MNI Bank Of Canada Preview: Mar 2026

Announcement Date: Wed, 18 March
Decision / Opening Statements: 0945ET, **Press Conference**: 1030ET

MNI Review of Previous Meeting (January): LINK

CONTENTS

MNI POV (Point of View) | Prior Statements and Q&A Highlights | Intermeeting Commentary
Data Watch & MNI Instant Answers | Analyst Summary Table | MNI Policy Team Insights

MNI POV: Oil Shock Meets Soft Data

March 17, 2026 - By Tim Cooper

The Bank of Canada is overwhelmingly expected by both markets and analysts to maintain its overnight rate for a 3rd consecutive decision at 2.25% at the March meeting (announcement on Mar 18). The main point of interest for the meeting communications is how Governing Council views the risks to the economic outlook posed by the war in the Middle East that has broken out since the prior meeting in January.

- By the conclusion of the January meeting, markets remained convinced that the BOC's easing cycle had ended in late 2025, but had anticipated only a slight hiking bias for the BOC through the end of the year.
- And since then, data have been largely weaker than expected, including a recessionary-looking employment report in February and continued pullback in core inflation. And GDP growth is tracking fairly slow to start the year, after a larger-than-anticipated contraction in Q4 (see macro section below).
- And also looming large is the upcoming renegotiation of the US-Canada-Mexico trade pact, which until this month was seen as the most salient geopolitical downside risk to the outlook that could trigger renewed BOC cuts.
- The above developments would have appeared to argue – if anything - for further easing, and indeed as of February 27 (even before the soft February data releases) there were about 8bp of cuts priced in OIS by the end of 2026, vs 8bp of hikes a month earlier.
- But the conflict in Iran sharply increased expectations of hikes: on the eve of the March rate announcement there are currently ~33bp in 2026 hikes priced, down slightly from the 40bp seen late last week (with February's soft CPI and jobs data helping tame the case for hikes). There are no longer any analysts who expect the BOC to cut rates this year, though most see hikes starting only in 2027.

Meeting	Current	Pre-Mideast War (Feb 27)	Change since then	Cumulative Change From Current Rate (bp)	Incremental Chg (bp)	Post-Jan BOC (Jan 29)
Mar 18 2026	2.25	2.26	-0.6	-0.8	0.2	2.25
Apr 29 2026	2.24	2.23	1.1	-1.8	-1.0	2.23
Jun 10 2026	2.24	2.21	3.4	-2.0	-0.2	2.23
Jul 15 2026	2.28	2.18	9.9	1.8	3.8	2.23
Sep 2 2026	2.37	2.17	20.7	11.2	9.4	2.24
Oct 28 2026	2.45	2.17	27.9	18.9	7.7	2.29
Dec 9 2026	2.58	2.17	41.0	32.4	13.5	2.35

Source: MNI (Mar 17), Bloomberg Finance L.P.

War Impact: Higher Inflation, Higher Growth?

As with other major economies, the spike in energy prices in March is inevitably going to push up headline CPI and spread into core prices, with a negative impact on consumers. Such anticipated dynamics have the above translated quickly into BOC rate hike expectations. Unlike other major economies, however Canada's status as an energy exporter means the growth impact is seen as positive on net, due in large part to better terms of trade, which adds an additional complication for the BOC's assessment of the economic trajectory.

- Scotiabank for example estimates that a $10/bbl sustained increase in WTI is worth a 0.3% bump in the GDP level (through year 1) with CPI up 0.2pp and a 10bp rise in the policy rate; TD eyes a 10% oil shock leading to a 0.1-0.2% increase to GDP with Y/Y CPI upped 20-30bp (and conversely for the US, UK, Eurozone, China, and the World, the GDP impact is negative).
- That would seem to augur for a more hawkish BOC policy, all else equal, though it's complicated.
- Heading into the meeting, our reading of analysts' previews points to broad consensus that the BOC will be able to look through any near-term pickup in headline inflation as a result of higher energy prices.

- Indeed it's probably too early for Governing Council to make a decisive assessment on the inflation front, and they'll probably say so Wednesday. But the degree to which it emphasizes the perceived transitory nature of higher Y/Y inflation in the months ahead could be telling as to whether the market's expected bias toward hikes this year should be dampened somewhat on account of recent data.
- Deputy Governor Kozicki's uncannily timed inter-meeting speech noted that supply-driven shocks can lead to more policy tradeoffs and reliance on flexibility in meeting the inflation target based on the intensity and duration of different pressures.
- In the limited communication we have had since the war started at end-February, Gov Macklem said after a March 4 speech the policy rate remains appropriate as long as the economic outlook holds up. "If the situation changes, and in particular if that has a material effect on the outlook, we are prepared to respond." That's basically the same stance expressed at the January meeting, suggesting that through the first week of this month at least, the BOC was on "wait and see" mode.

Guidance To Retain Optionality Amid Uncertainty: Given the fluid situation in the Mideast, this "wait and see" approach, with an expression of optionality to move rates in either direction, is likely to persist. There's no new Monetary Policy Report at this meeting so attention will be entirely on the Bank's messaging in the rate policy statement and the press conference.

- The guidance is likely to repeat that the current policy rate remains appropriate to help the economy through a period of structural adjustment, with Macklem expected to repeat that it is "difficult to predict the timing or direction of the next change in the policy rate".
- While there will undoubtedly be an acknowledgement of the Mideast conflict in the new statement, the existing language "Governing Council judges the current policy rate remains appropriate, conditional on the economy evolving broadly in line with the outlook we published today. However, uncertainty is heightened and we are monitoring risks closely. If the outlook changes, we are prepared to respond" is likewise likely only to be tweaked, given that it already broadly covers geopolitical developments, and it's premature to make conclusions about the impact of the war on policy moves.
- Though of course we will be interested to hear how the BOC is currently thinking about the weak domestic data, versus any potential growth bump from the energy sector. We would expect that the BOC doesn't see the rise in oil prices as sufficiently "material" (in Macklem's words) in either extent or duration to cause a change in outlook just yet.
- MNI's Instant Answers looks for any clearer signs on rate intentions, including whether the Bank signals it is prepared to lower, raise, or hold rates in future.

