



## PREVIEW: BoC Rate Decision due Wednesday, 10th December 2025

Rate decision and text release from Governor Macklem will be released at 14:45GMT/09:45EST, Press Conference at 15:30GMT/10:30EST

- BoC is expected to hold the overnight rate at 2.25% according to all of the 33 economists surveyed by Reuters.
- The strong November jobs report has seen a notable shift in money market pricing, with hikes now priced in for 2026, instead of rates being maintained.
- There will be no MPR at the upcoming meeting, with the last MPR maintaining the nominal neutral interest rate range view of 2.25-3.25%.

**SUMMARY:** The BoC is expected to hold the overnight rate at 2.25% according to all of the 33 economists surveyed by Reuters. November marked the third consecutive beat on Canadian job growth, alongside a sharp drop in the unemployment rate. This resulted in a drastic shift in money market pricing, with 2026 now pricing in rate hikes rather than holding rates steady. Money markets are currently pricing a hold with a 99% probability, while pricing in ~35bps of hikes by the end of 2026, which fully prices one 25bps hike, with a 40% probability of a second. Alongside a strong labour market report, Q3 GDP (annualised) was encouraging, topping expectations, while inflation has been mixed. On trade, progress has been absent with US-Canada talks remaining stalled as reports note a growing belief that key issues will be rolled into next year's broader review of USMCA. This meeting will not include the MPR, with the last MPR showing that the projection for the nominal neutral interest rate remained at 2.25-3.25%, as estimated in July. As usual, Governor Macklem's statement will be released alongside the statement at 14:45GMT/09:45EST, ahead of the live conference and Q&A at 15:30GMT/10:30EST.

**EXPECTATIONS:** The BoC is expected to hold the overnight rates at 2.25% according to all economists surveyed by Reuters. Many of those surveyed, 18/29, predicted steady rates at least until 2027. However, the survey period of December 2nd-5th likely means these views did not incorporate the strong November jobs report. Since the report, money markets erased downside risks to the overnight rate, now pricing ~35bps of hikes by the end of 2026. RBC notes the jobs report is consistent with their base case that the BoC will not need to reduce interest rates again through next year.

**RECENT DATA:** Since the last meeting, BoC policy expectations have markedly shifted after the November jobs report, which saw strong growth, rising 53.6k vs exp. -5k, while the Unemployment Rate dropped by a notable 0.4%, taking it to 6.5% (vs exp. 7.0%). This marked the second consecutive strong jobs report since the Oct meeting and the third in general, with the October jobs report showing employment change +66.6k vs exp. -2.5k, with the Unemployment Rate at 6.9% vs exp. & prev. 7.1%. Inflation has been mixed, M/M matched expectations of 0.2%, Y/Y rose 2.2% vs exp. 2.1%, while the average of BoC measures eased back to 2.9% from 3.0%. Growth surprised on the upside, with the GDP rising 2.6% (vs exp. 0.5%) in Q3 Q/Q on an annualised basis.

**COMMENTARY/MPR:** At the last meeting, the BoC returned to baseline forecast format for the MPR after shifting to a scenario approach in April and July to navigate trade uncertainty. Macklem noted that if the economy evolves roughly in line with the MPR outlook, the BoC 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. He also acknowledged that the structural damage caused by the trade conflict limits the role monetary policy can play to boost demand while maintaining low inflation. There will be no MPR at the upcoming meeting, with the last MPR maintaining the nominal neutral interest rate range view of 2.25-3.25%.

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