

Canada's 2026 Economic Crossroads: Interest Rates, Trade, and Housing Markets

Canadian Economy · Answer Key · 13 Questions

1. In early 2026, which of the following factors was predicted to be the primary driver for an increase in Canada's inflation rate, according to the Bank of Canada's projections?

- A) A significant increase in housing starts across major urban centers.
- B) A sharp rise in gasoline prices due to geopolitical events in the Middle East.**
- C) A sudden surge in consumer demand for durable goods.
- D) A reduction in the Bank of Canada's policy interest rate.

2. As of April 2026, what was the Bank of Canada's benchmark interest rate, and what was the prevailing sentiment regarding its future trajectory for the remainder of 2026?

- A) 2.25%, with expectations of several rate hikes by year-end.
- B) 2.50%, with expectations of remaining stable.
- C) 2.25%, with expectations of remaining on hold throughout the year.**
- D) 2.00%, with expectations of further cuts to stimulate the economy.

3. According to analysis from March 2026, Canadian economic growth was projected to run below trend through 2026. What were identified as the key factors constraining this growth?

- A) A rapid increase in foreign direct investment and robust export demand.
- B) Slower population growth and the impact of U.S. tariffs on export demand and sentiment.**
- C) A significant decrease in energy prices and strong domestic consumption.
- D) An oversupply of housing and a contraction in the manufacturing sector.

4. In March 2026, Canada's trade balance experienced a significant shift, moving into a surplus. What were the primary contributors to this positive turn, as reported by TD Economics?

- A) A surge in automobile exports and increased imports of consumer goods.
- B) A substantial increase in unwrought gold, silver, and platinum exports, alongside rising crude oil exports.**
- C) A decline in energy prices and a reduction in non-U.S. exports.
- D) Increased imports of machinery and equipment, coupled with stable export volumes.

5. Which Canadian provinces were identified in March 2026 as outperforming in terms of economic growth, largely due to higher energy prices?

- A) Ontario, Quebec, and British Columbia.
- B) Alberta, Saskatchewan, and Newfoundland and Labrador.**
- C) Manitoba, Nova Scotia, and Prince Edward Island.
- D) Yukon, Northwest Territories, and Nunavut.

6. Regarding the Canadian housing market outlook for 2026, what was the general projection for national home sales and the average home price, according to insights from The Canadian Real Estate Association (CREA)?

- A) A significant decline in both sales and prices due to rising interest rates.
- B) A temporary pick-up in sales driven by pent-up demand, with prices stabilizing and then rising modestly.**
- C) Stagnant sales with a notable decrease in average home prices.
- D) A decrease in sales activity but a substantial increase in average home prices.

7. As of May 2026, what was the general forecast for the Canadian dollar's performance against the US dollar, according to Canadian bank projections?

- A) The Canadian dollar was expected to remain stable with slight weakening throughout the year.
- B) The Canadian dollar was expected to weaken significantly due to lower oil prices.
- C) The Canadian dollar was expected to remain under pressure in the near term but strengthen into the second half of 2026.**
- D) The Canadian dollar was expected to appreciate consistently throughout 2026.

8. In May 2026, the S&P Global Canada manufacturing purchasing managers' index (PMI) was reported at 52.9. What did this figure indicate about the manufacturing sector's performance?

- A) It signaled a contraction in the manufacturing sector.
- B) It indicated a sustained expansion in the manufacturing sector for the second consecutive month.**
- C) It suggested stagnation in manufacturing output and new orders.
- D) It represented the lowest PMI reading in over five years.

9. What was the projected GDP growth rate for Canada by the end of 2026, according to an outlook by the Organisation for Economic Co-operation and Development (OECD) in early June 2026?

- A) 0.5%
- B) 1.2%**
- C) 2.1%
- D) 3.0%

10. According to an analysis in April 2026, Canada's position as a net energy exporter was expected to benefit from higher energy prices linked to the Middle East conflict. What did this benefit primarily translate to?

- A) A decrease in domestic energy consumption.
- B) Increased government investment in renewable energy infrastructure.
- C) Higher export values for Canadian energy products.**
- D) A reduction in the Bank of Canada's policy rate.

11. In March 2026, Canada's trade balance recorded a surplus of CAD 1.8 billion. Which of the following was a key factor contributing to this surplus, according to Desjardins.com?

- A) A significant increase in motor vehicle imports.
- B) A rise in exports of metal and non-metallic mineral products, particularly gold shipments.**
- C) A decrease in energy exports due to domestic demand.
- D) An increase in the trade deficit with the United States.

12. As of May 2026, what trend was observed in Canada's foreign direct investment (FDI) inflows, according to analysis citing TD Economics and other sources?

- A) A significant decrease in FDI due to global economic uncertainty.
- B) Sustained FDI inflows reaching a new multi-year high, indicating investor confidence.**
- C) A shift in FDI away from the tech sector towards traditional resource industries.
- D) Primarily outbound FDI, with Canadian companies investing heavily abroad.

13. In April 2026, core inflation in Canada, as measured by the average of CPI-trim and CPI-median, was reported to be near the Bank of Canada's target. What was the specific percentage reported, and what was the projected impact of a protracted conflict in the Middle East on core inflation?

- A) 2.0%, with a projected increase of 50 basis points.
- B) 2.3%, with a projected increase of roughly 30 basis points.**
- C) 2.5%, with a projected decrease of 20 basis points.
- D) 1.8%, with no significant projected impact.