatility, that uncertainty, though, that could come back. And it's important that that the different market players are sort of prepared for that

**Tiff Macklem**

Before we close up. There's a couple things you didn't ask us about that I wanted to comment on. First is the forest fires. We are watching the devastating forest fires in Western Canada, and we are very much thinking about the people whose lives are being terribly impacted. We very much hope these fires are brought under control, and we thank and salute the brave firefighters who are doing their very best to do that. These fires are having an economic impact. It's too early to give you an estimate. We will need to see the situation is clearly pretty fluid. We'll need to see what the what the damage is. You know for now the priority is clearly getting getting those fires under control and keeping everybody safe. And then the final thing I want to mention on a more positive note, is go Oilers. Let's bring home the Stanley Cup. Thank you very much.