

# MONETARY POLICY REPORT

NOVEMBER, 2015

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Canada's Capital University



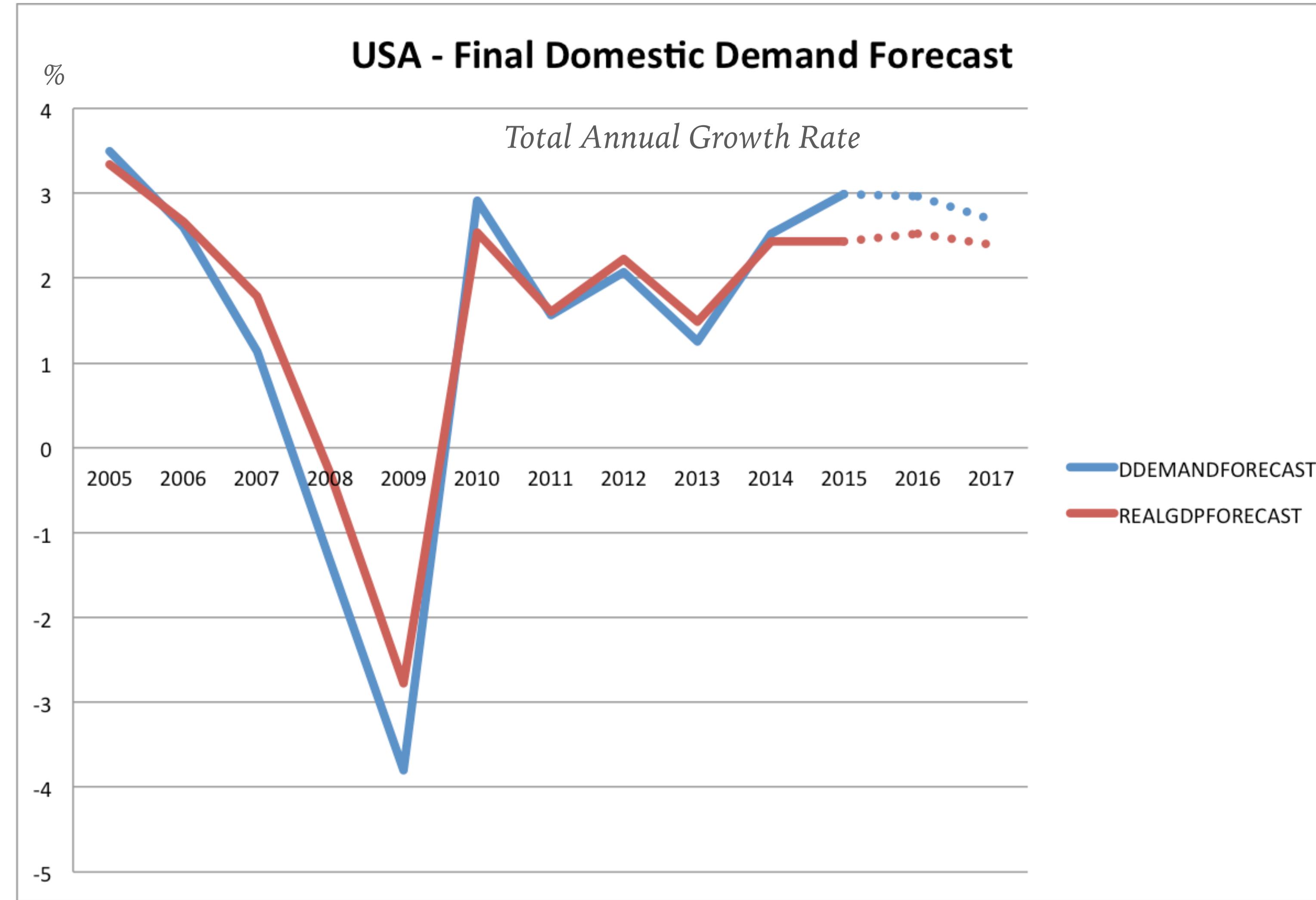
# MONETARY POLICY STRATEGY

Currently inflation is sitting near the lower bound of the Bank's target range of 1 to 3 percent



Given the projections and the anticipated shocks to the economy, we plan to maintain the current overnight rate at 1/2 percent

