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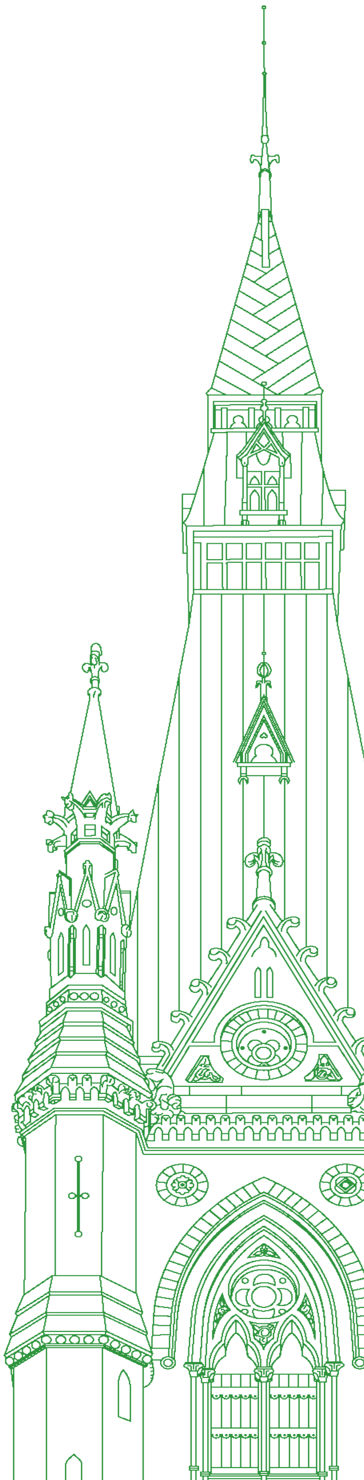

Chair: Mr. Peter Fonseca

Standing Committee on Finance

Tuesday, October 29, 2024

• (1545)

[*English*]

The Chair (Mr. Peter Fonseca (Mississauga East—Cooksville, Lib.)): I call this meeting to order.

Welcome to meeting number 161 of the Standing Committee on Finance. Today's meeting is taking place in a hybrid format.

I would now like to remind participants of the following points. Please wait until I recognize you by name before speaking. All comments should be addressed through the chair. Members, please raise your hand if you wish to speak, whether participating in person or via Zoom. The clerk and I will manage the speaking order as best we can.

Pursuant to Standing Order 108(2), the committee is resuming its study on the report of the Bank of Canada on monetary policy.

I'd like to welcome our witnesses from the Bank of Canada. We have Governor Tiff Macklem. We also have the senior deputy governor, Carolyn Rogers. Welcome.

Before you get into your opening remarks, I'd like to say thank you on behalf of the residents of Mississauga East—Cooksville. I'm sure I speak for all ridings. I've been knocking on doors for many years, but over the last two years, some of the concerns have been around inflation, of course, and interest rates. We saw over the last while, especially the last rate cut, the jumbo 50-point rate cut, it has made a big difference. It has helped, I could tell you, at the doors. It makes a big difference to people's lives. Thank you for that, Governor and Senior Deputy Governor.

We will go now to your opening remarks, please.

Mr. Tiff Macklem (Governor, Bank of Canada): Thank you, Chair.

We're very pleased that Canadians are feeling some relief.

We're very pleased to be here at the committee to discuss our recent policy announcement as well as our new outlook in our monetary policy report last week.

As you highlighted, last week we lowered our policy interest rate by 50 basis points. It was our fourth consecutive interest rate cut since June, and it brings the policy rate to 3.75%. We took a bigger step because inflation is now back to the 2% target, and we want to keep it close to the target.

In the past few months, inflation has come down significantly. Headline inflation was 1.6% in September, and both our measures of core inflation were under 2.5%. Price pressures are no longer broad-based. Our surveys also find that business and consumer expectations of inflation have shifted down and are nearing normal. All this suggests we're back to low inflation. That is good news for Canadians.

Now our focus is to maintain low and stable inflation. We need to stick the landing. That means the upward and downward forces on inflation need to balance out. Economic activity picked up this year, but it is still soft. This softness has helped to take the remaining steam out of inflation, but with inflation now back at 2%, we want to see growth strengthen. Last week's interest rate decision should contribute to a pickup in demand.

[*Translation*]

We expect the economy to gradually strengthen in 2025 and 2026, supported by lower interest rates. Population growth will be slower, but we anticipate consumer spending per capita will be picking up. We also expect growth in residential investment to rise as strong demand for housing boosts sales and spending on renovations. The Bank of Canada expects business investment to strengthen as demand picks up. Exports should remain strong, supported by robust demand from the United States. Our forecast has inflation staying around the target over the projection horizon. The upward pressure from housing and other services is expected to gradually diminish. With stronger demand, the downward pressure on inflation should also dissipate. This will keep the upward and downward forces roughly balanced.

There are risks around our inflation outlook. The biggest downside risk to inflation is that it could take longer than anticipated for household spending and business investment to pick up.

On the upside, lower interest rates could fuel a stronger rebound in housing activity, or wage growth could remain high relative to productivity. We are also facing elevated geopolitical uncertainty and the risk of new shocks. Overall, we view the risks around our inflation forecast as reasonably balanced.

[*English*]

If the economy evolves broadly in line with our forecast, we anticipate cutting our policy rate further to support demand and keep inflation on target. The timing and pace of our interest rate cuts will depend on incoming information and our assessment of its implications for the inflation outlook. In other words, we'll continue to take our monetary policy decisions one at a time.

Let me conclude.

As you highlighted at the outset, Chair, high inflation and interest rates have been a heavy burden on Canadians. Now we're coming out the other side. Monetary policy has worked to get inflation down. With inflation back to target and interest rates continuing to come down, families, businesses and communities should feel some relief.

The bank is committed to maintaining price stability for Canadians by keeping inflation close to the 2% target.

With that, the senior deputy governor and I would be very pleased to take your questions.

Thank you very much.

The Chair: Thank you again, Governor and Senior Deputy Governor. I'm sure there will be many questions from the members.

We are starting with MP Morantz for the first six minutes, please.

Mr. Marty Morantz (Charleswood—St. James—Assiniboia—Headingley, CPC): Thank you, Mr. Chair.

Governor and Senior Deputy Governor, it's great to see you here again at committee.

Governor, it's been widely reported that our GDP per capita is at its lowest growth rate since the 1930s. The GDP per capita has declined now, according to Stats Canada. It declined in the second quarter. That was the fifth consecutive quarter in a row. It's also been reported that Canada lags significantly behind the U.S. in GDP per capita, which is a trend that's continuing. In fact, Canada is now at 71% of the U.S. economy. We rank 18th in the OECD and sixth out of seven in the G7, ahead of only Italy.

Yesterday, at a summit in Toronto, you said, fixing Canada’s productivity problems will likely take a top-to-bottom overhaul of government rules that obstruct people’s ability to do their best work and businesses’ ability to grow: “Monetary policy, fiscal policy, tax policies, competition policy, IP policy—we need to look at those”.

My first question has to do with the increase in the capital gains inclusion rate. Do you find it unhelpful to deal with our productivity crisis, which is the label the senior deputy governor put on it back in the spring, when the government goes and makes such a massive increase to such an important tax?

● (1550)

Mr. Tiff Macklem: You won't be surprised that I'm not going to comment on specific tax measures.

Mr. Marty Morantz: I'm not asking you to. I'm asking you, as an economist, to say whether or not you think an increase in a tax like this is going to adversely affect or be unhelpful in solving the productivity crisis that your own office labelled a “break glass” productivity crisis.

I'm not sure you can label it as a crisis and not respond to a reasonable question about a major tax increase.

Mr. Tiff Macklem: What I will say, coming back to my remarks from yesterday, is that we have a number of framework policies in this country, including inflation control policies, fiscal policy, competition policy, tax policy and IP policy. My message yesterday was really that, yes, we have a serious productivity problem in this country, and there needs to be a concerted effort to look at these framework policies through the lens of productivity. It's really up to elected officials, up to Parliament and up to governments to decide on specific measures.

I'm not going to comment on specific measures, but I think it would be helpful to look at these through the lens of productivity.

Mr. Marty Morantz: As an economist, I'm sure you're familiar with tax incidence theory. If you put a tax on something, do you get less of it?

Mr. Tiff Macklem: As an economist, I understand how taxes work, but I'm the Governor of the Bank of Canada. I'm not going to comment on specific tax measures.

Mr. Marty Morantz: You already opened the door to it when your office put out a grand statement in the spring, saying that Canada was in a productivity crisis. I'm sorry, Governor, but it sounds like you're dodging the question.

The government took a measure that is going to adversely affect the exact problem you warned it needs to solve. I think it is incumbent on you, as the Governor of the Bank of Canada, to say when you increase a tax like this.... Don't you hurt productivity at a time when we need to be enhancing our productivity?

Mr. Tiff Macklem: Look. It's incumbent on the government, not the Governor of the Bank of Canada, to talk about the tax measures they're taking.

Mr. Marty Morantz: Okay, so you're not going to answer that one.

You talked about a top-to-bottom overhaul of government rules that obstruct people's ability to do their best work. Could you specifically point out which policies of the government have obstructed people's ability to do their best work and businesses' abilities to grow?

Mr. Tiff Macklem: Yes. To back up a little bit to the comments you were quoting from yesterday, I talked about three big buckets that I think need attention if we're going to tackle this very serious productivity problem. We've talked about the first one. There's a broad range of framework policies.

The second one I somewhat provocatively called the “own goals”—the obstacles, the things we've done that were well-intentioned policies but are barriers to increasing productivity growth. Speaking to those, there are many interprovincial trade barriers. There are separate provincial qualifications for lawyers, for electricians and for doctors that make it more difficult for people to move around the country. We've been very good at bringing immigrants into the country. We're not as good at recognizing their credentials so that they can get the most productive job they can in Canada.

