

Tiff Macklem: Release of the Monetary Policy Report

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, 29 April 2026.

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Good morning. I'm pleased to be here with Senior Deputy Governor Carolyn Rogers to discuss our quarterly *Monetary Policy Report* and today's decision.

The Governing Council maintained the policy interest rate at 2.25%. We've held the policy rate at this level since October.

We have three key messages.

First, Canada is being buffeted by global events and geopolitical uncertainties, but our economy is growing and is expected to continue to grow.

Second, after more than a year with inflation close to the 2% target, higher global energy prices are pushing inflation up. The surge in gasoline prices combined with still-elevated food price inflation is squeezing more Canadians.

Third, monetary policy is focused on ensuring the jump in energy prices does not turn into persistent inflation, while helping the economy adjust to global headwinds. We are committed to keeping inflation low and stable over time.

Let me expand on the economic outlook, the risks and the implications for monetary policy.

Since our previous forecast in January, the war in the Middle East has sent global energy prices sharply higher, increased financial market volatility and disrupted shipping for fertilizer and other commodities. This has lowered the outlook for global growth while boosting inflation.

In Canada, growth looks to have resumed after contracting at the end of 2025. Consumer and government spending are contributing to growth, while US tariffs and trade uncertainty are weighing on exports and business investment. The labour market is soft, with the unemployment rate remaining in the 6½%---7% range, reflecting both weak hiring and fewer job seekers.

Our forecast for GDP growth in Canada has not changed significantly since our January projection. The conflict in the Middle East will affect the composition of growth, but the impact on overall growth is expected to be small because higher global oil prices increase the value of our energy exports even as they squeeze consumers and many businesses.

In our forecast today, the Bank projects the economy will expand 1.2% in 2026, 1.6% in 2027 and 1.7% in 2028, as growth in exports and business investment gradually resumes. With GDP growth slightly above potential, the current excess supply in the economy is slowly absorbed.

Until the war, we expected inflation to stay close to the 2% target. But sharply higher gasoline prices are now pushing up inflation. CPI inflation rose from 1.8% in February to 2.4% in March.

Core inflation has been easing and held steady just above 2% in March. The proportion of the components of the CPI basket rising faster than 3% has also declined in recent months. So far, there is little evidence that higher oil prices have fed through to other goods and services prices more broadly. But it is early days and we will be watching this closely. We will also be closely monitoring inflation expectations. Near-term inflation expectations have moved up with higher gasoline prices and still-elevated food price inflation, but longer-term inflation expectations remain anchored.

Based on recent market expectations, oil prices are assumed to decline from an average of about US\$90 a barrel in the second quarter to about US\$75 a barrel by the middle of next year. If that happens, inflation should peak around 3% in April and ease back to the 2% target by early next year.

The Bank of Canada is committed to keeping inflation close to the 2% target over time. The monetary policy needed to achieve this will depend importantly on what happens with the Canada-United States-Mexico trade agreement, the conflict in the Middle East, and the impacts of US tariffs and energy prices on our economy.

At our meeting this week, we decided to maintain the policy rate at 2.25%. Governing Council agreed to look through the war's immediate impact on inflation but if energy prices stay high, we will not let their effects become persistent inflation.

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. There may still be a need to adjust the policy rate depending on how the risks evolve. But if the economy evolves broadly in line with the base case, changes in the policy rate can be expected to be small.

However, uncertainty is unusually elevated, and there are many possible outcomes. Monetary policy may need to be nimble.

If the United States imposes significant new trade restrictions on Canada, we may need to cut the policy rate further to support economic growth. Alternatively, if oil prices continue to increase, and particularly if they remain elevated, the risk that higher energy prices become ongoing generalized inflation increases. If this starts to happen, monetary policy will have more work to do—there may be a need for consecutive increases in the policy rate.

Of course, these are not the only possible outcomes. We will be watching developments closely and assessing their implications for growth and inflation. As the outlook evolves, we stand ready to respond as needed.

The Bank is committed to ensuring that Canadians continue to have confidence in price stability through this period of global upheaval.

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