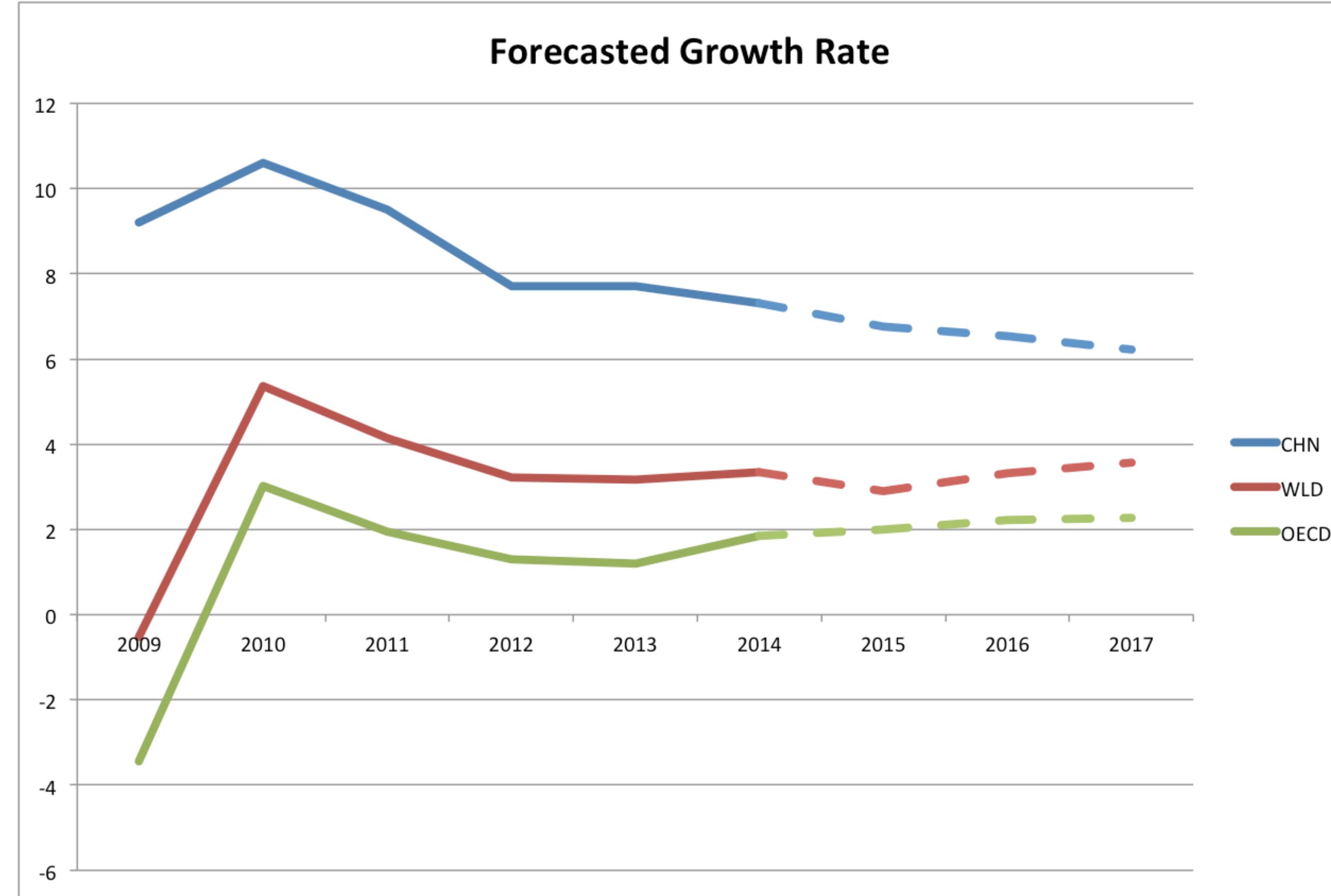
# GLOBAL ECONOMY - USA



## US Economy:

- housing market: gaining traction
  - via pent up demand
- credit growth is picking up
- increase in HH spending
- labour market is doing well

