Let’s Talk Inflation Survey Report

Nov 2020

Executive Summary

In August 2020, Bank of Canada contracted Bang the Table to help it deliver a digital community engagement program across Canada to learn about community views and attitudes towards monetary policy. Running for six weeks from August to October 2020, an online survey sought to uncover key insights about the effects and impacts of monetary policy. Below are some key findings taken from the survey which are described in further detail throughout each section of this report.

Survey Responses:

- Every province and territory from across Canada was represented in the survey with a total of 8743 submissions being received. The most participation came from Quebec accounting for 3698 responses or 42.3% of all submissions. Overall, 86% of all submissions were received from Quebec, Ontario and British Colombia combined.
- While there was demographic diversity in the survey, the largest group of respondents were male aged 25-44 with university diplomas and household incomes over $100,000. They accounted for 1490 responses or 17% or all submissions.

Effects and Perceptions of Inflation:

- The effects of price changes on goods and services was mostly felt in groceries, take-out and household operations, except for people aged under 44 who also reported they had felt the effects of pricing changes on housing more than older Canadians.
- Pricing effects were also reported to have been significantly felt in construction and materials such as lumber and tools, telecommunications including mobile phone and internet charges as well as healthcare including medicines and personal care.
- The majority of participants said they had to reconsider their spending habits due to price changes and many of them discussed shifting away from discretionary spending to only essentials.
- 90% of participants felt that managing monthly expenses was somewhat or very important to them.
- On inflation, 55.2% of participants felt that 2% inflation was not a realistic representation of the inflation they experienced, with 90.1% of those same respondents indicating they thought the inflation felt across Canada was actually higher than 2%.
- People were generally worried about the rising costs of goods and services with many reporting they worried significantly about the costs of living, jobs and personal finances.

Trade-offs:

- Participants reported they felt that people on fixed incomes, the economically disadvantaged and seniors were the groups most affected by inflation.
- The majority of people felt the best policy for the Bank to consider when making its interest rate decisions was to find one which did not favour any particular group.

- People reported recognizing a connection between inflation and wages with 52.6% of participants indicating that when their wages don't rise as fast as inflation, they felt they could afford less.
- Overall, people were more likely to prefer a targeted range for inflation from 1.5% to 2.5% to allow for different economic situations and were also more supportive of the Bank taking a longer period to get back to the target by having smoother adjustment in interest rates over a longer time period. The majority of participants also said they would prefer an interest rate that balances both high and low inflation to allow for some returns on savings with less personal debt build up.
- 33.8% of participants said they would not accept higher or more volatile prices in exchange for a stronger economy in the near term, while 36.8% of respondents said 'it depends' with only 19.8% saying they would accept higher or more volatile prices in exchange for a stronger economy.
- 40.7% of participants said they would not accept higher or more volatile prices in exchange for higher wage growth, while another 30% indicated 'it depends'. 21.9% said they would accept higher or more volatile prices in exchange for higher wage growth.

Comparing Frameworks:

- Overall, participants views were relatively indecisive when it came to selecting an alternative framework that they felt was better than the Bank's current approach.
- A Dual mandate (targeting both an inflation and employment objective) was selected as the best alternative framework to the Bank's current approach (28.7% of participants supporting this option).
- However, it also appeared to be the most polarizing, with many participants considering it to be a step too far for the Bank and that the Bank could risk becoming too political.
- A number of participants (49.8%) indicated they thought nominal GDP growth targeting was least likely to be better than the Bank's current framework. Nominal GDP growth targeting was also was considered the least popular approach to best serve Canadians with only 8.5% of participants saying it would serve Canadians best.
- While all alternative frameworks were generally seen as easy to understand, average-inflation targeting, and a dual mandate (inflation and employment) were seen as the easiest frameworks to understand with about 80% of all participants indicating they were 'easy' or 'somewhat easy' to understand.

Extraordinary Policy Tools:

- 73% of participants were not in favour of the Bank using negative interest rates if the economy was in trouble, however they were generally aware and supportive of the Bank buying large amounts of government and corporate bonds as part of quantitative easing with 75.6% of participants supporting this activity.

- Overall, 66.8% of participants thought that the Bank should give forward guidance— that is, provide communication to markets and the public about its future monetary policy intentions, based on its assessment of the economic outlook.

1.0 Introduction

1.1. Background

Every five years, the Bank of Canada and the federal government renew their agreement on the Bank's approach to monetary policy. To help inform this review process, the Bank of Canada engaged Bang the Table to support the delivery of an online survey that captured the views and opinions of Canadians in relation to a range of alternative approaches to monetary policy. This engagement was designed to help the Bank assess its monetary policy framework and toolkit in three ways; a comparison of the current approaches against potential alternatives; ensuring the Bank has the right tools for the job; and to assess perceptions of how each approach works with fiscal and financial stability policies. An online survey was launched in both French and English using Bang the Table's online engagement platform EngagementHQ and six weeks was allowed for public input running from August 24th to October 6th, 2020. This report provides a summary analysis of the outcomes of the surveys.

1.2 Method

The online surveying instrument used to inform this report was broken down into four distinct areas of inquiry. Section one focused on the ways in which individuals and families experience the effects of inflation on goods and services. This included questions that explored how spending habits and personal budgeting was impacted by price changes as well as learning about the constituents and communities most impacted by rising prices and the perceived relationship between inflation and wages.

Section two explored the views and attitudes of Canadians in relation to their acceptance of a range of inflation trade-off questions. This included understanding the preferred inflation targets of the community, the approach which should be taken to achieve those targets as well as learning about attitudes towards interest rates, price volatility, economic growth and jobs and wage growth.

Section three of the survey focused on alternative approaches to monetary policy by asking participants to consider four alternative monetary policy frameworks; price-level targeting; average-inflation targeting; nominal GDP growth targeting; and a dual mandate (inflation and employment targets). Participants were asked to learn about and reflect on each framework and provide feedback on whether or not each framework was easy to comprehend, how easy they felt it would for the Bank to implement and achieve as well as perceptions about whether each alternative framework was better than the Bank's current approach of inflation targeting. This section also asked participants to consider which framework they thought would be best for Canadians overall.

Finally, section four of the survey sought to understand views and attitudes towards the additional tools that the Bank of Canada has at its disposal for use in a crisis. This focused on negative interest rates, quantitative easing and attitudes towards forward guidance (signaling). The survey was designed as an anonymous participation survey, however demographic information such as age, income, location, and levels of education was captured to allow for further segmenting and analysis.

1.3 Limitations

There are several key limitations to the analysis conducted within this report. These limitations are mainly due to the large volume of qualitative inputs as well as the bilingual requirements of the survey. Firstly, in order to analyze all responses in English as a base language, Google Translate was deployed to translate all French responses into English. While Google Translate is one of the most comprehensive translation engines available on the market, the translated comments are not guaranteed to be 100% accurate when compared to a natural language translation.

Furthermore, once all of the submissions were translated into English, qualitative analysis was then conducted on top of the translated content. Due to the large volume of qualitative inputs, a content classifier and key tag extractor was developed using a machine learning engine to assist in tagging qualitative inputs. As with any qualitative analysis process, the accuracy of tagging and the development of tagging and classifier models will be heavily influenced by the subjective lens of the person completing the tasks. All attempts have been made to effectively summarize qualitative inputs in this report to make discovery of feedback simplified, however the classification of qualitative inputs should be used as a guide only and a means of exploring qualitative inputs rather than taken as hard quantifiable numbers.

2.0 Participation

2.1 Location

Overall, the survey received broad participation from across Canada with a total of 8,743 submissions received during the consultation period. All provinces and territories from across Canada were represented in the survey with submissions from more than 1110 individual cities. Of these submissions, 3,485 were made via the French language version of the survey and 5,258 were completed in English. The largest amount of submissions was received in Quebec accounting for 42.3% of all submissions, followed by Ontario with 31.8% of submissions and British Colombia contributing 11.9% of all submissions. These three locations accounted for a combined total of 86% of all submissions to the survey. The least represented provinces/territories included Prince Edward Island (15), Northwest Territories (11) and Nunavut (5). Figure 2. (over page) shows the geographic spread of contributions from across Canada.

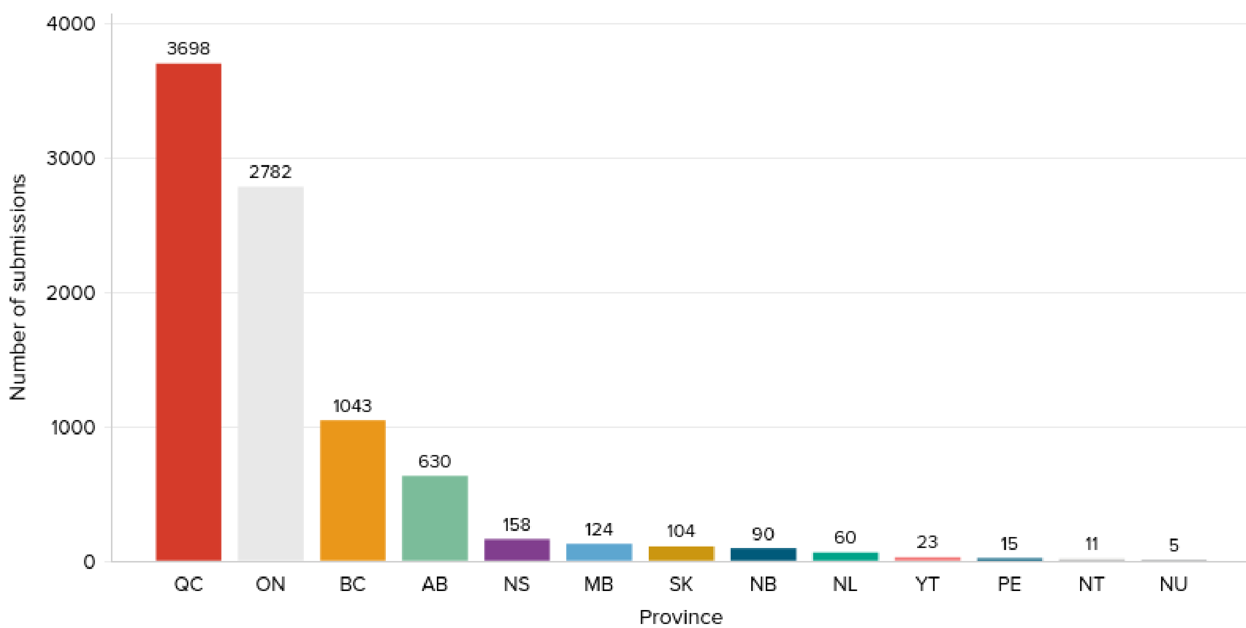

Figure 1: Total amount of submissions received for each province/territory.

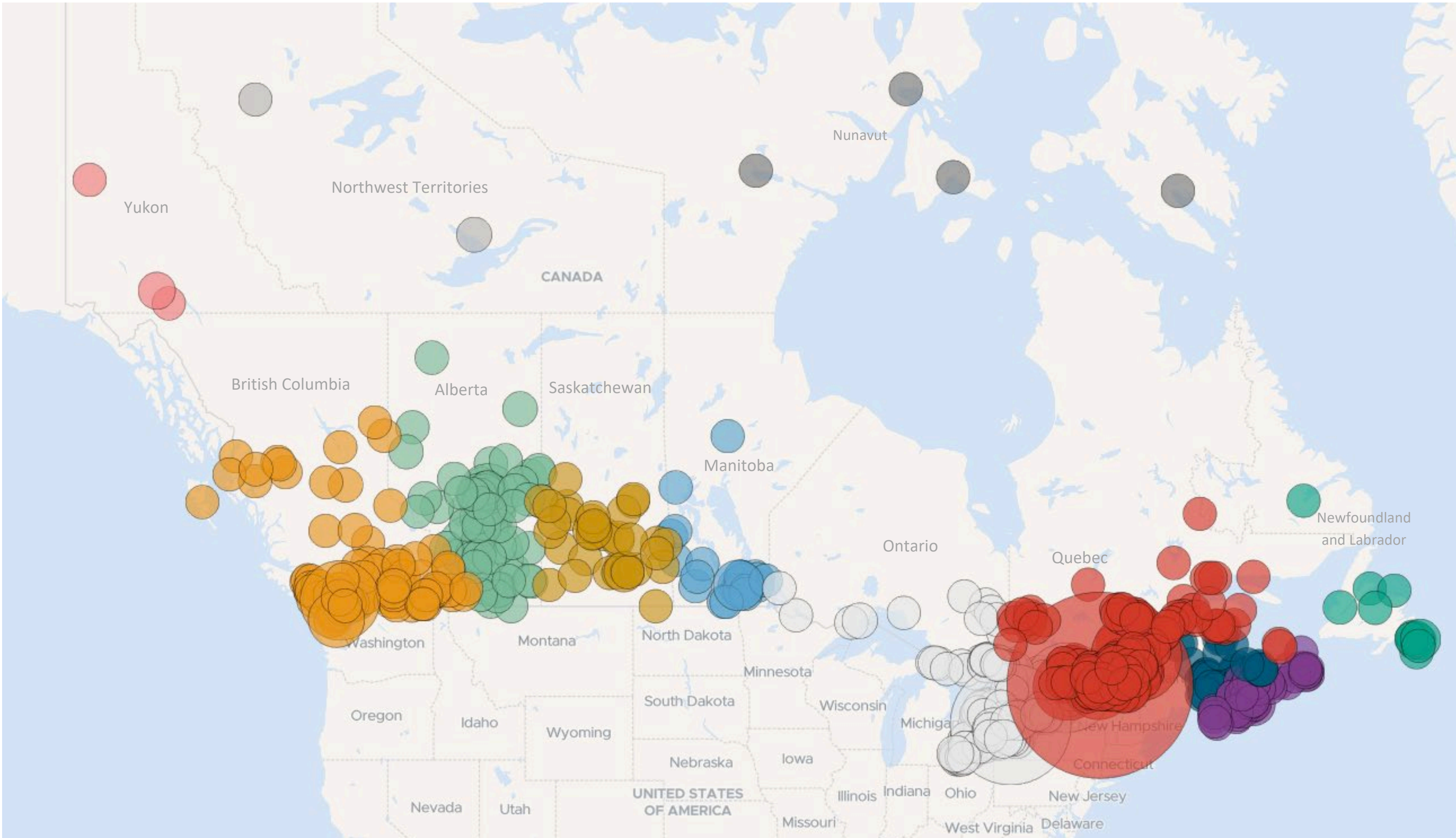

Figure 2: Map showing location of participants across Canada.

2.2 Gender

Men were the largest contributors to the survey accounting for 70.2% of all submissions while women accounted for only 24.8% of submissions. Only 5% of submissions were received from participants who chose to not answer their gender or selected 'other' as their gender identity. Figure 3. (below) shows the breakdown of participation by gender.

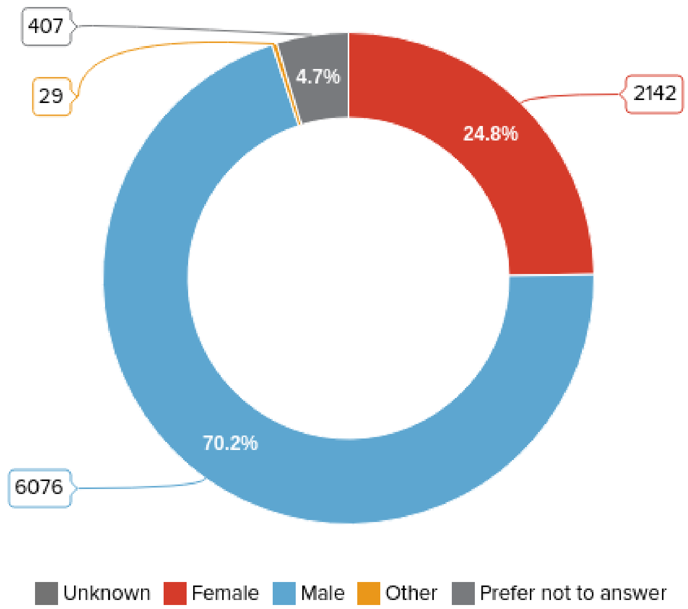

Figure 3: Breakdown of participation by gender identity.

2.3. Age

Participants age ranges spanned 18 to 75+ years-of-age, with the most represented group being 25-44-year-olds accounting for 46.3% of all survey submissions. Participation by other age groups included 45-64 years-old accounting for 33.7% of participants, 65-74 years-old with 12.9% , 18-24-year-olds accounting for 4.2% and 75+ year-olds representing only 2.8% of all participants. Figure 4. (over page) shows the breakdown of participation by age grouping.

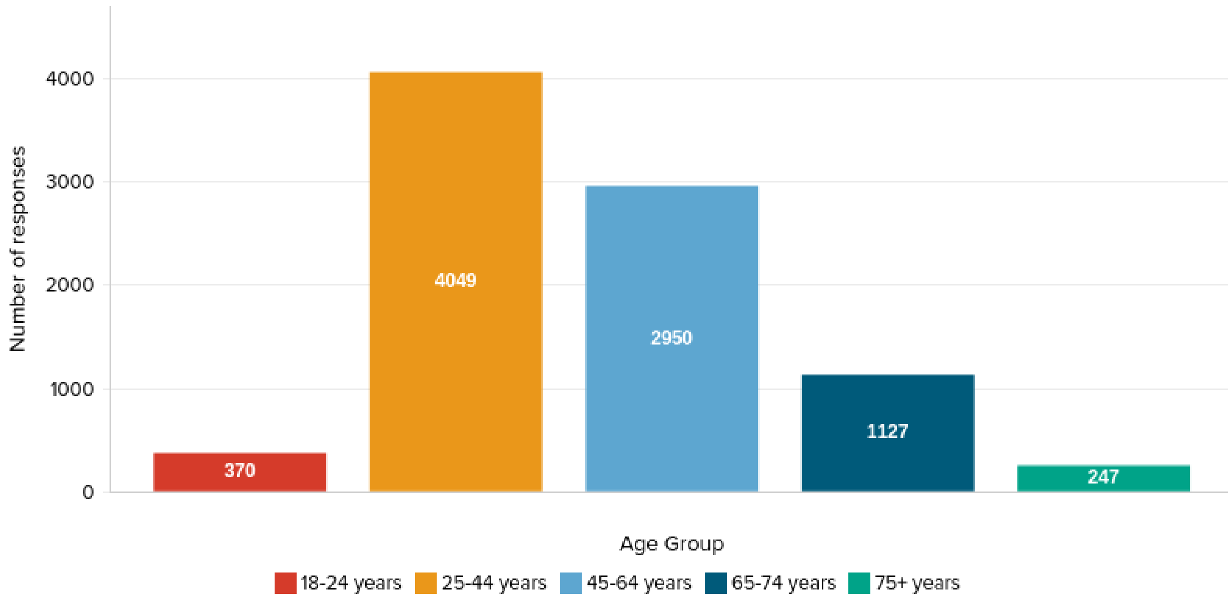

Figure 4: Breakdown of participation by age grouping.

2.4. Education

The majority of participants representing 70.9% indicated they had achieved a university diploma level of education. Of this group, 55% indicated they had a Baccalaureate, 37.8% indicated they had a Master level of education and 7.2% indicated they had a PhD. Other education levels represented include, college or CEGEP accounting for 16.6%, high school graduates accounting for 7.6%, diplomas accounting for 3.7% as well as participants with no degree representing only 1.3% of participants. Figure 5. (below) shows the breakdown of education levels represented in the consultation.

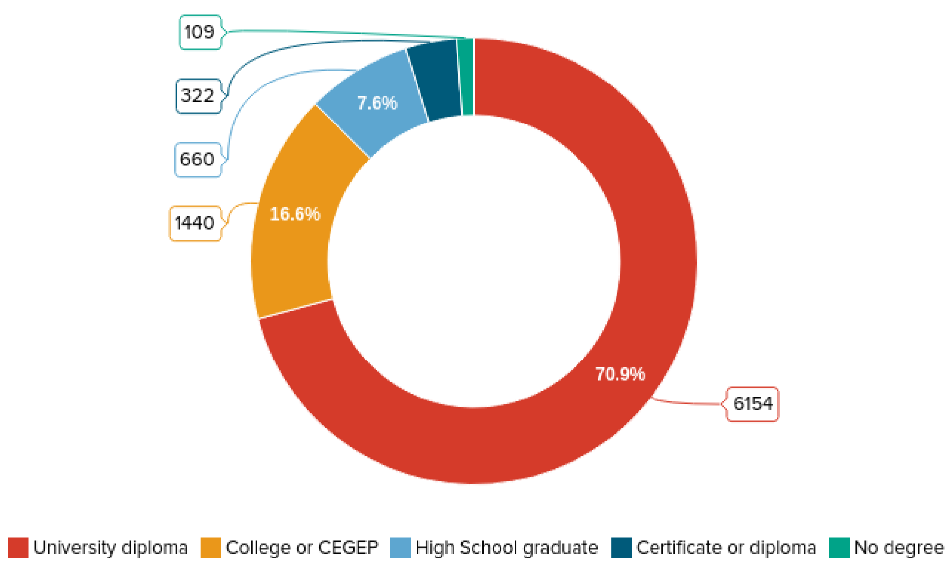

Figure 5: Participation by educational attainment.