There's another thing that certainly I often hear a lot of, particularly when I'm outside the country, from large foreign investors. We're very interested in investing more in Canada. North America is a great place to be. You have the rule of law. You're a stable country. You have many attractive features and lots of talent, but the timeline to get regulatory approvals is very long. It's uncertain. That is a barrier to investing.

● (1555)

Mr. Marty Morantz: I'm sorry, Governor. My time is almost up.

Mr. Tiff Macklem: Those are the things I was talking about.

The Chair: Thank you, MP Morantz.

We'll go to MP Thompson for the next six minutes.

Ms. Joanne Thompson (St. John's East, Lib.): Actually, I'll be passing my time to PS Bendayan.

The Chair: Go ahead, PS Bendayan.

Ms. Rachel Bendayan (Outremont, Lib.): Thank you, Mr. Chair.

Thank you so much for being here with us, Governor.

In the last monetary policy from just last week, the Bank of Canada does point out that wage growth remains elevated at about 4%, which is two and a half times where inflation is currently. We've now had 20 straight months of wage growth outpacing inflation. If we compare this with previous data, we see that the purchasing power of Canadians has also considerably increased. I also saw data showing that consumer confidence in Canada is on the rise. It's actually at a 30-month high, and higher now than it was when Prime Minister Harper left office.

Governor, I know that data isn't everything, but the data does indicate some good news. I wonder, firstly, if you can confirm whether that information or that data is accurate. As well, what I think I hear on doorsteps and what my colleagues hear when they knock on doors is that Canadians are not feeling that right now. Can you give us, firstly, the data picture, but also maybe help explain why there might be some disconnect?

Mr. Tiff Macklem: With respect to the data picture, it is somewhat mixed. As Mr. Morantz highlighted, consumption per capita has been very weak. Households have felt the impact of higher interest rates. They've cut back on their spending. They've increased their savings. You can see that the savings rate has gone up quite a bit. It's at 8%.

In terms of consumer confidence, it was very low. It has come up, but it's moved up pretty modestly. I think the good news is that it's not going down. It's moving in the right direction, but it's not high. When we do our own surveys of consumers, you can see the combined impact of high inflation and high interest rates on their mood and on their spending plans. Looking forward, we have lowered interest rates now—four times since June—and you are starting to see some impact of that. Some of it is more anecdotal. I expect we will see more in the data going forward.

The way I would put it is that the table is set for growth to pick up. It always takes some time for lower interest rates to pass through and affect households. Some people are affected right away. If you have a variable rate mortgage, the day we cut interest rates it affects you right away. If you're renewing, it takes some time. Different people are affected. It takes some time to pass through. However, we have been cutting since June, so it should start to pass through.

We do expect to see consumption per capita, which has been negative, start to strengthen and actually become positive as you move through next year.

Ms. Rachel Bendayan: I also saw that GDP per capita is expected to increase in 2025, as you predicted.

Mr. Tiff Macklem: That's right. The two are closely related, given that consumption is a big part of GDP.

Ms. Rachel Bendayan: You mentioned that this is the fourth straight rate cut. Actually, Canada is the first G7 country to have four straight rate cuts.

Could you comment a little bit about how Canada's economy compares to our G7 peers'? To my mind, certainly, when you look at our global peers, Canada is faring very well and is doing better in terms of a faster economic recovery than others.

● (1600)

Mr. Tiff Macklem: It depends who you compare it to. The U.S. is certainly doing better than Canada. The U.S. economy has proven very resilient. The U.S. is seeing a very strong investment boom, and you're seeing considerable resilience by U.S. consumers to higher interest rates. Recently, the revisions to its national income and products accounts showed that, actually, income was even higher than we previously thought. Savings in the U.S. are higher—

Ms. Rachel Bendayan: I don't mean to interrupt, but Canada is, for the first time, third in the world in foreign direct investment. I agree with you that the U.S. economy is doing well, but—

Mr. Tiff Macklem: The U.S. is doing better. Relative to Europe, the Canadian economy is doing quite well. It depends who you compare it to. It also depends on what exactly you're measuring. You're going to do better on some things and not so well on other things.

Ms. Rachel Bendayan: Perhaps a last word, Mr. Chair, if I have time.

It's about the impact of lower interest rates on housing and the importance of that for the people who are watching us at home. Housing has been a major issue, and we would like to bring relief, particularly to young Canadians.

Would you like to comment on that?

Ms. Carolyn Rogers (Senior Deputy Governor, Bank of Canada): We expect lower interest rates will bring people back into the housing market. We do think there are some people who have been waiting for rates to come down. Rates are one thing that will help, but we still need the push on the supply side, because that will, ultimately, be what sort of rebalances housing affordability in Canada. However, we do think rates are going to give some relief, particularly to new entrants.

Ms. Rachel Bendayan: I take that to mean that it's important for us to continue to invest in housing and ensure that the supply side is there.

The Chair: Thank you, Ms. Bendayan. That's the time.

We'll now go to MP Ste-Marie.

[*Translation*]

Mr. Gabriel Ste-Marie (Joliette, BQ): Thank you, Mr. Chair.

Welcome, Mr. Macklem and Ms. Rogers, and thank you for coming today. I have several questions.

First, I have a somewhat technical question on the same topic. Towards the middle of September 2023, the government announced that it was eliminating the goods and services tax on buildings intended for rental housing. Has the bank seen an impact on housing prices as a result of this measure?

Mr. Tiff Macklem: We haven't done a study specifically on that.

Mr. Gabriel Ste-Marie: So you haven't assessed the impact of that measure.

Mr. Tiff Macklem: No. For us, that's really a microeconomic [*Inaudible—Editor*].

Mr. Gabriel Ste-Marie: I am going to jump to a different topic. Donald Trump recently repeated his intention to impose high import tariffs if he is re-elected. He has already proposed a 10% tariff on all imports. He is now talking about a 20% tariff and is even considering increasing it to 50%. For Chinese goods, the tariff would be set at 60%.

Given the importance of Canada-U.S. trade relations and the interwovenness of the global economy, what could be the effects of such tariff policies on the Canadian economy and Canadian monetary policy, particularly as we seek to maintain a low and stable inflation rate?

Mr. Tiff Macklem: As I said before, I'm not going to comment on policies in Canada, and I'm certainly not going to comment on policies in the United States.

However, I can tell you that the international environment is becoming increasingly difficult. The war in the Middle East and Russia's invasion of Ukraine are ongoing. We are seeing more and more economic fragmentation between countries, more tariffs, more restrictions on trade, all creating strong headwinds in the world. We'll see who wins the election in the United States. That may determine how those very real headwinds are managed. For businesses, the commercial trade environment has indeed become more complicated.

Issues of economic or national security are increasingly influencing decisions pertaining to tariffs and trade rules. This is a challenge for Canada. However, one of Canada's advantages is that it enjoys an excellent trading relationship with the United States. Everyone knows that the United States is the top destination for our exports, but perhaps not everyone is aware that Canada is the number one market for U.S. exports. It's a bilateral relationship, which is good for both countries.

● (1605)

Mr. Gabriel Ste-Marie: Thank you very much.

I'd like to move on to something else.

Inflation has been decreasing with no recession in sight so far. However, I would like to take you back to the early 1970s and try to draw a parallel. At the time, inflation had come down significantly, leading many observers to believe that it was under control, but then it shot back up. Some might believe that we are in a similar inflationary cycle right now. The inflation rebound in the late 1970s was due in part to an excessively loose monetary policy, with real interest rates remaining negative despite high inflation.

Given that markets are now anticipating significant reductions to key interest rates this year and in the near future, do you believe there is a risk that monetary policy will become too loose, which could lead to a similar inflationary spike?

Mr. Tiff Macklem: We have presented our forecast. Yes, there are risks on both sides of the equation. Now that inflation has returned to 2%, the possibility of overshooting our forecast is as much a concern to us as it is undershooting it.

Last week, I took part in meetings of the IMF, the International Monetary Fund, in Washington. I think the advice given to central banks at those meetings was good. Most of the major central banks are in the process of normalizing their interest rates, and the IMF advises us to do so cautiously, that is, not too fast, not too slow, just at the right speed. The economic situation varies slightly from country to country.

You saw that we started lowering our interest rates before the United States. That reflects the slightly different situations in our two countries. We can make our decisions here in Canada based on our needs. That's why we have a flexible exchange rate.

Mr. Gabriel Ste-Marie: Thank you, Mr. Macklem.

The Chair: Thank you, Mr. Ste-Marie.

[*English*]

We'll now go to MP Davies.

Mr. Don Davies (Vancouver Kingsway, NDP): Thank you, Chair.

Thank you, Governor and Deputy Governor, for being with us.

Governor, year-over-year inflation appears to now be 1.6%. That's below the Bank of Canada's stated target. Some feel it's likely to fall further in the coming months.

Can you please reconfirm that 2% is your target for inflation, and not a ceiling?

Mr. Tiff Macklem: Absolutely, 2% is a target. We treat 2% entirely symmetrically.

Mr. Don Davies: Thank you.

You said a few months ago that the bank had to continue tightening, even when inflation reached the 3% upper band, because it was important to get right back to 2%. I think we took from this that it wasn't good enough just to reach the band.

Now that inflation is below 2%, can you confirm it's equally important to lift inflation back to 2%? Is that your goal?

Mr. Tiff Macklem: Yes, I think we've been pretty clear. We have inflation down to 2%, and we want to keep it there. With respect to the fact that inflation is 1.6%—obviously, 0.4 percentage points under 2%—I think that, month to month, you're going to see some volatility. Obviously, we can't hit 2% every month. If you look at our projection, we expect that, in the next few months, it is going to tick back up closer to 2%, and it may even go a little above 2%. It's going to depend, to some degree, on what happens with global oil prices.

