

# MNI Bank Of Canada Preview: Jun 2026

**Announcement Date:** Wed, 10 June

**Decision / Opening Statements:** 0945ET, **Press Conference:** 1030ET

**MNI Review of Previous Meeting (April):** [LINK](#)

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## MNI POV: Holding Still The Right Thing To Do

June 5, 2026 - By Tim Cooper

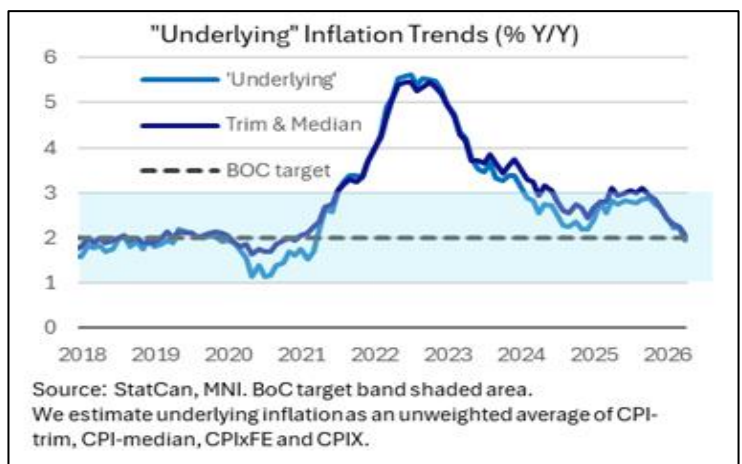
The Bank of Canada is overwhelmingly expected by both markets and analysts to maintain its overnight rate for a 5th consecutive decision at 2.25% at the June meeting (announcement on June 10). Mixed activity data and an uncertain near-term geopolitical outlook make it likely that the BOC will also likely leave its message from the last meeting in April largely intact: potential upside in rates is greater than the downside at this juncture, but maintaining policy is still the “right thing to do for today” as uncertainty over trade and energy prices looms large.

**Markets Retain Tightening Bias, But To Lesser Extent:** Rate markets imply a full 25bp hike by year-end, but the BOC has no real urgency to make a move given still-soft core inflation readings and possible paradigm-shifting developments from ongoing Canada-US-Mexico trade negotiations and US-Iran talks. Since the day of the last decision on April 29, cumulative 2026 market-implied tightening expectations have cooled, from over two 25bp rate hikes by year-end (58-59bp), to around one and a third (33bp), though that compares to expectations of a slight downward bias in rates on the eve of the US/Israeli hostilities with Iran. While the data flow since April have largely been consistent with a paring of implied hikes, the main cause has been the tentative easing of tensions in the Middle East and hopes for at least an extension of the ongoing ceasefire.

Meeting	Current	Pre-Mideast War (Feb 27)	Change since then	Cumulative Change From Current Rate (bp)	Incremental Chg (bp)	Post-Apr BOC (Apr 29)	Cumulative Change expected at that time (bp)
Jun 10 2026	2.26	2.21	5.6	-0.3	-1.4	2.35	6.9
Jul 15 2026	2.28	2.18	9.8	1.2	1.5	2.42	14.4
Sep 2 2026	2.34	2.17	17.7	7.7	6.5	2.60	32.0
Oct 28 2026	2.43	2.17	26.1	16.6	8.9	2.79	51.4
Dec 9 2026	2.59	2.17	41.7	32.6	16.0	2.87	59.3

Based on meeting-dated OIS. Source: Bloomberg Finance L.P., MNI Calculations

**Messaging Likely To Be Left Intact:** Overall, the message from the April decision is likely to be left largely intact. With rates already at the bottom end of the 2.25-3.25% neutral range, the BOC made it clear that given the threat posed by rising energy prices, potential upside in rates (“consecutive increases”) is greater than the downside at this juncture (“may need to...cut further”). That said, the BOC emphasized in April that “our baseline forecast assumes oil prices will come down and US tariffs will remain at the current levels. If this holds true, a policy rate close to current settings looks appropriate to support adjustment in the economy and return inflation to target...if the

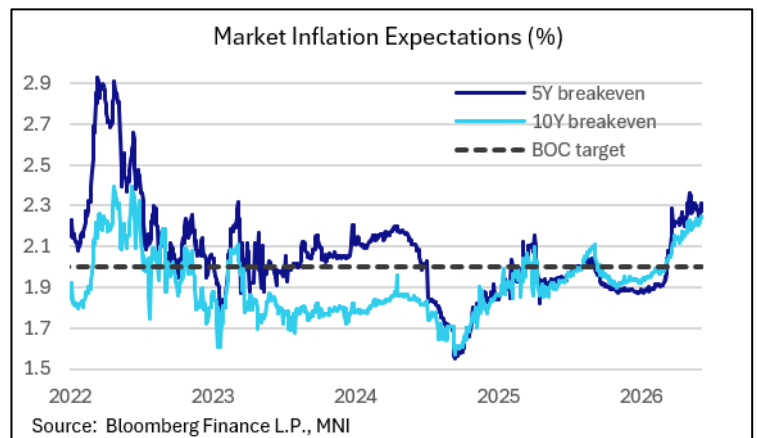


economy evolves broadly in line with the base case, changes in the policy rate can be expected to be small.” Gov Macklem said at the time that “maintaining the policy rate today where it is was the right thing to do for today”.

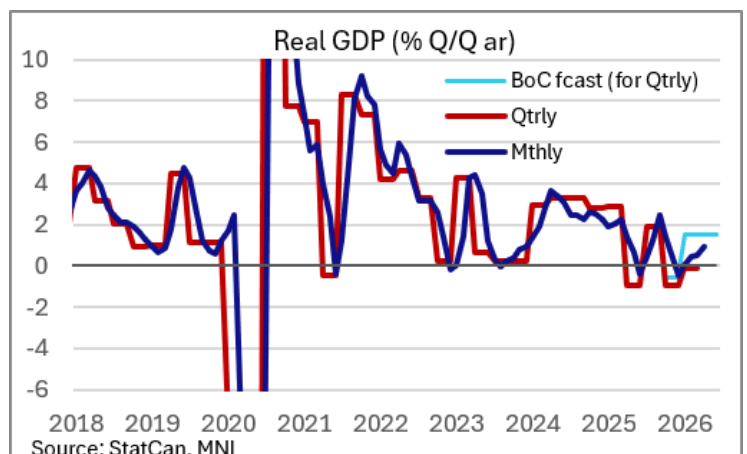
**Difficult For BOC To Convey More Hawkish Tone Than April’s:** It will be difficult for the BOC to convey a more hawkish bias than that, against a backdrop of soft inflation data, a just-passed technical recession, and looming event risk. That being said, we wouldn’t expect much more dovishness either, contrary to the expectations of some sell-side analysts going into the meeting (some see potential for the BOC to remove or alter the reference to possible “consecutive” hikes).

The degree to which the BOC highlights its concern over inflation persistence will be the most important aspect of the meeting, but overall it would be unsurprising if the very non-committal guidance “as the outlook evolves, we stand ready to respond as needed” will be retained, with Macklem again noting that policy “may need to be nimble”.

Like other global central banks, the BOC can continue to express that it will “look through” the Middle East war’s inflationary impact, but is likely to once again temper this with the more cautious “but will not let higher energy prices become persistent inflation”. The incoming inflation data continue to surprise to the downside but market-based inflation expectations remain relatively elevated compared to where they stood in most of 2025-2026 even if they haven’t neared the 2022 heights. With the Middle East conflict yet unresolved, there is clear risk that tightening may be appropriate later in the year.



