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**Opening Statement by Tiff Macklem
Governor of the Bank of Canada
Senate Standing Committee on Banking,
Commerce and the Economy
October 30, 2024
Ottawa, Ontario**

Good afternoon. I'm pleased to be here with Senior Deputy Governor Carolyn Rogers to discuss our recent policy announcement and the Bank of Canada's *Monetary Policy Report*.

Last week, we lowered the policy interest rate by 50 basis points. It was our fourth consecutive decrease since June and brings our policy rate to 3.75%.

We took a bigger step because inflation is now back to the 2% target, and we want to keep it close to the target.

In the past few months, inflation has come down significantly. Headline inflation was 1.6% in September, and both our measures of core inflation were under 2½%. Price pressures are no longer broad-based. Our surveys also find that business and consumer expectations of inflation have shifted down and are nearing normal. All this suggests we are back to low inflation. This is good news for Canadians.

Now our focus is to maintain low, stable inflation. We need to stick the landing.

That means the upward and downward forces on inflation need to balance out. Economic activity picked up this year, but it is still soft. This softness has helped take the remaining steam out of inflation. With inflation now back at 2%, we want to see growth strengthen. Last week's interest rate decision should contribute to a pickup in demand.

Looking ahead, we expect the economy to gradually strengthen in 2025 and 2026, supported by lower interest rates. Population growth will be slower, but we anticipate consumer spending per capita will be picking up. We also expect growth in residential investment to rise as strong demand for housing lifts sales and spending on renovations. We expect business investment to strengthen as demand picks up, and exports should remain strong, supported by robust demand from the United States.

Our forecast has inflation staying around the target over the projection horizon. The upward pressure from shelter and other services is expected to gradually diminish. With stronger demand, the downward pressure on inflation should also dissipate, keeping the upward and downward forces roughly balanced.

There are risks around our inflation outlook. The biggest downside risk to inflation is that it could take longer than anticipated for household spending and business investment to pick up. On the upside, lower interest rates could fuel a stronger rebound in housing activity, or wage growth could remain high relative to

productivity. We are also facing elevated geopolitical uncertainty and the risk of new shocks. Overall, we view the risks around our inflation forecast as reasonably balanced.

If the economy evolves broadly in line with our forecast, we anticipate cutting our policy rate further to support demand and keep inflation on target. The timing and pace of further interest rate cuts will depend on incoming information and our assessment of its implications for the inflation outlook. We will take our monetary policy decisions one at a time.

Let me conclude.

High inflation and interest rates have been a heavy burden for Canadians. Now we are coming out the other side—monetary policy has worked to get inflation down. With inflation back to target and interest rates continuing to come down, families, businesses and communities should feel some relief.

The Bank is committed to maintaining price stability for Canadians by keeping inflation close to the 2% target.

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