



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

45th PARLIAMENT, 1st SESSION

Standing Committee on Finance

EVIDENCE

NUMBER 012

Wednesday, November 5, 2025

Chair: Karina Gould



Standing Committee on Finance

Wednesday, November 5, 2025

• (1630)

[*English*]

The Chair (Hon. Karina Gould (Burlington, Lib.)): Good afternoon, colleagues. We will get started.

I call this meeting to order. Welcome to meeting number 12 of the House of Commons Standing Committee on Finance.

Before we begin, I would ask all in-person participants to read the guidelines written on the updated cards on the table. These measures are in place to help prevent audio and feedback incidents and to protect the health and safety of all participants, including the interpreters. You will also notice a QR code on the card, which links to a short awareness video.

Pursuant to Standing Order 108(2), the committee shall commence its study of the Bank of Canada's report on monetary policy.

I would like to take a moment to welcome our witnesses and our guests today.

We have the Governor of the Bank of Canada, Tiff Macklem, and the senior deputy governor of the Bank of Canada, Carolyn Rogers, with us.

Mr. Macklem, you will have five minutes to begin.

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

We're very pleased to be back at this committee to discuss our recent policy decision as well as our outlook for the Canadian economy, which we published in the monetary policy report last week.

Last week, we lowered the policy interest rate 25 basis points, bringing it to 2.25%. This was our second straight cut and reflects ongoing weakness in the Canadian economy and contained inflationary pressures. We also published our outlook for the Canadian economy, and in this context, we have four main messages.

First, U.S. tariffs and trade uncertainty have weakened the Canadian economy. We expect very modest growth through the rest of this year with some pickup next year.

Second, while this weakness is restraining price increases, the trade conflict is also adding costs, and that is putting some upward pressure on inflation. We expect those opposing forces to roughly offset, keeping inflation close to our 2% target.

Third, to support the economy through this period of adjustment, we have lowered our policy interest rate by 100 basis points since the start of the year.

Finally, the weakness we're seeing in the Canadian economy is more than a cyclical downturn. It's also a structural transition. U.S. trade restrictions have diminished Canada's economic prospects. The structural damage caused by tariffs is reducing our productive capacity and adding costs. This limits the ability of monetary policy to boost demand while maintaining low inflation.

Let me turn now to economic conditions. While U.S. trade policy remains unpredictable, its impacts are becoming clear.

[*Translation*]

Canada's gross domestic product, or GDP, contracted 1.6% in the second quarter as tariffs and uncertainty reduced exports and business investment. U.S. trade actions are having severe effects on targeted sectors including autos, steel, aluminum and lumber. Household spending was resilient in the second quarter, with strong consumer spending and a pickup in residential investment.

The labour market is soft. Employment gains in September followed two months of sizable losses. Job losses have been concentrated in trade-sensitive sectors and hiring has been weak across the economy. The unemployment rate remained at 7.1% in September, and wage growth has slowed.

In the second half of this year, GDP growth is expected to resume, but remain weak, averaging about 0.75%. It should then pick up on a quarterly basis in 2026 as exports and investment recover, and average about 1.5% by 2027. This implies excess supply is only taken up gradually.

Consumer price index, or CPI, inflation was 2.4% in September, slightly higher than the bank had anticipated. The bank's preferred measures of core inflation have been sticky around 3% but upward momentum has dissipated. Looking at a broader range of indicators, underlying inflation looks to be around 2.5%. The bank expects inflationary pressures to ease in the months ahead and CPI inflation to remain near 2% over the projection horizon.

• (1635)

[English]

If the economy evolves roughly in line with our outlook, the governing council sees the current policy rate at about the right level to keep inflation close to 2% while helping the economy through this period of structural adjustment. We will be assessing incoming data carefully relative to the bank's outlook. If the outlook changes, we are prepared to respond.

For many months we have been stressing that monetary policy cannot undo the damage caused by tariffs. Trade friction means our economy will work less efficiently, with higher costs and less income. Even as economic growth recovers, the entire path for GDP is lower than it was before the swerve in U.S. trade policy. Monetary policy can help the economy adjust as long as inflation is well controlled, but it cannot restore the economy to its pre-tariff path.

I will add that there are things the country can do to get on a higher path. We don't need to accept a lower standard of living. Our focus at the Bank of Canada is ensuring Canadians can continue to have confidence in price stability through this period of global upheaval.

With that, I will be very pleased to take your questions.

The Chair: Thank you so much, Mr. Macklem.

With that, we will begin with Mr. Hallan from the Conservatives for six minutes.

Jasraj Hallan (Calgary East, CPC): Thank you, Chair.

Governor and Deputy Governor, thank you for being here.

Governor, the bank recently updated its outlook for GDP. It's below 2% now for economic growth. As we've seen, the Prime Minister promised to have the fastest-growing economy in the G7. Given this new adjustment the bank made, do you think the other G7 countries will outpace Canada in economic growth?

Tiff Macklem: Certainly I would agree that our forecast is for very modest growth, with the second half of this year averaging only 0.75%. We do expect it to pick up, but as I indicated in my remarks, this is a structural adjustment and that's going to take some time. I don't have all the G7 forecasts in front of me, but we're not going to be the fastest-growing economy in the G7 over the next year.

Jasraj Hallan: That's very fair. I would agree with you.

Deputy Governor Rogers, over a year ago you basically alerted everyone here that it was a break-glass emergency when it came to our productivity. We've seen around \$54 billion in foreign investment leave Canada. Businesses are shutting doors. We see it in some of our ridings. We get those emails from constituents.

At a time when Trump is coming for our jobs, do you think the government has done enough to reverse this break-glass emergency, or have things gotten worse since you said that?

Carolyn Rogers (Senior Deputy Governor, Bank of Canada): I gave the speech you're talking about in 2024, so it predated the swerve to protectionism by our U.S. trading partner—our biggest trading partner. I guess the simplest way to put it is, if we had some urgency for fixing our productivity in 2024, we certainly have it now.

Like you, we're digesting all of the measures in the budget. We generally agree with the diagnosis that our country is in need of some productive investments. On the whole, we think a budget that invests in improving our country's productivity is a good budget. As for the specific measures, those are for you and your colleagues to assess.

• (1640)

Jasraj Hallan: In your opinion, though, do you think we were ready for this tariff war? Would we have been in a better position if we were better prepared?

Carolyn Rogers: One of the points in the speech was that an improvement in our productivity would help buffer our economy from a variety of shocks. One of them would be a trade shock.

Jasraj Hallan: Governor, last week you said in your press conference, "What's most concerning is that unless we change...things, our standard of living as a country...is going to be lower than it otherwise would have been."

I'm not sure if you've seen the budget or not, but in the budget that was released yesterday by the Liberals, they have a line in here that says, "If Canada's productivity growth had matched the U.S. from 2017 to 2023, the median income of a family with one child would be nearly \$11,000 higher."

Would you agree with this assessment from the budget?

Tiff Macklem: I can't speak to every number in the budget, but broadly speaking, yes, if we'd had U.S. productivity growth, the standard of living of Canadians would be much higher than it is today.

Jasraj Hallan: Right. What do you think are the domestic factors that made you say that and that are impacting the Canadian standard of living today?

Tiff Macklem: What made me say that? I mean, there are really two issues here. We've had a long-standing productivity issue. That's why the senior deputy governor sounded the alarm. At that point, we'd gotten through COVID-19 and we'd gotten inflation down. It was time to get back to some of the longer-term issues, and that one was front and centre. A lot has changed in a year.

Last week, when I said our standard of living was lower, I was really referring to the fact that U.S. tariffs have fundamentally fractured our trade relationship with our biggest trading partner. That is a big, negative structural shock to the Canadian economy. It's going to destroy some capacity. It's going to raise costs. Monetary policy can help smooth that adjustment, but it can't undo the effects of tariffs. If we don't do something about it, our standard of living in Canada will be on a permanently lower path.

As I intimated in my opening remarks, there are things we can do about it in the country. We need to improve our competitiveness. We need to improve our productivity. We need more investment. Those are the kinds of positive structural reforms that could bend the path back up.

Jasraj Hallan: When we put this in the perspective of an average, everyday Canadian, we've seen today that Canadians are not doing well. We can all agree on that, I believe. In one of your previous visits here, we talked about food bank usage. Food bank usage has doubled since 2019. More and more Canadians are visiting a food bank.

Can you put into perspective the productivity crisis that we are in right now in terms of our standard of living? How does that impact Canadians?

The Chair: Give a very brief response, please.

Tiff Macklem: It's actually a very important question. We're hearing what you're hearing. Canadians' biggest concern is the cost of living. If you ask economists what the biggest problem is, they'll say it's productivity. It's actually the same thing. Why do I say that? I mean, how are we going to make things more affordable? The way to make things more affordable is that we have to have more income. To get more income, we need more productivity.

The Chair: I'm sorry, Governor. I have to interrupt you.

Tiff Macklem: If we have more income, everything is more affordable.

The Chair: Thank you, Mr. Hallan.

Mr. Leitão, you have six minutes.

[Translation]

Carlos Leitão (Marc-Aurèle-Fortin, Lib.): Thank you, Madam Chair.

Mr. Macklem and Ms. Rogers, thank you for being here today.

[English]

Governor, I would start by asking you to finish what you were saying just now on the cost of living issue.

Tiff Macklem: It is a really important point. Look, inflation was high in 2022. Inflation is back down—it's been around 2% for two years—but the price level is still higher. It has a long tail. Canadians are feeling that. They're feeling this in the cost of living. Our

job is to keep inflation at about 2%. We're not going to lower the price level. Lowering the entire price level would have a very negative effect on the Canadian economy. You'd have to have a big recession, and nobody wants that.

The question is, how do you make things more affordable? You have to grow the top line. If there's more income, then things are more affordable. How do you get more income? Well, you need to be more competitive. You need to be more productive. Businesses need to sell more products. They need to create more jobs. Productivity is what pays higher wages. Those things will increase incomes and make things more affordable.

To go back a bit, economists call it productivity. Canadians call it cost of living. It's the same thing.

• (1645)

Carlos Leitão: Thank you, Governor.