We go through the data later in this document: core inflation appears to be well-contained (MNI underlying composite 1.9% in April, down from 2.2% prior for a 61-month low), the labour market has been relatively flat the last 6 months (a blowout May Labour Force Survey notwithstanding) and a negative output gap persists even if the surprise dip into technical recession in Q4 2025-Q1 2026 is overblown (BOC Deputy Governor Rogers said as much following the GDP data). Higher oil prices will boost terms of trade and resource extraction activity and the 2<sup>nd</sup> quarter looks to have gotten off to a relatively solid start, but that’s only after Q1 growth badly missed the BOC’s expectations and Q4 was revised lower, meaning the economy is already starting on a weaker footing than was anticipated even 6 weeks ago.



**Geopolitics Loom Large:** Developments in the Middle East and with trade talks with the US / Mexico loom large. As we enter the meeting week, things look cautiously constructive on both fronts.

- First, oil prices remain about 50% above pre-Iran war levels but have seemingly stabilized as Washington and Tehran continue to hold back on full-blown hostilities as they attempt to agree a ceasefire extension, if not a full peace deal. The current front Brent price of \$95/bbl is not far off the April MPR’s assumption of “US\$90 in the second quarter of 2026 and then settle around US\$75 by mid-2027”.
- Second, the CUSMA (or as it’s known in the US, USMCA) is due for a joint review on July 1. Canada and Mexico have requested an extension to that date. There’s no deadline for the review to conclude, with CUSMA in place until 2036 and annual reviews between now and then in the absence of a deal; however the status quo could change at any time, with either an extension beyond 2036, or a withdrawal by one of the parties (in this instance, it would be the US).

- This week has seen Canadian trade officials engage with their US counterparts, itself a better backdrop for a deal than the breakdown in talks last year. That said, a Jun 5 Bloomberg report pointed to no deal reached by July 1, moving to the rolling annual negotiation situation.
- Uncertainty could reign for a significant period beyond the July 1 deadline, weighing on Canadian economic activity, but the worst is expected to be averted, in the short-term at least. Prediction markets currently place meaningful but relatively low probabilities of a unilateral US exit (Kalshi's market for "Will Trump try to leave the USMCA?" has a 2026 departure probability of around 20%.
- The trade negotiations present the clearest risk of a rate cut, with Macklem noting last meeting that "if the United States imposes significant new trade restrictions on Canada, we may need to cut the policy rate further to support economic growth".
- It's a clear downside risk. But without any firm news by the June meeting, the BOC may decide to wait until July before making any clearer conclusions on this front. The July 15 decision will come not just after the July 1 CUSMA deadline, but also the next Business Outlook Survey/Canadian Survey of Consumer Expectations (Jul 6) and come with the next opportunity to sharpen forecasts in the next quarterly Monetary Policy Report (due at the July meeting).

**Analyst Outlook:** Analysts remain nearly unanimous that the next move will be a hike rather than a cut, but the vast majority see a hold through the rest of this year with 50bp of increases in 2027. See table for more details.

**Detail in table overleaf**

## Analyst Expectations And Key Comments

### Analyst BoC Policy Rate Expectations

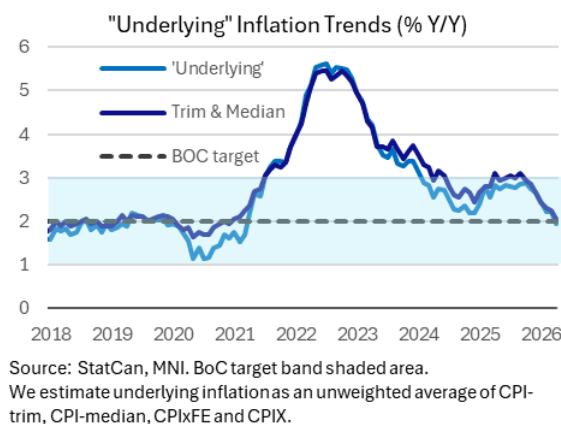
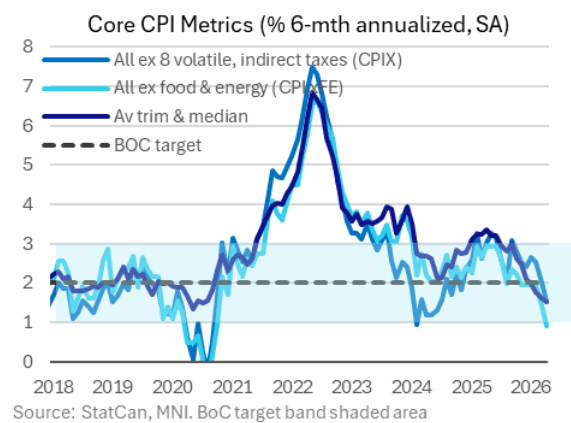
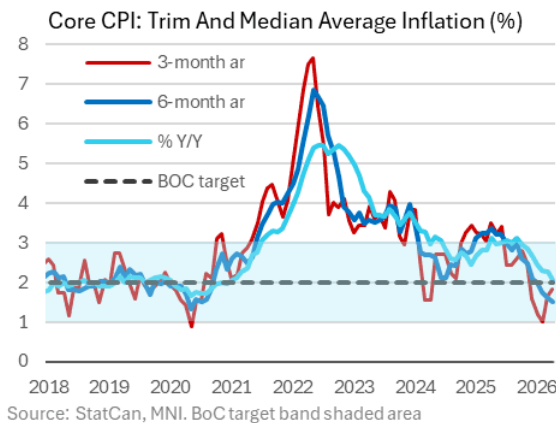
Analyst	Next Move?	Rate path/broader comments on upcoming meeting
<b>Median</b>	<b>50bp hikes in 2027</b>	
<b>Canadian institutions</b>		
<b>BMO</b>	Hold through 2026 and 2027	"back-to-back negative GDPs, lower oil and tame core CPI point to a less hawkish BoC next week than in April...though the shift will be less material than if [the May jobs] report was weak."
<b>TD</b>	Hold through 2026, 50bp hikes in H1 2027	"the statement leans more dovish in light of softer domestic data since the last policy decision. That would help to validate the recent shift in market expectations, although we do not expect the Bank to dismiss the risk of broadening inflation pressures even as they pledge to look through near-term impacts of higher oil prices."
<b>Desjardins</b>	Hold through 2026, 50bp hikes in H1 2027	"With measures of underlying inflation remaining tame and the economy struggling to avoid recession, there's little scope for central bankers to raise rates over the next few months. All signs point to a classic demand shortfall in the economy—albeit with some moving parts on the supply side too. As a result, the Bank of Canada's Governing Council no longer needs to be preoccupied with the policy trade-offs associated with a highinflation, low-growth economy. The group can instead focus on what may be needed should demand deteriorate further."
<b>CIBC</b>	Hold through 2026, 50bp hikes in 2027	The "statement and press conference is likely to continue to point to two-sided risk for interest rates. Higher oil prices and inflationary pressures could warrant interest rate hikes at some point, but the potential for higher tariffs if CUSMA negotiations don't progress well could warrant further cuts. Investors should be wary of paying too much attention if the word "consecutive" is used again in reference to a potential rate hike scenario, because the Bank is also likely to suggest that nothing is imminent at this stage and that policymakers are more than happy to wait to see how these risks play out."
<b>National</b>	Hold through 2026, 50bp hikes in 2027	"non-energy inflation has been well-contained so far which will allow policymakers to continue to look through the war's immediate impact on inflation. In April, the Bank warned that persistently high oil prices could ultimately lead to rate hikes and they're likely to keep this possibility on the table. However, they'll also need to acknowledge ongoing/growing weakness in the Canadian economy and labour market. This should limit second round inflation effects, reducing the need for near-term policy restraint. All told, we expect the Bank to maintain two-sided rate guidance (while implicitly placing more weight on the upside inflation scenario) and continue to see policymakers sidelined through 2026."
<b>RBC</b>	Hold through 2026, 100bp hikes in 2027	"there have been enough cracks in growth and labour market data for the BoC to remain cautious about changing policy rates too quickly in one direction or another. We continue to expect the BoC to remain on hold for the rest of 2026 with our current base case forecast expecting the next move to be a hike, but not until 2027 and contingent on growth and the labour market improving into year end."
<b>Scotiabank</b>	50bp hikes in Q4, 25bp hike in early 2026	Previous view had been: 50bp hikes in Q3, 25bp hike in Q4. "We continue to see a gradual move toward normalization, but at a slower pace than previously anticipated...Real rates remain in stimulative territory, suggesting scope to withdraw accommodation as the economy returns to balance. At the same time, the combination of softer growth and recent progress on core inflation gives the Bank time to calibrate the pace of normalization."
<b>Other institutions</b>		
<b>BofA</b>	Hold through 2026	"While we expect stability in inflation expectations and weakness in economic data to keep the BoC on hold, the BoC is biased to the hawkish side and may not push back on market pricing of hikes at next week's meeting. We see risk of market repricing hikes at the BoC press conference but ultimately prefer to fade these moves."
<b>ING</b>	Hold through 2026, hikes from Q2 2027 onward	"Falling output, USMCA renegotiation risk, a mixed jobs picture, and softer-than-feared inflation suggest the Bank of Canada will continue to push back against the market pricing of rate hikes at its 10 June meeting. We don't expect any tightening this year."
<b>Wells Fargo</b>	25bp hikes in July and Q4, hold through 2027	"Our baseline expectation remains for a July hike, although our conviction has declined with the weaker-than-expected Q1 GDP print and near-term softness in core inflation. We continue to expect an additional hike in Q4, leaving the policy path biased toward higher rates over the coming months...we see core inflation as having bottomed, with risks tilted to the upside...The July 1 USMCA review looms large. Our baseline assumes a shift to an annual review process within the existing framework. This extends medium-term uncertainty and may weigh on business investment, but preserves low-tariff access and limits the near-term economic impact."
<b>Unicredit</b>		"to signal caution about the economic outlook ahead of the July meeting, when it unveils new projections...Forward pricing has moved from implying two further rate hikes this year to just one by December, which we believe is the correct expectation."

