



PRESS RELEASE



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Bank of Canada lowers Bank Rate to 5 1/4 per cent

OTTAWA, Ontario, March 6, 2001 — The Bank of Canada today announced that it is lowering the Bank Rate by one-half of one percentage point to 5 1/4 per cent. The operating band for the overnight rate is correspondingly lowered, and the Bank's target for the overnight rate is reduced to 5 per cent.

Since 23 January, the Bank's last fixed announcement date, there have been indications that the slowdown in the U.S. economy in the first half of 2001 could be more pronounced than expected, and there is a risk that weakening confidence could delay the U.S. recovery. In Canada, recent information suggests that the positive underlying momentum in the economy at the end of 2000 was somewhat less strong than had been previously estimated, and that pressures on productive capacity and inflation are lower as a result.

Today's action was taken in light of these developments and related uncertainties. The reduction in interest rates, together with rising disposable incomes bolstered by recent tax reductions, will help to underpin domestic demand. The Bank remains of the view that the overall pace of economic activity in Canada will rebound in the second half of the year. This will lead to a level of economic activity that is consistent with maintaining the core rate of inflation close to 2 per cent, the midpoint of the Bank's 1 to 3 per cent inflation-control target range. Assuming that world energy prices remain around current levels, the Bank continues to expect that the annual rate of increase in the total CPI will move down to about 2 per cent in the second half of this year.

Information note: The next scheduled date for a Bank Rate announcement is 17 April 2001. The *Monetary Policy Report* will be published on 1 May 2001.

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