**MEDIA: Television**

**STATION: BNN Bloomberg**

**MARKET: Canada National**

**DATE: 2024-04-11**

**TIME: 09:19 AM ET**

**PROGRAM: The Open**

**SUBJECT: Tiffany Wilding - Bank of Canada**

**PAGE COUNT: 3**

**JON ERLICHMAN, BNN BLOOMBERG:**

Let's bring in Tiffany Wilding. She's managing director and economist at PIMCO. Great to have you back with us, Tiffany. What's your current assessment of the road ahead on interest rates in Canada, especially in light of this latest decision for the Bank of Canada?

**TIFFANY WILDING, PIMCO:**

Yeah, so I thought the shift in tone from Governor Tiff (Macklem) at the press conference was very much in line with our expectations that they will look to start to ease policy around the middle of this year. And ultimately continue to ease policy in the back half of this year as a result of the fact that Canadian growth has been stagnant, slightly contractionary. This is despite the large amount, large inflows of immigrants that we've seen if you look on a per capita basis, consumption growth, for example, has contracted. That's obviously because you are seeing monetary policy being passed on to the economy through higher actual interest rates that people are paying on their mortgages and other debt. So at this point, with inflation moving back towards target, the unemployment rate moving up, we think the Bank of Canada will be comfortable enough to start to ease around mid-year.

**ERLICHMAN:**

And do you see a distinct difference between the Canadian and American economies right now?

**WILDING:**

Yeah, the difference is not only distinct, but I would say incredible. The US economy, despite the fact that Canada has been stagnant growth this year, rising unemployment, the US economy has remained incredibly strong. So we saw 3% growth last year from the US. In that growth momentum, it looks like it's translated into a strong start to the year for 2024 as well. For the US, for example, we're tracking final domestic demand growth in the first quarter of 3%, and if that happens, that'll be 3 consecutive quarters of 3% or above, which we haven't seen absent outside of the pandemic recovery. We haven't seen that since 2024. Similarly in the United States, not surprisingly, the inflation news has just not been as good. If you have above potential growth, which we think we're getting in the US, then that suggests that inflation should be reaccelerating. And I think that's the kind of news that we're getting out of the inflation data in the United States. So interestingly, we think the data flow in the first half of this year is probably more consistent with the Federal Reserve that's maybe not hiking interest rates at the middle of this year. Maybe they're delaying. It looks more likely they will be delayed until the back half of the year now.

**ERLICHMAN:**

Okay, so it is feasible that we have an environment where in the first half of 2024, the US Federal Reserve doesn't make a move on rates, but the Bank of Canada does.

**WILDING:**

Yeah, and usually historically you've seen these central banks move in lockstep, but that's not always the case. And you can see a wedge, what we call a wedge, between the two policy rates of the two economies. And I think that wedge is entirely appropriate, just given the increasing divergence in economic outcomes that we're also seeing from these two economies. So we think again, at this point, the Bank of Canada can still feel comfortable starting to cut interest rates, as Tiff suggested. Maybe it's a little bit slower than you would cut interest rates if you actually had a recession in the economy, a deeper recession, but nevertheless, there is genuine weakness in the Canadian economy here that warrants easing in our view.

**ERLICHMAN:**

If I had to put you on the spot, because you've given us a bit of a road map here, and we're working with what we can work with this moment, but if you had to make a call right now on what the US does in terms of overall policy, do they ultimately move in the later part of the year, and how much do they move, and how much specifically does the Bank of Canada move? What do you think?

**WILDING:**

So we think the Bank of Canada still has room to move 75-100 basis points in the back half of this year. The Fed, on the other hand, I do think that we think the Fed will go out of their way to look apolitical. They are an apolitical institution, but that just means the election calendar still can be a little bit tricky in terms of the timing for when they want to pivot policy. I think the SEP for the Federal Reserve was projecting three cuts this year. We definitely think that moves to two or maybe even one cut this year from the Fed. Obviously, depending on the data, it looks more reasonable to us, and then delaying that until after mid-year also looks reasonable, just given the inflation data that we've seen over the last couple of months.

**ERLICHMAN:**

Okay, it’s a really helpful roadmap. Tiffany, great to see you. Thanks as always for your time. We very much appreciate it. Tiffany Wilding joining us, Managing Director and Economist at PIMCO