Correct to the best of MNI's knowledge as of Jun 5 2026, Sorted by lowest to highest end-2026 rate

## Canada Data Review

**Inflation** - April inflation metrics came in on the soft side. A downward surprise in services was flattered by pullbacks in volatile components such as airfares and package holidays, which limited the market reaction. Overall, the data should allow the BOC to remain patient when assessing the energy price shock, with spillover from higher energy prices into non-energy categories looking contained for now

- Trimmed (2.0% Y/Y vs 2.2% prior) and median (2.1% Y/Y vs 2.3% prior) CPI measures each surprised consensus two tenths to the downside. Meanwhile, headline inflation excluding food and energy pulled back to 1.5% Y/Y (vs 1.9% prior), and headline excluding the 8 most volatile items and indirect taxes was 2.1% Y/Y (vs 2.5% prior).
- That left MNI's underlying inflation composite - a weighted average of the four series above - at 1.9%, down from 2.2% prior for a 61-month low.
- Services inflation drove the pullback in core metrics, easing to a 5-year low of 1.7% Y/Y (vs 2.5% prior). Travel services were an important factor here, with the volatile travel and tours category at -11.0% Y/Y (vs +11.5% prior). Airfares also pulled back to -1.7% Y/Y (vs 2.9% prior), suggesting little Iran war feedthrough for now. Housing components eased as expected, with "Owned Accommodation" at 0.5% Y/Y (vs 0.7% prior) and "Rented Accommodation" at 3.5% Y/Y (vs 42% prior).
- Core goods rebounded to 1.6% Y/Y (vs 0.8% prior), driven in large part by the clothing and footwear component.
- Elsewhere, food inflation decelerated to 3.5% Y/Y, down from 4.0% in March and a local peak of 7.3% in January.
- Headline inflation was 2.8% Y/Y (vs 3.1% cons, 2.4% prior). Energy inflation at 19.2% Y/Y (vs 3.9% prior) unsurprisingly drove the acceleration relative to March – a combination of both Middle East effects and base effects from the consumer carbon tax elimination in April 2025.

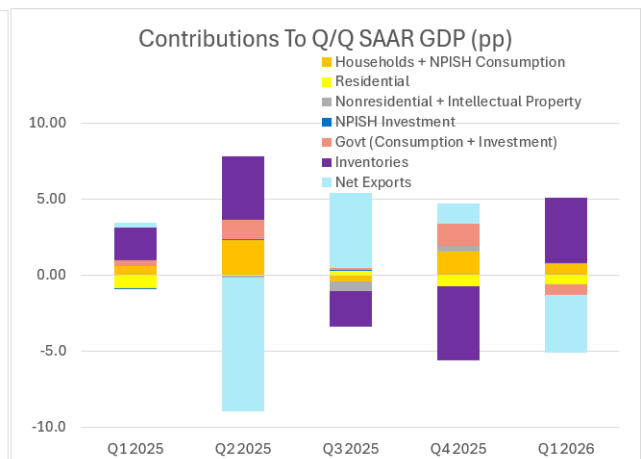
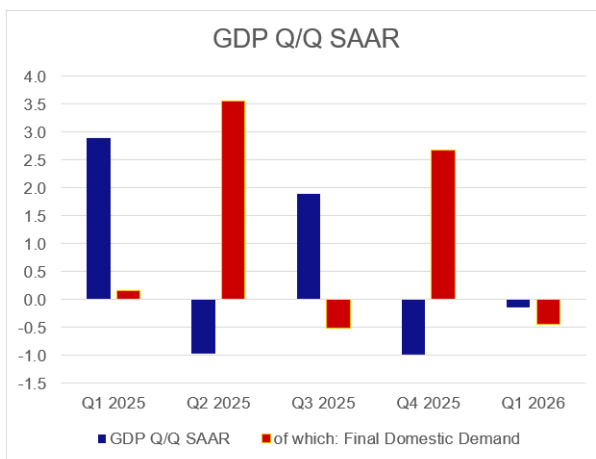


**GDP** – The latest quarterly national accounts report was weak. Not only was the Q1 GDP reading of -0.1% Q/Q SAAR substantially below any expectation we'd seen (consensus was 1.5%, equal to the BOC's April MPR forecast), but it also contained largely soft details and came with a downward revision to Q4 (-1.0% from -0.6%). There are mitigating factors but the bigger picture is that Canadian real GDP ended Q1 at a slightly lower level than it ended Q1 2025, complicating the BOC's task as this reflects both demographic and demand headwinds.

- Underlying final domestic demand (GDP excluding inventories/net exports) was even weaker than the headline figure suggested in Q1, subtracting 0.4pp from overall GDP. Household consumption was positive (+1.5%) but slower than prior, residential construction subtracted substantially for a 2nd consecutive quarter, and business fixed investment flatlined. Government spending also pulled back overall growth (-0.7pp contribution, meaning private domestic demand was actually positive). Details in table below.
- This was the 3rd quarterly contraction in 4 quarters and the Q1 pullback means Canada has entered technical recession.
- However, there were some mitigating factors. Q1 saw substantial auto sector production shutdowns on supply chain issues, which are now reversing, and government spending fell sharply due largely to reduced investment in weapons systems. In another key one-off factor, a pickup in Q1 imports was driven substantially by higher gold imports, dragging down GDP in idiosyncratic fashion, though that was offset by the related higher inventory build.
- Additionally as StatCan points out, "On a per capita basis, real GDP increased 0.2% in the first quarter of 2026, as the population declined for a second consecutive quarter and GDP remained unchanged."
- Another observation is that underlying has been extremely erratic quarter to quarter, even when accounting for inventory/net export quirks (quarterly final domestic demand contributions to GDP since Q1 2025: +0.2pp, +3.6pp, -0.5pp, +2.7pp, -0.4pp), and Q2 is shaping up to be stronger.
- Separately but related: Canada posted weak productivity growth alongside elevated compensation in Q1. Overall labour productivity fell 0.5% Q/Q after -0.3% in Q4 2025, for the third decline in 4 quarters and leaving productivity down 0.6% Y/Y.