I think we've been very clear that we have inflation down to 2% and that we don't want it to keep falling. We want it to stay close to 2%. That's our job, and that has been an important factor in our interest rate decisions.

Mr. Don Davies: Thank you.

The Bank of Canada's October 2024 monetary policy report states, “The housing vacancy rate remains near record lows. Interest rate cuts,”—which, of course, you've talked about, the 50 basis points—“pent-up demand and the recent changes in mortgage rules could spur more demand for housing than expected in the projection.”

Governor, will the expected boost in demand put upward pressure on housing prices?

● (1610)

Ms. Carolyn Rogers: When we talk about risks on both sides, that is a risk that we continue to monitor. As I answered the question earlier, we are expecting some pickup in housing activity. There are people wanting into the housing market who have been waiting for rates to come down; that'll help. We are expecting some increase. If that activity picks up too much, it could start to put upward pressure on house prices again.

Mr. Don Davies: What would be the Bank of Canada's response if that happens?

Ms. Carolyn Rogers: I think it would depend a lot on what else is going on in the economy. If we're back in our range.... This is why it's important to stay in the range, as the governor said. Whether it's oil or some other sort of shock that's happening to the economy that isn't a more generalized increase in prices.... That's the sort of inflation that we get concerned about: when it's a generalized increase in prices.

Mr. Don Davies: I guess this is the perverse multifactorial world that we're living in where we get these salutary effects. It allows more people to afford houses, but it puts more demand in the market, which can drive prices up. Of course, I think there's not an MP in this room who isn't concerned about high prices for housing in their riding.

How much of the current year-over-year inflation of 1.6% is due to higher mortgage debt charges?

Mr. Tiff Macklem: I don't have the precise number, but mortgage interest costs certainly significantly contribute to inflation. If you look at shelter costs—which also include rent and home insurance—what you're seeing is that all those pieces are high. Shelter, overall, is going up at about 8%, and that's contributing more than a percentage point of inflation, so it is a very large component.

With regard to the mortgage interest costs, what we're seeing is that, with the cuts to the interest rates, those are starting to come down. There's some evidence that rents are starting to come off. If you look particularly at data on new rents, you will see that those rent increases are quite a lot lower than the stock of rents in the CPI. We have become more confident that shelter-price inflation is rolling over and starting to come down. That's certainly good news, but that confidence.... That's the biggest upward pressure on inflation. With that coming off, that has given us more confidence that we can lower interest rates to get growth up, that the two will balance out and that we'll stay closer to 2%.

Mr. Don Davies: My research says that Statistics Canada estimates it at 0.6% or about 37.5% of the total. Does that ring a bell—about a third?

Mr. Tiff Macklem: The numbers I have in front of me are more with regard to total shelter, which also includes rent and home insurance.

Mr. Don Davies: I'd like to move to unemployment. According to Statistics Canada, the youth unemployment rate was up 2.8 percentage points on a year-over-year basis in September. It's at 13.5%. This is more than double the overall unemployment rate, and it reflects increases among both young men and young women. It's up 3.7 percentage points to 15.3% with regard to unemployment among young men, and for young women, it is about 11.5%, so that's up by 1.8 percentage points.

Governor, what impact have the Bank of Canada's past interest rate increases had on driving this increase in youth unemployment across Canada? I'm wondering how that will factor into future policy decisions.

Mr. Tiff Macklem: It does factor into policy decisions.

We raised rates very forcefully to get inflation down. It worked, but it wasn't painless. When inflation was 8%, we had a very overheated labour market. That was part of the inflation problem.

The good news is that much of the adjustment in the labour market came through vacancies as opposed to rising unemployment. Companies reduced their posted job vacancies; they didn't lay people off. We still see that layoffs are actually not particularly high—they're at fairly normal levels—but what has been weak is hiring. Population growth has been strong and hiring has been weak, so there have been more people entering the labour force than finding jobs.

Who are the people entering the labour force? They're mostly younger people looking for their first job, so yes, what you're seeing is that they have been particularly affected by the weak hiring. You're seeing that youth employment rates have gone up a lot. If you look at the unemployment rates of, say, 25- to 55-year-olds, they've actually moved much less.

What that's telling us is that those job vacancies have come down a lot. When you talk to businesses, they're not having trouble finding workers the way they were in the past. There are certainly pockets where they're having trouble, but overall, they're reporting that they can find the workers they need.

Yes, we need to see job growth pick up now. We have inflation back to 2%. We want to see hiring pick up so those young people aren't spending as long a time in unemployment and they are finding those jobs. Going forward, as interest rates pass through and as demand comes back, we expect job growth to pick up.

● (1615)

The Chair: Thank you.

Thank you, MP Davies.

Members, we're moving into our second round. I have MP Hallan up first.

Mr. Jasraj Singh Hallan (Calgary Forest Lawn, CPC): Thanks, Chair.

Governor and Senior Deputy Governor, thanks for being here.

Governor, the CMHC's September numbers show there's a downward trend in housing starts. In your January monetary policy report, you highlighted that, “Strong population growth is supporting inflation in rental prices”. Since January, have you seen this trend continue?

I'm asking about the drastic increase in the population growth that has continued to keep rent inflation high.

Ms. Carolyn Rogers: I think there's more than one thing that's contributed to rent inflation. Certainly, there's been an imbalance between the demand and supply—those are the numbers that CMHC's talking about—and inflation. There's no single variable that has contributed to this.

Mr. Jasraj Singh Hallan: Right, but in your report, it doesn't highlight anything else. It just says in here, “A larger increase in newcomers than in the past is adding pressure to the structural supply constraint in housing.” One would take it from your own report that this is the factor.

Is that correct?

Ms. Carolyn Rogers: What our report says is that there's a structural imbalance between supply and demand. When you're adding more demand than you are supply, you're making that worse.

Mr. Jasraj Singh Hallan: Given that, after that January report, did you see any changes, or is it the same reason that has kept rent inflation the way it is?

Ms. Carolyn Rogers: I think there has been a big change since January.

Mr. Tiff Macklem: What you can see is that rent inflation has ticked down a bit, but there's a big stock of rents. People renew their rents at different times, so it takes a while for new rents to feed into the average rent. What's in the CPI is the average rent increase.

We are starting to see some evidence—and I want to be clear that we don't have good data on this—that the new rents—

Mr. Jasraj Singh Hallan: Respectfully—

Mr. Tiff Macklem: I'm getting to your question.

The new rents are coming down—

Mr. Jasraj Singh Hallan: Respectfully, rent inflation has not changed to below 8% for the whole year, which is an indication that nothing has really changed.

I take your monetary report as a warning in January, when you wrote what you wrote. At the same time, two years ago, the government's own department warned it was going to increase the population so drastically that there would be a housing crisis, and it would get even worse. That was the government's own department.

Given the numbers we have of rent inflation being over 8%, my question is this: If the government had heeded your warning and its own department's warning, would we not have seen rent inflation as drastic as it was over the past few years, but especially this year, since it stayed above 8% the whole year?

Mr. Tiff Macklem: Look, I think it's fair to say that the imbalance between demand and supply was further exaggerated by the large population increase. That added a lot to demand and, yes, put upward pressure on rents.

Mr. Jasraj Singh Hallan: Of course.

Therefore, if they had heeded the warnings from the bank and their own department this year, do you think there would have been less pressure on rent inflation?

Mr. Tiff Macklem: If there had been less population growth, there would have been less pressure on rent inflation.

Mr. Jasraj Singh Hallan: The reason I'm saying this is that there was a very damning report yesterday from Food Banks Canada. There are now more than two million Canadians going to a food bank in a single month. When we talk about doorsteps, we see and hear the pain among Canadians all over. Whereas 40% of someone's paycheque used to be for housing costs, it's now up to 60% and sometimes 80%. There's less money for Canadians. Now we're seeing more food bank usage. When you look at population growth and the rapid increase the government implied....

With food bank usage going up so much right now, what is your message to those people? It seems like my colleagues on the Liberal side painted such a rosy picture, but two million-plus Canadians are going to a food bank in a single month.

● (1620)

Mr. Tiff Macklem: There's no question that, particularly for people at the lower end of income distribution, it's been a very tough couple of years. High inflation was particularly concentrated in food and rent. These are necessities. You can't cut back on necessities.

The best thing we can do is get inflation down, so they can have more confidence that their cost of living is not going to keep rising the way it was two years ago. We've done that. That's good news, and—

Mr. Jasraj Singh Hallan: On that point, those people you're talking about who are lower-income, would you not agree that raising taxes on them only hurts them further, such as the carbon tax? Does government spending mean they're going to increase taxes on Canadians?

Mr. Tiff Macklem: I don't want to get into commenting on specific tax measures. I think I've been pretty clear. I completely agree with you that lower-income people have been hit hardest by high inflation. That is one of the reasons why low inflation is such an important policy.

Mr. Jasraj Singh Hallan: I just—

The Chair: Thank you, MP Hallan. That's your time.

Now, we're over to MP Baker.

Mr. Yvan Baker (Etobicoke Centre, Lib.): Governor and Senior Deputy Governor, it's good to see you again. Thank you for being back here at committee.

Governor, when I'm out knocking on doors in my community of Etobicoke Centre, a lot of folks talk to me about the rising cost of living and the impact this has had on their quality of life. One issue I also hear about from a lot of folks is the question of when interest rates are going to come down. These are folks who have mortgages that may be variable rate, and those rates are fluctuating as the interest rate rises and comes down. There are also folks on fixed mortgage rates who are worried about renewing—that they'll be renewing at a much higher payment level, as a result of higher interest rates. This would cost them more, and they may not be able to sustain that. Every time you come here to committee, I ask you this: When are interest rates going to come down?

I ask this because it is one of the most common questions I get from my constituents. I think the question I want to ask you today is.... Well, let me first say that I've heard from a number of my constituents who have felt relief from the four consecutive interest rate cuts, especially the last one of 50 basis points. However, I still get questions from constituents who say, “Are interest rates going to come down further, and if so, when?”