2.5 Income

More than half of the survey submissions were made by people who indicated their average annual household incomes was '$100,000 or more', accounting for 50.5% of all participants. Annual household income distribution outside of this group was fairly even, with each household income group representing from 8.1% for participants earning '$90,000 to $100,000' to 4.3% of participants coming from households earning '$30,000 to $40,000'.. Figure 6. (below) shows the breakdown of household income of participants.

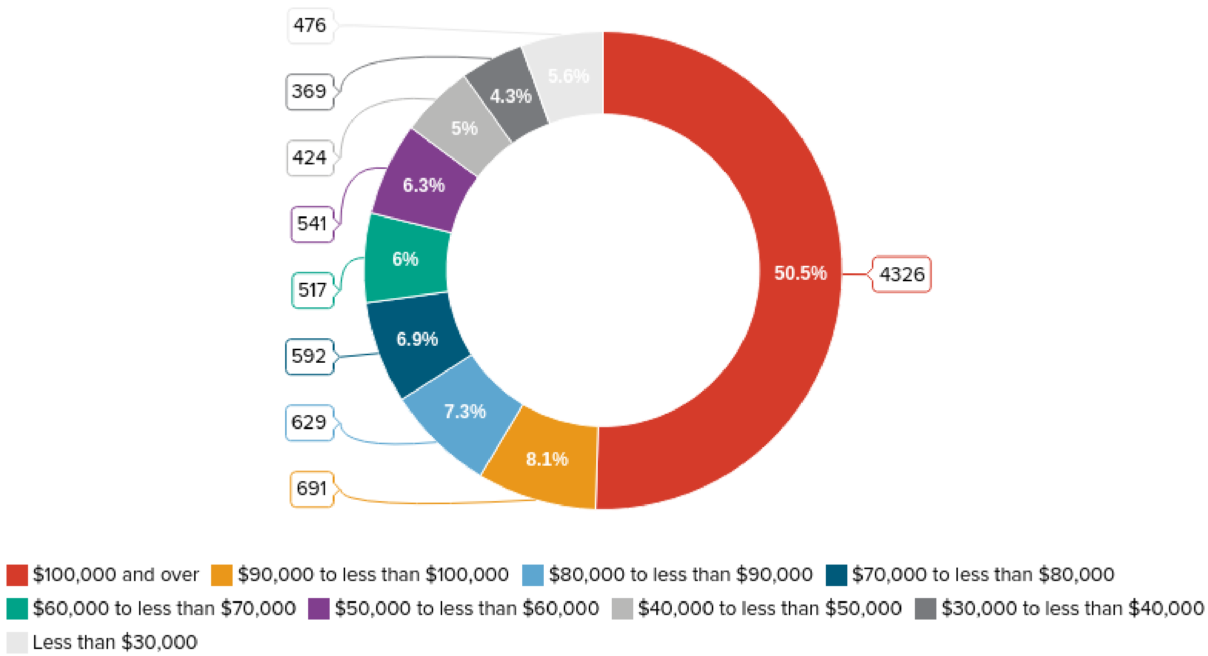

Figure 6: Average annual household income of participants.

3.0 How inflation affects you

3.1 Price stability

Participants were asked about the extent to which they had felt the effects of prices changes for a range of goods and services. Across all demographic profiles, groceries were reported as the good or service which participants had most felt the effects of prices changes with 88% of participants selecting this option. Overall, about 50% of respondents indicated they had felt the effects of price changes on ‘restaurants/take out’, ‘household operations’ including utility bills, furnishing and equipment and ‘transportation’. Only about 30% of respondents indicated they had felt the effects of price changes on ‘health and personal care’, ‘clothing and footwear’, ‘recreation, education and reading’ and ‘alcoholic beverages, tobacco products and cannabis’. Figure 7. (below) shows an overview of where the effects of price changes have mostly been felt.

An observation which tends to support popular wisdom in relation to younger people and access to the housing market, was that when looking at the different effects of price changes felt across age-groups, 56% of participants aged between 18-44 indicated that they had felt the effects of price changes on ‘housing’ compared to only 32% of respondents aged 45-75+. For this younger group, housing was the second most impactful area where the effects of prices changes were felt behind groceries. Older respondents aged 45-75+ indicated ‘household operations’ was the second most prominent area where they had felt the effects of price changes. Figure 8. (over page) shows the different effects of pricing on goods and services broken down by age group.

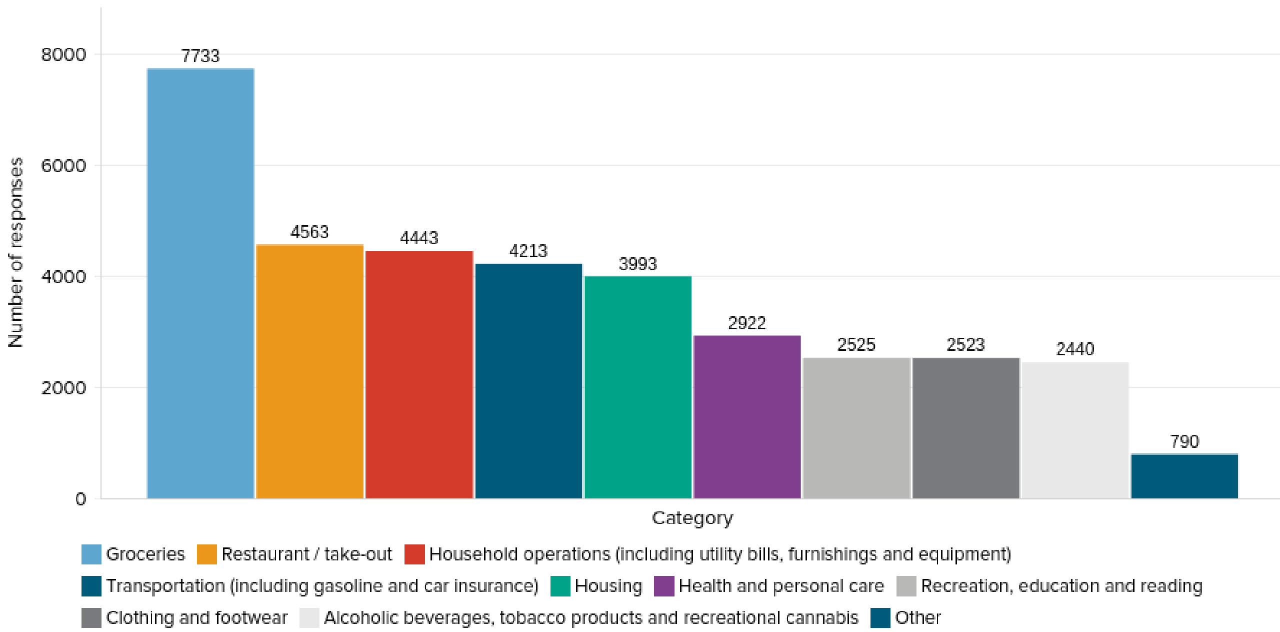

Figure 7: Personal effects of prices on goods and services.

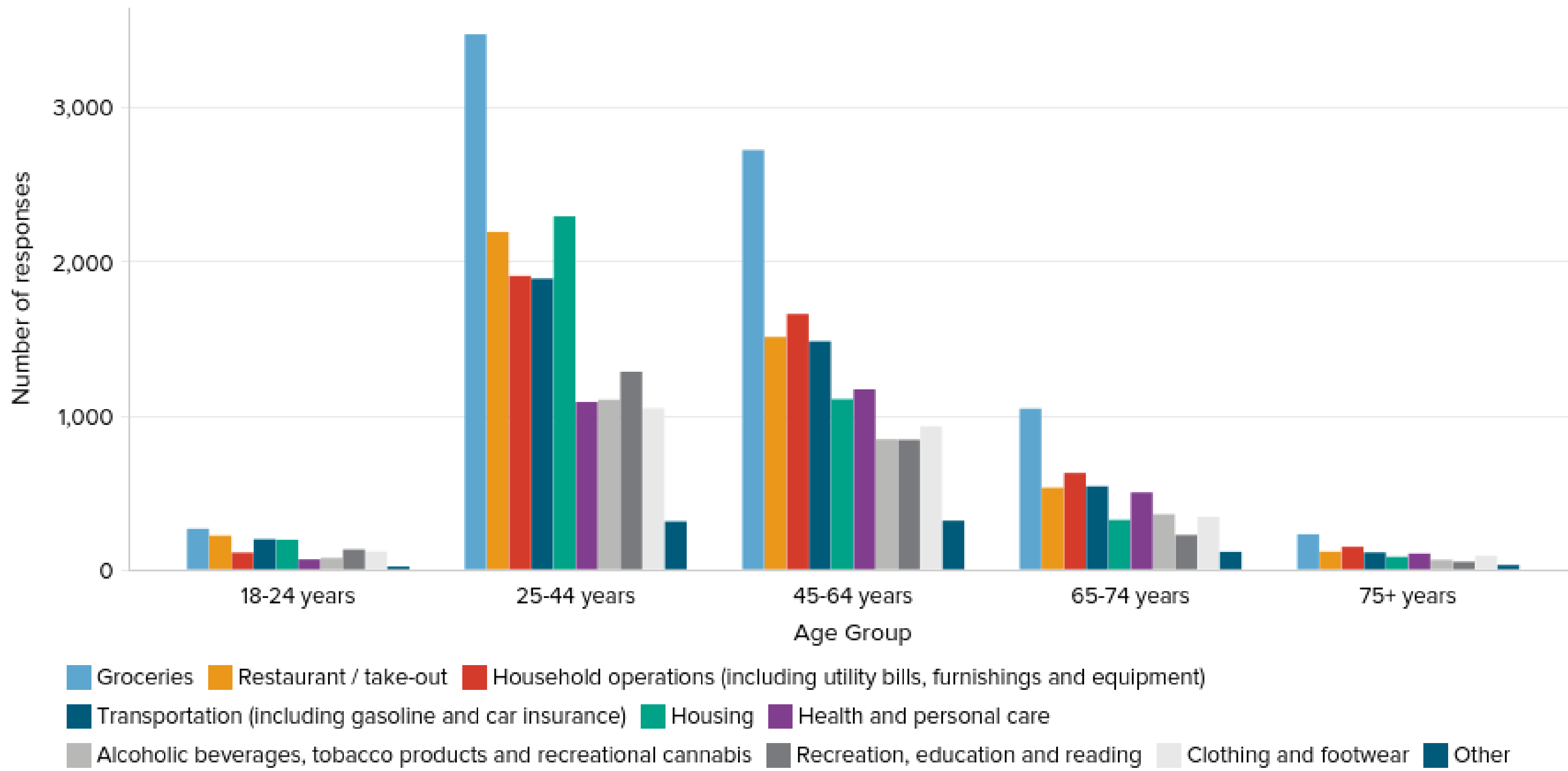

Figure 8: Personal effects of price changes on goods and services by age breakdown.

There were 790 participants who indicated they had also felt the effects of price changes on 'other' goods and services. Of these responses, construction materials featured prominently with more than 191 mentions. Within this category, many participants indicated they had felt the effects of price changes of machinery, tools, lumber and other construction materials. There were also 135 mentions of 'house prices', 'house maintenance', 'property related taxes and rent'. Other prominent areas where the effects of prices changes had been felt included 'cellular and internet costs' (123 mentions) 'banking fees', 'insurance and financial services' (96 mentions), 'medicine and health care' (94 mentions) as well as 'cars, vehicles and transport' related pricing effects (82 mentions). Figure 9. (below) shows a breakdown of the most prominent additional areas where the impacts of prices on goods and services has been felt by participants.

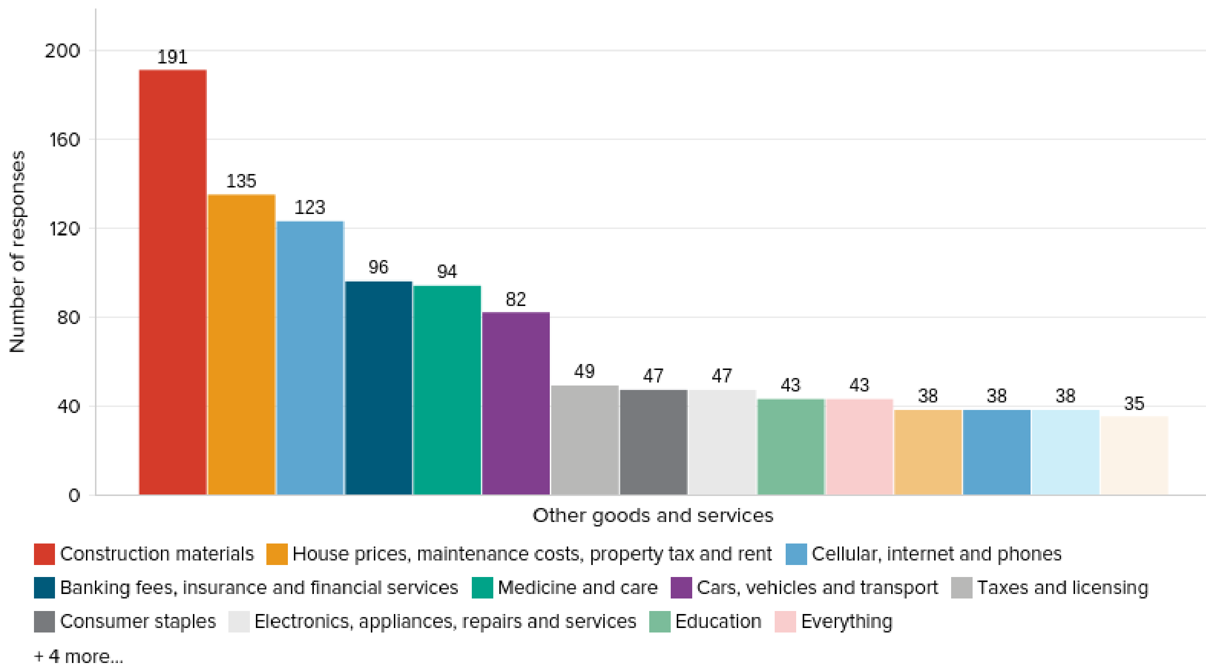

Figure 9: Other goods and services where the effects of price changes has been felt.

3.2 Changes in spending habits

When looking at the ways in which participants indicated they had changed their spending habits because of a price change, the majority of participants said they had changed by cutting back on discretionary spending. Comments such as *"buying less groceries, being more-thrifty with products I buy", "reducing pleasure spending" and "fewer small pleasures" (Moins de petits plaisirs) as well as "spend less but devote more of my income to my investments"* provide a good summary of the range of responses in this category. Several people commented directly on the specific types of products they had to cut down on, with comments about meat products featuring prominently. As one participant put it; "I *switched away from beef products to almost exclusive chicken due to huge price increases"* or as another simply said, *"we buy less meat, less beef in particular" (Nous achetons moins de viande, moins de bœuf notamment)*. Many other comments in this category talked about paring back entertainment with comments such as *"spend less on dining out and entertainment" and "shifted the budget around, adding more to essentials like food and transportation and removing budget from travel and entertainment"* demonstrating the ways in which people said they had re-evaluated their spending habits because of price effects. Irrespective of COVID-19's impact on spending habits due to temporary vendor trade restrictions and social distancing measures, avoidance of restaurants also featured prominently as another way in which Canadians had changes their spending habits due to price changes. Comments such as *"I stopped dining at restaurants"* or as another participant put it *"we have stopped eating out (5 times a week)"* highlight this trend. While some participants reported they didn't have to change their spending habits at all, overall, most comments fell within a spectrum of changes to spending habits neatly summarized by the participant comment below.

> *"Reduced eating out to save, switched to buying frozen vegetables to reduce food waste and buy lower priced meats (hamburger, sausage in family packs and split it up to reduce costs), only get a haircut once a year, only drive/go to places if I have more than one task (i.e. Only go grocery shopping on a work day to avoid making another trip downtown on the weekend). Keep the heat down low and wear more layers in the house. I was fortunate to buy a home this spring or I would be homeless if I had to continue renting."*

Figure 10. (below) shows a breakdown of the different areas in which participants indicated they had changed their spending habits because of a price change.

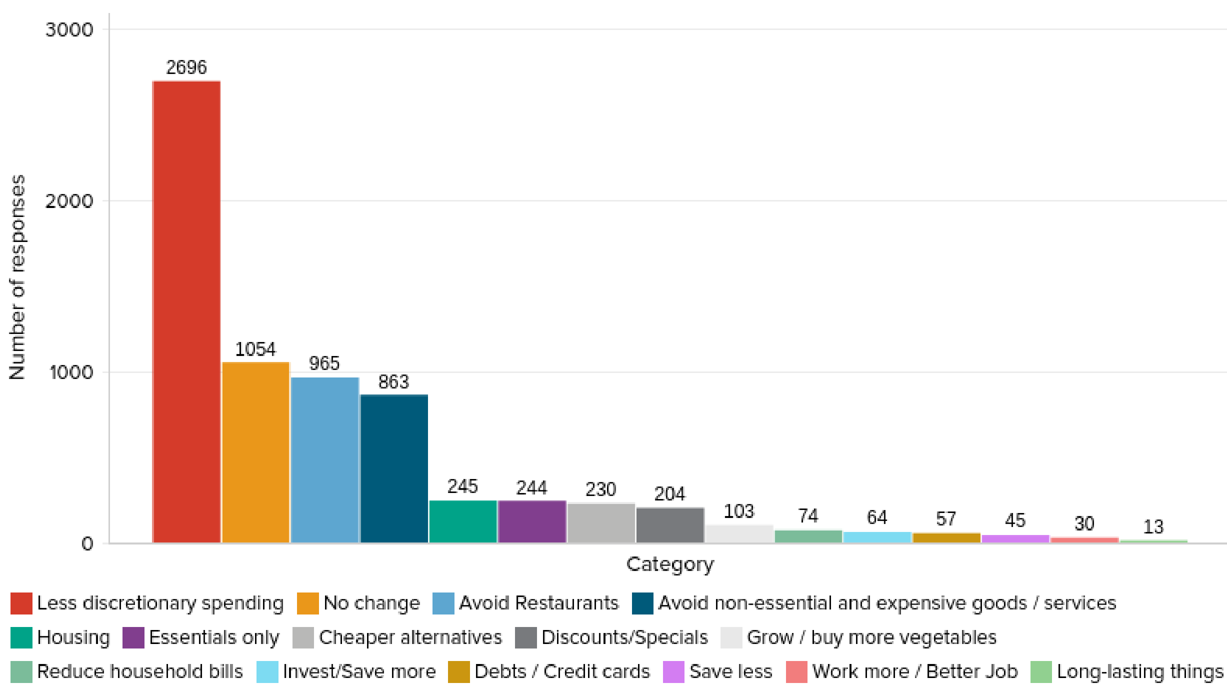

Figure 10: Ways in which participants have changed their spending habits.

3.3 Managing monthly expenses

The majority of participants, accounting for 90.8%, indicated that managing their monthly expenses was either 'somewhat important' or 'very important.' Only 8.1% of participants indicated that managing their monthly expenses was 'not important.' This was consistent across all demographic segments including age, gender, educational attainment and income. Figure 11. (below) shows the importance of managing monthly expenses for participants.

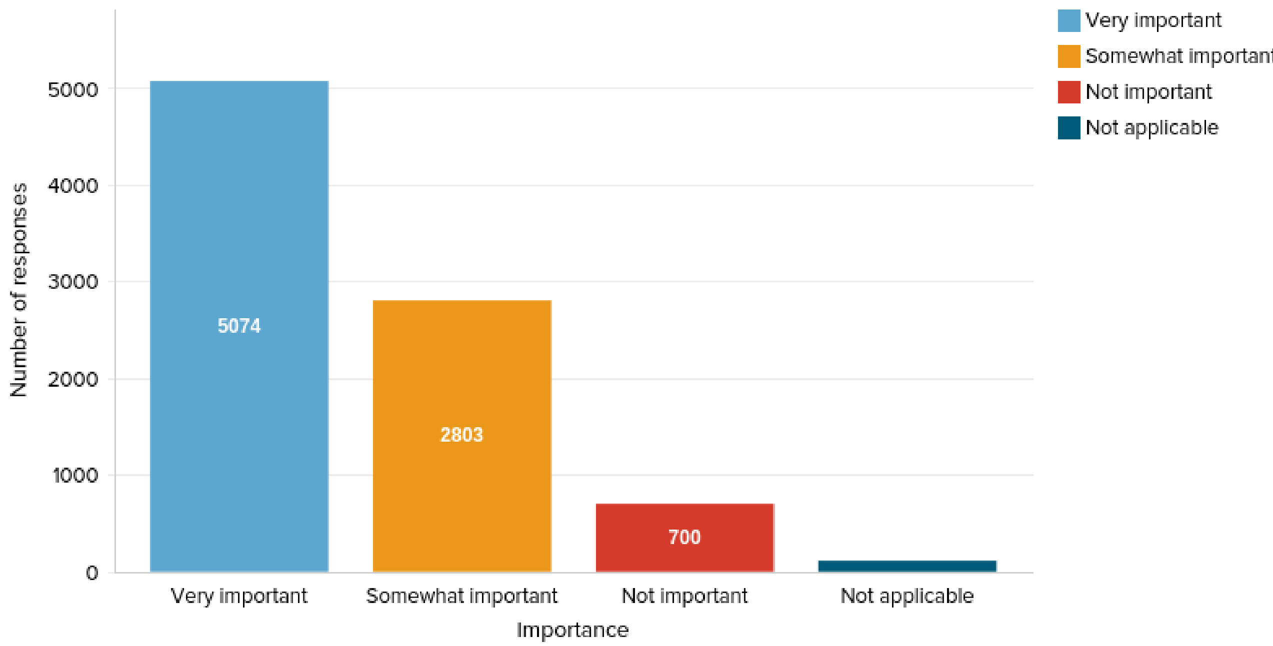

Figure 11: Importance of managing monthly expenses.