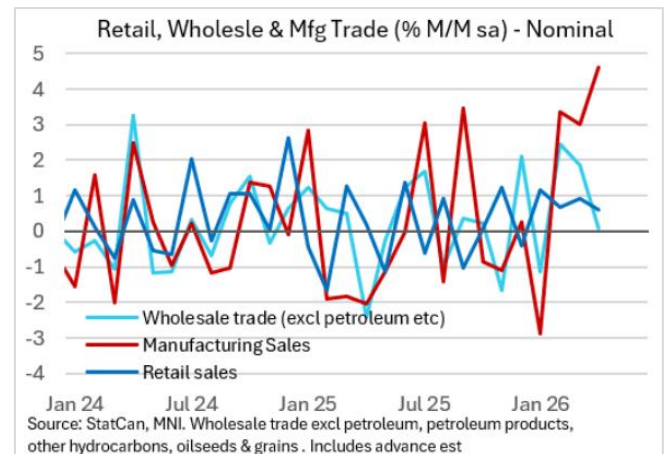
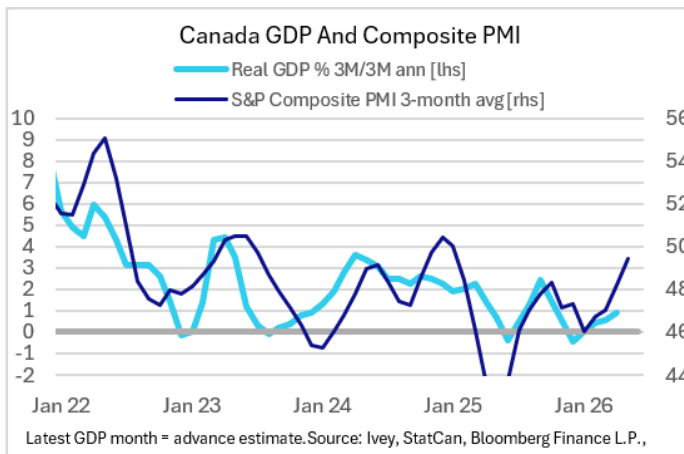
Canada - Quarterly Annualized GDP By Expenditure, Percentage Point Contributions

GDP Q/Q SAAR	Final Domestic Demand	Households + NPISH Consumption	Fixed Investment			Govt (Consumption + Investment)	Inventories	Net Exports	Stat. Disc.	
			Residential	Nonresidential + Intellectual Property	NPISH Investment					
Q1 2025	2.9	0.2	0.6	-0.8	0.0	0.0	0.4	2.1	0.3	0.3
Q2 2025	-1.0	3.6	2.3	0.0	-0.1	0.0	1.3	4.2	-8.8	0.2
Q3 2025	1.9	-0.5	-0.4	0.3	-0.6	0.0	0.1	-2.4	5.0	-0.2
Q4 2025	-1.0	2.7	1.6	-0.7	0.4	0.0	1.4	-4.8	1.4	-0.2
Q1 2026	-0.1	-0.4	0.8	-0.6	0.0	0.0	-0.7	4.3	-3.8	-0.2



Source: StatCan, MNI

- April's flash GDP by industry estimate from StatCan points to 0.4% M/M growth, up from the softer-than-expected -0.1% M/M March reading. For April, "increases in mining, quarrying, and oil and gas extraction, manufacturing and transportation and warehousing were partially offset by decreases in agriculture, forestry, fishing and hunting."
- Indeed, April's shaping up to be solid from (at least) a nominal perspective for sales indicators: retail advance sales are indicated up 0.6%, with core wholesale sales up 0.1%. That would translate into quarterly (3M/3M annualized) growth rates of 9% for retail, 22% for manufacturing, and 15% for wholesale in the first month of the 2nd quarter.
- In another positive sign, May saw the 2nd-highest composite PMI since April 2023, providing a signal that economic momentum is picking up again in Q2 after a soft Q1.



**Employment** – Canada's Labour Force Survey impressed in May, beating expectations for the first time so far in 2026, and in substantial fashion. The data remain very volatile from month-to-month but the solid set of data will assuage fears of more substantial softening in the Canadian economy than had been expected in the first half of the year.

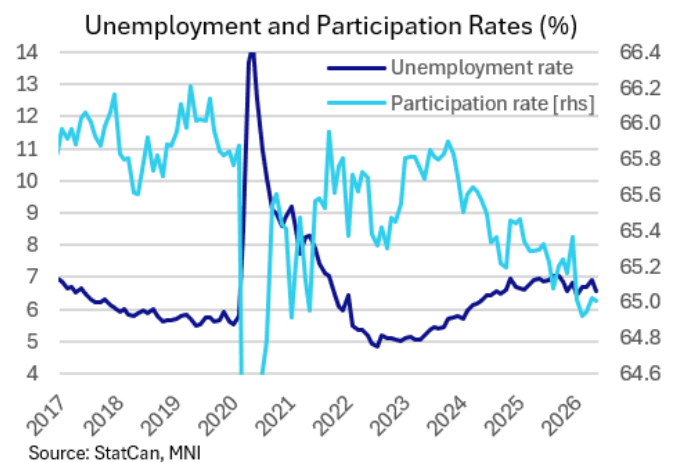
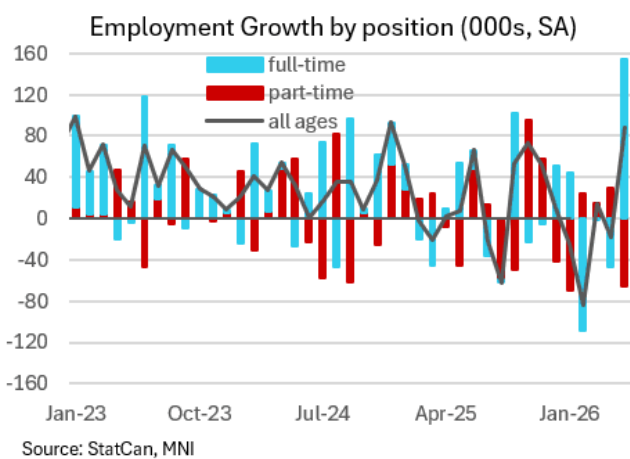
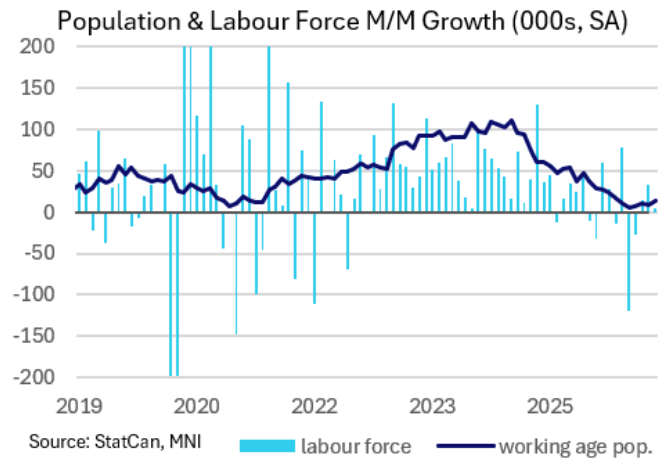
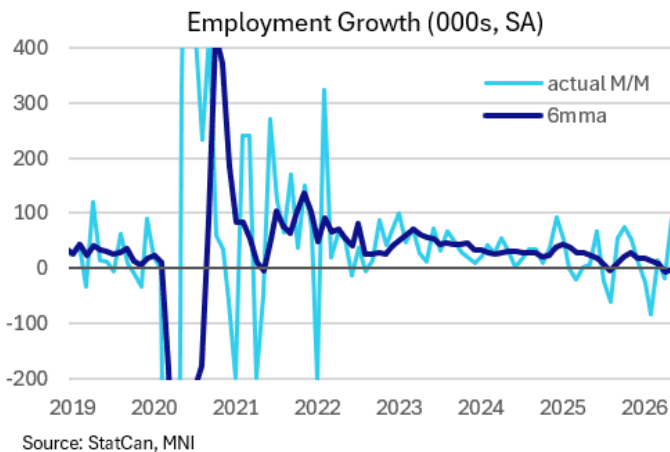
- May's 87.8k rise in employment was the biggest in 17 months, and compares with analyst expectations of around 10-12.5k. Employment came into the month cumulatively down 112k for the year, and that deficit has now been reduced to just 25k.
- The composition of May's gains will have been considered healthy too: a 154k rise in full-time employment (most since February 2022) now means FT is up 43k for the year; part-time employment fell 66k, the biggest drop since January (and now -67k for the year).
- The unemployment rate meanwhile dropped to 6.56% unrounded from 6.93% prior for a 4-month low (analyst median expectation was for an unchanged 6.9%). One factor here was a downtick in participation, to 65.01% from 65.03%, but the main reason was the 84k fall in the number of unemployed, the biggest drop since January.
- Against a backdrop of demographic/immigration headwinds, labour force growth was just 4k (34k in April) with a population increase of 14k (9k prior).
- The combined effect was that the employment-to-population ratio rose to a 4-month high 60.7% from 60.5%.
- The bigger picture over the past year: the population is up just 0.7% Y/Y with the labour force up 0.3% (both post-2021 lows), while employment is up 0.7%.

