



PRESS RELEASE



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Bank of Canada lowers Bank Rate by 1/4 per cent

OTTAWA, Ontario, 17 April 2001 — The Bank of Canada today announced that it is lowering the Bank Rate by one-quarter of one percentage point to 5 per cent. The operating band for the overnight rate* is correspondingly lowered, and the Bank's target for the overnight rate is reduced to 4 3/4 per cent.

Since late 2000, the pace of economic expansion in Canada has slowed to a rate below the economy's long-run growth potential. Information received since 6 March, the Bank's last fixed announcement date, confirms that this slowing is broadly in line with the Bank's expectations. The slowdown has largely been a consequence of the marked easing in the pace of U.S. economic growth, while final domestic demand has maintained its underlying momentum. Overall, the Canadian economy is expected to be operating somewhat below capacity by the middle of 2001, putting downward pressure on inflation. Core inflation, currently 2 per cent, is thus expected to ease. The rate of increase in the total CPI, currently close to 3 per cent, is expected to move down to 2 per cent by the end of 2001.

In light of the slowing pace of growth and the movement towards a position of excess supply, today's interest rate reduction, together with earlier reductions announced in January and March, is intended to support growth in aggregate demand, consistent with the Bank's policy objective of keeping inflation close to the midpoint of its 1 to 3 per cent target range over the medium term.

It remains the Bank's view that, following the slowdown in the first half of this year, Canada's economic growth will strengthen in the second half and in 2002. This expected pickup reflects a number of factors, including completion of the current inventory adjustment, continuing investment in new technology, recent tax cuts, the easing in domestic monetary conditions and, most importantly, the resumption of stronger U.S. economic growth. Given the uncertainties related to the timing and strength of the U.S. rebound, the Bank will continue to monitor developments closely.

Information note:

A detailed explanation of the Bank's views on the economy and the outlook for inflation will be set out in the *Monetary Policy Report* to be published on 1 May 2001.

The next scheduled date for a Bank Rate announcement is 29 May 2001.

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