



## PRESS RELEASE



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### **Bank of Canada raises overnight rate target by 1/4 percentage point to 2 3/4 per cent**

**OTTAWA, Ontario, July 16, 2002** — The Bank of Canada today announced that it is raising its target for the overnight rate by one-quarter of one percentage point to 2 3/4 per cent. The operating band for the overnight rate is correspondingly increased, and the Bank Rate is now 3 per cent.

Since the Bank's last interest rate announcement on 4 June, the economic recovery in Canada has remained stronger than expected and has broadened across sectors. This momentum has been reflected in continued strong growth in employment and spending by households, as well as in some pickup of investment in machinery and equipment. As a result, the economy has been moving towards full production capacity more quickly than anticipated. Core inflation, which was 2.2 per cent in May, has remained a little higher than projected.

There are both positive and negative risks to the Canadian economic outlook. On the positive side, with considerable monetary stimulus in the economy, growth in Canada could very well continue to exceed expectations. On the negative side, the main risk is the marked uncertainty associated with recent global corporate and financial market developments and their potential effects on confidence and world economic growth.

The Bank's decision to raise interest rates represents a further measured reduction in the substantial amount of monetary stimulus in the economy. In the period ahead, the Bank will remain focused on taking the necessary actions to achieve the inflation target of 2 per cent over the medium term.

#### **Information note:**

An elaboration of the Bank's views on the economy and the outlook for inflation that were the basis for today's interest rate decision will be set out in the *Monetary Policy Report Update*, to be published on 24 July 2002. The Bank's next scheduled date for announcing policy interest rates is 4 September 2002.

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