



PRESS RELEASE



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Bank of Canada keeps Bank Rate at 6 per cent

OTTAWA, Ontario, December 5, 2000 — The Bank of Canada today announced that it is maintaining the Bank Rate at 6 per cent. The operating band for the overnight rate is unchanged, and the Bank's target for the overnight rate remains at 5 3/4 per cent.

In making this decision, the Bank took into account a number of factors bearing on the future trend of inflation.

Economic data continue to indicate that the rate of expansion of output is above the Canadian economy's long-run growth potential. While external demand for Canadian products has moderated, reflecting the recent slowing in the United States economy, growth in domestic demand remains robust.

The latest information on consumer price inflation was broadly in line with the Bank's expectations. In October, core inflation moved up slightly to 1.5 per cent, remaining in the lower half of the Bank's 1 to 3 per cent inflation-control target range. The rate of increase in the total consumer price index remained close to the top end of the target range, reflecting the sharp increase in energy prices over the past year.

Monetary conditions have supported the growth of aggregate demand, and pressures on the economy's production capacity are expected to increase. At the same time, as pointed out in the November *Monetary Policy Report*, the economy's ability to expand without generating rising inflationary pressures could be greater than estimated. Accordingly, the Bank will continue to assess carefully the balance of aggregate demand and supply in the economy and the risks to the future trend of inflation.

The Bank will also pay close attention to any signs that higher energy prices are being passed through to other prices in the economy and to inflation expectations, as well as to any potential inflationary effect from the lower Canadian dollar.

In the Bank's judgement, the factors at work in the economy point to core inflation rising to the midpoint of the target range over the coming year.

Information note:

The next scheduled date for a Bank Rate announcement is 23 January 2001.
The *Monetary Policy Report Update* will be published on 6 February 2001.

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