



PRESS RELEASE



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Bank of Canada lowers key policy interest rate by 1/2 percentage point to 3 1/2 per cent

OTTAWA, Ontario, September 17, 2001 — The Bank of Canada today announced that it is lowering its target for the overnight rate* by one-half of one percentage point to 3 1/2 per cent. The operating band for the overnight rate is correspondingly lowered, and the Bank Rate is now 3 3/4 per cent.

The tragic acts of terrorism in the United States on 11 September may pose significant challenges to consumer and business confidence in the United States, Canada, and elsewhere. Accordingly, the Bank is taking this action today to underpin confidence and provide further support for economic growth in Canada. The Bank's decision to act outside of its normal schedule of announcement dates reflects the need for prompt action to counteract potential effects on confidence in the aftermath of the extraordinary events in the United States.

Information note:

The Bank's next scheduled date for announcing policy interest rates is 23 October 2001.

* The *target for the overnight rate* is the Bank's key policy interest rate. This is the appropriate policy rate for international comparisons—for example, with the target for the federal funds rate in the United States and with the two-week repo rate in the United Kingdom. The target for the overnight rate is the midpoint of a 50-basis-point operating band. The Bank Rate is the upper limit of this band.

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