



Monetary Policy Statement

Bank of Canada

Date: 10 December 2025

The Bank of Canada today held its target for the overnight rate at 2.25%, with the Bank Rate at 2.5% and the deposit rate at 2.20%.

Major economies around the world continue to show resilience to US trade protectionism, but uncertainty is still high. In the United States, economic growth is being supported by strong consumption and a surge in AI investment. The US government shutdown caused volatility in quarterly growth and delayed the release of some key economic data. Tariffs are causing some upward pressure on US inflation. In the euro area, economic growth has been stronger than expected, with the services sector showing particular resilience. In China, soft domestic demand, including more weakness in the housing market, is weighing on growth. Global financial conditions, oil prices, and the Canadian dollar are all roughly unchanged since the Bank's October *Monetary Policy Report* (MPR).

Canada's economy grew by a surprisingly strong 2.6% in the third quarter, even as final domestic demand was flat. The increase in GDP largely reflected volatility in trade. The Bank expects final domestic demand will grow in the fourth quarter, but with an anticipated decline in net exports, GDP will likely be weak. Growth is forecast to pick up in 2026, although uncertainty remains high and large swings in trade may continue to cause quarterly volatility.

Canada's labour market is showing some signs of improvement. Employment has shown solid gains in the past three months and the unemployment rate declined to 6.5% in November. Nevertheless, job markets in trade-sensitive sectors remain weak and economy-wide hiring intentions continue to be subdued.

CPI inflation slowed to 2.2% in October, as gasoline prices fell and food prices rose more slowly. CPI inflation has been close to the 2% target for more than a year, while measures of core inflation remain in the range of 2½% to 3%. The Bank assesses that underlying inflation is still around 2½%. In the near term, CPI inflation is likely to be higher due to the effects of last year's GST/HST holiday on the prices of some goods and services. Looking through this choppiness, the Bank expects ongoing economic slack to roughly offset cost pressures associated with the reconfiguration of trade, keeping CPI inflation close to the 2% target.

If inflation and economic activity evolve broadly in line with the October projection, Governing Council sees the current policy rate at about the right level to keep inflation close to 2% while helping the economy through this period of structural adjustment. Uncertainty remains elevated. If the outlook changes, we are prepared to respond. The Bank is focused



on ensuring that Canadians continue to have confidence in price stability through this period of global upheaval.

Information note

The next scheduled date for announcing the overnight rate target is January 28, 2026. The Bank's next MPR will be released at the same time.