

# ESSENTIALS OF THE MONETARY POLICY

## Bank of Canada (BoC)

### Monetary Authorities Will Keep Giving the Economy Extraordinary Support

#### ACCORDING TO THE BOC

- ▶ The BoC maintained its target for the overnight rate at the effective lower bound of 0.25%.
- ▶ Both the global and Canadian economies are evolving broadly in line with the scenario in the July *Monetary Policy Report*, with activity bouncing back as countries lift containment measures. The BoC continues to expect this strong reopening phase to be followed by a protracted and uneven recuperation phase, which will be heavily reliant on policy support.
- ▶ Inflation as measured by the consumer price index is close to zero, with downward pressure from energy prices and travel services, and is expected to remain well below target in the near term. Measures of core inflation are between 1.3% and 1.9%, reflecting the large degree of economic slack, with the core measure most influenced by services prices showing the weakest growth.
- ▶ As the economy moves from reopening to recuperation, it will continue to require extraordinary monetary policy support. The Governing Council will hold the policy interest rate at the effective lower bound until economic slack is absorbed so that the 2% inflation target is sustainably achieved.
- ▶ To reinforce this commitment and keep interest rates low across the yield curve, the BoC is continuing its large-scale asset purchase program at the current pace. This QE program will continue until the recovery is well underway and will be calibrated to provide the monetary policy stimulus needed to support the recovery and achieve the inflation objective.

#### COMMENTS

Given that the monetary authorities pledged in July to keep key interest rates at their lower bounds for several more quarters, today's decision did not come as much of a surprise. The BoC does note that some economic activities have rebounded quickly since containment gradually started lifting, but many problems persist. Among other things, everything suggests that Canada's economic growth will soon moderate once the ongoing adverse impacts of COVID-19 become more perceptible.

In this context, Canada's economy will continue to need support in the coming quarters. The federal government recently took a step in this direction, announcing several enhancements to the employment insurance program to deal with the end of some of the support programs introduced last spring, including the Canada Emergency Response Benefit (CERB) and Canada Emergency Student Benefit (CESB). The BoC is clearly ready to do its part, today reiterating its commitment to keep key interest rates at their effective lower bounds for some time and maintain its quantitative easing program.

#### IMPLICATIONS

Despite encouraging results, many uncertainties persist, and the Canadian economy's movement is largely dependent on how the pandemic evolves and development of an eventual vaccine. The monetary authorities remain watchful and are not ruling out the option of eventually adjusting monetary policy as needed by modifying their quantitative easing program, among other things.

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NOTE TO READERS: The letters k, M and B are used in texts and tables to refer to thousands, millions and billions respectively.

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# Schedule 2020 of Central Bank Meetings