May's Labour Force Survey also showed a relatively encouraging mix of sectoral job gains, in the context of the Bank of Canada's concerns that trade-related woes would spill over more broadly into the labor market.

- Of the 88k rise in employment, 39k came in goods-producing sectors, the best in 3 years and leaving overall employment in this tariff-beleaguered area down just 7kk for the year so far. Manufacturing jobs

rose 15k, most since September though still down 21k for the year so far. But the biggest gains were in construction: the 27k rise in May was the highest since August 2023, potentially reflecting better May weather.

- Services employment rose 39k, best since October 2025, though here progress was more mixed: Wholesale and retail trade saw a 35k drop, most since March 2025 and a 4th consecutive decline; but Transportation and warehousing (linked to trade developments) gained 19k employees, most since October 2025, with Information, culture and recreation (+19k after -25k) rebounding and Accommodation and food services (+17k) potentially reflecting some buildup ahead of the FIFA World Cup starting in June.
- One area that saw a notable contraction was public administration, with its -8k the weakest since January and not showing much benefit from the anticipated census hiring (which had been anticipated to boost this category 10 to 15k).
- In a positive sign for GDP growth, hours worked picked up the most since January at 0.6% M/M after 0.0% prior, bringing the 3M/3M annualized rate up to -0.5% from -2.5% in April in a further sign that momentum is picking up in Q2.
- Wage growth was on the soft side, with permanent employees' average hourly wages up just 3.2% Y/Y for an 11-month low; and total average hourly wages up just 3.0% for the lowest since February 2022.



## Key Inter-Meeting BoC Commentary

Speaker	Commentary Since Previous BoC Rate Decision
<b>Tiff Macklem (Governor)</b>	<p><b>House of Commons finance committee, May 4 (as reported by MNI Policy Team)</b></p> <p>Macklem told lawmakers there's no specific timeframe for deciding whether inflation has spread from a narrow jump in oil prices to more persistent gains that require a look at raising interest rates.</p> <p>"It's not really about time, it's about conditions," he told the House of Commons finance committee. "We wouldn't expect to see much broadening this early into the oil shock."</p> <p>Indicators to figure out the breadth and persistence of inflation include faster core inflation, a higher share of items in the CPI basket advancing faster than 3%, and higher long-term price expectations, he said. Last week officials kept the policy rate at 2.25% saying if oil prices fade they can stay on hold but they are prepared for consecutive hikes if inflation persists, or a reduction if U.S. trade talks break down.</p>
<b>Carolyn Rogers (Senior Deputy Governor)</b>	<p><b>House of Commons Public Accounts Committee, June 1 (as reported by MNI Policy Team)</b></p> <ul style="list-style-type: none"> <li>Rogers cautioned lawmakers not to read too much into Friday's report showing a stall in first-quarter GDP because a flash figure for April also showed a potential rebound.</li> <li>"We have to be careful not to put too much weight into any one" indicator, she told the House of Commons Public Accounts committee. The very use of the modifier "technical" to call signs of a small contraction a technical recession shows that what's going on should be looked at more broadly, she said.</li> </ul>
<b>Nicolas Vincent (Deputy Gov)</b>	<p>BOC Deputy Gov Vincent <a href="#">in a speech on</a> May 26 addressed headwinds affecting the Canadian labour market, and the difficulty in differentiating between whether they are more structural or cyclical in nature.</p> <ul style="list-style-type: none"> <li>He didn't provide any steer on the outlook for rates, with upshot for the BOC that "to conduct monetary policy effectively, we need to be able to clearly distinguish between cyclical fluctuations and lasting transformations... the reality is that the more our economy faces shocks accompanied by structural change, the less clear-cut our monetary policy decisions will be. When faced with structural change, even though we can support the economy to some degree during periods of restructuring, we can't choose its final destination. Our goal remains to ensure inflation is low, stable and predictable."</li> <li>Vincent describes the labour market as one that has "slowed recently" and in "mild excess supply", with the unemployment rate in a 6.5-7.0% range. The slowdown in employment largely reflects lower working-age population growth and to an extent the effects of US tariffs.</li> <li>Assessing the recent changes in labour market dynamics that may be structural rather than cyclical, Vincent highlights low labor turnover, with a low layoff rate but also low hiring, as well as the rising ranks of long-term unemployed. "If long-term unemployment falls as economic activity picks up, that will point to a more cyclical phenomenon. But if long-term unemployment stays high and labour-market turnover stays low, or if we start to see bigger gaps in how long it takes people in different groups or sectors to find jobs, then it's probably more structural."</li> <li>Much of the speech is devoted to poor conditions for younger workers, including a jobless rate jumping to 14% from 9% a few years ago. "The cyclical interpretation is simple: young people tend to work in sectors that are sensitive to swings in the economy, such as retail or culture and recreation. When the economy slows, unemployment tends to rise more sharply among young people compared with others". But "that said, the magnitude of the rise in youth unemployment suggests other factors are at work", including demographics (young immigrants competing for lower-skill/entry-level jobs), mismatches between supply and employers' demand for higher-skilled workers, and AI being "another plausible structural explanation" but "it would be premature to conclude that AI is the determining factor".</li> <li>"Overall, it's important to remember that these three trends are interconnected. Low turnover in the labour market leads to longer periods of unemployment. And new entrants, especially young people, bear the brunt."</li> </ul>