Analyst Outlook - Hold Overwhelmingly Expected Through End-2026, Hikes In 2027: Analysts unanimously expect the Bank of Canada to maintain the overnight rate at 2.25% at the March meeting, and also overwhelmingly see a hold through year-end. While the end-year forecast is more dovish than market pricing, by the same token no analysts expect the next move to be a rate cut. **Detail in table overleaf.**

- Among Canadian bank analysts, the overall consensus is for hikes to start in 2027, of a magnitude of around 50bp total for the year. The most hawkish in this regard is Scotiabank's 50bp hikes seen by end-2026, with a further 25bp in 2027, though RBC sees the most total hikes through the end of next year with 100bp (all in 2027). At the dovish end is BMO which sees the BOC on hold through 2027.
- Outside of Canadian institutions, expectations for a hold through 2026 are widespread, with Wells Fargo a standout in seeing a hike by year-end (a new view following the eruption of the conflict in the Middle East, they write: "Even if energy prices retrace modestly near term, the threshold for restarting easing is higher than it was earlier this year.").
- Also this month, BofA analysts changed their BOC call to see a hold in the overnight rate at 2.25% through year-end, versus their previous call for two 25bp cuts, on account of higher oil prices bosting both growth and inflation, "leaving the BoC little room to ease despite a soft domestic economy. While we do not expect rate hikes given anchored expectations and weak growth, the bar for cuts has risen meaningfully."
- Analysts who expressed a 2027 view appear to lean toward 50bp in hikes.

Analyst Expectations And Key Comments

Analyst BoC Policy Rate Expectations

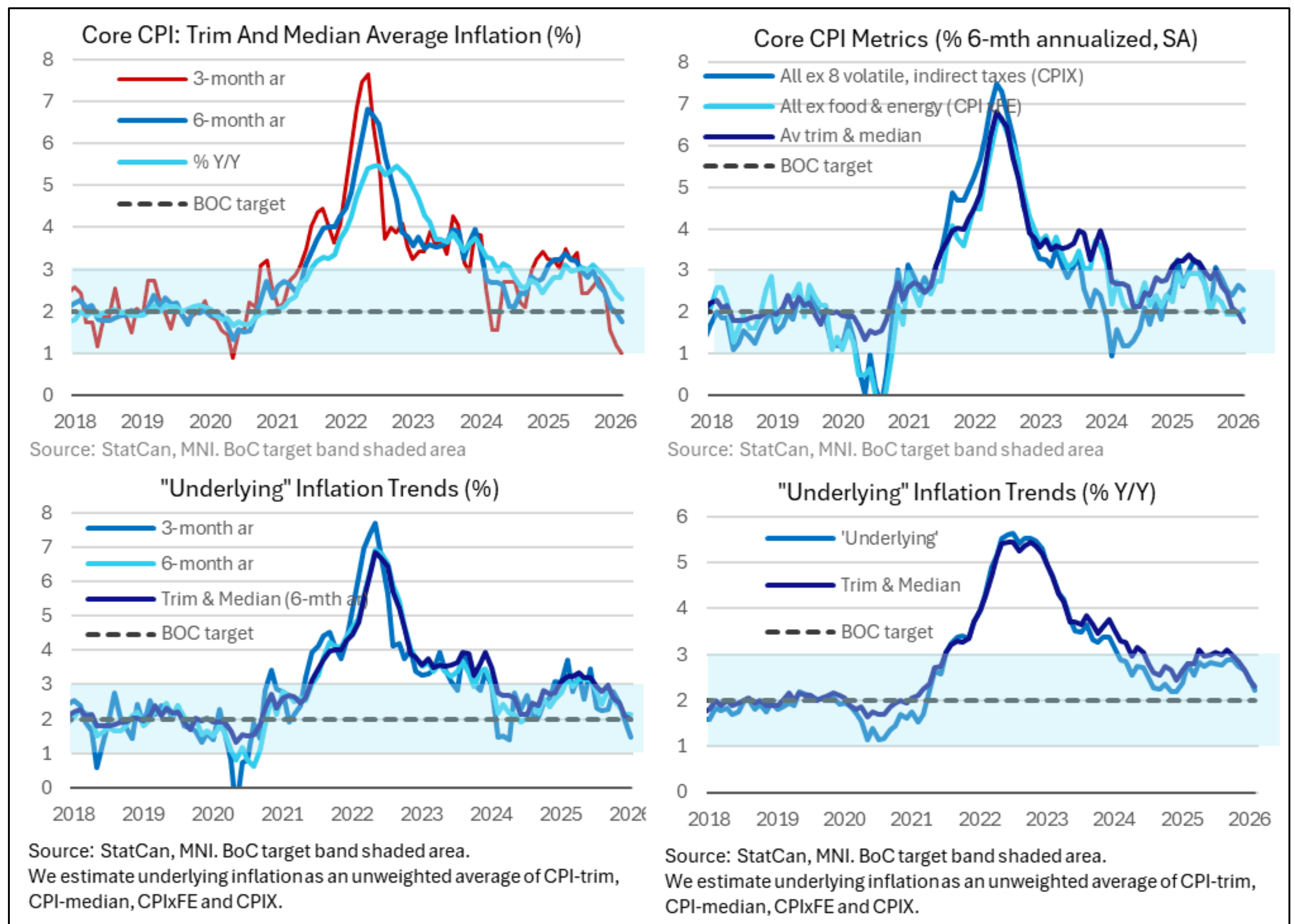
Analyst	March	Next Move?	Rate path/broader comments on upcoming meeting
Median	**Hold**	**50bp hikes in 2027**	
Canadian institutions			
BMO	Hold	Hold through 2026 and 2027	"Given the inflationary threat from higher energy prices, markets are pricing in a quarter-point rate increase from the Bank of Canada later this year. We deem this unlikely. Prior to the Iran conflict, core inflation was drifting back toward the 2% target due to weakness in the economy. We suspect policymakers will look past the oil-driven rise in prices and remain wary of economic risks until the fog from both the Iran war and the trade war lifts, keeping overnight rates at modestly supportive levels."
TD	Hold	Hold through 2026, hike in 2027	" the policy statement takes a more cautious tone with uncertainty elevated and growth/inflation tracking below the January MPR. However, we do not see this as a material change to the Bank's outlook, and any dovish elements will be balanced by acknowledgment of new risks to inflation from higher oil prices."
Desjardins	Hold	Hold through 2026, 50bp hikes in H2 2027	BOC to reiterate this week "that the current level of rates remains appropriate. Officials will likely just layer on a reference to upside inflation risks from higher global energy prices. Even if oil prices remain elevated, serious conversations about rate hikes shouldn't gain much traction in the near term. Instead, attention should remain focused on key downside risks to the economy—most notably those tied to the labour market and housing."
CIBC	Hold	Hold through 2026, 50bp hikes in 2027	"For reasons we couldn't really fathom, markets entered Friday morning priced for almost two quarter point hikes by the Bank of Canada this year. With so much slack in the economy, this is hardly a time to beat up on demand. Even if the Governor doesn't offer a full throated dovish outlook on inflation, by not giving any hints of a rate hike ahead, he'll throw some cold water on those inclined to position themselves for a policy tightening this year."
National	Hold	Hold through 2026, 50bp hikes in 2027	"Amidst the volatility, Governing Council should remain consistent by reiterating that policy is appropriately calibrated for the time being. They will however, stress that they're monitoring the war in Iran closely and are prepared to adjust their monetary policy stance as the outlook for the economy and inflation evolves... Expect several [press conference] questions to centre on the Bank's monetary policy reaction function to the Iranian conflict and the expected increase in inflation. "
