



PRESS RELEASE



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Bank of Canada keeps target for the overnight rate at 2 1/2 per cent

OTTAWA, Ontario, December 7, 2004 —The Bank of Canada today announced that it is maintaining its target for the overnight rate at 2 1/2 per cent. The operating band for the overnight rate is unchanged, and the Bank Rate remains at 2 3/4 per cent.

Information received since the October *Monetary Policy Report (MPR)* suggests that economic activity in Canada has been broadly in line with the Bank's expectations, with core inflation remaining below the 2 per cent inflation target. Although oil prices have declined, global economic growth prospects have moderated slightly. The U.S. dollar has depreciated further against major floating currencies, including the Canadian dollar. If exchange rates were to persist at current levels, and if all other economic and financial factors were to remain unchanged, there would be a dampening effect on aggregate demand for Canadian goods and services.

In light of these considerations, the Bank decided to leave the target for the overnight rate unchanged. With the overnight rate at 2 1/2 per cent, a considerable amount of monetary stimulus remains in the Canadian economy. As well, the underlying trends in the global economy continue to point to solid economic growth. Accordingly, the Bank will be paying close attention to the prospects for factors that affect pressures on capacity and, hence, inflation.

The main risks and uncertainties around the outlook for the Canadian economy remain those that the Bank identified and analyzed in the *MPR*. They relate to global imbalances, the realignment of currencies, commodity prices, the growing presence of emerging market economies such as China and India, and the related adjustments within the Canadian economy. The Bank will monitor these factors, with a view to keeping aggregate demand and supply in balance in order to achieve the inflation target.

Information note:

The Bank of Canada's next scheduled date for announcing the overnight rate target is 25 January 2005. The *Monetary Policy Report Update* will be published on 27 January 2005.