<p><b>Michelle Alexopoulos (Deputy Gov)</b></p>	<p>In a speech on May 13, BOC External Deputy Governor Michelle Alexopoulos highlighted "We are starting to see evidence of small productivity gains from AI" and Governing Council has been incorporating limited AI-led productivity gains into projections and potential output forecasts.</p> <ul style="list-style-type: none"> <li>• Overall, "To put it simply, the Bank of Canada cares about AI because of its potential to significantly affect productivity, economic growth, employment and inflation. AI also has the potential to impact the financial system, creating both new efficiencies and new risks. These developments shape our assessment of the economy, so they matter for our monetary policy decisions and the Bank's work to foster a stable and efficient financial system."</li> <li>• Recall, Gov Macklem pointed out in the April meeting's press conference that some AI productivity bump is anticipated in the latest Monetary Policy Report forecasts, which also show "we do expect to see a labor productivity growth pick up and so ... we have built in a modest increase from AI in productivity growth going forward, it builds over time. I think on average, it's adding about 0.2 to productivity growth in the projection". As for current monetary policy, Macklem added "is AI having a big effect on our policy decision right now? No, but it is built into our projection. And, you know, it could end up that AI comes faster, has a bigger effect than we've expected. It might take longer. We'll see."</li> </ul>
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## April 29 Rate Decision Statement

The Bank of Canada today held its target for the overnight rate at 2.25%, with the Bank Rate at 2.5% and the deposit rate at 2.20%.

The evolving conflict in the Middle East is causing heightened volatility and US trade policy continues to reshape global trade patterns. Both are ongoing sources of uncertainty. The Bank's April outlook assumes tariffs remain unchanged and the global benchmark price of oil declines to US\$75 per barrel by mid 2027.

The Iran war has led to sharply higher energy prices and transportation disruptions, diminishing growth prospects in oil-importing countries and boosting inflation worldwide. In the United States, growth is still expected to be solid over the projection horizon, boosted by AI-related investment and consumption growth. China's economy is being supported by robust exports. In the euro area, higher prices for oil and natural gas will weigh on economic activity.

Financial conditions have been volatile, reflecting daily developments in the Middle East and shifting market expectations for inflation and interest rates. Bond yields are modestly higher since January while equity markets, which weakened sharply at the outset of the war, have recovered. Since the start of the war, the US dollar has appreciated against most major currencies. The Canada-US exchange rate has been relatively stable.

Overall, the global economy is expected to grow by about 3% in 2026, 2027 and 2028. Projections for inflation over the next year are revised up because of the jump in energy prices.

The outlook for economic growth in Canada is little changed from the January Monetary Policy Report (MPR) projection. After a contraction in the fourth quarter of 2025, growth is forecast to have resumed in early 2026. Consumer and government spending are supporting economic activity, while tariffs and trade uncertainty are weighing on exports and business investment. Housing activity declined in the fourth quarter and is being held back by slow population growth, economic uncertainty and ongoing affordability issues. The labour market is soft, with subdued employment growth over the past year and job losses in sectors targeted by US tariffs. The unemployment rate remains in the 6½%-7% range, reflecting both weak hiring and fewer job seekers.

The Bank's April forecast projects GDP growth of 1.2% in 2026, rising to 1.6% in 2027 and 1.7% in 2028 as growth in exports and business investment resumes along a lower trajectory. With GDP growing slightly above potential, the current excess supply in the economy is gradually absorbed. While the war in Iran may alter its composition, overall GDP growth is little changed in the updated forecast: Since Canada is a large net exporter of oil, higher oil prices increase national income even as consumers are squeezed by higher gasoline prices.

CPI inflation climbed to 2.4% in March because of sharply higher gasoline prices. The March increase follows several months of slowing inflation data. Core inflation has been easing and held steady at just above 2% in the most recent inflation report. The proportion of components of the CPI basket rising above 3% has also declined in recent months. As expected, so far there is little evidence that oil prices have fed through more broadly to goods and services prices, but this warrants close attention in the months ahead. Near-term inflation expectations have moved up with higher gasoline prices and still-elevated food price inflation, but longer-term inflation expectations have remained anchored.

CPI inflation will likely rise further in April to about 3%. Based on the assumption that oil prices will ease, inflation is forecast to come down to the 2% target early next year and remain around 2% over the projection horizon.

Against this backdrop and taking into account the current projection, Governing Council decided to maintain the policy rate at 2.25%. We are closely monitoring the impact of the conflict in the Middle East and how the economy is responding to US tariffs and trade policy uncertainty. Governing Council is looking through the war's immediate impact on inflation but will not let higher energy prices become persistent inflation. As the outlook evolves, we stand ready to respond as needed. The Bank is committed to maintaining Canadians' confidence in price stability through this period of global upheaval.

### Latest BOC Links:

- Interest Rate Announcement: <https://www.bankofcanada.ca/2026/04/fad-press-release-2026-04-29/>
- Press Conference Statement: <https://www.bankofcanada.ca/2026/04/opening-statement-2026-04-29/>
- Monetary Policy Report: <https://www.bankofcanada.ca/publications/mpr/mpr-2026-04-29/>
- Press Conference Video: <https://www.bankofcanada.ca/multimedia/press-conference-monetary-policy-report-april-2026>

## mni Central Bank Watch - Bank of Canada

June 05, 2026

MNI Bank of Canada Data Watch List											
		Current	3m ago	3m Chg	6m ago	6m Chg	2Y History	Hit / Miss	Vs Trend	Surprise Index	Z-Score
<b>Inflation</b>											
CPI	% y/y	2.8	2.3	↑	2.2	↑					1.72
Core CPI - Median	% y/y	2.1	2.5	↓	2.9	↓					-1.39
Industrial Product Price	% m/m	2.0	3.0	↓	1.4	↑					0.56
Breakeven 10-Year	%	2.24	1.98	↑	1.93	↑					1.33
<b>Economic Activity</b>											
PMI Manufacturing	Index	52.9	51.0	↑	48.4	↑					1.56
GDP	% m/m	-0.1	0.1	↓	0.2	↓					-0.65
Manufacturing Sales	% m/m	3.02	0.26	↑	3.45	↓					1.03
Trade Balance	CAD bn	1.78	-0.85	↑	0.48	↑					1.41
<b>Monetary Analysis</b>											
M3 Money Supply	% y/y	3.62	4.02	↓	4.92	↓					-1.57
Bank Lending Survey (Q)	% m/m	0.96	2.81	↓	0.67	↑					-0.28
New House Prices	% m/m	-0.4	-0.4	→	-0.4	→					-0.88
Housing Starts	K	279.3	236.4	↑	231.2	↑					1.08
<b>Consumer / Labour Market</b>											
Retail Sales	% m/m	0.9	-0.4	↑	-1.0	↑					0.56
Retail sales Ex-Autos	% m/m	1.4	-0.2	↑	0.0	↑					0.96
Employment Chge m/m	K	87.8	-83.9	↑	52.3	↑					1.30
Ave Hourly Wage Rate	% y/y	3.20	4.20	↓	3.97	↓					-1.24
<b>Markets</b>											
S&P/TSX Composite	Index	34702	34340	↑	31383	↑					1.75
Canadian 10-Year Yield	%	3.51	3.13	↑	3.15	↑					0.46
CAD Yield Curve (2s-10s)	bps	60.3	73.4	↓	72.8	↓					-0.89
CAD TWI	Index	115.25	117.04	↓	114.60	↑					0.02

Note: For quarterly data the 3m ago column will display the previous data point and the 6m ago column will display the data point prior to that.  
Source: MNI, Bloomberg

## MNI Instant Answers

We have chosen the following questions for our Instant Answers service with the BoC decision at 0945ET:

- Overnight Rate Target (level in x.xx%):
- Does the Bank signal it is prepared to lower rates in the future?
- Does the Bank signal it is prepared to raise interest rates in the future?
- Does the Bank reiterate it will not allow higher energy prices to become persistent inflation?
- Does the Bank reiterate it will look though some of the short-term inflation from the Iran war?
- Does the Bank reiterate that the current rate looks about right if oil prices come down and US tariffs remain stable?