What can I tell my constituents when they ask me that question?

Mr. Tiff Macklem: What we've said—and I think we've been very clear since we started cutting rates—is that if the economy continues to evolve broadly in line with our forecast, we anticipate further cuts in our policy rate.

We've also been very clear that the exact timing and the size of those cuts are going to depend on incoming data. With the data leading up to our decision last week, CPI inflation came down significantly. The economy is growing, but the recent indicators show it as a little more slowly in the second half than in the first half. You looked at the broad.... You looked at our surveys. You looked at inflation expectations. The message was that it's appropriate to take a bigger step, and that's what we did.

Looking forward, yes, I think the message to Canadians is that it's reasonable to expect that interest rates will continue to come down. The next questions, the questions that often feed into this are these: How low are they going to go? Where is the terminal point? My message is that we're going to have to discover where we land. We don't know exactly where we land. We have this concept of the neutral interest rate, which is where the interest rate would be when inflation is on target, when economy is at capacity and when there are no shocks disturbing the economy. We can't observe that directly, so we have to kind of discover where that is.

Then the other reality is that there will be shocks. There will be disturbances. There will be new events. There will be surprises. The interest rate is the thing that we adjust to keep inflation on target. Remember, we have an inflation target. I think the message to Canadians is that our commitment is to try to keep inflation low and stable. We're going to do the best we can at that, and we've been pretty good at that over time. The interest rate is the thing we use to do that, so it will have to respond. Yes, I think the direction of travel is down, but we're going to have to see where that destination is and we're going to take it one decision at a time.

● (1625)

Mr. Yvan Baker: Thank you, I appreciate that.

I have about a minute and a half, and I have two questions. One, I hope, is a brief one, and one may be a little longer, so I'll be quick.

The first one is this: Are you able to give us just a quick update, very briefly? My understanding is that the Bank of Canada was doing some work on incorporating the impact of climate change into its macroeconomic models. In other words, what's the impact of climate change on the cost of and other aspects of our economy? Can you just quickly update us on where that stands?

Mr. Tiff Macklem: I don't have much new to say from where we were the last time we were here. We are still working on that. We don't have those models in production yet. This is not a small undertaking.

Mr. Yvan Baker: This is my last question. I have a constituent by the name of Joe Polito, and he asks me a question regularly about the Bank of Canada. He points out that the Bank of Canada pays interest on settlement balances; those are bank deposits at the Bank of Canada. He's told me that, historically, the Bank of Canada didn't always used to do that, but we do that now.

The question he asked me is this: Why do that? Isn't that a great benefit...? We're paying a lot of money. The Bank of Canada is paying a lot of money in interest on these settlement balances at the banks. It's a great benefit to the banks. Why would we do that? Wouldn't we save a lot of money by not paying that interest on those settlement balances? Could you tell us why we do that?

Mr. Tiff Macklem: The short answer is this: That's how we control the overnight rate.

Ms. Carolyn Rogers: The other thing Joe maybe has told you is that, in the past, we didn't have a lot of settlement balances. We ran a system where we maintained very low settlement balances. We expect to get back to a lower level, but, yes, that's the overnight rate. That's how we implement monetary policy.

The Chair: Thank you, MP Baker, and I hope Joe Polito is watching.

Mr. Yvan Baker: I guarantee he's watching.

The Chair: Now, we're going to MP Ste-Marie, please.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you, Mr. Chair.

Mr. Macklem, the markets predicted that you would lower the key interest rate by half a point, contrary to the opinion of the chief economist at TD Bank, who is also the bank's senior vice-president. She was calling for a quarter-point drop, saying that in September, low inflation rates were largely due to gas prices. More importantly, she said that the Bank of Canada hasn't suddenly brought rates down during a monetary cycle in the absence of signs of a recession since the early 2000s. This happened in 2001, however, when the United States fell into a recession.

I would like to hear your reactions to those statements. Also, should this half-a-point drop be interpreted as a harbinger of a recession? Is there a risk that it could be interpreted as such?

Mr. Tiff Macklem: I don't think we should consider that we are in a crisis or a recession.

Remember, we've had extreme fluctuations in the last few years: COVID-19, the highest inflation rate in 40 years and the fastest increase in Bank of Canada key interest rates in history.

When you normalize interest rates, you have to follow steps that are a little longer than usual. That reflects the fact that there have been major changes. We even saw an increase of 100 basis points in one go. Since some steps are longer than usual, this means that the repercussions are much greater than usual.

Mr. Gabriel Ste-Marie: Thank you.

Earlier, you talked about how important exports to the United States are to the Canadian economy. Since the pandemic, however, the Americans seem to have taken a more protectionist stance. Are you concerned by the fact that Canadian exports to the United States haven't returned to prepandemic levels?

Mr. Tiff Macklem: We have a free trade agreement with the United States.

In terms of trade with the United States, Canada was the biggest exporter to the U.S. in the year 2000. However, between 2000 and 2019, U.S. imports from China increased significantly. Canada fell to third place in terms of imports to the U.S., behind China and Mexico. Now, with the new tariffs and all the restrictions, China has lost ground and Mexico is number one. Canada is the number two exporter to the U.S.

So there are opportunities for Canada. Global supply chains and trade are changing. Canada and the United States enjoy a close relationship. We know the Americans well. We're successful in doing business with them. I do have concerns about our trade relationship with the United States which could change, but I'm nevertheless optimistic since there are also opportunities for Canada.

• (1630)

The Chair: Thank you very much.

[*English*]

We will go now to MP Davies.

Mr. Don Davies: Thank you, Mr. Chair.

Governor, I'd like to ask you about the impact of immigration. In the Bank of Canada's October monetary policy report, GDP growth was projected to continue at around 2% through the first half of 2025 before increasing modestly to about 2.5% in the second half and reaching 2.3% in 2026.

That projection assumed that population growth would decline from about 2.5% in the second half of this year to an average quarterly growth of 1.5% over the rest of the projection. However, we know that the immigration reduction targets announced by the federal government last week are expected to result in a population decline of 0.2% in both 2025 and 2026, before returning to growth in 2027.

Given that a population decline means that fewer consumers and workers will be participating in the economy, what impact will the federal government's immigration reduction targets have on the central bank's growth forecasts?

Mr. Tiff Macklem: Thank you for the question.

Yes, as you outlined, shortly after we'd published our forecast the government published a new levels plan for their immigration. As you indicated, we have a pretty sizable reduction in population growth in our current forecast.

As to what's going on in our forecast, there are two things. Population growth is coming down. As you highlighted, less population growth means fewer new consumers in your economy, so that is going to be less growth in demand. At the same time, with lower interest rates, we have consumption per capita coming up. Over the next few quarters, they roughly balance off, so growth is about 2%.

The upshot of the government's new levels plan is that they've lowered the target for permanent residents. There are also more concrete targets on the net flows of non-permanent residents. Those are below the assumptions we have in our forecast—

Mr. Don Davies: Quite significantly.

Mr. Tiff Macklem: Yes, quite significantly.

In our next forecast, which is in January, we will take a look at that. We will incorporate it. We will certainly take that into account.

I will say that there are a lot of moving parts here on immigration. There are inflows and there are outflows, and you have have to net those. When you look at non-permanent residents, there are students, there are asylum seekers and there are temporary foreign workers. There are special visas for Ukrainians. Decisions will have to be taken on all those pieces. We'll be looking at all that and we'll be incorporating it.

But yes, I mean, if you take what they put out, it would imply a lower GDP growth forecast.

The Chair: We'll now go to MP Chambers for the next five minutes.

Mr. Adam Chambers (Simcoe North, CPC): Thank you very much.

Governor Macklem and Senior Deputy Rogers, welcome. It's very nice to have you back.

I want to talk about prominent payment systems for a moment. I'm going to try to link this to the productivity discussion.

My understanding is that Interac's e-transfer service is considered a prominent payment system under the Bank of Canada. Is that correct? It's been designated.

I also understand that Interac is in non-compliance with the standards that the bank sets out with respect to at least two of the standards. Primarily, one, the criteria for joining Interac is public; and two, its pricing mechanism should be risk-based, not volume-based.

The problem I have here is that, one, there's no transparency. The bank has requested through the standards that there be transparency. Two, the fee schedule is secret, but we know that it's volume-based based on testimony yesterday at the industry committee.

Are there any enforcement actions being taken against Interac to bring it into compliance?

• (1635)

Ms. Carolyn Rogers: I think we're talking about two different things. There is a set of global standards for payment systems that articulate the kinds of things you're talking about. Our enforcement powers relate to the Retail Payment Activities Act.

When you talk about an enforcement actions—

Mr. Adam Chambers: You regulate e-transfers. Is that correct, or...? I'm sorry. They're considered a prominent payment system for e-transfers. Is that right?

Ms. Carolyn Rogers: Yes.

Mr. Adam Chambers: The Bank of Canada has listed the standards it expects those entities, the prominent payment systems, to comply with. Interac is not in compliance. It has admitted it. It's not a secret.

Is the Bank of Canada pressuring it to do the things you've asked it to do?

Ms. Carolyn Rogers: Yes, we are working with it. I'm sorry, but you used the words “enforcement actions”. Are we working with Interac on those standards? Yes.

Mr. Adam Chambers: I guess I would say that you have political cover to push it much further, because it's been 10 years since the Bank of Canada has admitted that modernization of retail payments has a significant economic upside. If we're worried about productivity, I would think you could lean on this organization and Payments Canada, which, by the way, gave a sole-source contract to an entity that's completely rife with conflicts of interest, and which is owned by the banks so it has an incentive to not modernize to protect that profit pool.

However, they're in non-compliance, so I'm very glad to hear you're working with them.

