



PRESS RELEASE



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Bank of Canada lowers key policy interest rate by 3/4 percentage point to 2 3/4 per cent

OTTAWA, Ontario, October 23, 2001 — The Bank of Canada today announced that it is lowering its target for the overnight rate* by three-quarters of one percentage point to 2 3/4 per cent. The operating band for the overnight rate is correspondingly lowered, and the Bank Rate is now 3 per cent.

Over the course of the summer, a more pronounced weakening trend in economic activity became evident in Canada and globally. The terrorist attacks of 11 September appear to have exacerbated this trend. As a consequence, levels of economic activity in Canada through the second half of this year and the first half of next year will be further below the economy's potential output than previously expected. This will result in persistent downward pressure on inflation through much of next year. Core inflation, which was 2.3 per cent in September, is now expected to move down below 2 per cent in early 2002. Total CPI inflation, which was 2.6 per cent in September, should also decline below 2 per cent by early 2002, if energy prices remain at or below their early-September levels.

Today's interest rate cut, which brings the total reduction in policy interest rates since the beginning of the year to 3 percentage points, is intended to underpin confidence and provide additional support for domestic demand growth through 2002, consistent with keeping inflation near the Bank's target of 2 per cent over the medium term. In this environment of exceptional uncertainties about geopolitical developments and business and household confidence, the Bank will continue to monitor economic developments very closely.

Information note:

The *Monetary Policy Report* will be published on 7 November 2001.

The Bank's next scheduled date for announcing policy interest rates is 27 November 2001.

* The *target for the overnight rate* is the Bank's key policy interest rate. This is the appropriate policy rate for international comparisons.

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