3.4 How you experience inflation

When participants were asked about whether 2% inflation was a realistic representation of their actual experience of inflation, responses were relatively split. 55.2% of participants indicated they thought 2% inflation was not a realistic representation of the inflation they experienced, while 44.8% of participants said it was a realistic representation of the inflation they experience. Figure 12. (over page) shows the breakdown of whether participants thought 2% was a realistic representation of their experience of inflation.

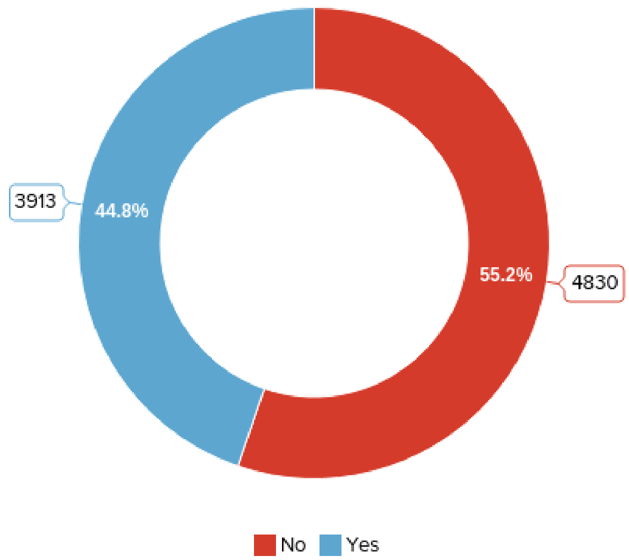

Figure 12: Is 2% inflation a realistic representation of the inflation you experience?

Even though just over half of participants indicated they thought 2% was a realistic representation of the inflation they experienced, when asked if 2% inflation accurately represents the level of inflation felt across Canada, a total of 65.7% of participants indicated they thought the broader experience of inflation across Canada was actually higher than 2%. Only 9.6% of participants said they thought 2% inflation accurately represents the level of inflation across Canada. Figure 13. (below) shows the perceptions about the accuracy of inflation in Canada.

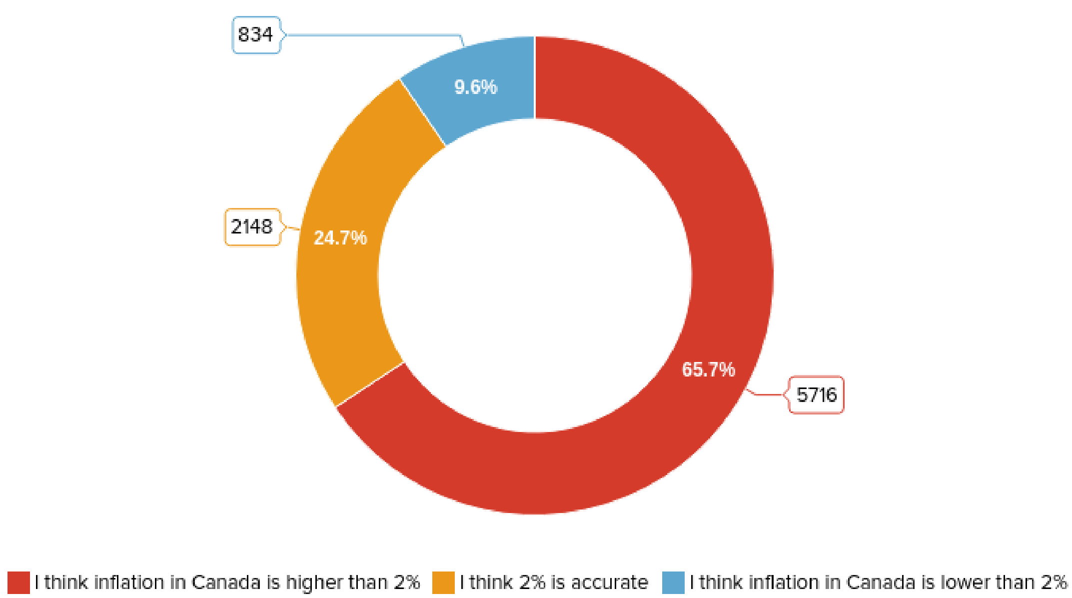

Figure 13: Do you think 2% accurately represents the level of inflation across Canada?

Interestingly, when looking at those participants who indicated they thought 2% inflation was not a realistic representation of their own experience of inflation, 90.1% of those participants also indicated they thought the experience of inflation across Canada was actually higher than 2%. Figure 14. (below) shows the perceptions about the accuracy of 2% inflation across Canada from participants who said 2% inflation was not a realistic representation of the inflation they experienced.

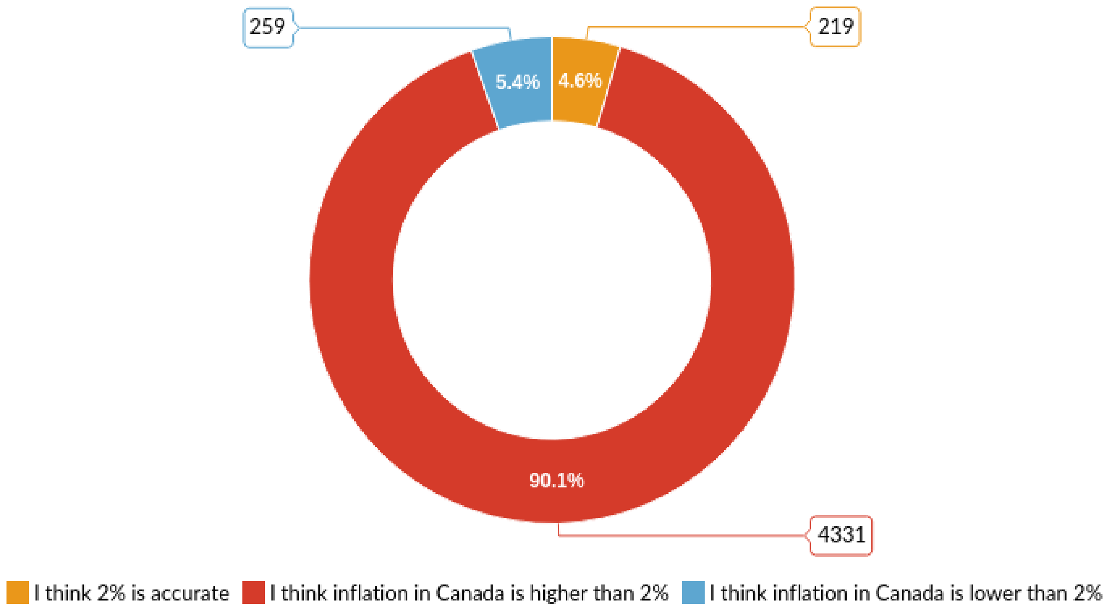

Figure 14: Perceptions about the accuracy of 2% inflation across Canada from participants who said 2% inflation was not a realistic representation of the inflation they experienced.

3.5 Rising costs of goods and services

Participants were also asked about the degree in which they worry about the rising costs of goods and services. Overall, 56.5% of participants indicated they worried 'a lot' about the rising costs of goods and services while 35.3% of participants indicated they 'somewhat' worried about rising costs. Only 6.5% indicated they worried 'very little' about the rising costs of goods and services while 1.5% of participants indicated they did not worry at all about rising costs. See Figure 15 (over page).

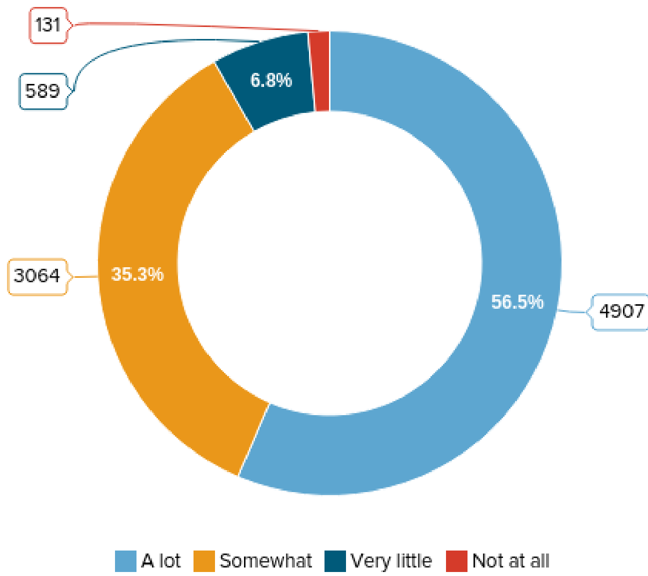

Figure 15: Degree of worry about the rising costs of goods and services.

3.6 Impacts of inflation

Beyond this, participants were also invited to reflect on what they thought the impact of inflation would be on them if it was 'very high' or 'very low'. The majority of respondents made comments which reflected three dominant themes. These included perceptions about the impacts on the 'cost of living', considerations about 'personal finances' and commentary about access to 'jobs'. For participants who reflected on the 'costs of living', there was a broad range of responses. Some participants commented on how the costs of living under very high inflation would impact their spending habits, with many suggesting they would have *"less money for discretionary spending" (moins d'argent pour les dépenses discrétionnaires),* would be forced to look at *"reducing non-essential spending" (je reduirai les dépenses No essentielles)* as well as facing the prospects of making cuts reducing *"spending…on non-essentials."* One participant even noted that increased costs of living would force them to *"postpone life events such as buying a home and starting a family"* and potentially forcing them to *"work longer." While another* participant even suggested that a high inflation environment would make it *"difficult to make ends meet as paychecks would fail to keep up with costs of living." Some* participants even talked about how the impacts of high inflation could lead to *"quality of life decline" (qualité de vie diminuer), "lower living standards"* and even *"poverty"*. While other participants highlighted how the costs of living under a high inflation environment would mean they *"would not survive very long*", struggle *"to afford shelter and nutritional food"* and potentially experience *"financial stress" (stress financier)*.

For participants who reflected on the impacts of 'very low' inflation, many highlighted a common perception that 'very low' inflation equals *"more savings and more consumption daily*" *(plus d'économies et plus de consommation au quotidien).* Comments such as *"low (equals) easier for budgeting, less stressful", "low means we'd be able to do much better and could afford the costs of living"* and *"a decline would allow us to balance basic needs, leisure and comfort" (une baisse nous* *permettrait d'équilibrer besoins essentiels, loisirs et confort)* support the perception that lower inflation makes costs of living more manageable.

For those participants who reflected on the impacts of very high and low inflation in relation to 'personal finances', many talked about the impacts on their savings capacity. For example, participants tended to reflect the views that 'very high' inflation *"decreases purchasing power",* means that *"more money would be put towards basics"* and that *"very high (inflation) will cost me more for everything and at the same time reduce the value of my savings."* Many participants also talked about the impacts of inflation on their retirement savings. One participant commented, *"high inflation would have a significant impact on maintaining my income"(un inflation élevé aurait un impact important sur le maintient de mes revenus),* because their *"retirement and pension fund is partially indexed to inflation" (J'arrive à la retraite et mon fond de pension est indexé partiellement à l'inflation)* While another participant reflecting on retirement savings said, *"(inflation) can impact my retirement planning due to increase costs as I am not sure the income from various pension plans will keep up."* Overall there appeared to be a general consensus that 'very high' inflation *"would greatly reduce my ability to make ends meet and save for retirement,"* or as another participant put it, *"it would destroy my savings for retirement."* Conversely, participants also indicated that while 'very low' inflation would have a positive impact on purchasing power and savings capacity, it could have a negative impact on capital growth of existing savings. This is highlighted by comments such as, *"artificially low inflation has eliminated low-risk investments like certificates of deposits or bonds… (so) I must have a higher portion of my investments than I'd like in stocks"*, or as another participant put it, *"low inflation would mean savings are likely generating less interest in the bank."*

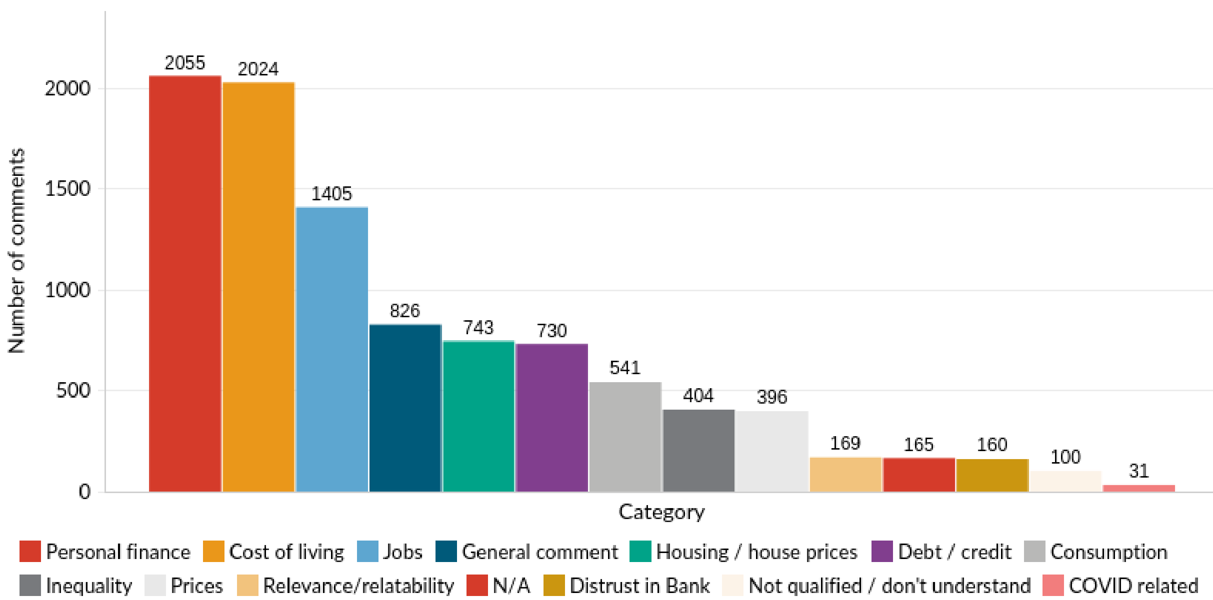

Figure 16: Perceived impacts of very high or very low inflation on Canadians.

The third most dominant area of feedback with regards to the impacts of 'very high' and 'very low' inflation focused on 'jobs'. In this category, many participants commented on the relationship between 'very high' inflation and their ability for wages to keep up with increased pressure on purchasing power. For example, one participant commented that, *"if wages do not follow inflation, then purchasing power will decrease…wages must align with inflation to ensure sound financial health of individuals" (si les salaires ne suivent pas l'inflation, le pouvoir d'achat diminue et la capacité… il faut arrimer les salaires avec l'inflation afin de garantir une bonne santé financière des particuliers.)* Supporting this view, another participant commented, *"wages will continue to stagnate while record inflation continues to be apparent in asset prices,"* while another simply commented *"unless wages follow inflation, we just become poorer."* Conversely, under a 'very low' inflation environment, some participants commented that *"too low means pressure on jobs"* and that in a *"low inflation (environment) the economy would slow" (l'économie ralentirait)* or *"we would see a contraction in the economy."* One participant made a pointed comment saying that in a 'very low' inflation economy, *"I'd probably eventually lose my job in a recession."* Other participants however, thought that 'very low' inflation environment would mean more wages *"to save and consume*", and a chance for *"wages to catch up"* or as another participant put it, it would increase my *"ability to put money aside for savings.*" These comments however do not reflect the overall understanding of the impacts of 'very low' inflation on wages, which is to accept what one participant commented, *"very low inflation would cause my career to progress slower."*

Finally, there was two other notable areas of feedback in relation to the impacts of 'very high' or 'very low' inflation. These included the perceived impacts of inflation on 'housing' and 'debt/credit'. In relation to 'housing', most people commented that inflation caused upward pressure on rents, house prices and overall accessibility of housing. This is best demonstrated through comments such as *"if inflation is very high, I risk no longer finding decent housing and my quality of life will decrease overall" (je risque de ne plus trouver de logement décent et ma qualité de vie va globalement décroitre),* or as another participant put it *"mortgage rates would be very high, making buying a home difficult" (Les taux hypothécaires seraient très élevés, ce qui rendrait l'achat d'une maison difficult).* Very high inflation also weighed in on the minds of renters with one participant saying *"we rent and that is our number one expense. At 4% per year we struggle to keep up with rent inflation and anymore would be a real problem."* Those participants who commented on the impacts of debt and credit under 'very high' and 'very low' inflation environments generally commented on *"soaring interest rates" (flambée des taux d'intêret), "additional debts*" *(endettement supplémentaire)* and even impacts on *"being able to afford debt payments and basic necessities."* Figure 16. (previous page) represents the main areas of feedback in relation to 'very high' and 'very low' inflation.

3.7 Most hurt by inflation

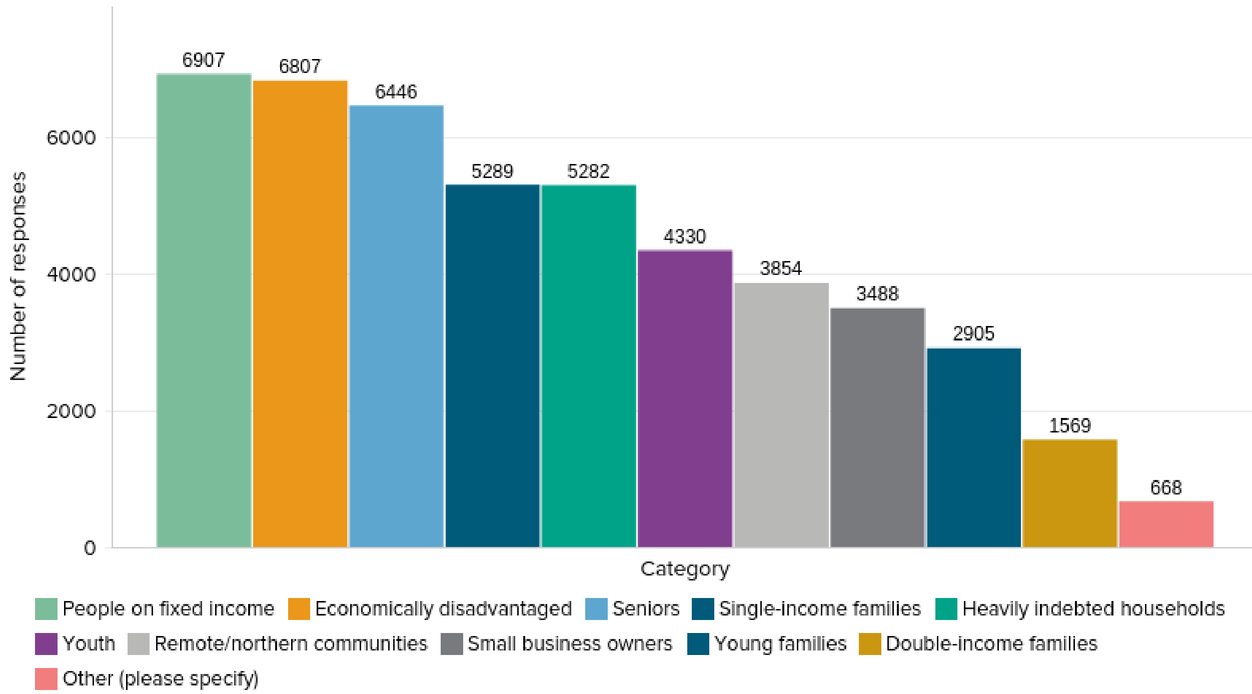

Figure 17: Who do you think is most hurt by inflation?

Figure 17. (above) shows the groups which participants think will be most affected by inflation. Most respondents selected ‘people on fixed income’ as the group which would be most affected, with a total of 79% participants selecting this option. Closely following this group was ‘economically disadvantaged’ with 77.8% of participants this option, ‘seniors’ representing 73.7% of participants and about 60.5% of participants selecting ‘single-income families’ and ‘indebted households’ representing the groups reported as being most affected . The groups identified as the least effected was ‘double income families’ with only 17.9% of participants selecting this option. There was also 668 participants which selected a range of ‘other’ community groups they felt were also affected by inflation. The most dominate response to this question was that ‘everyone’ was affected by inflation followed by the ‘disabled and elderly’, people trying to ‘save and invest’ as well as ‘poor, homeless and unemployed.’ Figure 18. (below) shows the other groups of community which participants felt would be affected by inflation.