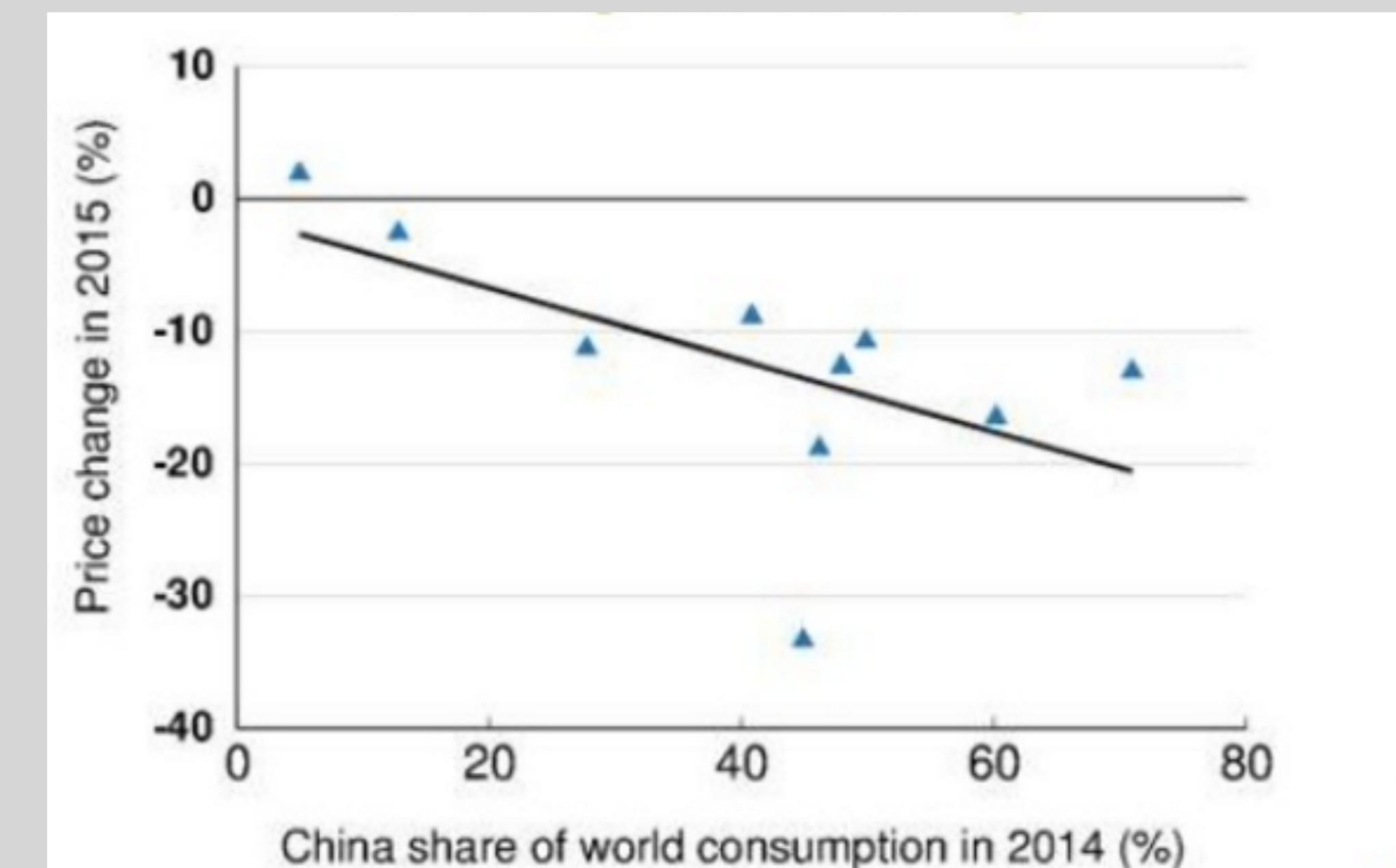
# GLOBAL ECONOMY - CHINA



Source: World Bank national accounts data, and OECD