



PRESS RELEASE



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

OTTAWA, Ontario, 8 June 2004 — The Bank of Canada today announced that it is maintaining its target for the overnight rate at 2 per cent. The operating band for the overnight rate is unchanged, and the Bank Rate remains at 2 1/4 per cent.

Economic information received since the release of the *April Monetary Policy Report (MPR)* has been generally consistent with the Bank's expectations for growth and core inflation, and reflects the Canadian economy's continuing adjustment to global economic developments. The notable exception has been the sharp rise in world oil prices in response to stronger-than-anticipated global demand for oil and to heightened geopolitical uncertainties in the Middle East. This implies that total CPI inflation over the next several months will be higher than the Bank expected.

All things considered, the Bank's outlook for economic growth and core inflation is essentially unchanged from the outlook in the April *MPR*. The Bank continues to project that the economy will return close to its production potential by the third quarter of 2005 and that core inflation will move back to the 2 per cent target by the end of 2005.

In these circumstances, the Bank decided to leave the target for the overnight rate unchanged.

Information note:

The Bank of Canada's next scheduled date for announcing the overnight rate target is 20 July 2004. The *Monetary Policy Report Update* will be published on 22 July 2004.

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