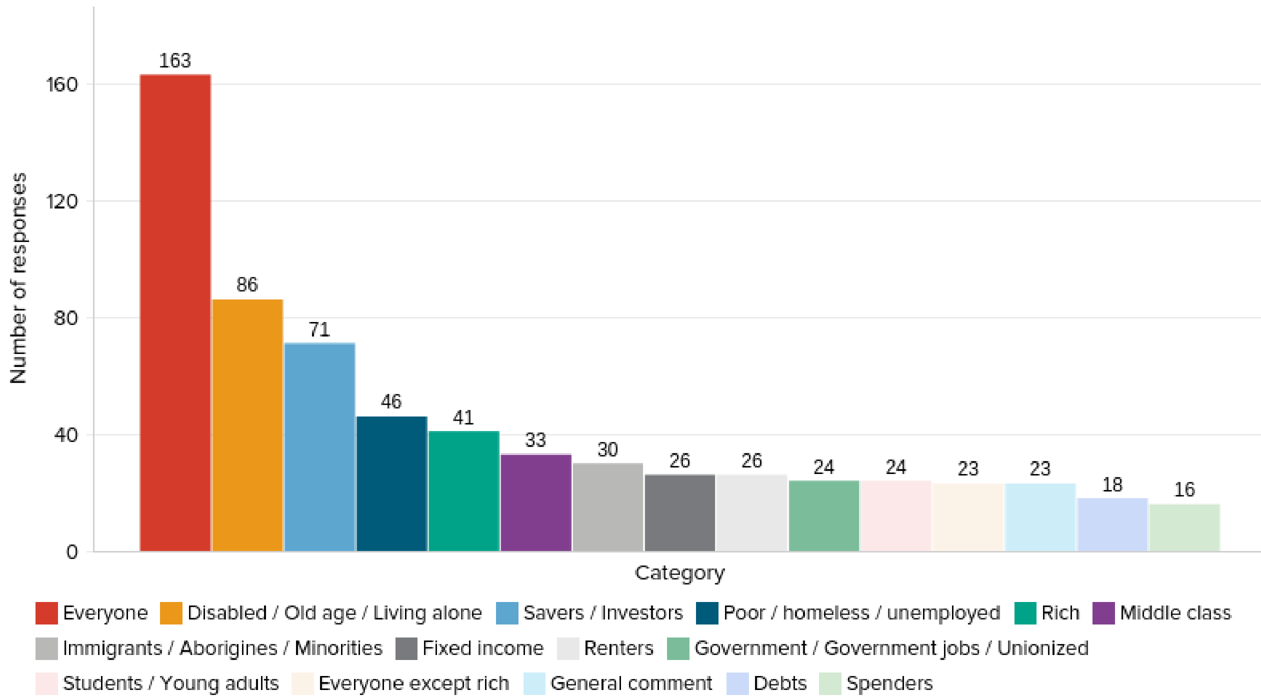

Figure 18: Other community groups affected by inflation.

3.8 Consideration for interest rate decisions

The Bank asked participants what they should consider when making interest rate decisions. The majority of participants accounting for 44% said that finding the 'best policy which does not favour any particular group' should be the main consideration for the Bank. Following this, 37.2% of participants said 'the Bank should try to limit the impact on those most disadvantaged by inflation', while 18.8% of participants said the Bank's main consideration should be to 'help the economy to create more jobs, even if it means higher inflation.' Figure 19. (over page) shows the breakdown of these considerations.

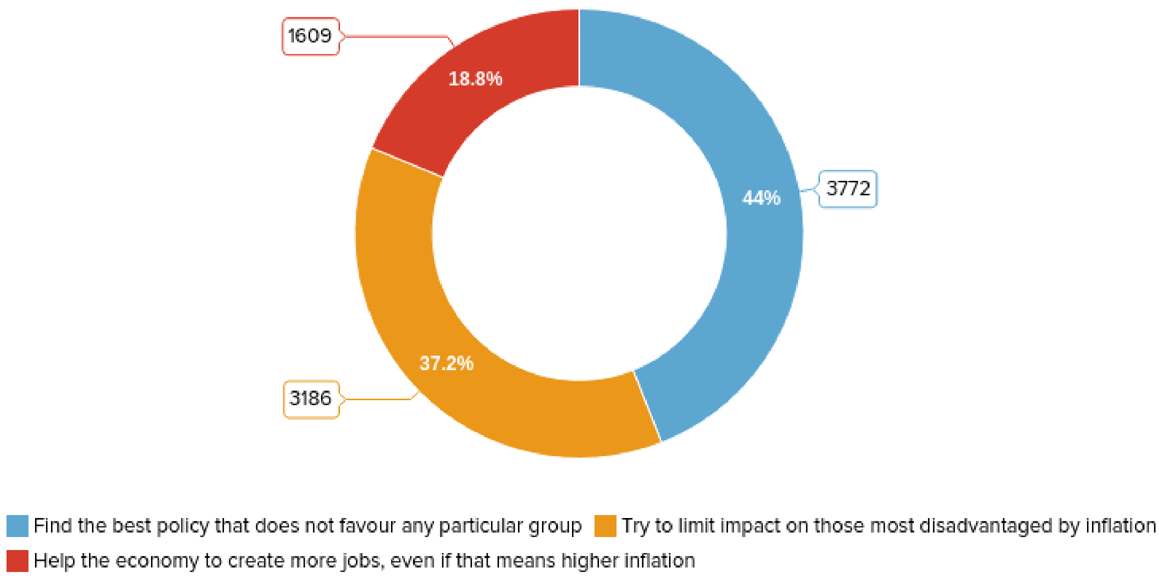

Figure19: The Banks' considerations when making interest rate decisions.

3.9 Connection between inflation and wages

The majority of participants selected the option 'when my wages didn't rise as fast as inflation, I can afford less.' A total of 74.4% of participants selected this option which was more than double the next most reported response, 'even with higher wages, I don't seem to be able to afford more', with only 33.4% of all participants selecting this option. The least selected options included, 'with higher wages, I spend more' accounting for only 15.2% of all participants, 'when prices go up, my wages tend to go up' with 13.1% and finally, 'when my wages don't rise as fast as inflation, I can still afford the same amount' with only 5.4% of participants agreeing with this statement. Figure 20. (over page) shows the perceived interaction between inflation and wages.

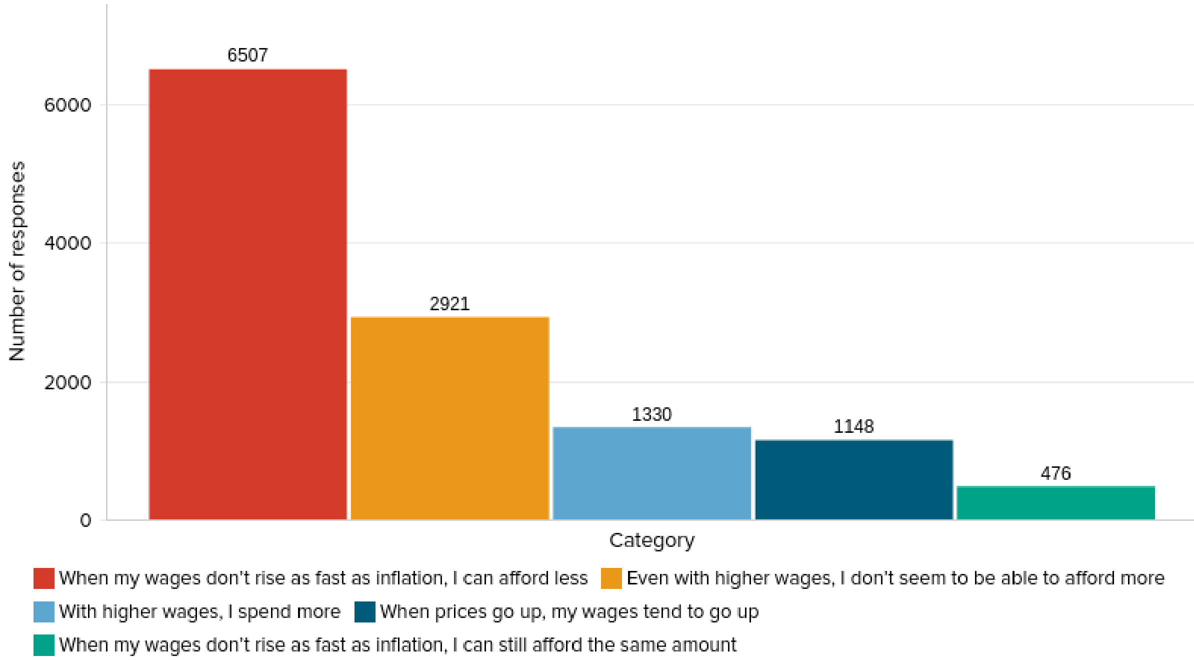

Figure 20: Do you see a connection between inflation and your wages?

4.0 Trade offs

Section two of the survey focused on the trade-offs which Canadians were prepared to make in order to limit and control inflation in a variety of situations. This included understanding the preferred inflation targets of the community, the approach which should be taken to achieve those targets as well as learning about attitudes towards interest rates, price volatility and wage growth.

4.1 Preferred inflation targets

Overwhelmingly, 80.4% of participants said they would prefer a 'targeted range for inflation from 1.5% to 2.5%' compared to a 'fixed inflation target that doesn't change from 2%', which only 19.6% of participants indicated would be their preferred target. Figure 21. (below) shows the preferred inflation targets of Canadians.

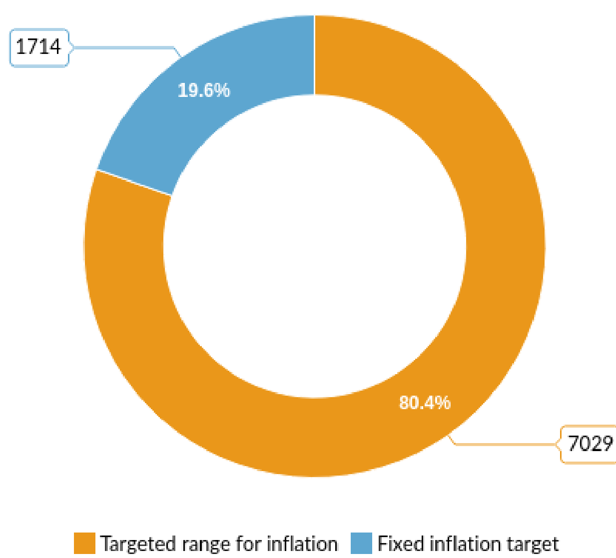

Figure 21: Which inflation target would you prefer?

4.2 Preferred approach to inflation target

The majority of participants said they thought the Bank should 'take longer to get back to the inflation target with smoother adjustments in interest rates over a longer period of time,' with 67% of participants selecting this option. Only 33% of participants said the Bank's approach should be 'if inflation moves higher or lower, get it back to the inflation target as quickly as possible, even if it means potentially sharp and rapid interest rate change.' Figure 22. (over page) shows the approach participants think the Bank should take.

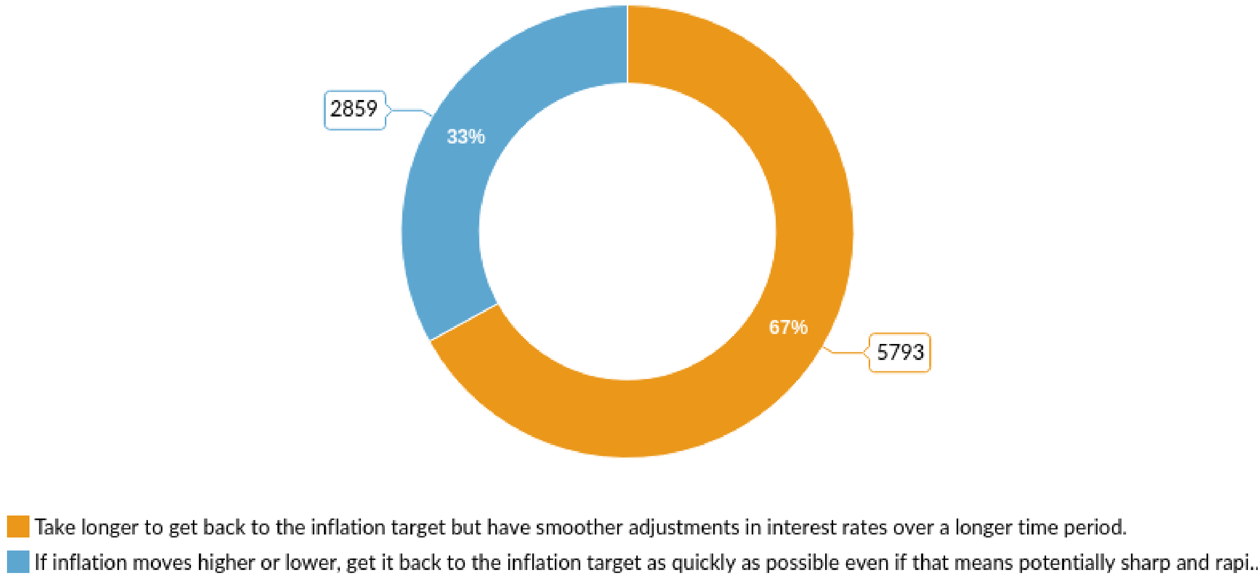

Figure 22: How should the Bank approach its commitment to the target – get it back fast or be more flexible?

4.3 Preferred interest rates

Participants were also asked which interest rates they would prefer between higher interest rates, lower interest rates or something that balances both. Just over half of participants accounting for 51.1% said they would prefer 'something that balances both' and allows for some return on savings with less personal debt build-up. Only 33% of participants said they would prefer 'higher interest rates' and only 15.9% said they would prefer 'lower interest rates.' Figure 23. (over page shows the breakdown of preferences on interest rates.

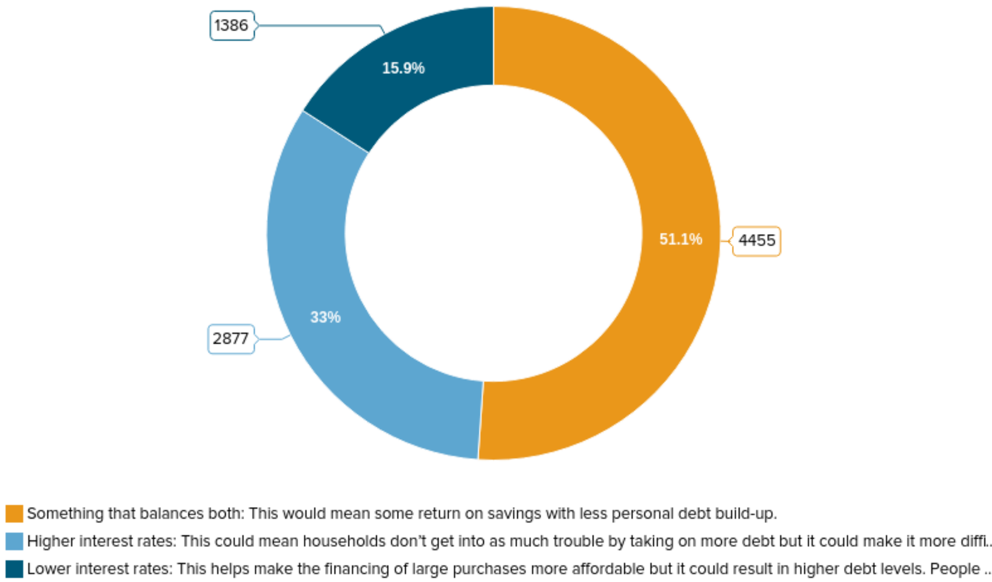

Figure 23: Which interest rate would you prefer?

Participants also answered a question on why they made their preferred interest rate decisions. Figure 24. (below) shows that 'debt/credit', 'personal finance' and 'housing' were the most dominant comment categories used by participants to justify their interest rate decisions. While these were the top areas of comment for all interest rate options, participants who selected 'lower interest rates' were more likely to comment on 'housing / house prices' than participants who selected other interest rate options.

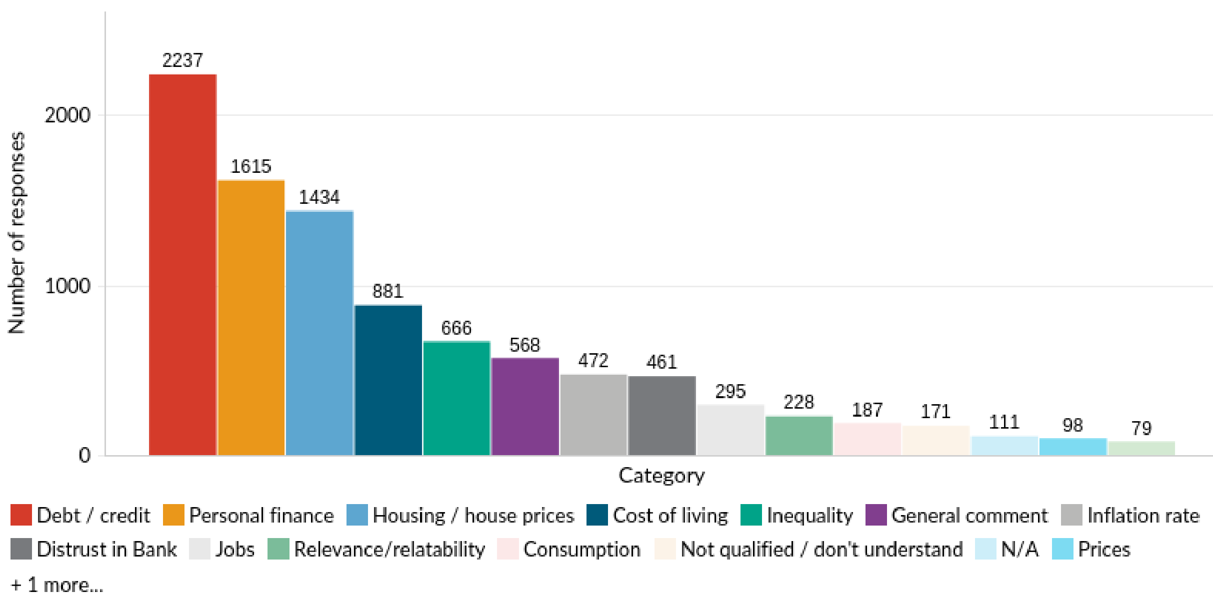

Figure 24: Why did you chose your preferred interest rates?

Overall, participants who justified their preferred interest rates in the 'debt/credit' areas of comment tended to reflect on household and personal debts. In relation to household debts, participants commented that, *"household debt is very high in Canada and needs to be controlled", "debt is a really big issue in Canadian households" or as another participant put it, "debt in Canada of households is relatively high and could be a real risk factor for the future" l'endettement au Canada des foyers est relativement élevé et pourrait être un réel facteur de risque pour le futur).* There was also a strong consensus in this category about the risks posed by personal debts. Comments such as *"I am deeply concerned with the debt people take on when borrowing money is cheap", "too many people are taking on debt they can never repay"* and *"Canadians are too indebted"* provide a good summary of this viewpoint. Some participants also reflected on the impacts to future generations with comments such as, *"Canadian's are pigging out on debts and we are going to have younger generations suffer greatly due to debt burden and inflation on real assets."*

Personal finances also featured as a prominent area of comment across all preferred interest rate options. People who justified their selection of lower interest rates again commented both on the negative and positive aspects of low interest rates. While some commented that low rates would increase their ability to *"save me lots of money"* or as another participant put it, *"rein in spending and help investors in the long run"* others, particularly older participants nearing retirement, tended to prefer a higher interest rate environment with many commenting on their capacity for self-funded retirement. As one participant put it, *"I will soon be retired and because of low rates my savings are now insufficient"* or as another said, *"I have been financially responsible my whole life and would like to finally benefit from rates on my savings."* Another person in favour of higher interest rates commented *"savings used to mean something."*

Housing and house prices also featured prominently and there appeared to be a common view amongst participants who selected their preference for a higher interest rate environment that lower interest rates had actually caused unsustainable growth in housing markets. This is reflected in comments such as, *"The Canadian government has created an unsustainable housing market by allowing individuals to over leverage on sky-high mortgages"* or as another participant commented, *"you guys are pricing a generation out of home ownership with the rate policies you've held for the last ten years."* Other comments that reinforce the view that low interest rates had caused major impacts on housing include, *"housing affordability is out of control", "housing market is bananas and unsustainable" and "low rates are fueling irrational behaviors and driving a housing affordability crisis."* Reflecting on the Bank's role in setting low interest rates, one participant observed how low interest rates had changed the Canadian economy.

> *"Low interest rates in Canada have increasingly turned our economy into just finance and real estate. We flip assets to one another and charge commissions, instead of creating businesses that create actual value. The Bank of Canada has stoked a housing bubble."*

Overall, participants justification for 'something that balances both' high and low interest rates tended to be a compromise of the polarization of views demonstrated above. Participants who selected this approach commented, *"as someone with savings and a mortgage, a balance would be preferred, "a balance helps to gain a better investment return and still provide for financing when needed", or as another participant put it, "a balance still allows for people to borrow money to keep the economy growing, while giving seniors a return on their investment so that they can also spend to keep the economy going."*

4.4 Acceptance of higher prices or volatility in exchange for a stronger economy in the near term

Participants were invited to consider if they would accept higher or more volatile prices in exchange for a stronger economy in the near term. Dominant views were split between those who said 'it depends' accounting for 36.8% of participants and those who simply said 'no' accounting for 33.8%. Only 19.8% of participants said they would be happy to accept higher or more volatile prices in exchange for a stronger economy in the near term, while 7.5% said they were 'not sure'. Figure 25. (below) shows the breakdown of acceptance of higher prices for a stronger economy.