National Accounts data files

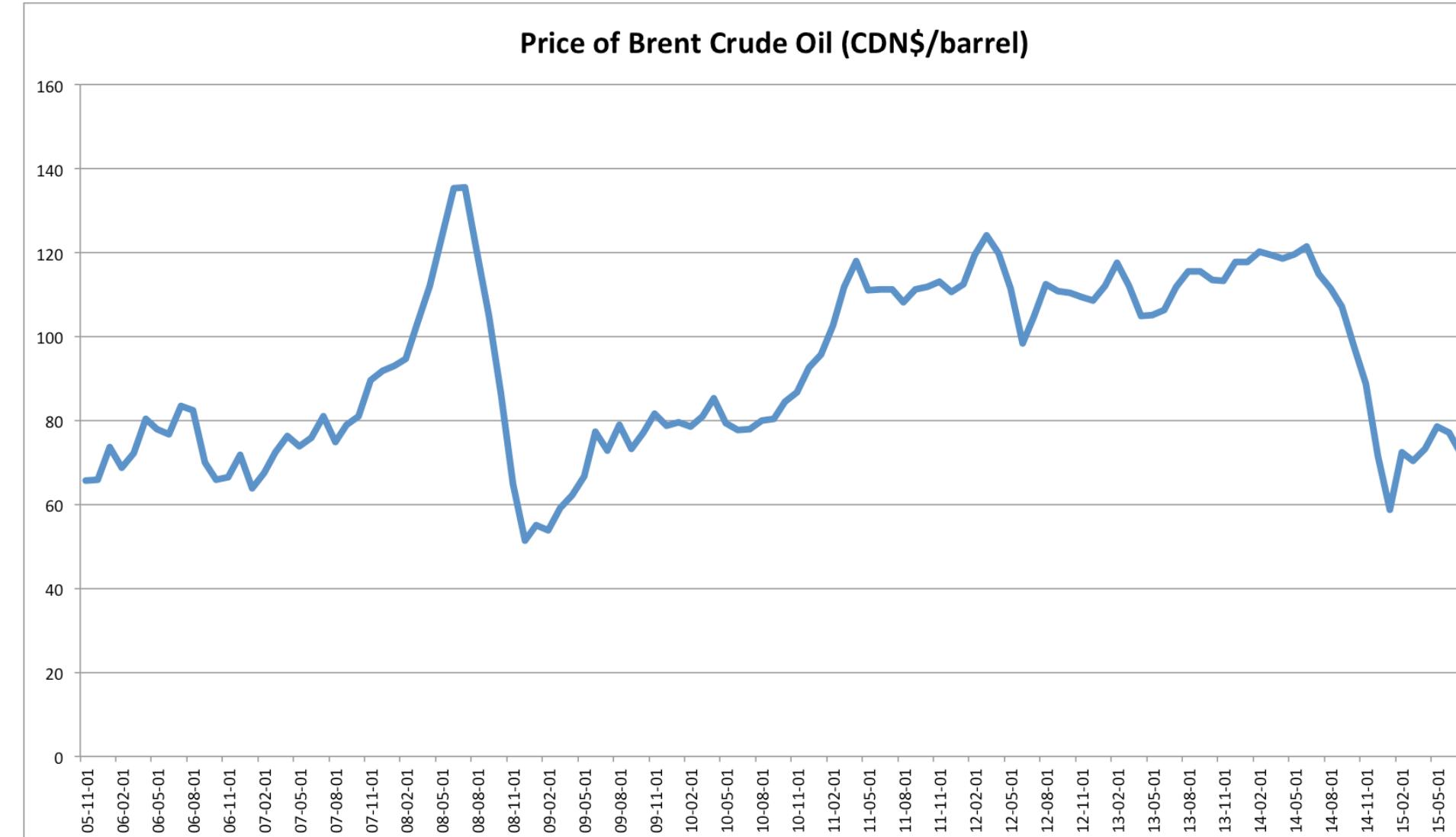
## COMMODITY PRICES AND CHINA'S SHARE OF WORLD PRODUCTION