Ms. Carolyn Rogers: Yes. What would say is that we are working closely with Payments Canada. Having a fast payment system in Canada is an important step for productivity. It's an important step for our economy, and it's an objective we support.

Mr. Adam Chambers: Thank you very much.

I'll switch back.

Would it be safe to say from your testimony that the fight against inflation is not over and that there is a risk that it could reaccelerate? Is that a fair assessment?

Mr. Tiff Macklem: I think we've reached a very important milestone. Inflation is low again. We need to maintain it.

Mr. Adam Chambers: Is the fight over?

Mr. Tiff Macklem: No.

Mr. Adam Chambers: There are provincial elections all across the country. There's a federal election coming up at least within the next year. You have provinces promising to send people cheques. You have the PBO saying that the government is blowing through its deficit target. It sounds to me like a lot of fiscal stimulus.

What recommendations would you have for governments that are considering a lot of fiscal stimulus, when the fight against inflation is not over? Do you support additional fiscal stimulus?

Mr. Tiff Macklem: Normally, we don't comment at all on fiscal policy. When inflation was high and we were working very hard to get inflation down, we did express concern that, if there was a lot more spending and in particular if fiscal spending was well above potential growth, that could make it more difficult to get inflation back down. We now have inflation back down.

I'm really not feeling the need to comment on fiscal policy. Fiscal policy is your job; monetary policy is ours.

Mr. Adam Chambers: Fair enough.

Would you say to tread carefully? Would that be a fair recommendation that you would provide politicians who can't help themselves but to spend, spend, spend, including provincial governments. They are equal offenders here.

Mr. Tiff Macklem: Tread carefully, but I'm not here to give you fiscal policy advice. We are here to talk about monetary policy.

Mr. Adam Chambers: Thank you, Governor.

The Chair: Thank you MP Chambers.

We go now to MP Dzerowicz.

Ms. Julie Dzerowicz (Davenport, Lib.): Thank you, Governor and Deputy Governor, for being here today and for this important discussion.

I am spending an exorbitant amount of time visiting small businesses in my riding of Davenport. They're struggling, because since the pandemic, input prices, some of them, have not gone down. They continue to remain very high. Consumers have changed. The economy has changed. The world has changed. Many of them are pivoting.

The question I have for you is this: How does the recent interest rate cut impact Canadian businesses?

● (1640)

Mr. Tiff Macklem: Certainly, when I run into businesses, they often express considerable pleasure and are quite happy to see the interest rate coming down. It lowers their cost of borrowing. Whether that's investing in new capital or paying for their working capital to buy their inventories, it takes down one cost for them.

The other thing that is going on, though, is that, with low inflation, they're facing less uncertainty about fluctuations in their input costs. It doesn't mean they've all come back to where they were, but the rate of change has come back.

Ms. Julie Dzerowicz: Thank you. That's helpful.

There's another question I have, and Mr. Chambers touched a little bit on it. We, at the federal level, made it a point to ensure that we kept government spending to a new goalpost of 1% of GDP. Do you believe that our keeping our spending to 1% of GDP has contributed to inflation falling, or at least to keeping it under control?

Mr. Tiff Macklem: I've said in the past that I think the fiscal guideposts are helpful. I think they give more predictability, more certainty.

Ms. Julie Dzerowicz: I do a lot of canvassing, and I would say to you that, when I talk to my constituents, some of them will say, “Julie, I'm worried that the carbon tax—our carbon pricing—is making everything expensive.”

Governor, some of the misinformation, or disinformation, that's out there is that, if we eliminate the carbon pricing or carbon tax, all the prices will go down. If we eliminate our carbon pricing, will all prices go down?

Mr. Tiff Macklem: If the tax is not applied to it, there's no direct effect. There could be an indirect effect, but there's no direct effect.

Ms. Julie Dzerowicz: I'm sorry. There's no direct effect on what?

Mr. Tiff Macklem: I've talked many times about our estimates. When we do them, what we do is we look at the incidence on the fuel categories that the carbon tax affects. If you take the carbon tax off, yes, the prices of those fuel categories will come down. That's going to be the direct incidence of getting rid of the carbon tax on prices.

Ms. Julie Dzerowicz: It won't be that everything, all prices, go down—food prices go down; transportation prices go down—beyond the fuel price.

There's this expectation and belief out there that it is the carbon pricing that somehow has caused everything to be expensive, so if you eliminate the carbon tax, everything will then go back to normal and the prices will be back to normal. That is honestly the belief that is out there.

For my constituents, if we eliminate the carbon pricing or carbon tax, would all the prices go down?

Mr. Tiff Macklem: No.

Ms. Julie Dzerowicz: Thank you.

We talked about productivity. Everybody on this committee knows how much I've been trying to tackle interprovincial trade barriers. It does take a while to tackle, but we have to get started.

I was reading the Draghi report. Europe is also having some productivity issues. What are the similarities in our productivity issues, and where is it that we are different and specifically need to focus on?

Mr. Tiff Macklem: That is a very big topic.

There are some similarities, but there are also a lot of differences. Canada, unlike the European Union, is a country. We have a unified banking system. We have large national banks that span the country. We have a unified capital market system. We have a federal tax system that spans the whole country. We have equalization payments between different parts of the country. We have a fiscal union, whereas Europe has a monetary union but it doesn't have those other things. There are some very important differences.

As I highlighted in response to Mr. Morantz's question, we still have.... There are small differences between provinces that get in the way of doing business, which I think we could agree to have some mutual recognition on to the benefit of all the provinces. We have some unnecessary barriers, but we're starting from a pretty different place than Europe is.

● (1645)

The Chair: Thank you.

Thank you, MP Dzerowicz.

Members, we are now moving into our third round of questions.

MP Kelly will start off the top.

Mr. Pat Kelly (Calgary Rocky Ridge, CPC): Thank you.

Thank you, Governor, for clarifying for everyone that if the carbon tax is removed from things like fuel, the price of these items will in fact go down. That was, I think, helpful to have on the record.

Would that go for all other products that are tied to this? If a truck that transports food no longer has the tax applied to it, then we are easing the input cost on food, for example.

Mr. Tiff Macklem: I don't have an estimate of the secondary effects, but the direct effects on overall inflation are relatively modest.

The secondary effects are going to be even more modest. I'm not saying there aren't some products where that could be important, but what we're looking at is CPI inflation, everything in the basket. When you look at it that way, the secondary effects are going to be de minimis.

Mr. Pat Kelly: Going back to the very end of your response to Mr. Morantz's last question, you were beginning to talk about timelines for project approvals and the impact, the drag, that has on productivity. I'd like you to maybe complete your answer, if you'd like to, and talk about how regulatory timelines create delay, which creates a drag on productivity, which is where we get this declining per capita GDP that we have in Canada.

Mr. Tiff Macklem: We have well-intentioned regulations at different levels in this country—federal, provincial, municipal. They want to make sure that these investments are in the best interests. The difficulty is that, at times, we have overlapping, sometimes even conflicting regulatory approval processes. They're tough for investors—people who want to build—to navigate. There can be considerable uncertainty in how long it's going to take. What that does is it scares off investors.

Mr. Pat Kelly: Indeed. Delays on the capital will go somewhere else—for example, the United States.

Mr. Tiff Macklem: Yes.

Mr. Pat Kelly: The gap in investment, the investment deficit with the United States, the difference between American investment in Canada and Canadian investment in the United States is now.... Do you have a statistic on that?

Mr. Tiff Macklem: I don't have the number in front of me, but there's no question that too many companies.... Foreign capital, even some Canadian capital, is going to the United States, because they can get faster regulatory approvals.

Mr. Pat Kelly: We've heard at this committee that the difference is almost half a trillion dollars. Does that sound about right and roughly correct?

Mr. Tiff Macklem: I don't have a number, but it's big.

Mr. Pat Kelly: Okay. Would you care to name some of the specific regulatory obstacles to investment?

Mr. Tiff Macklem: No. I'm not going to get into specific line-by-line issues. I think that the message is that we need to look at this from a whole-of-country point of view. These are well intentioned, but I think where we can streamline the process and provide more certainty, that's going to encourage investment.

The productivity problem is long-standing. Along with getting rid of interprovincial trade barriers, these are some things where we know there's a problem and what it is. It's going to take some concerted effort to cut through it. However, it's something we could do that, if we could do it, could have a pretty good return in the short run.

Mr. Pat Kelly: Is it wise, then, to increase capital gains taxes when you are in an acknowledged productivity and investment crisis, where investment is going to other peer countries and not to Canada? Is that a wise time to raise a tax on investment?

• (1650)

Mr. Tiff Macklem: I think I've said everything I'm going to say on that question.

Mr. Pat Kelly: Okay, I'll take that as a no, that it is not a good time to raise a tax.

I don't know if I have any time left for another question.

The Chair: You have 10 seconds.

Mr. Pat Kelly: Is Bill C-69 a good one as far as barriers to investment, then?

Mr. Tiff Macklem: I'm not going to comment on specific legislation.

The Chair: Thank you, MP Kelly.

Now we will move to MP Sorbara.

Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.): Thank you, Chair.

Welcome, Governor and Deputy Governor.

Right now, we have inflation in the Canadian economy that has fallen and is down. Interest rates have fallen. The Bank of Canada, under your leadership, reduced it by 125 basis points; the last cut was 50 basis points. We have an economy that is growing moderately. However, it's growing. In fact, we enter the new year in a few weeks. The International Monetary Fund forecasts that, in 2025, we'll have the fastest growth rate among all of the advanced economies in the G7.

Governor, have we achieved the soft landing that we and many economists spoke about after coming out of COVID, a war in Ukraine and supply-chain bottlenecks?

Mr. Tiff Macklem: I'm going to turn it over. We'll let her take all the credit here.

Ms. Carolyn Rogers: That's not a term we use a lot—“soft landing”. The way the governor described it at the beginning is that we know getting inflation back on target and getting interest rates down—and down further, if the economy continues to evolve the way we expect it to—is a big relief for Canadians. We are very glad to deliver that relief to Canadians.