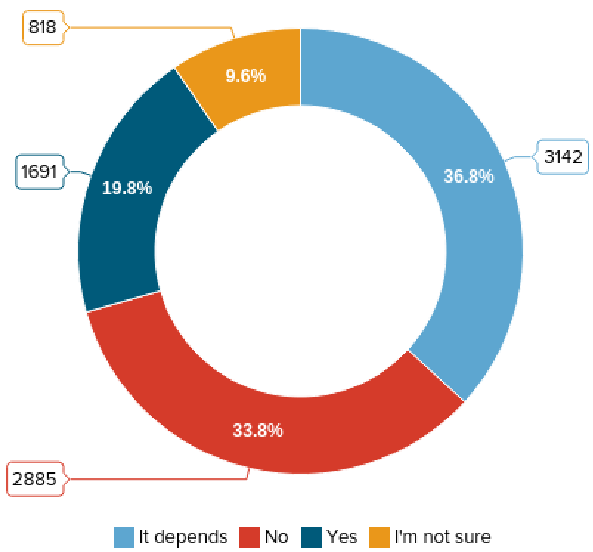

Figure 25: Would you accept higher or more volatile prices in exchange for a stronger economy in the near term?

4.5 Acceptance of higher prices or volatility in exchange for higher wage growth

Participants were also asked about their views towards higher or more volatile prices in exchange for higher wage growth. Overall, participants were most likely to say they would not accept higher or more volatile prices in exchange for higher wage growth, with 40% of participants indicating this as their preference. 30% of participants indicated that their acceptance 'depends', 21.9% said they would be prepared to accept higher more volatile prices, while 7.5% of participants said they were not sure. Figure 26. (over page) shows the breakdown of acceptance of higher prices for higher wages.

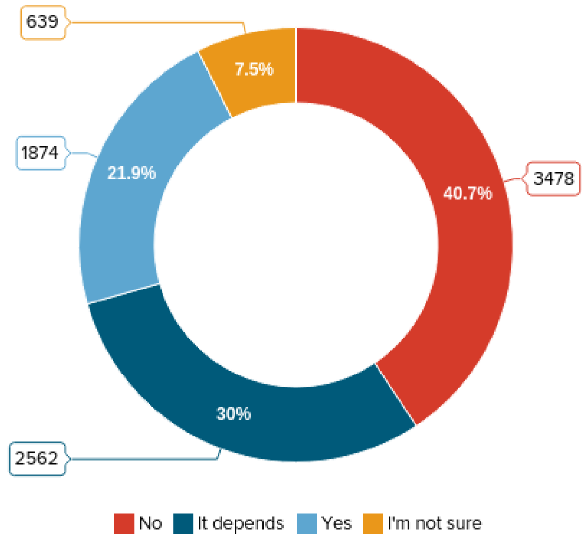

Figure 26: Would you accept higher more volatile prices in exchange for higher wage growth?

5.0 Alternate approaches to monetary policy

In order to support the economic and financial well-being of Canadians that Bank decided to test their current approach of adjusting interest rates to achieve a 2% inflation targeting against alternative frameworks. Each alternative framework was tested to determine how well it might be able to achieve low and stable inflation, can provide a solid environment for growth and jobs, support financial stability and how easy it was to communicate to Canadians.

Overall, participants generally agreed that each of the frameworks was easy to understand with around 80% of all participants selecting ‘easy’ or ‘somewhat easy’ for price level targeting, average inflation targeting, and dual mandate targeting while nominal GDP growth targeting was said to be ‘easy’ and ‘somewhat easy’ by about 70% of all participants. Nominal GDP growth targeting was considered the most difficult to understand with about 30% of participants saying it was ‘difficult’ or ‘not understandable’. Across all demographic profiles including age, gender, salary and education there were no major differences in perceptions about difficulty understanding each alternative framework. Figure 27. (below) shows a comparison of each framework and the degree of difficulty participants had in understanding each alternative framework.

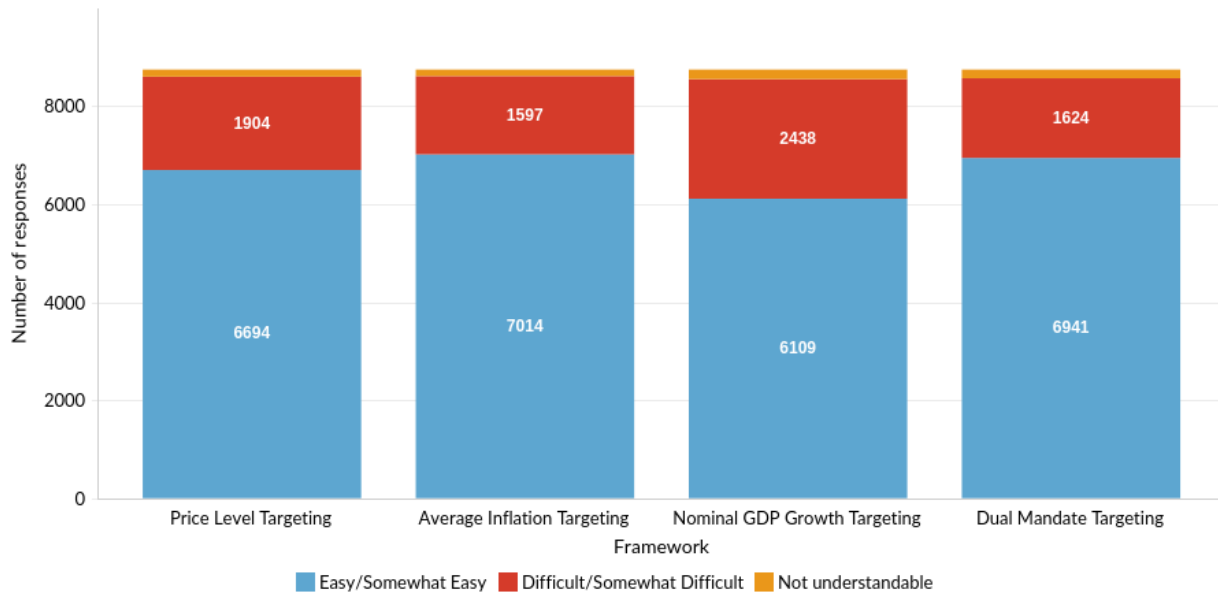

Figure 27: How easy is each of the following concepts to understand?

Participants were also asked to select how difficult they felt each alternative framework would be for the Bank to achieve. Overall, when combining participant responses ‘somewhat difficult’ and ‘difficult’, we can see that price-level targeting was considered the most difficult alternative framework for the Bank to achieve with about 63% of respondents selecting these two options. Average inflation targeting was generally seen as the most likely of all alternative frameworks to be achieved by the Bank with 42.3% of respondents saying they thought it would be ‘easy’ or ‘somewhat easy’ for the Bank to achieve. Nominal GDP growth targeting received the most ‘I don’t know’ responses out of each of the alternative frameworks with 20.7% of participants making this selection. There were no major changes in perceptions about the ease of implementation by the Bank when looking at a demographic breakdown across age, gender, salary and education. Figure 28. (below) shows the perceptions of the degree of difficulty for the Bank implementing each of the alternative frameworks.

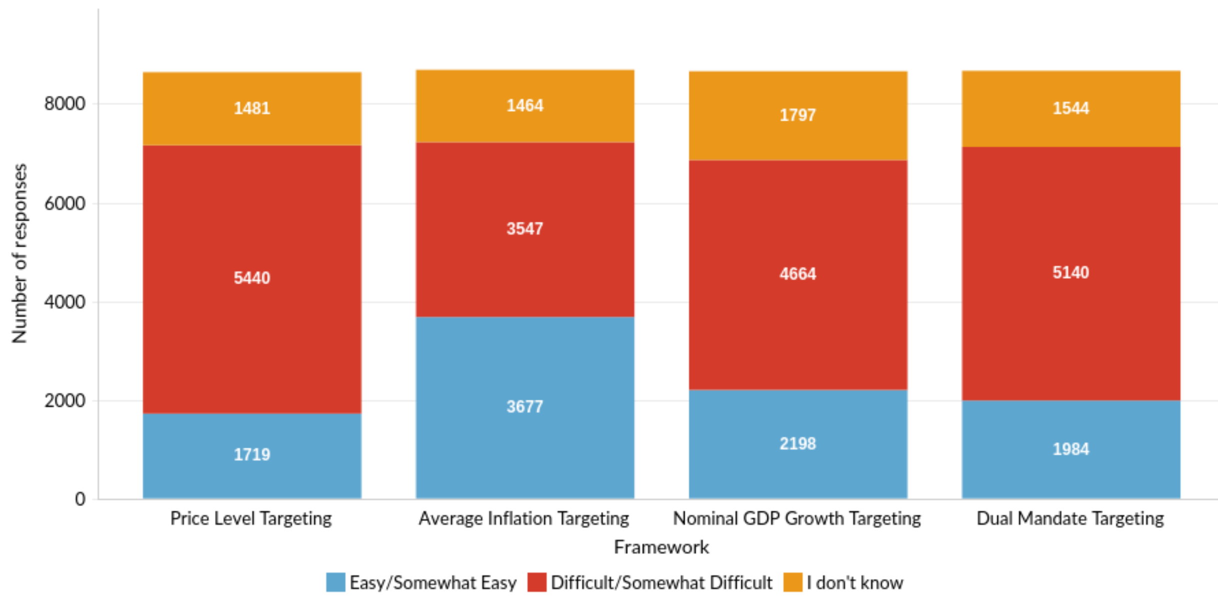

Figure 28: How easy do you think it would be for the Bank of Canada to achieve these frameworks?

Finally, participants were asked if they thought each of the alternative frameworks was better than the Bank's current approach of adjusting interest rates to achieve a 2% inflation target. Overall, each of the alternative frameworks tended to receive a fairly even split of responses between 'yes', 'no' and 'I don't know' with the exception of nominal GDP growth targeting where 49.8% of participants said 'no' they didn't think it was better than the Bank's current approach. Average inflation targeting overall received the most support with 34.5% of participants indicating they thought it was better than the current approach. There was also no major discrepancies across demographic profiles including age, gender, salary and education. Figure 29. (over page) shows a breakdown of whether participants thought the alternative frameworks were better than the Bank's current approach. Further detailed analysis of each alternative framework is the sections below.

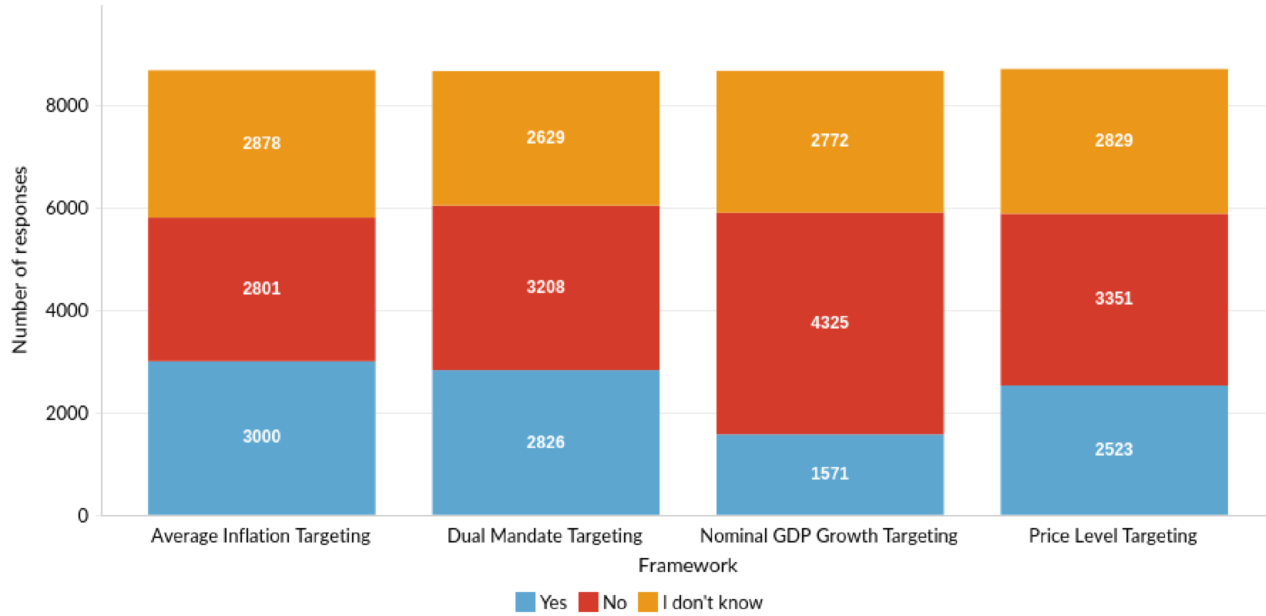

Figure 29: Is the framework better than the Bank's current approach?

5.1 Price-level targeting

Under price-level targeting, the Bank would keep interest rates higher for a longer period to push inflation down below target and bring prices back to their original path, consistent with 2% inflation on average. Overall, participants thought that price-level targeting was 'somewhat easy' to understand with 44.6% of participants selecting this option. This was closely followed by participants who said the framework was 'easy' to understand accounting for 34.9% of participants. Only 17.6% of participants thought price-level targeting was 'somewhat difficult' to understand, while 4.17% thought it was 'difficult' and just 1.6% of participants said, 'it is not understandable'. Figure 30. (over page) shows how easy participants thought price-level targeting was to understand as a concept.

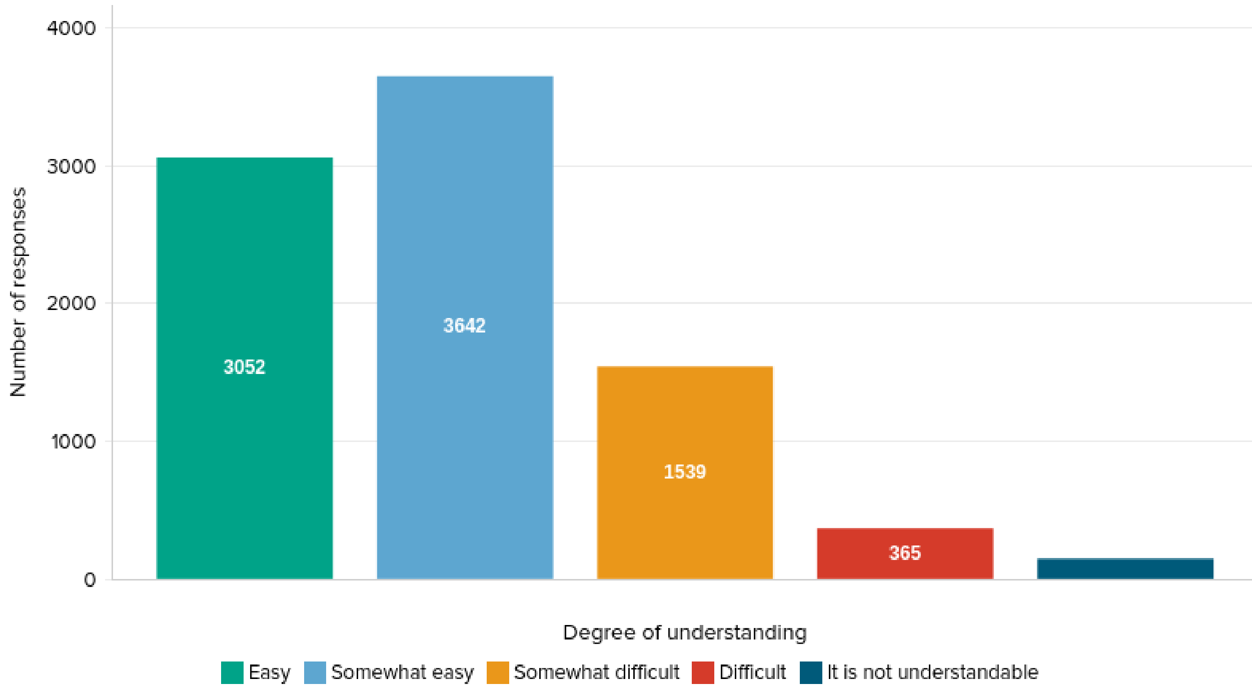

Figure 30: Is price-level targeting an easy concept to understand?

Although participants indicated they thought price-level targeting was either ‘somewhat easy’ or ‘easy’ to understand, they tended to think it would be difficult for the Bank to achieve. The majority of participants, accounting for 37%, indicated they thought it would be ‘somewhat difficult’ to achieve price-level targeting, while another 25% said it would be ‘difficult’ to achieve. Participants who indicated they ‘don’t know’ accounted for 17%. Only 16.7% of participants thought it would be ‘somewhat easy’ for the Bank to achieve and the least amount of people, accounting for only 3.8% thought it would be ‘easy’ to achieve. Overall, the majority of participants tended to think price-level targeting would be difficult for the Bank to achieve although finding it relatively easy to understand. Figure 31. (over page) shows the degree of difficulty participants thought the Bank would have in achieving price-level targeting.

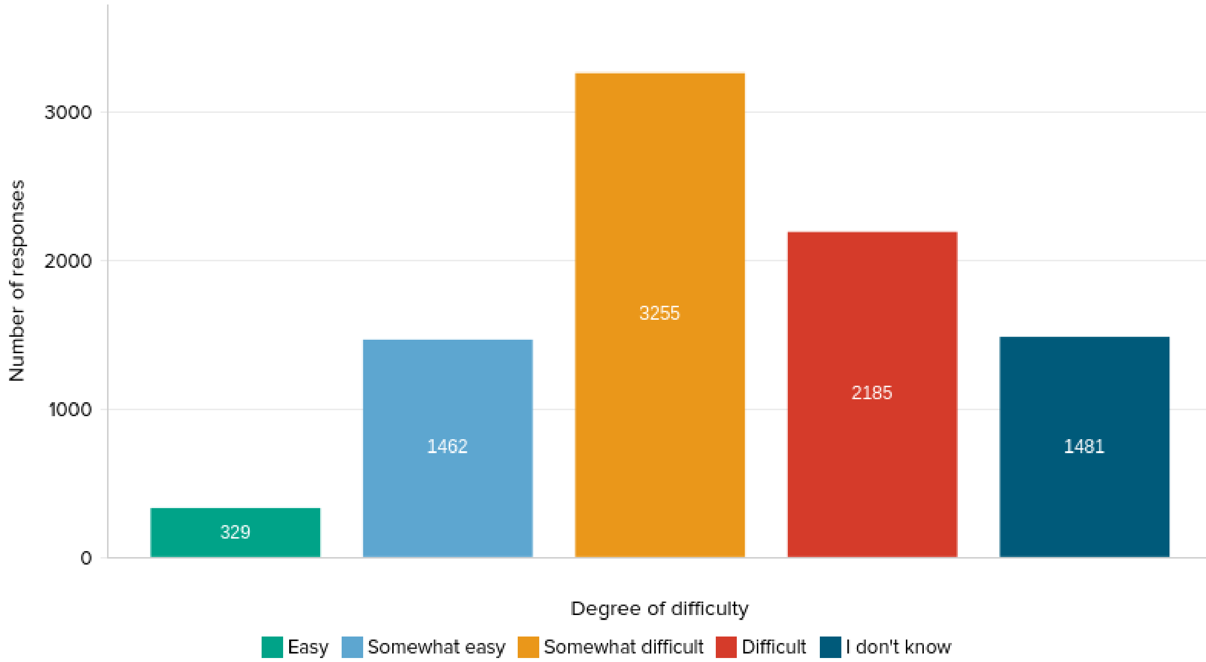

Figure 31: How easy would it be for the Bank to achieve price-level targeting?

As a whole, participants were unable to definitively say whether they thought price-level targeting was a better option than the current framework and were split almost evenly. Participants who said they didn't think price-level targeting was better than the current framework accounted for only 38.5%, those who said they didn't know accounted for 32.5% while those who said 'yes' accounted for 29% of participants. Interestingly, participants who said the framework wasn't better than the Bank's current approach still tended to think the framework was relatively easy to understand, but they felt that it would be harder for the Bank to achieve. Those who thought it was better than the current framework also took the view it would be hard for the Bank achieve, although easy to understand, while those participants who said they didn't know if the framework would be better, didn't feel equipped to say how easy it would be for the Bank to achieve or tended to believe it would be difficult. There was no major differences in views across demographics including gender, age and education. Figure 32. (over page) shows the degree to which participants think price-level targeting is better than the current approach.

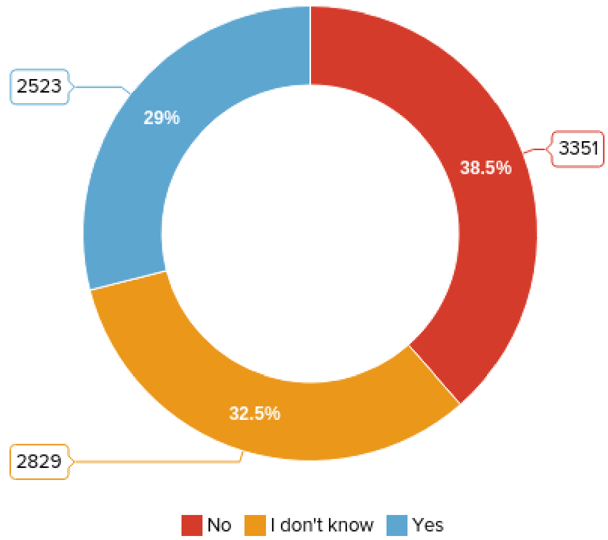

Figure 32: Is price-level targeting better than the Bank's current approach?

