



BANK OF CANADA

Key interest rates do not change

ACCORDING TO THE BANK OF CANADA (BoC)

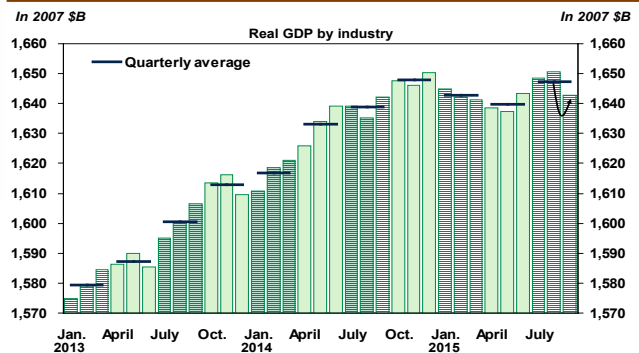
- The target for the overnight rate stays at 0.50 %.
- Global economic growth is evolving essentially as the BoC had anticipated in its October *Monetary Policy Report (MPR)*.
- In Canada, the dynamics of growth have been broadly in line with the BoC's *MPR* outlook. The economy continues to undergo a complex and lengthy adjustment to the decline in Canada's terms of trade. This adjustment is being aided by the ongoing U.S. recovery, a lower Canadian dollar and the BoC's monetary policy easing this year.
- Inflation is in line with the BoC's October outlook. Total CPI inflation remains near the bottom of the BoC's target range, owing to declines in consumer energy prices. Core inflation is close to 2% as the effects of the lower dollar and the output gap continue to offset each other.
- The BoC judges that the risks around the inflation profile remain roughly balanced over the projection horizon. Vulnerabilities in the household sector continue to edge higher while overall risks to financial stability are evolving as expected.

COMMENTS

The continued status quo on Canadian monetary policy is no surprise; all 33 forecasters consulted by Bloomberg expected such a decision. It must be said that the recent changes in the economic situation are fairly consistent with expectations.

According to the data released by Statistics Canada yesterday, real GDP rose 2.3% (quarterly annualized) in the third quarter. Remember that the BoC was expecting a 2.5% gain. Despite the summer's upswing in economic growth, worries still abound throughout the country. Real GDP by industry slipped 0.5% in September, significantly lowering the starting point for the fourth quarter. Under these conditions, it would be surprising for economic growth to push past the 1% mark in the last quarter of 2015, a slightly weaker projection than the BoC's most recent one. In addition, sustained low prices for oil and other commodities

September's decrease in real GDP by industry resulted in an unfavourable carryover for the fourth quarter



Sources: Statistics Canada and Desjardins, Economic Studies

should continue to hurt non-residential investment. A lot of hope rests on international trade supporting the country's growth. It was up to the task in the third quarter, but will this uptrend in exports be able to continue in the coming quarters? Doubts remain, particularly with the recent decline in the U.S. ISM manufacturing index.

Implications: Despite the fairly weak projection for the fourth quarter of 2015, it would be very surprising for the BoC to proceed with another key rate cut, as projections show that real GDP growth could accelerate in 2016 and exceed its potential. That said, the presence of excess production capacity will continue to limit inflation pressure in the coming months. Monetary authorities can therefore take their time before raising their key rates and wait for economic recovery to be entrenched. As such, we will likely have to wait until 2017 before the BoC starts increasing its key rates gradually.

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Schedule 2015 of Central Bank meetings