RBC	Hold	Hold through 2026, 100bp hikes in 2027	"Our base case forecast [] assumes the policy rate remains unchanged for the remainder of 2026 as inflation continues to trend lower toward target."
Scotiabank	Hold	50bp hikes in Q4 2026, 25bp hike in Q1 2027	" forward-looking risks will dominate the BoC's stance on Wednesday including uncertainty over the outlook for the US economy, the positive oil shock, and trade policy risks. The latter two are intertwined; I've long leaned toward a more optimistic stance on trade negotiations with a solid chance of a workable deal."
Other institutions			
JPM	Hold	Hold through 2026	"BoC is likely to look through this near-term volatility and focus on the underlying trend in core inflation, especially given recent labor market softness. The latest jobs figures still suggest that the trade war is damaging employment in most trade-sensitive sectors...data reinforce our longstanding view that risks remain tilted toward further labor market weakness, which could eventually pressure the Bank of Canada to consider additional easing...We do not expect rate hikes as long as inflation expectations stay anchored,and growth remains below potential."
BofA	Hold	Hold through 2026	"While the Iran conflict introduces upside risks to growth and inflation, the rebound in the unemployment rate to 6.7% and the significant job losses in February will likely make the BoC highly cautious about contemplating hikes. Recent data showed a 4Q GDP contraction and continued easing in headline and core inflation, further argue against tightening. In our view, the BoC will not hike as long as inflation expectations remain anchored. Upside risks persist, however: oil prices could rise further or stay elevated for longer, and any larger-than-expected fiscal impulse from the 2025 Budget could even push the BoC toward a hiking bias."
Goldman Sachs	Hold	Hold through 2026	"We expect that the statement will acknowledge the softer spot data but note that headline inflation will increase due to higher oil prices. Given these offsetting considerations, we expect the Governing Council will maintain its assessment that policy is "in about the right place" and leave its guidance broadly unchanged...we see some risk that the BoC hikes this year should supply disruptions last longer than we expect, giving rise to nonlinear effects on inflation...The most significant development for the outlook is the increase in global oil prices due to the war in Iran. Canadian growth should benefit from higher oil prices but face a headwind from tighter financial conditions"
UBS	Hold	Hold through 2026, 50bp hikes in 2027	"Yes, inflation is above target currently but the economy is in a state of excess supply currently with trade policy uncertainty already holding back consumption and investment. We don't think this is the starting point for an energy price shock to turn into a more worrisome impulse to underlying core inflation in Canada. Instead, it could actually make already weak consumption weaker. Therefore we'd argue that the BoC will most likely add this to the growing list of shocks that monetary policy can't necessarily solve but can stay out of the way of, meaning they continue to stand pat this year. But we'd expect that questions on their potential response will feature heavily at next week's post-meeting press conference."
Morgan Stanley	Hold	Hold through 2026, 50bp hikes in 2027	
Wells Fargo	Hold	Hike in Q3 2026, hold through H1 2027	"March is too early for a material change in guidance, particularly with USMCA related trade risks still unresolved. That said, the tone should be less dovish than in recent months. The bar for additional cuts has risen, and the BoC is likely to emphasize two-sided risks rather than a clean easing bias. The external impulse from higher oil prices is a game changer relative to our previous views."
BNY Mellon	Hold		"In its policy statements in subsequent public appearances, BoC officials have emphasized uncertainty and the risks to the economy from trade shocks but have been approving of inflation developments. The Middle East crisis could upend how the Bank characterizes the outcome, but we don't expect much concrete guidance."
ING	Hold		" the press release accompanying the January decision suggested they felt the policy stance was appropriate, with excess supply in the economy offsetting any inflationary threat from US-Canada trade tensions."

