



PRESS RELEASE



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Bank Rate Raised by 1/4 Percentage Point to 5 1/4 Per Cent

OTTAWA, Ontario, 3 February, 2000 — The Bank of Canada raised its Bank Rate today by $\frac{1}{4}$ of one percentage point to $5\frac{1}{4}$ per cent. The operating band for the overnight rate was correspondingly increased, and the Bank's target for the overnight rate is now 5 per cent.

This increase in interest rates by the Bank, which follows the decision yesterday by the U.S. Federal Reserve Board to raise its target level for the federal funds rate to $5\frac{3}{4}$ per cent, is designed to keep the future trend of inflation well inside the Bank's 1 to 3 per cent target range so that the Canadian economy can continue to expand in a sustainable way.

The factors behind this decision include the strong momentum of demand in the Canadian economy from both external and domestic sources, the importance of approaching the economy's full capacity in a prudent way, and the risk of a spillover of potential inflation pressures from the United States into Canada.

U.S. economic and financial developments have an important impact on Canada, and the Bank gives full and careful consideration to that influence. Decisions by the Bank, however, are always taken on the basis of what is considered appropriate for the situation in Canada.

The Bank will be issuing an *Update* to its November *Monetary Policy Report* in two weeks. That *Update*, to be included in the Bank of Canada's *Winter Review*, will provide a current assessment of the trends in the economy.

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