Yes indeed, that's an important distinction that one has to make between inflation, which is a change in prices, and the cost of living, which is the level of prices. As you pointed out, nobody should be hoping for a drop in prices. If prices decline, generally speaking, that's called deflation, and that's not good. That's not good at all. The way to improve affordability and the standard of living is to raise incomes. You raise incomes through greater productivity so that businesses can pay higher salaries.

You also mentioned that we are facing a structural adjustment. It's not just a cyclical change but a structural adjustment brought about by the trade shock, by the unpredictable and unjustified tariffs imposed by the U.S. administration. Perhaps you could tell us—take the time that you want—why tariffs in 2025 are a bad idea, generally speaking.

Tiff Macklem: Why are tariffs a bad idea? Canada and, in fact, the world have benefited tremendously by lowering tariffs. If we go back to the end of the Second World War, basically, until the last few years, tariffs have been coming down globally. Trade has actually been growing faster than GDP. That's been an engine of growth in the economy.

How does that work? It allows each country and each business to specialize in what they do best and then to buy, from other countries, things that other countries do best. You get more economies of scale. There's pretty clear evidence that you also get more innovation when you have more trade. Innovation spurs productivity growth and raises standards of living.

The U.S., under President Trump, has swerved dramatically towards protectionism. That's raising costs. That's actually going to hurt both of our countries. It's going to weaken growth in countries around the world, but Canada is disproportionately affected. We are a very open economy. We have 75% of our trade with one country—the United States.

To get back to a previous question, we've talked for a long time about diversifying our trade, but we haven't made much progress. Now it's pretty clear that we have to get a lot more serious about that. From a Canadian perspective, tariffs are going to.... Right now, we have very steep tariffs on steel, aluminum and autos, and we have trade restrictions on lumber. The overall tariff rate for Canada is still relatively low compared to other countries. It's about 6%, which is one of the lowest in the world, but our economy is just so much more integrated with the United States than other countries that we are being very much affected.

As I said, if we don't do something about it, our economy is going to grow. It's going to get back to growth, but it's going to grow along a lower trajectory.

Carlos Leitão: That's right. That obviously has an impact on the labour market.

In your recent projection in the monetary policy report—the forecast for Canada, which is broadly in line with other forecasts—we have the domestic side of the economy, which I wouldn't say is doing well, but it's doing reasonably well. Consumption, domestic demand, is relatively robust. The weakness is on the external side, on trade.

Tiff Macklem: Yes, I would agree. Consumption has been holding up pretty well—

The Chair: Give a brief response.

Tiff Macklem: —and we think there'll be some resilience. Exports are very weak, but business investment is also very weak.

• (1650)

The Chair: Thank you, Mr. Leitão.

[*Translation*]

Mr. Garon, you have the floor for six minutes.

Jean-Denis Garon (Mirabel, BQ): Thank you, Madam Chair.

Governor and Deputy Governor, thank you for being here.

In the macroeconomic analysis of your monetary policy report, we see economic decline in some quarters. Therefore, we're in a period of economic downturn, high unemployment, investment short-fall and productivity breakdown. To some extent, everything seems to be going badly, except when it comes to household spending, which appears to be keeping the Canadian economy afloat.

What I wonder is, when everything is going badly, when there are fewer jobs, when productivity is slowing down, when household spending is driving the economy and interest rates are at the current level, should we be worried about mounting household debt and the risks that could pose in the quarters or years to come, over the long term?

Tiff Macklem: As you pointed out, in terms of consumer spending, so far it's been quite high. We're seeing more growth in the housing market.

We also see that household savings are quite high. Household debt is just as high in Canada, but it has been on the decline for some time now. Because they're saving a little more as they spend, households are able to keep spending.

As you suggested, with unemployment at 7.1% and the economic uncertainty, we think consumer spending will probably go down but remain positive.

In the short term, we will see sluggish economic growth, because exports and investment are down. Consumer and governance spending, however, are positive.

Next year, we expect that exports and investment will recover and the GDP will go up. However, that growth will be slow.

There are risks, of course. The structural adjustment could be harder than we think, and the U.S. could impose even more tariffs; that would weaken the economy even further and consumer spending would decline.

Jean-Denis Garon: Governor, you anticipated my next question.

I'm concerned about the Canada-United States-Mexico Agreement, or CUSMA. Next year, CUSMA is up for review with the Americans; it won't necessarily be a renegotiation.

As we know, we're dealing with an American administration that's hard to predict. They no longer respect institutions or the rule of law like they used to. I don't need to draw you a detailed picture here.

What do you think might happen with CUSMA's renewal, given that we're seeing a slight downturn in the economy and we're expecting some growth but it will be slow?

Where the government is concerned, it seems to be taking a long time to make a deal. I don't want to pass judgment on that today, but it seems they're relying heavily on CUSMA being some sort of safeguard that will always be there.

How much of a role does a full CUSMA renewal play in your growth projections?

Tiff Macklem: We're assuming in our forecast that the current U.S. tariffs will become permanent. If the agreement remains like it is now, the high tariffs on steel, aluminum, softwood lumber and automobiles will remain in place—

Jean-Denis Garon: I'm going to interrupt you before you finish, because my time is running out.

When I looked at your latest monetary policy reports, it seemed to me that you often made that assumption. You presented scenarios if the current tariffs were to remain in place. You even established a timeline. However, every time the bank has done that, that outcome hasn't come to be. As it turns out, a whole new slew of tariffs were added.

How realistic is that scenario today, and how likely is it that your predictions could come to be?

• (1655)

Tiff Macklem: That's why we do scenarios. We can't predict what the Americans will do. They've shown that they can change their minds on a dime. It's impossible to predict. My predictions are no more likely to come true than yours.

In a situation like this, we create scenarios. If you go back and look at our monetary policy report from July, you'll see three scenarios: The first scenario is based on the tariffs remaining in place, the second scenario has the tariffs going up—

Jean-Denis Garon: You decided not to use that method. You used a fixed tariff scenario. People feel that provides a little more certainty.

Tiff Macklem: Yes, we didn't redo the scenarios. They haven't changed much since then. We're keeping them.

The Chair: Thank you, Mr. Macklem and Mr. Garon.

Ms. Cobena, you have the floor for five minutes.

[English]

Sandra Cobena (Newmarket—Aurora, CPC): Thank you, Madam Chair.

Mr. Macklem, I'm going to quote a section in your most recent monetary policy report, which says, "Weak growth is likely in the second half of 2025", and that "After contracting in the second quarter, GDP growth is estimated to be about 0.75% on average in the second half of the year."

When we look at it on a year-to-date basis, is it fair to say that performance is basically neutral for our economy? Of course, the Prime Minister is promising Canadians he's going to be building the economy at unimaginable speeds not seen since the Second World War. I did a bit of research. It looks like Canada's GDP growth following the years of the Second World War was between 6% and 7%.

Based on your forecasts, when do you expect we would achieve that 6% to 7% GDP growth?

Tiff Macklem: Our forecast goes out about two to three years, and we don't achieve that. We have 1.2%, 1.1% and 1.6% in 2027.

Sandra Cobena: What do you think the economy would need to achieve that 6% and 7% GDP growth?

Tiff Macklem: If we want much higher growth in the economy, we're going to need much higher productivity growth.

Sandra Cobena: Okay.

When I read the news, I see auto manufacturers have relocated investment to the U.S., including some big names recently. Housing starts in Toronto specifically are at a 30-year low. Bottling compa-

nies are also moving operations to the U.S. and, of course, small businesses have been heavily impacted by the U.S. tariffs.

Given that, do you believe our economy is growing at unimaginable speeds like the Prime Minister mentioned?

Tiff Macklem: At what kind of speed?

Sandra Cobena: Unimaginable...the fastest in decades.

Tiff Macklem: You can decide on the adjective. Our forecast is 1.2%, 1.1% and 1.6%.

Sandra Cobena: In simple terms, for Canadians watching, that means our economy is not growing very fast. Is that fair to say?

Tiff Macklem: Yes. Our economy is not growing very fast. It has been hit with a major structural shock. As you indicated, growth in the second quarter was negative. The economy contracted 1.6%. That was largely as a result of a big drop in exports to the United States.

We think growth in the second half of the year—we're in November now, so a lot of that has already happened, but we don't have all the data yet—is going to be pretty modest at 0.5% for Q3 and 1% for Q4. That's really because, to get back to Mr. Garon's question, consumption growth is holding up and that's supporting growth, but exports and business investment remain weak. As you get into next year, we think there will be some recovery in exports and business investment, so growth will pick up.

Even in 2027, 1.6% growth is not particularly strong.

• (1700)

Sandra Cobena: You did touch on my next question a little bit.

Your report mentions that the GDP downgrade reflects lost capacity and a productivity crisis, of course, not a surge of growth. When I think of lost productivity, that's not something that is easily restored. Oftentimes, when I think of a business that's capital-intensive, once they've moved operations to another country, it's very unlikely they will actually return, predominantly in manufacturing.

How do the lost capacity and the productivity crisis impact the overall growth of the economy?

Tiff Macklem: My point is really to highlight that this isn't a typical business cycle but a structural adjustment. Part of the message there is that it's going to take longer than normal. Rather than demand coming back and businesses having unused capacity so that they can bring workers back to work and increase production and everything bounces back, in a structural adjustment, sectors need to pivot. They need to invest in new things. They're going to be doing less of some things and they need to be doing more of other things, and that is going to take time. That's an important reason the pickup in the economy is relatively gradual.

The Chair: Thank you, Ms. Cobena. That concludes your time.

We'll continue with Mr. MacDonald for five minutes, please.

Kent MacDonald (Cardigan, Lib.): Thank you, Madam Chair.

Thank you to the governor and the deputy governor for attending today.

Governor, yesterday we introduced a budget to invest in Canadians. We're doing this because of the storm we're in. We're investing a trillion dollars. Do you think that's going to improve productivity and the standard of living for Canadians over the next few years?

Tiff Macklem: Actually, the senior deputy governor touched on this.