Correct to the best of MNI's knowledge as of Mar 16 2026, Sorted by lowest to highest end-2026 rate

Canada Data Review

Inflation - BOC had already sounded fairly sanguine on the inflation front as of the January meeting, agreeing that it was "evolving as expected", even before below-expected CPI prints for January and February. That said, for the BOC, there may have to be an acknowledgement at March's meeting that CPI is tracking on the soft side the January Monetary Policy Report projections. Through the first 2 months of Q1, headline CPI Y/Y is averaging 2.04% vs the MPR's 2.0% expectation, but the 2.5% core (trim/median average) projection looks set to be breached to the downside (averaging 2.38% so far). Overall, core run rates are between the middle-to-bottom ends of the BOC's range.

February's inflation report was roundly softer than expected, with the Y/Y headline rate of 1.78% (unrounded) below the MNI median 1.9% and at the low end of the range of estimates. The category breakdown of February inflation was even softer than the below-consensus headline/core readings suggested. MNI's composite of underlying indices saw Y/Y inflation dip to a 14-month low 2.2% from 2.5% prior. The 6-annualized version of this indicator fell to 2.0% for the first time since July 2024, mirroring a continued pullback across core indicators. (More detail on the February CPI report **here**.)

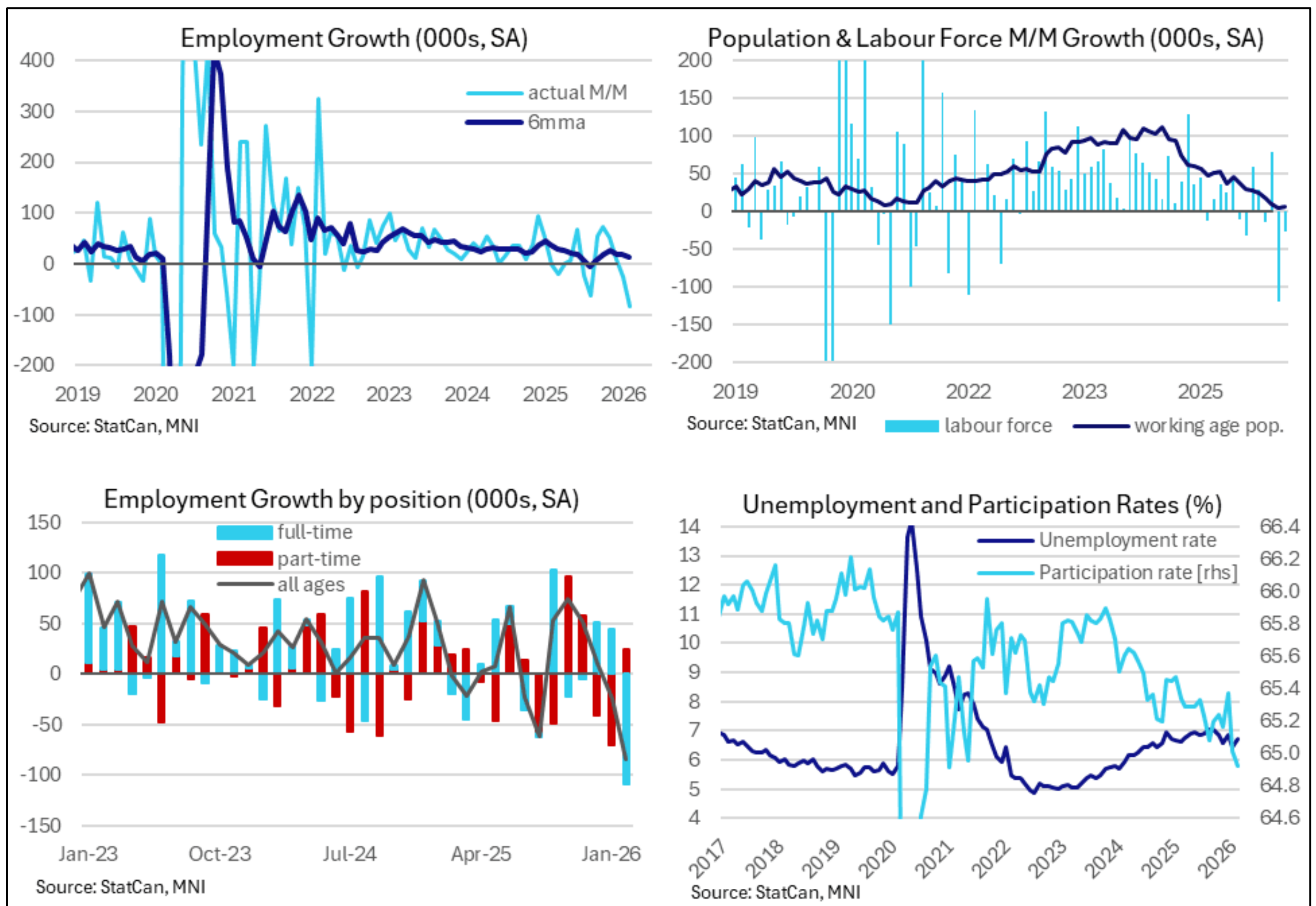


Employment – Labour market reports like February's very weak and broad one could be perceived as a preliminary signal that downside risks feared by the BOC are indeed materializing, particularly when placed alongside signs of weakening underlying inflation dynamics in the month. February's Labour Force Survey was substantially weaker than expected and indeed one of the weakest reports in recent years, both in the headline aggregates and in the details, from full-time job losses to a 2nd consecutive monthly drop in both goods-producing and services employment, and across demographics. The report offered further indications that a sharp moderation

in population growth is crimping employment and labor force expansion, but further reports like the last two will add questions about the demand for labor as well.

The month saw the biggest drop in employment (-83.9k, vs MNI Canada bank analyst median +10k and -24.8k prior) since January 2022; and excluding the Covid years, it's the weakest since January 2009. It also means that employment has risen just 60k in the last year. And unlike January, in which the unemployment rate fell despite an unexpected drop in employment numbers, the jobless rate spiked to 6.71% (from 6.46% prior), matching the MNI Canada bank analyst median 6.7%.

The industry details of February's report were as weak as the population/employment aggregates, and the breadth of declines (13 of 16 industries saw employment drops) will concern the Bank of Canada as it assesses labor market conditions. Of the 84k drop in overall employment, the goods-producing sector was responsible for 28k with services 56k. This was the biggest drop in goods employment since April 2025 (when the US-Canada trade conflict was ramping up), and since Aug 2025 for services.



GDP: Q4 annualized GDP came in at -0.6%, lower than the Bank of Canada's estimate of flat. Looking beyond 2025, the Bank of Canada's January MPR eyed a 1.8% rise in GDP in Q1, with consensus currently at 1.3%, but readings so far this quarter are mixed. StatCan eyes flat January GDP with commodity gains offsetting a decline in factories. The estimate of a 0.6% M/M drop in January wholesale sales (excluding petroleum, petroleum products, and other hydrocarbons and excluding oilseed and grain) comes following an estimate of one of the weakest manufacturing sales figures in a decade (-3.3% in the January advance estimate, with the biggest falls seen in the transportation equipment and machinery subsectors). Advance estimates for January retail sales show a 1.5% M/M increase so activity at the start of the year is looking decidedly mixed.

Key Inter-Meeting BoC Commentary

Speaker	Commentary Since Previous BoC Rate Decision
Tiff Macklem (Governor)	**Mar 4 comments after speech (summary from MNI Policy):** • Bank of Canada Governor Tiff Macklem said his policy interest rate remains appropriate as long as the economic outlook holds up, and financial markets have continued to function since the outbreak of fighting in Iran. • "If the situation changes, and in particular if that has a material effect on the outlook, we are prepared to respond," he said after a speech in Toronto, also echoing a position laid out at the last rate decision on Jan. 28. The Bank's next meeting is March 18 and most investors see the 2.25% overnight rate staying in place into 2027. • The Bank continues to evaluate risks from a trade dispute with the U.S. against a baseline forecast and scenarios mapped out in its economic projections, he said.
Sharon Kozicki (Deputy Governor)	**Mar 2 speech - link - (summary from MNI Policy):** • Bank of Canada officials are more likely to consider interest-rate trade-offs and flexibility in an era where supply shocks often lead the economy into a combination of faster inflation and weaker output, Deputy Governor Sharon Kozicki said in a speech on March 2. • "When we find ourselves facing supply-driven trade-offs, sometimes it will make sense to use our flexibility to manage them, and other times it will not. The right choice won't always be evident," Kozicki said in the text of a speech she's giving at a Norges Bank conference. The Bank's framework aims at correcting deviations from its 2% inflation target over two years and in the past officials have pointed to their ability to show discretion around the timing. • The remarks are pertinent with the Bank having cut interest rates four times last year and now signaling a pause at 2.25%, at a time when core inflation remains above target and output suffering from U.S. tariffs. Kozicki's speech didn't touch on the current rate outlook and most investors see the Bank on hold into next year with elevated risks from trade talks. • Canada's economy since the pandemic has often presented a combination of above-target inflation and economic slack driven by supply shocks, whereas in prior decades there was a more demand-driven cycle, Kozicki said. The more recent experience is difficult because cutting rates for example can boost the economy while feeding inflation. • There can still be situations where policymakers judge that upside inflation pressures will be temporary, or where shoring up output can be more beneficial, she said. The Bank is developing new economic models and using more scenario analysis to help with these decisions, she said, pledging to remain transparent about its reasoning, Kozicki added. • "Flexible inflation targeting has served Canada well in good times and bad. Even over the past year, in the face of disruptions from global trade tensions and increased geopolitical risks, inflation has stayed near the 2% target," she said. "This has allowed the Bank to provide some support to the economy as it adapts to a changing trade environment."
January Meeting Deliberations	The deliberations of the Bank of Canada's January meeting struck a mixed tone on the Canadian economic outlook, one fraught with risks that left Governing Council uncertain over whether its next move would be a cut or a hike. "Governing Council concluded that the risks around the outlook had moved higher....Against this backdrop, members agreed that they would need to maintain optionality in setting monetary policy...Members [] agreed that it was difficult to predict the timing and direction of the next change in the policy rate. They would continue to monitor risks closely and were prepared to respond if the outlook changed." **(Link here)** • Most of the discussion around the economy was a reflection of the updated Monetary Policy Report, with the overall outlook similar to the prior quarterly projections in October. To sum up, Governing Council members "agreed that the economy remained in a state of excess supply, which they expected would be gradually absorbed over the projection horizon." • But we took note of the numerous references to trade uncertainty clouding the outlook. On exports, "the pace at which businesses will adapt to the evolving global trade environment was uncertain." Private sector "investment was likely to remain soft over most of 2026. As uncertainty related to US trade policy dissipates, investment should pick up." • While some of the uncertainties were somewhat nebulous including "ongoing trade disruptions and structural adjustments in the economy" and "geopolitical tensions", more specifically it's clear that the BOC's outlook depends heavily on the outcome of the upcoming review of the free trade deal with the US and Mexico which is up for review this summer.

