

Bank of Canada Rate Announcement

Meeting Date: Sept. 5, 2018

The Bank of Canada is expected to leave its key policy rate unchanged at 1.50% following its Sept. 5, 2018 rate announcement meeting. Little new significant economic information will be available for the Bank at its September meeting and waiting another seven weeks for key data on the economy's third quarter performance and the outcome of NAFTA negotiations is prudent. In addition, there is no urgency to follow July's increase with a consecutive meeting rate increase.

A NAFTA deal would signal better growth prospects but not prompt a September rate increase. However, the pace of rate normalization would likely increase with improved medium and long term economic performance resulting from the new deal. A final deal is dependent on a successful conclusion to negotiations and on Congressional approval. Some investment uncertainty would be removed under a new deal, but the Bank of Canada will not take this into account until the deal is a certainty. Financial and foreign exchange markets will react to news of an imminent deal but not the Bank of Canada.

Looking further ahead, a quarter-point rate increase at its October 24 meeting is expected, barring unforeseen negative policy developments.

Helmut Pastrick

Chief Economist, Central 1 Credit Union

hpastrick@central1.com

www.central1.com 604.737.5026