I haven't read every page in the budget, but I certainly have looked at it. The way I would put it is that we would largely share the diagnosis of the issues the budget identifies. We've had weak business investment in this country for many years. The impact of tariffs, particularly the impact of the unpredictability of U.S. policy, and the upcoming review CUSMA, those things are all weighing on investment, so investment is even weaker.

This country needs more investment to improve productivity, open new markets and grow our internal market. That involves public investment but also, importantly, catalyzing private investment. We need to do a better job of attracting. We need to keep more of the capital. We need more investment by Canadian businesses in Canada, and we need to do a better job of attracting foreign capital.

I think we see the same diagnostic. There are a number of measures in the budget on the tax side and on the spending side. It's not really up to us to opine on the specific measures in the budget. I will say that fiscal policy can do some important things monetary policy can't do. Fiscal policy can target specific sectors in a way monetary policy can't. We have a number of sectors that have been very hard hit. Fiscal policy can support them directly, and fiscal policy can use the tax system and the spending system to spur investment.

What's going to be important moving forward is the quality of those investments, the quality of that spending and the timely and sound execution. That's not the responsibility of the Bank of Canada, but it is the responsibility of parliamentarians.

Kent MacDonald: Thank you.

Further to that, we'll talk about monetary policy. The two of you gave a report last week. The overnight rate dropped another 25 basis points. I come from the business world, and every time interest rates go down, that's an incentive to invest in technology and in improvements in your operation.

You commented earlier that you felt there will be a stable rate going into 2026. There may be no more changes over that year in your monetary policy report. Is that going to give investors confidence, to have a stable environment on interest rates?

• (1705)

Tiff Macklem: Our policy rate is at 2.25%. If you look at the 10-year Government of Canada rate, which is the benchmark that loans to companies are priced off, it's at three and a quarter. Interest rates

are not super low, but they're certainly at the short end. We think we're at the lower end of what we call "neutral". It is providing some stimulus.

Yes, there is a role for monetary policy to play in helping with this structural adjustment. Lowering interest rates to lower the cost of investment is part of that. As we stressed in the monetary policy report, unfortunately, structural adjustment also brings new costs. Tariffs bring new costs. We are limited in how much we can use interest rates to do that. What we indicated in our report is that—and I will emphasize this—conditional on the forecast we laid out, yes, we think the current interest rate is about right to balance those two things.

Carolyn Rogers: I would stress that the thing we think about in terms of contributing to confidence for investment is keeping inflation stable. Interest rates are how we do that. What businesses need from us, from the Bank of Canada, number one, is to be confident the prices are going to stay stable.

The Chair: Thank you, Mr. MacDonald.

[*Translation*]

Mr. Garon, you have the floor for two and a half minutes.

Jean-Denis Garon: Thank you, Madam Chair.

We have a government that's been unable to make deals with Mr. Trump like other countries have. When they're unable to do so, the Liberals tell us that it's no big deal, because on average, the tariffs in Canada are much lower than those of our trading partners. The next day, however, they tell us that it's urgent that we diversify our trading partners, because our trade with the United States represents a significant portion of our GDP and we're extremely vulnerable. We don't know which of those two arguments stands anymore.

For example, on page 31 of the report, you tell us that the average tariff is 5.9%. It seems to me that this is a poor measure of our vulnerability. In terms of the tariffs, the sectors affected and our volume of trade with the United States, compared to our major trading partners, are we more or less affected by this crisis in the current context?

Tiff Macklem: Both of the things you said are true. The tariffs the U.S. is imposing on Canada are about 6%, on average. The reality is that there are very high tariffs affecting a few sectors, whereas there are almost none in the rest of the economy—

Jean-Denis Garon: I'm going to interrupt, if I may, because I only have a minute left.

The question is, at the end of the day, are we more affected or at greater risk than our partners?

Tiff Macklem: Let me finish. As I mentioned, the average tariff in Canada is among the lowest in the world, but our economy is much more integrated with the United States than any other economy in the world.

So, yes, we are at greater risk, and Canada is much more affected by U.S. tariffs than a number of other economies.

Jean-Denis Garon: When the public hears that Canada doesn't urgently need to make a deal and that it's no big deal because, ultimately, the average tariff in Canada is very low, it can be misleading, whether or not it's intended to be.

Tiff Macklem: I agree that, for the Canadian economy, it's very important that there be less uncertainty.

The Chair: Thank you, Mr. Garon.

[English]

Mr. Kelly, you have five minutes, please.

Pat Kelly (Calgary Crowfoot, CPC): Thank you.

Governor, in response to one of my colleague's questions, you said that if we don't do something about productivity, we're on a structural path to ever-lower standards of living. Canadians' standard of living is what's at stake in the productivity crisis that was a break-glass emergency even before the tariff war began.

What are some of the things we need to do in order to do something about it? Would repeal of excessive regulation be on the list of things that must be done to solve the productivity crisis?

• (1710)

Tiff Macklem: I'm just going to clarify one thing I said and then ask the senior deputy to respond since she's been leading the charge on productivity.

Just to be clear on what I said about the standard of living.... I didn't say that the standard of living is going to be ever lower. The economy is going to get back to growth. The standard of living of Canadians is going to improve. Without tariffs, it was up here. Unfortunately, we're now on a lower path. In the monetary policy report, our estimate is that this path is about 1.5% lower. That's material.

However, let me ask the senior deputy governor to talk about some of the things we could do to bend that lower curve back up to the higher path.

Pat Kelly: Okay...because it was the deputy governor's concern. She called it a break-glass emergency before the tariff war began.

Go ahead.

Carolyn Rogers: In terms of what could we do, the point that you made is a good one. We could look at our regulatory environment. You want to be careful when you remove regulations. Usually they're there for a reason, but they certainly can always be reviewed and made efficient.

If I was going to focus on regulation in Canada, one of the things I think we could do is look at where regulations differ across provinces for unclear reasons. Certainly, standardizing regulation, making it easier to comply with the regulation, would be one step.

Another would be steps to encourage investment, as the governor mentioned earlier, whether those are in tax rules or in just generally making the country more investable.

Pat Kelly: In the report you delivered, you singled out.... Actually, you spoke about energy and aerospace. Those were two industries

you mentioned that are high-productivity industries. Oil and gas is one where we've seen a flight of capital and a lack of investment, a lack of pipeline capacity.

Would building pipelines add to the productivity of our economy by enabling us to have the means to transmit that resource?

Carolyn Rogers: Investments to get our resources to market, in general, will add to productivity.

Pat Kelly: Okay. Pipelines, ports and even other transportation infrastructure...?

Carolyn Rogers: Yes.

Pat Kelly: Okay.

The government has as much as admitted that their regulatory environment is preventing these things from being built. That was why they brought in Bill C-5, to get over their own regulations that they brought in.

Regulation—is that at the core of why we cannot attract investment to high-productivity industries such as the oil and gas industry?

Carolyn Rogers: I think it's a factor.

Pat Kelly: Okay. Thank you.

On interest rates, Governor, you said CPI was at 2.4% and core inflation was at 3%. These numbers are getting into the higher end of your bound, yet the bank has dropped interest rates. If you're at the higher end of the bound but dropping interest rates, is that out of concern for the productivity concerns and the economic prospects rather than...? I'll let you....

Tiff Macklem: You're right. Our target is for total CPI inflation.... Total CPI inflation has been pretty close to 2%. It did go up a bit in September, to 2.4%. However, you're right, our preferred measures of core are about 3%. When we look at a broad range of inflation indicators, we think underlying inflation is about 2.5%, so yes, that is a bit of a concern.

Our concern level, though, has been coming down. If you look at three-month rates of core inflation, which is a little more timely than looking at the year over year, what you see is that, in the first quarter, they were running about 3.5%. They are now under 3%. Some of that upward pressure we saw on underlying inflation is dissipating.

We need to see it come down further, and that is built into the forecast that we published. If that doesn't happen, if instead of... We have core inflation coming down to total around 2%, but if inflation was to actually move up to 3% where our core is, we would be off our forecast. That would get our attention. That's the sort of thing we would respond to.

• (1715)

The Chair: Thank you, Governor. I'm going to have to end it here.

Thank you, Mr. Kelly.

We'll go to Mr. Turnbull for five minutes, please.

Ryan Turnbull (Whitby, Lib.): Great. Thanks to both of you for being here. It's a great conversation. It's always good when you attend this committee, so I appreciate your time, your thoughtful answers and your expertise.

Obviously, Governor, your outlook that was recently done doesn't take into account the federal budget or all the fiscal measures that are contained within the 495 pages. I understand you might not have had a chance to fully absorb that yet, but can you just confirm that it couldn't possibly have taken those things into consideration?

Tiff Macklem: No, it does not take into consideration the new information in the budget.

It does take into consideration things that were announced, both at the federal and provincial levels, before the budget. Some measures were already announced, but no, it doesn't take those new things into account.

We will be reading the budget very carefully. We will build those fiscal plans into our next forecast, which will come out in January.

Ryan Turnbull: Wonderful. That's great.

In terms of the causes of low productivity...so perhaps this is for Ms. Rogers, who has done quite a lot of work on this. Both of you have, and you've rung the alarm bell, as we've heard, and we took note of that. What are the causes of low productivity, Senior Deputy Governor?

Carolyn Rogers: There's a range. There's more than one. I think I started the list in answer to Mr. Kelly's previous question, but the governor talked about low levels of investment. When businesses don't invest in equipment, in training or in intellectual property, that affects productivity.

Skills matching the labour market is one, making sure that we're turning out the skills that we need from our secondary institutions. When we bring labour into the country through immigration programs, making sure that's a match to the jobs we need, that's one thing. There's also using technology to help improve productivity. Companies right now are quite focused on investments in artificial intelligence; most of that is because they see the opportunity to improve productivity. Commercializing our own technology.... There's a long list.

Ryan Turnbull: Great. Thank you.

There's a quote from the budget I'd like to read. It says, "The most immediate way to jumpstart productivity growth is to address structural impediments and increase investment—in machinery, equipment, innovation, and infrastructure".

Would you generally agree with that diagnosis?

Carolyn Rogers: Yes.

Ryan Turnbull: Great.