	• The risks appear to be perceived to be to the downside (ie toward the next move being a cut), and the timing is such that it's unlikely BOC would be in a position to make any decisions on rate policy until the review has concluded: "The review of CUSMA is an important risk to the outlook. Members acknowledged that businesses could remain hesitant to deploy capital until they have more certainty about Canada's trading relationship with the United States. Members noted that there was a broad range of outcomes of the review and recognized that a broadening of US tariffs on Canada would weaken growth further. To a certain degree, the federal government's efforts to reduce Canada's dependence on trade with the United States could support export growth and investment over a longer horizon. Overall, members agreed that the CUSMA review posed a downside risk to economic growth. Inflation could be pulled down if the economy were to weaken, but higher import costs, potential counter-tariffs and supply chain disruptions could also push inflation higher." • This will be a point of continual concern until resolved. Earlier on the day of release, CAD sold off after Bloomberg reported that "President Donald Trump is privately musing about exiting the North American trade pact, people familiar with the matter said, injecting further uncertainty about the deal's future into pivotal renegotiations involving the US, Canada and Mexico." • One area of perceived solidity in the economy: "Domestic demand was expected to continue to be resilient." But elsewhere, strength was downplayed. On the labor market, "Looking at a broad set of indicators, members agreed that the labour market continued to be soft." We took note of the pessimistic word "yet" here in reference to weak employment in trade-related sectors: "While the decline in these sectors had not yet spilled over to other sectors, surveys showed that few businesses had plans to hire more workers in the coming months." • The potential for a growth boost from fiscal policy didn't get much mention at the January press conference (compared with analysts' previews which pointed to stimulus as a reason to expect hikes by end-2026) though it was discussed by Governing Council who "agreed that provincial infrastructure spending and the measures outlined in the federal budget would support investment and overall growth going forward. While government spending was expected to contribute to GDP in 2026, the full impact on growth of these initiatives would take time to materialize." • On inflation, "members agreed that CPI inflation was evolving as expected" with core measures easing to around 2.5% from 3% as recently as October, while 3-/6-month measures of CPI median/trim close to/below 2%, "which members noted was a sign of continued easing in core inflation." And other indicators suggested input and unit labor costs had eased. • Overall, "The costs of reconfiguring trade routes and supply chains could put some upward pressure on inflation but was expected to be offset by downward pressure from excess supply. This would keep inflation close to the 2% target over the projection."

January 28 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 outlook for the global and Canadian economies is little changed relative to the projection in the October Monetary Policy Report (MPR). However, the outlook is vulnerable to unpredictable US trade policies and geopolitical risks.

Economic growth in the United States continues to outpace expectations and is projected to remain solid, driven by AI-related investment and consumer spending. Tariffs are pushing up US inflation, although their effect is expected to fade gradually later this year. In the euro area, growth has been supported by activity in service sectors and will get additional support from fiscal policy. China's GDP growth is expected to slow gradually, as weakening domestic demand offsets strength in exports. Overall, the Bank expects global growth to average about 3% over the projection horizon.

Global financial conditions have remained accommodative overall. Recent weakness in the US dollar has pushed the Canadian dollar above 72 cents, roughly where it had been since the October MPR. Oil prices have been fluctuating in response to geopolitical events and, going forward, are assumed to be slightly below the levels in the October report.

US trade restrictions and uncertainty continue to disrupt growth in Canada. After a strong third quarter, GDP growth in the fourth quarter likely stalled. Exports continue to be buffeted by US tariffs, while domestic demand appears to be picking up. Employment has risen in recent months. Still, the unemployment rate remains elevated at 6.8% and relatively few businesses say they plan to hire more workers.

Economic growth is projected to be modest in the near term as population growth slows and Canada adjusts to US protectionism. In the projection, consumer spending holds up and business investment strengthens gradually, with fiscal policy providing some support. The Bank projects growth of 1.1% in 2026 and 1.5% in 2027, broadly in line with the October projection. A key source of uncertainty is the upcoming review of the Canada-US-Mexico Agreement.

CPI inflation picked up in December to 2.4%, boosted by base-year effects linked to last winter's GST/HST holiday. Excluding the effect of changes in taxes, inflation has been slowing since September. The Bank's preferred measures of core inflation have eased from 3% in October to around 2½% in December. Inflation was 2.1% in 2025 and the Bank expects inflation to stay close to the 2% target over the projection period, with trade-related cost pressures offset by excess supply.

Monetary policy is focused on keeping inflation close to the 2% target while helping the economy through this period of structural adjustment. Governing Council judges the current policy rate remains appropriate, conditional on the economy evolving broadly in line with the outlook we published today. However, uncertainty is heightened and we are monitoring risks closely. If the outlook changes, we are prepared to respond. The Bank is committed to ensuring that Canadians continue to have confidence in price stability through this period of global upheaval.

