



PRESS RELEASE



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

OTTAWA, Ontario, 15 October 2003 — 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.

Since the Bank lowered policy interest rates on 3 September, indicators of economic activity and inflation in Canada have evolved broadly in line with the Bank's expectations. Core inflation has remained below the Bank's 2 per cent inflation target. As well, there has been evidence of gathering economic strength, including firm growth in final domestic demand and positive signs of recovery in the U.S. and overseas economies. Over this period, however, the value of the U.S. dollar has depreciated more than was generally expected against some major currencies, including the Canadian dollar. Taking all these developments into account, the Bank has decided to leave its policy interest rates unchanged at this time.

Looking forward, the Bank continues to expect growth in the Canadian economy to strengthen during the fourth quarter of 2003 and through 2004. On balance, this expansion should be above the rate of potential growth, supported by solid household spending and increased business investment. Stronger economic growth abroad should also boost foreign demand for Canadian goods and services, although this source of strength will be tempered by the higher value of the Canadian dollar. More broadly, there are uncertainties related to the timing and magnitude of ongoing global demand, price, and exchange rate adjustments to economic imbalances. The Bank will closely monitor and assess the implications of these global adjustments for demand and inflation in Canada. An elaboration of the Bank's views on the economy and the outlook for inflation will be provided in the Monetary Policy Report to be released on 22 October 2003.

Information note:

The Bank of Canada's next scheduled date for announcing the overnight rate target is 2 December 2003.

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