When participants were invited to reflect on why they made their decisions with regards to price-level targeting, comments tended to focus on the impacts of 'prices' and 'inflation rate'. Of those participants who said they thought price-level targeting was better than the Bank's current approach, there was a strong view that lower prices would be of benefit to Canadians and that it was the Bank's job to try and achieve this outcome. As one participant said, *"prices are what the consumers/citizens see, which is who the Bank is trying to service,"* while another participant commented that *"sustained pressure against prices will not only help reduce prices but will also indirectly encourage innovation in competition."* Other participants which supported price stability as a result of price-level targeting said, *"more stable prices would simplify financial planning and stimulate real economy", "slow and predictable price rises allow to plan household budgets more effectively"* and that with price-level targeting *"the prices would balance out in the end, rather than stay overly high."*

Many participants who supported price-level targeting as a better approach also commented they felt it was a good alternative to rapid inflation. Supporting this view, one participant said, *"it seems to offer a more balanced approach to inflation, without the knee jerk reaction of rapid and high interest charges",* while another said, *"it sounds like this method could be used to reduce rapid inflation in the prices of specific categories of goods and services (eg. housing or education), plus I like higher interest rates."* Another participant supporting this view by said, *"inflation-targeting monetary policy is appropriate until the inflation gets stuck at low levels. Price-targeting would likely change people's expectations and in turn achieve a better economic outcome for all."*

For those participants who said they didn't think it was better than the Bank's current approach there appeared to be a view that pricing controls had a range of negative consequences. One participant who held this view said, *"pricing is set by market conditions, if the Bank tries to target pricing it is already too late as prices are already higher and it'd be feeding future inflation."* While another said, *"I* *think if you meddle in natural price discovery the more you create imbalances in the economy."* This view was also supported by another participant who commented, *"prices can see significant variations across the country. By working towards price-level targeting you may inadvertently increase prices for consumers in some parts of the country to an unaffordable level, particularly if the increase is permanent."* Participants who didn't support price-level targeting as a better alternative to the Bank's current approach were also focused on what can be done to control and manage inflation for price stability. Some participants were concerned that price-level targeting *"could be asking the Bank to force the Canadian economy into deflation"*, while others indicated that with price-level targeting, *"the spike in prices would result in higher inflation for those needing to purchase an item during the spike."* Generally speaking, there was a view that price-level targeting would not be better than the current framework of inflation targeting as *"inflation acts as a shock absorber for the economy*," and that price-level targeting would weaken that mechanism. As one commenter put it, *"as long as the Bank is attempting to achieve the 2% annual inflation rate level, it's doing its job in balancing economic growth and price stability."*

For participants who were unsure about the whether price-level targeting was better than the Bank's current approach, they tended to cite not being qualified to make such a decision or that there was insufficient information to be able to make an informed choice. Comments such as; *"not qualified" and "I'm not an economist*" *(je ne suis pas économiste)* were common reactions. Other participants also mentioned there was *"too many variables and unknowns"* or that, *"there are flaws to both and it's difficult to measure exactly which is worse."* Overall, the general consensus of those who didn't know if it was better was that there were too many factors to consider and participants would need to learn more about the framework and its practicalities to make a proper informed decision.

5.2 Average inflation targeting

Under average-inflation targeting, the Bank would try to achieve an inflation rate today, that when averaged with inflation from previous years, would equal a target inflation rate. Overall, participants thought that average-inflation targeting was 'somewhat easy' to understand with 43.9% of participants selecting this option. This was closely followed by participants who said the framework was 'easy' to understand accounting for 36.3% of participants. Only 14.1% of participants thought average-inflation targeting was 'somewhat difficult' to understand, while 4.1% thought it was 'difficult' and 1.5% of participants said, 'it is not understandable'. Figure 33. (over page) shows the degree of understanding for the price-level targeting framework.

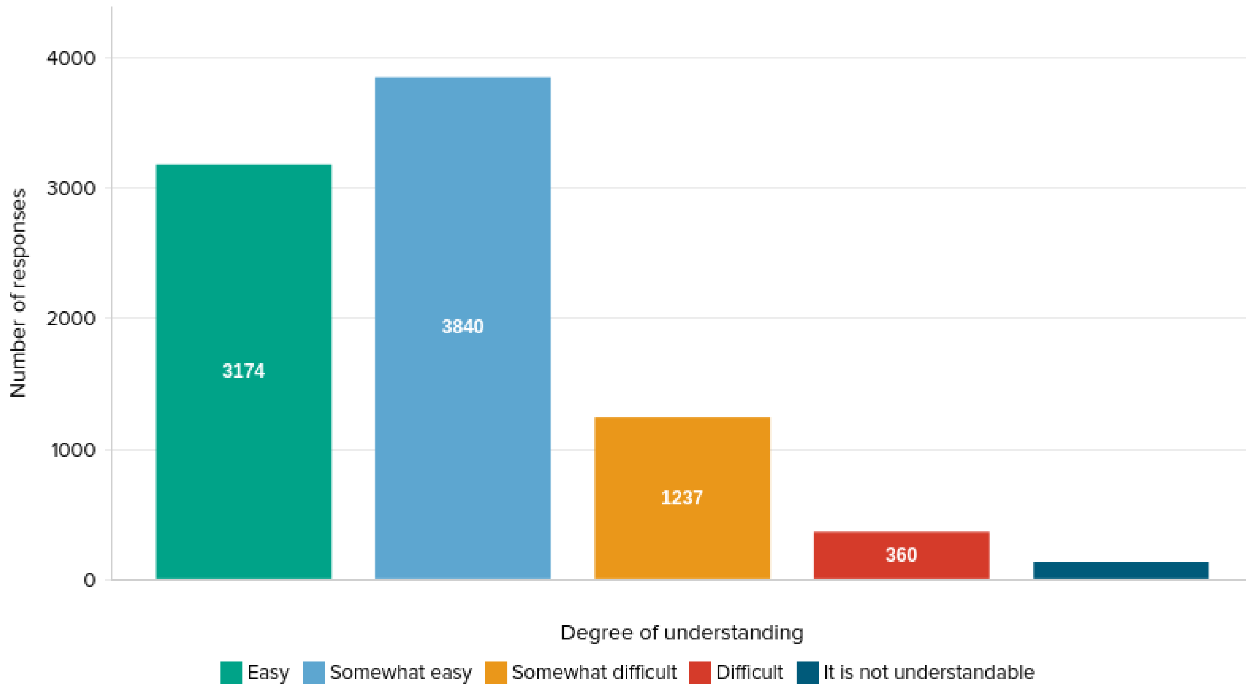

Figure 33: Is average inflation targeting an easy concept to understand?

Although participants indicated they thought average-inflation targeting was just as easy to understand as price-level targeting, with most selecting either 'somewhat easy' or 'easy', they tended to think it would be slightly easier for the Bank to achieve than price level targeting. The majority of participants, accounting for 35.7%, indicated they thought it would be 'somewhat easy' to achieve average inflation targeting, while another 6.7% said it would be 'easy' to achieve. Participants who indicated they thought it would be 'somewhat-difficult' accounted for 26.4% of participants while those who thought it would be 'difficult' accounted for 14.4%. Almost exactly the same amount of participants who said they were unsure how difficult it would be for the Bank to achieve price-level targeting said they 'don't know' how easy it would be for the Bank to achieve average-inflation targeting with 16.9% of participants selecting the option. Figure 34. (over page) shows the degree of difficulty participants thought the Bank would have in achieving average-inflation targeting.

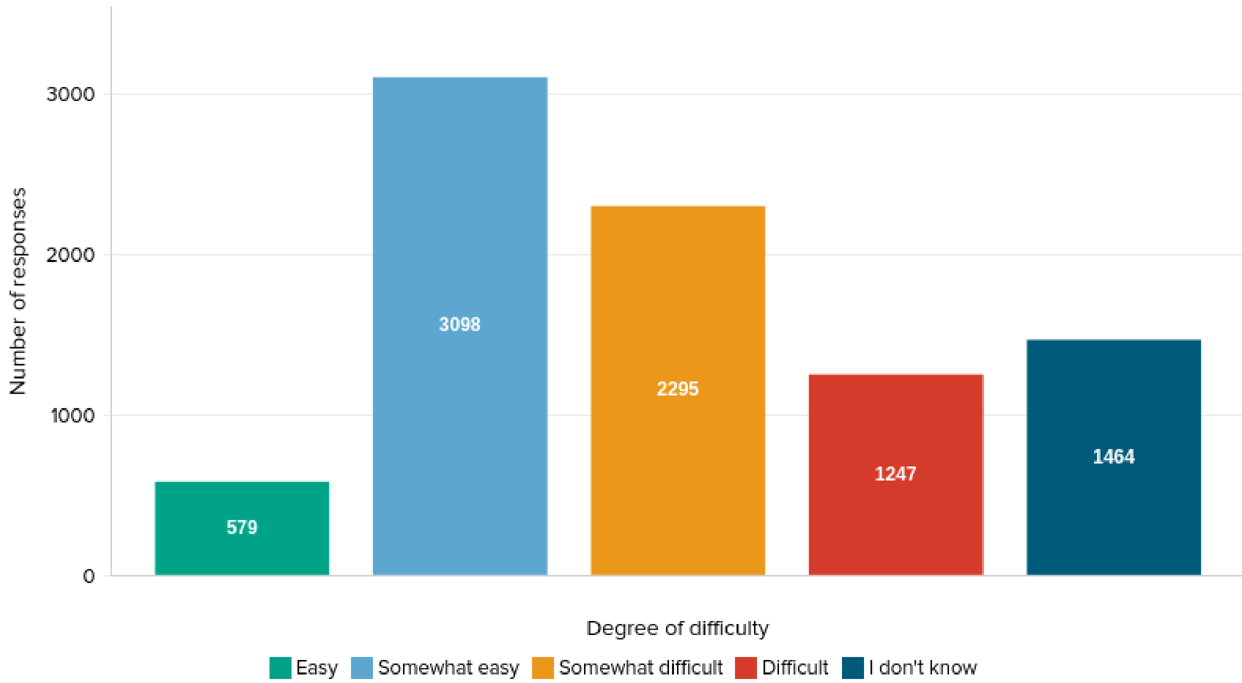

Figure 34: How difficult would it be for the Bank to achieve average inflation targeting?

As with price-level targeting, participants were again fairly evenly split on whether they thought average-inflation targeting was better than the current framework. Participants who said ‘yes’ accounted for 43.6%, while those who said ‘I don’t know’ accounted for 33.2% and those who definitively said ‘no’ accounted for 32.3% of all participants. Overall, participants who said they didn’t know if the framework was better than the current framework were also most likely to indicate uncertainty about how easy it would be for the Bank to achieve when compare to those who said ‘yes’ or ‘no’. Again, there was no major differences in responses across demographics including age, gender, salary or education. Figure 35. (over page) shows the degree to which participants think average-inflation targeting is better than the current approach.

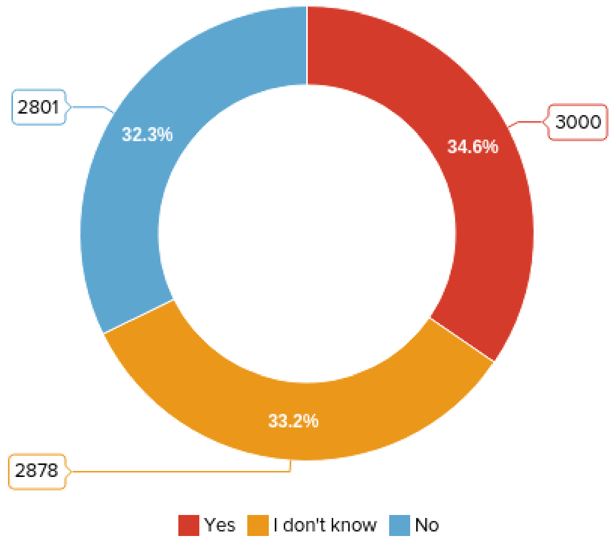

Figure 35: Is average inflation targeting better than the Bank's current approach?

As with price-level targeting, there was also a high degree of comments in relation to average inflation targeting which focused on the impacts and effects of 'inflation' as well as a large number of 'general comments' where participants reinforced their choices. Participants also tended to reflect on their 'understanding and relatability' to the framework and people again tended to feel they were 'not qualified' to determine the degree to which the framework would be better than the Bank's current approach.

Participants who said that average-inflation targeting was better than the Bank's current framework were more likely to make general statements than other groups. Statements of support focused on the perceived flexibility of average-inflation targeting, such as, *"it reacts to changes – it's flexible" and "a little flexibility is better than none",* while other participants commented on stability of the proposed framework saying, *"it brings some stability" (ca apporte une certaine stabilité) and "stability is what we want".* Overall participants who agreed average-inflation targeting was a better approach for the Bank generally supported the idea *"it would account for exceptional circumstances like we are in now"* and *"gives greater flexibility to the Bank" (cela laisse une plus grande marge de manoeuvre à la Banque).*

A focus on the inflation rate was again another common area of comment. Many participants commented they thought average inflation targeting would be better because targeting 2% is often disconnected from economic reality. One participant who held this view commented, *"I think it better reflects the reality of an ever-changing economy. 2% inflation is a magic number constructed long ago by economists who could not foresee the rapid changes of the 21st Century."* Others commented, *"2% inflation is not real" (inflation à 2% n'est pas réelle),* with another participant adding, *"a constant 2% inflation target ignores historical under/overshoot and might not be appropriate for every cycle".* There were also participants who supported average-inflation targeting because of its ability to smooth inflation over time. This view is highlighted in comments such as, *"a one-time inflation target does not* *necessarily represent a lasting change" (une inflation ponctuelle ne représente pas nécessairement un changement durable),* or as another put it, *"inflation should be a long-term target and not a rigid limit, it would allow short-term fluctuations."* Another participant supporting this idea said, *"(average-inflation targeting) allows for more flexibility during initial reaction period but would smooth out as inflation returns to target."* Participants who commented on the relevance and relatability of average-inflation targeting said it seemed, *"more representative" (serait plus représentatif), "requires less severe interventions"* and that they thought it would be *"less drastic."* Another participant said they thought average-inflation targeting felt like it would be *"less reactive than the current framework."*

Of those participants who did not think average-inflation targeting was better than the current approach they were more likely to support 2% inflation targeting and generally believed that average-inflation targeting discounted the possibility for high inflation overtime. As one participant said; *"why fix what's not broken? Have you seen inflation in the past 25 years? Pretty close to 2% already. I think the Bank of Canada is doing an amazing job."* Other views supporting the current approach included, *"I don't think 2% is unreasonable", "2% is sufficient" (2% c'est suffisant)* and *"if inflation is relatively high for several years it could result in exceeding 2% permanently" (si l'inflation est relativement élevée plusieurs années cela pourrait amener un dépassement du 2% de façon permanente).* One participant even described it as *"too fuzzy of a target"* while another said, average-inflation targeting could *"let inflation (or deflation) get out of control to balance out a previous period of soft/strong inflation."*

Many other participants simply made general comments supporting their view that average-inflation targeting was not better than the Bank's current approach. Some participants agreed that "it takes too long to see results", and that from the Bank "*there needs to be a commitment"* to *"stick to your mandate."* Others simply agreed that there was *"too much guessing involved"* and that average-inflation targeting was simply *"not reliable" (ce n'est pas fiable).* Finally, there was a group of comments which targeted the Bank and government directly in their belief that average-inflation targeting was not better than the current approach. Comments such as *"don't trust the government"* and *"there will be too much political pressure to cheat in the near term"* and *"the Bank of Canada is not elected and should not be making policy decisions"* reflected a range of views distrusting of the Bank.

Finally, those participants who said they didn't know if average-inflation targeting was better than the current approach again felt like they did not have enough information to take a decision. As one participant put it, *"I don't have enough data to make comments on this matter."* Other participants who were unable to determine if average-inflation targeting was a better framework also commented that they thought current inflation targeting was ambiguous and were unable to determine if any new framework would be better. As one participant commented, *"to me, the way inflation is measured does not justify the ground realities, so previous years inflation would be a flawed concept",* while another echoing this view said, *"if you're not measuring inflation correctly, does any of this matter?"* Other participants commented that they thought average-inflation targeting was actually closer to what the Bank was already doing and were unable to understand the difference. This is highlighted by one participant who said, *"Isn't average-inflation targeting kind of the same as what the Bank is currently doing?"* Another participant added to this view, *"it already seems like there is a degree of* *average-inflation targeting."* Overall, average-inflation targeting was seen by those who didn't know if it were better than the current approach as just another option to consider given, *"we have no idea what the future holds" and "the devil is in the details."* Or as one participant said, *"need to see how both models have performed in real-life to be able to make an informed guess."*

5.3 Nominal GDP growth targeting

Nominal GDP growth targeting focuses on overall spending in the economy and nominal GDP targeting is designed to help maintain a more stable level of spending in the economy. Overall, participants thought that nominal GDP growth targeting was again 'somewhat easy' to understand with 41.6% of participants selecting this option. This was closely followed by participants who said the framework was 'easy' to understand accounting for 28.3%. More participants thought that nominal GDP targeting was 'somewhat difficult' to understand than average-inflation targeting with 21% or of participants selecting this option. More participants thought that nominal GDP targeting was 'difficult' than with average inflation targeting as well as price-level targeting, with 6.9% believing it was harder to understand. Only 2.2% of participants thought it was 'not understandable' Figure 36. (below) shows the degree of understanding for the nominal GDP targeting.

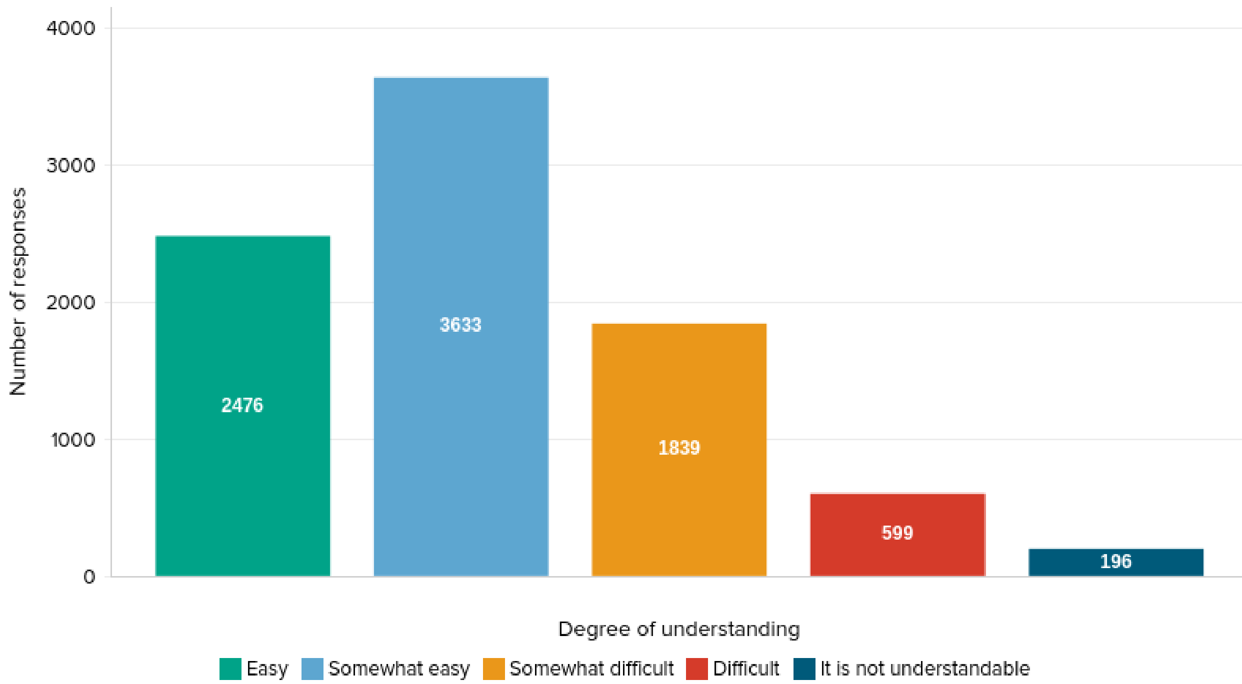

Figure 36: In nominal GDP targeting an easy concept to understand?.

Although participants indicated they thought nominal GDP growth targeting was again relatively easy to understand, a majority said they thought it would be 'somewhat difficult' or 'difficult' for the Bank to achieve. The majority of participants who answered the question, accounting for 29.4%, indicated they thought it would be 'somewhat difficult' to achieve nominal GDP growth targeting, while another 24.9% said it would be 'difficult' for the Bank to achieve. 20.8% said, 'I don't know', while participants who indicated they thought it would be ‘somewhat easy’ accounted for 19.9% of participants. Of those who thought it would be ‘easy’, only 5.5% of participants chose this option. Figure 37. (over page) shows the degree of difficulty participants thought the Bank would have in achieving nominal GDP targeting.