Latest BOC Links:

- Interest Rate Announcement: https://www.bankofcanada.ca/2026/01/fad-press-release-2026-01-28/
- Press Conference Statement: https://www.bankofcanada.ca/2026/01/opening-statement-2026-01-28/
- Monetary Policy Report: https://www.bankofcanada.ca/publications/mpr/mpr-2026-01-28/
- Press Conference Video: https://www.bankofcanada.ca/multimedia/press-conference-monetary-policyreport-january-2026/

mni Central Bank Watch - Bank of Canada

March 16, 2026

MNI Bank of Canada Data Watch List											
Inflation		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
CPI	% y/y	1.8	2.2	↓	1.9	↓					-0.92
Core CPI - Median	% y/y	2.3	2.8	↓	3.0	↓					-1.69
Industrial Product Price	% m/m	2.7	1.4	↑	0.6	↑					1.85
Breakeven 10-Year	%	2.05	1.93	↑	2.10	↓					0.15
Economic Activity		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
PMI Manufacturing	Index	51.0	48.4	↑	48.3	↑					1.04
GDP	% m/m	0.2	0.2	→	0.0	↑					0.51
Manufacturing Sales	% m/m	-3.04	-1.16	↓	2.28	↓					-1.45
Trade Balance	CAD bn	-3.65	-0.76	↓	-3.70	↑					-0.33
Monetary Analysis		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
M3 Money Supply	% y/y	4.02	4.92	↓	4.19	↓					-1.51
Bank Lending Survey (Q)	% m/m	2.81	0.67	↑	0.67	↑					0.38
New House Prices	% m/m	-0.4	-0.4	→	-0.1	↓					-1.26
Housing Starts	K	250.9	252.4	↓	244.3	↑					-0.36
Consumer / Labour Market		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
Retail Sales	% m/m	-0.4	-0.8	↑	1.4	↓					-0.39
Retail sales Ex-Autos	% m/m	0.1	0.1	→	2.1	↓					-0.20
Employment Chge m/m	K	-83.9	52.3	↓	-61.7	↓					-1.45
Ave Hourly Wage Rate	% y/y	4.20	3.97	↑	3.59	↑					1.64
Markets		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
S&P/TSX Composite	Index	32823	31383	↑	28564	↑					2.22
Canadian 10-Year Yield	%	3.45	3.15	↑	3.38	↑					-1.03
CAD Yield Curve (2s-10s)	bps	72.5	72.8	↓	73.3	↓					-0.26
CAD TWI	Index	117.31	114.60	↑	115.97	↑					1.15

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 Finance L.P.

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 say the policy rate appears appropriate if its economic forecast is realized?
- Does the Bank signal it intends to leave rates on hold?

MNI Policy Team Insights

MNI BOC WATCH: Macklem's Hold Signal Tested By Iran Gas Bump

By Greg Quinn (Mar 13)

OTTAWA – The Bank of Canada is seen keeping its benchmark interest rate unchanged Wednesday, with a focus on how Governor Tiff Macklem describes inflation risks deriving from the Middle East conflict fitting in with his view that slack generated by U.S. tariffs allows him to remain on hold.

All 20 economists surveyed by MNI see the overnight rate staying at 2.25%, the low end of the Bank's neutral range and where it's been since October. The decision is due at 9:45am EST (1345GMT).

Fighting around Iran so far is regarded by investors as boosting Canada's inflation and economic growth by a few tenths of a percent, not enough to disrupt the Bank's baseline view that 2026 is a year of slow adjustment to U.S. tariffs. That leaves scope for inflation to stay in the Bank's 1% to 3% target range unless there is a long spell of high gasoline prices. (See: MNI INTERVIEW: BOC Rate Hike Odds Rise With Higher Oil- ATB)

SECOND ROUND EFFECTS

Investors are checking for whether the Bank's statement adds language about the potential for a short-lived gasoline price bump that they can look through, concern about second-round inflation pressure, or for price expectations to ratchet up. While headline inflation has been near 2% for a while, core indexes only recently slowed from about 3% to around 2.5%.

Canada is a major exporter of oil and gas so higher prices also provide potential upside from higher incomes, exports and investment. The Bank estimates the economy has slack of up to 1.5% of GDP and growth this year at about 1%, enough to keep inflation near 2%. The economy also shrank at a 0.6% annualized pace in the fourth quarter, and employment plunged in February, suggesting even more room.

Deputy Governor Sharon Kozicki’s recent speech supported the view that supply-driven shocks can lead to more policy tradeoffs and reliance on flexibility in meeting the inflation target based on the intensity and duration of different pressures. One uncomfortable situation can be where "monetary policy needs to be tightened even when the economy is weak," she said. (See: MNI INTERVIEW: Trade Woes Mean BOC Stagflationary Risk-CD Howe)

Donald Trump's tariffs on autos, steel and aluminum and his threat to reject a free trade deal later this year is also a major downside risk making it difficult to signal a rate hike to get ahead of inflation pressure. Still, policymakers worldwide are smarting from their decision to leave rates low as prices surged following Russia's invasion of Ukraine.

PREPARED TO RESPOND

Bond investors aren't so sure, with two-year Canada yields up to 2.75% Friday from 2.4% at the end of last month.

Macklem said after a March 4 speech the policy rate remains appropriate as long as the economic outlook holds up. "If the situation changes, and in particular if that has a material effect on the outlook, we are prepared to respond," he said.

MNI INTERVIEW: BOC Rate Hike Odds Rise With Higher Oil- ATB

By Greg Quinn (Mar 5)

OTTAWA - The Bank of Canada's comfort in holding interest rates unchanged will be tested if oil prices boosted by war in Iraq feed domestic inflation, potentially setting up the first rate hike since 2023 despite relatively weak growth, former Alberta and federal finance department official Mark Parsons told MNI.

“Now that oil prices have spiked what they're going to be looking for is their pass through to core inflation,” according to Parsons, formerly Alberta's assistant deputy minister of economics and now chief economist at ATB Financial, which is owned by the province. “If so they're going to want to lean against that and potentially raise interest rates.”

“We have thought that the risks to raising and lowering interest rates were about the same, symmetrical, and now we put more weight towards Canada raising rates because inflation increases,” he said.

Governor Tiff Macklem affirmed Wednesday he can hold the target rate at 2.25% if his base case for inflation near 2% and growth around 1% this year holds. Officials cut four times last year even as core CPI lingered near 3% though there has been a slowdown in recent months. That could turn again with oil prices jumping after the U.S. and Israel attacked Iran.

