



PRESS RELEASE



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Bank of Canada lowers target for the overnight rate by 1/4 percentage point to 2 per cent

OTTAWA, Ontario, 13 April 2004 — The Bank of Canada today announced that it is lowering its target for the overnight rate by one-quarter of one percentage point to 2 per cent. The operating band for the overnight rate is correspondingly lowered, and the Bank Rate is now 2 1/4 per cent.

The Canadian economy continues to adjust to developments in the global economy. These include stronger world demand, higher commodity prices, the realignment of world currencies, including the Canadian dollar, and the intensified competition, together with the new trading opportunities, coming from emerging-market economies. These developments require shifts in activity among sectors and create a need for adjustments by many businesses. Monetary policy is facilitating these adjustments by supporting aggregate demand, with the goal of keeping the economy near its full potential and inflation on target.

The Bank's outlook for economic growth and inflation remains essentially unchanged from the outlook published in the January *Monetary Policy Report Update*. The economy is projected to return close to its production potential by the third quarter of 2005 and core inflation is projected to move back to the 2 per cent target by the end of 2005.

Against this backdrop, the Bank decided to lower the target for the overnight rate by a further quarter percentage point.

The risks to the outlook now appear balanced. An elaboration of the Bank's views on the outlook for inflation and the economy will be provided in the *Monetary Policy Report*, to be released on 15 April 2004.

Information note:

The Bank of Canada's next scheduled date for announcing the overnight rate target is 8 June 2004.

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