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COMMUNIQUÉ

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Monetary Policy Council

Bank of Canada Should Maintain Overnight Rate at 2.25 Percent for Next 12 Months, Says C.D. Howe Institute Monetary Policy Council

March 12, 2026 – The C.D. Howe Institute's **Monetary Policy Council** (MPC) calls for the Bank of Canada to keep its target for the overnight rate, its benchmark policy interest rate, at 2.25 percent at its next announcement on March 18 and maintain it at that level until March 2027.

The MPC is chaired by **Jeremy Kronick**, the Institute's President and CEO, and includes the chief economists of the six largest Canadian banks, alongside six leading academic economists and financial market experts.

Acting as a shadow Bank of Canada Governing Council, the MPC provides an independent assessment of the monetary stance needed to achieve the Bank's 2-percent inflation target. Its formal recommendation for each interest rate announcement is the median vote of members in attendance. Members vote on the upcoming announcement, the subsequent announcement, and the announcements six months and one year ahead.

The 10 MPC members in attendance once again showed a significant degree of unanimity in their recommendations. All 10 called for the Bank of Canada to hold the overnight rate target at 2.25 next week, at the following announcement in April, and six months ahead in September. Eight of the 10 maintained their recommendation of 2.25 for March 2027, while the other two called for a target of 2.50 by then (see table below).

The consensus to keep the overnight rate target unchanged over the first six months of the year, and the near unanimity one year out, reflected uncertainty over the war in Iran, its impact on oil prices, and the implications for the Canadian economy. As monetary policy works with a lag, the question is not where oil prices are today, but where they will be later in the year. On that front, there is significant uncertainty.

Members also discussed the impact higher oil prices will have on the Canadian economy. Some increase can be good for the Canadian economy. But a significant increase will hurt global growth, which will negatively impact Canada. Members debated similarities between the supply-side shock we are seeing today and the supply chain disruptions experienced during the COVID pandemic and the early recovery. One big difference is that after COVID, the US economy experienced a robust rebound, acting as a boon for global growth, including Canada's. The US economy is not in as strong a position today, with recent weakness in labour markets, and inflation that remains stubbornly above target.

Members also discussed the state of the Canadian economy beyond oil prices. Data in the final quarter of 2025 was weak, and bad weather in early 2026 likely got the economy off to a poor start. Just-released trade data was concerning as both exports and imports fell, with the former outpacing the latter, leading to an increase in the trade deficit. Business investment continues to struggle, in part driven by uncertainty over CUSMA. Higher inflation from oil and food prices, combined with a weak economy, could create a stagflationary environment. It can also destabilize inflation expectations if it is long-lasting, given the importance people put on gas and food prices in that calculation.

Members also analyzed the role of the housing market in the Canadian economy. Housing markets are experiencing weak sales and falling prices. As a result, the economy will not get the typical boost from the housing wealth effect it often gets. Members also argued that it is unclear when a turnaround will occur, with population growth likely to remain stagnant in major metropolitan areas. They also noted that the concern over mortgage renewals has not been borne out in part because the rates people are renegotiating at are similar to those they would have faced as part of their stress test on the original loan.

The views and opinions expressed by the participants are their own and do not necessarily reflect the views of the organizations with which they are affiliated, or those of the C.D. Howe Institute. Forecasters' recommendations may differ from their predictions.

Votes of MPC Members and the Council Median for Each Announcement (*percent*)

	March 18, 2026	April 29, 2026	September 2026	March 2027
Steve Ambler Université du Québec à Montréal (UQAM)	2.25	2.25	2.25	2.25
Ted Carmichael Ted Carmichael Global Macro	2.25	2.25	2.25	2.50
Michael Devereux University of British Columbia	2.25	2.25	2.25	2.25
Frances Donald RBC	2.25	2.25	2.25	2.25
Stéfane Marion National Bank of Canada	2.25	2.25	2.25	2.50
Angelo Melino University of Toronto	2.25	2.25	2.25	2.25
Luba Petersen Simon Fraser University	2.25	2.25	2.25	2.25
Doug Porter BMO Capital Markets	2.25	2.25	2.25	2.25
Avery Shenfeld CIBC	2.25	2.25	2.25	2.25
Stephen D. Williamson Western University	2.25	2.25	2.25	2.25
Median Vote	2.25	2.25	2.25	2.25

The MPC's next vote will take place on April 23, 2026, prior to the Bank of Canada's overnight rate announcement on April 29.

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