



## PREVIEW: BoC Rate Decision due Wednesday, 28th January 2026

*Rate decision, MPR, 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 keep rates on hold at 2.25%, said all analysts surveyed by Bloomberg.
- Worsening US-Canada trade relations, elevated uncertainty ahead of USMCA renegotiations later this year, and a jump in the Unemployment Rate in December left participants dialling back expectations of tightening in 2026.
- The meeting will include an updated MPR, with the neutral rate estimate watched for any changes, currently seen at 2.25% to 3.25%.

**SUMMARY:** The BoC is widely expected to keep rates on hold at 2.25%, as reflected in the unanimous view of a Bloomberg survey of analysts and current OIS pricing. A Reuters poll shows about 75% of the 35 economists surveyed expect rates to remain unchanged in 2026, up from around 60% in December. The shift reflects worsening US-Canada trade relations and elevated uncertainty ahead of USMCA renegotiations later this year, prompting participants to scale back bets on a return to tightening. The latest escalation followed comments by US President Trump, who threatened 100% tariffs on Canada over closer ties with China, including reduced tariffs on Chinese EVs and the reopening of channels for investment, energy cooperation and long-term trade growth. Money markets now price about 12 bps of hikes by year-end, down from around 35 bps in December. Data since the December meeting have been mixed, giving the BoC scope to cite greater economic uncertainty in a decision to hold rates. The unemployment rate again proved volatile, rising in December despite full-time job gains offsetting a decline in part-time employment. Headline inflation accelerated, while average BoC core measures eased slightly. The meeting will include the latest MPR, with attention on any changes to the neutral rate estimate, although desks say this is not expected.

**EXPECTATIONS:** All analysts surveyed by Bloomberg expect the BoC to hold the overnight rate at 2.25%. A Reuters poll shows economists forecast economic growth of 1.2% in 2026 (prev. 1.2% in Oct) and 1.8% in 2027 (prev. 2.0%). About 75% of the 35 economists surveyed see rates steady throughout 2026, up from 60% in December. At BMO, a chief economist said the policy rate remains within what the bank views as the neutral range of 2.25% to 3.25%, but added: "If the unemployment rate is rising and we have a lot of trade uncertainty, why would rates just be neutral?", suggesting some economists believe rates may need to fall further to become stimulative and support the economy.

**RECENT DATA:** Since the last meeting, data have been mixed. Job growth surprised to the upside in December at +8.2k (exp. -5k, prev. 53.6k), as full-time employment rose by 50.2k (exp. 25k, prev. -9.4k) and offset a 42k fall in part-time jobs (exp. +15k, prev. +63k). This came alongside a larger-than-expected rise in the unemployment rate to 6.8% (exp. 6.6%, prev. 6.5%), partly reflecting a stronger-than-forecast increase in the participation rate to 65.4% (exp. 65.3%, prev. 65.1%). Inflation signals were mixed, with headline Y/Y accelerating to 2.4% in December (exp. and prev. 2.2%), while the average of BoC core measures eased to 2.7% from 2.8%. The BoC's Q4 Survey of Consumer Expectations Indicator edged lower and remained subdued, as concerns over high prices and trade-related uncertainty continued to weigh on consumers. The Q4 business outlook survey suggested sentiment is slowly improving, but hiring is slowing and layoffs may be approaching.

**COMMENTARY/MPR:** At the previous meeting, the statement struck a dovish tone despite consecutive strong jobs reports, with the BoC warning that labour markets in trade-sensitive sectors remain weak and hiring intentions subdued. The bank also played down the stronger-than-expected rise in Q3 GDP, citing trade volatility and expecting Q4 growth to be weak. In December, Governor Macklem reiterated that policymakers view the policy rate as about right to keep inflation close to 2% while supporting the economy through a period of structural adjustment. Minutes showed officials agreed the upcoming review of the USMCA trade treaty posed a significant risk and that it was difficult to judge whether the next move would be a hike or a cut. The meeting will include an updated MPR, with the neutral rate estimate watched for any changes, currently seen at 2.25% to 3.25%.

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