BANK OF CANADA
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Remarks by Tiff Macklem—Governor
Opening statement
Press conference on the renewal of the monetary policy framework
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Thank you, Minister Freeland. Good morning.

I am very pleased to have this opportunity alongside you, Minister, to share with Canadians the renewed monetary policy framework agreed upon by the Government of Canada and the Bank of Canada. This framework lays out our shared objectives for Canada's monetary policy, while giving the Bank the necessary operational independence to achieve these objectives.

I'd like to briefly highlight the principles that we agreed will guide the Bank's work over the next five years.

First, the Government and the Bank believe the best way that monetary policy can contribute to the well-being of Canadians is to continue to focus on price stability.

Canadians value low and stable inflation. This point came through loud and clear during our extensive consultations in the lead up to the renewal of this agreement. And I want to thank everyone who took the time to share their views.

Second, the Government and the Bank agree that monetary policy should continue to support maximum sustainable employment—that is, the highest level of employment we can expect to achieve without seeing inflationary pressures.

This is important because few things are more central to the economic and financial well-being of Canadians than having a job. It's also central to the price stability objective because keeping inflation on target over time requires an economy that is operating at maximum sustainable employment.

Third, and notably, the Government and the Bank agree that well-anchored inflation expectations are critical to achieving both price stability and maximum sustainable employment. So the primary objective of monetary policy is to maintain low and stable inflation over time.

The flexible inflation-targeting framework we've had in place for 30 years has served us very well. It has delivered low, stable and predictable inflation—consumer price index inflation has averaged very close to 2 percent since 1991. And with this track record, Canadians have grown to expect that the Bank will achieve the inflation target.

This has contributed to a more stable economic environment so households and firms can make spending and investment decisions with confidence. It has supported sustained growth in output, employment and productivity, and it has improved Canadians' standard of living.

The COVID-19 pandemic has underscored the value of a clear and well-understood inflation target. Our framework guided our policy response at the outset of this crisis, including our extraordinary liquidity operations and use of quantitative easing. It also guided our decisions to taper and then end quantitative easing.

And even as the complications of reopening the global economy have caused inflation in Canada and many other countries to rise, medium and longer-run inflation expectations in Canada have remained well anchored on the 2 percent target. Keeping inflation expectations well anchored is key to completing the recovery and getting inflation back to target.

As you can see, our flexible inflation-targeting framework has also proven adaptable and resilient to changes in the economic landscape. This renewed agreement articulates how we will continue using this flexibility to address challenges confronting our economy. This includes using our extended monetary policy tools when needed and actively seeking the maximum level of employment that is consistent with price stability when conditions warrant. And the agreement outlines how we are considering a broader range of labour market indicators to assess full employment and the economy's potential output.

This agreement provides continuity and clarity, and it strengthens our framework to manage the realities of the world we live in. This is the framework we need now as we confront elevated inflation and the challenges of reopening the economy. And it is what we need looking ahead beyond the pandemic.

The Minister and I both agree, this is the right framework for Canada's monetary policy.

I have a speech in a couple of days and will expand further on these themes, so let me conclude here and invite your questions.