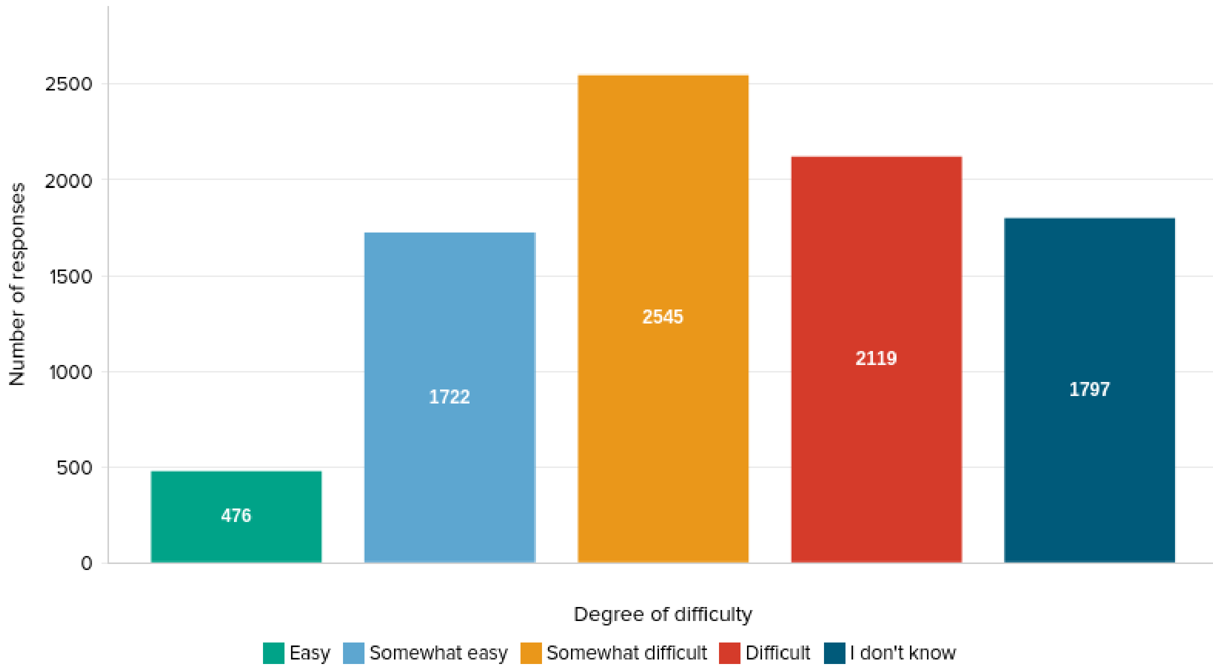

Figure 37: How difficult would it be for the Bank to achieve nominal GDP targeting.

Unlike price-level targeting and average-inflation targeting, participants were more definitive in whether they thought nominal GDP growth targeting was better than the Bank’s current approach. A total of 49.9% of participants said they thought that nominal GDP growth targeting was not better than the Bank’s current approach. A third said they didn’t know if it was better, accounting for 32% while a much smaller percentage than for price-level targeting and average-inflation targeting said it was better than the Bank’s current framework with only 18.1% of participants agreeing it was a better approach. Figure 38. (over page) shows the degree to which participants think nominal GDP growth targeting is better than the Bank’s current approach.

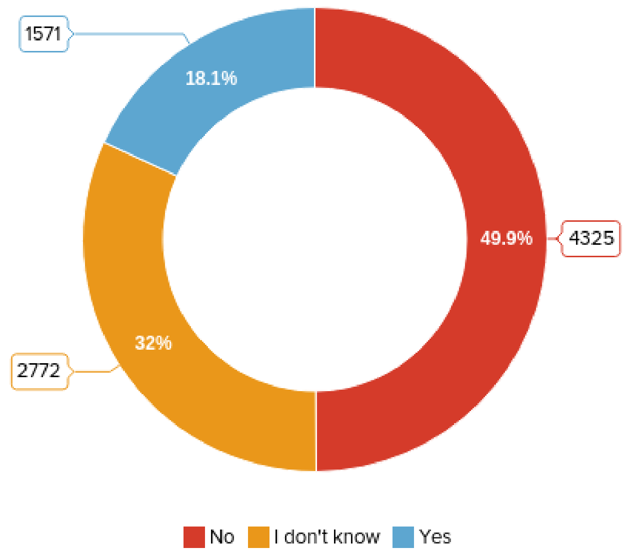

Figure 38: Is nominal GDP growth targeting better than the Bank's current approach?

For participants who said they thought nominal GDP growth targeting was better than the Bank's current approach there appeared to be a consensus that it would be able to better balance growth and inflation*.* Comments which support this view include, *"it would reduce inflation while not detrimental to growth" (permettrait de diminuer l'inflation tout en ne nuisant pas à la croissance), and "would better keep inflation in-line with GDP."* Another participant supporting this view said, *"tying inflation to GDP makes sense as our national debt is somewhat tied to GDP as well."* One participant commented they thought nominal GDP growth targeting *"takes into account both inflation and economic growth, providing a balance which will support economic goals of both the economically disadvantaged (consistent prices in the market) and the wealthier (investment opportunities)".* Other participants supporting nominal GDP growth targeting over the Bank's current approach spoke about the stability benefits. As one participant put it, *"I think this option allows for a more stable economy overall".*

Positive perceptions about the impacts on spending were also mentioned. One participant said, *"whatever stimulates peoples spending and reinstates confidence in people spending their money and creates jobs is an attractive policy"* or, as another put it*, "by having a GDP target, the Bank would ensure optimized investment and household spending" (en ayant un PIB objectif, la Banque s'assurerait d'optimiser les investissements et les dépenses des ménages).* Generally speaking, there was a view that nominal GDP growth targeting would provide, *"more stability in spending by Canadians, so it would be an easier scheme to provide" (plus de stabilité dans les dépenses des Canadiens, donc un schéma plus facile à prévoir).*

There were fewer participants overall who though that nominal GDP growth targeting wasn't better than price-level targeting and average inflation targeting, however there were many concerns from those who didn't think it was better than the Bank's current approach. In particular, many thought that it didn't rein in inflation and would simply have a negative impact on prices and goods. As one participant said, *“This is just asking for runaway inflation, we’re going to need wheelbarrows of $20 to get a loaf of bread.”* Another participant echoing this view said, *“letting inflation rise to maintain overall spending makes little sense since the quality of goods being purchased is reduced due to inflation”* while another added, *“you want to let inflation spike up to maintain spending… but the effect of inflation, makings things more expensive would either reduce spending or force debt on the consumer.”*

Other participants spoke about the perceived disconnect between GDP and a strong economy. As one participants said *“this approach will most likely lead to GDP growth due to increased spending caused by high inflation but not necessarily a strong economy.”* While another participant simply said, nominal GDP growth targeting *“would result in a false GDP and encourage mediocrity backed by inflation” (résulterait à un PIB faux et inciterait à la médiocrité soutenu par l'inflation).* There was also concern that there was too much *“room for distortion”, “too many other factors influence GDP”* and that it’s *“too complicated, since GDP calculations are also smoke and mirrors.”* As one participant summarized, *“too many factors play into GDP besides central bank action. Trying to use monetary policy to target GDP growth is a recipe for disaster. Also, GDP should not be a measurement of economic prosperity and perpetual GDP growth is the wrong target.”* These views were also considered by participants who said they didn’t know if nominal GDP growth targeting was better than the current framework. As one participant said, *“there’s a predictability problem. A lot more variables feed into GDP than those that feed into inflation. If the only lever you have is interest rates, then you have more influence over inflation than you do GDP. You would need a good model to sort this out.”*

5.4 Dual mandate targeting

A dual mandate would target inflation as well as maximum sustainable employment giving equal weight to inflation and employment goals while sometimes accepting higher inflation. As with the other alternative frameworks, participants overall found dual mandate targeting ‘somewhat easy’ to understand with 43.1% of participants selecting this option. This was closely followed by participants who said the framework was ‘easy’ to understand accounting for 36.3% of participants. Overall, this framework was considered the easiest to understand out of all the alternatives. Only 13.8% of participants said they found the framework ‘somewhat difficult’ while only 4.8% said they thought it was difficult. Only 2% of participants thought it was ‘not understandable’ Figure 39. (over page) shows the degree of understanding for the dual mandate targeting.

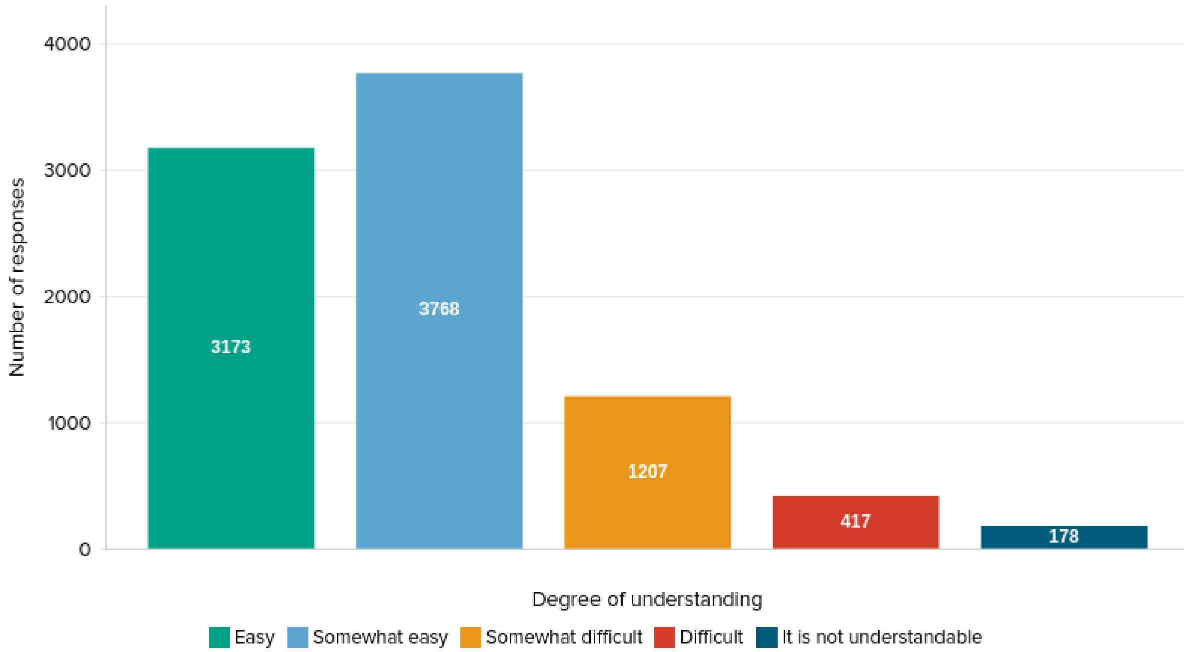

Figure 39: How difficult is it to understand the concept of dual mandate targeting?

Although this framework was by far the easiest to understand for participants, many still reported that they expected a similar level of difficulty in the Bank being able to achieve a dual mandate framework. The majority of participants accounting for 31.9% of participants said they thought it would be ‘somewhat difficult’ for the Bank to achieve, while another 27.4% said it would be ‘difficult’ to achieve. Only 18.3% of participants said they thought it would be ‘somewhat easy’ and only 4.6% of participants said they thought it would be ‘easy’. Quite a large number of participants accounting for 17.8% said, ‘I don’t know.’ Figure 40. (over page) shows the degree of difficulty participants thought the Bank would have in dual mandate inflation targeting.

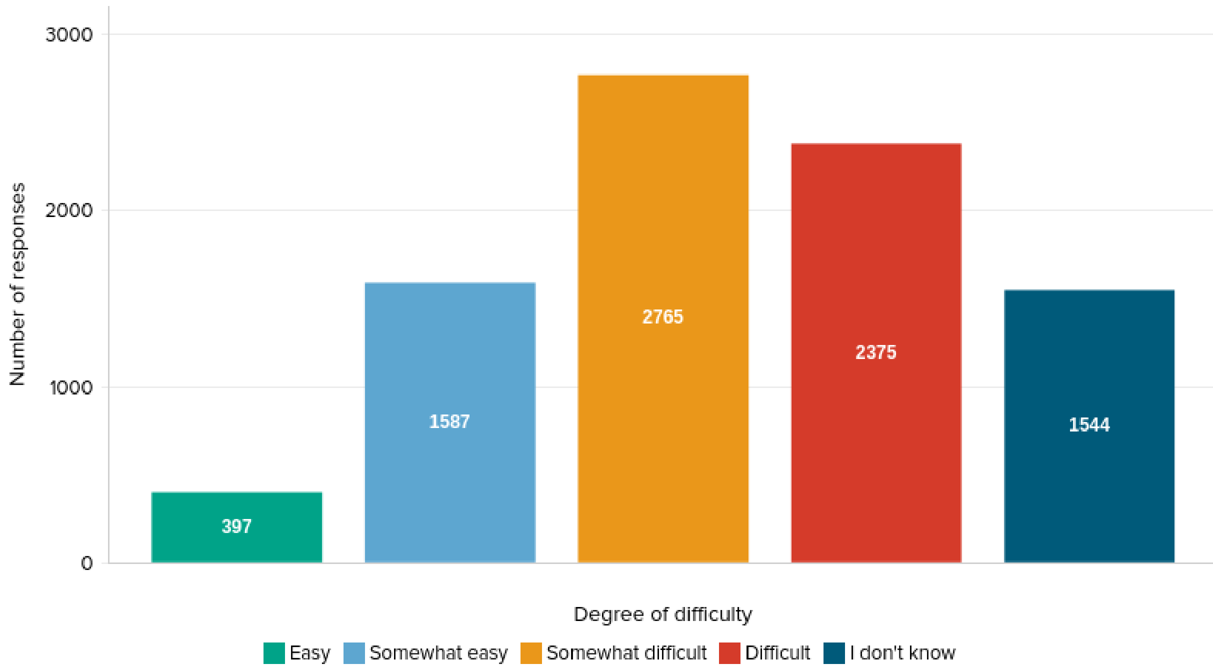

Figure 40: How difficult would it be for the Bank to achieve dual mandate targeting?

Similar to price-level targeting and average-inflation targeting, participants were again split on whether they thought dual mandate inflation targeting was better than the Bank's current approach. A small majority of participants said 'no' they didn't think it was better than the current approach, accounting for 37% of participants, while 32.6% said 'yes' it was better and another 30.3% said, 'I don't know'. There was no major differences in opinions between demographics including age, gender or levels of education. Figure 41. (below) shows the degree to which participants think dual mandate targeting is better than the Bank's current approach.

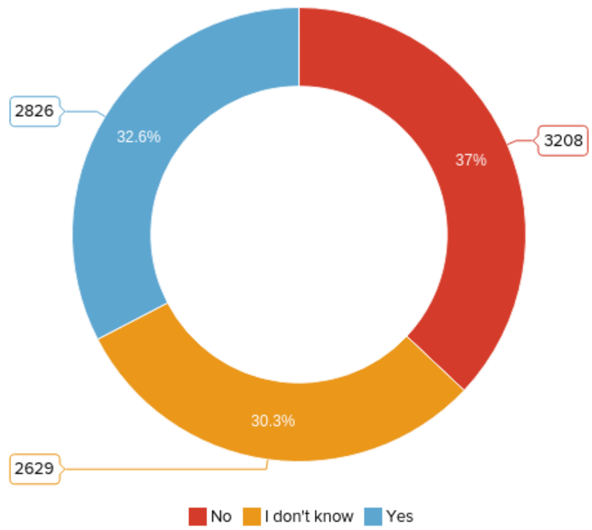

Figure 41: Is dual mandate targeting better than the current approach?

Unlike the other alternative frameworks, the major areas of feedback in relation to dual mandate targeting centered on 'jobs.' For those participants who said they thought it was a better framework than the bank's current approach, having higher employment as a focus of the framework was appealing. Comments such as, *"economic well-being is determined by employment,"* and *"employment brings a sense of accomplishment and reduces other social issues"* highlights some of these positive views. Another participant making a similar comment said, *"full employment should be the absolute number one policy priority – at least a dual mandate gets it back into the conversation again",* while another said, *"this sounds great… provided these 'sustainable' jobs are actually good jobs and not just gig economy or forced part time jobs with no benefits."* Overall, there was a strong sense that dual mandate targeting with a focus on jobs was a better way to measure the economy. As one commenter put it, *"very good idea… monetary policy should take into account a series of factors since the basket of goods does not reflect the reality of each income" and "it would prioritize measures to increase employment" (très bonne idée. La politique monétaire devrait tenir compte d'un ensemble de facteur puisque le panier de biens utilisé pour mesurer l'IPC ne rend pas compte de la réalité de chaque tranche de revenu. Le taux d'emploi en complémentarité favoriserait une).* Some other participants reflected on the benefits of dual mandate targeting in balancing jobs and inflation. As one supporter put it, *"I think tactically moving between employment and inflation allows the Bank of Canada the proper amount of flexibility in the two most key areas of monetary policy decision making."*

For those participants who said they thought it wasn't a better approach, they tended to think there was too many variables influencing employment which detracted from the framework. As one participant said, *"many factors affect employment such as education, technologies etc.… so why run the economy too hot trying to chase cohorts of population that are less employable."* While another participant added, *"employment goals seem subjective and manipulative".* Some participants even made points about letting the economy self-regulate, as one participant said, *"you have to leave* *employment to deteriorate sometimes, everyone cannot always win in an economy" (Il faut laisser l'emploi se dégrader parfois, tout le monde ne peut pas toujours gagner dans une économie),* while another called out government intervention *"again we run into the issue of government intervention into free markets".*

Beyond this, many people took the view that dual mandate targeting would overly politicize the Bank. Comments such as *"the Bank of Canada should never become a political pawn," "employment levels are too political" and "employment is a political goal and not a monetary goal"* highlight this view. Some participants even called-out how dual mandate targeting may undermine the Bank's mandate. As one participant said firmly, *"is it within the Bank of Canada's mandate to manage 'sustainable' employment? I don't think so. Manage inflation and keep interest rates low and the economy will flourish."* While another participant simply said, *"the Bank of Canada should not begin to replace the government" (la BDC ne devrait pas commencer à se substituer aux gouvernements).* These views were also held by those participants who said they were unsure if it was a better framework.

5.5 Which approach to monetary policy would best serve Canadians

When asked which approach to monetary policy would best serve Canadians 'dual mandate' came out as the most selected response with 28.7% of participants agreeing it would be the best approach. This approach was closely followed 'inflation targeting' with 24.9%, 'average inflation targeting' selected by 20% of participants, 'price-level targeting accounting for 17.8%, while 'nominal GDP targeting' was the least supported approach with only 8.6% of participants selecting this approach. Interestingly, female participants were more likely to select 'average inflation targeting' ahead of 'inflation targeting' as their second most preferred approach while participants who indicated they had 'no degree' selected 'inflation targeting' as the framework they felt best served Canadians. Figure 42. (below) shows which approach participants thought would best serve Canadian's.

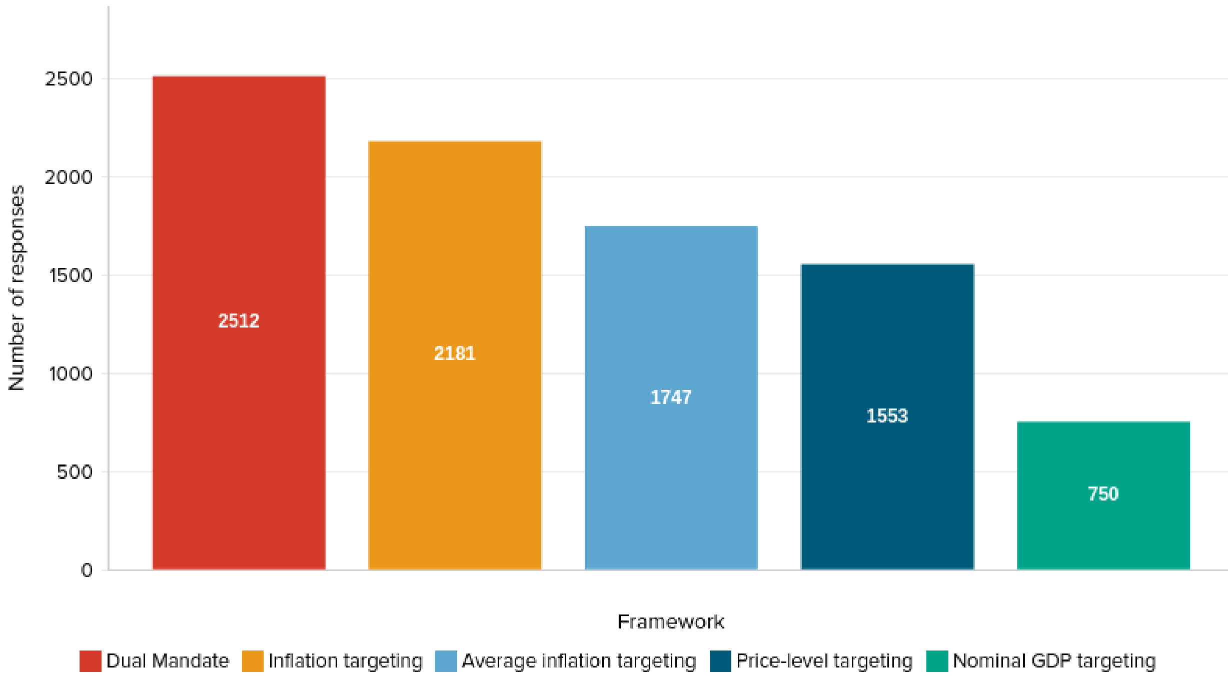

Figure 42: Which approach would best serve Canadians?

