



Monetary Policy Statement

Bank of Canada

Date: 10 June 2026

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%.

The conflict in the Middle East is now in its fourth month. The resulting increases in energy prices and disruptions in global supply chains are weighing on global economic growth and pushing up inflation. At the same time, the US administration continues to propose new tariffs and trade policy uncertainty remains elevated.

In the United States, economic growth remains solid, supported by consumption and AI-related investment. In the euro area, growth is subdued, with higher energy prices weighing on activity. China's economic growth continues to be supported by strong exports.

Canadian financial conditions have loosened since the *April Monetary Policy Report*. Global equity markets have been buoyant and bond yields remain volatile. The Canadian dollar has weakened against the US dollar and other currencies.

In Canada, GDP edged down by 0.1% in the first quarter, weaker than expected at the time of the April MPR. Consumer spending grew 1.4% but government spending unexpectedly declined. Housing activity also declined and business investment remained weak. Exports fell while imports rose strongly as inventories were rebuilt. Employment was up in May, but looking through monthly volatility, employment in Canada is little changed since the start of the year. The unemployment rate continues to fluctuate in the 6½%-7% range with the most recent reading at 6.6% in May.

Recent data suggests that growth will resume in the second quarter but, even with some rebound, the economy is expected to remain in excess supply.

As expected, CPI inflation rose in April, reaching 2.8%. The increase reflects energy prices, both higher oil prices and the impact of the elimination of the consumer carbon tax falling out of the 12-month rate of inflation. So far, there has been limited evidence of broad-based pass-through of higher energy prices to other consumer prices. Measures of core inflation have moved down to around 2% and the share of CPI components growing above 3% is close to its historical average. Food price inflation moderated but remains high, and shelter inflation continued to slow. With global oil prices still elevated—roughly \$10 a barrel above our April MPR assumptions—total inflation is expected to hover around 3% in the near term before easing gradually towards 2%.



Against this overall backdrop, Governing Council decided to maintain the policy rate at 2.25%. Economic activity in Canada has been weak and uncertainty about US trade policy persists. The conflict in the Middle East is ongoing and oil prices remain elevated. Governing Council is continuing to look through the war's near-term impact on headline inflation, but will not let higher energy prices become persistent inflation. As the outlook evolves, we stand ready to respond as needed. The Bank is committed to maintaining Canadians' confidence in price stability through this period of global upheaval.

Information note

The next scheduled date for announcing the overnight rate target is July 15, 2026. The Bank's next MPR will be released at the same time.