Governor, you had said earlier that obviously tax measures can help incentivize investment. There are a number of those in the budget. There's a whole section on what's called the productivity superdeduction, which is an interesting term. It contains a number of measures, for example, for immediate expensing of accelerated

capital cost allowance, accelerated depreciation, machinery and equipment, and the SR and ED program, which is our tax credit for offsetting the cost of R and D. Again, it's supporting innovation.

Do you think those things would help to increase investment and encourage businesses to take risks?

Tiff Macklem: We're not going to comment on specific tax provisions, but generally yes, if you lower the cost of investment, you would expect to see more investment. As I said, we have a pretty similar diagnosis. I think the specific measures are really in the hands of elected governments, as they should be.

Ryan Turnbull: I think the budget is very specific about trying to address the productivity lags that you've diagnosed in the previous comments that have been made. I'm just trying to demonstrate here that there are specific measures that target each one of the causes, I think, that you've outlined in your previous remarks. It will be interesting to see, in your next outlook, how these measures are reflected, but I think there's an effort here on behalf of the current government to address productivity gaps, which I think we can all agree is a good thing.

• (1720)

Tiff Macklem: It's a good thing.

Ryan Turnbull: On internal trade barriers as well, I suppose you mentioned some of those and that friction, whether it's in the labour market or whether it's just in terms of regulations not matching up, Would those efforts obviously improve productivity as well?

The Chair: Thank you, Mr. Turnbull. That's time.

We're going to turn for five minutes to Mr. Chambers, who is joining us at the committee today.

Adam Chambers (Simcoe North, CPC): Thank you, Madam Chair. It's a pleasure to be back here.

Governor, Senior Deputy Governor, thank you.

You've made a number of warnings over the last few years that I think about. You warned about immigration. You warned about productivity—a very keynote speech. You also made a warning in the spring about financial speculators purchasing government debt—about 40%, if I recall correctly.

I guess the question I have is this. In a world where we are very interconnected and the possibility exists of a sovereign debt issue somewhere else in the world, maybe not in Canada, are we not more exposed than we would be, because we have 40% of I'll call them hedge funds purchasing our debt, which rely on this kind of liquidity and repo market to make the system work. I think that was the conclusion of the report—that's a rising risk. Is that fair?

Tiff Macklem: Yes, it is a vulnerability that we've highlighted. It's certainly not unique to Canada.

One thing you have seen actually in most major economies is that there's generally a rise in sovereign debts globally. There's also been a shift in the investor base. As you mentioned, hedge funds have come into the government debt market in a bigger way. To some extent, that's welcome. Governments need investors. They've been an important new investor class, but what is concerning about it is that they invest with a lot of leverage. What they do, effectively, is that they use these arbitrage strategies that have fairly low returns. Then to juice those returns, they borrow a lot to increase the return—

Adam Chambers: I want to jump in right there, because I have very limited time.

If something happens and those investors leave the market, what would happen to government bond deals in Canada?

Tiff Macklem: As you suggest, if that funding was disturbed—a lot of it is very short term—and they pulled back sharply, yes, that would cause a disruption in government bond markets. That is very core to the financial system. That could certainly spill over to broader issues.

Adam Chambers: Right. That would be increased bond yields potentially—is that correct?

Tiff Macklem: Yes.

Adam Chambers: Is it prudent for a government, knowing this risk exists, to borrow record amounts of debt and to go to the bond markets year after year, knowing this risk is rising?

Tiff Macklem: As I said, this shift in the investor base is something you're seeing in all countries. I'll let you decide how to—

Adam Chambers: I'll just ask another question. Put a different way, if a government borrowed less money in the bond markets, would that be less risk to the government?

Tiff Macklem: Yes.

Adam Chambers: Okay.

I also want to ask about term structure.

We're told the government is making generational long-term investments. The term structure of government debt is some of the lowest in the G7. Let's set aside the U.S. Mexico is an 18-year average. Heck, the Government of Ontario is 12. The federal government is 6.9 years. Shouldn't they be actually matching borrowing with their investments, if that's actually what they're doing?

Tiff Macklem: Now you're really getting into some pretty complicated debt strategy.

There are a few different things. Obviously, on average, at the shorter end, it's less costly, so you want some at the shorter end.

The longer end is more stable, so you want some at the longer end. The other thing is that—

Adam Chambers: I'm just asking, we have a low term structure. Shouldn't the government be borrowing more long term?

Tiff Macklem: The government determines the term structure that balances these various things. We are the agent for the government. We advise them.

• (1725)

Adam Chambers: I understand you won't want to answer. That's okay.

I have one final question.

I understand the bank may be close to not losing money anymore, but do you wish you still had some gold reserves to offset those losses? We do not have any gold reserves anymore, as of 2016. You can blame a predecessor. You weren't there. Do you wish you still had the gold?

The Chair: Answer in 10 seconds or less, please.

Tiff Macklem: We hold our reserves in interest-bearing assets, high-quality—

Adam Chambers: It would be worth a lot today, though. We're one of the only central banks that have zero reserves now.

The Chair: Thank you. That concludes this round.

Mr. Sawatzky, you have five minutes, please.

Jake Sawatzky (New Westminster—Burnaby—Maillardville, Lib.): Thank you, Chair.

Thank you both for coming today.

You've mentioned the importance of having diversified trade partners. I was wondering what some steps are that we could take to ensure we do have more diverse trading partners.

Carolyn Rogers: You're a little bit out of our mandate. Ultimately, it's the companies that have to take those steps. They have to find new markets. That sometimes requires them to shift their products or their services. Developing trade relationships takes some time. It takes some investment both from government and from these companies. It's a little bit out of our wheelhouse.

However, I would say about the steps in general, again the steps the government is taking and we see companies taking—when we talk to companies they do tell us they're taking steps to diversify their trade partners—as the governor said earlier, it takes some time and it takes some cost.

Jake Sawatzky: It seems like there has been some progress in diversifying trade partners, so I can agree that is important.

Just touching on attracting private investment into our country, do you perhaps have any suggestions on ways we could foster investment into Canada?

Tiff Macklem: There are a couple of things.

We've talked about regulatory approval. I spend a certain amount of time outside of the country talking to global investors. People look at Canada and they see a lot of very good things: abundant natural resources, a very well-educated workforce, rule of law, a diverse workforce and high labour-force participation rates. However, one of the things we do hear repeatedly is about regulatory approvals. There are too many levels and it takes too long, and they can't afford to tie up their capital waiting for an uncertain outcome. As the senior deputy governor said, those regulations are there for good reasons, but the more we can harmonize across provinces, get the federal government and the provincial governments working better together, reduce the uncertainty and speed those up, the more attractive that will make us to foreign capital.

Another thing we've talked about is that we need to be able to get our resources to markets. That's transportation. It's pipelines. It's ports. Foreign investment will come if they see the return. We have to look at investments that will make that more attractive. We need to make Canada more investable. That's what's going to attract more investment.

Jake Sawatzky: There is another thing I want to touch on. We're seeing a lot of investment into artificial intelligence and tech companies lately. Some people are concerned about an AI bubble.

Do you see any risks that AI-related investments could become overheated? What would that mean for the broader economy if valuations start to fall?

Carolyn Rogers: We had this question at our last press conference. There are lots of people who are concerned right now.

There are pretty diverse views on whether there's an AI bubble or not. Ultimately, if there was a sharp turnaround in the valuation of AI companies and you saw the stock prices of these companies fall, that can have a confidence effect on spending and on investment. It can have what we call a wealth effect. If people feel that their investments have declined in value, they don't feel as prepared to spend money. A sharp drop in any asset group can have that effect.

The amount and the speed of the investment in the AI sector right now is what's causing the discussion around whether or not there's a bubble.

• (1730)

Jake Sawatzky: My next question is maybe to see if we can translate this to Canadians who might be watching and thinking about inflation rates and interest rates.

How would inflation and interest have an impact on somebody who might be younger and not have many assets versus somebody who might be in an older generation and own a home, etc.?

Carolyn Rogers: As the governor said earlier, we talk a lot about getting inflation back to 2%. It can probably feel frustrating to people who say that inflation might be back at 2%, but it still feels like everything costs more. Certainly for young people who are trying to get a start in life, that cost of living.... For anybody who has to spend a good portion of their income on necessities like groceries or rent, those things have increased a lot.

Young people who have those costs are also less likely to have assets that are earning a return, so if interest rates go up a little bit, they have to—

The Chair: Thank you, Deputy Governor. We're going to have to end it there.

Thank you, Mr. Sawatzky.

[Translation]

Mr. Garon, you have the floor for two and a half minutes.

Jean-Denis Garon: Mr. Macklem, you talked about the importance of capital investment, which can come from businesses or governments. Today, I'm looking at the budget that was tabled yesterday.

As an economist at the Bank of Canada, do you consider it an investment in the national accounts sense to invest in security services for International Federation of Association Football, or FIFA, soccer games?

I'm going to ask a series of questions, so I'd like you to answer yes or no.

Tiff Macklem: We don't go that far into detail.

Jean-Denis Garon: Would a program used to find ways to invest amount to an investment in the national accounts sense?

Tiff Macklem: I'm not an accountant. As I mentioned, we look at the macro level. We don't get into the details.

Jean-Denis Garon: I will therefore address the macroeconomic aspect.

Do you consider a tax credit offered by the government to be an investment?

Tiff Macklem: A tax credit—

Jean-Denis Garon: I'm talking about the tax credit itself.

The deputy governor is shaking her head that it's not. I have my answer.

Carolyn Rogers: May I respond?

[English]

As I understand the way the government's describing its budget, it's trying to categorize things into whether they are—

[Translation]

Jean-Denis Garon: I understand that, but I'm asking you in the national accounts sense.

[English]

Carolyn Rogers: It doesn't affect the accounting treatment.

[Translation]

Jean-Denis Garon: There are categories: c, i and g.

Is that part of i?

Tiff Macklem: You have to ask Statistics Canada that question. That's the body that categorizes national accounts. That's not us.

Jean-Denis Garon: I understand your discomfort, because I feel the same way. I'm going to ask you a second question.

Somewhere in your report, you say that when the Trans Mountain project is completed, there won't be much investment in Canada. Investment in oil transportation infrastructure will be down a bit.