Downward pressure on commodity prices

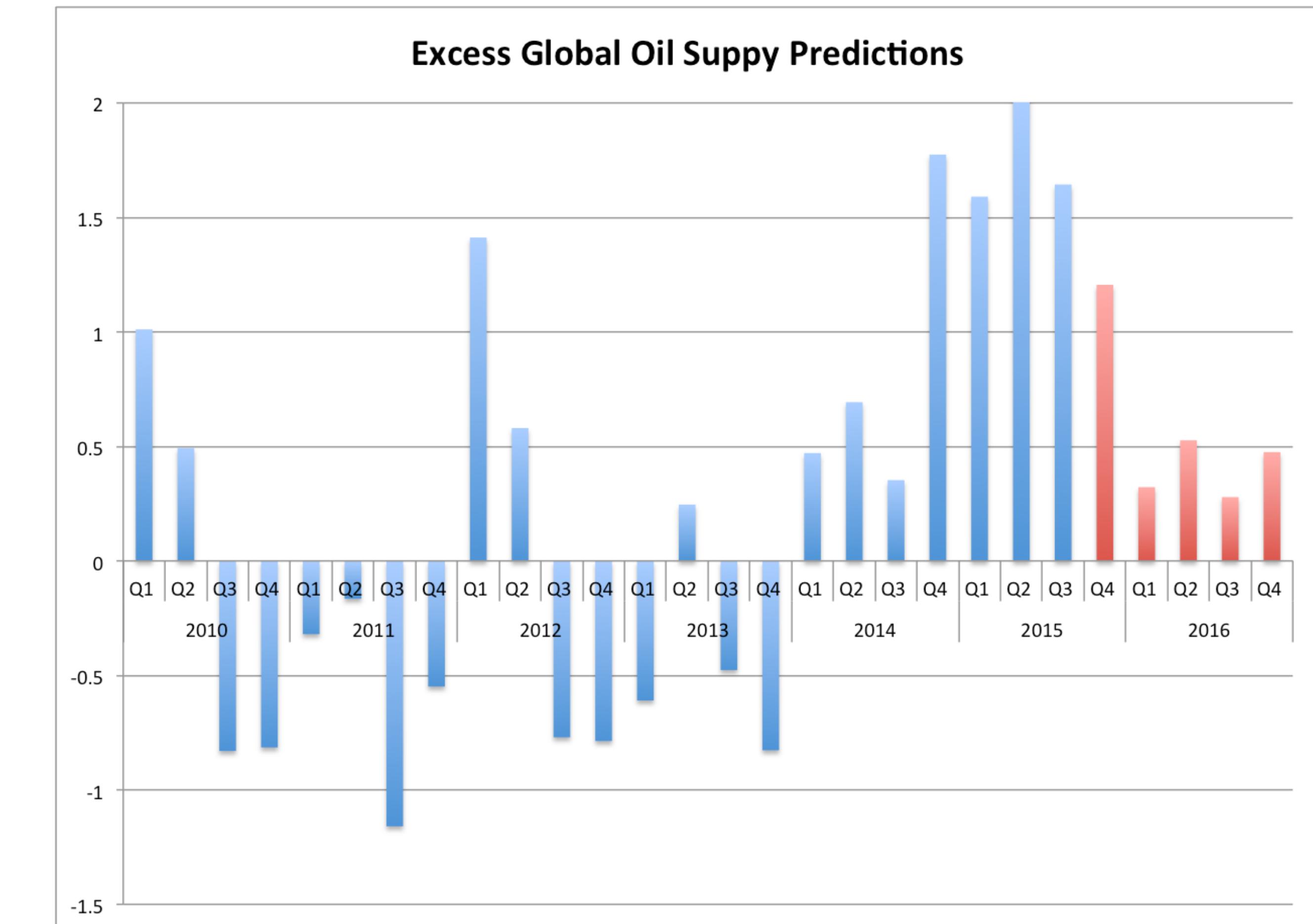
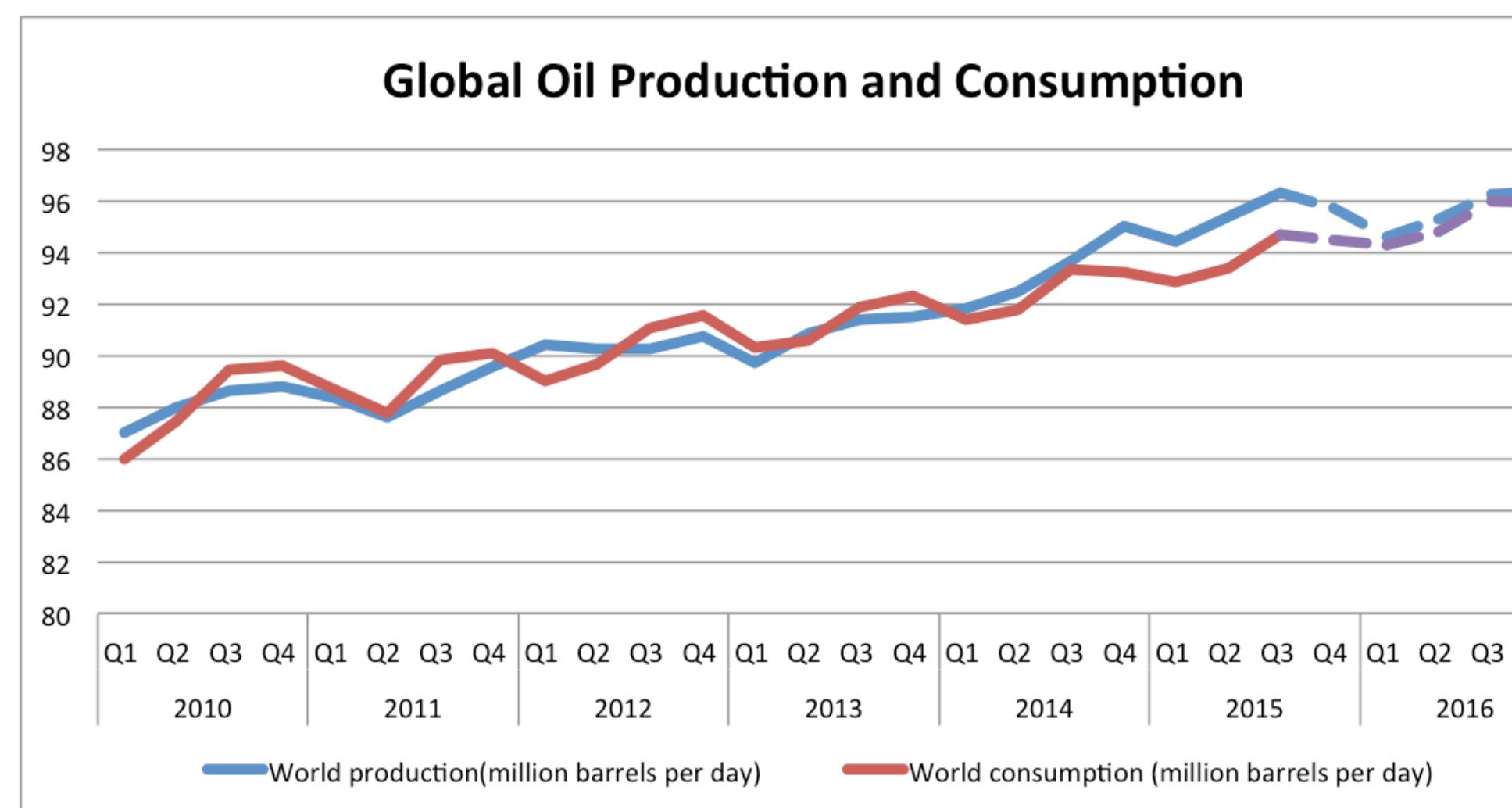