However, I'll go back to the question we had earlier: Do we feel our work is all done? No. It's been a long fight to get us back here. The economy still doesn't feel quite back to normal for most of us, so there is still work to do to stay here and stick the landing.

Mr. Francesco Sorbara: Absolutely.

From your press conference opening last week, the two sentences that have stuck with me have to do with your suggesting that “we are back to low inflation” and that “This is good news for Canadians.”

If you had a probability interval, would you say this is accurate 95 times out of 100, or 99 times out of 100?

Ms. Carolyn Rogers: The one thing he has told me, ever since I took this job, is that monetary policy works. It was a tough slog. I don't think we ever put odds on the end result. I think we were confident. We just needed to stick it out.

Mr. Francesco Sorbara: Of course.

In relation to the monetary policy transmission mechanism—which I remember from about 30 years ago—what would you say we learned when inflation went from below 2% to above 8%, not due to traditional sources like hyperinflation but to supply bottlenecks and a war in Ukraine? For example, prices went from $2,000 or $3,000 to over $15,000 to ship a container from, say, Europe to Halifax.

Looking *ex post*, what would you say we have learned on both the monetary policy side and the fiscal policy side to get inflation back down?

Mr. Tiff Macklem: We've been very much reflecting on that. Let's hope we don't have anything like COVID again, but we have to acknowledge that it is a more shock-prone world. I think successful organizations are learning organizations, so we want to learn the lessons.

It's a big topic. I'll highlight a couple of things.

One, we need a better, more granular understanding of the supply side of the economy. Our interest rates work through demand. We have better data on demand. Most of the time, supply works in the background. When demand goes up, supply responds and comes up. Companies produce more. However, what we saw in the pandemic was that, when the supply system is impaired or disrupted, its ability to respond to demand is very different. That caused very different outcomes.

The related thing I would say we learned is about the standard central bank playbook. When you get supply shocks pushing inflation up, those shocks tend to be pretty temporary, so you raise interest rates. By the time it starts working, inflation is probably back down, so you're better off seeing it through. I think one thing we've learned is that the playbook is a bit too simplistic. How you respond to supply shocks is going to depend more on the state of the economy. What we saw is that, when the economy was very overheated and we got a supply shock, it was very inflationary. For most of the last 30 years, we haven't had supply shocks when the economy was in excess demand. When it is, you get a bigger pop of inflation.

Those are a couple of the things we've learned. We are doing a comprehensive review of our COVID response. That will come out early in the new year, and I'd be pleased to come back to the committee to talk about this some more.

● (1655)

Mr. Francesco Sorbara: I just want to finish up—

The Chair: That's it.

We look forward to hearing about that review, Governor.

Now we'll go to MP Ste-Marie, please.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you, Mr. Chair.

Mr. Macklem, in 2002, Canada's gross domestic product per capita was about 80% of that of the United States. In 2022, it was 72%. In 2002, Canada's GDP per capita was 8.6% higher than the OECD average. In 2022, it was below the average. Professor Paul Beaudry recently noted that, compared to other countries, Canada is collectively getting poorer.

In your opinion, what are the main drivers of this change, what can the Bank of Canada do to help correct this trend, and to what extent is the strength of the U.S. dollar responsible for this state of affairs?

Mr. Tiff Macklem: Those are big questions. To sum it up, it's all about productivity. It's productivity that supports growth without creating inflationary pressures. Since 2000 or thereabouts, productivity has been higher in the U.S. than in Canada, and that gap has increased significantly since the end of the COVID-19 pandemic. In the United States, very significant investments are being made, which adds capital. Workers have new computers and tools to do their jobs, so they're more productive. In the United States, new businesses are born in a more dynamic environment. And so the productivity gap has widened. That's why my colleague said there's a crisis here.

Mr. Gabriel Ste-Marie: On the same subject, two weeks ago, The Economist reported that, in terms of research and development expenditures calculated as a percentage of GDP, Canada was at the bottom of the pack amongst G7 countries. Is it not in Canada's interest to increase efforts in research and development and education?

Mr. Tiff Macklem: It's hard to know why productivity is low in Canada. As you say, Canadian companies invest less in research and development, innovation and intellectual property. The more fundamental question we have to ask ourselves is this: Why are there fewer investments in research and development? That's a difficult question for me to answer.

We know that here in Canada, we have companies that are very successful in global markets. So it's not that we can't do it. We have companies that are very successful in every sector, but why aren't we doing more? It's time to go and play in the major leagues.

[*English*]

We can hit home runs in Canada, but our batting average isn't as good as it should be.

Ms. Carolyn Rogers: We won the Nobel Prize for AI, but we're not commercializing it the way other countries are. There's opportunity.

The Chair: Thank you, MP Ste-Marie.

Now we'll go to MP Davies, please.

● (1700)

Mr. Don Davies: Thanks.

Although we're all quite happy that inflation's down and the rate at which prices are increasing has slowed across Canada, price levels also remain elevated. According to Stats Canada, compared with September 2021, the CPI rose 12.7% in September. Canadians continue to feel the impact of higher price levels for day-to-day basics such as rent and food purchased from stores, which increased 21% and 20.7%, respectively, during that same three-year period.

In your view, what are the key factors driving these persistently high price levels in Canada? How is the Bank of Canada addressing these underlying issues?

Ms. Carolyn Rogers: I think you're talking about price level increases versus inflation rates. This comes back to a question we had earlier. Inflation's back to target. We're bringing interest rates down and the economy's growing, so why don't people feel better? I think the answer is really because things are more expensive. We can say, yes, inflation's back to target, but people feel like things are more expensive—and they are more expensive.

Mr. Don Davies: Do you expect those prices to come down?

Ms. Carolyn Rogers: No. I think we would be giving people a false sense of hope if we said that prices would come down. We get these questions: Wouldn't a bit of deflation be good after we've had a period of inflation? Wouldn't that get us back to normal? However, just as inflation is a sign of an economy that's out of balance and that's overheating, deflation is a sign of an economy that's not operating at capacity. It's also out of balance.

What happens when you have deflation is the opposite. When inflation is elevated, people are rushing out to make purchases. That demand is going up. It gets a bit of self—

Mr. Don Davies: I'd like to stop you there. You're sort of anticipating where I'm going.

I know that you're reviewing your mandate, and you made a mention of looking at the last three years. The last three years have been kind of perverse. Corporate profits rose very strongly in Canada in 2021 and 2022 when inflation was accelerating, but corporate profits have moderated as inflation decelerated. With wages, it was the reverse. We have inflation at 1.6%. Wage growth has picked up. Current year-over-year wage growth is running 4% to 5%, depending on which measure you use. Back in 2022, when inflation was at 8%, wage growth was 3%, so inflation slowed down and wage growth sped up.

What does this tell you about the last three years, about what caused this rapid acceleration of prices that Canadians are apparently expected to live with? You have 30 seconds.

Ms. Carolyn Rogers: The governor covered this when we were talking about what we have learned. In an environment where you have excess demand and you get shocks to supply, you're going to get a bigger reaction in inflation. I think what you're getting at is whether there has been a role for corporate profits.

Mr. Don Davies: [*Inaudible—Editor*] at play, I suppose.

Ms. Carolyn Rogers: I think it's hard to disentangle corporate profits. How much of it was just that excess demand or more volume? How much of it was more margin? We have looked at that. We have seen that, in an environment of excess demand, companies do push their input cost increases through more. They're quicker to make price increases. Prices adapt more quickly, so that's true. We have seen that.

The Chair: Thank you, MP Davies.

Now we will go to MP Morantz, please.

Mr. Marty Morantz: Thank you.

Governor, I wanted to circle back to what we were talking about earlier. I had a chance to look up what the mandate of the Bank of Canada is. It says that your mandate is "to promote the economic and financial welfare of Canada", which begs the question.... When you come to the finance committee and members of Parliament ask you questions related to the economic and financial welfare of Canada, you should answer them.

What I'm also surprised about is that, when I had my first round, you said that you would not answer questions with respect to fiscal policy and that you were here to talk about monetary policy. However, when a Liberal MP asked you a question about fiscal policy, specifically about what would happen if the carbon tax was eliminated and what its effect on prices would be, you answered that question.

I'm starting to feel that if a Liberal asks you a question about fiscal policy, then you're willing to answer it, but if a Conservative asks you, then you're not willing to answer it, so I'm going to try again.

● (1705)

Mr. Tiff Macklem: I object to that.

Mr. Marty Morantz: That's fair enough. I withdraw it.

However, I would like to ask a hypothetical question, which is what my colleague asked you, though. If you make the assumption, based on economic policy, that increasing the capital gains tax would have an adverse effect on GDP—and this is just a hypothetical—would that have a negative impact on tax revenues for the government?

Mr. Tiff Macklem: What is your question? If the economy slows, will tax revenues be lower? The answer is yes.

Mr. Marty Morantz: The answer is yes. If the economy slows, the tax revenues will be less.

Mr. Tiff Macklem: Would everything else be equal? Yes.

Mr. Marty Morantz: The government has projected that the increase in the capital gains inclusion rate will raise about $19 billion over five years. Again, this is just a hypothetical. If, in fact, it becomes true.... There are other economists who are willing to speak to this. Jack Mintz was here and Ian Lee. They all said what you don't want to say, which is that it would adversely affect the GDP.

Would it be fair to say that the projection of the government is not accurate in terms of the tax revenues received?

Mr. Tiff Macklem: You're going to have to take your tax projections and fiscal projections up with the fiscal authorities, not the Bank of Canada.

Mr. Marty Morantz: Why would you—

Mr. Tiff Macklem: I'm happy to speak about our projections.

