

Global Shocks, Canadian Economy: Interest Rates, Trade Wars, and Inflation -

Canadian Economy · Answer Key · 15 Questions

1. What has been a primary driver for Canada's inflation rate reaching 3.2% in May 2026, the highest since late 2023?

- A) A sudden increase in technology stock prices
- B) Rising gasoline and food prices due to the conflict in the Middle East**
- C) A decrease in the global demand for Canadian lumber
- D) The Bank of Canada significantly lowering interest rates

2. As of June 2026, the Bank of Canada has maintained its key interest rate at 2.25% for a fifth consecutive time. What global factor is significantly contributing to this decision, alongside domestic economic weakness?

- A) A surge in foreign direct investment into Canada
- B) The stability of global cryptocurrency markets
- C) Elevated uncertainty from proposed U.S. tariffs and trade policies**
- D) A decrease in global oil prices

3. The US-China trade war has led to significant collateral damage for Canadian companies. Which sector has been particularly impacted due to reliance on Chinese manufacturing for components?

- A) The Canadian agricultural sector
- B) The Canadian tourism industry
- C) The technology and electronics sector**
- D) The Canadian mining industry

4. Disruptions to shipping through the Strait of Hormuz have impacted global commodity markets. Which of the following Canadian product price indices saw a notable increase in May 2026 due to these disruptions?

- A) The Forestry Products Price Index
- B) The Industrial Product Price Index (IPPI)**
- C) The Consumer Goods Price Index
- D) The Pharmaceutical Products Price Index

5. Global conflicts and economic instability are influencing the Canadian housing market. How are these factors indirectly increasing the cost of building homes in Canada?

- A) Through a decrease in the availability of skilled construction labor
- B) By reducing demand for new housing developments
- C) Via increased construction material costs and inflation**
- D) Due to government subsidies for new home construction

6. Canada's economy is adjusting to U.S. tariffs and a new global trade landscape. What is the projected impact on Canada's economic growth for 2026, according to S&P Global Ratings?

- A) A strong expansion of 3.0% or more
- B) A moderate growth of 1.1%**
- C) A contraction of 1.0%
- D) Stagnant growth at 0.0%

7. The Bank of Canada's decision to hold interest rates steady is influenced by various global economic factors. Which of the following is NOT cited as a reason for holding rates steady as of June 2026?

- A) The ongoing conflict in the Middle East increasing energy prices and disrupting supply chains
- B) Elevated uncertainty due to U.S. trade policy
- C) A significant increase in global foreign direct investment**
- D) Weak economic activity in Canada

8. Canada's trade with the United States remains a significant factor in its economy. In April 2026, what was the approximate value of Canada's exports to the United States?

- A) C\$13.8 billion
- B) C\$32.6 billion
- C) C\$46.4 billion**
- D) C\$707 billion

9. Deloitte's report highlights that global disruptions affecting Canada's supply chains have increased by 38% year over year. What is identified as a key reason for Canada's high risk exposure in its supply chains?

- A) Over-reliance on a small number of trade routes and imported finished goods**
- B) A complete lack of trade agreements with other nations
- C) Excessive domestic production capacity
- D) A strong focus on efficiency over resilience

10. The Middle East conflict has impacted global commodity markets, affecting crude oil costs and supply chains. This situation has contributed to price increases across various commodity groups in Canada, including:

- A) Agricultural products and lumber
- B) Chemical and chemical products, and energy products**
- C) Textiles and apparel
- D) Automotive parts and electronics

11. Given Canada's strong trade integration, slower U.S. growth combined with tariffs has weighed heavily on its economic outlook. What was notable about Canada's economic performance in Q4 2025 compared to other G7 countries?

- A) It was the only G7 country to experience growth
- B) It was the only G7 country to experience a contraction**
- C) It had the highest GDP growth rate among G7 nations
- D) It experienced moderate growth similar to Germany

12. As of June 30, 2026, the Canadian dollar has been trading mixed after rebounding from a 14-month low. What is a key factor capping the Canadian dollar's recovery against the US dollar?

- A) A significant increase in Canadian exports to Europe
- B) Divergence in monetary policy between the Bank of Canada and the U.S. Federal Reserve**
- C) A sharp increase in global demand for Canadian technology
- D) Lower oil prices

13. Canadian manufacturing sectors are particularly vulnerable to global shocks. What makes them so susceptible?

- A) Their strong reliance on domestic suppliers and local markets
- B) Their limited reliance on imported inputs and foreign markets
- C) Their reliance on both foreign suppliers for inputs and foreign markets for sales**
- D) Their focus solely on exporting to non-U.S. markets

14. In May 2026, Canada's Industrial Product Price Index (IPPI) showed an increase. This rise was influenced by disruptions affecting global commodity markets, particularly related to:

- A) The global shortage of semiconductors
- B) Shipping disruptions through the Strait of Hormuz impacting crude oil costs**
- C) A decrease in demand for Canadian agricultural products
- D) The ongoing trade war between Canada and Mexico

15. The Bank of Canada's Monetary Policy Review Committee analyzes global economic developments. Which of the following is a key input they provide to the Governing Council?

- A) Predictions of celebrity stock market movements
- B) An analysis of credit conditions and financial stability**
- C) Forecasts for the global popularity of new music releases
- D) Detailed reports on international sports league performance