Source: November 2015 OECD economic outlook

# GLOBAL ECONOMY - OIL SHOCK



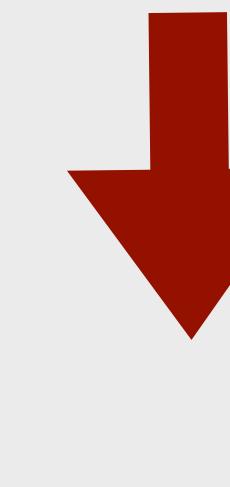
Source: World Bank Commodity Forecast Price data, October 2015



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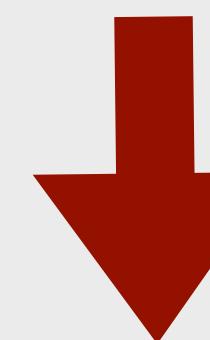
# CANADIAN ECONOMY

## CONSUMPTION



Retail Sales

Retail sales increase  
when gas excluded



Residential Building Permits

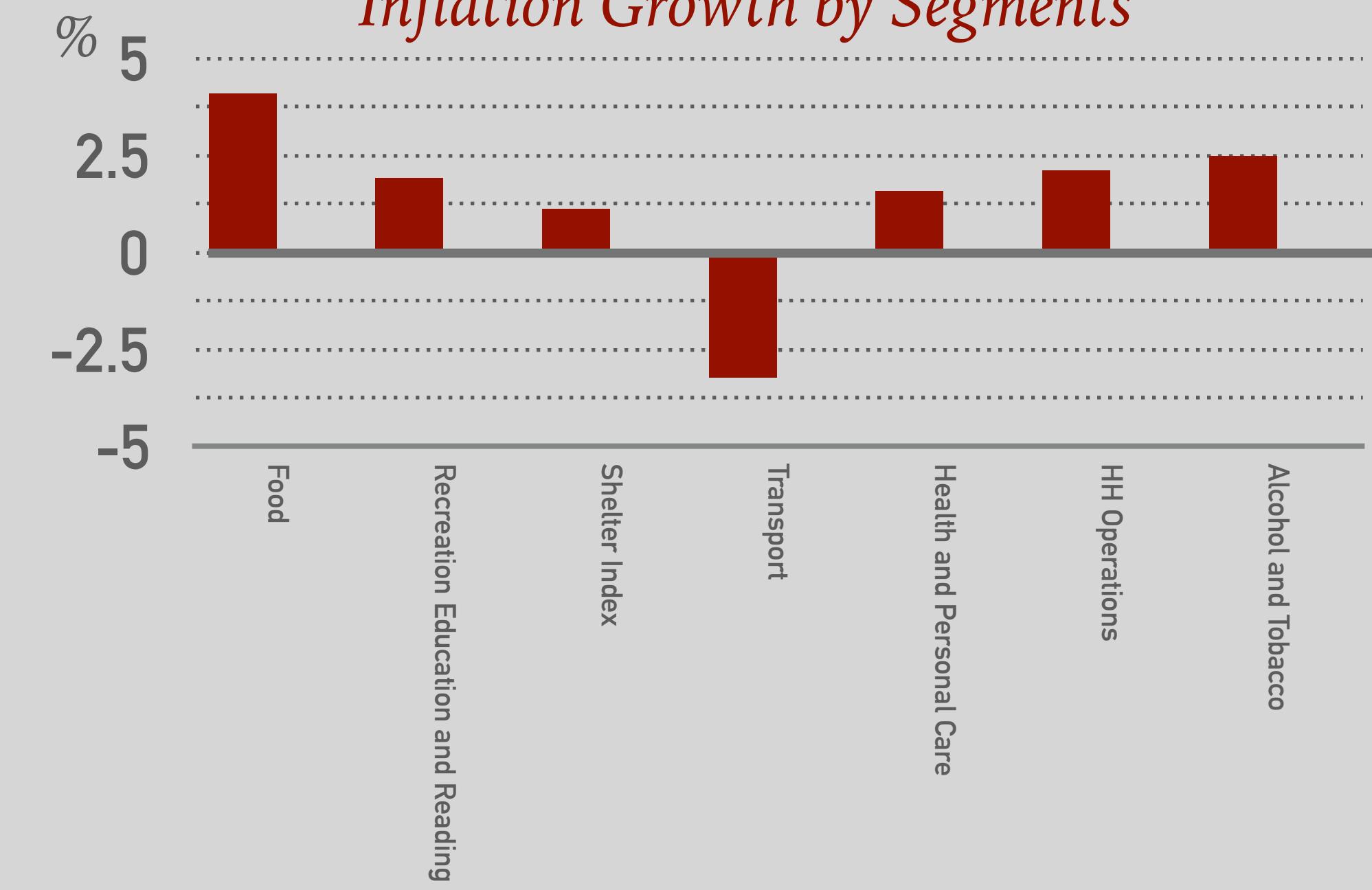


Labour Market

\*Data: September, 2015

## INFLATION

*Inflation Growth by Segments*



- gasoline index > down 17.1%
