



## PRESS RELEASE



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### **Bank of Canada lowers key policy interest rate by 1/2 percentage point to 2 1/4 per cent**

**OTTAWA, Ontario, November 27, 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 2 1/4 per cent. The operating band for the overnight rate is correspondingly lowered, and the Bank Rate is now 2 1/2 per cent.

Recent economic developments in Canada have been broadly consistent with expectations at the time of the last policy interest rate announcement on 23 October, as presented in the November *Monetary Policy Report*. Accordingly, the Bank continues to anticipate that the economy will be operating with excess capacity throughout 2002. Core inflation, which slowed to 2.2 per cent in October, is thus expected to decline further to about 1 1/2 per cent in the second half of 2002. Total CPI inflation, which dropped to 1.9 per cent in October, is expected to remain below core inflation in 2002, if energy prices stay at or below their levels in early September.

Today's interest rate reduction provides additional support for growth in domestic demand, consistent with returning inflation to the Bank's 2-per-cent inflation target over the medium term. The cumulative reduction in policy interest rates since the beginning of 2001 is now 3 1/2 percentage points. This represents a substantial amount of monetary stimulus which, in the period ahead, will work to counteract the weakness in aggregate demand.

It is still too early to characterize the economic outlook with great assurance, given ongoing uncertainties. The November *Monetary Policy Report* set out the Bank's two working assumptions, which are that there will be no further major escalation of terrorism and that consumer and business confidence will return to normal levels in the second half of 2002. Geopolitical developments since then have been consistent with these assumptions.

#### **Information note**

The Bank's next scheduled date for announcing policy interest rates is 15 January 2002. The *Monetary Policy Report Update* will be published on 23 January 2002.

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