



PRESS RELEASE



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Bank of Canada Governor says Canada's economy faces the future with sound foundations

TORONTO, Ontario, January 22, 2001 — In a speech to the Canadian Club of Toronto, Bank of Canada Governor Gordon Thiessen reviewed Canada's economic performance during the 1990s, focusing on the changes that have taken place in our economy and what these changes mean for the future.

Mr. Thiessen said that, after a difficult period of adjustment in the 1990s, the Canadian economy has been performing well over the last several years. Output, employment, and incomes have been rising and, more recently, there have also been signs of a pickup in productivity growth. At the same time, the trend of inflation has remained low—within the Bank's inflation-control target range of 1 to 3 per cent. This low-inflation environment, said the Governor, has contributed significantly to Canada's recent favourable economic performance.

Mr. Thiessen noted that, as we look ahead, there are considerable grounds for optimism regarding our economic future because of the improvements in Canada's economic fundamentals. "Low and stable inflation, together with a declining public sector debt, now provides a stronger base for the Canadian economy than we have had in three decades. In addition, there is the shift in business attitudes towards greater focus on cost control, productivity, and international competitiveness." With these improvements, "our economy is now in a better shape ... to deal with all kinds of external shocks—including fluctuations in U.S. demand for our products."

The Governor added that "how well we do in the future will depend on us getting a number of things right. Above all, we must ensure that we sustain and build on the progress made on the inflation, fiscal, and business fronts." We must also find the level of taxation that offers scope for entrepreneurship and risk-taking and allows a level of public services that meets the needs of Canadians at a time of rapid change. On-the-job training is also necessary if we are to avoid skill shortages that could constrain the expansion of our economy.

Mr. Thiessen concluded: "What I see ahead are challenges, but not the serious problems we were facing ten years ago. Today, we have an economy with sound foundations, well-placed to rise to these challenges and prosper."

This is Governor Thiessen's last public speech before his retirement at the end of January.

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