	<u>Decision</u>	<u>Rate</u>		<u>Decision</u>	<u>Rate</u>
JANUARY					
8	Bank of England	s.q.	0.50		
14	Bank of Korea	s.q.	2.00		
15	Swiss National Bank	-50 b.p.	-0.75		
20-21	Bank of Japan	---	---		
21	Bank of Brazil	+50 b.p.	12.25		
21	Bank of Canada	-25 b.p.	0.75		
22	European Central Bank	s.q.	0.05		
28	Reserve Bank of New Zealand	s.q.	3.50		
28	Federal Reserve	s.q.	0.25		
29	Bank of Mexico	s.q.	3.00		
FEBRUARY					
2	Reserve Bank of Australia	-25 b.p.	2.25		
5	Bank of England	s.q.	0.50		
12	Bank of Sweden	-10 b.p.	-0.10		
16	Bank of Korea	s.q.	2.00		
17-18	Bank of Japan	---	---		
MARCH					
2	Reserve Bank of Australia	s.q.	2.25		
4	Bank of Brazil	+50 b.p.	12.75		
4	Bank of Canada	s.q.	0.75		
5	European Central Bank	s.q.	0.05		
5	Bank of England	s.q.	0.50		
11	Bank of Korea	-25 b.p.	1.75		
11	Reserve Bank of New Zealand	s.q.	3.50		
16-17	Bank of Japan	---	---		
18	Bank of Sweden	-15 b.p.	-0.25		
18	Federal Reserve	s.q.	0.25		
19	Bank of Norway	s.q.	1.25		
19	Swiss National Bank	s.q.	-0.75		
26	Bank of Mexico	s.q.	3.00		
APRIL					
7	Reserve Bank of Australia	s.q.	2.25		
7-8	Bank of Japan	---	---		
9	Bank of England	s.q.	0.50		
9	Bank of Korea	s.q.	1.75		
15	European Central Bank	s.q.	0.05		
15	Bank of Canada	s.q.	0.75		
29	Reserve Bank of New Zealand	s.q.	3.50		
29	Bank of Sweden	s.q.	-0.25		
29	Bank of Brazil	+50 b.p.	13.25		
29	Federal Reserve	s.q.	0.25		
30	Bank of Japan	---	---		
30	Bank of Mexico	s.q.	3.00		
MAY					
5	Reserve Bank of Australia	-25 b.p.	2.00		
7	Bank of Norway	s.q.	1.25		
11	Bank of England	s.q.	0.50		
15	Bank of Korea	s.q.	1.75		
21-22	Bank of Japan	---	---		
27	Bank of Canada	s.q.	0.75		
JUNE					
2	Reserve Bank of Australia	s.q.	2.00		
3	European Central Bank	s.q.	0.05		
3	Bank of Brazil	+50 b.p.	13.75		
4	Bank of England	s.q.	0.50		
4	Bank of Mexico	s.q.	3.00		
10	Bank of Korea	-25 b.p.	1.50		
10	Reserve Bank of New Zealand	-25 b.p.	3.25		
17	Federal Reserve	s.q.	0.25		
18	Bank of Norway	-25 b.p.	1.00		
18	Swiss National Bank	s.q.	-0.75		
18-19	Bank of Japan	---	---		
JULY					
2	Bank of Sweden	-10 b.p.	-0.35		
7	Reserve Bank of Australia	s.q.	2.00		
8	Bank of Korea	s.q.	1.50		
9	Bank of England	s.q.	0.50		
14-15	Bank of Japan	---	---		
15	Bank of Canada	-25 b.p.	0.50		
16	European Central Bank	s.q.	0.05		
22	Reserve Bank of New Zealand	-25 b.p.	3.00		
29	Bank of Brazil	+50 b.p.	14.25		
29	Federal Reserve	s.q.	0.25		
30	Bank of Mexico	s.q.	3.00		
AUGUST					
4	Reserve Bank of Australia	s.q.	2.00		
6	Bank of England	s.q.	0.50		
6-7	Bank of Japan	---	---		
12	Bank of Korea	s.q.	1.50		
SEPTEMBER					
1	Reserve Bank of Australia	s.q.	2.00		
2	Bank of Brazil	s.q.	14.25		
3	European Central Bank	s.q.	0.05		
3	Bank of Sweden	s.q.	-0.35		
9	Reserve Bank of New Zealand	-25 b.p.	2.75		
9	Bank of Canada	s.q.	0.50		
10	Bank of England	s.q.	0.50		
10	Bank of Korea	s.q.	1.50		
14-15	Bank of Japan	---	---		
17	Swiss National Bank	s.q.	-0.75		
17	Federal Reserve	s.q.	0.25		
21	Bank of Mexico	s.q.	3.00		
24	Bank of Norway	-25 b.p.	0.75		
OCTOBER					
5	Reserve Bank of Australia	s.q.	2.00		
6-7	Bank of Japan	---	---		
8	Bank of England	s.q.	0.50		
14	Bank of Korea	s.q.	1.50		
21	Bank of Brazil	s.q.	14.25		
21	Bank of Canada	s.q.	0.50		
22	European Central Bank	s.q.	0.05		
28	Reserve Bank of New Zealand	s.q.	2.75		
28	Bank of Sweden	s.q.	-0.35		
28	Federal Reserve	s.q.	0.25		
29	Bank of Mexico	s.q.	3.00		
30	Bank of Japan	---	---		
NOVEMBER					
2	Reserve Bank of Australia	s.q.	2.00		
5	Bank of England	s.q.	0.50		
5	Bank of Norway	s.q.	0.75		
11	Bank of Korea	s.q.	1.50		
18-19	Bank of Japan	---	---		
25	Bank of Brazil	s.q.	14.25		
30	Reserve Bank of Australia	s.q.	2.00		
DECEMBER					
2	Bank of Canada	s.q.	0.50		
3	European Central Bank	s.q.	0.05		
9	Bank of Korea	s.q.	1.50		
9	Reserve Bank of New Zealand	s.q.	2.75		
10	Bank of England	s.q.	0.50		
10	Swiss National Bank	s.q.	-0.75		
15	Bank of Sweden	s.q.	-0.35		
16	Federal Reserve	s.q.	0.25		
17	Bank of Norway	s.q.	0.75		
17	Bank of Mexico	s.q.	3.00		
17-18	Bank of Japan	---	---		

NOTE: Certain banks may decide to change rates in-between the scheduled meetings. The abbreviations s.q. and b.p. correspond to status quo and basis points respectively. * To be determined.