As with previous responses related to dual mandate, those who selected it as the best approach for Canadians focused on the positive impact of jobs and employment. As one participant put it, *"getting Canadians working is one of the most important issues currently."* Another participant said, *"higher employment opportunities would mean people will grow, find new opportunities, spend more and create entry-level opportunities for young Canadians to get onto a similar growth structure."* Overall, participants who selected this as the best approach tended to hold the view that Canadians, "*need both job creation and relative stability in inflation."*

For participants who selected 'inflation targeting' as the best approach for Canadians many of them reflected the view that *"it seems the most balanced approach relative to curbing inflation without seriously harming the economy."* Or as another participant put it, *"targeting inflation seems the least risky option to compensate for the unexpected" (ciblage des peux ou de l'inflation me semblent les options les moins risquées pour pallier au imprévus).* Average inflation targeting was the third most supported approach and again participants reaffirmed their earlier views about simplicity and flexibility. As many participants reflected, *"it's a shared risk for all" (C'est un risque partagé pour tous), "it seems to be the policy that gives Bank of Canada the most flexibility" and "it's the method that makes the fewest waves on the Canadian economy" (c'est la méthode qui fait le moins de vagues sur l'économie canadienne). Participants who selected 'price-level targeting' as the best option for Canadians* were focused on prices and cost of living. These participants felt that price-level targeting would best serve Canadians as it would *"promote and simplify saving", "keep prices accessible to allow the majority to survive" (conserver les prix accessibles pour permettre à la majorité de pouvoir survivre)* and that it's "*easier to adjust with the economy" (plus facile de s'ajuster avec l'économie).* Finally, nominal GDP growth targeting, although the least selected option, was still favored by some participants. Those who thought this was the best approach for Canadians said, *"if well designed and consistently managed, nominal GDP targeting could potentially be an effective tool to ensure economic stability."* Other supporters of the approach said, *"it keeps the economy in balance",* that it has a *"better impact on our entire economy" (meilleur impact sur l'ensemble de notre économie),* and *"I think it is the best and most flexible option for dealing with crises like the one we are facing."*

5.6 Which is more important to Canadians

Participants were asked what was more important to them; 'having a stable and predictable inflation so I can plan better'; 'maximum sustainable employment'; or 'steady economic growth.' Overall the majority of participants across all demographics including age, gender, income and level of education said they would prefer to have 'stable and predictable inflation' so they can better plan their lives, accounting for 52.6% of all participants. Only 27.4% of people said that 'steady economic growth' was more important, while 20% said 'maximum sustainable employment' was more important. Figure 43. (below) shows what participants viewed as the most important.

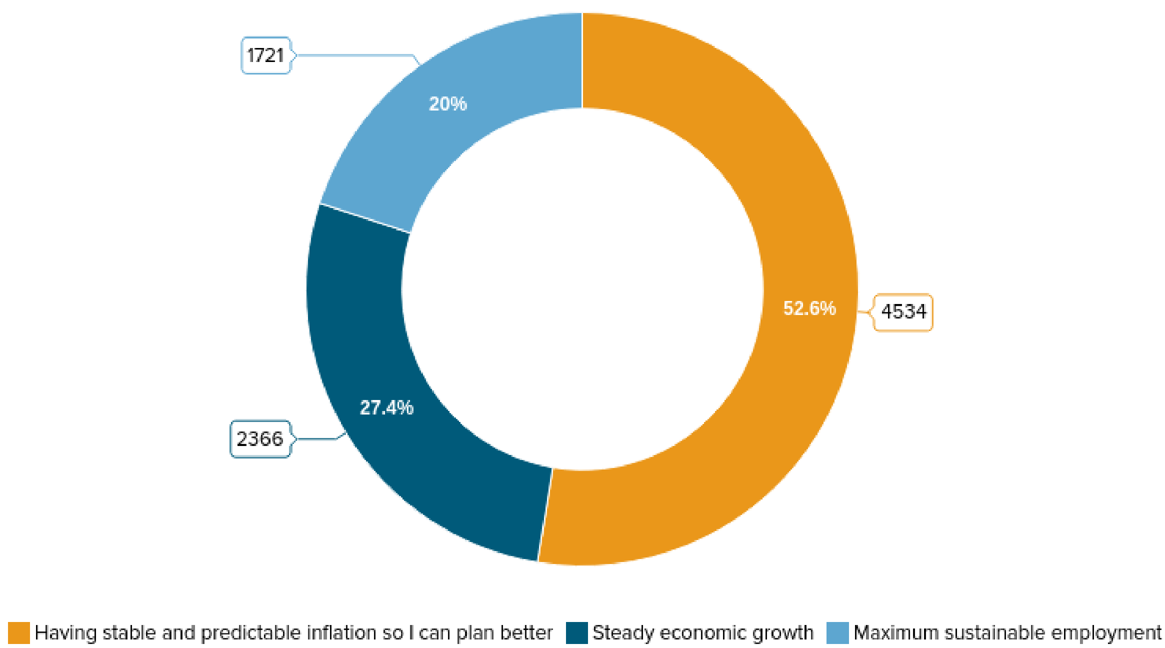

Figure 43: Which is more important?

Of those who said having a stable economy was most important, the impacts on jobs, inflation, costs of living and personal finances underpinned most of participants responses. Favoring stable and predictable inflation participants said, *"you need economic cycles to destruct useless jobs and create* *place for new ones"*; *"predictable inflation will lead to sustainable growth and steady employment"* or, as another participant put it, *"stable inflation makes it easier for businesses to plan and hire and improve the employment rate and economic growth, they are all linked."* Other participants who commented on why they selected stable and predictable inflation said they wanted to be able to plan better for retirement and create wealth. Participants who took this view reflected comments such as, *"the ability to plan investments is what helps one to save, invest and grow wealth"* or as another put it, *"if you can't save because your money is worthless how are you ever supposed to plan for you own life. Inflation is a tax and it destroys purchasing power."* While those concerned with retirement echoed these sentiments, *"pensions are gone… to support Canadians who have a retirement planning with RRSPs, it's essential to be able to reply on a stable framework for inflation" (Les pensions n'existent plus. Pour soutenir les canadiens qui ont une planification de retraite avec des REER, il est essentiel de pouvoir se fier sur un cadre stable pour l'inflation)* and *"I am retired which means inflation impacts our purchasing power and is one of the main concerns in our financial planning."*

5.7 Which approach to monetary policy is easier to understand

Overall, participants indicated they felt that 'inflation targeting' was the easiest approach to monetary policy to understand with 46.3% of participants selecting this option. The next easiest approach to understand was 'dual mandate' accounting for 17.6%, 'average inflation targeting' accounting for 15.3% of participants, 'price-level targeting' had 13.4% and finally 'nominal GDP targeting was selected by only 7.4% of participants as the least easy to understand. Responses to this question also aligned with previous questions asking participants how difficult they found each framework to understand. Figure 44. (below) shows which approaches participants found easiest to understand.

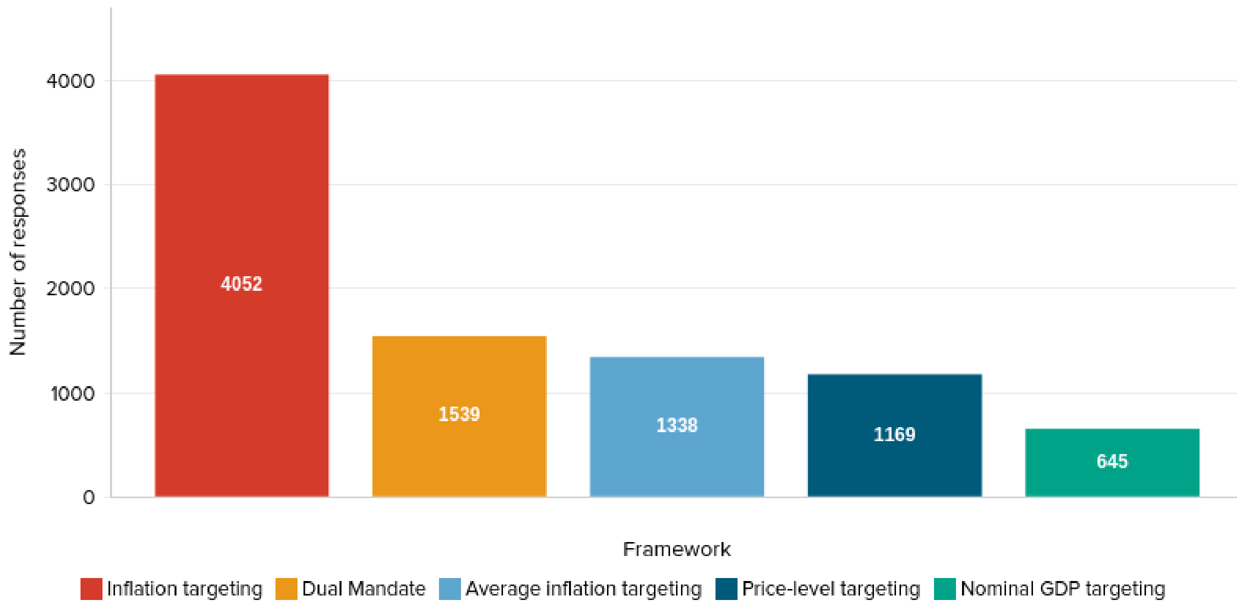

Figure 44: Which of the approaches to monetary policy is easier for you to understand?

6.0 Tools the Bank can use in a crisis

This section of the survey looked views and attitudes towards the tools which Bank of Canada has at its disposal for use in a crisis. This focused on negative interest rates, quantitative easing, attitudes towards forward guidance and keeping interest rates low.

6.1 Negative interest rates

To determine if the Bank should consider negative interest rates to help stimulate and move money around the economy, participants were asked if negative interest rates is something the Bank should consider. An overwhelming majority of participants said 'no' accounting for 73% of participants. Only 19.1% of participants thought it was a good idea to consider negative interest rates while another 7.8% were unsure. Figure 45. (below) shows whether participants thought it was a good idea for the Bank to consider negative interest rates.

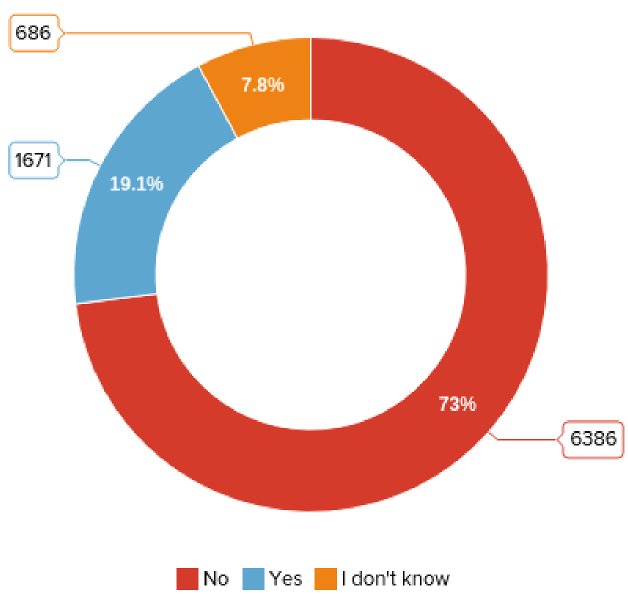

Figure 45: Should the Bank consider negative interest rates?

6.2 Quantitative easing

The Bank has been purchasing a large amount of government bonds as part of its quantitative easing strategy. This strategy aims to make longer-term borrowing cheaper for businesses and households and sends a signal that interest rates are set to stay lower for a longer period. Participants were asked if they were aware the Bank had been buying large amounts of bonds with 75% of participants saying 'yes' they were aware of the Bank's activities. Those who said 'no' they were not aware of the strategy accounted for only 24.4% of participants. Figure 46. (over page) shows the breakdown of awareness about bond buying.

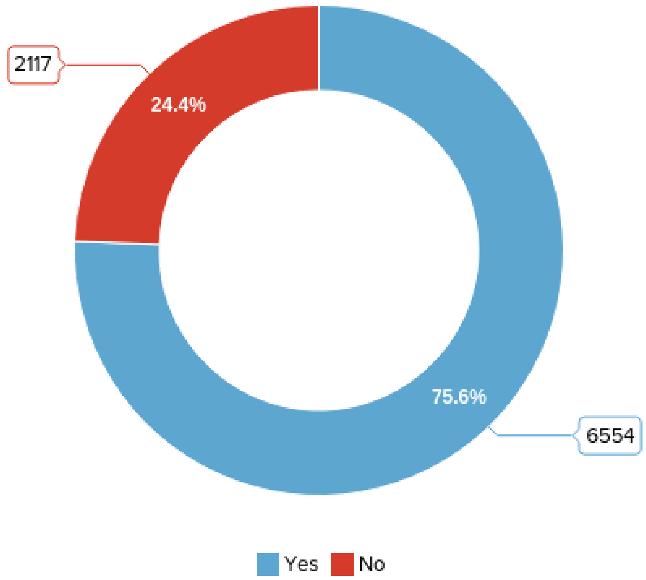

Figure 46: Awareness of the Banks government and corporate bond buying.

Participants were also asked to consider if they agree with the strategy. About 51.6% of participants said they 'strongly agree' or 'agree' with the Bank's bond buy program. About a quarter of participants were neutral accounting for 23.7% of participants while almost another quarter of participants 'disagree' or 'strongly disagree' with the program of bond buying accounting for 11.5% and 13.2% respectively. Figure 47. (below) shows the levels of agreement with the Bank's bond buying program.

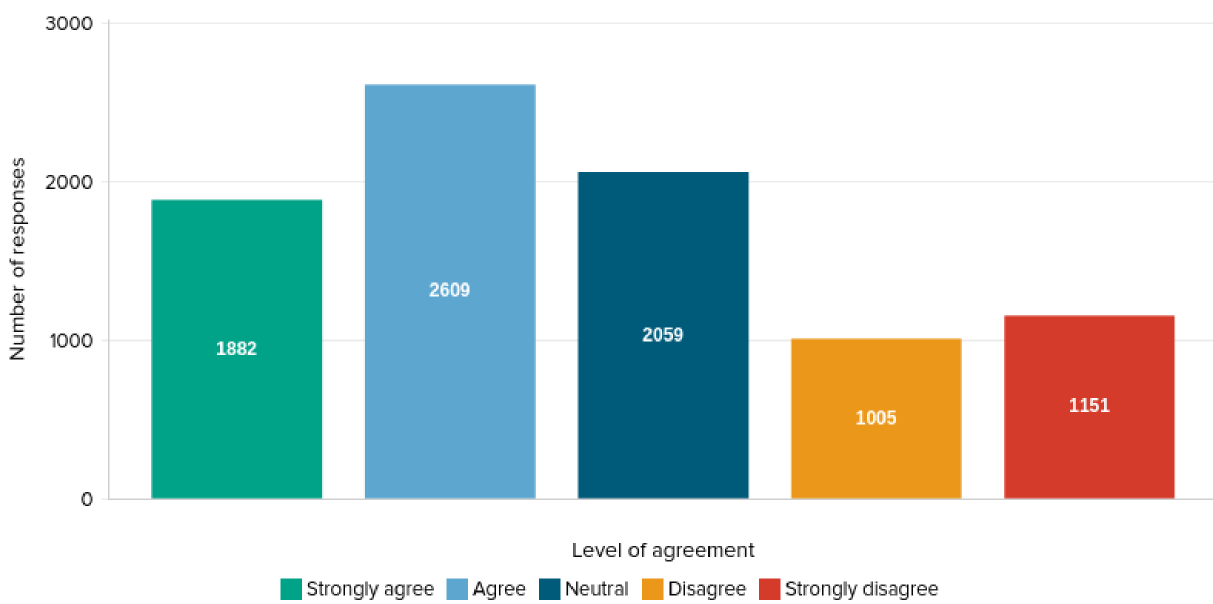

Figure 47: Level of agreement with the Bank's bond buying program.

6.3 Keeping interest rates low

This section of the survey asked participants if they thought giving an interest rate signal such as the very low commitment the Bank has made during the pandemic was a good idea. The majority of participants said 'yes' they thought giving and interest rate signal was a good idea with 66.8% of participants selecting this option. About a quarter of participants representing 25.1% said 'no' while 8.2% said they didn't know if it was a good idea. Figure 48. (below) shows views towards interest rate signaling.

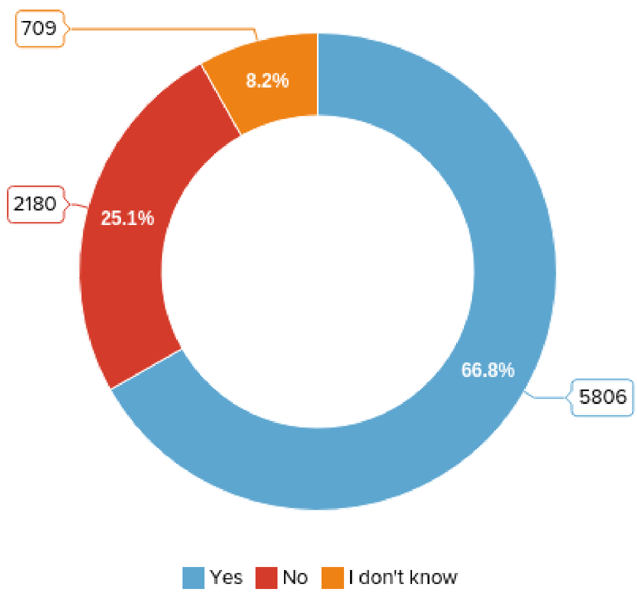

Figure 48: Is interest rate signaling a good idea?

Finally, participants were asked if the Bank should use a combination of adjustments to very short-term interest rates and quantitative easing to target longer-term interest rates. Overall, less than 50% of participants thought this is something the Bank should consider, accounting for 45.1% of participants. The majority of participants said they either didn't think this was something the Bank should consider or that they didn't know, accounting for a combined total of 54.9%. Participants who answered 'no' accounted for 34.3% of participants and those who said 'I don't know' made up only 20.6%. Figure 49. (over page) shows participants views towards longer term interest rate targeting form quantitative easing.

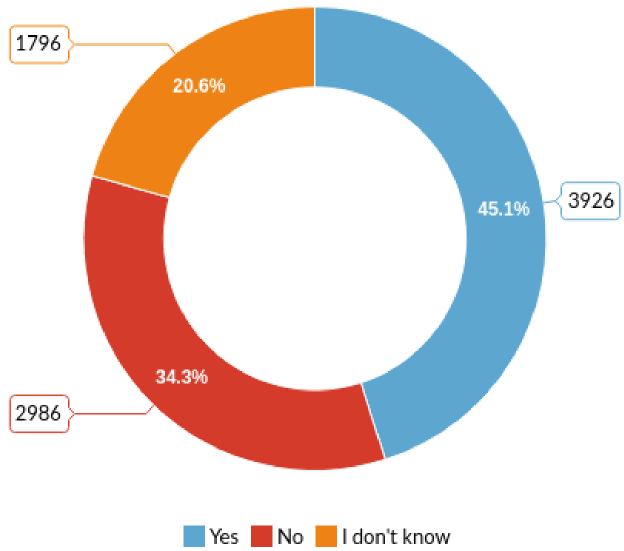

Figure 49: Should the Bank consider quantitative easing for longer term interest rates?

7.0 Appendix

7.1 Tagging Codes

In order to analyze the survey, all responses were translated into English and each survey was compiled into a single master response table. As there was in excess of 8000 records, several machine learning models were trained by our team to assist with content classification and qualitative analysis. To help analyze these qualitative questions, Bank of Canada provided Bang the Table with a tagging sheet and set of tagging rules. These tag categories are set out in Figure 1. (below).

Tag	Description
COVID	Mentions of the impacts of the pandemic on business or other related COVID impacts on household, banking and finance, housing.
Prices	Mentions of the impacts of inflation on consumer prices, CPI, paying bills.
Consumption	Mentions of the effects on consumption, international trade, purchasing power or growth.
Costs of living	People reflecting on their living standards in different situations or speaking directly to affordability.
Inequality	Comments directed at social disparity or the banking system working only for a certain segment of the community or against another.
Debt/Credit	Mentions of household debts, investing or personal debt facilities.
Personal finance	Reflections on retirement savings, capacity to save or generate yield from retirement portfolios or impacts on savings in general.
Housing/house prices	Mentions of impacts on housing, rent, housing affordability, mortgages or other household maintenance or related comments.
Relevance/relatability	Comments where people either could not comprehend, said they didn't connect with the proposition or thought an option had no relevance.
Inflation rate	Mentions of inflation or the inflation rate and how it was being perceived by participants.
Jobs	Comments which talked about employment, wages, pay or salary, fixed incomes and the impacts being felt under different scenarios.
Distrust in Bank	Comments where participants had criticism of the Bank, commented on Bank manipulation or showed a general distrust.
Not qualified	Comments where the participant said explicitly, they were not qualified or had limited information to comment.

Figure 1: Tagging sheet used for qualitative analysis.