



## PRESS RELEASE



*Canadian Mortgage News - National Archive 2003*

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

**OTTAWA, Ontario, 15 April 2003** — The Bank of Canada today announced that it is raising its target for the overnight rate by one-quarter of one percentage point to 3 1/4 per cent. The operating band for the overnight rate is correspondingly increased, and the Bank Rate is now 3 1/2 per cent.

Since the Bank's last interest rate announcement on 4 March, both core and total CPI inflation have remained well above the Bank's 2 per cent inflation target and measures of inflation expectations have edged up. Economic growth in Canada in the second half of 2002 and in early 2003 eased from its earlier vigorous pace, but domestic demand has remained firm and employment gains have continued. As a result, the level of economic activity in Canada remains near full production capacity.

The near-term outlook for the global and Canadian economies is somewhat weaker than was expected at the time of the Bank's last interest rate announcement. Nonetheless, with geopolitical uncertainties diminishing and world oil prices declining significantly, the risks confronting the global economy are now better balanced. The Bank thus expects that economic expansion in Canada and the United States will begin to strengthen towards the end of 2003 and will strengthen further in 2004. In view of the domestic inflation environment and the expectation that the Canadian economy will be operating near potential in 2004, the Bank has decided to further reduce the amount of monetary stimulus by raising the target for the overnight rate.

In light of near-term economic uncertainties, the Bank will be closely monitoring domestic demand and the inflation environment, as well as the pace of recovery in the United States and the overseas economies. An elaboration of the Bank's views on the economy and the outlook for inflation will be set out in the Monetary Policy Report, to be published on 23 April 2003.

**Information note:**

The Bank of Canada's next scheduled date for announcing the overnight rate target is 3 June 2003.

CONTACT: Pierre Laprise  
(613) 782-8782