FORCE THEIR HAND

“Are we getting faster food prices, services, going out for dinner, entertainment and things like that? Is everyone kind of passing these costs on, and then that gets sort of embedded into these higher prices? That’s when it becomes problematic,” Parsons said. (See MNI INTERVIEW2: Food Prices Still Problem Across G7- Champagne)

Investors see the Bank holding into 2027 as the economy rebuilds after the hit from U.S tariffs on autos, steel and aluminum. Bank officials say structural swings are better handled by other arms of policy and that interest rates are of limited efficacy in smoothing the adjustment.

“Given that we have a kind of a weak backdrop for growth, I think the Bank can be somewhat reluctant to raise rates. But if inflation takes off, it could force their hand," Parsons said. He estimates Canada's growth at 1.4% this year and Alberta's at 2.1%.

Contradictory geopolitical risks also make Bank officials reluctant to adjust policy unless it's clear the economy faces a major shift, he said, pointing to a speech Monday by Deputy Sharon Kozicki.

GIANT WAKE-UP CALL

“There's so many geopolitical factors here, supply chain issues, that we really have to take a data-dependent, wait-and-see approach to setting rates. That is really what I'm getting from all that language, including the speech earlier this week,” Parsons said. (See MNI: Canada's Immigrant Clampdown Deepens BOC Conflicts)

For Alberta, Canada's main oil and gas producer, prices may be sustained at levels high enough to rekindle investment in the province's energy industry, he said. That also requires persistent work by governments to undo perceptions about red tape, he suggested.

“Venezuela and Iran have created this giant wake up call for Canada,” Parson said. “What’s less clear is how much it translates into oil and gas investment. The producers are waiting to see if it’s going to be sustained before they go and change their capital plans.”

Rebalancing the economy towards investment and away from consumer spending would give the Bank more latitude in the long run, he said. “If we get our productivity sorted out, that makes the Bank of Canada’s job easier because we can grow the economy without inflation.”

MNI INTERVIEW:Canada Exports Resilient Amid US-Iran Strife:EDC

By Greg Quinn (Mar 5)

OTTAWA - Canadian exporters are poised to show another year of resilience despite ongoing U.S. tariffs and conflict in Iran, as global demand stays solid and higher energy prices create a potential windfall, the government trade bank's chief economist told MNI.

Shipments abroad declined just 2% last year according to calculations by Stuart Bergman of Export Development Canada, a surprise with many investors predicting tariffs would plunge the country into recession. While Donald Trump imposed damaging tariffs on autos, aluminum and steel, in the end 85% of Canada's exports were exempted under USMCA rules that remained in place.

Two-thirds of exporters plan to diversify into new markets to further shield Canada even if Trump takes the unlikely step of shredding bilateral free trade in the face of growing Congressional and CEO resistance, Bergman said.

“The current environment has really done a lot to change the culture around market diversification in Canada,” Bergman said. He sees opportunity in "the sheer growth numbers that you see in parts of the world that you'll never get anymore in our traditional trade partners," adding that "global trade is quite resilient."
(See: MNI INTERVIEW: Canada Seeking Fish Exports Beyond China Deal)

IRAN BUFFER

Canada also has some buffer against economic damage from the conflict in Iran, said Bergman."Higher energy prices, that certainly would be a boon to our energy exporters. We very much still are a resource-based economy."

"On the downside, there's the risk that this eats into global demand because of the increase in prices -- in energy prices that then filter through to other prices. Consumers are already dealing with a cost of living crisis in most of our traditional trade partners." (See: MNI INTERVIEW: Trade Woes Mean BOC Stagflationary Risk-CD Howe)

Business confidence was weak at the end of last year before U.S. incursions into Venezuela and Iran according to EDC polling. The agency's semi-annual Trade Confidence Index rose 4 points to 69.7 but that's the fourth lowest figure in records back to the 1990s.

While confidence is likely even lower now, the balance of opinion about the global economy was already -20 in the survey, suggesting less scope for significant new weakness. Questions about actual export sales showed a +36 balance of opinion.

"How this ultimately shakes out really depends on a whole bunch of assumptions right now that we just don't have our heads around -- like how long does this war last?” Bergman said.

MNI INTERVIEW: Canadians Dodge Mortgage Woes With Longer Loans

By Greg Quinn (Feb 12)

OTTAWA - Canadians living in one of the world's frothiest housing markets are extending the length of their mortgages to avoid failing to pay monthly bills as higher interest rates and inflation boost their expenses, a senior economist at the federal housing agency told MNI.

Those moves have kept arrears rates near historical lows even though it also means households are losing the chance to build up wealth from their property, according to Tania Bourassa-Ochoa from Canada Mortgage and Housing Corp.

"People are putting most of their budget to pay down the house and those expenses so that has definitely contributed to that financial pressure that has been mounting over the years," she said in an interview.

Canada's standard mortgage was a twenty or 25-year loan where the fixed interest rate is reset every five years. Millions of borrowers are going through a shock with mortgage rates reflecting the Bank of Canada's hikes to its trend-setting overnight rate from near zero during the pandemic to as high as 5%. Inflation peaked at 8% before slowing back down to the Bank's 2% target and many polls show households still hurting from high prices, especially for groceries. (See MNI INTERVIEW: Food Prices Still Problem Across G7-Champagne)

“In some cases, it may make sense, a longer amortization period just to make ends meet right at the end of the month,” Bourassa-Ochoa said.

TRADE-OFF

Recent rule changes allowed for more 30-year mortgages and during the pandemic the government encouraged lenders to provide that and other kinds of relief to avoid loans going bad. At the same time, earlier changes made after the 2008 U.S. housing crash such as an interest rate "stress test" have also helped keep borrowers out of trouble, Bourassa-Ochoa said.

Still, loan extensions come at a cost, she added. Extending amortization to 30 years on a CAD400,000 mortgage at a 3.5% interest rate means a household will lose almost CAD50,000 in home equity, she estimates.

"So it's really that trade-off between short term cash flows and short-term relief of financial pressures versus long term wealth accumulation.”

WANING WORRIES

Worries by investors and economists about a housing crash in Canada have given way to the view that the surge in housing prices beyond a million dollars in Vancouver and Toronto has become permanent. The risk remains that consumer debts that have risen to become larger than Canada's GDP will at some point trigger defaults or strain on banks.

Longer amortizations appear to be a permanent trend that will outlast the recent swings in interest rates and inflation, Bourassa-Ochoa said. "The higher cost of living, that is definitely a big piece of the story" she said. So are the rule changes that allow 30-year mortgages and raised the cap on Canada's mortgage insurance, she said.

Borrowers with less than a 20% down payment must pay for mortgage insurance in Canada. Another side effect of the boom has been borrowers taking out a longer loan or making a smaller down payment and taking out insurance to get the kind of house they really want now, she said.

"There's basically a shift between first time home buyers in the uninsured space versus the insurance piece. So what that's telling us is that basically people are also buying more home," Bourassa-Ochoa said.