## MNI Policy Team Insights

### MNI INTERVIEW: Canada Nowhere Near Recession- Ex BOC Adviser

By Greg Quinn (Jun 1)

MONTREAL – Canada hasn't dipped into recession though recent weakness reduces odds the central bank will raise interest rates to curb inflation, a member of a group that dates economic cycles who is also a former Bank of Canada adviser told MNI.

"We've got a small decline in the fourth quarter of 2025, basically no change in the first quarter of 2026, but monthly GDP makes it look like it's going to look like an increase in April, so I don't think you can even call it a close call," said Steve Ambler, retired Universite du Quebec a Montreal professor and a member of CD Howe's business cycle [council](#), in an interview. ]

StatCan's report of a 0.1% annualized contraction was in fact 0.0 on a quarter-over-quarter basis, and even small headline declines shown in the report are "smaller than most rounding errors," Ambler said. Canada's stats office revises quarterly figures over the next several reports.

Falling business investment and high youth unemployment point to difficult times but even the economist phrase "technical recession" used by opposition parties since Friday's GDP [report](#) is misleading, Ambler said. The word technical implies economists use it as a precise term when it has little formal roots in the profession, he said. (See: [MNI INTERVIEW: BOC Holds With Broader US Tariff-Senator Gignac](#))

First-quarter GDP was far short of the Bank's estimate for growth of 1.5%, which "has lowered the probability of any interest-rate increase," Ambler said. The need to hold down inflation expectations linked to the Iran conflict means a rate hike remains in play, he said.

#### SIX UNCLEAR MONTHS

Governor Tiff Macklem said earlier this year a weak economy meant that without the oil-price jump officials would be looking at a rate cut. U.S. tariffs are dragging on investment and exports and Donald Trump abandoning free trade with Canada or imposing new tariffs would impose a broad hit to the economy, Ambler said.

The range of Bank policy outcomes this year remains wide, Ambler said. "There's a lot of uncertainty surrounding the Bank's own estimates of how much slack there is in the economy, because demand doesn't look strong but supply doesn't look strong either," he said.

Food prices could also rise if a prolonged Iran conflict disrupts fertilizer supplies and add to higher inflation expectations beyond energy, Ambler said.

"They have to be very good in their communication to hold that off at the pass, try and prevent it from embedding itself in inflation expectations, in which case they would have to react probably by increasing rates," he said.

There's no reason to move the 2.25% policy rate at the June 10 meeting, Ambler said. "The Bank won't change next time, but six months down the road it could go up or it could go down, depending."

### MNI INTERVIEW: Pre-Emptive BOC Talk Beats Moves-Ex Deputy Lane

By Greg Quinn (May 29)

OTTAWA – It is still unclear whether the Bank of Canada will have to raise rates in response to an inflationary push from elevated oil prices or cut due to economic damage from U.S. tariffs, former deputy governor

Tim Lane told MNI, adding that Governor Tiff Macklem had taken the right approach in talking tough but keeping his options open.

"Various things to watch, but it's not at the same time a reason to move in either direction," Lane said in an interview. "They're talking about tightening, but they're not actually doing it, and obviously talking about tightening can be a way of signaling to the public we're not going to let this get out of hand." (See [MNI INTERVIEW: Tough BOC Talk May Avoid Rate Surge- Beaudry](#))

While Macklem has said the current 2.25% policy rate is about right if oil prices moderate in coming months, he's prepared for "consecutive" hikes if inflation becomes entrenched, or, alternatively, easing if there are major new American tariffs.

Lane said officials are likely to be aware that consumer expectations are more sensitive to potential spikes in prices given memories of the burst of inflation after Covid lockdowns ended. This is especially the case with highly-visible gasoline prices, he added. (See [MNI INTERVIEW: BOC Tilts Toward Hike This Year- Ex-Economist](#))

### **HARDER TO JUSTIFY**

Investors see a hike later this year while most economists see no change.

Canada has more policy breathing room than the U.S. or Europe because inflation was slowing before the Middle East conflict as the trade war opened up slack, Lane said. The country's status as an energy exporter also gives consumers some cushion against higher oil prices, he said.

"What they're currently doing, waiting and seeing, is appropriate," Lane said of Bank officials. "Given the sort of things could happen in either direction, it does tend to make it harder to justify moving pre-emptively."

Despite what Lane called "lacklustre" output and job markets, Canada avoided the recession that many economists projected last year after major tariffs took hold.

"We have been seeing more resilience in Canada than we expected, and there is a significant chance we could continue on that way," Lane said, adding that worst-case scenarios are being avoided because U.S. President Donald Trump exempted the majority of Canadian products covered under the USMCA pact.

"U.S. automakers say that you have to lay off workers and shut down plants because they were having to pay 30% more for parts from Canada," Lane said. "With that kind of thing going on, it was basically the recognition that the U.S. was really reliant on a lot of Canadian exports."

### **KEEPING REALISTIC EXPECTATIONS**

The Bank is preparing for its five-year mandate refresh due by December, and Lane noted that after its three core inflation measures had difficulty capturing the 2021 inflation jump, Canada might benefit from a less complicated measure. Time has shown there is no core measure that does well through every economic cycle so "the simpler the better," he said.

Similarly, the Bank should avoid adding language about links between housing and monetary policy, in case that raises unwarranted public expectations, Lane said. "What would be good is if they have a thoughtful discussion of all those channels, but certainly I'd be surprised if they went further to actually try and put anything in the statement about suggesting the Bank was going to be trying to influence house prices or housing affordability or any of those things," he said.

## **MNI INTERVIEW: Tough BOC Talk May Avoid Rate Surge- Beaudry**

By Greg Quinn (May 27)

OTTAWA – The Bank of Canada's hawkish language allows it to keep interest rates stable in coming months if the Iran conflict's impact on energy prices subsides, former deputy Paul Beaudry told MNI.

Good communication around an intention of aggressive tightening if inflation becomes widespread will be effective in holding down price expectations, he said. That stance aligns with Governor Tiff Macklem's view that if oil prices fade the 2.25% policy rate is right but consecutive hikes may be needed if inflation broadens.

"It's the right position to have right now, is you're holding but you're having this hawkish communication of saying we really have our eye on the ball, and we will do what it takes," Beaudry said in an interview. "Then you can just keep the policy rate, and if things aren't kind of getting too much out of hand, that should be enough."

Canada's slowing inflation before the conflict and stable core inflation since then also puts Macklem in a better position than the Federal Reserve, Beaudry said. The change of Fed leadership with Kevin Warsh and Donald Trump's pressure for lower rates adds another layer of complexity to the Fed's job relative to the Bank's, Beaudry said.

## **VOLCKER NOT TAYLOR**

"The first speech by this chairman is going to play a big role. I think he has to come out quite to reaffirm that the Fed is actually quite independent, is ready to raise if necessary," Beaudry said.

Beaudry's views are shaped by a recent IMF working [paper](#) he wrote with the fund's Thomas Carter and Amartya Lahiri, a colleague of Beaudry's University of British Columbia where he teaches now. The trio found their economic model more geared to supply shocks shows decision-making more geared on judgement about the persistence of inflation is better than Taylor rules used in past decades when cycles were often demand-driven.

