



PRESS RELEASE



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

OTTAWA, Ontario, December 3, 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.

Core and total CPI inflation have remained above the Bank's 2 per cent target for inflation control, largely as a result of one-off price movements such as the increase in insurance premiums. The Canadian economy continues to expand, with the substantial amount of monetary stimulus in the economy supporting growth in domestic demand. However, data that have become available since the Bank's last fixed announcement date on 16 October indicate that Canada's economic growth in the second half of 2002 is coming in lower than previously expected, primarily because of continuing financial and geopolitical uncertainties and global economic weakness. In these circumstances, the Bank has left the overnight rate unchanged.

The Bank continues to expect a strengthening of domestic and foreign demand and the resumption of above-potential growth in the second half of 2003. Accordingly, 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 economic, financial, and geopolitical developments and their implications for pressures on capacity and inflation in Canada.

Assuming crude oil prices remain at current levels, total inflation will likely peak at a lower level than previously expected, before returning to around 2 per cent in the second half of next year. The Bank will continue to monitor developments closely for any signs that the recent one-off price movements may be feeding into expectations of generalized price inflation.

Information note:

The Bank of Canada's next scheduled date for announcing the overnight rate target is 21 January 2003. The *Monetary Policy Report Update* will be published two days later on 23 January. Thereafter it will be Bank practice to publish the Update two days after a fixed announcement date. The *Monetary Policy Report* will continue to be published in the week following a fixed announcement date.

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