Does that mean private sector investors, especially those from abroad, will no longer want to do that work themselves?

Should we be concerned that the government will have to pick up the slack or choose to pick up the slack, and that taxpayers will end up funding those investments?

Tiff Macklem: It's really up to you, as parliamentarians, to make that decision.

That said, the Trans Mountain Expansion Project, or TMX, had a macroeconomic impact, as did the new LNG Canada terminal in British Columbia. The latter is large enough that we'll see a difference in national accounts when it opens.

These major projects certainly do have quite an impact macroeconomically.

Jean-Denis Garon: Thank you, Mr. Macklem.

The Chair: Thank you, gentlemen.

[English]

We're going to continue with Mr. McLean for five minutes please.

Greg McLean (Calgary Centre, CPC): Thank you, Madam Chair.

Welcome, Governor and Deputy Governor.

You have a currency management program, including buying foreign currencies at the bank. Right now, you have about \$71-plus billion of U.S. currency on your balance sheet. That's a record high. Is that correct?

Tiff Macklem: It's roughly right. I don't have the actual number in front of me, but just to be clear, those assets in our exchange fund account belong to the Government of Canada. We manage those on their behalf.

Greg McLean: Thank you.

In January 2025, you had \$63 billion, so you've gone significantly up, as far as your holdings of U.S. dollars goes. When you purchase U.S. dollars, what effect does it have on the Canadian dollar to U.S. dollar exchange rate?

• (1735)

Tiff Macklem: It doesn't really have any effect. We run a matched book. The government typically issues a bond to fund the purchases of the U.S. dollars, so it doesn't really have any effect. You have to realize that the exchange market is a vast, very liquid market. These transactions are not of a scale that would impact it.

Greg McLean: Thank you.

For correlation, though—and I know correlation and causation are two different things—every time the Bank of Canada reduces its holdings of U.S. dollars, the exchange rate changes and goes down. Is this just coincidental?

Tiff Macklem: We have not intervened in the foreign exchange markets since, I believe, 1998. These are funds that are held in the case of an emergency—

Greg McLean: Yes, we get it.

Tiff Macklem: —but have not been used—

Greg McLean: It's at a higher level now than it has been in the past, though.

Tiff Macklem: The global economies have been growing. Our economy has been growing. It's been growing—

Greg McLean: It has grown 10% over the last nine months.

Tiff Macklem: That's a good thing. You want to have some emergency funds.

Greg McLean: Thank you.

Stephen Miran was appointed to the Fed. He made a statement that countries like Canada manipulate their exchange rates in order to keep the U.S. dollar down to increase manufacturing in their home countries, and he calls it dollar manipulation.

Would you say the Bank of Canada is involved in any kind of dollar manipulation?

Tiff Macklem: It is absolutely not. We have not intervened in our exchange market since 1998. We only intervened in 1998 because there was extreme pressure on our currency. We were stabilizing it. We believe in a free-floating exchange rate. Canada actually has been a model around the world for a long time. We're big believers in flexible exchange rates. We think they're broadly a stabilizer.

Greg McLean: Right now, the Bank of Canada rate is 2.25%, and the Fed rate is 3.75% to 4%.

In our history, how often is that differential that wide?

Tiff Macklem: The differential is unusually wide at the moment, and that's because the performance of our economy is unusually wide at the moment.

Greg McLean: Are you saying that the performance of our economy is quite subpar at this point?

Tiff Macklem: It's certainly a lot weaker than the U.S. economy, yes.

Greg McLean: Do you think that has no effect on the actual exchange rate?

Tiff Macklem: Yes, it certainly has some effect on the exchange rate. The Canadian dollar actually has been pretty stable vis-à-vis the U.S. dollar. There's more than one thing going on. Canadian rates below the U.S. rates will tend to weaken the Canadian dollar. Actually, that's partly how monetary policy works. That's partly—

Greg McLean: Exactly. Thank you.

The point I'm making is that by having—

Tiff Macklem: That makes monetary policy more stimulated and supports our exports, but it's not the dominant thing.

Greg McLean: —an interest rate 150-plus basis points below the U.S., we are actually creating less of a market for buyers of Canadian debt to come into the Canadian market. Let's accept that the U.S. market is the most liquid market, so more buyers of debt would go to the U.S. market. Is that correct?

Tiff Macklem: I'm not sure I'm following you. The way we think about it is that if the exchange rate depreciates, our exports are more competitive.

Greg McLean: Let me rephrase it, Governor.

The Chair: You have about 20 seconds left, Mr. McLean.

Greg McLean: If we're 150-plus basis points behind the U.S. in terms of the interest rates we're offering to bondholders, and if the U.S. is more attractive in terms of buy security, do you think those bondholders would go elsewhere...to the U.S.?

Tiff Macklem: That's partly reflected.

The Chair: Be very brief.

Tiff Macklem: The exchange rate adjusts to equalize that, yes.

Greg McLean: Thank you.

The Chair: Thank you.

We will continue with Mr. MacDonald for five minutes.

Kent MacDonald: Thank you, Chair.

I recently met with representatives of credit unions from Atlantic Canada. They had some concerns with different issues, but one they brought up was increased consumer debt stress.

Is there anything that can be done to lessen the risk on the smaller financial institutions and the credit unions vis-à-vis the charter banks, which are larger structures?

Tiff Macklem: I'll turn to Carolyn. She used to be a supervisor of credit unions in British Columbia.

Carolyn Rogers: The key words are “used to be.” That was quite a long time ago.

My knowledge is a bit dated, but let me just say that the problem with small financial institutions is that there's a certain amount of scale and cost that goes into running a financial institution. There's technology. There's dealing with regulation. There's making sure that you have innovative products and services. Customers want branches and technology. There's a high level of fixed cost, and that's really what's putting pressure on small financial institutions and small credit unions, for sure.

• (1740)

Kent MacDonald: The processes they're going through by consolidating is probably going to help them long term.

Carolyn Rogers: Yes. That's been the answer over the last 15 or 20 years. The credit union system has gradually consolidated.

Kent MacDonald: You spoke earlier about trade diversification, and that it's not something controlled by the fiscal policy of Canada.

I met with different agricultural commodities groups over the two weeks prior to the budget. A lot of them are talking about the need for policies that are going to give us trade. We need to trade with all the countries we can diversify in. We don't just have to pivot from the United States and increase trade in Asia or China. We need a lot of markets for agricultural commodities.

Is there anything in the fiscal measures that the bank controls, other than interest rates, that would help in that area?

Carolyn Rogers: I'm going to come back to the point I made earlier. The single biggest thing we can do to facilitate investment is to keep inflation under control.

Kent MacDonald: Getting back to budget 2025, which was introduced yesterday, we've seen large investments in community infrastructure, housing and industries.

A region like mine, Atlantic Canada, has a seasonal economy. How do these types of investments coupled with a lower interest rate help productivity in Atlantic Canada?

Tiff Macklem: It's a tough question.

People want houses, and housing affordability is a big issue in this country. We've had a housing affordability problem at very low interest rates. We've had a housing affordability problem at high interest rates, so I don't think we're going to solve this with interest rates. If you want houses to be more affordable, we need to build more houses and we need to lower the cost of building houses.

This isn't something that's going to get fixed quickly, because we've had a buildup over many years. It's going to take some time to get out of that hole. I will say that we are pleased to see that the government at all levels—and it is very much at all levels: federal, provincial and, importantly, municipal—are working together better than they have in the past. If these programs are going to work, you're going to have to see even more co-operation at all levels of government.

Carolyn Rogers: To add to that, it is hard to find a direct impact to housing, but employers need their employees to have houses where the jobs are. Having affordable housing in large cities like Vancouver and Toronto will help attract employees at a reasonable wage so that companies can find the workers they need to grow their businesses. Housing is a pretty important contributor to attracting and retaining employees.

Kent MacDonald: I think our government identifies that—

The Chair: You have about 10 seconds left, Mr. MacDonald.

Kent MacDonald: Okay.

I think our government identifies that if the housing supply is increased, housing costs will come down in the long term.

The Chair: Thank you very much, Mr. MacDonald.

[*Translation*]

Mr. Martel and Mr. Chambers will share the floor for five minutes.

Richard Martel (Chicoutimi—Le Fjord, CPC): Thank you, Madam Chair.

It's interesting. Canada's national debt is important, but what concerns me is wealth creation. I'm concerned about the possibility of foreign investors no longer coming to Canada.

You said that we need to improve infrastructure so that we have better transportation corridors from west to east and better port infrastructure.

Earlier, you said that foreign investors had to come to Canada. That said, how can we attract them without touching the regulations? Investors always complain that it takes too long here. That's why they go elsewhere.

• (1745)

Tiff Macklem: I agree. That's a factor that I've often heard myself in talking to foreign investors.

Yes, Canada's provincial and federal regulatory system has a reputation for being complicated and a source of great uncertainty. If we want more foreign investment—and I think we do—it's a crucial factor that we need to improve.

Richard Martel: Even if the federal government and the provinces harmonized their regulations, would it be possible to attract investment without touching the regulations? I'm thinking, for example, of licensing.

Tiff Macklem: I think it's an important question.

The regulations are there for good reasons. However, could we remove certain regulatory provisions that no longer meet a need? Could we speed up the regulatory review processes?

Richard Martel: There can also be regulatory overlap.

Tiff Macklem: These are questions we need to ask ourselves in order to attract investment.

Richard Martel: Everyone says that breaking down interprovincial barriers would help Canada's economy. However, that would take the will of the government.

There's no sign that provincial ministers will ever agree on uniform regulations for interprovincial trade, because leadership is needed. How will we be able to do that? We're limited. If the money doesn't come in, how are we going to get through this? There's no light at the end of the tunnel.

Tiff Macklem: Over the past few months, we've seen a lot of interaction between the provinces regarding regulatory differences and trade barriers between the provinces. There are a number of

memoranda of understanding between the provinces, and that's good news.

However, frankly, if the goal is to reduce costs for businesses, it's important that the provinces take a more comprehensive approach. With all the different memoranda of understanding between various provinces, businesses will have to work just to figure out what they can and can't do.