Mr. Marty Morantz: Why would you answer a question about fiscal policy from a Liberal member—

Mr. Tiff Macklem: The reason I objected is that I have answered many questions about the carbon tax from you and from your colleagues.

Mr. Marty Morantz: Arguably, the capital gains tax is bigger than that. It's billions of dollars out of the economy.

Mr. Tiff Macklem: Yes, but the carbon tax has a very direct effect on inflation. If you look at our forecast, when we publish our monetary policy report, we actually have a line that shows the impact of the carbon tax on inflation. It has a very direct effect on the thing that we are charged with controlling, so yes, I have a responsibility to respond because it directly affects our remit.

Mr. Marty Morantz: We had Ian Lee here, who projected that the capital gains inclusion rate will increase the cost to Canada. It will cause a decline of 3% in the GDP. Do you agree with that assessment?

Mr. Tiff Macklem: I'm glad you have experts coming in and giving you good advice on these issues. These are really important questions, and you should get the best advice from the best experts.

Mr. Marty Morantz: At least in this context, you're not willing to promote the economic and financial welfare of Canada by answering a question from an elected official about a major tax. Is that correct?

Mr. Tiff Macklem: I am directing questions on tax to the Government of Canada and the Department of Finance. That is their responsibility. Our responsibility is monetary policy.

Mr. Marty Morantz: With the greatest respect, Governor, I would suggest that when you come to the finance committee and elected officials ask you reasonable questions, you answer them.

Thank you.

Ms. Rachel Bendayan: On a point of order, Mr. Chair, I would like some clarification.

Mr. Morantz said he withdrew his comments earlier. Does that mean they are struck from the record of this meeting?

The Chair: What I will say, PS Bendayan, is that we expect respect and decorum towards the witnesses who come before our committee. I believe the governor and the senior deputy governor have made themselves more than available. They're here for two hours.

The governor has answered MP Morantz, and MP Morantz retracted what he had to say earlier.

Mr. Marty Morantz: In fact, I will go further, Mr. Chair. I apologize for that—I really do—but I think my question is reasonable, and I think he should be answering it.

Ms. Rachel Bendayan: On a point of order, I believe Mr. Morantz's time is up. If the Conservatives would like to go back to their partisan attacks on the Governor of the Bank of Canada, they may do so outside of this forum.

The Chair: PS Bendayan, we have 20 seconds, but I don't know if MP Morantz...? No. Okay.

We're going to our next questioner. We have MP Thompson next.

Ms. Joanne Thompson: Thank you, and welcome back with such good news. I can tell you the constituents in my riding are very pleased with the interest rate drop. Knowing it's the fourth consecutive drop, it's very good news.

I want to go back and ask an additional question on the uncertainties. You referenced the uncertainties we face in forecasting. I'm not trying to do the full list, but obviously, there are global tensions and trade barriers.

I want to ask if climate weather events are also a part of that. I'm saying that in light of the record-breaking events of the past year. It's a dubious record to break. Significant weather events have a toll on many levels, obviously, but there's still a financial toll.

Does that reality become part of your forecasting on uncertainties?

● (1710)

Mr. Tiff Macklem: What we've certainly been seeing in recent years is the number of severe weather events and forest fires.... It's not higher every year, but there has been a pretty clear trend. Obviously, these are, first and foremost, impacting people, but if you look at it from a financial point of view, what you can see is that the claims for P and C insurance keep going up. That's driving up the cost of insurance, so yes, it is having a financial impact.

Obviously, when you're doing a forecast, the one thing you can't predict is what the shocks are. We can't predict what the weather events are going to be, but yes, we know these weather events are impacting people. They are adding costs. We know the trend. We don't know the speed. We don't know what it's going to be from one year to the next.

Ms. Joanne Thompson: No.

Is that uncertainty now part of the conversation, in terms of the unknown?

Mr. Tiff Macklem: Yes. Going back to MP Baker's...we are in the process of trying to build some of this into our models. We are not there yet. It's a pretty new undertaking. We can see the costs when they happen. However, we don't have good models of them.

Ms. Carolyn Rogers: It's a difficulty for central banks, regulators and everybody else. Think about the effect of climate risks, going forward. We always use historical data as a way to proxy the future. The thing about climate risk is that we don't have enough historical data to build models with enough certainty to look forward. That's the difficulty. You end up trying to model the future without that historical data.

Ms. Joanne Thompson: I appreciate that. It is indeed challenging. It's our new reality, sadly.

I want to circle back to a very recent thread of conversation on innovation. Certainly, I'm always very proud to say that a tremendous amount of innovative work is happening in Newfoundland and Labrador, and it's driving the economy forward.

You referenced opportunity in a very general way. In your role, how do you see the opportunities for Canada, moving forward, not in terms of policy but rather in terms of the so many phenomenal innovators and the work happening in Canada, which is truly leading the way forward?

Mr. Tiff Macklem: I can say a couple of things.

As the senior deputy highlighted, when it comes to scientific breakthroughs and true innovations, Canada is a leader in AI, quantum and health sciences. Where we've underperformed is in turning those innovations into commercially successful businesses. Too often, a Canadian invention gets turned into a successful business south of the border.

I think our innovation ecosystem has improved a lot in the last 15 years. Where we're still having a hard time, though, is in achieving scale. We've done a lot better on start-ups. Where we're falling behind is in achieving scaled-up, globally successful companies. We have some great examples, as I responded to Mr. Ste-Marie. However, we don't have as many as we'd like. I think we need to be focusing more on scale. How do you achieve scale? Particularly in a more networked world, returns on scale really matter.

The second thing I will say is that the U.S. is undergoing a big investment boom. There's a combination. First it was the IRA—the Inflation Reduction Act—and then the CHIPS Act. There was some infrastructure investment, and that certainly created investment. Now you're seeing the AI boom. Generative AI is very concentrated in the United States. There are huge investments in computing, and big investments in data centres. You have new investments in nuclear and electricity. We are sitting right next to the United States. I think there are opportunities for Canada to get into that supply chain.

Those are a couple of thoughts.

● (1715)

The Chair: Thank you, MP Thompson.

I'm looking at the time, everyone. We thank the governor and senior deputy governor for the two hours they've allocated to us here. Being mindful, we'll go about four-plus minutes per party, as we normally do when we don't have time for a full round.

We're starting with MP Hallan.

Mr. Jasraj Singh Hallan: Thanks, Chair.

Since I have limited time, Governor, I want to ask.... Yesterday, you commented on fixing Canada's productivity problems. One of the things you highlighted was having foreign credentials recognized, which could help people get into the workforce. I know there are many brilliant immigrants in this country we know of who end up driving taxis or for Uber. They could be doctors, nurses or engineers.

Would you agree that we should have something like a national program wherein someone could take a test to prove their skills in a certain amount of time—something like 60 days—so they could be trained here in Canada and their credentials could be recognized? After that point, whether it's a pass or fail.... If they pass, they could go into their field of work as a doctor or a nurse. That could help not only our health care system but also with the productivity issues we're having today.

Mr. Tiff Macklem: I think that's the kind of innovative thinking we need. Whether it's a national or a mutual recognition of provinces, yes, that's the kind of thing we need.

Mr. Jasraj Singh Hallan: I'm happy you just endorsed our common-sense Conservative leader Pierre Poilievre's national blue seal program when he becomes prime minister. Thank you for that.

To move on, we saw that the Parliamentary Budget Officer recently came out with his report saying that the government is going to overrun its budget by $7 billion. What I want to know from you is whether that is helpful in any way, not just for you but overall in our fight to bring down inflation. Does it help in any way? If that trend continues, is that going to make things harder?

Mr. Tiff Macklem: As I've said, we're back to low inflation. The economy is in some excess supply.

Mr. Jasraj Singh Hallan: Just because that's happening, does it mean you give yourself free rein to spend more.

Mr. Tiff Macklem: What it means is, from the narrow perspective of monetary policy, there's less tension between monetary and fiscal policy. When you're above target and you're trying to get it back, spending more than planned creates tension. When you're back to target—

Mr. Jasraj Singh Hallan: It's not helpful.

Mr. Tiff Macklem: —you have some excess supply, it's less of a.... It's not my role to comment on what is best fiscal policy—

Mr. Jasraj Singh Hallan: Would you say it's not helpful?

Mr. Tiff Macklem: As I say, I don't really feel I need to comment on fiscal policy, given that we're past the target.

Mr. Jasraj Singh Hallan: Okay. I'll move on because I have a limited amount of time.

I know that the bank likes to give information that's digestible for Canadians. To Canadians watching today, in your opinion, is the economy today good or bad?

Mr. Tiff Macklem: The economy is soft.

Mr. Jasraj Singh Hallan: What does that mean for the two million Canadians—

Mr. Tiff Macklem: It's not bad; it's not good. It's soft, and it needs to strengthen going forward.

Mr. Jasraj Singh Hallan: If we talk in relative terms of everyday Canadians, whom we know are suffering today, which you've acknowledged.... It's the two million Canadians going to the food bank. It's the Tim Hortons workers in Timmins.

With GDP per capita coming down, what do you think they're thinking when they hear “soft”? What does that mean to them?

Mr. Tiff Macklem: We have a pretty good sense of what they're thinking. We survey Canadians. What we're seeing on financial stress is that, yes, there's still some financial stress. They're feeling a little less stressed than they felt.

Mr. Jasraj Singh Hallan: But, respectfully—

● (1720)

Mr. Tiff Macklem: They're feeling a little more optimistic than they felt. Are they feeling good? No, but they're feeling a little better than they felt, and we think that's going to continue to improve.

Mr. Jasraj Singh Hallan: Right. We've established that rent prices have gone up and are staying stubbornly high. When you look at food bank users, 70% of them are renters, and 80% of their paycheque is being taken up by that. One in five of those food bank users are people who are employed, and food bank usage has doubled since 2019—doubled. It went from one million to more than two million people.

What does that say to those people about the state of our economy?

