



PRESS RELEASE



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

OTTAWA, Ontario, 25 May 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.

Global and Canadian economic data received since the last interest rate announcement on 12 April have been broadly in line with expectations. The Bank's outlook for the Canadian economy through to the end of 2006 is unchanged from that in the April *Monetary Policy Report (MPR)*. Growth this year and next is still expected to come primarily from domestic demand. Consistent with the analysis in the *MPR*, the Canadian economy is expected to move back to its production capacity in the second half of 2006, with core inflation projected to return to 2 per cent around the end of next year. In line with this outlook, a reduction of monetary stimulus will be required over time.

The outlook remains subject to both upside and downside risks. These risks relate largely to global developments, the associated relative price changes, and the adjustment of the Canadian economy.

Information note:

The Bank of Canada's next scheduled date for announcing the overnight rate target is 12 July 2005. The *Monetary Policy Report Update* will be published on 14 July 2005.

Contact:

Jeremy Harrison
(613) 782-8782