So they have made some progress, but there's more work to do. I worry about them reporting that they have worked everything out before they actually have. I hope they will keep going.

Richard Martel: I forgot to say that I wanted to share my time with Mr. Chambers. I'm sorry.

[*English*]

Adam Chambers: Thank you very much.

Perhaps I can take you back to my question about a lot of debt being borrowed. If the Canadian government runs into issues—for example, yields spike up or there's a problem with funding—would you consider using quantitative easing as a tool again?

Tiff Macklem: Quantitative easing is not a tool that you would use for something like that. Quantitative easing is a tool that, first of all, you would only use in extremely...

We've only used it once in the history the country, as you well know, during a 100-year pandemic. It's really something that you would use when you have interest rates at zero and you feel that you need a lot more monetary—

Adam Chambers: If you were trying to keep interest rates down though, if there was an issue with funding and interest rates were going up...?

Tiff Macklem: We have a whole series of tools we can use. We can—

Adam Chambers: I'm very glad to hear that you're very reticent to use quantitative easing—

The Chair: Thank you both. We are going to move on.

Adam Chambers: Thank you, Governor. I appreciate that.

Tiff Macklem: We have a series of tools—

The Chair: Mr. Chambers and Mr. Macklem, thank you very much.

Adam Chambers: Thank you, Chair.

The Chair: Mr. Leitão, you have five minutes.

Carlos Leitão: Let's go back to inflation. It is the mandate of the Bank of Canada to keep prices low, stable and predictable. I think the Bank of Canada has done an excellent job. Inflation has come down from 8% or 9% at some point.

In fact, if I'm not mistaken, maybe you could confirm this: The Bank of Canada was one of the first in the G7 to bring inflation back within range—because this was a worldwide phenomenon, actually—before other central banks.

• (1750)

Tiff Macklem: Yes, inflation peaked at 8.1%. We were among the most aggressive in raising interest rates. In fact, we raised interest rates the fastest in the Bank of Canada's history, and it worked. Look, it didn't work without some pain. Certainly, higher borrowing costs restrained spending, but frankly that was what the economy needed. The economy was overheated. We did bring down inflation relatively quickly. Importantly, while we slowed the economy, we didn't cause a recession. We didn't cause a big increase in the unemployment rate.

This time last year, I have to say, we were feeling pretty good. Inflation was back to 2%. We were lowering interest rates. The unemployment rate was starting to fall. Unfortunately, at the beginning of this year, a whole new threat developed.

Carlos Leitão: That's right. The pressures on cost, on inflation, have shifted. I actually read the monetary policy report. I'm one of those. There is an interesting and intriguing chart on page 64—chart 36, “Cost pressures on goods are easing”.

Perhaps in a general manner, could you address the issue that there are still some cost pressures, but they appear to be shifting? It's not the same situation now as it was back then. Could you perhaps elaborate a bit on that, on what the current issues are that worry you most in terms of future inflation? We are now within the range. We want to keep it there. What's the big problem now?

Tiff Macklem: Yes, you're looking at chart 36, which is a heat map. We look at inflation through many different lenses. These heat maps are an efficient way of combining a lot of information about where the upper pressures on inflation are and where the downward pressures actually are. What you see in the heat map is that energy prices have generally come down. They've actually been subtracting from inflation. As has already come up, food prices have gone up. They're putting some upward pressure on inflation.

The main message is that we are seeing some evidence that the additional costs from U.S. tariffs, costs related to the reconfiguration of trade, are having some impact on goods prices. Goods, of course, are what largely get traded. So far, those are reasonably contained. Going forward, we think inflation will be pretty close to our 2% target. That was why we took the decision to provide some additional support to the economy.

Carlos Leitão: Some of the pressure now on inflation and perhaps coming down the pipeline would be from import prices, from goods that we import, from inputs into our supply chain. In that respect—perhaps this is not directly linked—one issue that I think also has a big impact on inflation and on our ability to provide a predictable environment for businesses, consumers and individuals is the financial system, the stability of the financial system, but more important than that—

The Chair: Thank you, Mr. Leitão. That's your time.

Carlos Leitão: That's it?

Voices: Oh, oh!

The Chair: You got just over five minutes.

• (1755)

Carlos Leitão: I will be more concise with my questions next time.

Thank you very much.

[*Translation*]

The Chair: Thank you, Mr. Leitão.

Mr. Garon, you have two and a half minutes.

Jean-Denis Garon: I was a bit surprised by one of the lines in the underlying inflation section of your report. You describe how inflation has edged down. In one bullet, you refer to past cost pressures from high global shipping costs. You cite severe weather, which had less of an impact during the period examined than during the previous period. That makes me think about extreme weather events, climate change and so forth.

More broadly, however, I'd like you to explain how the frequency of those events in a given period impacts production costs, productivity and underlying inflation. I'd like to understand how that works on a more technical level.

Tiff Macklem: Everywhere in the world, extreme weather events are more frequent. Take, for example, the drought conditions and bad wildfire seasons we've experienced in Canada. Those events affect prices.

Droughts affect the price of agricultural products. As a result, prices fluctuate more, which leads to inflation. We are trying to understand inflation trends. We can't control all short-term price fluctuations, but we want to keep inflation close to 2%.

That means we have work to do. Underlying inflation indicators help us with that.

Jean-Denis Garon: I have 10 seconds left.

I may get more time later, but if not, I will thank you twice. Thank you again.

The Chair: That's nice, but you'll get more time later.

We now go to Mr. Lefebvre for five minutes.

Eric Lefebvre (Richmond—Arthabaska, CPC): Thank you, Madam Chair.

First, I want to apologize to the witnesses for missing so much of the meeting. The House was discussing budget business, and I had to be there.

Governor, you said that economists' biggest concern was better productivity and that Canadians' biggest concern was the cost of living. You said they were the same thing. You were speaking English when you gave that answer, so I'd like you to explain it in French for our fellow French speakers.

Tiff Macklem: For Canadians, the cost of living is their top concern, and for economists, it's productivity. They are actually the same thing. A better income means people can buy more. Higher productivity means higher wages and income. When people have more income, life is more affordable.

Eric Lefebvre: The need to improve productivity in Canada, as well as in Quebec, has long been an issue.

Tiff Macklem: I think that's why the cost of living is a problem. Lack of productivity has been a long-standing issue.

Eric Lefebvre: What would you say are the most productive countries?

Tiff Macklem: Our neighbour to the south really raised its productivity.

Eric Lefebvre: Can you give us examples other than the U.S.?

Tiff Macklem: To be perfectly frank, the productivity of many other countries in the world is closer to Canada's than the U.S.'s. The Americans have been very successful at raising productivity. The U.K., France and the eurozone rank very similar to Canada on productivity. We have a lot of the same problems, including a lack of investment, fewer big tech companies and extensive regulations.

• (1800)

Eric Lefebvre: Do you think artificial intelligence, or AI, could help address that problem?

Tiff Macklem: I hope so, but what we've seen thus far is that the U.S. economy has benefited most from the use of AI.

That's shocking when you consider that Canada is a global leader in AI.

Eric Lefebvre: Absolutely.

Tiff Macklem: As the deputy governor mentioned, we have to create companies thanks to that innovative technology.

In Canada, a lot of companies are wondering how they can use AI to increase productivity. We are most familiar with the banking and finance sector, and I can tell you that the people in that sector have put a lot of money into AI. First, they focused on improving customer service, the complaints process and regulatory compliance. In the future, they'll be using AI to increase revenues and personalize products, since those things are possible thanks to AI. However, AI does pose financial stability risks. With a higher concentration of companies, there are risks, since everyone could be using the same products and engaging in the same transactions at the same time.

That's why it is important to manage risks and maximize returns.

Eric Lefebvre: I'd like you to comment on economic growth and how we compare to our G7 partners.

During the election, the Prime Minister said again and again that the Liberal Party would build the fastest-growing economy in the G7.

How does Canada rank on economic growth in relation to other G7 countries?

Tiff Macklem: Canada's growth is comparable to that of most other G7 countries, but is lower than the U.S.'s.

The Chair: Thank you, Mr. Lefebvre.

[*English*]

I will continue with Mr. Turnbull for five minutes, please.

Ryan Turnbull: Last time, I got cut off. I'm going to continue down the same path on productivity.

I want to ask a series of short-answer questions and see if I can just get you to say yes or no. I know it's always challenging when politicians do this, but I'm doing it in good faith. I'm not trying to wedge you or anything. I just want to ask you.

From a productivity enhancement perspective in Canada, generally speaking, would a more competitive marginal effective tax rate increase productivity or tend to increase investment?

Tiff Macklem: Yes.

Ryan Turnbull: Would greater tax incentives for investing in machinery and equipment generally increase productivity and investment?

Tiff Macklem: Yes.

Carolyn Rogers: They would if they attract investment.

Ryan Turnbull: What about R and D tax incentives?

Carolyn Rogers: Again, if they generate more R and D, then they'll be effective.

Ryan Turnbull: What about investment tax credits for clean technology?

Tiff Macklem: I think we get the picture.

Ryan Turnbull: I'm just asking.

Tiff Macklem: Look, I think we all know the answers to these questions. I think the issue for you is that these things have to be done in a smart way. They have to be done so that they're an effective use of tax dollars. They have to be done in a way that maximizes the productivity benefit and they can work in scale to have a macro impact on a timely basis. That's what you need to focus on.

I think we know the answer. These things are pointing in the right direction, but it's going to come down to execution.

Ryan Turnbull: I appreciate that.

Someone else asked you about AI adoption. Certainly, I think that AI adoption has productivity gain potential. At the very least, incentivizing that through investments to help our small businesses and all sizes of businesses actually start to look at how they can adopt that obviously would have some productivity gain potential as well.

• (1805)

Tiff Macklem: Yes.

Ryan Turnbull: On open banking, the budget finally says we're moving forward with open banking. You mentioned competition before as being important for productivity gains as well.

Can you speak to how the open banking framework would increase productivity in the financial services industry?

Carolyn Rogers: You basically named it. Open banking is designed to improve competition. That's the channel through which we would expect it to improve productivity.