More than 1.5 million households have already renewed their mortgages at a higher interest rate, CMHC estimates, and another million households are expected to renew this year. The share of new uninsured mortgages at chartered banks with amortizations longer than 25 years remained above 60% for the fourth consecutive year according to the latest data from Q2 2025.

About CAD1.5 trillion of mortgage debt is on loans with terms longer than 20 years.

MNI: Canada's Immigrant Clampdown Deepens BOC Conflicts

By Greg Quinn (Feb 11)

OTTAWA - Canada faces weakened output and labor market tightening because of foreign work permit reductions, adding to risks for its central bank which is already low weak growth and danger from U.S. tariffs.

The rule change will reduce GDP growth by 0.3pp this year according to former Bank of Canada and finance official Pedro Antunes, now chief economist at Signal49 Research. Central bank officials project the economy will expand 1.1%.

Unemployment will decline half a percentage point and wage gains quicken in some industries, but it’s too soon to tell if that boosts inflation, Antunes said. The last labor report showed the jobless rate declined even as hiring fell as the labor force posted the largest-ever decline outside the pandemic.

The conflicting risks align with the Bank’s view about leaving borrowing costs on hold unless the economy lurches one way or the other, though Antunes said on balance the immigration shift creates downside risk.

“It is comfortable with keeping the policy rate where it is, at or close to neutral at the moment. And I would agree that this is a prudent choice,” Antunes said. “They are still assuming that population growth will be positive on a quarterly basis going into next year. So I would say that yes, there are downside risks” on rates.

The BOC says with labor force growth stalling after two decades of gains averaging 1.5%, there's a slowdown in growth potential to about 1%. Such shocks, combined with a tougher global trading environment, mean greater chance of policy error, Governor Tiff Macklem said in a speech Thursday. (See: MNI INTERVIEW: Trade Woes Mean BOC Stagflationary Risk-CD Howe)

BUSINESS COMPLAINTS

Transport Bourassa owner Jean Bourassa says it's impossible to find enough workers to service his fleet of 280 trucks based south of Montreal that has shipped within Canada and to places like Texas since 1956.

“I can’t plan my investment and my business buying new trucks -- every three months, it could change,” Bourassa told MNI after visiting Ottawa to press officials for relief. Some of his mechanics may have to leave in the next few months, further squeezing his business, which in the past has resorted to idling damaged trailers and delaying new truck purchases.

Former BOC staffer and independent consultant David Watt says Canada must limit reliance on cheap foreign labor, but that this makes policy more complex. "There needs to be better modelling, and more focus on their effects in monetary policy deliberations. Mis-identifying what is affecting the economy will lead to policy errors."

Canada curbed record immigration after complaints about a housing squeeze and some employers bypassing local youth to fill restaurant jobs. Bourassa and other executives want a grandfather clause for foreign workers already on the job.

“Job losses aren’t just temporary foreign workers but also residents of Quebec,” CIF Metal President Claude Blanchet told reporters. “When we lose a skilled worker it’s not just a machine that stops,” he said. “Complex production chains also; it’s our clients who pay the cost.”

A departmental spokeswoman for Minister of Jobs Patty Hajdu told MNI "employers are expected to recruit, upskill, and train domestic workers first and the Government enforces that." The immigration department declined MNI's request for comment.

Quebec's aging population means "aggressively cutting back on immigration could exacerbate labour shortages, slow down economic growth" in the province, say Desjardins economists Sonny Scarfone and Hendrix Vachon.

Immigration powers are shared between federal and provincial governments, and Bourassa noted the contrast with his struggles and Quebec bringing in workers linked to its own projects in public works, healthcare and staff for subsidized daycares.

“Government, they recognize they need staff and they don’t have enough but they say keep it closed for Bourassa and for the other companies.”

MNI INTERVIEW: Trade Woes Mean BOC Stagflationary Risk-CD Howe

By Greg Quinn (Jan 29)

OTTAWA - Canada risks a combination of sluggish growth and sticky inflation as the central bank aims to keep interest rates around neutral in order to leave room to respond to the outcome of U.S. trade talks, the head of a shadow monetary council told MNI.

“I’m going to be interested to see if we end up in these kind of stagflationary scenarios,” said C.D. Howe President Jeremy Kronick. The Toronto-based think-tank runs a shadow monetary council and its membership includes many former top central bankers.

The Bank of Canada's kept its policy rate at 2.25% Wednesday, which Kronick said isn't just at the low end of the official real neutral range but actually negative compared with headline inflation. The Bank has lowered rates from 5% as the Covid inflation surge ended and this is a phase with more conflicting data and continued U.S. policy turmoil, he said.

“I don’t think you want to do much more in this kind of environment. You’ve just come back from an inflationary surge," Kronick said. “The right move is to hold.” (See: MNI INTERVIEW: BOC Hold This Year As Economy Rebuilds-Mc Mahon)

WEAK LABOR MARKET

Governor Tiff Macklem said Wednesday he intends to hold rates if a base case of modest growth and inflation over the next two years is realized. While it's unclear what the next rate move might be, Macklem said he also sees a big risk from trade talks.

There's less reason for optimism about Canada outperforming growth expectations again this year, and a lot more work is needed to fix longstanding productivity and investment weakness, Kronick said.

“Third quarter GDP was weak, fourth quarter GDP looks like it’s weak, the labor market under the hood I think it’s also fairly weak,” he said. “A lot of the resilience we saw in 2025 is starting to run out.”

EXPECTATIONS RISK

High-profile inflation pockets also persist especially for groceries and that creates some risk that price expectations will become unanchored, he said. (See: MNI INTERVIEW2: Food Prices Still Problem Across G7- Champagne)

“I haven’t seen any data suggesting that they’ve become de-anchored, yet, but that always is the worry,” he said. “You can only look through certain inflation elements for so long.”

A union leader told a Toronto business crowd this week members are rejecting deals recommended by bargaining teams largely because of things like higher grocery costs. “Pressures on union leaders to get wage increases of 3% to 5% have intensified," said Sean Strickland of Canada's Building Trades Unions.

Canada's finance minister also told MNI this week leaders across the G7 are concerned about food inflation, and Francois-Philippe Champagne opened Parliament this week with a new grocery tax rebate.

DRY POWDER

Several times when asked about stagflation, Macklem has said conditions these days are nothing like the 1970s. Inflation averaged more than 7% in that decade and unemployment was also often in that range.

In the near term, investors are split on a potential interest-rate cut in coming months as trade conditions worsen or a hike late this year as inflation pressures emerge. Such forecasts are more difficult in this uncertain environment, Kronick said.

"There's a number of things happening on both sides; and it could go in different ways," Kronick said. "You're best to keep the powder dry and keep reassessing."