



PRESS RELEASE



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Bank of Canada Governor reviews success of inflation targets

SASKATOON, Saskatchewan, January 29, 2002 — In a speech to the Saskatoon and District Chamber of Commerce, Bank of Canada Governor David Dodge said today that Canada's inflation-targeting system has led to many benefits for the Canadian economy. The Governor detailed those benefits, which were confirmed when the Bank and the Government of Canada renewed their inflation-control agreement last year.

Looking back over his first year as Governor, Mr. Dodge said that the renewal of the inflation-control agreement was a key event for the Bank in 2001. "This was an important decision. It strengthened a policy framework that has given our economy low, stable, and predictable inflation for the past decade."

The Governor also reviewed the refinements that the Bank has made to its measure of core inflation, pointing out that those changes will help the Bank follow underlying inflation trends even more accurately in the future.

With respect to the economic outlook, Mr. Dodge said that the Bank continues to expect that economic growth will be between 1 and 2 per cent in the first half of this year. Growth should accelerate to a range of 3 to 4 per cent in the second half.

The Governor also repeated remarks he made last week that the depreciation of the Canadian dollar over the last couple of weeks is not helpful for our economy, nor does it appear to reflect recent positive economic developments in Canada.

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