Mr. Tiff Macklem: I share your concern. There's no question that people at the lower end of income distribution are having a tougher time. Many of those are renters. If you look at financial stress, it's concentrated more in people who don't have mortgages. Obviously, they're renters. Whether it's their car loan or their credit card, that's where we are seeing more stress. That is a concern.

The Chair: Thank you, MP Hallan.

Now we go to MP Baker, please.

Mr. Yvan Baker: Thank you, Chair.

By the way, Governor, for what it's worth, I didn't hear you endorse a blue seal plan of any kind, but if you're ever tempted, I would just say I'd be careful about that. Mr. Poilievre has the tendency of suggesting that certain people get fired even when they're doing very good work.

What I want to talk about is the impact of the rate cuts on people. Concerning the most recent rate cut or series of rate cuts, how do you anticipate people will feel that in their day-to-day lives?

Ms. Carolyn Rogers: It's very hard to generalize, because it really depends a lot on your situation. If you have variable debt, whether it's a mortgage or any other form of variable debt, you'll feel it right away, because your monthly payment will be smaller. If you're one of those people whose mortgage is renewing a year from now and you're calculating the difference between what your payment is now and what it's going to be at rates now, you're probably feeling a little bit of relief because that difference is a bit smaller.

It's very hard to generalize. You have to look at what situation people are in. Overall, even for people who don't have variable debt and don't have a mortgage that's renewing, I think there is a general sense that things are going back to normal.

Mr. Yvan Baker: One of the things that I wonder about, and I think I've asked both of you this question a number of meetings ago, is the issue of how people are impacted whose mortgages are rolling over. It's going to depend on whether people were on fixed or variable rates, and if they were fixed, at what point their mortgage comes to term. I appreciate all of that.

In the past, you've told us that this is something that you carefully watch and monitor. Could you talk to us about your outlook on how folks are going to be impacted as mortgages come to term and they renew?

Some folks are going to be renewing at lower rates, and some folks are going to be renewing at higher rates. I want to get a sense of how my constituents are going to be impacted in the coming months and possibly years in that regard.

Ms. Carolyn Rogers: If you're one of those people who's anticipating a renewal, you're watching rates. You're doing the math, and every time we change rates, you're probably asking, “What's the change in my payment?” More generally, we've heard a few things as we talked to both consumers, mortgage holders and banks over the last couple of years. Canadians are very prudent. Even through the great financial crisis, we never saw mortgage arrears go above 0.5%, so Canadians pay their mortgages.

Do they cut back on other expenses, or do other things to make sure they can do that? Absolutely. We've heard from Canadians saying, “I'm changing my spending habits or I'm saving up, so that I have a bit of a buffer when that renewal happens and I can pay down my principal.”

There are a variety of things that Canadians are doing in anticipation of those renewals, but we're glad to be able to add to that by bringing rates down. If the economy continues to evolve the way we think it will, there's room for them to come down a bit more, and that'll help.

Mr. Yvan Baker: Thank you.

As you're thinking about your rate decisions, is this something that you take into account?

Ms. Carolyn Rogers: We always think about how our rates affect Canadians and how they affect consumers. It's not a direct mathematical taking into account, but are we always thinking about the impact of our rate decisions on Canadians? Are we always thinking about—and we use the broad term—financial stability issues? We survey Canadians about their levels of financial stress and their expectations, so yes...absolutely.

● (1725)

The Chair: Thank you, MP Baker.

Next, we have MP Ste-Marie, please.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you, Mr. Chair.

There was an article in the Financial Post today comparing the monetary policy of the Fed, which is the U.S. central bank, to that of the Bank of Canada. It covers a number of topics.

The article states that the recently announced lower immigration targets could slow down inflationary pressure, particularly with respect to housing, but they could also slow growth. Have you had time to factor that in?

The article also mentions that this could encourage you to further lower interest rates. The article talking about another half-a-point decrease in your next announcements. In December, are you going to lower rates by half a point?

Mr. Tiff Macklem: I'll start with your last question first. We will decide what we will do in December, factoring in all the data that will come to us from now until December.

There are two things to consider when we talk about population growth rate and its impact on inflation. The population growth rate is directly correlated to the GDP growth rate. The more consumers we have, the higher GDP growth will be, and conversely, if there are fewer consumers, GDP growth will be weaker. When it comes to inflation, however, there are effects, but it's less clear, because the population growth rate influences supply and demand. When the population growth rate slows down, there are fewer new consumers and demand is lower. However, there are also fewer new workers entering the economy and, as a result, less potential growth, so there is an effect on the gap between production and supply and demand.

You're right that different sectors will be impacted. Less population growth probably means less demand for housing, which means less pressure on that sector, but also fewer workers. As I mentioned to Mr. Davies, we will be looking at the government's new plans. According to our forecasts, there will be a sharp decline in population numbers next year. With the new changes, the drop could be even more dramatic. We will take a close look at that when we make our next forecast.

Mr. Gabriel Ste-Marie: Thank you very much.

I'm going to continue on another topic. You both talked a lot about artificial intelligence.

Mr. Macklem, you gave a speech on this topic at a conference in Toronto in September. There's been a lot of talk about weak productivity and the potential for AI to improve productivity. You have one and a half minutes to leave us with food for thought.

Mr. Tiff Macklem: It's a very broad topic. We know that some of the greatest advances in AI have been made here in Canada, and we have leaders in AI in Toronto, Montreal and Alberta. However, when we look at how AI is being used by our businesses, we see that AI use here is below the average use made by American businesses. That said, I hope that AI can increase our productivity rate.

As I pointed out in my speech, it will take time, because there are uncertainties. In the short term, it will also increase demand for workers with skills in various fields such as electrical and digital. As a central bank, we try to understand all the effects and maintain price stability. Having said that, I think this is an opportunity for Canada. We have AI creators here in Canada, so we should be taking advantage of that.

● (1730)

Mr. Gabriel Ste-Marie: Thank you.

[*English*]

The Chair: Thank you, MP Ste-Marie.

MP Davies will be our final questioner.

Mr. Don Davies: Thank you again for taking the time to be here with us.

Governor, I think I mentioned that you're going to soon be in the process of renewing your inflation mandate. I noted that in the 2021 mandate some new language was added to instruct the bank to also pursue maximum sustainable employment in addition to low and stable inflation.

Can you tell us what “maximum sustainable employment” means, in your view, and how those words in the mandate influence your actions in the post-COVID inflation environment, if at all?

Mr. Tiff Macklem: Maximum sustainable employment.... It would be lovely if it were easy to just give you a number. I can't give you a number. It's really a concept. What is meant by “maximum sustainable” is the maximum level of employment the economy could sustain without creating inflationary pressures. That's what's meant by “sustainable”.

The economy, a couple years ago, was very overheated. We had a very high level of employment. We had a lot of job shortages, but it was not sustainable. It was creating inflation. Now we have some softness in the labour market. We could have more employment without creating inflation. That's an important reason we're lowering interest rates.

We do spend a lot of time looking at the labour market. You can't summarize the labour market in a single statistic. It's not just the unemployment rate. It's the participation rate. It's younger workers. It's older workers. It's men. It's women. It's immigrants. It's students. You have to look at the diversity.

Right now, the slack, the weakness in the labour market is very concentrated in newcomers to Canada and youth, as you've already highlighted. You have to look at the overall health of the labour market. That does factor in an important way into our monetary policy decisions. Our primary objective—and the mandate is very clear—is price stability, but price stability or low inflation go hand in hand with strong employment because, if you're missing jobs, you're missing incomes, you're missing spending and inflation is going to come down. We do look at that very closely. We know that if we don't keep inflation well anchored, nothing is going to work well in the economy, so that's our primary objective.

Mr. Don Davies: Do you prioritize that over employment?

Mr. Tiff Macklem: That's the primary objective. We spend a lot of time looking at employment because it's important in and of itself, and it's important to achieving our inflation objective.

Mr. Don Davies: Can you quantify for us in some way where we are in terms of maximum sustainable employment? We're very precise when it comes to inflation. It's a little harder. I'm not looking for a percentage—

Mr. Tiff Macklem: First of all, we don't have a target for maximum sustainable employment. We don't even know exactly where it is. When you get up closer, you sort of test the boundaries. Right now, we're below maximum sustainable employment. That's what we mean when we say the labour market's soft or there's some slack in the labour market.

Ms. Carolyn Rogers: We were using a chart in our monetary policy report for quite a while when the labour market was really tight. It had, I think, about 10 different indicators, and we showed you where we were sitting relative to the record rates. That would be our best way to summarize, in a table, the labour market.

Mr. Don Davies: I have one last question, or maybe two.

Deputy Governor, you said in March of this year that “Canada has many advantages that should lead to higher investment and productivity.”

Why isn't that happening, and what ought the federal government to do about it?

The Chair: You have 30 seconds.

Mr. Don Davies: With a number....

Some hon. members: Oh, oh!

Ms. Carolyn Rogers: As we've said about five or six different ways tonight, there is no one magic thing. There's a reason that productivity has been a challenge for a while. There's a reason there's nobody who has waved a magic wand and fixed it.

● (1735)

Mr. Don Davies: Can you give us one suggestion?

Ms. Carolyn Rogers: I think the suggestion that came up tonight, about finding ways to recognize Canadians' credentials across provincial borders and have quicker credential recognition for people we bring into our country, would be a good idea. We're not aware of a blue seal program, but that concept of credential recognition would be a good idea, if we could speed that up.

The Chair: Thank you.

Thank you, MP Davies.

We want to thank the governor and senior deputy governor for coming before the finance committee and answering many questions on behalf of the Bank of Canada on monetary policy. We always welcome them, but we welcome them more when they come when we know that inflation is low and rate cuts are happening.

We'd love to have you here in January to tell us about more rate cuts and also to tell us about your comprehensive report on the pandemic.

Thank you.

We're adjourned.