Banking is a network sector. It's a sector that affects the productivity of other sectors, so if we can get banking to be more productive and more competitive, it should have spillover effects to the broader economy.

Ryan Turnbull: From a fiscal anchor perspective, our budget has moved to a deficit to GDP ratio. Would you say that's fairly normal as a fiscal anchor for other G7 countries?

Tiff Macklem: I actually haven't gone through the fiscal anchors in the budget in any detail. I mean, I think fiscal anchors are a good thing. If they're going to be credible, you have to stick to them over time. That is what I would say.

Ryan Turnbull: On the capital budgeting framework, generally speaking, the government's focus on capital formation is certainly going to stimulate growth in productivity as well.

Tiff Macklem: If it's done smartly....

Ryan Turnbull: It's all about being smart and excellence in execution.

Tiff Macklem: It's going to be hard. These are big things. It's going to take smart execution. It's going to be a lot of work.

Ryan Turnbull: That is great as I think we're up for that work.

Thank you very much.

The Chair: Thank you, Mr. Turnbull.

Since there is a little bit of time left, I'm going to use the chair's prerogative to ask a follow-up question to Mr. Lefebvre's question about productivity.

You mentioned that the U.S. is really the country that has achieved greater productivity, and that Canada and peer countries are lagging behind. Could you briefly comment on what those differences are?

Tiff Macklem: Do you mean the differences in productivity?

The Chair: I mean the differences in productivity between Canada and the U.S.

Tiff Macklem: In any one year—and I don't have the whole time series in front of me—certainly U.S. productivity growth.... If you go back in time, both Canada and the United States had a pretty

good pickup in productivity growth in the second half of the 1990s. The difference really is that, in Canada, it kind of petered out in the early 2000s, and it's been pretty weak ever since. In the U.S., it just kept going.

In any one year, that doesn't make a huge difference, but when you accumulate a significant difference in productivity growth each year over 20 years, you get the kinds of numbers Mr. Hallan mentioned at the beginning. Yes, the average income in the United States is well above the average income in Canada, and that is productivity growth.

The Chair: Thank you very much for that.

We will continue with Mr. Hallan for five minutes.

Jasraj Hallan: Governor, today we see young Canadians and we talk to a lot of them, and they're losing a lot of hope. Ms. Rogers mentioned someone young owning a home. Unless they have the bank of mom and dad, it is basically impossible. A lot of people say they've given up on the dream of home ownership. I remember the days when, in 25 years, you could pay off the mortgage. Now, sometimes it takes that long for young people to save up for a down payment.

Governor, you talked about it not just being about lowering the interest rate. It's about the cost of a home and the supply itself. I think those also go hand and hand. We are seeing the government's own housing agency say that housing starts are going down this year and they're going to be worse next year. For young people, it's almost impossible for them to get by, let alone deal with what we've seen with the inflation in food prices as well.

We see in this new budget that there's an industrial carbon tax that's going to increase. Because it goes into the steel that goes into a home, and it goes into the concrete that goes into a home, are those some of the inputs that increase the cost? Would you say that, as this industrial carbon tax increases, it could impact the cost of a house?

• (1810)

Tiff Macklem: I don't think we have any work on that. The industrial carbon tax is imposed on very large emitters, and most of what they're producing is exported. It's not having much of an impact on prices here in Canada. Our view is that it's small. I don't have an estimate. You would have to get very detailed, almost industry-level data to chart through that because it's very indirect.

It's very different from the consumer carbon tax, which was applied directly to consumer goods. That has been removed, and we have seen the impact that has had. It dropped the price level by 0.6%, taking 0.6% off inflation for one year.

The industrial carbon tax is very different. It's a small number of large emitters, and most of what they produce is exported.

Jasraj Hallan: Let's go back to housing.

With regard to that, what would it take for young Canadians to have hope again to get a house?

Tiff Macklem: If you want to focus on housing, I don't think the place to start would be the industrial carbon tax. I think it would be municipal development charges.

Jasraj Hallan: Right.

Tiff Macklem: We've talked a lot about productivity. The productivity in building a house has been going steadily down. The graph shows the time to completion of housing is going up.

There hasn't been a lot of change in how a house is built. We need to look at things like new modular construction. We need a lot of houses. How are we going to build those efficiently and quickly, get the cost down and make them more affordable? That's what's going to make housing more affordable.

Jasraj Hallan: Right.

We hear a lot about modular builds. I don't think a lot of young people want to be stuck in container houses. People want to start families and move up.

Tiff Macklem: I'm no expert on this, but I did go look at a plant that is making these. They're not trailer homes. They're pretty nice houses. Yes, they're going to look similar, but if you want to build a whole new community rapidly.... They're not going to be for everybody, but I think there would be a lot of people pretty happy to have one.

Jasraj Hallan: You said that the supply needs to go up in order for us to have more affordability, but I think that it's still a big barrier for young Canadians who can't save up for even a down payment on a house. Most people can't even imagine leaving their parents' basements today. They're doing all the right things. They're going through school. They're trying to work as hard as they can. I believe that the youth employment rate is one of the lowest it's been in 25 years or something like that.

What I'm trying to say is that you talk to a lot of Canadians. You guys do a lot of research with young Canadians and other people. What is it going to take for this situation to change and for people to be able to afford things in Canada again?

Tiff Macklem: Maybe the senior deputy governor can add to this, but—

The Chair: Give a brief response.

Tiff Macklem: Look, I share all of those concerns. I think they're real. Employment growth is weak right now, which particularly affects youth because they're the ones who are coming into the labour market. There haven't been a lot of layoffs, except in certain sectors, but hiring is weak. It's taking young people coming into the labour market longer to find a job. That's not helping.

Do you want to—

The Chair: I'm sorry. We'll have to cut it off there. We're out of time for this round.

Thank you, Mr. Hallan.

We'll go to Mr. Sawatzky for five minutes.

Jake Sawatzky: Thank you, Chair.

On the same note of youth employment, there's a lot of talk right now about investing in the country and investing in large-scale national projects.

Are there ways in which we can ensure that these investments translate to jobs for youth?

Carolyn Rogers: One important thing is making sure that the secondary education opportunities are matched with the types of jobs that we need and the types of skills that we need.

We need to make sure that we're making trade programs available and, when students graduate, that they're graduating with the skills, degrees, diplomas and stuff that employers need, so they can find jobs. I think that would be one important step.

• (1815)

Jake Sawatzky: On that same note, do you think right now that the changing landscape of artificial intelligence is going to change the landscape? Will there be a mismatch between what people are trained to do and what jobs are available out there?

Carolyn Rogers: That's a possibility. I think that's an area we're going to have to look at, the match between the types of educational programs that exist and the types of jobs that are likely to be in it. You have to kind of project it out over five years. You don't want to go through a three-year program, get to the end and find out the thing you've trained to do is now no longer a viable job in a world with AI.

Jake Sawatzky: Absolutely.

I'm not sure if this is too much of a tangent, but could you perhaps elaborate on some of the sectors that might be at risk of replacement with AI?

Carolyn Rogers: There are a variety of opinions out there. I don't really think of myself as an expert on which sectors are most likely to be affected by AI.

To me, what's interesting about AI versus other technologies is the types of jobs that it's having the most impact on—more mid-level jobs, analytical jobs. In the past, we've thought of technology as replacing what are known as blue-collar jobs, but AI's really targeted more mid-sector, analytical jobs.

Jake Sawatzky: I'm taking a bit of a turn here. I'm wondering about the stability of our economy. Of course, we've had major disruptions.

Are there ways in which we can make things more stable so that investors are more likely to invest in large projects?

Tiff Macklem: I'll take that.

We haven't talked a lot about monetary policy. What can we do in monetary policy? We can keep inflation low and stable. Price stability creates the conditions so that households and businesses don't need to worry about inflation. That's what we can do.

As I said, as long we're doing a good job of controlling inflation, we can provide some help to the economy to adjust to this big structural transition. Getting back to the senior deputy's "break the glass" speech, productivity is what's going to add to resilience.

Jake Sawatzky: How can we coordinate the monetary policy and the fiscal policy in a better way to ensure that?

Tiff Macklem: We're all working for Canadians, but we have our own mandates. We have a very clear mandate for monetary policy. It's to keep inflation close to 2%. We conduct that free of political interference. We basically look at the evidence. We make our best judgments. We take our decisions.

What you see over history is that central banks with operational independence do a much better job at delivering on that mandate. For countries where they don't have independent central banks, it ends badly. They get into inflation problems.

That's what we can do. The independence of monetary policy is a big thing. We're not elected, so it has to be a very specific delegation. We think that independence is very important. It also means that we don't tell government what to do on taxes or on fiscal policy. We stay in our lane because the independence is very important, but it only applies to our monetary policy mandate.

The Chair: Thank you, Mr. Sawatzky.

[*Translation*]

It's now over to Mr. Garon for two and a half minutes.

Jean-Denis Garon: Thank you, Madam Chair.

I have a bit of a lighter question. Since the new Prime Minister joined the former government, we've been hearing about the G7 every 10 minutes. We have to have the highest growth in the G7 and the highest investment in the G7. Mr. Champagne mentions the G7 every 10 seconds.

Canada's is a small, very open economy. Is the G7 an appropriate benchmark for measuring our productivity, investment and growth? The reason we joined the G7 in the first place was that the Americans wanted a friend in the organization; it wasn't about how big our economy was.

Is the G7 a good benchmark for a country that is in the middle of the pack among OECD countries on a number of measures?

● (1820)

Tiff Macklem: To some extent, it's true that the country we compare ourselves to most is our closest neighbour, but it's also the biggest. We often look at our performance in comparison with the Americans, even though the U.S. economy isn't the best benchmark for us, as I've said a number of times. We are more similar to the U.K., France, Italy and Germany. Other countries, Australia and Sweden, for example, have smaller economies.

I think it's important to compare ourselves to a number of countries, but we are indeed part of the G7.

Jean-Denis Garon: I have a follow-up question. I don't have much time. I am a member of the second opposition party, so I get less time than the other parties.