Date	Central banks	Decision	Rate
<b>January</b>			
16	Bank of Korea	s.q.	1.25
20	Bank of Japan	s.q.	-0.10
22	Bank of Canada*	s.q.	1.75
23	European Central Bank	s.q.	0.00
23	Bank of Norway	s.q.	1.50
29	Federal Reserve	s.q.	1.75
30	Bank of England	s.q.	0.75
<b>February</b>			
3	Reserve Bank of Australia	s.q.	0.75
5	Bank of Brazil	-25 b.p.	4.25
11	Reserve Bank of New Zealand	s.q.	1.00
12	Bank of Sweden	s.q.	0.00
13	Bank of Mexico	-25 b.p.	7.00
26	Bank of Korea	s.q.	1.25
<b>March</b>			
2	Reserve Bank of Australia	-25 b.p.	0.50
3	Federal Reserve	-50 b.p.	1.25
4	Bank of Canada	-50 b.p.	1.25
11	Bank of England	-50 b.p.	0.25
12	European Central Bank	s.q.	0.00
13	Bank of Norway	-50 b.p.	1.00
13	Bank of Canada	-50 b.p.	0.75
15	Reserve Bank of New Zealand	-75 b.p.	0.25
15	Federal Reserve	-100 b.p.	0.25
16	Bank of Korea	-50 b.p.	0.75
16	Bank of Japan	s.q.	-0.10
18	Reserve Bank of Australia	-25 b.p.	0.25
18	Bank of Brazil	-50 b.p.	3.75
19	Bank of England	-15 b.p.	0.10
19	Swiss National Bank	s.q.	-0.75
20	Bank of Norway	-75 b.p.	0.25
20	Bank of Mexico	-50 b.p.	6.50
26	Bank of England	s.q.	0.10
27	Bank of Canada	-50 b.p.	0.25
<b>April</b>			
7	Reserve Bank of Australia	s.q.	0.25
8	Bank of Korea	s.q.	0.75
15	Bank of Canada*	s.q.	0.25
21	Bank of Mexico	-50 b.p.	6.00
28	Bank of Sweden	s.q.	0.00
28	Bank of Japan	s.q.	-0.10
29	Federal Reserve	s.q.	0.25
30	European Central Bank	s.q.	0.00
<b>May</b>			
5	Reserve Bank of Australia	s.q.	0.25
6	Bank of Brazil	-75 b.p.	3.00
7	Bank of England	s.q.	0.10
7	Bank of Norway	-25 b.p.	0.00
12	Reserve Bank of New Zealand	s.q.	0.25
14	Bank of Mexico	-50 b.p.	5.50
27	Bank of Korea	-25 b.p.	0.50
<b>June</b>			
2	Reserve Bank of Australia	s.q.	0.25
3	Bank of Canada	s.q.	0.25
4	European Central Bank	s.q.	0.00
10	Federal Reserve	s.q.	0.25
15	Bank of Japan	s.q.	-0.10
17	Bank of Brazil	-75 b.p.	2.25
18	Bank of England	s.q.	0.10
18	Bank of Norway	s.q.	0.00
18	Swiss National Bank	s.q.	-0.75
23	Reserve Bank of New Zealand	s.q.	0.25
25	Bank of Mexico	-50 b.p.	5.00

Date	Central banks	Decision	Rate
<b>July</b>			
1	Bank of Sweden	s.q.	0.00
7	Reserve Bank of Australia	s.q.	0.25
14	Bank of Japan	s.q.	-0.10
15	Bank of Korea	s.q.	0.50
15	Bank of Canada*	s.q.	0.25
16	European Central Bank	s.q.	0.10
29	Federal Reserve	s.q.	0.25
<b>August</b>			
4	Reserve Bank of Australia	s.q.	0.25
5	Bank of Brazil	-25 b.p.	2.00
6	Bank of England	s.q.	0.10
11	Reserve Bank of New Zealand	s.q.	0.25
13	Bank of Mexico	-50 b.p.	4.50
20	Bank of Norway	s.q.	0.00
26	Bank of Korea	s.q.	0.50
<b>September</b>			
1	Reserve Bank of Australia	s.q.	0.25
9	Bank of Canada	s.q.	0.25
10	European Central Bank		
16	Bank of Brazil		
16	Bank of Japan		
16	Federal Reserve		
17	Bank of England		
22	Reserve Bank of New Zealand		
22	Bank of Sweden		
24	Bank of Norway		
24	Bank of Mexico		
24	Swiss National Bank		
<b>October</b>			
6	Reserve Bank of Australia		
13	Bank of Korea		
28	Bank of Brazil		
28	Bank of Canada*		
28	Bank of Japan		
29	European Central Bank		
<b>November</b>			
3	Reserve Bank of Australia		
5	Bank of England		
5	Bank of Norway		
5	Federal Reserve		
10	Reserve Bank of New Zealand		
12	Bank of Mexico		
25	Bank of Korea		
26	Bank of Sweden		
<b>December</b>			
1	Reserve Bank of Australia		
9	Bank of Brazil		
9	Bank of Canada		
10	European Central Bank		
16	Federal Reserve		
17	Bank of England		
17	Bank of Norway		
17	Bank of Japan		
17	Bank of Mexico		
17	Swiss National Bank		

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. \* Monetary Policy Report published.