

**PREVIEW: BoC Rate Decision due Wednesday, 17th March 2026**

*The decision and text release from Governor Macklem will be released at 13:45GMT/09:45EDT, with the press conference at 14:30GMT/10:30EDT*

- The BoC is expected to hold rates at 2.25%, said all economists surveyed by Reuters.
- There will be no MPR at the meeting; current nominal interest rate view stands at 2.25-3.25%.
- The further cooling in inflation and losses in employment have reduced bets for a return to hikes by year end.

**SUMMARY:** The BoC is widely expected to hold rates at 2.25%, according to both money market pricing and a unanimous view in a Reuters poll of 33 economists. Of those surveyed, 25 out of 33 maintained their December view that rates will remain steady at least through 2026, despite potential risks to inflation and growth. Data since the last meeting showed the largest monthly decline in employment since January 2022, with a -83.9k print in February (exp. +10k), marking a second consecutive month of job losses. The unemployment rate in February also rose more than expected to 6.7% from 6.5%, alongside a decline in the participation rate. Meanwhile, inflation data for January and February has been encouraging, with headline Y/Y now below 2% and the BoC CPI Average easing again to 2.33% from 2.53%. On trade, developments around the USMCA have been limited, with a February New York Times report stating that US President Trump and his advisers had indicated the deal could be scrapped in favour of bilateral agreements with Canada and Mexico. Canadian officials were cited as having very low expectations for a full renewal of the USMCA. Participants will focus on how the central bank addresses the Middle East conflict and whether increased uncertainty keeps the policy rate at the lower end of the neutral range for longer than expected. Amid the conflict, BoC's Kozicki warned monetary policy may need to be tightened even when the economy is weak. Money markets have pushed back expectations for tightening in 2026 following continued easing in inflation and weak jobs data, now pricing the first 25bps hike by October (prev. September before the February jobs report), with 38bps of tightening by year-end (prev. 43bps).

**EXPECTATIONS:** The BoC is expected to keep its overnight rate on hold at 2.25%, according to all 33 economists polled by Reuters. Of these, 25 expect rates to remain steady at least through 2026 (unchanged since December), five expect at least one cut, and three see one or more hikes. BMO Chief Economist Porter said: "Canada came into this in relatively weak shape because of the trade uncertainty. I do not believe the economy needs a rate hike. I'm actually concerned growth could weaken materially if oil prices go a whole lot higher from here." Money markets also price a hold at the March meeting with 36bps of tightening by year-end, down from 43bps before the weak February employment and inflation reports, which continue to point to easing towards the BoC's 2% target.

**RECENT DATA:** Since the last meeting, data has pointed to a weaker outlook for job growth, while inflation readings have remained benign. In January, employment fell by -24.8k (exp. +7k), followed by a -83.9k decline in February (exp. +10k), the largest drop since January 2022, with losses concentrated in full-time positions. The unemployment rate rose more than expected in February to 6.7% (exp. 6.6%, prev. 6.5%), despite a further decline in the participation rate to 64.9% (exp. 65.0%). On inflation, the BoC CPI Average continued to ease, reaching 2.33% in February (prev. 2.53% in January, 2.67% in December), while headline CPI fell to 1.8% (prev. 2.3%), its lowest level since July 2025. PPI in January recorded its highest reading since 2022, rising 2.7% M/M (exp. 0.2%, prev. -0.9%), driven mainly by an 18.2% jump in primary non-ferrous metal products. Elsewhere, the February Ivey PMI rose to 56.5 (exp. 51.1, prev. 50.9), supported by an increase in the Supplier Deliveries Index. GDP in December exceeded expectations at 0.2% (exp. 0.1%, prev. 0.0%), while preliminary January data showed flat growth.

**COMMENTARY/MPR:** Language at the January meeting was broadly similar to December, with the BoC stating that monetary policy remains focused on keeping inflation close to the 2% target while supporting the economy through a period of structural adjustment. The Governing Council judged the current policy rate of 2.25% to be appropriate, conditional on the economy evolving broadly in line with its January MPR outlook. The MPR projects core inflation easing to 2.5% Y/Y in Q1 from 2.9% in Q4 2025, and real GDP Y/Y at 0.6% in Q1 (prev. 0.7% in Q4 2025). Governor Macklem said changes since the October projection were not significant. BoC minutes showed members agreed the current rate was on the stimulative side and identified the USMCA review as a downside risk to growth. Following the Middle East conflict, Macklem said risks to global growth are tilted to the downside, while Kozicki said monetary policy may need to be tightened even when the economy is weak. There will be no MPR at this meeting.

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