When we compare ourselves to G7 countries, we tend to compare ourselves to the U.S., whose debt-to-GDP ratio is very high. We compare ourselves to the U.K., which is experiencing a slowdown, and France, which can't even pass a budget. I'm exaggerating a bit, but as we know, France is having its share of problems. In addition, Japan has been experiencing low growth for quite a while.

Aside from the U.S., aren't we comparing ourselves to some of the worst performers? Isn't Germany the only one doing well?

Tiff Macklem: I agree that they aren't the only countries we should be looking at, but at the same time—

[*English*]

The Chair: I'm sorry, Governor. I'm going to have to interrupt you there. We're running low on time.

Just taking note, we have two left on our speakers list, and we have about eight minutes. Is it the will of the committee to give each person five minutes and go a bit over, or is it to give each four minutes and then end?

An hon. member: I think four is fine.

The Chair: Okay. Let's do that.

Mr. McLean, you have four minutes.

Greg McLean: Thank you.

I'll take a different approach here. Your balance sheet is still from postpandemic times. You still have about \$176 billion of Government of Canada bonds on your balance sheet, but it looks like it's going up. Your balance sheet does seem like it's increasing lately.

Your losses continue on a yearly basis. You have a negative equity of about \$9.9 billion now, and you've lost \$9 billion on only the transactions. If you mark that to market, how much were the actual book losses that we have on the Bank of Canada balance sheet?

Carolyn Rogers: I don't have that number.

Greg McLean: At this point in time, \$9.9 billion is your negative equity.

Carolyn Rogers: Yes.

Just to come back to other points you made, we are not in a loss position anymore. We are at positive earnings as of about a month ago, and we'll end this year in a positive position. We're starting to contribute back to that equity. I don't think it's correct to say that our balance sheet is increasing. It's still declining. We have said that we would get to a level that we would stay at, probably sometime later this year, for reserve balances. I don't know if you're looking in total at the balance sheet, or in particular at reserve balances. Either way, I don't think our balance sheet is increasing.

Greg McLean: I was looking at your holdings of Canadian government bonds.

Tiff Macklem: The big picture is that we've been shrinking our balance sheet for the last few years.

Greg McLean: I see that.

Tiff Macklem: We now have it back to about the steady state it needs to be. We are now transitioning back to our normal operating procedure.

Greg McLean: Will \$9.9 billion be a loss that will appear on the government's Crown corporation?

Tiff Macklem: We ultimately consolidated with the government, as the senior deputy governor said. Our revenue now is bigger than our expenses, so we are starting to contribute to building that back up.

Greg McLean: Revenue bigger than expenses means that your investments are earning more interest than you're paying.

Tiff Macklem: Yes. We obviously have some expenses to run the Bank of Canada.

• (1825)

Greg McLean: A question some people would have is whether your debt management strategy of keeping interest rates low has an affect on your losses in that respect, and whether that weighs on your decision somewhat in addition to the other issues?

Tiff Macklem: We don't run monetary policy to maximize the profitability of the Bank of Canada. We run monetary policy to keep inflation close to 2%.

Greg McLean: Inflation would include some of the losses, some of the heavy debts that the government is incurring, for Canadians.

Tiff Macklem: Inflation is the year-over-year change in the consumer price index.

Greg McLean: I understand what inflation is, but would you say that annual deficits and mounting debts contribute to inflation?

Tiff Macklem: I'm not sure I really understand the question. I mean, inflation is 2.4%.

Greg McLean: Do annual deficits and mounting debts contribute to inflation?

Tiff Macklem: It depends on the situation the economy is in.

Greg McLean: Thank you.

Tiff Macklem: If the economy is overheated and the government runs a big deficit, yes, it's going to—

Greg McLean: Is the economy overheated?

Tiff Macklem: No, the economy is weak.

Greg McLean: I'll let that go. Thank you very much.

The Chair: Thank you, Mr. McLean.

Mr. Turnbull, you have four minutes.

Ryan Turnbull: I'm going to give my time to Mr. Sawatzky, but just before I do, I want to say thank you again for appearing. I appreciate your ability to answer our questions, and I look forward to seeing your future reports, which I know will account for many of the fiscal policies and measures that are in the federal budget. I look forward to having you back sometime in the future.

I will now hand it over to Mr. Sawatzky for a couple of questions.

Jake Sawatzky: Thank you, MP Turnbull.

If you were to give advice to a young Canadian looking to save in the current market, in the current job market, is there any advice you could give to somebody who is looking at the long term and may want to buy a house down the line?

Carolyn Rogers: I'm going to come back to the previous answer to Mr. Hallan. He was asking about the things we need to do to make housing affordable for young people. I think it's really important that we focus on supply. What has worried us over recent years is trying to solve that problem by making it easier for young people to borrow larger and larger amounts of money, messing with mortgage rules and that sort of thing. That worries us. Over the long run, that's going to saddle you with debt. That will mean that you have less money to spend on other things. In general, it's not good for the economy if we have a lot of people who are saddled with a lot of debt. It can make you more vulnerable to economic shocks. Just as our country is more vulnerable when we have a lot of debt, so is a household more vulnerable when it has a lot of debt.

When we think about how to help young people get ahead, it's really important, I think, that we look for ways to raise their incomes and to make housing affordable by increasing supply, not by finding ways to get them into more debt.

Jake Sawatzky: Thank you.

On a similar note, perhaps let's consider the case of a business owner who has assets but also high expenses, like paying salaries. Given the current market, is there anything that you would, in general, advise a business owner to consider financially?

Carolyn Rogers: We don't really give advice to business owners. Our job is to help business owners by keeping inflation low and stable. When we can do that, they can make the best business decisions they can.

Jake Sawatzky: Thank you.

Just given the current outlook.... I know we've talked about a lot of things, and this may be a bit of tangent, I guess, but is there anything in general that we haven't touched on that you think would be good for people to know?

Carolyn Rogers: I think the thing we would want Canadians to know is something the governor said at the very beginning. We know that the cost of living is tough out there right now. We know that. We have inflation back to 2%, and that's really important. It's really important that we keep costs from going up again the way they did over the past two years because it has that lasting effect.

As much as it is important that we have inflation back to being close to our target and keep it there, that doesn't negate the fact that

people are facing a higher cost of living. We wouldn't want Canadians to think that, by repeating the fact that we have inflation at target and want to keep it there, this dismisses the fact that they're experiencing a higher cost of living.

● (1830)

Jake Sawatzky: Thank you very much. Again, I really appreciate your time.

The Chair: That's wonderful. On behalf of the committee, I would like to thank our witnesses today.

Thank you to the senior deputy governor, as well as to the Governor of the Bank of Canada. We really appreciate your time and your sharing your thoughts and insights with us.

If it is the will of the committee, we will adjourn.

Some hon. members: Agreed.

The Chair: Thank you.

Published under the authority of the Speaker of
the House of Commons

SPEAKER'S PERMISSION

The proceedings of the House of Commons and its committees are hereby made available to provide greater public access. The parliamentary privilege of the House of Commons to control the publication and broadcast of the proceedings of the House of Commons and its committees is nonetheless reserved. All copyrights therein are also reserved.

Reproduction of the proceedings of the House of Commons and its committees, in whole or in part and in any medium, is hereby permitted provided that the reproduction is accurate and is not presented as official. This permission does not extend to reproduction, distribution or use for commercial purpose of financial gain. Reproduction or use outside this permission or without authorization may be treated as copyright infringement in accordance with the Copyright Act. Authorization may be obtained on written application to the Office of the Speaker of the House of Commons.

Reproduction in accordance with this permission does not constitute publication under the authority of the House of Commons. The absolute privilege that applies to the proceedings of the House of Commons does not extend to these permitted reproductions. Where a reproduction includes briefs to a committee of the House of Commons, authorization for reproduction may be required from the authors in accordance with the Copyright Act.

Nothing in this permission abrogates or derogates from the privileges, powers, immunities and rights of the House of Commons and its committees. For greater certainty, this permission does not affect the prohibition against impeaching or questioning the proceedings of the House of Commons in courts or otherwise. The House of Commons retains the right and privilege to find users in contempt of Parliament if a reproduction or use is not in accordance with this permission.

Also available on the House of Commons website at the following address: <https://www.ourcommons.ca>

Publié en conformité de l'autorité
du Président de la Chambre des communes

PERMISSION DU PRÉSIDENT

Les délibérations de la Chambre des communes et de ses comités sont mises à la disposition du public pour mieux le renseigner. La Chambre conserve néanmoins son privilège parlementaire de contrôler la publication et la diffusion des délibérations et elle possède tous les droits d'auteur sur celles-ci.

Il est permis de reproduire les délibérations de la Chambre et de ses comités, en tout ou en partie, sur n'importe quel support, pourvu que la reproduction soit exacte et qu'elle ne soit pas présentée comme version officielle. Il n'est toutefois pas permis de reproduire, de distribuer ou d'utiliser les délibérations à des fins commerciales visant la réalisation d'un profit financier. Toute reproduction ou utilisation non permise ou non formellement autorisée peut être considérée comme une violation du droit d'auteur aux termes de la Loi sur le droit d'auteur. Une autorisation formelle peut être obtenue sur présentation d'une demande écrite au Bureau du Président de la Chambre des communes.

La reproduction conforme à la présente permission ne constitue pas une publication sous l'autorité de la Chambre. Le privilège absolu qui s'applique aux délibérations de la Chambre ne s'étend pas aux reproductions permises. Lorsqu'une reproduction comprend des mémoires présentés à un comité de la Chambre, il peut être nécessaire d'obtenir de leurs auteurs l'autorisation de les reproduire, conformément à la Loi sur le droit d'auteur.

La présente permission ne porte pas atteinte aux privilèges, pouvoirs, immunités et droits de la Chambre et de ses comités. Il est entendu que cette permission ne touche pas l'interdiction de contester ou de mettre en cause les délibérations de la Chambre devant les tribunaux ou autrement. La Chambre conserve le droit et le privilège de déclarer l'utilisateur coupable d'outrage au Parlement lorsque la reproduction ou l'utilisation n'est pas conforme à la présente permission.

Aussi disponible sur le site Web de la Chambre des communes à l'adresse suivante :
<https://www.noscommunes.ca>