



Bank of Canada maintains policy rate at 2¼%

FOR IMMEDIATE RELEASE

Media Relations

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December 10, 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.

Content Type(s): [Press](#), [Press releases](#)

Monetary Policy Decision Press Conference Opening Statement

Governor Tiff Macklem discusses key issues involved in the Governing Council's deliberations about the monetary policy decision.

Press Conference: Policy Rate Announcement – December 2025

Interest Rate Announcement — Press conference by Governor Tiff Macklem and Senior Deputy Governor Carolyn Rogers (10:30 (ET) approx.).



Monetary Policy Decision Press Conference Opening Statement

Opening statement

Tiff Macklem

Ottawa, Ontario

December 10, 2025

Good morning. I'm pleased to be here with Senior Deputy Governor Carolyn Rogers to discuss today's monetary policy decision.

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

We have three main messages.

First, steep US tariffs on steel, aluminum, autos and lumber have hit these sectors hard, and uncertainty about US trade policy is weighing on business investment more broadly. But so far, the economy is proving resilient overall.

Second, inflationary pressures continue to be contained despite added costs related to the reconfiguration of trade. Total CPI inflation has been close to the 2% target for more than a year now, and we expect it to remain near the target.

Third, in the current situation, 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. Nevertheless, uncertainty remains high and the range of possible outcomes is wider than usual. If the outlook changes, we are prepared to respond.

Let me expand on how we're interpreting the new information we received since we published our October *Monetary Policy Report*.

In November, Statistics Canada published broad revisions to Canada's economic growth numbers for 2022, 2023 and 2024. The revisions suggest the Canadian economy was healthier than we previously thought before we were hit by the US trade conflict. In particular, they suggest both demand and economic capacity were higher coming into this year. This may explain some of the resilience we're seeing in more recent data.

After falling 1.8% in the second quarter due to sharply lower exports, Canadian GDP grew 2.6% in the third quarter. This was much stronger than we expected, but largely reflected volatility in trade. Final domestic demand was flat in the quarter. We expect growth in final domestic demand to resume, but with an anticipated decline in net exports, GDP growth is likely to be weak in the fourth quarter before picking up in 2026.

The labour market is showing some signs of improvement. After declining through the summer, employment has posted solid gains for the past three months and the unemployment rate has declined to 6.5% in November. Since the start of the year, there have been significant job losses in trade-sensitive sectors. But in recent months, employment in these sectors has been more stable, so gains in other sectors—particularly services—have boosted overall employment. Looking ahead, however, we're seeing muted hiring intentions across the economy.

Inflation has evolved largely as expected. CPI inflation was 2.2% in October, and measures of core inflation remained in the range of 2½% to 3%. In the months ahead, we will see some choppiness in headline inflation, reflecting the temporary GST/HST holiday on some goods and services a year ago. This is likely to push inflation temporarily higher in the near term. Seeing through this choppiness, we expect ongoing economic slack to roughly offset cost pressures associated with the reconfiguration of trade, keeping CPI inflation close to the 2% target.

The recent federal budget includes increases in government spending, particularly in defence, and measures to increase public and private sector investment. It will take some time for the impact of these measures to be fully realized, and we expect they will contribute to growth in both demand and supply in the economy. As usual, we will incorporate updated fiscal measures from federal and provincial budgets in our next economic projection in January.

Taking all these developments into consideration, Governing Council assessed the stance of monetary policy. After cutting the policy interest rate in September and October, Governing Council had indicated that if inflation and economic activity were to evolve broadly in line with the October projection, the policy rate would be about right. While information since the last decision has affected the near-term dynamics of GDP growth, it has not changed our view that GDP will expand at a moderate pace in 2026 and inflation will remain close to target. Governing Council therefore decided to hold the policy rate unchanged. We agreed that a policy rate at the lower end of the neutral range was appropriate to provide some support for the economy as it works through this structural transition while keeping inflationary pressures contained.

Finally, Governing Council acknowledged that uncertainty remains elevated. This includes the unpredictability of US trade policy. In particular, the upcoming review of the Canada-United States-Mexico Agreement is creating uncertainty for many businesses. There is also uncertainty about how the Canadian economy will adjust to higher tariffs. The volatility we're seeing in trade and quarterly GDP make it more difficult to assess the underlying momentum of the economy.

We will be assessing incoming data relative to our outlook. If a new shock or an accumulation of evidence materially change the outlook, we are prepared to respond.

Increased trade friction with the United States means our economy works less efficiently, with higher costs and less income. This is more than a cyclical downturn—it's a structural transition. Monetary policy cannot restore lost supply. But it can help the economy adjust as long as inflation is well controlled. The Bank of Canada is focused on ensuring Canadians continue to have confidence in price stability through this period of global upheaval.

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

Content Type(s): [Press, Speeches and appearances, Opening statements](#)

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