- energy index > down 10.9%

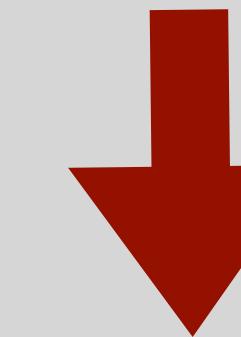
downward  
pressure on  
CPI

\*Data: October, 2015 prices

# CANADIAN ECONOMY

## INTERNATIONAL TRADE

IMPORTS



EXPORTS



NARROWING  
MERCHANDISE  
TRADE DEFICIT



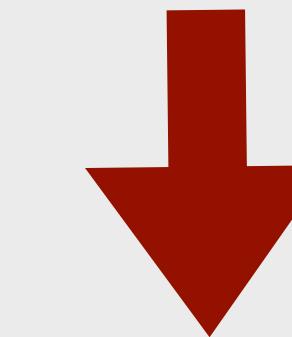
\*Data: September, 2015

## INVESTMENT

### INVENTORIES:

- Increase in inventories → up 17.5% since January 2014

SUPPLY > DEMAND



Downward pressure on  
price level

### FISCAL:

Expectations: expansionary fiscal policy

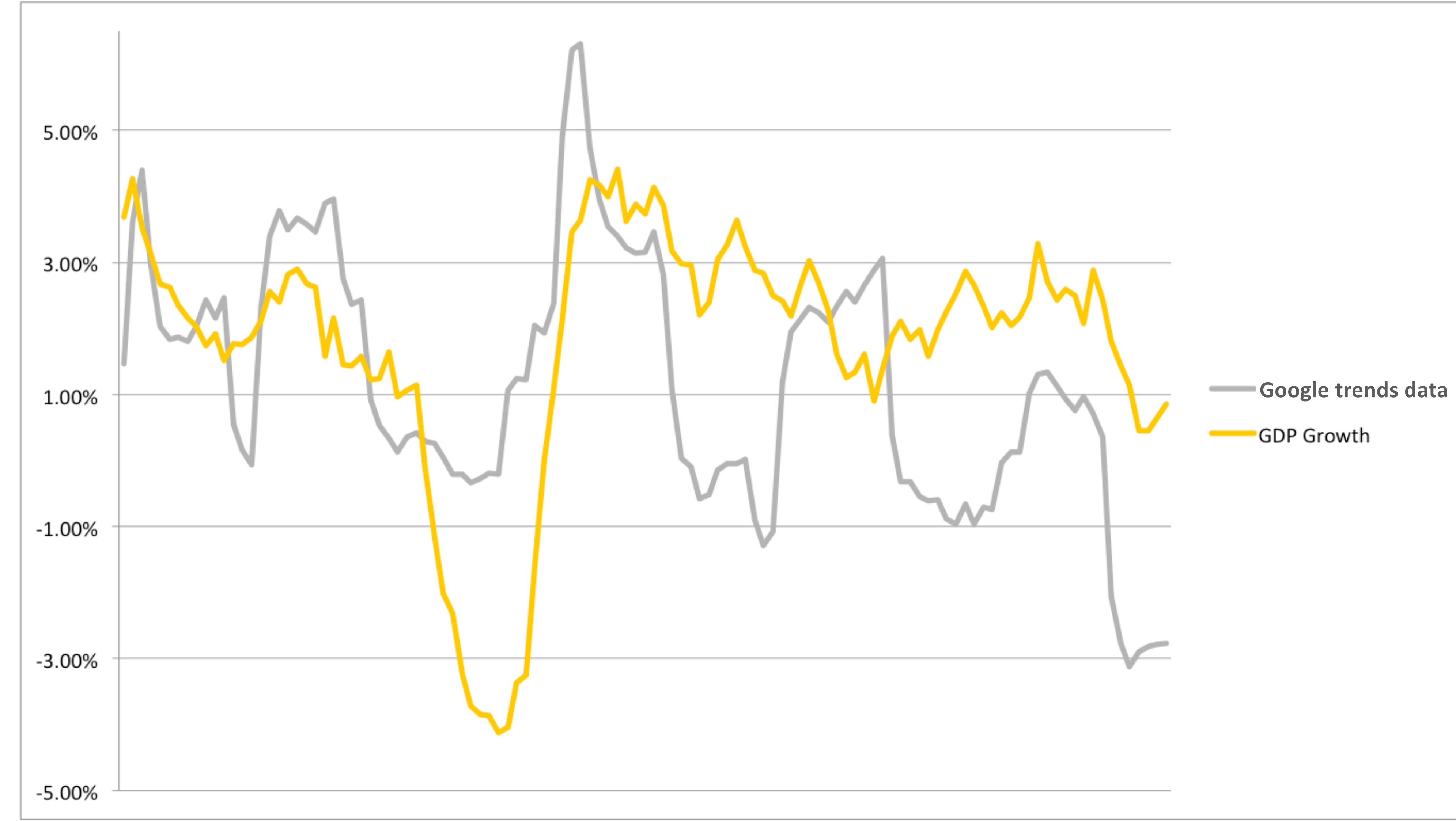


strong investment

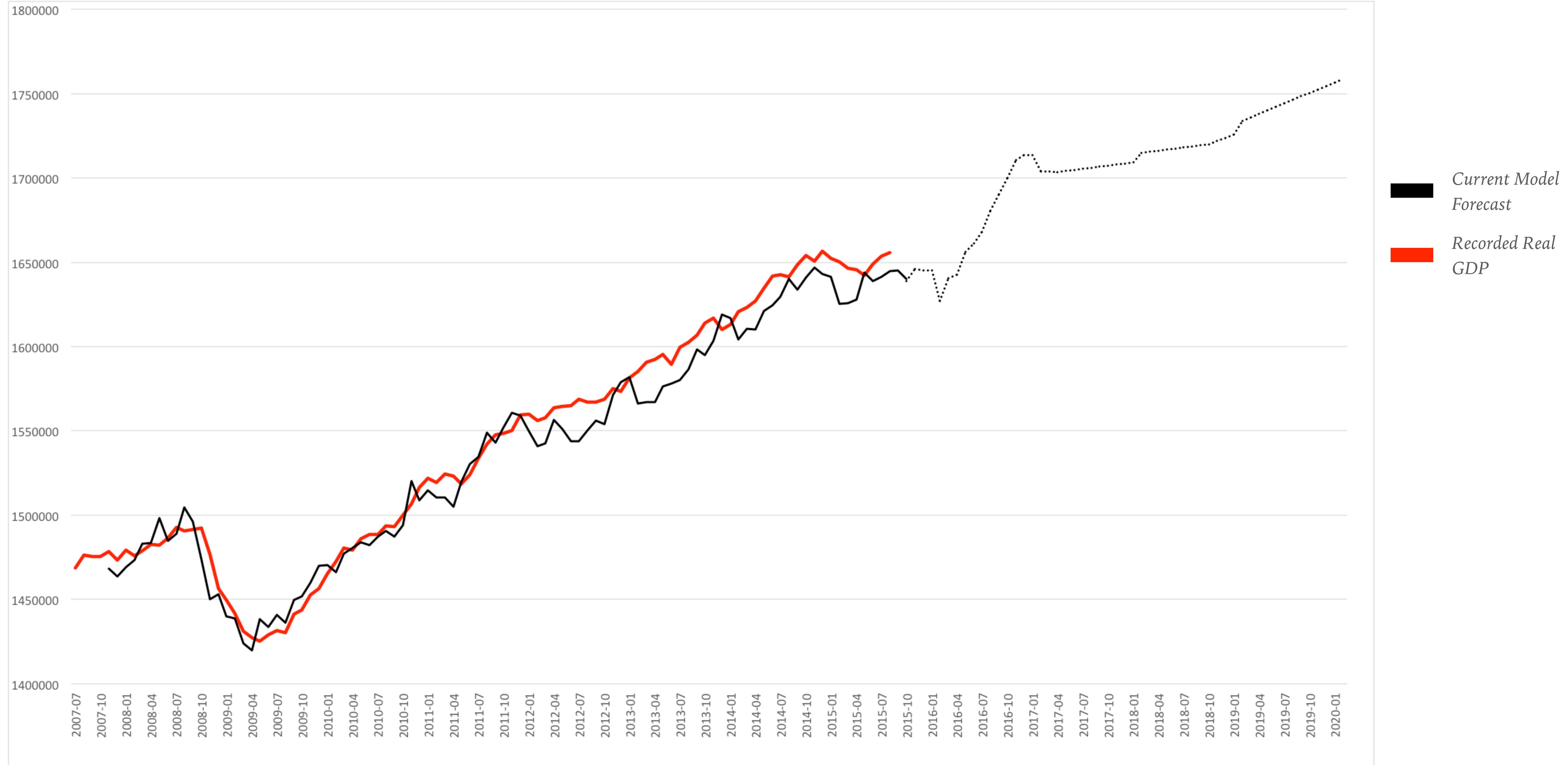


