



## PRESS RELEASE



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### **Bank Rate Raised by ¼ Percentage Point to 5½ Per Cent**

**OTTAWA, Ontario, March 22, 2000** — The Bank of Canada raised its Bank Rate today by ¼ of one percentage point to 5½ per cent. The operating band for the overnight rate was correspondingly increased, and the Bank's target for the overnight rate is now 5¼ per cent.

This increase in interest rates by the Bank of Canada follows the decision yesterday by the U.S. Federal Reserve Board to raise its target level for the federal funds rate to 6 per cent. In announcing its decision, the Federal Reserve expressed further concern that increases in demand will continue to exceed the growth of the U.S. economy's production capacity, posing inflation risks.

Strong U.S. demand has been benefiting the Canadian export sector. Increased export sales, together with the robust momentum of domestic spending in Canada, have led to a more rapid economic expansion than expected. While the core measure of Canadian inflation remains in the lower half of the Bank's inflation-control target range of 1 to 3 per cent, the strengthening pace of economic expansion has been rapidly absorbing production capacity and runs the risk of putting excessive pressure on capacity limits. In addition, the recent sharp rise in energy prices has pushed the increase in the total CPI to 2.7 per cent and is adding to input costs for other products.

This adjustment in the Bank Rate is designed to resist any tendency for these developments to lead to an increase in the trend of inflation in Canada.

It is by taking timely action, as required, to keep future inflation inside the 1 to 3 per cent target range that the Bank of Canada can help to ensure a sustainable expansion of economic activity and employment.

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