This supply approach also makes achieving a soft landing more likely, Beaudry said, saying the experience of former Fed Chair Paul Volcker with big rate hikes is instructive. "Being that aggressive also communicates and helps expectations come down. It slows down the (inflation) process, such that by the end you might not have to do too much."

"It's actually quite costly to increase interest rates when the economy isn't doing that well. So you want to look through, and you kind of want to wait a bit," he said. "Deciding exactly what that pivot is is a difficult thing."

## **WE MIGHT BE OKAY**

It's still the case that, with Middle East tensions still high, the BOC and its peers can get away with holding rates, Beaudry said. "The war might end next next week, but if it does end and things start coming back, I think again we might be okay without having a tightening cycle."

At the moment investors aren't in line with Beaudry's view, betting on perhaps one rate hike this year. Most economists predict a hold this year and some potential for a cut as U.S. tariffs slow exports and investment.

The recent climb in long-term government bond yields has little bearing on decisions to hike or hold because they have little influence on the current situation, Beaudry said. "Worry in the overall bond market makes sense. A lot of governments across the world are in big deficits. It's very hard to predict if those deficits will eventually have to be partly monetized or not."

"I see it as a very different phenomena, and I don't think they should play a big role in the current, the current debate or the way people think," Beaudry said.

## MNI BRIEF: BOC Staff Paper Studies More Transparent Rate Path

By Greg Quinn (May 15)

OTTAWA – The Bank of Canada has several ways of making its anticipated rate path more transparent though each of them carries risks of confusing investors and the public, according to a staff paper published Friday.

Alternatives include basing projections on a staff forecast; publishing a staff forecast or alternative scenarios; or giving more information about the reaction function used to generate projections. The research follows an IMF [review](#) a few years ago that found the BOC was one of the least transparent institutions in its peer group, and since then the main change has been to publish [minutes](#) of rate meetings.

"Caution should be taken in providing more information about policy rate paths (especially beyond the near term), since such information could direct more public focus on a forecast that is not informative or could be misinterpreted by the public," according to the [paper](#) by Monica Jain and Jonathan Witmer from the financial markets department.

Top Bank officials have long resisted the idea of more direct communication about the policy path, partly because Governing Council works by consensus. Under federal law the Governor alone is largely accountable to Parliament for monetary policy.

The paper was released around the time markets closed for the Victoria Day holiday weekend. It contained several questions about downsides such as "false precision" and a distorted view of the intentions of policymakers as opposed to staff economists. (See: [MNI INTERVIEW: BOC Inflation Patience Is Warranted- IMF Rep](#))

## MNI INTERVIEW: BOC Holds With Broader US Tariff-Senator Gignac

By Greg Quinn (May 7)

OTTAWA – The Bank of Canada is more likely to hold interest rates this year after the U.S. broadened metals tariffs, but will hike quickly if higher oil prices turn into sticky inflation, Senate Banking Committee Chair Clement Gignac told MNI after he oversaw a hearing with Governor Tiff Macklem.

"Given the upside risks and downside risks, I think the Bank of Canada is on hold for a while now," said Gignac, also a former Quebec minister and adviser to the federal finance department. Most economists see a hold this year while investors are betting on perhaps two hikes.

"The Bank of Canada has to remain agile and on standby because they have some upside risks and downside risks, we don't know what's going on in the Middle East and with CUSMA," he said, referring to North American free trade talks. (See: [MNI INTERVIEW: BOC Inflation Patience Is Warranted- IMF Rep](#))

Governor Macklem reiterated to lawmakers Wednesday that if oil prices return to normal the current 2.25% policy rate is in about the right place. While new trade penalties could require stimulus, he said the Bank may need "consecutive" hikes if oil prices become sticky inflation.

### NOT WHAT KEEPS YOU ALIVE

"No complacency: if we have prices continue to increase and stay very high and inflation expectations start to rise, the Bank of Canada is ready to act and become less accommodative, that is my reading of this testimony," Gignac said. "They have learned their lesson post pandemic and I think they are ready to move if inflation expectations start to rise and you have more transmission from gasoline to transportation to other goods and services."

The resiliency of Canadian firms to tariffs will be further tested after U.S. President Donald Trump last month broadened 50% levies to some entire products rather than just particular components with copper, aluminum or steel, Gignac said. Some companies that tried to hold out since most tariffs were imposed more than a year ago are starting to lay off workers and shut operations, weakening the labor market, he said.

"Even if governments provide additional loans, at the end of the day it's not necessarily what keeps you alive," Gignac said.

Prime Minister Mark Carney earlier this week announced an expanded loan program for firms hurt by tariffs. Carney has also resisted opposition calls to get a deal fast with Trump, an approach Gignac agrees with.

### START TO TAKE OFF?

Trump has little reason to slash trade with Canada while American executives and voters are upset about higher prices, Gignac said. "It's probably better what we're doing right now, just to wait, and in the meantime accelerate trade diversification," he said.

Recent trade data showed non-U.S. exports at a record high, though they are far short of what firms used to send south of the border. In an optimistic scenario, Canada's economy can even "start to take off" again if global shipments keep growing at their recent pace, Gignac said.

That would be a big shift from last year when economists bet on Canada falling into recession after tariffs were set.

"So far it's encouraging. The Canadian economy is much more resilient than I thought a year ago," Gignac said.

## MNI INTERVIEW: BOC Tilts Toward Hike This Year- Ex-Economist

*By Greg Quinn (Apr 29)*

OTTAWA – Canada's central bank is more likely to tighten policy later this year if oil prices stay high and a domestic rebound from U.S. tariffs takes shape, although a neutral monetary stance and slowing inflation before the Iran conflict make a hold the most probable outcome, a former staff economist told MNI.

"Beyond my base case of them holding, I put more weight on them gradually raising rates on worries about demand-side inflation," said Ali Jaffery, a former principal economist in the Bank of Canada's international department now with KPMG.

Governor Tiff Macklem left the overnight rate at 2.25% Wednesday saying that's about right if oil prices follow futures markets and decline over the next year, while adding multiple hikes may be needed if inflation persists. Slack allows officials to look through the first round of energy price increases and a lower rate may be appropriate if there are major new U.S. tariffs, he also said.

"If I were them I'd do the same: I'd want to maximize my options without making any major commitments," Jaffery said.

### A GOOD PLACE

"They are in a good place," he said. That's because inflation was near the 2% target for a while before the Middle East conflict and the policy rate was about neutral.

"If they need to move they will move, but I think given where they are they will probably move more slowly than other central banks," Jaffery said. Any resolution of the Iran conflict in the near term makes a hold through 2026 much more likely, he said.

Bond markets signaling the Bank hikes several times this year reflect global concerns and short-term swings in Iran talks rather than the likely BOC path, Jaffery said. (See: [MNI INTERVIEW: BOC Inflation Patience Is Warranted-IMF Rep](#))

Similarly, the Bank's actions are more likely [guided](#) by real-time events rather than the Monetary Policy Report's baseline forecast, he said.

### **SLOW BURNING SHOCK**

"I would be more surprised if they cut rates. I wouldn't put much weight on that," Jaffery said.

Canada's optimistic scenario sees the economy picking up late this year as federal and provincial government deficit spending boosts investment, and U.S. President Donald Trump responds to voter pressure around tackling the cost of living before midterms, Jaffery said.

"There's also some possibility the Trump administration cuts its losses and says we're not going to attack Mexico and Canada, and let's have some horse-trading on some minor issues," he said. "I could see Canada's growth as pretty strong by the end of the year."

Big rate hikes would endanger that scenario because some industries are suffering from tariffs, Jaffery said. "It is a slow burning shock, which is why I think central bankers have to be careful, because the healing process is going to take time."