projection: 2016Q3-Q4

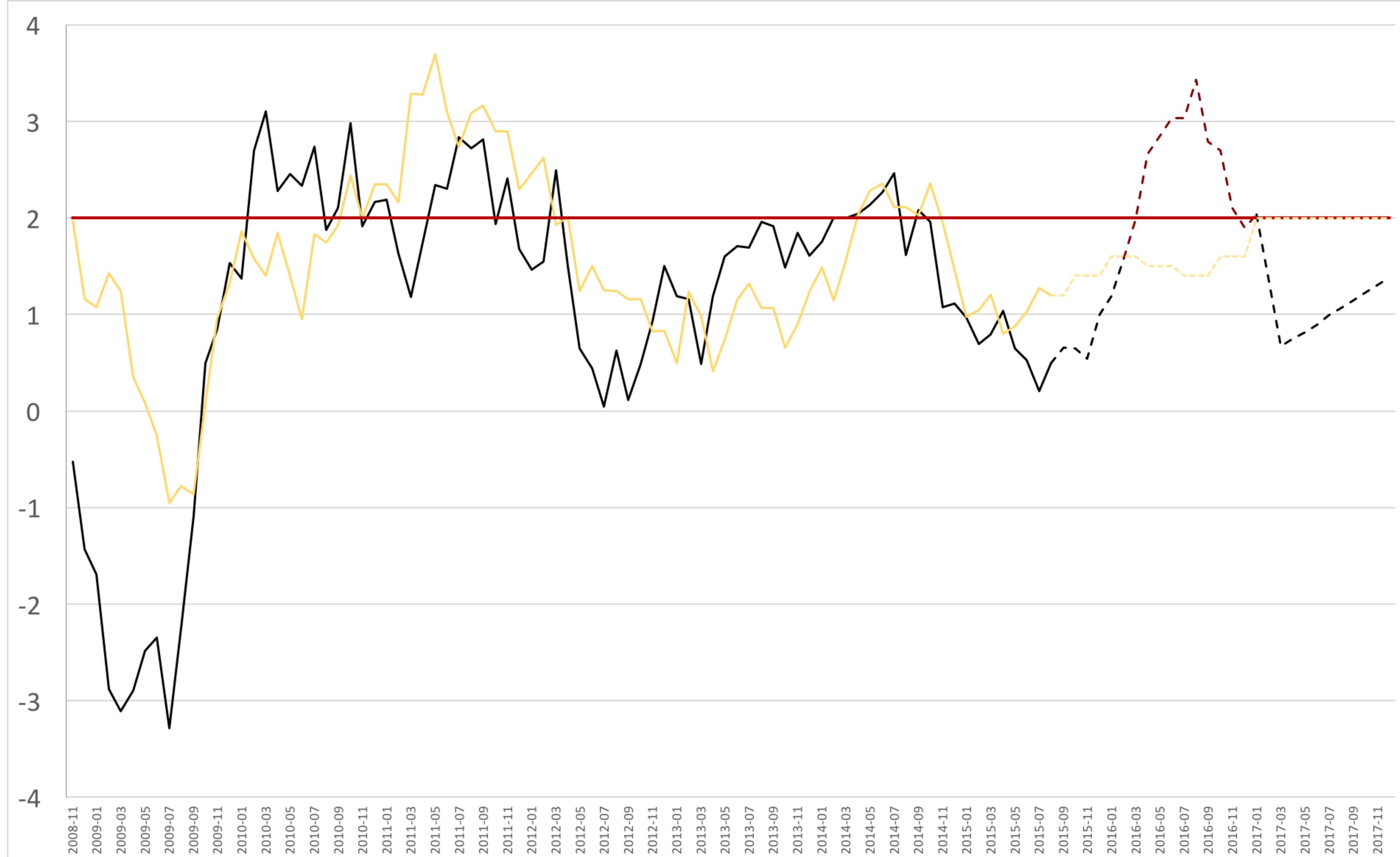
# A NEW OUTLOOK:



# FORECASTED REAL GDP



# PROJECTIONS



# RECOMMENDED STRATEGY

- **KEEP OVERNIGHT RATE CONSTANT AT 1/2 PERCENT**
- **IF ACTUAL GDP REMAINS ON TREND WITH PROJECTED GDP:**
- **BEGIN INCREASING THE RATES IN 2016Q3**
- **INFLATION SHOULD RETURN TO TARGET 2% MID 2017**

# ASYMMETRIC RISKS

# RISK ANALYSIS

1. WEAKER FOREIGN DEMAND
2. WEAKER BUSINESS INVESTMENT
3. OPTIMISTIC CONSUMER INTEREST – MEDIUM TERM
4. BUSINESS COMPETITIVENESS
5. FISCAL POLICY EFFECTS

# ASYMMETRIC RISKS