



## PRESS RELEASE



*Canadian Mortgage News - National Archive 2005*

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

**OTTAWA, Ontario, 25 January 2005** — 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.

The Canadian economy continues to adjust to major global developments. Recent data suggest that Canada's economic growth in the fourth quarter of 2004 was marginally weaker than previously expected, owing partly to a somewhat more pronounced adjustment to the past appreciation of the Canadian dollar. Since the December fixed announcement date, the Canadian dollar has continued to trade in a higher range than was observed prior to the October *Monetary Policy Report (MPR)*. In large part reflecting the consequences for aggregate demand of this higher exchange rate, the Bank now expects the Canadian economy to operate a little further below its full production capacity in 2005 than was anticipated in the last *MPR*. Against this background, the Bank decided to leave the target for the overnight rate unchanged.

The *Monetary Policy Report Update*, to be released on 27 January 2005, will provide details of the Bank's outlook for economic growth and inflation through 2006, including the attendant risks and uncertainties, and will consider the related issues for monetary policy.

**Information note:**

The Bank of Canada's next scheduled date for announcing the overnight rate target is 1 March 2005.

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