BANQUE DU CANADA
BANK OF CANADA

Remarks by Tiff Macklem
Bank of Canada Governor
Opening Statement to the Standing Senate Committee on Banking, Commerce and the Economy
May 6, 2026
Ottawa

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

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

We had three key messages.

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

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

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

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

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

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

In our forecast, the Bank projects the economy will expand 1.2% in 2026, 1.6% in 2027 and 1.7% in 2028, as growth in exports and business investment gradually resumes.

Until the war, we expected inflation to stay close to the 2% target. But sharply higher gasoline prices are now pushing up inflation. Consumer price index (CPI) inflation rose from 1.8% in February to 2.4% in March. So far, there is little evidence that higher oil prices have fed through to other goods and services prices more broadly. But it is early days and we will be watching this closely.

Not for publication before May 6, 2026
4:15 PM Eastern Time

Based on recent market expectations for oil prices, inflation should peak around 3% in April and ease back to target by early next year.

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

Governing Council agreed to look through the war's immediate impact on inflation but if energy prices stay high, we will not let their effects become persistent inflation.

Our baseline forecast assumes oil prices will come down and US tariffs will remain at the current levels. If this holds true and the economy evolves broadly in line with the base case, changes in the policy rate can be expected to be small.

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

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

Of course, these are not the only possible outcomes. As the outlook evolves, we stand ready to respond as needed.

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