



How Much Will the Bank of Canada Raise the Policy Rate in April?

Description

It was only a few weeks ago that Bank of Canada raised the policy rate from a historic low of 0.25% to a higher rate of 0.50%. And, according to some analysts, the 0.50% policy rate may be on the move again.

Scotiabank, for example, believes the Bank of Canada will hike rates to 3% by this time next year. According to their analysis, the policy rate will hit 2.5% by the end of 2022, with another 50-basis-point hike in the first quarter of next year.

That might be an aggressive stance. But Scotiabank does make a point: inflation has gotten so high, the Bank of Canada might have fallen beyond. To catch back up, they could hike the policy rate more aggressively, perhaps another 50 basis points to end the second quarter.

The Bank of Canada will meet on April 13 to discuss changes to the policy rate. Can we expect another rate hike? Here's what we know so far.

How has the situation in Canada changed?

First off, recall that the Bank of Canada said a few factors would influence their decision to raise the policy rate. Those factors include how fast Canadians would spend pandemic savings, what the housing market would look like and the level of inflation.

In regards to the first two, not much has changed. Canadians aren't depleting their savings. And though some signs show the housing market could be cooling off, home prices are still rising.

As far as inflation goes, a lot has changed. The biggest curveball is the war in Ukraine, which will likely affect the global supply of both food and crude oil.

If both food and gas continue to get more expensive, they could drive the overall inflation rate above 6%. That could put more pressure on the Bank of Canada to make a big change, with raising interest rates being the first lever they'll likely pull.

The Bank of Canada is still sheepish on inflation. In fact, they're still pretty set on the idea that inflation is high due to factors they can't control. Whether it's the economic recovery from the pandemic or severe weather conditions or a war in Europe, the Bank of Canada doesn't seem convinced higher interest rates can assuage the major drivers of inflation.

That said, the Bank of Canada *has* indicated that rates are on a rising path. While we may not see a significant rate hike in April, I wouldn't be surprised if the Bank of Canada decided to hike the policy rate by another 25 basis points to 0.75%. The highest they'll hike the rate (in my opinion) is 50 basis points, leaving the rate at 1%.

When does the Bank of Canada meet again?

As of right now, the Bank of Canada has no scheduled dates to announce interest rate changes until April 13, meaning interest rates could stay low until that day. For 2022, the scheduled dates for interest rate announcements are as follows:

- April 13
- June 1
- July 13
- September 7
- October 26
- December 7

Should you get a mortgage before April?

If you're serious about buying a home in 2022, now might be the time to get a mortgage pre-approval.

When you get a mortgage pre-approval, your lender will give you an estimated monthly mortgage payment along with — yes — a mortgage rate based on *today's* rate.

While you're not guaranteed a mortgage, you are guaranteed the rate, at least for a time, usually anywhere from two to four months. Even if the central bank hikes rates in March, you would still benefit from historically low rates by getting pre-approved today.

If you plan on buying a home within the next three to four months, a pre-approval could be right for you. But act fast. You're not the only Canadian trying to lock in historically low interest rates.

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