



PRESS RELEASE



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Bank of Canada keeps target for the overnight rate at 2 3/4 per cent

OTTAWA, Ontario, October 16, 2002 The Bank of Canada today announced that it is maintaining its target for the overnight rate at 2 3/4 per cent. The operating band for the overnight rate is unchanged, and the Bank Rate remains at 3 per cent.

The strong expansion of the Canadian economy is continuing, with domestic demand growth fuelled by the substantial monetary stimulus in the economy. Core and total CPI inflation have risen appreciably above the Bank's 2 per cent target for inflation control, largely because of a number of relative price movements. At the same time, the outlook for global economic activity has weakened, reflecting uncertainty about economic, financial, and geopolitical developments, as well as a reduced tolerance for risk in global financial markets. These uncertainties and the weaker global outlook may dampen growth in aggregate demand for Canadian output in the near term. The Bank has therefore decided to leave the target for the overnight rate unchanged at this time.

It remains the Bank's view, going forward, that timely removal of monetary stimulus will be required to achieve the inflation target over the medium term. The pace of monetary policy tightening will depend on unfolding economic, financial, and geopolitical developments and their implications for pressures on capacity and inflation in Canada. Particular attention will be paid to ensuring that the relative price movements that are causing inflation to rise do not feed into expectations of generalized price inflation.

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*, to be published on 23 October 2002.

Information note:

The Bank's next scheduled date for announcing policy interest rates is 3 December 2002.

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