Tiff Macklem: Monetary Policy Decision

Opening statement by Mr Tiff Macklem, Governor of the Bank of Canada and Ms Carolyn Rogers, Senior Deputy Governor of the Bank of Canada, at the press conference following the monetary policy decision, Ottawa, Ontario, 10 December 2025.

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Good morning. I'm pleased to be here with Senior Deputy Governor Carolyn Rogers to discuss today's monetary policy decision.

Today, Governing Council maintained the policy interest rate at 2.25%.

We have three main messages.

First, steep US tariffs on steel, aluminum, autos and lumber have hit these sectors hard, and uncertainty about US trade policy is weighing on business investment more broadly. But so far, the economy is proving resilient overall.

Second, inflationary pressures continue to be contained despite added costs related to the reconfiguration of trade. Total CPI inflation has been close to the 2% target for more than a year now, and we expect it to remain near the target.

Third, in the current situation, Governing Council sees the current policy rate at about the right level to keep inflation close to 2% while helping the economy through this period of structural adjustment. Nevertheless, uncertainty remains high and the range of possible outcomes is wider than usual. If the outlook changes, we are prepared to respond.

Let me expand on how we're interpreting the new information we received since we published our October *Monetary Policy Report*.

In November, Statistics Canada published broad revisions to Canada's economic growth numbers for 2022, 2023 and 2024. The revisions suggest the Canadian economy was healthier than we previously thought before we were hit by the US trade conflict. In particular, they suggest both demand and economic capacity were higher coming into this year. This may explain some of the resilience we're seeing in more recent data.

After falling 1.8% in the second quarter due to sharply lower exports, Canadian GDP grew 2.6% in the third quarter. This was much stronger than we expected, but largely reflected volatility in trade. Final domestic demand was flat in the quarter. We expect growth in final domestic demand to resume, but with an anticipated decline in net exports, GDP growth is likely to be weak in the fourth quarter before picking up in 2026.

The labour market is showing some signs of improvement. After declining through the summer, employment has posted solid gains for the past three months and the unemployment rate has declined to 6.5% in November. Since the start of the year, there have been significant job losses in trade-sensitive sectors. But in recent months, employment in these sectors has been more stable, so gains in other sectors-particularly services-have boosted overall employment. Looking ahead, however, we're seeing muted hiring intentions across the economy.

Inflation has evolved largely as expected. CPI inflation was 2.2% in October, and measures of core inflation remained in the range of 2½% to 3%. In the months ahead, we will see some choppiness in headline inflation, reflecting the temporary GST/HST holiday on some goods and services a year ago. This is likely to push inflation temporarily higher in the near term. Seeing through this choppiness, we expect ongoing economic slack to roughly offset cost pressures associated with the reconfiguration of trade, keeping CPI inflation close to the 2% target.

The recent federal budget includes increases in government spending, particularly in defence, and measures to increase public and private sector investment. It will take some time for the impact of these measures to be fully realized, and we expect they will contribute to growth in both demand and supply in the economy. As usual, we will incorporate updated fiscal measures from federal and provincial budgets in our next economic projection in January.

Taking all these developments into consideration, Governing Council assessed the stance of monetary policy. After cutting the policy interest rate in September and October, Governing Council had indicated that if inflation and economic activity were to evolve broadly in line with the October projection, the policy rate would be about right. While information since the last decision has affected the near-term dynamics of GDP growth, it has not changed our view that GDP will expand at a moderate pace in 2026 and inflation will remain close to target. Governing Council therefore decided to hold the policy rate unchanged. We agreed that a policy rate at the lower end of the neutral range was appropriate to provide some support for the economy as it works through this structural transition while keeping inflationary pressures contained.

Finally, Governing Council acknowledged that uncertainty remains elevated. This includes the unpredictability of US trade policy. In particular, the upcoming review of the Canada-United States-Mexico Agreement is creating uncertainty for many businesses. There is also uncertainty about how the Canadian economy will adjust to higher tariffs. The volatility we're seeing in trade and quarterly GDP make it more difficult to assess the underlying momentum of the economy.

We will be assessing incoming data relative to our outlook. If a new shock or an accumulation of evidence materially change the outlook, we are prepared to respond.

Increased trade friction with the United States means our economy works less efficiently, with higher costs and less income. This is more than a cyclical downturn-it's a structural transition. Monetary policy cannot restore lost supply. But it can help the economy adjust as long as inflation is well controlled. The Bank of Canada is focused on ensuring Canadians continue to have confidence in price stability through this period of global upheaval.

With that, the Senior Deputy Governor and I would be pleased to take your questions.